



**KERN HEALTH
SYSTEMS**

**REGULAR MEETING OF THE
BOARD OF DIRECTORS**

Thursday, April 16, 2020

at

8:00 A.M.

At

**Kern Health Systems
2900 Buck Owens Boulevard
Bakersfield, CA 93308**

The public is invited.

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

AGENDA

BOARD OF DIRECTORS

KERN HEALTH SYSTEMS
2900 Buck Owens Boulevard
Bakersfield, California 93308

Regular Meeting
Thursday, April 16, 2020

8:00 A.M.

All agenda item supporting documentation is available for public review on the Kern Health Systems website: <https://www.kernfamilyhealthcare.com/about-us/governing-board/>
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 on the KHS website.

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

BOARD TO RECONVENE

Directors: McGlew, Judd, Stewart, Hinojosa, Deats, Hoffmann, Melendez, Patel, Patrick, Rhoades

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)) –

8:20 A.M.

BOARD TO RECONVENE

REPORT ON ACTIONS TAKEN IN CLOSED SESSION

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

STAFF RECOMMENDATION SHOWN IN CAPS

PUBLIC PRESENTATIONS

- 2) This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification, make a referral to staff for factual information or request staff to report back to the Board at a later meeting. Also, the Board may take action to direct the staff to place a matter of business on a future agenda. **SPEAKERS ARE LIMITED TO TWO MINUTES. PLEASE STATE AND SPELL YOUR NAME BEFORE MAKING YOUR PRESENTATION. THE MEETING FACILITATOR WILL INDICATE WHEN THERE IS 15 SECONDS REMAINING TO YOUR PRESENTATION TIME!**

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 13, 2020 (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, 2019 (Fiscal Impact: None) –
APPROVE
- 6) Report on Kern Health Systems financial statements for January 2020 (Fiscal Impact: None) –
RECEIVE AND FILE

- 7) Report on Kern Health Systems Donation to the Kern Community Foundation in Support of the “Kern County COVID-19 Relief Fund” (Fiscal Impact: \$100,000) – APPROVE
- CA-8) Report on Kern Health Systems Strategic Plan for first quarter ending March 31, 2020 (Fiscal Impact: \$100,000) – RECEIVE AND FILE
- CA-9) Report on Kern Health Systems financial statements for December 2019 (Fiscal Impact: None) – RECEIVE AND FILE
- CA-10) Report on Accounts Payable Vendor Report, Administrative Contracts between \$30,000 and \$100,000 for December 2019 and January 2020 and IT Technology Consulting Resources for the period ending December 31, 2019 (Fiscal Impact: None) – RECEIVE AND FILE
- CA-11) Report on 2019 Annual Report of Disposal Assets (Fiscal Impact: None) – RECEIVE AND FILE
- CA-12) 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-13) Report on Kern Health Systems Operation Performance and Review of the Kern Health Systems Grievance Report (Fiscal Impact: None) – RECEIVE AND FILE
- CA-14) Kern Health Systems Chief Medical Officer report (Fiscal Impact: None) – RECEIVE AND FILE
- CA-15) Kern Health Systems Chief Executive Officer report (Fiscal Impact: None) – RECEIVE AND FILE
- CA-16) Proposed modifications to Kern Health Systems Formulary (Fiscal Impact: None) – APPROVE
- CA-17) Miscellaneous Documents – RECEIVE AND FILE
- A) Minutes for KHS Finance Committee meeting on February 7, 2020

ADJOURN TO JUNE 11, 2020 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, 2900 Buck Owens Boulevard, Bakersfield, California 93308 or by calling (661) 664-5010. 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
2900 Buck Owens Boulevard
Bakersfield, California 93308

Regular Meeting
Thursday, February 13, 2019

8:00 A.M.

BOARD RECONVENED

Directors present: McGlew, Judd, Stewart, Melendez, Patel, Patrick

Directors absent: Hinojosa, Deats, Hoffmann, Rhoades

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

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

BOARD ACTION SHOWN IN CAPS

ADJOURN TO CLOSED SESSION

Patrick

CLOSED SESSION

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

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 2020** 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 JUDD ABSTAINED FROM VOTING ON BEKAREV, GRANDHE, KARAPETIANS, RENGANATHAN, SAAB, SUTTER, ZUVERZA-CHAVARRIA; DIRECTOR STEWART ABSTAINED FROM VOTING ON FELIZ, SANDHU, VONG

Item No. 1 concerning a Request for Closed Session regarding peer review PROVIDERS RECOMMENDED FOR **RECREREDENTIALING FEBRUARY 2020** 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 JUDD ABSTAINED FROM VOTING ON COBOS, JUVE, KURAN, OJI, RUSSIN, SOMMER; DIRECTOR STEWART ABSTAINED FROM VOTING ON AWADALLA, LAGUNDA, NORTH CHESTER COMMUNITY HEALTH CENTER PHARMACY, PRESORES, SCHROEDER

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))
NO ONE HEARD
- CA-4) Minutes for Kern Health Systems Board of Directors regular meeting on December 12, 2019 (Fiscal Impact: None) –
APPROVED
Stewart-Patrick: 6 Ayes; 4 Absent – Hinojosa, Deats, Hoffmann, Rhoades

-
- CA-5) Report on Kern Health Systems investment portfolio for the fourth quarter ending December 31, 2019 (Fiscal Impact: None) –
 RECEIVED AND FILED
Stewart-Patrick: 6 Ayes; 4 Absent – Hinojosa, Deats, Hoffmann, Rhoades
- CA-6) Report on 2019 annual review of the Kern Health Systems Investment Policy (Fiscal Impact: None) –
 RECEIVED AND FILED
Stewart-Patrick: 6 Ayes; 4 Absent – Hinojosa, Deats, Hoffmann, Rhoades
- CA-7) Report on Kern Health Systems 2019 Department Goals and Objectives (Fiscal Impact: None) –
 RECEIVED AND FILED
Stewart-Patrick: 6 Ayes; 4 Absent – Hinojosa, Deats, Hoffmann, Rhoades
- CA-8) Report on Kern Health Systems Strategic Plan for fourth quarter ending December 31, 2019 (Fiscal Impact: None) –
 RECEIVED AND FILED
Stewart-Patrick: 6 Ayes; 4 Absent – Hinojosa, Deats, Hoffmann, Rhoades
- 9) Report on Kern Health Systems 2018 Provider Satisfaction Survey (Fiscal Impact: None) –
 RECEIVED AND FILED
Melendez-Stewart: 6 Ayes; 4 Absent – Hinojosa, Deats, Hoffmann, Rhoades
- 10) Report on Kern Health Systems Employee Satisfaction & Engagement Survey 2019 (Fiscal Impact: None) –
 RECEIVED AND FILED
Patel-Stewart: 6 Ayes; 4 Absent – Hinojosa, Deats, Hoffmann, Rhoades
- 11) Report on Kern Health Systems 2019 Member Survey (Fiscal Impact: None) –
 RECEIVED AND FILED
Patel-Patrick: 6 Ayes; 4 Absent – Hinojosa, Deats, Hoffmann, Rhoades
- 12) Report on Kern Health Systems financial statements for November 2019 (Fiscal Impact: None) –
 RECEIVED AND FILED
Melendez-Judd: 6 Ayes; 4 Absent – Hinojosa, Deats, Hoffmann, Rhoades
- CA-13) Report on Accounts Payable Vendor Report, Administrative Contracts between \$30,000 and \$100,000 for November 2019 and IT Technology Consulting Resources for the period ended November 30, 2019 (Fiscal Impact: None) –
 RECEIVED AND FILED
Stewart-Patrick: 6 Ayes; 4 Absent – Hinojosa, Deats, Hoffmann, Rhoades
- CA-14) Report on 2019 Annual Travel Report (Fiscal Impact: None) –
 RECEIVED AND FILED
Stewart-Patrick: 6 Ayes; 4 Absent – Hinojosa, Deats, Hoffmann, Rhoades

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- CA-15) Report on New Office Building Expenditures (Fiscal Impact: None) – RECEIVED AND FILED
Stewart-Patrick: 6 Ayes; 4 Absent – Hinojosa, Deats, Hoffmann, Rhoades
- CA-16) Proposed Kern Health Systems provider contracts (rates confidential per Welfare and Institutions Code Section 14087.38(m)) – APPROVED; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN
Stewart-Patrick: 6 Ayes; 4 Absent – Hinojosa, Deats, Hoffmann, Rhoades
- 17) Report on Kern Health Systems Operation Performance and Review of the Kern Health Systems Grievance Report (Fiscal Impact: None) – ALAN AVERY, KHS CHIEF OPERATING OFFICER, PRESENTED THE 2019 4TH QUARTER GRIEVANCE REPORT TO THE BOARD; GRIEVANCES OVERALL FOR THE 4TH QUARTER CONTINUED AT THE SAME PACE AS THE PREVIOUS QUARTERS OF 2019. THROUGHOUT THE YEAR, THE NUMBER OF GRIEVANCES IN EACH OF THE CATEGORIES HAS REMAINED FAIRLY CONSISTENT HOWEVER, DURING THE LATTER PART OF THE 3RD QUARTER AND CONTINUING IN THE 4TH QUARTER THE QUALITY OF CARE CATEGORY HAS SIGNIFICANTLY INCREASED. MR. AVERY ATTRIBUTED THIS CHANGE TO THE QUALITY IMPROVEMENT DEPARTMENT'S ASSESSMENT OF THE GRIEVANCES AND FINDING MORE CASES AS QUALITY OF CARE VS. QUALITY OF SERVICE. THE PLAN WILL CONTINUE TO MONITOR THIS AREA. MR. AVERY ALSO REMINDED THE BOARD OF A NEW REPORTING CATEGORY THAT WAS ADDED TO THE QUARTERLY REPORT— EXEMPT GRIEVANCES RECEIVED BY THE PLAN. EXEMPT GRIEVANCES ARE USUALLY SIMPLE COMPLAINTS, SOMETIMES WHEN THE MEMBER DOESN'T WANT TO FILE A FORMAL COMPLAINT, THE PLAN STAFF WILL INVESTIGATE. EXEMPT GRIEVANCES ARE TRACKED AND THE INFORMATION IS SHARED WITH THE PROVIDER NETWORK MANAGEMENT STAFF TO DISCUSS WITH THE PROVIDER DURING THEIR REGULAR ON-SITE VISITS. IN ADDITION, THE CUMULATIVE DATA IS SHARED WITH THE KHS PHYSICIAN ADVISORY COMMITTEE AS PART OF THE RECREDENTIALING PROCESS. IN REVIEWING THE DISPOSITION OF THE 580 GRIEVANCES, MR. AVERY REPORTED THAT 40% OF THE ORIGINAL DECISIONS WERE UPHeld BY THE GRIEVANCE COMMITTEE AND 60% WERE REVERSED AND RULED IN FAVOR OF THE MEMBER. HE NOTED THIS ALLOCATION IS SOMEWHAT DIFFERENT THAN PREVIOUS QUARTERS WHERE THE SPLIT IS USUALLY THE OTHER WAY AROUND, WITH 60% OF THE DECISIONS BEING UPHeld AND 40% BEING REVERSED IN FAVOR OF THE MEMBER. THE PLAN WILL CONTINUE TO MONITOR THIS TREND; HEARD RECEIVED AND FILED
Patel-Stewart:- 6 Ayes; 4 Absent – Hinojosa, Deats, Hoffmann, Rhoades
- 18) Kern Health Systems Chief Medical Officer report (Fiscal Impact: None) – RECEIVED AND FILED
Patrick-Patel:- 6 Ayes; 4 Absent – Hinojosa, Deats, Hoffmann, Rhoades

Summary – Board of Directors
Kern Health Systems
Regular Meeting

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- 19) Kern Health Systems Chief Executive Officer report (Fiscal Impact: None) –
RECEIVED AND FILED
Patel-Melendez: 6 Ayes; 4 Absent – Hinojosa, Deats, Hoffmann, Rhoades
- CA-20) Miscellaneous Documents –
RECEIVED AND FILED
Stewart-Patrick: 6 Ayes; 4 Absent – Hinojosa, Deats, Hoffmann, Rhoades
- A) Minutes for KHS Finance Committee meeting on December 6, 2019

ADJOURN TO THURSDAY, APRIL 16, 2020 AT 8:00 A.M.
Patel

/s/ Cindy Stewart, Secretary
Kern Health Systems Board of Directors



To: KHS Board of Directors

From: Robert Landis, CFO

Date: April 16, 2020

Re: Report by Daniells Phillips Vaughan & Bock Regarding the 2019 Audit

Representatives from the accounting firm Daniells Phillips Vaughan & Bock will be providing a report on the 2019 audit. Attached for your review are the December 31, 2019 audited financial statements for Kern Health Systems.

Requested Action

Approve audited financial statements.



FINANCIAL REPORT

DECEMBER 31, 2019

KERN HEALTH SYSTEMS

FINANCIAL REPORT

DECEMBER 31, 2019

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NANCY C. BELTON

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kern Health Systems
Bakersfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of **Kern Health Systems**, as of and for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, 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 3-9 and 35-37 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 April 6, 2020 on our consideration of **Kern Health Systems'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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
April 6, 2020

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, 2019 and 2018. 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 10.

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. The Department of Health Care Services ("DHCS") is the single state agency responsible for administering Medi-Cal. In 2019 and 2018, KHS received over 99% of its operating 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.

Members are allowed to select the Medi-Cal health plan of their choice. In Kern County there is one additional Medi-Cal health plan to choose from besides KHS. The opportunity to select a health plan is at the time of initial enrollment and at a minimum, annually thereafter. If a member does not select a plan, the member will be auto-assigned to one of the two Medi-Cal health plans located in Kern County.

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. Primary Care Physicians (PCPs) play an integral role in coordinating and managing the care of KHS members by delivering preventive services as well as referring members to other providers for medically necessary services. PCPs are typically trained in internal medicine, pediatrics, family practice and general practice. KHS compensates most of its 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 2019 and 2018, KHS paid approximately 93% and 94%, 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. KHS is focused on preventive health, wellness and a population health management model that coordinates medical, behavioral, social, and pharmacy programs to provide quality care.

Financial Highlights:

- ❖ Our net position increased in 2019 by \$13,061,405 or approximately 6.5% while in 2018 our net position increased by \$11,089,149 or 5.8%. The Expansion population, which began to phase in as of 2014, experienced a 1.3% membership growth from the end of 2018 to the end of 2019, compared to a 2.9% membership growth from the end of 2017 to the end of 2018.
- ❖ Our Medi-Cal enrollment growth showed an average monthly increase of approximately 3,400 members or 1.4% in 2019 compared to 2018. This compared to an average monthly increase of approximately 5,800 members or 2.4% in 2018 compared to 2017. The decrease in average monthly membership was largely due to the continued declining growth of the Expansion population in 2019. During 2019 we added approximately 774 additional Expansion members compared to 2018, which added approximately 1,667 additional Expansion members compared to 2017.
- ❖ 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 9,007 members at the end of 2019 compared to 8,286 members at the end of 2018. The premium revenue earned for this population was \$22.0 million and \$16.4 million for the years ended December 31, 2019 and 2018, respectively. As we have no obligation to provide care for this population, the Premiums earned amount reported for the years ended December 31, 2019 and 2018 is net of the \$21.6 million and \$16.1 million, respectively, of associated capitated expense and the member months shown have been adjusted to remove capitated member months.
- ❖ We reported an operating income of \$8,335,611 or \$2.80 PMPM in 2019 and operating income of \$8,476,595 or \$2.89 PMPM in 2018. The operating income in 2019 is largely due to the adequate reimbursement rate received for Expansion members from DHCS. The revenue received for Expansion members was \$292.4 million or approximately 35.7% of Premiums earned in 2019 compared to \$297.0 million or approximately 37.6% of Premium revenue in 2018. The MLR for the Expansion population was 88.9% for 2019 and 92.0% for 2018.
- ❖ Managed Care Organization (MCO) Tax Revenues of \$48,486,437 or \$16.22 PMPM are included in premiums earned in 2019 and \$94,833,087 or \$32.16 PMPM in 2018. Beginning July 1, 2016, under Senate Bill X2-2, the MCO tax methodology changed from a 3.9375% of premium revenue to a fixed PMPM rate. The rate was \$30.87 PMPM for the period July 1, 2017 to June 30, 2018 and \$31.50 PMPM for the period July 1, 2018 to June 30, 2019. The tax amounts are based on projected membership and MCO expense is payable quarterly. There were no amounts accrued for MCO premium revenue and expense for the period July 1, 2019 to December 31, 2019, pending revisions and approval for a new MCO tax program. MCO Tax Expense is reported as an operating expense and was \$48,401,624 or \$16.19 PMPM in 2019 and \$94,216,985 or \$31.95 PMPM in 2018.

- ❖ The increase in nonoperating income of \$2,113,240 between 2019 and 2018 is primarily attributable to the gain of \$2,225,369 recognized from the sale of office building property. The increase in investment and other income of \$1,746,001 offset the increase in Community Grant expense of \$1,858,130. The increase in Community Grant expense was due to continued payments made to contracted providers under the Health Home Program.
- ❖ We continued with provider quality incentive programs and reported expenses of approximately \$6.0 million or \$2.00 PMPM in 2019 compared to \$5.9 million or \$1.98 PMPM in 2018 to reward providers who demonstrate improved Healthcare Effectiveness Data and Information (HEDIS) outcomes.

Operational Highlights:

As part of fulfilling our mission KHS engaged in the following activities during 2019:

- ❖ Continued to improve its Health Homes Programs in collaboration with our Safety Net Providers. In 2019, six (6) health homes were in operation. We were also engaged in expansion planning efforts in hopes of implementing a distributive model that will include two additional health home clinical locations. The Health Homes focus is to develop an integrated care management model incorporating medical, behavioral, and social and pharmacy programs.
- ❖ Established a Chronic Obstructive Pulmonary Disease (“COPD”) management program which includes interventions to assess and monitor disease; reduce risk factors; manage stable COPD; and manage exacerbations. KHS created a multi-disciplinary team which includes respiratory therapists, specialty/primary care provider, registered nurse, nutritionist, palliative support and home health agencies to provide services in the home and coordinate care for early diagnosis and treatment interventions to reduce Emergency Room, Urgent Care, and Inpatient admissions.
- ❖ Implemented various strategies to increase the percentage of completed preventative services to meet the revised HEDIS External Accountability Set (EAS) measures for the new Managed Care Accountability Set (MCAS) measures. Such strategies include ongoing education, outreach, incentives and technical integrations to promote a “no wrong door” approach to a member’s holistic care.
- ❖ Developed a Population Health Management program for Diabetes through collaboration with Information Technology and clinical staff using predictive modeling and utilization analytics to identify members who are not engaged with their health care. Identified populations will be provided interventions defined by targeted standards of care, self-management and education strategies, and leveraging technologies for mobile monitoring to improve overall health and increase self-ownership of their disease process.
- ❖ Introduced Alternative Payment Methodologies (“APM”) within provider contracts that focus on quality care coordination and cost reduction strategies. This year we implemented an APM that addressed the fragmented delivery of care for those members with COPD. We are also working on developing a program to address care for members with critical cardiac care conditions. These projects will provide us best practices in care and delivery systems that can later be implemented to a larger scale of members.
- ❖ Provided funding for Housing Case Management to afford KHS members an opportunity to exit homelessness and receive decent, safe, and affordable housing. The Case management services will be matched with a housing resource that already exists in the community, such as, short term rental assistance, housing choice vouchers, and low-income public housing.

- ❖ Created data exchanges with the Safety Net providers for the members Electronic Medical Record (EMR). In addition, KHS provided the Safety Net with other clinical information relevant to the member care for services rendered outside the Safety Net in order to provide a complete Medical History.
- ❖ As part of the new building location, KHS constructed a new data center and data network that will provide a robust systems environment for all employees. Both the data center and data networking are modern and fully redundant and will support KHS into the next decade.
- ❖ A significant work effort in 2019 was the redesign and architecture of the new Enterprise Data Warehouse (EDW) environment. The EDW system is the primary data source for all reporting and analytics that supports Kern Health Systems. One of the essential analytics that Medical Management utilizes from the EDW is Population Management, and this is a key component of how Kern Health Systems clinically operates and drives patient care. The EDW is critical for this type of oversight.
- ❖ Awarded grant funds to seven public school sites in Kern County to Implement School Wellness Programs during the 2019-2020 academic year. The awarded schools represent the Bakersfield, Oildale, Delano and Lake Isabella communities. The School Wellness Programs target student nutrition, physical activity, water consumption, outdoor safety, and social and emotional learning.
- ❖ Donated funds to 43 different Community Based Organizations so that many of our members could receive assistance through programs, services, and events by this funding.
- ❖ Participated in 70 community events throughout Kern County. Through our support of these activities, we brought value enhance benefits to our enrolled population as many of our members received assistance from programs and services made possible by our sponsorship of these community-based events.
- ❖ Redesigned our corporate website www.kernfamilyhealthcare.com with our Members and Providers in mind by including streamlining menus, simplifying navigation, building a responsive layout for all platforms and providing the ability to add more resources and information regarding our health plan, upcoming events and services in real-time.
- ❖ In October 2019, KHS moved to its new location at 2900 Buck Owens Blvd. The transition was successful with our employees and our members enjoying the new location.

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, is 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 2019 and 2018 by \$13,061,405 and \$11,089,149, respectively. Our Statements of Net Position as of December 31, 2019, 2018, and 2017 are as follows:

	2019	2018	2017
Assets			
Current assets	\$ 557,291,395	\$ 327,383,667	\$ 308,163,303
Capital assets, net	69,786,809	55,937,228	27,805,377
Other assets	1,043,644	1,004,750	985,084
Total Assets	\$ 628,121,848	\$ 384,325,645	\$ 336,953,764
Deferred Outflows of Resources	\$ 2,889,179	\$ 2,657,573	\$ 2,890,063
Liabilities			
Accrued medical services payable	\$ 161,392,611	\$ 142,516,255	\$ 133,579,261
Hospital directed payments payable	237,317,695	-	-
Accrued expenses	10,149,451	36,606,228	9,369,046
Net pension liability	7,038,233	5,865,463	6,082,752
Total Liabilities	\$ 415,897,990	\$ 184,987,946	\$ 149,031,059
Deferred Inflows of Resources	\$ 420,664	\$ 364,304	\$ 270,949
Net Position			
Net investment in capital assets	\$ 69,786,809	\$ 55,937,228	\$ 27,805,377
Restricted	300,000	300,000	300,000
Unrestricted	144,605,564	145,393,740	162,436,442
Total Net Position	\$ 214,692,373	\$ 201,630,968	\$ 190,541,819

KHS’ net position for 2019, 2018, and 2017 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 \$13,061,405 and \$11,089,149 for the years ended December 31, 2019 and 2018, respectively. The increases are made up of various different components as outlined below:

	2019	2018	2017	2019	2018	2017
Enrollment						
Total member months				3,093,144	3,047,435	2,970,826
Less non-risk capitated member months				(103,876)	(99,006)	(92,005)
Net member months				<u>2,989,268</u>	<u>2,948,429</u>	<u>2,878,821</u>
Average monthly members				249,106	245,702	239,902
Per Member Per Month in Dollars						
Operating Revenue						
Premiums earned	\$ 819,211,480	\$ 790,046,475	\$ 733,671,864	\$ 274.05	\$ 267.96	\$ 254.85
Hospital directed payments earned	300,291,112	-	-	100.46	-	-
Other operating revenue	289,296	1,859,982	2,247,354	0.10	0.63	0.78
Total operating revenue	<u>1,119,791,888</u>	<u>791,906,457</u>	<u>735,919,218</u>	<u>374.61</u>	<u>268.59</u>	<u>255.63</u>
Operating Expenses						
Medical and hospital	717,600,716	652,587,721	592,656,870	240.06	221.33	205.87
Hospital directed payments	299,923,121	-	-	100.33	-	-
MCO premium tax	48,401,624	94,216,985	89,469,376	16.19	31.95	31.08
Administrative	43,026,853	35,094,430	33,936,895	14.39	11.90	11.79
Depreciation	2,503,963	1,530,726	1,534,550	0.84	0.52	0.53
Total operating expenses	<u>1,111,456,277</u>	<u>783,429,862</u>	<u>717,597,691</u>	<u>371.81</u>	<u>265.70</u>	<u>249.27</u>
Operating income	<u>8,335,611</u>	<u>8,476,595</u>	<u>18,321,527</u>	<u>2.80</u>	<u>2.89</u>	<u>6.36</u>
Nonoperating Revenue (Expenses)						
Investment and other income	6,725,511	4,979,510	2,416,988	2.25	1.69	0.84
Gain on sale of assets	2,225,369	-	(19,721)	0.74	-	(0.01)
Community grants	(4,225,086)	(2,366,956)	(1,392,547)	(1.41)	(0.80)	(0.48)
Total nonoperating revenue (expenses)	<u>4,725,794</u>	<u>2,612,554</u>	<u>1,004,720</u>	<u>1.58</u>	<u>0.89</u>	<u>0.35</u>
Changes in net position	13,061,405	11,089,149	19,326,247	4.38	3.78	6.71
Net position, beginning	201,630,968	190,541,819	171,215,572	67.45	64.62	59.47
Net position, ending	<u>\$ 214,692,373</u>	<u>\$ 201,630,968</u>	<u>\$ 190,541,819</u>	<u>\$ 71.83</u>	<u>\$ 68.40</u>	<u>\$ 66.18</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, 2019 and 2018 of \$8,335,611 and \$8,476,595, respectively.

The primary components of the operating income for 2019 are:

- ❖ Premiums earned increased \$29,165,004 or \$6.09 PMPM in 2019. Approximately \$19.0 million or \$6.23 PMPM is attributed to an increase in Proposition 56 rates between 2019 and 2018. Approximately \$8.0 million or \$2.68 PMPM is due to increases in premium capitation rates between 2019 and 2018 received for the purpose of paying additional amounts to qualifying Ground Emergency Medical Transportation (GEMT) providers based on certain specified eligible CPT procedure codes. Approximately \$5.7 million or \$1.90 PMPM is due to increases in premium capitation rates received for covered benefit

services provided under the Health Homes Program which became effective July 1, 2019.

- ❖ The Medi-Cal average monthly membership increased by approximately 3,400 members or 1.4% over 2018.
- ❖ The medical and hospital services costs increased by \$65,012,994 and \$18.72 PMPM between 2019 and 2018. This increase is attributed to increased supplemental provider payments payable under Proposition 56 and GEMT, increased utilization of services, provider contract rate increases, and new requirements to cover new benefits and expand services. The Medical Loss ratio (Medical and Hospital Services expense as a percentage of Total Operating Revenue excluding MCO tax revenue and Hospital directed payments earned) was 93.1% in 2019 and 93.6% in 2018.
- ❖ Administrative expenses increased by \$7,932,423 or \$2.49 PMPM over 2018 which is attributed to the increase in salaries and benefits for additional staff needed to meet the needs of the organization and regulatory requirements in 2019 and retirement contribution expense adjustments recognized under GASB 68 reporting requirements. Administrative expense as a percentage of total Operating Revenue (excluding MCO tax revenue and Hospital directed payments earned) was 5.58% in 2019 compared to 5.03% in 2018.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consisted primarily of investment income, proceeds from the sale of assets and community grants. In 2019, the sale of the Stockdale office building and property resulted in an increase of \$2,225,369 or \$0.74 PMPM from 2018.

KHS' Cash Flow

Changes in KHS' cash flows are consistent with changes in operating income and nonoperating 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 2900 Buck Owen Blvd, Bakersfield, California 93308.

KERN HEALTH SYSTEMS**STATEMENTS OF NET POSITION
December 31, 2019 and 2018**

	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 92,405,797	\$ 90,795,197
Investments (Notes 2 and 3)	111,853,223	140,111,838
Premiums receivable	111,563,581	93,261,229
Hospital directed payments receivable (Note 4)	237,559,106	-
Other receivables (Note 5)	1,218,611	1,523,542
Prepaid expenses	2,691,077	1,691,861
Total current assets	557,291,395	327,383,667
Capital Assets (Note 6)		
Land	4,090,706	4,876,562
Buildings and improvements	36,471,386	10,323,166
Furniture and equipment	31,706,810	20,218,585
Capital projects in process	8,743,952	34,609,177
	81,012,854	70,027,490
Less accumulated depreciation	11,226,045	14,090,262
	69,786,809	55,937,228
Other Assets		
Restricted investments (Notes 2, 3 and 10)	300,000	300,000
Split dollar life insurance (Note 7)	743,644	704,750
	1,043,644	1,004,750
Total assets	628,121,848	384,325,645
Deferred Outflows of Resources (Note 11)	2,889,179	2,657,573
Total assets and deferred outflows of resources	\$ 631,011,027	\$ 386,983,218

See Notes to Financial Statements.

	2019	2018
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Accrued medical services payable (Note 8)	\$ 161,392,611	\$ 142,516,255
Hospital directed payments payable (Note 4)	237,317,695	-
Accrued expenses (Note 9)	10,149,451	36,606,228
Total current liabilities	408,859,757	179,122,483
Noncurrent Liabilities		
Net pension liability (Note 11)	7,038,233	5,865,463
Commitments and Contingencies (Note 13)		
Deferred Inflows of Resources (Note 11)	420,664	364,304
Net Position		
Net investment in capital assets	69,786,809	55,937,228
Restricted (Note 10)	300,000	300,000
Unrestricted	144,605,564	145,393,740
Total net position	214,692,373	201,630,968
Total liabilities, deferred inflows of resources and net position	\$ 631,011,027	\$ 386,983,218

KERN HEALTH SYSTEMS**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
Years Ended December 31, 2019 and 2018

	2019	2018
Operating Revenue		
Premiums earned	\$ 819,211,480	\$ 790,046,475
Hospital directed payments earned (Note 4)	300,291,112	-
Stop-loss insurance recoveries (Note 12)	289,296	1,859,982
Total operating revenue	1,119,791,888	791,906,457
Operating Expenses		
Medical and hospital	717,600,716	652,587,721
Hospital directed payments (Note 4)	299,923,121	-
MCO premium tax	48,401,624	94,216,985
Administrative	43,026,853	35,094,430
Depreciation	2,503,963	1,530,726
Total operating expenses	1,111,456,277	783,429,862
Operating income	8,335,611	8,476,595
Nonoperating Revenue (Expenses)		
Investment and other income	6,725,511	4,979,510
Gain on sale of office building property	2,225,369	-
Community grants	(4,225,086)	(2,366,956)
Total nonoperating revenue (expenses)	4,725,794	2,612,554
Change in net position	13,061,405	11,089,149
Net position, beginning	201,630,968	190,541,819
Net position, ending	\$ 214,692,373	\$ 201,630,968

See Notes to Financial Statements.

KERN HEALTH SYSTEMS**STATEMENTS OF CASH FLOWS****Years Ended December 31, 2019 and 2018**

	2019	2018
Cash Flows From Operating Activities		
Premiums received	\$ 800,639,919	\$ 751,339,951
Hospital directed payments earned	62,732,006	-
Stop-loss insurance recoveries	557,269	2,641,061
Medical and hospital payments	(700,904,511)	(644,111,994)
Hospital directed payments paid	(62,605,426)	-
Administrative expenses paid	(44,826,477)	(33,796,809)
MCO premium tax expense paid	(72,791,260)	(69,868,803)
Net cash provided by (used in) operating activities	(17,198,480)	6,203,406
Cash Flows From Noncapital Financing Activities		
Community grants	(4,225,086)	(2,366,956)
Nonoperating income	2,469,639	244,964
Net cash (used in) noncapital financing activities	(1,755,447)	(2,121,992)
Cash Flows From Capital And Related Financing Activities		
Acquisition of capital assets	(23,325,925)	(29,664,892)
Proceeds from sale of assets	9,197,750	-
Net cash (used in) capital and related financing activities	(14,128,175)	(29,664,892)
Cash Flows From Investing Activities		
Net purchases of investments	(1,864,329,645)	(932,229,626)
Proceeds from maturities of investments	1,899,061,241	944,873,478
Payment for split dollar life insurance	(38,894)	(19,666)
Net cash provided by investing activities	34,692,702	12,624,186
Net increase (decrease) in cash and cash equivalents	1,610,600	(12,959,292)
Cash and cash equivalents:		
Beginning	90,795,197	103,754,489
Ending	\$ 92,405,797	\$ 90,795,197

See Notes to Financial Statements.

	2019	2018
Reconciliation of operating activities to net cash provided by (used in) operating activities		
Operating income	\$ 8,335,611	\$ 8,476,595
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	2,503,963	1,530,726
(Gain) loss on sale of assets	(2,225,369)	2,315
Changes in:		
Deferred outflows of resources	(231,606)	232,490
Net pension liability	1,172,770	(217,289)
Deferred inflows of resources	56,360	93,355
Changes in working capital components:		
(Increase) in:		
Premiums receivable and other receivables	(17,989,161)	(39,642,738)
Hospital directed payments receivable	(237,559,106)	-
Prepaid expenses	(999,216)	(446,224)
Increase (decrease) in:		
Accrued medical services payable	18,876,356	8,936,994
Hospital directed payments payable	237,317,695	-
Accrued expenses	(26,456,777)	27,237,182
Net cash provided by (used in) operating activities	\$ (17,198,480)	\$ 6,203,406

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

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

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

A summary of KHS' significant accounting policies follows:

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

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

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

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

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

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

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

Accrued compensated absences: KHS employees earn personal time off (PTO) on a bi-weekly or semi-monthly 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.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

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 \$21.6 million for 9,007 members assigned for the year ended December 31, 2019 and was \$16.1 million for 8,286 members assigned for the year ended December 31, 2018.

Premiums revenue: Premiums are due monthly from DHCS 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. CMS requires that these rates used in KHS' premiums are to be actuarially sound. 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, 2019 and 2018 maternity kick payments in the amount of \$32 million or 3.9% and \$30.2 million or 3.8%, 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, 2019 and 2018 Hepatitis C payments in the amount of \$6.9 million or 0.8% and \$7.3 million or 0.9%, 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, 2019 and 2018 Behavioral Health Treatment payments in the amount of \$11.3 million or 1.4% and \$7.9 million or 1.0%, respectively, of total premium revenue were recognized. On July 1, 2019, DHCS added as a covered benefit services provided under the Health Homes Program. The Health Homes Program is a program designed to provide enhanced care management and coordination of services for eligible Medi-Cal beneficiaries with complex medical needs and chronic conditions. KHS also receives premium revenue in the form of a "Health Homes Program kick payment" based on utilization of qualifying services by members enrolled in the Health Homes Program. Health Homes Program payments in the amount of \$5.7 million or 0.7% of total premium revenue were recognized for period July 1, 2019 to December 31, 2019.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

KHS receives supplemental revenue funded by the California Healthcare, Research and Prevention Tobacco Tax Act of 2016 (Proposition 56) for the purpose of paying additional amounts for qualifying physician services based on certain specified eligible CPT procedure codes. For the years ended December 31, 2019 and 2018 Proposition 56 payments in the amount of \$45.9 million or 5.6% and \$26.9 million or 3.4%, respectively, of total premium revenue were recognized. KHS also receives supplemental Ground Emergency Medical Transportation (GEMT) revenue provided to for the purpose of paying additional amounts to qualifying GEMT providers based on certain specified eligible CPT procedure codes. For the year ended December 31, 2019 GEMT payments in the amount of \$8.0 million or 1.0% of total premium revenue were recognized.

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, 2019 and 2018 KHS recognized \$4.2 million or 0.5% and \$15.3 million or 1.9%, 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 introduce new programs such as the services provided under the Health Home Program. Premium rates can also be amended to include supplemental payments for providers, such as those paid under Proposition 56 or GEMT, 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. Additionally, for the years ended December 31, 2019 and 2018, KHS recognized \$2.0 million and \$1.8 million, respectively, in pharmacy rebates from its pharmacy benefit manager that were received from pharmaceutical manufacturers which have been subtracted from pharmacy expense amounts.

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. This change in MCO tax methodology puts KHS at risk if the assumed membership used in the calculated tax expense is different than the actual membership KHS experiences during the rate year. 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. KHS was recently notified that the request by DHCS to continue the MCO Tax for health plans in California for the period July 1, 2019 through June 30, 2020 was not approved by CMS. Accordingly, no amounts have been accrued for the period July 1, 2019 through December 31, 2019.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

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, 2019 and 2018, KHS received \$119.6 million and \$69.2 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, 2019 and 2018, 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 \$602,591 and \$574,916 for the years ended December 31, 2019 and 2018, respectively.

Subsequent events: KHS has evaluated subsequent events through April 6, 2020, the date on which the financial statements were available to be issued. A significant subsequent event is discussed at Note 15.

Authoritative pronouncements not yet adopted: The following statements issued by the Governmental Accounting Standards Board (GASB) are effective for years ending after December 31, 2019 and management is evaluating the impact of the implementation of these statements on their financial statements.

- 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.

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

- In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements of this Statement should be applied prospectively.

KERN HEALTH SYSTEMS**NOTES TO FINANCIAL STATEMENTS****Note 2. Cash, Cash Equivalents and Investments**

Cash, cash equivalents and investments at December 31, 2019 are classified in the accompanying financial statements as follows:

Cash and cash equivalents:		
Deposits		\$ 2,190,589
LAIF and money market funds		90,215,008
Cash on hand		200
Total cash and cash equivalents		<u>\$ 92,405,797</u>
	Cost	Fair Value
Investments:		
Unrestricted:		
Certificates of deposit	\$ 2,413,034	\$ 2,431,405
Corporate bonds and notes	34,145,239	34,524,090
Municipal bonds and notes	2,452,248	2,486,915
Government agency bonds and notes	72,290,162	72,410,813
Total unrestricted	<u>111,300,683</u>	<u>111,853,223</u>
Restricted:		
Certificates of deposit	300,000	300,000
Total investments	<u>\$ 111,600,683</u>	<u>\$ 112,153,223</u>

Cash, cash equivalents and investments at December 31, 2018 are classified in the accompanying financial statements as follows:

Cash and cash equivalents:		
Deposits		\$ 1,755,806
LAIF and money market funds		89,039,191
Cash on hand		200
Total cash and cash equivalents		<u>\$ 90,795,197</u>
	Cost	Fair Value
Investments:		
Unrestricted:		
Certificates of deposit	\$ 712,374	\$ 715,656
Corporate bonds and notes	26,483,186	27,337,005
Municipal bonds and notes	6,681,192	6,666,656
Government agency bonds and notes	105,728,920	105,392,521
Total unrestricted	<u>139,605,672</u>	<u>140,111,838</u>
Restricted:		
Certificates of deposit	300,000	300,000
Total investments	<u>\$ 139,905,672</u>	<u>\$ 140,411,838</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%	AAA
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.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

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

Disclosures Relating to Interest Rate Risk

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

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, 2019 or 2018.

Custodial Credit Risk

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

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NOTES TO FINANCIAL STATEMENTS

Cash Equivalents in State Investment Pool

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

Note 3. Fair Value Measurements

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

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

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

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

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

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

All investments held by KHS at December 31, 2019 and 2018 are considered to be level 1 assets.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Note 4. Hospital Directed Payments

Beginning with the July 1, 2017, rating period, the Department of Health Care Services (DHCS) implemented two statewide directed payment programs for designated public hospitals (DPH), the Enhanced Payment Program (EPP) and the Quality Incentive Program (QIP), and one statewide directed payment program for private hospitals (PHDP). EPP provides supplemental reimbursement to Network Provider DPHs through uniform dollar increases for select inpatient and non-inpatient services, based on the actual utilization of qualifying services as reflected in encounter data reported to DHCS. QIP provides quality incentive payments to participating Network Provider DPHs that meet quality metrics designated in the program. PHDP provides supplemental reimbursement to participating Network Provider hospitals through uniform dollar increases for select inpatient and outpatient services based on actual utilization of qualifying services as reflected in encounter data reported to DHCS. The Hospital Directed Payment programs were created to maintain access and improve the quality of care for Medi-Cal beneficiaries. These programs direct Managed Care Plans (MCP), like KHS, to pay specified contracted Network Providers in accordance with terms approved by the Centers for Medicare & Medicaid Services (CMS) and directed by DHCS.

The projected value of the program payment obligations to designated hospitals are accounted for as medical expenses and paid through additional capitation revenue. Due to the timing of the program acceptance by CMS and delays in funding to MCPs, KHS retroactively accrued Hospital Directed Payments receivable of approximately \$237.6 million and Hospital Directed payments payable of approximately \$237.3 million reported as of December 31, 2019. The amount of additional premium revenue for Hospital Directed Payment programs recognized for the year ended December 31, 2019 was approximately \$300.3 million and is reported as part of operating revenues. Hospital Directed Payment expense obligations recognized for the year ended December 31, 2019 was approximately \$299.9 million and is reported as part of operating expenses

Note 5. Other Receivables

Other receivables consist of the following at December 31, 2019 and 2018:

	2019	2018
Pharmacy rebates	\$ 505,976	\$ 757,067
Interest	370,431	362,171
Other	342,204	136,331
Reinsurance recoveries	-	267,973
	<u>\$ 1,218,611</u>	<u>\$ 1,523,542</u>

KERN HEALTH SYSTEMS**NOTES TO FINANCIAL STATEMENTS****Note 6. Capital Assets**

Capital asset activity for the years ended December 31, 2019 and 2018 is as follows:

	Balance January 1, 2019	Additions	Deletions	Transfers	Balance December 31, 2019
Capital Assets Not Being Depreciated:					
Land	\$ 4,876,562	\$ -	\$ (785,856)	\$ -	\$ 4,090,706
Capital Projects in Progress	34,609,177	21,429,480	-	(47,294,705)	8,743,952
Subtotal	39,485,739	21,429,480	(785,856)	(47,294,705)	12,834,658
Capital Assets Being Depreciated:					
Buildings and Improvements	10,323,166	215,063	(10,323,166)	36,256,323	36,471,386
Furniture and Equipment	20,218,585	1,681,382	(1,231,539)	11,038,382	31,706,810
Subtotal	30,541,751	1,896,445	(11,554,705)	47,294,705	68,178,196
Accumulated Depreciation:					
Buildings and Improvements	3,999,467	393,735	(4,166,600)	-	226,602
Furniture and Equipment	10,090,795	2,110,228	(1,201,580)	-	10,999,443
Subtotal	14,090,262	2,503,963	(5,368,180)	-	11,226,045
Net Depreciable Capital Assets	16,451,489	(607,518)	(6,186,525)	47,294,705	56,952,151
Total Capital Assets	\$ 55,937,228	\$ 20,821,962	\$ (6,972,381)	\$ -	\$ 69,786,809
	Balance January 1, 2018	Additions	Deletions	Transfers	Balance December 31, 2018
Capital Assets Not Being Depreciated:					
Land	\$ 4,876,562	\$ -	\$ -	\$ -	\$ 4,876,562
Capital Projects in Progress	9,713,334	29,212,571	-	(4,316,728)	34,609,177
Subtotal	14,589,896	29,212,571	-	(4,316,728)	39,485,739
Capital Assets Being Depreciated:					
Buildings and Improvements	10,323,166	-	-	-	10,323,166
Furniture and Equipment	15,702,228	452,321	(252,692)	4,316,728	20,218,585
Subtotal	26,025,394	452,321	(252,692)	4,316,728	30,541,751
Accumulated Depreciation:					
Buildings and Improvements	3,665,201	334,266	-	-	3,999,467
Furniture and Equipment	9,144,712	1,196,460	(250,377)	-	10,090,795
Subtotal	12,809,913	1,530,726	(250,377)	-	14,090,262
Net Depreciable Capital Assets	13,215,481	(1,078,405)	(2,315)	4,316,728	16,451,489
Total Capital Assets	\$ 27,805,377	\$ 28,134,166	\$ (2,315)	\$ -	\$ 55,937,228

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Note 7. 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 \$743,644 and \$704,750 at December 31, 2019 and 2018, respectively.

Note 8. 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 claims incurred that are older than three months 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.

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 \$4.7 million and \$6.1 million of favorable prior year IBNR adjustments for the years ended December 31, 2019 and 2018, respectively, due to lower than expected utilization.

The contract covering Expansion members requires KHS to expend a minimum percentage of 85% of premiums and a maximum of 95% on eligible medical benefits expense. To the extent that KHS expends less than the minimum percentage of the premiums on eligible medical benefits, KHS is required to refund to the state all or some portion of the difference between the minimum and its actual allowable medical benefits expense. To the extent KHS expends more than the maximum percentage, KHS is entitled to receive additional reimbursement from the state. At December 31, 2019, KHS has accrued \$30.7 million to the state for the period July 1, 2016 to December 31, 2019.

KERN HEALTH SYSTEMS**NOTES TO FINANCIAL STATEMENTS**

Accrued medical services and related claims adjustment expenses payable consist of the following at December 31, 2019 and 2018:

	2019	2018
Estimated incurred but not reported claims	\$ 74,225,223	\$ 59,870,123
Supplemental Proposition 56 provider payments	33,153,442	16,422,515
Expansion risk corridor	30,671,015	31,388,243
Claims payable	17,289,154	30,632,670
Provider performance quality incentive	3,775,315	1,876,553
Allowance for claims processing expense	2,278,462	2,326,151
	<u>\$ 161,392,611</u>	<u>\$ 142,516,255</u>

Note 9. Accrued Expenses

Accrued expenses consist of the following at December 31, 2019 and 2018:

	2019	2018
Other administrative expenses	\$ 3,497,772	\$ 5,398,979
Salaries and employee benefits	2,786,847	2,071,250
Community grants payable	2,346,125	2,637,375
New building and construction	1,518,707	2,286,881
MCO tax expense	-	24,211,743
	<u>\$ 10,149,451</u>	<u>\$ 36,606,228</u>

Note 10. 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 maintaining 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, 2020, June 8, 2020 and January 30, 2021.

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 \$46.5 million and \$31.8 million at December 31, 2019 and 2018, respectively. KHS' tangible net equity was approximately \$214.7 million and \$201.6 million at December 31, 2019 and 2018, respectively.

KERN HEALTH SYSTEMS

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Note 11. 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, 2019 and 2018 are summarized as follows:

	2019			2018	
	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%	6.75%	7%	6.25%
Required employer contribution rates	6.709% to 7.159%	7.634% to 8.081%	6.842% to 6.985%	7.200% to 7.634%	6.555 to 6.842%

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, 2019 and 2018, the contributions recognized as part of pension expense were as follows:

	2019	2018
Contributions - employer	\$ 2,074,974	\$ 1,822,052
Contributions - employee (paid by employer)	\$ -	\$ -

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

As of December 31, 2019, and 2018, KHS reported net pension liability for its proportionate share of the net pension liability of \$7,038,233 and \$5,865,463, 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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, 2018 and 2019 was as follows:

Proportion - June 30, 2018	0.2358%
Proportion - June 30, 2019	0.2642%
Change - Increase	0.0284%

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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 was as follows:

Proportion - June 30, 2017	0.2115%
Proportion - June 30, 2018	0.2358%
Change - Increase	0.0243%

KERN HEALTH SYSTEMS**NOTES TO FINANCIAL STATEMENTS**

For the years ended December 31, 2019 and 2018, KHS recognized pension expense of \$2,074,974 and \$1,822,052, respectively. At December 31, 2019 and 2018, KHS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 1,650,097	\$ -	\$ 1,259,633	\$ -
Changes in assumptions	504,403	178,807	1,013,059	248,281
Differences between expected and actual experiences	734,679	56,923	340,950	116,023
Net differences between projected and actual earnings on pension plan investments	-	184,934	43,931	-
Total	\$ 2,889,179	\$ 420,664	\$ 2,657,573	\$ 364,304

\$1,650,097 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 ending December 31, 2020. 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,	
2020	\$ 778,334
2021	(84,868)
2022	87,583
2023	37,369
	\$ 818,418

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Actuarial Methods and Assumptions: The total pension liabilities in the June 30, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions:

	2019	2018
Valuation date	June 30, 2018	June 30, 2017
Measurement date	June 30, 2019	June 30, 2018
Actuarial cost method	Entry-Age Normal Cost Method	
Actuarial assumptions:		
Discount rate	7.15%	7.15%
Inflation	2.50%	2.75%
Payroll growth	2.75%	3.00%
Projected salary increase	Varies by Entry Age and Service	
Investment rate of return	7.38% (a)	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 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% as of June 30, 2018 and June 30, 2017. 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, 2018 and 2017 are adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% 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% as of June 30, 2018 and June 30, 2017, 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% as of June 30, 2018 and 2017. 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 adjusted to account for assumed administrative expenses.

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	50.2%	11.1%
Private Equity	7.1%	14.0%
Income	28.7%	6.6%
Real Assets	11.0%	4.1%
Liquidity	1.0%	1.1%
Inflation Assets	0.0%	0.0%
Trust level (a)	2.0%	9.1%
Total	<u>100%</u>	

(a) Includes multi-asset class, completion overlay, risk mitigation, absolute return strategies, plan level transition, and other plan level transition and other total fund 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:

	2019	2018
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 11,289,694	\$ 9,421,562
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 7,038,233	\$ 5,865,463
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 3,528,952	\$ 2,929,962

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

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(b) 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 \$1,339,433 and \$938,667 for the years ended December 31, 2019 and 2018, respectively.

Note 12. 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 years ended December 31, 2019 and 2018 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 years ended December 31, 2019 and 2018 the premium coverage is \$0.51 and \$0.47, respectively, per member per month with no minimum annual premium requirement.

The deductible for each individual member was \$275,000 and the Aggregate Specific Retention deductible was \$0.26 per member per month (PMPM) for the year ended December 31, 2019. The deductible for each individual member was \$250,000 and the Aggregate Specific Retention deductible was \$0.24 per member per month (PMPM) for the year ended December 31, 2018.

Stop-loss insurance premiums of \$1,522,366 and \$1,384,297 are included in medical and hospital expense for the years ended December 31, 2019 and 2018, respectively. Stop-loss insurance recoveries of \$289,296 and \$1,859,982 are included in operating revenue for the years ended December 31, 2019 and 2018, respectively.

Note 13. Commitments and Contingencies

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.

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.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Regulatory Matters

The healthcare 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 healthcare 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. KHS regularly submits periodic financial, encounters, utilization and operational reports. 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 aforementioned changes could reduce the number of enrolled members, increase administrative expenses or healthcare costs. While Medicaid modification changes have stalled following the 2018 midterm elections, the current presidential administration may still try to modify Medicaid programs. The California Senate also continues to consider a single-payer healthcare system for California.

California Advancing and Innovating Medi-Cal (CalAIM) is a multi-year initiative by DHCS to implement policy changes with the objective of:

- 1) Reducing variation and complexity across the delivery system;
- 2) Identifying and managing member risk and need through population health management strategies; and
- 3) Improving quality outcomes and drive delivery system transformation through value-based initiatives and payment reform.

This initiative will have significant operational impact to Medi-Cal Managed Care Plans (MCPs) like KHS. Some examples include, a proposal to transition the DHCS Health Homes Program and Whole Person Care Program to an Enhanced Care Management and In-Lieu Of Services structure, a proposal to carve-in Long Term Care and Transplant services to MCPs, a proposal requiring all MCPs operate a Duals Special Needs Plan (D-SNP), and a proposal requiring all MCPs become NCQA accredited.

In November 2019, CMS released a draft proposed rule entitled Medicaid Fiscal Accountability Regulation ("MFAR") with the intention of increasing fiscal accountability oversight of states. Specifically, this rule would tighten some of the requirements for popular mechanisms states use to draw down federal matching funds. This includes Inter-Governmental Transfers (IGTs), Certified Public Expenditures (CPEs), Disproportionate Share Hospital (DSH) funding, and provider/MCO taxes. These sources provide major funding to the Medi-Cal program and to the broader healthcare community.

It is not clear whether any of the above proposed regulatory changes, if any, will be approved or when they will take effect.

Encounter Data

KHS is required to submit complete and correct encounter data to DHCS. The accurate and timely reporting of encounter data is becoming increasingly important to determine compliance with performance standards and in setting KHS' premium rates. Inaccurate encounter reporting could result in penalties and fines being assessed by DHCS.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

The Health Insurance Portability and Accountability Act

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and the regulations adopted under HIPAA are intended to improve the portability and continuity of health insurance coverage and simplify the administration of health insurance claims and related transactions. All health plans are considered covered entities subject to HIPAA. HIPAA generally requires health plans, as well as their providers and vendors, to:

- protect patient privacy and safeguard individually identifiable health information; and
- establish the capability to receive and transmit electronically certain administrative health care transactions, such as claims payments, in a standardized format.

Specifically, the HIPAA Privacy Rule regulates use and disclosure of individually identifiable health information, known as "protected health information" ("PHI"). The HIPAA Security Rule requires covered entities to implement administrative, physical and technical safeguards to protect the security of electronic PHI. Certain provisions of the security and privacy regulations apply to business associates (entities that handle PHI on behalf of covered entities), and business associates are subject to direct liability for violation of these provisions. Furthermore, a covered entity may be subject to penalties as a result of a business associate violating HIPAA, if the business associate is found to be an agent of the covered entity. HIPAA violations by covered entities may also result in civil and criminal penalties.

Premium and Eligibility Reconciliations

Premium payments received by KHS from DHCS are based on eligibility lists generated between DHCS and by county agencies that are responsible for determining Medi-Cal eligibility. In a report issued on October 30, 2018 by the California State Auditor, the report indicated "questionable payments" for Kern County during the period January 1, 2014 through December 31, 2017 in the amounts of \$10,421,757 relating to Managed Care Premiums and \$2,854,656 relating to Fee For Service Payments for a total of \$13,276,413 of payments by DHCS primarily due to beneficiaries being eligible on the DHCS eligibility system and not being eligible on the county agency eligibility system. During the first quarter of 2020, DHCS recouped approximately \$563,000 relating to payments previously received by KHS for members that were determined to be deceased by DHCS. This amount was subtracted from KHS' 2019 revenues. It is unclear if any additional amounts will be recouped by DHCS from KHS. Accordingly, premium revenues could remain subject to reconciliation and recoupment for many years. The refund of a premium overpayment could be significant and would reduce the premium revenue in the year that the repayment obligation is identified.

Risk Corridor Liability Adjustment

The Risk Corridor Liability is based on management's best estimate of a medical loss ratio estimate for KHS Expansion members that have medical expenses below 85% of premiums. KHS is required to refund to the State amounts below 85%. The calculation of the 85% medical loss ratio is subject to the following adjustments:

- Revenue rate adjustments by DHCS
- The inclusion and/or exclusion of certain medical expenses
- Eligibility adjustments
- DHCS and CMS audit adjustments

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

On April 1, 2019, KHS received notification from CMS that a California Medicaid Managed Care Medical Loss Ratio (MLR) Examination would be performed. The overall purpose of the MLR examinations performed by CMS is to ensure the financial information submitted by the Medicaid managed care plans like KHS and used by DHCS to perform MLR calculations for the newly-eligible Expansion population was consistent with contractual obligations and matches each Medicaid managed care plan's internal data and accounting systems. CMS has engaged a contractor to review and assist with these examinations. The reporting periods under review are January 1, 2014 to June 30, 2015 and July 1, 2015 to June 30, 2016.

This examination has several objectives:

- Determine if the MLR was reasonably represented by Medicaid managed care plans, specifically whether the numerator was accurately reported to DHCS with appropriate documentation and consistent with generally accepted accounting principles;
- Assess if Medicaid managed care plans' provider incentive payments and payments to related party entities were consistent with California's contractual requirements and documented appropriately;
- Focus on Medicaid managed care plans who required multiple re-submissions of their MLR calculations to DHCS to determine the cause of those re-submissions and if the causes of the re-submissions have been corrected;
- Determine and understand what factors are responsible for large variations across Medicaid managed care plans in components of their MLR calculations to ensure that the Medicaid managed care plans have sufficient documentation related to the factors to support the MLR calculations.

As of December 31, 2019, KHS had not received any additional correspondence from CMS or the contractor designated to perform the examinations. It is unknown if there will be any adjustments resulting from the MLR examinations and whether such adjustments would be material.

Any adjustments to the Risk Corridor Liability could be significant and would increase or decrease reported medical expenses in the year adjustment is required.

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, 2019 and 2018, KHS served an average of 60,347 and 59,185 Medi-Cal Expansion members per month, respectively, which generated revenues of approximately \$290.2 million and \$297.0 million, respectively.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

CMS's Final Rule on Medicaid Managed Care

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

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, 2019 the total future contract commitments are as follows:

<u>Years ending December 31,</u>	
2020	\$ 658,210
2021	658,210
2022	386,142
2023	386,142
2024	386,142
	<u>\$ 2,474,846</u>

Note 14. 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, 2019 and 2018 over 99% of KHS' total revenues were received from DHCS. Future levels of funding and premium rates received by KHS could be impacted by state and federal budgetary constraints.

Note 15. Subsequent Event

On January 30, 2020 the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and by March 10, 2020 declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which KHS operates. While it is unknown how long these conditions will last or what the complete financial effect will be, KHS has not experienced a delay or decline in its revenue or receivables of which 99% comes from the State of California. As of April 6, 2020, KHS has mobilized over 98% of its workforce to telecommuting status, adequate Provider Networks are intact, Members are receiving necessary care, and outside contractors are meeting their obligations to this organization. While a potential risk of near term future interruption to operations and financial position exists (i.e.: possible large scale medical emergencies; network, staffing level, and/or third party performance disruption), KHS does not anticipate material changes to the results of operations represented in these financial statements for the year ending December 31, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

KERN HEALTH SYSTEMS

**SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
As of December 31, 2019**

	2019	2018	2017	2016	2015
CalPERS - Miscellaneous Classic Plan- Last 10 Years*					
Proportion of the net pension liability	0.26415%	0.23579%	0.21146%	0.19046%	0.17122%
Proportionate share of the net pension liability	\$ 7,038,233	\$ 5,865,463	\$ 6,082,752	\$ 4,769,187	\$ 3,104,717
Covered - employee payroll	\$ 19,020,118	\$ 17,733,290	\$ 17,150,840	\$ 17,364,146	\$ 9,949,051
Proportionate share of the net pension liability as a percentage of covered-employee payroll	37.00%	33.08%	35.47%	27.47%	31.21%
Plan's fiduciary net position	\$ 13,979,687,268	\$ 13,122,440,092	\$ 12,074,499,781	\$ 10,923,476,287	\$ 10,896,036,068
Plan fiduciary net position as a percentage of the total pension liability	77.73%	77.69%	75.39%	75.87%	79.89%

* Fiscal year 2015 was the first year of implementation, therefore only five 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 2018, 2017 and 2016 for the miscellaneous Classic Plan includes the Pepra Plan.

CalPERS - Miscellaneous PEPPA 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, 2019

	2019	2018	2017	2016	2015
CalPERS - Miscellaneous Classic Plan - Last 10 Years*					
Contractually required contribution (actuarially determined)	\$ 2,074,974	\$ 1,822,052	\$ 1,625,952	\$ 1,314,297	\$ 841,252
Contributions in relation to the actuarially determined contributions	2,074,974	1,822,052	1,625,952	1,314,297	841,252
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 19,020,118	\$ 17,733,290	\$ 17,150,940	\$ 17,364,146	\$ 9,949,051
Contributions as a percentage of covered-employee payroll	10.91%	10.27%	9.48%	7.57%	8.46%
Notes to Schedule					
Valuation date:	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Methods and assumptions used to determine contribution rates:					
Actuarial cost method	Entry-Age Normal Cost Method				
Amortization method	Level percentage of assumed future payrolls				
Remaining amortization period	25 years	26 years	27 years	28 years	29 years
Asset valuation method	5-year smoothed market				
Inflation	2.50%	2.50%	2.75%	2.75%	2.75%
Salary increases	2.75%	2.75%	3.00%	3.00%	3.00%
Investment rate of return (a)	7.15%	7.15%	7.15%	7.65%	7.50%
Retirement age	50 years and 5 years of service				
Mortality	The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.				

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

* Fiscal year 2015 was the first year of implementation, therefore only five 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 2019, 2018, 2017 and 2016 for the miscellaneous Classic Plan includes the Pepra Plan.

KERN HEALTH SYSTEMS

**SCHEDULES OF PENSION CONTRIBUTIONS
Year Ended December 31, 2019**

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

Notes to Schedule

Valuation date: June 30, 2014

Methods and assumptions used to determine contribution rates:

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

* 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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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, 2019, and the related notes to the financial statements, which collectively comprise **Kern Health Systems'** basic financial statements, and have issued our report thereon dated April 6, 2020.

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.

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
April 6, 2020

KERN HEALTH SYSTEMS
Report to the Finance Committee
April 6, 2020



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Finance Committee
Kern Health Systems

Attention: Wayne Deats Jr., Finance Committee Chair

We are pleased to present this report related to our audit of the financial statements of **Kern Health Systems** for the year ended December 31, 2019. 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

April 6, 2020

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Required Communications

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

Area	Comments
Our Responsibilities with regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated October 3, 2019. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
Accounting Policies and Practices	<p>Preferability of Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p>Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Organization. The Organization did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.</p> <p>Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management's Judgments and Accounting Estimates Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Significant Accounting Estimates."</p>

Area	Comments
Audit Adjustments	There were no audit adjustments, proposed by us, made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
Disagreements with Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
Difficulties Encountered in Performing the Audit	A significant number of journal entries were provided by management after the beginning of the audit. The entries collectively impacted the final change in net position for the year. We understand that the majority of the entries were the result of delayed rate information received from the State, and changes to the State payment invoice process and report format during 2019. These changes delayed the receipt of monthly capitation rate information and reconciliation of premium amounts reported. As new programs continue to be introduced by the State and the State requires more complex and detailed reporting from the plans, increased journal entry activity will likely continue and will require greater planning efforts going forward. The goal is to maximize efficiency while simultaneously meeting the deadline of the audit report submission to the California Department of Managed Health Care.
Certain Written Communications Between Management and Our Firm	Copies of significant written communications between our firm and the management of the Organization, including the representation letter provided to us by management, are attached as Exhibit A.

