



**KERN HEALTH  
SYSTEMS**

**REGULAR MEETING OF THE  
BOARD OF DIRECTORS**

**Thursday, April 12, 2018**

**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 12, 2018

8:00 A.M.

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

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

#### BOARD TO RECONVENE

Directors: Rhoades, McGlew, Deats, Hoffmann, Brar, Casas, Hinojosa,  
Judd, Melendez, Patel, 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

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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 8, 2018 (Fiscal Impact: None) –  
APPROVE
- 5) Report by Daniells Phillips Vaughan & Bock on the audited financial statements of Kern Health Systems for the year ending December 31, 2017 (Fiscal Impact: None) –  
APPROVE
- 6) Report on Request for Statement of Qualifications – Subcontractors (Fiscal Impact: None) –  
APPROVE

- 
- 7) Proposed Retroactive Amendment No. 40 to Hospital and Other Facility Services Agreement with Kern Medical for Base Rate and Rate Range for Services Provided to Medi-Cal Optional Expansion Enrollees for the period January 1, 2017 through June 30, 2017 for a maximum amount of \$8,014,366 for the Base Rate and \$580,320 for the Rate Range pursuant to the Intergovernmental Agreement regarding the transfer of public funds between the County of Kern and the California Department of Health Care Services (Fiscal Impact: None) –  
 APPROVE
- CA-8) Proposed Agreement with Office Ally, to process and submit electronic medical claims from providers and institutions directly to KHS, from April 12, 2018 through April 12, 2021, in an amount not to exceed \$0.25 per claim (Fiscal Impact: \$175,000 estimated annually; Budgeted) –  
 APPROVE; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN
- CA-9) Proposed Retroactive Agreement with McKesson, to provide ClaimCheck claims review software, maintenance and support, March 6, 2018 through October 5, 2018, in an amount not to exceed \$332,894 (Fiscal Impact: \$332,894; Budgeted) –  
 APPROVE; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN
- CA-10) Report on Department of Health Care Services Medical Audit Results for the period August 1, 2016 through July 31, 2017 (Fiscal Impact: None) –  
 RECEIVE AND FILE
- 11) Report on Kern Health Systems quarterly 2018-2020 Three Year Strategic Plan update (Fiscal Impact: None) –  
 RECEIVE AND FILE
- CA-12) Report on State of California's proposed 2018 legislation of interest to Kern Health Systems (Fiscal Impact: None) –  
 RECEIVE AND FILE
- 13) Report on Kern Health Systems financial statements for December 2017 and January 2018 (Fiscal Impact: None) –  
 RECEIVE AND FILE
- CA-14) Report on Accounts Payable Vendor Report, Administrative Contracts under \$100,000 budgeted and \$50,000 non-budgeted, and non-claims paid through QNXT system for December 2017 and January 2018 (Fiscal Impact: None) –  
 RECEIVE AND FILE
- CA-15) 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-16) Proposed appointment of Jeremiah Joson, Pharm.D, and Joseph Tran, Pharm.D, to the Kern Health Systems Pharmacy & Therapeutic Committee (Fiscal Impact: None) –  
MAKE APPOINTMENTS
  - CA-17) Proposed modifications to Kern Health Systems formulary (Fiscal Impact: None) –  
APPROVE
  - 18) Report on Kern Health Systems Operation Performance and Review of the Kern Health Systems Grievance report (Fiscal Impact: None) –  
RECEIVE AND FILE
  - 19) Kern Health Systems Chief Medical Officer report (Fiscal Impact: None) –  
RECEIVE AND FILE
  - 20) Kern Health Systems Chief Executive Officer report (Fiscal Impact: None) –  
RECEIVE AND FILE
  - CA-21) Miscellaneous Documents –  
RECEIVE AND FILE
    - A) Minutes for KHS QI/UM Committee meeting on November 16, 2017
    - B) Minutes for KHS Finance Committee meeting on February 2, 2018

ADJOURN TO THURSDAY, JUNE 14, 2018 AT 8:00 A.M.

**AMERICANS WITH DISABILITIES ACT  
(Government Code Section 54953.2)**

The meeting facilities at Kern Health Systems are accessible to persons with disabilities. Disabled individuals who need special assistance to attend or participate in a meeting of the 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 8, 2018

8:00 A.M.

#### BOARD RECONVENED

Directors present: Rhoades, McGlew, Deats, Hoffmann, Brar, Casas, Judd (Arrived at 8:33 a.m.), Melendez, Patel, Stewart

Directors absent: Hinojosa, Patrick

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

**Deats**

#### CLOSED SESSION

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

8:15 A.M.

BOARD RECONVENED AT 8:15 A.M.

REPORT ON ACTIONS TAKEN IN CLOSED SESSION –

Item No. 1 concerning a Request for Closed Session regarding peer review PROVIDERS RECOMMENDED FOR **INITIAL CREDENTIALING FEBRUARY 2018** 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 DAVIS, JURICH, MEAVE, PARKER, PELAEZ, SCULLY; DIRECTOR STEWART ABSTAINED FROM VOTING ON ALCANTAR, DAVIS, JURICH, MEAVE, PARKER, PELAEZ, SCULLY

Item No. 1 concerning a Request for Closed Session regarding peer review PROVIDERS RECOMMENDED FOR **RECREREDENTIALING JANUARY 2018** 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 RECREREDENTIALING; DIRECTOR DEATS ABSTAINED FROM VOTING ON MOON; DIRECTOR HOFFMANN ABSTAINED FROM VOTING ON ELLIAS; DIRECTOR STEWART ABSTAINED FROM VOTING ON ELLIAS

Item No. 1 concerning a Request for Closed Session regarding peer review PROVIDERS RECOMMENDED FOR **RECREREDENTIALING FEBRUARY 2018** 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 RECREREDENTIALING; DIRECTOR HOFFMANN ABSTAINED FROM VOTING ON KONGARA, MESA CLINICAL PHARMACY, NALESNIK, WILLIAMS, ZAPANTA; DIRECTOR MCGLEW ABSTAINED FROM VOTING ON MESA CLINICAL PHARMACY; DIRECTOR STEWART ABSTAINED FROM VOTING ON NALESNIK, PASABOC, WILLIAMS, ZAPANTA

#### 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!  
**NO ONE HEARD**

#### 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))



DIRECTOR DEATS REPORTED ON HIS RECENT MEETING WITH TWO CARDIOLOGIST FROM LOS ANGELES; DIRECTOR DEATS STATED THAT THEY LIKED OUR TOWN AND WERE IMPRESSED WITH THE HOSPITAL MEDICAL STAFF; DIRECTOR DEATS ADVISED THEM TO TELL THE DOCS IN LOS ANGELES HOW GREAT OUR TOWN IS AND THAT WE NEED MORE DOCS HERE

DIRECTOR RHOADES REPORTED THAT THE CONTRACTORS HAVE STARTED MOVING DIRT AT OUR NEW BUILDING SITE AND; IF ANY MEMBER OF THE BOARD WOULD LIKE TO VISIT THE SITE, TO PLEASE COORDINATE WITH DOUG AND HE WILL MAKE IT HAPPEN

- CA-4) Minutes for Kern Health Systems Board of Directors regular meeting on December 14, 2017 (Fiscal Impact: None) – APPROVED  
**Melendez-Deats: 9 Ayes; 3 Absent – Judd, Hinojosa, Patrick**
- CA-5) Report on KHS investment portfolio for the fourth quarter ending December 31, 2017 (Fiscal Impact: None) – RECEIVED AND FILED  
**Melendez-Deats: 9 Ayes; 3 Absent – Judd, Hinojosa, Patrick**
- CA-6) Report on 2017 annual review of KHS Investment Policy (Fiscal Impact: None) – RECEIVED AND FILED  
**Melendez-Deats: 9 Ayes; 3 Absent – Judd, Hinojosa, Patrick**
- CA-7) Report on Kern Health Systems 2017 annual travel report (Fiscal Impact: None) – RECEIVED AND FILED  
**Melendez-Deats: 9 Ayes; 3 Absent – Judd, Hinojosa, Patrick**
- CA-8) Proposed Agreement with Level 3 CenturyLink, for voice and data services for the KHS Stockdale location from February 14, 2018 through February 13, 2019, in an amount not to exceed \$112,843.20 (Fiscal Impact: \$112,843.20; Budgeted) – APPROVED; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN  
**Melendez-Deats: 9 Ayes; 3 Absent – Judd, Hinojosa, Patrick**

NOTE – DIRECTOR JUDD ARRIVED AT 8:33 A.M.; DURING THE DISCUSSION OF ITEM 9

- 9) Proposed Authorization authorizing the Chief Executive Officers to execute subcontract agreement and corresponding novation agreement to S.C. Anderson, Inc. in an amount not to exceed \$3,100,000.00 (Fiscal Impact: \$3,100,000.00; Budgeted) – GREGORY BYNUM, GREGORY D. BYNUM AND ASSOCIATES, HEARD; APPROVED; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN  
**Casas-Stewart: 10 Ayes; 2 Absent – Hinojosa, Patrick**

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- 10) Report on Kern Health Systems financial statements for November 2017 (Fiscal Impact: None) –  
RECEIVED AND FILED  
**McGlew-Deats: 10 Ayes; 2 Absent – Hinojosa, Patrick**

- 11) Report on Kern Health Systems 2017 Employee Work Place Satisfaction Survey (Fiscal Impact: None) –  
RECEIVED AND FILED  
**Deats-McGlew: 9 Ayes; 3 Absent – Brar, Hinojosa, Patrick**

NOTE – DIRECTOR BRAR LEFT THE DIAS AT 8:57 A.M; DURING THE DISCUSSION ON ITEM 11 AND DID NOT RETURN

- 12) Report on Kern Health Systems Strategic Plan 2018-2020 (Fiscal Impact: None) –  
APPROVED  
**Deats-McGlew: 9 Ayes; 3 Absent – Brar, Hinojosa, Patrick**

- CA-13) Report on Kern Health Systems 2017 Department Goals and Objectives (Fiscal Impact: None) –  
RECEIVED AND FILED  
**Melendez-Deats: 9 Ayes; 3 Absent – Judd, Hinojosa, Patrick**

- CA-14) Report on Kern Health Systems Enhanced Benefits to Medi-Cal Coverage (Fiscal Impact: \$838,143) –  
RECEIVED AND FILED  
**Melendez-Deats: 9 Ayes; 3 Absent – Judd, Hinojosa, Patrick**

- 15) Report on Kern Health Systems Operation Performance and Review of the Kern Health Systems Grievance report (Fiscal Impact: None) –  
RECEIVED AND FILED  
**Patel-Judd: 9 Ayes; 3 Absent – Brar, Hinojosa, Patrick**

- CA-16) Report on Accounts Payable Vendor Report, Administrative Contracts under \$100,000 budgeted and \$50,000 non-budgeted, and non-claims paid through QNXT system for November 2017 (Fiscal Impact: None) –  
RECEIVED AND FILED  
**Melendez-Deats: 9 Ayes; 3 Absent – Judd, Hinojosa, Patrick**

- 17) Kern Health Systems Chief Medical Officer report (Fiscal Impact: None) –  
RECEIVED AND FILED  
**McGlew-Stewart: 9 Ayes; 3 Absent – Brar, Hinojosa, Patrick**

NOTE – DIRECTOR DEATS LEFT THE DIAS AT 10:23 A.M.; DURING THE DISCUSSION ON ITEM 18 AND DID NOT RETURN

Summary – Board of Directors  
Kern Health Systems  
Regular Meeting

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- 18) Kern Health Systems Chief Executive Officer report (Fiscal Impact: None) –  
RECEIVED AND FILED  
**Patel-McGlew: 8 Ayes; 4 Absent – Deats, Brar, Hinojosa, Patrick**
- 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  
**Melendez-Deats: 9 Ayes; 3 Absent – Judd, Hinojosa, Patrick**
- CA-20) Miscellaneous Documents –  
RECEIVED AND FILED  
**Melendez-Deats: 9 Ayes; 3 Absent – Judd, Hinojosa, Patrick**
- A) Minutes for KHS Finance Committee meeting on December 8, 2017

ADJOURN TO THURSDAY, APRIL 12, 2018 AT 8:00 A.M.  
**McGlew**

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





**To: KHS Board of Directors**

**From: Robert Landis, CFO**

**Date: April 12, 2018**

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

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

**Requested Action**

Approve audited financial statements.



**FINANCIAL REPORT**

**DECEMBER 31, 2017**

**KERN HEALTH SYSTEMS**

**FINANCIAL REPORT**

**DECEMBER 31, 2017**

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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 years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

-1-

## Opinion

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

## Other Matters

### *Required Supplementary Information*

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

## Other Reporting Required by Government Auditing Standards

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

*Daniells Phillips Vaughan & Bock*

Bakersfield, California  
March 29, 2018

## KERN HEALTH SYSTEMS

### Management's Discussion and Analysis

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

#### Overview:

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

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

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

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

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

**Financial Highlights:**

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

### Operational Highlights:

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

### Using this Annual Report

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

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

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

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

### The Statements of Cash Flows

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

### Condensed Financial Information

#### Statements of Net Position

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

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

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

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

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

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

### Operating Income and Losses

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

The primary components of the operating income for 2017 are:

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

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

### **Nonoperating Revenues and Expenses**

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

### **KHS' Cash Flow**

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

### **General Economic and Political Environment Factors**

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

### **Contacting KHS' Financial Management**

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



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

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

See Notes to Financial Statements.

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

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

See Notes to Financial Statements.

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

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

See Notes to Financial Statements.

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

## KERN HEALTH SYSTEMS

### NOTES TO FINANCIAL STATEMENTS

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

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

A summary of KHS' significant accounting policies follows:

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

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

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

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

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

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

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

## KERN HEALTH SYSTEMS

### NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

## KERN HEALTH SYSTEMS

### NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

## KERN HEALTH SYSTEMS

### NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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



## KERN HEALTH SYSTEMS

### NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

## KERN HEALTH SYSTEMS

### NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

**KERN HEALTH SYSTEMS****NOTES TO FINANCIAL STATEMENTS**

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

**Note 2. Cash, Cash Equivalents and Investments**

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

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

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

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

## KERN HEALTH SYSTEMS

### NOTES TO FINANCIAL STATEMENTS

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

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

#### Investments Authorized by KHS' Investment Policy

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

- Preservation of principal
- Liquidity
- Yield

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

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

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

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

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

## KERN HEALTH SYSTEMS

### NOTES TO FINANCIAL STATEMENTS

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

#### Disclosures Relating to Interest Rate Risk

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

#### Disclosures Relating to Credit Risk

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

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

#### Custodial Credit Risk

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

## KERN HEALTH SYSTEMS

### NOTES TO FINANCIAL STATEMENTS

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#### *Cash Equivalents in State Investment Pool*

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

#### **Note 3. Fair Value Measurements**

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

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

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

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

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

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

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

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

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

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

**Note 5. Capital Assets**

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

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

**KERN HEALTH SYSTEMS****NOTES TO FINANCIAL STATEMENTS**

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

**Note 6. Split Dollar Life Insurance**

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

**Note 7. Accrued Medical Services Payable**

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

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



## KERN HEALTH SYSTEMS

### NOTES TO FINANCIAL STATEMENTS

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

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

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

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

#### Note 8. Accrued Expenses

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

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

#### Note 9. Restricted Investments and Tangible Net Equity

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

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

**KERN HEALTH SYSTEMS**

**NOTES TO FINANCIAL STATEMENTS**

**Note 10. Employee Pension Plans**

*CalPERS*

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

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

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

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

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

**KERN HEALTH SYSTEMS****NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

**KERN HEALTH SYSTEMS**

**NOTES TO FINANCIAL STATEMENTS**

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

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

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

Year ended December 31,	
2018	\$ 342,735
2019	825,039
2020	495,317
2021	(189,765)
	<u>\$ 1,473,326</u>

## KERN HEALTH SYSTEMS

### NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

**KERN HEALTH SYSTEMS**

**NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

## KERN HEALTH SYSTEMS

### NOTES TO FINANCIAL STATEMENTS

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#### *Retirement Plan*

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

#### **Note 11. Stop-Loss Insurance**

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

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

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

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

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

#### **Note 12. Commitments and Contingencies/Subsequent Event**

##### *Litigation*

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

## **KERN HEALTH SYSTEMS**

### **NOTES TO FINANCIAL STATEMENTS**

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#### *Professional Liability Insurance*

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

#### *Regulatory Matters*

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

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

#### *Patient Protection and Affordable Care Act*

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



## KERN HEALTH SYSTEMS

### NOTES TO FINANCIAL STATEMENTS

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#### *CMS's Final Rule on Medicaid Managed Care*

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

#### *Lease Commitment*

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

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

#### *Contract Commitment*

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

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

#### *Construction Commitments*

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

## **KERN HEALTH SYSTEMS**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 13. Concentration of Revenue**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**KERN HEALTH SYSTEMS**

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

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

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

**CalPERS - Miscellaneous PEPPRA Plan - Last 10 Years\*\***

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

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

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

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

**Notes to Schedule**

Valuation date:	June 30, 2016	June 30, 2015	June 30, 2014
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Methods and assumptions used to determine contribution rates:

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

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

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

**KERN HEALTH SYSTEMS**

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

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

**Notes to Schedule**

Valuation date: June 30, 2014

Methods and assumptions used to determine contribution rates:

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

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

**OTHER INDEPENDENT AUDITOR'S REPORT**



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NANCY C. BELTON

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

Board of Directors  
**Kern Health Systems**  
Bakersfield, California

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

### Internal Control Over Financial Reporting

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

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

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

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**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Daniells Phillips Vaughan & Bock*

Bakersfield, California  
March 29, 2018

# **KERN HEALTH SYSTEMS**

## Report to the Finance Committee

March 29, 2018



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Private Companies Practice Section

Finance Committee  
**Kern Health Systems**

Attention: Wayne Deats Jr., Finance Committee Chair

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

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

*Daniells Phillips Vaughan & Bock*

March 29, 2018

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## Required Communications

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

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

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

## KERN HEALTH SYSTEMS

### Summary of Significant Accounting Estimates Year Ended December 31, 2017

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

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

**Exhibit A**  
**Representation Letter**





March 29, 2018

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

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

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

**Financial Statements**

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

9700 Stockdale Highway, Bakersfield, CA 93311-3617  
(661) 664-5000 • Fax (661) 664-5151  
[www.kernhealthsystems.com](http://www.kernhealthsystems.com)

The Heart of Kern Family Health Care 

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

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

**Information Provided**

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

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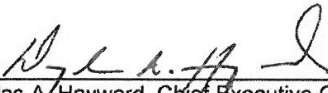
24. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect **Kern Health System's** ability to record, process, summarize and report financial data.
25. We are aware of no communications from regulatory agencies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

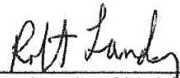
**Supplementary Information**

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

Daniells Phillips Vaughan & Bock  
March 29, 2018  
Page 5

**Kern Health Systems**

  
\_\_\_\_\_  
Douglas A. Hayward, Chief Executive Officer

  
\_\_\_\_\_  
Robert Landis, Chief Financial Officer





**To: KHS Board of Directors**

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

**Date: April 12, 2018**

**Re: New Building Construction Update**

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**Background**

Emily Duran and Greg Bynum will update the Board on the progress to date on the new building. Covered in their presentation will be the following:

- **Request for Statement of Qualification for Subcontracts.** Kern Health Systems published a second round of Request for Statement of Qualifications for Subcontractors interested in our construction project. This prequalification phase is required for subcontractors to participate in the formal bid process. There were several components that were taken into consideration such as our project basic requirements, organizational history, compliance with civil and criminal laws, history of business and organizational performance, overall bonding and insurance capacity. The list of Prequalified Subcontractors is included in the attachment.
  
- **Construction Progress.** While excavating the property, subterranean soil tainted with oil was discovered which required treatment. Other buried debris was also uncovered during the process. Greg Bynum will speak to the discovery and the corrective action required to mitigate its impact on the project and construction timeline. Please click on the following website to see the progress to date on the cleanup and preparation of the site. <https://spark.adobe.com/video/016sxDsZSpTp5>

**Requested Action**

Recommend the Board of Directors approve the attached list of subcontractors to proceed with the Formal Bid Process – Notice Invitation to Bid.

**Kern Health Systems Relocation Project  
Prequalified Subcontractors  
April 12, 2018**

<b>Flooring</b>
Empire Floor Covering Inc.
Fresno Roofing Company, Inc.
Hoover Co.
Pro Installations Inc.
<i>Michael Flooring, Inc.</i>
<i>Commercial Floor Covering Contractors</i>
<b>Masonry</b>
Dorfmeier Masonry, Inc.
Kern Masonry
<i>Ed Johnston Construction</i>
<i>American Tile and Brick Veneer, Inc.</i>
<b>Solar</b>
A-C Electric Company
<i>Valley Unique Electric</i>
<i>Baja Carports</i>





**To: KHS Board of Directors**

**From: Robert Landis, CFO**

**Date: April 12, 2018**

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

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**Background**

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

Agenda item 7 relates to retro-active amendment (attached) to our Kern Medical agreement which will require retro-active approval by the Board in order to facilitate the transfer of such funds.

**Requested Action**

Retro-active Approval.

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

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

RECITALS:

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

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

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

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

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

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

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

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

**1. OE Base Rate and Rate Range Increases to PROVIDER**

**A. Payment**

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

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

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

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

**B. Health Plan Retention**

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

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

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

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

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

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

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

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

**E. Form and Timing of Payments**

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

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

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

**F. Consideration**

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

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

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

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

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

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

#### **G. PLAN's Oversight Responsibilities**

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

#### **H. Cooperation Among Parties**

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

#### **I. Reconciliation**

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

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

**J. Indemnification**

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

**2. Term**

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

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

**SIGNATURES**

HEALTH PLAN: Kern Health Systems

Date: 3/7/18

By: Title: Chief <sup>Financial</sup> Executive Officer Robert J. Smith

PROVIDER: Kern County Hospital Authority

Date: 3/3/18

By: Title: Chief Executive Officer [Signature]

APPROVED AS TO FORM:  
LEGAL SERVICES DEPARTMENT

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





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

1. Operational Expenditure with Office Ally, Inc.

a. Recommended Action

Approve; Authorize Chief Executive Officer to Sign

b. Contact

Robin Dow-Morales; Director of Claims

c. Background

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

d. Discussion

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

e. Fiscal Impact

Not to exceed \$0.25 per claim.

f. Risk Assessment

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

g. Attachments

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

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

This contract has been approved by legal per PSA.



# KERN HEALTH SYSTEMS

- Contract
- Purchase

## AGREEMENT AT A GLANCE

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

### Description of Contract

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

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

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

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

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

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

### Fiscal Impact

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

Form updated 11/28/16

Will this require additional funds?

NO  YES

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

Notes: \_\_\_\_\_

**Contract Terms and Conditions**

Effective date: 4/12/18

Termination date: 4/12/21

Explain extension provisions, termination conditions and required notice: \_\_\_\_\_

**Approvals**

**Contract Owner:**

[Signature]  
Department Head

Department Head

3/22/18  
Date

Date

**Purchasing:**

[Signature]  
Director of Procurement

Director of Procurement

3/15/18  
Date

Date

**Reviewed as to Budget:**

[Signature]  
Chief Financial Officer or Controller

Chief Financial Officer or Controller

3/23/18  
Date

Date

**Recommended by the Executive Committee:**

[Signature]  
Committee Chairman

Committee Chairman

3-23-18  
Date

Date

**Compliance Review:**

\_\_\_\_\_  
Chief Compliance Officer

Chief Compliance Officer

Date

**Legal Review:**

\_\_\_\_\_  
Legal Counsel

Legal Counsel

Date

**Chief Executive Officer Approval:**

\_\_\_\_\_  
Chief Executive Officer

Chief Executive Officer

Date

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

\_\_\_\_\_  
KHS Board Chairman

\_\_\_\_\_  
Date

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

1. Operational Agreement with McKesson/Change Health

a. Recommended Action

Approve; Authorize Chief Executive Officer to Sign

b. Contact

Richard Pruitt, Chief Information Officer

c. Background

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

d. Discussion

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

e. Fiscal Impact

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

f. Risk Assessment

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

g. Attachments

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

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

This contract is pending Legal review.



# KERN HEALTH SYSTEMS

- Contract
- Purchase

## AGREEMENT AT A GLANCE

Department Name: Claims                      Department Head: Robin Morales-Dow

Contract Vendor: McKesson

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

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

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

### Fiscal Impact

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

Budgeted Cost Center 230 GL# 5410

Will this require additional funds?  NO  YES

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

Notes: \_\_\_\_\_

**Contract Terms and Conditions**

Effective date: 3/6/2018

Termination date: 10/5/2018

Explain extension provisions, termination conditions and required notice: \_\_\_\_\_

**Approvals**

**Contract Owner:**

[Signature]  
Department Head

3/23/18  
Date

**Purchasing:**

[Signature]  
Director of Procurement

3/23/18  
Date

**Reviewed as to Budget:**

[Signature]  
Chief Financial Officer or Controller

3/23/18  
Date

**Recommended by the Executive Committee:**

[Signature]  
Committee Chairman

3-23-18  
Date

**Compliance Review:**

\_\_\_\_\_  
Chief Compliance Officer

\_\_\_\_\_  
Date

**Legal Review:**

\_\_\_\_\_  
Legal Counsel

\_\_\_\_\_  
Date

**Chief Executive Officer Approval:**

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
KHS Board Chairman

\_\_\_\_\_  
Date





## McKesson Claim Check

April 2018

Richard M. Pruitt

# Agenda

- Overview
- Timeline
- Current Contract
- Board Request

## Overview

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

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

## Timeline

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

## Current Contract

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

## Board Request

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

## Questions

Please contact:

Richard M. Pruitt

661-664-5078

[richard.pruitt@khs-net.com](mailto:richard.pruitt@khs-net.com)







**To: KHS Board of Directors**  
**From: Douglas Hayward, CEO**  
**Date: April 12, 2018**  
**Re: 2017 DHCS Medical Audit - findings**

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**Background**

Pursuant to statute, the Department of Health Care Services (DHCS) conducted its' annual medical audit of Kern Health Systems (KFHC) on August 15, 2017 through August 18, 2017. The audit review period included August 1, 2016 through July 31, 2017.

**Audit Summary**

The audit consisted of an evaluation of KFHC's compliance with DHCS contract and regulations pertaining to the areas of Utilization Management; Case Management and Coordination of Care; Access and Availability; Member's Rights, Quality Improvement; and Administrative and Organizational Capacity.

All areas, except "Access and Availability" were deemed in full compliance with our DHCS contract or regulations pertaining to each area.

Access and Availability was deemed to be out of compliance specific to certain provider availability standards for routine or non-emergent care. Using phone surveys, DHCS randomly selected KFHC providers (5 PCPs and 5 Specialists) from our provider directory. A provider, who could not assure an appointment for a patient for nonemergency routine services within the allotted time (10 business days for PCP services and 15 business days for Specialists) were considered deficient in meeting the Access and Availability requirement.

Compliance was defined by the combined average # of days across all Doctors surveyed for a routine, non-emergency appointment. Providers were considered "meeting the standard", when their 3<sup>rd</sup> available appointment fell within the 10 or 15 day standard respectively. In KFHC's network for PCPs, the 3<sup>rd</sup> available appointment averaged 15 days out instead of the required 10 days and for Specialists, the 3<sup>rd</sup> available appointment averaged 20 days out instead of 15 days.

**Corrective Action**

KHS submitted a Corrective Action Plan to DHCS identifying steps or measures KHS would institute to address the Availability and Access deficiency including:

1. Quarterly provider appointment availability survey/audits with follow-up with outliers
2. Incorporate Availability and Access Measurements in the Member Satisfaction Survey to gauge member satisfaction with timely access to care.
3. Provider outreach to remind providers and staff of timely access requirements
4. Expand Telemedicine services to augment KHS's Specialty Care network particularly where deficiencies exist in Kern County.
5. Remind members of the Access and Availability Requirements and encourage contact with Member Services when appointment availability takes longer than the standard allows.
6. Use other internal sources such as grievances or complaints identified as provider access problems.

Upon receiving and reviewing our Plan to correct the one deficiency from their audit, DHCS issued a letter on March 2, 2018 accepting KHS's Corrective Action Plan. Their letter and the corresponding CAP Response Form is attached.

**Requested Action**

Receive and file.



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

2017 - MEDICAL AUDIT

AUDIT PERIOD: August 1, 2016 to July 31, 2017

CAPs APPROVED: March 2, 2018

AUDIT CATEGORIES: Utilization Management; Case Management; Access & Availability; Member Rights; Quality Improvement; Administrative Capacity

Category/Item	Resolution	Member Impact
<i>ACCESS AND AVAILABILITY</i>		
3.1.1 - Appointments not available per standard	Compliance audits access – random audit	medium

Key –Member Impact

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

Prepared by: Carl R. Breining, CHC  
 April 4, 2018



JENNIFER KENT  
DIRECTOR

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



EDMUND G. BROWN JR.  
GOVERNOR

March 2, 2018

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

RE: Department of Health Care Services Medical Audit

Dear Mr. Breining:

The Department of Health Care Services (DHCS), Audits and Investigations Division conducted an on-site Medical Audit of Kern Health System, a Managed Care Plan (MCP), from August 15, 2017 through August 18, 2017. The survey covered the period of August 1, 2016 through July 31, 2017.

On January 30, 2018, the MCP provided DHCS with supporting documentation regarding its Corrective Action Plan (CAP) in response to the report originally issued on January 4, 2018.

All items have been reviewed and DHCS accepts the MCP's submitted CAP. The CAP is hereby closed. Full implementation of the CAP will be monitored on the subsequent audit. 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) 552-8797.

Sincerely,

A handwritten signature in black ink, appearing to be 'J. Kent'.

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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](http://www.dhcs.ca.gov)

Page 2

Jeanette Fong, Chief  
Compliance Unit

Enclosures: Attachment A CAP Response Form

cc: Cameron Showalter, 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**

**Audit Type:** Medical Audit

**Review Period:** 08/01/16 - 07/31/17



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* <small>(*anticipated or completed)</small>	DHCS Comment
<b>3. Access and Availability of Care</b>				
3.1.1 The Plan is required to implement and maintain procedures to obtain appointments for routine care, urgent care, and routine	KHS will continue to monitor and improve appointment availability to members through the following Compliance efforts:  ❖ Quarterly provider appointment availability survey/audits	As an example of the monitoring efforts KHS conducts, the Plan has attached:  ➤ Q1 – Q3, 2017 Appointment	1/1/2017 and on-going.	<b>01/30/18</b> - MCP submitted the following documentation to support its efforts to correct this finding:  - "Appointment Availability Survey" (Q1-Q3 2017). The survey was conducted internally by KHS staff. A random sample of 15 PCP offices

Deficiency Number and Finding	Action Taken	Supporting Documentation	Implementation Date* (*anticipated or completed)	DHCS Comment
<p>specialty referral appointments, prenatal care, children’s preventative periodic health assessments, and adult initial health assessments, according to the contract. Members must be offered appointments for routine primary care within 10 business days of a request, for specialty care within 15 business days of request, and for a first prenatal visit within two weeks upon request.</p> <p>[Contract, Exhibit A, Attachment 9(3) (A), (4) (B), and (3) (B)].</p>	<p>As part of the Plan's rigorous on-going monitoring activities, the Plan extended its comprehensive compliance survey methodology to include specialists in 2017. This compliance survey methodology entails having a Compliance Auditor contact specialists offices to assess appointment availability for first, second, and third appointments. Noteworthy, the Plan has seen a dramatic improvement in compliance results with the specialist offices. Should a specialty provider be out of compliance with the 15 day appointment availability standard, the Provider Relations Team will send a notice to the specialty provider, which serves to remind the provider of their obligation to adhere to the 15 day standard. In addition, the non-compliant provider is included in future appointment availability surveys.</p> <p style="text-align: center;">❖ Member Satisfaction Survey</p> <p style="text-align: center;">The Plan currently uses a</p>	<p>Availability Survey Reports and applicable Outreach Letters for Non-Compliant Providers</p>		<p>and 15 specialist offices were surveyed each quarter. Results show steady improvement with compliances rates for specialists (75%, 87%, and 93% respectively for Q1, Q2, and Q3).</p> <ul style="list-style-type: none"> <li>- Seven sample letters to non-compliant specialists (spanning from 04/24/17 – 10/24/17) as evidence of MCP’s follow-up action for non-compliant providers.</li> <li>- Two sample Provider bulletins that were sent by Provider Relations (04/19/17 and 06/14/17) as evidence of MCP’s ongoing efforts to communicate contractual requirements to providers regarding timely access standards, including those for specialist appointments.</li> <li>- Member Newsletter (Fall 2017) as evidence that MCP also informs members of standards for timely access to care. Members are encouraged to call the Member Services department if the standards are not met. MCP’s</li> </ul>

Deficiency Number and Finding	Action Taken	Supporting Documentation	Implementation Date* (*anticipated or completed)	DHCS Comment
	<p>third party vendor, SPH Analytics, to conduct the Member Satisfaction Survey (MSS). This vendor compiles a comprehensive report for the Plan. Results from the MSS are used by management to effectively channel resources in order to maximize the beneficiaries experience with the Plan. The Plan's 2016 and 2017 Member Satisfaction Surveys, conducted by SPH Analytics, targets members to measure their satisfaction with the Plan. Certain questions in the survey are included and designed to measure beneficiary satisfaction with obtaining specialist appointments. KHS' access to Specialty Care results in 2016 and 2017 were not significantly different when compared to the 2016 Quality Compass, All Plans Benchmark. The 2016 Quality Compass, All</p>	<ul style="list-style-type: none"> <li>➤ Two (2) Access bulletins were sent to providers in 2017.</li> <li>➤ Fall 2017 Member Newsletter</li> </ul>	<p>Ongoing</p> <p>Completed</p>	<p>written response (1/30/18) further explains that the Call Center now has a new Member Portal to assist members with scheduling more timely appointments and arranging transportation to and from medical appointments to help with the demand of timely access in rural areas.</p> <ul style="list-style-type: none"> <li>- "Access Grievance Review" summary reports (Q1 &amp; Q2, 2017) and corresponding agenda and sign-in sheet for the Q1 meeting (05/12/17) as evidence of MCP's ongoing monitoring efforts to review all grievances related to access to care for tracking and trending purposes on a quarterly basis. Q1 review showed 9 grievances related to access to Care. 4 grievances were resolved in favor of the member and forwarded to the Provider Relations for further monitoring. PRD reaches out to identified providers to provide technical assistance and continued monitoring.</li> </ul>



Deficiency Number and Finding	Action Taken	Supporting Documentation	Implementation Date* <small>(*anticipated or completed)</small>	DHCS Comment
	<p>Plans Benchmark is a collection of CAHPS 5.0H mean summary ratings for those Medicaid adult plans allowing NCQA to use their data to be compiled into an aggregate, or national summary, without releasing their plan-level scores</p> <p>❖ Provider Bulletins/ Member Newsletter</p> <p>Provider Bulletins and Member Newsletters are a powerful tool for outreach to the Plan's contracted providers and its beneficiaries. The Plan has proactively used these two print media to both remind and inform. During calendar year 2017, the Plan sent two (2) Provider Bulletins designed to remind providers of Timely Access Standards. These bulletins were sent to all contracted providers. Additionally, members are</p>		Ongoing	<p>- MCP's written response (01/30/17) which describes the expansion of Telemedicine in rural areas. MCP is proactively working to streamline referrals and include specialists in the telehealth system.</p> <p>DHCS will continue to monitor the MCP's continuous progress in subsequent audits.</p> <p><b>This finding is closed.</b></p>

Deficiency Number and Finding	Action Taken	Supporting Documentation	Implementation Date* <small>(*anticipated or completed)</small>	DHCS Comment
	<p>made aware of important benefit changes and best practice recommendations via our member newsletter. The Fall-2017 Kern Family Health Care family health newsletter included Timely Access to Care standards. The Plan will include these standards in the member newsletter at least annually to remind beneficiaries of their right to timely care</p> <p>❖ Telemedicine providers</p> <p>The Director of Provider Relations with support from KHS Executive and Clinical Management is expanding the use of Telemedicine, which should help with access to care particularly in more rural settings of Kern County. In addition to the expanded access to our rural areas, telehealth can also help with overall access. We</p>	<p>➤ Q1 &amp; Q2, 2017 Access Grievance Review</p>	<p>1/1/2017</p>	

Deficiency Number and Finding	Action Taken	Supporting Documentation	Implementation Date* <small>(*anticipated or completed)</small>	DHCS Comment
	<p>worked closely with a telehealth group to establish a clinic hub in metro Bakersfield in anticipation of expanded specialty access to our members. Our teams are in the process of streamlining the referral system for specialty care to include this telehealth resource</p> <p>❖ Member Services/Call Center</p> <p>Member Services is able to leverage the Call Center and online resources, including our new Member Portal, to help meet the needs and demands of our Members. The Call Center provides assistance with scheduling medical appointments, locating alternative specialist providers that are able to provide more timely medical appointments and arranging transportation to and from medical appointments.</p>			

Deficiency Number and Finding	Action Taken	Supporting Documentation	Implementation Date* (*anticipated or completed)	DHCS Comment
	<p>❖ Monitoring Access Related Grievances</p> <p>On a quarterly basis, KHS' Provider Relations Department reviews all grievances from the previous quarter that were categorized as "Access to Care" or "Difficulty Accessing a Specialist". These grievances are reviewed retrospectively against the previous year to track for any potential trends.</p>			

Submitted by: (Signature on File)

Date: 01/30/18

Title: Chief Executive Officer



**To: KHS Board of Directors**

**From: Douglas Hayward, CEO**

**Date: April 12, 2018**

**Re: Update on KHS Strategic Plan**

---

**Background**

Enclosed is the first quarterly update on the progress made to date toward achieving the six goals outlined in the new 2018 -2020 Kern Health Systems Three Year Strategic Plan adopted at the February Board of Directors meeting.

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.

Jeremy McGuire, Director Government Affairs and Business Development, will review the current status of the Strategic Plan with the Board.

**Requested Action**

Receive and file.



