



**KERN HEALTH
SYSTEMS**

**FINANCE COMMITTEE
MEETING**

Friday, April 9, 2021

at

8:00 a.m.

**Kern Health Systems
2900 Buck Owens Blvd.
1st Floor – Board Room
Bakersfield, CA 93308**

For more information, call (661) 664-5000

AGENDA

FINANCE COMMITTEE MEETING

KERN HEALTH SYSTEMS
2900 Buck Owens Boulevard
Bakersfield, California 93308

Friday, April 9, 2021

8:00 A.M.

All agenda item supporting documentation is available for public review at Kern Health Systems in the Administration Department, 2900 Buck Owens Boulevard, Bakersfield, CA 93308 during regular business hours, 8:00 a.m. – 5:00 p.m., Monday through Friday, following the posting of the agenda. Any supporting documentation that relates to an agenda item for an open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available for review at the same location.

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

COMMITTEE TO RECONVENE

Members: Deats, Martinez, McGlew, Melendez, Rhoades

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

STAFF RECOMMENDATION SHOWN IN CAPS

PUBLIC PRESENTATIONS

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

COMMITTEE MEMBER ANNOUNCEMENTS OR REPORTS

- 2) On their own initiative, Committee members may make an announcement or a report on their own activities. They may ask a question for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda (Government Code Section 54954.2(a)(2))
- CA-3) Minutes for KHS Finance Committee meeting on February 5, 2021-
APPROVE
- 4) Report by Daniells Phillips Vaughan & Bock on the audited financial statements of Kern Health Systems for the year ending December 31, 2020 (Fiscal Impact: None) –
RECEIVE AND FILE; REFER TO KHS BOARD OF DIRECTORS
- 5) Proposed Agreement with Office Ally, LLC, to process and submit electronic medical claims from providers and institutions directly to KHS, from April 15, 2021 through April 15, 2024, in an amount not to exceed \$0.23 per claim (Fiscal Impact: \$180,000 estimated annually; Budgeted) –
APPROVE; REFER TO KHS BOARD OF DIRECTORS
- 6) Report on Kern Health Systems financial statements for December 2020 and January 2021 (Fiscal Impact: None) –
RECEIVE AND FILE; REFER TO KHS BOARD OF DIRECTORS
- 7) Report on Accounts Payable Vendor Report, Administrative Contracts between \$30,000 and \$100,000 for December 2020 and January 2021 and IT Technology Consulting Resources for the period ended December 31, 2020 (Fiscal Impact: None) –
RECEIVE AND FILE; REFER TO KHS BOARD OF DIRECTORS

ADJOURN TO FRIDAY, JUNE 4, 2021 AT 8:00 A.M.

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

The meeting facilities at Kern Health Systems are accessible to persons with disabilities. Disabled individuals who need special assistance to attend or participate in a meeting of the KHS Finance Committee may request assistance at the Kern Health Systems office, 2900 Buck Owens Boulevard, Bakersfield, California 93308 or by calling (661) 664-5000. Every effort will be made to reasonably accommodate individuals with disabilities by making meeting material available in alternative formats. Requests for assistance should be made five (5) working days in advance of a meeting whenever possible.

SUMMARY

FINANCE COMMITTEE MEETING

KERN HEALTH SYSTEMS
2900 Buck Owens Boulevard
Bakersfield, California 93308

Friday, February 5, 2021

8:00 A.M.

COMMITTEE RECONVENED

Members: Martinez, Melendez, Rhoades
ROLL CALL: 3 Present; 2 Absent – Deats, McGlew

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

SUMMARY

Finance Committee Meeting
Kern Health Systems

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COMMITTEE MEMBER ANNOUNCEMENTS OR REPORTS

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

- CA-3) Minutes for KHS Finance Committee meeting on December 4, 2020 -
APPROVED
Melendez-Martinez: 3 Ayes; 2 Absent – Deats, McGlew

- 4) Report on Kern Health Systems investment portfolio for the fourth quarter ending December 31, 2020 (Fiscal Impact: None) –
RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Melendez-Martinez: 3 Ayes; 2 Absent – Deats, McGlew

- 5) Report on 2020 annual review of the Kern Health Systems Investment Policy (Fiscal Impact: None) –
RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Melendez-Martinez: 3 Ayes; 2 Absent – Deats, McGlew

- 6) Report on 2020 Annual Travel Report (Fiscal Impact: None) –
RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Melendez-Martinez: 3 Ayes; 2 Absent – Deats, McGlew

- 7) Report on 2020 Annual Report of Disposed Assets (Fiscal Impact: None) –
RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Melendez-Martinez: 3 Ayes; 2 Absent – Deats, McGlew

- 8) Proposed Agreement with FluidEdge, LLC., for Population Health Consulting Services, from March 1, 2021 through May 31, 2021 (Fiscal Impact: \$160,000; Not-Budgeted) –
APPROVED; REFERRED TO KHS BOARD OF DIRECTORS
Melendez-Martinez: 3 Ayes; 2 Absent – Deats, McGlew

- 9) Request to Establish 2021 – 2022 Provider Grant Program (Fiscal Impact: Up to \$10 million; Not-Budgeted) –
APPROVED; REFERRED TO KHS BOARD OF DIRECTORS
Melendez-Martinez: 3 Ayes; 2 Absent – Deats, McGlew

- 10) Report on Kern Health Systems financial statements for November 2020 (Fiscal Impact: None) –
RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Melendez-Martinez: 3 Ayes; 2 Absent – Deats, McGlew

SUMMARY

Finance Committee Meeting
Kern Health Systems

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- 11) Report on Accounts Payable Vendor Report, Administrative Contracts between \$30,000 and \$100,000 for November 2020 and IT Technology Consulting Resources for the period ended November 30, 2020 (Fiscal Impact: None) – RECEIVED AND FILED; REFERRED TO KHS BOARD OF DIRECTORS
Melendez-Martinez: 3 Ayes; 2 Absent – Deats, McGlew

ADJOURN TO FRIDAY, APRIL 9, 2021 AT 8:00 A.M.

Rhodes



To: KHS Finance Committee

From: Robert Landis, CFO

Date: April 9, 2021

Re: Report by Daniells Phillips Vaughan & Bock Regarding the 2020 Audit

Representatives from the accounting firm Daniells Phillips Vaughan & Bock will be providing a report on the 2020 audit. Attached for your review are the December 31, 2020 audited financial statements for Kern Health Systems.

Requested Action

Receive and File; Refer to KHS Board of Directors.



FINANCIAL REPORT

DECEMBER 31, 2020

KERN HEALTH SYSTEMS

FINANCIAL REPORT

DECEMBER 31, 2020

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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, 2020 and 2019, 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, 2020 and 2019, 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 3-11 and 38-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2021 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
March 30, 2021

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, 2020 and 2019. 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 12.

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 2020 and 2019, 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 can 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 2020 and 2019, KHS paid approximately 92% and 93%, 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 2020 by \$12,393,808 or approximately 5.8% while in 2019 our net position increased by \$13,061,405 or 6.5%.
- ❖ Our Medi-Cal enrollment growth showed an average monthly increase of approximately 13,300 members or 5.3% in 2020 compared to 2019. This compared to an average monthly increase of approximately 3,400 members or 1.4% in 2019 compared to 2018. The increase in average monthly membership was due largely to the State not performing redeterminations as a result of the COVID-19 Public Health Emergency (PHE) and increased eligibility as a result of the PHE.
- ❖ 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 10,909 members at the end of 2020 compared to 9,007 members at the end of 2019. The premium revenue earned for this population was \$25.6 million and \$22.0 million for the years ended December 31, 2020 and 2019, respectively. As we have no obligation to provide care for this population, the Premiums earned amount reported for the years ended December 31, 2020 and 2019 is net of the \$25.0 million and \$21.6 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 \$14,204,450 or \$4.51 PMPM in 2020 and operating income of \$8,335,611 or \$2.80 PMPM in 2019. The operating income in 2020 is largely due to increased membership experienced in 2020 and a lower Medical Loss ratio (Medical and Hospital Services expense as a percentage of Total Operating Revenue excluding MCO tax revenue and Hospital directed payments earned).
- ❖ Managed Care Organization (MCO) Tax Revenues of \$98,918,724 or \$31.42 PMPM are included in premiums earned in 2020 and \$48,486,437 or \$16.22 PMPM in 2019. 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 \$30.33 PMPM for the period January 1, 2020 to December 31, 2020 and \$31.50 PMPM for the period July 1, 2018 to June 30, 2019. Due to a delay in federal approval by CMS of the extension of the MCO tax program, there was no MCO tax assessment for the period July 1, 2019 through December 31, 2019. The tax amounts are based on projected membership and MCO expense is payable quarterly. MCO Tax Expense is reported as an operating expense and was \$100,919,574 or \$32.05 PMPM in 2020 and \$48,401,624 or \$16.19 PMPM in 2019.
- ❖ The decrease in nonoperating income of \$6,536,436 between 2020 and 2019 is primarily attributable to the decrease in investment and other income due to higher interest rates and better market performance experienced in 2019 compared to 2020. We reported investment and other income of \$2,508,382 for 2020 or \$0.80 PMPM and \$6,725,511 or \$2.25 PMPM in 2019. We reported no sale of assets in 2020, while in 2019 a gain of \$2,225,369 was recognized from the sale of office building property.
- ❖ We continued with provider quality incentive programs and reported expenses of approximately \$5.7 million in 2020 to reward providers who demonstrate improved Healthcare Effectiveness Data and Information (HEDIS) outcomes.

Operational Highlights:

As part of fulfilling our mission while maintaining current operations, KHS engaged in the following activities during 2020:

- ❖ Transitioned most of our employees to working from home, while maintaining or improving operating metrics. Addressed employee hardships and did not reduce the workforce.
- ❖ Continued to improve our Health Homes Programs in collaboration with our Safety Net Providers. In 2020, seven (7) health homes were in operation. We expanded the program with a distributive model location that focuses on high-risk pediatric members. The overall Health Homes focus is to develop an integrated care management model incorporating medical, behavioral, social and pharmacy programs.
- ❖ Expanded the Transitional Care Program to reduce preventable hospital readmissions, coordinate care, and address any unidentified needs during the post-acute discharge planning.
- ❖ Expanded Telehealth Specialty Care services to be available for all appropriate services that can be coordinated and completed virtually versus face-to-face interactions.
- ❖ Participated with a community-based organization network to coordinate resources to address social determinants of health.
- ❖ Created a Population Health Management (PHM) program that addresses individuals' health needs across the continuum of care using tailored health solutions.
- ❖ Implemented a Diabetes Prevention Program (DPP) focused on lifestyle change to prevent members from developing diabetes. To successfully graduate from the program, members are required to attend 26 classes over the year, remain diabetes free, lose at least 5 percent of their weight, and achieve at least 150 minutes of physical activity each week. Due to the pandemic, the program was offered only virtually to a second cohort of eligible members.
- ❖ Offered virtual asthma and nutrition classes.
- ❖ 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 providers, registered nurses, nutritionists, 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 utilization of preventative care to achieve the revised HEDIS External Accountability Set (EAS) targeted goals for the new Managed Care Accountability Set (MCAS) measures. Such strategies include ongoing member and provider education, member outreach and use of provider and member incentives to encourage utilization of qualified preventative services under the Program.
- ❖ Provided funding for Housing Case Management to afford KHS members an opportunity to exit homelessness and receive safe, and affordable housing. The Housing 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.

- ❖ Continued grant funds to public school sites in Kern County to Implement School Wellness Programs during the 2020-2021 academic year. The School Wellness Programs target student nutrition, physical activity, water consumption, outdoor safety, and social and emotional learning.
- ❖ Administered several Alternative Payment Methodologies (“APM”) within provider contracts that focus on quality care coordination and cost reduction strategies. Also, developed APM’s for providers to encourage patients to return to their doctor from volume fall off caused by the State’s stay as home order during the height of the pandemic.
- ❖ Purchased an Interoperability system to ensure compliance with the CMS Interoperability Rule to allow members to retrieve from their health plan’s their medical information, claims information, pharmacy and laboratory information. As adoption of this real-time data exchange increases and evolves, providers and members will have a sound method of obtaining historical clinical information to ensure better health outcomes.
- ❖ Enhanced business continuity and disaster recovery systems and protocols after executing the Program due to COVID-19 which resulted in successfully shifting 95% of employees to a home-based work environment within a week’s time. The company’s operations continued without interruption.
- ❖ Created a technical solution to continuously without interruption, stream data to the company’s large data processing systems, business reporting systems, third party vendors (e.g. Vision, Pharmacy, etc.), and contracted providers. This system will assist the IT department to proactively monitor the hundreds of data delivery and transformation jobs.
- ❖ Continued to make significant improvements to our thirteen-year-old Enterprise Data Warehouse (EDW). This centralized data repository houses data representing several administrative areas including case management, health education, quality improvement measures, claims, pharmacy, lab results, vision, 24-hour nurse hotline, transportation, telephonic communication, and more. KHS uses this EDW to manage employees, provide predictive analytics and utilization anomalies on member’s health, show internal operation’s reporting and analytics, and forecast plan financials.
- ❖ Contributed over \$140,000 to support 4 COVID-19 testing sites in Kern County.
- ❖ Donated \$100,000 to the Kern Community Foundation’s “Kern County COVID-19 Relief Fund” to support local nonprofits serving vulnerable populations with basic needs. Nine local organizations benefitted from this funding.
- ❖ Donated approximately \$186,000 to 68 different community-based organizations. Since these organizations serve many of the same constituents, many of our members will receive assistance from these community partners.
- ❖ Adapted our hiring processes to interview, hire and bring onboard employees virtually to meet the organization’s staffing needs. Additionally, we were able to convert our classroom training programs to virtual training programs while meeting all compliance training requirements.
- ❖ Corporate facility was successfully certified as a Leadership in Energy and Environmental Design (LEED) Silver building.