KERN HEALTH SYSTEMS

Summary of Significant Accounting Estimates Year Ended December 31, 2019

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, 2019, 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
Expansion risk corridor liability	Estimates are based on management's best estimate of a medical loss ratio	Estimate is in accordance with accounting principles generally accepted in the United States of America

Exhibit A
Representation Letter



April 6, 2020

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 December 31, 2019 and 2018 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 April 6, 2020:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated October 3, 2019, 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

Daniells Phillips Vaughan & Bock
April 6, 2020
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Act because we have not received, expanded or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.

10. We have no knowledge of any uncorrected misstatements in the financial statements.
11. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Compliance with bond indentures or other debt instruments;
 - b. Disclosures related to third-party payer agreements and settlements;
 - c. Disclosures related to professional liability coverages;
 - d. Disclosures related to self-insured risks.
12. Management is responsible for making the accounting estimates included in the financial statements. Those estimates reflect management's judgment based on knowledge and experience about past and current events and assumptions about conditions management expects to exist and course of action they expect to take. These include:
 - a. Estimated adjustments to revenue, such as retroactive adjustments by the Department of Health Care Services;
 - b. Obligations related to third-party payer contracts, including risk sharing and contractual settlements;
 - c. Audit and other adjustments by the Department of Health Care Services;
 - d. Obligations related to providing future services under prepaid health care service contracts;
 - e. Medical malpractice obligations expected to be incurred with respect to services provided through December 31, 2019.
13. Data submitted to the Department of Health Care Services complies in all respects with applicable coding principles and laws and regulations (including those dealing with Medicare antifraud and abuse), and only reflect charges for services that were medically necessary, properly approved by regulatory bodies and properly rendered.
14. Recorded receivable valuation allowances are necessary, appropriate, and properly supported.
15. With respect to reports submitted to the Department of Health Care Services:
 - a. All required Medi-Care and similar reports have been filed;
 - b. Management is responsible for the accuracy and propriety of all reports filed;
 - c. All costs reflected on such reports are appropriate, allowable under applicable reimbursement rules and regulations, patient-related, and properly allocated;
 - d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations;
 - e. Adequate consideration has been given to, and appropriate provision made for, audit adjustments by intermediaries, third-party payors, or other regulatory agencies.

Daniells Phillips Vaughan & Bock
 April 6, 2020
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- f. 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;
- g. Recorded settlements include differences between filed (and to be filed) reports and calculated settlements, which are necessary based upon historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate;
- h. 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 Company from whom you determined it necessary to obtain audit evidence; and
 - d. Minutes of the meetings of stockholders, directors and committees of directors, 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 **Kern Health Systems'** 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 Organization'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, such as those related to Medicare and Medicaid antifraud and abuse statutes, in any jurisdiction, whose effects are considered for disclosure in the financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the financial statements. This is including, but not limited to, the anti-kickback statute of the Medicare and Medicaid Patient and Program Protection Act of 1987, limitations on certain physician referrals (the Stark law), and the False Claims Act.

Daniells Phillips Vaughan & Bock
April 6, 2020
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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 Organization's related parties and all the related-party relationships and transactions of which we are aware.
24. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect **Kern Health System'** ability to record, process, summarize and report financial data.
25. We are aware of no communications 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 Medicare 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.
26. The following have been made available to you:
 - a. Contracts with all significant third-party party payers or other providers;
 - b. Reports of regulatory examinations that are currently in process. Management is not aware of any allegations of noncompliance that should be considered for disclosure or as a basis for recording a loss contingency.
27. There are no:
 - a. Violations or possible violations of laws or regulations, such as those related to the Medi-Care and Medi-Caid antifraud and abuse statutes, including but not limited to the Medi-Care and Medi-Caid Anti-Kickback Statute, Limitations on Certain Physician Referrals (the Stark law), and the False Claims Act, in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Communications, whether oral or written, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, including those related to the Medi-Care and Medicaid antifraud and abuse statutes, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
28. During the course of your 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, the schedules of proportionate share of the net pension liability and the schedules of pension contributions presented as required by the Governmental Accounting Standards Board 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.

Daniells Phillips Vaughan & Bock
April 6, 2020
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- c. The methods of measurement or presentation have not changed from those used in the prior period.

Kern Health Systems



Douglas A. Hayward, Chief Executive Officer



Robert Landis, Chief Financial Officer



To: KHS Board of Directors

From: Robert Landis, CFO

Date: April 16, 2020

Re: January 2020 Financial Results

The January results reflect a \$49,100 Net Increase in Net Position which is a \$634,485 favorable variance to the budget. Listed below are the major variances for the month:

- 1) Total Revenues reflect a \$8.2 million unfavorable variance primarily due to:
 - A) 2.1 million favorable variance in Proposition 56 Supplemental Revenue due to an unbudgeted rate increase in tobacco tax revenue funds in fiscal year 19/20 for additional CPT procedure codes along with unbudgeted new Prop 56 program that became effective January 1, 2020.
 - B) \$10.0 million unfavorable variance in Premium-MCO Tax due to CMS notifying DHCS that the request to continue the MCO Tax for the period beginning July 1, 2019 was rejected and is offset against a reduction in MCO Tax expenses included in Item 3 below. (On April 3, 2020 CMS approved the DHCS request to continue the MCO Tax with an effective date of January 1, 2020).
- 2) Total Medical Costs reflect a \$1.3 million unfavorable variance primarily due to:
 - A) \$1.5 million unfavorable variance in Inpatient primarily due to higher than expected utilization.
- 3) \$10.0 million favorable variance in MCO Tax expense due to CMS notifying DHCS that the request to continue the MCO Tax for the period beginning July 1, 2019 was rejected and is offset against a reduction in MCO Tax revenue included in Item 1B above. (On April 3, 2020 CMS approved the DHCS request to continue the MCO Tax with an effective date of January 1, 2020).

The January Medical Loss Ratio is 92.5% which is favorable to the 93.0% budgeted amount. The January Administrative Expense Ratio is 6.0% which is favorable to the 6.6% budgeted amount.

**Kern Health Systems
Financial Packet
January 2020**

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, 2020			
ASSETS	JANAURY 2020	DECEMBER 2019	INC(DEC)
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 84,860,622	\$ 92,121,241	\$ (7,260,619)
Short-Term Investments	106,975,167	112,137,778	(5,162,611)
Premiums Receivable - Net	115,925,378	111,563,582	4,361,796
Premiums Receivable - Hospital Direct Payments	248,953,559	237,559,106	11,394,453
Interest Receivable	219,333	370,431	(151,098)
Other Receivables	1,005,109	848,180	156,929
Prepaid Expenses & Other Current Assets	2,675,655	2,691,077	(15,422)
Total Current Assets	\$ 560,614,823	\$ 557,291,395	\$ 3,323,428
CAPITAL ASSETS - NET OF ACCUM DEPREE:			
Land	4,090,706	4,090,706	-
Furniture and Equipment - Net	2,478,540	2,503,700	(25,160)
Computer Hardware and Software - Net	18,097,442	18,184,468	(87,026)
Building and Building Improvements - Net	36,103,975	36,244,785	(140,810)
Capital Projects in Progress	8,801,698	8,763,152	38,546
Total Capital Assets	\$ 69,572,361	\$ 69,786,811	\$ (214,450)
LONG TERM ASSETS:			
Restricted Investments	300,000	300,000	-
Officer Life Insurance Receivables	743,644	743,644	-
Total Long Term Assets	\$ 1,043,644	\$ 1,043,644	\$ -
DEFERRED OUTFLOWS OF RESOURCES	\$ 2,889,179	\$ 2,889,179	\$ -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 634,120,007	\$ 631,011,029	\$ 3,108,978
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accrued Salaries and Employee Benefits	\$ 3,071,925	\$ 2,786,847	285,078
Accrued Other Operating Expenses	3,353,182	4,305,782	(952,600)
Claims Payable (Reported)	21,148,377	17,289,154	3,859,223
IBNR - Inpatient Claims	30,185,522	31,564,630	(1,379,108)
IBNR - Physician Claims	19,061,305	19,221,349	(160,044)
IBNR - Accrued Other Medical	25,354,025	23,439,240	1,914,785
Risk Pool and Withholds Payable	4,272,595	3,775,315	497,280
Statutory Allowance for Claims Processing Expense	2,278,463	2,278,463	-
Other Liabilities	54,481,624	66,881,278	(12,399,654)
Accrued Hospital Directed Payments	248,712,613	237,317,695	11,394,918
Total Current Liabilities	\$ 411,919,631	\$ 408,859,753	\$ 3,059,878
NONCURRENT LIABILITIES:			
Net Pension Liability	7,038,233	7,038,233	-
TOTAL NONCURRENT LIABILITIES	\$ 7,038,233	\$ 7,038,233	\$ -
DEFERRED INFLOWS OF RESOURCES	\$ 420,664	\$ 420,664	\$ -
NET POSITION:			
Net Position - Beg. of Year	214,692,379	201,630,971	13,061,408
Increase (Decrease) in Net Position - Current Year	49,100	13,061,408	(13,012,308)
Total Net Position	\$ 214,741,479	\$ 214,692,379	\$ 49,100
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 634,120,007	\$ 631,011,029	\$ 3,108,978

			KERN HEALTH SYSTEMS MEDI-CAL - ALL COA			
CURRENT MONTH MEMBERS			STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION	YEAR-TO-DATE MEMBER MONTHS		
ACTUAL	BUDGET	VARIANCE	FOR THE MONTH ENDED JANUARY 31, 2020	ACTUAL	BUDGET	VARIANCE
ENROLLMENT						
166,448	167,500	(1,052)	Family Members	166,448	167,500	(1,052)
59,899	61,090	(1,191)	Expansion Members	59,899	61,090	(1,191)
15,667	14,730	937	SPD Members	15,667	14,730	937
6,626	6,205	421	Other Members	6,626	6,205	421
8,992	8,660	332	Kaiser Members	8,992	8,660	332
257,632	258,185	(553)	Total Members - MCAL	257,632	258,185	(553)
REVENUES						
28,111,536	27,346,401	765,135	Title XIX - Medicaid - Family and Other	28,111,536	27,346,401	765,135
23,135,804	23,145,509	(9,705)	Title XIX - Medicaid - Expansion Members	23,135,804	23,145,509	(9,705)
15,020,731	14,884,621	136,110	Title XIX - Medicaid - SPD Members	15,020,731	14,884,621	136,110
-	9,981,000	(9,981,000)	Premium - MCO Tax	-	9,981,000	(9,981,000)
11,276,584	11,066,756	209,828	Premium - Hospital Directed Payments	11,276,584	11,066,756	209,828
190,131	396,504	(206,373)	Investment Earnings And Other Income	190,131	396,504	(206,373)
-	72,362	(72,362)	Reinsurance Recoveries	-	72,362	(72,362)
118,333	-	118,333	Rate Adjustments - Hospital Directed Payments	118,333	-	118,333
819,618	-	819,618	Rate/Income Adjustments	819,618	-	819,618
78,672,737	86,893,154	(8,220,417)	TOTAL REVENUES	78,672,737	86,893,154	(8,220,417)
EXPENSES						
Medical Costs:						
14,757,546	14,305,600	(451,946)	Physician Services	14,757,546	14,305,600	(451,946)
4,334,953	4,603,792	268,839	Other Professional Services	4,334,953	4,603,792	268,839
5,226,947	5,122,697	(104,250)	Emergency Room	5,226,947	5,122,697	(104,250)
14,911,677	13,452,434	(1,459,243)	Inpatient	14,911,677	13,452,434	(1,459,243)
72,320	72,362	42	Reinsurance Expense	72,320	72,362	42
6,734,395	6,529,116	(205,279)	Outpatient Hospital	6,734,395	6,529,116	(205,279)
5,661,784	6,978,472	1,316,688	Other Medical	5,661,784	6,978,472	1,316,688
9,971,687	9,684,221	(287,466)	Pharmacy	9,971,687	9,684,221	(287,466)
497,280	499,050	1,770	Pay for Performance Quality Incentive	497,280	499,050	1,770
11,276,584	11,066,756	(209,828)	Hospital Directed Payments	11,276,584	11,066,756	(209,828)
118,333	-	(118,333)	Hospital Directed Payment Adjustment	118,333	-	(118,333)
57,172	-	(57,172)	Non-Claims Expense Adjustment	57,172	-	(57,172)
816	-	(816)	IBNR, Incentive, Paid Claims Adjustment	816	-	(816)
73,621,494	72,314,501	(1,306,993)	Total Medical Costs	73,621,494	72,314,501	(1,306,993)
5,051,243	14,578,653	(9,527,410)	GROSS MARGIN	5,051,243	14,578,653	(9,527,410)
Administrative:						
2,577,348	2,660,427	83,079	Compensation	2,577,348	2,660,427	83,079
805,903	860,227	54,324	Purchased Services	805,903	860,227	54,324
35,806	119,479	83,673	Supplies	35,806	119,479	83,673
287,390	329,375	41,985	Depreciation	287,390	329,375	41,985
353,414	372,438	19,024	Other Administrative Expenses	353,414	372,438	19,024
-	-	-	Administrative Expense Adjustment	-	-	-
4,059,861	4,341,946	282,085	Total Administrative Expenses	4,059,861	4,341,946	282,085
77,681,355	76,656,447	(1,024,908)	TOTAL EXPENSES	77,681,355	76,656,447	(1,024,908)
991,382	10,236,707	(9,245,325)	OPERATING INCOME (LOSS) BEFORE TAX	991,382	10,236,707	(9,245,325)
-	9,981,000	9,981,000	MCO TAX	-	9,981,000	9,981,000
991,382	255,707	735,675	OPERATING INCOME (LOSS) NET OF TAX	991,382	255,707	735,675
NONOPERATING REVENUE (EXPENSE)						
-	-	-	Gain on Sale of Assets	-	-	-
(380,080)	(333,333)	(46,747)	Provider Recruitment and Retention Grants	(380,080)	(333,333)	(46,747)
(562,202)	(507,759)	(54,443)	Health Home	(562,202)	(507,759)	(54,443)
(942,282)	(841,092)	(101,190)	TOTAL NONOPERATING REVENUE (EXPENSE)	(942,282)	(841,092)	(101,190)
49,100	(585,385)	634,485	NET INCREASE (DECREASE) IN NET POSITION	49,100	(585,385)	634,485
92.5%	93.0%	0.5%	MEDICAL LOSS RATIO	92.5%	93.0%	0.5%
6.0%	6.6%	0.6%	ADMINISTRATIVE EXPENSE RATIO	6.0%	6.6%	0.6%

			KERN HEALTH SYSTEMS MEDI-CAL			
			STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - PMPM			
CURRENT MONTH			FOR THE MONTH ENDED JANUARY 31, 2020	YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
ENROLLMENT						
166,448	167,500	(1,052)	Family Members	166,448	167,500	(1,052)
59,899	61,090	(1,191)	Expansion Members	59,899	61,090	(1,191)
15,667	14,730	937	SPD Members	15,667	14,730	937
6,626	6,205	421	Other Members	6,626	6,205	421
8,992	8,660	332	Kaiser Members	8,992	8,660	332
257,632	258,185	(553)	Total Members - MCAL	257,632	258,185	(553)
REVENUES						
162.42	157.43	4.99	Title XIX - Medicaid - Family and Other	162.42	157.43	4.99
386.25	378.88	7.37	Title XIX - Medicaid - Expansion Members	386.25	378.88	7.37
958.75	1,010.50	(51.75)	Title XIX - Medicaid - SPD Members	958.75	1,010.50	(51.75)
0.00	40.00	(40.00)	Premium - MCO Tax	0.00	40.00	(40.00)
45.35	44.35	1.00	Premium - Hospital Directed Payments	45.35	44.35	1.00
0.76	1.59	(0.82)	Investment Earnings And Other Income	0.76	1.59	(0.82)
0.00	0.29	(0.29)	Reinsurance Recoveries	0.00	0.29	(0.29)
0.48	0.00	0.48	Rate Adjustments - Hospital Directed Payments	0.48	0.00	0.48
3.30	0.00	3.30	Rate/Income Adjustments	3.30	0.00	3.30
316.41	348.23	(31.82)	TOTAL REVENUES	316.41	348.23	(31.82)
EXPENSES						
Medical Costs:						
59.35	57.33	(2.02)	Physician Services	59.35	57.33	(2.02)
17.43	18.45	1.02	Other Professional Services	17.43	18.45	1.02
21.02	20.53	(0.49)	Emergency Room	21.02	20.53	(0.49)
59.97	53.91	(6.06)	Inpatient	59.97	53.91	(6.06)
0.29	0.29	(0.00)	Reinsurance Expense	0.29	0.29	(0.00)
27.08	26.17	(0.92)	Outpatient Hospital	27.08	26.17	(0.92)
22.77	27.97	5.20	Other Medical	22.77	27.97	5.20
40.10	38.81	(1.29)	Pharmacy	40.10	38.81	(1.29)
2.00	2.00	0.00	Pay for Performance Quality Incentive	2.00	2.00	0.00
45.35	44.35	(1.00)	Hospital Directed Payments	45.35	44.35	(1.00)
0.48	0.00	(0.48)	Hospital Directed Payment Adjustment	0.48	0.00	(0.48)
0.23	0.00	(0.23)	Non-Claims Expense Adjustment	0.23	0.00	(0.23)
0.00	0.00	(0.00)	IBNR, Incentive, Paid Claims Adjustment	0.00	0.00	(0.00)
296.10	289.81	(6.29)	Total Medical Costs	296.10	289.81	(6.29)
20.32	58.43	(38.11)	GROSS MARGIN	20.32	58.43	(38.11)
Administrative:						
10.37	10.66	0.30	Compensation	10.37	10.66	0.30
3.24	3.45	0.21	Purchased Services	3.24	3.45	0.21
0.14	0.48	0.33	Supplies	0.14	0.48	0.33
1.16	1.32	0.16	Depreciation	1.16	1.32	0.16
1.42	1.49	0.07	Other Administrative Expenses	1.42	1.49	0.07
0.00	0.00	0.00	Administrative Expense Adjustment	0.00	0.00	0.00
16.33	17.40	1.07	Total Administrative Expenses	16.33	17.40	1.07
312.43	307.21	(5.22)	TOTAL EXPENSES	312.43	307.21	(5.22)
3.99	41.02	(37.04)	OPERATING INCOME (LOSS) BEFORE TAX	3.99	41.02	(37.04)
0.00	40.00	40.00	MCO TAX	0.00	40.00	40.00
3.99	1.02	2.96	OPERATING INCOME (LOSS) NET OF TAX	3.99	1.02	2.96
NONOPERATING REVENUE (EXPENSE)						
0.00	0.00	0.00	Gain on Sale of Assets	0.00	0.00	0.00
(1.53)	(1.34)	(0.19)	Reserve Fund Projects/Community Grants	(1.53)	(1.34)	(0.19)
(2.26)	(2.03)	(0.23)	Health Home	(2.26)	(2.03)	(0.23)
(3.79)	(3.37)	(0.42)	TOTAL NONOPERATING REVENUE (EXPENSE)	(3.79)	(3.37)	(0.42)
0.20	(2.35)	2.54	NET INCREASE (DECREASE) IN NET POSITION	0.20	(2.35)	2.54
92.5%	93.0%	0.5%	MEDICAL LOSS RATIO	92.5%	93.0%	0.5%
6.0%	6.6%	0.6%	ADMINISTRATIVE EXPENSE RATIO	6.0%	6.6%	0.6%

KERN HEALTH SYSTEMS MEDICAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - ROLLING 13 MONTHS THROUGH JANUARY 31, 2020														
	JANUARY 2019	FEBRUARY 2019	MARCH 2019	APRIL 2019	MAY 2019	JUNE 2019	JULY 2019	AUGUST 2019	SEPTEMBER 2019	OCTOBER 2019	NOVEMBER 2019	DECEMBER 2019	JANUARY 2020	13 MONTH TOTAL
ENROLLMENT														
Members - MCAL	245,830	247,101	247,836	248,254	248,349	250,896	249,380	249,466	251,277	251,039	250,459	249,381	249,193	3,238,461
REVENUES														
Title XIX - Medicaid - Family and Other	23,126,334	24,192,447	24,487,252	24,003,598	24,444,272	25,745,431	26,916,818	27,380,366	27,444,092	27,395,016	34,656,206	28,289,680	28,111,536	346,193,048
Title XIX - Medicaid - Expansion Members	21,975,726	23,396,309	22,894,496	23,046,615	23,133,193	23,356,415	21,829,172	22,748,791	23,117,928	22,908,874	25,545,000	24,658,622	23,135,804	301,746,945
Title XIX - Medicaid - SPD Members	11,970,651	12,067,762	12,439,467	12,488,048	13,147,466	13,032,438	14,355,421	14,965,261	15,059,382	15,759,913	16,141,207	15,294,321	15,020,731	181,742,068
Premium - MCO Tax	8,006,206	8,047,808	8,071,581	8,084,949	8,092,541	8,174,408	8,128,512	12,317,485	10,182,096	10,062,668	11,609,045	(52,290,862)	-	48,486,437
Premium - Hospital Directed Payments	-	-	-	-	-	-	-	-	-	-	-	-	136,163,466	11,276,584
Investment Earnings And Other Income	424,483	422,792	985,737	620,797	382,110	1,108,727	354,349	382,033	708,869	338,986	265,233	731,395	190,131	6,915,642
Reinsurance Recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rate Adjustments - Hospital Directed Payments	-	-	-	-	-	-	-	-	62,733,334	-	-	-	101,394,310	118,333
Rate/Income Adjustments	1,364,372	5,819,936	626,404	(173,473)	178,336	(703,658)	132,080	329,476	103,418	318,771	(3,664)	(391,644)	819,618	164,245,977
TOTAL REVENUES	66,867,772	73,947,054	69,504,937	68,070,534	69,377,918	70,713,761	71,716,351	78,123,412	139,349,119	76,784,328	88,213,027	253,849,288	78,672,737	1,205,190,138
EXPENSES														
Medical Costs:														
Physician Services	13,212,798	13,768,201	15,391,612	15,885,936	14,054,383	13,468,415	13,912,712	13,516,282	12,473,244	13,286,040	14,396,081	15,556,899	14,757,546	183,680,149
Other Professional Services	3,414,621	3,447,281	3,652,683	3,718,600	3,960,952	4,388,042	3,849,695	3,775,027	3,913,361	4,483,269	3,596,983	4,371,702	4,334,953	50,907,169
Emergency Room	4,459,099	4,710,529	4,835,728	5,525,268	5,106,796	4,698,111	5,181,359	4,645,061	4,697,451	5,571,836	5,227,569	4,729,725	5,226,947	64,615,479
Inpatient	12,961,386	12,906,122	13,546,028	12,850,017	12,181,510	14,390,451	13,332,634	15,238,360	15,564,329	14,951,334	14,657,214	14,449,035	14,911,677	181,940,097
Reinsurance Expense	125,136	125,026	126,021	126,397	126,609	126,658	126,658	129,256	127,228	129,075	128,012	128,012	72,320	1,594,686
Outpatient Hospital	5,414,223	6,037,448	6,885,177	6,373,571	6,408,304	5,912,776	6,609,411	6,523,398	6,130,800	6,128,586	6,141,173	4,767,801	6,734,395	80,067,063
Other Medical	5,564,320	6,854,723	6,448,536	6,141,817	7,183,716	6,357,547	6,715,805	6,439,790	7,570,084	5,832,261	16,655,345	6,649,662	5,661,784	94,075,390
Pharmacy	9,612,700	9,033,300	9,671,212	9,293,776	9,659,273	8,508,813	9,183,446	9,336,978	9,145,904	9,834,755	9,282,817	9,267,277	9,971,687	121,801,938
Pay for Performance Quality Incentive	491,660	494,202	495,672	496,508	496,698	501,792	498,760	498,932	502,552	500,918	500,918	497,280	497,280	6,475,814
Hospital Directed Payments	-	-	-	-	-	-	-	-	-	-	-	-	136,163,466	11,276,584
Hospital Directed Payment Adjustment	-	-	-	-	-	-	-	-	62,605,426	-	-	-	101,154,229	118,333
Non-Claims Expense Adjustment	197,435	367,246	324,378	(736,017)	39,610	756,640	19,252	11,717	11,329	(5,919)	(18,762)	4,624	57,172	1,028,705
IBNR, Incentive, Paid Claims Adjustment	(659,783)	4,381,620	(3,810,327)	(3,425,856)	(2,087,231)	(704,885)	(350,851)	202,480	374,161	20,741	(40,346)	(259,737)	816	(6,359,198)
Total Medical Costs	54,793,595	62,125,698	57,566,720	56,250,017	57,130,620	58,404,360	59,078,881	60,317,281	123,114,931	60,732,209	70,528,067	297,481,457	73,621,494	1,091,145,330
GROSS MARGIN	12,074,177	11,821,356	11,938,217	11,820,517	12,247,298	12,309,401	12,637,470	17,806,131	16,234,188	16,052,019	17,684,960	(43,632,169)	5,051,243	114,044,808
Administrative:														
Compensation	2,219,647	1,953,045	2,094,504	2,121,314	2,336,685	2,155,354	2,297,855	2,254,325	2,343,633	2,510,126	2,403,604	2,589,213	2,577,348	29,856,653
Purchased Services	534,139	538,593	901,569	783,945	882,833	449,468	805,910	605,801	836,783	831,542	805,047	1,358,494	805,903	10,140,027
Supplies	115,623	78,778	93,764	93,770	15,577	59,549	47,853	49,290	76,514	203,279	58,830	(7,208)	35,806	921,425
Depreciation	179,516	179,517	211,201	179,515	179,516	179,516	151,640	151,655	151,656	355,208	280,129	304,894	287,390	2,791,353
Other Administrative Expenses	326,629	188,631	246,439	302,417	239,380	412,596	338,545	489,494	523,591	519,786	270,201	3,414,959	353,414	4,556,082
Administrative Expense Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	1,325,136	-
Total Administrative Expenses	3,375,554	2,938,564	3,547,477	3,480,961	3,653,991	3,256,483	3,641,803	3,550,565	3,932,177	4,419,941	3,817,811	5,915,488	4,059,861	49,590,676
TOTAL EXPENSES	58,169,149	65,064,262	61,114,197	59,730,978	60,784,611	61,660,843	62,720,684	63,867,846	127,047,108	65,152,150	74,345,878	303,396,945	77,681,355	1,140,736,006
OPERATING INCOME (LOSS) BEFORE TAX	8,698,623	8,882,792	8,390,740	8,339,556	8,593,307	9,052,918	8,995,667	14,255,566	12,302,011	11,632,078	13,867,149	(49,547,657)	991,382	64,454,132
MCO TAX	8,088,119	8,087,918	8,087,918	8,087,918	8,087,918	8,087,917	8,051,211	12,279,276	10,165,243	10,057,218	12,283,003	(52,962,035)	-	48,401,624
OPERATING INCOME (LOSS) NET OF TAX	610,504	794,874	302,822	251,638	505,389	965,001	944,456	1,976,290	2,136,768	1,574,860	1,584,146	3,414,378	991,382	16,052,508
TOTAL NONOPERATING REVENUE (EXPENSE)	(116,870)	(104,330)	(133,960)	(191,455)	(359,160)	1,293,258	(306,804)	(151,504)	(380,606)	(236,574)	(885,928)	(425,785)	(942,282)	(2,942,000)
NET INCREASE (DECREASE) IN NET POSITION	493,634	690,544	168,862	60,183	146,229	2,258,259	637,652	1,824,786	1,756,162	1,338,286	698,218	2,988,893	49,100	13,110,508
MEDICAL LOSS RATIO	93.1%	94.3%	93.7%	93.8%	93.2%	93.4%	92.9%	91.7%	91.1%	91.0%	92.1%	87.7%	92.5%	92.3%
ADMINISTRATIVE EXPENSE RATIO	5.7%	4.5%	5.8%	5.8%	6.0%	5.2%	5.7%	5.4%	5.9%	6.6%	5.0%	8.6%	6.0%	5.9%

KERN HEALTH SYSTEMS MEDI-CAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - PMPM ROLLING 13 MONTHS THROUGH JANUARY 31, 2020														
	JANUARY 2019	FEBRUARY 2019	MARCH 2019	APRIL 2019	MAY 2019	JUNE 2019	JULY 2019	AUGUST 2019	SEPTEMBER 2019	OCTOBER 2019	NOVEMBER 2019	DECEMBER 2019	JANUARY 2020	13 MONTH TOTAL
ENROLLMENT														
Members - MCAL	245,830	247,101	247,836	248,254	248,349	250,896	249,380	249,466	251,277	251,039	250,459	249,381	249,193	3,238,461
REVENUES														
Title XIX - Medicaid - Family and Other	134.36	140.03	141.35	138.32	140.92	147.25	155.06	157.80	157.10	157.23	199.08	162.50	162.42	153.37
Title XIX - Medicaid - Expansion Members	371.66	391.12	383.67	384.32	386.02	383.23	360.65	374.91	377.23	373.38	419.77	410.96	386.25	384.85
Title XIX - Medicaid - SPD Members	820.75	831.51	839.09	846.53	878.96	862.90	940.48	980.04	984.27	1,019.80	1,039.69	1,000.74	958.75	924.43
Premium - MCO Tax	32.57	32.57	32.57	32.57	32.59	32.58	32.59	49.38	40.52	40.08	46.35	(209.68)	0.00	14.97
Premium - Hospital Directed Payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	546.01	45.25	45.33
Investment Earnings And Other Income	1.73	1.71	3.98	2.50	1.54	4.42	1.42	1.53	2.82	1.35	1.06	2.93	0.76	2.14
Reinsurance Recoveries	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
Rate Adjustments - Hospital Directed Payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	249.66	0.00	0.00	406.58	0.47	50.72
Rate/Income Adjustments	5.55	23.55	2.53	(0.70)	0.72	(2.80)	0.53	1.32	0.41	1.27	(0.01)	(1.57)	3.29	2.60
TOTAL REVENUES	272.01	299.26	280.45	274.20	279.36	281.84	287.58	313.16	354.56	305.87	352.21	1,017.92	315.71	372.15
EXPENSES														
Medical Costs:														
Physician Services	53.75	55.72	62.10	63.99	56.59	53.68	55.79	54.18	49.64	52.92	57.48	62.38	59.22	56.72
Other Professional Services	13.89	13.95	14.74	14.98	15.95	17.49	15.44	15.13	15.57	17.86	14.36	17.53	17.40	15.72
Emergency Room	18.14	19.06	19.51	22.26	20.56	18.73	20.78	18.62	18.69	22.20	20.87	18.97	20.98	19.95
Inpatient	52.72	52.23	54.66	51.76	49.05	57.36	53.46	61.08	61.94	59.56	58.52	57.94	59.84	56.18
Reinsurance Expense	0.51	0.51	0.51	0.51	0.51	0.50	0.51	0.52	0.50	0.51	0.52	0.51	0.29	0.49
Outpatient Hospital	22.02	24.43	27.78	25.67	25.80	23.57	26.50	26.15	24.40	24.41	24.52	19.12	27.02	24.72
Other Medical	22.63	27.74	26.02	24.74	28.93	25.34	26.93	25.81	30.13	23.23	66.50	26.66	22.72	29.05
Pharmacy	39.10	36.56	39.02	37.44	38.89	33.91	36.33	37.43	36.40	39.18	37.06	37.16	40.02	37.61
Pay for Performance Quality Incentive	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Hospital Directed Payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	546.01	45.25	45.33
Hospital Directed Payment Adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	249.15	0.00	0.00	405.62	0.47	50.60
Non-Claims Expense Adjustment	0.80	1.49	1.31	(2.96)	0.16	3.02	0.08	0.05	0.05	(0.02)	(0.07)	0.02	0.23	0.32
IBNR, Incentive, Paid Claims Adjustment	(2.68)	17.73	(15.37)	(13.80)	(8.40)	(2.81)	(1.41)	0.81	1.49	0.08	(0.16)	(1.04)	0.00	(1.96)
Total Medical Costs	222.89	251.42	232.28	226.58	230.04	232.78	236.90	241.79	489.96	241.92	281.60	1,192.88	295.44	336.93
GROSS MARGIN	49.12	47.84	48.17	47.61	49.31	49.06	50.68	71.38	64.61	63.94	70.61	(174.96)	20.27	35.22
Administrative:														
Compensation	9.03	7.90	8.45	8.54	9.41	8.59	9.21	9.04	9.33	10.00	9.60	10.38	10.34	9.22
Purchased Services	2.17	2.18	3.64	3.16	3.55	1.79	3.23	2.43	3.33	3.31	3.21	5.45	3.23	3.13
Supplies	0.47	0.32	0.38	0.38	0.06	0.24	0.19	0.20	0.30	0.81	0.23	(0.03)	0.14	0.28
Depreciation	0.73	0.73	0.85	0.72	0.72	0.72	0.61	0.61	0.60	1.41	1.12	1.22	1.15	0.86
Other Administrative Expenses	1.33	0.76	0.99	1.22	0.96	1.64	1.36	1.96	2.08	2.07	1.08	1.38	1.42	1.41
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	5.31	0.00	0.41
Total Administrative Expenses	13.73	11.89	14.31	14.02	14.71	12.98	14.60	14.23	15.65	17.61	15.24	23.72	16.29	15.31
TOTAL EXPENSES	236.62	263.31	246.59	240.60	244.75	245.76	251.51	256.02	505.61	259.53	296.84	1,216.60	311.73	352.25
OPERATING INCOME (LOSS) BEFORE TAX	35.38	35.95	33.86	33.59	34.60	36.08	36.07	57.14	48.96	46.34	55.37	(198.68)	3.98	19.90
MCO TAX	32.90	32.73	32.63	32.58	32.57	32.24	32.28	49.22	40.45	40.06	49.04	(212.37)	0.00	14.95
OPERATING INCOME (LOSS) NET OF TAX	2.48	3.22	1.22	1.01	2.03	3.85	3.79	7.92	8.50	6.27	6.32	13.69	3.98	4.96
TOTAL NONOPERATING REVENUE (EXPENSE)	(0.48)	(0.42)	(0.54)	(0.77)	(1.45)	5.15	(1.23)	(0.61)	(1.51)	(0.54)	(3.54)	(1.71)	(3.78)	(0.91)
NET INCREASE (DECREASE) IN NET POSITION	2.01	2.79	0.68	0.24	0.59	9.00	2.56	7.31	6.99	5.33	2.79	11.98	0.20	4.05
MEDICAL LOSS RATIO	93.1%	94.3%	93.7%	93.8%	93.2%	93.4%	92.9%	91.7%	91.1%	91.0%	92.1%	87.7%	92.5%	92.3%
ADMINISTRATIVE EXPENSE RATIO	5.7%	4.5%	5.8%	5.8%	6.0%	5.2%	5.7%	5.4%	5.9%	6.0%	5.0%	8.6%	6.0%	5.9%

CURRENT MONTH			KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF REVENUES - ALL COA FOR THE MONTH ENDED JANUARY 31, 2020			YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE				ACTUAL	BUDGET	VARIANCE
R E V E N U E S								
Title XIX - Medicaid - Family & Other								
21,818,100	22,059,724	(241,624)	Premium - Medi-Cal			21,818,100	22,059,724	(241,624)
2,097,651	2,375,503	(277,852)	Premium - Maternity Kick			2,097,651	2,375,503	(277,852)
20,923	72,313	(51,390)	Premium - Hep C Kick			20,923	72,313	(51,390)
645,813	592,435	53,378	Premium - BHT Kick			645,813	592,435	53,378
154,074	310,923	(156,849)	Premium - Health Home Kick			154,074	310,923	(156,849)
3,136,767	1,685,575	1,451,192	Premium - Provider Enhancement			3,136,767	1,685,575	1,451,192
155,637	156,013	(376)	Premium - Ground Emergency Medical Transportation			155,637	156,013	(376)
82,571	93,915	(11,344)	Other			82,571	93,915	(11,344)
28,111,536	27,346,401	765,135	Total Title XIX - Medicaid - Family & Other			28,111,536	27,346,401	765,135
Title XIX - Medicaid - Expansion Members								
20,871,048	21,183,611	(312,563)	Premium - Medi-Cal			20,871,048	21,183,611	(312,563)
349,608	214,189	135,419	Premium - Maternity Kick			349,608	214,189	135,419
177,842	303,377	(125,535)	Premium - Hep C Kick			177,842	303,377	(125,535)
329,126	519,998	(190,872)	Premium - Health Home Kick			329,126	519,998	(190,872)
1,221,296	742,244	479,053	Premium - Provider Enhancement			1,221,296	742,244	479,053
160,887	152,964	7,923	Premium - Ground Emergency Medical Transportation			160,887	152,964	7,923
25,997	29,126	(3,129)	Other			25,997	29,126	(3,129)
23,135,804	23,145,509	(9,705)	Total Title XIX - Medicaid - Expansion Members			23,135,804	23,145,509	(9,705)
Title XIX - Medicaid - SPD Members								
13,424,345	13,148,587	275,758	Premium - Medi-Cal			13,424,345	13,148,587	275,758
151,689	94,152	57,537	Premium - Hep C Kick			151,689	94,152	57,537
527,146	818,847	(291,701)	Premium - BHT Kick			527,146	818,847	(291,701)
330,825	416,635	(85,810)	Premium - Health Home Kick			330,825	416,635	(85,810)
447,533	282,521	165,012	Premium - Provider Enhancement			447,533	282,521	165,012
139,193	123,879	15,314	Premium - Ground Emergency Medical Transportation			139,193	123,879	15,314
15,020,731	14,884,621	136,110	Total Title XIX - Medicaid - SPD Members			15,020,731	14,884,621	136,110

KERN HEALTH SYSTEMS MEDI-CAL						
CURRENT MONTH			SCHEDULE OF MEDICAL COSTS - ALL COA FOR THE MONTH ENDED JANUARY 31, 2020	YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
PHYSICIAN SERVICES						
2,908,272	2,850,637	(57,635)	Primary Care Physician Services	2,908,272	2,850,637	(57,635)
10,425,085	10,031,328	(393,757)	Referral Specialty Services	10,425,085	10,031,328	(393,757)
1,414,889	1,414,336	(553)	Urgent Care & After Hours Advise	1,414,889	1,414,336	(553)
9,300	9,300	-	Hospital Admitting Team	9,300	9,300	-
14,757,546	14,305,600	(451,946)	TOTAL PHYSICIAN SERVICES	14,757,546	14,305,600	(451,946)
OTHER PROFESSIONAL SERVICES						
299,489	269,550	(29,939)	Vision Service Capitation	299,489	269,550	(29,939)
199,939	212,779	12,840	221 - Business Intelligence	199,939	212,779	12,840
550,905	546,875	(4,030)	310 - Health Services - Utilization Management - UM Allocation *	550,905	546,875	(4,030)
130,719	169,504	38,785	311 - Health Services - Quality Improvement - UM Allocation *	130,719	169,504	38,785
111,799	127,990	16,191	312 - Health Services - Education - UM Allocation *	111,799	127,990	16,191
88,153	94,630	6,477	313 - Health Services - Pharmacy - UM Allocation *	88,153	94,630	6,477
91,425	129,020	37,595	314 - Health Homes - UM Allocation *	91,425	129,020	37,595
267,758	258,856	(8,902)	315 - Case Management - UM Allocation *	267,758	258,856	(8,902)
56,335	61,775	5,440	616 - Disease Management - UM Allocation *	56,335	61,775	5,440
980,035	1,411,282	431,247	Behavior Health Treatment	980,035	1,411,282	431,247
330,842	170,233	(160,609)	Mental Health Services	330,842	170,233	(160,609)
1,227,554	1,151,298	(76,256)	Other Professional Services	1,227,554	1,151,298	(76,256)
4,334,953	4,603,792	268,839	TOTAL OTHER PROFESSIONAL SERVICES	4,334,953	4,603,792	268,839
5,226,947	5,122,697	(104,250)	EMERGENCY ROOM	5,226,947	5,122,697	(104,250)
14,911,677	13,452,434	(1,459,243)	INPATIENT HOSPITAL	14,911,677	13,452,434	(1,459,243)
72,320	72,362	42	REINSURANCE EXPENSE PREMIUM	72,320	72,362	42
6,734,395	6,529,116	(205,279)	OUTPATIENT HOSPITAL SERVICES	6,734,395	6,529,116	(205,279)
OTHER MEDICAL						
1,599,375	1,539,610	(59,765)	Ambulance and NEMT	1,599,375	1,539,610	(59,765)
392,407	388,198	(4,209)	Home Health Services & CBAS	392,407	388,198	(4,209)
308,250	488,105	179,855	Utilization and Quality Review Expenses	308,250	488,105	179,855
1,052,766	937,420	(115,346)	Long Term/SNF/Hospice	1,052,766	937,420	(115,346)
166,060	375,034	208,974	Health Home Capitation	166,060	375,034	208,974
2,142,926	3,142,584	999,658	Provider Enhancement Expense - Prop. 56 & GEMT	2,142,926	3,142,584	999,658
-	107,521	107,521	HHP Risk Pool/Incentive	-	107,521	107,521
5,661,784	6,978,472	1,316,688	TOTAL OTHER MEDICAL	5,661,784	6,978,472	1,316,688
PHARMACY SERVICES						
9,137,997	8,672,739	(465,258)	RX - Drugs & OTC	9,137,997	8,672,739	(465,258)
271,776	469,842	198,066	RX - HEP-C	271,776	469,842	198,066
696,914	687,324	(9,590)	Rx - DME	696,914	687,324	(9,590)
(135,000)	(145,684)	(10,684)	RX - Pharmacy Rebates	(135,000)	(145,684)	(10,684)
9,971,687	9,684,221	(287,466)	TOTAL PHARMACY SERVICES	9,971,687	9,684,221	(287,466)
497,280	499,050	1,770	PAY FOR PERFORMANCE QUALITY INCENTIVE	497,280	499,050	1,770
11,276,584	11,066,756	(209,828)	HOSPITAL DIRECTED PAYMENTS	11,276,584	11,066,756	(209,828)
118,333	-	(118,333)	HOSPITAL DIRECTED PAYMENT ADJUSTMENT	118,333	-	(118,333)
57,172	-	(57,172)	NON-CLAIMS EXPENSE ADJUSTMENT	57,172	-	(57,172)
816	-	(816)	IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT	816	-	(816)
73,621,494	72,314,501	(1,306,993)	Total Medical Costs	73,621,494	72,314,501	(1,306,993)

* Medical costs per DMHC regulations

CURRENT MONTH			KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS - ALL COA - PMPM FOR THE MONTH ENDED JANUARY 31, 2020	YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
PHYSICIAN SERVICES						
11.70	11.42	(0.27)	Primary Care Physician Services	11.70	11.42	(0.27)
41.93	40.20	(1.73)	Referral Specialty Services	41.93	40.20	(1.73)
5.69	5.67	(0.02)	Urgent Care & After Hours Advise	5.69	5.67	(0.02)
0.04	0.04	(0.00)	Hospital Admitting Team	0.04	0.04	(0.00)
59.35	57.33	(2.02)	TOTAL PHYSICIAN SERVICES	59.35	57.33	(2.02)
OTHER PROFESSIONAL SERVICES						
1.20	1.08	(0.12)	Vision Service Capitation	1.20	1.08	(0.12)
0.80	0.85	0.05	221 - Business Intelligence	0.80	0.85	0.05
2.22	2.19	(0.02)	310 - Health Services - Utilization Management - UM Allocation *	2.22	2.19	(0.02)
0.53	0.68	0.15	311 - Health Services - Quality Improvement - UM Allocation *	0.53	0.68	0.15
0.45	0.51	0.06	312 - Health Services - Education - UM Allocation *	0.45	0.51	0.06
0.35	0.38	0.02	313 - Health Services - Pharmacy - UM Allocation *	0.35	0.38	0.02
0.37	0.52	0.15	314 - Health Homes - UM Allocation *	0.37	0.52	0.15
1.08	1.04	(0.04)	315 - Case Management - UM Allocation *	1.08	1.04	(0.04)
0.23	0.25	0.02	616 - Disease Management - UM Allocation *	0.23	0.25	0.02
3.94	5.66	1.71	Behavior Health Treatment	3.94	5.66	1.71
1.33	0.68	(0.65)	Mental Health Services	1.33	0.68	(0.65)
4.94	4.61	(0.32)	Other Professional Services	4.94	4.61	(0.32)
17.43	18.45	1.02	TOTAL OTHER PROFESSIONAL SERVICES	17.43	18.45	1.02
21.02	20.53	(0.49)	EMERGENCY ROOM	21.02	20.53	(0.49)
59.97	53.91	(6.06)	INPATIENT HOSPITAL	59.97	53.91	(6.06)
0.29	0.29	(0.00)	REINSURANCE EXPENSE PREMIUM	0.29	0.29	(0.00)
27.08	26.17	(0.92)	OUTPATIENT HOSPITAL SERVICES	27.08	26.17	(0.92)
OTHER MEDICAL						
6.43	6.17	(0.26)	Ambulance and NEMT	6.43	6.17	(0.26)
1.58	1.56	(0.02)	Home Health Services & CBAS	1.58	1.56	(0.02)
1.24	1.96	0.72	Utilization and Quality Review Expenses	1.24	1.96	0.72
4.23	3.76	(0.48)	Long Term/SNF/Hospice	4.23	3.76	(0.48)
0.67	1.50	0.84	Health Home Capitation	0.67	1.50	0.84
8.62	12.59	3.98	Provider Enhancement Expense - Prop. 56 & GEMT	8.62	12.59	3.98
0.00	0.43	0.43	HHP Risk Pool/Incentive	0.00	0.43	0.43
22.77	27.97	5.20	TOTAL OTHER MEDICAL	22.77	27.97	5.20
PHARMACY SERVICES						
36.75	34.76	(1.99)	RX - Drugs & OTC	36.75	34.76	(1.99)
1.09	1.88	0.79	RX - HEP-C	1.09	1.88	0.79
2.80	2.75	(0.05)	Rx - DME	2.80	2.75	(0.05)
(0.54)	(0.58)	(0.04)	RX - Pharmacy Rebates	(0.54)	(0.58)	(0.04)
40.10	38.81	(1.29)	TOTAL PHARMACY SERVICES	40.10	38.81	(1.29)
2.00	2.00	0.00	PAY FOR PERFORMANCE QUALITY INCENTIVE	2.00	2.00	0.00
45.35	44.35	(1.00)	HOSPITAL DIRECTED PAYMENTS	45.35	44.35	(1.00)
0.48	0.00	(0.48)	HOSPITAL DIRECTED PAYMENT ADJUSTMENT	0.48	0.00	(0.48)
0.23	0.00	(0.23)	NON-CLAIMS EXPENSE ADJUSTMENT	0.23	0.00	(0.23)
0.00	0.00	(0.00)	IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT	0.00	0.00	(0.00)
296.10	289.81	(6.29)	Total Medical Costs	296.10	289.81	(6.29)

* Medical costs per DMHC regulations

KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS BY MONTH THROUGH JANUARY 31, 2020	JANUARY 2020	YEAR TO DATE 2020
PHYSICIAN SERVICES		
Primary Care Physician Services	2,908,272	2,908,272
Referral Specialty Services	10,425,085	10,425,085
Urgent Care & After Hours Advise	1,414,889	1,414,889
Hospital Admitting Team	9,300	9,300
TOTAL PHYSICIAN SERVICES	14,757,546	14,757,546
OTHER PROFESSIONAL SERVICES		
Vision Service Capitation	299,489	299,489
221 - Business Intelligence	199,939	199,939
310 - Health Services - Utilization Management - UM Allocation *	550,905	550,905
311 - Health Services - Quality Improvement - UM Allocation *	130,719	130,719
312 - Health Services - Education - UM Allocation *	111,799	111,799
313 - Health Services - Pharmacy - UM Allocation *	88,153	88,153
314 - Health Homes - UM Allocation *	91,425	91,425
315 - Case Management - UM Allocation *	267,758	267,758
616 - Disease Management - UM Allocation *	56,335	56,335
Behavior Health Treatment	980,035	980,035
Mental Health Services	330,842	330,842
Other Professional Services	1,227,554	1,227,554
TOTAL OTHER PROFESSIONAL SERVICES	4,334,953	4,334,953
EMERGENCY ROOM	5,226,947	5,226,947
INPATIENT HOSPITAL	14,911,677	14,911,677
REINSURANCE EXPENSE PREMIUM	72,320	72,320
OUTPATIENT HOSPITAL SERVICES	6,734,395	6,734,395
OTHER MEDICAL		
Ambulance and NEMT	1,599,375	1,599,375
Home Health Services & CBAS	392,407	392,407
Utilization and Quality Review Expenses	308,250	308,250
Long Term/SNF/Hospice	1,052,766	1,052,766
Enhanced Medical Benefits	166,060	166,060
Provider Enhancement Expense - Prop. 56 & GEMT	2,142,926	2,142,926
Home Health Capitated Medical Expense	0	-
TOTAL OTHER MEDICAL	5,661,784	5,661,784
PHARMACY SERVICES		
RX - Drugs & OTC	9,137,997	9,137,997
RX - HEP-C	271,776	271,776
Rx - DME	696,914	696,914
RX - Pharmacy Rebates	(135,000)	(135,000)
TOTAL PHARMACY SERVICES	9,971,687	9,971,687
PAY FOR PERFORMANCE QUALITY INCENTIVE	497,280	497,280
HOSPITAL DIRECTED PAYMENTS	11,276,584	11,276,584
HOSPITAL DIRECTED PAYMENT ADJUSTMENT	118,333	118,333
NON-CLAIMS EXPENSE ADJUSTMENT	57,172	57,172
IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT	816	816
Total Medical Costs	62,344,910	62,344,910

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KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS BY MONTH - PMPM THROUGH JANUARY 31, 2020	JANUARY 2020	YEAR TO DATE 2020
PHYSICIAN SERVICES		
Primary Care Physician Services	11.67	11.67
Referral Specialty Services	41.84	41.84
Urgent Care & After Hours Advise	5.68	5.68
Hospital Admitting Team	0.04	0.04
TOTAL PHYSICIAN SERVICES	59.22	59.22
OTHER PROFESSIONAL SERVICES		
Vision Service Capitation	1.20	1.20
221 - Business Intelligence	0.80	0.80
310 - Health Services - Utilization Management - UM Allocation *	2.21	2.21
311 - Health Services - Quality Improvement - UM Allocation *	0.52	0.52
312 - Health Services - Education - UM Allocation *	0.45	0.45
313 - Health Services - Pharmacy - UM Allocation *	0.35	0.35
314 - Health Homes - UM Allocation *	0.37	0.37
315 - Case Management - UM Allocation *	1.07	1.07
616 - Disease Management - UM Allocation *	0.23	0.23
Behavior Health Treatment	3.93	3.93
Mental Health Services	1.33	1.33
Other Professional Services	4.93	4.93
TOTAL OTHER PROFESSIONAL SERVICES	17.40	17.40
EMERGENCY ROOM	20.98	20.98
INPATIENT HOSPITAL	59.84	59.84
REINSURANCE EXPENSE PREMIUM	0.29	0.29
OUTPATIENT HOSPITAL SERVICES	27.02	27.02
OTHER MEDICAL		
Ambulance and NEMT	6.42	6.42
Home Health Services & CBAS	1.57	1.57
Utilization and Quality Review Expenses	1.24	1.24
Long Term/SNF/Hospice	4.22	4.22
Enhanced Medical Benefits	0.67	0.67
Provider Enhancement Expense - Prop. 56 & GEMT	8.60	8.60
Home Health Capitated Medical Expense	0.00	0.00
TOTAL OTHER MEDICAL	22.72	22.72
PHARMACY SERVICES		
RX - Drugs & OTC	36.67	36.67
RX - HEP-C	1.09	1.09
Rx - DME	2.80	2.80
RX - Pharmacy Rebates	(0.54)	(0.54)
TOTAL PHARMACY SERVICES	40.02	40.02
PAY FOR PERFORMANCE QUALITY INCENTIVE	2.00	2.00
HOSPITAL DIRECTED PAYMENTS	45.25	45.25
HOSPITAL DIRECTED PAYMENT ADJUSTMENT	0.47	0.47
NON-CLAIMS EXPENSE ADJUSTMENT	0.23	0.23
IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT	0.00	0.00
Total Medical Costs	295.44	295.44

CURRENT MONTH			KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF ADMINISTRATIVE EXPENSES BY DEPT FOR THE MONTH ENDED JANUARY 31, 2020	YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
339,242	314,514	(24,728)	110 - Executive	339,242	314,514	(24,728)
173,904	196,818	22,914	210 - Accounting	173,904	196,818	22,914
381,511	273,117	(108,394)	220 - Management Information Systems	381,511	273,117	(108,394)
-	13,054	13,054	221 - Business Intelligence	-	13,054	13,054
211,299	281,951	70,652	222 - MIS Development	211,299	281,951	70,652
359,015	415,725	56,710	225 - Infrastructure	359,015	415,725	56,710
556,280	556,622	342	230 - Claims	556,280	556,622	342
85,191	114,151	28,960	240 - Project Management	85,191	114,151	28,960
98,529	98,672	143	310 - Health Services - Utilization Management	98,529	98,672	143
10,824	55,092	44,268	311 - Health Services - Quality Improvement	10,824	55,092	44,268
-	67	67	312 - Health Services - Education	-	67	67
156,947	145,458	(11,489)	313- Pharmacy	156,947	145,458	(11,489)
222	-	(222)	314 - Health Homes	222	-	(222)
17,349	16,573	(776)	315 - Case Management	17,349	16,573	(776)
20,836	23,131	2,295	616 - Disease Management	20,836	23,131	2,295
256,860	313,552	56,692	320 - Provider Network Management	256,860	313,552	56,692
530,714	563,878	33,164	330 - Member Services	530,714	563,878	33,164
439,804	525,116	85,312	340 - Corporate Services	439,804	525,116	85,312
81,923	67,176	(14,747)	360 - Audit & Investigative Services	81,923	67,176	(14,747)
9,439	54,315	44,876	410 - Advertising Media	9,439	54,315	44,876
44,020	68,457	24,437	420 - Sales/Marketing/Public Relations	44,020	68,457	24,437
285,952	244,508	(41,444)	510 - Human Resources	285,952	244,508	(41,444)
4,059,861	4,341,946	282,085	Total Administrative Expenses	4,059,861	4,341,946	282,085

KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF ADMIN EXPENSES BY DEPT BY MONTH FOR THE MONTH ENDED JANUARY 31, 2020	JANUARY 2020	YEAR TO DATE 2020
110 - Executive	339,242	339,242
210 - Accounting	173,904	173,904
220 - Management Information Systems (MIS)	381,511	381,511
221 - Business Intelligence	-	-
222 - MIS Development	211,299	211,299
225 - Infrastructure	359,015	359,015
230 - Claims	556,280	556,280
240 - Project Management	85,191	85,191
310 - Health Services - Utilization Management	98,529	98,529
311 - Health Services - Quality Improvement	10,824	10,824
312 - Health Services - Education	-	-
313- Pharmacy	156,947	156,947
314 - Health Homes	222	222
315 - Case Management	17,349	17,349
616 - Disease Management	20,836	20,836
320 - Provider Network Management	256,860	256,860
330 - Member Services	530,714	530,714
340 - Corporate Services	439,804	439,804
360 - Audit & Investigative Services	81,923	81,923
410 - Advertising Media	9,439	9,439
420 - Sales/Marketing/Public Relations	44,020	44,020
510 - Human Resources	285,952	285,952
Total Department Expenses	4,059,861	4,059,861
ADMINISTRATIVE EXPENSE ADJUSTMENT	-	-
Total Administrative Expenses	4,059,861	4,059,861

KERN HEALTH SYSTEMS GROUP HEALTH PLAN - HFAM BALANCE SHEET STATEMENT AS OF JANUARY 31, 2020			
ASSETS	JANUARY 2020	DECEMBER 2019	INC(DEC)
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 1,216,318	\$ 1,210,361	5,957
Interest Receivable	2,640	7,920	(5,280)
Prepaid Expenses & Other Current Assets	4,167	5,000	(833)
TOTAL CURRENT ASSETS	\$ 1,223,125	\$ 1,223,281	\$ (156)
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Other Liabilities	94,396	94,396	-
TOTAL CURRENT LIABILITIES	\$ 94,396	\$ 94,396	\$ -
NET POSITION:			
Net Position- Beg. of Year	1,128,885	1,100,538	28,347
Increase (Decrease) in Net Position - Current Year	(156)	28,347	(28,503)
Total Net Position	\$ 1,128,729	\$ 1,128,885	\$ (156)
TOTAL LIABILITIES AND NET POSITION	\$ 1,223,125	\$ 1,223,281	\$ (156)

**KERN HEALTH SYSTEMS
GROUP HEALTH PLAN - HFAM
STATEMENT OF REVENUE, EXPENSES, AND CHANGES
IN NET POSITION
FOR THE MONTH ENDED JANUARY 31, 2020**

CURRENT MONTH			YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
ENROLLMENT					
-	-	-	-	-	-
REVENUES					
-	-	-	-	-	-
2,640	-	2,640	2,640	-	2,640
(1,963)	-	(1,963)	(1,963)	-	(1,963)
677	-	677	677	-	677
EXPENSES					
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
677	-	677	677	-	677
GROSS MARGIN					
Administrative					
833	-	(833)	833	-	(833)
833	-	(833)	833	-	(833)
TOTAL EXPENSES					
833	-	(833)	833	-	(833)
OPERATING INCOME (LOSS)					
(156)	-	(156)	(156)	-	(156)
TOTAL NONOPERATING REVENUE (EXPENSES)					
-	-	-	-	-	-
NET INCREASE (DECREASE) IN NET POSITION					
(156)	-	(156)	(156)	-	(156)
MEDICAL LOSS RATIO					
0%	0%	0%	0%	0%	0%
ADMINISTRATIVE EXPENSE RATIO					
123%	0%	-123%	123%	0%	-123%

KERN HEALTH SYSTEMS														
MONTHLY MEMBERS COUNT														
KERN HEALTH SYSTEMS														
MEDI-CAL		2020 MEMBER MONTHS	JAN'20	FEB'20	MAR'20	APR'20	MAY'20	JUN'20	JUL'20	AUG'20	SEP'20	OCT'20	NOV'20	DEC'20
ADULT AND FAMILY														
ADULT	43,519	43,519	0	0	0	0	0	0	0	0	0	0	0	0
CHILD	122,496	122,496	0	0	0	0	0	0	0	0	0	0	0	0
SUB-TOTAL ADULT & FAMILY	166,015	166,015	0	0	0	0	0	0	0	0	0	0	0	0
OTHER MEMBERS														
BCCTP-TOBACCO SETTLEMENT	26	26	0	0	0	0	0	0	0	0	0	0	0	0
DUALS														
PARTIAL DUALS - FAMILY	432	432	0	0	0	0	0	0	0	0	0	0	0	0
PARTIAL DUALS - CHILD	1	1	0	0	0	0	0	0	0	0	0	0	0	0
PARTIAL DUALS - BCCTP	1	1	0	0	0	0	0	0	0	0	0	0	0	0
SPD FULL DUALS	6,599	6,599	0	0	0	0	0	0	0	0	0	0	0	0
SUB-TOTAL DUALS	7,033	7,033	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL FAMILY & OTHER	173,074	173,074	0	0	0	0	0	0	0	0	0	0	0	0
SPD														
SPD (AGED AND DISABLED)	15,667	15,667	0	0	0	0	0	0	0	0	0	0	0	0
MEDI-CAL EXPANSION														
ACA Expansion Adult-Citizen	59,583	59,583	0	0	0	0	0	0	0	0	0	0	0	0
ACA Expansion Duals	316	316	0	0	0	0	0	0	0	0	0	0	0	0
SUB-TOTAL MED-CAL EXPANSION	59,899	59,899	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL KAISER	8,992	8,992	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL MEDI-CAL MEMBERS	257,632	257,632	0	0	0	0	0	0	0	0	0	0	0	0



To: Board of Directors

From: Douglas A. Hayward, CEO

Date: April 16, 2020

Re: Kern Community Foundation's "Kern County COVID-19 Relief Fund" Donation

Background

The Kern Community Foundation (KCF) created the **Kern County COVID-19 Relief Fund** to address the immediate and longer-term needs of our region's most vulnerable residents who are impacted by the Coronavirus. One hundred percent (100%) of the fund will be available through grants to Kern County nonprofit organizations serving vulnerable populations directly impacted by the physical or economic effects of the pandemic.