# Q1 2018 Strategic Plan Update

April 12, 2018

## Background

- In November 2017 a Board and Executive strategy meeting was held to begin shaping the 2018-2020 KHS strategic plan. This was followed by an internal work effort to further define key initiatives, action items, and projects directly supporting the newly defined Strategic Plan. In February 2018 the KHS Board of Directors approved the 2018-2020 Strategic Plan.
- With Q1 2018 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



## Goal 1 – Align Compensation and Network Configuration to improve service quality and value in the health care delivery system

Task Name	Start Date	Due Date	% Complete
<b>Look to ways to compensate providers through value based purchasing using cost –effective, quality driven Alternative Reimbursement Arrangements.</b>			
Define clinical activities where Value Based Purchasing applies	1/1/2018	3/31/2018	100.00%
Establish priority list of clinical services and treatment modalities	1/1/2018	3/31/2018	100.00%
Custom design payment strategies unique to specific care delivery systems	4/1/2018	6/30/2018	0.00%
Determine desired outcome(s) for each	4/1/2018	6/30/2018	0.00%
Determine impact to KHS internal operations for 2018 priorities	4/1/2018	6/30/2018	0.00%
Develop provider specific proposals for 2018 priorities	1/1/2018	7/31/2018	15.00%
For 2018 priorities initiate provider contract revisions	4/1/2018	7/31/2018	0.00%
For 2018 priorities, begin monitoring to determine if targeted outcomes are achieved	4/1/2018	1/31/2019	0.00%
Determine impact to KHS internal operations for 2019 priorities	4/1/2018	3/30/2019	0.00%
Develop provider specific proposals for 2019 priorities	4/1/2018	4/30/2019	0.00%
For 2019 priorities initiate provider contract revisions	4/1/2018	5/31/2019	0.00%
For 2019 priorities, begin monitoring to determine if targeted outcomes are achieved	4/1/2018	10/31/2019	0.00%
<b>Focus on internal departmental restructuring, fostering partnership, and utilization of new technologies.</b>	<b>1/1/2018</b>	<b>7/31/2018</b>	
Reorganize UM, DM, CM to more effectively implement and monitor the Triple Aim	1/1/2018	3/31/2018	100.00%
Revise the Prior Authorization list to ensure appropriate care for treatment requested	1/1/2018	3/31/2018	100.00%
Augment referral network using telehealth alternatives	1/1/2018	5/31/2018	75.00%
Identify vendor platforms for Medical Necessity Determination	1/1/2018	6/30/2018	75.00%
Incorporate risk stratification methodology to identify future risk populations for early intervention to prevent or stabilize medical condition(s) and reduce cost through early intervention.	1/1/2018	7/31/2018	75.00%
<b>Develop a provider network configuration strategy designed to achieve optimum health care system performance around the Triple Aim of “Right Care, Right Time, and Right Setting”.</b>			
Review network configuration to address Physical, Behavioral and Social Determinants	4/1/2018	6/30/2018	0.00%
Adjust network configuration for changing population need and/or medical complexity	4/1/2018	7/31/2018	0.00%
Using evidence based medicine as the standard, identify network gaps or limitations	4/1/2018	8/30/2018	0.00%
Develop delivery system model to address needs at all levels using existing network	4/1/2018	8/30/2018	0.00%
Develop clinical algorithms for Provider education to promote consistent management	4/1/2018	8/30/2018	0.00%
Establish provider compensation arrangements to support structure and performance	4/1/2018	10/31/2018	0.00%
Ensure systems in place to communicate and coordinate patient care	4/1/2018	10/31/2018	0.00%
Determine internal and external (Provider) operational needs to support concept	4/1/2018	10/31/2018	0.00%
Determine internal and external capital requirements where necessary	4/1/2018	10/31/2018	0.00%
Implementation	4/1/2018	10/31/2018	0.00%





## Goal 2 – Prepare for New Benefits / Programs / Coverage Populations / Regulations

Task Name	Start Date	Due Date	% Complete
<b>Prepare for new or modified benefits, expanded coverage, or changes to the tracking and reporting requirements as required by government agencies</b>			
Determine the impact to benefits, population coverage, or monitoring and reporting	1/1/2018	12/31/2020	10.00%
BHT Expansion	1/1/2018	7/31/2018	75.00%
Diabetes Prevention Program	1/1/2018	12/31/2018	10.00%
Establish a project plan for instituting new benefits, coverage expansion, etc	1/1/2018	12/31/2020	5.00%
Palliative Care	1/1/2018	3/31/2018	99.00%
Determine the impact of Managed Care Final Rule (MCFR) to KHS	1/1/2018	12/31/2020	5.00%
Establish a project plan for adopting MCFR requirements	1/1/2018	12/31/2020	0.00%
Post implementation, audit each activity	1/1/2018	12/31/2020	0.00%

## Goal 3 – Increase Member Engagement in their Health Care

Task Name	Start Date	Due Date	% Complete
<b>Increase Member Engagement in their Health Care</b>	<b>1/1/2018</b>	<b>12/31/2020</b>	
<b>Identify ways to engage members more in their health care through education, navigation, coordination, promotion and access to services designed to address their specific needs.</b>	<b>1/1/2018</b>	<b>12/31/2020</b>	
Based on member's medical need, establish measures members can take to improve health outcomes.	1/1/2018	6/29/2018	10.00%
Gather information to determine ways to engage members more in maintaining optimum health.	1/1/2018	9/28/2018	10.00%
Develop a member engagement program to improve access to care in ways that will improve health	9/3/2018	3/29/2019	0.00%
Develop performance standards, data tracking system and reporting structure for the program.	9/3/2018	3/29/2019	0.00%
In collaboration with providers, identify ways to reduce appointment no shows, sharing health information, establishing member accountability, emphasizing prevention and compliance	6/1/2018	11/1/2018	0.00%
Leverage technology to enhance communication and improve service to members	1/1/2018	6/28/2019	10.00%
Explore ways to report health metrics to members to begin tracking what works and health outcomes	9/3/2018	3/29/2019	0.00%
Survey membership to gauge satisfaction with member engagement program	1/1/2018	11/1/2018	20.00%
SPH Analytics conducts annual Provider and Member Satisfaction Survey	1/1/2018	8/31/2018	10.00%
Conduct Member focused surveys to members who participate in Complex Case Management, Health Homes, Disease Management and Member Portal Users	1/1/2018	9/28/2018	20.00%



## Goal 4 – Assure Kern Health Systems’ Long Term Viability

Task Name	Start Date	Due Date	% Complete
<b>Maintain a Financially viable organization capable of meeting its obligations to its members, providers, and government agencies.</b>	1/1/2018	12/31/2018	
Annually develop an operating budget enabling KHS to achieve its annual goals	6/1/2018	12/13/2018	0.00%
Annually develop capital budget to support new programs, member growth and benefits	8/1/2018	10/1/2018	0.00%
Retain sufficient reserves to protect KHS from unexpected events	1/1/2018	12/31/2018	30.00%
Maintain an on-going dialogue with DHCS over reimbursement for any current or proposed, programs, benefits, aid categories or services KHS is required to provide by the State or Federal governments.	1/1/2018	12/31/2018	30.00%
<b>Relocate KHS offices to its new facility which is convenient to members and able to house all functions in one location.</b>			
Issue Notice to Proceed with Phase II to S.C. Anderson	1/1/2018	1/31/2018	100.00%
Obtain Grading Permits	1/1/2018	2/28/2018	100.00%
Complete Phase III – Notice Inviting Bids	6/1/2017	4/30/2018	50.00%
Novate all Contracts to S.C. Anderson	6/1/2017	5/31/2018	75.00%
Commence Construction	12/1/2017	2/2/2018	100.00%
Obtain appropriate property / earthquake insurance	1/1/2018	9/30/2018	100.00%
Monitoring of Owner Controlled Insurance Program	1/1/2018	12/31/2018	15.00%
Monitor On-Going Construction	1/1/2018	12/31/2018	15.00%
Monitor Construction Budget	1/1/2018	12/31/2018	15.00%
Compliance Oversight GC	1/1/2018	12/31/2018	15.00%
Coordinate Move	9/30/2018	6/30/2019	0.00%
Occupancy	9/30/2018	6/30/2019	0.00%



## Goal 4 – Assure Kern Health Systems’ Long Term Viability

Task Name	Start Date	Due Date	% Complete
<b>Continue to consider opportunities to expand KHS business suitable to the mission and business model.</b>			
Monitor key regulatory areas	1/1/2018	12/31/2020	5.00%
Monitor Medi-Cal marketplace trends	1/1/2018	12/31/2020	5.00%
Continue expanding HHP model to additional qualified contracted provider’s sites	1/1/2018	7/1/2020	10.00%
Continue participation in implementation of Whole Person Care	1/1/2018	2/28/2018	100.00%
Monitor internal capacity and regulatory landscape for initiating: CCI (Duals), MH Expansion (S and P population), SUD, LTC and IHSS	1/1/2018	12/31/2020	5.00%
Consider future Medicare SNP expansion	1/1/2019	6/30/2019	0.00%
<b>Ensure achievement of the annual Medical Loss Ratio as determined in KHS’s annual operating budget</b>	<b>1/1/2018</b>		
Review utilization and cost trends by aid category and medical service category over the past 12 months. Internal Reallocation of resources to address inefficiency or duplication of services in the Provider Network.	1/1/2018	12/31/2020	25.00%
Review applicable changes in treatment modalities or best practices impacting respective medical service categories.	1/1/2018	12/31/2020	25.00%
Identify potential medical service areas for impact and determine intervention strategies(s) required to achieve desired results	1/1/2018	12/31/2020	25.00%
Develop reporting and monitoring system	1/1/2018	12/31/2020	25.00%



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

Task Name	Start Date	Due Date	% Complete
Continue to maximize utility of the new UM, CM, DM and QI operating system to integrate medical management responsibilities using a single platform (JIVA).	1/1/2018		
Refine JIVA Phase 1 application components to meet production and performance requirements: UM Workflows, Ops Systems Platform Integration, Data Reporting and Analytics Config, JIVA Training	1/1/2018	3/31/2018	100.00%
Implement JIVA Phase 2 components: CM/DM/HE/ Appeals, MCG Point of Service (POS), JIVA / QNXT interphase	1/1/2018	12/31/2018	50.00%
Implement JIVA Phase 3 to integrate HHP and QI Programs	1/1/2018	12/31/2018	25.00%
Include prospects in annual project planning	1/1/2018	12/31/2020	0.00%
Develop project budgets along with ROI and/or cost-benefit analysis	1/1/2018	12/31/2020	0.00%
Continuously monitor and control for operational effectiveness	1/1/2018	12/31/2020	0.00%
Increase data sharing between and among providers and KHS to reduce health care cost and/or enhance the patient care experience	1/1/2018	12/31/2020	
Identify opportunities for sharing information (Health Homes Program, telehealth, EDI)	1/1/2018	12/31/2018	8.00%
Educate applicable providers about the importance of data sharing	1/1/2018	12/31/2018	8.00%
Develop approaches that KHS can implement with its provider network	1/1/2018	12/31/2018	8.00%
Analyze and evaluate products or methods for effectiveness and compatibility	1/1/2018	12/31/2018	8.00%
Complete a cost benefit analysis of the data sharing program	1/1/2018	12/31/2018	8.00%
Present to Board of Directors	1/1/2018	12/31/2018	8.00%
Create plan for implementation	1/1/2018	12/31/2018	8.00%
Continuously identify and promote organizational efficiencies and process improvement through Business Process Reengineering (BPR).	1/1/2018	12/31/2018	
Identify and analyze efficiencies and improvement opportunities	1/1/2018	12/31/2018	55.00%
Perform cost analysis of efficiencies or improvement opportunity	1/1/2018	12/31/2018	55.00%
Establish projects into annual project and budget planning	1/1/2018	12/31/2018	55.00%
Align these initiatives with annual departmental goals and objectives	1/1/2018	12/31/2018	25.00%
Continuously monitor and control for operational effectiveness	1/1/2018	12/31/2018	15.00%
Create and execute project plans	1/1/2018	12/31/2018	15.00%



## Goal 6 – Develop central business unit devoted to support metrics driven mgmt. at all levels in KHS.

Task Name	Start Date	Due Date	% Complete
<b>Create a KHS Business Intelligence Department with clearly defined roles and responsibilities.</b>	<b>1/1/2018</b>	<b>3/30/2018</b>	
Identify personnel from multiple departments that are capable of contributing towards BI initiatives	1/1/2018	3/30/2018	100.00%
Collaborate with management to migrate new BI personnel and transition to BI.	1/1/2018	3/30/2018	100.00%
Create a dedicated cost center and budget that is cost neutral.	1/1/2018	4/30/2018	75.00%
Establish employee job descriptions, standards, roles and responsibilities, and expectations.	1/1/2018	3/30/2018	100.00%
Centralize resources in a geographical location to locally manage.	1/1/2018	3/30/2018	100.00%
Define employee work models and productivity metrics.	1/1/2018	3/30/2018	100.00%
<b>Develop Business Intelligence Department processes and procedures</b>	<b>1/1/2018</b>	<b>12/31/2018</b>	
Create a business analytic intake process that identifies needs, problems, actions, and outcomes.	1/1/2018	3/31/2018	100.00%
Establish new data analytics procedure that optimizes full potential outcome and outline benefits.	1/1/2018	6/30/2018	50.00%
Create process analytics procedure that can identify areas of opportunity for process improvement	1/1/2018	6/30/2018	25.00%
Implement corporate KPI Census reporting process that communicates the measures and performance	1/1/2018	9/30/2018	10.00%
Establish Audit/QA process to ensure that the department produces quality work products.	1/1/2018	12/31/2018	10.00%
Establish regular monitoring of department processes/KPI/Data Governance to identify anomalies, unacceptable variance, or issues.	1/1/2018	12/31/2018	10.00%
Provide business visibility of services contributed by BI efforts	1/1/2018	12/31/2018	5.00%
Manage Inventory Process	1/1/2018	12/31/2018	10.00%
Create Corporate Policies to support the new Business Intelligence processes and procedures.	1/1/2018	12/31/2018	1.00%
<b>Provide centralized standard operational reporting and analytics for the company.</b>	<b>1/1/2018</b>	<b>12/31/2020</b>	
Provide Dept.'s data analysis and routine or adhoc reporting support.	1/1/2018	12/31/2020	25.00%
<b>Provide Depts. with tools and training to perform routine data analysis and reporting</b>	<b>1/1/2018</b>	<b>12/31/2018</b>	
Empowering Depts. with the ability to perform self-service reporting capabilities and basic analytics for routine or simple analysis	1/1/2018	12/31/2018	0.00%
Create quality control protocol to monitor dept reports for consistency and accuracy	1/1/2018	3/31/2019	0.00%
Evaluate Depts. data and information requirements	1/1/2018	12/31/2018	100.00%
<b>Continue to develop and refine a metrics-driven performance culture within the organizations administrative and medical disciplines to enhance operations.</b>	<b>1/1/2018</b>	<b>12/31/2018</b>	
Analyze and establish metric oriented baselines for measurement	1/1/2018	12/31/2018	25.00%
Create presentation model(s) to ensure transparent and fluid communication with endpoint	1/1/2018	12/31/2018	0.00%
Continuously monitor and affirm metrics and performance for operational/medical effectiveness	1/1/2018	12/31/2018	0.00%
<b>Provide support for the annual Corporate Project Portfolio through Business Intelligence activities.</b>	<b>1/1/2018</b>	<b>12/31/2018</b>	
Verify and Validate Return on Investment (ROI) Project Calculation prior to Project Execution	1/1/2018	12/31/2018	25.00%
Identify and create 2018 Project metrics	1/1/2018	12/31/2018	25.00%
Measure Factors that are critical to the success of each Project	1/1/2018	12/31/2018	25.00%





**To: KHS Board of Directors**  
**From: Douglas Hayward, CEO**  
**Date: April 12, 2018**  
**Re: Update on 2018 State Legislation**

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**Background**

The State Legislature reconvened on January 3<sup>rd</sup> for the 2018 session. February 16<sup>th</sup> was the deadline for new Bills to be introduced. Committee Hearings will take place through August as the legislature reviews and votes on this year's Bills. So far this session there are an assortment of Bills being tracked, with one key driver being the discussion on single-payer health care. While some are still advocating for single-payer health care this year, most have backed a more incremental approach. As a result, there are Bills being discussed that would expand Medi-Cal to undocumented adults, create a Medi-Cal buy-in option, and require Medi-Cal Managed Care Plans to participate in Covered California (ACA Exchange).

There are also Bills that would expand certain Medi-Cal benefits, revise Medi-Cal payment amounts, address the opioid epidemic, and expand provider practice capabilities.

The Bills being monitored this session with impact to KHS are outlined in the attachment, with priority Bills highlighted in [blue](#).

As we are early in the session, it is anticipated that many Amendments will be forthcoming. KHS staff will continue working with our Trade Associations (LHPC and CAHP) to provide feedback and input on Bill language. As Bills become more defined, our Trade Associations will work with Health Plans to take a position of support, opposition, or neutrality.

**Requested Action**

Receive and file

**Summary of Legislation – April 2018**

Title	Description	Status
<b>AB 11 (McCarty)</b>	<p>Would require that screening under EPSDT include screening services for children 0 – 3 years old consistent with the periodicity and screening tool established by Bright Futures/American Academy of Pediatrics Recommendations for Preventive Pediatric Health Care and any future updates.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB11">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB11</a></p>	3/15/2018 - Referred to Com. on HEALTH.
<b>AB 1795 (Gipson)</b>	<p>Would authorize a local emergency medical services agency to submit, as part of its emergency services plan, a plan to transport specified patients to a community care facility, as defined, in lieu of transportation to a general acute care hospital.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1795">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1795</a></p>	1/22/2018 - Referred to Com. on HEALTH.
<b>AB 1963 (Waldron)</b>	<p>This bill would require the department to increase the Medi-Cal provider reimbursement rates, as specified, for medication-assisted treatments, buprenorphine/naloxone combination treatment, methadone treatment, and naltrexone treatment, provided by certified providers, for opioid addiction.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1963">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1963</a></p>	2/21/2018 - Re-referred to Com. on HEALTH.
<b>AB 1998 (Rodriguez)</b>	<p>This bill would prohibit a prescriber from prescribing an opioid in an amount greater than the patient needs for a 3-day period unless the prescriber believes that a larger prescription is needed to treat a medical condition.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1998">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1998</a></p>	3/13/2018 - Re-referred to Com. on HEALTH.
<b>AB 2122 (Reyes)</b>	<p>This bill would require the Department of Health Care Services to ensure that a child enrolled in Medi-Cal receives blood lead screening tests at 12 and 24 months of age, and that a child 2 to 6 years of age, inclusive, receives a blood lead screening test if there is no record of a previous test for that child. The bill would require the department to report its progress toward blood lead screening tests for all enrolled children, as specified, annually on its Internet Web site, establish a case management monitoring system, and require health care providers to test enrolled children, as specified.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2122">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2122</a></p>	2/22/2018 - Referred to Com. on HEALTH.



<b>AB 2193</b>	<p>Would make it the duty of licensed health care practitioners who treat or attend the mother or child, or both, to screen the mother for maternal mental health conditions, as defined, at least once during pregnancy and once during the postpartum period and to report the findings of the screening to the mother's primary care physician if the health care practitioner is not the mother's primary care physician. The bill would also make it the duty of any facility where those practitioners treat or attend the mother or child, or both, in the first postdelivery appointment to ensure that those practitioners perform the required screening and report the findings.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2193">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2193</a></p>	2/26/2018 - Referred to Com. on HEALTH
<b>AB 2203 (Gray)</b>	<p>Would, beginning July 1, 2019, require that the basic Medi-Cal rate for primary care services provided by a primary care service provider be not less than 100% of the payment rate that applies to those services as established by the Medicare Program, as specified.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2203">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2203</a></p>	3/1/2018 - Referred to Com. on HEALTH.
<b>AB 2275 (Arambula)</b>	<p>Would require the State Department of Health Care Services to establish a quality assessment and performance improvement program for all Medi-Cal managed care plans, through which the plans would be required to meet annual improvements in quality measures and reduction of health disparities, as specified. The bill would require the department to require the plans to track and trend quality measures by specified demographic categories.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2275">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2275</a></p>	3/1/2018 - Referred to Com. on HEALTH.
<b>AB 2299 (Chu)</b>	<p>Would require the State Department of Health Care Services to ensure that all written health education and informing materials, as defined, developed and translated into threshold languages by managed care plans are at or below the equivalent of 6th grade reading level in English. The bill would require the department to require managed care plans or other contractors to conduct a one-time, targeted community review of health education and informing materials in English and each threshold language, in order for members to ensure the cultural and linguistic appropriateness of materials in community-based settings.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2299">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2299</a></p>	3/1/2018 - Referred to Com. on HEALTH.

<p><b>AB 2342 (Burke)</b></p>	<p>This bill would require health care service plans, health insurers, and the State Department of Health Care Services to cover screening, genetic counseling, and testing for BRCA gene mutations in women who have not been diagnosed with BRCA-related cancer and do not have signs or symptoms of the disease, but who may have an increased risk based on one or more of specified family history risk factors.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2342">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2342</a></p>	<p>3/1/2018 - Referred to Com. on HEALTH.</p>
<p><b>AB 2384 (Arambula)</b></p>	<p>Would require a drug formulary maintained by a health care service plan to include specified prescription drugs for medication-assisted treatment (MAT) of substance abuse disorders. The bill would provide that medication-assisted treatment is presumed to be medically necessary, and is not subject to prior authorization.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2384">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2384</a></p>	<p>3/1/2018 - Referred to Com. on HEALTH.</p>
<p><b>AB 2416 (Wood)</b></p>	<p><b>This bill would require a Medi-Cal managed care plan to negotiate with Covered California regarding offering individual products on the Exchange in approved service areas that overlap with counties where there are 2 or fewer health care service plans offering products on the Exchange, as specified.</b></p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2416">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2416</a></p>	<p><b>03/23/18 - Amend, and re-refer to Com. on HEALTH.</b></p>
<p><b>AB 2427 (Wood)</b></p>	<p>This bill would require the department to terminate or decline to renew or award a contract to a for-profit health plan or insurer if the Attorney General determines that the for-profit health plan or insurer engaged or engages in anticompetitive conduct or practices, as defined, or if the department determines that the for-profit health plan or insurer has a pattern or practice of not complying with the medical loss ratio, as specified.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB2427">http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB2427</a></p>	<p>03/23/18 - Amend, and re-refer to Com. on HEALTH.</p>
<p><b>AB 2430 (Arambula)</b></p>	<p>This bill would raise the income threshold for coverage up to 138% FPL for aged and disabled.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2430">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2430</a></p>	<p>3/5/2018 - Referred to Com. on HEALTH.</p>

<b>AB 2436 (Mathis)</b>	<p>Would require the State Department of Health Care Services to establish payment rates for ground ambulance services based on changes in the Consumer Price Index-Urban and the Geographic Practice Cost Index, and would require the department to designate a specified ambulance cost study conducted by the federal Government Accountability Office as the evidentiary base.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2436">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2436</a></p>	3/5/2018 - Referred to Com. on HEALTH.
<b>AB 2472 (Wood)</b>	<p><b>This bill would require the State Department of Health Care Services to apply to the United States Department of Health and Human Services for federal waivers to permit individuals whose income is greater than the income eligibility threshold for Medi-Cal benefits to purchase coverage under the Medi-Cal program through a separate public purchase option. The bill would require the department to prepare an implementation plan for the public purchase option, including specified components, and to submit the plan to the health committees of both houses of the Legislature by March 1, 2020.</b></p> <p><a href="http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB2472">http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB2472</a></p>	03/23/18 - Amend, and re-refer to Com. on HEALTH.
<b>AB 2489 (Maienschein)</b>	<p>Existing law requires the Secretary of the California Health and Human Services Agency to report to the Legislature on the options for achieving universal health care coverage on or before December 1, 2001. This bill would delete the December 1, 2001, report due date and would repeal the reporting requirement on January 1, 2023.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2489">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2489</a></p>	3/5/2018 - Referred to Com. on HEALTH.
<b>AB 2502 (Wood)</b>	<p>Would state the intent of the Legislature to establish a system to collect information regarding the cost of health care. The bill would require the Secretary of California Health and Human Services, no later than January 1, 2020, to establish, implement, and administer the California Health Care Payments Database. The bill would require certain health care entities, including health care service plans, to provide specified information to the secretary.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2502">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2502</a></p>	3/23/2018 - Amend, and re-refer to Com. on HEALTH.

<b>AB 2566 (Chiu)</b>	<p>Would express the intent of the Legislature to enact legislation that would control health care costs, improve health outcomes, and reduce health disparities.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2566">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2566</a></p>	<p>2/16/2018 - From printer. May be heard in committee March 18.</p>
<b>AB 2579 (Burke)</b>	<p>Would require the State Department of Health Care Services, in collaboration with specified designated entities, to design, promulgate, and implement policies and procedures for an automated enrollment gateway system, operational no later than January 1, 2019, allowing children applying to the WIC Program to obtain express lane eligibility for, and to facilitate application for enrollment in, the Medi-Cal program, and allowing pregnant women applying to the WIC Program to obtain presumptive eligibility for the Medi-Cal program</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2579">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2579</a></p>	<p>3/23/2018 - Amend, and re-refer to Com. on HEALTH.</p>
<b>AB 2593 (Grayson)</b>	<p>This bill would require the department to maintain the Medi-Cal fee schedule for air ambulance services at a level equal to the rural Medicare rates for those services.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2593">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2593</a></p>	<p>3/5/2018 - Referred to Com. on HEALTH.</p>
<b>AB 2682 (Burke)</b>	<p>This bill would authorize a nurse-midwife to practice in a variety of settings without supervision by a physician and surgeon subject to certain situations requiring consultation or co-management with, or referral or transfer to, a physician and surgeon. The bill would also require all emergencies to be referred to a physician and surgeon immediately.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2682">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2682</a></p>	<p>03/08/18 Referred to Com. on B. &amp; P.</p>
<b>AB 2741 (Burke)</b>	<p>This bill would require a prescriber, as defined, to comply with specified conditions when prescribing opioid medication to a minor, including not prescribing more than a 5-day supply of an opioid medication to that minor except in specified instances.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2741">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2741</a></p>	<p>3/8/2018 - Referred to Coms. on B. &amp; P. and HEALTH.</p>

<p><b>AB 2760 (Wood)</b></p>	<p>Would require a prescriber, as defined, to prescribe naloxone hydrochloride for patients when certain conditions are present and to provide specified education to those patients and their household. The bill would make a violation of the bill's provisions unprofessional conduct and would subject the prescriber to discipline by the board charged with regulating his or her license.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2760">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2760</a></p>	<p>3/8/2018 - Referred to Coms. on B. &amp; P. and HEALTH.</p>
<p><b>AB 2861 (Salas)</b></p>	<p>Would require the State Department of Health Care Services to allow a licensed practitioner of the healing arts or a certified substance use disorder counselor to receive Medi-Cal reimbursement for substance use disorder services provided through telehealth in accordance with the Medicaid state plan.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2861">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2861</a></p>	<p>3/8/2018 - Referred to Com. on HEALTH.</p>
<p><b>AB 2895 (Arambula)</b></p>	<p>Would require an insurer to annually report its total primary care expenditures and other specified information to the California Health and Human Services Agency, and would require the agency to annually post a report with that information on its Internet Web site, beginning July 1, 2020. The bill would direct the agency, in coordination with the Department of Managed Health Care and the Department of Insurance, to adopt rules prescribing the primary care services for which costs are reported. The bill would require the agency to convene the Primary Care Payment Reform Collaborative no later than January 1, 2020, to propose revisions to the types of primary care data collected from plans and insurance carriers, as well as to advise and assist in developing specified best practices.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2895">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2895</a></p>	<p>CAHP Opposed</p> <p>3/12/2018 - Re-referred to Com. on HEALTH.</p>
<p><b>AB 2965 (Arambula)</b></p>	<p><b>Would extend eligibility for full-scope Medi-Cal benefits to individuals of all ages who are otherwise eligible for those benefits but for their immigration status.</b></p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2965">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2965</a></p>	<p><b>3/23/2018 - Amend, and re-refer to Com. on HEALTH.</b></p>
<p><b>AB 2976 (Quirk)</b></p>	<p>This bill would require the department to coordinate with specified state entities to gather data to determine whether children are being screened for lead poisoning as required by the regulation.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2976">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB2976</a></p>	<p>3/19/2018 - Re-referred to Com. on HEALTH.</p>

<p><b>SB 399 (Portantino)</b></p>	<p>Significantly expands the Autism coverage requirements in ways not supported by literature.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB399">http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB399</a></p>	<p>CAHP/LHPC Oppose</p> <p>1/30/2018 - In Assembly. Read first time. Held at Desk.</p>
<p><b>SB 906 (Beall)</b></p>	<p>This bill would require the State Department of Health Care Services to establish, no later than July 1, 2019, a statewide peer, parent, transition-age, and family support specialist certification program, as a part of the state's comprehensive mental health and substance use disorder delivery system and the Medi-Cal program. The bill would include 4 certification categories: adult peer support specialists, transition-age youth peer support specialists, family peer support specialists, and parent peer support specialists. The certification program's components would include, among others, defining responsibilities and practice guidelines, determining curriculum and core competencies, specifying training and continuing education requirements, establishing a code of ethics, and determining a certification revocation process. The bill would require an applicant for the certification as a peer, parent, transition-age, or family support specialist to meet specified requirements, including successful completion of the curriculum and training requirements.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB906">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB906</a></p>	<p>3/14/2018 - From committee: Do pass and re-refer to Com. on APPR.</p>
<p><b>SB 945 (Atkins)</b></p>	<p>This bill would remove the coverage limitations for breast and cervical cancer treatment covered by DHCS. Currently coverage expires after 18 or 24 months of treatment. This bill would provide that the treatment services be provided as long as eligibility requirements are met.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB945">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB945</a></p>	<p>3/12/2018 - Set for hearing April 25.</p>
<p><b>SB 974 (Lara)</b></p>	<p><b>This bill would extend eligibility for full-scope Medi-Cal benefits to individuals of all ages who are otherwise eligible for those benefits if not for their immigration status.</b></p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB974">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB974</a></p>	<p>3/23/2018 - Set for hearing April 4</p>

<p><b>SB 997 (Monning)</b></p>	<p>This bill would extend indefinitely the Physician-to-Enrollee requirements currently in place. Current law requires a health care service plan to ensure that there is at least one full-time equivalent primary care physician for every 2,000 enrollees and authorizes the assignment of up to an additional 1,000 enrollees to a primary care physician for each full-time equivalent non-physician medical practitioner supervised by that physician.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB997">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB997</a></p>	<p>3/14/2018 - From committee: Do pass and re- refer to Com. on APPR.</p>
<p><b>SB 1023 (Hernandez )</b></p>	<p>This bill would require the Family PACT Program to cover services provided by a Family PACT Provider through direct video and telephonic communications with a provider and direct or asynchronous care provided through a smart phone application that is appropriate to be delivered remotely based on current clinical guidelines. The bill would allow Family PACT providers to determine program eligibility remotely and to enroll clients remotely, as specified, and would authorize the State Department of Health Care Services to develop program policies to support implementation of off-site eligibility determination and enrollment. The bill would, if a patient is ineligible for the Family PACT Program, but may be eligible for more comprehensive health care coverage through Medi-Cal or Covered California, require the Family PACT provider to share information with the patient about his or her coverage options.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1023">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1023</a></p>	<p>3/22/2018 - Set for hearing April 18.</p>
<p><b>SB 1041 (Leyva)</b></p>	<p>This bill would make it a goal of the state that all children at risk of lead exposure receive blood lead screening tests, and would require the Department of Public Health to take action, and to require local agencies to take action, necessary to ensure these goals are met.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1041">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1041</a></p>	<p>3/20/2018 - Set for hearing April 4.</p>
<p><b>SB 1047 (Nielsen)</b></p>	<p>This bill would state the intent of the Legislature to enact legislation that would increase the Medi-Cal reimbursement rates for services provided by qualified providers in counties with both a population density under 300 persons per square mile and a total population under 500,000 persons.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1047">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1047</a></p>	<p>2/22/2018 - Referred to Com. on RLS.</p>

<p><b>SB 1108 (Hernandez)</b></p>	<p>Would prohibit the State Department of Health Care Services from seeking or obtaining a Medicaid demonstration project or waiver to require work or community engagement activities as a condition of Medi-Cal eligibility or coverage, to require waiting periods, time limits, or coverage lockouts, as specified, or to require any other condition of Medi-Cal eligibility or coverage not authorized by any other provision of state law or federal statute or regulation.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1108">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1108</a></p>	<p>3/12/2018 - Set for hearing April 4.</p>
<p><b>SB 1125 (Atkins)</b></p>	<p>This bill would authorize reimbursement to an FQHC/RHC for a maximum of 2 visits taking place on the same day at a single location if after the first visit the patient suffers illness or injury requiring additional diagnosis or treatment, or if the patient has a medical visit and another health visit, as defined.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1125">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1125</a></p>	<p>3/12/2018 - Set for hearing April 25.</p>
<p><b>SB 1154 (Portantino)</b></p>	<p>Would require the State Department of Health Care Services to determine a per capita rate of payment to a managed care plan for services provided to Medi-Cal beneficiaries with HIV or AIDS.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1154">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1154</a></p>	<p>2/22/2018 - Referred to Com. on HEALTH.</p>
<p><b>SB 1229 (Stone)</b></p>	<p>This bill would require a pharmacist to provide oral consultation to a patient or the patient's agent before dispensing any opioid medication in accordance with regulations adopted by the board.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1229">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1229</a></p>	<p>3/20/2018 - Set for hearing April 16.</p>
<p><b>SB 1264 (Stone)</b></p>	<p>This bill would authorize an advanced practice pharmacist to provide hypertension medication management services, as defined, to Medi-Cal beneficiaries. The bill would authorize a pharmacist providing hypertension medication management services to access the state health information exchange and any relevant continuity of care documents maintained by a health facility, subject to applicable federal and state privacy and confidentiality laws. This bill would include hypertension medication management services as a covered pharmacist service under the Medi-Cal program.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1264">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1264</a></p>	<p>3/21/2018 - Read second time and amended. Re- referred to Com. on RLS.</p>



<p><b>SB 1285 (Stone)</b></p>	<p>Would require coverage for services provided by an advanced practice pharmacist, as defined, performed within the scope of his or her practice, including, but not limited to, comprehensive medication management (CMM) services, as defined, in a health care service plan contract and health insurance policy, and, to the extent that federal financial participation is available, in a Medi-Cal managed care plan.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1285">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1285</a></p>	<p>3/12/2018 - Set for hearing April 25.</p>
<p><b>SB 1322 (Stone)</b></p>	<p>Would provide that comprehensive medication management (CMM) services, as defined, are a covered benefit under the Medi-Cal program, and would require those services to include, among other things, the development and implementation of a written medication treatment plan that is designed to resolve documented medication therapy problems and to prevent future medication therapy problems. The bill would require the department to evaluate the effectiveness of CMM on quality of care, patient outcomes, and total program costs, as specified.</p> <p><a href="http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1322">http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1322</a></p>	<p>3/22/2018 - Read second time and amended. Referred to Com. on HEALTH.</p>
<p><b>340b TBL</b></p>	<p><b>Requires DHCS to seek federal approval to prohibit covered entities from dispensing or administering a 340B drug to a Medi-Cal beneficiary</b></p> <p><b>Require DHCS, in the event federal approval is not obtained to prohibit dispensing or administering a 340B drug to a Medi-Cal beneficiary, to seek federal approval to limit the use of contract pharmacies by a covered entity; and/or, to prohibit or limit which covered entities, and which specified drugs, can be dispensed or administered to a Medi-Cal beneficiary</b></p> <p><b>Require a covered entity subject to the limitations proposed, to bill DHCS or a managed care plan their usual and customary charge</b></p> <p><b>Require that covered entities bill the Medi-Cal program at their acquisition cost, plus the appropriate dispensing fee for the applicable delivery system</b></p> <p><b>Require a covered entity to identify a 340B drug on the claim submitted to the Medi-Cal program or to a managed care plan for reimbursement, in the form and manner specified by DHCS</b></p>	<p>3/22/2018 - Budget subcommittee hearing to discuss</p>





**To: KHS Board of Directors**

**From: Robert Landis, CFO**

**Date: April 12, 2018**

**Re: December 2017 Financial Results**

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

- 1) Total Revenues reflect a \$1.4 million unfavorable variance primarily due to:
  - A) \$1.5 million unfavorable variance relating to Family and Other primarily due to lower than expected enrollment (\$.7 million) and a lower than expected budgeted rate increase from the State effective July 1, 2017 (\$.8 million).
  - B) \$.6 million favorable variance relating to Expansion primarily due to higher than expected enrollment (\$.3 million), a lower than expected budgeted rate decrease effective July 1, 2017 (\$.7 million) and lower than expected Maternity revenue (\$.4 million).
  - C) \$.7 million unfavorable variance relating to Other Income (Expense) primarily due to marking the investment portfolio to market.
  
- 2) Total Medical Costs reflect a \$.7 million favorable variance primarily due to:
  - A) \$1.0 million unfavorable variance in Physician Services primarily due to higher than expected utilization of Referral Specialty Services.
  - B) \$.9 million favorable variance in Emergency Room primarily due to lower than expected utilization.
  - C) \$1.0 million favorable variance in Pharmacy primarily due to lower than expected HEP-C utilization.
  
- 3) Total Administrative Expense Expenses reflect a \$1.9 million unfavorable variance primarily due to:
  - A) \$2.0 million unfavorable variance in Administrative Expense Adjustment relating to an unfavorable net pension liability expense adjustment for the period July 1, 2016 to June 30, 2017 reported in accordance with Governmental Accounting Standards Board (GASB) statement 68 (\$1.6 million) and the annual true-up of the Statutory Allowance for Claims Processing (\$.4 million).