- ❖ Project Management Department at KHS was recognized by the Project Management Institute as one of the top 3 organizations for bringing added value through the support of successful strategic initiatives and demonstrating superior organizational project management capabilities.

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 deferred outflows of resources, and liabilities and deferred inflows of resources, as reported in the Statement of Net Position. Our net position increased in 2020 and 2019 by \$12,393,808 and \$13,061,405, respectively. Our Statements of Net Position as of December 31, 2020, 2019, and 2018 are as follows:

| | 2020 | 2019 | 2018 |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
| Assets | | | |
| Hospital directed payments receivable | \$ 195,667,272 | \$ 237,559,106 | \$ - |
| Other current assets | 346,708,391 | 319,732,289 | 327,383,667 |
| Capital assets, net | 68,655,076 | 69,786,809 | 55,937,228 |
| Other assets | 5,527,956 | 1,043,644 | 1,004,750 |
| Total Assets | \$ 616,558,695 | \$ 628,121,848 | \$ 384,325,645 |
| Deferred Outflows of Resources | \$ 3,018,341 | \$ 2,889,179 | \$ 2,657,573 |
| Liabilities | | | |
| Accrued medical expenses payable | \$ 153,291,888 | \$ 161,392,611 | \$ 142,516,255 |
| Hospital directed payments payable | 195,667,272 | 237,317,695 | - |
| Accrued expenses | 35,012,634 | 10,149,451 | 36,606,228 |
| Net pension liability | 8,432,377 | 7,038,233 | 5,865,463 |
| Total Liabilities | \$ 392,404,171 | \$ 415,897,990 | \$ 184,987,946 |
| Deferred Inflows of Resources | \$ 86,684 | \$ 420,664 | \$ 364,304 |
| Net Position | | | |
| Net investment in capital assets | \$ 68,655,076 | \$ 69,786,809 | \$ 55,937,228 |
| Restricted | 300,000 | 300,000 | 300,000 |
| Unrestricted | 158,131,105 | 144,605,564 | 145,393,740 |
| Total Net Position | \$ 227,086,181 | \$ 214,692,373 | \$ 201,630,968 |

KHS' net position for 2020, 2019, and 2018 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 \$12,393,808 and \$13,061,405 for the years ended December 31, 2020 and 2019, respectively. The increases are made up of various components as outlined below:

| | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 |
|--|-----------------------|-----------------------|-----------------------|------------------|------------------|------------------|
| Enrollment | | | | | | |
| Total member months | | | | 3,266,674 | 3,093,144 | 3,047,435 |
| Less non-risk capitated member months | | | | (118,205) | (103,876) | (99,006) |
| Net member months | | | | <u>3,148,469</u> | <u>2,989,268</u> | <u>2,948,429</u> |
| Average monthly members | | | | 262,372 | 249,106 | 245,702 |
| Per Member Per Month in Dollars | | | | | | |
| Operating Revenue | | | | | | |
| Premiums earned | \$ 934,262,033 | \$ 819,211,480 | \$ 790,046,475 | \$ 296.74 | \$ 274.05 | \$ 267.96 |
| Hospital directed payments earned | 56,137,431 | 300,291,112 | - | 17.83 | 100.46 | - |
| Other operating revenue | 261,987 | 289,296 | 1,859,982 | 0.08 | 0.10 | 0.63 |
| Total operating revenue | <u>990,661,451</u> | <u>1,119,791,888</u> | <u>791,906,457</u> | <u>314.65</u> | <u>374.61</u> | <u>268.59</u> |
| Operating Expenses | | | | | | |
| Medical and hospital | 768,324,559 | 717,600,716 | 652,587,721 | 244.03 | 240.06 | 221.33 |
| MCO premium tax | 100,919,574 | 48,401,624 | 94,216,985 | 32.06 | 16.19 | 31.95 |
| Hospital directed payments | 55,897,946 | 299,923,121 | - | 17.75 | 100.33 | - |
| Administrative | 46,280,714 | 43,026,853 | 35,094,430 | 14.70 | 14.39 | 11.90 |
| Depreciation | 5,034,208 | 2,503,963 | 1,530,726 | 1.60 | 0.84 | 0.52 |
| Total operating expenses | <u>976,457,001</u> | <u>1,111,456,277</u> | <u>783,429,862</u> | <u>310.14</u> | <u>371.81</u> | <u>265.70</u> |
| Operating income | <u>14,204,450</u> | <u>8,335,611</u> | <u>8,476,595</u> | <u>4.51</u> | <u>2.80</u> | <u>2.89</u> |
| Nonoperating Revenue (Expenses) | | | | | | |
| Investment and other income | 2,508,382 | 6,725,511 | 4,979,510 | 0.80 | 2.25 | 1.69 |
| Gain on sale of assets | - | 2,225,369 | - | - | 0.74 | - |
| Community grants | (4,319,024) | (4,225,086) | (2,366,956) | (1.37) | (1.41) | (0.80) |
| Total nonoperating revenue (expenses) | <u>(1,810,642)</u> | <u>4,725,794</u> | <u>2,612,554</u> | <u>(0.57)</u> | <u>1.58</u> | <u>0.89</u> |
| Changes in net position | 12,393,808 | 13,061,405 | 11,089,149 | 3.94 | 4.38 | 3.78 |
| Net position, beginning | 214,692,373 | 201,630,968 | 190,541,819 | 68.19 | 67.45 | 64.62 |
| Net position, ending | <u>\$ 227,086,181</u> | <u>\$ 214,692,373</u> | <u>\$ 201,630,968</u> | <u>\$ 72.12</u> | <u>\$ 71.83</u> | <u>\$ 68.40</u> |

Operating Income

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, 2020 and 2019 of \$14,204,450 and \$8,335,611, respectively.

The primary components of the operating income for 2020 are:

- ❖ Premiums earned increased \$115,050,553 or \$22.68 PMPM in 2020 from 2019. Approximately \$55.3 million or \$6.12 PMPM is attributed to an increase in premium capitation due primarily to membership increases in 2020 from 2019. Approximately \$50.4 million or \$15.20 PMPM is due to increased MCO premiums received due to a full year of MCO tax premiums received in 2020 versus 6 months of MCO tax premiums received in 2019. Approximately \$15.4 million or \$4.11 PMPM is attributed to an increase in Proposition 56 rates and the introduction of new Proposition 56 programs between 2020 and 2019.
- ❖ The Medi-Cal average monthly membership increased by approximately 13,300 members or 5.3% over 2019.
- ❖ The medical and hospital services costs increased by \$50,723,843 and \$3.97 PMPM between 2020 and 2019. This increase is attributed to increased supplemental provider payments payable under Proposition 56, increased utilization of medical services such as inpatient hospital services, provider contract rate increases, and new programs aimed at assisting members and providers in response to the pandemic. The Medical Loss ratio was 92.0% in 2020 and 93.1% in 2019.
- ❖ Administrative expenses increased by \$3,253,861 or \$0.31 PMPM over 2019 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 2020 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 5.53% in 2020 compared to 5.58% in 2019.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consisted primarily of investment income, proceeds from the sale of assets and community grants. In 2020, Investment and Other Income earned was \$2,508,382 or \$0.80 PMPM which helped offset Community Grant Expense of \$4,319,024 or \$1.37 PMPM.

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, 2020 and 2019**

| | 2020 | 2019 |
|--|-----------------------|-----------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Current Assets | | |
| Cash and cash equivalents (Note 2) | \$ 74,866,934 | \$ 92,405,797 |
| Investments (Notes 2 and 3) | 169,078,187 | 111,853,223 |
| Premiums receivable | 97,593,440 | 111,563,581 |
| Hospital directed payments receivable (Note 4) | 195,667,272 | 237,559,106 |
| Other receivables (Note 5) | 1,111,072 | 1,218,611 |
| Prepaid expenses | 2,223,252 | 2,691,077 |
| Current portion of provider advances (Note 6) | 1,835,506 | - |
| Total current assets | 542,375,663 | 557,291,395 |
| Capital Assets (Note 7) | | |
| Land | 4,090,706 | 4,090,706 |
| Buildings and improvements | 36,482,174 | 36,471,386 |
| Furniture and equipment | 32,109,350 | 31,706,810 |
| Capital projects in process | 12,183,359 | 8,743,952 |
| | 84,865,589 | 81,012,854 |
| Less accumulated depreciation | 16,210,513 | 11,226,045 |
| | 68,655,076 | 69,786,809 |
| Other Assets | | |
| Restricted investments (Notes 2, 3 and 11) | 300,000 | 300,000 |
| Provider advances, less current portion (Note 6) | 3,671,012 | - |
| Split dollar life insurance (Note 8) | 1,556,944 | 743,644 |
| | 5,527,956 | 1,043,644 |
| Total assets | 616,558,695 | 628,121,848 |
| Deferred Outflows of Resources (Note 12) | 3,018,341 | 2,889,179 |
| Total assets and deferred outflows of resources | \$ 619,577,036 | \$ 631,011,027 |

See Notes to Financial Statements.

| | 2020 | 2019 |
|--|-----------------------|----------------|
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| Current Liabilities | | |
| Accrued medical expenses payable (Note 9) | \$ 153,291,888 | \$ 161,392,611 |
| Hospital directed payments payable (Note 4) | 195,667,272 | 237,317,695 |
| Accrued expenses (Note 10) | 35,012,634 | 10,149,451 |
| Total current liabilities | 383,971,794 | 408,859,757 |
| Noncurrent Liabilities | | |
| Net pension liability (Note 12) | 8,432,377 | 7,038,233 |
| Commitments and Contingencies (Note 14) | | |
| Deferred Inflows of Resources (Note 12) | 86,684 | 420,664 |
| Net Position | | |
| Net investment in capital assets | 68,655,076 | 69,786,809 |
| Restricted (Note 11) | 300,000 | 300,000 |
| Unrestricted | 158,131,105 | 144,605,564 |
| Total net position | 227,086,181 | 214,692,373 |
| Total liabilities, deferred inflows of resources and net position | \$ 619,577,036 | \$ 631,011,027 |

KERN HEALTH SYSTEMS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|--|-----------------------|-----------------------|
| Operating Revenue | | |
| Premiums earned | \$ 934,262,033 | \$ 819,211,480 |
| Hospital directed payments earned (Note 4) | 56,137,431 | 300,291,112 |
| Stop-loss insurance recoveries (Note 13) | 261,987 | 289,296 |
| Total operating revenue | 990,661,451 | 1,119,791,888 |
| Operating Expenses | | |
| Medical and hospital | 768,324,559 | 717,600,716 |
| MCO premium tax | 100,919,574 | 48,401,624 |
| Hospital directed payments (Note 4) | 55,897,946 | 299,923,121 |
| Administrative | 46,280,714 | 43,026,853 |
| Depreciation | 5,034,208 | 2,503,963 |
| Total operating expenses | 976,457,001 | 1,111,456,277 |
| Operating income | 14,204,450 | 8,335,611 |
| Nonoperating Revenue (Expenses) | | |
| Investment and other income | 2,508,382 | 6,725,511 |
| Gain on sale of office building property | - | 2,225,369 |
| Community grants | (4,319,024) | (4,225,086) |
| Total nonoperating revenue (expenses) | (1,810,642) | 4,725,794 |
| Change in net position | 12,393,808 | 13,061,405 |
| Net position, beginning | 214,692,373 | 201,630,968 |
| Net position, ending | \$ 227,086,181 | \$ 214,692,373 |

See Notes to Financial Statements.