The COVID-19 Relief fund was created to support community and corporate giving through grants to qualified nonprofit Kern County based organizations. KCF is offering their grant making capacity to local organizations, like Kern Health Systems (KHS), so that we can support the community yet stay focused on the challenges facing us in our day-to-day operations as we deal with the coronavirus.

According to Kristen Beall Watson, KCF President and CEO, as of April 8th they received 19 requests from organizations for "Basic Needs". KCF continues to receive requests daily so this list will continue to grow. The maximum awarded amount available through this program is \$30,000 per entity. All applicants are registered with KCF, have a Guidestar rating of at least Silver and are considered to be viable 501(c)(3) organizations. In just 3 weeks, the Program has generated \$266,000 in donations and awarded \$189,100 in grants.

KHS will contribute \$100,000 to support nonprofits serving vulnerable populations with basic needs. While we will leverage KCF's grant making platform that facilitates the application process, all award decisions will be made by KHS leadership; meaning we decide who receives funding and how much each entity receives not to exceed \$30,000.

Some organizations that have submitted grant requests to KCF that are of interest to KHS include: Bethany Services – Bakersfield Homeless Center, Community Action Partnership of Kern Food Bank, The Mission at Kern County and Bakersfield Senior Center who provides meals to "shelter in place" seniors.

Requested Action

Authorize a donation of \$100,000 to the Kern Community Foundation's Kern County COVID-19 Relief Fund.

KHS Board of Directors Meeting
04/16/2020

**COVID -19 Impact
to Kern Health Systems**



Together in... health

COVID-19 Pandemic on California 04/09/20

On the Numbers and Data:

- 18,309 tested positive for COVID-19
- 492 deaths
- 1,132 people in the ICUs (1.9% drop from yesterday)
- 2,825 hospitalized (4.1% increase from yesterday)
- Racial/Ethnic Data Breakdown:
 - 30% of positives and 25% of deaths are within the Latino community
 - 7% of positives and 8% of deaths are within the African American community
 - 13% of positives and 18% of deaths are within the Asian community

Together in... health

COVID –19 Pandemic Impact

– Hospitals

- Pandemic Preparedness
 - Too few Dx tests
 - Too few PPEs
- Care shift away from elective procedures
- Revenue loss

– Physicians / Health Centers

- Drop in office practice and ambulatory services utilization
- Adoption of Telemedicine / Virtual Visits
- Business continuity disruption
 - Revenue losses
 - Site closings
 - Layoffs or furloughs

– Public Health

- No vaccine
- No cure
- No containment plan

Together in... health

COVID –19 Pandemic Impact

Member Concerns:

- **Limited knowledge about Coronavirus**
 - What are the symptoms?
 - How can I get it?
 - Where can I go to be tested?
- **Best Advice**
 - Shelter in Place
 - Maintain Social Distancing

Together in... health

KHS COVID -19 Impact (few weeks time)

COVID – 19 Government Directives (21 APLs in 27 days) pertaining to:

- MCAL benefits
- Medical Services requirements
- Utilization management protocols
- Network participation qualifications
- Member outreach responsibilities
- Member enrollment criteria
- Provider payment arrangements (configuration of new services)
- Governor’s Order (employee work location)

Together in... health

Response

Health Plans

– Program and Benefit Changes

- Relaxing policies and procedures pertaining to Dx and treatment for COVID -19 cases
- Relaxing Rx limits / adding disinfectants

– Provider Network Changes

- Practice Based Telephonic Consult Program
- COVID-19 24/7 Physician Hotline
- Practice Status Monitoring Program
 - Morning updates to DHCS showing: office hour cutbacks, location closures, telehealth capabilities, accepting new patients, etc.

Together in... health

Response

Health Plans

– Enrollment

- Redetermination halt
- Rise in unemployment estimated adding in KC -30K to 60K enrollees

– Member Communication

- Webpage, IVR messaging, mailings,
- Outreach to high risk members



KHS Specific Response

- Provider Network

- Financial Relief Program (\$25 million).
 - No interest payment advancements
 - Up to 50% of average 2019 monthly payment for three months
 - Repayment begins 2021

– Telecommuting Workforce

TOTAL	AVALIABLE	UNAVAILABLE	OFFSITE	ONSITE	REMOTE CONNECTIONS
450	434	3	427	20	429

– Telecommuting Support - technical assistance



Together in... health

KHS Specific Response

- **Telecommuting Workforce (cont.)**
 - Inter-department workflows
 - Regular Communication – daily Supv. check-ins
 - Virtual Meetings (software, technology)
 - Productivity
 - Technical Issue
 - Performance monitoring
 - Employee support
 - Personal Assistance
 - » COVID related Sick leave and Family circumstance
 - » Economic Hardship
 - KHS Connection
 - Messaging
 - Animated support vignettes

Together in... health

KHS Specific Response

Kern County Community Need

- Economic conditions (stay at home order)
 - Double digit unemployment from Layoffs, etc.
 - Disproportionately impacting KHS membership
 - 65% Medicaid population employed
 - Lower paying service jobs – hit hardest
- Kern County Foundation COVID – 19 Relief Fund
 - KHS Target Population (homeless, food deficient, homebound)
 - 100% contribution available through Grants
 - KCF will administer the program
 - KHS may choose the Grant recipients and awarded amount

Request:

Authorize a donation of \$100,000 to the Kern Community Foundation's Kern County COVID-19 Relief Fund.





To: KHS Board of Directors

From: Douglas Hayward, CEO

Date: April 16, 2020

Re: Update on KHS Strategic Plan

Background

After the close of each quarter Management updates the Board on KHS' Strategic Plan progress. With the conclusion of Q1 2020 of the 2018-2020 Strategic Plan, staff has included a presentation showing the current status. KHS is currently on track for items that were targeted for completion in the 1st quarter 2020.

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.

Requested Action

Receive and file.



Q1 2020 Strategic Plan Update

April 16, 2020

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 2020 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	Assigned To
Align Compensation and Network Configuration to improve service quality and value in the health care delivery system				
Look to ways to compensate providers through value based purchasing using cost-effective, quality driven Alternative Reimbursement Arrangements.				Emily Duran
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 for consideration.	1/1/2018	3/31/2018	100.00%	
Custom design payment strategies unique to specific care delivery systems	4/1/2018	8/1/2019	100.00%	
Determine desired outcome(s) for each	4/1/2018	12/31/2018	100.00%	
Determine impact to KHS internal operations for 2018 priorities	4/1/2018	7/1/2019	100.00%	
Develop provider specific proposals for 2018 priorities	1/1/2018	8/1/2019	100.00%	
For 2018 priorities Initiate provider contract revisions to change or enhance compensation	4/1/2018	8/1/2019	100.00%	
For 2018 priorities, begin monitoring to determine if targeted outcomes are achieved	1/1/2019	8/1/2019	100.00%	
Determine impact to KHS internal operations for 2019 priorities	1/1/2019	8/1/2019	100.00%	
Develop provider specific proposals for 2019 priorities	1/1/2019	12/31/2019	100.00%	
For 2019 priorities Initiate provider contract revisions to change or enhance compensation	1/1/2019	9/30/2019	100.00%	
For 2019 priorities, begin monitoring to determine if targeted outcomes are achieved	1/1/2019	10/31/2019	100.00%	
Design data tracking/reporting to determine achievement of the desired outcome	1/1/2020	6/30/2020	90.00%	
Determine impact to KHS internal operations for 2020 priorities	1/1/2020	6/30/2020	75.00%	
Begin monitoring to determine if targeted outcomes are achieved	1/1/2020	9/30/2020	50.00%	



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	Assigned To
Align Compensation and Network Configuration to improve service quality and value in the health care delivery system				
Focus on internal departmental restructuring, fostering partnership, and utilization of new technologies.				Deborah Murr
Reorganize UM, DM, CM Depts. 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	100.00%	
Identify vendor platforms for Medical Necessity Determination	1/1/2018	6/30/2018	100.00%	
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	100.00%	
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”.				Emily Duran Deborah Murr
Review network configuration to address Physical, Behavioral and Social Determinants	1/1/2018	11/30/2018	100.00%	
Adjust network configuration for changing population need and/or medical complexity	4/1/2018	11/30/2018	100.00%	
Using evidence based medicine as the standard, identify network gaps or limitations	4/1/2018	12/31/2018	100.00%	
Develop delivery system model to address needs at all levels using existing provider network, County Mental Health, County Human Services and Community Based Organizations	4/1/2018	12/31/2018	100.00%	
Develop clinical algorithms for Provider education to promote consistent management of member condition	4/1/2018	7/31/2019	100.00%	Deborah Murr
Establish provider compensation arrangements to support structure and performance goals, monitor expected outcomes	4/1/2018	10/31/2018	100.00%	
Ensure systems in place to communicate and coordinate patient care across the physical and mental health divide.	4/1/2018	11/15/2019	100.00%	Deborah Murr
Determine internal and external (Provider) operational needs to support concept	4/1/2018	11/15/2019	100.00%	Deborah Murr
Determine internal and external capital requirements where necessary to support concept	4/1/2018	11/15/2019	100.00%	Deborah Murr
Implementation	4/1/2018	12/31/2019	100.00%	Deborah Murr



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

Task Name	Start Date	Due Date	% Complete	Assigned To
Prepare for New Benefits / Programs /Coverage Populations/ Regulations				
Prepare for new or modified benefits, expanded coverage, or changes to the tracking and reporting requirements as required by government agencies				Jeremy McGuire
Determine the impact of changes to benefits or population coverage categories, or monitoring and reporting requirements on KHS and provider network	1/1/2018	12/31/2020	75.00%	Jeremy McGuire
BHT Expansion	1/1/2018	7/31/2018	100.00%	Deborah Murr
Diabetes Prevention Program	1/1/2018	12/31/2018	100.00%	Deborah Murr
DHCS Sanctions	3/1/2019	6/30/2019	100.00%	Jeremy McGuire
2019 State Budget Items	1/1/2019	7/30/2019	100.00%	Jeremy McGuire
DHCS Rx Carve-Out	1/1/2019	6/30/2020	60.00%	Bruce Wearda
DHCS LTC and Transplant Carve-In	9/1/2019	6/30/2020	60.00%	Deborah Murr
CalAIM	11/1/2019	7/30/2020	60.00%	Jeremy McGuire
ECM / ILOS	11/1/2019	6/30/2020	60.00%	Deb Murr
Establish a project plan for instituting new benefits, coverage expansion, or tracking and reporting requirements	1/1/2018	12/31/2020	75.00%	Jeremy McGuire
Palliative Care	1/1/2018	3/31/2018	100.00%	Deborah Murr
Health Homes	1/1/2018	12/31/2019	100.00%	Julie Worthing
Diabetes Prevention Program	11/1/2018	4/26/2019	100.00%	Martha Tasinga
DHCS Sanctions Projects	6/1/2019	6/30/2020	90.00%	Deborah Murr
2020 CalAIM Projects	4/1/2020	12/31/2020	10.00%	Deb Murr
Determine the impact of Managed Care Final Rule (MCFR) to KHS, its policy, procedures, protocols and tracking and reporting functions.	1/1/2018	12/31/2020	80.00%	Jeremy McGuire
Establish a project plan for adopting MCFR requirements instituting new benefits, coverage expansion, or tracking and reporting requirements	1/1/2018	12/31/2020	75.00%	Jeremy McGuire
Hospital Directed Payments	7/30/2018	6/30/2020	95.00%	Jeremy McGuire
COBA	1/1/2018	2/28/2019	100.00%	Jeremy McGuire
Post implementation, audit each activity to ensure installation and performance meets KHS and government agencies expectations.	1/1/2018	12/31/2020	75.00%	Carmen Dobry



Goal 3 – Increase Member Engagement in their Health Care

Task Name	Start Date	Due Date	% Complete	Assigned To
Increase Member Engagement in their Health Care				
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.				Alan Avery
Based on member's medical need, establish what programs and measures members can take to improve health outcomes.	1/1/2018	6/29/2018	100.00%	Martha Tasinga Deborah Murr
Gather information to determine ways to engage members more in maintaining health.	1/1/2018	3/29/2019	100.00%	Martha Tasinga
Develop a member engagement program with a goal to improve access to care in ways that will improve health status.	9/3/2018	6/28/2019	100.00%	Martha Tasinga Deborah Murr
Develop performance standards, data tracking system and reporting structure for the member engagement program.	3/1/2019	6/28/2019	100.00%	Richard Pruitt Martha Tasinga
In collaboration with providers, identify ways to reduce appointment no shows, sharing health information, establishing member accountability, emphasizing prevention and compliance	6/1/2018	12/31/2018	100.00%	Emily Duran
Leverage technology to enhance communication and improve service (administrative and clinical) to members	1/1/2018	6/28/2019	100.00%	Louie Iturria Martha Tasinga
Explore ways to report health metrics to members to begin tracking what works and outcomes	9/3/2018	6/28/2019	100.00%	Deborah Murr
Survey membership to gauge satisfaction with member engagement program	1/1/2018	6/28/2019	100.00%	
SPH Analytics conducts annual Provider and Member Satisfaction Survey	1/1/2018	9/30/2018	100.00%	Emily Duran
Conduct Member focused surveys to members who participate in Complex Case Management, Health Homes, Disease Management and Member Portal Users	1/1/2018	12/28/2018	100.00%	Deborah Murr Julie Worthing



Goal 4 – Assure Kern Health Systems’ Long Term Viability

Task Name	Start Date	Due Date	% Complete	Assigned To
Assure Kern Health Systems Long Term Viability				
Maintain a Financially viable organization capable of meeting its obligations to its members, providers, and government agencies.				Robert Landis
Annually develop an operating budget enabling KHS to achieve its annual goals	6/1/2020	12/10/2020	0.00%	Robert Landis
Annually develop capital budget to support new programs, member growth and benefits	8/3/2020	10/9/2020	0.00%	Robert Landis
Determine Capital Budget And Estimated Depreciation Expense	8/31/2020	10/9/2020	0.00%	
Prepare 2021 Capital Budget	8/31/2020	10/9/2020	0.00%	
Executive Review And Discussion - Executives to Review Capital Budget	9/28/2020	10/9/2020	0.00%	
Draft Capital Presented To Finance Committee	10/12/2020	11/13/2020	0.00%	
Final Capital Presented To Finance Committee - December Meeting	11/2/2020	12/4/2020	0.00%	
Final Capital Presented To KHS Board For Approval - December Meeting	12/4/2020	12/10/2020	0.00%	
Retain sufficient reserves to protect KHS from unexpected events to include but not limited to: unforeseen underwriting risks (adverse selection), actuarially unsound rates, un-financed or under financed required benefits, payment delays, future growth	1/1/2020	12/31/2020	30.00%	Robert Landis
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.	1/1/2020	12/31/2020	30.00%	Robert Landis
Relocate KHS offices to its new facility which is convenient to members and able to house all functions in one location.				Emily Duran, MSA
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	5/30/2018	1/31/2019	100.00%	
Novate all Contracts to S.C. Anderson	6/1/2017	1/31/2019	100.00%	
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	1/1/2019	12/31/2019	100.00%	
Monitor On-Going Construction	1/1/2019	12/31/2019	100.00%	
Monitor Construction Budget	1/1/2019	12/31/2019	100.00%	
Compliance Oversight GC	1/1/2019	12/31/2019	100.00%	
Coordinate Move	9/30/2018	9/15/2019	100.00%	
Occupancy	7/1/2019	9/15/2019	100.00%	



Goal 4 – Assure Kern Health Systems’ Long Term Viability

Task Name	Start Date	Due Date	% Complete	Assigned To
Assure Kern Health Systems Long Term Viability				
Consider opportunities to expand KHS business suitable to the mission and business model.				Jeremy McGuire
Monitor key regulatory areas of MC Waiver, SUDS, APM/CP3 FQHC payment reform and CCI	1/1/2018	12/31/2020	80.00%	Jeremy McGuire
Monitor Medi-Cal marketplace trends e.g. Continuation of the two-plan model, entrance of new commercial managed care plans and public plan option in the ACA	1/1/2018	12/31/2020	80.00%	Jeremy McGuire
Continue expanding HHP model to additional qualified contracted provider’s sites sufficient to meet the requirements as determined by DHCS.	1/1/2018	12/31/2020	85.00%	Julie Worthing Emily Duran
Continue participation in implementation of Whole Person Care	1/1/2018	2/28/2018	100.00%	Emily Duran,
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	80.00%	Jeremy McGuire
Consider future Medicare SNP expansion	1/1/2020	6/30/2020	15.00%	Jeremy McGuire
Ensure achievement of the annual Medical Loss Ratio as determined in KHS’s annual budget				Deborah Murr
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	75.00%	
Review applicable changes in treatment modalities or best practices impacting respective medical service categories.	1/1/2018	12/31/2020	75.00%	
Identify potential medical service areas for impact and determine intervention strategies(s) required to achieve desired results	1/1/2018	12/31/2020	75.00%	
Develop reporting and monitoring system	1/1/2018	12/31/2020	75.00%	



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	Assigned To
Optimize the use of technology to improve service to constituency and increase administrative / operations economies of scale.				
Continue to maximize utility of the new UM, CM, DM and QI operating system to integrate medical management responsibilities using a single platform (JIVA).				Deborah Murr
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	5/31/2020	95.00%	
Implement JIVA Phase 3 to integrate HHP and QI Programs	1/1/2018	7/1/2019	100.00%	
Include prospects in annual project planning	1/1/2018	12/31/2020	65.00%	
Develop project budgets along with ROI and/or cost-benefit analysis	1/1/2018	12/31/2020	65.00%	
Continuously monitor and control for operational effectiveness	1/1/2018	12/31/2020	65.00%	
Increase data sharing between and among providers and KHS to reduce health care cost and/or enhance the patient care experience				Richard Pruitt
Identify opportunities for sharing information (e.g. Health Homes Program, telehealth, EDI)	1/1/2018	12/31/2019	100.00%	
Educate applicable providers about the importance of data sharing to reduce health care costs and/or enhance the patient care experience.	1/1/2018	12/31/2019	100.00%	
Develop approaches KHS can implement with providers to achieve a level of data sharing	1/1/2018	12/31/2019	100.00%	
Analyze and evaluate products or methods for effectiveness and compatibility with the health plan and provider community	1/1/2018	12/31/2019	100.00%	
Complete a cost benefit analysis of the data sharing program	1/1/2018	12/31/2018	100.00%	
Present to Board of Directors	1/1/2018	12/31/2018	100.00%	
Create plan for implementation	1/1/2018	12/31/2018	100.00%	
Implement regulatory interoperability requirements	3/1/2020	12/31/2020	20.00%	
Review and analyze requirements	3/1/2020	6/30/2020	20.00%	
Procure/build solution	5/1/2020	12/31/2020	0.00%	
Market/train constituents	7/1/2020	12/31/2020	0.00%	
Available for utilization	12/31/2020	12/31/2020	0.00%	



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	Assigned To
Optimize the use of technology to improve service to constituency and increase administrative / operations economies of scale.				
Continuously identify and promote organizational efficiencies and process improvement through Business Process Reengineering (BPR).				Richard Pruitt
Identify and analyze efficiencies and improvement opportunities	1/1/2020	12/31/2020	25.00%	
Establish projects into annual project and budget planning	1/1/2020	12/31/2020	25.00%	
Align these initiatives with annual departmental goals and objectives	1/1/2020	12/31/2020	25.00%	
Continuously monitor and control for operational effectiveness	1/1/2020	12/31/2020	25.00%	
Create and execute project plans	1/1/2020	12/31/2020	25.00%	
Review and Update Disaster Recovery and Business Continuity Plans to minimize risk of operational downtime				Richard Pruitt Alan Avery
Update Disaster Recovery Plan	1/1/2020	4/30/2020	25.00%	
Procure and Install Disaster Recovery Software	1/1/2020	6/30/2020	15.00%	
Disaster Recovery testing	6/1/2020	9/30/2020	0.00%	
Report to Board of Directors	10/1/2020	12/31/2020	0.00%	



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

Task Name	Start Date	Due Date	% Complete	Assigned To
Develop business intelligence unit devoted to support metrics driven performance and management at all organizational levels				
Create a KHS Business Intelligence Department with clearly defined roles and responsibilities.				Richard Pruitt
Identify personnel from multiple departments that are capable of contributing towards BI	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	100.00%	
Establish employee job descriptions, standards, roles and responsibilities, 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%	
Develop Business Intelligence Department processes and procedures to create an effective and efficient team that will support KHS.				Richard Pruitt
Create a business analytic intake process that identifies needs, problems, actions, outcomes	1/1/2018	3/31/2018	100.00%	
Establish new data analytics procedure that optimizes full potential outcome and benefits	1/1/2018	6/30/2018	100.00%	
Create process analytics procedure that can identify areas of opportunity for process improvement or continuous improvement.	1/1/2018	6/30/2018	100.00%	
Implement corporate KPI Census reporting process that communicates the measure and performance of established KPIs	1/1/2018	6/30/2019	100.00%	
Establish Audit/QA process to ensure that the department produces quality work products.	1/1/2018	12/31/2019	100.00%	
Establish regular monitoring of department processes/KPI/Data Governance to identify anomalies, unacceptable variance, or issues.	1/1/2018	12/31/2019	100.00%	
Provide business visibility of services contributed by BI efforts	1/1/2018	12/31/2019	100.00%	
Manage Inventory Process	1/1/2018	12/31/2018	100.00%	
Create Corporate Policies to support the new Business Intelligence processes/procedures	1/1/2018	12/31/2019	100.00%	



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

Task Name	Start Date	Due Date	% Complete	Assigned To
Develop business intelligence unit devoted to support metrics driven performance and management at all organizational levels				
Provide centralized standard operational reporting and analytics for the company.				Richard Pruitt
Provide Dept.'s data analysis and routine or adhoc reporting support.	1/1/2018	12/31/2020	100.00%	
Provide Depts. with tools and training to perform routine data analysis and reporting				Richard Pruitt
Empowering Depts. with the ability to perform self-service reporting capabilities and basic analytics for routine or simple analysis	1/1/2018	12/31/2020	0.00%	
Create quality control protocol to monitor dept reports for consistency and accuracy	1/1/2018	3/31/2020	100.00%	
Evaluate Depts. data and information requirements	1/1/2018	12/31/2018	100.00%	
Continue to develop and refine a metrics-driven performance culture within the organizations administrative and medical disciplines to enhance operations.				Richard Pruitt
Analyze and establish metric oriented baselines for measurement:Finance ,Health Services,Physician Peer Profiles,HHP,Pharmacy,KHS/Statewide (DHCS) Benchmarks	1/1/2018	12/31/2019	100.00%	
Create presentation model(s) to ensure transparent and fluid communication with endpoint	1/1/2018	12/31/2019	100.00%	
Continuously monitor and affirm metrics and performance for effectiveness	1/1/2018	12/31/2019	100.00%	
Provide support for the annual Corporate Project Portfolio through Business Intelligence	1/1/2020	12/31/2020	25.00%	Jeremy McGuire
Verify and Validate Return on Investment (ROI) Project Calculation prior to Project	1/1/2020	12/31/2020	25.00%	
Identify and create 2019 Project metrics	1/1/2020	12/31/2020	25.00%	
Measure Factors that are critical to the success of each Project	1/1/2020	12/31/2020	25.00%	



To: KHS Board of Directors

From: Robert Landis, CFO

Date: April 16, 2020

Re: December 2019 Financial Results

The December results reflect a \$2,988,593 Net Increase in Net Position which is a \$2,473,355 favorable variance to the budget. Listed below are the major variances for the month:

- 1) Total Revenues reflect a \$185.4 million favorable variance primarily due to:
 - A) \$1.1 million favorable variance in Family and Other primarily due to a higher than expected budgeted rate increase from the State.
 - B) \$1.9 million favorable variance in Expansion primarily due to additional rate range revenues accrued.
 - C) \$2.2 million favorable variance in SPD primarily due to a higher than expected budgeted rate increase from the State (\$1.2 million) and higher than expected enrollment (\$1.0 million).
 - D) 3.4 million favorable variance in Proposition 56 Supplemental Revenue due to an unbudgeted increase in tobacco tax revenue funds being allocated in fiscal year 19/20 for additional CPT procedure codes along with an increase in supplemental allowable payable amounts offset against expenses included in 2B below.
 - E) \$60.7 million unfavorable variance in Premium-MCO Tax due to CMS notifying DHCS that the request to continue the MCO Tax for the period beginning July 1, 2019 was rejected. The California State budget did not include the MCO Tax so there is no immediate impact on the State's budget. The State is assessing its options and has submitted a revised MCO Tax proposal. Accordingly, KHS decreased the MCO Tax revenue that was accrued during the period 7/1/19-11/30/19, which was offset against a reduction in MCO Tax expenses included in Item 4 below.
 - F) \$136.2 million favorable variance in Premium-Hospital Directed Payments (current calendar year) due to DHCS requiring Hospital Directed Payments to be considered as at-risk revenue instead of being treated as pass-thru revenue. The at-risk nature of these payments from the State requires the revenue to be recorded on our Income Statement. Although the revenue is now included on the Income Statement, these amounts are not included in the Medical Loss and Admin Expense Ratios in order to keep the ratios comparable to prior periods.

As there could be up to a 12-24 month delay in receiving the Hospital Directed Payments from the State, there will be a corresponding receivable reflected on the Balance Sheet until the funds are received.

- G) \$101.4 million favorable variance in Rate Adjustments-Hospital Directed Payments (prior calendar year) due to DHCS requiring Hospital Directed Payments to be considered as at-risk revenue instead of being treated as pass-thru revenue. The at-risk nature of these payments from the State requires the revenue to be recorded on our Income Statement. Although the revenue is now included on the Income Statement, these amounts are not included in the Medical Loss and Admin Expense Ratios in order to keep the ratios comparable to prior periods.

As there could be up to a 12-24 month delay in receiving the Hospital Directed Payments from the State, there will be a corresponding receivable reflected on the Balance Sheet until the funds are received.

- 2) Total Medical Costs reflect a \$241.9 million unfavorable variance primarily due to:

- A) \$2.0 million unfavorable variance in Physician Services primarily due to higher than expected utilization of Referral Specialty Services by Expansion and Family and Other members.
- B) \$2.5 million unfavorable variance in Other Medical primarily due to accruing for estimated Proposition 56 expenses relating to unbudgeted additional CPT procedure codes along with increases in supplemental allowable payable amounts (\$1.4 million) offset against revenue included in 1D above. There was also an unfavorable variance in Ambulance and NEMT (\$.5 million) and Long Term/SNF/Hospice Services (\$.3 million) primarily due to higher than expected utilization.
- C) \$136.2 million unfavorable variance in Hospital Directed Payments (current calendar year) due to DHCS requiring Hospital Directed Payments to be considered as an at-risk payment instead of being treated as a pass-thru payment. The at-risk nature of these payments from the State requires the expense to be recorded on our Income Statement. Although the expense is now included on the Income Statement, these amounts are not included in the Medical Loss and Admin Expense Ratios in order to keep the ratios comparable to prior periods.

As there could be up to a 12-24 month delay in receiving the Hospital Directed Payments from the State, there will be a corresponding payable reflected on the Balance Sheet until the funds are actually paid.

- D) \$101.2 million unfavorable variance in Hospital Directed Payment Adjustment (prior calendar year) due to DHCS requiring Hospital Directed Payments to be considered as an at-risk payment instead of being treated as a pass-thru payment. The at-risk nature of these payments from the State requires the expense to be recorded on our Income Statement. Although the expense is now included on the Income Statement, these amounts are not included in the Medical Loss and Admin Expense Ratios in order to keep the ratios comparable to prior periods.

As there could be up to a 12-24 month delay in receiving the Hospital Directed Payments from the State, there will be a corresponding payable reflected on the Balance Sheet until the funds are paid.

- 3) Total Administrative Expenses reflect a \$2.2 million unfavorable variance primarily due to a \$1.4 million unfavorable variance in Administrative Expense Adjustment relating to a net pension liability expense for the period July 1, 2018 to June 30, 2019 required under GASB 68.
- 4) \$61.3 million favorable variance in MCO Tax due to CMS notifying DHCS that the request to continue the MCO Tax for the period beginning July 1, 2019 was rejected. Accordingly, KHS decreased the MCO Tax expense that was accrued during the period 7/1/19-11/30/19 which was offset against a reduction in MCO Tax revenue included in Item 1E above.

The December Medical Loss Ratio is 87.7% which is favorable to the 92.5% budgeted amount. The December Administrative Expense Ratio is 8.6% which is unfavorable to the 6.2% budgeted amount.

The results for the 12 months ended December 31, 2019 reflect a Net Increase in Net Position of \$13,061,408. This is a \$16,050,803 favorable variance to budget and includes approximately \$11.7 million of favorable adjustments from the prior year and a \$2.2 million gain from the sale of the Stockdale Building. The year-to-date Medical Loss Ratio is 92.3% which is favorable to the 93.7% budgeted amount. The year-to-date Administrative Expense Ratio is 5.9% which is favorable to the 6.2% budgeted amount.

**Kern Health Systems
Financial Packet
December 2019**

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, 2019			
ASSETS	DECEMBER 2019	NOVEMBER 2019	INC(DEC)
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 92,121,241	\$ 86,985,892	\$ 5,135,349
Short-Term Investments	112,137,778	105,994,536	6,143,242
Premiums Receivable - Net	111,563,582	157,429,497	(45,865,915)
Premiums Receivable - Hospital Direct Payments	237,559,106	-	237,559,106
Interest Receivable	370,431	467,768	(97,337)
Other Receivables	848,180	1,667,833	(819,653)
Prepaid Expenses & Other Current Assets	2,691,077	1,291,258	1,399,819
Total Current Assets	\$ 557,291,395	\$ 353,836,784	\$ 203,454,611
CAPITAL ASSETS - NET OF ACCUM DEPREE:			
Land	\$ 4,090,706	4,090,706	-
Furniture and Equipment - Net	2,503,701	322,420	2,181,281
Computer Hardware and Software - Net	18,203,668	9,821,902	8,381,766
Building and Building Improvements - Net	36,244,783	37,824,849	(1,580,066)
Capital Projects in Progress	8,743,953	17,190,814	(8,446,861)
Total Capital Assets	\$ 69,786,811	\$ 69,250,691	\$ 536,120
LONG TERM ASSETS:			
Restricted Investments	\$ 300,000	300,000	-
Officer Life Insurance Receivables	743,644	703,552	40,092
Total Long Term Assets	\$ 1,043,644	\$ 1,003,552	\$ 40,092
DEFERRED OUTFLOWS OF RESOURCES	\$ 2,889,179	\$ 2,657,573	\$ 231,606
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 631,011,029	\$ 426,748,600	\$ 204,262,429
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accrued Salaries and Employee Benefits	\$ 2,786,847	\$ 3,278,894	(492,047)
Accrued Other Operating Expenses	4,305,782	4,313,590	(7,808)
Accrued Taxes and Licenses	-	52,784,142	(52,784,142)
Claims Payable (Reported)	17,289,154	14,797,591	2,491,563
IBNR - Inpatient Claims	31,564,630	26,950,170	4,614,460
IBNR - Physician Claims	19,221,349	14,938,539	4,282,810
IBNR - Accrued Other Medical	23,439,240	21,520,281	1,918,959
Risk Pool and Withholds Payable	3,775,315	3,277,369	497,946
Statutory Allowance for Claims Processing Expense	2,278,463	2,326,151	(47,688)
Other Liabilities	66,881,278	65,003,620	1,877,658
Accrued Hospital Directed Payments	237,317,695	-	237,317,695
Total Current Liabilities	\$ 408,859,753	\$ 209,190,347	\$ 199,669,406
NONCURRENT LIABILITIES:			
Net Pension Liability	\$ 7,038,233	5,490,163	1,548,070
TOTAL NONCURRENT LIABILITIES	\$ 7,038,233	\$ 5,490,163	\$ 1,548,070
DEFERRED INFLOWS OF RESOURCES	\$ 420,664	\$ 364,304	\$ 56,360
NET POSITION:			
Net Position - Beg. of Year	\$ 201,630,971	201,630,971	-
Increase (Decrease) in Net Position - Current Year	13,061,408	10,072,815	2,988,593
Total Net Position	\$ 214,692,379	\$ 211,703,786	\$ 2,988,593
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 631,011,029	\$ 426,748,600	\$ 204,262,429

			KERN HEALTH SYSTEMS MEDI-CAL - ALL COA					
CURRENT MONTH MEMBERS			STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION			YEAR-TO-DATE MEMBER MONTHS		
ACTUAL	BUDGET	VARIANCE	FOR THE MONTH ENDED DECEMBER 31, 2019			ACTUAL	BUDGET	VARIANCE
ENROLLMENT								
167,296	171,400	(4,104)	Family Members		2,006,331	2,030,400	(24,069)	
60,003	59,675	328	Expansion Members		724,165	716,100	8,065	
15,283	14,200	1,083	SPD Members		180,932	170,400	10,532	
6,799	5,600	1,199	Other Members		77,840	67,200	10,640	
9,007	8,400	607	Kaiser Members		103,876	100,800	3,076	
258,388	259,275	(887)	Total Members - MCAL		3,093,144	3,084,900	8,244	
REVENUES								
28,289,680	24,560,250	3,729,430	Title XIX - Medicaid - Family and Other		318,081,512	286,684,956	31,396,556	
24,658,622	22,329,139	2,329,483	Title XIX - Medicaid - Expansion Members		278,611,141	265,560,689	13,050,452	
15,294,321	12,671,587	2,622,734	Title XIX - Medicaid - SPD Members		166,721,337	147,593,808	19,127,529	
(52,290,862)	8,378,054	(60,668,916)	Premium - MCO Tax		48,486,437	99,655,013	(51,168,576)	
136,163,466	-	136,163,466	Premium - Hospital Directed Payments		136,163,466	-	136,163,466	
731,395	397,498	333,897	Investment Earnings And Other Income		6,725,511	4,728,149	1,997,363	
-	127,946	(127,946)	Reinsurance Recoveries		-	1,521,891	(1,521,891)	
101,394,310	-	101,394,310	Rate Adjustments - Hospital Directed Payments		164,127,644	-	164,127,644	
(391,644)	-	(391,644)	Rate/Income Adjustments		7,600,354	-	7,600,354	
253,849,288	68,464,474	185,384,814	TOTAL REVENUES		1,126,517,401	805,744,505	320,772,896	
EXPENSES								
Medical Costs:								
15,556,899	13,598,593	(1,958,306)	Physician Services		168,922,603	162,120,783	(6,801,820)	
4,371,702	3,510,969	(860,733)	Other Professional Services		46,572,216	41,793,413	(4,778,803)	
4,729,725	4,622,589	(107,136)	Emergency Room		59,388,532	55,042,764	(4,345,768)	
14,449,035	13,620,946	(828,089)	Inpatient		167,028,420	162,686,594	(4,341,826)	
128,012	127,946	(66)	Reinsurance Expense		1,522,366	1,521,891	(475)	
4,767,801	5,728,482	960,681	Outpatient Hospital		73,332,668	68,407,970	(4,924,698)	
6,649,662	4,143,177	(2,506,485)	Other Medical		88,413,606	48,191,066	(40,222,540)	
9,267,277	9,711,659	444,382	Pharmacy		111,830,251	116,079,183	4,248,932	
498,762	501,750	2,988	Pay for Performance Quality Incentive		5,978,534	5,968,200	(10,334)	
136,163,466	-	(136,163,466)	Hospital Directed Payments		136,163,466	-	(136,163,466)	
101,154,229	-	(101,154,229)	Hospital Directed Payment Adjustment		163,759,655	-	(163,759,655)	
4,624	-	(4,624)	Non-Claims Expense Adjustment		971,533	-	(971,533)	
(259,737)	-	259,737	IBNR, Incentive, Paid Claims Adjustment		(6,360,014)	-	6,360,014	
297,481,457	55,566,112	(241,915,345)	Total Medical Costs		1,017,523,836	661,811,864	(355,711,972)	
(43,632,169)	12,898,362	(56,530,531)	GROSS MARGIN		108,993,565	143,932,642	(34,939,076)	
Administrative:								
2,589,213	2,194,661	(394,552)	Compensation		27,279,305	26,087,456	(1,191,849)	
1,358,494	793,278	(565,216)	Purchased Services		9,334,124	9,438,852	104,728	
(7,208)	111,816	119,024	Supplies		885,619	1,349,009	463,390	
304,894	341,650	36,756	Depreciation		2,503,963	3,327,991	824,028	
344,959	283,665	(61,294)	Other Administrative Expenses		4,202,668	3,703,717	(498,951)	
1,325,136	-	(1,325,136)	Administrative Expense Adjustment		1,325,136	-	(1,325,136)	
5,915,488	3,725,070	(2,190,418)	Total Administrative Expenses		45,530,815	43,907,024	(1,623,791)	
303,396,945	59,291,182	(244,105,763)	TOTAL EXPENSES		1,063,054,651	705,718,888	(357,335,763)	
(49,547,657)	9,173,292	(58,720,949)	OPERATING INCOME (LOSS) BEFORE TAX		63,462,750	100,025,618	(36,562,868)	
(52,962,035)	8,378,054	61,340,089	MCO TAX		48,401,624	99,655,013	51,253,389	
3,414,378	795,238	2,619,140	OPERATING INCOME (LOSS) NET OF TAX		15,061,126	370,605	14,690,521	
NONOPERATING REVENUE (EXPENSE)								
20,040	-	20,040	Gain on Sale of Assets		2,225,369	-	2,225,369	
-	-	-	Reserve Fund Projects/Community Grants		(790,000)	-	(790,000)	
(445,825)	(280,000)	(165,825)	Health Home		(3,435,087)	(3,360,000)	(75,087)	
(425,785)	(280,000)	(145,785)	TOTAL NONOPERATING REVENUE (EXPENSE)		(1,999,718)	(3,360,000)	1,360,282	
2,988,593	515,238	2,473,355	NET INCREASE (DECREASE) IN NET POSITION		13,061,408	(2,989,395)	16,050,803	
87.7%	92.5%	4.8%	MEDICAL LOSS RATIO		92.3%	93.7%	1.5%	
8.6%	6.2%	-2.4%	ADMINISTRATIVE EXPENSE RATIO		5.9%	6.2%	0.4%	

			KERN HEALTH SYSTEMS MEDI-CAL					
CURRENT MONTH			STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - PMPM			YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE	FOR THE MONTH ENDED DECEMBER 31, 2019			ACTUAL	BUDGET	VARIANCE
ENROLLMENT								
167,296	171,400	(4,104)	Family Members			2,006,331	2,030,400	(24,069)
60,003	59,675	328	Expansion Members			724,165	716,100	8,065
15,283	14,200	1,083	SPD Members			180,932	170,400	10,532
6,799	5,600	1,199	Other Members			77,840	67,200	10,640
9,007	8,400	607	Kaiser Members			103,876	100,800	3,076
258,388	259,275	(887)	Total Members - MCAL			3,093,144	3,084,900	8,244
REVENUES								
162.50	138.76	23.74	Title XIX - Medicaid - Family and Other			152.62	136.67	15.94
410.96	374.18	36.78	Title XIX - Medicaid - Expansion Members			384.73	370.84	13.89
1,000.74	892.37	108.38	Title XIX - Medicaid - SPD Members			921.46	866.16	55.30
(209.68)	33.40	(243.08)	Premium - MCO Tax			16.22	33.40	(17.18)
546.01	0.00	546.01	Premium - Hospital Directed Payments			45.55	0.00	45.55
2.93	1.58	1.35	Investment Earnings And Other Income			2.25	1.58	0.67
0.00	0.51	(0.51)	Reinsurance Recoveries			0.00	0.51	(0.51)
406.58	0.00	406.58	Rate Adjustments - Hospital Directed Payments			54.91	0.00	54.91
(1.57)	0.00	(1.57)	Rate/Income Adjustments			2.54	0.00	2.54
1,017.92	272.90	745.01	TOTAL REVENUES			376.85	270.01	106.84
EXPENSES								
Medical Costs:								
62.38	54.20	(8.18)	Physician Services			56.51	54.33	(2.18)
17.53	13.99	(3.54)	Other Professional Services			15.58	14.01	(1.57)
18.97	18.43	(0.54)	Emergency Room			19.87	18.45	(1.42)
57.94	54.29	(3.65)	Inpatient			55.88	54.52	(1.36)
0.51	0.51	(0.00)	Reinsurance Expense			0.51	0.51	0.00
19.12	22.83	3.72	Outpatient Hospital			24.53	22.92	(1.61)
26.66	16.51	(10.15)	Other Medical			29.58	16.15	(13.43)
37.16	38.71	1.55	Pharmacy			37.41	38.90	1.49
2.00	2.00	0.00	Pay for Performance Quality Incentive			2.00	2.00	0.00
546.01	0.00	(546.01)	Hospital Directed Payments			45.55	0.00	(45.55)
405.62	0.00	(405.62)	Hospital Directed Payment Adjustment			54.78	0.00	(54.78)
0.02	0.00	(0.02)	Non-Claims Expense Adjustment			0.33	0.00	(0.33)
(1.04)	0.00	1.04	IBNR, Incentive, Paid Claims Adjustment			(2.13)	0.00	2.13
1,192.88	221.49	(971.39)	Total Medical Costs			340.39	221.78	(118.61)
(174.96)	51.41	(226.38)	GROSS MARGIN			36.46	48.23	(11.77)
Administrative:								
10.38	8.75	(1.63)	Compensation			9.13	8.74	(0.38)
5.45	3.16	(2.29)	Purchased Services			3.12	3.16	0.04
(0.03)	0.45	0.47	Supplies			0.30	0.45	0.16
1.22	1.36	0.14	Depreciation			0.84	1.12	0.28
1.38	1.13	(0.25)	Other Administrative Expenses			1.41	1.24	(0.16)
5.31	0.00	(5.31)	Administrative Expense Adjustment			0.44	0.00	(0.44)
23.72	14.85	(8.87)	Total Administrative Expenses			15.23	14.71	(0.52)
1,216.60	236.34	(980.26)	TOTAL EXPENSES			355.62	236.49	(119.13)
(198.68)	36.57	(235.25)	OPERATING INCOME (LOSS) BEFORE TAX			21.23	33.52	(12.29)
(212.37)	33.40	245.77	MCO TAX			16.19	33.40	17.20
13.69	3.17	10.52	OPERATING INCOME (LOSS) NET OF TAX			5.04	0.12	4.91
NONOPERATING REVENUE (EXPENSE)								
0.08	0.00	0.08	Gain on Sale of Assets			0.74	0.00	0.74
0.00	0.00	0.00	Reserve Fund Projects/Community Grants			(0.26)	0.00	(0.26)
(1.79)	(1.12)	(0.67)	Health Home			(1.15)	(1.13)	(0.02)
(1.71)	(1.12)	(0.59)	TOTAL NONOPERATING REVENUE (EXPENSE)			(0.67)	(1.13)	0.46
11.98	2.05	9.93	NET INCREASE (DECREASE) IN NET POSITION			4.37	(1.00)	5.37
87.7%	92.5%	4.8%	MEDICAL LOSS RATIO			92.3%	93.7%	1.5%
8.6%	6.2%	-2.4%	ADMINISTRATIVE EXPENSE RATIO			5.9%	6.2%	0.4%

KERN HEALTH SYSTEMS MEDI-CAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - ROLLING 13 MONTHS THROUGH DECEMBER 31, 2019														
	DECEMBER 2018	JANUARY 2019	FEBRUARY 2019	MARCH 2019	APRIL 2019	MAY 2019	JUNE 2019	JULY 2019	AUGUST 2019	SEPTEMBER 2019	OCTOBER 2019	NOVEMBER 2019	DECEMBER 2019	13 MONTH TOTAL
ENROLLMENT														
Members - MCAL	244,683	245,830	247,101	247,836	248,254	248,349	250,896	249,380	249,466	251,277	251,039	250,459	249,381	3,233,951
REVENUES														
Title XIX - Medicaid - Family and Other	30,919,748	23,126,334	24,192,447	24,487,252	24,003,598	24,444,272	25,745,431	26,916,818	27,380,366	27,444,092	27,395,016	34,656,206	28,289,680	349,001,260
Title XIX - Medicaid - Expansion Members	24,465,934	21,975,726	23,396,309	22,894,496	23,046,615	23,133,193	23,356,415	21,829,172	22,748,791	23,117,928	22,908,874	25,545,000	24,658,622	303,077,075
Title XIX - Medicaid - SPD Members	13,341,766	11,970,651	12,067,762	12,439,467	12,488,048	13,147,466	13,032,438	14,355,421	14,965,261	15,059,382	15,759,913	16,141,207	15,294,321	180,063,103
Premium - MCO Tax	7,658,846	8,006,206	8,047,808	8,071,581	8,084,949	8,092,541	8,174,408	8,128,512	12,317,485	10,182,096	10,062,668	11,609,045	(52,290,862)	56,145,283
Premium - Hospital Directed Payments	-	-	-	-	-	-	-	-	-	-	-	-	136,163,466	136,163,466
Investment Earnings And Other Income	1,038,988	424,483	422,792	985,737	620,797	382,110	1,108,727	354,349	382,033	708,869	338,986	265,233	731,395	7,764,499
Reinsurance Recoveries	267,973	-	-	-	-	-	-	-	-	-	-	-	-	267,973
COB/Subrogation Collections	59,980	-	-	-	-	-	-	-	-	-	-	-	-	59,980
Rate Adjustments - Hospital Directed Payments	-	-	-	-	-	-	-	-	-	62,733,334	-	-	101,394,310	164,127,644
Rate/Income Adjustments	(5,850)	1,364,372	5,819,936	626,404	(173,473)	178,336	(703,658)	132,080	329,476	103,418	318,771	(3,664)	(391,644)	7,594,504
TOTAL REVENUES	77,747,385	66,867,772	73,947,054	69,504,937	68,070,534	69,377,918	70,713,761	71,716,351	78,123,412	139,349,119	76,784,228	88,213,027	253,849,288	1,204,264,786
EXPENSES														
Medical Costs:														
Physician Services	11,452,439	13,212,798	13,768,201	15,391,612	15,885,936	14,054,383	13,468,415	13,912,712	13,516,282	12,473,244	13,286,040	14,396,081	15,556,899	180,375,042
Other Professional Services	3,375,679	3,414,621	3,447,281	3,652,683	3,718,600	3,960,952	4,388,042	3,849,695	3,775,027	3,913,361	4,483,269	3,596,983	4,371,702	49,947,895
Emergency Room	3,601,196	4,459,099	4,710,529	4,835,728	5,525,268	5,106,796	4,698,111	5,181,359	4,645,061	4,697,451	5,571,836	5,227,569	4,729,725	62,989,728
Inpatient	2,692,667	12,961,386	12,906,122	13,546,028	12,850,017	12,181,510	14,390,451	13,332,634	15,238,360	15,564,329	14,951,334	14,657,214	14,449,035	169,721,087
Reinsurance Expense	115,395	125,136	125,026	126,021	126,397	126,609	126,658	126,658	129,256	126,290	127,228	129,075	128,012	1,637,761
Outpatient Hospital	4,278,893	5,414,223	6,037,448	6,885,177	6,373,571	6,408,304	5,912,776	6,609,411	6,523,398	6,130,800	6,128,586	6,141,173	4,767,801	77,611,561
Other Medical	15,028,871	5,564,320	6,854,723	6,448,536	6,141,817	7,183,716	6,357,547	6,715,805	6,439,790	7,570,084	5,832,261	16,655,345	6,649,662	103,442,477
Pharmacy	8,615,541	9,612,700	9,033,300	9,671,212	9,293,776	9,659,273	8,508,813	9,183,446	9,336,978	9,145,904	9,834,755	9,282,817	9,267,277	120,445,792
Pay for Performance Quality Incentive	444,467	491,660	494,202	495,672	496,508	496,698	501,792	498,760	498,932	502,552	502,078	500,918	498,762	6,423,001
Expansion Risk Corridor	10,500,000	-	-	-	-	-	-	-	-	-	-	-	-	10,500,000
Hospital Directed Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	136,163,466
Hospital Directed Payment Adjustment	-	-	-	-	-	-	-	-	-	62,605,426	-	-	-	101,154,229
Non-Claims Expense Adjustment	-	197,435	367,246	324,378	(736,017)	39,610	756,640	19,252	11,717	11,329	(5,919)	(18,762)	4,624	971,533
IBNR, Incentive, Paid Claims Adjustment	482,510	(659,783)	4,381,620	(3,810,327)	(3,425,856)	(2,087,231)	(704,885)	(350,851)	202,480	374,161	20,741	(40,346)	(259,737)	(5,877,504)
Total Medical Costs	60,587,658	54,793,595	62,125,698	57,566,720	56,250,017	57,130,620	58,404,360	59,078,881	60,317,281	123,114,931	60,732,209	70,528,067	297,481,457	1,078,111,494
GROSS MARGIN														
Administrative:	17,159,727	12,074,177	11,821,356	11,938,217	11,820,517	12,247,298	12,309,401	12,637,470	17,806,131	16,234,188	16,052,019	17,684,960	(43,632,169)	126,153,292
Compensation	1,990,200	2,219,647	1,953,045	2,094,504	2,121,314	2,336,685	2,155,354	2,297,855	2,254,325	2,343,633	2,510,126	2,403,604	2,589,213	29,269,505
Purchased Services	628,945	534,139	538,593	901,569	783,945	882,833	449,468	805,910	605,801	836,783	831,542	805,047	1,358,494	9,963,069
Supplies	104,230	115,623	78,778	93,764	93,770	15,577	59,549	47,853	49,290	76,514	203,279	58,830	(7,208)	989,849
Depreciation	131,127	179,516	179,517	211,201	179,515	179,516	179,516	151,640	151,655	151,656	355,208	280,129	304,894	2,635,090
Other Administrative Expenses	303,506	326,629	188,631	246,439	302,417	239,380	412,596	338,545	489,494	523,591	519,786	270,201	344,959	4,506,174
Administrative Expense Adjustment	383,013	-	-	-	-	-	-	-	-	-	-	-	-	1,325,136
Total Administrative Expenses	3,541,021	3,375,554	2,938,564	3,547,477	3,480,961	3,653,991	3,256,483	3,641,803	3,550,565	3,932,177	4,419,941	3,817,811	5,915,488	49,071,836
TOTAL EXPENSES	64,128,679	58,169,149	65,064,262	61,114,197	59,730,978	60,784,611	61,660,843	62,720,684	63,867,846	127,047,108	65,152,150	74,345,878	303,396,945	1,127,183,330
OPERATING INCOME (LOSS) BEFORE TAX	13,618,706	8,698,623	8,882,792	8,390,740	8,339,556	8,593,307	9,052,918	8,995,667	14,255,566	12,302,011	11,632,078	13,867,149	(49,547,657)	77,081,456
MCO TAX	8,087,687	8,088,119	8,087,918	8,087,918	8,087,918	8,087,918	8,087,918	8,051,211	12,279,276	10,165,243	10,057,218	12,283,003	(52,962,035)	56,489,311
OPERATING INCOME (LOSS) NET OF TAX	5,531,019	610,504	794,874	302,822	251,638	505,389	965,001	944,456	1,976,290	2,136,768	1,574,860	1,584,146	3,414,378	20,592,145
TOTAL NONOPERATING REVENUE (EXPENSE)	(54,987)	(116,870)	(104,330)	(133,960)	(191,455)	(359,160)	1,293,258	(306,804)	(151,504)	(380,606)	(236,574)	(885,928)	(425,785)	(2,054,705)
NET INCREASE (DECREASE) IN NET POSITION	5,476,032	493,634	690,544	168,862	60,183	146,229	2,258,259	637,652	1,824,786	1,756,162	1,338,286	698,218	2,988,593	18,537,440
MEDICAL LOSS RATIO	86.4%	93.1%	94.3%	93.7%	93.8%	93.2%	93.4%	92.9%	91.7%	91.1%	91.0%	92.1%	87.7%	91.8%
ADMINISTRATIVE EXPENSE RATIO	5.1%	5.7%	4.5%	5.8%	5.8%	6.0%	5.2%	5.7%	5.4%	5.9%	6.6%	5.0%	8.6%	5.8%

KERN HEALTH SYSTEMS MEDI-CAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - PMPM ROLLING 13 MONTHS THROUGH DECEMBER 31, 2019														
	DECEMBER 2018	JANUARY 2019	FEBRUARY 2019	MARCH 2019	APRIL 2019	MAY 2019	JUNE 2019	JULY 2019	AUGUST 2019	SEPTEMBER 2019	OCTOBER 2019	NOVEMBER 2019	DECEMBER 2019	13 MONTH TOTAL
ENROLLMENT														
Members - MCAL	244,683	245,830	247,101	247,836	248,254	248,349	250,896	249,380	249,466	251,277	251,039	250,459	249,381	3,233,951
REVENUES														
Title XIX - Medicaid - Family and Other	180.80	134.36	140.03	141.35	138.32	140.92	147.25	155.06	157.80	157.10	157.23	199.08	162.50	154.75
Title XIX - Medicaid - Expansion Members	413.07	371.66	391.12	383.67	384.32	386.02	383.23	360.65	374.91	377.23	373.38	419.77	410.96	386.88
Title XIX - Medicaid - SPD Members	924.01	820.75	831.51	839.09	846.53	878.96	862.90	940.48	980.04	984.27	1,019.80	1,039.69	1,000.74	921.65
Premium - MCO Tax	31.30	32.57	32.57	32.57	32.57	32.59	32.58	32.59	49.38	40.52	40.08	46.35	(209.68)	17.36
Premium - Hospital Directed Payments	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	546.01
Investment Earnings And Other Income	4.25	1.73	1.71	3.98	2.50	1.54	4.42	1.42	1.53	2.82	1.35	1.06	2.93	2.40
Reinsurance Recoveries	1.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08
COB/Subrogation Collections	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02
Rate Adjustments - Hospital Directed Payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	249.66	0.00	0.00	406.58	50.75
Rate/Income Adjustments	(0.02)	5.55	23.55	2.53	(0.70)	0.72	(2.80)	0.53	1.32	0.41	1.27	(0.01)	(1.57)	2.35
TOTAL REVENUES	317.75	272.01	299.26	280.45	274.20	279.36	281.84	287.58	313.16	554.56	305.87	352.21	1,017.92	372.38
EXPENSES														
Medical Costs:														
Physician Services	46.81	53.75	55.72	62.10	63.99	56.59	53.68	55.79	54.18	49.64	52.92	57.48	62.38	55.78
Other Professional Services	13.80	13.89	13.95	14.74	14.98	15.95	17.49	15.44	15.13	15.57	17.86	14.36	17.53	15.44
Emergency Room	14.72	18.14	19.06	19.51	22.26	20.56	18.73	20.78	18.62	18.69	22.20	20.87	18.97	19.48
Inpatient	11.00	52.72	52.23	54.66	51.76	49.05	57.36	53.46	61.08	61.94	59.56	58.52	57.94	52.48
Reinsurance Expense	0.47	0.51	0.51	0.51	0.51	0.51	0.50	0.51	0.52	0.50	0.51	0.52	0.51	0.51
Outpatient Hospital	17.49	22.02	24.43	27.78	25.67	25.80	23.57	26.50	26.15	24.40	24.41	24.52	19.12	24.00
Other Medical	61.42	22.63	27.74	26.02	24.74	28.93	25.34	26.93	25.81	30.13	23.23	66.50	26.66	31.99
Pharmacy	35.21	39.10	36.56	39.02	37.44	38.89	33.91	36.83	37.43	36.40	39.18	37.06	37.16	37.24
Pay for Performance Quality Incentive	1.82	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.99
Expansion Risk Corridor	42.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.25
Hospital Directed Payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	546.01	42.10
Hospital Directed Payment Adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	249.15	0.00	0.00	405.62	50.64
Non-Claims Expense Adjustment	0.00	0.80	1.49	1.31	(2.96)	0.16	3.02	0.08	0.05	0.05	(0.02)	(0.07)	0.02	0.30
IBNR, Incentive, Paid Claims Adjustment	1.97	(2.68)	17.73	(15.37)	(13.80)	(8.40)	(2.81)	(1.41)	0.81	1.49	0.08	(0.16)	(1.04)	(1.82)
Total Medical Costs	247.62	222.89	251.42	232.28	226.58	230.04	232.78	236.90	241.79	489.96	241.92	281.60	1,192.88	333.37
GROSS MARGIN														
Administrative:	70.13	49.12	47.84	48.17	47.61	49.31	49.06	50.68	71.38	64.61	63.94	70.61	(174.96)	39.01
Compensation	8.13	9.03	7.90	8.45	8.54	9.41	8.59	9.21	9.04	9.33	10.00	9.60	10.38	9.05
Purchased Services	2.57	2.17	2.18	3.64	3.16	3.55	1.79	3.23	2.43	3.33	3.31	3.21	5.45	3.08
Supplies	0.43	0.47	0.32	0.38	0.38	0.06	0.24	0.19	0.20	0.30	0.81	0.23	(0.03)	0.31
Depreciation	0.54	0.73	0.73	0.85	0.72	0.72	0.72	0.61	0.61	0.60	1.41	1.12	1.22	0.81
Other Administrative Expenses	1.24	1.33	0.76	0.99	1.22	0.96	1.64	1.36	1.96	2.08	2.07	1.08	1.39	1.39
Administrative Expense Adjustment	1.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.31	0.53
Total Administrative Expenses	14.47	13.73	11.89	14.31	14.02	14.71	12.98	14.60	14.23	15.65	17.61	15.24	23.72	15.17
TOTAL EXPENSES	262.09	236.62	263.31	246.59	240.60	244.75	245.76	251.51	256.02	505.61	259.53	296.84	1,216.60	348.55
OPERATING INCOME (LOSS) BEFORE TAX	55.66	35.38	35.95	33.86	33.59	34.60	36.08	36.07	57.14	48.96	46.34	55.37	(198.68)	23.84
MCO TAX	33.05	32.90	32.73	32.63	32.58	32.57	32.24	32.28	49.22	40.45	40.06	49.04	(212.37)	17.47
OPERATING INCOME (LOSS) NET OF TAX	22.61	2.48	3.22	1.22	1.01	2.03	3.85	3.79	7.92	8.50	6.27	6.32	13.69	6.37
TOTAL NONOPERATING REVENUE (EXPENSE)	(0.22)	(0.48)	(0.42)	(0.54)	(0.77)	(1.45)	5.15	(1.23)	(0.61)	(1.51)	(0.94)	(3.54)	(1.71)	(0.64)
NET INCREASE (DECREASE) IN NET POSITION	22.38	2.01	2.79	0.68	0.24	0.59	9.00	2.56	7.31	6.99	5.33	2.79	11.98	5.73
MEDICAL LOSS RATIO	86.4%	93.1%	94.3%	93.7%	93.8%	93.2%	93.4%	92.9%	91.7%	91.1%	91.0%	92.1%	87.7%	91.8%
ADMINISTRATIVE EXPENSE RATIO	5.1%	5.7%	4.5%	5.8%	5.8%	6.0%	5.2%	5.7%	5.4%	5.9%	6.6%	5.0%	8.6%	5.8%

CURRENT MONTH			KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF REVENUES - ALL COA FOR THE MONTH ENDED DECEMBER 31, 2019			YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
R E V E N U E S								
Title XIX - Medicaid - Family & Other								
21,916,374	20,844,272	1,072,102	Premium - Medi-Cal	252,393,363	243,466,902	8,926,461		
2,730,598	2,422,591	308,007	Premium - Maternity Kick	28,149,712	29,071,092	(921,380)		
31,384	76,456	(45,072)	Premium - Hep C Kick	892,702	907,943	(15,241)		
190,633	265,198	(74,565)	Premium - BHT Kick	4,241,489	3,142,827	1,098,662		
157,716	203,284	(45,568)	Premium - Health Home Kick	1,147,147	1,212,815	(65,668)		
3,020,716	666,895	2,353,821	Premium - Provider Enhancement	28,402,208	7,909,284	20,492,924		
157,126	-	157,126	Premium - Ground Emergency Medical Transportation	1,838,727	-	1,838,727		
85,133	81,380	3,753	Other	1,016,164	973,920	42,244		
28,289,680	24,560,076	3,729,604	Total Title XIX - Medicaid - Family & Other	318,081,512	286,684,783	31,396,729		
Title XIX - Medicaid - Expansion Members								
22,741,819	20,797,311	1,944,509	Premium - Medi-Cal	254,745,244	249,550,258	5,194,987		
65,353	243,020	(177,667)	Premium - Maternity Kick	3,134,736	2,916,238	218,498		
231,253	544,869	(313,616)	Premium - Hep C Kick	4,431,140	6,538,428	(2,107,288)		
387,880	395,252	(7,372)	Premium - Health Home Kick	2,375,219	2,371,512	3,707		
1,047,822	323,232	724,590	Premium - Provider Enhancement	11,740,810	3,878,784	7,862,026		
158,304	-	158,304	Premium - Ground Emergency Medical Transportation	1,865,897	-	1,865,897		
26,191	25,456	735	Other	318,095	305,472	12,623		
24,658,622	22,329,139	2,329,483	Total Title XIX - Medicaid - Expansion Members	278,611,141	265,560,691	13,050,450		
Title XIX - Medicaid - SPD Members								
13,856,462	11,646,045	2,210,417	Premium - Medi-Cal	150,779,112	137,064,985	13,714,127		
150,583	211,894	(61,311)	Premium - Hep C Kick	1,556,855	2,542,728	(985,873)		
316,526	391,982	(75,456)	Premium - BHT Kick	6,264,875	4,703,784	1,561,091		
371,053	296,280	74,773	Premium - Health Home Kick	2,158,567	1,777,680	380,887		
455,714	125,386	330,328	Premium - Provider Enhancement	4,378,059	1,504,632	2,873,427		
143,983	-	143,983	Premium - Ground Emergency Medical Transportation	1,583,869	-	1,583,869		
15,294,321	12,671,587	2,622,734	Total Title XIX - Medicaid - SPD Members	166,721,337	147,593,809	19,127,528		