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

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

**Kern Health Systems  
Financial Packet  
December 2017**

**KHS – Medi-Cal Line of Business**

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**KHS Group Health Plan – Healthy Families Line of Business**

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**KHS Administrative Analysis and Other Reporting**

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

CURRENT MONTH MEMBERS			KERN HEALTH SYSTEMS MEDI-CAL - ALL COA STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION FOR THE MONTH ENDED DECEMBER 31, 2017			YEAR-TO-DATE MEMBER MONTHS		
						ACTUAL	BUDGET	VARIANCE
<b>ENROLLMENT</b>								
163,974	169,100	(5,126)	Family Members	1,963,604	1,989,600	(25,996)		
57,562	56,700	862	Expansion Members	684,388	667,200	17,188		
14,320	14,050	270	SPD Members	166,203	165,300	903		
5,711	4,275	1,436	Other Members	63,775	49,650	14,125		
7,890	7,275	615	Kaiser Members	92,005	85,650	6,355		
249,457	251,400	(1,943)	<b>Total Members - MCAL</b>	<b>2,969,975</b>	<b>2,957,400</b>	<b>12,575</b>		
<b>REVENUES</b>								
20,910,809	22,449,894	(1,539,085)	Title XIX - Medicaid - Family and Other	254,541,398	262,130,197	(7,588,799)		
20,131,172	19,567,040	564,132	Title XIX - Medicaid - Expansion Members	249,760,999	239,263,363	10,497,636		
11,017,790	10,895,266	122,524	Title XIX - Medicaid - SPD Members	124,586,445	127,019,734	(2,433,289)		
7,651,559	7,355,486	296,073	Premium - MCO Tax	90,964,541	86,525,828	4,438,714		
320,014	158,043	161,971	Interest /Dividends	3,335,940	1,859,130	1,476,810		
217,296	107,415	109,881	Reinsurance Recoveries	1,123,866	1,263,570	(139,704)		
2,458,885	2,881,524	(422,639)	COB/Subrogation Collections	45,057,212	33,894,866	11,162,346		
52,721	-	52,721	Rate/Income Adjustments	14,941,971	-	14,941,971		
(708,938)	-	(708,938)	Other Income (Expense)	(938,672)	-	(938,672)		
62,051,308	63,414,669	(1,363,360)	<b>TOTAL REVENUES</b>	<b>783,373,700</b>	<b>751,956,686</b>	<b>31,417,014</b>		
<b>EXPENSES</b>								
Medical Costs:								
13,358,821	12,316,560	(1,042,261)	Physician Services	163,830,796	144,893,852	(18,936,944)		
2,810,522	2,703,860	(106,662)	Other Professional Services	33,282,905	31,932,277	(1,350,628)		
3,888,819	4,799,426	910,607	Emergency Room	53,399,387	56,459,886	3,060,499		
14,316,486	13,792,513	(523,973)	Inpatient	173,014,732	162,264,300	(10,750,432)		
105,351	107,415	2,064	Reinsurance Expense	1,263,568	1,263,570	2		
5,457,541	5,733,570	276,029	Outpatient Hospital	71,549,049	67,452,699	(4,096,350)		
2,482,691	2,569,217	86,527	Other Medical	26,346,293	30,307,745	3,961,452		
8,546,330	9,506,652	960,322	Pharmacy	103,712,347	111,845,648	8,133,301		
567,682	573,694	6,012	Pay for Performance Quality Incentive	6,765,229	6,748,613	(16,617)		
(105,403)	-	105,403	IBNR, Incentive, Paid Claims Adjustment	4,503,050	-	(4,503,050)		
51,428,840	52,102,907	674,067	<b>Total Medical Costs</b>	<b>637,667,356</b>	<b>613,168,589</b>	<b>(24,498,767)</b>		
10,622,469	11,311,762	(689,294)	<b>GROSS MARGIN</b>	<b>145,706,344</b>	<b>138,788,097</b>	<b>6,918,247</b>		
Administrative:								
2,047,251	1,941,376	(105,875)	Compensation	21,803,482	23,273,573	1,470,091		
659,696	544,621	(115,075)	Purchased Services	5,707,421	6,748,727	1,041,306		
(329,638)	147,386	477,025	Supplies	816,018	1,779,182	963,165		
815,737	711,615	(104,122)	Other Administrative Expenses	5,172,309	7,125,101	1,952,792		
2,042,235	-	(2,042,235)	Administrative Expense Adjustment	2,042,235	-	(2,042,235)		
5,235,280	3,344,997	(1,890,283)	<b>Total Administrative Expenses</b>	<b>35,541,464</b>	<b>38,926,583</b>	<b>3,385,118</b>		
56,664,120	55,447,904	(1,216,216)	<b>TOTAL EXPENSES</b>	<b>673,208,820</b>	<b>652,095,172</b>	<b>(21,113,648)</b>		
5,387,188	7,966,765	(2,579,576)	<b>OPERATING INCOME (LOSS) BEFORE TAX</b>	<b>110,164,880</b>	<b>99,861,514</b>	<b>10,303,365</b>		
7,652,171	7,355,486	(296,685)	<b>MCO TAX</b>	<b>89,469,376</b>	<b>86,525,828</b>	<b>(2,943,549)</b>		
(2,264,983)	611,279	(2,876,261)	<b>OPERATING INCOME (LOSS) NET OF TAX</b>	<b>20,695,504</b>	<b>13,335,687</b>	<b>7,359,817</b>		
<b>NONOPERATING REVENUE (EXPENSES)</b>								
(23,172)	-	(23,172)	Reserve Fund Projects/Community Grants	(104,284)	-	(104,284)		
(602,264)	(500,000)	(102,264)	Health Home	(1,264,972)	(6,000,000)	4,735,028		
(625,436)	(500,000)	(125,436)	<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(1,369,256)</b>	<b>(6,000,000)</b>	<b>4,630,744</b>		
(2,890,419)	111,279	(3,001,697)	<b>NET INCREASE (DECREASE) IN NET POSITION</b>	<b>19,326,248</b>	<b>7,335,687</b>	<b>11,990,561</b>		
94.5%	92.9%	-1.6%	<b>MEDICAL LOSS RATIO</b>	<b>92.1%</b>	<b>92.1%</b>	<b>0.0%</b>		
9.6%	6.0%	-3.7%	<b>ADMINISTRATIVE EXPENSE RATIO</b>	<b>5.1%</b>	<b>5.8%</b>	<b>0.7%</b>		

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

KERN HEALTH SYSTEMS MEDICAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - ROLLING 12 MONTHS THROUGH DECEMBER 31, 2017	DECEMBER 2016	JANUARY 2017	FEBRUARY 2017	MARCH 2017	APRIL 2017	MAY 2017	JUNE 2017	JULY 2017	AUGUST 2017	SEPTEMBER 2017	OCTOBER 2017	NOVEMBER 2017	DECEMBER 2017	13 MONTH TOTAL
	<b>ENROLLMENT</b>	234,491	234,963	237,323	240,308	241,178	241,282	241,716	239,716	239,363	240,564	240,556	239,434	241,567
<b>MEMBERS - MICAL</b>														
<b>REVENUES</b>														
Title XIX - Medicaid - Family and Other	20,429,201	21,026,665	20,048,215	21,940,850	21,818,166	21,057,784	21,560,930	21,061,787	21,157,058	21,889,455	20,639,049	21,430,630	20,910,809	274,970,599
Title XIX - Medicaid - Expansion Members	2,850,615	2,642,041	2,246,962	2,496,217	2,479,295	2,929,295	2,903,026	2,989,487	2,989,487	2,831,866	2,920,876	3,065,669	2,810,522	36,133,520
Title XIX - Medicaid - SPD Members	9,940,753	9,966,872	9,618,941	9,939,770	10,055,280	9,972,611	10,383,303	10,531,094	10,667,756	10,594,072	10,978,907	10,859,865	11,017,790	134,427,198
Premium - MICO Tax	10,065,534	7,491,128	7,405,842	7,470,551	7,507,968	7,504,758	7,517,457	7,674,906	7,622,484	8,087,180	7,402,479	7,628,229	7,651,559	101,030,075
Interest/Dividends	194,711	181,883	176,794	264,732	376,466	265,438	243,800	385,982	302,348	302,348	302,348	268,899	320,014	3,330,651
Reinsurance Recoveries	(210,968)	-	-	-	-	-	-	-	-	-	-	-	-	-
COB/Subcontract Collections	2,839,103	4,060,955	3,306,877	4,696,164	2,789,187	3,514,662	3,698,257	3,234,724	5,392,339	3,431,408	3,148,842	5,324,912	2,458,885	47,896,315
Rate/Income Adjustments	2,736,951	2,016,975	2,016,975	413,545	93,756	(3,949)	(340,730)	(84,108)	1,061,917	9,476,726	126,333	2,138,785	52,721	17,678,922
Other Income (Expense)	(1,262,113)	37,570	121	46,740	(11,110)	(18,881)	9	(88,814)	(18,408)	104	378	(20,460)	(708,938)	(2,200,785)
<b>TOTAL REVENUES</b>	64,838,821	63,670,423	63,704,954	66,799,408	64,178,550	64,266,102	64,312,190	63,064,185	66,345,512	73,614,708	62,741,067	68,625,290	62,051,308	848,212,521
<b>EXPENSES</b>														
<b>Medical Costs:</b>														
Physician Services	11,369,024	12,342,816	12,684,849	13,156,118	13,305,167	13,797,185	15,174,897	14,423,866	13,877,006	14,239,482	12,862,609	14,607,980	13,358,821	175,199,820
Other Professional Services	2,850,615	2,642,041	2,246,962	2,496,217	2,479,295	2,929,295	2,903,026	2,989,487	2,989,487	2,831,866	2,920,876	3,065,669	2,810,522	36,133,520
Emergency Room	4,106,435	4,687,780	4,450,889	4,100,250	4,012,665	3,942,442	4,764,752	4,665,069	5,099,658	4,696,197	3,995,827	5,095,039	3,888,819	57,505,822
Inpatient	12,926,841	13,999,552	14,812,384	15,281,823	14,524,702	14,725,286	14,913,273	13,361,803	13,546,637	13,862,008	13,575,463	16,815,315	14,316,486	185,941,573
Reinsurance Expense	187,380	103,176	103,384	103,399	105,736	107,515	106,164	106,355	105,475	105,320	105,848	105,845	108,351	1,450,948
Outpatient Hospital	6,388,140	5,477,940	5,813,468	6,116,559	5,765,474	5,787,957	6,293,878	5,430,584	6,154,715	6,213,267	5,886,144	7,151,522	5,457,541	77,937,189
Other Medical	1,515,058	2,097,824	2,007,506	2,214,713	2,373,420	2,730,233	2,620,808	1,975,195	1,800,207	1,883,596	2,362,997	1,797,103	2,482,691	27,861,351
Pharmacy	8,098,176	8,128,455	7,616,304	9,063,123	8,149,210	8,855,628	9,035,094	8,925,333	8,228,934	8,958,655	8,669,446	8,546,330	11,810,523	111,810,523
Pay for Performance Quality Incentive	566,068	552,163	559,709	564,724	566,768	567,013	568,032	563,333	562,503	565,325	565,307	562,670	567,682	7,331,297
Expansion Risk Corridor Expense	413,346	-	-	-	-	-	-	-	-	-	-	-	-	413,346
IBNR, Incentive, Paid Claims Adjustment	1,045,552	(141,866)	111,013	(585,473)	(232,581)	(744,814)	(2,727,790)	(28,273)	1,034,615	7,973,649	332,212	(382,239)	(105,403)	5,548,602
Total Medical Costs	49,466,635	49,889,881	50,406,468	52,511,453	51,049,856	52,353,094	53,321,503	52,356,793	54,695,536	60,619,644	51,565,938	57,488,330	51,428,840	687,133,991
<b>GROSS MARGIN</b>	15,372,186	13,780,544	13,298,486	14,287,955	13,128,694	11,913,008	10,990,687	10,727,392	11,649,976	12,995,064	11,175,129	11,136,940	10,622,469	161,078,530
<b>Administrative:</b>														
Compensation	1,748,853	1,667,274	1,550,593	1,806,555	1,650,173	1,904,742	1,869,066	1,816,065	1,962,751	1,762,043	1,869,031	1,897,938	2,047,251	23,552,335
Purchased Services	470,957	268,436	450,657	436,052	442,046	344,437	364,323	354,712	371,842	523,883	539,809	952,528	659,696	6,178,378
Supplies	53,867	66,872	36,371	86,926	99,813	89,505	30,984	65,825	131,877	168,244	208,982	160,257	(329,638)	869,885
Other Administrative Expenses	423,090	359,822	363,606	484,727	365,239	432,721	492,918	298,544	393,233	325,962	394,228	445,572	815,737	5,595,399
Administrative Expense Adjustment	(1,260,549)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Administrative Expenses	736,218	2,362,404	2,401,227	2,814,260	2,557,271	2,771,405	2,757,291	2,535,146	2,859,703	2,779,132	3,012,050	3,456,295	5,235,280	36,277,682
<b>TOTAL EXPENSES</b>	50,202,853	52,252,285	52,807,695	55,325,713	53,607,127	55,124,499	56,078,794	54,871,939	57,555,239	63,398,776	54,577,988	60,944,645	56,664,120	723,411,673
<b>OPERATING INCOME (LOSS) BEFORE TAX</b>	14,635,968	11,418,140	10,897,259	11,473,695	10,571,423	9,141,603	8,233,396	8,192,246	8,790,273	10,215,932	8,163,079	7,680,645	5,387,188	124,800,348
<b>MICO TAX</b>	10,065,534	7,491,128	6,911,096	7,199,396	7,304,569	7,198,592	7,197,359	7,674,900	7,755,859	8,059,738	7,454,395	7,650,173	7,652,171	99,534,910
<b>OPERATING INCOME (LOSS) NET OF TAX</b>	4,570,434	3,927,012	3,986,163	4,274,299	3,266,854	1,943,011	1,036,037	517,346	1,014,414	2,156,194	708,684	30,472	(2,264,983)	25,265,938
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	-	-	-	(23,174)	-	(11,588)	-	(23,175)	-	(23,175)	(662,708)	-	-	(625,456)
<b>NET INCREASE (DECREASE) IN NET POSITION</b>	4,570,434	3,927,012	3,986,163	4,251,125	3,266,854	1,931,423	1,036,037	494,171	1,014,414	2,133,019	45,976	30,472	(2,890,419)	23,896,682
<b>MEDICAL LOSS RATIO</b>	90.3%	88.8%	89.5%	88.5%	90.1%	92.2%	93.9%	94.5%	93.1%	92.5%	93.2%	94.2%	94.5%	92.0%
<b>ADMINISTRATIVE EXPENSE RATIO</b>	13.7%	4.2%	4.3%	4.7%	4.5%	4.9%	4.9%	4.6%	4.9%	4.2%	5.4%	5.7%	9.0%	4.3%



KERN HEALTH SYSTEMS MEDICAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - PMPM ROLLING 13 MONTHS THROUGH DECEMBER 31, 2017														
E N R O L L M E N T														
	DECEMBER 2016	JANUARY 2017	FEBRUARY 2017	MARCH 2017	APRIL 2017	MAY 2017	JUNE 2017	JULY 2017	AUGUST 2017	SEPTEMBER 2017	OCTOBER 2017	NOVEMBER 2017	DECEMBER 2017	13 MONTH TOTAL
M e m b e r s - M C A L	234,491	234,963	237,323	240,308	241,178	241,282	241,716	239,716	239,363	240,564	240,556	239,434	241,567	3,112,461
R E V E N U E S														
Title XIX - Medicaid - Family and Other	122.95	126.64	119.60	129.31	128.39	124.01	126.74	124.89	125.53	129.26	122.06	126.92	123.23	125.35
Title XIX - Medicaid - Expansion Members	566.70	577.32	575.41	586.18	575.46	576.19	569.16	556.43	551.84	550.11	552.46	559.17	549.73	565.07
Title XIX - Medicaid - SPD Members	736.02	736.98	717.78	734.16	740.65	743.39	749.37	764.45	772.58	754.83	748.37	760.39	769.40	748.58
Premium - MCO Tax	42.93	31.88	31.21	31.09	31.13	31.10	31.10	32.02	31.84	33.62	30.77	31.86	31.67	32.46
Interest/Dividends	0.83	0.77	0.74	1.02	1.10	1.56	1.10	1.02	1.61	1.26	1.26	1.12	1.32	1.13
Reinsurance Recoveries	(0.90)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.52	3.27	0.90	0.29
COB/Subrogation Collections	12.11	17.28	13.93	19.54	11.56	14.57	15.30	13.49	22.53	14.26	13.09	22.24	10.18	15.39
Rate/Income Adjustments	11.67	0.00	0.39	1.72	0.39	(0.02)	(1.41)	(0.35)	4.44	39.39	0.53	8.89	0.22	5.68
Other Income (Expense)	(5.38)	0.16	0.00	0.19	(0.00)	0.00	(0.37)	(0.08)	0.00	(0.77)	0.00	(0.09)	(2.93)	(0.71)
TOTAL REVENUES	276.51	270.98	268.43	277.97	266.10	266.35	266.07	263.08	277.18	306.01	266.82	286.61	256.87	272.52
E X P E N S E S														
Medical Costs:														
Physician Services	48.48	52.53	53.45	54.75	55.17	57.18	62.78	60.17	57.97	59.19	53.47	61.01	55.30	56.29
Other Professional Services	12.16	11.24	9.47	10.39	10.28	10.71	13.62	12.11	12.49	11.85	12.14	12.80	11.63	11.61
Emergency Room	17.51	19.95	18.75	17.06	16.64	16.34	19.71	19.46	21.31	19.52	16.61	21.28	16.10	18.48
I n p a t i e n t	55.13	59.58	62.41	63.50	60.22	61.03	58.72	55.74	56.59	57.62	56.43	70.23	59.27	59.74
Reinsurance Expense	0.80	0.44	0.44	0.43	0.44	0.45	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.47
Outpatient Hospital	27.24	23.31	24.50	25.35	23.91	23.99	26.04	22.05	25.71	25.83	23.47	29.87	22.59	25.04
Other: Medical	6.46	8.93	8.46	9.22	9.84	11.32	10.84	8.24	7.52	7.83	9.82	7.51	10.28	8.95
Pharmacy	34.54	34.59	32.09	37.71	33.79	36.70	37.38	37.28	39.79	34.21	37.24	36.21	35.38	35.92
Pay for Performance Quality Incentive	2.41	2.35	2.36	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.36
Expansion Risk Corridor Expense	1.76	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.13
IBNR, Incentive, Paid Claims Adjustment	4.46	(0.60)	0.47	(2.44)	(0.96)	(3.09)	(11.29)	(0.12)	4.32	33.15	1.38	(1.60)	(0.44)	1.78
Total Medical Costs	210.95	212.33	212.40	218.52	211.67	216.98	220.60	218.33	228.50	251.99	214.36	240.10	212.90	220.77
GROSS MARGIN	65.56	58.65	56.04	59.46	54.44	49.37	45.47	44.75	48.67	54.02	46.46	46.51		51.75
Administrative:														
Compensation	7.46	7.10	6.53	7.52	6.84	7.89	7.73	7.58	8.20	7.32	7.77	7.93	8.47	7.57
Purchased Services	2.01	1.14	1.90	1.81	1.83	1.43	1.81	1.48	1.55	2.17	2.24	3.98	2.73	1.99
Supplies	0.23	0.28	0.15	0.36	0.41	0.37	0.13	0.27	0.55	0.70	0.87	0.67	(1.36)	0.28
Other Administrative Expenses	1.80	1.53	1.53	2.02	1.51	1.79	2.04	1.25	1.64	1.35	1.64	1.86	3.38	1.80
Administrative Expense Adjustment	(8.36)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.45	0.03
Total Administrative Expenses	3.14	10.05	10.12	11.71	10.60	11.49	11.41	10.58	11.95	11.55	12.52	14.44	21.67	11.66
TOTAL EXPENSES	214.09	222.39	222.51	230.23	222.27	228.47	232.00	228.90	240.45	263.54	226.88	254.54	234.57	232.42
OPERATING INCOME (LOSS) BEFORE TAX	62.42	48.60	45.92	47.75	43.83	37.89	34.06	34.17	36.72	42.07	33.93	31.08	23.50	40.10
MCO TAX	42.93	31.88	29.12	29.96	29.87	29.83	29.78	32.02	32.49	31.50	30.99	31.95	31.96	31.98
OPERATING INCOME (LOSS) NET OF TAX	19.49	16.71	16.80	17.79	13.96	8.05	4.29	2.16	4.24	8.96	2.95	0.13	(9.46)	8.12
TOTAL NONOPERATING REVENUE (EXPENSES)	0.00	0.00	0.00	(0.10)	0.00	(0.05)	0.00	(0.10)	0.00	(0.10)	(2.75)	0.00	(2.59)	(0.10)
NET INCREASE (DECREASE) IN NET POSITION	19.49	16.71	16.80	17.69	13.96	8.00	4.29	2.06	4.24	8.87	0.19	0.13	(12.05)	8.02
MEDICAL LOSS RATIO	90.3%	88.8%	89.5%	88.5%	90.1%	92.3%	93.9%	94.5%	93.1%	92.5%	92.2%	94.2%	94.5%	92.0%
ADMINISTRATIVE EXPENSE RATIO	1.3%	4.2%	4.3%	4.7%	4.5%	4.9%	4.9%	4.6%	4.9%	4.2%	5.4%	5.7%	9.6%	4.9%

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

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

\* Medical costs per DMHC regulations

KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS - ALL COA - PMPM FOR THE MONTH ENDED DECEMBER 31, 2017				CURRENT MONTH		YEAR-TO-DATE	
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE	
			PHYSICIAN SERVICES				
11.41	14.08	2.67	Primary Care Physician Services	11.80	14.08	2.27	
40.51	33.62	(6.89)	Referral Specialty Services	40.58	33.62	(6.96)	
3.34	2.72	(0.62)	Urgent Care & After Hours Advise	4.51	2.72	(1.79)	
0.04	0.04	(0.00)	Hospital Admitting Team	0.04	0.04	0.00	
55.30	50.45	(4.85)	TOTAL PHYSICIAN SERVICES	56.93	50.45	(6.47)	
			OTHER PROFESSIONAL SERVICES				
0.99	1.03	0.04	Vision Service Capitation	1.00	1.03	0.03	
3.22	3.24	0.02	310 - Health Services - Utilization Management - UM Allocation *	2.87	3.29	0.41	
0.53	0.53	0.01	311 - Health Services - Quality Improvement - UM Allocation *	0.46	0.52	0.07	
0.34	0.33	(0.01)	312 - Health Services - Education - UM Allocation *	0.26	0.33	0.06	
0.40	0.37	(0.03)	313 - Health Services - Pharmacy - UM Allocation *	0.37	0.38	0.01	
0.21	0.18	(0.03)	314 - Health Homes - UM Allocation *	0.18	0.17	(0.00)	
0.27	0.28	0.01	616 - Disease Management - UM Allocation *	0.23	0.28	0.05	
1.75	0.92	(0.83)	Behavior Health Treatment	1.69	0.92	(0.78)	
0.31	0.38	0.06	Mental Health Services	0.58	0.38	(0.20)	
3.63	3.82	0.19	Other Professional Services	3.92	3.82	(0.10)	
11.63	11.08	(0.56)	TOTAL OTHER PROFESSIONAL SERVICES	11.56	11.12	(0.45)	
16.10	19.66	3.56	EMERGENCY ROOM	18.55	19.66	1.11	
59.27	56.50	(2.77)	INPATIENT HOSPITAL	60.12	56.50	(3.61)	
0.44	0.44	0.00	REINSURANCE EXPENSE PREMIUM	0.44	0.44	0.00	
22.59	23.49	0.89	OUTPATIENT HOSPITAL SERVICES	24.86	23.49	(1.37)	
			OTHER MEDICAL				
1.48	1.38	(0.09)	Ambulance	1.40	1.38	(0.02)	
1.60	1.52	(0.08)	Home Health Services & CBAS	1.55	1.52	(0.03)	
1.44	1.29	(0.16)	Utilization and Quality Review Expenses	0.65	1.31	0.67	
3.49	4.14	0.65	Long Term/SNF/Hospice	3.91	4.15	0.24	
0.00	1.00	1.00	Enhanced Medical Benefits	0.04	1.00	0.96	
2.27	1.19	(1.08)	Non-Medical Transportation	1.61	1.19	(0.42)	
10.28	10.52	0.25	TOTAL OTHER MEDICAL	9.15	10.55	1.40	
			PHARMACY SERVICES				
30.88	31.50	0.62	RX - Drugs & OTC	30.48	31.50	1.02	
2.92	5.67	2.75	RX - HEP-C	3.48	5.67	2.19	
2.58	2.05	(0.53)	Rx - DME	2.35	2.05	(0.30)	
(1.00)	(0.28)	0.72	RX - Pharmacy Rebates	(0.27)	(0.28)	(0.01)	
35.38	38.94	3.56	TOTAL PHARMACY SERVICES	36.04	38.95	2.91	
2.35	2.35	0.00	PAY FOR PERFORMANCE QUALITY INCENTIVE	2.35	2.35	0.00	
(0.44)	0.00	0.44	IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT	1.56	0.00	(1.56)	
212.90	213.43	0.53	Total Medical Costs	221.57	213.52	(8.05)	

\* Medical costs per DMHC regulations

KERN HEALTH SYSTEMS MEDICAL SCHEDULE OF MONTHLY EXPENSES BY MONTH THROUGH DECEMBER 31, 2017	JANUARY 2017	FEBRUARY 2017	MARCH 2017	APRIL 2017	MAY 2017	JUNE 2017	JULY 2017	AUGUST 2017	SEPTEMBER 2017	OCTOBER 2017	NOVEMBER 2017	DECEMBER 2017	YEAR TO DATE 2017
<b>PHYSICIAN SERVICES</b>													
Physician Professional Services	3,466,859	3,070,267	2,608,777	2,931,046	2,448,254	3,973,642	3,579,473	2,637,450	3,037,843	2,471,832	2,792,197	2,755,936	33,973,576
Medical Care - Physician Services	8,979,311	8,979,311	8,979,311	8,979,311	8,979,311	8,979,311	8,979,311	8,979,311	8,979,311	8,979,311	8,979,311	8,979,311	106,551,771
Medical Care - Allied Health	1,651,420	1,651,420	1,651,420	1,651,420	1,651,420	1,651,420	1,651,420	1,651,420	1,651,420	1,651,420	1,651,420	1,651,420	19,817,040
Hospital/Ambulatory Team	8,988	8,988	8,988	8,988	8,988	8,988	8,988	8,988	8,988	8,988	8,988	8,988	107,886
<b>TOTAL PHYSICIAN SERVICES</b>	12,044,246	12,044,246	12,044,246	12,044,246	12,044,246	12,044,246	12,044,246	12,044,246	12,044,246	12,044,246	12,044,246	12,044,246	149,959,243
<b>OTHER PROFESSIONAL SERVICES</b>													
310 - Health Services - Utilization Management - UM Allocation *	341,491	341,491	341,491	341,491	341,491	341,491	341,491	341,491	341,491	341,491	341,491	341,491	4,097,892
311 - Health Services - Quality Improvement - UM Allocation *	659,472	659,472	659,472	659,472	659,472	659,472	659,472	659,472	659,472	659,472	659,472	659,472	7,913,664
312 - Health Services - Quality Improvement - UM Allocation *	101,672	101,672	101,672	101,672	101,672	101,672	101,672	101,672	101,672	101,672	101,672	101,672	1,220,064
313 - Health Services - Education - UM Allocation *	55,993	55,993	55,993	55,993	55,993	55,993	55,993	55,993	55,993	55,993	55,993	55,993	671,916
314 - Health Services - Pharmacy - UM Allocation *	86,242	86,242	86,242	86,242	86,242	86,242	86,242	86,242	86,242	86,242	86,242	86,242	1,034,904
315 - Health Services - Pharmacy - UM Allocation *	19,018	19,018	19,018	19,018	19,018	19,018	19,018	19,018	19,018	19,018	19,018	19,018	228,216
616 - Disease Management - UM Allocation *	367,728	367,728	367,728	367,728	367,728	367,728	367,728	367,728	367,728	367,728	367,728	367,728	4,412,736
Behavior Health Treatment	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	3,600,000
Mental Health Services	320,889	320,889	320,889	320,889	320,889	320,889	320,889	320,889	320,889	320,889	320,889	320,889	3,850,668
Other Professional Services	927,483	927,483	927,483	927,483	927,483	927,483	927,483	927,483	927,483	927,483	927,483	927,483	11,129,796
<b>TOTAL OTHER PROFESSIONAL SERVICES</b>	2,642,041	2,642,041	2,642,041	2,642,041	2,642,041	2,642,041	2,642,041	2,642,041	2,642,041	2,642,041	2,642,041	2,642,041	31,712,092
<b>EMERGENCY ROOM</b>	4,697,790	4,697,790	4,697,790	4,697,790	4,697,790	4,697,790	4,697,790	4,697,790	4,697,790	4,697,790	4,697,790	4,697,790	56,373,470
<b>INPATIENT HOSPITAL</b>	13,939,552	13,939,552	13,939,552	13,939,552	13,939,552	13,939,552	13,939,552	13,939,552	13,939,552	13,939,552	13,939,552	13,939,552	167,274,422
<b>REINSURANCE EXPENSE PREMIUM</b>	103,384	103,384	103,384	103,384	103,384	103,384	103,384	103,384	103,384	103,384	103,384	103,384	1,240,612
<b>OUTPATIENT HOSPITAL SERVICES</b>	5,477,920	5,477,920	5,477,920	5,477,920	5,477,920	5,477,920	5,477,920	5,477,920	5,477,920	5,477,920	5,477,920	5,477,920	65,735,040
<b>OTHER MEDICAL</b>													
Ambulance	321,788	349,619	341,345	346,373	336,918	309,509	304,335	351,374	318,449	363,734	341,444	356,742	4,041,630
Home Health Services & CBAS	370,547	381,856	383,407	379,863	360,563	515,541	352,169	305,183	340,709	446,058	325,456	386,919	4,447,561
Utilization and Quality Review Expenses	67,616	115,998	142,141	133,314	155,745	141,184	207,396	179,271	85,471	173,786	109,957	348,092	1,900,451
Other Medical Services	1,021,842	830,973	961,497	1,172,012	1,443,187	1,061,050	788,463	603,671	825,648	1,054,845	649,651	843,200	11,245,895
Non-Medical Transportation	31,883	340,520	366,333	441,238	433,850	431,464	332,832	360,248	359,652	324,511	361,391	547,248	6,455,355
<b>TOTAL OTHER MEDICAL</b>	2,097,352	2,097,506	2,114,713	2,373,220	2,730,232	2,420,308	1,975,195	1,800,207	1,883,506	2,362,397	1,797,103	2,482,691	26,346,293
<b>PHARMACY SERVICES</b>													
RX - Drugs & OTC	7,157,012	6,565,755	7,310,438	6,736,832	7,588,219	6,993,768	7,079,657	7,901,664	7,218,260	7,801,406	7,430,627	7,458,778	87,719,416
RX - HEP-C	561,001	672,985	971,845	944,297	787,421	1,429,338	1,079,244	982,856	598,613	611,425	678,513	705,637	10,015,736
RX - DME	476,382	443,564	609,108	531,081	545,988	677,988	537,548	600,868	411,935	611,854	636,306	623,595	6,760,377
RX - Pharmacy Rebates	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)	(798,000)
<b>TOTAL PHARMACY SERVICES</b>	8,128,452	7,612,300	8,419,213	8,144,112	8,855,628	9,035,094	8,935,133	9,255,133	8,229,931	8,958,655	8,669,446	8,546,330	103,713,347
<b>PAY FOR PERFORMANCE QUALITY INCENTIVE</b>	552,169	559,709	564,224	566,768	567,013	568,032	563,333	562,383	565,325	565,307	562,670	567,682	6,765,229
<b>IBNR INCENTIVE AND PAID CLAIMS ADJUSTMENT</b>	(11,366)	(11,013)	(888,473)	(232,581)	(744,814)	(28,279)	(28,279)	(28,279)	(28,279)	(28,279)	(28,279)	(28,279)	(342,445)
<b>Total Medical Costs</b>	49,889,881	50,406,468	52,511,452	51,049,856	52,353,044	53,321,503	52,336,793	54,693,536	60,619,644	51,565,938	57,488,350	51,428,840	637,667,236

KERN HEALTH SYSTEMS MEDICAL SCHEDULE OF MEDICAL COSTS BY MONTH - PMPM THROUGH DECEMBER 31, 2017													
	JANUARY 2017	FEBRUARY 2017	MARCH 2017	APRIL 2017	MAY 2017	JUNE 2017	JULY 2017	AUGUST 2017	SEPTEMBER 2017	OCTOBER 2017	NOVEMBER 2017	DECEMBER 2017	YEAR TO DATE 2017
<b>PHYSICIAN SERVICES</b>													
Primary Care Physician Services	14.50	12.94	11.11	12.15	10.98	12.30	10.76	11.02	12.63	10.28	11.66	11.41	11.80
Referral Specialty Services	34.44	37.73	36.77	38.48	40.19	46.65	45.08	40.93	42.60	39.58	43.80	40.51	40.58
Urgent Care & After Hours Advice	3.56	2.75	6.84	4.50	5.98	3.79	4.29	5.99	3.53	3.58	5.51	3.34	4.51
Hospital Admitting Team	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
<b>TOTAL PHYSICIAN SERVICES</b>	<b>53.53</b>	<b>53.45</b>	<b>54.75</b>	<b>55.17</b>	<b>57.18</b>	<b>62.78</b>	<b>60.17</b>	<b>57.97</b>	<b>59.19</b>	<b>53.47</b>	<b>61.01</b>	<b>55.30</b>	<b>56.93</b>
<b>OTHER PROFESSIONAL SERVICES</b>													
Vision Service Capitation	1.00	0.99	0.99	1.00	1.00	1.00	1.01	1.00	1.00	1.00	1.00	0.99	1.00
310 - Health Services - Utilization Management - UM Allocation *	2.81	2.52	2.73	2.43	2.87	2.87	2.82	3.28	2.78	2.98	3.17	3.22	2.87
311 - Health Services - Quality Improvement - UM Allocation *	0.43	0.40	0.47	0.43	0.46	0.46	0.44	0.49	0.44	0.44	0.48	0.53	0.46
312 - Health Services - Pharmacy - UM Allocation *	0.24	0.22	0.24	0.22	0.24	0.23	0.23	0.23	0.27	0.29	0.30	0.34	0.26
313 - Health Services - Education - UM Allocation *	0.37	0.32	0.36	0.34	0.38	0.36	0.38	0.38	0.38	0.39	0.41	0.40	0.37
314 - Health Homes - UM Allocation *	0.08	0.12	0.17	0.20	0.17	0.17	0.16	0.19	0.23	0.17	0.21	0.21	0.18
616 - Disease Management - UM Allocation *	0.16	0.16	0.21	0.23	0.25	0.25	0.24	0.27	0.25	0.24	0.23	0.27	0.23
Behavior Health Treatment	1.28	0.55	1.39	1.04	1.74	3.04	1.99	2.84	1.63	1.68	2.39	1.75	1.69
Mental Health Services	0.94	0.50	0.16	0.36	1.13	0.37	0.73	0.37	0.56	1.10	0.39	0.31	0.58
Other Professional Services	3.95	3.69	3.66	4.04	3.45	4.86	4.11	3.39	4.32	3.76	4.21	3.63	3.92
<b>TOTAL OTHER PROFESSIONAL SERVICES</b>	<b>11.24</b>	<b>9.47</b>	<b>10.39</b>	<b>10.28</b>	<b>10.71</b>	<b>13.62</b>	<b>12.11</b>	<b>12.49</b>	<b>11.85</b>	<b>12.14</b>	<b>12.80</b>	<b>11.63</b>	<b>11.56</b>
<b>EMERGENCY ROOM</b>	<b>19.95</b>	<b>18.75</b>	<b>17.06</b>	<b>16.64</b>	<b>16.34</b>	<b>19.71</b>	<b>19.46</b>	<b>21.31</b>	<b>19.52</b>	<b>16.61</b>	<b>21.28</b>	<b>16.10</b>	<b>18.55</b>
<b>INPATIENT HOSPITAL</b>	<b>59.58</b>	<b>62.41</b>	<b>63.59</b>	<b>60.22</b>	<b>61.03</b>	<b>58.72</b>	<b>55.74</b>	<b>56.59</b>	<b>57.62</b>	<b>56.43</b>	<b>70.23</b>	<b>59.27</b>	<b>60.12</b>
<b>REINSURANCE EXPENSE PREMIUM</b>	<b>0.44</b>	<b>0.44</b>	<b>0.43</b>	<b>0.44</b>	<b>0.45</b>	<b>0.44</b>	<b>0.44</b>	<b>0.44</b>	<b>0.44</b>	<b>0.44</b>	<b>0.44</b>	<b>0.44</b>	<b>0.44</b>
<b>OUTPATIENT HOSPITAL SERVICES</b>	<b>23.31</b>	<b>24.50</b>	<b>25.45</b>	<b>23.91</b>	<b>23.99</b>	<b>26.04</b>	<b>22.65</b>	<b>25.71</b>	<b>25.83</b>	<b>24.47</b>	<b>29.87</b>	<b>22.59</b>	<b>24.86</b>
<b>OTHER MEDICAL</b>													
Ambulance	1.37	1.47	1.42	1.44	1.40	1.47	1.27	1.47	1.32	1.51	1.43	1.48	1.40
Home Health Services & CBAS	1.58	1.61	1.60	1.16	1.49	2.13	1.47	1.27	1.42	1.85	1.36	1.60	1.55
Utilization and Quality Review Expenses	0.29	0.49	0.59	0.55	0.65	0.58	0.87	0.75	0.36	0.72	0.46	1.44	0.65
Long Term/SNF/Hospice	4.35	3.46	4.00	4.86	5.98	4.39	3.29	2.52	3.43	4.39	2.71	3.49	3.91
Enhanced Medical Benefits	0.00	0.00	0.00	0.00	0.00	0.67	0.00	0.00	(0.19)	0.00	0.04	0.00	0.04
Non-Medical Transportation	1.34	1.43	1.61	1.83	1.80	1.79	1.35	1.51	1.49	1.35	1.51	2.27	1.61
<b>TOTAL OTHER MEDICAL</b>	<b>8.93</b>	<b>8.46</b>	<b>9.22</b>	<b>9.84</b>	<b>11.32</b>	<b>10.84</b>	<b>8.24</b>	<b>7.52</b>	<b>7.83</b>	<b>9.82</b>	<b>7.51</b>	<b>10.28</b>	<b>9.15</b>
<b>PHARMACY SERVICES</b>													
<b>RX - Drugs &amp; OTC</b>	<b>30.46</b>	<b>27.67</b>	<b>32.50</b>	<b>27.93</b>	<b>31.45</b>	<b>28.93</b>	<b>29.45</b>	<b>33.01</b>	<b>29.99</b>	<b>32.43</b>	<b>31.03</b>	<b>30.88</b>	<b>30.48</b>
<b>RX - HEP-C</b>	<b>2.39</b>	<b>2.84</b>	<b>4.04</b>	<b>3.92</b>	<b>3.26</b>	<b>5.91</b>	<b>4.47</b>	<b>4.11</b>	<b>2.49</b>	<b>2.54</b>	<b>2.83</b>	<b>2.92</b>	<b>3.48</b>
<b>RX - DME</b>	<b>2.03</b>	<b>1.87</b>	<b>2.78</b>	<b>2.21</b>	<b>2.26</b>	<b>2.80</b>	<b>2.24</b>	<b>2.51</b>	<b>1.72</b>	<b>2.54</b>	<b>2.62</b>	<b>2.58</b>	<b>2.35</b>
<b>RX - Pharmacy Rebates</b>	<b>(0.28)</b>	<b>(0.28)</b>	<b>(1.61)</b>	<b>(0.27)</b>	<b>(0.27)</b>	<b>(0.27)</b>	<b>1.11</b>	<b>0.17</b>	<b>0.00</b>	<b>(0.27)</b>	<b>(0.28)</b>	<b>(1.00)</b>	<b>(0.27)</b>
<b>TOTAL PHARMACY SERVICES</b>	<b>34.59</b>	<b>32.09</b>	<b>37.71</b>	<b>33.79</b>	<b>36.70</b>	<b>37.38</b>	<b>37.38</b>	<b>39.79</b>	<b>34.21</b>	<b>37.24</b>	<b>36.21</b>	<b>35.38</b>	<b>36.04</b>
<b>PAY FOR PERFORMANCE QUALITY INCENTIVE</b>	<b>2.35</b>	<b>2.36</b>	<b>2.35</b>	<b>2.35</b>	<b>2.35</b>	<b>2.35</b>	<b>2.35</b>	<b>2.35</b>	<b>2.35</b>	<b>2.35</b>	<b>2.35</b>	<b>2.35</b>	<b>2.35</b>
<b>IBNR INCENTIVE AND PAID CLAIMS ADJUSTMENT</b>	<b>(0.60)</b>	<b>0.47</b>	<b>(2.44)</b>	<b>(0.96)</b>	<b>(3.09)</b>	<b>(11.29)</b>	<b>(0.12)</b>	<b>4.32</b>	<b>33.15</b>	<b>1.38</b>	<b>(1.60)</b>	<b>(0.44)</b>	<b>1.56</b>
<b>Total Medical Costs</b>	<b>212.33</b>	<b>212.40</b>	<b>218.52</b>	<b>211.67</b>	<b>216.98</b>	<b>220.60</b>	<b>218.13</b>	<b>228.50</b>	<b>251.99</b>	<b>214.36</b>	<b>240.10</b>	<b>212.90</b>	<b>221.57</b>

CURRENT MONTH		YEAR-TO-DATE		VARIANCE		KERN HEALTH SYSTEMS			
						MEDI-CAL			
SCHEDULE OF ADMINISTRATIVE EXPENSES BY DEPT		FOR THE MONTH ENDED DECEMBER 31, 2017		ACTUAL		BUDGET		VARIANCE	
ACTUAL	BUDGET	VARIANCE							
245,687	256,867	11,180	110 - Executive	2,600,700	3,074,462	473,762			
157,267	144,867	(12,400)	210 - Accounting	1,542,653	1,726,023	183,370			
685,685	569,551	(116,134)	220 - Management Information Systems (MIS)	6,421,132	6,796,200	375,068			
198,220	212,501	14,281	225 - Infrastructure	1,543,211	2,550,012	1,006,801			
523,452	497,260	(26,192)	230 - Claims	5,738,347	6,046,780	308,433			
79,416	83,913	4,497	240 - Project Management	822,561	1,004,266	181,705			
811	44,976	44,165	310 - Health Services - Utilization Management	20,426	539,700	519,274			
(9,377)	3,929	13,306	311 - Health Services - Quality Improvement	13,058	47,155	34,097			
(143,510)	-	143,510	312 - Health Services - Education	3,714	7,300	3,586			
91,481	81,300	(10,181)	313 - Pharmacy	1,036,236	1,007,560	(28,676)			
(29,682)	7,550	37,232	314 - Health Homes	11,997	90,600	78,603			
166	-	(166)	616 - Disease Management	268	150	(118)			
238,876	194,556	(44,320)	320 - Provider Relations	2,101,785	2,328,718	226,933			
565,359	501,106	(64,253)	330 - Member Services	5,079,953	5,998,774	918,821			
249,301	477,461	228,160	340 - Corporate Services	3,400,558	4,308,708	908,150			
53,789	49,562	(4,227)	360 - Audit & Investigative Services	638,876	602,887	(35,989)			
96,289	44,350	(51,939)	410 - Advertising Media	370,431	532,200	161,769			
73,622	56,291	(17,331)	420 - Sales/Marketing/Public Relations	636,824	672,594	35,770			
116,193	118,957	2,764	510 - Human Resources	1,516,499	1,592,493	75,994			
2,042,235	-	(2,042,235)	Administrative Expense Adjustment	2,042,235	-	(2,042,235)			
5,235,280	3,344,997	(1,890,283)	Total Administrative Expenses	35,541,464	38,926,583	3,385,118			

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



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

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

**KERN HEALTH SYSTEMS  
MONTHLY MEMBERS COUNT**

**KERN HEALTH SYSTEMS**

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

	JAN'17	FEB'17	MAR'17	APR'17	MAY'17	JUN'17	JUL'17	AUG'17	SEP'17	OCT'17	NOV'17	DEC'17
<b>MEDI-CAL EXPANSION</b>												
LHHP Transition Pre-ACA	26	69	58	65	65	60	62	60	55	61	45	54
ACA Expansion Adult-Citizen	54,856	55,872	56,493	57,020	57,401	57,096	56,661	56,342	56,568	56,235	55,866	57,139
ACA Expansion CAL Fresh Adult	9	1	4	5	5	7	7	6	6	6	5	5
LHHP Transition Pre-ACA	514	500	532	573	594	560	561	601	551	489	388	364
<b>SUB-TOTAL MANDATORY</b>	<b>55,405</b>	<b>56,442</b>	<b>57,087</b>	<b>57,663</b>	<b>58,065</b>	<b>57,743</b>	<b>57,291</b>	<b>57,009</b>	<b>57,180</b>	<b>56,791</b>	<b>56,304</b>	<b>57,562</b>

	JAN'17	FEB'17	MAR'17	APR'17	MAY'17	JUN'17	JUL'17	AUG'17	SEP'17	OCT'17	NOV'17	DEC'17
<b>SPD MEMBERS</b>												
SSI -AGED	158	185	191	194	174	162	193	173	187	228	171	202
MIN - AGED	1,338	1,359	1,388	1,357	1,322	1,443	1,443	1,448	1,489	1,440	1,435	1,469
SSI - BLIND & DIS-ABLED	11,702	11,623	11,614	11,701	11,631	11,934	11,852	11,808	12,030	12,985	12,441	12,695
MIN - BLIND & DIS-ABLED	326	393	346	325	288	317	288	381	329	17	235	46
<b>SUB-TOTAL MANDATORY SPD</b>	<b>13,524</b>	<b>13,560</b>	<b>13,539</b>	<b>13,577</b>	<b>13,415</b>	<b>13,856</b>	<b>13,776</b>	<b>13,808</b>	<b>14,035</b>	<b>14,670</b>	<b>14,282</b>	<b>14,320</b>