KERN HEALTH SYSTEMS**STATEMENTS OF CASH FLOWS**
Years Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Cash Flows From Operating Activities | | |
| Premiums received | \$ 948,203,837 | \$ 800,639,919 |
| Hospital directed payments earned | 98,029,265 | 62,732,006 |
| Stop-loss insurance recoveries | 261,987 | 557,269 |
| Medical and hospital payments | (776,425,282) | (700,904,511) |
| Hospital directed payments paid | (97,548,369) | (62,605,426) |
| Administrative expenses paid | (46,855,627) | (44,826,477) |
| MCO premium tax expense paid | (74,205,406) | (72,791,260) |
| Net cash provided by (used in) operating activities | 51,460,405 | (17,198,480) |
| Cash Flows From Noncapital Financing Activities | | |
| Community grants | (4,319,024) | (4,225,086) |
| Nonoperating income | 249,340 | 2,469,639 |
| Net cash (used in) noncapital financing activities | (4,069,684) | (1,755,447) |
| Cash Flows From Capital And Related Financing Activities | | |
| Acquisition of capital assets | (3,902,475) | (23,325,925) |
| Proceeds from sale of assets | - | 9,197,750 |
| Net cash (used in) capital and related financing activities | (3,902,475) | (14,128,175) |
| Cash Flows From Investing Activities | | |
| Net purchases of investments | (1,918,586,630) | (1,864,329,645) |
| Proceeds from maturities of investments | 1,863,879,339 | 1,899,061,241 |
| Disbursements made on provider advances | (5,746,518) | - |
| Payments received on provider advances | 240,000 | - |
| Payment for split dollar life insurance | (813,300) | (38,894) |
| Net cash provided by (used in) investing activities | (61,027,109) | 34,692,702 |
| Net increase (decrease) in cash and cash equivalents | (17,538,863) | 1,610,600 |
| Cash and cash equivalents: | | |
| Beginning | 92,405,797 | 90,795,197 |
| Ending | \$ 74,866,934 | \$ 92,405,797 |

See Notes to Financial Statements.

| | 2020 | 2019 |
|--|----------------------|------------------------|
| Reconciliation of operating activities to net cash provided by (used in) operating activities | | |
| Operating income | \$ 14,204,450 | \$ 8,335,611 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | |
| Depreciation | 5,034,208 | 2,503,963 |
| (Gain) loss on sale of assets | - | (2,225,369) |
| Changes in: | | |
| Deferred outflows of resources | (129,162) | (231,606) |
| Net pension liability | 1,394,144 | 1,172,770 |
| Deferred inflows of resources | (333,980) | 56,360 |
| Changes in working capital components: | | |
| (Increase) decrease in: | | |
| Premiums receivable and other receivables | 13,819,049 | (17,989,161) |
| Hospital directed payments receivable | 41,891,834 | (237,559,106) |
| Prepaid expenses | 467,825 | (999,216) |
| Increase (decrease) in: | | |
| Accrued medical services payable | (8,100,723) | 18,876,356 |
| Hospital directed payments payable | (41,650,423) | 237,317,695 |
| Accrued expenses | 24,863,183 | (26,456,777) |
| Net cash provided by (used in) operating activities | \$ 51,460,405 | \$ (17,198,480) |

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.

Global pandemic: 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 (aka COVID-19) 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.

As COVID-19 is unprecedented, it is difficult to determine its impact to operations, its demand on health care and how it may ultimately affect KHS' bottom line. Government decisions to shelter in place have reduced demand for routine care, while at the same time, demand has increased for other medical services, such as telehealth services and COVID-19 related hospital admissions.

Although utilization for routine care was curtailed during 2020, 2021 could bring a rebound in medical services from pent up demand from patients staying away from their doctor for fear of contracting the virus in their offices. This increased demand for medical services could result in a significant increase in medical care costs and by extension, related provider claims payments.

KHS continues to assess the financial impact of the pandemic. Despite the challenges it brings to forecasting, KHS believes that KHS' financial resources and particularly KHS' cash flow position will be sufficient to withstand the financial effects of the pandemic for the foreseeable future.

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.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Investment 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 acquired.

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 three times their annual benefit rate before accruals cease. Unused PTO is carried forward into subsequent years. Any unused accumulated balance will be paid to the employee upon separation of service. Compensated balances are accrued and recorded in accordance with GASB Codification Section C60.

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

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

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

In 2013, KHS entered into a capitated agreement required by the DHCS with another Health Plan which allows for that plan to provide health care services for their assigned members. As KHS had no obligation to provide care for this population, the Premiums earned amount included as part of operating revenue is reported net of the capitated expense associated with assigned members. Capitated expense was \$25 million for 10,909 members assigned for the year ended December 31, 2020 and was \$21.6 million for 9,007 members assigned for the year ended December 31, 2019.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Premiums revenue: Premiums are due monthly from DHCS and are recognized as revenues during the period in which KHS is obligated to arrange payments for managed health care services provided to KHS members. CMS requires that the 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 additional 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, 2020 and 2019 maternity kick payments in the amount of \$31.8 million or 3.4% and \$32 million or 3.9%, 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, 2020 and 2019 Hepatitis C payments in the amount of \$4.9 million or 0.5% and \$6.9 million or 0.8%, 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, 2020 and 2019 Behavioral Health Treatment payments in the amount of \$11.7 million or 1.3% and \$11.3 million or 1.4%, 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. For the years ended December 31, 2020 and 2019, Health Homes Program payments in the amount of \$10.6 million or 1.1% and \$5.7 million or 0.7%, respectively, of total premium revenue were recognized.

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, 2020 and 2019 Proposition 56 payments in the amount of \$64.0 million or 6.9% and \$45.9 million or 5.6%, 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 years ended December 31, 2020 and 2019 GEMT payments in the amount of \$5.7 million or 0.6% and \$8 million or 1.0% respectively, 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, 2020 and 2019 KHS recognized a net reduction of \$2.2 million or 0.24% and \$4.2 million or 0.5%, 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.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

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, 2020 and 2019, KHS recognized \$1.4 million and \$2.0 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. Due to a delayed effective date in federal approval by CMS of the extension of the MCO tax program, there was no MCO tax assessment for the period July 1, 2019 through December 31, 2019. The MCO tax program resumed January 1, 2020.

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, 2020 and 2019, KHS received \$77.8 million and \$119.6 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, 2020 and 2019, 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 \$563,045 and \$602,591 for the years ended December 31, 2020 and 2019, respectively.

Subsequent events: KHS has evaluated subsequent events through March 30, 2021, the date on which the financial statements were available to be issued. There were no material subsequent events identified by management which would require disclosure in the financial statements.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Authoritative pronouncements not yet adopted: The following statements issued by the Governmental Accounting Standards Board (GASB) are effective for years ending after December 31, 2020 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, 2021. Early application is encouraged

- 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, 2020.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments at December 31, 2020 are classified in the accompanying financial statements as follows:

| | | |
|-----------------------------------|-----------------------|-----------------------|
| <hr/> | | |
| Cash and cash equivalents: | | |
| Deposits | | \$ 2,742,282 |
| LAIF and money market funds | | 72,124,452 |
| Cash on hand | | 200 |
| Total cash and cash equivalents | | <u>\$ 74,866,934</u> |
| | <hr/> | |
| | Cost | Fair Value |
| Investments: | | |
| Unrestricted: | | |
| Certificates of deposit | \$ 199,800 | \$ 200,277 |
| Corporate bonds and notes | 43,710,165 | 44,062,458 |
| Municipal bonds and notes | 2,447,923 | 2,502,459 |
| Government agency bonds and notes | 122,292,012 | 122,312,993 |
| Total unrestricted | <u>168,649,900</u> | <u>169,078,187</u> |
| Restricted: | | |
| Certificates of deposit | 300,000 | 300,000 |
| Total investments | <u>\$ 168,949,900</u> | <u>\$ 169,378,187</u> |

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

| | | |
|-----------------------------------|-----------------------|-----------------------|
| <hr/> | | |
| 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> |
| | <hr/> | |
| | 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> |

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 | 40% | (5) | A |
| Money Market Funds | 5 years | 40% | (4) | AAA |
| Mortgage or Asset-Backed Securities | 5 years | 20% | (6) | 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 5% 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 or 5% of the issue size of the corporate security.
- (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, 2020 or 2019.

Custodial Credit Risk

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

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

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:
 - ❖ 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, 2020 and 2019 are level 1 assets.

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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. For the year ended December 31, 2020 KHS has accrued Hospital Directed Payments receivable of approximately \$195.7 million and Hospital Directed Payments payable of approximately \$195.7 million. The amount of additional premium revenue for Hospital Directed Payment programs recognized for the years ended December 31, 2020 and 2019 were approximately \$56.1 million and \$300.3 million, respectively, and are reported as part of operating revenues. Hospital Directed Payment expense obligations recognized for the years ended December 31, 2020 and 2019 were approximately \$55.9 million and \$299.9 million, respectively, and are reported as part of operating expenses.

Note 5. Other Receivables

Other receivables consist of the following at December 31, 2020 and 2019:

| | 2020 | 2019 |
|------------------|---------------------|---------------------|
| Pharmacy rebates | \$ 510,000 | \$ 505,976 |
| Other | 489,272 | 342,204 |
| Interest | 111,800 | 370,431 |
| | <u>\$ 1,111,072</u> | <u>\$ 1,218,611</u> |

Note 6. Provider Advances

In April 2020 as part of the response to the COVID-19 pandemic and in an effort to support its network of providers of care for the more than 258,000 members served, KHS advanced \$5.7 million under a COVID-19 Provider Financial Relief Program. Under the Program, provider advance payments were offered to select local network providers of up to 50% of their average 2019 monthly claim payments multiplied by three months. The no interest payment advances were aimed at providing financial assistance to those network providers experiencing financial hardships due to lower utilization of medical services as the result of the Governor’s shelter in place order. Monthly repayments of provider advances are due to begin in September 2021. In the event of a program payment default, KHS has the right to offset amounts owed by providers against any future monies owed to the provider. As of December 31, 2020, provider advances due to KHS totaled \$5,506,518.

KERN HEALTH SYSTEMS**NOTES TO FINANCIAL STATEMENTS****Note 7. Capital Assets**

Capital asset activity for the years ended December 31, 2020 and 2019 is as follows:

| | Balance January 1, 2020 | Additions | Deletions | Balance December 31, 2020 |
|--|-------------------------------|-----------------------|-------------|---------------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 4,090,706 | \$ - | \$ - | \$ 4,090,706 |
| Capital Projects in Progress | 8,743,952 | 3,439,407 | - | 12,183,359 |
| Subtotal | 12,834,658 | 3,439,407 | - | 16,274,065 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 36,471,386 | 10,788 | - | 36,482,174 |
| Furniture and Equipment | 31,706,810 | 452,280 | (49,740) | 32,109,350 |
| Subtotal | 68,178,196 | 463,068 | (49,740) | 68,591,524 |
| Accumulated Depreciation: | | | | |
| Buildings and Improvements | 226,602 | 907,292 | - | 1,133,894 |
| Furniture and Equipment | 10,999,443 | 4,126,916 | (49,740) | 15,076,619 |
| Subtotal | 11,226,045 | 5,034,208 | (49,740) | 16,210,513 |
| Net Depreciable | | | | |
| Capital Assets | 56,952,151 | (4,571,140) | - | 52,381,011 |
| Total Capital Assets | \$ 69,786,809 | \$ (1,131,733) | \$ - | \$ 68,655,076 |

| | 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 |

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Note 8. 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 \$795,851 and \$743,644 at December 31, 2020 and 2019, respectively.

In June 2020, KHS entered into a second split-dollar life insurance agreement with the same employee and his beneficiary as the 2017 agreement, whereby the employee is eligible to receive distributions, and KHS will receive \$847,832 upon the death of the employee and his beneficiary or termination of the agreement. The policy had a cash surrender value of \$761,093 at December 31, 2020.

Note 9. Accrued Medical Expenses 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 \$12.1 million and \$4.7 million of favorable prior year IBNR adjustments for the years ended December 31, 2020 and 2019, respectively, due to lower-than-expected utilization.

KERN HEALTH SYSTEMS**NOTES TO FINANCIAL STATEMENTS**

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, 2020 and 2019, KHS has accrued \$8 million and \$30.7 million, respectively, to the state for the period July 1, 2016 to December 31, 2020.

Bridge Risk Corridor: Due to the unprecedented circumstances of the COVID-19 pandemic, DHCS and its contracted actuary determined that a two-sided, symmetrical risk corridor ("Bridge Corridor") would appropriately provide protection for both the State and Medi-Cal managed care plans (MCPs) like KHS. The purpose of the risk corridor is to mitigate potentially significant upward or downward risk associated with COVID-19 that was not determinable at the time of rate development. The Bridge Corridor was retroactive to July 1, 2019. At December 31, 2020 KHS has accrued \$6.9 million owed to the state for the period July 1, 2019 to December 31, 2020.