CURRENT MONTH			KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS - ALL COA FOR THE MONTH ENDED DECEMBER 31, 2019	YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
PHYSICIAN SERVICES						
3,277,074	2,949,228	(327,846)	Primary Care Physician Services	34,442,933	35,091,327	648,394
11,207,132	9,261,816	(1,945,316)	Referral Specialty Services	117,823,032	110,535,191	(7,287,841)
1,063,393	1,378,249	314,856	Urgent Care & After Hours Advise	16,547,138	16,393,765	(153,373)
9,300	9,300	-	Hospital Admitting Team	109,500	100,500	(9,000)
15,556,899	13,598,593	(1,958,306)	TOTAL PHYSICIAN SERVICES	168,922,603	162,120,783	(6,801,820)
OTHER PROFESSIONAL SERVICES						
250,462	263,877	13,415	Vision Service Capitation	2,984,570	3,139,601	155,031
226,725	183,437	(43,288)	221 - Business Intelligence	2,109,953	2,201,244	91,291
499,711	537,736	38,025	310 - Health Services - Utilization Management - UM Allocation *	6,024,108	6,452,829	428,721
92,160	101,420	9,260	311 - Health Services - Quality Improvement - UM Allocation *	1,014,817	1,217,043	202,226
112,019	101,142	(10,877)	312 - Health Services - Education - UM Allocation *	1,155,448	1,149,750	(5,698)
89,846	87,826	(2,020)	313 - Health Services - Pharmacy - UM Allocation *	977,493	1,053,917	76,424
78,261	85,846	7,585	314 - Health Homes - UM Allocation *	735,139	1,030,148	295,009
269,223	228,318	(40,905)	315 - Case Management - UM Allocation *	2,544,442	2,604,575	60,133
66,393	55,990	(10,403)	616 - Disease Management - UM Allocation *	660,629	671,877	11,248
175,156	657,180	482,024	Behavior Health Treatment	11,853,852	7,846,609	(4,007,243)
1,136,466	162,951	(973,515)	Mental Health Services	2,798,834	1,942,551	(856,283)
1,375,280	1,045,244	(330,036)	Other Professional Services	13,712,931	12,483,269	(1,229,662)
4,371,702	3,510,969	(860,733)	TOTAL OTHER PROFESSIONAL SERVICES	46,572,216	41,793,413	(4,778,803)
4,729,725	4,622,589	(107,136)	EMERGENCY ROOM	59,388,532	55,042,764	(4,345,768)
14,449,035	13,620,946	(828,089)	INPATIENT HOSPITAL	167,028,420	162,686,594	(4,341,826)
128,012	127,946	(66)	REINSURANCE EXPENSE PREMIUM	1,522,366	1,521,891	(475)
4,767,801	5,728,482	960,681	OUTPATIENT HOSPITAL SERVICES	73,332,668	68,407,970	(4,924,698)
OTHER MEDICAL						
1,692,000	1,229,533	(462,467)	Ambulance and NEMT	18,234,152	14,647,116	(3,587,036)
293,181	293,475	294	Home Health Services & CBAS	4,441,851	3,507,763	(934,088)
384,527	445,761	61,234	Utilization and Quality Review Expenses	3,044,650	5,349,098	2,304,448
1,061,308	782,503	(278,805)	Long Term/SNF/Hospice	11,950,167	9,369,484	(2,580,683)
-	63,045	63,045	Enhanced Medical Benefits	-	749,904	749,904
2,503,411	1,116,020	(1,387,391)	Provider Enhancement Expense - Prop. 56	44,314,139	13,292,700	(31,021,439)
233,845	-	(233,845)	Provider Enhancement Expense - GEMT	5,222,567	-	(5,222,567)
481,390	212,840	(268,550)	Home Health Capitated Medical Expense	1,206,080	1,275,000	68,920
6,649,662	4,143,177	(2,506,485)	TOTAL OTHER MEDICAL	88,413,606	48,191,066	(40,222,540)
PHARMACY SERVICES						
8,481,398	8,421,988	(59,410)	RX - Drugs & OTC	99,421,188	100,637,470	1,216,282
317,810	833,391	515,581	RX - HEP-C	5,735,366	9,989,268	4,253,902
749,017	602,264	(146,753)	Rx - DME	8,029,993	7,202,445	(827,548)
(280,948)	(145,984)	134,964	RX - Pharmacy Rebates	(1,356,296)	(1,750,000)	(393,704)
9,267,277	9,711,659	444,382	TOTAL PHARMACY SERVICES	111,830,251	116,079,183	4,248,932
498,762	501,750	2,988	PAY FOR PERFORMANCE QUALITY INCENTIVE	5,978,234	5,968,200	(10,334)
136,163,466	-	(136,163,466)	HOSPITAL DIRECTED PAYMENTS	136,163,466	-	(136,163,466)
101,154,229	-	(101,154,229)	HOSPITAL DIRECTED PAYMENT ADJUSTMENT	163,759,655	-	(163,759,655)
4,624	-	(4,624)	NON-CLAIMS EXPENSE ADJUSTMENT	971,533	-	(971,533)
(259,737)	-	259,737	IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT	(6,360,014)	-	6,360,014
297,481,457	55,566,112	(241,915,345)	Total Medical Costs	1,017,523,836	661,811,864	(355,711,972)

* Medical costs per DMHC regulations

CURRENT MONTH			KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS - ALL COA - PMPM FOR THE MONTH ENDED DECEMBER 31, 2019	YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
PHYSICIAN SERVICES						
13.14	11.76	(1.39)	Primary Care Physician Services	11.52	11.76	0.24
44.94	36.92	(8.02)	Referral Specialty Services	39.42	37.04	(2.37)
4.26	5.49	1.23	Urgent Care & After Hours Advise	5.54	5.49	(0.04)
0.04	0.04	(0.00)	Hospital Admitting Team	0.04	0.03	(0.00)
62.38	54.20	(8.18)	TOTAL PHYSICIAN SERVICES	56.51	54.33	(2.18)
OTHER PROFESSIONAL SERVICES						
1.00	1.05	0.05	Vision Service Capitation	1.00	1.05	0.05
0.91	0.73	(0.18)	221 - Business Intelligence	0.71	0.74	0.03
2.00	2.14	0.14	310 - Health Services - Utilization Management - UM Allocation *	2.02	2.16	0.15
0.37	0.40	0.03	311 - Health Services - Quality Improvement - UM Allocation *	0.34	0.41	0.07
0.45	0.40	(0.05)	312 - Health Services - Education - UM Allocation *	0.39	0.39	(0.00)
0.36	0.35	(0.01)	313 - Health Services - Pharmacy - UM Allocation *	0.33	0.35	0.03
0.31	0.34	0.03	314 - Health Homes - UM Allocation *	0.25	0.35	0.10
1.08	0.91	(0.17)	315 - Case Management - UM Allocation *	0.85	0.87	0.02
0.27	0.22	(0.04)	616 - Disease Management - UM Allocation *	0.22	0.23	0.00
0.70	2.62	1.92	Behavior Health Treatment	3.97	2.63	(1.34)
4.56	0.65	(3.91)	Mental Health Services	0.94	0.65	(0.29)
5.51	4.17	(1.35)	Other Professional Services	4.59	4.18	(0.40)
17.53	13.99	(3.54)	TOTAL OTHER PROFESSIONAL SERVICES	15.58	14.01	(1.57)
18.97	18.43	(0.54)	EMERGENCY ROOM	19.87	18.45	(1.42)
57.94	54.29	(3.65)	INPATIENT HOSPITAL	55.88	54.52	(1.36)
0.51	0.51	(0.00)	REINSURANCE EXPENSE PREMIUM	0.51	0.51	0.00
19.12	22.83	3.72	OUTPATIENT HOSPITAL SERVICES	24.53	22.92	(1.61)
OTHER MEDICAL						
6.78	4.90	(1.88)	Ambulance and NEMT	6.10	4.91	(1.19)
1.18	1.17	(0.01)	Home Health Services & CBAS	1.49	1.18	(0.31)
1.54	1.78	0.23	Utilization and Quality Review Expenses	1.02	1.79	0.77
4.26	3.12	(1.14)	Long Term/SNF/Hospice	4.00	3.14	(0.86)
0.00	0.25	0.25	Enhanced Medical Benefits	0.00	0.25	0.25
10.04	4.45	(5.59)	Provider Enhancement Expense	14.82	4.45	(10.37)
1.93	0.85	(1.08)	Home Health Capitated Medical Expense	0.40	0.43	0.02
25.73	16.51	(9.21)	TOTAL OTHER MEDICAL	27.83	16.15	(11.68)
PHARMACY SERVICES						
34.01	33.57	(0.44)	RX - Drugs & OTC	33.26	33.72	0.47
1.27	3.32	2.05	RX - HEP-C	1.92	3.35	1.43
3.00	2.40	(0.60)	Rx - DME	2.69	2.41	(0.27)
(1.13)	(0.58)	0.54	RX - Pharmacy Rebates	(0.45)	(0.59)	(0.13)
37.16	38.71	1.55	TOTAL PHARMACY SERVICES	37.41	38.90	1.49
2.00	2.00	0.00	PAY FOR PERFORMANCE QUALITY INCENTIVE	2.00	2.00	0.00
546.01	0.00	(546.01)	HOSPITAL DIRECTED PAYMENTS	45.55	0.00	(45.55)
405.62	0.00	(405.62)	HOSPITAL DIRECTED PAYMENT ADJUSTMENT	54.78	0.00	(54.78)
0.02	0.00	(0.02)	NON-CLAIMS EXPENSE ADJUSTMENT	0.33	0.00	(0.33)
(1.04)	0.00	1.04	IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT	(2.13)	0.00	2.13
1,192.88	221.49	(971.39)	Total Medical Costs	340.39	221.78	(118.61)

* Medical costs per DMHC regulations

KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS BY MONTH THROUGH DECEMBER 31, 2019	JANUARY 2019	FEBRUARY 2019	MARCH 2019	APRIL 2019	MAY 2019	JUNE 2019	JULY 2019	AUGUST 2019	SEPTEMBER 2019	OCTOBER 2019	NOVEMBER 2019	DECEMBER 2019	YEAR TO DATE 2019
PHYSICIAN SERVICES													
Primary Care Physician Services	2,852,332	3,204,444	2,641,133	2,878,106	3,132,132	2,545,597	2,781,460	2,938,482	2,722,289	2,646,253	2,823,631	3,377,074	34,442,933
Referral Specialty Services	9,061,015	8,891,359	10,768,936	10,831,475	9,485,842	9,590,131	10,169,879	9,066,225	9,301,608	9,336,672	10,111,558	11,207,132	117,823,832
Urgent Care & After-Hours Advice	1,290,151	1,063,998	1,972,241	2,167,355	1,427,009	1,323,687	952,073	1,511,275	431,047	1,291,815	1,451,892	1,083,393	16,547,338
Hospital Admitting Team	9,300	8,400	9,300	9,000	9,300	9,000	9,300	9,300	18,300	9,300	9,000	9,300	109,250
TOTAL PHYSICIAN SERVICES	13,212,798	13,768,201	15,391,612	15,885,936	14,054,383	13,468,415	13,912,712	13,516,282	12,473,244	13,286,040	14,396,081	15,556,899	168,922,603
OTHER PROFESSIONAL SERVICES													
Vision Service Capitation	245,365	245,148	247,101	247,836	248,254	248,349	248,349	253,443	247,950	249,466	252,847	250,462	2,984,570
231 - Business Intelligence	164,801	159,928	165,714	159,920	179,129	153,193	175,084	170,878	183,756	184,517	186,308	226,725	2,109,953
310 - Health Services - Utilization Management - UM Allocation *	510,843	476,395	478,085	515,555	554,678	465,516	409,835	408,578	481,950	564,839	491,723	499,711	6,024,108
311 - Health Services - Quality Improvement - UM Allocation *	30,526	67,588	68,819	76,184	91,692	80,862	94,087	79,277	94,087	110,853	86,867	92,160	1,014,817
312 - Health Services - Education - UM Allocation *	93,216	78,571	86,664	88,902	99,085	93,588	96,891	92,854	99,067	107,452	107,139	112,019	1,155,448
313 - Health Services - Pharmacy - UM Allocation *	52,748	75,645	78,387	78,409	90,596	79,958	81,527	79,555	78,148	83,560	79,024	89,846	977,493
314 - Health Homes - UM Allocation *	49,343	44,522	48,105	49,071	60,500	48,781	69,152	69,974	71,645	73,331	72,454	78,361	735,439
315 - Case Management - UM Allocation *	190,992	177,760	187,111	180,813	202,905	171,694	213,229	223,417	242,720	251,521	233,057	269,223	2,544,442
616 - Disease Management - UM Allocation *	54,419	48,934	50,373	52,495	58,437	49,786	56,930	54,032	54,968	58,878	54,984	66,393	660,629
Behavior Health Treatment	638,664	831,512	952,302	950,908	1,250,010	1,668,762	1,071,604	1,051,556	1,105,353	1,250,286	987,059	175,156	11,853,852
Mental Health Services	212,968	183,744	127,778	168,412	89,339	177,147	129,222	105,793	96,395	160,702	210,863	1,136,466	2,798,834
Other Professional Services	1,090,436	1,063,534	1,162,244	1,149,925	1,035,427	1,150,406	1,113,785	1,103,870	1,165,507	1,387,864	914,653	1,375,280	13,712,913
TOTAL OTHER PROFESSIONAL SERVICES	3,414,621	3,447,281	3,652,683	3,718,600	3,960,952	4,388,042	3,849,695	3,775,027	3,913,361	4,483,269	3,596,983	4,371,702	46,572,216
EMERGENCY ROOM	4,459,099	4,710,529	4,835,728	5,525,268	5,106,796	4,698,111	5,181,359	4,645,061	4,697,451	5,571,836	5,227,569	4,729,725	59,388,532
INPATIENT HOSPITAL	12,961,386	12,966,122	13,546,028	12,850,017	12,181,510	14,390,451	13,332,634	15,238,360	15,564,329	14,951,334	14,657,214	14,449,035	167,028,420
REINSURANCE EXPENSE PREMIUM	125,136	125,026	126,021	126,397	126,699	126,658	126,658	129,256	126,290	127,228	129,075	128,012	1,522,366
OUTPATIENT HOSPITAL SERVICES	5,414,223	6,037,448	6,885,177	6,373,571	6,408,304	5,912,776	6,609,411	6,523,398	6,130,800	6,128,586	6,141,173	4,767,801	73,332,668
OTHER MEDICAL													
Ambulance and NEMT	1,146,157	2,536,809	1,948,589	1,685,378	2,206,229	(475,625)	1,391,507	1,411,959	1,936,979	1,157,075	1,697,095	1,692,000	18,234,152
Home Health Services & CBAS	495,461	155,156	325,629	357,818	542,991	322,679	463,230	382,399	290,848	418,297	394,162	293,811	4,441,851
Utilization and Quality Review Expenses	248,953	93,464	298,591	235,324	165,956	222,833	297,114	251,393	345,187	286,439	214,869	384,527	3,044,650
Long Term/SE/Hospice	944,616	1,180,282	999,537	984,186	1,843,600	755,531	594,397	1,385,020	1,401,277	501,269	1,179,144	1,061,308	11,950,167
Enhanced Medical Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-
Provider Enhancement Expense - Prog. 56	2,729,133	2,889,012	2,876,190	2,959,111	3,234,440	3,027,126	3,314,758	2,571,469	2,893,119	2,819,933	12,508,937	2,503,411	44,314,319
Provider Enhancement Expense - GEMT	-	-	-	-	-	2,505,003	521,009	449,490	446,419	441,128	625,073	233,885	5,222,867
Home Health Capitated Medical Expense	-	-	-	-	-	-	133,790	(11,940)	256,355	205,120	138,465	481,300	1,206,080
TOTAL OTHER MEDICAL	5,564,320	6,854,723	6,448,536	6,141,817	7,183,716	6,357,547	6,715,805	6,439,790	7,570,084	5,832,261	6,655,345	6,649,662	88,413,690
PHARMACY SERVICES													
RX - Drugs & OTC	8,596,061	7,864,951	8,712,771	8,110,525	8,527,200	7,615,766	8,300,890	8,472,076	8,104,656	8,882,774	7,752,120	8,481,398	99,421,488
RX - HEP-C	542,465	579,505	435,632	674,227	604,476	428,028	298,729	402,697	479,317	542,409	430,671	317,810	5,735,366
Rx - DME	647,574	722,044	706,209	649,024	532,445	600,019	718,827	597,805	696,932	541,471	665,026	749,017	8,029,993
RX - Pharmacy Rebates	(173,400)	(133,200)	(183,400)	(140,000)	(205,483)	(135,000)	(135,000)	(135,000)	(135,000)	(134,999)	435,000	(280,948)	(1,536,296)
TOTAL PHARMACY SERVICES	9,612,700	9,033,300	9,671,212	9,293,776	9,659,223	8,508,813	9,183,446	9,136,978	9,145,904	9,834,752	9,281,817	9,267,277	111,830,251
PAY FOR PERFORMANCE QUALITY INCENTIVE	491,660	494,262	495,672	496,508	496,698	501,792	498,760	498,932	502,552	502,078	500,918	498,752	5,978,534
HOSPITAL DIRECTED PAYMENTS	-	-	-	-	-	-	-	-	-	-	-	-	136,163,466
HOSPITAL DIRECTED PAYMENT ADJUSTMENT	-	-	-	-	-	-	-	-	-	-	-	-	101,154,229
NON-CLAIMS EXPENSE ADJUSTMENT	197,435	367,246	334,378	(736,017)	39,610	756,640	19,252	11,717	11,329	(5,919)	(18,762)	4,624	971,533
IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT	(659,783)	4,381,620	(3,810,327)	(3,425,856)	(2,087,231)	(704,885)	(350,851)	202,480	374,161	20,741	(40,346)	(259,737)	(6,360,614)
Total Medical Costs	54,793,595	62,125,698	57,566,720	56,520,017	57,130,620	58,404,360	59,078,881	60,317,281	123,114,931	60,732,209	70,528,067	161,317,991	881,360,370

KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS BY MONTH - PMPM THROUGH DECEMBER 31, 2019	JANUARY 2019	FEBRUARY 2019	MARCH 2019	APRIL 2019	MAY 2019	JUNE 2019	JULY 2019	AUGUST 2019	SEPTEMBER 2019	OCTOBER 2019	NOVEMBER 2019	DECEMBER 2019	YEAR TO DATE 2019
PHYSICIAN SERVICES													
Primary Care Physician Services	11.60	12.97	10.66	11.59	12.61	10.15	11.15	11.78	10.83	10.54	11.27	13.14	11.52
Referral Specialty Services	36.86	35.98	43.45	43.63	38.19	38.22	40.78	36.34	37.02	37.20	40.37	44.94	39.43
Urgent Care & After Hours Advise	5.25	6.73	7.96	8.73	5.75	5.28	3.82	6.06	1.72	5.15	5.80	4.26	5.54
Hospital Admitting Team	0.04	0.03	0.04	0.04	0.04	0.04	0.04	0.00	0.07	0.04	0.04	0.04	0.04
TOTAL PHYSICIAN SERVICES	53.75	55.72	62.10	63.99	56.59	53.68	55.79	54.18	49.64	52.92	57.48	62.38	56.51
OTHER PROFESSIONAL SERVICES													
Vision Service Capitation	1.00	0.99	1.00	1.00	1.00	0.99	1.00	1.02	0.99	0.99	1.01	1.00	1.00
221 - Business Intelligence	0.67	0.65	0.67	0.64	0.72	0.61	0.70	0.68	0.73	0.74	0.74	0.91	0.71
310 - Health Services - Utilization Management - UM Allocation *	2.08	1.90	1.93	2.08	2.23	1.86	2.00	1.97	1.92	2.25	1.96	2.00	2.02
311 - Health Services - Quality Improvement - UM Allocation *	0.33	0.27	0.28	0.31	0.37	0.32	0.38	0.32	0.34	0.44	0.35	0.37	0.34
312 - Health Services - Education - UM Allocation *	0.38	0.32	0.35	0.36	0.40	0.37	0.39	0.37	0.39	0.43	0.43	0.45	0.39
313 - Health Services - Pharmacy - UM Allocation *	0.34	0.31	0.32	0.32	0.36	0.32	0.33	0.32	0.31	0.33	0.32	0.36	0.33
314 - Health Homes - UM Allocation *	0.20	0.18	0.19	0.20	0.24	0.19	0.28	0.28	0.29	0.29	0.29	0.31	0.25
315 - Case Management - UM Allocation *	0.78	0.72	0.75	0.73	0.82	0.68	0.86	0.90	0.97	1.00	0.93	1.08	0.85
616 - Disease Management - UM Allocation *	0.22	0.20	0.20	0.21	0.24	0.20	0.23	0.22	0.22	0.23	0.22	0.27	0.22
Behavior Health Treatment	2.60	3.37	3.84	3.83	5.04	6.65	4.20	4.21	4.40	4.98	3.62	0.70	3.97
Mental Health Services	0.87	0.74	0.52	0.68	0.56	0.71	0.52	0.42	0.38	0.64	0.84	4.56	0.94
Other Professional Services	4.44	4.30	4.69	4.63	4.17	4.59	4.47	4.42	4.64	5.53	3.65	5.51	4.59
TOTAL OTHER PROFESSIONAL SERVICES	13.89	13.95	14.74	14.98	15.95	17.49	15.44	15.13	15.57	17.86	14.36	17.53	15.58
EMERGENCY ROOM	18.14	19.06	19.51	22.26	20.56	18.73	20.78	18.62	18.69	22.20	20.87	18.97	19.87
INPATIENT HOSPITAL	52.72	52.23	54.66	51.76	49.05	57.36	53.46	61.08	61.94	59.56	58.52	57.94	55.88
REINSURANCE EXPENSE PREMIUM	0.51	0.51	0.51	0.51	0.51	0.50	0.51	0.52	0.50	0.51	0.52	0.51	0.51
OUTPATIENT HOSPITAL SERVICES	22.02	24.43	27.78	25.67	25.90	23.57	26.50	26.15	24.40	24.41	24.52	19.12	24.53
OTHER MEDICAL													
Ambulance and NEMT	4.66	10.27	7.86	6.79	8.88	(1.90)	5.58	5.66	7.71	4.61	6.38	6.78	6.10
Home Health Services & CBAS	2.02	0.63	1.31	1.44	2.19	1.29	1.86	1.53	1.16	1.67	1.57	1.18	1.49
Utilization and Quality Review Expenses	1.01	0.38	1.20	0.95	0.67	0.89	1.19	1.01	1.37	1.14	0.86	1.54	1.02
Long Term/SNF/Hospice	3.84	4.78	4.03	3.64	4.20	3.01	2.38	5.55	5.58	2.00	4.71	4.26	4.00
Enhanced Medical Benefits	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
Provider Enhancement Expense - Prop. 56	11.10	11.69	11.61	11.92	12.99	12.07	13.29	10.31	11.51	11.23	49.93	10.04	14.82
Provider Enhancement Expense - GEMT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.80	1.78	1.76	2.50	0.94	1.75
Home Health Capitated Medical Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.54	(0.05)	1.02	0.83	0.55	1.93	0.40
TOTAL OTHER MEDICAL	22.63	27.74	26.02	24.74	28.93	25.34	26.93	25.81	30.13	23.23	66.50	26.66	29.58
PHARMACY SERVICES													
RX - Drugs & OTC	34.97	31.83	35.16	32.67	34.34	30.35	33.29	33.96	32.25	35.38	30.95	34.01	33.26
RX - HEP-C	2.21	2.35	1.76	2.72	2.43	1.71	1.20	1.61	1.91	2.16	1.72	1.27	1.92
RX - DME	2.63	2.92	2.85	2.61	2.95	2.39	2.88	2.40	2.77	2.17	2.66	3.00	2.69
RX - Pharmacy Rebates	(0.71)	(0.54)	(0.74)	(0.56)	(0.83)	(0.54)	(0.54)	(0.54)	(0.54)	(0.54)	1.74	(1.13)	(0.45)
TOTAL PHARMACY SERVICES	39.10	36.56	39.02	37.44	38.89	33.91	36.83	37.43	36.40	39.18	37.06	37.16	37.41
PAY FOR PERFORMANCE QUALITY INCENTIVE	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
HOSPITAL DIRECTED PAYMENTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	546.01	45.55
HOSPITAL DIRECTED PAYMENT ADJUSTMENT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	249.15	0.00	0.00	405.62	54.78
NON-CLAIMS EXPENSE ADJUSTMENT	0.80	1.49	1.31	(2.96)	0.16	3.02	0.08	0.05	0.05	(0.02)	(0.07)	0.02	0.33
IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT	(2.68)	17.73	(15.37)	(13.80)	(8.40)	(2.81)	(1.41)	0.81	1.49	0.08	(0.16)	(1.04)	(2.13)
Total Medical Costs	222.89	251.42	232.28	226.58	230.04	232.78	236.90	241.79	489.96	241.92	281.60	1,192.88	340.39

CURRENT MONTH			KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF ADMINISTRATIVE EXPENSES BY DEPT FOR THE MONTH ENDED DECEMBER 31, 2019	YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE		ACTUAL	BUDGET	VARIANCE
446,321	258,313	(188,008)	110 - Executive	3,290,985	3,099,757	(191,228)
207,156	158,993	(48,163)	210 - Accounting	1,854,979	1,907,906	52,927
817,293	617,732	(199,561)	220 - Management Information Systems	6,909,066	7,412,784	503,718
27,038	18,734	(8,304)	221 - Business Intelligence	250,146	224,808	(25,338)
358,252	338,858	(19,394)	225 - Infrastructure	3,197,183	4,066,278	869,095
600,957	479,623	(121,334)	230 - Claims	6,202,563	5,734,098	(468,465)
78,212	109,760	31,548	240 - Project Management	1,122,575	1,317,114	194,539
139,416	96,311	(43,105)	310 - Health Services - Utilization Management	1,175,625	1,155,734	(19,891)
28,139	33,052	4,913	311 - Health Services - Quality Improvement	328,600	403,904	75,304
(139)	125	264	312 - Health Services - Education	1,856	2,650	794
145,515	123,382	(22,133)	313 - Pharmacy	1,616,145	1,482,979	(133,166)
498	500	2	314 - Health Homes	2,734	6,000	3,266
17,473	14,574	(2,899)	315 - Case Management	164,424	166,399	1,975
15,426	20,738	5,312	616 - Disease Management	238,198	248,853	10,655
296,331	247,979	(48,352)	320 - Provider Network Management	2,790,924	2,955,501	164,577
501,404	540,167	38,763	330 - Member Services	5,537,698	6,264,973	727,275
487,264	480,159	(7,105)	340 - Corporate Services	5,323,231	5,254,099	(69,132)
70,162	62,743	(7,419)	360 - Audit & Investigative Services	834,458	752,916	(81,542)
30,344	64,502	34,158	410 - Advertising Media	598,670	774,000	175,330
72,301	64,751	(7,550)	420 - Sales/Marketing/Public Relations	648,087	777,004	128,917
250,989	197,194	(53,795)	510 - Human Resources	2,117,532	2,340,784	223,252
1,325,136	(203,120)	(1,528,256)	Budgeted Administrative Vacancy and Timing Factor	1,325,136	(2,441,520)	(3,766,656)
5,915,488	3,725,070	(2,190,418)	Total Administrative Expenses	45,530,815	43,907,024	(1,623,792)

KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF ADMIN EXPENSES BY DEPT BY MONTH FOR THE MONTH ENDED DECEMBER 31, 2019	JANUARY 2019	FEBRUARY 2019	MARCH 2019	APRIL 2019	MAY 2019	JUNE 2019	JULY 2019	AUGUST 2019	SEPTEMBER 2019	OCTOBER 2019	NOVEMBER 2019	DECEMBER 2019	YEAR TO DATE 2019
110 - Executive	298,677	186,923	234,566	285,108	195,373	232,632	306,695	277,744	224,614	303,089	299,243	446,321	3,290,985
210 - Accounting	149,967	127,374	139,032	134,888	155,814	168,405	155,423	156,051	151,448	162,449	146,972	207,156	1,854,979
220 - Management Information Systems (MIS)	401,536	495,303	640,543	523,161	645,579	477,994	560,302	493,454	703,176	529,619	621,106	817,293	6,909,066
221 - Business Intelligence	205	10,000	50,100	20,600	22,857	11,091	30,894	20,178	9,000	27,255	20,928	27,038	250,146
225 - Infrastructure	255,998	238,858	247,310	245,403	301,083	200,444	238,149	142,044	321,221	305,887	342,534	358,252	3,197,183
230 - Claims	510,558	444,621	505,751	502,157	539,033	558,994	474,925	521,346	474,916	558,051	511,254	600,957	6,202,563
240 - Project Management	85,314	84,072	96,834	89,192	86,052	93,268	118,697	94,904	118,090	103,538	74,402	78,212	1,122,575
310 - Health Services - Utilization Management	86,447	91,228	95,142	84,999	92,899	78,445	90,324	92,549	99,340	120,817	104,019	139,416	1,175,625
311 - Health Services - Quality Improvement	25,633	21,530	22,707	23,865	28,960	26,561	30,312	25,507	28,184	39,669	27,533	28,139	328,600
312 - Health Services - Education	23	612	(5)	15,883	(15,754)	-	28	361	(361)	1,208	-	(139)	1,856
313 - Pharmacy	127,668	124,298	159,313	125,311	127,589	27,151	217,824	137,352	135,165	151,841	137,118	145,515	1,616,145
314 - Health Homes	556	(556)	(398)	-	18	-	228	168	-	1,984	236	498	2,734
315 - Case Management	12,191	11,347	11,943	11,541	13,230	10,958	13,670	14,260	15,493	17,443	14,875	17,473	164,424
616 - Disease Management	20,405	18,247	18,631	19,416	21,808	18,412	21,057	19,984	21,049	23,003	20,760	15,426	238,198
320 - Provider Network Management	267,760	126,987	223,524	244,955	235,564	211,875	223,120	221,422	215,134	281,230	243,022	296,331	2,790,924
330 - Member Services	470,954	389,538	441,753	485,966	477,021	424,507	447,582	443,020	446,721	514,221	495,011	501,404	5,537,698
340 - Corporate Services	319,181	347,539	396,534	356,340	364,405	386,714	428,213	522,449	615,663	683,477	415,452	487,264	5,323,231
360 - Audit & Investigative Services	57,536	55,624	51,626	53,495	53,208	47,245	50,075	49,354	56,306	218,033	71,794	70,162	834,458
410 - Advertising Media	24,987	11,283	34,440	62,712	108,984	61,286	23,752	33,490	77,629	86,310	43,453	30,344	598,670
420 - Sales/Marketing/Public Relations	48,311	41,979	43,514	48,369	48,141	44,213	44,029	68,783	51,874	90,626	45,947	72,301	648,087
510 - Human Resources	211,647	111,757	134,617	147,600	152,127	176,288	166,504	216,145	167,515	200,191	182,152	250,989	2,117,532
Total Department Expenses	3,375,554	2,938,564	3,547,477	3,480,961	3,653,991	3,256,483	3,641,803	3,550,565	3,932,177	4,419,941	3,817,811	4,590,352	44,205,679
ADMINISTRATIVE EXPENSE ADJUSTMENT	-	-	-	-	-	-	-	-	-	-	-	-	1,325,136
Total Administrative Expenses	3,375,554	2,938,564	3,547,477	3,480,961	3,653,991	3,256,483	3,641,803	3,550,565	3,932,177	4,419,941	3,817,811	5,915,488	45,530,815

KERN HEALTH SYSTEMS GROUP HEALTH PLAN - HFAM BALANCE SHEET STATEMENT AS OF DECEMBER 31, 2019			
ASSETS	DECEMBER 2019	NOVEMBER 2019	INC(DEC)
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 1,210,361	\$ 1,477,851	(267,490)
Interest Receivable	7,920	5,940	1,980
Prepaid Expenses & Other Current Assets	5,000	5,834	(834)
TOTAL CURRENT ASSETS	\$ 1,223,281	\$ 1,489,625	\$ (266,344)
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accounts Payable	-	269,453	(269,453)
Other Liabilities	94,396	94,396	-
TOTAL CURRENT LIABILITIES	\$ 94,396	\$ 363,849	\$ (269,453)
NET POSITION:			
Net Position- Beg. of Year	1,100,538	1,100,538	-
Increase (Decrease) in Net Position - Current Year	28,347	25,238	3,109
Total Net Position	\$ 1,128,885	\$ 1,125,776	\$ 3,109
TOTAL LIABILITIES AND NET POSITION	\$ 1,223,281	\$ 1,489,625	\$ (266,344)

**KERN HEALTH SYSTEMS
GROUP HEALTH PLAN - HFAM
STATEMENT OF REVENUE, EXPENSES, AND CHANGES
IN NET POSITION
FOR THE MONTH ENDED DECEMBER 31, 2019**

CURRENT MONTH			YEAR-TO-DATE		
ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
ENROLLMENT					
-	-	-	-	-	-
REVENUES					
-	-	-	-	-	-
1,980	-	1,980	35,034	-	35,034
1,963	-	1,963	3,313	-	3,313
3,943	-	3,943	38,347	-	38,347
EXPENSES					
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,943	-	3,943	38,347	-	38,347
GROSS MARGIN					
Administrative					
834	-	(834)	10,000	-	(10,000)
834	-	(834)	10,000	-	(10,000)
TOTAL EXPENSES					
834	-	(834)	10,000	-	(10,000)
OPERATING INCOME (LOSS)					
3,109	-	3,109	28,347	-	28,347
TOTAL NONOPERATING REVENUE (EXPENSES)					
-	-	-	-	-	-
NET INCREASE (DECREASE) IN NET POSITION					
3,109	-	3,109	28,347	-	28,347
MEDICAL LOSS RATIO					
0%	0%	0%	0%	0%	0%
ADMINISTRATIVE EXPENSE RATIO					
0%	0%	0%	26%	0%	-26%

KERN HEALTH SYSTEMS		MONTHLY MEMBERS COUNT											
KERN HEALTH SYSTEMS													
MEDI-CAL		2019 MEMBER MONTHS											
		JAN'19	FEB'19	MAR'19	APR'19	MAY'19	JUN'19	JUL'19	AUG'19	SEP'19	OCT'19	NOV'19	DEC'19
ADULT AND FAMILY													
PA - FAMILY	135,502	34,526	33,921	33,871	33,184	0	0	0	0	0	0	0	0
REFUGEE - FAMILY	1	0	0	0	1	0	0	0	0	0	0	0	0
FOSTER CARE	2,907	720	699	712	776	0	0	0	0	0	0	0	0
POVERTY-133/200%	4	1	1	1	1	0	0	0	0	0	0	0	0
MI - CHILD	438,898	108,363	109,594	110,076	110,865	0	0	0	0	0	0	0	0
CHILD-ACA	109	41	40	13	15	0	0	0	0	0	0	0	0
FAMILY - UNDER 19	88,630	22,145	22,131	22,194	22,160	0	0	0	0	0	0	0	0
ADULT	351,138	0	0	0	0	43,788	44,339	43,865	43,889	43,994	43,761	43,815	43,687
CHILD	985,947	0	0	0	0	123,066	123,784	123,076	122,740	123,590	123,349	123,165	123,177
SUB-TOTAL ADULT & FAMILY	2,003,136	165,796	166,386	166,867	167,002	166,854	168,123	166,947	166,629	167,584	167,110	166,980	166,864
MEDI-CAL EXPANSION													
LHP Transition Pre-ACA	15	5	5	5	0	0	0	0	0	0	0	0	0
ACA Expansion Adult-Citizen	719,327	58,680	59,344	59,219	59,554	59,527	60,505	60,101	60,282	60,969	61,091	60,618	59,437
ACA Expansion CAL Fresh Adult	13	4	4	3	2	0	0	0	0	0	0	0	0
ACA Expansion Duals	4,810	440	465	446	412	401	442	427	396	314	264	237	566
SUB-TOTAL MANDATORY	724,165	59,129	59,818	59,673	59,968	59,928	60,947	60,528	60,678	61,283	61,355	60,855	60,003
SDP MEMBERS													
SSI - AGED	758	182	197	181	198	0	0	0	0	0	0	0	0
MN - AGED	6,500	1,621	1,623	1,623	1,633	0	0	0	0	0	0	0	0
SSI - BLIND & DIS-ABLED	49,606	12,333	12,191	12,680	12,402	0	0	0	0	0	0	0	0
MN - BLIND & DIS-ABLED	1,911	449	502	441	519	0	0	0	0	0	0	0	0
SPD (AGED AND DISABLED)	122,157	0	0	0	0	14,958	15,103	15,264	15,270	15,300	15,454	15,525	15,283
SUB-TOTAL MANDATORY SPD	180,932	14,585	14,513	14,925	14,752	14,958	15,103	15,264	15,270	15,300	15,454	15,525	15,283
TOTAL MANDATORY	2,908,233	239,510	240,717	241,465	241,722	241,740	244,173	242,733	242,577	244,167	243,919	243,360	242,150
OTHER MEMBERS													
BCCTP-TOBACCO SETTLEMENT	276	23	25	22	22	22	22	22	21	24	23	23	27
DUALS													
PA - FAMILY DUALS	102	18	30	24	30	0	0	0	0	0	0	0	0
PART D SSI - AGED	3,342	838	821	832	851	0	0	0	0	0	0	0	0
PART D MN - AGED	6,302	1,510	1,559	1,564	1,669	0	0	0	0	0	0	0	0
PART D SSI - BLIND & DIS-ABLED	9,973	2,471	2,490	2,531	2,481	0	0	0	0	0	0	0	0
PART D MN - BLIND & DIS-ABLED	4,176	1,082	1,049	1,003	1,042	0	0	0	0	0	0	0	0
PART D BCCTP-TOBACCO SETTLEMENT	13	1	1	1	2	1	1	1	1	1	1	1	1
PART D MI - CHILD	1,620	377	409	394	435	0	0	0	0	0	3	1	1
PARTIAL DUALS - FAMILY	3,624	0	0	0	0	435	453	448	448	520	437	452	431
SPD FULL DUALS	51,607	0	0	0	0	6,151	6,247	6,176	6,419	6,565	6,656	6,622	6,771
SUB-TOTAL DUALS	80,759	6,297	6,359	6,349	6,510	6,587	6,701	6,625	6,868	7,086	7,097	7,076	7,204
TOTAL OTHERS	81,035	6,320	6,384	6,371	6,532	6,609	6,723	6,647	6,889	7,110	7,120	7,099	7,231
TOTAL KAISER	103,876	8,329	8,385	8,394	8,411	8,557	8,609	8,668	8,758	8,858	8,911	8,989	9,007
TOTAL MEDI-CAL MEMBERS	3,093,144	254,159	255,486	256,230	256,665	256,906	259,505	258,048	258,224	260,135	259,950	259,448	258,388



DECEMBER AP Vendor Report
Amounts Over \$10,000.00

Vendor No.	Vendor Name	Current Month	Year-to-Date	Description	Department
T3130	OPTUMINSIGHT, INC.****	565,445.00	1,437,372.00	2020 ANNUAL CES LICENSE RENEWAL	MIS INFRASTRUCTURE
T4722	COGNIZANT TRIZETTO SOFTWARE GROUP, INC.	538,174.16	934,044.60	ANNUAL MAINTENANCE SUPPORT AND LICENSES, NOV. PROFESSIONAL SERVICES.	VARIOUS
T4290	S.C. ANDERSON, INC.**	534,816.17	15,520,875.76	SEPT., OCT., & NOV., NEW BUILDING CONSTRUCTION SERVICES	CAPITAL PROJECT - NEW BUILDING
T1045	KAISER FOUNDATION HEALTH	446,175.51	5,569,467.13	DECEMBER EMPLOYEE HEALTH BENEFITS	VARIOUS
T4699	ZeOMEGA, INC.	334,600.00	1,579,428.30	2020 ANNUAL LICENSE AND MAINTENANCE	MIS INFRASTRUCTURE
T1845	DEPARTMENT OF MANAGED HEALTH CARE*****	255,820.84	542,545.58	2ND AND FINAL 2019 MCAL/HFAM ANNUAL ASSESSMENT FEES	ADMINISTRATION
T4350	COMPUTER ENTERPRISE INC.	227,148.45	3,058,903.75	NOV. PROFESSIONAL SERVICES	CAPITAL PROJECT IN PROCESS/ MIS
T4391	OMNI FAMILY HEALTH*****	196,048.80	1,177,231.90	SEPT. & OCT. HEALTH HOME GRANTS	COMMUNITY GRANTS
T4483	INFUSION AND CLINICAL SERVICES, INC.	181,514.41	826,199.11	JUL., AUG., & SEPT., HEALTH HOME GRANTS	COMMUNITY GRANTS
T4237	FLUIDEDGE CONSULTING, INC.	156,452.78	1,904,365.58	NOV. CONSULTING SERVICES	VARIOUS
T2469	DST HEALTH SOLUTIONS, INC.****	139,576.80	139,576.80	ACG ANNUAL MAINTENANCE RENEWAL YR 2	MIS INFRASTRUCTURE
T4609	GREGORY D. BYNUM AND ASSOCIATES, INC.****	130,107.47	1,075,923.72	SEPT. NEW BUILDING DEVELOPMENT OVERHEAD FEES & MISCELLANEOUS SERVICES	CAPITAL PROJECT - NEW BUILDING
T2726	DST PHARMACY SOLUTIONS, INC.	116,329.63	1,314,016.11	NOVEMBER PHARMACY AND CLAIMS PROCESSING	PHARMACY
T4982	NGC US, LLC	75,000.00	648,502.57	PREFUND HEALTH HOMES INCENTIVE & WELLNESS INCENTIVE PROGRAM	VARIOUS
T5026	TEL-TEC SECURITY SYSTEMS	74,938.40	370,687.51	INSTALLATION OF BURGLAR PHASE- SECURITY SYSTEM PHASE II	CAPITAL PROJECT - NEW BUILDING
T2488	THE LINCOLN NATIONAL LIFE INSURANCE	61,094.42	694,315.18	DEC. VOLUNTARY LIFE, AD&D, DENTAL INSURANCE	VARIOUS



**DECEMBER AP Vendor Report
Amounts Over \$10,000.00**

Vendor No.	Vendor Name	Current Month	Year-to-Date	Description	Department
T5015	SENTINEL ENGINEERING****	58,577.54	500,922.27	ANNUAL JUNIPER SWITCHES MAINTENANCE & SUPPORT & 50% APR-DRG IMPLEMENTATION	VARIOUS
T2918	STINSON'S****	57,166.40	706,692.01	OFFICE SUPPLIES & FURNITURE	VARIOUS
T4265	SIERRA SCHOOL EQUIPMENT COMPANY	56,012.12	328,013.83	NEW BUILDING FURNITURE-BOARD ROOM & BREAKROOM	CAPITAL PROJECT - NEW BUILDING
T5217	AMERICAN TILE & BRICK VENEER, INC.****	44,500.00	44,500.00	NEW BUILDING- EXTERIOR ADHERED MASONRY VENEER	CAPITAL PROJECT - NEW BUILDING
T4562	HEALTHX, INC.	40,376.00	508,072.00	DEC. MAINTENANCE AND SUPPORT FEES - PROVIDER AND MEMBER PORTAL	MIS INFRASTRUCTURE
T2562	CACTUS SOFTWARE LLC****	35,700.00	81,525.00	ANNUAL CACTUS SOFTWARE RENEWAL	MIS INFRASTRUCTURE
T4496	VOX NETWORK SOLUTIONS****	33,262.60	38,258.20	ANNUAL ENGAGE WORKFORCE MANAGEMENT SOFTWARE YR 1 OF 3	MIS INFRASTRUCTURE
T4193	STRIA LLC	31,981.72	428,340.25	NOV. OCR SERVICES AND PROFESSIONAL SERVICES	CLAIMS
T4733	UNITED STAFFING ASSOCIATES	29,522.98	170,176.97	NOV. & DEC. TEMPORARY HELP (2) MS, (1) MARKETING, (1) CORP. SYCS, 7 & DIRECT HIRE SERVICES -HR SENIOR ANALYST	VARIOUS
T4698	INFINITY COMMUNICATIONS & CONSULTING, INC.	29,347.50	101,790.00	TECHNICAL BUILDING ARCHITECTURAL CONSULTING PHASE II	CAPITAL PROJECT - NEW BUILDING
T2458	HEALTHCARE FINANCIAL, INC.	28,500.00	90,500.00	OCT. PROFESSIONAL SERVICES	ADMINISTRATION
T1785	AT&T INC.****	27,118.60	30,963.24	DEC. LOCAL CALL & RELOCATION AERIAL FACILITIES TO UNDERGROUND FOR NEW BUILDING	VARIOUS
T4967	ADMINISTRATIVE SOLUTIONS, INC.****	25,381.68	201,612.30	NOV., & DEC. EMPLOYEE PAID VOLUNTARY INSURANCE/FSA CARD DEPOSIT	PAYROLL DEDUCTION
T2955	DELTA ELECTRIC INC.****	25,000.00	51,050.00	BUILDING MAINTENANCE -POWER & DATA	CORPORATE SERVICES
T3001	MERCER	24,000.00	47,500.00	OCT. CONSULTING SERVICES	HUMAN RESOURCES
T5076	MERIDIAN HEALTH SYSTEMS, P.C.	23,140.00	147,550.00	NOV. PROFESSIONAL SERVICES	UTILIZATION MANAGEMENT



DECEMBER AP Vendor Report
Amounts Over \$10,000.00

Vendor No.	Vendor Name	Current Month	Year-to-Date	Description	Department
T4165	SHI INTERNATIONAL CO.	22,172.56	586,719.88	HARDWARE-20 FORTINET 30E-SECURITY APPLIANCE & ESD SOFTWARE MAINTENANCE	MIS INFRASTRUCTURE
T4460	PAYSPAN, INC	22,121.96	237,617.50	NOV. EXTERNAL CLAIMS PAYMENT PROCESSING & PPD REIMB CARD	FINANCE
T4538	CHANGE HEALTHCARE SOLUTIONS, LLC****	21,005.54	180,736.16	OCT. EDI CLAIM PROCESSING	CLAIMS
T5129	JOHNSON CONTROLS FIRE PROTECTION LP****	19,274.00	19,274.00	VISITOR MANAGEMENT SYSTEM WITH 1 YR MAINTENANCE AGREEMENT	CAPITAL PROJECT
T5169	SALAS O'BRIEN****	16,628.96	19,911.46	SEPT., & OCT., CONSULTING SERVICES - RELOCATION PROJECT	CAPITAL PROJECT - NEW BUILDING
T4652	BAKERSFIELD SYMPHONY ORCHESTRA****	16,600.00	57,800.00	OCT., & NOV., COMMUNITY SPONSORSHIP	ADMINISTRATION
T5109	RAND EMPLOYMENT SOLUTIONS	16,385.92	134,418.07	OCT. TEMPORARY HELP - (11) MIS ; (4) MS; (1) UM (1) CLAIMS	VARIOUS
T2167	PG&E	15,769.38	595,160.03	NOV. 2019 USAGE/UTILITIES	CORPORATE SERVICES
T3011	OFFICE ALLY, INC.	15,322.25	255,622.00	NOV. EDI CLAIM PROCESSING	CLAIMS
T5030	KHOA NGUYEN DBA KN CONSULTING LLC****	14,999.00	49,999.00	CONSULTING SERVICES - GROUP PLAN PURCHASING SYSTEM - FINAL	CORPORATE SERVICE
T4696	ZNALYTICS, LLC	13,680.00	497,590.00	NOV. PROFESSIONAL SERVICES	CAPITAL PROJECT-CASE MANAGEMENT/DISEASE MANAGEMENT
T5121	TPx COMMUNICATIONS****	13,325.71	22,200.42	NOV., & DEC., LOCAL CALL SERVICES; LONG DISTANCE CALLS; INTERNET SERVICES; 800 LINES	MIS INFRASTRUCTURE
T1189	APPLE ONE INC, EMPLOYMENT SERVICES	13,112.78	380760.65	OCT. & NOV. TEMPORARY HELP - (4) MIS, (2) MS, (1) HE.	VARIOUS
T1861	CERIDIAN HCM, INC.	13,099.85	190606.13	DECEMBER DAYFORCE HUMAN CAPITAL MANAGEMENT	HUMAN RESOURCES
T4396	KAISER FOUNDATION HEALTH-DHMO	12,775.06	236,098.72	DEC. EMPLOYEE HEALTH BENEFITS	VARIOUS
T1180	LANGUAGE LINE SERVICES INC.****	12,566.13	66,484.12	OCT., & NOV., INTERPRETATION SERVICES	MEMBER SERVICES



DECEMBER AP Vendor Report
Amounts Over \$10,000.00

Vendor No.	Vendor Name	Current Month	Year-to-Date	Description	Department
T1005	COLONIAL LIFE & ACCIDENT ATTN PREMIUM PROCESSING	12,496.42	140,432.52	DEC. EMPLOYEE PREMIUM	PAYROLL DEDUCTION
T5209	ADOBE, INC.***	12,000.00	12,000.00	MIS EQUIPMENT - ROBOHELP SERVER w/MAINTENANCE & TECHNICAL COMMUNICATION SUITE	CAPITAL PROJECT
T4501	ALLIED UNIVERSAL SECURITY*****	11,998.66	60,897.69	NOV. ONSITE SECURITY	CORPORATE SERVICES
T1650	UNIVISION TELEVISION GROUP*****	11,934.00	48,467.00	OCT., & NOV., ADVERTISEMENT - TELEVISION	MARKETING
T2413	TREK IMAGING INC*****	11,839.99	79,915.65	COMMUNITY AND MARKETING EVENTS, MEMBER & HEALTH ED INCENTIVES, EMPLOYEE EVENTS, NEW HIRE SHIRTS	VARIOUS
T5145	CCS ENGINEERING FRESNO INC.,	11,591.68	90,158.66	DEC. JANITORIAL SERVICES	CORPORATE SERVICES
T4657	DAPONDE SIMPSON ROWE PC*****	11,574.50	87,212.50	OCTOBER LEGAL FEES	PROVIDER RELATIONS
T4902	CHANGE HEALTHCARE TECHNOLOGIES, LLC*****	11,238.99	128,133.58	OCT. EDI CLAIM PROCESSING	CLAIMS /MIS
T4727	ITANI DESIGN CONCEPTS****	10,595.21	17,672.25	NEW BUILDING INTERIOR DESING	CORPORATE SERVICES
T5205	LET'S RIDE MOTORSPORTS INC. *****	10,113.10	10,113.10	EQUIPMENT -GOLF CART	CORPORATE SERVICES
T1976	LUIGI'S*****	10,036.24	20,238.88	CATERING - 2019 EMPLOYEE HOLIDAY LUNCHEON	MARKETING
		4,987,097.87			
	TOTAL VENDORS OVER \$10,000	4,987,097.87			
	TOTAL VENDORS UNDER \$10,000	241,472.05			
	TOTAL VENDOR EXPENSES- DECEMBER	5,228,569.92			

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



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

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T4290	S.C. ANDERSON, INC.	15,520,875.76	NEW BUILDING CONSTRUCTION SERVICES	CAPITAL PROJECT - NEW BUILDING
T1045	KAISER FOUNDATION HEALTH - HMO	5,130,046.55	EMPLOYEE HEALTH BENEFITS	VARIOUS
T4360	COMPUTER ENTERPRISE INC.	3,058,903.75	PROFESSIONAL SERVICES / CONSULTING SERVICES	CAPITAL PROJECT IN PROCESS/ MIS
T4237	FLUIDEDGE CONSULTING, INC.	1,904,365.58	CONSULTING SERVICES/UPDATE TO STANDARD BUSINESS REPORTING AND CORPORATE PROJECTS	VARIOUS
T1001	KERN MEDICAL CENTER	1,749,866.69	HEALTH HOME GRANTS	COMMUNITY GRANTS
T4689	ZeOMEGA, INC.	1,579,428.30	2019 ANNUAL LICENSE AND MAINTENANCE/PROFESSIONAL SERVICES - MEDICAL MANAGEMENT PLATFORM	CAPITAL PROJECT-CASE MANAGEMENT/DISEASE MANAGEMENT
T3130	OPTUMINSIGHT, INC.	1,437,372.00	CES DIRECT LICENSE - 12/18- 12/19 ANNUAL FEE / OUTSOURCED ANALYSIS	CAPITAL PROJECT IN PROGRESS/PROVIDER RELATIONS
T2726	DST PHARMACY SOLUTIONS, INC.	1,314,016.11	PHARMACY AND CLAIMS PROCESSING	PHARMACY
T4391	OMNI FAMILY HEALTH	1,177,231.90	HEALTH HOME GRANTS	COMMUNITY GRANTS
T4609	GREGORY D. BYNUM AND ASSOCIATES, INC.	1,075,923.72	NEW BUILDING DEVELOPMENT OVERHEAD FEES	CAPITAL PROJECT - NEW BUILDING
T4722	COGNIZANT TRIZETTO SOFTWARE GROUP, INC.	934,044.60	PROFESSIONAL SERVICES	VARIOUS
T4483	INFUSION AND CLINICAL SERVICES, INC.	775,045.63	HEALTH HOME GRANTS	COMMUNITY GRANTS
T2918	STINSON'S	706,692.01	OFFICE SUPPLIES & FURNITURE	VARIOUS
T2488	THE LINCOLN NATIONAL LIFE INSURANCE	694,315.18	VOLUNTARY LIFE, AD&D, DENTAL INSURANCE	VARIOUS



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T4982	NGC US, LLC	648,502.57	PREFUND HEALTH HOMES INCENTIVE, MEMBER SERVICES SATISFACTION SURVEY INCENTIVES, HEALTH EDUCATION INCENTIVES	VARIOUS
T2704	MCG HEALTH LLC	623,873.90	ANNUAL SOFTWARE LICENSE - HEALTH CARE MANAGEMENT	UTILIZATION MANAGEMENT
T2167	PG&E	595,160.03	ANNUAL TRUE-UP FOR 2018-2019 USAGE/UTILITIES	CORPORATE SERVICES
T4165	SHI INTERNATIONAL CO.	586,719.88	MAINTENANCE SUPPORT/ STORAGE MAINTENANCE/HARDWARE	VARIOUS
T3449	CDW GOVERNMENT	580,364.10	FORTINET FORTGATE FIREWALL APPLIANCES, LICENSES, AND SUPPORT	CAPITAL PROJECT - NEW BUILDING OCCUPATION
T1845	DEPARTMENT OF MANAGED HEALTH CARE	542,545.58	MCAL/HFAM ANNUAL ASSESSMENT FEES	ADMINISTRATION
T4582	HEALTHX, INC.	506,072.00	MAINTENANCE AND SUPPORT FEES - PROVIDER AND MEMBER PORTAL	MIS INFRASTRUCTURE
T5015	SENTINEL ENGINEERING	500,922.27	HARDWARE, SOFTWARE, LICENSING AND SUPPORT FOR 1 YEAR FOR NEW BUILDING	CAPITAL PROJECT - NEW BUILDING OCCUPATION
T4696	ZNALYTICS, LLC	497,590.00	PROFESSIONAL SERVICES	CAPITAL PROJECT-CASE MANAGEMENT/DISEASE MANAGEMENT
T2686	ALLIANT INSURANCE SERVICES INC.	477,362.46	2019/2020 INSURANCE RENEWALS	ADMINISTRATION
T1408	DELL MARKETING L.P.	457,822.89	SOFTWARE LICENSE & MIS EQUIPMENT	MIS INFRASTRUCTURE
T5119	PACIFIC WEST SOUND PROFESSIONAL AUDIO & DESIGN INC.	433,957.05	NEW BUILDING FURNITURE	CAPITAL PROJECT - NEW BUILDING
T4193	STRIA LLC	428,340.25	OCR SERVICES AND PROFESSIONAL SERVICES	CLAIMS
T1189	APPLE ONE INC, EMPLOYMENT SERVICES	380,760.65	TEMPORARY HELP	VARIOUS
T5026	TEL-TEC SECURITY SYSTEMS	370,687.51	INSTALLATION OF BURGLAR PHASE- SECURITY SYSTEM	CAPITAL PROJECT - NEW BUILDING

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T1071	CLINICA SIERRA VISTA	359,349.18	EMERGENCY ROOM DIVERSION GRANT	COMMUNITY GRANT
T4265	SIERRA SCHOOL EQUIPMENT COMPANY	328,013.83	NEW BUILDING FURNITURE-BOARD ROOM & BREAKROOM	CAPITAL PROJECT - NEW BUILDING
T4308	TRUXTUN PLACE PARTNERS	316,413.46	TRUXTUN - RENT & UTILITIES	CORPORATE SERVICES
T5005	CRAYON SOFTWARE EXPERTS LLC	288,981.82	ANNUAL MICROSOFT ENTERPRISE AGREEMENT	MIS INFRASTRUCTURE
T4353	TWE SOLUTIONS, INC.	288,015.27	PROVIDES UPS BATTERY BACKUP SYSTEM TO RUN DATA CENTER IN NEW BUILDING	MIS INFRASTRUCTURE
T4546	LEVEL 3 COMMUNICATIONS, LLC	264,380.70	DISASTER RECOVERY, INTERNET, LONG DISTANCE CALLS	MIS INFRASTRUCTURE
T3011	OFFICE ALLY, INC.	255,622.00	EDI CLAIM PROCESSING	CLAIMS
T1272	COFFEY COMMUNICATIONS INC.	244,227.55	MEMBER NEWSLETTER/ WEBSITE IMPLEMENTATION	HEALTH EDUCATION/ MIS INFRASTRUCTURE
T4460	PAYSPAN, INC	237,617.50	ELECTRONIC CLAIMS/PAYMENTS	FINANCE
T4396	KAISER FOUNDATION HEALTH-DHMO	222,348.29	EMPLOYEE HEALTH BENEFITS	VARIOUS
T5116	CHRYSTAL INVESTMENTS, LLC	229,673.93	LEASE AGREEMENT STOCKDALE BLDG	CORPORATE SERVICE
T4959	BERKSHIRE HATHWAY HOMESTATE COMPANIES	206,758.00	WORKERS COMPENSATION INSURANCE PREMIUM	VARIOUS
T4967	ADMINISTRATIVE SOLUTIONS, INC.	201,612.30	EMPLOYEE PAID VOLUNTARY INSURANCE/FSA CARD DEPOSIT	PAYROLL DEDUCTION
T4695	EDIFECs, INC.	192,439.25	ANNUAL TSM MAINTENANCE	MIS INFRASTRUCTURE
T1861	CERIDIAN HCM, INC.	190,606.13	MONTHLY SUBSCRIPTION FEES/ PROFESSIONAL SERVICES/ DAYFORCE HUMAN CAPITAL MANAGEMENT IMPLEMENTATION & AMENDMENTS	HUMAN RESOURCES
T4538	CHANGE HEALTHCARE SOLUTIONS, LLC	180,736.16	EDI CLAIM PROCESSING (EMDEON)	CLAIMS
T2584	UNITED STATES POSTAL SVC.-HASLER	180,000.00	POSTAGE-METERED	VARIOUS



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T4733	UNITED STAFFING ASSOCIATES	170,176.97	TEMPORARY HELP & DIRECT HIRE SERVICES	VARIOUS
T4792	KP LLC	160,567.82	PRINTING AND SHIPPING OF PROVIDER DIRECTORIES	PROVIDER RELATIONS
T5076	MERIDIAN HEALTH SYSTEMS, P.C.	147,550.00	PROFESSIONAL SERVICES	UTILIZATION MANAGEMENT
T4331	COTIVITI, INC	144,650.88	PROVIDES DATA AND ABSTRACTION PLATFORM FOR HEDIS SUBMISSION, INTERVENTIONS & P4P CAPTURE	QUALITY IMPROVEMENT
T1005	COLONIAL LIFE & ACCIDENT ATTN PREMIUM PROCESSING	140,432.52	EMPLOYEE PREMIUM	VARIOUS
T2469	DST HEALTH SOLUTIONS, INC.****	139,576.80	ACG ANNUAL MAINTENANCE RENEWAL	MIS
T5109	RAND EMPLOYMENT SOLUTIONS	134,418.07	TEMPORARY HELP	VARIOUS
T4902	CHANGE HEALTHCARE TECHNOLOGIES, LLC	128,133.58	EDI CLAIM PROCESSING	CLAIMS /MIS
T4466	SMOOTH MOVE USA	115,322.44	FURNITURE RELOCATION TO NEW BUILDING	CORPORATE SERVICES
T5013	ELIZA CORPORATION	112,882.00	HEALTH SERVICES MEMBER OUTREACH PILOT	HEALTH EDUCATION
T4785	COMMIGAP	109,660.00	INTERPRETATION SERVICES	HEALTH EDUCATION
T3469	CPACINC.COM INC	104,955.74	VMWARE/VEEAM LICENSING W/ SUPPORT & MAINTENANCE FOR NEW BUILDING	MIS INFRASTRUCTURE
T4698	INFINITY COMMUNICATIONS & CONSULTING, INC.	101,790.00	TECHNICAL BUILDING ARCHITECTURAL CONSULTING PHASE II	CAPITAL PROJECT - NEW BUILDING
T1980	LOCAL HEALTH PLANS OF CA, INC	97,762.68	2019/2020 FLAT YEARLY ASSESSMENT	ADMINISTRATION
T4654	DELAWIE	96,058.03	ARCHITECTURE SERVICES	CAPITAL PROJECT-NEW BUILDING
T2989	AMERICAN BUSINESS MACHINES INC	92,203.30	HARDWARE AND MAINTENANCE	CORPORATE SERVICES
T2458	HEALTHCARE FINANCIAL, INC.	90,500.00	PROFESSIONAL SERVICES	ADMINISTRATION