<b>TOTAL MANDATORY</b>	<b>230,015</b>	<b>233,237</b>	<b>235,268</b>	<b>236,018</b>	<b>236,009</b>	<b>236,491</b>	<b>234,404</b>	<b>234,040</b>	<b>235,134</b>	<b>234,944</b>	<b>233,740</b>	<b>235,856</b>
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<b>OTHER MEMBERS</b>												
BCCIP-TOBACCO SETTLEMENT	29	30	27	28	26	30	29	31	33	33	34	29

	JAN'17	FEB'17	MAR'17	APR'17	MAY'17	JUN'17	JUL'17	AUG'17	SEP'17	OCT'17	NOV'17	DEC'17
<b>DUALS</b>												
PA - FAMILY DUALS	31	17	15	21	15	37	31	28	28	19	31	20
PART D SSI-AGED	615	628	625	673	666	677	704	697	722	704	743	736
PART D MIN - AGED	1,127	1,116	1,134	1,173	1,229	1,194	1,164	1,205	1,236	1,283	1,288	1,314
PART D SSI - BLIND & DIS-ABLED	2,067	2,011	2,081	2,085	2,128	2,102	2,149	2,151	2,164	2,291	2,287	2,277
PART D MIN - BLIND & DIS-ABLED	762	780	740	751	735	772	818	820	864	890	945	974
PART D BCCIP-TOBACCO SETTLEMENT	1	1	1	2	2	2	2	2	2	2	2	2
PART D MI - ADULT	0	0	0	0	0	0	0	0	0	0	0	0
PART D MI - CHILD	316	360	417	427	472	411	415	389	381	390	364	359
<b>SUB-TOTAL DUALS</b>	<b>4,919</b>	<b>4,913</b>	<b>5,013</b>	<b>5,132</b>	<b>5,247</b>	<b>5,195</b>	<b>5,283</b>	<b>5,292</b>	<b>5,397</b>	<b>5,579</b>	<b>5,660</b>	<b>5,682</b>

<b>TOTAL OTHERS</b>	<b>4,948</b>	<b>4,943</b>	<b>5,040</b>	<b>5,160</b>	<b>5,273</b>	<b>5,225</b>	<b>5,312</b>	<b>5,323</b>	<b>5,430</b>	<b>5,612</b>	<b>5,694</b>	<b>5,711</b>
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<b>TOTAL KAISER</b>	<b>7,103</b>	<b>7,365</b>	<b>7,466</b>	<b>7,619</b>	<b>7,714</b>	<b>7,745</b>	<b>7,796</b>	<b>7,811</b>	<b>7,782</b>	<b>7,856</b>	<b>7,858</b>	<b>7,898</b>
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<b>TOTAL MEDI-CAL MEMBERS</b>	<b>242,066</b>	<b>245,539</b>	<b>247,774</b>	<b>248,797</b>	<b>248,996</b>	<b>249,461</b>	<b>247,512</b>	<b>247,174</b>	<b>248,346</b>	<b>248,412</b>	<b>247,292</b>	<b>249,465</b>
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**To: KHS Board of Directors**

**From: Robert Landis, CFO**

**Date: April 12, 2018**

**Re: January 2018 Financial Results**

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

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

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

**Kern Health Systems  
Financial Packet  
January 2018**

**KHS – Medi-Cal Line of Business**

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**KHS Group Health Plan – Healthy Families Line of Business**

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

**KHS Administrative Analysis and Other Reporting**

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

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

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

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



KERN HEALTH SYSTEMS MEDICAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - ROLLING 13 MONTHS THROUGH JANUARY 31, 2018														
	JANUARY 2017	FEBRUARY 2017	MARCH 2017	APRIL 2017	MAY 2017	JUNE 2017	JULY 2017	AUGUST 2017	SEPTEMBER 2017	OCTOBER 2017	NOVEMBER 2017	DECEMBER 2017	JANUARY 2018	13 MONTH TOTAL
<b>ENROLLMENT</b>	234,963	237,323	240,308	241,178	241,282	241,716	239,716	239,363	240,564	240,556	239,434	241,567	241,677	3,119,647
<b>REVENUES</b>														
Title XIX - Medicaid - Family and Other	21,026,665	20,048,215	21,940,850	21,818,166	21,057,784	21,560,930	21,061,787	21,157,058	21,889,455	20,639,049	21,430,630	20,910,809	19,848,982	274,390,380
Title XIX - Medicaid - Expansion Members	20,905,352	21,131,189	22,045,879	21,650,071	21,843,761	21,316,549	20,420,390	20,057,872	20,019,384	20,016,706	20,222,674	20,131,172	20,478,437	270,239,436
Title XIX - Medicaid - SPD Members	9,966,872	9,618,941	9,939,770	10,055,780	9,972,611	10,383,303	10,531,094	10,667,256	10,594,072	10,978,591	10,859,865	11,017,790	10,334,550	134,920,995
Premium - MCO Fax	7,491,128	7,405,842	7,470,551	7,507,968	7,504,758	7,517,457	7,674,906	7,622,484	8,087,180	7,402,479	7,628,229	7,651,559	7,720,467	98,685,008
Interest/Dividends	181,883	176,794	245,909	264,732	376,466	265,238	243,800	385,982	302,348	303,875	268,899	320,014	489,128	3,825,068
Reinsurance Recoveries	4,060,955	3,306,877	4,696,164	2,789,187	3,514,662	3,698,257	3,234,724	5,392,339	3,431,408	3,148,842	5,324,912	2,458,885	-	1,133,866
COB/Supra/Integration Collections	-	2,016,975	413,545	93,756	(3,949)	(88,814)	(84,108)	1,061,917	9,476,726	126,333	2,128,785	52,721	1,511,501	45,057,212
Other Income (Expense)	37,570	121	46,740	(1,110)	9	(88,814)	(18,408)	104	(185,865)	378	(20,460)	(708,938)	114,532	(854,140)
<b>TOTAL REVENUES</b>	63,670,425	63,704,954	66,799,408	64,178,550	64,266,102	64,312,190	63,064,185	66,345,512	73,614,708	62,741,067	68,625,230	62,051,208	60,497,598	843,871,298
<b>EXPENSES</b>														
Medical Costs:														
Physician Services	12,342,816	12,684,849	13,156,118	13,305,167	13,797,185	15,174,897	14,423,866	13,877,006	14,239,482	12,862,609	14,607,980	13,358,821	13,239,777	177,070,573
Other Professional Services	2,642,041	2,246,962	2,496,217	2,479,295	2,584,649	3,292,395	2,903,026	2,989,387	2,851,866	2,920,876	3,065,669	2,810,522	2,973,811	36,256,716
Emergency Room	4,687,780	4,450,889	4,100,250	4,012,665	3,942,442	4,764,752	4,665,069	5,099,658	4,696,197	3,995,827	5,095,039	3,888,819	4,269,344	57,668,731
Inpatient	13,999,552	14,812,384	15,281,823	14,524,702	14,725,286	14,793,273	13,361,803	13,546,637	13,862,108	13,575,463	16,815,215	14,316,486	13,588,711	186,603,443
Reinsurance Expense	103,176	103,384	103,299	105,736	107,515	106,164	106,355	105,475	105,370	105,848	105,845	105,351	113,536	1,377,104
Outpatient Hospital	5,477,940	5,813,468	6,116,559	5,765,474	5,787,957	6,293,878	5,430,584	6,154,715	6,213,267	5,886,144	7,151,522	5,457,541	5,307,045	76,856,094
Other Medical	2,097,824	2,007,506	2,214,713	2,373,420	2,750,233	2,620,808	1,975,195	1,800,207	1,853,596	2,362,997	1,797,103	2,482,691	2,422,606	28,768,898
Pharmacy	552,163	559,709	564,724	566,768	567,013	568,032	563,333	562,503	565,325	565,307	562,670	567,682	483,354	7,248,583
Pay for Performance Quality Incentive	(141,866)	111,013	(585,473)	(232,581)	(744,814)	(2,727,790)	(28,273)	1,034,615	7,973,649	332,212	(382,239)	(105,403)	(2,338,427)	2,164,623
IBNR, Incentive, Paid Claims Adjustment	49,889,881	50,406,468	52,511,453	51,049,856	52,353,094	53,321,503	52,336,793	54,695,536	60,619,644	51,565,938	57,488,350	51,428,840	49,826,819	687,494,175
<b>TOTAL MEDICAL COSTS</b>	13,780,544	13,396,486	14,287,955	13,128,694	11,913,008	10,990,687	10,727,592	11,649,976	12,995,064	11,175,129	11,136,940	10,622,469	10,670,779	156,377,123
Administrative:														
Compensation	1,667,274	1,550,593	1,806,555	1,650,173	1,904,742	1,869,066	1,816,065	1,962,751	1,762,043	1,869,031	1,897,938	2,047,251	1,983,731	23,787,213
Purchased Services	268,436	480,657	436,052	442,046	344,437	364,323	354,712	371,842	522,883	539,809	952,528	659,696	519,892	6,227,313
Supplies	66,872	36,371	86,926	99,813	89,505	30,984	65,825	131,877	168,244	208,982	160,257	(329,638)	104,203	920,221
Depreciation	122,467	122,468	136,082	136,197	136,197	129,115	126,867	125,913	125,881	126,396	127,744	127,464	128,722	1,663,272
Other Administrative Expenses	237,555	241,138	348,645	237,283	296,524	363,803	171,677	200,081	200,081	267,832	317,828	688,273	210,466	3,848,225
Administrative Expense Adjustment	2,362,404	2,401,227	2,814,260	2,557,271	2,771,405	2,757,291	2,535,146	2,859,703	2,779,132	3,012,050	3,456,295	5,235,280	2,947,014	38,488,479
Total Administrative Expenses	52,352,285	52,807,695	55,325,713	53,607,127	55,124,499	56,078,794	54,871,939	57,555,239	63,398,776	54,577,988	60,944,645	56,664,120	52,773,833	725,982,654
<b>TOTAL EXPENSES</b>	11,418,140	10,897,259	11,473,695	10,571,433	9,141,603	8,233,396	8,193,246	8,790,273	10,215,932	8,163,079	7,680,645	5,387,188	7,723,765	117,888,645
<b>OPERATING INCOME (LOSS) BEFORE TAX</b>	7,491,128	6,911,096	7,199,396	7,204,569	7,198,592	7,197,359	7,775,859	8,059,738	7,454,395	7,650,173	7,652,171	7,650,254	7,650,254	97,119,630
<b>MCO FAX</b>	3,927,012	3,986,163	4,274,299	3,566,854	1,943,011	1,036,037	517,346	1,014,414	2,156,194	708,684	30,472	(2,264,983)	73,511	20,769,015
<b>OPERATING INCOME (LOSS) NET OF TAX</b>	-	-	(23,174)	-	(11,588)	-	(23,175)	-	(233,175)	(662,708)	-	(625,436)	(18,785)	(1,388,041)
<b>NET INCREASE (DECREASE) IN NET POSITION</b>	88.8%	89.5%	88.5%	90.1%	92.2%	93.9%	94.5%	93.1%	92.5%	93.2%	94.2%	94.5%	94.4%	92.3%
<b>MEDICAL LOSS RATIO</b>	4.2%	4.3%	4.7%	4.5%	4.9%	4.9%	4.6%	4.9%	4.2%	5.4%	5.7%	9.6%	5.6%	5.2%
<b>ADMINISTRATIVE EXPENSE RATIO</b>														

KERN HEALTH SYSTEMS MEDICAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - PMPM ROLLING 13 MONTHS THROUGH JANUARY 31, 2018														
ENROLLMENT														
	JANUARY 2017	FEBRUARY 2017	MARCH 2017	APRIL 2017	MAY 2017	JUNE 2017	JULY 2017	AUGUST 2017	SEPTEMBER 2017	OCTOBER 2017	NOVEMBER 2017	DECEMBER 2017	JANUARY 2018	13 MONTH TOTAL
Members - MICAL	234,963	237,333	240,308	241,178	241,282	241,716	239,716	239,363	240,564	240,556	239,434	241,567	241,677	3,119,647
REVENUES														
Title XIX - Medicaid - Family and Other	126.64	119.60	129.31	128.39	124.01	126.74	124.89	125.53	122.06	122.06	126.92	123.23	116.91	126.89
Title XIX - Medicaid - Expansion Members	377.32	375.41	386.18	375.46	376.19	369.16	356.43	351.84	350.11	352.46	359.17	349.73	354.64	364.14
Title XIX - Medicaid - SPD Members	736.98	717.78	734.16	740.65	743.39	749.37	764.45	772.58	754.83	760.37	760.39	769.40	730.41	748.10
Premium - MCO Tax	31.88	31.21	31.09	31.13	31.10	31.10	32.02	31.84	33.62	30.77	31.86	31.67	31.95	31.63
Interest/Dividends	0.77	0.60	0.60	0.60	0.60	0.60	1.02	1.16	1.26	1.26	1.12	1.32	2.02	1.23
Reinsurance Recoveries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.52	0.00	0.00	0.00	0.36
COB/Subrogation Collections	17.28	13.93	19.54	11.56	14.57	15.30	13.49	22.53	14.26	13.09	22.24	10.18	0.00	14.44
Rate/Income Adjustments	0.00	8.50	1.72	0.39	0.02	(1.41)	(0.35)	4.44	39.39	0.00	8.59	0.22	6.25	5.27
Other Income (Expense)	0.16	0.00	0.19	(0.00)	0.00	(0.37)	(0.08)	0.00	(0.77)	0.00	(0.99)	(2.93)	0.47	(0.56)
TOTAL REVENUES	270.98	268.43	277.97	266.10	266.35	266.07	263.08	277.18	306.01	260.82	286.61	256.87	250.32	270.50
EXPENSES														
Medical Costs:														
Physician Services	52.53	53.45	54.75	55.17	57.18	62.78	60.17	57.97	59.19	53.47	61.01	55.30	54.78	56.76
Other Professional Services	11.24	9.47	10.39	10.28	10.71	13.62	12.11	12.49	11.85	12.14	12.80	11.63	12.30	11.62
Emergency Room	19.95	18.75	17.06	16.64	16.34	19.71	19.46	21.31	19.52	16.61	21.28	16.10	17.67	18.49
Inpatient	59.58	62.41	63.59	60.22	61.03	58.72	55.74	56.59	57.62	56.43	70.23	59.27	56.23	59.82
Reinsurance Expense	0.44	0.43	0.43	0.44	0.45	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44
Outpatient Hospital	23.31	24.50	25.45	23.91	23.99	26.04	22.65	25.71	25.83	24.47	29.87	22.59	21.96	24.64
Other Medical	8.93	8.46	9.22	9.84	11.32	10.84	8.24	7.52	7.83	9.82	7.51	10.28	10.02	9.22
Pharmacy	34.59	32.09	37.71	33.79	36.70	37.38	37.28	39.79	34.21	37.24	36.21	35.38	40.41	36.38
Pay for Performance Quality Incentive	2.35	2.36	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.00	2.32
Expansion Risk Corridor Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IBNR, Incentive, Paid Claims Adjustment	(0.60)	0.47	(2.44)	(0.90)	(3.09)	(11.29)	(0.12)	4.32	33.15	1.38	(1.60)	(0.44)	(9.68)	0.69
Total Medical Costs	212.33	212.40	216.92	211.67	216.98	220.60	218.33	228.50	251.99	214.36	240.10	212.90	206.17	220.38
GROSS MARGIN	58.65	56.04	59.46	54.44	49.37	45.47	44.75	48.67	54.02	46.46	46.51	43.97	44.15	50.13
Administrative:														
Compensation	7.10	6.53	7.52	6.84	7.89	7.73	7.58	8.20	7.32	7.77	7.93	8.47	8.21	7.62
Purchased Services	1.14	1.00	1.81	1.83	1.43	1.51	1.48	1.55	2.17	2.24	3.98	2.73	2.15	2.00
Supplies	0.28	0.15	0.36	0.41	0.37	0.13	0.27	0.55	0.70	0.87	0.67	(1.36)	0.43	0.20
Depreciation	0.52	0.52	0.57	0.53	0.56	0.53	0.53	0.52	0.53	0.53	0.53	0.53	0.53	0.53
Other Administrative Expenses	1.01	1.02	1.02	0.98	1.23	1.51	1.72	1.12	0.83	1.11	1.33	2.85	0.87	1.23
Administrative Expense Adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.45	0.00	0.65
Total Administrative Expenses	10.05	10.12	11.71	10.60	11.49	11.41	10.58	11.95	11.55	12.52	14.44	21.67	12.19	12.34
TOTAL EXPENSES	222.39	222.51	230.23	222.27	228.47	232.00	228.90	240.45	263.54	226.88	254.54	234.57	218.37	232.71
OPERATING INCOME (LOSS) BEFORE TAX	48.60	45.92	47.73	43.83	37.89	34.06	34.17	36.72	42.47	33.93	32.08	22.50	31.96	37.79
MCO TAX	31.88	29.12	29.96	29.87	29.83	29.78	30.02	32.49	33.50	30.99	31.95	31.96	31.65	31.13
OPERATING INCOME (LOSS) NET OF TAX	16.71	16.80	17.79	13.96	8.05	4.29	2.16	4.24	8.96	2.95	0.13	(9.46)	0.30	6.66
TOTAL NONOPERATING REVENUE (EXPENSES)	0.00	0.00	(0.10)	0.00	(0.05)	0.00	(0.10)	0.00	(0.10)	(2.75)	0.00	(2.59)	(0.08)	(0.10)
NET INCREASE (DECREASE) IN NET POSITION	16.71	16.80	17.69	13.96	8.00	4.29	2.06	4.24	8.87	0.19	0.13	(12.05)	0.23	6.56
MEDICAL LOSS RATIO	88.85%	89.55%	88.55%	90.15%	92.2%	93.99%	94.55%	93.11%	92.5%	93.2%	94.2%	94.5%	94.1%	92.3%
ADMINISTRATIVE EXPENSE RATIO	4.2%	4.3%	4.7%	4.5%	4.9%	4.9%	4.6%	4.9%	4.2%	5.4%	5.7%	9.6%	5.6%	5.2%

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

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

\* Medical costs per DMHC regulations

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

\* Medical costs per DMHC regulations

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

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

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



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

KERN HEALTH SYSTEMS GROUP HEALTH PLAN - HFAM BALANCE SHEET STATEMENT AS OF JANUARY 31, 2018			
ASSETS	JANUARY 2018	DECEMBER 2017	INC(DEC)
<b>CURRENT ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,444,298	\$ 1,437,383	6,915
Interest Receivable	1,415	4,247	(2,832)
Prepaid Expenses & Other Current Assets	4,167	5,000	(833)
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 1,449,880</b>	<b>\$ 1,446,630</b>	<b>\$ 3,250</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable	11,754	11,754	-
Other Liabilities	353,849	353,849	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 365,603</b>	<b>\$ 365,603</b>	<b>\$ -</b>
<b>NET POSITION:</b>			
Net Position- Beg. of Year	1,070,040	1,070,040	-
Increase (Decrease) in Net Position - Current Year	14,237	10,987	3,250
<b>Total Net Position</b>	<b>\$ 1,084,277</b>	<b>\$ 1,081,027</b>	<b>\$ 3,250</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,449,880</b>	<b>\$ 1,446,630</b>	<b>\$ 3,250</b>

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

**KERN HEALTH SYSTEMS  
MONTHLY MEMBERS COUNT**

**KERN HEALTH SYSTEMS**

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

2018 MEMBER MONTHS

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

**MEDICAL EXPANSION**

LHJP Transition Pre-ACA	52											
ACA Expansion Adult-Citizen	57,307											
ACA Expansion CAL Fresh Adult	5											
LHJP Transition Pre-ACA	380											
<b>SUB-TOTAL MANDATORY</b>	<b>57,744</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**SDP MEMBERS**

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

**OTHER MEMBERS**

BCCTP-TOBACCO SETTLEMENT	28											
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**DUALS**

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

**TOTAL OTHERS**

<b>TOTAL OTHERS</b>	<b>5,843</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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**TOTAL KAISER**

<b>TOTAL KAISER</b>	<b>7,991</b>											
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**TOTAL MEDICAL MEMBERS**

<b>TOTAL MEDICAL MEMBERS</b>	<b>249,668</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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# KERN HEALTH SYSTEMS

**DECEMBER AP Vendor Report**  
Amount over \$10,000.00

Vendor No.	Vendor Name	Current Month	Year-to-Date	Description	Department
T1918	CSAC*****	518,492.27	518,492.27	MASTER ROLLING CONTROLLED INSURANCE PROGRAM	CAPITAL PROJECT-NEW BUILDING
T4722	COGNIZANT TRIZETTO SOFTWARE GROUP, INC*****	398,637.21	431,181.02	2018 QNXT ANNUAL MAINTENANCE	MIS INFRASTRUCTURE
T1045	KAISER FOUNDATION HEALTH	381,924.45	4,330,785.71	EMPLOYEE HEALTH BENEFITS	VARIOUS
T1845	DEPARTMENT OF MANAGED HEALTH CARE*****	206,667.36	429,389.13	MCAL/HFAM ANNUAL ASSESSMENT FEES -- 2 INSTALLMENT OF 2	ADMINISTRATION
T4237	FLUIDEDGE CONSULTING INC.	127,442.97	958,274.41	NOV/DEC. CONSULTING SERVICES TO UPDATE STANDARD BUSINESS REPORTING	VARIOUS
T2726	DST PHARMACY SOLUTIONS, INC	88,333.81	1,094,407.51	NOV. PHARMACY AND CLAIMS PROCESSING	PHARMACY
T4696	ZNALYTICS, LLC	79,320.00	735,829.64	NOV. CONSULTING SERVICES	CAPITAL PROJECT IN PROCESS
T4290	S.C. ANDERSON, INC.*****	66,000.00	66,000.00	PRE-CONSTRUCTION SERVICES	CAPITAL PROJECT-NEW BUILDING
T3460	THE GUARDIAN LIFE INSURANCE CO.	58,556.52	607,812.83	DEC. VOLUNTARY LIFE AD&D, DENTAL INSURANCE	VARIOUS
T4685	NATIONAL GIFT CARD CORP	46,660.00	100,272.90	HOME HEALTH INCENTIVE PROGRAM-MAYA GIFT CARDS	HOME HEALTH
T4861	PARIKSHAT SHARMA INC.*****	40,111.42	40,111.42	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4582	HEALTHX, INC*****	37,700.00	429,000.00	DEC. SUBSCRIPTION FOR PROVIDER AND MEMBER PORTAL	CAPITAL PROJECT - MEMBER & PROVIDER PORTAL
T4052	RAHUL SHARMA*****	36,768.80	36,768.80	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T2918	STINSON'S *****	29,627.92	154,204.98	OFFICE SUPPLIES & EQUIP UNDER \$1,000	VARIOUS



**DECEMBER AP Vendor Report**  
Amount over \$10,000.00

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

# KERN HEALTH SYSTEMS

**DECEMBER AP Vendor Report**  
Amount over \$10,000.00

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

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



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

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T1045	KAISER FOUNDATION HEALTH	4,330,785.71	EMPLOYEE HEALTH BENEFITS	VARIOUS
T1001	KERN MEDICAL CENTER	2,705,891.18	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS & GROW CLINIC GRANT	COMMUNITY GRANTS
T4391	OMNI FAMILY HEALTH	1,730,503.81	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS-FINAL PAYMENT & 2016-2018 COMMUNITY GRANT-HEALTH HOME GRANT	COMMUNITY GRANTS
T4699	ZeOMEGA, INC.	1,406,489.47	IMPLEMENTATION OF MEDICAL MANAGEMENT PLATFORM	CAPITAL PROJECT-CASE MANAGEMENT/DISEASE MANAGEMENT
T4695	EDIFECs, INC.	1,358,781.22	PERPETUAL LICENSES FOR EDI MANAGEMENT SOFTWARE SOLUTION & ANNUAL TSM OF TRANSACTION MANAGEMENT	CAPITAL PROJECT IN PROCESS
T1408	DELL MARKETING L.P.	1,097,990.01	HARDWARE- 15- LATITUDE E5470, 4 BROCADE 6510, 5 SMALL PRINTER, 5 DELL POWEREDGE M630, 5 POWEREDGE M630, 1 DELL M1000E CHASSIS ENCLOSURE, 20 OPTIPLEX 3040 W/ MONITORS, 16-23" MONITORS, 5-OPTIPLEX 3050, KHS VEEAM, SUPPORT & MAINTENANCE, MICROSOFT SYSTEM CENTER, 2ND YR MICROSOFT RENEWAL, 9 DELL LATITUDE E5470, 1 DELL XPS 13, 4-POWER EDGE M360 BLADE SERVERS, 5- E5470 LATITUDE LAPTOPS WITH CARRYING BAGS, 1 TARGUS USB	MIS INFRASTRUCTURE & CAPITAL PROJECT IN PROCESS.
T2726	DST PHARMACY SOLUTIONS, INC.	1,084,407.51	PHARMACY AND CLAIMS PROCESSING	PHARMACY
T4237	FLUIDEDGE CONSULTING	958,274.41	CONSULTING SERVICES TO UPDATE STANDARD BUSINESS REPORTING.	VARIOUS
T4654	DELAWIE	911,711.90	ARCHITECTURE SERVICES	CAPITAL PROJECT-NEW BUILDING





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

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T1071	CLINICA SIERRA VISTA	853,652.70	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS & MEDICAL RESPITE PROGRAM	COMMUNITY GRANTS
T4696	ZNALYTICS, LLC	735,829.64	CONSULTING SERVICES	CAPITAL PROJECT IN PROCESS
T2704	MCG HEALTH LLC	705,846.01	2017 MILLIMAN MAINTENANCE-LICENSE FEE- YEAR 3 OF 5	HE-UM
T4350	COMPUTER ENTERPRISE, INC.	683,988.20	2017 CONSULTING SERVICES	CAPITAL PROJECT IN PROGRESS
T3460	THE GUARDIAN LIFE INSURANCE CO.	607,812.83	VOLUNTARY LIFE AD&D, DENTAL INSURANCE	VARIOUS
T4392	COGNIZANT TRIZETTO SOFTWARE GROUP, INC.	586,916.17	2017 QNXT ANNUAL MAINTENANCE, CONSULTING SERVICES, REGISTRATION	MIS INFRASTRUCTURE
T2686	ALLIANT INSURANCE SERVICES INC	524,204.34	2017/2018 INSURANCE RENEWALS	ADMIN
T1918	CSAC****	518,492.27	MASTER ROLLING CONTROLLED INSURANCE PROGRAM	CAPITAL PROJECT-NEW BUILDING
T4327	MCKESSON TECHNOLOGIES INC.	484,938.46	ANNUAL CLAIM CHECK SOFTWARE LICENSE & ADDTL COVERED LIVES FEES -----YR 2 OF 3	CLAIMS
T4722	COGNIZANT TRIZETTO SOFTWARE GROUP, INC.	431,181.02	2018 QNXT ANNUAL MAINTENANCE	MIS INFRASTRUCTURE
T1845	DEPARTMENT OF MANAGED HEALTH CARE	429,389.13	MCAL/HFAM ANNUAL ASSESSMENT FEES -----2017-2018 FINAL PAYMENT	ADMINISTRATION
T4582	HEALTHX, INC	429,000.00	PROVIDER AND MEMBER PORTAL	CAPITAL PROJECT - MEMBER & PROVIDER PORTAL
T4308	TRUXTUN PLACE PARTNERS	355,316.73	TRUXTUN- LEASE AND UTILITIES EXPENSE	CORPORATE SERVICES
T2707	ACT 1 PERSONNEL SERVICES, INC.	343,648.43	TEMPORARY HELP	VARIOUS



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

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



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

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



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

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



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

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



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

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



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

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



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

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T3076	SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY	32,895.80	2016-2017 ANNUAL WORKERS' COMPENSATION	VARIOUS
T2676	WEST COAST MAINTENANCE	32,433.80	JANITORIAL SERVICES	CORPORATE SERVICES
T2850	QUEST SOFTWARE INC.	32,286.50	SPOTLIGHT ON SQL SERVER-LICENSE MAINTENANCE	CAPITAL PROJECT-IN PROGRESS
T2790	KERN COUNTY DEPT OF PUBLIC HEALTH	32,248.00	FLU CLINIC SPONSORSHIPS	MARKETING
T4228	THE SSI GROUP, LLC	31,965.20	EDI CLAIM PROCESSING	CLAIMS
T4183	LAMAR ADVERTISING OF BAKERSFIELD	31,225.00	OUTDOOR ADVERTISEMENT-BILLBOARDS	ADVERTISING
T4503	VISION SERVICE PLAN	30,925.80	EMPLOYEE BENEFITS-VISION	VARIOUS
T4683	CLAUDIA M. BACA	29,978.92	CONSULTING SERVICES	PROJECT MANAGEMENT
T4496	VOX NETWORK SOLUTIONS	29,976.00	WORKFORCE MANAGEMENT ADVANCED PACKAGE	MIS INFRASTRUCTURE
T2755	VELOCITY PARTNERS, LLC	29,376.00	CONSULTING FEES FOR CLAIMS WORKFLOW, UM REMOTE NURSE, QI WORKFLOW, MEMBERSHIP, AUDIT, AND CORE PROJECT	MIS INFRASTRUCTURE
T4674	STOCKDALE PLAZA OWNERS ASSOCIATION INC	29,250.00	PARKING SPACE RENTAL	CORPORATE SERVICES
T3990	SPARKLETTS INC.	28,640.73	DRINKING WATER, WATER COOLER RENTALS	CORPORATE SERVICES
T4433	MICRO-DYN MEDICAL SYSTEMS, INC.	28,580.00	APR-DRG GROUPER SOFTWARE/LICENSE	MIS INFRASTRUCTURE
T4739	SECURITAS SECURITY SERVICES USA, INC.	28,430.88	SECURITY SERVICES	CORPORATE SERVICES
T3454	DEPARTMENT OF MANAGED HEALTH CARE	27,500.00	DMCH ENFORCEMENT MATTER 16-1626 & 17-558	ADMINISTRATION
T4544	BARNERS WEALTH MANAGEMENT GROUP	26,376.00	RETIREMENT PLAN CONSULTANT	ADMINISTRATION
T1022	UNUM LIFE INSURANCE CO.	26,354.66	EMPLOYEE LONG TERM AND LIFE INSURANCE	PAYROLL DEDUCTION





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

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T4384	PINNACLE PRIMARY CARE, INC.	26,062.26	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T1347	ADVANCED DATA STORAGE	24,494.01	OFF SITE STORAGE SERVICES	CORPORATE SERVICES
T4239	COAST TO COAST COMPUTER	22,622.10	OFFICE SUPPLIES - TONERS	CORPORATE SERVICES
T4708	HEALTH MANAGEMENT ASSOCIATES, INC.	22,470.00	CONSULTING FEES	PROVIDER RELATIONS
T4640	REGAL CINEMEDIA CORP	22,140.00	MEMBER INCENTIVE PROGRAM	HE-QI
T4801	ZEAL STAFFING LLC, DBA Z STAFFING	21,247.69	TEMPORARY HELP	VARIOUS
T4497	SKILLSOFT CORPORATION	20,836.93	YEAR 2 OF 3 -LICENSE FEE FOR ONLINE TRAINING	HUMAN RESOURCES
T4385	EARLA E. QUISIDO MD DBA CLINICA DEL PUEBLO	19,396.24	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T1644	BRIGHT HOUSE NETWORK	17,789.95	INTERNET SERVICES	MIS INFRASTRUCTURE
T4585	DELANO UNION SCHOOL DISTRICT	17,500.00	WELLNESS PROGRAM GRANT	HEALTH EDUCATION
T4605	KERNVILLE UNION SCHOOL DISTRICT	17,500.00	WELLNESS PROGRAM GRANT	HEALTH EDUCATION
T4611	LAMONT SCHOOL DISTRICT	17,500.00	WELLNESS PROGRAM GRANT	HEALTH EDUCATION
T4798	KERN HIGH SCHOOL DISTRICT	17,500.00	WELLNESS PROGRAM GRANT	HEALTH EDUCATION
T4802	KERN COUNTY SUPERINTENDENT OF SCHOOLS	17,500.00	WELLNESS PROGRAM GRANT	HEALTH EDUCATION
T4230	COFFEE BREAK SERVICE, INC.	16,566.48	MISC. SUPPLIES-COFFEE, CREAMER, WATER	CORPORATE SERVICES
T4768	HEALTHCARE SUPPORT STAFFING, INC	16,224.00	DIRECT HIRE- ANDREA TYSON UM MEDICAL CLAIMS & DISPUTES REVIEW RN	HUMAN RESOURCES
T4521	PAYSCALE, INC.	16,000.00	ANNUAL INSIGHT PREMIER SUBSCRIPTION	HUMAN RESOURCES
T3065	CAREERBUILDER, LLC	15,750.00	EMPLOYEE RECRUITMENT - JOB POSTING	HUMAN RESOURCES



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

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



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

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T1263	THE GAS COMPANY	13,438.10	UTILITIES	CORPORATE SERVICES
T4038	POLYCLINIC MEDICAL CENTER, INC	13,350.39	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T1694	KERN COUNTY FAIR	13,230.00	2017 EMPLOYEE EVENT	ADMINISTRATION
T1996	SEQUOIA SANDWICH CO	13,207.90	MEETING FOOD EXPENSES	VARIOUS
T4732	COFFEE SURGERY CENTER, LLC	12,929.50	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T4663	DEVELOPMENT DIMENSIONS INTERNATIONAL	12,820.54	TRAINING MATERIAL	HUMAN RESOURCES
T4747	SYED ALAM, M.D. INC.	12,500.00	2016-2017 PROVIDER RECRUITMENT & RETENTION GRANTS	COMMUNITY GRANTS
T2796	TELERIK INC	12,497.29	DEVCRFT DEVELOPER LICENSE/SUBSCRIPTION	MIS INFRASTRUCTURE
T2407	KAISER FOUNDATION HEALTH	12,441.36	COBRA-INSURANCE	PAYROLL DEDUCTION
T2938	SAP AMERICA, INC	12,308.32	2017/2018 BUSINESS OBJECTS ANNUAL MAINTENANCE	MIS INFRASTRUCTURE
T4265	SIERRA SCHOOL EQUIPMENT COMPANY****	12,262.96	26 ERGONOMIC CHAIRS	CORPORATE SERVICES
T1152	MICHAEL K. BROWN LANDSCAPE INC.	12,298.21	BUILDING MAINTENANCE	CORPORATE SERVICES
T4060	HODEL'S DEVELOPMENTCORPORATION	12,122.03	EMPLOYEE EVENTS EXPENSES & GROUNDBREAKING EVENT CATERING	MARKETING
T1742	CHANNING L. BETE CO., INC	11,720.70	MEMBER EDUCATION MATERIALS	HE-QI
T2505	DERREL'S MINI STORAGE, INC.	11,684.40	OFF SITE STORAGE	CORPORATE SERVICES



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

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

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

# KERN • HEALTH SYSTEMS

January AP Vendor Report  
Amount over \$10,000.00

Vendor No.	Vendor Name	Current Month	Description	Department
T1045	KAISER FOUNDATION HEALTH	394,714.03	EMPLOYEE HEALTH BENEFITS	VARIOUS
T4738	AMERICAN LOGISTICS COMPANY, LLC	344,577.10	SEPT., OCT., & NOV., MEDICAL/NON MEDICAL TRANSPORTATION MEMBER BENEFIT	MEMBER SERVICES
T4391	OMNI FAMILY HEALTH	332,708.68	2016-2018 COMMUNITY GRANT-HEALTH HOME GRANT	COMMUNITY GRANTS
T2167	PG&E	282,106.63	ANNUAL TRUE-UP FOR 2017 USAGE/UTILITIES	CORPORATE SERVICES
T2469	DST HEALTH SOLUTIONS, INC.	116,800.00	2018 MHC SOFTWARE - LICENSE FEE, MAINTENANCE, AND SUPPORT & ADJUSTED CLINICAL GROUP SYSTEM	MIS INFRASTRUCTURE
T4350	COMPUTER ENTERPRISE INC.	109,040.00	NOV., & DEC., 2017 CONSULTING SERVICES	CAPITAL PROJECT IN PROGRESS
T2726	DST PHARMACY SOLUTIONS, INC	90,442.99	DEC. PHARMACY AND CLAIMS PROCESSING	PHARMACY
T4237	FLUIDEDGE CONSULTING	82,035.25	NOV., & DEC., 2017 CONSULTING SERVICES TO UPDATE STANDARD BUSINESS REPORTING.	VARIOUS
T4054	ASSOCIATION FOR COMMUNITY AFFILIATED PLANS	65,000.00	2018 ACAP DUES	ADMINISTRATION
T3460	THE GUARDIAN LIFE INSURANCE CO.	57,730.23	JAN. VOLUNTARY LIFE AD&D, DENTAL INSURANCE	VARIOUS
T1183	MILLIMAN USA	53,851.63	CY2016 RDT, 2018 RATE SUPPORT, AND VALUE-BASED PURCHASING ANALYSIS	ADMINISTRATION
T1408	DELL MARKETING L.P.	41,667.37	HARDWARE- 6- LATITUDE E5480, 1 DELL SMART PRINTER, 6510, 20 OPTIPLEX 3050 DESKTOPS	MIS INFRASTRUCTURE



January AP Vendor Report  
Amount over \$10,000.00

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

# KERN HEALTH SYSTEMS

January AP Vendor Report  
Amount over \$10,000.00

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



January AP Vendor Report  
Amount over \$10,000.00

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



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



**KERN HEALTH SYSTEMS  
BOARD OF DIRECTORS  
NEW VENDOR CONTRACTS  
APRIL 12, 2018**

Legal Name	DBA or Credentialed Provider	Specialty	Address	New Contract	Contract Effective Date
<b>PAC 03/07/2018</b>					
Bandri Inc.	People's Pharmacy	Pharmacy	5913 Niles Street Ste. 2 Bakersfield CA 93306	New Contract	4/1/2018
Veritas Anesthesia, A Professional Nursing Corporation	Daniel Vera, CRNA	CRNA / Anesthesiology	901 Olive Dr. Bakersfield, CA 93308	New Contract	4/1/2018
Graceful Care Hospice, Inc.	Graceful Care Hospice	Hospice	2082 Newerry Rd. Ste 12, Newbury Park, CA 91320	New Contract	4/1/2018
George Alexandrakis, M.D., Inc	George Alexandrakis, MD	Ophthalmology	1851 Oak St. Ste B Bakersfield, CA 93301	New Contract	4/1/2018
Global Care Solutions, Inc.	Villa Martha	Skilled Nursing Facility	22411 Villa Martha St. Woodland Hills, Ca 91367	New Contract	4/1/2018
Timothy M. Wiebe, M.D., A Professional Corporation	Timothy Wiebe, MD	Physician	3545 San Dimas St. Bakersfield, CA 93301	Already credentialed & changing to individual contract	4/1/2018
<b>PAC 04/04/2018</b>					
Clinica Del Valle	Clinica Del Valle	Physician	5917 Niles Street Suite 2 Bakersfield, CA 93306	Provider is already credentialed.	4/1/2018
Auomira Corporation	Dimas Pharmacy	Pharmacy	3805 San Dimas Street Suite A Bakersfield CA 93301	New Contract	5/1/2018

**KERN HEALTH SYSTEMS  
BOARD OF DIRECTORS  
TERMED CONTRACTS  
APRIL 12, 2018**

<b>Legal Name</b>	<b>DBA / Address</b>	<b>Specialty</b>	<b>Comments</b>	<b>Effective Date</b>
Parikshat Sharma, MD, Inc.	2215 Truxtun Avenue , Bakersfield CA 93301	Hospitalist Group	Termed individual Contract and became part of Centric Health.	2/28/2018



**To: KHS Board of Directors**

**From: Bruce Wearda, R.Ph.**

**Date: April 12, 2018**

**Re: Recommendation of Pharmacy & Therapeutic (P&T) Committee members**

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**Background:**

In accordance to KHS Policy 10.01-I, candidates nominated to sit on clinical Committees are to be presented to the Board of Directors for approval. All Committee members serve two-year terms.

The Pharmacy and Therapeutic Committee requests two local pharmacists be appointed to the Committee:

- Jeremiah Joson is a long serving pharmacist at Kern Medical, previously serving as the Specialty Pharmacist member for Kern Health systems. Dr. Joson will assume the Committee position of Geriatric Pharmacist. Besides his care and provision of services to improving the health of the KHS members, he has dedicated many years of valuable input to the P&T Committee.
- Joseph Tran is coming from a retail setting with added expertise in Specialty Pharmacy Services. Dr. Tran will fill the vacated role as Specialty Pharmacist on the P & T Committee vacated by Dr. Joson. His current practice site provides non-traditional pharmacy services and more case management interventions.