Accrued medical services and related claims adjustment expenses payable consist of the following at December 31, 2020 and 2019:

| | 2020 | 2019 |
|---|-----------------------|-----------------------|
| Estimated incurred but not reported claims | \$ 73,596,630 | \$ 74,225,223 |
| Supplemental Proposition 56 provider payments | 31,609,126 | 33,153,442 |
| Claims payable | 25,988,208 | 17,289,154 |
| Expansion risk corridor | 8,013,191 | 30,671,015 |
| Bridge risk corridor | 6,853,666 | - |
| Provider performance quality incentive | 5,005,163 | 3,775,315 |
| Allowance for claims processing expense | 2,225,904 | 2,278,462 |
| | <u>\$ 153,291,888</u> | <u>\$ 161,392,611</u> |

Note 10. Accrued Expenses

Accrued expenses consist of the following at December 31, 2020 and 2019:

| | 2020 | 2019 |
|---|----------------------|----------------------|
| MCO tax expense | \$ 26,536,275 | \$ - |
| Salaries and employee benefits | 3,474,673 | 2,786,847 |
| Community grants payable | 2,113,300 | 2,346,125 |
| Other administrative expenses | 1,612,215 | 2,402,147 |
| Non-operating passthrough liability | 833,451 | 710,696 |
| CalPERS employee and employer contributions | 442,720 | 384,929 |
| New building and construction | - | 1,518,707 |
| | <u>\$ 35,012,634</u> | <u>\$ 10,149,451</u> |

KERN HEALTH SYSTEMS

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Note 11. 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, 2022, June 8, 2022 and July 30, 2022.

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 \$38.9 million and \$46.5 million at December 31, 2020 and 2019, respectively. KHS' tangible net equity was approximately \$227.1 million and \$214.7 million at December 31, 2020 and 2019, respectively.

Note 12. 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.

KERN HEALTH SYSTEMS**NOTES TO FINANCIAL STATEMENTS**

The Plans' provisions and benefits in effect at December 31, 2020 and 2019 are summarized as follows:

| | 2020 | | | 2019 | |
|--|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 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 5 years of service | 2% @ 60 5 years of service | 2% @ 62 5 years of service | 2% @ 60 5 years of service | 2% @ 62 5 years of service |
| Benefit vesting schedule | 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% | 6.75% |
| Required employer contribution rates | 6.709% to 7.159% | 8.081% to 8.794% | 6.985% to 7.732% | 7.634% to 8.081% | 6.842% to 6.985% |

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

For the years ended December 31, 2020 and 2019, the contributions recognized as part of pension expense were as follows:

| | 2020 | 2019 |
|---|--------------|--------------|
| Contributions - employer | \$ 2,536,160 | \$ 2,074,974 |
| Contributions - employee (paid by employer) | \$ - | \$ - |

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

As of December 31, 2020, and 2019, KHS reported net pension liability for its proportionate share of the net pension liability of \$8,432,377 and \$7,038,233, 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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, 2019 and 2020 was as follows:

KERN HEALTH SYSTEMS

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| | |
|----------------------------|---------|
| Proportion - June 30, 2019 | 0.2642% |
| Proportion - June 30, 2020 | 0.2881% |
| Change - Increase | 0.0239% |

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% |

For the years ended December 31, 2020 and 2019, KHS recognized pension expense of \$4,017,997 and \$3,464,074, respectively. At December 31, 2020 and 2019, KHS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2020 | | 2019 | |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to the measurement date | \$ 2,030,993 | \$ - | \$ 1,650,097 | \$ - |
| Changes in assumptions | - | 86,684 | 504,403 | 178,807 |
| Differences between expected and actual experiences | 626,308 | - | 734,679 | 56,923 |
| Net differences between projected and actual earnings on pension plan investments | 361,040 | - | - | 184,934 |
| Total | \$ 3,018,341 | \$ 86,684 | \$ 2,889,179 | \$ 420,664 |

\$2,030,993 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, 2021. 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, | |
|-------------------------|-------------------|
| 2021 | \$ 139,265 |
| 2022 | 327,370 |
| 2023 | 260,865 |
| 2024 | 173,164 |
| | <u>\$ 900,664</u> |

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NOTES TO FINANCIAL STATEMENTS

Actuarial Methods and Assumptions: The total pension liabilities in the June 30, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions:

| | 2020 | 2019 |
|---------------------------|--|---------------|
| Valuation date | June 30, 2019 | June 30, 2018 |
| Measurement date | June 30, 2020 | June 30, 2019 |
| Actuarial cost method | Entry-Age Normal Cost Method | |
| Actuarial assumptions: | | |
| Discount rate | 7.15% | 7.15% |
| Inflation | 2.50% | 2.50% |
| Payroll growth | 2.75% | 2.75% |
| Projected salary increase | Varies by Entry Age and Service | |
| Investment rate of return | 7.25% (a) | 7.38% (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, 2019 and June 30, 2018. 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, 2019 and 2018 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, 2019 and June 30, 2018, 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, 2019 and 2018. 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 |
|-----------------|--------------------------|-----------------------------------|
| Public Equity | 53.1% | 9.7% |
| Private Equity | 6.3% | 10.4% |
| Income | 28.2% | 5.9% |
| Real Assets | 11.3% | 8.8% |
| Liquidity | 0.9% | 1.3% |
| Trust level (a) | 0.2% | 8.5% |
| Total | 100% | |

(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:

| | 2020 | 2019 |
|-----------------------|---------------|---------------|
| 1% Decrease | 6.15% | 6.15% |
| Net Pension Liability | \$ 13,465,820 | \$ 11,289,694 |
| Current Discount Rate | 7.15% | 7.15% |
| Net Pension Liability | \$ 8,432,377 | \$ 7,038,233 |
| 1% Increase | 8.15% | 8.15% |
| Net Pension Liability | \$ 4,273,401 | \$ 3,528,952 |

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 \$1,614,047 and \$1,339,433 for the years ended December 31, 2020 and 2019, respectively.

Note 13. 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, 2020 and 2019 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, 2020 and 2019 the premium coverage is \$0.29 and \$0.51, respectively, per member per month with no minimum annual premium requirement.

The deductible for each individual member was \$300,000 and the Aggregate Specific Retention deductible was \$0.27 per member per month (PMPM) for the year ended December 31, 2020. 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.

Stop-loss insurance premiums of \$904,111 and \$1,522,366 are included in medical and hospital expense for the years ended December 31, 2020 and 2019, respectively. Stop-loss insurance recoveries of \$261,987 and \$289,296 are included in operating revenue for the years ended December 31, 2020 and 2019, respectively.

Note 14. 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 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

Cyber Insurance

KHS maintains Cyber Insurance to reduce the financial risk associated from a cyber-attack and/or a data breach involving sensitive member or employee information. The policy also assists with notification costs and data restoration expenses.

Pharmacy

KHS currently manages the pharmacy benefit for its members by contracting with a Pharmacy Benefit Manger (“PBM”) to assist with claims processing and pharmacy rebate services. KHS has been notified by DHCS that they intend to transition all Medi-Cal pharmacy benefits from managed care plans like KHS to fee-for-service (“FFS”). DHCS believes that this is required to combat rising prices for prescription drugs by increasing the State’s bargaining power in negotiating prescription drug prices with pharmaceutical companies. The date of transition has been pushed back from April 1, 2021 to an undetermined future date, so currently no pharmacy managed care benefits have been impacted. For the year ended December 31, 2020, KHS recognized \$117,750,322 in Pharmacy revenue and \$4,867,111 in Hepatitis C supplemental kick revenue as part of its premium capitation which in total accounted for approximately 13.1% of reported Premiums earned. For the year ended December 31, 2020, KHS reported \$99,509,583 in Pharmacy expense and \$3,776,146 in Hepatitis C expense, and received \$1,378,251 from Pharmacy Rebates, which in total accounted for approximately 13.3% of reported Medical and hospital expenses.

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, waste and abuse laws, 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 political and administrative initiatives at the local, state, or national level. Much of the federal and state focus in 2020 was related to the COVID-19 response. This included federal and state efforts to expand access to COVID testing and treatment services. The State budget also put forth retro-active and prospective rate reductions for Medi-Cal Managed Care Plans. Additionally, in 2020 there were numerous temporary changes in regulatory requirements related to the COVID-19 Public Health Emergency (PHE). While most conversations were on hold during the COVID PHE, the Governor’s administration and the legislature also continue 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.

KERN HEALTH SYSTEMS

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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. Originally expected to begin on January 1, 2021, DHCS postponed CalAIM for one year as a result of the COVID PHE. Recently the State has restarted discussions with Stakeholders.

Information Technology

KHS is dependent on effective and secure enterprise commercial information systems that assist in the operational processing and management of eligibility, benefits, payments, providers, clinical quality, benefit utilization, and clinical population oversight. These third-party systems, vendor relationships, and support models/contracts are critical in managing data that is essential for internal and external (regulators) oversight and required KHS to monitor data security measures to adhere to CMS and HIPAA regulations. This makes our operations vulnerable to adverse effects if such third parties fail to perform adequately. The MIS Group is constantly engaged in the third-party contracts that govern these systems while reviewing technical architectures, third-party operational models, and the business continuity and disaster recovery solutions using private and public cloud systems. In 2020, KHS was impacted by COVID-19 and displaced its workforce to a telecommuting model. KHS had planned for a pandemic as part of the Disaster Recovery Plan and is leveraging third-party solutions to continue its operations for this new telecommuting work model. The KHS information systems require an ongoing commitment of significant resources to maintain, protect, and enhance existing systems while developing new systems to keep pace with continuing changes in information processing technology, evolving systems and regulatory standards, changing customer preferences, acquisitions, and increased security risks.

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.

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.

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

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 many counties throughout California, including Kern County. During the period January 1, 2014 through December 31, 2017 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 were identified for Kern County 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.

Expansion 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

Bridge Corridor Liability Adjustment

Due to the unprecedented circumstances of the COVID-19 pandemic, DHCS and its contracted actuary determined that a two-sided, symmetrical risk corridor (“Bridge Corridor”) would appropriately provide protection for both the State and Medi-Cal managed care plans (MCPs) like KHS. The purpose of the risk corridor is to mitigate potentially significant upward or downward risk associated with COVID-19 that was not determinable at the time of rate development. The Bridge Corridor was retroactive to July 1, 2019. The Bridge Corridor calculation 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

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

KERN HEALTH SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Patient Protection and Affordable Care Act

In March 2010, the President signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively referred to as the Healthcare Reform Legislation), which considerably transformed the U.S. health-care system and increased regulations within the U.S. health insurance industry. This legislation expanded the availability of health insurance coverage to millions of Americans. The Healthcare Reform Legislation contains provisions that took 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 paid 100% of the entire cost for Medicaid Expansion coverage for newly eligible beneficiaries from 2014 through 2016, 95% in 2017, 94% in 2018, 93% in 2019, and 90% in 2020. For the years ended December 31, 2020 and 2019, KHS served an average of 64,929 and 60,347 Medi-Cal Expansion members per month, respectively, which generated revenues of approximately \$320.6 million and \$290.2 million, respectively.

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, 2020 the total future contract commitments are as follows:

| Years ending December 31, | |
|---------------------------|---------------------|
| 2021 | \$ 658,210 |
| 2022 | 386,142 |
| 2023 | 386,142 |
| 2024 | 386,142 |
| | <u>\$ 1,816,636</u> |

Note 15. 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, 2021, and is subject to cancellation upon giving at least six months written notice. For the years ended December 31, 2020 and 2019 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.