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T5145	CCS ENGINEERING FRESNO INC.,	90,158.66	JANITORIAL SERVICES & PRESSURE WASHING SVCS.	CORPORATE SERVICES
T4961	AEROTEK SCIENTIFIC, LLC	89,437.12	TEMPORARY EMPLOYEE SERVICES	VARIOUS
T4657	DAPONDE SIMPSON ROWE PC	87,212.50	CONSULTING SERVICES	PROVIDER RELATIONS
T2562	CACTUS SOFTWARE LLC	81,525.00	SOFTWARE UPGRADE RENEWAL OF LICENSE	MIS INFRASTRUCTURE
T5065	CHAMP'S SECURITY PATROL SERVICES INC.	81,010.00	TEMPORARY ONSITE SECURITY	CORPORATE SERVICES
T4991	FANELLIPM	80,335.00	PROFESIONAL SERVICES-RELOCATION MANAGEMENT	PROJECT MANAGEMENT
T2413	TREK IMAGING INC	79,915.65	COMMUNITY AND MARKETING EVENTS, MEMBER & HEALTH ED INCENTIVES, EMPLOYEE EVENTS, NEW HIRE SHIRTS	VARIOUS
T4182	THE LAMAR COMPANIES	69,620.96	OUTDOOR ADVERTISEMENT-BILLBOARDS	ADVERTISING
T4686	CENTRIC HEALTH	69,518.58	TRANSITION OF CARE CLINIC FUNDING	UTILIZATION MANAGEMENT
T2446	AT&T MOBILITY	69,454.93	CELLULAR PHONE / INTERNET	MIS
T5078	SJS BUILDING MAINTENANCE & SUPPLIES	69,316.62	JANITORIAL SERVICES	CORPORATE SERVICES
T4963	LINKEDIN CORPORATION	68,500.00	ONLINE JOB POSTINGS/RECRUITMENT	HUMAN RESOURCES
T1128	HALL LETTER SHOP, INC.	67,156.39	NEW MEMBER LETTER/ENVELOPES, MEMBER HANDBOOKS, CLINICAL CARE MANUAL FOR HH, NEW MEMBER PKT.	VARIOUS
T1180	LANGUAGE LINE SERVICES INC.	66,494.12	INTERPRETATION SERVICES	MEMBER SERVICES



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T4503	VISION SERVICE PLAN	65,226.04	EMPLOYEE HEALTH BENEFITS	VARIOUS
T4563	SPH ANALYTICS	65,200.00	PROVIDER AND MEMBER SATISFACTION SURVEYS	VARIOUS
T4054	ASSOCIATION FOR COMMUNITY AFFILIATED PLANS	65,000.00	2019 ANNUAL DUES ASSESSMENT	ADMINISTRATION
T4514	A.J. KLEIN, INC. T. DENATALE, B. GOLDNER	61,283.48	LEGAL SERVICES	ADMINISTRATION
T4501	ALLIED UNIVERSAL SECURITY	60,897.69	ONSITE SECURITY	CORPORATE SERVICES
T2941	KERN PRINT SERVICES INC.	59,074.98	OTHER PRINTING COSTS, ENVELOPES, LETTERHEAD	VARIOUS
T2933	SIERRA PRINTERS, INC.	57,951.41	PRINTING OF MEMBER EDUCATION MATERIAL/PROVIDER DIRECTORY/BUSINESS CARDS	VARIOUS
T4652	BAKERSFIELD SYMPHONY ORCHESTRA	57,800.00	COMMUNITY SPONSORSHIP	ADMINISTRATION
T3084	KERN COUNTY-COUNTY COUNSEL	55,724.30	LEGAL FEES	ADMINISTRATION
T4909	GEM PHYSICIANS MEDICAL GROUP, INC.	54,003.59	HEALTH HOME GRANTS	COMMUNITY GRANTS
T3986	JACQUELYN S. JANS	52,292.00	CONSULTING FOR KHS PUBLIC IMAGE CAMPAIGN	ADMINISTRATION/ MARKETING
T2955	DELTA ELECTRIC INC.	51,050.00	BUILDING MAINTENANCE	CORPORATE SERVICES
T4415	DANIELLS PHILLIPS VAUGHAN AND BOCK	50,195.00	2018 AUDIT FEES	ADMINISTRATION
T5025	SHANNON M DEAN	50,000.00	COMPENSATION DISTRIBUTION	ADMINISTRATION

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Vendor No.	Vendor Name	Year-to- Date	Description	Department
T5030	KHOA NGUYEN DBA KN CONSULTING LLC	49,999.00	CONSULTING SERVICES - GROUP PLAN PURCHASING SYSTEM	CORPORATE SERVICE
T5024	GALLAGHER BENEFIT SERVICES INC	49,500.00	PBM RFP CONSULTING	UTILIZATION MANAGEMENT
T2961	SOLUTION BENCH, LLC	48,538.81	M-FILES & SCANFINITY LICENSES SUPPORT	MIS INFRASTRUCTURE
T1650	UNIVISION TELEVISION GROUP	48,467.00	ADVERTISEMENT - TELEVISION	MARKETING
T2707	ACT 1 PERSONNEL SERVICES, INC.	47,878.96	TEMPORARY HELP	VARIOUS
T3001	MERCER	47,500.00	CONSULTING SERVICES	HUMAN RESOURCES
T4537	BURKE, WILLIAMS & SORENSEN, LLP	47,199.62	LEGAL SERVICES	ADMINISTRATION
T5217	AMERICAN TILE & BRICK VENEER, INC.***	44,500.00	NEW BUILDING- EXTERIOR ADHERED MASONRY VENEER	CAPITAL PROJECT - NEW BUILDING
T4607	AGILITY RECOVERY SOLUTIONS INC.	44,002.40	PREPAID ANNUAL PROFESSIONAL SERVICES	COMPLIANCE
T4561	SRI & SHARMA, LLC	43,750.00	PARKING RENTAL	CORPORATE SERVICES
T4739	SECURITAS SECURITY SERVICES USA, INC.	42,357.07	SECURITY SERVICES	CORPORATE SERVICES
T4873	L5 HEALTHCARE SOLUTIONS, INC.	42,179.00	LICENSE AND SUPPORT FEES - CLAIMS AUDIT TOOL	MIS INFRASTRUCTURE
T2965	VITAL SIGNS OF BAKERSFIELD	41,517.76	MONUMENT SIGN & INSTALLATION	CAPITAL PROJECT - NEW BUILDING
T2441	LAURA J. BREZINSKI	40,619.15	MARKETING MATERIALS	MARKETING



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Vendor No.	Vendor Name	Year-to-Date	Description	Department
T4216	NEXSTAR BROADCASTING INC.	40,417.75	ADVERTISEMENT - MEDIA	MARKETING
T1183	MILLIMAN USA	39,423.25	CY2018/2019 RDT & IBNP CONSULTING - ACTUARIAL	ADMINISTRATION
T2135	BAKERSFIELD CITY SCHOOL DISTRICT	38,455.00	SCHOOL WELLNESS GRANT	HEALTH EDUCATION
T4486	VOX NETWORK SOLUTIONS****	38,258.20	ANNUAL ENGAGE WORKFORCE MANAGEMENT SOFTWARE SUBSCRIPTION & MAINTENANCE	MIS
T4228	THE SSI GROUP, LLC.	38,156.40	EDI CLAIM PROCESSING	CLAIMS
T5111	ENTISYS 360	37,900.76	CONSULTING SERVICES	MIS INFRASTRUCTURE
T4452	WELLS FARGO 3500 2469	37,486.31	CREDIT CARD-TRAINING REGISTRATION, LODGING EXPENSES, AND MISCELLANEOUS PURCHASES	VARIOUS
T3378	CARRIER CORPORATION	36,853.44	BUILDING MAINTENANCE	CORPORATE SERVICE
T4781	EDRINGTON HEALTH CONSULTING, LLC	36,637.50	CONSULTING SERVICES - AB85	ADMINISTRATION
T5132	TIME WARNER CABLE LLC	36,485.95	INTERNET SERVICES	MIS INFRASTRUCTURE

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Vendor No.	Vendor Name	Year-to- Date	Description	Department
T4294	J. SERVICES JANITORIAL	36,345.00	JANITORIAL SERVICES	CORPORATE SERVICES
T4980	ZELIS CLAIMS INTEGRITY, LLC	36,305.89	POST EDITING SYSTEMS FOR CLAIMS PROCESSING	CLAIMS
T4389	EXACT STAFF, INC.	36,166.79	TEMPORARY HELP	MEMBER SERVICES
T2232	DLT SOLUTIONS, LLC	35,949.76	SQL SERVER MAINTENANCE	MIS INFRASTRUCTURE
T4583	SOILS ENGINEERING, INC.	35,280.00	SOIL SAMPLING OBSERVATION -OIL DIRT DISCOVERY/REMEDIATION	CAPITAL PROJECT - NEW BUILDING
T1022	UNUM LIFE INSURANCE CO.	34,732.32	EMPLOYEE PREMIUM	PAYROLL DEDUCTION
T3990	SPARKLETTS INC.	34,315.76	BOTTLED WATER SERVICE	VARIOUS
T1347	ADVANCED DATA STORAGE	31,912.48	OFF SITE STORAGE SERVICES	CORPORATE SERVICES
T4683	CLAUDIA M. BACA	31,844.59	PROJECT MANAGEMENT CONSULTING SERVICES	PROJECT MANAGEMENT
T4195	SCRIPPS MEDIA, INC. DBA KERO-TV	31,382.75	ADVERTISEMENT - TELEVISION	MARKETING
T1785	AT&T INC.****	30,963.24	LOCAL CALL & RELOCATION AERIAL FACILITIES TO UNDERGROUND FOR NEW BUILDING	VARIOUS
T4955	DOGHOUSE GRILL LLC	29,946.15	2019 KHS COMPANY EVENT	MARKETING
T4433	MICRO-DYN MEDICAL SYSTEMS, INC.	28,835.00	ANNUAL LICENSE- APR-DRG GROUPEP SOFTWARE SOLUTION TO PROCESS CLAIMS PAYMENT	MIS INFRASTRUCTURE
T5077	SDL, INC	27,851.25	COMPUTER ASSISTED TRANSLATION TOOL	HEALTH EDUCATION



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Vendor No.	Vendor Name	Year-to-Date	Description	Department
T5107	CITRIX SYSTEMS, INC.	27,489.14	SOFTWARE SUPPORT	MIS INFRASTRUCTURE
T4932	SPECTRUM REACH (MEDIA)	26,219.31	ADVERTISEMENT - TELEVISION	MARKETING
T5028	QUANTUM CONSULTING GROUP LLC	26,175.00	CONSULTING SERVICES	PROJECT MANAGEMENT
T5080	COURTNEY HILEMAN	25,000.00	COMPENSATION DISTRIBUTION	ADMINISTRATION
T4554	THE KEN BLANCHARD COMPANIES	24,891.00	TRAINING MATERIALS & MANAGER TRAINING COURSE	HUMAN RESOURCES
T4544	BARNES WEALTH MANAGEMENT GROUP	24,500.00	RETIREMENT PLAN CONSULTANTS	ADMINISTRATION
T5056	TRACI POWELL	24,411.82	PROFESSIONAL SERVICES & RELOCATION REIMBURSEMENT	UTILIZATION MANAGEMENT
T2831	CREATIVE FINANCIAL STAFFING	24,007.14	TEMPORARY HELP	FINANCE
T4731	LOGMEIN USA, INC.	23,970.00	INTERNET SERVICES	MIS INFRASTRUCTURE
T5100	QUANTUMPM, INC.	23,640.52	CONSULTING SERVICES	PROJECT MANAGEMENT
T5130	BUILDING ELECTRONIC CONTROLS, INC.	22,972.10	ELECTRONIC SERVICES	CORPORATE SERVICES
T4674	STOCKDALE PLAZA OWNERS ASSOCIATION INC.	22,500.00	PARKING SPACE RENTAL	CORPORATE SERVICES
T4768	HEALTHCARE SUPPORT STAFFING, INC.	22,483.26	DIRECT HIRE SERVICES	HUMAN RESOURCES

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T5121	TPx COMMUNICATIONS***	22,200.42	LOCAL CALL SERVICES; LONG DISTANCE CALLS; INTERNET SERVICES; 800 LINES	MIS INFRASTRUCTURE
T4694	KELLY SERVICES, INC.	21,983.25	TEMPORARY HELP	VARIOUS
T1976	LUIGI'S	20,238.88	CATERING SERVICES	MARKETING
T5185	HOUSING AUTHORITY COUNTY OF KERN	20,100.00	CASE MANAGEMENT GRANT	UTILIZATION MANAGEMENT
T5169	SALAS O'BRIEN***	19,911.46	CONSULTING SERVICES - RELOCATION PROJECT	CAPITAL PROJECT - NEW BUILDING
T4708	HEALTH MANAGEMENT ASSOCIATES, INC.	19,678.07	CONSULTING SERVICES	ADMINISTRATION
T4585	DELANO UNION SCHOOL DISTRICT	19,500.00	SCHOOL WELLNESS GRANT	HEALTH EDUCATION
T4605	KERNVILLE UNION SCHOOL DISTRICT	19,500.00	SCHOOL WELLNESS GRANT	HEALTH EDUCATION
T1503	PETROLEUM CLUB OF BAKERSFIELD	19,310.84	PHARMACY/PROVIDER RECOGNITION EVENTS	VARIOUS
T5129	JOHNSON CONTROLS FIRE PROTECTION LP***	19,274.00	VISITOR MANAGEMENT SYSTEM AND ANNUAL MAINTENANCE AGREEMENT	CAPITAL PROJECT
T3133	KENNETH JAMES TAYLOR	18,843.75	CONSULTING SERVICES	CAPITAL PROJECT
T4933	HOLLY J. CULHANE DBA PROFESSIONAL ADMINISTRATIVE SYSTEMS	18,089.54	PROFESSIONAL ADMINISTRATIVE SERVICES	ADMINISTRATION



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Vendor No.	Vendor Name	Year-to-Date	Description	Department
T5128	STANDARD SCHOOL DISTRICT	18,000.00	SCHOOL WELLNESS GRANT	HEALTH EDUCATION
T4934	APPLE INC.	17,804.66	IPHONES FOR MANAGERS & 2019 EMPLOYEE ANNIVERSARY AWARDS	MIS INFRASTRUCTURE/HR
T4727	ITANI DESIGN CONCEPTS****	17,672.25	DESIGN SERVICE , ARTWORK AT BOB BLDG	CORPORATE SERVICE
T4417	KAISER FOUNDATION HEALTH PLAN -OR	17,616.76	EMPLOYEE HEALTH BENEFITS	VARIOUS
T4230	COFFEE BREAK SERVICE, INC.	17,609.65	MISC. SUPPLIES-COFFEE, CREAMER, WATER	CORPORATE SERVICES
T4802	KERN COUNTY SUPERINTENDENT OF SCHOOLS	17,500.00	SCHOOL WELLNESS GRANT	HEALTH EDUCATION
T4183	LAMAR ADVERTISING OF BAKERSFIELD	17,250.00	ADVERTISING - BILLBOARD	ADVERTISING
T4962	LIBERTY DATA, INC.	17,100.00	PROFESSIONAL SERVICES	MIS INFRASTRUCTURE
T1694	KERN COUNTY FAIR	16,394.00	2019 KHS COMPANY EVENT	MARKETING
T5064	QUEST DIAGNOSTICS CLINICAL LABORATORIES, INC.	15,875.00	PROFESSIONAL SERVICES - DEVELOP DATA FEED SUPPORTIN KERN'S HL7-24 DATA SPECIFICATIONS (EDIFEC)	MIS INFRASTRUCTURE
T4523	BERKSHIRE LIFE INSURANCE COMPANY OF AMERICA	15,692.85	EMPLOYEE PREMIUM	ADMINISTRATION
T4239	COAST TO COAST COMPUTER PRODUCTS	15,544.79	COMPUTER PRODUCTS & SUPPLIES	CORPORATE SERVICES
T4016	FIRST DATABANK, INC	15,515.00	PROFESSIONAL SERVICES- PROVIDES NATIONAL DRUG CODE NDC DATABASE WITH GENERIC CODE NUMBERS	MIS INFRASTRUCTURE



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Vendor No.	Vendor Name	Year-to-Date	Description	Department
T2724	BLACK STONE ASPHALT CONSTRUCTION, INC	15,120.00	BUILDING MAINTENANCE	CORPORATE SERVICE
T1097	NCOA	15,105.00	HEALTHCARE EFFECTIVENESS DATA & INFORMATION SET (HEDIS MEASURE INDICATORS)	UTILIZATION MANAGEMENT/QI
T5155	A-C ELECTRIC COMPANY	14,772.89	BUILDING MAINTENANCE	CORPORATE SERVICES
T4400	OPTUM360 LLC	14,277.68	ENCODER PRO LICENSE	VARIOUS
T4780	CAMERON CHANG	14,125.00	PROFESSIONAL SERVICES	UTILIZATION MANAGEMENT
T2787	SAGE SOFTWARE, INC	12,993.75	2019-20 ANNUAL LICENSE	FINANCE
T2790	KERN COUNTY DEPT OF PUBLIC HEALTH	12,809.00	COMMUNITY ACTIVITIES	MARKETING
T2407	KAISER FOUNDATION HEALTH -COBRA	12,721.19	COBRA INSURANCE	PAYROLL DEDUCTION
T5081	KO LEGAL, INC.	12,500.00	LEGAL SERVICES	ADMINISTRATION
T4574	SSI SOLUTIONS INC.	12,480.00	ONSITE TRAINING - (CAPM) CERTIFIED ASSOCIATE IN PROJECT MANAGEMENT	PROJECT MANAGEMENT
T3465	JMP BUSINESS SYSTEMS INC****	12,412.94	MAILING SUPPLIES- POSTAGE MACHINE	CORPORATE SERVICE
T5052	JOSHUA HOSCH	12,322.02	EMPLOYEE REIMBURSEMENT -TRAINING - NETWORK PROJECT	MIS
T4981	JOHN MILLER	12,310.59	PHYSICIAN MALPRACTICE INSURANCE POLICY	HUMAN RESOURCES



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T2938	SAP AMERICA, INC	12,308.32	BUSINESS PROJECT ANNUAL MAINTENANCE	MIS INFRASTRUCTURE
T1644	BRIGHT HOUSE NETWORK	12,128.08	PROFESSIONAL SERVICES	MIS INFRASTRUCTURE
T4476	KERN PARTNERSHIP FOR CHILDREN AND FAMILIES	12,000.00	COMMUNITY ACTIVITIES	MARKETING
T5137	FSO HEALTHY DATA SYSTEMS.COM	12,000.00	IMPLEMENTATION & LICENSING OF SOFTWARE TOOL FOR DHCS- FSR	QUALITY IMPROVEMENT
T5209	ADOBE, INC.****	12,000.00	MIS EQUIPMENT - ROBOHELP SERVER w/MAINTENANCE & TECHNICAL COMMUNICATION SUITE	CAPITAL PROJECT
T1404	CALIFORNIA ASSOCIATION OF HEALTH PLANS	11,600.00	PLAN ASSESSMENT & ANNUAL CONFERENCE REGISTRATION	ADMINISTRATION
T4218	AGILE CROSSING	11,500.00	ON-SITE CERTIFIED SCRUM MASTER TRAINING & IMPROVE APPLICATION OF AGILE METHODOLOGY	VARIOUS
T1996	SEQUOIA SANDWICH CO	11,431.73	NON-TRAVEL MEALS - LUNCH MEETINGS	VARIOUS
T4238	EMILY DURAN****	11,416.22	EMPLOYEE REIMBURSEMENT -MILEAGE, DECORS NEW BLDG, HOLIDAY GIFTS -PROVIDERS	VARIOUS
T4993	LEGALSHIELD	11,413.70	EMPLOYEE PAID VOLUNTARY COVERAGE	PAYROLL DEDUCTION
T4784	AXIOM COMMISSIONING GROUP, INC.	11,314.45	PROFESSIONAL SERVICES	CAPITAL PROJECT - NEW BUILDING
T4277	RANDY WIGGINGS PAINTING	11,250.00	BUILDING MAINTENANCE-STOCKDALE	CORPORATE SERVICES
T2287	CALIFORNIA WATER SERVICE	11,200.42	UTILITIES	CORPORATE SERVICES

KERN·HEALTH SYSTEMS

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

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T5193	SOUND CONTROL COMPANY	11,192.93	ACCOUSTICAL WORK BOB	CORPORATE SERVICES
T4227	FREESTYLE EVENTS SERVICES INC	11,065.00	SERVICES GRAND OPENING BOB BLDG	MARKETING
T3052	CARNICERIA RANCHO GRANDE	11,012.40	CATERING SERVICES EMPLOYEE EVENTS	VARIOUS
T2300	AT&T LONG DISTANCE****	10,842.43	LONG DISTANCE CALLS	MIS INFRASTRUCTURE
T4968	ZIPRECRUITER, INC.	10,790.98	ANNUAL SUBSCRIPTION - PRO TEAM PLAN 10 JOBS	HUMAN RESOURCES
T2292	CITY OF BAKERSFIELD****	10,718.85	UTILITES-GARBAGE/SEWER FEES	CORPORATE SERVICES
T3475	CALIFORNIA STATE CONTROLLER'S OFFICE	10,695.12	2014 UNCLAIMED PROPERTY	FINANCE
T2869	COMMUNITY ACTION PARTNERSHIP OF KERN	10,500.00	COMMUNITY GRANT	MARKETING
T4365	UNITED WAY OF KERN COUNTY, INC****	10,250.00	COMMUNITY ACTIVITIES	MARKETING
T4211	KERN COUNTY FAMILY MAGAZINE****	10,140.00	ADVERTISEMENT - DIGITAL & PRINTED	MARKETING
T5050	JANE ANNE DAUGHENBAUGH****	10,137.46	EMPLOYEE REIMBURSEMENT FOR TRAVEL EXPENSES & RELOCATION	QUALITY IMPROVEMENT
T5205	LET'S RIDE MOTORSPORTS INC.****	10,113.10	EQUIPMENT - GOLF CART	CORPORATE SERVICES
T4883	MARTHA TASINGA****	10,098.53	EMPLOYEE REIMBURSEMENT FOR TRAVEL EXPENSES	UTILIZATION MANAGEMENT

KERN HEALTH SYSTEMS

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

Vendor No.	Vendor Name	Year-to-Date	Description	Department
T2505	DERREL'S MINI STORAGE, INC.	10,078.10	OFF SITE STORAGE	CORPORATE SERVICES
T3087	PROJECT MANAGEMENT INSTITUTE, INC	10,018.00	TRAINING REGISTRATION, SYMPOSIUM	PROJECT MANAGEMENT OFFICE
T5012	KERN MEDICAL CENTER FOUNDATION	10,000.00	VALLEY FEVER INSTITUTE DONATION	MARKETING
T5071	WEST SIDE FAMILY HEALTH CARE	10,000.00	PROVIDER RECRUITMENT & RETENTION GRANT	COMMUNITY GRANTS
		55,597,374.99		
	TOTAL VENDORS OVER \$10,000	55,597,374.99		
	TOTAL VENDORS UNDER \$10,000	1,057,508.57		
	TOTAL VENDOR EXPENSES- DECEMBER	56,654,883.56		

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

KERN HEALTH SYSTEMS

January AP Vendor Report
Amounts over \$10,000.00

Vendor No.	Vendor Name	Current Month	Description	Department
T1045	KAISER FOUNDATION HEALTH - HMO	446,415.21	JANUARY 2020 EMPLOYEE HEALTH BENEFITS PREMIUM	VARIOUS
T5229	DIGNITY HEALTH MEDICAL GROUP - BAKERSFIELD	445,991.96	APR. - OCT. 2019 HEALTH HOME GRANT	COMMUNITY GRANTS
T5005	CRAYON SOFTWARE EXPERTS LLC	321,430.55	2020 ANNUAL SOFTWARE LICENSE AND 2019 TRUE UP	MIS INFRASTRUCTURE
T5111	ENTISYS 360	255,230.73	NUTANIX HARDWARE PLATAFORM & 3YR PREPAID SUPPORT	CAPITAL PROJECT
T5119	PACIFIC WEST SOUND PROFESSIONAL AUDIO & DESIGN INC.	221,149.61	NEW BUILDING EQUIPMENT - ALL CONFERENCES SOUND AND VIDEO	CAPITAL PROJECT - NEW BUILDING
T4982	NGC US, LLC	176,510.99	PREFUND HEALTH INCENTIVES FOR HOMES/ DISEASE MANAGEMENT/HEALTH EDUCATION	VARIOUS
T4350	COMPUTER ENTERPRISE INC.	158,036.89	OCT. TRAVEL EXP & DEC. 2019 PROFESSIONAL SERVICES / CONSULTING SERVICES	CAPITAL PROJECT - NEW BUILDING
T4237	FLUIDEDGE CONSULTING, INC.	117,616.06	NOV. & DEC. 2019 CONSULTING SERVICES/UPDATE TO STANDARD BUSINESS REPORTING	VARIOUS
T4391	OMNI FAMILY HEALTH	116,210.53	NOV. 2019 OILDALE & SHAFTER HEALTH HOME GRANT	COMMUNITY GRANTS

KERN HEALTH SYSTEMS

January AP Vendor Report
Amounts over \$10,000.00

Vendor No.	Vendor Name	Current Month	Description	Department
T5217	AMERICAN TILE & BRICK VENEER, INC.	89,000.00	NEW BUILDING- EXTERIOR ADHERED MASONRY VENEER	BUILDING IMPROVEMENT
T2458	HEALTHCARE FINANCIAL, INC.	68,000.00	NOV. & DEC. 2019 PROFESSIONAL SERVICES	ADMINISTRATION
T4054	ASSOCIATION FOR COMMUNITY AFFILIATED PLANS	65,000.00	2020 ANNUAL DUES ASSESSMENT	ADMINISTRATION
T2488	THE LINCOLN NATIONAL LIFE INSURANCE	62,259.35	JAN. 2020 VOLUNTARY LIFE, AD&D, DENTAL INSURANCE PREMIUM	VARIOUS
T1408	DELL MARKETING L.P.	59,108.78	MIS EQUIPMENT- 19 LAPTOPS	MIS INFRASTRUCTURE
T4963	LINKEDIN CORPORATION	52,000.00	ANNUAL ONLINE TRAINING FOR ALL EMPLOYEES	HUMAN RESOURCES
T3001	MERCER	47,500.00	NOV. & DEC. 2019 CONSULTING SERVICES	HUMAN RESOURCES
T4193	STRIA LLC	42,749.08	DEC. 2019 & JAN. 2020 OCR SERVICES AND PROFESSIONAL SERVICES	CLAIMS
T5026	TEL-TEC SECURITY SYSTEMS	42,142.76	ADDITIONAL INSTALLATION OF BURGLAR PHASE- SECURITY SYSTEM	CAPITAL PROJECT - NEW BUILDING
T4582	HEALTHX, INC.	40,376.00	MAINTENANCE AND SUPPORT FEES - PROVIDER AND MEMBER PORTAL	MIS INFRASTRUCTURE

KERN HEALTH SYSTEMS

January AP Vendor Report
Amounts over \$10,000.00

Vendor No.	Vendor Name	Current Month	Description	Department
T4290	S.C. ANDERSON, INC.	37,035.41	DEC. 2019 NEW BUILDING CONSTRUCTION SERVICES	CAPITAL PROJECT - NEW BUILDING
T4538	CHANGE HEALTHCARE SOLUTIONS, LLC	36,710.64	NOV. & DEC. 2019 EDI CLAIM PROCESSING (EMDEON)	CLAIMS
T4733	UNITED STAFFING ASSOCIATES	36,150.43	DEC. 2019 & JAN. 2020 TEMPORARY HELP & ACA INSURANCE - (5) MS; (1) HR; (1) CS; (1) PR	VARIOUS
T1404	CALIFORNIA ASSOCIATION OF HEALTH PLANS	32,312.00	2020 ANNUAL DUES ASSESSMENT	ADMINISTRATION
T5109	RAND EMPLOYMENT SOLUTIONS	29,862.73	DEC. 2019 & JAN. 2020 TEMPORARY HELP & ACA INSURANCE - (4) MIS; (1) UM; (1) CM	VARIOUS
T2969	AMERICAN BUSINESS MACHINES INC	29,698.67	HARDWARE AND MAINTENANCE - (3) IMAGERUNNER PRINTERS, (75) DESKTOP PRINTERS, JAN. MAINTENANCE & 4TH QTR OVERAGE	MIS INFRASTRUCTURE
T4785	COMMIGAP	26,240.00	DEC. 2019 INTERPRETATION SERVICES	HEALTH EDUCATION
T5227	RIDGECREST MEDICAL TRANSPORTATION	24,571.80	OCT., NOV., & DEC. 2019 PROVIDER QUALITY GRANT	COMMUNITY GRANTS

KERN HEALTH SYSTEMS

January AP Vendor Report
Amounts over \$10,000.00

Vendor No.	Vendor Name	Current Month	Description	Department
T4902	CHANGE HEALTHCARE TECHNOLOGIES, LLC	24,232.65	NOV. & DEC. 2019 EDI CLAIM PROCESSING	CLAIMS
T5185	HOUSING AUTHORITY COUNTY OF KERN	23,700.00	SEPT. & OCT. 2019 HOUSING AUTHORITY GRANT	UM
T1189	APPLE ONE INC, EMPLOYMENT SERVICES	22,787.90	DEC. 2019 & JAN. 2019 TEMPORARY HELP (1) HE; (1)BI	VARIOUS
T2232	DLT SOLUTIONS, LLC	22,499.80	(66) SPOTLIGHT SQL LICENSES - MAINTENANCE & SUPPORT	MIS INFRASTRUCTURE
T5076	MERIDIAN HEALTH SYSTEMS, P.C.	20,800.00	DEC. 2019 PROFESSIONAL SERVICES	UTILIZATION MANAGEMENT
T4501	ALLIED UNIVERSAL SECURITY SERVICES	20,551.84	DEC. 2019, & JAN. 2020 ONSITE SECURITY	CORPORATE SERVICES
T3449	CDW GOVERNMENT	20,019.64	INFORMACAST PAGING SYSTEM, ADOBE PHOTO LICENSE, & COMPUTER EQUIPMENT	VARIOUS
T1272	COFFEY COMMUNICATIONS INC.	18,994.55	NOV., DEC., MODULE SUBSCRIPTION/ SPRING 2020 ISSUE OF FAMILY HEALTH/ WEBSITE IMPLEMENTATION	VARIOUS
T4873	L5 HEALTHCARE SOLUTIONS, INC.	19,414.47	ANNUAL SUPPORT - CLAIMS AUDIT TOOL	MIS INFRASTRUCTURE
T2167	PG&E	17,191.71	NOV./DEC 2019 - USAGE/UTILITIES	CORPORATE SERVICES
T5132	TIME WARNER CABLE LLC	17,017.34	DEC. 2019, & JAN. 2020, INTERNET SERVICES	MIS INFRASTRUCTURE

KERN • HEALTH SYSTEMS

January AP Vendor Report
Amounts over \$10,000.00

Vendor No.	Vendor Name	Current Month	Description	Department
T4521	PAYSCALE, INC.	16,000.00	ANNUAL INSIGHT ESSENTIAL PROFESSIONAL SERVICES (YR 1 OF 3)	HUMAN RESOURCES
T3011	OFFICE ALLY, INC.	14,416.75	DEC. 2019 EDI CLAIM PROCESSING	CLAIMS
T4657	DAPONDE SIMPSON ROWE PC	14,369.00	NOV. 2019 LEGAL FEES	PROVIDER RELATIONS
T4389	EXACT STAFF, INC.	14,147.40	DEC. 2019, & JAN. 2020 TEMPORARY HELP - (3) MS	MEMBER SERVICES
T2562	CACTUS SOFTWARE LLC	14,131.31	ANNUAL CREDENTIALING ENTERPRISE LICENSE/MAINTENANCE	MIS INFRASTRUCTURE
T1861	CERIDIAN HCM, INC.	14,037.03	JAN. 2020 MONTHLY SUBSCRIPTION FEES/ PROFESSIONAL SERVICES/ DAYFORCE HUMAN CAPITAL MANAGEMENT	HUMAN RESOURCES
T4563	SPH ANALYTICS	13,782.00	2019 PROVIDER AND MEMBER SATISFACTION SURVEY	VARIOUS
T2413	TREK IMAGING INC	13,730.99	PR INCENTIVES, P4P BINDERS AND PENS, EMPLOYEE EVENTS, NEW HIRE SHIRTS	VARIOUS
T4460	PAYSPAN, INC	13,662.20	DEC. ELECTRONIC CLAIMS/PAYMENTS	FINANCE

KERN HEALTH SYSTEMS

January AP Vendor Report
Amounts over \$10,000.00

Vendor No.	Vendor Name	Current Month	Description	Department
T4165	SHI INTERNATIONAL CO.	13,367.26	ANNUAL VEEAM MANAGEMENT MAINTENANCE SUPPORT	VARIOUS
T5240	ACE EYECARE INC	13,172.83	DEC. 2019 PROVIDER QUALITY GRANT	COMMUNITY GRANT
T4386	KAISER FOUNDATION HEALTH-DHMO	12,775.06	JAN. 2020 EMPLOYEE HEALTH BENEFITS	VARIOUS
T1005	COLONIAL LIFE & ACCIDENT ATTN PREMIUM PROCESSING	12,447.48	DEC. 2019 EMPLOYEE PREMIUM	VARIOUS
T5145	CCS ENGINEERING FRESNO INC.,	11,191.68	JAN. 2020 JANITORIAL SERVICES	CORPORATE SERVICES
T2686	ALLIANT INSURANCE SERVICES INC.	11,183.88	2019/2020 PROPERTY & LIABILITY COVERAGE CHANGE	ADMINISTRATION
T4722	COGNIZANT TRIZETTO SOFTWARE GROUP, INC.	10,451.35	DEC. 2019 PROFESSIONAL SERVICES	VARIOUS
T2840	ATALASOFT, INC.	10,254.00	ANNUAL DOTIMAGE DOCUMENT IMAGING MAINTENANCE	MIS INFRASTRUCTURE
	TOTAL VENDORS OVER \$10,000	3,529,640.30		
	TOTAL VENDORS UNDER \$10,000	317,946.49		
	TOTAL VENDOR EXPENSES- JANUARY	<u>\$ 3,847,586.79</u>		

Vendor Name	Contract Amount	Budgeted	Department	Department Head	Services that this vendor will provide to KHS	Effective Date	Termination Date
January							
LinkedIn	\$52,000.00	Yes	HR	Anita Martin	Online training for managed learners	1/1/2020	12/31/2020
Poppyrock Designs	\$40,800.00	Yes	MRK	Louie Iturriria	Graphic Design Consultant of KHS/KFHC marketing materials	1/1/2020	12/31/2020
Jacquelyn S. Jans	\$55,200.00	Yes	MRK	Louie Iturriria	Marketing and corporate image consultant	1/1/2020	12/31/2020

2019 TECHNOLOGY CONSULTING RESOURCES																		
ITEM #	PROJECT	CAP/EXP	BUDGET	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	YTD	TOTAL	REMAINING BALANCE
1	COBA	EXP	\$18,500	\$18,500													\$18,500	\$0
2	OI Site	CAP	\$9,300	\$3,600	\$3,600			\$0	\$0								\$7,200	\$2,100
3	Miles	CAP	\$34,860	\$15,960	\$760	\$0											\$16,720	\$16,140
4	Health Home Program Expansion	CAP	\$137,673	\$19,320	\$45,400	\$26,460											\$91,180	\$46,493
5	Medical Management	CAP	\$361,700	\$55,560	\$64,920	\$72,230	\$75,005	\$77,370	\$28,800	\$19,950	\$21,600	\$35,505	\$7,560				\$458,500	(\$96,800)
6	Diabetes Prevention Program (DPP)	CAP	\$280,403	\$19,980	\$20,520	\$21,600	\$0										\$62,100	\$218,303
7	Hospital Directed Payments (HDP)	EXP	\$28,305	\$16,480	\$680	\$0	\$0	\$0	\$0	\$0	\$0	\$8,585					\$25,765	\$2,540
8	Corporate Website Support	EXP	\$52,290	\$0	\$0	\$0	\$0	\$0	\$16,800	\$0	\$0	\$0					\$16,800	\$35,490
9	New Building Move	CAP	\$611,800	\$47,626	\$44,936	\$46,321	\$52,842	\$88,286	\$89,789	\$75,860	\$71,050	\$78,960	\$25,156	\$26,513	\$11,200		\$656,538	(\$46,758)
10	2019 HHP State Alignment	CAP	\$240,000	\$0	\$0	\$0	\$16,720	\$15,960	\$36,648	\$29,478	\$15,960	\$16,340	\$42,860	\$37,525	\$28,880		\$240,370	(\$370)
11	Internal Dashboards (4)	CAP	\$628,363	\$32,640	\$43,320	\$47,880	\$48,720	\$42,720	\$42,000	\$48,720	\$77,952	\$49,200	\$38,328	\$29,640	\$25,320		\$526,440	\$101,923
12	Member Engagement - Pre and Post Portal Utilization	CAP	\$72,961			\$5,250	\$0	\$0	\$0	\$0	\$0						\$5,250	\$67,711
13	Computer Assisted Translation Tool	EXP	\$19,915			\$0	\$0	\$0	\$0	\$0	\$0						\$0	\$19,915
14	Teletooth-E-consult/Teledocs	EXP	\$69,581			\$5,250	\$0	\$0	\$0	\$0	\$0						\$5,250	\$64,331
15	CEP Upgrade	EXP	\$33,000			\$0	\$0	\$0	\$0	\$0	\$0						\$0	\$33,000
16	Orchestrator Job Migration Cont.	EXP	\$103,950			\$0	\$0	\$0	\$0	\$18,480	\$18,060	\$16,170	\$43,680	\$7,560			\$103,950	\$0
17	2D Profiling Internal Management (CE)	CAP	\$300,930				\$0	\$10,117	\$17,120	\$15,280	\$19,200	\$19,200	\$22,080	\$11,520	\$0		\$114,517	\$186,413
18	API/Network Modeler and Pricer - Professional	CAP	\$281,781	\$24,480	\$29,458	\$29,278	\$28,800	\$50,586	\$37,476	\$26,512	\$17,430	\$14,331	\$0	\$0	\$0		\$260,350	\$21,431
19	Microsoft Server Upgrades	EXP	\$58,800			\$0	\$0	\$0	\$8,400	\$0	\$0	\$0					\$16,800	\$42,000
20	Call Center Knowledge Management Solution	CAP	\$8,715					\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$8,715
21	CACTUS Upgrade	CAP	\$27,188						\$0	\$0	\$0	\$0	\$1,120	\$10,080	\$1,020		\$12,220	\$22,188
22	KHS Biztalk	EXP	\$11,200						\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$11,200
23	SAP/HRA	EXP	\$85,225						\$0	\$0	\$2,415	\$0	\$0	\$8,085	\$0		\$10,500	\$74,725
24	HEDIS Quality Measures Revisions	EXP	\$75,328						\$18,480	\$14,280	\$0	\$0	\$15,130	\$0	\$0		\$47,890	\$27,438
25	RDY Reconciliation	EXP	\$24,150						\$15,840	\$0	\$0	\$0	\$0	\$0	\$0		\$18,390	\$5,760
26	Staff Augmentation	EXP	\$1,545,834	\$149,513	\$169,494	\$199,870	\$223,768	\$151,186	\$104,198	\$131,861	\$137,276	\$130,728	\$143,379	\$86,634	\$183,267		\$1,811,175	(\$265,341)
Totals:			\$5,321,752	\$403,669	\$423,087	\$454,139	\$446,855	\$436,226	\$372,830	\$410,860	\$403,623	\$369,019	\$389,293	\$217,556	\$252,237		\$4,556,395	\$765,357



To: KHS Board of Directors
From: Robert Landis, CFO
Date: April 16, 2020
Re: 2019 Annual Report for Disposed Assets

Background

Kern Health Systems Asset and Surplus Property or Equipment Disposition Policy (Attachment 2) requires an annual report (Attachment 1) to be submitted to the KHS Finance Committee.

Discussion

KHS Department Managers are to identify property or equipment that is no longer being used in operations, indicate an item as non-repairable, obsolete or surplus and are to submit a request for disposal of the item. It is the responsibility of the Corporate Services Department to dispose of equipment in a manner that maximizes returns while ensuring open and effective competition.

During 2019, a loss of \$16,665 was recorded on the disposition of equipment.

Requested Actions

Receive and file for informational purposes only.



Attachment 1




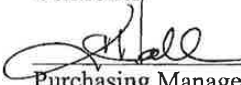
2019 Asset Dispositions

Date in Service	Category	Description	Book Value at Date of Disposal	Disposition Date	Reason for Disposal
7/1/2011	MIS Equipment	Controller FAS2040A	-	2/28/2019	Obsolete
7/1/2011	MIS Equipment	Servers -FAF3140A	-	2/28/2019	Obsolete
7/1/2011	MIS Equipment	Disk Shelf (2)	-	2/28/2019	Obsolete
5/4/2012	MIS Equipment	Laptop Computer Latitude E6320	-	2/28/2019	Obsolete
5/25/2012	MIS Equipment	Enclosure (2)	-	2/28/2019	Obsolete
5/25/2012	MIS Equipment	Desktop Computers - Optiplex 790 (4)	-	2/28/2019	Obsolete
7/27/2012	MIS Equipment	Rack-Optimized Server RX2800 i2	-	2/28/2019	Obsolete
2/8/2013	MIS Equipment	Laptop Computer E6330 (2)	-	2/28/2019	Obsolete
3/27/2013	MIS Equipment	Laptop Computer with 2-23' Monitors and Docking Station E6330	-	2/28/2019	Obsolete
4/29/2013	MIS Equipment	Disk Shelf, DS4243, R5 (2)	-	2/28/2019	Obsolete
5/9/2013	MIS Equipment	Laptop Computer w/Doc Station E6330	-	2/28/2019	Obsolete
12/31/2013	MIS Equipment	NetApp Disk Shelf - Stockdale Location	-	2/28/2019	Obsolete
4/13/2016	MIS Equipment	Microsoft Surface Pro 4S Tablet #038164654253	(554)	2/28/2019	Obsolete
4/13/2006	Furniture & Equipment	Office Copier/Printer - Canon Imagerunner 2870	-	9/30/2019	Obsolete
10/23/2009	Furniture & Equipment	Office Copier/Printer - Canon IR 5055N	-	9/30/2019	Obsolete
10/29/2009	Furniture & Equipment	Office Copier/Printer - Canon IR 5055N w/ Paper Deck (2)	-	9/30/2019	Obsolete
11/29/2014	Furniture & Equipment	Office Digital Copier/Scanner - Canon 6255	(399)	9/30/2019	Obsolete
6/10/2003	Furniture & Equipment	Telephone Equipment	-	11/30/2019	Obsolete
4/13/2006	Furniture & Equipment	Office Framing (2)	-	11/30/2019	Obsolete
5/4/2006	Furniture & Equipment	Phone Switches	-	11/30/2019	Obsolete
9/16/2010	Furniture & Equipment	Supervisor Cubicles (3)	-	11/30/2019	Obsolete
12/1/2011	Furniture & Equipment	Onsite Defibrillators (2)	-	11/30/2019	Obsolete
5/25/2012	Furniture & Equipment	New Cubicles (15)	-	11/30/2019	Obsolete
7/31/2012	Furniture & Equipment	Illuminated Sign - Stockdale Location	-	11/30/2019	Obsolete
12/13/2012	Furniture & Equipment	L Shape Cubicles (15)	-	11/30/2019	Obsolete
12/13/2012	Furniture & Equipment	U Shape Cubicles (3)	-	11/30/2019	Obsolete
12/1/2013	Furniture & Equipment	QNAP DVR Server & 8 IP Cameras	-	11/30/2019	Obsolete
12/31/2013	Furniture & Equipment	New Cubicles w/Chair (80)	-	11/30/2019	Obsolete
1/31/2014	Furniture & Equipment	Truxtun Location Sign	-	11/30/2019	Obsolete
3/13/2014	Furniture & Equipment	Alarm System Equipment and Installation -Truxtun Location	-	11/30/2019	Obsolete
6/4/2015	Furniture & Equipment	Universal Cubicle for Truxtun Building (2)	(798)	11/30/2019	Obsolete
12/18/2015	Furniture & Equipment	New Cubicles - Steel Case -Truxtun Location (4)	(2,846)	11/30/2019	Obsolete
6/30/2017	Furniture & Equipment	Workstations/cubicles for Health Education - 3rd floor addition (2)	(2,464)	11/30/2019	Obsolete
6/30/2017	Furniture & Equipment	Workstations/cubicles for Health Education - 3rd floor addition (2)	(2,464)	11/30/2019	Obsolete
6/30/2017	Furniture & Equipment	Workstations/cubicles for Health Education - 3rd floor addition (2)	(2,464)	11/30/2019	Obsolete
7/3/2017	Furniture & Equipment	Workstations/cubicles for Health Homes - 1st floor addition (4)	(4,676)	11/30/2019	Obsolete
TOTAL LOSS RECOGNIZED ON DISPOSITION OF OFFICE FURNITURE & EQUIPMENT			\$ (16,665)		

Attachment 2

**KERN HEALTH SYSTEMS
POLICIES AND PROCEDURES**

SUBJECT: Asset and Surplus Property or Equipment Disposition		INDEX NUMBER 80.21-I		Page 1 of 4			
RESPONSIBLE DEPARTMENT HEAD: Controller							
Review Date	01/01/12						
Effective Date	01/06/12						
Revision No.	2012-01						

Approved		Date	1/6/12
	Acting Chief Executive Officer		
Approved		Date	1-5-12
	Chief Financial Officer		
Approved		Date	1-5-12
	Controller		
Approved		Date	1-5-12
	Purchasing Manager		

POLICY¹: Asset and Surplus Property or Equipment Disposition

PURPOSE: To appropriately dispose of Kern Health Systems (KHS) owned tagged assets and surplus equipment that no longer has operational value.

DEFINITIONS:

Asset	Any tangible property owned by KHS, either with or without value, excluding real property
Disposal/Disposition	The sale, replacement, transfer, scrap, discard, recycling or other means of disposing of assets
E Waste	Electronic items to be recycled such as computers, monitors, phones
Fixed Asset	Classification of an item determined at the time of purchase to meet the capitalization requirements established by policy 80.11 Budget Guidelines
Item	Any piece of property or equipment

**KERN HEALTH SYSTEMS
POLICIES AND PROCEDURES**

SUBJECT: Asset and Surplus Property or Equipment Disposition	INDEX NUMBER 80.21-I	Page 2 of 4
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Obsolete	Significant decline in the competitiveness, usefulness, or value of an item or property whether due to alternatives that perform better, are cheaper, or both; or due to changes in user preference or requirements. For the purposes of this policy, obsolete will mean little to no monetary value.
Salvage Value	The estimated residual value of a depreciable asset (fixed asset) at the end of its economic or useful life.
Surplus Equipment	Excess, obsolete, salvageable or non-salvageable assets which are sold, replaced through the budget process, transferred, scrapped, discarded or otherwise removed from service by any other means of disposal.
Useful Life	The number of years an asset is determined to last at the time of purchase, to which a matching depreciation period is assigned.

ASSET DISPOSITION AUTHORITY:

- 1.0 Any Department Manager may identify KHS' property or equipment that is no longer being used in operations, whether that item is non-repairable, obsolete, or surplus, and may submit a request for disposal of that item. It is the responsibility of the Corporate Services department to dispose of surplus equipment in a manner that maximizes returns while ensuring open and effective competition. Surplus equipment and property may be disposed of via: interdepartmental transfer, sale by competitive bid or direct negotiation, trade-in on new property, donation, e-waste recycling, or scrap. Proceeds from the sale or recycling of equipment shall go into the KHS General Fund.

NOTIFICATION AND VERIFICATION:

- 1.0 Notification to Accounting of intent to dispose of property
 - a) When a Department Manager has determined an item is non-repairable, obsolete or surplus, they will notify the Accounting department to obtain the necessary specification details located on either the item's existing equipment card (in the case of a fixed asset), or purchasing documentation for non-capitalized items.
 - b) Upon receipt of the information from the Accounting department, the Department Manager will complete the Intent to Dispose of Property (IDP) form and will submit the form to Corporate Services.
- 2.0 Verification of Non-Repairable, Obsolete or Surplus

Corporate Services will make a reasonable effort to classify the item into one of the following categories: Non-Repairable, Obsolete or Surplus.

 - a) Non-Repairable Equipment: equipment that is broken beyond repair
 - b) Obsolete Equipment: equipment that has no useful value to KHS, has little to no monetary value, but may have value to another organization
 - c) Surplus Equipment: equipment in working order that is no longer being used by a

**KERN HEALTH SYSTEMS
POLICIES AND PROCEDURES**

SUBJECT: Asset and Surplus Property or Equipment Disposition	INDEX NUMBER 80.21-I	Page 3 of 4
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- 3.0 Notification to Accounting of sale, donation or recycling of property
When a fixed asset is sold, donated, or recycled, Corporate Services will notify Accounting by completing a Disposal of Fixed Asset (DFA) form. Corporate Services will attach the completed and executed IDP form to the DFA form. Accounting will review the DFA form and will record the disposition of the fixed asset on the equipment card.
- 4.0 The Controller will maintain the log of assets sold, transferred, traded, donated or scrapped.
- 5.0 On an annual basis, the CFO will present a listing of disposed assets for review by the Finance Committee.
- 6.0 In the event a potential disposal item has a book or market value in excess of \$5,000.00, then Board approval is required before disposition is authorized.

DISPOSITION METHODS:

The principal methods for disposal of surplus equipment are:

- 1.0 Interdepartmental transfer: Prior to disposal, Corporate Services will make a reasonable effort to ensure the equipment cannot be used by another department. If the item can be used by another department, Corporate Services will deliver that item to the requesting department. In the case of a fixed asset, Corporate Services will indicate the new location on the IDP form and will forward the form to Accounting so that a change in location can be recorded on the equipment card. A copy of the IDP form will also be sent to the requesting Department Manager.
- 2.0 Sale by competitive bid or direct negotiation: If obsolete or surplus equipment is in working condition and has previously been determined to have a resale value greater than \$100, Corporate Services will attempt to bundle like (or networked) items and sell the equipment via an online auction competitive bidding process or directly negotiated sale. It will be made clear to all prospective buyers that assets are sold as-is and at the buyer's risk. No warranty or after sale service will be offered. Delivery of the equipment will be at the buyer's expense.
- 3.0 Trade-in: If the surplus equipment has trade-in value toward the purchase of a new, like item, the item will be hauled away by the new equipment vendor. The trade-in value will be reflected on the invoice for the new equipment.
- 4.0 Donate or Sell:
KHS will donate surplus equipment within Kern County according to the following priority list:
 - KHS will offer computer equipment to contracted providers to promote electronic business to business interactions.
 - KHS will offer equipment to non-profit organizations and governmental agencies.
 - KHS will sell equipment to KHS employees.
- 5.0 Prior to the sale or donation of any computer equipment, KHS will ensure that the computers are scrubbed clean of all corporate information (all electronic files deleted and licensed software removed), and the operating system will be reloaded. Inventory and identification tags will be removed. KHS will donate computer equipment as is, with no guarantee toward the current or future working condition of the equipment. KHS will not provide technical assistance with set-up or operation of the equipment.
- 6.0 E-Waste: Electronic items that have monetary value less than \$50, which cannot be sold or donated, will be recycled using an approved e-waste vendor selected by Corporate Services.

**KERN HEALTH SYSTEMS
POLICIES AND PROCEDURES**

SUBJECT: Asset and Surplus Property or Equipment Disposition	INDEX NUMBER 80.21-I	Page 4 of 4
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- Corporate Services will complete a DFA form and will submit to Accounting.
- 7.0 Scrap: If the surplus equipment is broken and is not e-waste, Corporate Services will make a reasonable effort to determine the cost of repairs, the extended life of the repairs, and compare the repaired value against the cost of a replacement item. If the cost to repair the item is greater than replacement or if the item cannot be repaired due to the non-availability of parts, the item will be marked as scrap. Scrap equipment will be physically disposed of following current city and county dump site requirements.
-

Attachments:

- ❖ Attachment A – Intent to Dispose of KHS Property
- ❖ Attachment B – Disposal of Fixed Asset(s)

¹ **Revision 2012-01:** Developed by KHS' Chief Financial Officer to appropriately dispose of KHS owned assets and surplus equipment that no longer have an operational value.

Attachment A

 <p style="margin: 0;">KERN HEALTH SYSTEMS</p> <p style="margin: 0; font-size: small;">9700 Stockdale Hwy Bakersfield, CA 93311 661-664-5000</p>	<p style="font-size: 1.2em; margin: 0;">Intent to Dispose of Property, Plant & Equipment</p>
---	---

Department:	
Contact Person:	Phone:

QTY	Serial number	Description	KHS Tag #

Status of Item

Non-Repairable

Obsolete

Surplus

Comments:

Verification of Item Status: _____

New Location of Surplus Equipment: _____

Cc: Accounting, Corporate Service, Department Manager

 <p>KERN HEALTH SYSTEMS 9700 Stockdale Hwy Bakersfield, CA 93311 661-664-5000</p>	<h2 style="margin: 0;">Disposal of Fixed Asset</h2>
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Department:	
Contact Person:	Phone:

QTY	Serial number	Description	KHS Tag #

Disposition Notes: (method and details of disposal: donate, trade-in, sell, E-waste, scrap)

CHAIN OF CUSTODY

MIS (computer equip only): _____ **Date:** _____ **Time:** _____

Relinquished: _____ **Date:** _____ **Time:** _____

Received: _____ **Date:** _____ **Time:** _____

cc: Accounting, Relinquishing Department and Corporate Services (Original stays with accounting)

**KERN HEALTH SYSTEMS
BOARD OF DIRECTORS
NEW VENDOR CONTRACTS
April 16, 2020**

Legal Name DBA	Specialty	Address	Comments	Contract Effective Date
PAC 03/04/2020				
Pacific Central Coast Health Center Dba: Neuroscience Health Center	Neurosurgery	3807 Union Ave Ste B Bakersfield CA 93305	*Contingent upon Dignity Health Legal Dept review of contract due to separate TIN from local Dignity Health Foundation Bakersfield who will be the administrators for this office.	4/1/2020
Rx Pharmacy Inc.	Pharmacy & DME	3101 N Sillect Avenue Ste. 114-116 Bakersfield CA 93308		4/1/2020
PAC 04/01/2020				
Siniva Kaneen, MD Inc	OB/GYN	8501 Brimhall Rd #300 Bakersfield CA 93312	Request reinstatement w/in 30-days under new individual contract	4/16/2020
Charnpal Mangat, MD Inc	OB/GYN	3801 San Dimas St B-231 Bakersfield CA 93301	Existing credentialed provider with new individual contract	4/16/2020
Matthew Dolan BCBA dba: Behavioral Education Analysis & Research (BEAR)	ABA	26300 Chester Ct Tehachapi CA 93561		5/1/2020
Yug Inc. dba: People's Pharmacy #3	Pharmacy	4813 Coffee Rd Bakersfield CA 93308		5/1/2020

**KERN HEALTH SYSTEMS
BOARD OF DIRECTORS
TERMED CONTRACTS
April 16, 2020**

Legal Name DBA	Specialty	Address	Comments	Effective Date
James Y. Chang MD	Hem/Onc	7879 Rosedale Highway Bakersfield CA	Retired	1/30/2020
Integral Psychological Consulting Services, PC	Mental Health	5251 Office Park Drive Ste. 201 Bakersfield CA	Owner passed away	2/25/2020
Hernake S. Takhar	Optometry	4725 Panama Lane Ste. D11 Bakersfield CA	Resigned	2/28/2020
Dianon Systems, Inc.	Lab	338 South Main Street Burlington NC	Merged under Lab Corp/Accupath	2/29/2020
Kenneth K Hsu, MD, Inc.	Rheumatology	2323 16th St Ste. 102 Bakersfield CA	Retired	3/1/2020
Jason Helliwell, MD (Indiv & Group) Advanced Women's Health Care	OB/GYN	8501 Brimhall Rd Ste 300 Bakersfield CA	DHCS Restricted Provider & Group	3/5/2020



TO: KHS Board of Directors

FROM: Alan Avery, COO

DATE: April 16, 2020

RE: 1st Quarter 2020 Operations Report

Before I report the specific metrics of each of the operational departments for the 1st Quarter of 2020, I want to point out that all operational metrics for the quarter are green, meaning all departmental goals and regulatory requirements were met—often exceeding the targeted threshold. This is remarkable considering the requirement to uproot all 400+ employees from our beautiful and spacious new building to work remotely from individual homes in a relatively short period of time due to COVID-19 and the “shelter in place” order. Our Information Technology staff stepped up and provided great leadership and self-help tips to support the staff to transition home without any major service disruptions. It was like having our own KHS “Geek Squad” that helped staff take their equipment home and set it up on their own—with the telephone back-up of the KHS technical team. We continue to meet all operational goals and regulatory requirements along with providing excellent customer service to our members and providers even as we deal with the effects of COVID-19 challenges on our employees and their extended families.

Claims

The incoming claim receipts continue to remain strong during the 1st Quarter with an overall claims volume of 843,576 which represents an increase of 7% over the 2019 quarterly average. The Claims Management and Provider Network Management Teams continue to work with providers who are still submitting paper claims, offering training and hardware resources to encourage electronic billing submission. As a result of their ongoing focused efforts, we have reached a significant milestone—only 5% of the claims are now being submitted on paper. Even though this is an amazing achievement continued efforts are being directed at the few remaining provider holdouts to eliminate all paper claim submissions. The claims department continues to meet all regulatory payment requirements for the quarter—including claims processing timeliness and inventory measures. Auto adjudication targets continue to exceed goal—continuing at 82% for the quarter. With the recent completion of the upgrade of QNXT and CES (Claims Editing Software) systems, we project auto adjudication will increase in the 2nd quarter. Claims,

Configuration, I.T. and Provider Network Management will continue to work together to increase this rate along with improving our overall quality and efficiency.

Member Services

Incoming phone calls into the Member Services Department started off strong the first two months of the quarter and then tapered off in the month of March. Even with the tapering off in March, we still received 77,452 calls during the 1st quarter. Abandonment rate and speed to answer measurements were well below the targeted threshold. The top five reasons for members calling Member Services continues to remain the same-(1) New Member questions (2) PCP changes, (3) Demographic updates/changes (4) ID Card replacement requests and (5) authorization referral status. All of these top five reasons for incoming calls could easily be handled via the Member Portal, therefore, we continue to encourage members to sign onto the portal and use the self-service tools. During the 1st quarter, Member Services received 2778 new member portal account enrollments, for a total of 24,257 member accounts. This equates to 9.75% of our members with online accounts compared to industry target of 4%. We are also experiencing a 27% increase in the number of members visiting the office in person to address their questions with Member Services. This service has been temporarily suspended due to COVID-19.

Provider Relations

Both the Primary Care Network and the Specialty Network had modest gains during the 1st Quarter with PCPs increasing by 3% and the Specialists increasing by 6%. Provider terminations were minimal—similar to previous quarters with only a 2% reduction. Appointment availability continues to meet regulatory standards @ 4.4 days for PCP visits and 3.1 days for specialists.

Human Resources

During the 1st Quarter, the Human Resources Department was extremely busy assisting departments in staffing up to meet the demands of the new year. During the quarter, 12 new employees were on boarded and significant recruiting underway. By the end of the Quarter KHS had 418 employees compared to a budget of 439. Employee turnover continued to be extremely positive with only 6.70%. In addition to their regular recruiting, benefit and payroll activities, Human Resources was also a key driver in working with I.T. to facilitate staff's transition to being able to work from home and comply with the "shelter in place" order.