Other members currently on the Committee, are: Allison Bell, Pharm. D, Dilbaugh Gehlawat, M.D., pediatrician and Sarabjeet Singh, MD., FACC, FAHA, FACP, general medical doctor position, Saman Ratnayake, M.D, internist, and Vasanthi Srinivas, M.D., OB/GYN.

In addition to physicians, the Committee includes our Board Representative, Dr. Kimberly Hoffmann and KHS staff: Martha Tasinga, M.D. Chief Medical Officer and Bruce Wearda, R.Ph. Pharmacy Director.

**Requested Action:**

Approve appointing Dr. Jeremiah Joson and Dr. Joseph Tran as members of the Pharmacy and Therapeutic Committee.

## Jeremiah Joson, PharmD., APh, BCGP, BCPS, BC-ADM

### Education

- 2008-2011 **PGY-1 Non-Traditional General Practice Residency**  
Kern Medical  
Bakersfield, CA
- 2000-2003 **Doctor of Pharmacy (Pharm.D.)**  
Thomas J. Long School of Pharmacy and Health Sciences  
University of the Pacific  
Stockton, CA
- 1997-2000 **Pre-Pharmacy**  
University of the Pacific  
Stockton, CA

### Licensure

- Current **California State Board of Pharmacy, Advanced Practice Pharmacist**  
License #10217
- Current **California State Board of Pharmacy, Registered Pharmacist**  
License #54965
- Current **Cardiopulmonary Resuscitation, Basic Life Support for Healthcare Providers**  
American Heart Association

### Non-Traditional Residency Rotations

#### Internal Medicine

*Preceptor:* Matthew E. Dehner, PharmD, BCPS, BCGP, CDE

#### Ambulatory Care

*Preceptor:* Ryan J. Gates, PharmD, BCGP, CDE

#### Practice Management (Staffing)

*Preceptor:* David Burger, PharmD, BCGP

#### Pharmacy Administration

*Preceptor:* Ryan J. Gates, PharmD, BCGP, CDE

#### Development of an Antimicrobial Stewardship Program (elective)

*Preceptor:* Jeffrey C. Jolliff, PharmD, BCPS, BCACP, AAHIVP, CDE

#### Infectious Diseases

*Preceptors:* Arash Heidari, MD; Royce Johnson, MD, FACP

#### Critical Care

*Preceptor:* Scott F. Coté, PharmD

**Advanced Internal Medicine (elective)**

*Preceptors:* Matthew E. Dehner, PharmD, BCPS, BCGP, CDE; Saman Ratnayake, MD

**Professional Experience**

08/16-current

**Associate Director of Pharmacy**, Kern Medical  
Bakersfield, CA

Position uniquely created. Remain pharmacist-in-charge of Sagebrush Pharmacy; however, additional duties assigned in inpatient and clinical operations. Assist Director of Pharmacy in pharmacy department operations (over 70 employees), including compliance with rules & regulations (e.g., USP <800>), maintaining departmental efficiencies and budget, and resolving employee concerns. Tasked with services expansion and project management, including 340B contract pharmacies, neighborhood prescription delivery service, Medicare Part B and DME billing, creation of a specialty pharmacy service, and expanding pharmacist-run chronic disease state clinics. Continue numerous committee involvements, contract analyses, 340B program management.

**Achievements:**

- **Designed and launched Kern Medical Meds-to-Beds (MtB) program on 9/2016. Statistical analysis showed 50% reduction in 30-day readmissions; patients who did not utilize MtB were 2.5 times more likely to be readmitted. Over \$100,000 in additional revenue captured in 7 months**
- **Improved diabetes clinic patient-experience by embedding a Spanish speaking technician within the clinic who then processes prescriptions for patients before they are discharged from clinic, vastly speeding up the time to completed prescriptions for pickup at the pharmacy and improving patient satisfaction**
- **Successful Health Resources and Services Administration (HRSA) audit 6/2016**
- **From 6/2016 through 3/2017, average target to labor budget was 95.95%**

08/13-08/16

**Senior Outpatient Pharmacist**, Kern Medical  
Bakersfield, CA

Oversaw operations for both county-owned Campus and Sagebrush pharmacies. Oversaw a staff of 30 employees. Coordinated operations in tandem with the County health plan (Legacy), which utilizes Campus and Sagebrush pharmacies as primary pharmacy providers. Put forth proposal to replace aging pharmacy management system with Rx30 (approved 10/2015 and implemented 2/2016); optimize inventory turns; foster an environment of teamwork; provide medications to over 2500 Kern County inmates; expand pharmacy services while meeting budgetary goals; serve on P&T and Quality Committees; and maintain regulatory compliance with the State Board, DEA, and HRSA (340B). Registered as Pharmacist-In-Charge, Sagebrush Medical Plaza Pharmacy.

**Achievements:**

- **Designed and launched desk delivery service on 2/2015, delivering prescriptions to county employees to over 30 county buildings in Bakersfield, Monday through Friday, without adding additional labor expense. As of 09/2016, average of 94 prescriptions delivered per week**
- **Recognized by administration as the foremost authority on 340B-related matters**
- **Created 27 policies & procedures (P&Ps) governing outpatient pharmacy practice which did not previously exist**
- **Successful State Board of Pharmacy inspections (6/2015) without major deficiencies noted**

2/13-current **Clinical Pharmacist**, Kern Medical  
 Bakersfield, CA  
 Assisted Internal Medicine multi-disciplinary teams consisting of medicine residents, interns, and students; pharmacy students; and an attending physician on an as needed basis. Performed medication reviews, therapeutic recommendations, laboratory and imaging recommendations, laboratory and drug monitoring, pharmacy consultations; as well as teach residents, medical and pharmacy students on pharmacotherapy, pharmacokinetics, pharmacodynamics, and proper disease state management. Currently attend pharmacy ambulatory care clinic on an as needed basis, providing advanced pharmacy practice services (collaborative drug therapy management, CDTM) in the areas of diabetes, hypertension, anticoagulation, COPD/asthma, heart failure, and pain management.

**Achievements:**

- **Professional practice evaluation by the Department of Medicine showed 100% satisfaction in the areas of clinical competence, ethics and conduct, technical skill, professional relationships, and adherence to medical staff bylaws (1/2015 – 7/2015; 7/2014 – 12/2014; 7/2013 – 06/2014)**

1/13-11/15 **Clinical Pharmacist Consultant**, GEMCare Managed Care health plan  
 Bakersfield, CA  
 Performed medication therapy management (MTM) services for GEMCare members, providing affordable therapeutic alternatives and ensuring standard of care regimens for numerous disease states. Provided drug and disease information to patients. Knowledge in Medicare Part D and the Medicare Gap.

**Achievements:**

- **In collaboration with four other clinical pharmacists, increased the proportion of patients avoiding the Medicare Gap from 24% to 58% and in the first year of consultant work, decreased the plan's annual drug spend from \$1.2M to under \$650K and patient co-pays from \$406K to \$240K**

3/12-2/13 **Senior Inpatient Pharmacist, Pharmacist-in-Charge**, Kern Medical  
 Bakersfield, CA  
 Oversaw a staff of approximately 25 employees. Responsible for daily operations while adhering to state and federal regulations governing the practice of pharmacy. Provided leadership and positive motivation, participated regularly in meetings, helped manage inventory, resolved drug-related issues professionally, performed on-going quality improvement and medication management and safety assessments, coordinated with various disciplines on a number of issues, and ensured regulatory compliance. Member of P&T, Pain Management, Infection Control, Antibiotic Stewardship, Medication Safety, and Medication Management Committees. Furthermore, provided inpatient staffing and clinical pharmacist coverage when needed (e.g., order entry and verification, clinic coverage, pharmacy consultations).

**Achievements:**

- **In 2012, successfully passed MERP survey without major deficiencies noted. Achieved satisfactory compliance on fentaNYL patch and heparin drip use, policies & procedures**
- **Despite major drug and electrolyte shortages through 2012, avoided any associated patient harm or death by proactively securing alternate sources through secondary wholesalers as well as providing clinicians with available alternatives. Created first-ever up-to-date drug shortage information link on the hospital intranet home page**
- **Created first-ever intensive care unit (ICU) drip titration sheet to standardize care, minimize errors, and comply with Joint Commission regulations**



- 12/11–3/12 **Clinical Pharmacist**, San Joaquin Community Hospital  
Bakersfield, CA  
Responsible for development of Clinical Pharmacy services, including development and revision of policies & procedures (vancomycin, aminoglycosides, erythropoietin-stimulating agents (ESAs), anticoagulation, venous thromboembolism (VTE) prophylaxis, stress ulcer prophylaxis (SUP), IV-to-PO, and renal dose adjustments), creation of best-practice guidelines, creation of pharmacist competencies, developing systems for documentation, implementation of antimicrobial stewardship, and improving pharmacy workflows. Member of Stroke, Sepsis, CPOE (Computerized Physician Order Entry), Antimicrobial Stewardship, and Infection Control Committees.  
**Achievements:**
- **Created and/or updated Physician Order Sets for unfractionated heparin drip, amiodarone infusion, ICU analgesia and sedation, pneumococcal vaccine, potassium replacement, rapid response, and stress ulcer prophylaxis**
  - **Created first ever pharmacy-to-manage inpatient warfarin anticoagulation protocol**
- 2008–2011 **Clinical Pharmacy Resident/Staff Pharmacist**, Kern Medical  
Bakersfield, CA  
Alternated between six week clinical rotations and staffing inpatient pharmacy. Duties included order entry and verification; direct filling of unit-dose and intravenous preparations; providing drug information, pharmacotherapeutic and pharmacokinetic recommendations; and clinical consults for areas such as pain management, blood glucose management, and anticoagulation. Directly supervised technicians and students, as well as instructed pharmacy students regularly. Certified in USP <797> aseptic technique.
- 2008-2012 **Per Diem Staff Pharmacist**, Costco Wholesale Pharmacy  
Bakersfield, CA  
Responsibilities included accurately filling and checking prescriptions, paying close attention to possible drug-drug/drug-food interactions, adverse effects, and proper indication(s). Supervised staff, stock inventory, and give thorough consultations to patients in regards to their prescriptions and drug/disease inquiries.
- 2008-2010 **Per Diem Staff Pharmacist**, HealthSouth Rehabilitation Hospital  
Bakersfield, CA  
Responsibilities included order entry and verification, unit-dose filling and intravenous preparations, pharmacotherapeutic monitoring of vancomycin, aminoglycosides, enoxaparin, erythropoietin, and warfarin. Reviewed IV-to-PO and creatinine clearance (CICr) lists and made recommendations where appropriate.
- 05/04-08/08 **Pharmacy Manager/Pharmacist-In-Charge**, Long's Drug Stores  
Store #239, Bakersfield, CA  
Oversaw a staff of 3 pharmacists, 4 technicians, 6 ancillary and 1 intern. Responsibilities included staff scheduling; balancing the budget; inventory maintenance; complying with California pharmacy regulations; initiating/maintaining several files, including controlled substance and non-controlled substance prescriptions, and HIPAA confidentiality sheets; responding to customer needs and concerns; maintaining ScriptPro machinery; third party billing and reconciliation; attending pharmacy area meetings; and handling of special requests (e.g., orders, drug information).

08/03-05/04 **Floater Staff Pharmacist**, Long's Drug Stores  
Bakersfield, CA  
Responsibilities included accurately filling and checking prescriptions. Supervised staff, consulted patients, stocked inventory and processed new prescriptions.

## Professional Activities

03/2018 **Presenter**, Bakersfield College, Bakersfield, CA  
MESA STEM and Pre-Health Conference  
Spoke to college-bound students about pharmacy and the healthcare profession.

03/2018 **Faculty**, Kern Medical, Bakersfield, CA  
Geriatrics Curriculum, Department of Medicine  
Provide physician residents didactic and workshop material on geriatric pharmacotherapy

09/2017 **Preceptor**, Kern Medical, Bakersfield, CA  
Accredited Resident & Student Preceptor by the American Society of Health-System Pharmacists

06/2017 **Speaker**, KGET-17 News, Bakersfield, CA  
Topic: Over-the-counter sunscreens and insect repellent

11/2015-12/2017 **Member**, Commission for Certification in Geriatric Pharmacy, Exam Development Committee  
CCGP, Alexandria, VA  
Work with pharmacist peers nationally to develop, evaluate, and review test items for the Certified Geriatric Pharmacist (CGP) examination.

11/2016 **Speaker**, KERO-23 News, Bakersfield, CA  
Topic: Heroin and opioid use in Kern County

09/2015 **Speaker**, Kern County Conference on Aging: An Inter-professional Approach to Geriatric Care  
Bakersfield College, Bakersfield, CA  
Topic: Over-the-counter medications and BEERS criteria

02/15-current **Member**, Kern Family Health Care Pharmacy & Therapeutics Committee  
Bakersfield, CA  
Responsible for reviewing new and current drug therapy on the formulary, making appropriate changes when necessary, considering appropriate drug therapy and cost-to-benefit data.

02/15-current **Manuscript reviewer**, California Journal of Health-System Pharmacy (CJHP)

10/2014-current **Advisor**, Delivery System Reform Incentive Payments (DSRIP), of the California Department of Healthcare Services (DHCS), California Association of Public Hospitals and Health Systems, and California Health Care Safety Net Institute (SNI)  
Sacramento, CA  
Selected as a special advisor (out of more than 100 candidates) to Resource Stewardship group regarding high cost pharmaceuticals. Responsible for implementing evidence-based stewardship approaches to minimize drug costs while maximizing therapeutic benefit. Develop and increase the use of decision support tools for providers who may prescribe high cost pharmaceuticals.

- 09/2014 **Scholar**, 31<sup>st</sup> Annual Intensive Course in Geriatric Pharmacy & Board Review, University of California, Los Angeles and the California Geriatric Education Center  
Los Angeles Airport Marriott Hotel, Los Angeles, CA  
Participant in four-day intensive geriatric review course, completing topics in functional assessment, geriatric pharmacokinetic and pharmacodynamic principles, and key aspects in diseases such as neurology, cardiology, and urology.
- 01/14-01/15 **Fellow**, Donald W. Reynolds FD~AGE Mini-Fellowship at the University of California, Los Angeles, CA  
David B. Reuben, M.D., Program Director  
Participate in intense coursework in advanced geriatric education, strengthening knowledge of geriatrics and providing tools to create/support quality improvement projects within my own facility.
- 03/12-Present **Preceptor**, Thomas J. Long School of Pharmacy and Health Sciences at the University of the Pacific, Stockton, CA  
Inpatient, Outpatient, Ambulatory Care APPEs, Bakersfield, CA  
Responsible for overall development of the pharmacy intern, including but not limited to, order entry, dispensing, preparation, distribution, administration, monitoring, drug information, consultation, inventory management, quality improvement, and pharmacotherapeutic recommendations.
- 03/11-08/13 **Member**, Infection Control Committee, Medication Safety, Medication Management, Pharmacy & Therapeutics, DSRIP  
Kern Medical, Bakersfield, CA  
Provide input and/or present data when required.
- 2004-06/10 **Member**, Kern Family Health Care Pharmacy & Therapeutics Committee  
Bakersfield, CA  
Responsible for reviewing new and current drug therapy on the formulary, making appropriate changes when necessary, considering appropriate drug therapy and cost-to-benefit data.
- 11/2009 **Participant**, Senior Citizen Health Fair  
Bakersfield, CA  
Provided brown bag service to senior citizens.
- 2004-2008 **Preceptor**, Thomas J. Long School of Pharmacy and Health Sciences at the University of the Pacific, Stockton, CA  
Community Rotation, Bakersfield, CA  
Responsible for the overall development of pharmacy interns with respect to community pharmacy experience. Interns learned community workflow and were given projects, quizzes and assignments. They were also taken out to the floor to learn more about OTC items and their appropriate usage.

## Presentations

- 09/2017 **CHPSO Safe Table, Pain management: proper dosing of opiates for acute care patients**  
Co-presenter/Co-host, Kern Medical  
Bakersfield, CA

- 06/2017 **Medication errors**  
Department of Medicine, Noon Conference, Kern Medical  
Bakersfield, CA
- 01/2017 **Evaluation of alternative piperacillin/tazobactam infusion strategies**  
2017 Western Medical Research Conference (WMRC), co-author; abstract #324  
Carmel, CA
- 06/2015 **Evaluation of alternative piperacillin/tazobactam infusion strategies**  
Western States Conference, co-author  
San Diego, CA
- 06/2015 **Clinical outcomes of canagliflozin therapy on BMI**  
Western States Conference, co-author  
San Diego, CA
- 10/2014 **Urinary incontinence**  
Department of Medicine, Noon Conference, Kern Medical  
Bakersfield, CA
- 11/2013 **Diagnosis and treatment of coagulation disorders (acquired hemophilia A, von Willebrand disease, cold agglutinins in infectious mononucleosis)**  
Department of Medicine, Noon Conference, Kern Medical  
Bakersfield, CA
- 11/2013 **Characteristics surrounding drug diversion in U.S. hospitals: a survey**  
California Society of Health-System Pharmacists, Seminar 2013 (poster presentation)  
Anaheim, CA
- 09/2012 **Use of patient controlled analgesia (PCA) and pain management**  
Department of Medicine, Noon Conference, Kern Medical  
Bakersfield, CA
- 12/2011 **Acute necrotizing pancreatitis**  
Critical Care, Kern Medical  
Bakersfield, CA
- 07/2011 **Myelodysplastic syndromes and acute myeloid leukemia (AML)**  
Advanced Internal Medicine, Kern Medical  
Bakersfield, CA
- 06/2011 **Clinical outcomes of a pharmacist-managed diabetes mellitus clinic**  
Western States Conference (research presentation)  
Asilomar Conference Center, Pacific Grove, CA
- 06/2011 **Clinical outcomes of a pharmacist-managed diabetes mellitus clinic**  
Kern Medical Center Annual Research Forum (poster presentation)  
California State University, Bakersfield, Bakersfield, CA
- 03/2011 **Sedation in mechanically ventilated patients**  
Critical Care, Kern Medical  
Bakersfield, CA

- 04/2010      **Development and implementation of an antimicrobial stewardship program**  
Elective, Kern Medical  
Bakersfield, CA
  
- 02/2010      **Infective endocarditis**  
Infectious Diseases, Kern Medical  
Bakersfield, CA
  
- 01/2010      **Community-acquired methicillin resistant *Staphylococcus aureus* (MRSA)**  
Infectious Diseases, Kern Medical  
Bakersfield, CA
  
- 01/2010      **Evaluation of acid-base status**  
UOP pharmacy students, Kern Medical  
Bakersfield, CA
  
- 10/2009      **Evaluation and management of drug allergies**  
Department of Medicine, Noon Conference, Kern Medical  
Bakersfield, CA
  
- 10/2009      **Metabolic syndrome**  
Ambulatory Care, Kern Medical  
Bakersfield, CA
  
- 03/2009      **Approach to vancomycin therapeutic drug monitoring (TDM)**  
Inpatient pharmacy staff, Kern Medical  
Bakersfield, CA
  
- 02/2009      **Ulcerative colitis and Crohn's disease**  
Internal Medicine, Kern Medical  
Bakersfield, CA
  
- 01/2009      **Chronic kidney disease (CKD)**  
Internal Medicine, Kern Medical  
Bakersfield, CA

**Honors, Certifications, and Publications**

- 04/2017      Outstanding Leadership Award  
**Kern Medical**
  
- 01/2017      Certificate of Completion  
**340B University OnDemand, Apexus**
  
- 06/2016      "Treatment of polymicrobial osteomyelitis with ceftolozane-tazobactam: case report and sensitivity testing of isolates," *Case Reports in Infectious Diseases*  
**Co-author**
  
- 04/2015      "Differences in method-specific vancomycin-MICs and induced daptomycin resistance in an infective endocarditis patient," *Case Reports in Infectious Diseases*  
**Co-author**

- 07/2014 American Association of Diabetes Educators  
**Board Certified in Advanced Diabetes Management (BC-ADM), #200913393**  
*First and only BC-ADM pharmacist in Kern County*
- 06/2014 Kern Medical  
Bakersfield, CA  
**Faculty Member of the Year, Pharmacy Department**
- 05/2014 Thomas J. Long School of Pharmacy & Health Sciences at the University of the Pacific  
Stockton, CA  
**Preceptor of the Year, Bakersfield APPE Site**
- 03/2014 "Fatal bleeding associated with dabigatran: comment," *American Journal of Health-System Pharmacy*  
**Corresponding Author**
- 1/2014 ASHP Foundation Pain Management and Palliative Care Traineeship, Level 1  
**Completed**  
*7.5 CE hour online course focusing on pain management and palliative care*
- 01/2013 "Ceftaroline in the treatment of concomitant methicillin-resistant and daptomycin non-susceptible *Staphylococcus aureus* infective endocarditis and osteomyelitis: case report," *Journal of Antimicrobial Chemotherapy*  
**Co-Author**
- 11/2011 "Successful treatment of methicillin-resistant *Staphylococcus aureus* mitral valve endocarditis with sequential linezolid and telavancin monotherapy following daptomycin failure—authors' response," *Journal of Antimicrobial Chemotherapy*  
**Corresponding author**
- 10/2011 Board of Pharmaceutical Specialties  
**Board Certified Pharmacotherapeutic Specialist (BCPS), #3110758**
- 09/2011 "Successful treatment of methicillin-resistant *Staphylococcus aureus* mitral valve endocarditis with sequential linezolid and telavancin monotherapy following daptomycin failure—authors' response," *Journal of Antimicrobial Chemotherapy*  
**Corresponding author**
- 06/2011 "Successful treatment of methicillin-resistant *Staphylococcus aureus* mitral valve endocarditis with sequential linezolid and telavancin monotherapy following daptomycin failure," *Journal of Antimicrobial Chemotherapy*  
**Corresponding author**
- 06/2011 Thomas J. Long School of Pharmacy & Health Sciences at the University of the Pacific  
Stockton, CA  
**Adjunct Professor of Pharmacy Practice**
- 02/2010 Commission for Certification in Geriatric Pharmacy  
**Board Certified Geriatric Pharmacist (BCGP), #2084**  
*First Board Certified Geriatric pharmacist in Kern County*

- 2008-Present American Heart Association  
**Basic Life Support (BLS) Certified**
- 05/2003 "For promoting effective pharmacist/patient communication as a vital aspect of a pharmacist's service to their patients and community."  
**Roche Pharmacy Communications Award**

### **Professional Affiliations**

- 2018-Present Participant, Kern County RSV Task Force, First 5 Kern Organization
- 2015-Present Member, Kern Family Health Care Pharmacy & Therapeutics Committee
- 2013-2015 American Diabetes Association (ADA)
- 2011-Present American Society of Consultant Pharmacists (ASCP)
- 2008-Present American College of Clinical Pharmacy (ACCP)
- 2008-2018 American Society of Health-Systems Pharmacists (ASHP)
- 2008-2017 California Society of Health-Systems Pharmacists (CSHP)
- 2004-2010 Member, Kern Family Health Care Pharmacy & Therapeutics Committee
- 1999-Present California Pharmacist's Association (CPhA)

## References

Ryan J. Gates, Pharm.D., BCGP, CDE  
Director of Health Outcomes  
Kaweah Delta Medical Center  
Visalia, CA  
ryan@frontlinrx.com

Adrian Gonzales, Pharm.D., BCPS  
Director of Pharmacy  
San Joaquin Community Hospital  
Bakersfield, CA  
gonzala3@ah.org

Jessica Beck, Pharm.D., BCPS  
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Rushabh Shah, M.D.  
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Golden State Hospitalists  
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Shadi Y. Rosnick, M.D.  
Hospitalist  
Cedars-Sinai  
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shadiyagh@gmail.com

Glenn Goldis, M.D., MMM  
Chief Medical Officer  
Kern Medical  
Bakersfield, CA 93306  
glenn.goldis@kernmedical.com






Board of Pharmacy Specialties

3/26/2018 11:34:07 PM CST

**CREDENTIAL VERIFICATION**

Certificant				
Name	Jeremiah L Joson			
City/State	Bakersfield, CA			
Verification Date	3/26/2018			
Certification Information				
Specialty	Credential	Cert Date	Valid Till	Status
BCGP	9101897	02/01/2010	12/31/2020	Active
Note				
Employers/Verification Offices: Please note that all board certified certificant have agreed to publication of their name on the BPS website and release of the above credential information to both current and potential employers.				
				
Ernest Wright Senior Manager, Operations Board of Pharmacy Specialties				

## Joseph Tran, PharmD.

**Objective**    **Progress the practice of pharmacy through utilization of evidence-based medicine, research, information services, technology, and process improvement strategies resulting in superior patient safety and satisfaction.**

**Uphold the professional image of pharmacy with social and cultural empathy, ardent professional conduct, clinical knowledge, and relentless ardor for continual learning, teaching, and maintaining interdisciplinary relationships.**

- Education**
- **Western Governors University**  
Salt Lake City, UT  
Masters of Business Administration, Healthcare Management, Candidate 2019
  - **University of Colorado Skaggs School of Pharmacy and Pharmaceutical Sciences**  
Aurora, CO  
Doctor of Pharmacy, Class of 2013
  - **University of California, San Diego**  
La Jolla, CA  
Bachelors of Science in Biochemistry and Cell Biology, Class of 2009

- Licensure and Certificates**
- **California Pharmacist License #70528**
  - **Pharmacy-Based Immunization Delivery Certified, APhA**
  - **CPR Certified, Red Cross**
  - **Cultural Competency Certified**
  - **Blood Borne Pathogens Certified**
  - **HIPAA Privacy and Security Certified**

**Professional Experience**    **Registered Onsite Manager – Walgreens Store #16382, Bakersfield CA**  
**August 2015 – Present**  
Supervisor: Bryan Garcia

Assemble and supervise a group of pharmacists, pharmacy technicians, and clerks to pioneer and operate a specialty onsite pharmacy in Bakersfield. Ensure safe and effective medication therapy for complex patients with multiple sclerosis, cancer, HIV/AIDS, and Hepatitis C. Developed and implemented a cost-effective and service-improving medication delivery program. Collaborate with providers, local community influencers, and pharmaceutical representatives to grow patient access to specialty medications and provide an integrated approach to specialty medication therapy. Strategize new business contracts through involvement of interdepartmental members of the company. Ongoing process improvement based on Six Sigma and Lean methodologies.

Current bench district manager. Train and supervise incoming pharmacists and technicians for the district. Disseminate and drive company goals and objectives to the district. Manage and drive MTM completion for the district. Develop and improve pharmacy graduate intern mentorship program to boost district retention. Conduct compounding compliance training for the Northern California area. Assist district manager in handling employee grievances. Recruit, interview, and train pharmacists for the Bakersfield district.

Region specialty lead. Responsible for developing and improving a pharmacist-based Specialty Lead program, driving education and training surrounding specialty medication usage and processing to 600 pharmacies throughout California.

**Pharmacy Manager - Walgreens Store #3294, Bakersfield CA****June 2014 – August 2015**

Supervisor: Salomon Avalos

Supervised and part of a team of pharmacists and pharmacy technicians to serve patients and oversee day to day operations aimed at positive customer relations. Drove company goals and objectives in innovative ways while still adherent to laws, company policies, and high standard of ethics. Interviewed and trained pharmacy technicians. Trained pharmacist interns. Organized community flu shot clinics. Served as the point of contact and resolution specialist for customer and team member concerns. Conducted regular employee performance reviews. Maintained pharmacy compliance with applicable laws and regulations. Created strategic team member schedules to maximize limited labor budgets. Reviewed and analyzed KPI, inventory, loss prevention, operation statement reports to identify areas of improvement.

Overhauled the pharmacy and applied continuous process improvement, ultimately leading to: Stimulating employee engagement and exceeding performance metrics such as KPIs and RAISE initiative. Boosting customer delight score from 50% to 80% while exponentially growing prescription volume and pharmacy sales from 160 prescriptions daily to 300. Cut inventory overhead by more than half, freeing over \$300,000 in excess inventory. Exceeded estimated (re)capture rates of Kern Family Health Care patients and store closings--resulting in most recently #1 pharmacy sales in the district.

**Floating Pharmacist - Walgreens District #313, Bakersfield CA****October 2013 - June 2014**

Supervisor: Salomon Avalos

Performed day to day pharmacy operations in compliance with company policy and state and federal regulations. Quickly established and maintained a close working relationship with staff of multiple pharmacies. Regularly adapted personal workflow to complement each pharmacy's staff and customers to create efficiency and promote delight. Personalized patient medication consultations and immunizations. Served as a pivotal point of contact for patients, healthcare professionals, and insurance companies. Utilized Intercom Plus, COMPASS, and EHR software to perform daily tasks.

**Clinical Practice Experience****Disease State Management - King Soopers Pharmacy, Denver CO****April - May 2013**

Preceptor: Terrie Stonebraker, RPh

Served as the health wellness coach. Performed biometric screenings--including blood pressure, body mass index, blood glucose and total lipid panel; conducted comprehensive medication reviews and medication therapy management using Outcomes MTM and Mirixa platforms. Provided consultations to patients on prescription and non-prescription medications, and weight, blood pressure, and glucose management. Administered influenza, Hepatitis B, and herpes zoster vaccinations. Managed and reviewed medication orders with EasyFill PRN computer system.

**Anticoagulation Management – Centura St. Mary Corwin Hospital, Pueblo CO****February - March 2013**

Preceptor: Charles Geibig, PharmD

Initiated, monitored, managed, and educated on warfarin therapy in patients in both outpatient and inpatient settings. Collected and analyzed patient information, and developed therapeutic and monitoring plans based on evidence and CHEST guidelines. Effectively communicated plans to patients, pharmacists, and providers. Designed patient-specific enoxaparin bridges and warfarin drug-drug interaction adjustments. Documented plans via MEDITECH in SOAP note format. Developed and proposed evidence-based workflow guidelines to standardize and provide a systematic approach to anticoagulation management in the clinic for process improvement.

**Medication Reconciliation – Centura Porter Adventist Hospital, Denver CO****January - February 2013**

Preceptor: Carrie Dunn, PharmD

Established rapport with patients in varying levels of acuity and mental states to obtain medication reconciliation information. Created communication channels while remaining HIPAA-compliant between pharmacists, providers, nursing facilities, and patient family members to establish a complete medication list. Comforted patients and provided meaningful clinical knowledge during difficult times in the emergency department. Educated patients on the purpose, dose, and correct use of their medications. Updated patients' medication lists using MEDITECH. Prepared parenteral products using aseptic technique in both laminar hoods and USP 797 compliant clean rooms. Prepared and inventoried medications using Talyst software and the AutoCarousel automated medication storage system. Restocked PYXIS stations and time-sensitive, patient-specific medications promptly and accurately. Rounded on and developed medication plans for patients in the medical intensive care unit (MICU). Ensured patients were on appropriate VTE prophylaxis measures in the MICU. Adjusted patient medications based on renal function. Developed a formula-based spreadsheet to more efficiently calculate and report creatinine clearance based on Porter Hospital-specific protocols and Cockcroft-Gault equations.

**Administration** – Centura St. Anthony Hospital, Lakewood CO

**October - November 2012**

Preceptor: Kelley Griffith, PharmD

Underwent process improvement training using Six Sigma process improvement initiative and introduced to Lean healthcare. Implemented DMAIC (define, measure, analyze, improve, control) methodologies to pilot and measure the significance of the new medication reconciliation program. Reviewed patient electronic records with MEDITECH. Performed controlled drugs audits using PYXIS reports and medication invoices. Identified and resolved controlled substance discrepancies using Pandora software. Assisted emergency department pharmacist with medications and crash carts during a code. Studied effective team building and personnel management strategies. Prepared an informative Talyst training PowerPoint presentation for the arrival of the AutoCarousel.

**Medical Intensive Care Unit** – Veteran Affairs Medical Campus, Denver CO

**August - September 2012**

Preceptor: Melanie Bohn, PharmD

Rounded with inpatient teams to provide patient care in the medical intensive care unit. Worked with an interdisciplinary team of healthcare providers to implement evidence-based, patient-centered care. Managed and dosed warfarin, low molecular weight heparin, and heparin based anticoagulation. Practiced antimicrobial stewardship with infection prevention and control. Initiated and adjusted vancomycin dosing. Monitored renal function with Cockcroft-Gault calculations. Participated in patient interviews and medication review of psychiatric patients. Reviewed medication orders for appropriateness, patient compatibility, and safety.

**Administration** – University Hospital Employee Benefits Management, Aurora CO

**July - August 2012**

Preceptor: Rachel Boggs, PharmD

Formulated clinical recommendations for medication prior authorization requests through use of current evidence-based medicine, insurance coverage policies, and patient-specific clinical data; submitted of well-backed recommendation to medical directors. Monitored patients using EPIC medical records system, published pharmacy-related articles in an issue of the Employee Health Plan Pharmacy Newsletter, coordinated with an interprofessional team to create and submit a business proposal streamlining online pharmacy and mail order services. Researched and presented viability of insurance coverage for autologous serum eye drops using drug information resources, pharmaco-economic data, and analyzed peer-reviewed research of efficacy and safety of use.

**Community Practice** – Walgreens Pharmacy Store #01769, Denver CO

**May - July 2012**

Preceptor: Dan Scales, PharmD

Worked independently to develop and acted as team leader to implement workflow proposal leading up to 20% increase in daily prescription sales and Promised Time hit rates. Recommended non-prescription medications to patients with evidence-based rationale, conducted comprehensive patient medication therapy management and reconciliation, advocated for medication assistance programs, communicated with doctors and nurses regarding prescription errors and clarifications,

problem-solved with insurers for claims and prior authorization requests; prepared, reviewed and dispensed prescription medications according to state and federal laws, administered influenza and herpes zoster vaccinations. Maintained patient profiles with Intercom Plus computer system.

**Additional Skills  
and Experience**

- **Productivity:** Microsoft Office (Word, Excel, Outlook, Powerpoint), Microsoft Windows, Apple Mac Operating System, various Linux distributions, Adobe Acrobat, typing 100+ words per minute
- **Electronic Medical Records Systems:** Epic, Intercom Plus, EHR, MTM Outcomes, Mirixa, Pyxis, Talyst Autocarousel, Pandora, CPRS, EasyFill PRN
- **Programming:** PHP, HTML, CSS, SQL, Java, Visual Basic, Python
- **Creativity:** Professional Photography, Adobe Photoshop, Adobe Lightroom, Aperture, Wordpress, Joomla





**To: KHS Board of Directors**  
**From: Bruce Wearda, R.Ph.**  
**Date: April 12, 2018**  
**Re: Pharmacy & Therapeutics (P&T) modifications**

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**Background:**

The P&T Committee determines whether Kern Health Systems Medi-Cal Drug Formulary includes all required drug classes. The goal of the review is to ensure the KHS Drug Formulary includes a representation of medically necessary and appropriate drug classes, in alignment with national guidelines, in the manner and form prescribed by physicians for treatment of their patients.

The Committee solicited opinions for consideration from local experts. The Formulary was evaluated not just for upcoming therapies and medicines, but also scrutinized older medications to ensure their relevance. When evaluating new pharmaceuticals, the Committee sees to it that all available medications are efficacious, affordable and safe.

As a result of their latest review, some modifications were made due to new products and standard of care coming to the market. Other drug utilization review (DUR) actions were taken based on safety concerns and regulatory requirements.

In addition to changes to the formulary expanding the list of available medication for the treatment of diabetes is a modification to our prescription protocol for Opioids. Nationwide heightened attention has been focused on opioid (narcotic/pain killer) use and the subsequent misuse/abuse. Concern over the rising overdose situations and even death are requiring attentive and prompt action. Some sobering statistics include:

- Approx. 15,000 deaths every year involving prescription opioids.
- 1 in 20 people in the US over the age 12 admitted to using pain killers for nonmedical reasons in 2010.
- Enough prescription opioids were prescribed in 2010 to medicate every American adult in 2010 around the clock for a month.
- 20% of the prescribers prescribe 80% of the opioids.

In 2016, Kern Health Systems convened an Opioid Coalition comprised of the following members to identify strategies to deal with the crises locally:

Kim Hoffman, Pharm D, KHS Board Member	Cindy Stewart, LVN, KHS Board Member
Dr. Tasinga, KHS CMO	Dr. Parmar (network pain specialist)
Dr. Irene (network PCP)	Deb Murr, RN, KHS
Christopher Reilly (network social worker)	Javier Moreno (county addiction clinic)
Bruce Wearda, R.Ph, KHS Pharm. Dir.	

The Coalition made several recommendations which will be presented to the Board at a future meeting as part of a larger program to address this crises.

Among these recommendations were suggested modifications to Kern Health Systems current opioid drug treatment protocols. **The changes would not apply to cancer patients and established members with pain management. The change is addressing only those initial fills in attempts to avoid developing new cases of addiction/dependence.**

Changes recommended include:

- Modify allowing up to a 14 day supply for initial fills to allowing a 7 day supply for initial fills.
- Modify muscle relaxant (antispasmodic, not spasticity therapy) from unlimited duration to a short term use not to exceed 90 days.

Recommendations from the Opioid Coalition were presented to the Pharmacy & Therapeutics Committee. The P&T Committee reviewed for appropriateness and in turn, presented to the Physician's Advisory Committee.

**Requested Action:**

1. The P & T Committee recommends Board approval to add the following medications to the Kern Health Systems Medi-Cal Drug Formulary for treatment of diabetes:
  - Admelog (vial)
  - Steglatro
  - Segluromet
2. The P & T Committee recommends Board approve:
  - Modify allowing up to a 14 day supply for initial fills to allowing a 7 day supply for initial fills.
  - Modify muscle relaxant (antispasmodic, not spasticity therapy) from unlimited duration to a short term use not to exceed 90 days.





**To: KHS Board of Directors**

**From: Alan Avery, Chief Operating Officer**

**Date: April 12, 2018**

**Re: Operations Report**

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The majority of the operational areas within KHS experienced a surge in transactional activity during the first quarter of 2018. With the implementation of the QNXT core system in 2017 and the continual upgrade of this great tool, the operations team was able to handle this increased transactional volume without a negative impact on staffing.

#### **Claims**

During the 1<sup>st</sup> quarter, Claims received an additional 99,836 claims over the 4<sup>th</sup> quarter submission. This could be caused by provider offices focus on year end clean up billing activity. We will continue to monitor future activity to confirm this is not an ongoing future trend. All remaining indicators are meeting or exceeding compliance targets. The department and I.T. are in the process of implementing the CES (Claims Editing Software) tool which will replace the outdated, end-of-life Check Claim software.

#### **Member Services**

Call activity also increased in the Member Services area, with an 8% increase in incoming calls and an 11% increase in outbound calls. In spite of these increases, the staff was able to maintain an exception abandonment rate of 1.4%. The top five reasons for members calling the Plan were similar during the quarter except for a new issue-Checking Status of Referral. We believe this new indicator may be related to the implementation of the new Jiva authorization system in the 4<sup>th</sup> quarter of 2017. We will continue to monitor this activity. Lastly, the number of members signing up for the Member Portal increased by 72% this quarter, reaching 4,292 just slightly under the industry target of 4%.

### **Provider Relations**

This is the one operational area that was fairly stable throughout the 1<sup>st</sup> quarter, with all indicators within compliance of target. PR submitted the 2017 Timely Access and Network Adequacy Report to the State, which must be verified by an outside agency approved by the DMHC. In the external vendor validation report by Health Management Associates to KHS, they reported “KHS results were the cleanest of any of the health plans we validated—by a wide margin.”

### **Human Resources**

Similar to Provider Relations, Human Resources did not experience significant activity during the quarter. In fact, the employee turnover indicator was 3.18% well below the goal of 12%. The March Turnover report is attached.