REQUIRED SUPPLEMENTARY INFORMATION

KERN HEALTH SYSTEMS

**SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
As of December 31, 2020**

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| CalPERS - Miscellaneous Classic Plan- Last 10 Years* | | | | | | |
| Proportion of the net pension liability | 0.28810% | 0.26415% | 0.23579% | 0.21146% | 0.19046% | 0.17122% |
| Proportionate share of the net pension liability | \$ 8,432,377 | \$ 7,038,233 | \$ 5,865,463 | \$ 6,082,752 | \$ 4,769,187 | \$ 3,104,717 |
| Covered - employee payroll | \$ 19,428,164 | \$ 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 | 43.40% | 37.00% | 33.08% | 35.47% | 27.47% | 31.21% |
| Plan's fiduciary net position | \$14,702,361,183 | \$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 | 77.71% | 77.73% | 77.69% | 75.39% | 75.87% | 79.89% |

* Fiscal year 2015 was the first year of implementation, therefore only six 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 2020, 2019, 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, 2020**

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|---------------|---------------|---------------|---------------|--------------|
| CalPERS - Miscellaneous Classic Plan - Last 10 Years* | | | | | | |
| Contractually required contribution (actuarially determined) | \$ 2,536,160 | \$ 2,074,974 | \$ 1,822,052 | \$ 1,625,952 | \$ 1,314,297 | \$ 841,252 |
| Contributions in relation to the actuarially determined contributions | 2,536,160 | 2,074,974 | 1,822,052 | 1,625,952 | 1,314,297 | 841,252 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered-employee payroll | \$ 19,428,164 | \$ 19,020,118 | \$ 17,733,290 | \$ 17,150,940 | \$ 17,364,146 | \$ 9,949,051 |
| Contributions as a percentage of covered-employee payroll | 13.05% | 10.91% | 10.27% | 9.48% | 7.57% | 8.46% |

Notes to Schedule

Valuation date: June 30, 2019 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 | 24 years | 25 years | 26 years | 27 years | 28 years | 29 years |
| Asset valuation method | 5-year smoothed market | | | | | |
| Inflation | 2.50% | 2.50% | 2.50% | 2.75% | 2.75% | 2.75% |
| Salary increases | 2.75% | 2.75% | 2.75% | 3.00% | 3.00% | 3.00% |
| Investment rate of return (a) | 7.15% | 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 six 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 2020, 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, 2020

| | 2015 |
|---|----------------|
| CalPERS - Miscellaneous PEPRA Plan - Last 10 Years* | |
| Contractually required contribution (actuarially determined) | \$ 367,525 |
| Contributions in relation to the actuarially determined contributions | <u>367,525</u> |
| 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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NANCY C. BELTON

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

Board of Directors
Kern Health Systems
Bakersfield, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of **Kern Health Systems**, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise **Kern Health Systems'** basic financial statements, and have issued our report thereon dated March 30, 2021.

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
March 30, 2021

KERN HEALTH SYSTEMS
Report to the Finance Committee

March 30, 2021



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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, 2020. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for **Kern Health Systems'** financial reporting process.

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

Daniells Phillips Vaughan & Bock

March 30, 2021

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Required Communications

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

| Area | Comments |
|--|---|
| Our Responsibilities with regard to the Financial Statement Audit | Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated November 30, 2020. 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. |
| Significant Difficulties Encountered in Performing the Audit | We did not encounter any significant difficulties in dealing with management during the audit. |
| 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, 2020

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, 2020, financial statements:

| Estimate | Managements 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 |
| Provider performance quality incentive liabilities | 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 and bridge risk corridor liabilities | Estimates are based on management's best estimate of medical loss ration | Estimate is in accordance with accounting principles generally accepted in the United States of America |

Exhibit A
Representation Letter



March 30, 2021

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, 2020 and 2019, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of March 30, 2021:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated November 30, 2020, 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, or to special assessment bond holders, that is not disclosed in the financial statements.
9. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.

4

661-664-5000
661-664-5151

kernfamilyhealthcare.com
2900 Buck Owens Boulevard, Bakersfield, CA 93308-6316

10. We have no knowledge of any uncorrected misstatements in the financial statements.
11. With respect to the service of drafting the financial statements performed in the course of the audit:
 - a. We have made all management decisions and performed all management functions;
 - b. We assigned an appropriate individual to oversee the services;
 - c. We evaluated the adequacy and results of the services performed, and made an informed judgment on the results of the services performed;
 - d. We have accepted responsibility for the results of the services; and
 - e. We have accepted responsibility for all significant judgments and decisions that were made.
12. 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.
13. 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, 2020.
14. 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.
15. Recorded receivable valuation allowances are necessary, appropriate, and properly supported.
16. 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.
 - 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.
17. In addition, we believe that the actuarial assumptions and methods used by the actuary for funding purposes and for determining the IBNR accrual are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the Organization's actuary.

Information Provided

18. 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 basic 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 Organization from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the directors and committees of directors and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
19. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.
20. We have disclosed to you the results of our assessment of risk that the basic financial statements may be materially misstated as a result of fraud.
21. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.
22. We have no knowledge of allegations of fraud or suspected fraud affecting the Organization's basic 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.

23. 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.
24. We have no knowledge of noncompliance with laws or 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.
25. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
26. 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.
27. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Organization's ability to record, process, summarize and report financial data.
28. 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.
29. 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.
30. 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.
31. 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

32. 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 information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP, regulatory or contractual requirements, management's criteria, or other requirements.
 - 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 Finance Committee

From: Robin Dow-Morales, Director of Claims

Date: April 9, 2021

Re: Office Ally, Inc., Electronic Claims Process

Background

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

Discussion

KHS currently uses four different clearinghouse vendors: The SSI Group, Cognizant, Change Healthcare (consisting of Emdeon and Relay Health) and Office Ally. Office Ally provides KHS with approximately 30% of the claims that are submitted electronically to the health plan. Office Ally does not charge the submitting provider for the transaction rather KHS. The fees are based on a per transaction basis, and the rate will be constant for a three-year period. The current price per claims is \$0.25 with the new negotiated rate of \$0.23 per claim. Based on last year's claims volume, this would net a savings of about \$16,000.00.

Financial Impact

Not to exceed \$0.23 per claim.

Requested Action

Approve; Refer to KHS Board of Directors.



Office Ally Contract Extension

April 9, 2021

Robin Dow-Morales

Director of Claims

Agenda

- Background
- Scope of services
- Provider Advantages
- RFP /Contract Extension
- Recommendation
- Questions

Background

- We receive over 3 million claims a year, and 97% of those claims are submitted electronically.
- Kern Health Systems offers four different clearinghouses from which providers can choose to utilize.
- One of the most popular, is Office Ally, making up almost 30% of the electronic submissions.
- Our 3-year contract is up for renewal.
- Cost per claim has remained stagnant at \$.25 per transaction for the last 12 years.

Scope of Services

- Clearinghouses accept claims direct from Providers or 3rd party Clearinghouses and converts to appropriate format and submits to Kern Health Systems.
- Adheres to legislated timeliness guidelines.
- Notifies provider of acceptance or rejection of the claim submission and if rejected, the reason as to why the submission is rejected.
- This allows the provider to correct errors and resubmit at a much faster pace than awaiting a denial from Kern Health Systems for a corrected billing.

Provider Advantages

- Claims submitted through KHS Clearinghouses are at no cost to the provider.
- No mailing/paper/form costs.
- Many billing errors are identified immediately and returned to the provider for correction – no waiting for KHS action.
- Easier tracking and receipt of acknowledgement of claims.
- Faster submission = faster payment = better cash flow for the provider!

Request for Contract Extension

- RFP is not necessary as multiple vendors are used for this service.
- This contract extension is at the reduced rate of \$.23 per transaction.
- Estimated annual number of claims ~ 805,000
- Estimated annual cost \$185,000
- Estimated savings from prior years ~\$16,000.00.
- Puts in line with other vendors ranging \$.22-\$.25 per transaction.

Recommendation

- Request the Board of Directors to authorize the CEO to approve a three-year contract with Office Ally in the amount not to exceed \$0.23 per claims transaction.

Questions

For additional information, please contact:

Robin Dow-Morales
Director of Claims
661-617-2598

Proposed Administrative Contract over \$100,000, April 9, 2021

1. Operational Expenditure with Office Ally, Inc.
 - a. Recommended Action

Approve; Authorize Chief Executive Officer to Sign
 - b. Contact

Robin Dow-Morales; Director of Claims
 - c. Background

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

Office Ally provides KHS with approximately 30% of the claims that are submitted electronically to the health plan. Office Ally does not charge the submitting provider for the transaction rather KHS. The fees are based on a per transaction basis, and the rate will be constant for a three-year period. The current price per claims is \$0.25 but will decrease with this contract to \$0.23 per claim.
 - e. Fiscal Impact

Not to exceed \$0.23 per claim.
 - f. Risk Assessment

The potential risk of not receiving electronic claims would result in a backlog in claims and an increase in staffing budget. Without

electronic submission we would need staff to open, prepare and scan the claims, as well as support staff to verify and validate that claims were read correctly in the OCR process. Electronic submission ensures that accurate data was received which helps in the auto adjudication process. Also, if auto adjudication decreased, there would be a need for more claims examiners to process the claims.

g. Attachments

Agreement at a Glance form is attached.

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

This contract has been approval by KHS legal counsel per PSA.



KERN HEALTH SYSTEMS

AGREEMENT AT A GLANCE

Department Name: Claims

Department Head: Robin Dow-Morales

Vendor Name: Office Ally, Inc.

Contact name & e-mail: Daniel Wojta, daniel.wojta@officeally.com

What services will this vendor provide to KHS? Office Ally, Inc. will process and submit electronic medical claims from providers and institutions directly to KHS.

| Description of Contract | |
|---|---|
| Type of Agreement: <u>Professional Services</u> <input checked="" type="checkbox"/> Contract <input type="checkbox"/> Purchase <input checked="" type="checkbox"/> New agreement <input type="checkbox"/> Continuation of Agreement <input type="checkbox"/> Addendum <input type="checkbox"/> Amendment No. ____ <input type="checkbox"/> Retroactive Agreement | Background: <u>Office Ally, Inc. provides clearinghouse functions for providers and hospitals to submit electronic medical claims. The clearinghouse works with providers, typically free of charge, and will charge KHS \$0.23 per transaction fee to process and deliver the electronic claims.</u> Brief Explanation: <u>Office Ally, Inc. will process and submit electronic medical claims from providers and institutions directly to KHS.</u> |
| <input type="checkbox"/> Summary of Quotes and/or Bids attached. <i>Pursuant to KHS Policy #8.11-1, KHS will secure competitive quotes and bids to obtain the maximum value from the expenditures. Electronic (e-mail/fax) solicitation may be used for purchases of up to Fifty Thousand Dollars or more if not budgeted (\$50,000.00) and One Hundred Thousand Dollars or more if budgeted (\$100,000.00) but must be documented on the RFQ form (Attachment A). Actual bid, sole or single source justification and/or cost price analysis documents are required for purchases over Fifty Thousand Dollars or more if not budgeted (\$50,000.00) and One Hundred Thousand Dollars or more if budgeted (\$100,000.00). Request for Proposal (RFP) shall be used to solicit bids for professional services over Fifty Thousand Dollars (\$50,000). Lowest bid price not accepted must be fully explained and justified in writing. All bids will be treated as a not to exceed amount with "change orders" used to track any changes.)</i> | |
| Brief vendor selection justification: _____ <input checked="" type="checkbox"/> Sole source – no competitive process can be performed. | |
| Brief reason for sole source: <u>KHS currently uses four different clearinghouse vendors (The SSI Group, LLC., Office Ally, Cognizant, Change Healthcare).</u> | |
| <input type="checkbox"/> Conflict of Interest Form is required for this Contract | |
| <input checked="" type="checkbox"/> HIPAA Business Associate Agreement is required for this Contract | |
| Fiscal Impact | |
| KHS Governing Board previously approved this expense in KHS' FY 2021 Administrative Budget | <input type="checkbox"/> NO <input checked="" type="checkbox"/> YES |
| Will this require additional funds? | <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES |
| Capital project | <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES |
| Project type: _____ | |
| Budgeted Cost Center <u>230</u> | GL# <u>5642</u> |

Maximum cost of this agreement not to exceed: \$0.23 per claim

Notes: _____

Contract Terms and Conditions

Effective date: 4/15/2021

Termination date: 4/15/2024

Explain extension provisions, termination conditions and required notice: _____

Approvals

Compliance DMHC/DHCS Review:

Legal Review:

Director of Compliance and Regulatory Affairs

Legal Counsel

Date

Date

Contract Owner:

Purchasing:

Approved by Robin Dow-morales
Department Head

Approved by Alonso Hurtado
Director of Procurement and Facilities

per contract meeting on 2/26/21
Date

per meeting 2/26/21
Date

Reviewed as to Budget:

Recommended by the Executive Committee:

RAB
Chief Financial Officer or Controller

Chief Operating Officer

3/30/21
Date

3/30/21
Date

IT Approval:

Chief Executive Officer Approval:

Approved by Richard Pruitt
Chief Information Officer or IT Director

Chief Executive Officer

per contract meeting 2/26/21
Date

Date

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

KHS Board Chairman

Date



To: KHS Finance Committee

From: Robert Landis, CFO

Date: April 9, 2021

Re: December 2020 Financial Results

The December results reflect a \$836,353 Net Increase in Net Position which is a \$1,715,848 favorable variance to the budget. Listed below are the major variances for the month:

- 1) Total Revenues reflect a \$6.3 million favorable variance primarily due to:
 - A) \$6.4 million favorable variance primarily due to higher than expected budgeted membership.
 - B) \$2.8 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 programs that became effective January 1, 2020 offset against amounts included in 2D below.
 - C) \$1.3 million unfavorable variance in Premium MCO Tax due to a revised reduction in our MCO tax liability rates that occurred with an agreement between CMS and DHCS which is offset against MCO Tax Expense included in Item 4 below.
 - D) \$1.4 million unfavorable variance in Premium-Hospital Directed Payments primarily due to receiving revised 18/19 HDP rates. This amount is offset against amounts included in 2E below.