Grievance Report

The total number of formal grievances for the 1st Quarter was very close to the number of Formal grievances in the 4th quarter. The increase in Formal grievances was led by the increase in the Quality of Care grievances. In actuality, the number of Quality of Care grievances did not

increase, just the reporting of them in a different category. Previous to the 4th Quarter, the Quality of Care grievances were included in the Exempt grievance category. Due to guidance from DHCS, any grievance with a possible Quality of Care issue must be reported as Formal grievance and be referred to the Quality Department for review by clinical staff. We also experienced a 20% increase in the number Exempt Grievances. Exempt grievances are primarily simple service related complaints, usually when the member doesn't want to file a Formal complaint. They can usually be easily resolved the same day without significant research or follow up. These include things such as PCP changes or complaints about the physical nature of the clinics or provider office staff. The Grievance Department tracks and trends these by provider and results are reviewed by the KHS Physicians Advisory Committee as part of the re-credentialing process.

The second part of the Grievance Report concerns the disposition or outcome of the formal grievance by the Grievance Committee. During the 1st Quarter of the decisions made by KHS, 33% were upheld by the Grievance Committee; 60% were overturned and 7% were pending further information at the time of this report. Generally speaking, the primary reason for overturning the original decision occurs when we receive additional supporting documentation from the member or the provider. These percentages should change in the 2nd quarter as we implement an enhanced review process for the "quality of care" grievances. Previously, the policy was to automatically declare all quality of care grievances in favor of the member or provider and then forward to the Quality Department for final dispensation. To more accurately depict the outcome, instead of ruling in the provider or member's favor prior to the Quality Department's review, it was decided to wait until after the review before determining the dispensation.

Transportation Update

Transportation activity during the 1st quarter continued to decrease in all areas except for transit passes, no-shows, gurney rides scheduled and member reimbursement. In speaking with ALC, ridership in January and February was on the increase but with the threat of COVID-19; ridership began to immediately decrease in March by as much as 30%. In the month of April ALC is projecting that decrease will reach 50-60% of our previous activity.

Requested Action

Receive and File



KERN HEALTH SYSTEMS

2020 1st Quarter Operational Report

1st Quarter 2020 Claims Department Indicators

Activity	Goal	1 st Quarter	Status	4 th Quarter	3 rd Quarter	2 nd Quarter	1 st Quarter
Claims Received		843,576		785,806	788,199	764,979	793,629
Electronic	85%	95%		93%	93%	92%	92%
Paper	15%	5%		7%	7%	8%	8%
Claims Processed Within 30 days	90%	93%		93%	92%	89%	86%
Claims Processed within 45 days	95%	99%		95%	98%	96%	95%
Claims Processed within 90 days	99%	99%		99%	99%	99%	95%
Claims Inventory-Under 30 days	96%	98%		97%	95%	96%	93%
31-45 days	<3%	1%		2%	4%	3%	6%
Over 45 days	<1%	1%		1%	1%	1%	1%
Auto Adjudication	75%	82%		82%	81%	81%	80%
Audited Claims with Errors	<3%	2%		2%	2%	2%	2%
Claims Disputes	<5%	1%		1%	1%	1%	1%

1st Quarter 2020 Member Service Indicators

Activity	Goal	1 st Quarter	Status	4 th Quarter	3 rd Quarter	2 nd Quarter	1 st Quarter
Incoming Calls		77,452		74,441	81,107	75,201	74,885
Abandonment Rate	<5%	1.6%		3.2%	2.6%	1.2%	1.1%
Avg. Answer Speed	<2:00	:19		:34	:28	:12	:12
Average Talk Time	<8:00	7:26		7:24	7:00	7:05	6:47
Top Reasons for Member Calls	Trend	<ol style="list-style-type: none"> 1. New Member 2. PCP Change 3. Demographic 4. Referrals 5. ID Card 		Same	Same	Same	Same
Outbound Calls	Trend	103,634		97,467	97,172	96,819	92,470
# of Walk Ins	Trend	545		436	381	372	520
Member Portal Accounts-Q/Total	4%	2778 (Q1) 24,257 (9.75%)		2864 21,480	3625 18,544	3424 14,905	1872 11,481

Provider Network Indicators

Activity	Goal	1 st Quarter	Status	4 th Quarter	3 rd Quarter	2 nd Quarter	1 st Quarter
# of PCPs	Maintain	3.35%		0%	0%	1.03%	3.2%
# of Specialists	>1% growth	6.16%		4.4%	1.1%	.31%	1.46%
% Provider Terminations	<5% term	1.97%		2.23%	.94%	1.4%	.68%
Termination Reasons		71%-Left Group 13%-Site Closed 6%-term 4%-Resigned 2%-Death 4%-Retirement		43%-Left Group 40%-Site Closed 8%-term 3%-Resigned 2%-Death 2%-Practice Sold 2%-Retirement	71%-Left Group 14%-Term 5%-Retired 5%-Resigned 5%-Practice sold	65%-left group 15% term 8% site closed 8%-Retired 8%-practice sold	67%-left group 13%-term 13%site closed 7% resigned
Appointment Survey	Average wait time						
PCP	< 10 days	4.4 Days		3.14 Days	3.7 Days	4.4 Days	3.13 Days
Specialty	< 15 days	3.1 Days		5.33 Days	5.7 Days	11.5 Days	8.64 Days

Human Resources Indicators

Activity	Budget	1 st Quarter	Status	4 th Quarter	3 rd Quarter	2 nd Quarter	1 st Quarter
Staffing Count	439	418		406	397	391	387
Employee Turnover	12%	6.71%		8.90%	11.36%	10.77%	10.36%
Turnover Reasons	Voluntary	85.7%		82.9%	81%	86%	80%
	Involuntary	14.3%		17.1%	19%	14%	20%
	Deceased	0%		0%	0%	0%	0%
	Retired	0%		0%	0%	0%	0%

1st Quarter 2020 Grievance Report

Category	Q1 2020	Status	Issue	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Access to Care	53		Appointment Availability	56	34	32	41
Coverage Dispute	0		Authorizations and Pharmacy	0	3	9	14
Medical Necessity	225		Questioning denial of service	187	214	244	228
Other Issues	36		Miscellaneous	14	16	13	9
Quality of Care	273		Questioning services provided. All cases forwarded to Quality Dept.	323	65	26	29
Quality of Service	2		Questioning the professionalism, courtesy and attitude of the office staff. All cases forwarded to PR Department	0	0	1	6
Total Grievances	589			580	332	325	327
Exempt**	1620		Exempt Grievances-	1140	1515	1321	1216
Total Grievances** (Formal & Exempt)	2209			1720	1847	1646	1543

Additional Insights-Formal Grievance Detail

Issue	1 st Quarter Grievances	Upheld Plan Decision	Overtured Ruled for Member	Still Under Review
Access to Care	37	27	7	3
Coverage Dispute	0	0	0	0
Specialist Access	16	4	8	4
Medical Necessity	225	141	58	26
Other Issues	36	20	8	8
Quality of Care	273	0	273	0
Quality of Service	2	2	0	0
Total	589	194	354	41

1st Quarter 2020 Transportation Update

Operational Statistics	Q1* 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
ALC Calls	128,968	134,982	157,239	123,448	113,417
One Way Rides Scheduled	127,434	135,394	148,731	129,084	119,091
NMT	95,530	100,840	113,649	95,526	86,786
Bus Passes Distributed	3,101	2,575	3,678	2,679	3,565
Ride Share Rides	92,429	97,422	109,971	91,847	83,221
No Shows	6,537	6,292	6,738	6,006	5,411
NEMT	33,191	34,554	35,082	33,558	32,305
Van Rides Scheduled	32,484	33,958	34,442	33,028	31,749
Gurney Rides Scheduled	707	596	640	530	556
Member Reimbursement	4,011	1,762	1,419	1,878	1,038
ALC Admin Expense	\$753,478	\$775,838	\$812,661	\$750,070	\$715,594

*January & February results actual--March data estimated



To: KHS Board of Directors
From: Martha Tasinga M.D, MPH, MBA, Chief Medical Officer
Date: April 16, 2019
Re: CMO BOARD REPORT

Medical Cost and Utilization Trend Analyses: (Attachment A)

Physician Services: (PCPs, Specialists, Hospitalist, Other Professional and Urgent Care):

The utilization and cost of physician services by the SPDs continue to trend higher than budget but has stabilized. The number of visits per thousand continues to exceed expectation which is positive when it leads to fewer hospital admissions, outpatient services and ER visits. This has been the trend for since November 2019. The Overall (all aid categories) PMPM cost is stable, even though it remains higher than goal for the SPDs.

The implementation of some of our disease specific programs has been put on hold because of the need for social distancing recommendations due to the COVID-19 pandemic. We are hoping to implement these programs for our most costly diagnosis such as diabetes and COPD as soon as we have some control over the pandemic. The most frequent diagnosis for physician services for all Aide categories in March was the diagnosis and symptoms related to respiratory diseases. The second most frequent diagnosis for all aide groups was symptoms of the urinary tract.

Pharmacy

The monthly cost and utilization per enrollee for all aid categories is at or below budget. WE saw a bump in December of 2019 and that could have been due to the Flu and has since comeback down to budget for all Aide codes.

Inpatient Services

The overall PMPM, cost per bed-day, bed-days incurred and average length of stay in the acute hospital for all aide codes is at or below budget. However, our concurrent monitoring of patients in the hospital is showing increase in length of stays for patient with respiratory symptoms. We

are following this trend very closely and analyzing available data to see if this is related to members waiting for COVID-19 to be ruled out prior to discharge from the hospital. We are working closely with our hospital partners and the hospitalists to identify alternative levels of care that are safe and less costly for our members during this time of the pandemic.

The top hospital used for inpatient services remains Bakersfield Memorial (**Attachment B**).

The C/Section rate is 14 % which continues to be below State average for low-risk, first birth deliveries. (**Attachment C**).

Hospital Outpatient

Hospital outpatient utilization is stable. As we continue to work with our hospitalist teams to increase use of observation units for patient who do not need to be in an acute hospital for more than 72 hours, we do expect to see an increase in our hospital outpatient utilization numbers. The cost of hospital outpatient visits has been stable.

Emergency Room (ER)

The PMPM cost and number of ER visits is at or below budget for all Aide Codes. The most frequent diagnosis for the ER for all Aide code is Upper Respiratory Infection with other disorders urinary tract symptoms running a close second. Most of the ER visits are occurring at BMH (**Attachment D**).

Managed Care Accountability Set (MCAS)

This is a set of performances measures that DHCS selects for annual reporting by Medi-Cal managed care health plans (MCPs). The new Managed Care Accountability Set (MCAS) prescribes a set of 39 quality measures, with 19 measures subject to a 50% Minimum Performance Level (MPL) benchmark. Just like with HEDIS, each measurement count requires a patient encounter specific to service(s), that when performed, will indicate the measurement was met for that patient. All KHS members identified as having the medical condition associated with the measurement represent the denominator. When members receive service(s), it is recorded as “compliant” becoming part of the numerator. The level of achievement is shown as the percentage (%) of members receiving the required (service(s)). The minimum target performance percentage (MPL) is established by DHCS each year and they might also add or remove required measures every year. As a result of these changes, MCPs and providers are under increased pressure to coordinate their quality programming and metrics.

In response to these requirements, KHS has revised the Provider P4P to be aligned it with the new MCAS measures and requirements. KHS is also evaluation different ways to outreach the members and encourage them to visit their PCPs and get the services. The trending report is real-time trending on how we are performing against the goal which is the 50th percentile. We are currently

doing the records abstractions for the hybrid measures. The abstractions account for qualified events contributing to each measure's numerator not captured through claim encounters.

The boxes in green show measures where our performance has improved over last year. However since the goal is now 50th percentile, we are so far meeting the goal in 4 measures (immunizations for adolescents combo 2, Prenatal care, post-partum care and asthma Medication Ratio). We are hopeful that by the time we complete the medical records abstractions we will be at MPL for more measures. Our post-partum performance is meeting the High Performance Level (HPL)

We are continuing to work with our providers and encouraging them to provide routine care via telemedicine as possible during the pandemic. Unfortunately, the longer the "stay at home order" remains the less likely patients will receive services that count toward each measure resulting in KHS not achieving its goal. DHCS recognizes this challenge. Although this will not change their performance expectations, health plans will not likely be sanctioned either in 2020.



Kern Health Systems

KHS Medical Management Performance Dashboard (Critical Performance Measurements)



Governed Reporting System

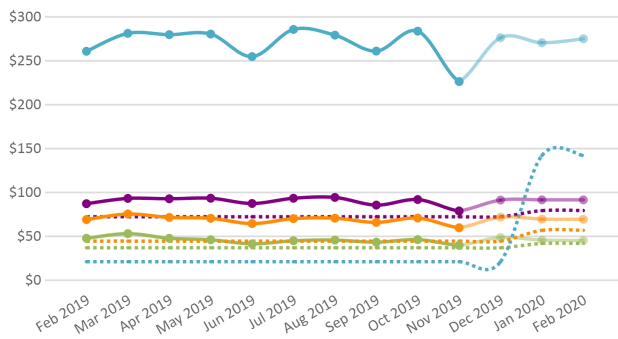


Physician Services

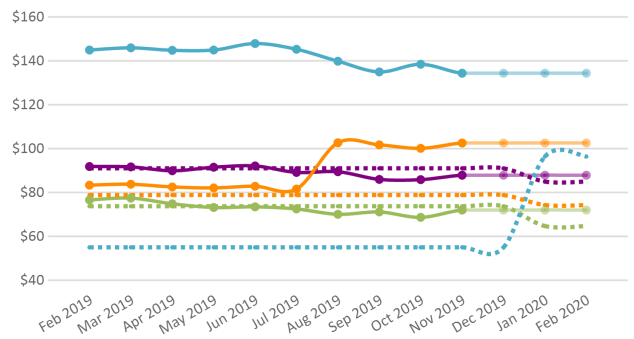
(Includes: Primary Care Physician Services, Referral Specialty Services, Other Professional Services and Urgent Care)

- 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

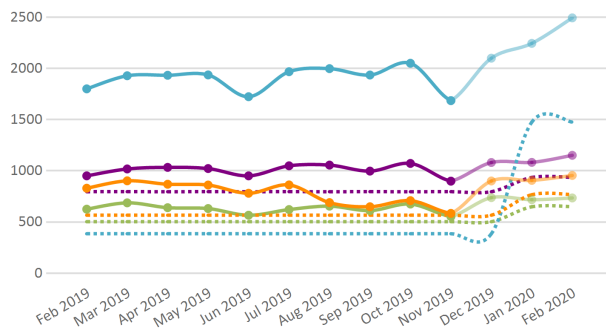
Professional Services Incurred by Aid Group PMPM



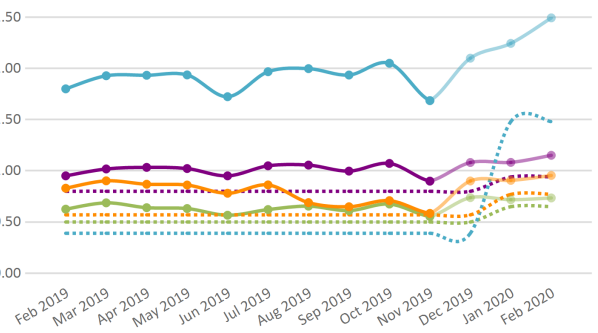
Cost per Professional Service Visit by Aid Group



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



Professional Service Visits per Member per Month by Aid Group





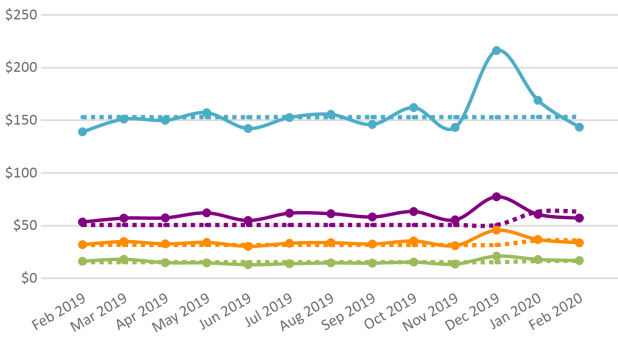
Governed Reporting System

Pharmacy

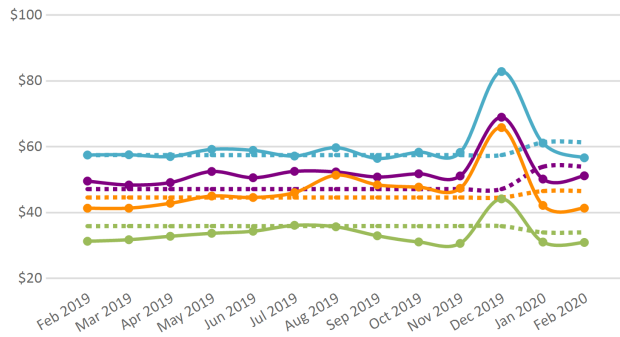
(Includes: Claims paid by PBM)

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

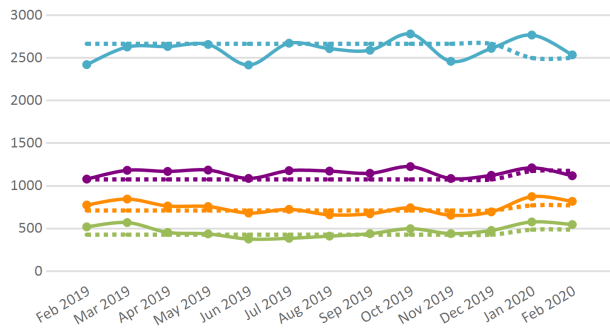
Pharmacy Services Incurred by Aid Group PMPM



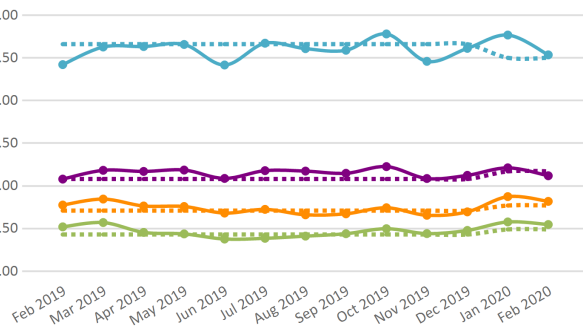
Cost per Script by Aid Group



Incurred Scripts per 1,000 per Month by Aid Group



Pharmacy Services Incurred per Member per Month by Aid Group





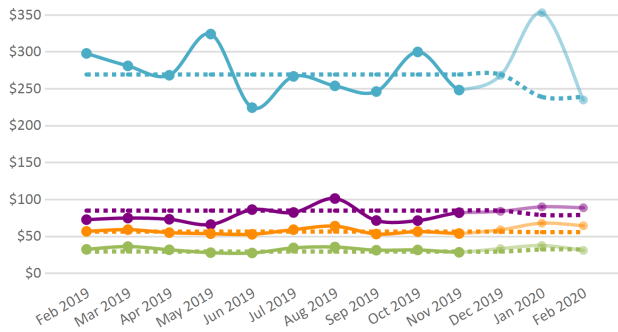
Governed Reporting System

Inpatient

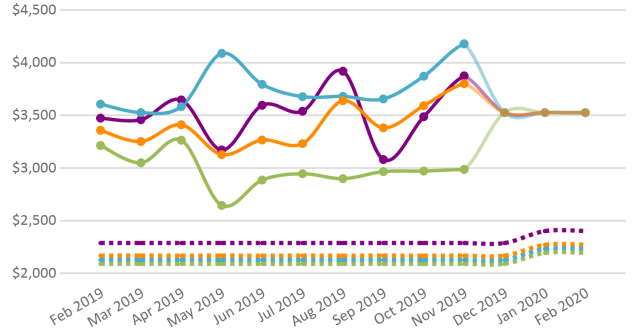
(Includes: Inpatient Hospital Claims)

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

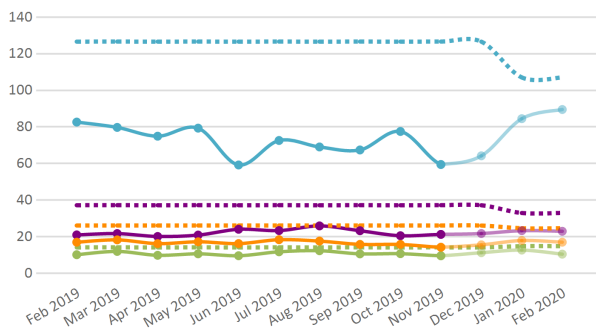
Inpatient Services Incurred by Aid Group PMPM



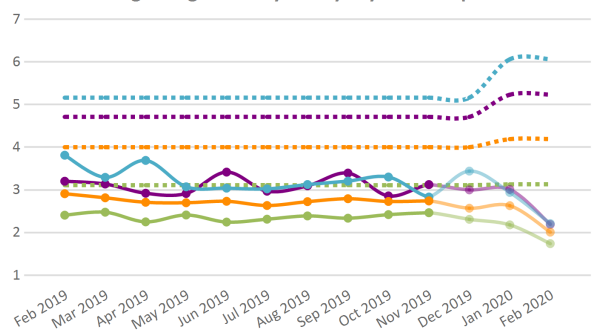
Cost Per Bed Day by Aid Group



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



Average Length of Stay in Days by Aid Group





Governed Reporting System

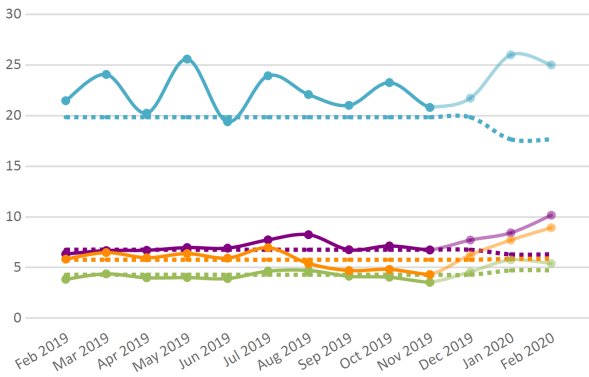


Inpatient

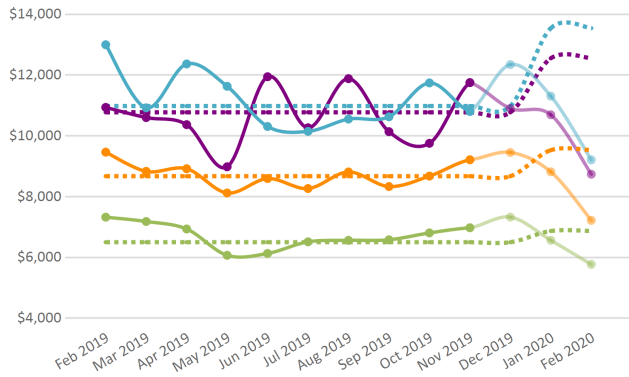
(Includes: Inpatient Hospital Claims)

- 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

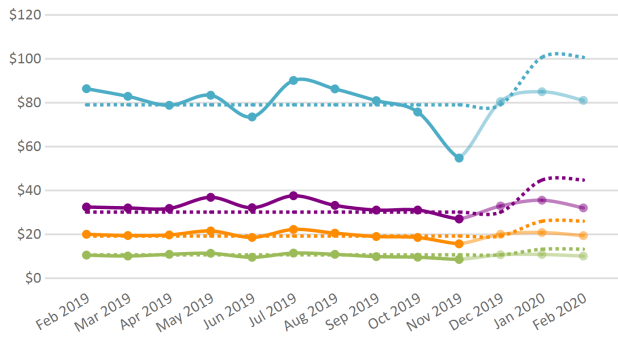


Outpatient Hospital

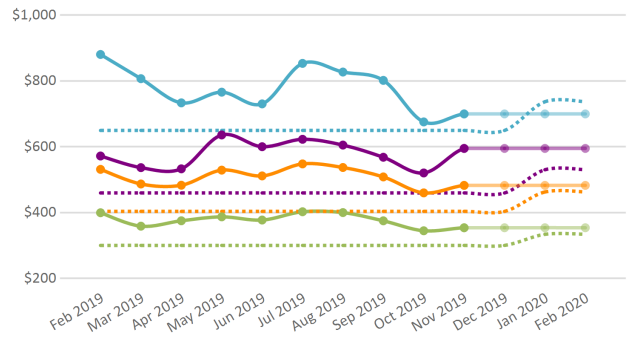
(Includes: Outpatient Diagnostic, Outpatient Surgery, Outpatient Observation, and Outpatient Other)

- 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

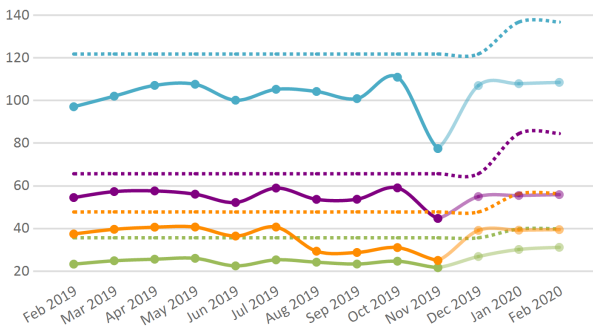
Outpatient Services Incurred by Aid Group PMPM



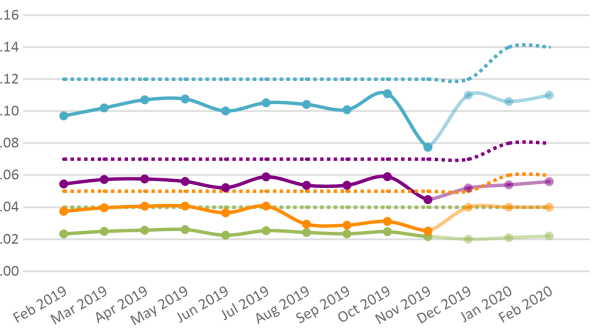
Cost Per Outpatient Visit by Aid Group



Outpatient Visits per 1,000 per Month by Aid Group



Outpatient Visits per Member per Month by Aid Group





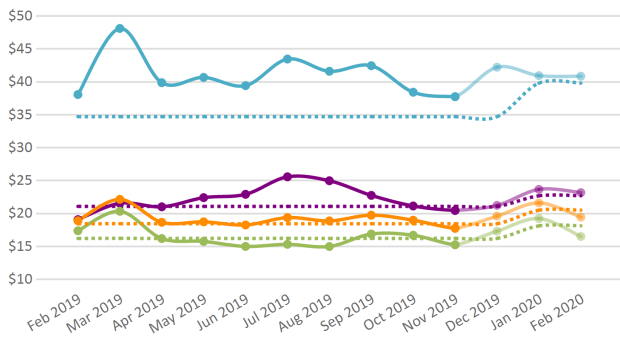
Governed Reporting System



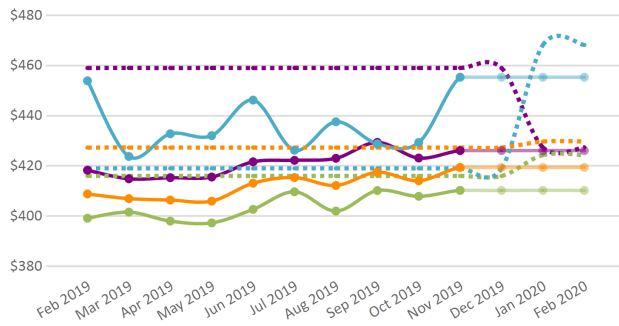
Emergency Room

- 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

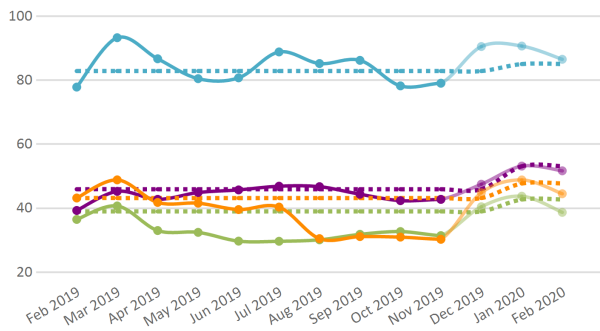
ER Services Incurred by Aid Group PMPM



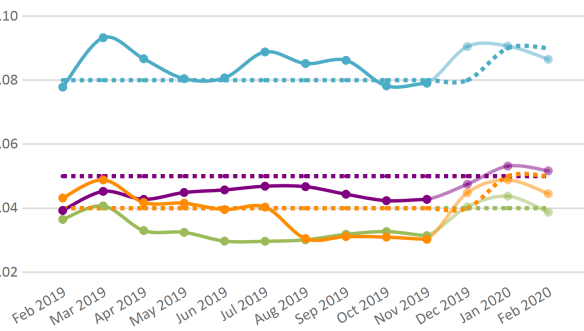
Cost Per ER Visit by Aid Group



ER Visits per 1,000 per Month by Aid Group



ER Visits per Member per Month by Aid Group

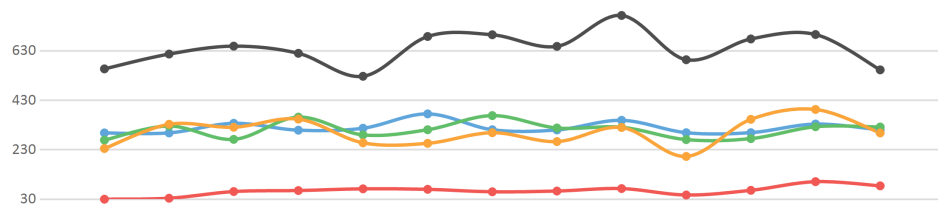




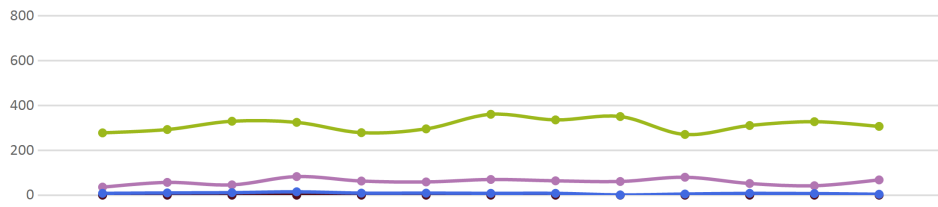
Attachment B

Governed Reporting System

Inpatient Admits by Hospital



	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
BAKERSFIELD MEMORIAL	557	617	649	620	527	688	695	648	773	594	678	696	553
KERN MEDICAL	235	333	321	354	258	256	299	263	320	203	353	393	298
MERCY HOSPITAL	269	326	272	362	290	311	368	318	321	271	275	323	322
ADVENTIST HEALTH	298	298	337	309	317	375	311	310	349	299	299	334	310
GOOD SAMARITAN HOSPITAL	30	34	61	65	72	70	60	63	73	47	66	101	84

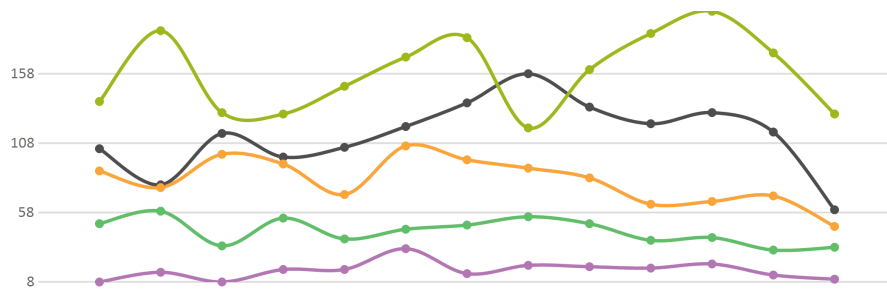


	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
OUT OF AREA	278	293	330	325	279	296	361	336	351	271	311	328	307
DELANO REGIONAL HOSPITAL	36	57	46	83	63	59	70	64	61	80	52	42	68
BAKERSFIELD HEART HOSP	50	34	45	37	43	46	60	59	50	61	50	51	60
KERN VLY HLTHCRE HOSP	8	10	11	15	9	9	8	8	1	5	8	7	4

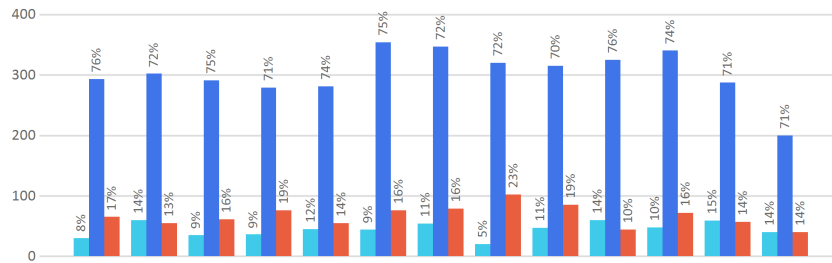


Governed Reporting System

Obstetrics Metrics



	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
BAKERSFIELD MEMORIAL	104	78	115	98	105	120	137	158	134	122	130	116	60
KERN MEDICAL	88	76	100	93	71	106	96	90	83	64	66	70	48
OTHER	138	189	130	129	149	170	184	119	161	187	203	173	129
MERCY HOSPITAL	50	59	34	54	39	46	49	55	50	38	40	31	33
DELANO REGIONAL HOSPITAL	8	15	8	17	17	32	14	20	19	18	21	13	10

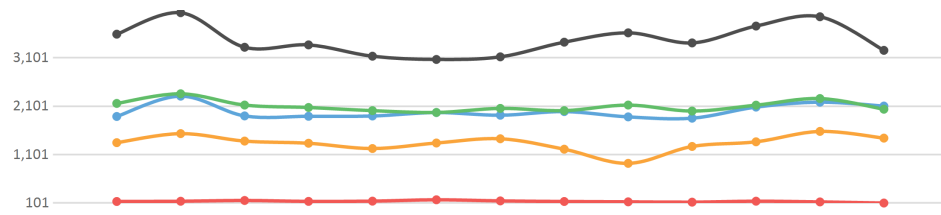


	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
VAGINAL DELIVERY	293	302	291	279	281	354	347	320	315	325	340	287	200
C-SECTION DELIVERY	65	55	61	76	55	76	79	102	85	44	72	57	40
PREVIOUS C-SECTION DELIVERY	30	60	35	36	45	44	54	20	47	60	48	59	40

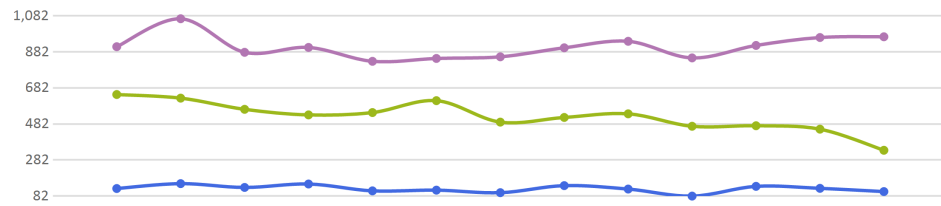


Governed Reporting System

Emergency Visits by Hospital



	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
BAKERSFIELD MEMORIAL	3,589	4,033	3,319	3,368	3,134	3,067	3,121	3,424	3,617	3,409	3,757	3,949	3,255
MERCY HOSPITAL	2,159	2,358	2,125	2,075	2,010	1,972	2,056	2,010	2,125	2,001	2,123	2,260	2,039
ADVENTIST HEALTH	1,889	2,309	1,901	1,893	1,899	1,971	1,915	1,990	1,881	1,854	2,083	2,185	2,104
KERN MEDICAL	1,348	1,535	1,381	1,336	1,227	1,341	1,429	1,213	921	1,270	1,366	1,581	1,442
BAKERSFIELD HEART HOSP	133	138	154	135	140	168	145	133	126	119	139	124	101



	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
DELANO REGIONAL HOSPITAL	910	1,065	879	906	829	845	854	904	940	848	917	961	965
OUT OF AREA	645	625	563	532	545	611	492	518	538	469	472	453	336
KERN VLY HLTHCRE HOSP	124	151	130	149	111	115	101	140	121	82	136	125	107

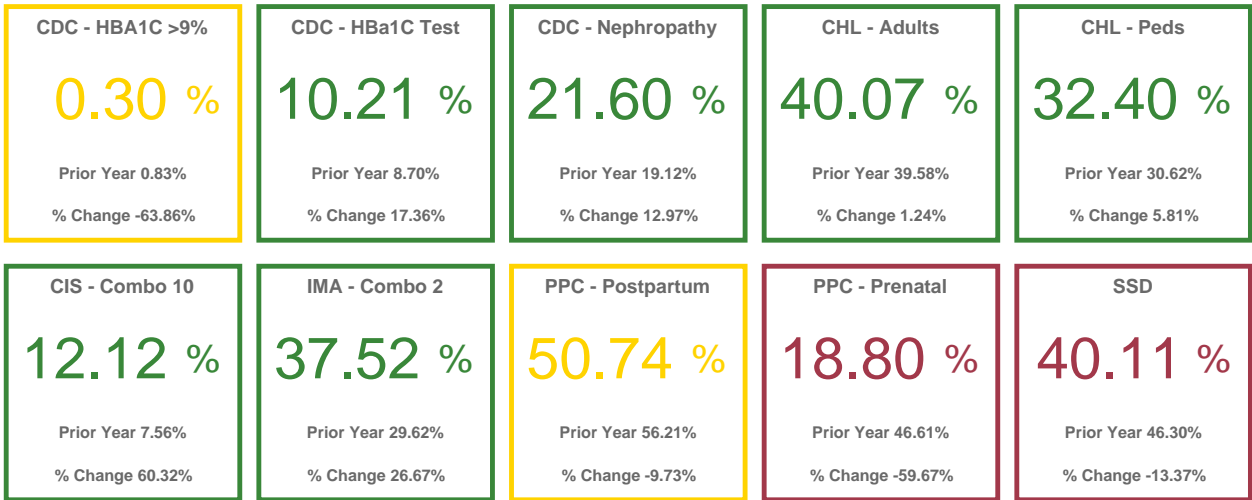
MCAS 2021 Performance Trending Metrics

<p>ABA</p> <p>26.54 %</p> <p>Prior Year 13.92%</p> <p>% Change 90.66%</p>	<p>AMM - Acute</p> <p>54.73 %</p> <p>Prior Year 52.67%</p> <p>% Change 3.91%</p>	<p>AMM - Cont</p> <p>33.23 %</p> <p>Prior Year 33.79%</p> <p>% Change -1.66%</p>	<p>AMR</p> <p>70.69 %</p> <p>Prior Year 53.22%</p> <p>% Change 32.83%</p>	<p>APM - Cholesterol</p> <p>11.11 %</p> <p>Prior Year 34.82%</p> <p>% Change -68.09%</p>
<p>APM - Glucose</p> <p>22.22 %</p> <p>Prior Year 98.30%</p> <p>% Change -77.40%</p>	<p>APM - Glucose Cholesterol</p> <p>11.11 %</p> <p>Prior Year 33.12%</p> <p>% Change -66.46%</p>	<p>AWC</p> <p>3.36 %</p> <p>Prior Year 7.29%</p> <p>% Change -53.91%</p>	<p>BCS</p> <p>44.27 %</p> <p>Prior Year 35.26%</p> <p>% Change 25.55%</p>	<p>CBP</p> <p>1.90 %</p> <p>Prior Year 2.34%</p> <p>% Change -18.80%</p>
<p>CCS</p> <p>41.74 %</p> <p>Prior Year 39.49%</p> <p>% Change 5.70%</p>	<p>CDC - BP</p> <p>0.83 %</p> <p>Prior Year 1.02%</p> <p>% Change -18.63%</p>	<p>CDC - Eye Exam</p> <p>8.97 %</p> <p>Prior Year 8.55%</p> <p>% Change 4.91%</p>	<p>CDC - HBA1C <7%</p> <p>1.49 %</p> <p>Prior Year 0.71%</p> <p>% Change 109.86%</p>	<p>CDC - HBA1C <8%</p> <p>1.70 %</p> <p>Prior Year 0.78%</p> <p>% Change 117.95%</p>



Governed Reporting System

MCAS 2021 Performance Trending Metrics



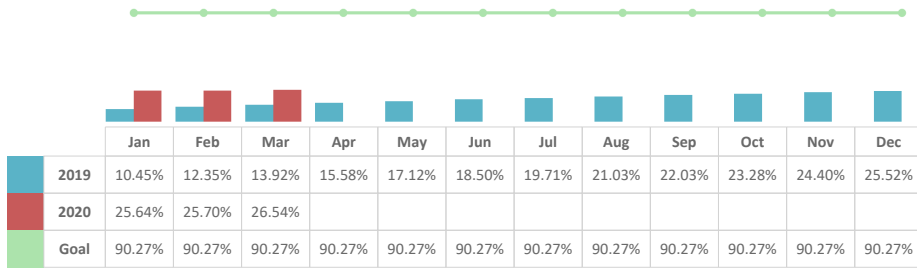
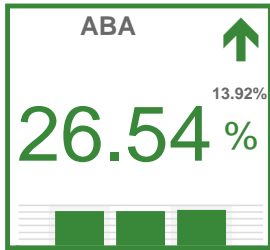


Governed Reporting System

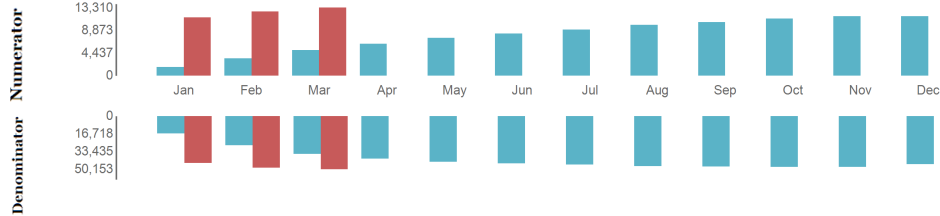
MCAS 2021 Performance Trending Metrics

Adult BMI Assessment

The percentage of members 18–74 years of age who had an outpatient visit and whose body mass index (BMI) was documented during the measurement year or the year prior to the measurement year.



13,310
50,153



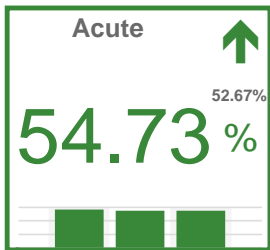


Governed Reporting System

MCAS 2021 Performance Trending Metrics

Antidepressant Medication Management

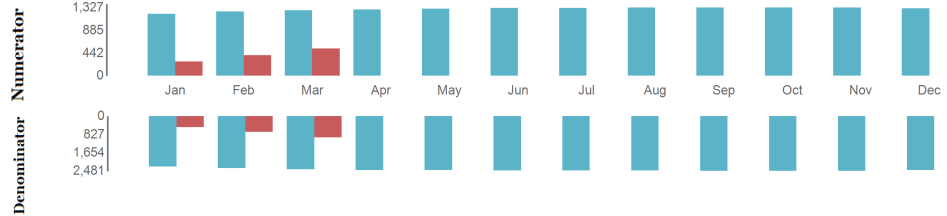
The percentage of members 18 years of age and older who were treated with antidepressant medication, had a diagnosis of major depression and who remained on an antidepressant medication treatment for at least 84 days.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	52.74%	52.92%	52.67%	52.78%	53.09%	53.47%	53.48%	53.51%	53.47%	53.47%	53.49%	53.70%
2020	56.39%	54.77%	54.73%									
Goal	52.33%	52.33%	52.33%	52.33%	52.33%	52.33%	52.33%	52.33%	52.33%	52.33%	52.33%	52.33%

532

972



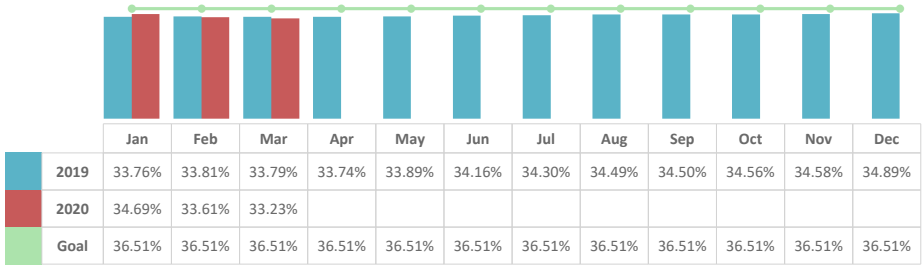
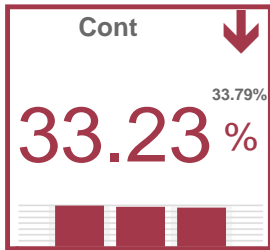


Governed Reporting System

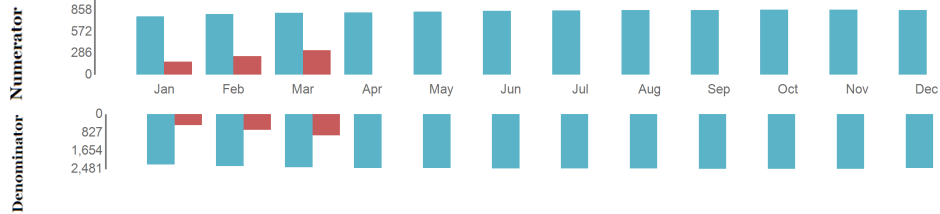
MCAS 2021 Performance Trending Metrics

Antidepressant Medication Management

The percentage of members 18 years of age and older who were treated with antidepressant medication, had a diagnosis of major depression and who remained on an antidepressant medication treatment for at least 180 days.



323
972



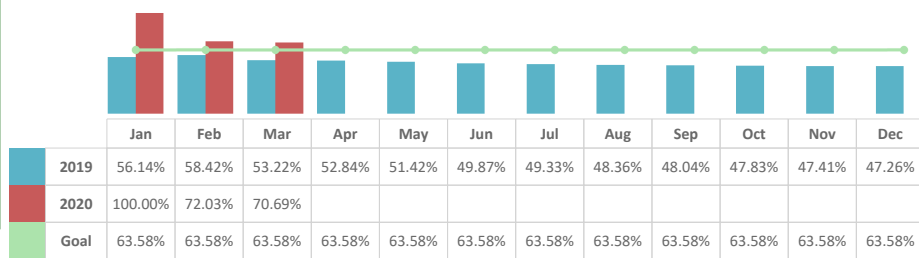
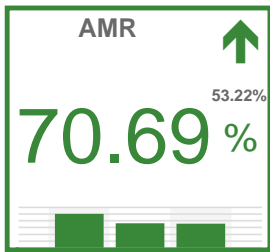


Governed Reporting System

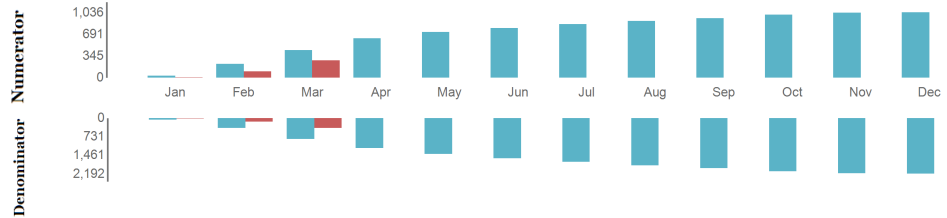
MCAS 2021 Performance Trending Metrics

Asthma Medication Ratio

The percentage of members 5–64 years of age who were identified as having persistent asthma and had a ratio of controller medications to total asthma medications of 0.50 or greater during the measurement year.



275
389



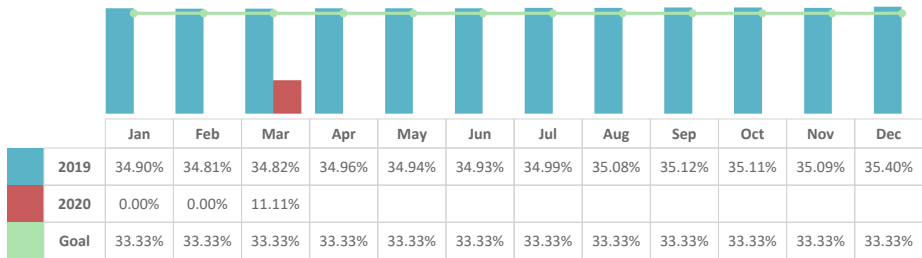
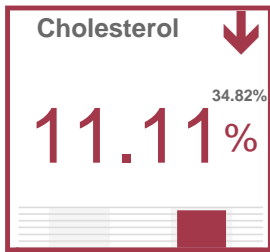


Governed Reporting System

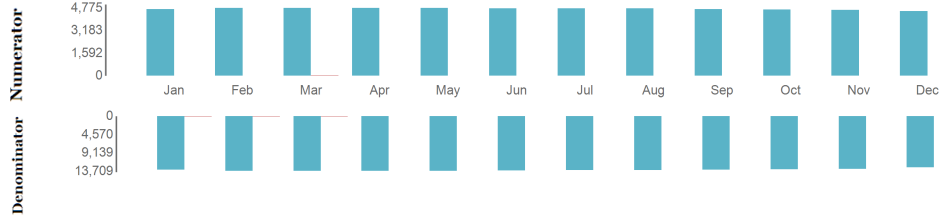
MCAS 2021 Performance Trending Metrics

Metabolic Monitoring for Children and Adolescents on Antipsychotics

The percentage of children and adolescents on antipsychotics 1–17 years who received cholesterol testing.



1
9



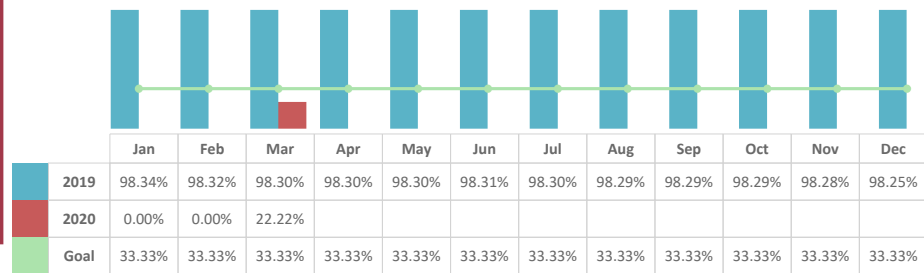
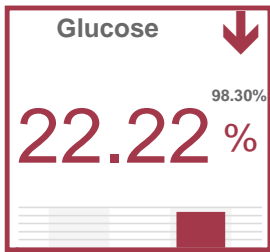


Governed Reporting System

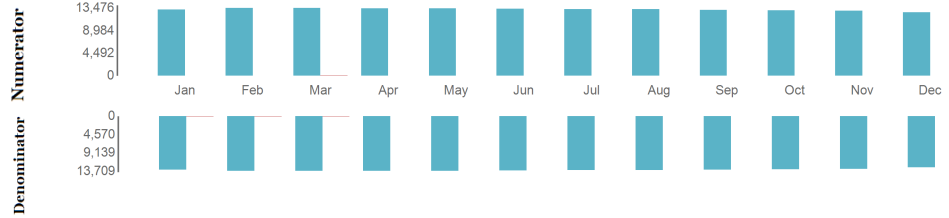
MCAS 2021 Performance Trending Metrics

Metabolic Monitoring for Children and Adolescents on Antipsychotics

The percentage of children and adolescents 1–17 years on antipsychotics who received blood glucose testing.



$$\frac{2}{9}$$



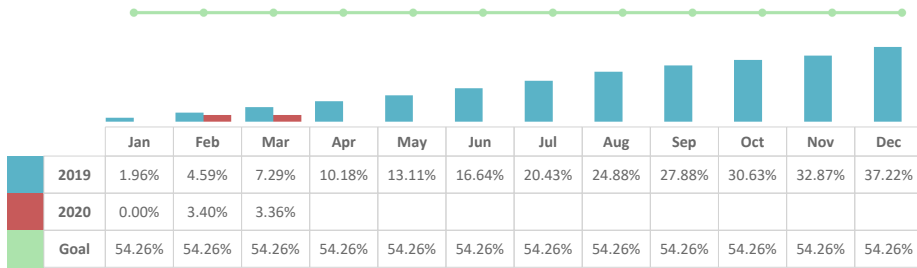
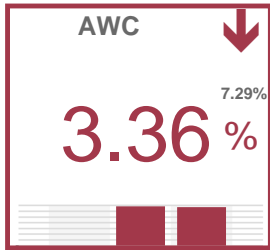


Governed Reporting System

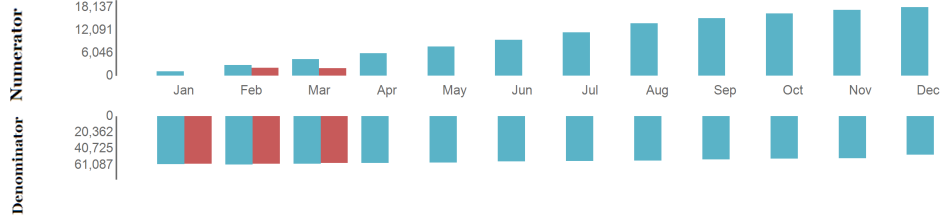
MCAS 2021 Performance Trending Metrics

Adolescent Well-Care Visits

The percentage of enrolled members 12–21 years of age who had at least one comprehensive well-care visit with a PCP or an OB/GYN practitioner during the measurement year.



1,982
59,073



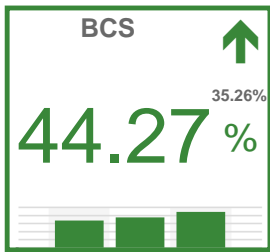


Governed Reporting System

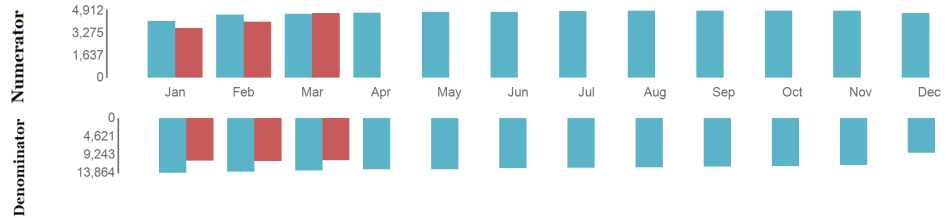
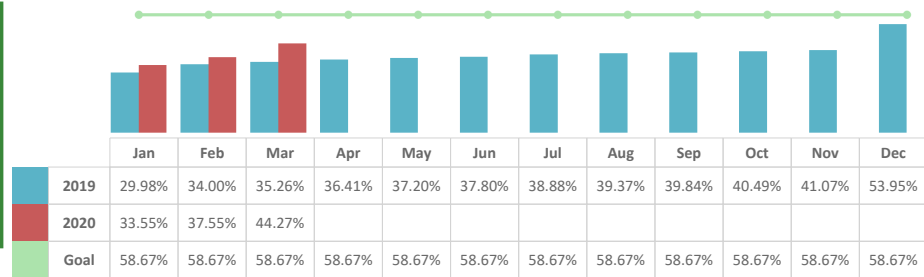
MCAS 2021 Performance Trending Metrics

Breast Cancer Screening

One or more mammograms any time on or between October 1 two years prior to the measurement year and December 31 of the measurement year.



4,713
10,645



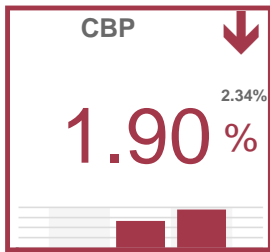


Governed Reporting System

MCAS 2021 Performance Trending Metrics

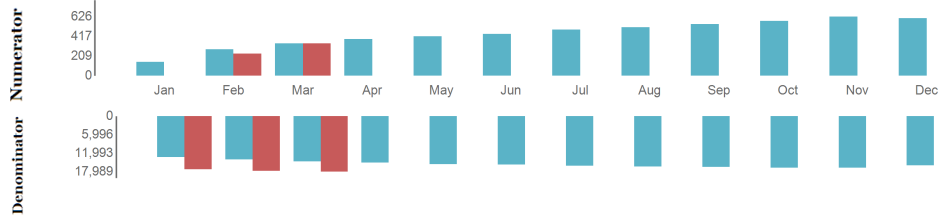
Controlling High Blood Pressure

The percentage of members 18–85 years of age who had a diagnosis of hypertension (HTN) and whose BP was adequately controlled (<140/90 mm Hg) during the measurement year.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	1.11%	1.98%	2.34%	2.58%	2.68%	2.81%	3.04%	3.15%	3.33%	3.47%	3.76%	3.82%
2020	0.00%	1.32%	1.90%									
Goal	61.04%	61.04%	61.04%	61.04%	61.04%	61.04%	61.04%	61.04%	61.04%	61.04%	61.04%	61.04%

341
17,989





Governed Reporting System

MCAS 2021 Performance Trending Metrics

Cervical Cancer Screening

The percentage of women 21–64 years of age who were screened for cervical cancer using either of the following criteria:

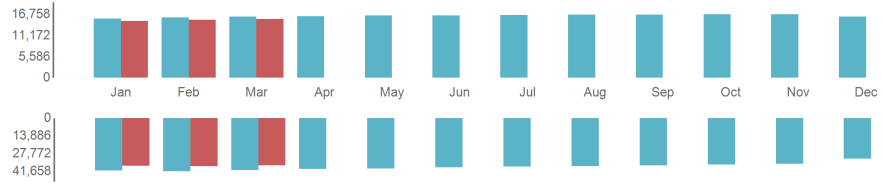
- Women 21–64 years of age who had cervical cytology performed within the last 3 years.
- Women 30–64 years of age who had cervical high-risk human papillomavirus (hrHPV) testing performed within the last 5 years.
- Women 30–64 years of age who had cervical cytology/high-risk human papillomavirus (hrHPV) cotesting within the last 5 years.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	37.89%	38.32%	39.49%	40.61%	41.62%	42.53%	43.34%	44.19%	44.90%	45.73%	46.51%	50.74%
2020	39.98%	40.48%	41.74%									
Goal	60.65%	60.65%	60.65%	60.65%	60.65%	60.65%	60.65%	60.65%	60.65%	60.65%	60.65%	60.65%

15,525
37,194

Denominator Numerator



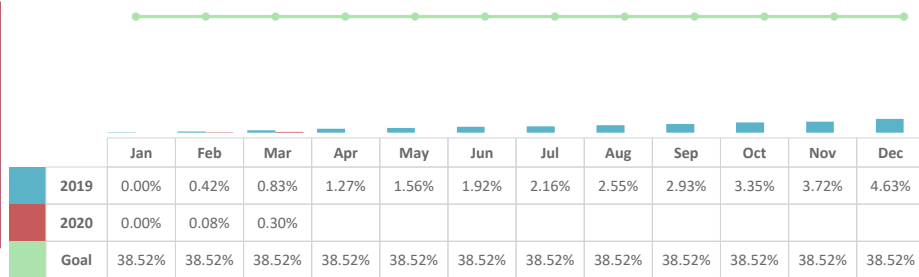
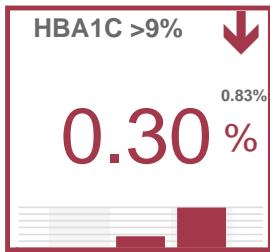


Governed Reporting System

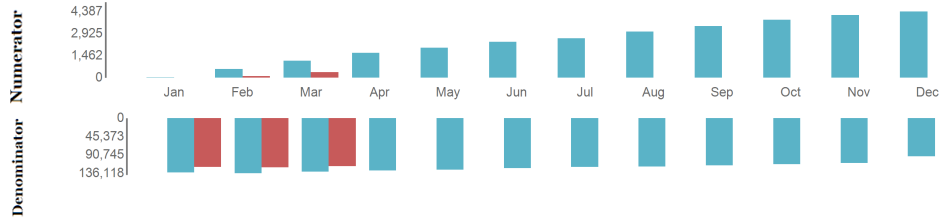
MCAS 2021 Performance Trending Metrics

Comprehensive Diabetes Care

The percentage of members 18–75 years of age with diabetes (type 1 and type 2) who had recent HBA1C Test Result > 9 %.



355
118,889



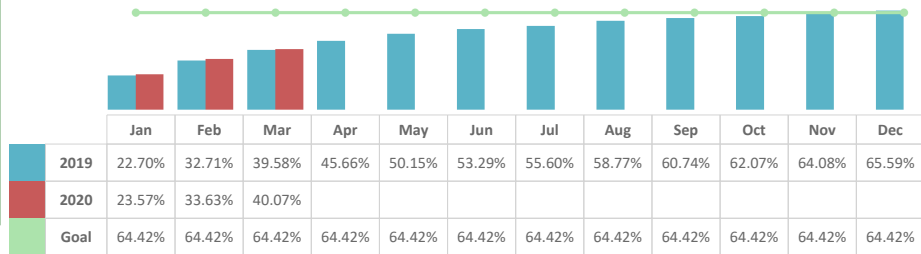
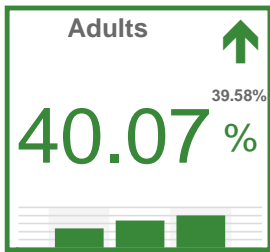


Governed Reporting System

MCAS 2021 Performance Trending Metrics

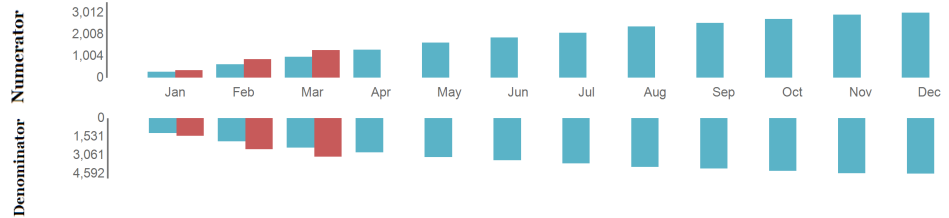
Chlamydia Screening in Women

The percentage of women 16–24 years of age who were identified as sexually active and who had at least one test for chlamydia during the measurement year.