### **Grievance Report**

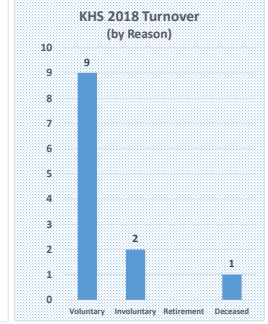
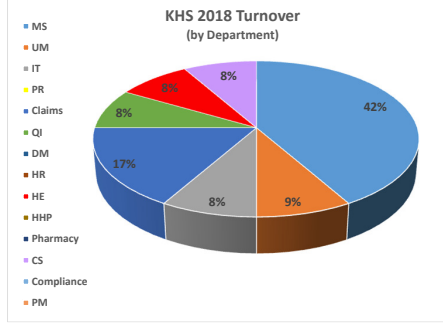
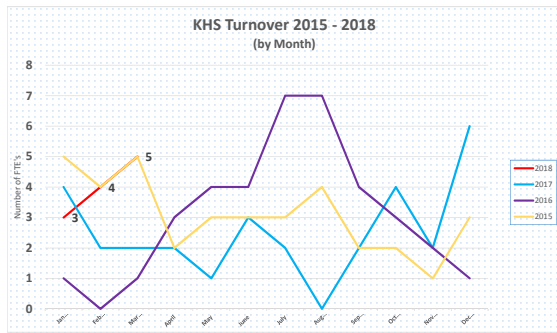
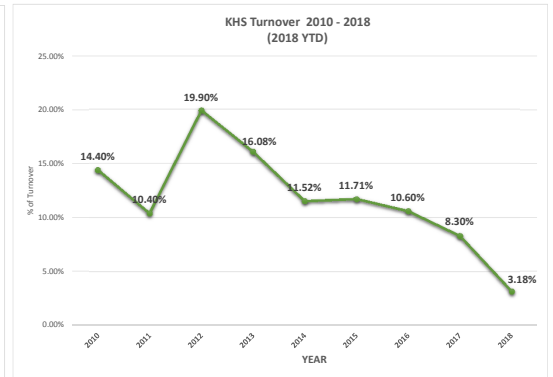
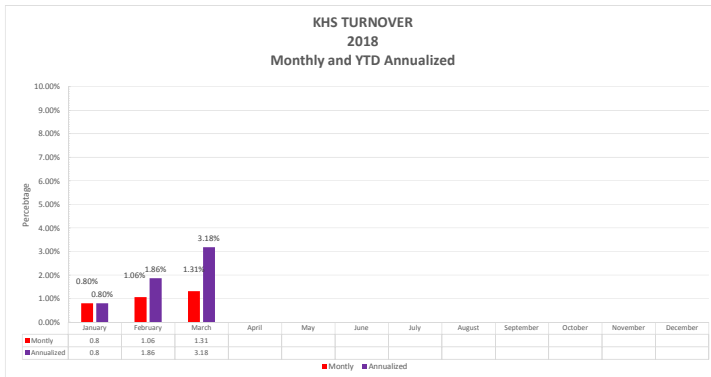
Overall, the Health Plan’s grievance numbers continue to trend downward even though the 1<sup>st</sup> quarter experienced a sizeable spike in the Medical Necessity category. We believe this increase was caused by the Mega Rule changes that went into effect in 2017. We continue to experience appeals of medical necessity and not quality of care issues. In addition, the Quality of Service indicators have significantly decreased as the regulations allow us to track and trend these minor events and only report those cases with major service related issues or language barrier issues.

### **Transportation Update**

We continue to monitor closely the continued growth of the use of the new state mandated transportation benefit which became effective on July 1, 2017. Reports from our vendor (American Logistic Company) reflect a 31% increase in one way rides scheduled, with the largest increase in Lyft ridership (68%) followed by transit passes (27%) and medical van transportation (10%). Management continues to develop monitor tools to ensure the appropriate use of this benefit.



**2018 Turnover Statistics**  
 March 31, 2018 | 1st Quarter End



©Kern Health Systems Human Resources



## 2018 1<sup>st</sup> Quarter Operational Reports

## Claims Department Indicators

Activity	Goal	1 <sup>st</sup> Quarter	Compliance
Claims Received		765,033	
Electronic	85%	88%	
Paper	15%	12%	
Claims Processed Within 30 days	90%	97.11%	
Claims Processed within 45 days	95%	99.02%	
Claims Processed within 90 days	99%	99.50%	
Claims Inventory-Under 30 days	96%	99.77%	
31-45 days	<3%	<1%	
Over 45 days	<1%	<.003%	
Auto Adjudication	75%	74.96%	
Audited Claims with Errors	<3%	2%	
Claims Disputes	<5%	.2%	

## Member Service Indicators

Activity	Goal	1 <sup>st</sup> Quarter	Compliance
Incoming Calls		66,591	
Abandonment Rate	<5%	1.4%	Green
Average Speed to Answer	<2:00	:18	Green
Average Talk Time	<8:00	6:42	Green
Top Reasons for Member Calls	Trend	1-PCP Changes 2-Demographic Updates 3-New Member Calls <b>4-Checking Referral Status</b> 5-ID Card	Green
Outbound Calls	Trend	86,031	Green
# of Walk Ins	Trend	645	Green
Member Portal Accounts	4%	4,292	Yellow

## Provider Network Indicators

Activity	Goal	1 <sup>st</sup> Quarter 2018	Compliance
# of Primary Care Providers	Maintain	1.4%	
# of Specialty Care Providers	>1% growth	3.7%	
% Provider Terminations	<5% term	4.032%	
Termination Reasons		74%-left group 17%-voluntary 9%-other	
Provider Appointment Survey	70%		
Primary Care	< 10 days	80%	
Specialty Care	< 15 days	93%	

## Human Resources Indicators

Activity	Budget/Goal	2018 Actual	Compliance
Staffing Count	391	378	
Employee Turnover	12%	3.18%	
Turnover Reasons	Voluntary Involuntary	75% 25%	



# 1<sup>st</sup> Quarter Grievance Report

- The DMHC requires KHS Management report/review quarterly grievances with the KHS Board of Directors.
- Quarterly grievance reporting has previously been included in the Medical Management report effective June 2017

Category	Q1 2018	Trend	Issue	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Access to Care	34	Green	Appointment Availability	25	26	7	9
Coverage Dispute	45	Green	Authorizations and Pharmacy	37	44	13	19
Medical Necessity	121	Yellow	Questioning denial of service	67	53	14	18
Other Issues	0	Green	Miscellaneous	0	2	8	7
Quality of Service	31	Green	Questioning services provided. All cases forwarded to Quality Dept.	26	46	38	36
Quality of Service	5	Green	Questioning the professionalism, courtesy and attitude of the office staff. All cases forwarded to PR Department	44	178	163	119
Grievances	236	Green		199	349	243	208

# Transportation Update

Operational Statistics	2/2018 Utilization	1/2018	12/17	11/17	10/17	9/17	8/17	7/17 Utilization	KHS Pre July Experience
ALC Calls	14,263	14,328	10,418	10,253	8667	6033	5,141	2,883	727
One Way Rides Scheduled	21,275	20,309	16,222	14,698	12,353	8,569	6,263	2,611	2,600
NMT	10,816	9341	6716	6039	4,078	2,353	1,551	699	0
Bus Passes Distributed	1574	1452	1232	1637	952	524	235	278	
Lyft Rides Delivered	9242	7889	5484	4402	3126	1829	1316	421	
Lyft No Shows	1303	1115	743	571	524	317	206	60	
NEMT	10,459	10,968	9506	8659	8275	6,216	4,712	1,912	2,600
Van Rides Scheduled	10,312	10,834	9388	8547	8131	6,040	4,642	1,902	
Gurney Rides Scheduled	147	134	118	112	144	176	70	10	
Member Reimbursement	9	19	9	19					



**To: KHS Board of Directors**

**From: Martha Tasinga, M.D, MPH, MBA, Chief Medical Officer**

**Date: April 12<sup>th</sup> 2018**

**Re: Health Services Trend Report**

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**Medical Cost and Utilization Trend Analyses: (Attachment A)**

**Physician Services: (PCPs, Specialist, Hospitalist and Ancillary Services):**

The utilization of physician services by the SPDs continue to be higher than budget. However, we are seeing that the cost per visit has leveled off. We continue to implement new population based programs for 2018, and we hope to see a downward trend for cost per visit for SPDs. All other groups are at or below budget for professional services utilization. Type II diabetes and End Stage Renal disease are now the first and second diagnoses for outpatient physician encounters. Encounters for routine child health examinations are now the 3<sup>rd</sup> with encounters antineoplastic chemotherapy and hypertension as close 4<sup>th</sup> and 5<sup>th</sup>. This supports the changing demographics of the membership.

**Pharmacy**

The monthly cost and utilization per enrollee for all aid categories is at or below budget through February. However, the number of scripts per member per month saw a spike in December. Other reports indicate utilization remained for January as well. Based on the types of medications filled, we can safely attribute the spike to the Flu season. February performance shows the number of scripts and cost per scripts in line with budget for all Aide codes suggesting the flu season impact is behind us.

### **Inpatient Services**

The overall PMPM for inpatient services for all aide codes is at or below budget.

The cost per bed day for all Aid categories is above budget but has leveled off.

Inpatient utilization per 1000 members has dropped since the summer peak. This is driven by a reduction in our bed days per 1000 and reduction in our average length of stay in acute hospital. There was a spike in number of admits for all groups in January and this was mainly due to the Flu season. In February we are back to budget for all groups except the SPDs. We continue to work closely with our hospital partners and the hospitalists to identify alternative levels of care that are safe and less costly for our members.

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

January and February saw Outpatient Hospital Services PMPM cost increase for SPDs but stay within budget for other aid categories resulting in aggregate PMPM cost to be in line with budget. Except for SPDs, cost per encounter was in line with budget but utilization was higher for each of the aid categories and aggregate (all aid categories) utilization was higher than budget. The incidence of increased observation days is being investigated to determine their necessity.

### **Emergency Room (ER)**

There was a spike in ER utilization in December 2017 and January 2018 because of the Flu season. We see that there is already a reduction in ER use in February as the flu season is almost over. We continue to explore the use of technology such as Telemedicine to improve access to primary care services in less costly locations such as office and home.

### **Hospital Utilization Reports (Attachment B Attachment C Attachment D)**

#### **Inpatient Admissions**

Total inpatient admissions for February and March dropped from December's high for all hospitals but Mercy and MSW. Bakersfield Memorial Hospital continues to provide the largest segment of inpatient services. KM accounts for the second highest number of admissions. Mercy

and San Joaquin Community are slightly lower with 201 and 194 admissions respectively. Out of area admissions dropped for the first time since October.

**Obstetrics Services**

During the month of January 2018, vaginal births accounted for 80% of the births and cesarean section 20%. The percent of cesarean births dropped from 22% to 21% when compared to the same month in the prior year and to December, 2017.

**ER Visits**

Over the past 12 months ER visits have trended downward or leveled off for all hospitals but BMH and Mercy. January, 2018 being the exception and attributed to the flu season spike.



# **Kern Health Systems**

## **KHS Medical Management Performance Dashboard (Critical Performance Measurements)**



Governed Reporting System

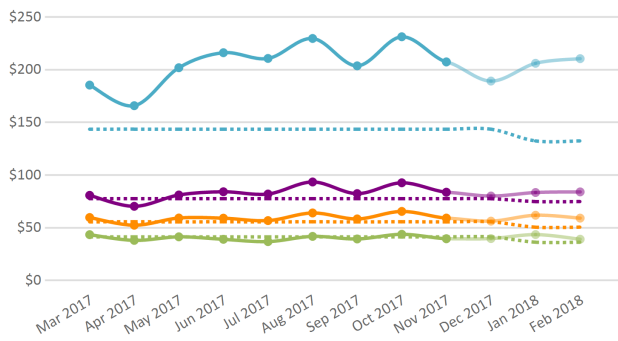


Physician Services

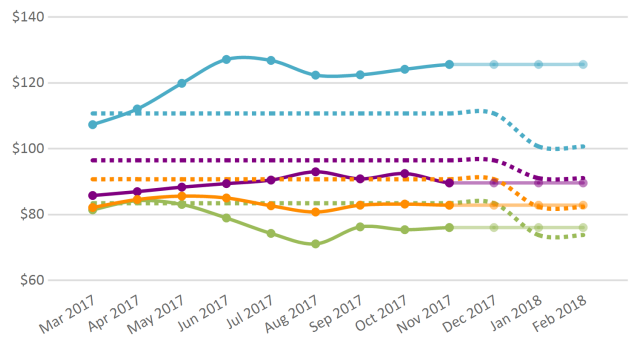
(Includes: Primary Care Physician Services, Referral Specialty Services, Other Professional Services and Urgent Care)

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

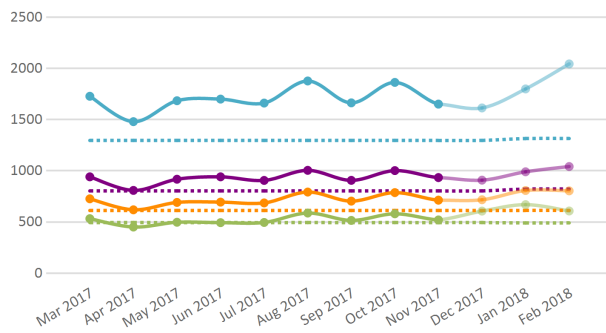
Professional Services Incurred by Aid Group PMPM



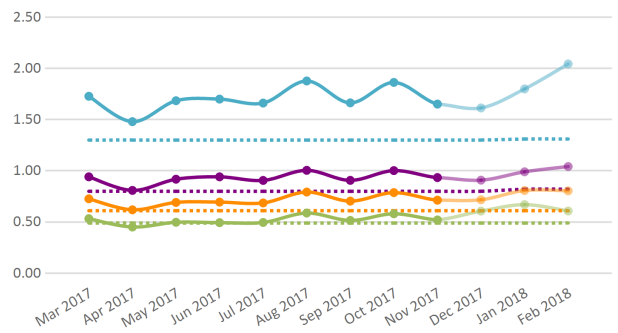
Cost per Professional Service Visit by Aid Group



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



Professional Service Visits per Member per Month by Aid Group





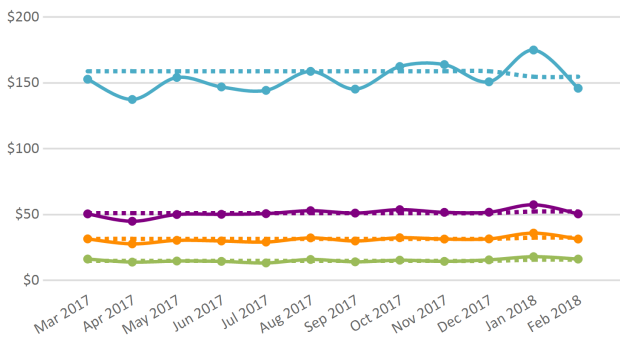
Governed Reporting System

Pharmacy

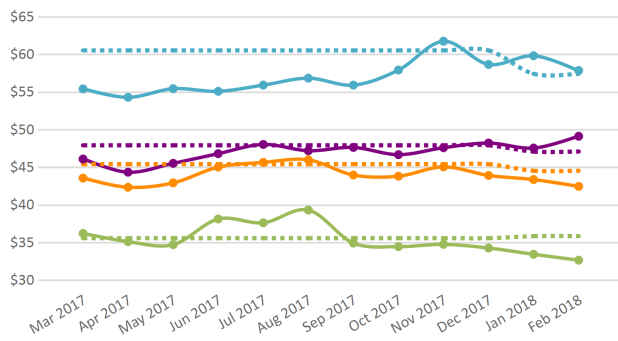
(Includes: Claims paid by PBM)

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

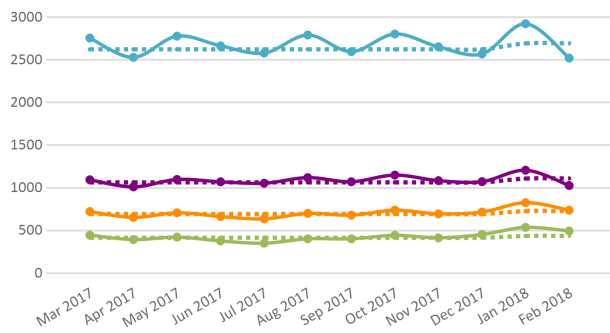
Pharmacy Services Incurred by Aid Group PMPM



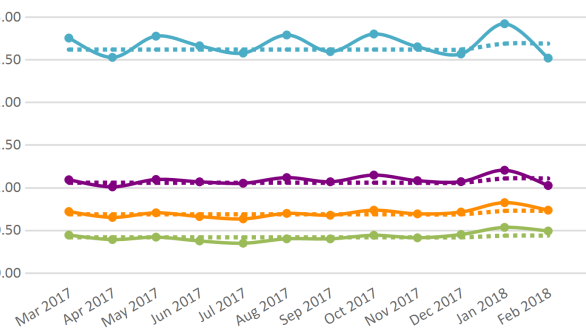
Cost per Script by Aid Group



Incurred Scripts per 1,000 per Month by Aid Group



Pharmacy Services Incurred per Member per Month by Aid Group







Governed Reporting System

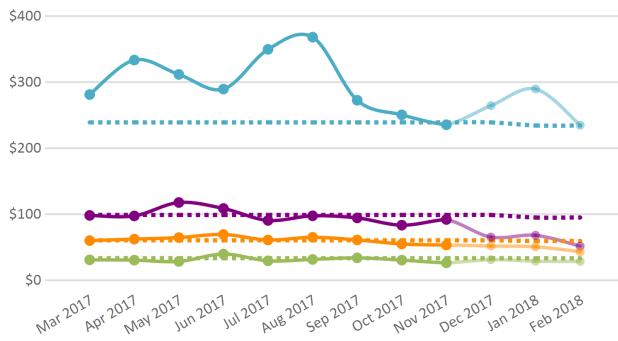


Inpatient

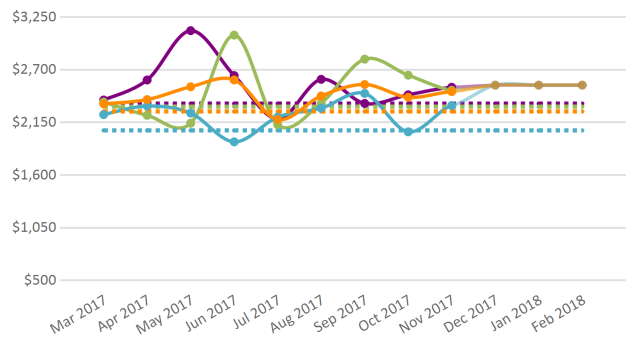
(Includes: Inpatient Hospital Claims)

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

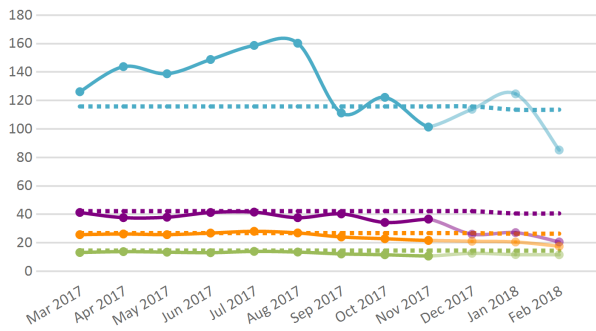
Inpatient Services Incurred by Aid Group PMPM



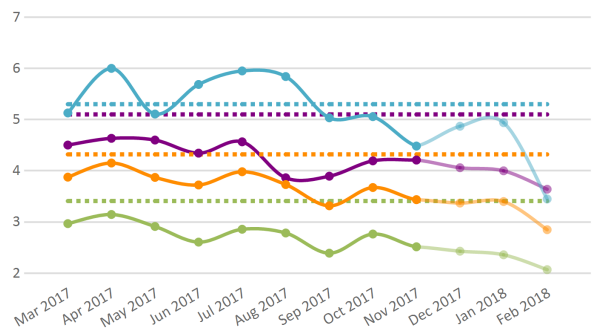
Cost Per Bed Day by Aid Group



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



Average Length of Stay in Days by Aid Group





Governed Reporting System

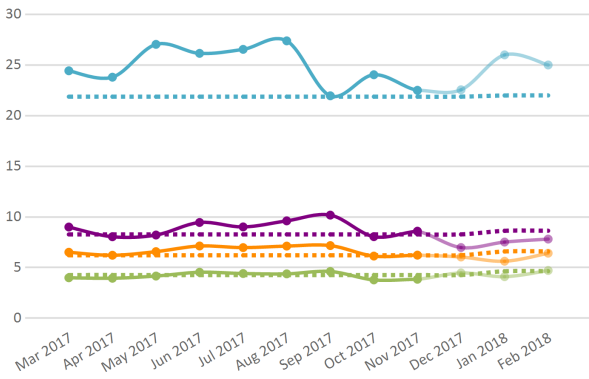


Inpatient

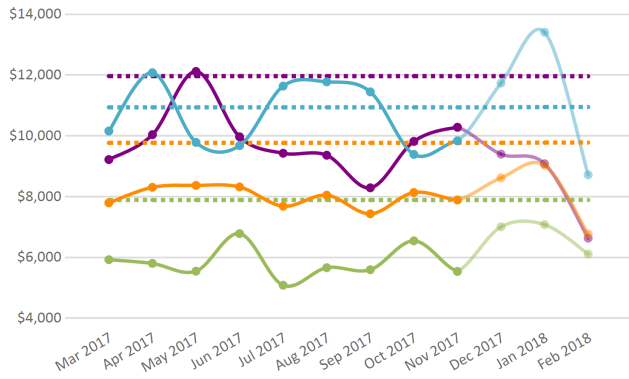
(Includes: Inpatient Hospital Claims)

- 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

Incurring Admits per 1,000 per Month by Aid Group



Cost per Admit by Aid Group





Governed Reporting System

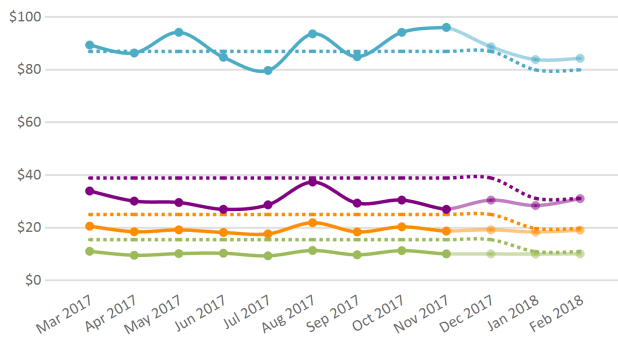


Outpatient Hospital

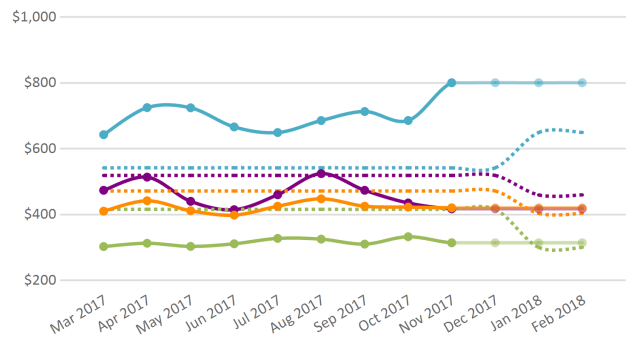
(Includes: Outpatient Diagnostic, Outpatient Surgery, Outpatient Observation, and Outpatient Other)

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

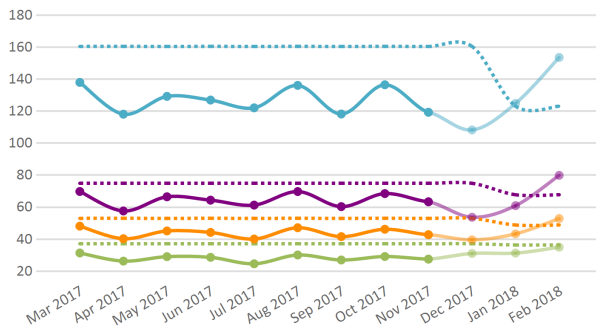
Outpatient Services Incurred by Aid Group PMPM



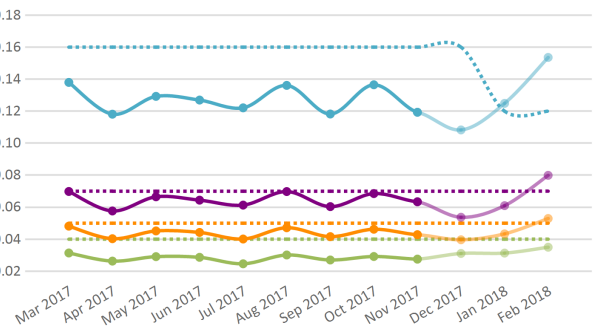
Cost Per Outpatient Visit by Aid Group



Outpatient Visits per 1,000 per Month by Aid Group



Outpatient Visits per Member per Month by Aid Group





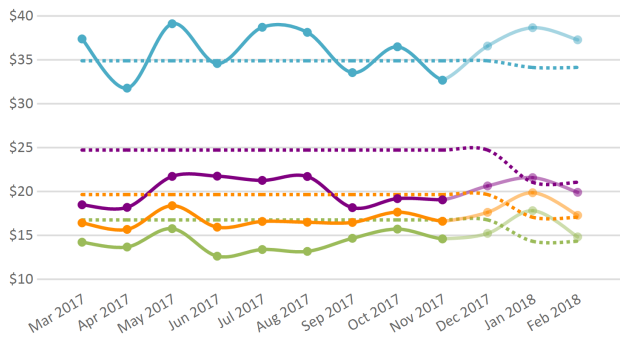
Governed Reporting System



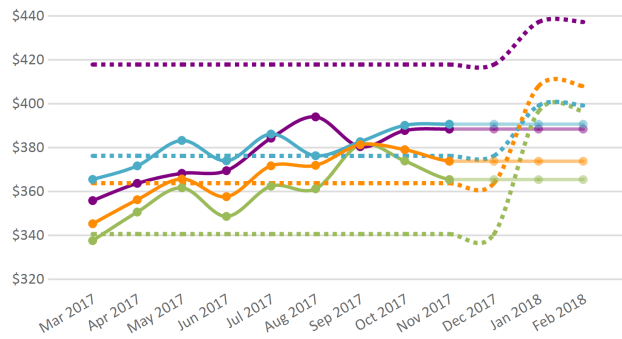
Emergency Room

- 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

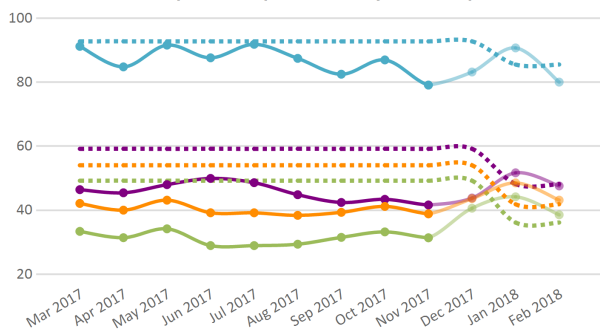
ER Services Incurred by Aid Group PMPM



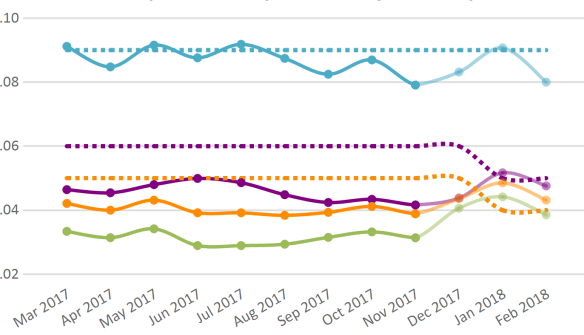
Cost Per ER Visit by Aid Group



ER Visits per 1,000 per Month by Aid Group



ER Visits per Member per Month by Aid Group

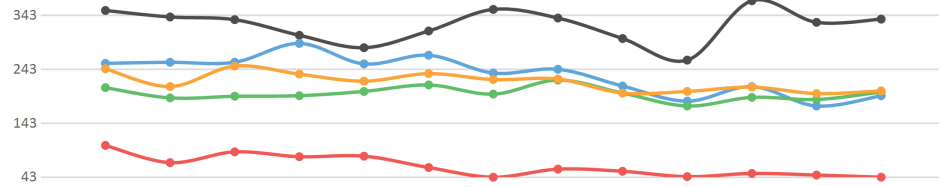




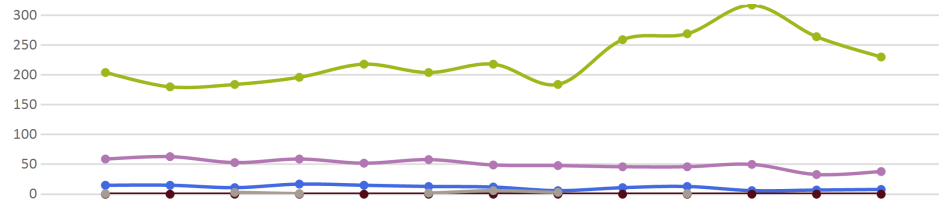
Attachment B

Governed Reporting System

Inpatient Admits by Hospital



	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
BAKERSFIELD MEMORIAL	352	340	335	306	283	314	354	338	300	260	370	330	336
SAN JOAQUIN COMMUNITY	254	256	256	291	253	269	236	243	212	184	211	175	194
KERN MEDICAL	244	211	249	234	221	235	224	225	199	202	210	198	203
MERCY HOSPITAL	209	190	193	194	202	214	197	223	199	175	191	187	201
GOOD SAMARITAN HOSPITAL	102	70	90	81	82	61	43	58	54	44	50	47	43

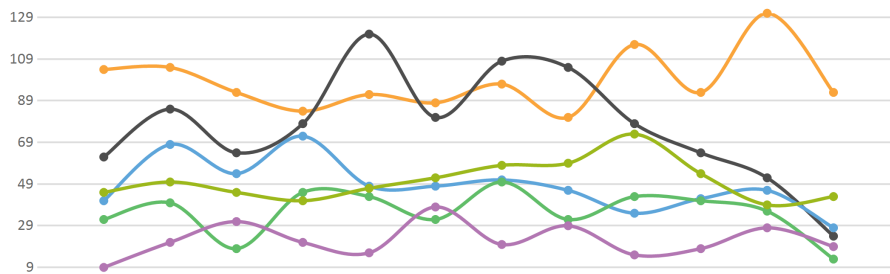


	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
OUT OF AREA	204	180	184	196	218	204	218	184	259	269	317	264	230
BAKERSFIELD HEART HOSP	14	10	13	43	44	49	47	52	67	70	83	57	65
DELANO REGIONAL HOSPITAL	59	63	53	59	52	58	49	48	46	46	50	33	38
KERN VLY HLTHCRE HOSP	15	15	11	17	15	13	12	6	11	13	6	7	8
ADVENTIST HEALTH MEDICAL CENTER	1	0	3	1	0	2	6	3	0	1	0	0	0

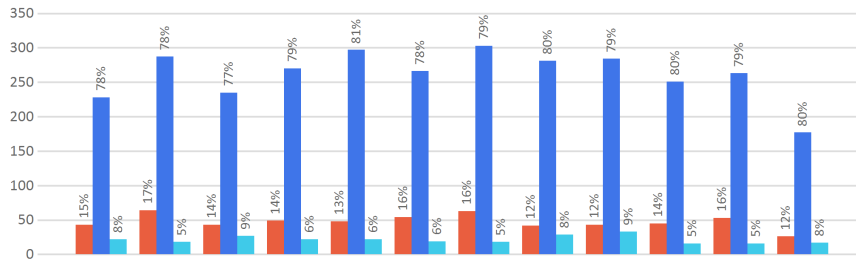


Governed Reporting System

Obstetrics Metrics



	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18
BAKERSFIELD MEMORIAL	62	85	64	78	121	81	108	105	78	64	52	24
KERN MEDICAL	104	105	93	84	92	88	97	81	116	93	131	93
SAN JOAQUIN COMMUNITY	41	68	54	72	48	48	51	46	35	42	46	28
MERCY HOSPITAL	32	40	18	45	43	32	50	32	43	41	36	13
DELANO REGIONAL HOSPITAL	9	21	31	21	16	38	20	29	15	18	28	19
OTHER	45	50	45	41	47	52	58	59	73	54	39	43



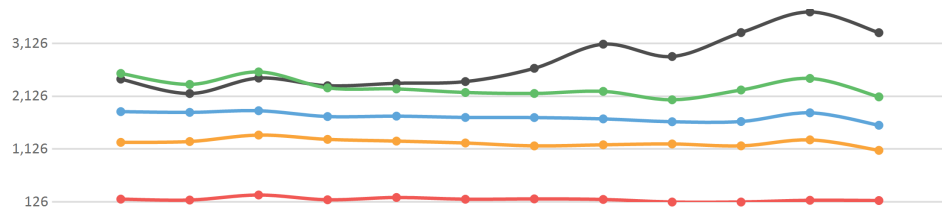
	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18
VAGINAL DELIVERY	228	287	235	270	297	266	303	281	284	251	263	177
C-SECTION DELIVERY	43	64	43	49	48	54	63	42	43	45	53	26
PREVIOUS C-SECTION DELIVERY	22	18	27	22	22	19	18	29	33	16	16	17



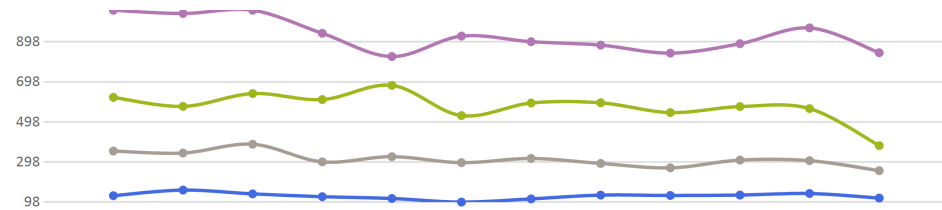
Attachment D

Governed Reporting System

Emergency Visits by Hospital



	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18
MERCY HOSPITAL	2,557	2,350	2,586	2,284	2,265	2,197	2,178	2,218	2,059	2,244	2,463	2,114
BAKERSFIELD MEMORIAL	2,450	2,177	2,469	2,325	2,371	2,403	2,654	3,110	2,877	3,329	3,720	3,327
SAN JOAQUIN COMMUNITY	1,835	1,821	1,852	1,742	1,750	1,725	1,723	1,698	1,644	1,648	1,813	1,577
KERN MEDICAL	1,254	1,270	1,392	1,311	1,278	1,242	1,187	1,208	1,224	1,188	1,301	1,103
BAKERSFIELD HEART HOSP	181	164	259	169	212	179	185	175	126	126	159	154



	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18
DELANO REGIONAL HOSPITAL	1,056	1,040	1,056	941	825	927	899	882	842	889	968	844
OUT OF AREA	621	576	640	610	681	530	593	594	545	575	565	380
ADVENTIST HEALTH MEDICAL CENTER	353	343	387	299	325	295	316	291	269	308	305	255
KERN VLY HLTHCRE HOSP	130	158	139	125	116	98	114	133	131	133	141	118





**KERN HEALTH SYSTEMS**  
**CHIEF EXECUTIVE OFFICER'S REPORT**  
**For April 12<sup>th</sup>, 2018**  
**BOARD OF DIRECTORS MEETING**

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**REGULATORY AND COMPLIANCE ACTIVITIES**

*Regulatory and Compliance Monthly Activities Report*

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

***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 2018 (new) & 2017 (older) along with findings and recommendations are included under Attachment B and C. Internal audit findings for all selected & audited APLs/PLs indicate KHS is in compliance (Green), in process (White) no longer applicable or information only (Gray) or not in compliance and requires corrective action (Red). Where audits were done, no APLs or PLs were identified as KHS being noncompliant. Several audits remain open or yet to begin (White). These items will carry over to a future reports as new information on the audit process becomes available.

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## **PROGRAM DEVELOPMENT SUMMARY UPDATE**

### ***CMS Managed Care Regulation***

DHCS and KHS are working to implement items due in 2018. The 2018 Plan Contract Amendment related to the CMS Managed Care Regulation was shared with plans in mid-March, and should be sent to CMS soon. Once CMS approval is given, KHS will receive a MCAL MCP contract amendment stipulating the changes in policy and new responsibilities of the MCP.

### ***Health Home Program***

Since awarding Health Home Program grants to CSV, OMNI and Dignity, discussions have focused on operational preparations. The first OMNI Health Home Clinic launched in October and is meeting enrollment targets. OMNI's second site in Shafter is currently undergoing renovations, with a tentative Q3 2018 launch date. Dignity is on track to launch their clinic in April and operational preparation meetings have been ongoing. CSV is working to hire a provider for their Health Home and the launch date is tentative for later in 2018. Additionally, regular meetings with Kern Medical are occurring to improve operational processes and data sharing for their two existing Health Homes. KHS staff are currently reviewing proposals for another grant-funded Health Home to launch late in 2018.

### ***Provider Supplemental Payments***

The California State Budget allocated some of the recent Tobacco Tax funds to increasing certain provider rates. The supplemental payments will be fixed dollar increments for 13 specific codes. KHS will be responsible for passing through these enhanced payments to providers, retroactive to July 2017. DHCS provided draft rates in early January and feedback was provided. A Draft APL outlining specific plan responsibilities was shared in mid-March and feedback was provided to DHCS. The final APL is expected very soon, with payments expected to begin in Q2 2018.

### ***BHT Transition/Expansion***

Effective no sooner than July 1, 2018, Managed Care Plans will be responsible for providing medically necessary Behavioral Health Treatment (BHT) services for all members under 21 years of age, regardless of diagnosis. Previously these services were only required when a child had a diagnosis of Autism. This will also include transitioning non-autistic members receiving BHT services from Kern Regional Center over to KHS. In early March DHCS released a series of APLs and Plan Contract Amendment Language outlining the program changes and KHS'

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responsibilities. DHCS has also shared member notices, reporting requirements, and transition-readiness items.

***Diabetes Prevention Program***

Senate Bill 97 requires DHCS to establish the Diabetes Prevention Program (DPP) as a Medi-Cal benefit. The DPP is an evidence-based, lifestyle change program designed to assist Medi-Cal beneficiaries diagnosed with prediabetes in preventing or delaying the onset of type 2 diabetes. The policy is being finalized by DHCS with input from plans and other stakeholders. This program will require CMS approval and the benefit effective date is currently unknown.

**LEGISLATIVE SUMMARY UPDATE**

A status report on the proposed 2018 California State laws impacting KHS is included under Agenda item CA -12.

**KHS APRIL ENROLLMENT**

***Medi-Cal Enrollment***

As of APRIL 1, 2018, Medi-Cal enrollment is 172,006, which represents an increase of 0.0% from MARCH enrollment.

***Seniors and Persons with Disabilities (SPDs)***

As of APRIL 1, 2018, SPD enrollment is 13,132, which represents an increase of 0.1% from MARCH enrollment.

***Expanded Eligible Enrollment***

As of APRIL 1, 2018, Expansion enrollment is 59,883, which represents an increase of 1.5% from MARCH enrollment.

***Kaiser Permanente (KP)***

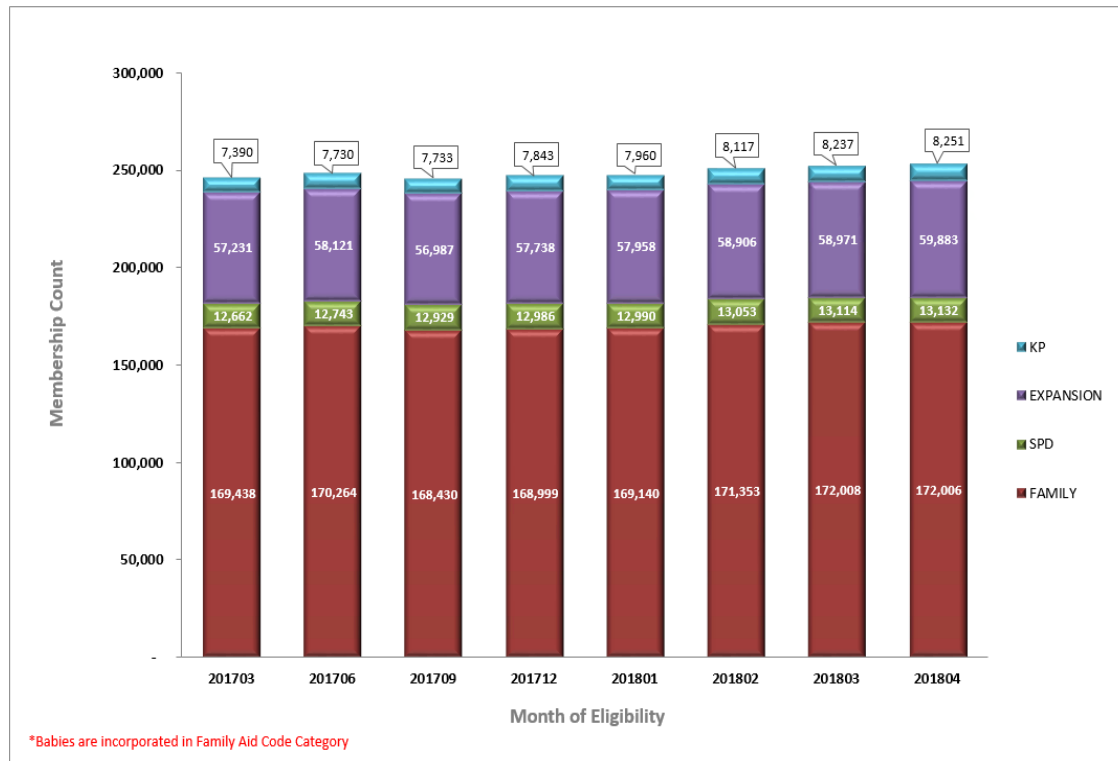
As of APRIL 1, 2018, Kaiser enrollment is 8,251, which represents an increase of 0.2% from MARCH enrollment.