- 2) Total Medical Costs reflect a \$6.3 million unfavorable variance primarily due to:
 - A) \$1.8 million favorable variance in Physician Services primarily due to lower than expected utilization of Referral Specialty Services.
 - B) \$2.0 million favorable variance in Emergency Room primarily due to lower than expected utilization.
 - C) \$5.6 million unfavorable variance in Inpatient primarily due to higher than expected utilization.

D) \$6.0 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 that became effective January 1, 2020 offset against revenue included in 1B above (\$2.3 million) and Covid-19 provider relief expenses (\$3.8 million).

E) \$1.4 million favorable variance in Hospital Directed Payments primarily due to receiving revised 18/19 HDP rates. This amount is offset against amounts included in 1D above.

3) Total Administrative Expenses reflect a \$1.8 million unfavorable variance primarily due to a \$1.4 million unfavorable variance in Administrative Expense Adjustment relating to a CalPERS net pension liability expense for the period July 1, 2019 to June 30, 2020 required under GASB 68.

4) \$1.3 million favorable variance in MCO Tax due to a revised reduction in our MCO tax liability rates that occurred with an agreement between CMS and DHCS which is partially offset against MCO Tax Premium included in Item 1C above.

The December Medical Loss Ratio is 92.5% which is favorable to the 93.5% budgeted amount. The December Administrative Expense Ratio is 8.2% which is unfavorable to the 6.5% budgeted amount due to the GASB 68 adjustment mention in item 3 above. Excluding this adjustment, the administrative ratio would have been 6.3%.

The results for the 12 months ended December 31, 2020 reflect a Net Increase in Net Position of \$12,393,805. This is a \$21,223,577 favorable variance to budget and includes approximately \$11.5 million of favorable adjustments from the prior year. The year-to-date Medical Loss Ratio is 91.7% which is favorable to the 93.3% budgeted amount. The year-to-date Administrative Expense Ratio is 6.1% which is favorable to the 6.6% budgeted amount.

**Kern Health Systems
Financial Packet
December 2020**

KHS – Medi-Cal Line of Business

| | |
|---|---------|
| Comparative Statement of Net Position | Page 1 |
| Statement of Revenue, Expenses, and Changes in Net Position | Page 2 |
| Statement of Revenue, Expenses, and Changes in Net Position - PMPM | Page 3 |
| Statement of Revenue, Expenses, and Changes in Net Position by Month | Page 4 |
| Statement of Revenue, Expenses, and Changes in Net Position by Month - PMPM | Page 5 |
| Schedule of Revenues | Page 6 |
| Schedule of Medical Costs | Page 7 |
| Schedule of Medical Costs - PMPM | Page 8 |
| Schedule of Medical Costs by Month | Page 9 |
| Schedule of Medical Costs by Month – PMPM | Page 10 |
| Schedule of Administrative Expenses by Department | Page 11 |
| Schedule of Administrative Expenses by Department by Month | Page 12 |

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 |
|----------------------|---------|

| KERN HEALTH SYSTEMS MEDI-CAL STATEMENT OF NET POSITION AS OF DECEMBER 31, 2020 | | | |
|---|-----------------------|-----------------------|----------------------|
| ASSETS | DECEMBER 2020 | NOVEMBER 2020 | INC(DEC) |
| CURRENT ASSETS: | | | |
| Cash and Cash Equivalents | \$ 74,866,934 | \$ 77,825,996 | \$ (2,959,062) |
| Short-Term Investments | 169,078,187 | 154,301,299 | 14,776,888 |
| Premiums Receivable - Net | 97,593,440 | 93,226,885 | 4,366,555 |
| Premiums Receivable - Hospital Direct Payments | 195,667,272 | 185,930,497 | 9,736,775 |
| Interest Receivable | 111,800 | 381,917 | (270,117) |
| Provider Advance Payment | 5,506,518 | 5,746,518 | (240,000) |
| Other Receivables | 999,272 | 1,230,780 | (231,508) |
| Prepaid Expenses & Other Current Assets | 2,223,252 | 1,159,952 | 1,063,300 |
| Total Current Assets | \$ 546,046,675 | \$ 519,803,844 | \$ 26,242,831 |
| CAPITAL ASSETS - NET OF ACCUM DEPREE: | | | |
| Land | 4,090,706 | 4,090,706 | - |
| Furniture and Equipment - Net | 2,121,548 | 2,167,198 | (45,650) |
| Computer Hardware and Software - Net | 14,911,184 | 15,157,865 | (246,681) |
| Building and Building Improvements - Net | 35,348,281 | 35,423,975 | (75,694) |
| Capital Projects in Progress | 12,183,359 | 11,563,748 | 619,611 |
| Total Capital Assets | \$ 68,655,078 | \$ 68,403,492 | \$ 251,586 |
| LONG TERM ASSETS: | | | |
| Restricted Investments | 300,000 | 300,000 | - |
| Officer Life Insurance Receivables | 1,556,944 | 1,503,894 | 53,050 |
| Total Long Term Assets | \$ 1,856,944 | \$ 1,803,894 | \$ 53,050 |
| DEFERRED OUTFLOWS OF RESOURCES | \$ 3,018,341 | \$ 2,889,179 | \$ 129,162 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 619,577,038 | \$ 592,900,409 | \$ 26,676,629 |
| LIABILITIES AND NET POSITION | | | |
| CURRENT LIABILITIES: | | | |
| Accrued Salaries and Employee Benefits | \$ 3,474,673 | \$ 4,015,907 | (541,234) |
| Accrued Other Operating Expenses | 2,054,935 | 1,547,512 | 507,423 |
| Accrued Taxes and Licenses | 26,536,275 | 17,631,626 | 8,904,649 |
| Claims Payable (Reported) | 25,988,208 | 23,081,047 | 2,907,161 |
| IBNR - Inpatient Claims | 33,478,470 | 29,387,438 | 4,091,032 |
| IBNR - Physician Claims | 15,114,732 | 16,238,253 | (1,123,521) |
| IBNR - Accrued Other Medical | 25,003,428 | 25,041,289 | (37,861) |
| Risk Pool and Withholds Payable | 5,005,162 | 5,005,162 | - |
| Statutory Allowance for Claims Processing Expense | 2,225,904 | 2,066,234 | 159,670 |
| Other Liabilities | 49,422,734 | 49,720,472 | (297,738) |
| Accrued Hospital Directed Payments | 195,667,272 | 185,930,497 | 9,736,775 |
| Total Current Liabilities | \$ 383,971,793 | \$ 359,665,437 | \$ 24,306,356 |
| NONCURRENT LIABILITIES: | | | |
| Net Pension Liability | 8,432,377 | 6,564,477 | 1,867,900 |
| TOTAL NONCURRENT LIABILITIES | \$ 8,432,377 | \$ 6,564,477 | \$ 1,867,900 |
| DEFERRED INFLOWS OF RESOURCES | \$ 86,684 | \$ 420,664 | \$ (333,980) |
| NET POSITION: | | | |
| Net Position - Beg. of Year | 214,692,379 | 214,692,379 | - |
| Increase (Decrease) in Net Position - Current Year | 12,393,805 | 11,557,452 | 836,353 |
| Total Net Position | \$ 227,086,184 | \$ 226,249,831 | \$ 836,353 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | \$ 619,577,038 | \$ 592,900,409 | \$ 26,676,629 |

| CURRENT MONTH MEMBERS | | | KERN HEALTH SYSTEMS MEDI-CAL - ALL COA STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION FOR THE MONTH ENDED DECEMBER 31, 2020 | | | YEAR-TO-DATE MEMBER MONTHS | | |
|---------------------------------------|------------|-------------|--|--------------------|----------------------|----------------------------|--------|----------|
| | | | | | | ACTUAL | BUDGET | VARIANCE |
| ENROLLMENT | | | | | | | | |
| 183,143 | 171,900 | 11,243 | Family Members | 2,090,898 | 2,036,400 | 54,498 | | |
| 70,741 | 61,090 | 9,651 | Expansion Members | 779,144 | 733,080 | 46,064 | | |
| 15,677 | 14,730 | 947 | SPD Members | 188,095 | 176,760 | 11,335 | | |
| 7,891 | 6,205 | 1,686 | Other Members | 90,332 | 74,460 | 15,872 | | |
| 10,909 | 8,660 | 2,249 | Kaiser Members | 118,205 | 103,920 | 14,285 | | |
| 288,361 | 262,585 | 25,776 | Total Members - MCAL | 3,266,674 | 3,124,620 | 142,054 | | |
| REVENUES | | | | | | | | |
| 32,216,002 | 27,737,504 | 4,478,498 | Title XIX - Medicaid - Family and Other | 358,586,218 | 330,503,421 | 28,082,797 | | |
| 27,197,954 | 23,145,509 | 4,052,445 | Title XIX - Medicaid - Expansion Members | 295,668,076 | 277,746,111 | 17,921,965 | | |
| 15,504,966 | 14,884,621 | 620,345 | Title XIX - Medicaid - SPD Members | 182,444,049 | 178,615,454 | 3,828,595 | | |
| 8,830,398 | 10,157,000 | (1,326,602) | Premium - MCO Tax | 98,918,724 | 120,828,000 | (21,909,276) | | |
| 9,738,038 | 11,113,880 | (1,375,842) | Premium - Hospital Directed Payments | 107,913,519 | 133,083,820 | (25,170,301) | | |
| 147,197 | 403,496 | (256,299) | Investment Earnings And Other Income | 2,508,382 | 4,800,000 | (2,291,618) | | |
| | 73,638 | (73,638) | Reinsurance Recoveries | - | 876,003 | (876,003) | | |
| (2,692) | - | (2,692) | Rate Adjustments - Hospital Directed Payments | (51,776,089) | - | (51,776,089) | | |
| 226,726 | - | 226,726 | Rate/Income Adjustments | (1,093,042) | - | (1,093,042) | | |
| 93,858,589 | 87,515,649 | 6,342,940 | TOTAL REVENUES | 993,169,837 | 1,046,452,808 | (53,282,971) | | |
| EXPENSES | | | | | | | | |
| Medical Costs: | | | | | | | | |
| 12,660,363 | 14,491,234 | 1,830,871 | Physician Services | 161,329,321 | 172,781,008 | 11,451,687 | | |
| 4,935,401 | 4,658,089 | (277,312) | Other Professional Services | 50,123,357 | 55,618,439 | 5,495,082 | | |
| 3,194,257 | 5,202,479 | 2,008,222 | Emergency Room | 53,283,940 | 61,951,060 | 8,667,120 | | |
| 19,183,080 | 13,592,759 | (5,590,321) | Inpatient | 196,200,624 | 162,271,155 | (33,929,469) | | |
| 77,390 | 73,638 | (3,752) | Reinsurance Expense | 904,111 | 876,003 | (28,108) | | |
| 6,565,195 | 6,587,593 | 22,398 | Outpatient Hospital | 76,997,217 | 78,700,252 | 1,703,035 | | |
| 13,070,247 | 7,076,003 | (5,994,244) | Other Medical | 126,766,744 | 84,351,333 | (42,415,411) | | |
| 9,651,881 | 9,762,500 | 110,619 | Pharmacy | 110,545,817 | 116,680,328 | 6,134,511 | | |
| - | 507,850 | 507,850 | Pay for Performance Quality Incentive | 5,721,372 | 6,041,400 | 320,028 | | |
| - | - | - | Risk Corridor Expense | - | - | - | | |
| 9,738,038 | 11,113,880 | 1,375,842 | Hospital Directed Payments | 107,913,519 | 133,083,820 | 25,170,301 | | |
| (1,263) | - | 1,263 | Hospital Directed Payment Adjustment | (52,015,573) | - | (52,015,573) | | |
| 1,598 | - | (1,598) | Non-Claims Expense Adjustment | (2,453,956) | - | (2,453,956) | | |
| 316,193 | - | (316,193) | IBNR, Incentive, Paid Claims Adjustment | (11,093,983) | - | (11,093,983) | | |
| 79,392,380 | 73,066,026 | (6,326,354) | Total Medical Costs | 824,222,510 | 872,354,797 | 48,132,287 | | |
| 14,466,209 | 14,449,623 | 16,586 | GROSS MARGIN | 168,947,327 | 174,098,011 | (5,150,684) | | |
| Administrative: | | | | | | | | |
| 2,766,869 | 2,662,765 | (104,104) | Compensation | 31,125,056 | 32,037,320 | 912,264 | | |
| 1,172,530 | 863,602 | (308,928) | Purchased Services | 9,801,258 | 10,334,292 | 533,034 | | |
| 39,305 | 119,220 | 79,915 | Supplies | 820,862 | 1,430,519 | 609,657 | | |
| 421,301 | 337,375 | (83,926) | Depreciation | 5,034,206 | 4,002,500 | (1,031,706) | | |
| 351,189 | 348,062 | (3,127) | Other Administrative Expenses | 3,338,727 | 4,202,042 | 863,315 | | |
| 1,407,045 | - | (1,407,045) | Administrative Expense Adjustment | 1,194,816 | - | (1,194,816) | | |
| 6,158,239 | 4,331,024 | (1,827,215) | Total Administrative Expenses | 51,314,925 | 52,006,674 | 691,749 | | |
| 85,550,619 | 77,397,050 | (8,153,569) | TOTAL EXPENSES | 875,537,435 | 924,361,471 | 48,824,036 | | |
| 8,307,970 | 10,118,599 | (1,810,629) | OPERATING INCOME (LOSS) BEFORE TAX | 117,632,402 | 122,091,338 | (4,458,935) | | |
| 8,904,649 | 10,157,000 | 1,252,351 | MCO TAX | 100,919,574 | 120,828,000 | 19,908,426 | | |
| (596,679) | (38,401) | (558,278) | OPERATING INCOME (LOSS) NET OF TAX | 16,712,828 | 1,263,338 | 15,449,491 | | |
| NONOPERATING REVENUE (EXPENSE) | | | | | | | | |
| - | - | - | Gain on Sale of Assets | - | - | - | | |
| 903,360 | (333,334) | 1,236,694 | Provider Recruitment and Retention Grants | (3,180,388) | (4,000,000) | 819,612 | | |
| 529,672 | (507,760) | 1,037,432 | Health Home | (1,138,635) | (6,093,109) | 4,954,474 | | |
| 1,433,032 | (841,094) | 2,274,126 | TOTAL NONOPERATING REVENUE (EXPENSE) | (4,319,023) | (10,093,109) | 5,774,086 | | |
| 836,353 | (879,495) | 1,715,848 | NET INCREASE (DECREASE) IN NET POSITION | 12,393,805 | (8,829,771) | 21,223,577 | | |
| 92.5% | 93.5% | 1.0% | MEDICAL LOSS RATIO | 91.7% | 93.3% | 1.6% | | |
| 8.2% | 6.5% | -1.6% | ADMINISTRATIVE EXPENSE RATIO | 6.1% | 6.6% | 0.4% | | |