1,281

 3,197



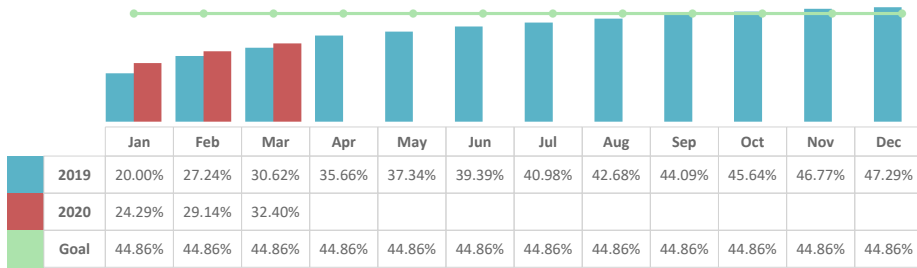
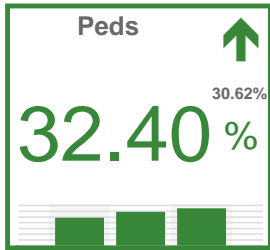


Governed Reporting System

MCAS 2021 Performance Trending Metrics

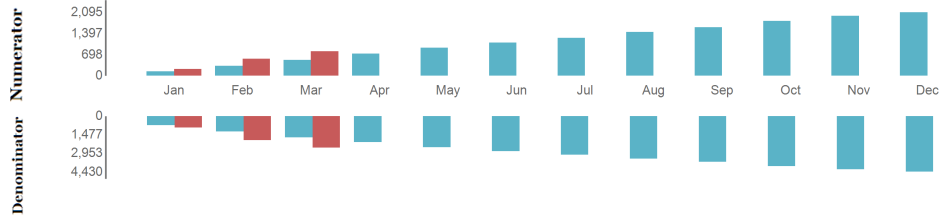
Chlamydia Screening in Women

The percentage of women 16–24 years of age who were identified as sexually active and who had at least one test for chlamydia during the measurement year.



814

2,512



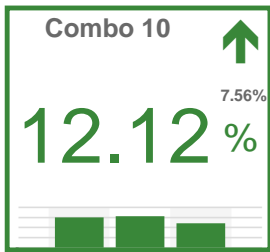


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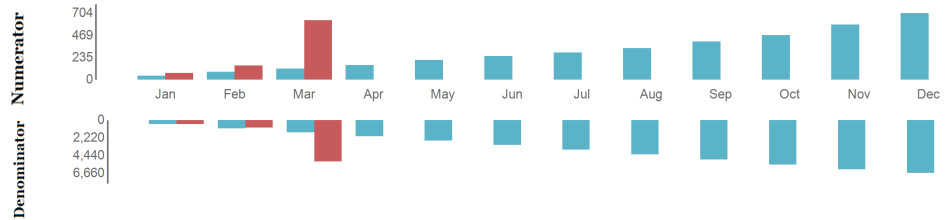
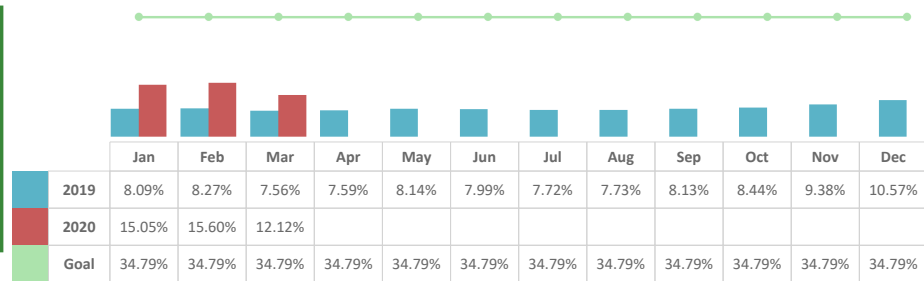
MCAS 2021 Performance Trending Metrics

Childhood Immunization Status

The percentage of members who turned 15 months old during the measurement year and who had the at least 6 well-child visits with a PCP during their first 15 months of life.



630
5,196



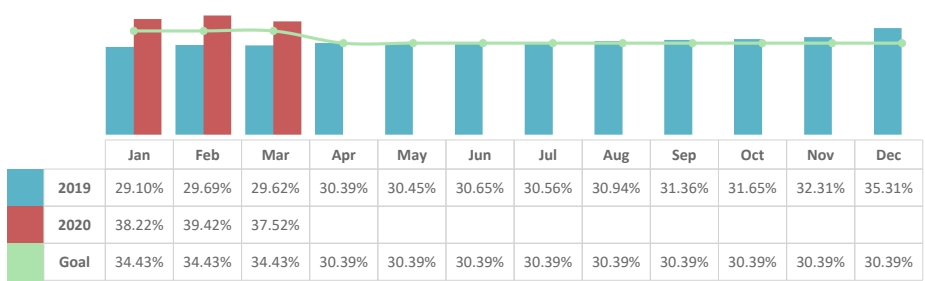
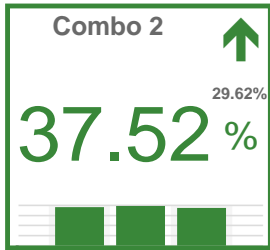


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MCAS 2021 Performance Trending Metrics

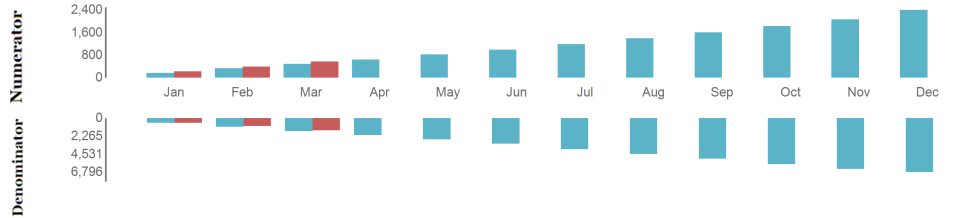
Immunizations for Adolescents

One or more mammograms any time on or between October 1 two years prior to the measurement year and December 31 of the measurement year.



570

 1,519



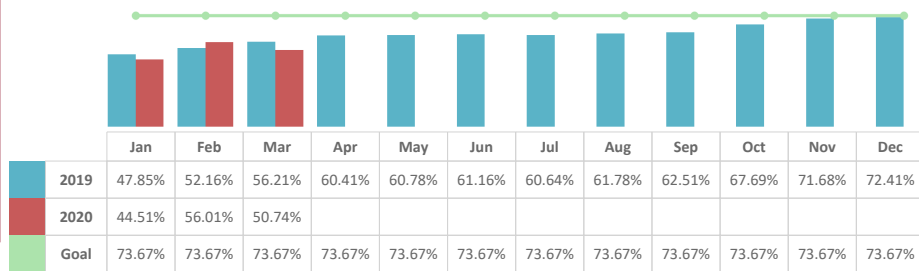
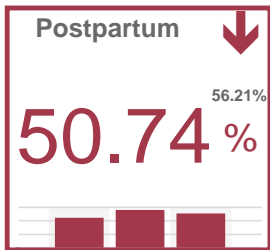


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MCAS 2021 Performance Trending Metrics

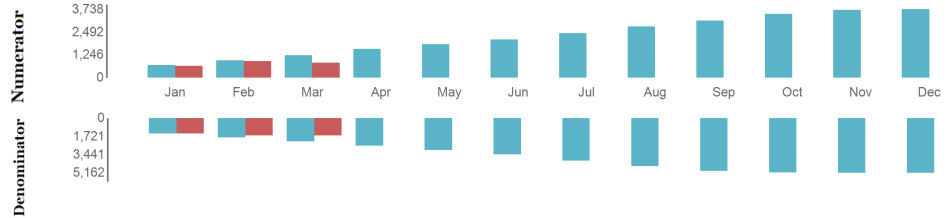
Postpartum Care

The percentage of deliveries of live births on or between October 8 of the year prior to the measurement year and October 7 of the measurement year. Postpartum Care. The percentage of deliveries that had a postpartum visit on or between 7 and 84 days after delivery.



823

1,622



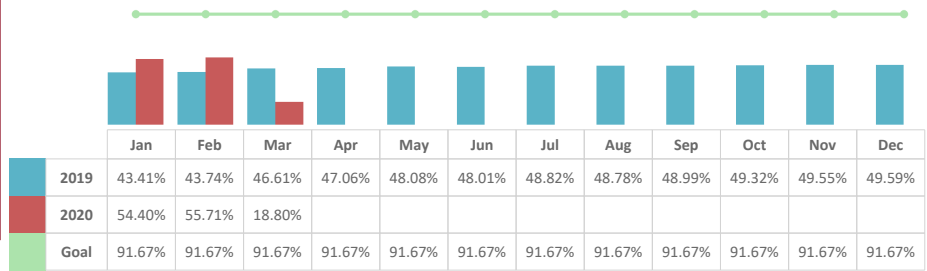
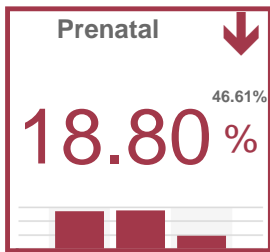


Governed Reporting System

MCAS 2021 Performance Trending Metrics

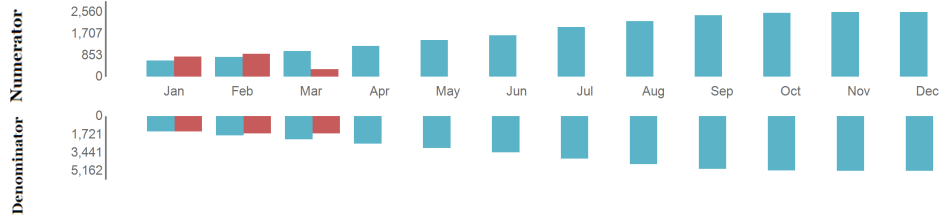
Prenatal Care

The percentage of deliveries of live births on or between October 8 of the year prior to the measurement year and October 7 of the measurement year. Timeliness of Prenatal Care. The percentage of deliveries that received a prenatal care visit in the first trimester, on or before the enrollment start date or within 42 days of enrollment in the organization.



305

1,622



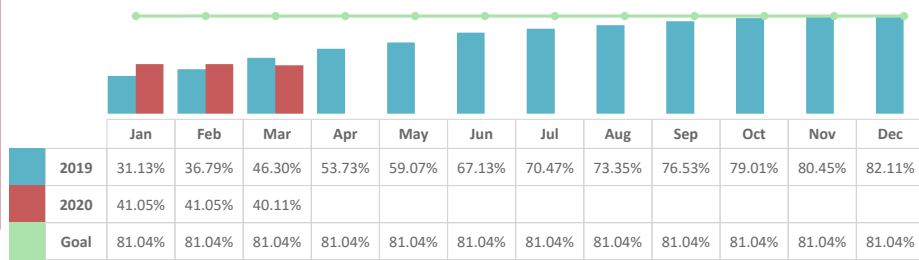
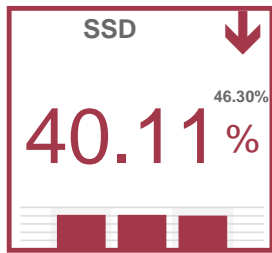


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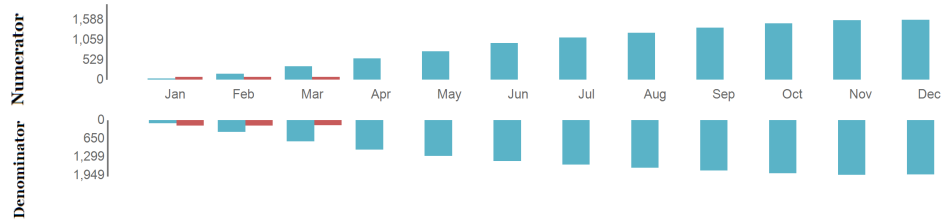
MCAS 2021 Performance Trending Metrics

Diabetes Screening for People With Schizophrenia or Bipolar Disorder Who Are Using Antipsychotic Medications

The percentage of members 18–64 years of age with schizophrenia, schizoaffective disorder or bipolar disorder, who were dispensed an antipsychotic medication and had a diabetes screening test during the measurement year.



75
187





Governed Reporting System

MCAS 2021 Performance Trending Metrics

Well-Child Visits in the First 15 Months of Life

Diabetes Screening for People With Schizophrenia or Bipolar Disorder Who Are Using Antipsychotic Medications.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.09%	0.09%	0.37%	1.11%	1.96%	4.31%
2020	1.01%	1.59%	2.00%									
Goal	65.83%	65.83%	65.83%	65.83%	65.83%	65.83%	65.83%	65.83%	65.83%	65.83%	65.83%	65.83%

138
6,890



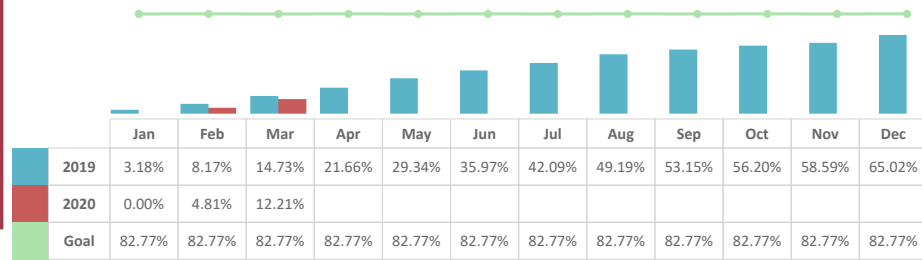
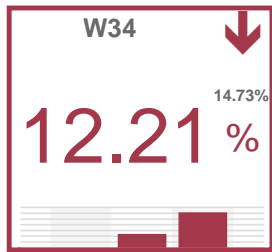


Governed Reporting System

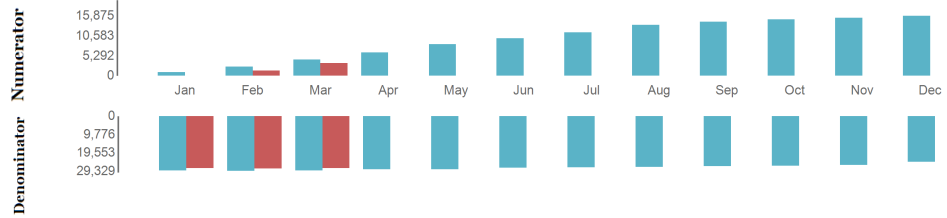
MCAS 2021 Performance Trending Metrics

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

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



3,382
27,705



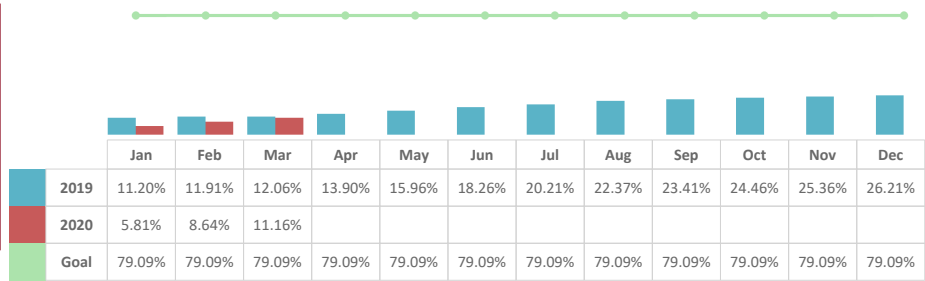
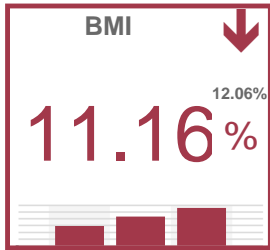


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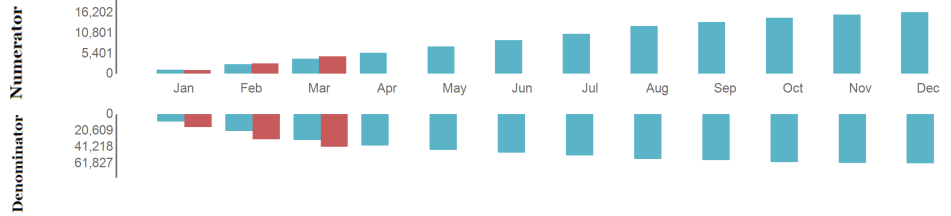
MCAS 2021 Performance Trending Metrics

Weight Assessment and Counseling for Nutrition and Physical Activity for Children/Adolescents

The percentage of members 3-17 years of age who had BMI Percentile documented during the measurement year.



4,603
41,245



KERN HEALTH SYSTEMS
CHIEF EXECUTIVE OFFICER'S REPORT
April 16, 2020
BOARD OF DIRECTORS MEETING

COMPLIANCE AND REGULATORY ACTIVITIES

Compliance and Regulatory Affairs Report

Attachment A is the update on regulatory and compliance activities impacting KHS. The length and scope of the Report points to the impact COVID -19 is having on health plans. A number of new policies and directives are released by the State weekly instructing health plans on how they must comply with existing policy changes or newly adopted policies from the Governor's orders due to COVID -19 (see Attachment C).

PROGRAM DEVELOPMENT UPDATE

RX Carve-Out

DHCS continues to move forward on the Governor's Executive order to Carve-Out Pharmacy services from Managed Care Plans effective 1/1/21. DHCS and Health Plan Staff have held numerous meetings to discuss the scope of the carve-out and areas of concern. DHCS discussions are now shifting toward implementation preparations. KHS staff and our trade associations continue to advocate with legislators, the Governor's office, and DHCS to ensure proper planning is conducted prior to the transition. Despite COVID-19 receiving health plans' and State government's undivided attention, as of this writing, DHCS fully intends on implementing transfer of the pharmacy benefit management to the State through their new PBM, Magellan effective 01/01/2021. Internal strategizing and operational preparations have begun.

CalAIM

The COVID-19 pandemic has caused great uncertainty regarding the future of the CalAIM initiatives. DHCS has been immersed in COVID-19 response which has delayed their work on final CalAIM policy development. Additionally, State Budget projections are now requiring DHCS to re-think what expenditures could be approved this year. Although no formal announcement has occurred, evidence points to the State pausing on moving forward with

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CEO Report – April, 2020
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CalAIM. KHS had previously intended to begin implementation work on several CalAIM projects in April, however this work is being delayed until further clarity is gained.

Long Term Care and Transplants Carve-In

Given what's transpired with CalAIM, KHS is awaiting further guidance from DHCS as to whether these transitions will be delayed as well.

LEGISLATIVE SUMMARY UPDATE

Federal Update

The majority of Congress' focus has been related to COVID-19 response. KHS staff has tracked the 3 legislative packages that passed related to the pandemic. The bills covered a variety of topics including coverage for testing and treatment, increases in federal funding to Medicaid, data sharing, and scope of practice changes. The third package provided over \$2 trillion in funding for a variety of provisions including: stimulus checks to the general public, loans to small businesses, funding for States and providers, etc.

CMS recently finalized their "Interoperability" rule which requires health plans to provide member data to 3rd parties upon receiving consent from the member. These 3rd parties could be other healthcare providers, health plans, or apps the member would like to share their data with. The current implementation date of 1/1/21 could be delayed due to the COVID-19 pandemic, but no official guidance has yet been released. KHS staff continues to work on implementation planning.

State Legislative

The State Legislature took an extended recess on March 16th related to the COVID-19 pandemic. Currently the legislature is not scheduled to reconvene until at least May 4th. With the impacted legislative timelines, most are expecting this session to be pared down to include only the highest priority bills. We anticipate when the legislature reconvenes that many of the previously submitted bills will be significantly amended or abandoned. Due to this, the legislative tracking matrix will not be attached with this report. Additional updates will be provided at the June board meeting.

Additionally, the State Budget process has been upended due to the COVID-19 pandemic. A revised budget is expected in May and the State's revenue projections will be drastically different from January's draft budget. The Department of Finance has instructed the various departments within the State to plan for minimal budget expenditure increases. The resulting budget changes will likely impact initiatives like CalAIM and expanding coverage for undocumented seniors.

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KHS APRIL 2020 ENROLLMENT

Medi-Cal Enrollment

As of April 1, 2020, Medi-Cal enrollment is 173,821, which represents a decrease of 0.6% from March enrollment.

Seniors and Persons with Disabilities (SPDs)

As of April 1, 2020, SPD enrollment is 14,187, which represents an increase of 0.2% from March enrollment.

Expanded Eligible Enrollment

As of April 1, 2020, Expansion enrollment is 61,208, which represents an increase of 0.9% from March enrollment.

Kaiser Permanente (KP)

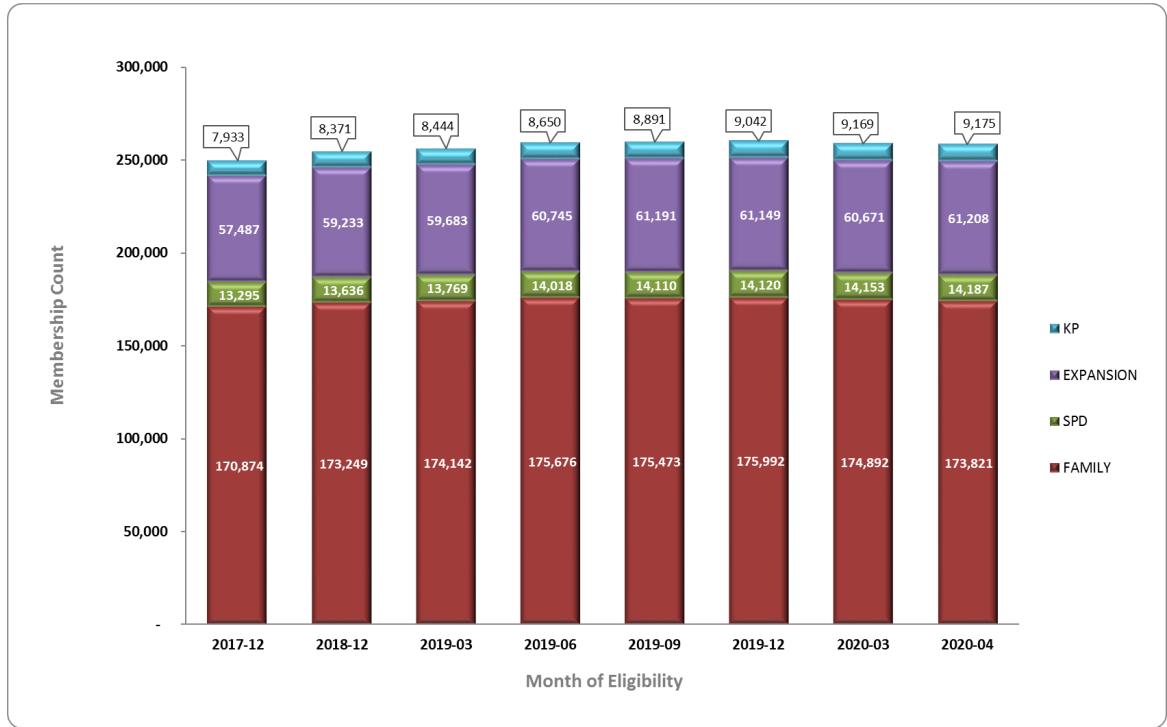
As of April 1, 2020, Kaiser enrollment is 9,175 which represents an increase of 0.1% from March enrollment.

Total KHS Medi-Cal Managed Care Enrollment

As of April 1, 2020, total Medi-Cal enrollment is 258,391, which represents a decrease of 0.2% from March enrollment.

Membership as of Month of Eligibility	FAMILY	SPD	EXPANSION	KP	BABIES	Monthly/ Member Months Total
2017-12	170,427	13,295	57,487	7,933	447	249,589
2018-12	172,772	13,636	59,233	8,371	477	254,489
2019-03	173,743	13,769	59,683	8,444	399	256,038
2019-06	175,259	14,018	60,745	8,650	417	259,089
2019-09	174,965	14,110	61,191	8,891	508	259,665
2019-12	175,568	14,120	61,149	9,042	424	260,303
2020-03	174,481	14,153	60,671	9,169	411	258,885
2020-04	173,451	14,187	61,208	9,175	370	258,391

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 Board of Directors Meeting
 CEO Report – April, 2020
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KHS ADMINISTRATIVE INITIATIVES

Provider Relations Credentialing

Type	March 2020	April 2020 (Projected)
Initials	37	23
Re-credentialing	54	26
New Vendors	2	2

Provider Portal Utilization

Encouraging provider office staff to conduct inquiries, track claims, review reports and submit information using the Provider Portal results in faster response times for providers. Below is the utilization summary for the most recent three months of data.

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Provider Activity Areas	January 2020	February 2020	March 2020
Total HealthX User Accounts	4,232	4,403	4,660
Total HealthX User Accounts	472	387	446
Page Views	786,822	733,012	702,620
Unique Page Views	304,368	285,940	278,335
Avg. Time of Page	3:13	3:16	3:19

Provider contracting (most recent month)

- San Joaquin Community Hospital – in negotiation
- Valley Children’s Hospital – in negotiation
- Antelope Valley Hospital – in process
- Amending Kern Medical, Kern Valley Healthcare District, Tehachapi Valley Healthcare district hospital contracts to include IGT terms for 2018/2019 and 2019/2020 – in process
- Kern Medical – in review
- Amending hospital contracts to include language pertaining to Hospital Directed Payment (HDP) – in process
- Christopher Sarkiss, MD, Neurological Surgery, Neuro-Oncology
- RX Pharmacy, Pharmacy and DME

Provider Contracts Summary (Status)

Open	Returned	Waiting signature
180	166	48

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Marketing/Public Relations

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

- KHS supported Bakersfield North Rotary in their fundraising drive to support “Youth Connection” by donating \$10,000.
- KHS donated \$3,500 to the American Cancer Society.
- KHS supported Bakersfield West Rotary in their fundraising drive to support several local beneficiaries (breast cancer, less fortunate youth of Kern County, low income sports leagues, Bakersfield Memorial Hospital’s pediatric ICU, Boys & Girls Club and CSUB Scholarship Fund) by donating \$2,000.
- KHS donated \$1,250 to the HEAL Collaborative (Rural Health Equity & Learning Collaborative).

Community Events: (No events were held in March or April due to the Governor’s order disallowing crowd assembly).

Member Newsletter:

The Spring 2020 Member Newsletter is located under Attachment ____.

Employee Newsletters:

The Employee Newsletters can be seen by clicking the following links:

March 2020 - <https://us20.campaign-archive.com/?u=f1b2565c17b55547feeb94aeb&id=fe0709f54d>

April 2020 - <https://us20.campaign-archive.com/?u=f1b2565c17b55547feeb94aeb&id=a30aac1b8a>

ADMINISTRATIVE PERFORMANCE REPORTS

Dashboard Presentation

- The Dashboard Reports showing KHS critical performance measurements are located under Attachment E.
- The 1st Qtr. 2020 Projects Report summarizing projects tracked quarterly throughout the year is found under Attachment F.



Attachment A

Compliance and Regulatory Affairs Update

Board of Directors Meeting

April 16, 2020

Kern Health Systems (“the Plan”), is proud of the values that drive our success. These values shape an environment and culture that nurtures the highest standards in business ethics and personal integrity. These same values and ethics are displayed in the commitment to excellence in the services the Plan provides to Members. It is imperative that as individuals we understand and adhere to these principles and values to protect the Plan’s integrity and welfare. To that end, the Plan has established a Corporate Compliance Program that outlines our ethical commitment via our Code of Conduct as well as our legal and regulatory requirements. The Code of Conduct is a cornerstone of the Plan’s Compliance Program and articulates the standards of behavior that each one of us is expected to observe.

Compliance is everyone’s responsibility. Ignorance of the rules is not a defense for non-compliance in the eyes of the government. Managed care organizations are one of the most highly regulated industries in the country with numerous laws, rules, and regulations. The rules are widely published and available, and the Plan has a responsibility to understand and follow them to the best of our ability. Only with the commitment of all the Plan’s personnel and affiliates can we ensure our compliance with the myriad of laws, rules, and regulations that impact the Plan. Please share your commitment with those around you and don’t hesitate to contact me with questions, your Director of Compliance and Regulatory Affairs. I am here to assist you with understanding the rules, regulations, and laws, and providing guidance on their implementation in policy.

STATE REGULATORY AFFAIRS

Department of Health Care Services (DHCS)

All Plan Letters (APL)

See Attachment B for the DHCS APL grid. DHCS issued seven APLs during the months of February and March to provide guidance for Managed Care Plans (MCP) – all seven APLs apply to the Plan and are on track for appropriate implementation as required by the APL.

APL 20-001: 2020-2021 Medi-Cal Managed Care Health Plan Meds/834 Cutoff and Processing Schedule

The purpose of this All Plan Letter (APL) is to provide Medi-Cal managed care health plans (MCPs) with the 2020-2021 Medi-Cal Eligibility Data System (MEDS)/834 cutoff and processing schedule.

Issued: 01/03/2020

Action Item: Schedule sent to IT. Complete.

APL 20-002: Non-Contract Ground Emergency Medical Transport Payment Obligations

The purpose of this All Plan Letter (APL) is to provide Medi-Cal managed care health plans (MCPs) with pertinent information concerning enhanced reimbursement obligations for Fee-For-Service (FFS) ground emergency medical transport (GEMT) services reported using Current Procedural Terminology (CPT) codes A0429, A0427, A0433, A0434, and A0225. These payment standards impact MCP reimbursement of out-of-network GEMT services, as required by Title 42 of the United States Code (USC) section 1396u-2(b)(2)(D), commonly referred to as “Rogers Rates.”

Issued: 02/05/2020 (dated 01/31/2020)

Action Items: Timely payment to providers. The All Plan Letter has been implemented. Complete.

APL 20-003: Network Certification Requirements (Supersedes APL 19-002)

The purpose of this APL is to provide guidance to Medi-Cal managed care health plans (MCPs) on the Annual Network Certification (ANC) requirements pursuant to Title 42 of the Code of Federal Regulations (CFR) sections 438.68, 438.206, and 438.207, and Welfare and Institutions Code (WIC) section 14197.

Issued: 2/27/2020

Action Item: Timely payments to providers and reporting to DHCS (45 days after end of each calendar quarter). The due date for the deliverable is April 20, 2020. The Compliance Department continues to monitor the progress of the completion of the documents.

APL 20-004: Emergency Guidance for Medi-Cal Managed Care Health Plans

This APL highlights the flexibilities included in the approved 1135 Waiver, including, State Fair Hearings, Provider Enrollment, Prior Authorization, Reimbursement of COVID-19 Testing, and Provision of Care in Alternate Settings.

Issued: 3/27/2020

Action Item: The All Plan Letter has been implemented. Complete.

APL 20-005: Extension of the Adult Expansion Risk Corridor for State Fiscal Year 2017-2018

The APL notifies Plans that DHCS will extend the Adult Expansion Risk Corridor for SFY 2017-2018.

Issued: 3/26/2020

Action Item: The All Plan Letter is in the process of being implemented by the Stakeholders.

APL 20-006: Site Reviews: Facility Site Review and Medical Record Review

The purpose of this All Plan Letter (APL) is to inform Medi-Cal managed care health plans (MCPs) of updates to the Department of Health Care Services' (DHCS) site review process, which includes Facility Site Review (FSR) and Medical Record Review (MRR) policies.

Issued: 4/1/2020 and 4/7/2020

Action Item: The All Plan Letter has been sent to Stakeholders. A Stakeholder meeting is scheduled for April 21, 2020.

APL 20-007: Policy Guidance for Community-Based Adult Services in Response to COVID-19 Public Health Emergency

The purpose of this APL is to provide Medi-Cal managed care health plans (MCPs) with policy guidance regarding the temporary authorization of Community-Based Adult Services (CBAS) provided telephonically, in members' homes, and individually in centers, in lieu of congregate services provided at CBAS centers, during the period of this current public health emergency.

Issued: 3/30/2020

Action Item: The All Plan Letter has been implemented. Complete.

Coronavirus Disease 2019

The Coronavirus disease 2019 ("COVID-19") has made a significant impact on the Compliance Department. Besides the regular DHCS and DMHC APL's, and other regulatory guidance that are usually issued by the regulators, the Compliance Department has received 21 APLs within 27 calendar days. With a staff of five, the Compliance Department staff helped me disseminate and meet with stakeholders throughout the Plan to quickly implement the regulatory requirements – all while conducting the transition to work remotely. Staff meetings are still being conducted utilizing the Go To Meeting software, as well as setting up meetings and following up with Plan stakeholders on a regular basis to ensure the Plan's reporting requirements are being met to the regulators.

See Attachment C for the COVID-19 Guidance Log. The following are COVID-19 All Plan Letters and guidance:

APL 20-007: Policy Guidance for Community-Based Adult Services in response to Covid-19 Public Health Emergency

The APL provides policy guidance regarding the temporary authorization of Community-Based Adult Services (CBAS) provided telephonically, in members' homes, and individually in centers, in lieu of congregate services provided at CBAS centers, during the period of this current public health emergency. This guidance is being provided in response to public health stay-at-home and social distancing guidance and directives resulting from the COVID-19 outbreak. This APL

outlines mechanisms by which CBAS centers may continue to provide services to CBAS members now remaining at home. Finally, the APL addresses reimbursement for these temporary services, as well as reporting requirements for CBAS centers.

Issued: 3/30/2020

Implementation Date: 3/30/2020

Action Item: The Plan must continue to authorize and reimburse CBAS centers for the delivery of services provided in the member's home, telephonically or via live virtual video conferencing.

APL 20-012 (OPL): Health Plan Actions to Reach Vulnerable Populations

The coronavirus poses a serious risk to California's most vulnerable populations, including people over 65 years of age, people with chronic conditions, and those with disabilities. People in these groups are at an increased risk of developing severe complications or dying from the coronavirus. Health care service plans should be actively engaging with enrollees in these groups to ensure the enrollees continue to receive the care they need, while practicing appropriate social distancing.

Issued: 3/27/2020

Implementation Date: 3/27/2020

Action Item: The Plan must file with the Department of Managed Health Care (DMHC) by the end of the day on Tuesday, March 31, 2020 demonstrating health plans are taking appropriate steps in contacting and counting the vulnerable population to ensure these individuals continue to receive needed health care services, while practicing appropriate social distancing.

APL 20-004: Emergency guidance for Medi-Cal Managed Care Health Plans in response to Covid-19

The APL provides information on temporary changes to federal requirements as a result of the ongoing global pandemic. As the Department of Health Care Services (DHCS) continues to respond to concerns and changing circumstances resulting from the Novel Coronavirus Disease (COVID-19), DHCS will provide updated guidance to MCPs.

Issued: 3/27/2020

Implementation Date: 3/23/2020

Action Item: The Plan can extend the State Fair Hearing timeframes for Members, have flexibilities for Provider screening and enrollment, modify prior authorization requirements, and provision of care in alternative settings, hospital capacity, and blanket waiver flexibility. It is also encouraged to reimburse providers of COVID-19 testing at these FFS rates unless otherwise agreed to between the Plan and the provider.

APL 20-008 (OPL): Provision of Health Care Services During Self-Isolation

On March 16, 2020, seven Bay Area counties (Contra Costa, Santa Clara, San Mateo, San Francisco, Alameda, Santa Cruz and Marin) and the city of Berkeley issued an order (Orders) directing people to self-isolate to the maximum extent possible at their residences through April 7, 2020. Following the issuance of the Orders, the Department of Managed Health Care (DMHC) began receiving questions about whether health care providers and health plan personnel may continue to go to work.

Issued: 3/18/2020

Implementation Date: 3/18/2020

Action Item: The Plan must continue to provide health care services and perform Health Plan functions.

APL 20-009 (OPL): Reimbursement for Telehealth Services

In response to the COVID-19 pandemic, it is imperative that members practice “social distancing.” However, people also need to be able to continue to have access to necessary medical care. Accordingly, Health Plans must take steps to allow members to obtain health care via telehealth when medically appropriate to do so.

Issued: 3/18/2020

Implementation Date: 3/18/2020

Action Item: The Plan must reimburse providers at the same rate, whether a service is provided in-person or through telehealth, if the service is the same regardless of the modality of delivery, as determined by the provider’s description of the service on the claim. For services provided via telehealth, a health plan may not subject enrollees to cost-sharing greater than the same cost-sharing if the service were provided in-person. Also, provide the same amount of reimbursement for a service rendered via telephone as they would if the service is rendered via video, provided the modality by which the service is rendered (telephone versus video) is medically appropriate for the member.

APL 19-009 (Supplemental): Emergency Telehealth Guidance – Covid-19 Pandemic

In response to the COVID-19 pandemic, it is imperative that members practice “social distancing.” However, members also need to be able to continue to have access to necessary medical care. Accordingly, Medi-Cal managed care health plans (MCPs) must take steps to allow members to obtain health care via telehealth when medically appropriate to do so as provided in this supplemental guidance.

Issued: 3/18/2020

Implementation Date: 3/18/2020

Action Item: The Plan must reimburse providers at the same rate, whether a service is provided in-person or through telehealth, if the service is the same regardless of the modality of delivery, as determined by the provider’s description of the service on the claim. Also, provide the same amount of reimbursement for a service rendered via telephone as they would if the service is rendered via video, provided the modality by which the service is rendered (telephone versus video) is medically appropriate for the member.

APL 20-007 (OPL): “Social Distancing” Measures in Response to COVID-19

The Department of Managed Health Care (DMHC) encourages health plans to take the actions described below to facilitate the delivery of health care services in a manner that decreases the need for in-person visits, for the duration of the state of emergency proclaimed by the Governor on March 4, 2020

Issued: 3/12/2020

Implementation Date: 3/12/2020

Action Item: The Plan is to facilitate the delivery of health care services in a manner that decreases the need for in-person visits, for the duration of the state of emergency by expanding health care delivery via telehealth and decreasing the need for in-person pharmacy visits.

APL 20-006 (OPL): COVID-19 Screening and Testing

The Department of Managed Health Care (DMHC) is taking action to ensure that cost does not inhibit enrollees’ access to medically necessary screening and testing for COVID-19

Issued: 3/5/2020

Implementation Date: 3/5/2020

Action Item: The Plan to waive cost-sharing, ensure enrollees are able to access medically necessary care in a timely fashion, and ensure enrollees can access all medically necessary screening and testing for COVID-19.

Guidance's

DHCS Guidance: Request for Additional State Plan Amendments related to Novel Coronavirus Disease (Covid-19) National Emergency/Public Health Emergency

DHCS is submitting State Plan Amendment (SPA) 20-0024 for your review and approval. The below list represents California's additional requested flexibilities for amending the State Plan in connection with the COVID-19 outbreak and emergency based on further exploration of need. Because circumstances surrounding the COVID19 emergency remain quite fluid, DHCS may subsequently request approval for additional flexibilities, which we can commit to doing promptly as soon as the need is discovered. DHCS seeks to align this SPA with the duration of the emergency period, starting with the effective date of March 1, 2020.

Issued: 4/3/2020

Implementation Date: 3/1/2020

Action Item: (1135 Waiver flexibilities) Included in the Waiver is language that clarifies the parameters for telehealth and telephonic services provided by RHCs and FQHCs. The Plan to provide interim reimbursements and rates to Drug Medi-Cal (DMC), Specialty Mental Health Services (SMHS), Clinical laboratory and laboratory services, and Long-Term Care (LTC) facilities. An establishment of an uninsured optional coverage group and an expansion of our Hospital Presumptive Eligibility (HPE) Program in terms of covered populations and coverage periods. In addition, flexibility by suspension of premiums and cost sharing for applicable Medicaid and Children's Health Insurance Program, select covered benefits, waivers of utilization controls, and waivers of face-to-face requirements for select covered benefits, elimination of the share of cost requirement for the medically needy program.

DHCS Guidance (Email): Use of Telehealth during Covid-19 Emergency

The purpose of this e-mail is to provide clarification to Medi-Cal Managed Care Health Plans regarding the use of telehealth during the current COVID-19 emergency.

Issued: 4/1/2020

Implementation Date: 4/1/2020

Action Item: The Plan is reminded of the changes to telehealth services, including communication methods, Health Insurance Portability and Accountability Act (HIPPA) issues, and telehealth uses by Federally Qualified Health Centers (FQHCs), Rural Health Clinics (RHCs), or Indian Health Services (HIS).

DHCS Guidance (Email): Related to "File and Use" of Texting Campaign Requests related to Covid-19

The purpose of this e-mail provides responses to questions from Managed Care Plans (MCPs) around whether or not the DHCS will allow a "file and use" of texting campaign requests related to Covid-19 information.

Issued: 3/30/2020

Implementation Date: 3/30/2020

Action Item: If the Plan has any prior approved texting campaigns on file with DHCS (as of June 18, 2019, forward) to submit a new request related to COVID-19 for “file and use”. The Plan must ensure to complete Sections A and C of the Texting Program & Campaign Submission Form as well as the Indemnification Agreement. OR If the Plan does not have any approved texting campaigns on file with DHCS, the DHCS cannot approve the “file and use”, but will make every effort to expedite review of the submission once received.

DHCS Guidance: Relating to Non-Discrimination in Medical Treatment for Novel Coronavirus 2019 (COVID-19)

The State of California understands that people with disabilities are concerned that medical providers might consider an individual’s disability status when determining which patients to treat if hospitals or other health care facilities experience a surge of patients needing life-saving care. This joint bulletin reminds health care providers and payers that rationing care based on a person’s disability status is impermissible and unlawful under both federal and state law.

Issued: 3/30/2020

Implementation Date: 3/30/2020

Action Item: The Plan must remind the DHCS reminds providers that no person, on the basis of mental, developmental, intellectual, or physical disability or a perceived disability, may be unlawfully denied full and equal access to the benefits of Medi-Cal services, including the receipt of COVID-19 treatment, in the event of limited hospital or other health care facility resources and/or capacity.

DHCS Guidance: Provision of Care in Alternative Settings, Hospital Capacity, and Blanket Section 1135 Waiver Flexibilities Relative to the 2019-Novel Coronavirus (COVID-19)

Based on the March 23, 2020 CMS approval and CMS blanket waiver guidance, DHCS is issuing the following guidance relative to provision of care in alternative settings, hospital capacity, and blanket waiver flexibilities, as described in detail below, which will remain in effect through the end of the COVID-19 public health emergency.

Issued: 3/27/2020

Implementation Date: 3/27/2020

Action Item: (1135 Waiver flexibilities) Several rules are relaxed, including: reimbursement to unlicensed facilities under certain conditions, removes restrictions from Critical Access Hospitals, and address the requirement for qualifying hospital stay prior to SNF authorization.

The waiver allows provision of services in Alternative Settings; waiver includes Skilled Nursing Facilities (SNF), Critical Access Hospitals (CAH), and Housing Acute Care Patients in excluded distinct part units, the Care for excluded Inpatient Psychiatric and Rehabilitation Unit Patients in the Acute Care Unit of a Hospital, and supporting Care for Patients in Long-Term Care Acute Hospitals (LTCHs).

DHCS Guidance: Requirements and Procedures for Emergency Medi-Cal Provider Enrollment

The Department of Health Care Services (DHCS) is establishing Medi-Cal provider enrollment requirements and procedures for providers seeking enrollment in order to assist Medi-Cal beneficiaries with the national COVID-19 public health emergency. Effective March 23, 2020 with

a retroactive date of March 1, 2020, providers may apply for enrollment in the fee-for-service Medi-Cal program using the streamlined enrollment procedures outlined

Issued: 3/27/2020

Implementation Date: 3/1/2020

Action Item: (1135 Waiver flexibilities) DHCS is establishing requirements and procedures to suspend certain provider enrollment requirements in order to facilitate greater beneficiary access to care and to enable reimbursement to providers for medical services provided to beneficiaries during the national COVID-19 public health emergency. After the crisis the Providers will have to go back and enroll through the normal process.

DHCS Guidance: Medi-Cal Fee-For-Service (FFS) State Fair Hearings Section 1135 Waiver Flexibilities Relative to the 2019-Novel Coronavirus (COVID-19)

Based on the March 23, 2020 CMS approval, DHCS is issuing the following guidance relative to the Medi-Cal FFS State Fair Hearing process, which will remain in effect until further Notice.

Issued: 3/26/2020

Implementation Date: 3/26/2020

Action Item: (1135 Waiver flexibilities) The approval temporarily extends the timeframe and allows beneficiaries to have more than 90 days, up to an additional 120 days, for an eligibility or FFS appeal to request a State Fair Hearing. Specifically, individuals for whom the 90-day deadline would have occurred between March 1, 2020, through the end of the COVID-19 public health emergency, are now allowed up to an additional 120 days to request a State Fair Hearing (i.e. initial 90 day timeframe plus an additional 120 days, for a total of up to 210 days). All other existing State Fair Hearing processes remain unchanged.

DHCS Guidance (Website): COVID-19 Lab Tests are New Medi-Cal Benefits

Effective for dates of service on or after February 4, 2020, HCPCS code U0001 (2019-Novel Coronavirus [2019-nCoV diagnostic p]) and HCPCS code U0002 (COVID-19 lab test non-cdc) are new Medi-Cal benefits. Additionally, effective for dates of service on or after March 13, 2020, CPT code 87635 (SARS-COV-2 COVID-19 AMP PRB) is also a new Medi-Cal benefit.

Issued: 3/19/2020

Implementation Date: 3/13/2020

Action Item: The Plan must update Providers in billing. The billing, providers will likely receive erroneous claim denials for these new benefits until changes in the system can be properly implemented. These system changes are anticipated to take place on April 1, 2020. However, providers should not hold off on submitting claims, nor deny service to beneficiaries, for this reason alone. Erroneously denied claims will be reprocessed with an Erroneous Payment Correction (EPC) upon implementation.

DHCS Guidance: Medi-Cal Payment for Telehealth and Virtual/Telephonic Communications Relative to the 2019-Novel Coronavirus (COVID-19)

Additional guidance to enrolled Medi-Cal providers, including but not limited to physicians, nurses, mental health practitioners, substances use disorder practitioners, dentists – as well as Federally Qualified Health Centers (FQHCs), Rural Health Clinics (RHCs), and Tribal 638 Clinics.

Issued: 3/24/2020

Implementation Date: 3/24/2020

Action Item: The Bulletin provides new codes and rates for telehealth/telephonic encounters. The guidance provides current Medi-Cal Policy for Enrolled Medi-Cal Providers and FQHCs, RHCs, Tribal 638 Clinics.

DHCS MEDIL No. I 20-07: Access to Care during Public Health Crisis or Disaster for Medi-Cal

The purpose of this Medi-Cal Eligibility Division Information Letter (MEDIL) is to instruct counties to delay the processing of Medi-Cal annual redeterminations and delay discontinuances and negative actions for Medi-Cal, Medi-Cal Access Program (MCAP), Medi-Cal Access Infant Program (MCAIP), and County Children's Health Initiative Program (CCHIP) based on the declared State and National Emergency due to COVID-19. The delay shall be effective for 90 days from the date of this MEDIL.

Issued: 3/16/2020

Implementation Date: 3/16/2020

Action Item: Directive to County Agencies to continue to provide benefits beyond the certification period, as needed, to provide additional time to submit renewals or verifications, and Modify eligibility requirements at application or renewal to allow for self-attest

DHCS Guidance: Medi-Cal Payment for Medical Services Related to the 2019-Novel Coronavirus (COVID-19)

DHCS is issuing guidance to Medi-Cal providers to assist with providing medically necessary health care services in a timely fashion for patients impacted by COVID-19. This guidance is also meant to remind Medi-Cal providers of existing state and federal laws requiring Medi-Cal providers to ensure their patients do not experience barriers to accessing medically necessary Medi-Cal covered health care services in a timely manner.

Issued: 3/16/2020

Implementation Date: 3/16/2020

Action Item: The Plan to remind Providers to ensure their patients do not experience barriers to accessing medically necessary Medi-Cal covered health care services in a timely manner. Providers must consider Telehealth and Virtual Communication options, Proactive Steps, and Preparedness Strategies for Member access. Provision includes, access to Durable Medical Equipment (DME), medical supplies, and patients are not liable for any payment, including balance billing, for Medi-Cal covered services by providers, including testing and treatment for COVID-19.

DHCS Guidance (Website): COVID-19 Guidance for NEMT and NMT Providers

DHCS is providing information to all non-emergency medical transportation (NEMT) and non-medical transportation (NMT) providers as a reminder of federal Centers for Disease Control and Prevention (CDC) and California Department of Public Health (CDPH)-recommended safety procedures and protocols to help prevent spread of COVID-19.

Issued: 3/14/2020

Implementation Date: 3/14/2020

Action Item: The DHCS is reminding Medi-Cal NEMT and NMT providers are encouraged to share current COVID-19 information and discuss preparedness strategies such as CDC's and CDPH's recommendations with their staff.

DHCS MEDIL No. I 20-06: Public Health Crisis or Disaster Reminders for Medi-Cal

The purpose of this Medi-Cal Eligibility Division Information Letter (MEDIL) is to remind counties to utilize existing guidance to continue processing applications and redeterminations for individuals affected by public health crises and disasters.

Issued: 3/12/2020

Implementation Date: 3/12/2020

Action Item: Directive to County Agencies to continue to provide benefits beyond the certification period, as needed, to provide additional time to submit renewals or verifications, and Modify eligibility requirements at application or renewal to allow for self-attestation

Department of Managed Health Care (DMHC)

All Plan Letters (APL)

See Attachment D for the DMHC APL's. The DMHC issued 12 APL's in January, February, and March to provide guidance to health care service plans – three of the APL's do not apply to the Plan's Medi-Cal business; the remaining APL's are on track for appropriate implementation as required by the APL.

APL 20-001: Newly Enacted Statutes Impacting Health Plans

This All Plan Letter (APL) outlines newly enacted statutory requirements for health care service plans (plans) regulated by the Department of Managed Health Care (DMHC). In this APL, the Office of Plan Licensing (OPL) identifies and discusses fourteen bills enacted this session that may require plans to update EOCs, disclosure forms, provider contracts and/or other plan documents. Plans must review relevant plan documents to ensure those documents comply with newly enacted legislation. The DMHC expects plans to comply with all applicable statutes upon the statutes' effective dates.

Issued: 1/15/2020

Action Items: Compliance with regulations. Complete.

APL 20-002: Enrollment Data Reporting

The Department of Managed Health Care (DMHC) issues this All Plan Letter (APL) to inform health care service plans (Plans) of the requirements of Senate Bill (SB) 129 (Pan, Ch. 241, Stats. 2019). 1 Health and Safety Code section 1348.95, as amended by SB 129, requires Plans to file enrollment data by product type with the DMHC for: Individual and small group products sold inside and outside the California Health Benefit Exchange; Large groups; Administrative services-only business lines; Any other business lines; and Multiple employer welfare arrangements

(MEWAs) as of December 31 of the prior year. This letter provides guidance regarding the SB 129 annual enrollment reporting filing requirements.

Issued: 1/21/2020

Action Item: Complete.

APL 20-003: Provider Directory Annual Filings 2020

Section 1367.27, subdivision (m), requires health plans to submit provider directory policies and procedures to the Department annually.

Issued: 1/24/2020

Action Items: Filing due by 4/15/2020

APL20-004: Federal SBC Template Filing

Medi-Cal Managed Care Plans are not subject to the filing of a “Summary of Benefits and Coverage” and is not impacted by the APL. Status: Does not apply to the Plan.

APL20-005: Plan Year 2021 QHP and QDP Filing Requirements

The APL provides to current and prospective Qualified Health and Dental Plans, Covered California for Small Business Issuers, and health plans offering non-grandfathered Individual and Small Group product(s) outside of the California Health Benefit Exchange (Covered California) guidance to prepare Plans for Plan Year 2021 regulatory submissions related to the Quality Health and Dental Plans filing. The APL does not apply to the Plan. Status: Does not apply to the Plan.

APL20-006: COVID-19 Screening and Testing

The APL reminds Plans to provide timely access to services during the emergency. Specifically, KHS is to cover all medically necessary emergency care without prior authorization, whether that care is provided by an in-network or out-of-network provider. Compliance has met with Stakeholders and the necessary configuration and processes have been remediated to comply with the APL’s requirements.

Issued: 3/5/2020

Action Items: Stakeholders have implemented the APL. Complete.

APL20-007: “Social Distancing” Measures in Response to COVID-19

The APL describes how the Plan can assist with medically appropriate social distancing in the delivery of health care services for the duration of the state of emergency proclaimed by the Governor. Specifically, the APL discusses the increase use of telehealth and the decrease of in-person pharmacy visits.

Issued: 3/12/2020

Status: Stakeholders reviewed the APL and process were changed to meet the requirements required by DMHC. Complete.

APL20-008: Provision of Health Care Services During Self Isolation Orders

Plans were provided guidance by the DHCS for the provision of health care services during self-isolation orders. Compliance met with Stakeholders and reviewed the APL.

Issued: 3/18/2020

Status: Specific Prior Authorization rules and other requirements related to the Plans services have been altered to meet the mandate of the APL. Complete.

APL20-009: Reimbursement for Telehealth Services

The APL provides requirements related the provision of telehealth and telephonic services by Providers. Compliance conferred with PNM and concluded that current KHS Policies and Procedures support the APL's requirements.

Issued: 3/18/2020

Status: Compliance has concluded that current operations do impede the implementation of APL. Complete.

APL20-010: Special Enrollment Period and Coverage Effective Dates

The APL applies to only to individual products offered in the commercial full-service market. As a Medi-Cal Managed Care Plan, the Plan is not impacted by the APL. Status: Does not apply to the Plan.

APL20-011: 2020 Annual Assessment Letter

The APL provides Plans with direction for filing the "Report of Plan Enrollment" by May 15, 2020. The APL has been sent to Stakeholders.

Issued: 3/26/2020

Status: Compliance will monitor the timely completion of the filing. In-progress.

APL20-012: Health Plan Actions to Reach Vulnerable Populations

The APL states that Health Plans should be actively engaging with vulnerable populations and required, by March 31, 2020, that KHS file an attestation of the Plans efforts to do so. Status: Working with Stakeholders a response from the Plan was drafted.

Issued: 3/27/2020

Status: Compliance responded timely to the requirements set forth in the APL. Complete.

COMPLIANCE

DMHC Office of Enforcement

On April 9, 2020, the DMHC Office of Enforcement concluded their investigation into enforcement matter number 19-479. The issue was on July 11, 2017, an enrollee's provider submitted a "Prescription Drug Prior Authorization or Step Therapy Exception Request Form" to the Plan requesting authorization of the nonformulary medication Thiola. The Plan denied the

request as the Member did not meet the Plan's criteria for nonformulary Thiola, and that it is not a covered benefit on the Plan's drug formulary.

The Office of Enforcement identified four areas of violation:

1. The Plan failed to identify any alternative drug or treatment offered by the Plan in its denials, in violation of Health and Safety Code §1367.24(b).
2. The Plan is subject to discipline under the California Code of Regulations, Title 28, §1300.74.30(h), for interfering with the rights of an enrollee to obtain an independent medical review.
3. The Plan's denials for nonformulary medications failed to include a description of the criteria or guidelines used, and the clinical reasons for the decisions regarding medical necessity in violation of §§1367.01(h)(4), and 1368(a)(5).
4. The Plan has not filed its Policy with the Department's Office of Plan Licensing in violation of §1367.24(a).

The Plan acknowledged the areas of violation and wrote a corrective action plan ("CAP"). The Office of Enforcement accepted the CAP and an administrative penalty of \$20K.

DHCS Medical Audit –2019

The DHCS conducted their annual Medical Audit for the review period beginning August 1, 2018 through July 31, 2019. The audit covered six categories: Utilization Management, Case Management, Access and Availability, Member Rights, Quality System and Delegation, and Administration and Organization Capacity.

Updates:

- The Plan submitted supplemental information in February and March related to DHCS' follow-up questions. The Director of Compliance is currently waiting for DHCS' acceptance of the Corrective Action Plans.

DMHC Routine Medical Survey of Kern Health Systems - 2019

As authorized by Health and Safety Code section 1380 and Title 28, California Code of Regulations section 1300.80, the Department conducted a Routine Survey of Plan starting on August 5, 2019 at the Plan's administrative offices in Bakersfield, CA.

The purpose of the audit is as noted in the entrance letter: "Surveys pursuant to Health and Safety Code section 1380 assure the protection of subscribers and enrollees (non-SPD). The purpose of the survey is to assess the overall performance of the Plan in providing health care benefits and meeting the health care needs of subscribers and enrollees." Audit period covers: March 1, 2017 to February 28, 2019

Updates:

- KHS submitted the Corrective Action Plans to the Department on February 28, 2020. The Director of Compliance is currently waiting for the Final DMHC Audit Report. The Final Audit Report will be shared with the Board at a future date.

Summary of Potential Fraud Investigations for January, February, and March 2020

The Plan coordinates and communicates information and evidence of potential fraud to appropriate state and federal officials. The Compliance Department maintains communications with state and federal agencies and cooperates with all of their related requests. Information gathered during an investigation is forwarded to the appropriate State and federal agencies as needed.

Health Plan Member:

The Compliance Department did not receive any reports of alleged fraud, waste, or abuse by the Plans Members in January, February, and March 2020. The Plan continues to work with the Medi-Cal Program Integrity Unit of the California Department of Health Care Services for an investigation on one alleged fraud case. The Plan does not know the outcome of the Department's investigation pertaining to these cases.

Health Plan Contracting Provider:

There was one case of alleged fraud, waste, and abuse involving a participating provider that was reported to the Compliance Department for investigation during the time frame of January - March, 2020. After investigation, the allegations were found to be unsubstantiated and were not reported by the Compliance Department as reportable to the State Medi-Cal Program Integrity Unit.

State Medi-Cal Program Integrity Unit Requests for Information

The Plan received six requests for information from the State Medi-Cal Program Integrity Unit related to potential provider fraud, waste, or abuse in the first quarter of 2020. After investigation, the Plan determined that three of the providers had not submitted claims for payment from the Plan. The Compliance Department submitted reports for two of requests for information to the DHCS, and one request is still under investigation by the Plan. The Plan does not know the outcome of the Department's investigation pertaining to these cases.

Summary of Potential Protected Health Information ("PHI") Disclosures for January, February, and March 2020

The Plan is dedicated to ensuring the privacy and security of the PHI and personally identifiable information ("PII") that may be created, received, maintained, transmitted, used or disclosed in relation to our members. As such, the Plan strictly complies with the standards and requirements

of Health Insurance Portability and Accountability Act (HIPAA) and the Health Information Technology for Economic and Clinical Health Act (HITECH).

In January, February, and March, 2020, Compliance investigated and reported a total of 11 individual potential concerns to DHCS. All reported cases were closed. DHCS determined the cases to be a “non-breach” due to the corrective action and mitigation steps taken by the Plan and the level of risk involved in each potential case.

Compliance Committee – Meets Quarterly

The purpose of the Committee is to establish and maintain a centralized organizational structure that promotes a culture of transparency, ethical behavior, organizational integrity, and reduces the risk of non-compliance with regulations, contractual requirements, and Plan approved policies and procedures. The Compliance Committee is chaired by the Director of Compliance and Regulatory Affairs.

Delegation Oversight Committee – Meets Quarterly

The purpose of the Plan’s Delegation Oversight Committee (“DOC”) is to ensure adequate oversight and necessary enforcement of all regulatory, contractual, and policy requirements that the Plan is held accountable to contractually by the DHCS and through Knox Keene licensure through the DMHC. This includes the entire spectrum from pre-delegation auditing to annual compliance audits conducted by Department heads and staff with coordination through the Director of Compliance and Regulatory Affairs.

Fraud, Waste, & Abuse Committee – Meets Monthly

The Plan maintains an anti-fraud strategy for the prevention, detection, and reporting of fraud, waste, or abuse (“FWA”). The strategy goals include the reduction in costs associated with such activities and the protection of the Members during the delivery of health care services by providers.

The FWA Committee established by the Plan serves four principle purposes: 1. Assist as a consolidation point for the monitoring of FWA activities within the Health Plan; 2. Review reports of alleged FWA and provide guidance to the Compliance Department regarding cases; 3. Provide a forum for the exchange of ideas regarding possible FWA schemes related to claims submission, clinical actions, and provider behavior and make recommendations for FWA related activities to be incorporated into the Compliance Plan; and 4. Recommend any FWA corrective action initiatives relating to the contract. The Director of Compliance and Regulatory Affairs chairs this Committee.