***Total KHS Medi-Cal Managed Care Enrollment***

As of APRIL 1, 2018, total Medi-Cal enrollment is 253,272, which represents an increase of 0.4% from MARCH enrollment.

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Membership as of Month of Eligibility	FAMILY	SPD	EXPANSION	KP	BABIES	Monthly/Member Months Total
201703	169,051	12,662	57,231	7,390	387	246,721
201706	169,867	12,743	58,121	7,730	397	248,858
201709	168,002	12,929	56,987	7,733	428	246,079
201712	168,568	12,986	57,738	7,843	431	247,566
201801	168,686	12,990	57,958	7,960	454	248,048
201802	170,944	13,053	58,906	8,117	409	251,429
201803	171,607	13,114	58,971	8,237	401	252,330
201804	171,626	13,132	59,883	8,251	380	253,272



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## **KHS ADMINISTRATIVE INITIATIVES**

### **Provider Relations Update**

#### **Provider Contracting:**

Provider contract agreements and amendments highlighted for February & March, 2018 are as follows:

- Auromira Corp. – Pharmacy
- Bandri Inc. – Pharmacy
- Veritas Anesthesia – CRNA Anesthesiology
- Graceful Care Hospice
- G. Alexandrakis, MD – Ophthalmology
- Global Care Solutions - SNF

#### **Credentialing Activities:**

- 68 New Initial Credentialed providers
- 54 Re-Credentialed providers

### **Marketing/Public Relations Update**

#### **Sponsorships:**

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

- KHS donated \$500 to the Garden Pathways “Heart of the Country” event at Buck Owens’ Crystal Palace on February 8th.
- KHS donated \$2,500 to California Coverage & Health Initiatives to sponsor the 10th Annual Champions for Coverage Awards Reception on April 2nd in Sacramento.

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- KHS donated \$1,500 to the United Way of Kern County to sponsor the 28th Annual Professional Development Conference on April 4th in Bakersfield.
- KHS donated \$1,000 to the Kern County Cancer Fund to sponsor the 2018 Campout Against Cancer on April 6th and 7th in Bakersfield.
- KHS donated \$3,500 to the American Cancer Society to sponsor 2018 Relay for Life events that will take place in Bakersfield and several outlying Kern County communities (Delano, Wasco/Shafter and Tehachapi).
- KHS donated \$1,000 to the Bakersfield College Educational Foundation to sponsor the Public Health BC Renegades Hackathon on April 12th in Bakersfield.
- KHS donated \$2,000 to the Leukemia & Lymphoma Society to sponsor the Champions of Hope Gala on April 13th in Bakersfield.
- KHS donated \$2,500 to the March of Dimes to sponsor the 2018 March for Babies on April 14th in Bakersfield. In addition to our sponsorship, KHS employees on team “My Baby Love” have a goal to raise over \$7,500 for the March of Dimes.
- KHS donated \$2,500 to the Community Action Partnership of Kern (CAPK) to sponsor their 2018 Humanitarian Awards Banquet on April 19th in Bakersfield.
- KHS donated \$300 to Garden Pathways to sponsor their 2018 Great American Cleanup in the 34th Street area on April 21st.
- KHS donated \$2,500 to the Links for Life to sponsor the 25th Annual Pro Am Golf Gala on April 28th & 30th in Bakersfield.
- KHS donated \$1,500 to the Bakersfield City School District Educational Foundation to sponsor their Bakersfield Luau on April 28th in Bakersfield.
- KHS donated \$500 to the Bakersfield East Rotary Foundation Vino Amore event on April 28th in Bakersfield.
- KHS donated \$1,500 to One Vision Promotions to sponsor the 2018 High School All Star Football Bowl on May 4th at the Rabobank Arena in Bakersfield.
- KHS donated \$500 to the Association of California Nurse Leaders Kern County Chapter to sponsor the 11th Annual RN of the Year event on May 3rd in Bakersfield.
- KHS donated \$7,000 to the Kern County Public Health Services Department to sponsor the 6th Annual CCS Transition Conference on May 12th at the Bakersfield Marriott Convention Center.

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### **Community Events:**

In April and May, KHS will participate in:

- 4/6 Re-Gift Project Homeless Collaborative Fair @ First Congregational Church on Real Road
- 4/8 Grimmway Farms Annual Company Picnic/Health and Benefits Fair @ Kern County Fair
- 4/12 Greenfield Health and Safety Fair @ Rexland Acres Park
- 4/13 Spring into a Healthy Start @ Richland School District in Shafter
- 4/14 BHS Health & Community Resources Fair @ Bakersfield High School Parent & Family Center
- 4/18 BC Health & Wellness Fair @ Bakersfield College
- 4/19 Homeless Consumer & Service Provider Day @ St. Vincent de Paul in Bakersfield
- 4/21 Taft Health Fair @ Buena Vista High School
- 4/25 Now We're Cooking event @ Evergreen Elementary in Bakersfield
- 4/27 POP Up Block Party @ Blessing Corner in Bakersfield
- 4/28 Outreach Clinic Health Fair @ Mill Creek Park Community House
- 5/4 Fruit and Veggie Fest 2018 @ Walmart Neighborhood Market in Oildale
- 5/17 Homeless Consumer & Service Provider Day @ Bakersfield Homeless Center
- 3/18 Visión y Compromiso (Promotora/Community Health Worker Network in Kern County) Health & Nutrition Fair @ St. Elizabeth Church in McFarland
- 3/28 Kinder Blast Off @ Pioneer School in Delano

### **KHS OFFICES RELOCATION PROJECT UPDATE**

#### **Project Status: Green**

The activities undertaken since the last report include:

- Notice to Proceed - Phase II was executed Feb. 2, 2018.
- KHS broke ground on February 7, 2018.
- Building construction scheduled was updated and incorporated in the Phase II - Notice to Proceed.

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- KHS has established regular reporting with insurance carrier, GC and Developer for OCIP enrollment. Weekly enrollment logs are sent to KHS for all OCIP enrollees.
- KHS has established regular meetings with GC and Developer to oversee schedule. Site visits occur regularly.
- KHS has established regular meetings with GC and Developer to oversee budget.
- KHS has established regular auditing schedule for certified payroll. 1st audit will be during 2nd quarter 2018.
- Held electrical bid opening.
- Published Low Voltage bid
- Held LV bid opening.
- Meeting to discuss final decision on undergrounding utilities
- Executing trade contracts and OCIP enrollment documents
- Responded to construction related Public Records Requests (GK/Joan involved in each response)
- Oil stained dirt was discovered on the property, along with a lot of waste such as concrete, brick and pipes. The insurance carrier was notified should we reach the policy deductible and a site visit by the carrier was performed.
- Scheduled meeting with cubicle vendor to discuss ordering and lead time
- Met with interior designer to get Board Room, Lunch room and executive conference room design options for CEO approval

#### ***Member & Employee Newsletters***

- Attached is the most recent Member Newsletter (Attachment D).

#### ***Dashboard Presentation***

- The 1<sup>st</sup> Qtr. 2018 Projects Report summarizing projects tracked quarterly throughout the year is found under Attachment E
- The 1<sup>st</sup> Qtr. 2018 Staffing Reports indicating actual positions vs. budgeted positions by Department is located under Attachment F.
- The Dashboard Reports showing KHS critical performance measurements for Administrative Services are located under Attachment G.





**KERN HEALTH  
SYSTEMS**

**Attachment A**

**Board of Directors Meeting**

**April 12, 2018**

**STATE**

**Department of Health Care Services (DHCS)**

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

The DHCS issued six (6) APLs during the months of February and March to provide guidance for Managed Care Plans (MCP).

*All Plan Letters (APL)*

*APL 18-004* - The purpose of this APL is to clarify requirements related to the provision of immunization services. This APL supersedes Policy Letter 96-013 and APL 07-015.

MCP contracts require the timely provision of recommended immunizations for both children and adults enrolled in the MCP. MCPs must provide childhood immunizations in accordance with the most recent childhood immunization schedule and recommendations published by ACIP4 for the Centers for Disease Control and Prevention (CDC). APL 16-0095 clarifies that the MCPs' coverage obligation to provide adult immunizations is based on the ACIP-recommended immunizations included on the Medi-Cal FFS contract drug list as a pharmacy benefit.

MCP contracts also include requirements that allow all members to access local health departments (LHDs) for immunizations and for MCPs to reimburse LHDs for the administration fee for immunizations administered to members, excluding immunizations for which the member is already up to date.

*APL 18-005* - The purpose of this APL is to provide guidance to MCPs regarding new Annual Network Certification, other network reporting requirements, and associated network adequacy standards. The requirement to certify MCP networks annually was issued on May 6, 2016 by the federal Centers for Medicare & Medicaid Services (CMS) in rulemaking CMS-2390-F (Final Rule). This APL also provides clarifying guidance regarding federal and state provider network requirements.

*APL 18-006* - The purpose of this APL is to provide guidance to MCPs about the provision of medically necessary Behavioral Health Treatment (BHT) services to eligible Medi-Cal members under the age of 21 as required by the Early and Periodic Screening, Diagnostic and Treatment (EPSDT) mandate. This APL supersedes APL 15-025.

*APL 18-007* - This APL clarifies the responsibilities of MCPs to provide Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) services to eligible members under the age of 21. This policy applies to all members under the age of 21 enrolled in MCPs. This guidance is intended to reinforce existing state and federal laws and regulations regarding the provision of Medi-Cal services, including EPSDT, and does not represent any change in policy. This APL supersedes APL 14-017.

*APL 18-008* - The DHCS is issuing this APL to clarify continuity of care requirements for Medi-Cal members who transition into Medi-Cal managed care. Continuity of care provisions related to dual eligible members (members eligible for Medi-Cal and Medicare) in the Cal MediConnect program can be found at Managed Care Duals Plan Letters.

*APL 18-009* - The purpose of this APL is to clarify the responsibilities of MCPs when entering into a Memorandum of Understanding with a Regional Center to cover all members receiving Behavioral Health Treatment services, regardless of diagnosis.

## COMPLIANCE

### *All Plan & Policy Letter Reviews*

The following matrices are included with the month's BOD packet: Prospective audits [Attachment B] and Retrospective audits [Attachment C].

### *DHCS Medical Audit –2017*

*Update: The Director of Compliance and Regulatory Affairs received the final report from the Department, which is being shared as part of the board agenda this month.*

The DHCS will be conducting their annual Medical Audit for the review period of August 1, 2016 through July 31, 2017. DHCS auditors will be on-site from August 15, 2017 through

August 18, 2017. The audit will cover six categories: Utilization Management, Case Management, Access and Availability, Member Rights, Quality System and Delegation, and Administration and Organization Capacity.

All pre-audit deliverables have already been sent to the DHCS Auditors by the Compliance Department.

#### *DMHC Medical Audit – 2016*

*Update: This review is currently work in progress.*

The DMHC is performing an 18 month follow-up audit of KHS' 2016 deficiencies to ascertain whether remediation was successful in mitigating the findings. The Compliance Department was required to provide the Department with supporting documentation by no later than January 22, 2018. The Plan is on the DMHC Office of Plan Monitoring Division of Plan Surveys 18 Month Survey Schedule for a follow-up re-audit on March 26, 2018.

#### Technical Assistance Guides (TAGs) – DMHC

California law requires the DMHC to conduct a routine medical survey of each licensed full service and specialty health plan at least once every three years. The DMHC may also perform an investigative medical survey as often as deemed necessary by the DMHC's Director. The medical survey is a comprehensive evaluation of the plan's compliance with the law in the following health plan program areas:

- Quality Assurance
- Grievances and Appeals (enrollee complaints)
- Access and Availability
- Utilization Management (referrals and authorizations)

The DMHC utilizes detailed audit tools when conducting medical surveys of both licensed full service and specialty plans in order to ensure compliance with the Knox-Keene Act (Act), Title 28 of the California Code of Regulations and other applicable laws and regulations. This protocol document, called a Technical Assistance Guide (TAG), is used by the surveyors to measure a health plan's performance and determine compliance. The standard TAG tools are updated as necessary based on legislative and regulation changes.

The Compliance Auditors as part of the 2018 Audit Plan are currently using the TAGs to evaluate the business in the areas of interest and focus as note above. This work will better prepare KHS for the next Routine Survey which should be occurring no later than 2019.

**Reporting to government agencies**

**February**

<b>Report Name/Item</b>	<b>Status</b>
BHT-CDE	On time
Claims Settlement (Quarterly) (DMHC)	On time
Member Grievance & Appeals	On time
Mental Health (Quarterly)	On time
MER	On time
NMT-NEMT	On time
Out-of-Network (Quarterly)	On time

**March**

<b>Report Name/Item</b>	<b>Status</b>
BHT-CDE	On time
NMT-NEMT	On time
MER	On time
Provider Calls	On time

MMCD 2018 ALL PLAN LETTERS		ATTACHMENT B					
APL Number	Description	Impacted Department(s)	Impacted Functions	Plan Compliance Review Date	Status/Comment	Compliance Status	
<a href="#">APL18-001 (PDF)</a>	Voluntary Inpatient Detoxification	Member Services Health Services	Clarification provided regarding voluntary inpatient detoxification.	1/25/2018	P&P 3.10-P Current and approved		
<a href="#">APL18-002 (PDF)</a>	2018-2019 Medi-Cal Managed Care Health Plan MEdS/834 Cutoff and Processing Schedule	IT	Provides KHS IT Department with the 2018-2019 Eligibility Data Systems (MEdS)/834 cutoff and processing schedule.	1/14/2018	APL sent to IT Department for informational purposes. No Action required.		
<a href="#">APL18-003 (PDF)</a>	Administrative and Financial Sanctions	Executive	Provides clarification regarding the imposition of administrative and financial sanctions.	1/26/2018	APL distributed to Executives and Directors. No further Action.		
<a href="#">APL18-004 (PDF)</a>	Immunization Requirements	Health Services Member Services Provider Relations	MCPs must ensure timely provision of immunizations to members in accordance with the most recent schedule and recommendations.	1/31/2018	P&P 3.05-P Stakeholders updating.		
<a href="#">APL18-005 (PDF)</a>	Network Certification Requirements	Provider Relations Compliance	Guidance provided to MCPs regarding new Annual Network Certification, reporting requirements, and associated network adequacy standards.	2/16/2018	Stakeholders operationalizing mandate, will update P&P by May 2018.		
<a href="#">APL18-006 (PDF)</a>	Responsibilities for behavioral Health Treatment Coverage for Members Under the Age of 21	Health Services Member Services Provider Relations	Guidance provided regarding the provision of medically necessary Behavioral Health Treatment services to eligible Medi-Cal members under 21 years	3/2/2018	P&P 3.72-P Will be sent to DHCS for approval. Updated and will be circulated for signature.		
<a href="#">APL18-007 (PDF)</a>	Requirements for Coverage of Early and Periodic Screening, Diagnostic, and Treatment for Medi-Cal Members Under the Age of 21	Health Services Member Services Provider Relations	Clarifies the responsibilities of Medi-Cal managed care health plans to provide Early and Periodic Screening, Diagnostic, and Treatment services to eligible members under the age of 21	3/2/2018	P&P 3.13-P Will be sent to DHCS for approval. Updated and will be circulated for signature.		
<a href="#">APL18-008 (PDF)</a>	Continuity of Care for Medi-Cal members Who Transition into Medi-Cal Managed Care	Health Services Member Services Provider Relations	Clarifies continuity of care requirements for Medi-Cal members who transition into Medi-Cal managed care.	3/2/2018	APL sent to Stakeholders, P&P to be updated by April 13, 2018.		
<a href="#">APL18-009 (PDF)</a>	Memorandum of Understanding Requirements for Medi-Cal Managed Care Health Plans and Regional Centers.	Health Services Member Services Provider Relations	Clarifies the responsibilities of Medi-Cal managed care health plans when entering into a Memorandum of Understanding with a Regional Center to cover all members receiving Behavioral Health Treatment services, regardless of diagnosis.	3/3/2018	APL sent to Stakeholders and MOU updated. MOU to be shared with Kern Regional Center in April 2018.		



DHCS MMCD 2017 ALL PLAN LETTERS		Kern Health Systems 2017 DHCS All Plan Letter Index and Status Update									
APL Number	Description	Impacted Department(s)	Impacted Functions	Plan Compliance Start Date	Plan Compliance Completion Date	Initial Compliance Status	Current Status/Comment	Current Compliance Review Status			
APL17-001.pdf	2017-2018 Medi-Cal Managed Care Health Plan Needs/834 Cutoff And Processing Schedule	2017-2018 MEDI-CAL Managed Care Health Plan MEDS/834 Cutoff and Processing Schedule.	IT Member Services Accounting	N/A	N/A	N/A	2017-2018 Medi-Cal Managed Care Health Plan MEDS/834 Cutoff and Processing Schedule.	N/A			
APL17-002.pdf	Health Education and Cultural and Linguistic Group Needs Assessment (Supersedes PL 10-012)	Health Education Cultural and Linguistic Group Needs Assessment	Health Education								
APL17-003.pdf	Treatment of Recoveries Made by the Managed Care Health Plan of Overpayments to Providers	Treatment of Recoveries made by the Managed Care Health Plan of Overpayments to Providers	Claims								
APL17-004.pdf	Subcontractual Relationships and Delegation	Subcontractual Relationships and Delegation	Health Services Provider Relations								
APL17-005.pdf	Certification of Document and Data Submissions	Certification of Document and Data Submissions	Claims Health Services Provider Relations Accounting Member Services Compliance Executive								
APL17-006.pdf	Grievance and Appeal Requirements and Revised Notice Templates and "Your Rights" Attachments (Supersedes All Plan Letters 04-006 and 05-005 and Policy Letter 09-006)	Grievance and Appeal Requirements and Revised Notice Templates and "Your Rights" Attachments	Health Services Member Services Provider Relations Compliance								
APL17-007.pdf	Continuity of Care for New Enrollees Transitioned to Managed Care After Implementation of Monthly Medical Exemption Review Dental Reporting (Supersedes All Plan Letter 15-001)	Continuity of Care for New Enrollees Transitioned to Managed Care After Requesting a Medical Exemption and Dental Reporting (Supersedes All Plan Letter 15-001)	Health Services Provider Relations IT Member Services								
APL17-008.pdf	Requirement to Participate in the Medi-Cal Drug Utilization Review Program	Requirement to Participate in the Medi-Cal Drug Utilization Review Program	Health Services Pharmacy								
APL17-009.pdf	Reporting Requirements Related to Provider Preventable Conditions	Reporting Requirements Related to Provider Preventable Conditions	Health Services Claims								
APL17-010.pdf	Non-Emergency Medical and Non-Medical Transportation Services	Non-Emergency Medical and Non-Medical Transportation Services.	Member Services Provider Relations Health Services								
APL17-011.pdf	Standards for Determining Threshold Languages and Requirements for Section 1557 of the Affordable Care Act	Standards for Determining Threshold Languages and Requirements for Section 1557 of the Affordable Care Act	Member Services Provider Relations Health Services								
APL17-012.pdf	All Medi-Cal Managed Care Health Plan Operating in Coordinated Care Initiative Counties	Care Coordination Requirements for Managed Long - Term Services and Supports	APL does not apply to KHS current Business operations.	N/A	N/A	N/A	APL does not apply to KHS current Business operations.	N/A			
APL17-013.pdf	Requirements for Health Risk Assessment Of Medi-Cal Seniors and Persons with Disabilities	Requirements for Health Risk Assessment Of Medi-Cal Seniors and Persons with Disabilities	Member Services Provider Relations Health Services								

APL Number	Description	Impacted Department(s)	Impacted Functions	Plan Compliance Start Date	Plan Compliance Completion Date	Initial Status/Comment	Initial Compliance Status	Current Status/Comment	Current Compliance Review Status
<a href="#">APL17-014.pdf</a>	Quality and Performance Improvement Requirements (Supersedes APL 16-018)	Quality and Performance Improvement Requirements	Health Services Quality Improvement						
<a href="#">APL17-015.pdf</a>	Palliative Care and Medi-Cal Managed Care	Palliative Care and Medi-Cal Managed Care	Health Services Provider Relations Member Services Health Homes						
<a href="#">APL17-016.pdf</a>	Alcohol Misuse: Screening and Behavioral Counseling Interventions in Primary Care (Supersedes APL 14-004)	Alcohol Misuse: Screening and Behavioral Counseling Interventions in Primary Care	Health Services Provider Relations Member Services						
<a href="#">APL17-017.pdf</a>	Long Term Care Coordination and Disenrollment (Supersedes APL 03-003)	Long Term Care Coordination and Disenrollment	Health Services Provider Relations Member Services						
<a href="#">APL17-018.pdf</a>	Medi-Cal Managed Care Health Plan Responsibilities for Outpatient Mental Health Services (Supersedes APL 13-021)	Medi-Cal Management Care Health Plan Responsibilities for Outpatient Mental Health Services	Health Services Provider Relations Member Services						
<a href="#">APL17-019.pdf</a>	Provider Credentialing / Recredentialing and Screening / Enrollment (Supersedes APL 16-012)	Provider Credentialing/Recruiting and Screening /Enrollment	Provider Relations Quality Improvement						
<a href="#">APL17-020.pdf</a>	American Indian Health Programs	American Indian Health Programs	Claims Configuration Provider Relations Member Services						
<a href="#">APL17-021.pdf</a>	Workers' Compensation - Notice of Change to Workers' Compensation Recovery Program; Reporting and Other Requirements (Supersedes APL 04-004)	Claims Finance Compliance	Changes DHCS Workers' Compensation Recovery Program requirements and KHS engagement in the recovery process.						
Key									
Compliance - YES									
Compliance - NO									
Outcome Pending									
N/A-Informational document									



# family health



Attachment D

Spring • 2018

## 4 ways to help prevent a heart attack

**Is your heart healthy?** It's an important question. Heart disease, which can lead to a heart attack, is still the nation's top killer. And anyone can develop heart disease.

However, you may be more likely to get heart disease if you:

- Smoke.
- Don't exercise much.
- Eat an unhealthy diet, such as one high in saturated fat, trans fat and sodium.
- Weigh too much.
- Have high blood pressure, high cholesterol or diabetes.

### 4 ways to help your heart.

The good news? You can lower your risk for a heart attack, even if you already have heart disease. Here are some steps to take:

**1. Get to know your doctor.** See your doctor for checkups that can help you stay healthy. And if you have diabetes, high blood pressure or high cholesterol, ask your doctor how to control it.

**2. Make heart-healthy changes.** Eat lots of fruits, veggies and whole grains. Switch to low-fat milk and lean meats. Get some exercise throughout each week—walking is one easy way to stay in shape.

**3. Kick a bad habit.** If you smoke, ask your doctor for help to quit. Medicines and programs can make it easier.

**4. Shed a few pounds, if you need to.** Ask your doctor what a healthy weight is for you.

*Sources: American Heart Association; Centers for Disease Control and Prevention; National Heart, Lung, and Blood Institute*



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## Care after hours

Did you know that Kern Family Health Care has an Advice Nurse Line? You can call and speak to an advice nurse to help you decide what to do when you or a family member is sick or hurt. Our advice nurses can

be reached 24 hours a day, 7 days a week. They can answer health care questions when you can't reach your doctor. To speak with an advice nurse, call us at **661-632-1590** (Bakersfield) or **800-391-2000** (outside of Bakersfield).

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# your health

## What is palliative care?

**W**hen someone is given a diagnosis of a serious illness, there is a type of care to know about—one that can offer great help. It is helpful for any stage of illness. A member can be enrolled early in the treatment cycle along with other therapies, and studies have shown it can not only improve someone’s life, but also maybe extend it.

Palliative care is a special type of care that involves doctors, nurses, social workers and family members. Palliative care works as a team to provide comfort to a patient with a serious illness. The focus of this approach is to offer relief from pain. Palliative care also covers symptoms, and the stress that comes with them, with the goal being a better life for the patient and their family. For this reason, it is sometimes referred to as “comfort care.”

**Is palliative care different from hospice care?** Yes. Hospice care is designed to provide care for patients who are no longer being treated. The focus is on treating pain and symptom relief. Patients can receive palliative care at the same time they receive treatment, such as surgery and chemotherapy. Palliative care

is also offered regardless of the patient’s age. A patient can transfer to hospice care if they meet the necessary requirements. A member cannot be enrolled in both types of care at the same time.

**Who can benefit?** Palliative care is helpful for any patient whose pain or symptoms make it hard to stay the course with a plan to treat their illness. It can help not only with the symptoms that come with the disease (nausea,

fatigue, anxiety), but also with the symptoms caused by the needed treatments (constipation from medications, pain experienced after surgery). Palliative care ensures as much comfort and physical activity as possible.

On Jan. 1, 2018, palliative care became a covered benefit for Kern Family Health Care members. Members are able to discuss this option with their primary care doctor if they feel they can benefit from palliative care.



Kern Family Health Care complies with applicable federal civil rights laws and does not discriminate on the basis of race, color, national origin, age, disability, or sex.

**ATTENTION:** If you speak a language other than English, language assistance services, free of charge, are available to you. Call **800-391-2000**.

**ATENCIÓN:** Si habla español, tiene a su disposición servicios gratuitos de asistencia lingüística. Llame al **800-391-2000**.

**注意:** 如果您使用繁體中文，您可以免費獲得語言援助服務。請致電 **800-391-2000**。

**member news**

# LiNK up with KFHC!

**DOWNLOAD YOUR FREE MOBILE APP TODAY!**

**L**iNK is Kern Family Health Care's (KFHC) mobile app where you can access your Member Portal account in a single touch from your cellphone, tablet or mobile device. Use the helpful self-service tools or get health plan information online anytime and while you're on the go!

**You can...**

- Check your eligibility with KFHC and find out who your doctor is.
- View and print your KFHC member ID card.
- Change your doctor.



- Check your health status.
- Sign up for free health education classes.

**» FREE GIFT!** We will mail you a free \$10 Maya Cinemas gift card when you create a KFHC Member Portal account.

**...and much more!** You can download KFHC LiNK for free through the Apple App Store or through Android Apps on Google Play.

**Creating your own KFHC Member Portal account is easy!**

Just download KFHC LiNK or visit **kernfamilyhealthcare.com** and click on the "Member Login" button.

Don't wait! LiNK up with KFHC today!

## Care for LGBTQ members

People who are LGBTQ (lesbian, gay, bisexual, transgender or queer) have options when it comes to health care. It's necessary for LGBTQ people to reveal their sexual orientation and gender identity to their doctor. This will help them receive the best treatment and preventive care.

Gay men and transgender women are at higher risk for HIV infection. They may benefit from taking pre-exposure prophylaxis (PrEP) medication to lower their risk. Persons who are sexually

active can learn how to prevent sexually transmitted diseases by talking openly with their doctor. "Coming out" to your doctor is needed. This will help you receive the care you need.

Health screenings help detect health problems early. If left untreated, they can become very severe. Transgender men and women need to receive the health screenings that are proper for the gender they were assigned at birth. Trans men should have annual Pap tests to screen for cervical cancer. Trans women should have prostate exams and PSA blood tests to screen

for prostate cancer in line with regular screening guidelines. A doctor will be able to tell a trans woman or man if, and when, these screening tests are no longer needed.

Kern Family Health Care Member Services can help LGBTQ persons access proper medical care. Call **800-391-2000** for more information.

*Source: The Center for Sexuality and Gender Diversity*

**» HERE FOR YOU** To find a doctor in your area, visit **kernfamilyhealthcare.com**.

**moms and babies**

# Kern Medical unveils fresh new upgrades to Birth Center

**F**ollowing a recent floor-to-ceiling remodel job, Kern Medical's Birth Center is the ideal place for families to welcome their new babies. The remodel job was completed in August 2017. The look and feel of the new space creates a sense of calm for both mother and baby. Each room is a private setting. This allows new mothers to share the most intimate moments with their loved ones.

The Birth Center's changes may take your breath away. But it's the personalized services for expecting mothers that are making the most impact. These are just a few of the many programs and benefits for patients of Kern Medical's Birth Center:

- Free prenatal classes offered in both English and Spanish.
- High-risk pregnancy clinics and services.
- Personalized keepsake birth certificates.
- Care kits that include a diaper bag for moms who breastfeed. They can also receive 24/7 breastfeeding support with a lactation specialist.
- Families can apply to enroll in the "Safe Home, Safe Baby" program. Enrolled families receive free cribs.

■ Guided tours of the Labor and Delivery Unit. They can be scheduled any time, day or night.

Kern Medical delivers 2,500 babies each year. Kern Medical has some of the Central Valley's leading OB-GYN doctors. The staff includes the only local maternal-fetal specialist. With its teaching environment, Kern Medical is poised to provide the best patient experience, with the highest quality of care for new mothers.

To learn more about the Birth Center, call **661-326-2800**. To sign up for the free prenatal classes, call **661-326-2760**.



## Helpful tips to keep baby safe while they sleep

During the winter months, infant deaths increase due to poor sleeping environments. Keep your baby safe while they sleep by following just a few tips:

- Place baby on their back to sleep.
- Make sure baby has their own crib or bassinet.
- Use a firm mattress with a fitted sheet.
- Keep soft objects and loose bedding out of the crib.

- Dress baby in a one-piece sleeper.
- Do not allow smoking around your baby.
- Make sure nothing covers baby's head.



- Do not let your baby get too hot during sleep.
- Room share; do not bed share.

*Source: American Academy of Pediatrics*

KFHC office address: 5701 Truxtun Ave., No. 201, Bakersfield, CA 93309

**children's health**

# Vaccines save lives

**M**any diseases in the world can be prevented by vaccines. Disease can be spread by people who are infected and have not had their vaccines. Diseases get into areas where people have not had their vaccines. Outbreaks then are more likely to occur. People often choose not to receive vaccines because of religious, moral or personal reasons. Vaccines are the best way to protect against many illnesses.

The best way to ensure your children are protected from deadly diseases is by following the suggested immunization schedule.



Parents should talk to their doctor about their vaccine-related questions and concerns. Delaying vaccines puts children at risk. But they can be protected by vaccines. Parents should check their child's

vaccine records. This way they make sure they are up-to-date.

Parents who want to learn more can visit the CDC's vaccine website for parents: [cdc.gov/vaccines/parents](http://cdc.gov/vaccines/parents).

## IMMUNIZATION SCHEDULE { BIRTH TO 18 YEARS }

### Vaccines children and teens need

These are general recommendations. Talk with your doctor about what is right for your child.

**DTaP** = diphtheria, tetanus, pertussis (whooping cough)  
**Flu** = influenza  
**HepA** = hepatitis A  
**HepB** = hepatitis B

**Hib** = *Haemophilus influenzae* type b  
**HPV** = human papillomavirus  
**IPV** = polio  
**MenACWY** = meningococcal A, C, W, Y  
**MenB** = meningococcal B  
**MMR** = measles, mumps, rubella

**PCV13** = pneumococcal  
**PPSV23** = pneumococcal  
**RV** = rotavirus  
**Tdap** = tetanus, diphtheria, pertussis  
**VAR** = varicella (chickenpox)  
 \*Needed in some cases

		Range of routinely recommended ages								Range for certain high-risk groups				Range for catch-up immunizations				Range for non-high-risk groups subject to doctor's advice			
BIRTH	MONTHS								YEARS												
	0	1	2	4	6	9	12	15	18	19-23	2-3	4-6	7-10	11-12	13-15	16	17-18				
HepB	HepB	HepB	HepB								HepB series										
		RV	RV	RV*									HPV	HPV series							
		DTaP	DTaP	DTaP	DTaP	DTaP	DTaP	DTaP	DTaP	DTaP	DTaP	DTaP	Tdap	Tdap	Tdap						
		Hib	Hib	Hib*	Hib	Hib*	Hib	Hib	Hib	Hib	Hib	Hib	Hib	Hib	Hib						
		PCV13	PCV13	PCV13	PCV13	PCV13	PCV13	PCV13	PCV13	PCV13	PCV13	PCV13	PCV13	PCV13	PCV13						
		IPV	IPV	IPV	IPV	IPV	IPV	IPV	IPV	IPV	IPV	IPV	IPV	IPV	IPV	IPV	IPV series				
		Flu, yearly (1 or 2 doses)								Flu, yearly											
				MMR	MMR	MMR	MMR	MMR	MMR	MMR	MMR	MMR	MMR	MMR	MMR	MMR	MMR series				
				VAR	VAR	VAR	VAR	VAR	VAR	VAR	VAR	VAR	VAR	VAR	VAR	VAR	VAR series				
		HepA series								HepA series											
		MenACWY series								MenACWY series											
		MenB								MenB											

Updated 2017, with information from the Centers for Disease Control and Prevention

KFHC mailing address: 9700 Stockdale Highway, Bakersfield, CA 93311

# children's health

## MILESTONES MATTER

# Let's talk about them!



### Milestones at 4 months

- Begins to babble.
- Responds to affection.



### Milestones at 9 months

- Has favorite toys.
- Understands "no."



### Milestones at 2 years

- Begins to run.
- Begins to sort shapes, colors.



### Milestones at 6 months

- Likes to play with others.
- Responds to own name.



### Milestones at 1 year

- Tries to say words you say.
- Waves "bye-bye."



### Milestones at 3 years

- Knows name and age.
- Climbs and runs well.

**» LEARN THE SIGNS. ACT EARLY.** Get free milestone checklists for these ages and more at [cdc.gov/milestones](http://cdc.gov/milestones) or by calling 800-CDC-INFO (800-232-4636).

*Developed in partnership by the University of Missouri and the Centers for Disease Control and Prevention.*



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.

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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.

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**Kern Health Systems**  
**2018 Project Summary – Q1**  
**Attachment E**

**Open Projects**

Project Title	Start Date	End Date	Percent Complete	Project Objectives
Medical Management System Enhancements	3/2018	12/2018	5%	Implement enhancements to the JIVA product to improve the user experience for Health Services and providers.
Medical Management System Conversion - Phase II/III	1/2018	12/2018	45%	<i>Migrate Health Education, Case Management, Disease Management, Quality Improvement, Health Homes Program and Appeals departments from custom workflows to the Jiva Medical Management platform.</i>
Document Repository Migration	1/2017	12/2018	20%	Migrate KHS digital document repository from a product that is no longer supported. Implement and integrate the new digital document repository.
Electronic Data Interchange	1/2018	12/2018	25%	Migrate specified Electronic Data Interchange (EDI) transactions to the Edifecs Solution and create a baseline for EDI transaction builds and changes.
Health Home Program Expansion	1/2018	12/2018	25%	Launch at least 3 new Health Home Program Sites.
Claim Editing Software	1/2018	9/2018	30%	Implement Optum Claim Editing Software (CES) increasing Auto Adjudication by 2% (replacing Claimcheck software which is end of life).
Internal Dashboards	1/2018	12/2018	25%	Create 3 additional internal KHS departmental dashboards with key performance indicators to encourage performance improvement and help provide levels of internal controls.
Alternative Payment Methodology Phase II	1/2018	12/2018	35%	Implement alternative payment methods that will contribute to cost savings, better patient outcomes, and shared risk through collaboration.
QNXT Upgrade Q1	1/2018	3/2018	99%	Install QNXT upgrade and CA specific enhancements. Auto Adjudication is expected to increase by 0.5%.
Palliative Care	9/2017	3/2018	99%	Provide Palliative care as mandated by the state to all qualified KHS members.
Coordination of Benefits for Dual-Eligible Members (COBA)	1/2018	7/2018	25%	Comply with DHCS regulatory requirements by working with CMS to exchange Coordination of Benefits information for dual-eligible members.
External Dashboards	2/2018	9/2018	25%	Redesign the Provider Practice dashboard. Provider adoption is expected to increase by 5%.
Provider and Member Portal Enhancements	2/2018	10/2018	20%	Implement portal enhancements to improve the user experience and increase portal utilization by 5%.
QI Site Review Automation Phase II	4/2018	12/2018	n/a	Automate remaining site review forms to reduce site review time by 1 hour per review.
Claims Audit Tool	4/2018	9/2018	n/a	Implement new auditing tool to reduce preventable errors and overpayments by 10%.
QNXT Upgrade Q4	10/2018	12/2018	n/a	Install QNXT upgrade and CA specific enhancements. Auto Adjudication is expected to increase by 0.5%.