KHS3/29/2021
Management Use Only

| CURRENT MONTH | | | KERN HEALTH SYSTEMS MEDI-CAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - PMPM FOR THE MONTH ENDED DECEMBER 31, 2020 | | | YEAR-TO-DATE | | |
|---------------------------------------|----------|---------|---|-----------|-----------|--------------|--------|----------|
| | | | ACTUAL | BUDGET | VARIANCE | ACTUAL | BUDGET | VARIANCE |
| ENROLLMENT | | | | | | | | |
| 183,143 | 171,900 | 11,243 | Family Members | 2,090,898 | 2,036,400 | 54,498 | | |
| 70,741 | 61,090 | 9,651 | Expansion Members | 779,144 | 733,080 | 46,064 | | |
| 15,677 | 14,730 | 947 | SPD Members | 188,095 | 176,760 | 11,335 | | |
| 7,891 | 6,205 | 1,686 | Other Members | 90,332 | 74,460 | 15,872 | | |
| 10,909 | 8,660 | 2,249 | Kaiser Members | 118,205 | 103,920 | 14,285 | | |
| 288,361 | 262,585 | 25,776 | Total Members - MCAL | 3,266,674 | 3,124,620 | 142,054 | | |
| REVENUES | | | | | | | | |
| 168.64 | 155.74 | 12.90 | Title XIX - Medicaid - Family and Other | 164.40 | 156.57 | 7.82 | | |
| 384.47 | 378.88 | 5.60 | Title XIX - Medicaid - Expansion Members | 379.48 | 378.88 | 0.60 | | |
| 989.03 | 1,010.50 | (21.47) | Title XIX - Medicaid - SPD Members | 969.96 | 1,010.50 | (40.54) | | |
| 31.83 | 40.00 | (8.17) | Premium - MCO Tax | 31.42 | 40.00 | (8.58) | | |
| 35.10 | 43.77 | (8.67) | Premium - Hospital Directed Payments | 34.27 | 44.06 | (9.78) | | |
| 0.53 | 1.59 | (1.06) | Investment Earnings And Other Income | 0.80 | 1.59 | (0.79) | | |
| 0.00 | 0.29 | (0.29) | Reinsurance Recoveries | 0.00 | 0.29 | (0.29) | | |
| (0.01) | 0.00 | (0.01) | Rate Adjustments - Hospital Directed Payments | (16.44) | 0.00 | (16.44) | | |
| 0.82 | 0.00 | 0.82 | Rate/Income Adjustments | (0.35) | 0.00 | (0.35) | | |
| 338.29 | 344.65 | (6.36) | TOTAL REVENUES | 315.45 | 346.43 | (30.98) | | |
| EXPENSES | | | | | | | | |
| Medical Costs: | | | | | | | | |
| 45.63 | 57.07 | 11.44 | Physician Services | 51.24 | 57.20 | 5.96 | | |
| 17.79 | 18.34 | 0.56 | Other Professional Services | 15.92 | 18.41 | 2.49 | | |
| 11.51 | 20.49 | 8.98 | Emergency Room | 16.92 | 20.51 | 3.59 | | |
| 69.14 | 53.53 | (15.61) | Inpatient | 62.32 | 53.72 | (8.60) | | |
| 0.28 | 0.29 | 0.01 | Reinsurance Expense | 0.29 | 0.29 | 0.00 | | |
| 23.66 | 25.94 | 2.28 | Outpatient Hospital | 24.46 | 26.05 | 1.60 | | |
| 47.11 | 27.87 | (19.24) | Other Medical | 40.26 | 27.92 | (12.34) | | |
| 34.79 | 38.45 | 3.66 | Pharmacy | 35.11 | 38.63 | 3.52 | | |
| 0.00 | 2.00 | 2.00 | Pay for Performance Quality Incentive | 1.82 | 2.00 | 0.18 | | |
| 0.00 | 0.00 | 0.00 | Risk Corridor Expense | 0.00 | 0.00 | 0.00 | | |
| 35.10 | 43.77 | 8.67 | Hospital Directed Payments | 34.27 | 44.06 | 9.78 | | |
| (0.00) | 0.00 | 0.00 | Hospital Directed Payment Adjustment | (16.52) | 0.00 | 16.52 | | |
| 0.01 | 0.00 | (0.01) | Non-Claims Expense Adjustment | (0.78) | 0.00 | 0.78 | | |
| 1.14 | 0.00 | (1.14) | IBNR, Incentive, Paid Claims Adjustment | (3.52) | 0.00 | 3.52 | | |
| 286.15 | 287.75 | 1.60 | Total Medical Costs | 261.79 | 288.79 | 27.01 | | |
| 52.14 | 56.91 | (4.77) | GROSS MARGIN | 53.66 | 57.63 | (3.97) | | |
| Administrative: | | | | | | | | |
| 9.97 | 10.49 | 0.51 | Compensation | 9.89 | 10.61 | 0.72 | | |
| 4.23 | 3.40 | (0.83) | Purchased Services | 3.11 | 3.42 | 0.31 | | |
| 0.14 | 0.47 | 0.33 | Supplies | 0.26 | 0.47 | 0.21 | | |
| 1.52 | 1.33 | (0.19) | Depreciation | 1.60 | 1.33 | (0.27) | | |
| 1.27 | 1.37 | 0.10 | Other Administrative Expenses | 1.06 | 1.39 | 0.33 | | |
| 5.07 | 0.00 | (5.07) | Administrative Expense Adjustment | 0.38 | 0.00 | (0.38) | | |
| 22.20 | 17.06 | (5.14) | Total Administrative Expenses | 16.30 | 17.22 | 0.92 | | |
| 308.34 | 304.80 | (3.54) | TOTAL EXPENSES | 278.08 | 306.01 | 27.93 | | |
| 29.94 | 39.85 | (9.90) | OPERATING INCOME (LOSS) BEFORE TAX | 37.36 | 40.42 | (3.06) | | |
| 32.09 | 40.00 | 7.91 | MCO TAX | 32.05 | 40.00 | 7.95 | | |
| (2.15) | (0.15) | (2.00) | OPERATING INCOME (LOSS) NET OF TAX | 5.31 | 0.42 | 4.89 | | |
| NONOPERATING REVENUE (EXPENSE) | | | | | | | | |
| 0.00 | 0.00 | 0.00 | Gain on Sale of Assets | 0.00 | 0.00 | 0.00 | | |
| 3.26 | (1.31) | 4.57 | Reserve Fund Projects/Community Grants | (1.01) | (1.32) | 0.31 | | |
| 1.91 | (2.00) | 3.91 | Health Home | (0.36) | (2.02) | 1.66 | | |
| 5.16 | (3.31) | 8.48 | TOTAL NONOPERATING REVENUE (EXPENSE) | (1.37) | (3.34) | 1.97 | | |
| 3.01 | (3.46) | 6.48 | NET INCREASE (DECREASE) IN NET POSITION | 3.94 | (2.92) | 6.86 | | |
| 92.5% | 93.5% | 1.0% | MEDICAL LOSS RATIO | 91.7% | 93.3% | 1.6% | | |
| 8.2% | 6.5% | -1.6% | ADMINISTRATIVE EXPENSE RATIO | 6.1% | 6.6% | 0.4% | | |