Reporting to Government Agencies for February and March:

February 2020

Report Name/Item	Status
AB 1455 Claims Settlement (DMHC)	On time
DSH Report DHCS SFY 2019-20	On time
Grievance & Appeals	On time
Health Homes Program Reporting	On time
MER Monthly	On time
NMT-NEMT Monthly	On time
Out-of-Network	On time
Palliative Care	On time
Prop. 56 – Hyde	On time
Prop. 56 – Physicians Services	On time
Provider Directory	On time
QMRT Quarter 3 2019	On time
Provider Calls Monthly	On time

March 2020

Report Name/Item	Status
EUYA Post Transition (Daily)	On time
Covid-19 Report (Daily)	Report
Newly Enacted Statutes (DMHC)	On time
California 2020 CMS Opioid Desk Review	On time
Provider Directory	On time
MER Monthly	On time
NMT-NEMT Monthly	On time
Provider Calls	On time

**Kern Health Systems
2020 DHCS All Plan Letters and Status Updates
Attachment B**

APL Number	Description	Impacted Department(s)	Impacted Functions	Plan Compliance Review Date	Status/Comment	Compliance Status
<u>APL20-001</u>	2020-2021 Medi-Cal Managed Care Health Plan Meds/834 Cutoff And Processing Schedule	IT Compliance	The purpose of this APL is to provide Plans with the 2020-2021 Medi-Cal Eligibility Data System (MEDS)/834 cutoff and processing schedule.	1/4/2020	1. Schedule sent to IT for review. 2. Complete	
<u>APL20-002</u>	Non-Contract Ground Emergency Medical Transport Payment Obligations	Claims IT Finance Compliance	The purpose of this APL is to provide Plans with pertinent information concerning enhanced reimbursement obligations ground emergency medical transport (GEMT) service.	2/20/2020	1. Stakeholders updated GEMT reports. 2. Complete	
<u>APL20-003</u>	Network Certification Requirements	Provider Network Management Compliance	The ANC provides a prospective look at the Plan's network for the upcoming contract year (CY). Plans are required to annually submit documentation to the Department of Health Care Services (DHCS) to demonstrate the adequacy of their networks.	2/27/2020	1. APL sent to Stakeholders 2. Due date extended until April 20, 2020.	
<u>APL20-004</u>	Emergency Guidance for Medi-Cal Managed Care Health Plans	Member Services PNM Health Services Claims Compliance	Highlights the flexibilities included in the approved 1135 Waiver, including, State Fair Hearings, Provider Enrollment, Prior Authorization, Reimbursement of COVID-19 Testing, and Provision of Care in Alternate Settings.	3/26/2020	1. Sent to all Stakeholders on 3/30/20 2. Meeting scheduled for 4/7/2020	
<u>APL20-005</u>	Extension of the Adult Expansion Risk Corridor for State Fiscal Year 2017-2018	Finance Compliance	The APL notifies Plans that DHCS will extend the Adult Expansion Risk Corridor for SFY 2017-2018	3/26/2020	1. Sent to all Stakeholders on 3/30/2020 2. Stakeholder meeting scheduled for 4/7/2020	

**Kern Health Systems
2020 DHCS All Plan Letters and Status Updates
Attachment B**

APL Number	Description	Impacted Department(s)	Impacted Functions	Plan Compliance Review Date	Status/Comment	Compliance Status
<u>APL 20-006</u>	Site Reviews: Facility Site Review and Medical Record Review	Quality Improvement Health Services	Informs Medi-Cal managed care health plans (MCPs) of updates to the Department of Health Care Services' (DHCS) site review process, which includes Facility Site Review (FSR) and Medical Record Review (MRR) policies.	4/1/2020 and 4/7/2020	1. Sent to Stakeholder on 4/8/20 2. In process	
<u>APL20-007</u>	APL20-007 Policy Guidance for Community-based Adult Services in Response to COVID-19 Public Health Emergency	Pharmacy PNM Health Services Compliance	The APL discusses the expansion of health care delivery via telehealth and methods to reduce the need for in-person Pharmacy visits.	3/30/2020	1. 3/30/20 APL sent to Stakeholders 2. 4/3/20 Meeting scheduled to review the APL 3. Complete	
		KEY				
			Compliance - YES			
			Compliance - NO			
			Outcome Pending			
			N/A - informational document			

Compliance Tracking Log for COVID-19
 State Guidance for COVID-19
 Attachment C

State Agency	Release Date	URL/Link	Title	Department Impacted	Status	Summary
DHCS	4/3/2020	Link	1135 Waiver (4/3/20)	Provider Relations Claims Configuration Member Services Health Services	1. 4/7/20 Sent to Stakeholders 2. Complete	1135 Waiver (4/3/20) request that will provide the State with greater flexibility in managing the COVID-19 health crisis. Included in the Waiver is language that clarifies the parameters for telehealth and telephonic services provided by RHCs and FQHCs.
DHCS	4/1/2020	Link	Use of Telehealth During COVID-19 Emergency	PNM Health Services Claims Compliance	1. 4/1/20 Sent to Stakeholders. 2. Complete	An email from DHCS reminding Plans of the changes to telehealth services, including: communication methods, HIPAA issues, and the use of telehealth by FQHCs and RHCs.
DHCS	3/30/2020	Link	DHCS Releases Guidance Related to "File and Use" of Texting Campaign Requests Related to COVID-19	Marketing C&L Member Services Health Services	1. 3/30/20 Sent documents to Stakeholders 2. 4/1/20 Meeting scheduled to discuss DHCS comments. 3. In process	For Plans that have any prior approved texting campaigns on file with DHCS (as of June 18, 2019, forward) to submit a new request related to COVID-19 for "file and use." For those MCPs that do not have an approved texting campaign on file with the DHCS, DHCS indicates it cannot approve "file and use" but will make every effort to expedite review of the submission once received.

**Compliance Tracking Log for COVID-19
State Guidance for COVID-19
Attachment C**

State Agency	Release Date	URL/Link	Title	Department Impacted	Status	Summary
DHCS	3/30/2020	Link	APL20-007 Policy Guidance for Community-based Adult Services in Response to COVID-19 Public Health Emergency	Health Services PNM Claims Configuration Compliance	1. 3/30 /20 APL sent to Stakeholders 2. 4/3/20 Meeting scheduled to review the APL 3. Complete	APL 20-007 provides Plans with policy guidance regarding the temporary authorization of Community-Based Adult Services (CBAS) provided telephonically, in members' homes, and individually in centers, in lieu of congregate services provided at CBAS centers, during the period of this current public health emergency. The APL outlines mechanisms by which CBAS centers may continue to provide services to CBAS members now remaining at home. The APL also addresses reimbursement for these temporary services, as well as reporting requirements for CBAS centers
DHCS	3/30/2020	Link	Guidance Relating to Non-Discrimination in Medical Treatment for Novel Coronavirus 2019 (COVID-19)	PNM Member Services Health Services Compliance	1. 3/30/20 Sent to Stakeholders 2. Heather met with Melissa, Robin DM, and discussed language for Provider Bulletin. 3. 4/3/20 Compliance sent draft Provider Bulletin to PNM for review. In process.	DHCS reminds providers that no person, on the basis of mental, developmental, intellectual, or physical disability or a perceived disability, may be unlawfully denied full and equal access to the benefits of Medi-Cal services, including the receipt of COVID-19 treatment, in the event of limited hospital or other health care facility resources and/or capacity.
DHCS	3/28/2020	Link	Provision of Care in Alternative Settings, Hospital Capacity, and Blanket 1135 Waiver Flexibilities - Mar 27, 2020	Health Services PNM Configuration	1. 3/30/20 Sent to all Stakeholders 2. 4/3/20 Meeting to review guidance scheduled 3. Compliance to send out Notes and Action Items. In process.	The 1135 Waiver relaxes several rules, including: reimbursement to unlicensed facilities under certain conditions, removes restrictions from Critical Access Hospitals, and address the requirement for qualifying hospital stay prior to SNF authorization.

Compliance Tracking Log for COVID-19
 State Guidance for COVID-19
 Attachment C

State Agency	Release Date	URL/Link	Title	Department Impacted	Status	Summary
DMHC	3/27/2020	Link	APL20-012 Health Plan Actions to Reach Vulnerable Populations	Health Services Member Services Compliance	1. 3/30/20 Director Compliance and Regulatory Affairs working with Stakeholders to complete required submission on 3/31/20 2. Complete	Health Plans should be actively engaging with vulnerable populations. By March 31, 2020, each health plan to which this All Plan Letter applies shall file with the Department of Managed Health Care (DMHC): A description of the steps the health plan has taken or is taking to contact (1) enrollees over age 65 and approximately how many enrollees the Health Plan has contacted in each category provided by the DMHC.
DHCS	3/27/2020	Link	APL 20-004 Emergency Guidance for Medi-Cal Managed Care Health Plans - Mar 27, 2020	All	1. Sent to all Stakeholders on 3/30/20 2. Meeting scheduled for 4/7/20. In process.	Highlights the flexibilities included in the approved 1135 Waiver, including: State Fair Hearings, Provider Enrollment, Prior Authorization, Reimbursement of COVID-19 Testing, and Provision of Care in Alternate Settings.
DHCS	3/27/2020	Link	Guidance for Emergency Medi-Cal Provider Enrollment	PNM Compliance	1. 3/26/20 Sent to Stakeholders 2. 3/27/20 Compliance met with Stakeholders - The Plan is ready to follow the guidance if needed. Will potentially be used for telehealth. 3. Complete	DHCS is establishing requirements and procedures to suspend certain provider enrollment requirements in order to facilitate greater beneficiary access to care. After the crisis the Providers will have to go back and enroll through the normal process.

**Compliance Tracking Log for COVID-19
State Guidance for COVID-19
Attachment C**

State Agency	Release Date	URL/Link	Title	Department Impacted	Status	Summary
DHCS	3/26/2020	Link	State Fair Hearing Timeframe Change - Managed Care - Mar 26, 2020 - Supplement to All Plan Letter 17-006	Member Services Compliance Config	1. 3/26/20 Sent to Stakeholders 2. 3/27/20 Compliance met with Stakeholders 3. 4/1/20 Compliance met with stakeholders awaiting language approval by DHCS. Stakeholders informed about temporary time fram changes and the process to temporary update the NAR letters. In process.	This Medi-Cal Eligibility Division Information Letter (MEDIL) is to instruct counties to delay the processing of Medi-Cal annual redeterminations and delay discontinuances and negative actions for Medi-Cal, Medi-Cal Access Program (MCAP).
DHCS	3/19/2020	Link	COVID-19 Lab Tests are New Medi-Cal Benefits	Claims Configuration	1. 3/27/20 Sent to Claims - Robin sent an IR when the codes were first announced. Config has updated. 2. Complete	From the Medi-Cal website, provides testing codes for COVID-19
DMHC	3/18/2020	Link	APL20-008 Provision of Health Care Services During Self Isolation Orders	Member Services Health Services PNM Compliance	1. 4/2/20 Sent to Stakeholders 2. 4/6/20 Stakeholder meeting Scheduled. In process.	Plans were provided guidance for the provision of Health Care Services During Self Isolation Orders.

Compliance Tracking Log for COVID-19
State Guidance for COVID-19
Attachment C

State Agency	Release Date	URL/Link	Title	Department Impacted	Status	Summary
DHCS	3/18/2020	Link	Medi-Cal Payment for Telehealth and Virtual/Telephonic Communications Relative to the 2019- Novel Coronavirus (COVID-19) v.3	PNM Health Services Member Services Compliance	1. Sent 3/19/20 Sent to Stakeholders 2. 3/20/20 Met with Stakeholders 3. 3/23/20 Met with Stakeholders - Action Items include an updated Provider Bulletin, implementation of new codes and rates. 4. 3/30/20 Met with Stakeholders language for follow-up Provider Bulletin discussed. Director Claims put in IR for codes.	The Bulletin provides new codes and rates for telehealth/telephonic encounters. Additionally, it addresses the potential relaxing of the telehealth requirements for FQHCs and RHCs.
DMHC	3/18/2020	Link	APL 20-009 (OPL) - Reimbursement for Telehealth Services (3.18.20).pdf	PNM Health Services Claims Member Services Compliance	1. 3/18/20 Compliance reviewed the APL and conferred with PNM and concluded that current KHS P&Ps support the APLs requirements and does impede the implementation of APL. 2. Complete	Effective immediately, Plans must comply with the following: shall reimburse providers at the same rate or services provided via telehealth, a health plan may not subject enrollees to cost-sharing greater than the same cost-sharing if the service were provided in person, and Plans shall provide the same amount of reimbursement for a service rendered via telephone as they would if the service is rendered via video provided the modality by which the service is rendered (telephone versus video) is medically appropriate for the enrollee.
DHCS	3/18/2020	Link	Medi-Cal Payment for Medical Services Related to the 2019- Novel Coronavirus (COVID-19) - Supplemental to APL19-006	PNM Health Services Claims Member Services Compliance	1. Sent 3/19/20 Sent to Stakeholders 2. 3/20/20 Met with Stakeholders 3. 3/23/20 Met with Stakeholders - Action items completed including; Configuration and creation of a Provider Bulletin. 4. Complete	Unless otherwise agreed to by the MCP and provider, MCPs must reimburse providers at the same rate, whether a service is provided in-person or through telehealth, if the service is the same regardless of the modality of delivery and Plan MCPs must provide the same amount of reimbursement for a service rendered via telephone as they would if the service is rendered via video.

**Compliance Tracking Log for COVID-19
State Guidance for COVID-19
Attachment C**

State Agency	Release Date	URL/Link	Title	Department Impacted	Status	Summary
DHCS	3/17/2020	Link	MEDIL 1 20-07 Access to Care During Public Health Crisis or Disaster	Member Services Config	1. Sent to Stakeholders on 3/30/20 2. Complete	Directive to County Agencies to continue to provide benefits beyond the certification period, as needed, to provide additional time to submit renewals or verifications, and Modify eligibility requirements at application or renewal to allow for self-attest
DHCS	3/16/2020	Link	Medi-Cal Payment for Medical Services Related to the 2019- Novel Coronavirus (COVID-19)	Health Services PNM Configuration	1. 3/30/20 Sent to Stakeholders 2. Compliance to follow-up with Stakeholders if needed.	Provides guidance for Medi-Cal providers of existing state and federal laws requiring Medi-Cal providers to ensure their patients do not experience barriers. Discusses telehealth as it relates to providing services timely.
DHCS	3/14/2020	Link	COVID-19 Guidance for NEMT and NMT Providers	Member Services Marketing Compliance	1. Sent to Stakeholders on 4/1/20 2. Complete	Provides information to all non-emergency medical transportation (NEMT) and non-medical transportation (NMT) providers as regarding recommended safety procedures and protocols to help prevent spread of COVID-19.

Compliance Tracking Log for COVID-19
 State Guidance for COVID-19
 Attachment C

State Agency	Release Date	URL/Link	Title	Department Impacted	Status	Summary
DMHC	3/12/2020	Link	APL 20-007 (OPL) "Social Distancing" Measures in Response to COVID-19	Pharmacy PNM Health Services Compliance	1. 3/16/20 APL sent to Stakeholders 2. Stakeholders reviewed APL and implemented requirements on 3/18/20 3. Complete	Describes how health plans can assist with medically appropriate social distancing in the delivery of health care services for the duration of the state of emergency proclaimed by the Governor
DHCS	3/12/2020	Link	MEDIL 120-06 Public Health Crisis or Disaster Reminders for Medi-Cal	Member Services Config	1. Sent to Stakeholders on 3/30/20 2. Complete	Directive to County Agencies to continue to provide benefits beyond the certification period, as needed, to provide additional time to submit renewals or verifications, and Modify eligibility requirements at application or renewal to allow for self-attestation
DMHC	3/6/2020	Link	APL20-006 COVID-19 Screening and Testing	Marketing C&L Member Services Health Services	1. Sent to Stakeholders on 3/6/20 2. Stakeholders met and reviewed the APL's requirements. 3. Complete	The APL reminds Plans to provide timely access to services during the emergency. Specifically, Covering all medically necessary emergency care without prior authorization, whether that care is provided by an in-network or out-of-network provider.

**Kern Health Systems
2020 DMHC All Plan Letters and Status Updates
Attachment D**

APL Number	Description	Impacted Department(s)	Impacted Functions	Plan Compliance Review Date	Status/Comment	Compliance Status
<u>APL20-001</u>	Newly Enacted Statutes Impacting Health Plans	Claims Health Services Marketing Pharmacy PNM	The APL outlines several newly enacted statutory legislative requirements for health Plans. KHS response to the DMHC is due by March 6, 2020, unless otherwise noted.	1/15/2020	1. Multiple meetings were held with Stakeholders. 2. DMHC filing completed timely on 3/6/30. 3. Complete	
<u>APL20-002</u>	Enrollment Data Reporting	Finance Compliance	The APL Provides Plans with direction for completing and filing the Report of Plan Enrollment.	1/21/2020	1. The Plan filed timely by February 15, 2020. 2. Complete	
<u>APL20-003</u>	Provider Directory Annual Filings 2020	PNM Marketing Compliance	Provides guidance and instructions to Plans regarding the Annual Filing of the Provider Directory.	1/24/2020	1. Stakeholders met on 3/4/20 and drafted a response to the E-1 filing. 2. Final documents due 4/15/2020.	
<u>APL20-004</u>	Federal SBC Template Filing	N/A	N/A	N/A	N/A	
<u>APL20-005</u>	Plan Year 2021 QHP and QDP Filing Requirements	N/A	N/A	N/A	N/A	
<u>APL20-006</u>	COVID-19 Screening and Testing	Marketing C&L Member Services Health Services	The APL reminds Plans to provide timely access to services during the emergency. Specifically, Covering all medically necessary emergency care without prior authorization, whether that care is provided by an in-network or out-of-network provider.	3/10/2020	1. 3/6/20 APL sent to Stakeholders 2. Stakeholders met and reviewed the APL's requirements. 3. Complete	
<u>APL20-007</u>	"Social Distancing" Measures in Response to COVID-19	Pharmacy PNM Health Services Compliance	Describes how health plans can assist with medically appropriate social distancing in the delivery of health care services for the duration of the state of emergency proclaimed by the Governor	3/12/2020	1. 3/16/20 APL sent to Stakeholders 2. Stakeholders reviewed APL and implemented requirements on 3/18/20 3. Complete	

**Kern Health Systems
2020 DMHC All Plan Letters and Status Updates
Attachment D**

APL Number	Description	Impacted Department(s)	Impacted Functions	Plan Compliance Review Date	Status/Comment	Compliance Status
<u>APL20-008</u>	Provision of Health Care Services During Self Isolation Orders	Member Services Health Services PNM Compliance	Plans were provided guidance for the provision of Health Care Services During Self Isolation Orders.	3/18/2020	1. 4/2/20 APL sent to Stakeholders 2. 4/6/20 Stakeholder meeting scheduled. 3. Stakeholders are working on Action Items from the meeting.	
<u>APL20-009</u>	Reimbursement for Telehealth Services	PNM Health Services Claims Member Services Compliance	The APL provides requirements related the provision of telehealth and telephonic services by Providers	3/18/2020	1. 3/18/20 Compliance reviewed the APL and conferred with PNM and concluded that current KHS P&Ps support the APLs requirements and does impede the implementation of APL. 2. Complete	
<u>APL20-010</u>	Special Enrollment Period and Coverage Effective Dates	N/A	N/A	N/A	N/A	
<u>APL20-011</u>	2020 Annual Assessment Letter	Finance Compliance	Provides Plans with direction for filing the Report of Plan Enrollment by May 15, 2020.	3/26/2020	1. 4/3/20 APL sent to Stakeholders. 2. Compliance to monitor progress of completion.	
<u>APL20-012</u>	Health Plan Actions to Reach Vulnerable Populations	Health Services Member Services Compliance	Health Plans should be actively engaging with vulnerable populations. By March 31, 2020, each health plan to which this All Plan Letter applies shall file with the Department of Managed Health Care (DMHC)	3/27/2020	1. 3/31/20 The Plan filed timely. 2. Complete	
		KEY				
					Compliance - YES	
					Compliance - NO	

**Kern Health Systems
2020 DMHC All Plan Letters and Status Updates
Attachment D**

APL Number	Description	Impacted Department(s)	Impacted Functions	Plan Compliance Review Date	Status/Comment	Compliance Status
					Outcome Pending	
					N/A - informational document	



Governed Reporting System

Kern Health Systems Attachment E

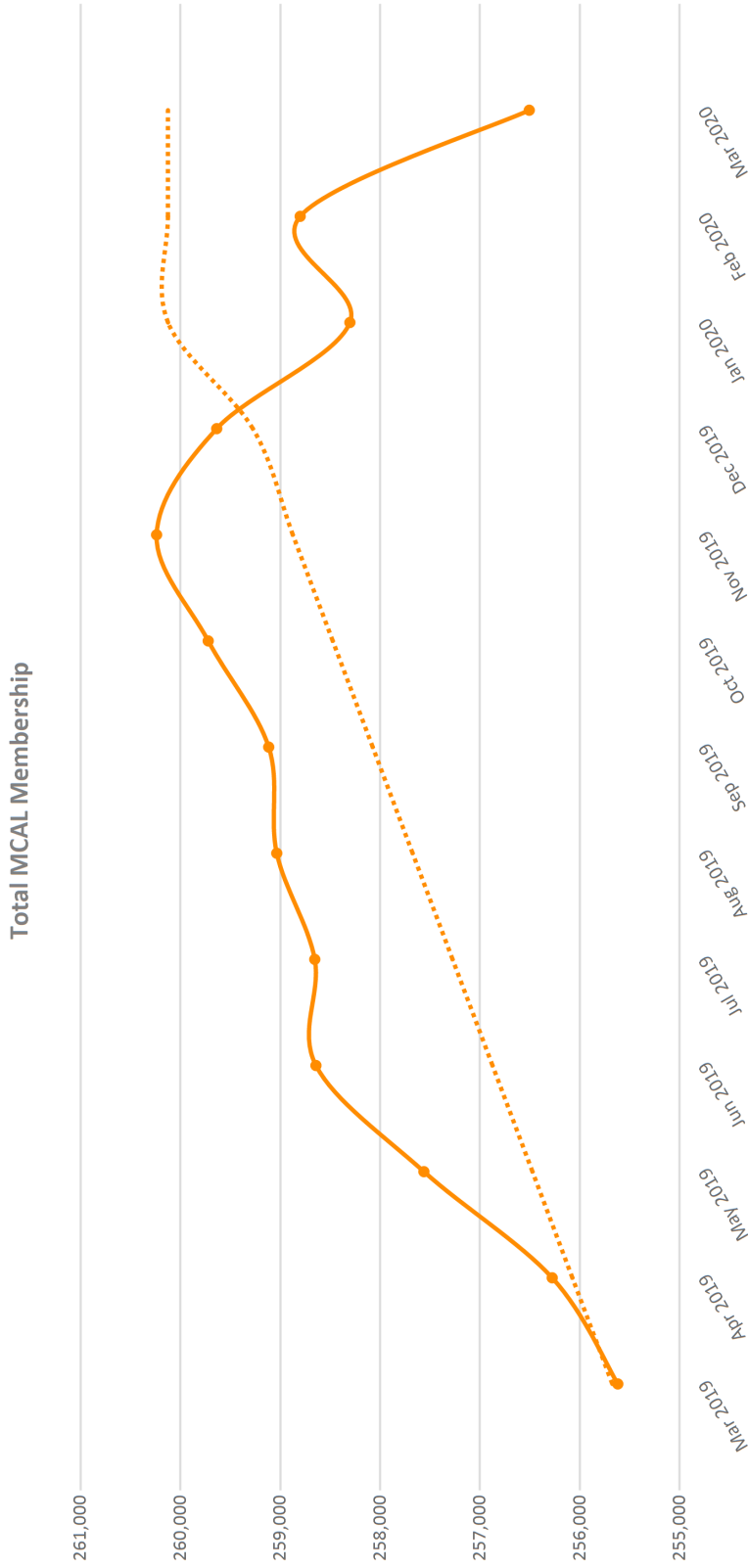
**KHS Dashboard Performance Reports
(Critical Performance Measurements)**



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



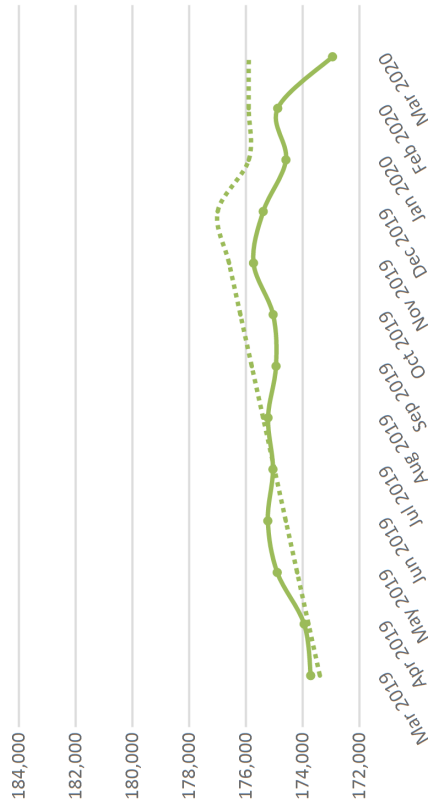


Governed Reporting System

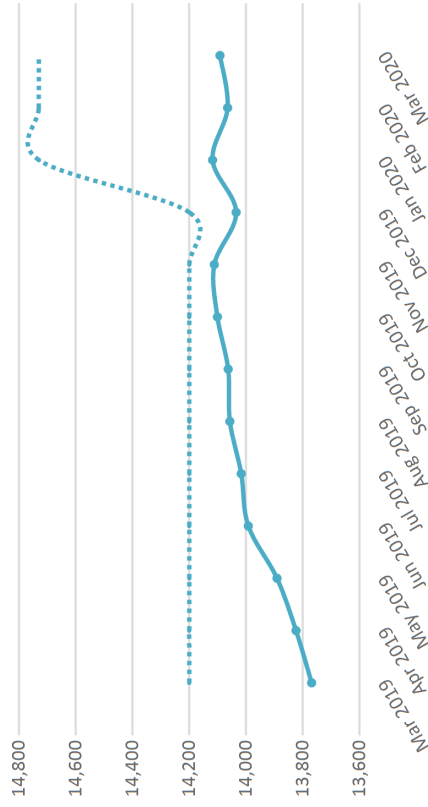
Membership

● 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

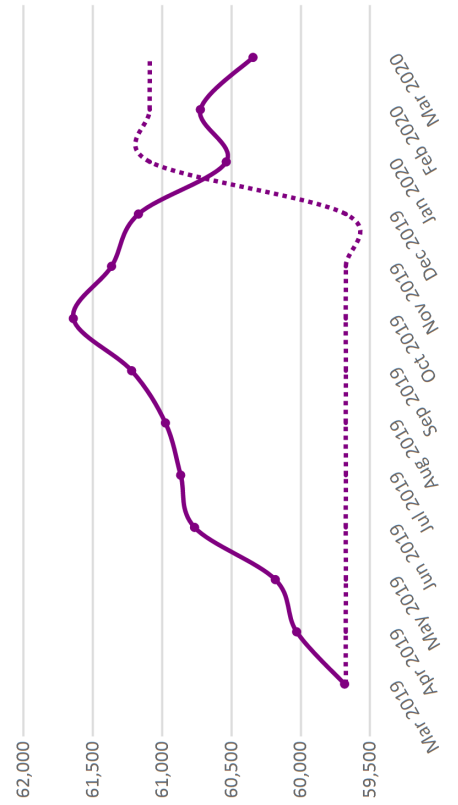
MCAL Family/Other Membership



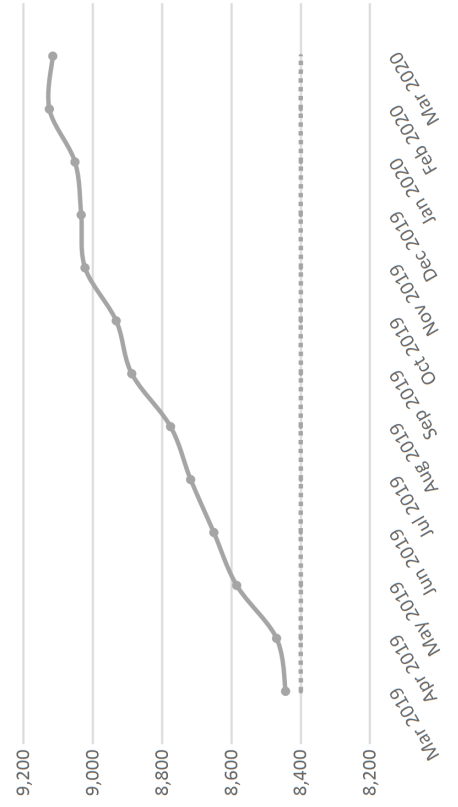
MCAL SPD Membership



MCAL Expansion Membership



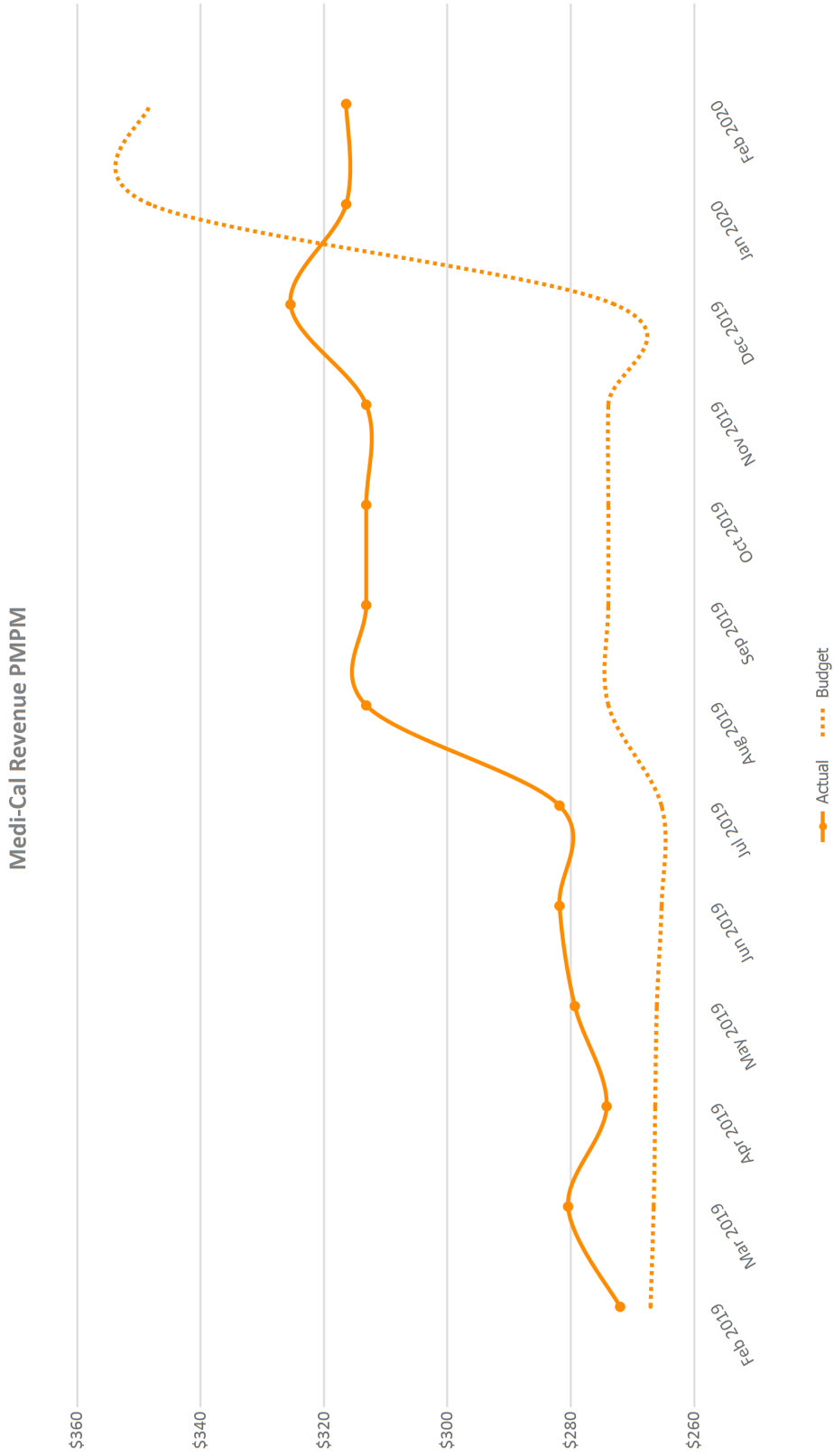
KP Membership





Governed Reporting System

Revenue





Governed Reporting System

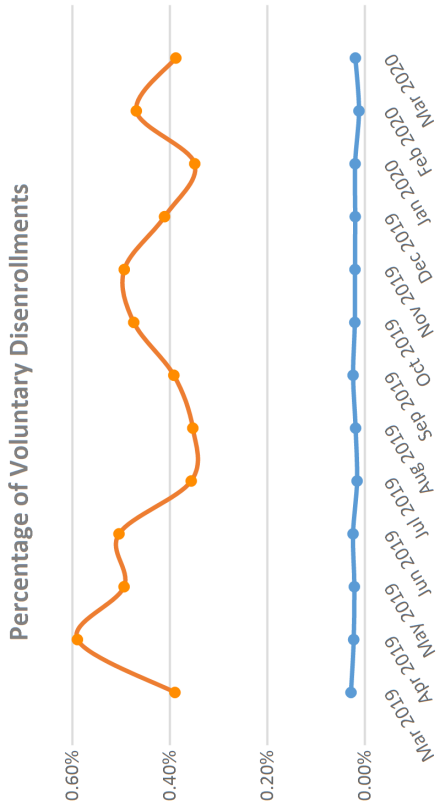
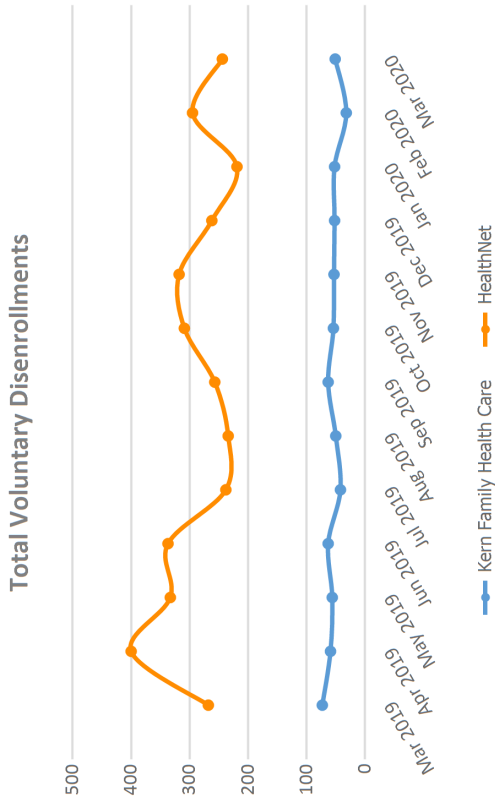
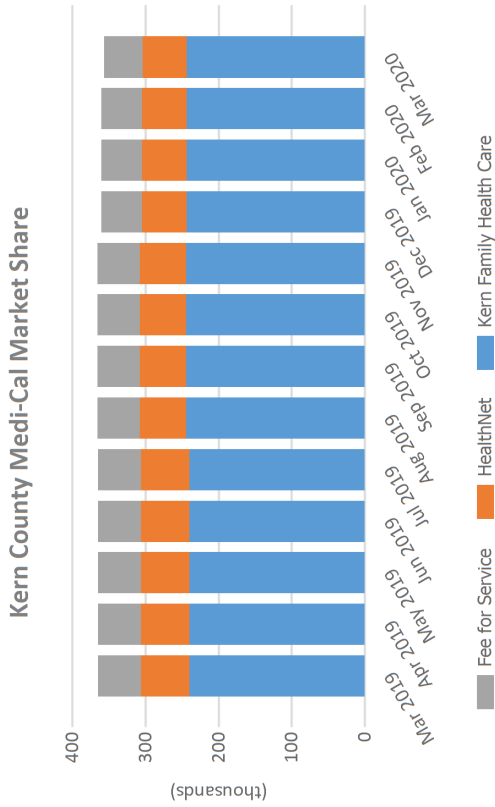
Kern Health Systems

Performance Reports
Operations Metrics



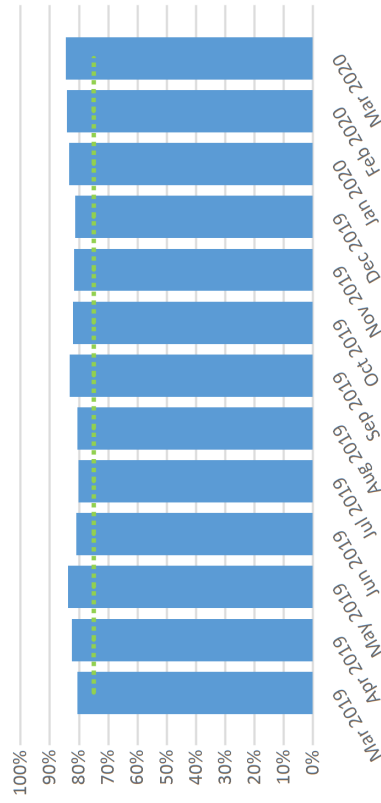
Governed Reporting System

Enrollment - Market Share

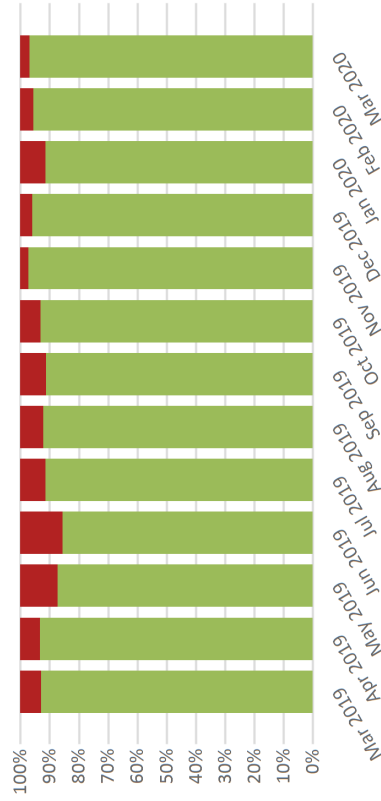


Claims Efficiency and Quality

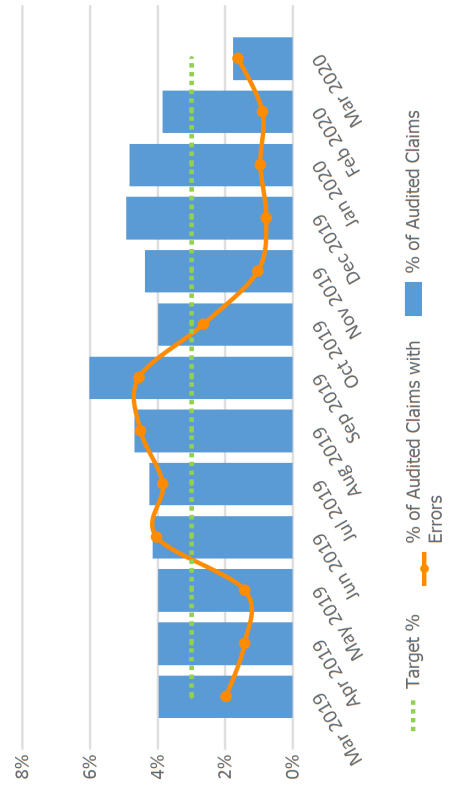
Claims Auto-Adjudication Rates



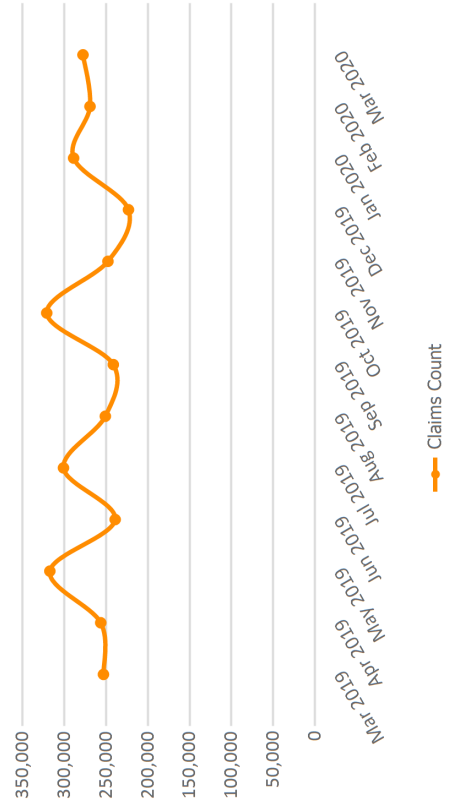
Claims Turnaround Days



Claims Audit Percentage and Accuracy



Claims Processed

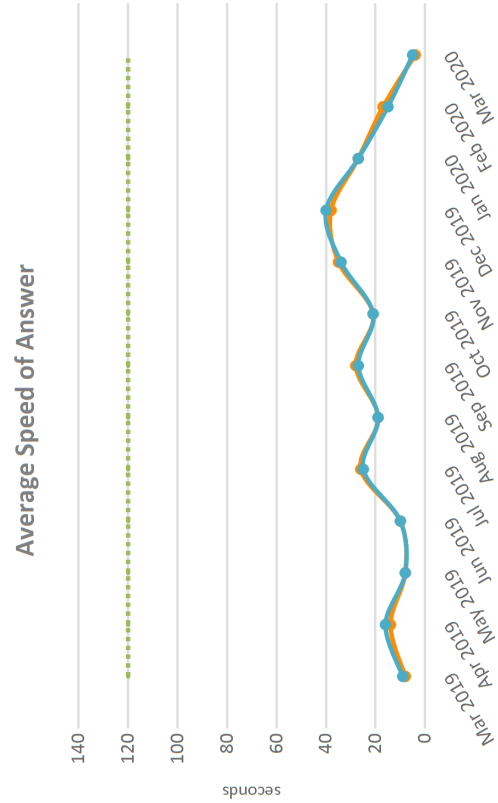
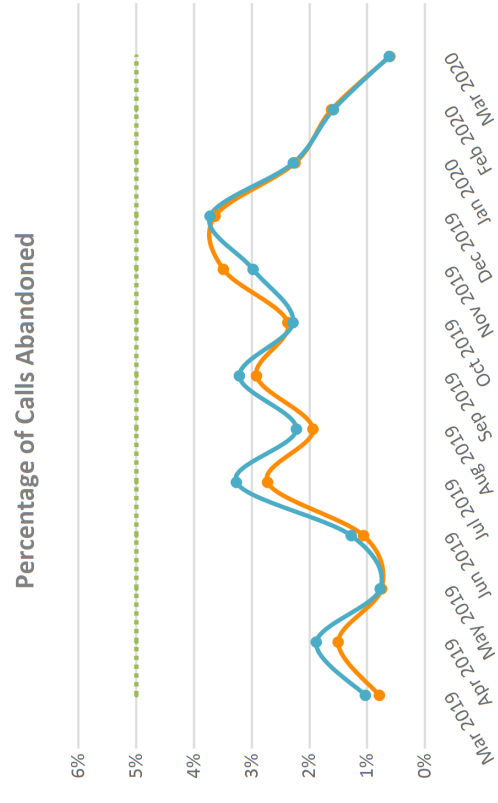
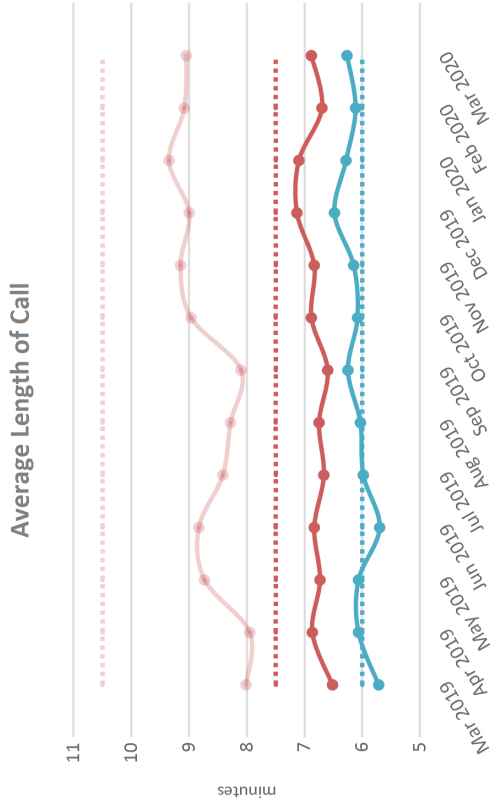
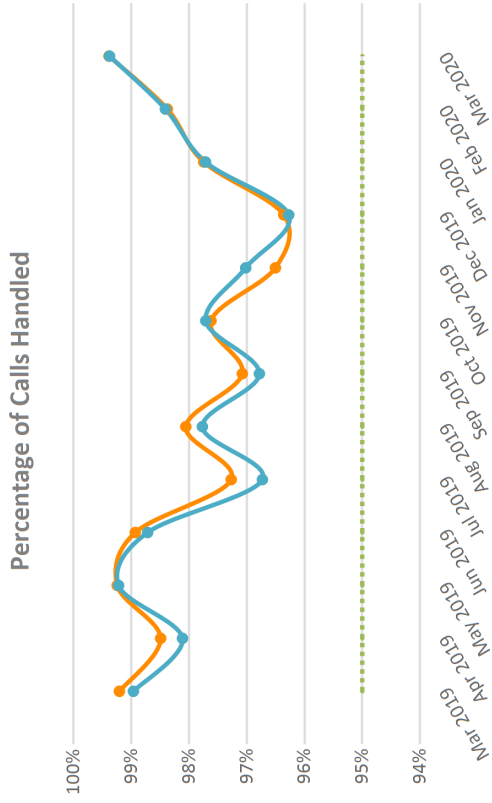




Governed Reporting System

Member Services

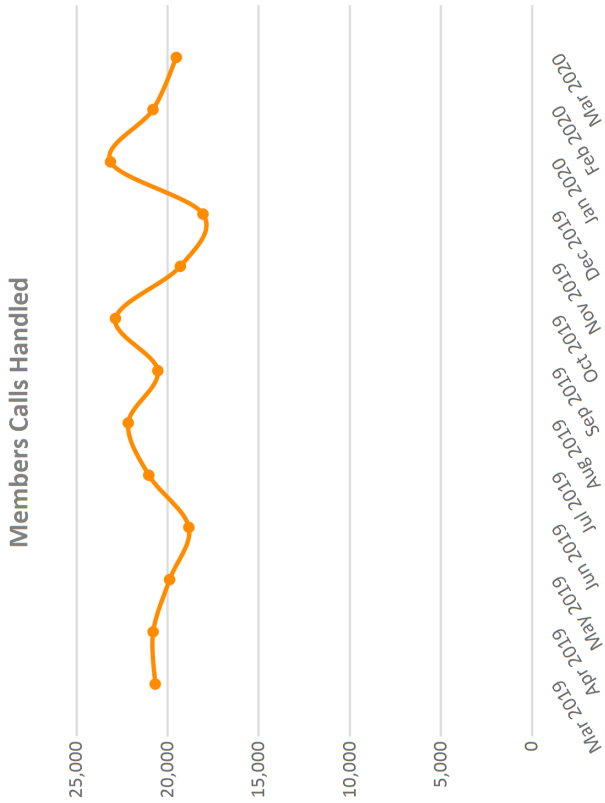
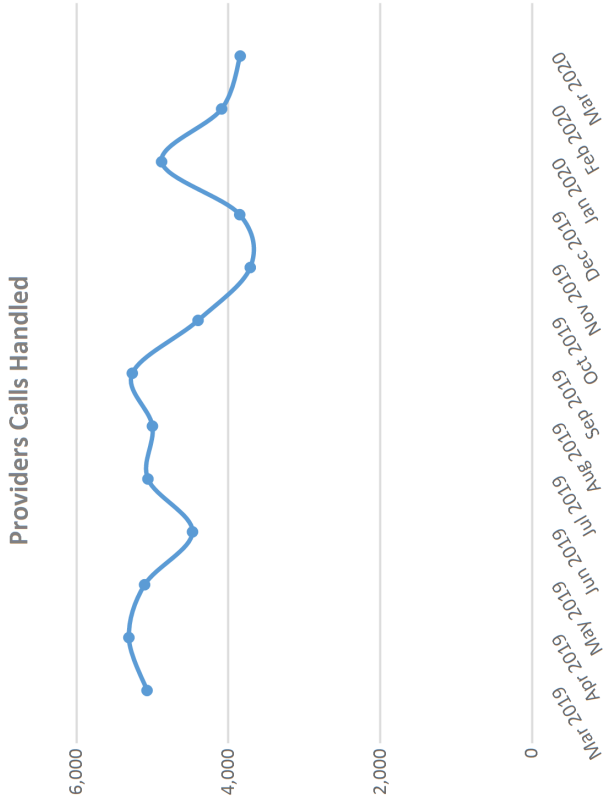
—●— Members - English
 —●— Providers
 - - - Target
 —●— Members - Spanish





Governed Reporting System

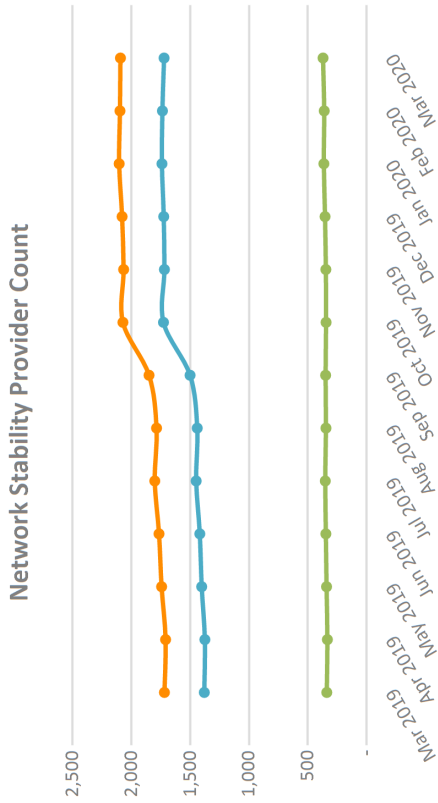
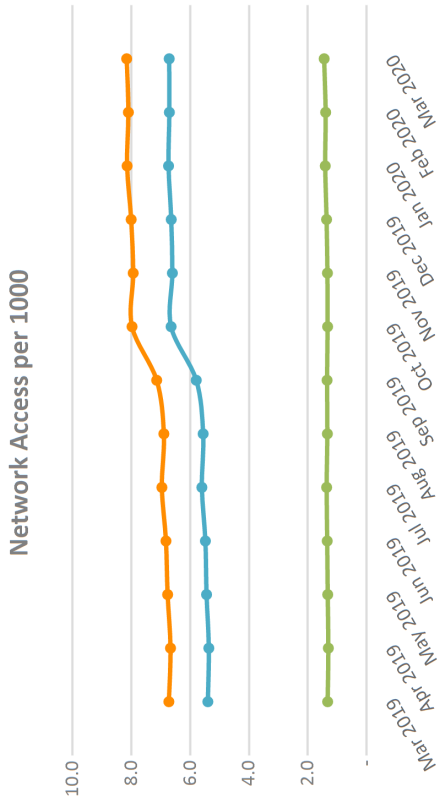
Member Services Calls Handled



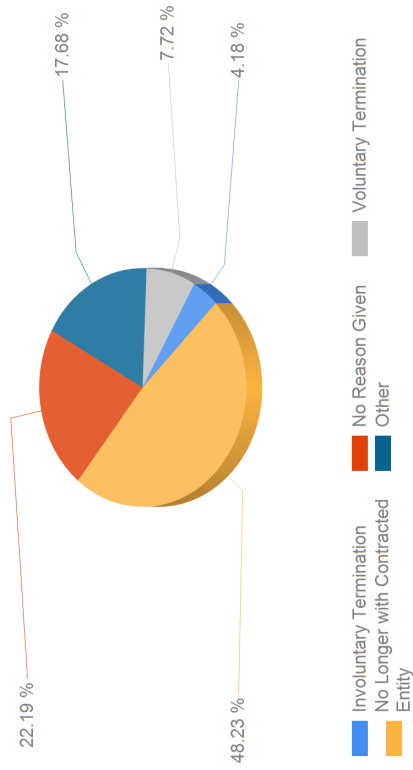


Governed Reporting System

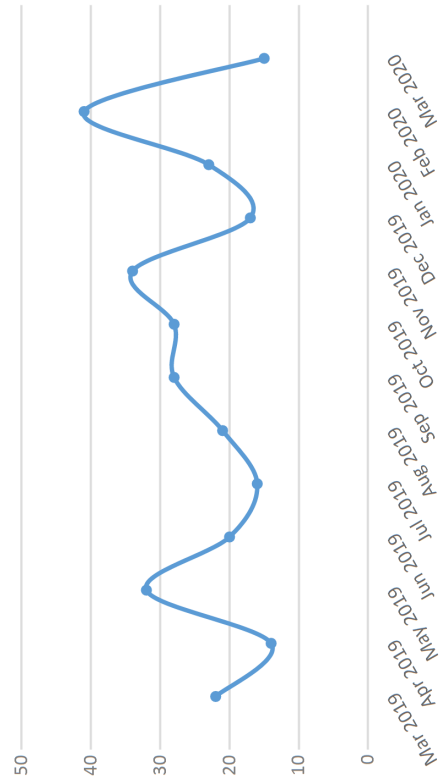
Provider Network and Terminations



Provider Terminations by Reason



Provider Terminations



Kern Health Systems 2020 Project Summary – Q1

Attachment F



Open Projects

Project Title	Start	End	Percent Complete	Project Objectives
Medical Management System Conversion	1/2018	5/2020	95%	Migrate Health Education, Case Management, Disease Management, Quality Improvement, Health Homes Program, Appeals, and Point of Service from custom workflows to the Jiva Medical Management platform.
Hospital Directed Payments	8/2018	6/2020	88%	Project added to allow KHS to accurately pass through hospital directed payments from DHCS based on accepted encounter data by KHS and DHCS.
Enterprise Logging	03/2019	4/2020	98%	Create and implement a dashboard able to monitor all IT jobs and provide visibility to impacted functions within each operational area.
Pay for Performance Program Update	07/2019	04/2020	95%	Update Pay for Performance Program to ensure compliance with new DHCS regulations and support performance of revised HEDIS/MCAS measures. Project added as a result of DHCS changes.
CACTUS Upgrade	07/2019	6/2020	70%	Procure and implement an update to the CACTUS credentialing platform to ensure continued product support.
QNXT Upgrade with Networx and CES Updates	12/2019	4/2020	98%	Install QNXT, Networx, and CES Upgrade with specific system enhancements.
MCAS Data Submission and Auditing w/PM	12/2019	6/2020	55%	Complete annual MCAS Data Submission (previously HEDIS) to ensure timely and accurate responses to DHCS.
HHP 2020 - CSV Health Homes	1/2020	6/2020	46%	Implement up to 2 HHP sites with CSV to serve their eligible members with complex medical needs per DHCS criteria.
HHP Member Engagement	1/2020	6/2020	44%	Provide a HHP member engagement solution that will encourage members to have consistent and routine visits according to their HHP treatment plan.
Enterprise Data Warehouse	1/2020	12/2020	20%	Migrate KHS data storage to the Enterprise Data Warehouse (EDW) and retire portions of the existing Operational Data Store (ODS) creating a single source of truth through information marts.
HHP 2020 - Distributive Model	1/2020	12/2020	12%	Develop and implement a Distributive Health Home model within KHS to increase service to eligible members identified in community PCP offices.
Disaster Recovery and Business Continuity Test	2/2020	6/2020	13%	Update the current Disaster Recovery (DR)/ Business Continuity plans and perform a test to validate the new processes.
Data Improvement for DHCS Reporting	3/2020	8/2020	23%	Submit state mandated revised file format for the following data sets: • Grievances • Appeals • Continuation of Coverage • Out of Network • PCPA
Medical Management System Upgrade (and CWQI)	3/2020	11/2020	5%	Install JIVA upgrade and latest version of CWQI to maintain alignment with ZeOmega product enhancements and functionality improvements.
Transplants/Long Term Care*	4/2020	11/2020	n/a	Implement state mandated Long term Care (LTC) and major organ transplants as a Medi-Cal managed benefit.
In Lieu of Service*	4/2020	12/2020	n/a	Integrate state mandated In Lieu of Service services to address gaps in State Plan benefit services which addresses combined medical and social determinants of health needs and avoid higher levels of care.

Kern Health Systems 2020 Project Summary – Q1



Enhanced Case Management*	4/2020	12/2020	n/a	Implement state mandated Enhanced Care Management benefit to provide a whole-person approach to care that addresses the clinical and non-clinical needs of high-cost and/or high-need Medi-Cal beneficiaries enrolled in managed care plans.
Rx PBM Transition	4/2020	12/2020	n/a	Transition to new state mandated DHCS PBM services. This includes developing interfaces to receive data feeds from DHCS (Magellan) and create new internal processes.
Specialty Medical Management	6/2020	9/2020	n/a	Implement a specialty service referral solution that will reduce internal medical management reviews and increase peer to peer provider requests.
Connected Community Network/Unite Us Platform	7/2020	12/2020	n/a	Create a communication link between KHS and outside agencies to coordinate community resources for social determinants.
Automated Member Display	7/2020	12/2020	n/a	Implement a solution to give phone agents the ability to view a caller's account information at/before the time of the call encounter.

* Recently added regulatory projects subject to delay due to COVID-19.

Closed Projects

Project Title	Start	End	Realized Benefit
Category of Aid Reconciliation	09/2019	03/2020	Updated membership processing to ensure persistent reconciliation of Category of Aid with RDT and benchmark and encounters for COA service type. Over 169,000 records were corrected. Daily/monthly membership COA process accuracy is now 99.98%.
Clinical Engagement Internal Management	04/2019	03/2020	Established a program to stratify members with chronic conditions and implement clinical best practices in collaboration with the provider. Outcomes on the first cohort of members by 2020 Q4.
HEDIS/MCAS Quality Measures Revisions	06/2019	02/2020	Updated HEDIS software to ensure data collection and reporting for all updated HEDIS/MCAS measures.
KHS BizTalk Upgrade	09/2019	03/2020	BizTalk system upgrade successfully completed. Update was required to ensure continued product support.
RDT/Encounter Reconciliation	06/2019	03/2020	Created reconciliation process to ensure accuracy with RDT report and Encounter data on state stoplight report. Results to be measured by 2020 Q4.



To: KHS Board of Directors
From: Bruce Wearda, R.Ph.
Date: April 16, 2020
Re: Pharmacy & Therapeutics (P&T) Committee Recommended Formulary Modifications

Background:

The P&T Committee has assessed that the KHS formulary adequately provides medically necessary drug classes and appropriate limits to help ensure that the pharmaceuticals available and their manner prescribed will provide appropriate care (aligned with national guidelines), improve MCAS scores, and minimize fraud, waste, and abuse in the area of endocrinology.

The formulary was evaluated not only on upcoming therapies and medicines available, but also scrutinized older medications for relevancy.

The P&T Committee is continuing to evaluate the appropriateness of the pharmaceuticals available are not only efficacious and cost effective, but that the safety profile is sound.

Requested Action:

Accept the following recommendation of the P&T Committee to add the following medications to the formulary:

- Symbicort (budesonide/formoterol) – same
- Ozempic (semaglutide) –reserved for endocrinology
- Soliqua (insulin glargine/lixisenatide) - step off either insulin glargine or GLP-1 products

SUMMARY

FINANCE COMMITTEE MEETING

KERN HEALTH SYSTEMS
2900 Buck Owens Boulevard
Bakersfield, California 93308

Friday, February 7, 2020

8:00 A.M.

COMMITTEE RECONVENED

Members present: Deats, Hinojosa, McGlew, Melendez, Rhoades

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

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

COMMITTEE ACTION SHOWN IN CAPS

PUBLIC PRESENTATIONS

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

COMMITTEE MEMBER ANNOUNCEMENTS OR REPORTS

- 2) On their own initiative, Committee members may make an announcement or a report on their own activities. They may ask a question for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda (Government Code Section 54954.2(a)(2))

DIRECTOR RHOADES SHARED A LOCAL CALENDAR THAT DEPICTS THE NEW KHS OFFICE BUILDING

DIRECTOR HINOJOSA ANNOUNCED THAT SHE WILL NOW SERVE ON THE ADVENTIST HEALTH BOARD SINCE THEY BOUGHT OUT DELANO REGIONAL MEDICAL CENTER

- CA-3) Minutes for KHS Finance Committee meeting on December 6, 2019 - APPROVED
McGlew-Rhoades: All Ayes
- 4) Report on Kern Health Systems investment portfolio for the fourth quarter ending December 31, 2019 (Fiscal Impact: None) – IRA COHEN, UBS, HEARD; RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Rhoades-McGlew: All Ayes
- 5) Report on 2019 annual review of the Kern Health Systems Investment Policy (Fiscal Impact: None) – RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Rhoades-Melendez: All Ayes
- 6) Report on 2019 Annual Travel Report (Fiscal Impact: None) – RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Rhoades-Melendez: All Ayes
- 7) Report on New Office Building Expenditures (Fiscal Impact: None) – RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Rhoades-McGlew: All Ayes
- 8) Report on Kern Health Systems financial statements for November 2019 (Fiscal Impact: None) – RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Rhoades-McGlew: All Ayes
- 9) Report on Accounts Payable Vendor Report, Administrative Contracts between \$30,000 and \$100,000 for November 2019 and IT Technology Consulting Resources for the period ended November 30, 2019 (Fiscal Impact: None) – RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Rhoades-Melendez: All Ayes

ADJOURN TO FRIDAY, APRIL 10, 2020 AT 8:00 A.M.
Deats