**Completed Projects**

Project Title	Start Date	End Date	Realized Benefit
QI Site Review Automation	3/2016	10/2017	Procured and implemented 3 <sup>rd</sup> party tool to provide electronic form entry for 3 department forms Benefits to be measured in Q2



**KERN HEALTH SYSTEMS**

Attachment F

**MANAGED CARE STAFFING RATIOS - MARCH 31, 2018 | 1st Quarter End |**

SEGMENTED CATEGORY: ENROLLMENT TYPE MEMBERSHIP SIZE CORPORATE STATUS FULL TIME EMPLOYEE COUNT (FTE) RATIO	KERN HEALTH SYSTEMS	
	MediCal <u>Actual</u> 252,892 Not for Profit 378	March 31, 2018 <u>Budgeted Membership</u> 248,925 391
	1 FTE/Members	
<b>EXECUTIVE</b>	<b>Actual</b>	<b>Budgeted</b>
Executive Dept. Total FTE	4	4
Executive Dept. RATIO FTEs/MEMBERS	63,223	62,231
<b>ACCOUNTING</b>		
Accounting Dept. Total FTE	13	14
Accounting Dept. RATIO FTEs/Members	19,453	17,780
<b>IT</b>		
IT Dept. Total FTE@	31	33
MIS Dept. RATIO FTEs/MEMBERS	8,158	7,543
<b>BI</b>		
BI Dept. Total FTE@	15	16
BI Dept. RATIO FTEs/MEMBERS	16,859	15,558
<b>CLAIMS</b>		
Claims Dept. Total FTE	54	56
Claims Dept. RATIO FTEs/MEMBERS	4,683	4,445
<b>PROJECT MANAGEMENT</b>		
Project Management Dept. Total FTE	8	9
Project Management Dept. RATIO FTEs/MEMBERS	31,612	27,658
<b>UTILIZATION MANAGEMENT</b>		
UM Mgmt. Dept. Total FTE	83	83
UM Dept. RATIO FTEs/MEMBERS	3,047	2,999
<b>HEALTH HOMES</b>		
Health Homes Dept. Total FTE	7	7
Health Homes Dept. RATIO FTEs/MEMBERS	36,127	35,561
<b>QI</b>		
QI Dept. Total FTE	12	13
QI Dept. RATIO FTEs/MEMBERS	21,074	19,148
<b>HEALTH ED</b>		
Health Ed Dept. Total FTE	10	10
Health Ed. RATIO FTEs/MEMBERS	25,289	24,893
<b>PHARMACY</b>		
Pharmacy Dept. Total FTE	11	11
Pharmacy Dept. RATIO FTEs/MEMBERS	22,990	22,630
<b>DISEASE MANAGEMENT</b>		
Disease Management Dept. Total FTE	9	9
Disease Management Dept. RATIO FTEs/MEMBERS	28,099	27,658
<b>PROVIDER RELATIONS</b>		
Provider Relations Dept. Total FTE	21	21
Provider Relations Dept. RATIO FTEs/MEMBERS	12,042	11,854
<b>MEMBER SERVICES</b>		
Member Services Dept. Total FTE	72	75
Member Services Dept. RATIO FTEs/MEMBERS	3,512	3,319
<b>CORPORATE SERVICES</b>		
Corporate Services Dept. Total FTE	7	8
Corporate Services Dept. RATIO FTEs/MEMBERS	36,127	31,116
<b>COMPLIANCE</b>		
Compliance Dept. Total FTE	6	6
Compliance Dept. RATIO FTEs/MEMBERS	42,149	41,488
<b>MARKETING</b>		
Marketing Dept. Total FTE	4	5
Marketing Dept. RATIO FTEs/MEMBERS	63,223	49,785
<b>HR</b>		
HR Dept. Total FTE	11	11
HR Dept. RATIO FTEs/MEMBERS	22,990	22,630
<b>ORGANIZATIONAL VIEW</b>		
Org. View Total FTE	378	391
Org. View RATIO FTEs/MEMBERS	669	637

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*Governed Reporting System*

# **Kern Health Systems Attachment G**

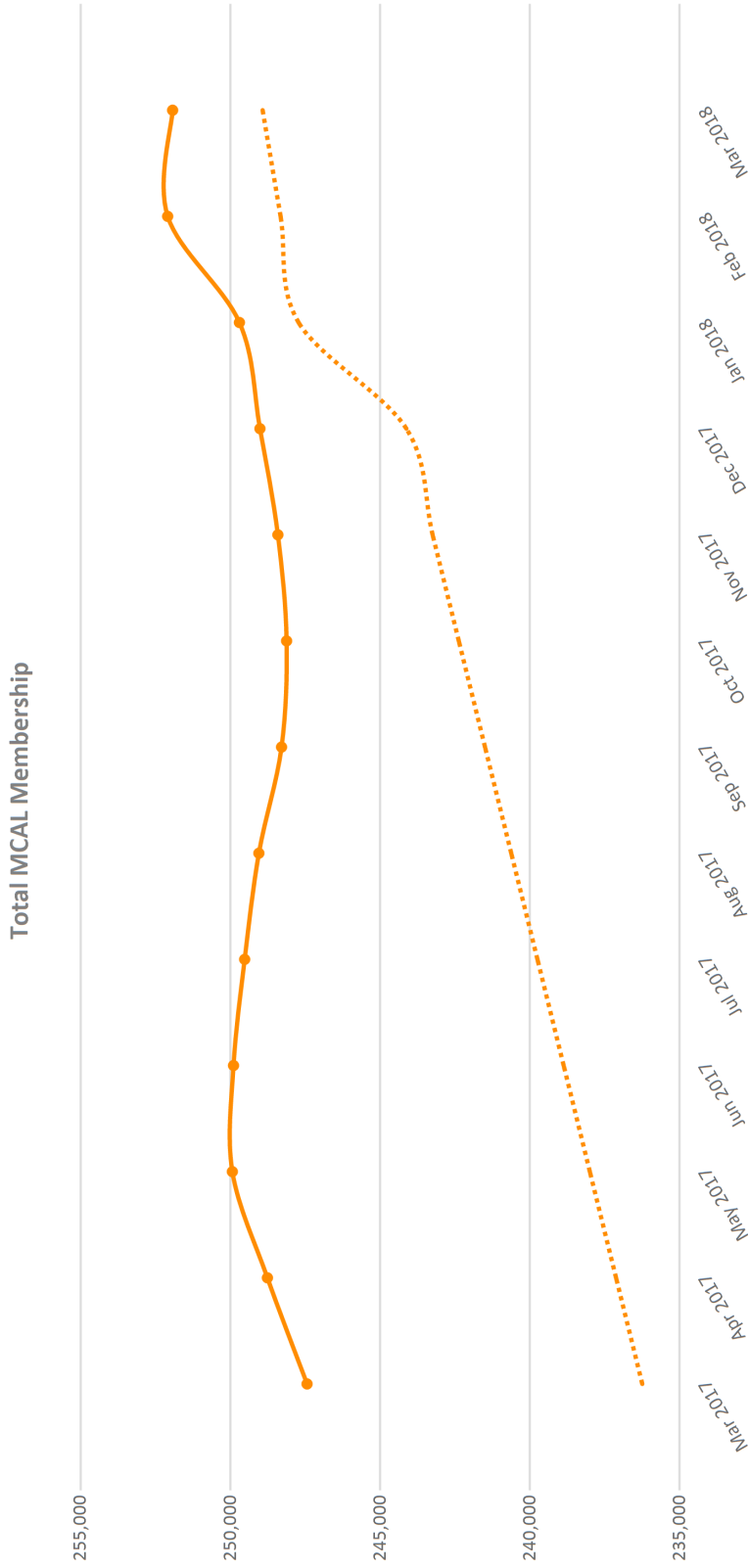
**KHS Dashboard Performance Reports  
(Critical Performance Measurements)**



Governed Reporting System

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



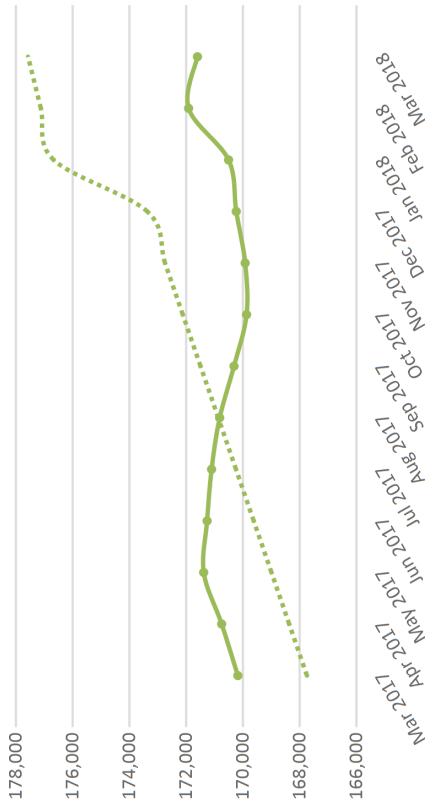


Governed Reporting System

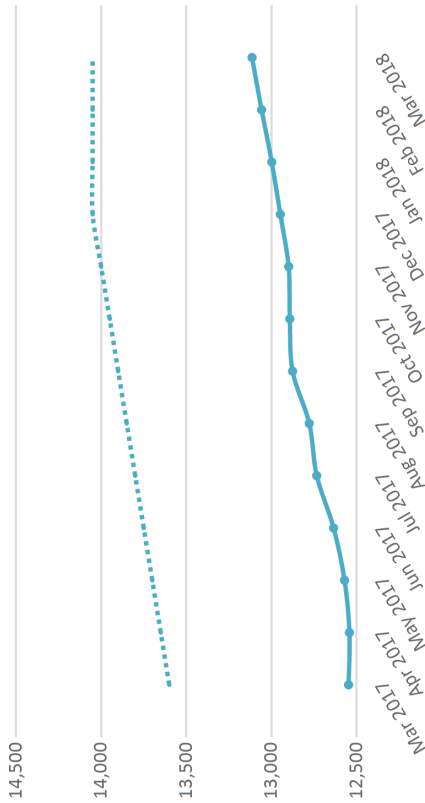
Membership

—●— MCAL Expansion - Actual   
 —●— MCAL Family/Other - Actual   
 —●— MCAL SPD - Actual   
 —●— Total Combined - Actual  
⋯ MCAL Expansion - Budget   
 ⋯ MCAL Family/Other - Budget   
 ⋯ MCAL SPD - Budget   
 ⋯ Total Combined - Budget

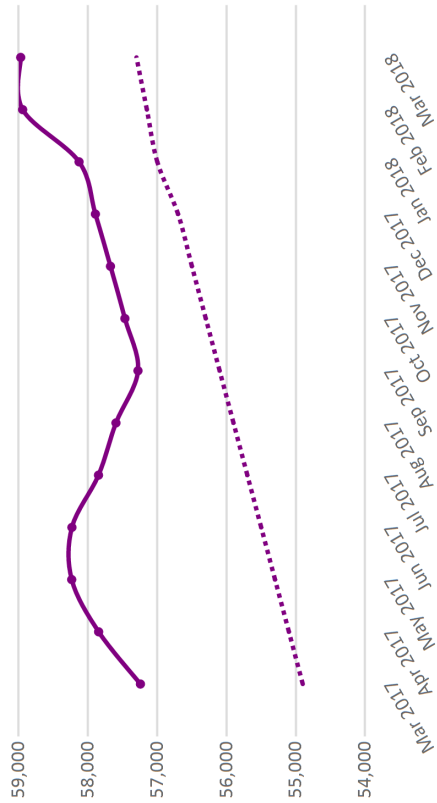
MCAL Family/Other Membership



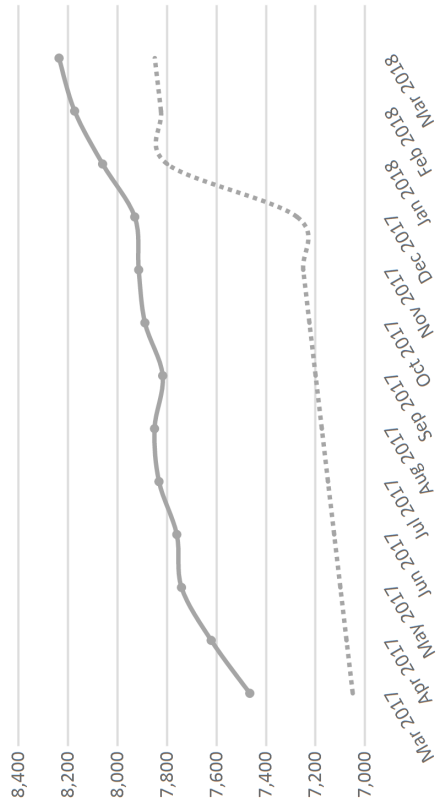
MCAL SPD Membership



MCAL Expansion Membership



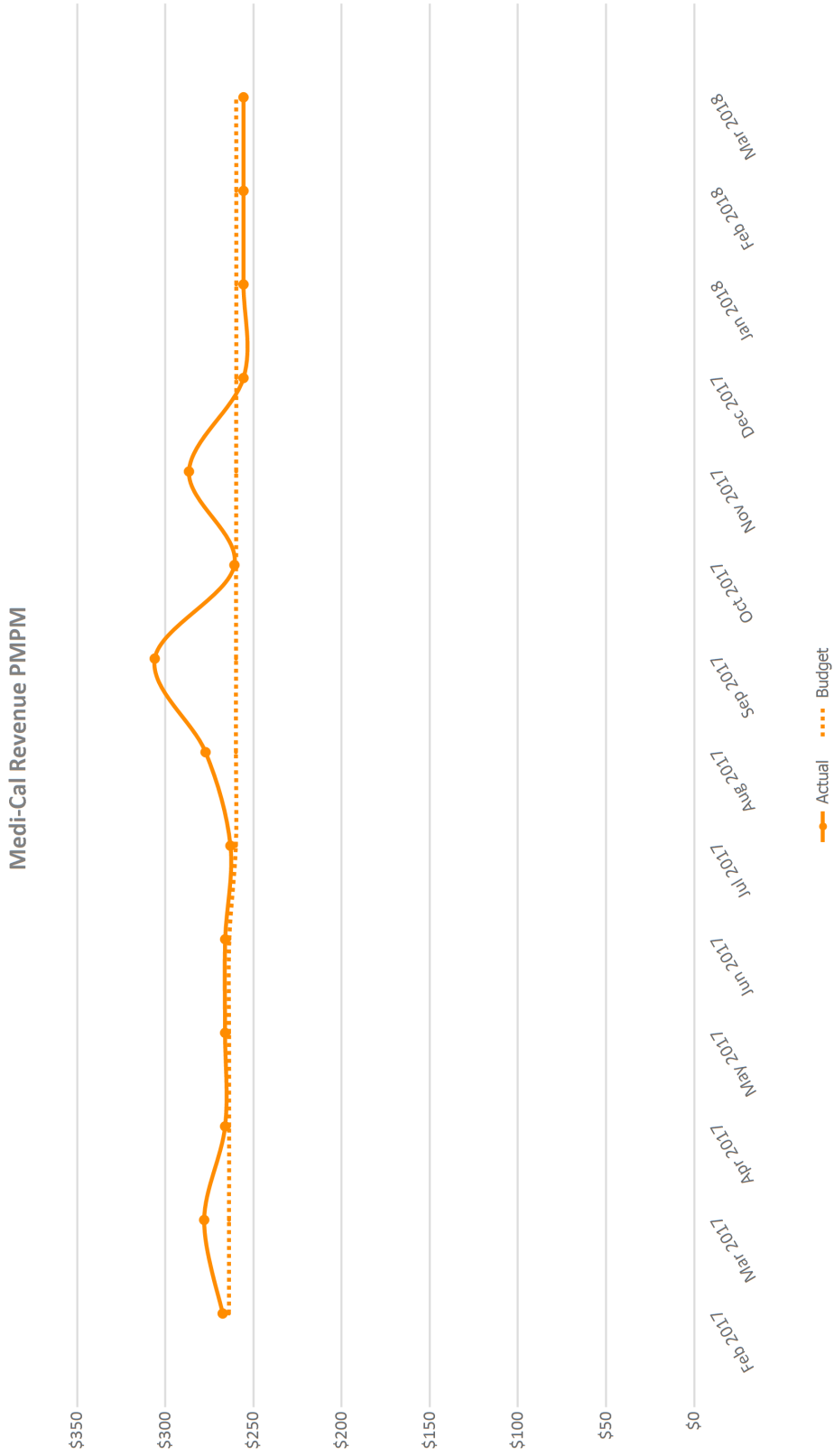
KP Membership





Governed Reporting System

Revenue





*Governed Reporting System*

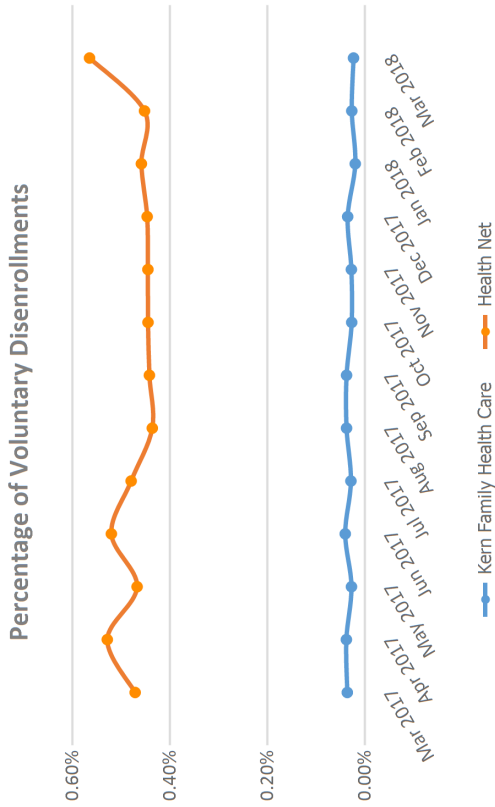
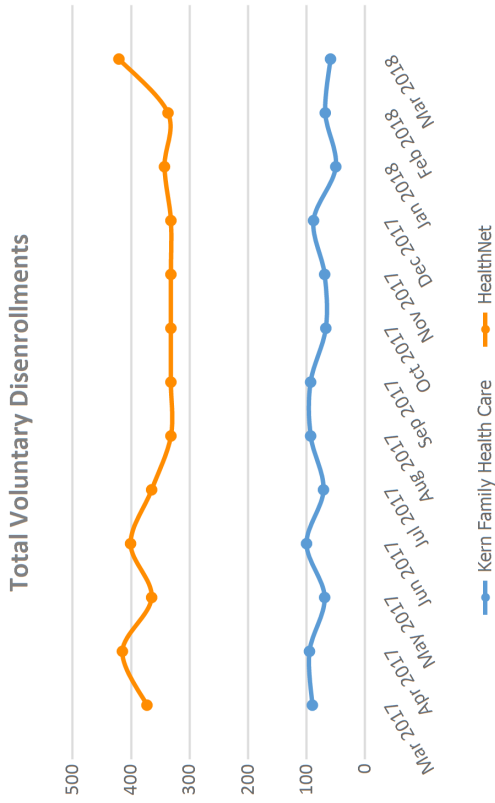
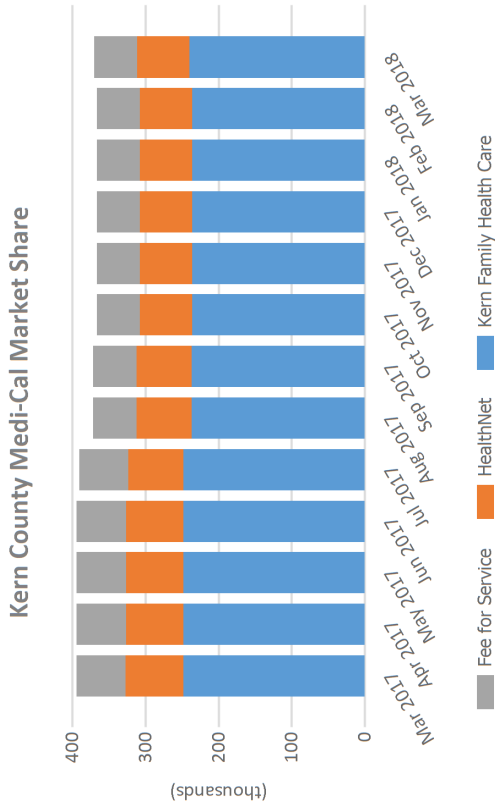
# **Kern Health Systems**

**Performance Reports**  
**Operations Metrics**



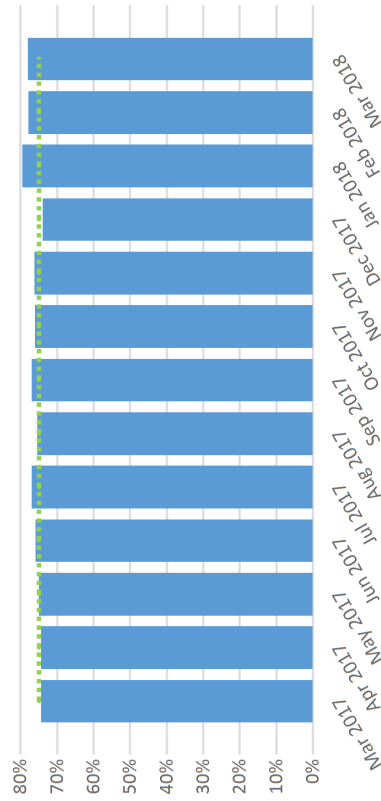
Governed Reporting System

Enrollment - Market Share

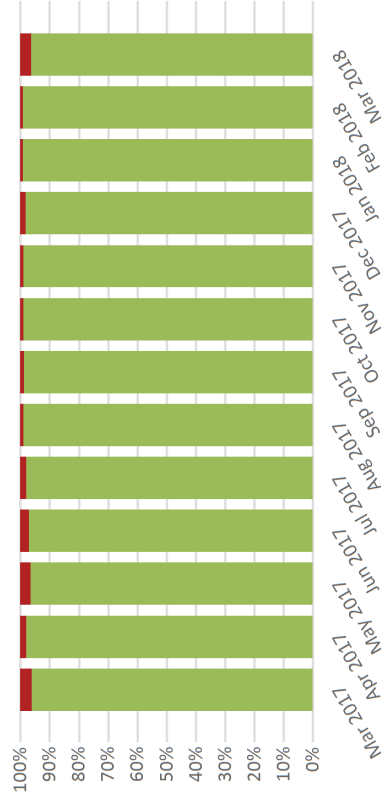


## Claims Efficiency and Quality

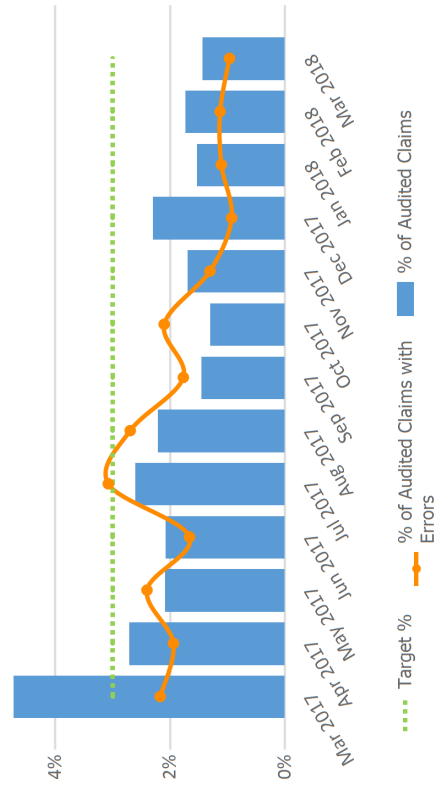
Claims Auto-Adjudication Rates



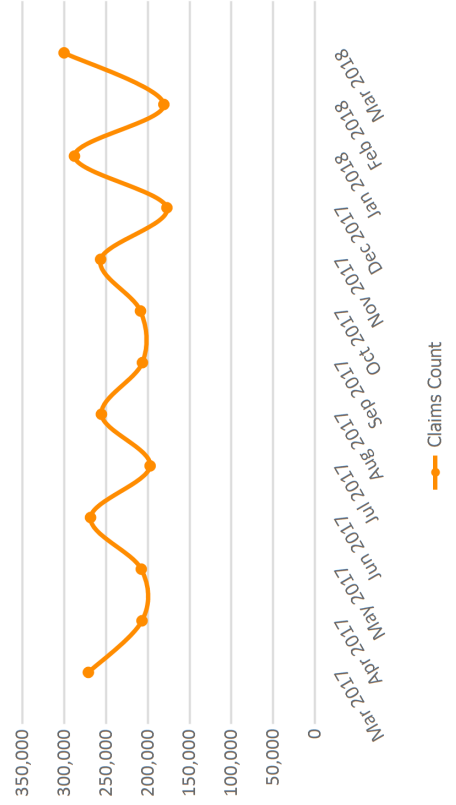
Claims Turnaround Days



Claims Audit Percentage and Accuracy



Claims Processed

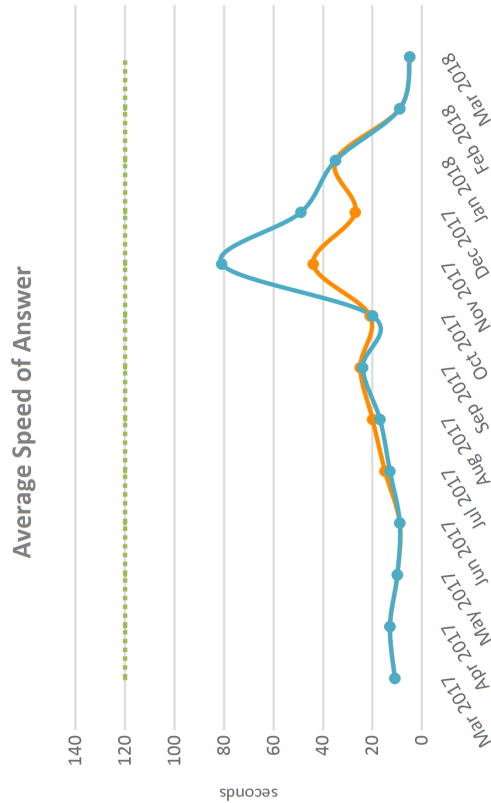
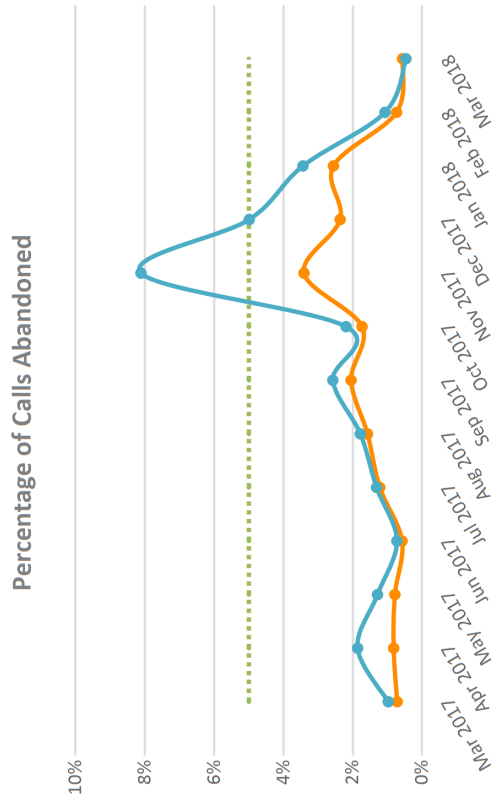
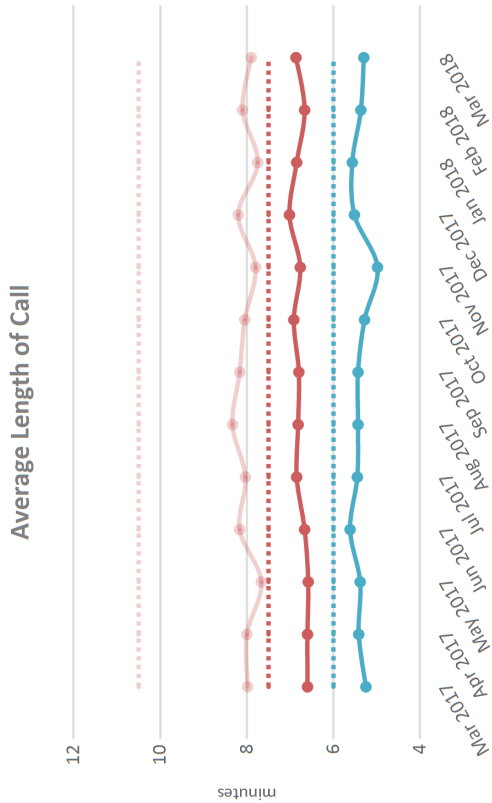
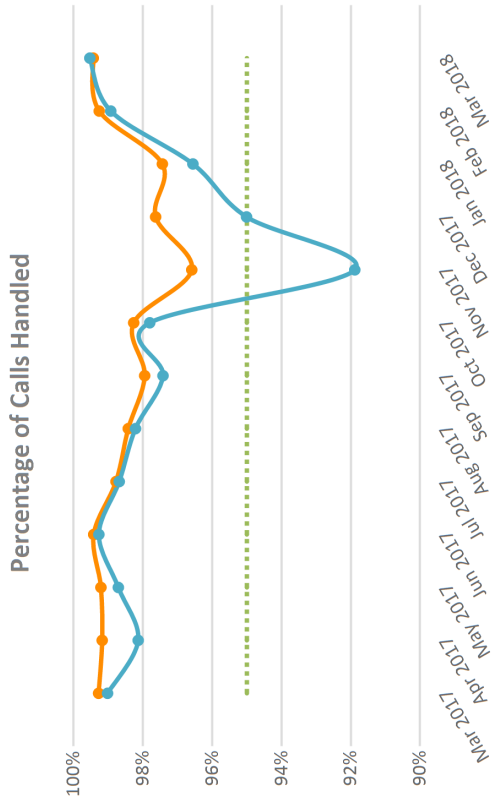




Governed Reporting System

Member Services

—●— Members - English   
 —●— Members - Spanish   
 —●— Providers   
 - - - Target

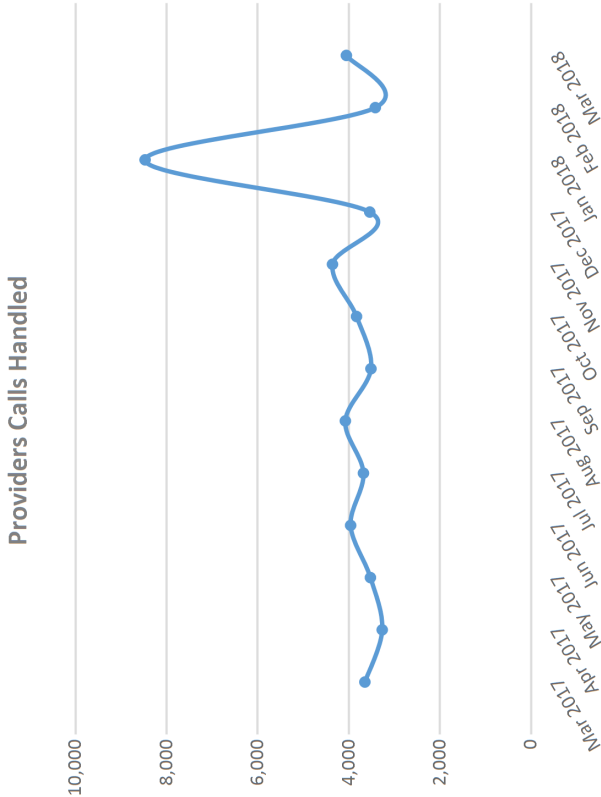
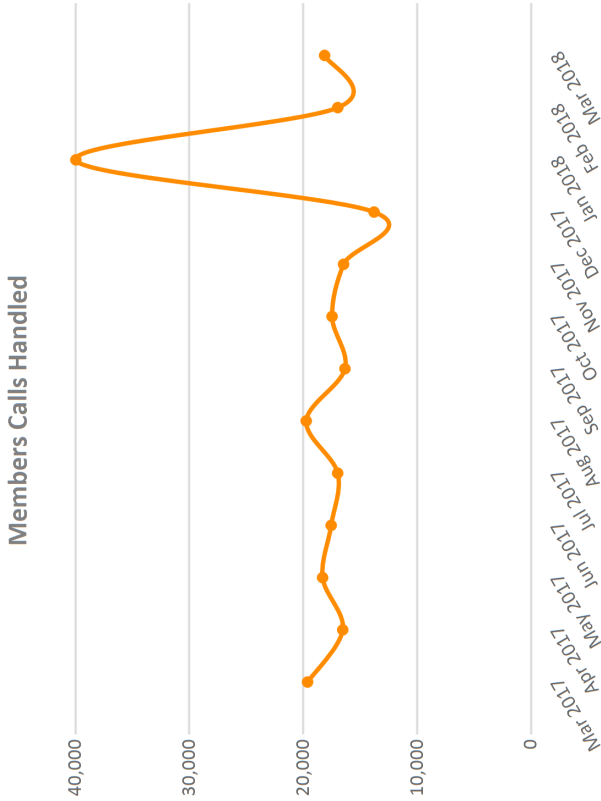






Governed Reporting System

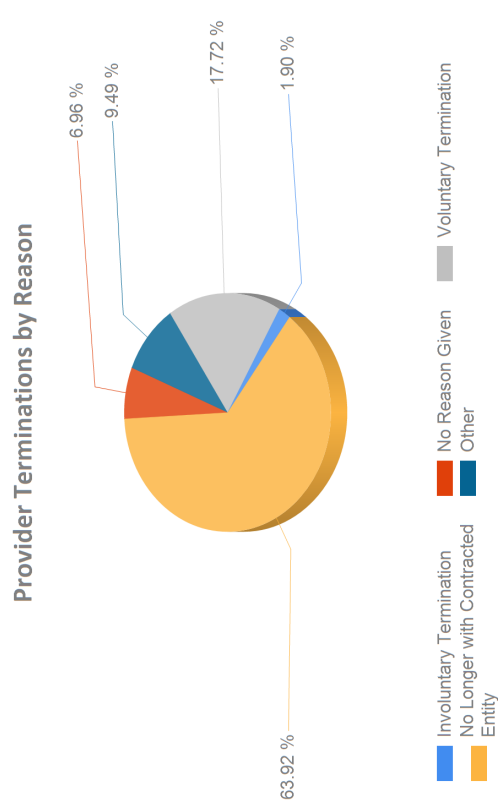
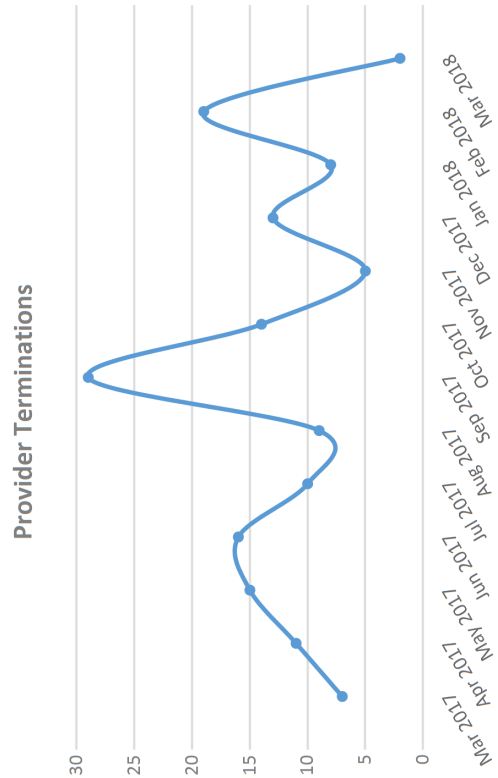
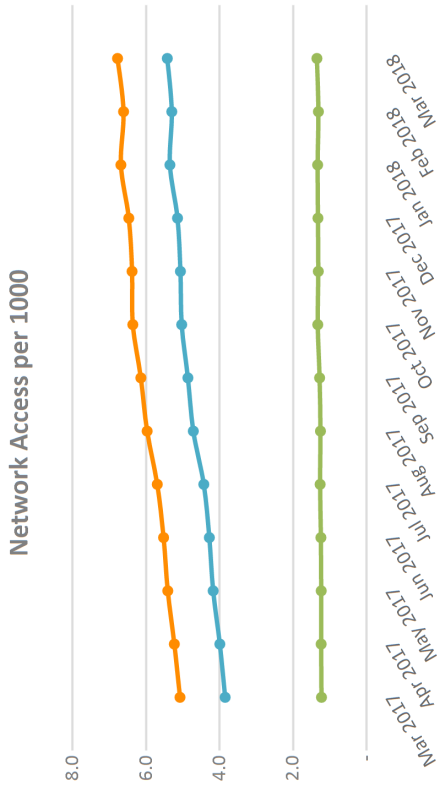
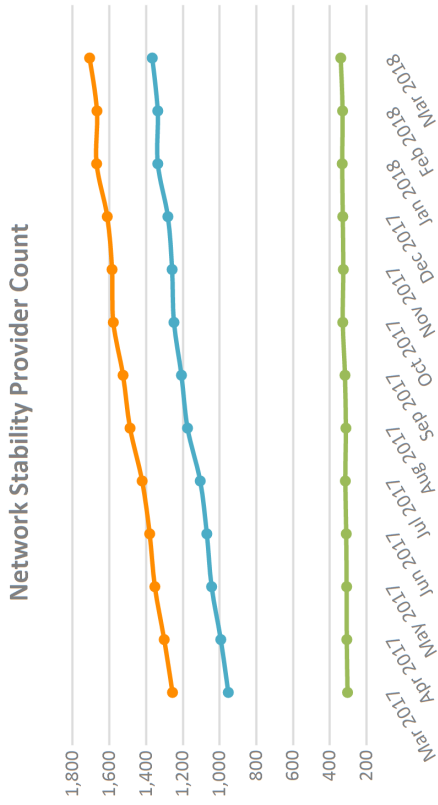
Member Services Calls Handled





Governed Reporting System

Provider Network and Terminations



## SUMMARY OF PROCEEDINGS

### QUALITY IMPROVEMENT (QI) / UTILIZATION MANAGEMENT (UM) COMMITTEE

KERN HEALTH SYSTEMS  
1<sup>st</sup> Floor-Conference Room  
9700 Stockdale Highway  
Bakersfield, California 93311

Regular Meeting  
Thursday, November 16, 2017  
7:00 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.

Members Present: Satya Arya, M.D.; Felicia Crawford, RN; Maridette Schloe MS, LSSBB; Danielle C Colayco, PharmD, MS; Martha Tasinga, M.D., C.M.O.

Members Absent: Jennifer Ansolabehere, P.H.N; Bruce Taylor, DO

**Meeting called to order by Dr. Martha Tasinga, M.D. @ 7:01 A.M.**

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 COMMITTEE MEMBER OR AUDIENCE WISHES TO COMMENT OR ASK QUESTIONS. IF COMMENT OR DISCUSSION IS DESIRED BY ANYONE, THE ITEM WILL BE REMOVED FROM THE CONSENT AGENDA AND WILL BE CONSIDERED IN LISTED SEQUENCE WITH AN OPPORTUNITY FOR ANY MEMBER OF THE PUBLIC TO ADDRESS THE COMMITTEE MEMBERS CONCERNING THE ITEM BEFORE ACTION IS TAKEN.

STAFF RECOMMENDATION SHOWN IN CAPS

PUBLIC PRESENTATIONS

- 1) This portion of the meeting is reserved for persons to address the Committee Members on any matter not on this agenda but under the jurisdiction of the Committee Members. 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 Members at a later meeting. Also, the Committee Members may take action to direct the staff to place a matter of business on a future agenda. **SPEAKERS ARE LIMITED TO TWO MINUTES. PLEASE STATE AND SPELL YOUR NAME BEFORE MAKING YOUR PRESENTATION. THANK YOU!**

COMMITTEE MEMBER ANNOUNCEMENTS OR REPORTS

- 2) On their own initiative, Committee Members may make an announcement or a report on their own activities. They may ask a question for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda (Gov. Code Sec. 54954.2[a])
- 3) Announcements: **NO ONE HEARD.**
- 4) Closed Session: Allen Kennedy and Dr. Chan Park to be voted into QI-UM Committee, after attending 3<sup>rd</sup> meeting – APPROVED

**Arya-Crawford: All Ayes**

CA-5) QI/UM Committee Summary of Proceedings August 24th, 2017 – RECEIVED AND FILED

**Arya-Crawford: All Ayes (Items CA-5 through CA-26)**

CA-6) Physician’s Advisory Committee (PAC) Summary of Proceedings – RECEIVED AND FILED

- August 2, 2017
- September 6, 2017

CA-7) Pharmacy 2017 TAR Log Statistics 1st Quarter – RECEIVED AND FILED

- July 2017
- August 2017
- September 2017

CA-8) Focus Review Report 3rd Quarter 2017 – RECEIVED AND FILED

- Critical Elements Monitoring Ending September 30th, 2017
- IHEBA Monitoring Ending September 30th, 2017
- IHA Monitoring Ending September 30th, 2017
- KRC Monitoring Ending September 30th, 2017
- CCS Monitoring Ending September 30th, 2017
- Perinatal Care Monitoring Ending September 30th, 2017

CA-9) Site Review Summary Report 3rd Quarter 2017 – RECEIVED AND FILED

CA-10) SHA Monitoring Report 3rd Quarter 2017 – RECEIVED AND FILED

**Summary of Proceedings – QI/UM Committee**  
 Kern Health Systems  
 Regular Meeting

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**Kaiser Reports**

- CA-11) Kaiser KHS UM DME Authorization Denial Report – RECEIVED AND FILED
- 2nd Quarter 2017
- CA-12) Kaiser KHS Health Plan Dental Report– RECEIVED AND FILED
- 3rd Quarter 2017
- CA-13) Kaiser KHS CBA Report – RECEIVED AND FILED
- 3rd Quarter 2017
- CA-14) Kaiser KHS APL Grievance Reports – RECEIVED AND FILED
- 2nd Quarter 2017-(Revised)
  - 3rd Quarter 2017

**VSP Reports**

- CA-15) VSP Medical Data Collection Summary Reports – RECEIVED AND FILED
- September 2016-August 2017
- CA-16) VSP QI Work Plan 2017– RECEIVED AND FILED

**Member Services**

- CA-17) Call Center Report 2017 Q3 – RECEIVED AND FILED
- Kern Health Systems/Kaiser
- CA-18) Comparative Tabulated Grievance Reports – RECEIVED AND FILED
- 2nd Quarter 2017
- CA-19) Grievance Summary Reports – RECEIVED AND FILED
- 2nd Quarter 2017
- CA-20) Expanded Transportation Benefits Memo – RECEIVED AND FILED

**Provider Relations**

- CA-21) Re-Credentialing Report 2017 Q3 – RECEIVED AND FILED
- CA-22) Board Approved New Contracts – RECEIVED AND FILED
- Effective September 1, 2017
- CA-23) Board Approved Providers Reports – RECEIVED AND FILED
- Effective September 1, 2017
  - Effective November 1, 2017
- CA-24) 3rd Q 2017 Access Monitoring Report – RECEIVED AND FILED

**Disease Management**

- CA-25) Disease Management Report – RECEIVED AND FILED
- 3rd Quarter 2017

**Health Education Reports**

- CA-26) HECL 2018 Work Plan – RECEIVED AND FILED

27) 3<sup>rd</sup> Quarter 2017 Health Ed Activities Report – APPROVED

**Crawford-Arya: All Ayes**

**QI Department Reports**

- 28) Policies and Procedures – RECEIVED AND FILED
- 2.45-P Delegation of QI, UM, Care and Case Management
  - 2.50-I-Medi-Cal Quality and Performance
  - 2.50-Attachment A

**Summary of Proceedings – QI/UM Committee**  
Kern Health Systems  
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- 2.50-Attachment B

**UM Department Reports**

29) 3rd Q 2017 Combined UM Reporting – APPROVED  
**Arya-Crawford: All Ayes**

30) Policies and Procedures 3.06-3.70 – RECEIVED AND FILED

- 3.06-P Dental Services
- 3.17-P Sexually Transmitted Disease (STD) Treatment
- 3.21-P Family Planning Services and Abortion
- 3.24-P Pregnancy and Maternity Care
- 3.25-P Prior Authorization Services and Procedures
- 3.39-P Continuity of Care by Terminated Providers
- 3.61-I Comprehensive Case Management and Coordination of Care
- 3.69-I Provider Preventable Conditions
- 3.70-I Cultural and Linguistic Services

**Meeting adjourned by Dr. Martha Tasinga, M.D., C.M.O. @ 7:42 A.M.  
to Thursday, February 22, 2018**

**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

### FINANCE COMMITTEE MEETING

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

Friday, February 2, 2018

8:00 A.M.

COMMITTEE RECONVENED AT 8:00 A.M.

Members present: Deats, McGlew, Melendez, Rhoades

Members absent: Casas

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

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

COMMITTEE ACTION SHOWN IN CAPS

#### PUBLIC PRESENTATIONS

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

#### COMMITTEE MEMBER ANNOUNCEMENTS OR REPORTS

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

**SUMMARY**

Finance Committee Meeting  
Kern Health Systems

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2/2/2018

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

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

**Melendez**