KHS Finance Committee Meeting, April 9, 2021

| KERN HEALTH SYSTEMS MEDICAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - PMPM ROLLING 13 MONTHS THROUGH DECEMBER 31, 2020 | DECEMBER 2019 | JANUARY 2020 | FEBRUARY 2020 | MARCH 2020 | APRIL 2020 | MAY 2020 | JUNE 2020 | JULY 2020 | AUGUST 2020 | SEPTEMBER 2020 | OCTOBER 2020 | NOVEMBER 2020 | DECEMBER 2020 | 13 MONTH TOTAL |
|--|------------------|-----------------|------------------|---------------|---------------|-------------|--------------|--------------|----------------|-------------------|-----------------|------------------|------------------|-------------------|
| ENROLLMENT | | | | | | | | | | | | | | |
| Members - MCAL | 249,381 | 248,640 | 250,007 | 251,552 | 252,950 | 256,134 | 259,592 | 261,732 | 264,749 | 278,100 | 272,481 | 275,080 | 277,452 | 3,397,850 |
| REVENUES | | | | | | | | | | | | | | |
| Title XIX - Medicaid - Family and Other | 162.50 | 162.42 | 161.68 | 163.16 | 157.08 | 158.57 | 169.56 | 165.45 | 166.87 | 166.16 | 173.40 | 164.62 | 168.64 | 164.26 |
| Title XIX - Medicaid - Expansion Members | 410.96 | 386.25 | 387.18 | 388.37 | 369.04 | 373.98 | 388.48 | 377.98 | 376.19 | 379.54 | 393.46 | 371.41 | 384.47 | 381.73 |
| Title XIX - Medicaid - SPD Members | 1,000.74 | 958.75 | 975.52 | 973.74 | 930.77 | 938.61 | 987.39 | 981.08 | 972.23 | 972.22 | 945.03 | 1,012.68 | 989.03 | 972.27 |
| Premium - MCO Tax (209.68) | 0.00 | 0.00 | 64.63 | 30.16 | 31.29 | 30.90 | 30.91 | 31.47 | 31.48 | 29.96 | 33.64 | 30.61 | 31.83 | 13.72 |
| Premium - Hospital Directed Payments | 546.01 | 453.35 | 45.56 | 45.70 | 45.92 | 45.35 | 46.80 | (33.85) | 34.42 | 32.77 | 36.53 | 33.86 | 35.10 | 71.83 |
| Investment Earnings And Other Income | 2.93 | 0.76 | 1.21 | 1.69 | 1.05 | 1.26 | 0.24 | 1.21 | 0.66 | (0.05) | 0.56 | 0.61 | 0.53 | 0.95 |
| 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 | 406.58 | 0.48 | 0.24 | 0.17 | 0.14 | 0.14 | (0.04) | (198.96) | 0.02 | 0.01 | 0.00 | 0.04 | (0.01) | 14.60 |
| Rate/Income Adjustments (1.57) | 3.30 | 3.24 | 2.45 | (17.91) | 1.74 | 1.84 | 1.84 | 0.52 | 1.10 | 0.25 | (2.14) | 0.46 | 0.82 | (0.44) |
| TOTAL REVENUES | 1,017.92 | 316.41 | 381.55 | 348.16 | 317.99 | 339.12 | 352.88 | 66.89 | 334.29 | 317.10 | 345.36 | 328.88 | 338.29 | 367.00 |
| EXPENSES | | | | | | | | | | | | | | |
| Medical Costs: | | | | | | | | | | | | | | |
| Physician Services | 62.38 | 59.35 | 55.49 | 57.05 | 49.10 | 48.53 | 45.48 | 51.04 | 49.61 | 52.19 | 51.96 | 50.41 | 45.63 | 52.06 |
| Other Professional Services | 17.53 | 17.43 | 15.87 | 16.00 | 15.45 | 13.62 | 13.04 | 16.89 | 17.45 | 17.41 | 13.97 | 15.96 | 17.79 | 16.04 |
| Emergency Room | 18.97 | 21.02 | 21.03 | 21.35 | 15.08 | 16.45 | 12.96 | 13.95 | 18.18 | 17.71 | 17.67 | 16.86 | 11.51 | 17.07 |
| Inpatient | 57.94 | 59.97 | 55.57 | 58.61 | 63.24 | 56.26 | 65.93 | 65.27 | 62.83 | 64.29 | 62.89 | 62.57 | 69.14 | 61.99 |
| Reinsurance Expense | 0.51 | 0.29 | 0.58 | (0.00) | 0.31 | 0.27 | 0.28 | 0.29 | 0.29 | 0.28 | 0.28 | 0.31 | 0.28 | 0.30 |
| Outpatient Hospital | 19.12 | 27.08 | 24.82 | 26.10 | 24.79 | 20.30 | 24.84 | 24.63 | 26.04 | 24.47 | 24.42 | 22.58 | 23.66 | 24.06 |
| Other Hospital | 26.66 | 22.77 | 40.08 | 42.35 | 34.92 | 42.40 | 35.44 | 43.96 | 34.20 | 50.46 | 47.40 | 39.84 | 47.11 | 39.26 |
| Pharmacy | 37.16 | 40.10 | 36.98 | 40.99 | 34.27 | 33.64 | 32.03 | 33.55 | 34.68 | 35.34 | 33.98 | 31.69 | 34.79 | 35.26 |
| Pay for Performance Quality Incentive | 2.00 | 2.00 | 2.00 | 2.00 | 2.02 | 1.98 | 2.00 | 2.00 | 2.00 | 1.90 | 2.04 | 1.98 | 0.00 | 1.83 |
| Risk Corridor Expense | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 18.11 | (7.64) | 0.00 | (9.71) | 0.00 | 0.00 | 0.00 |
| Hospital Directed Payments | 546.01 | 453.35 | 45.56 | 45.70 | 45.92 | 45.35 | 46.80 | (33.85) | 34.42 | 32.77 | 36.53 | 33.86 | 35.10 | 71.83 |
| Hospital Directed Payment Adjustment | 405.62 | 0.48 | 0.24 | 0.17 | 0.14 | 0.14 | (0.04) | (198.96) | (0.88) | 0.02 | 0.00 | 0.02 | (0.00) | 14.46 |
| Non-Claims Expense Adjustment | 0.02 | 0.23 | 0.93 | (6.30) | 0.01 | 0.66 | (1.25) | (0.09) | (0.00) | (2.80) | 0.02 | (0.76) | 0.01 | (0.72) |
| IBNR, Incentive, Paid Claims Adjustment (1.04) | 0.00 | (0.03) | (10.53) | (17.57) | 0.05 | (1.64) | 1.32 | (0.46) | (15.53) | (0.02) | 0.75 | 1.14 | (3.34) | |
| Total Medical Costs | 1,192.88 | 296.10 | 299.13 | 293.50 | 267.65 | 279.64 | 293.97 | 12.34 | 278.36 | 268.81 | 291.15 | 276.06 | 286.15 | 330.12 |
| GROSS MARGIN | (174.96) | 20.32 | 82.43 | 54.66 | 50.34 | 59.47 | 58.91 | 54.55 | 55.93 | 48.29 | 54.21 | 52.82 | 52.14 | 36.88 |
| Administrative: | | | | | | | | | | | | | | |
| Compensation | 10.38 | 10.37 | 9.63 | 9.73 | 10.59 | 9.28 | 10.92 | 10.44 | 9.81 | 9.48 | 9.59 | 8.93 | 9.97 | 9.92 |
| Purchased Services | 5.45 | 3.24 | 2.91 | 3.45 | 2.55 | 3.53 | 4.40 | 3.29 | 3.10 | 1.52 | 2.53 | 2.71 | 4.23 | 3.28 |
| Supplies | (0.03) | 0.14 | 0.60 | 0.40 | 0.24 | 0.23 | 0.11 | 0.27 | 0.24 | 0.26 | 0.13 | 0.39 | 0.14 | 0.24 |
| Depreciation | 1.22 | 1.16 | 1.15 | 1.19 | 1.19 | 3.61 | 1.61 | 1.60 | 1.58 | 1.51 | 1.54 | 1.53 | 1.52 | 1.57 |
| Other Administrative Expenses | 1.38 | 1.42 | 0.73 | 1.07 | 1.75 | 0.87 | 1.33 | 0.92 | 0.96 | 1.07 | 0.51 | 0.88 | 1.27 | 1.08 |
| Administrative Expense Adjustment | 5.31 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (0.82) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5.07 | 0.74 |
| Total Administrative Expenses | 23.72 | 16.33 | 15.01 | 15.84 | 16.31 | 17.51 | 17.56 | 16.51 | 15.69 | 13.83 | 14.30 | 14.44 | 22.20 | 16.84 |
| TOTAL EXPENSES | 1,216.60 | 312.43 | 314.14 | 309.34 | 283.96 | 297.16 | 311.53 | 28.85 | 294.05 | 282.64 | 305.45 | 290.50 | 308.34 | 346.96 |
| OPERATING INCOME (LOSS) BEFORE TAX | (198.68) | 3.99 | 67.41 | 38.82 | 34.03 | 41.96 | 41.35 | 38.04 | 40.24 | 34.46 | 39.91 | 38.39 | 29.94 | 20.04 |
| MCO TAX (212.37) | 0.00 | 0.00 | 64.63 | 30.16 | 31.29 | 30.90 | 30.49 | 34.02 | 33.64 | 32.02 | 32.68 | 32.37 | 32.09 | 14.11 |
| OPERATING INCOME (LOSS) NET OF TAX | 13.69 | 3.99 | 2.78 | 8.66 | 2.73 | 11.05 | 10.86 | 4.02 | 6.60 | 2.44 | 7.23 | 6.01 | (2.15) | 5.92 |
| TOTAL NONOPERATING REVENUE (EXPENSE) | (1.71) | (3.79) | (2.28) | (4.28) | 1.68 | (2.29) | (1.85) | 1.77 | (2.60) | (0.64) | (4.36) | (3.39) | 5.16 | (1.40) |
| NET INCREASE (DECREASE) IN NET POSITION | 11.98 | 0.20 | 0.50 | 4.38 | 4.41 | 8.76 | 9.01 | 5.78 | 4.01 | 1.81 | 2.87 | 2.63 | 3.01 | 4.53 |
| MEDICAL LOSS RATIO | 87.7% | 92.5% | 93.4% | 91.0% | 92.1% | 89.1% | 89.8% | 91.4% | 91.2% | 92.8% | 92.5% | 91.6% | 92.5% | 91.4% |
| ADMINISTRATIVE EXPENSE RATIO | 8.6% | 6.0% | 5.5% | 5.8% | 6.8% | 6.7% | 6.4% | 6.2% | 5.8% | 5.4% | 5.2% | 5.5% | 8.2% | 6.3% |

| CURRENT MONTH | | | KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF REVENUES - ALL COA FOR THE MONTH ENDED DECEMBER 31, 2020 | YEAR-TO-DATE | | |
|---------------|------------|-----------|--|--------------|-------------|-------------|
| ACTUAL | BUDGET | VARIANCE | | ACTUAL | BUDGET | VARIANCE |
| | | | REVENUES | | | |
| | | | Title XIX - Medicaid - Family & Other | | | |
| 25,208,935 | 22,380,311 | 2,828,624 | Premium - Medi-Cal | 278,680,092 | 266,640,300 | 12,039,792 |
| 2,162,393 | 2,375,503 | (213,110) | Premium - Maternity Kick | 28,345,862 | 28,506,036 | (160,174) |
| 83,691 | 74,145 | 9,546 | Premium - Hep C Kick | 724,444 | 878,748 | (154,304) |
| 517,514 | 607,441 | (89,927) | Premium - BHT Kick | 4,990,388 | 7,199,255 | (2,208,867) |
| 204,206 | 318,799 | (114,593) | Premium - Health Home Kick | 2,158,083 | 3,778,332 | (1,620,249) |
| 3,613,689 | 1,728,475 | 1,885,214 | Premium - Provider Enhancement | 40,388,365 | 20,484,300 | 19,904,065 |
| 177,982 | 158,519 | 19,463 | Premium - Ground Emergency Medical Transportation | 1,972,977 | 1,887,202 | 85,775 |
| 137,706 | - | 137,706 | Premium - Behavioral Health Integration Program | 137,706 | - | 137,706 |
| 109,886 | 94,311 | 15,575 | Other | 1,188,301 | 1,129,248 | 59,053 |
| 32,216,002 | 27,737,504 | 4,478,498 | Total Title XIX - Medicaid - Family & Other | 358,586,218 | 330,503,421 | 28,082,797 |
| | | | Title XIX - Medicaid - Expansion Members | | | |
| 24,593,677 | 21,183,611 | 3,410,066 | Premium - Medi-Cal | 267,589,247 | 254,203,333 | 13,385,914 |
| 265,443 | 214,189 | 51,254 | Premium - Maternity Kick | 3,004,172 | 2,570,269 | 433,903 |
| 240,609 | 303,377 | (62,768) | Premium - Hep C Kick | 2,819,315 | 3,640,525 | (821,210) |
| 392,566 | 519,998 | (127,432) | Premium - Health Home Kick | 4,167,547 | 6,239,977 | (2,072,430) |
| 1,439,612 | 742,244 | 697,369 | Premium - Provider Enhancement | 15,694,704 | 8,906,927 | 6,787,778 |
| 181,599 | 152,964 | 28,635 | Premium - Ground Emergency Medical Transportation | 1,979,203 | 1,835,568 | 143,635 |
| 50,991 | - | 50,991 | Premium - Behavioral Health Integration Program | 50,991 | - | 50,991 |
| 33,457 | 29,126 | 4,331 | Other | 362,897 | 349,512 | 13,385 |
| 27,197,954 | 23,145,509 | 4,052,445 | Total Title XIX - Medicaid - Expansion Members | 295,668,076 | 277,746,111 | 17,921,965 |
| | | | Title XIX - Medicaid - SPD Members | | | |
| 13,749,355 | 13,148,587 | 600,768 | Premium - Medi-Cal | 163,507,253 | 157,783,045 | 5,724,208 |
| 104,613 | 94,152 | 10,461 | Premium - Hep C Kick | 1,323,352 | 1,129,824 | 193,528 |
| 531,772 | 818,847 | (287,075) | Premium - BHT Kick | 6,238,606 | 9,826,164 | (3,587,558) |
| 504,829 | 416,635 | 88,194 | Premium - Health Home Kick | 4,185,688 | 4,999,620 | (813,932) |
| 463,574 | 282,521 | 181,053 | Premium - Provider Enhancement | 5,518,712 | 3,390,252 | 2,128,460 |
| 139,522 | 123,879 | 15,643 | Premium - Ground Emergency Medical Transportation | 1,659,137 | 1,486,548 | 172,589 |
| 11,301 | - | 11,301 | Premium - Behavioral Health Integration Program | 11,301 | - | 11,301 |
| 15,504,966 | 14,884,621 | 620,345 | Total Title XIX - Medicaid - SPD Members | 182,444,049 | 178,615,453 | 3,828,596 |

| CURRENT MONTH | | | KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS - ALL COA FOR THE MONTH ENDED DECEMBER 31, 2020 | YEAR-TO-DATE | | |
|------------------------------------|------------|-------------|---|--------------|-------------|--------------|
| ACTUAL | BUDGET | VARIANCE | | ACTUAL | BUDGET | VARIANCE |
| PHYSICIAN SERVICES | | | | | | |
| 3,149,306 | 2,899,018 | (250,288) | Primary Care Physician Services | 33,584,705 | 34,497,932 | 913,227 |
| 8,104,692 | 10,141,905 | 2,037,213 | Referral Specialty Services | 111,914,403 | 121,039,398 | 9,125,395 |
| 1,397,065 | 1,441,011 | 43,946 | Urgent Care & After Hours Advise | 15,720,813 | 17,133,879 | 1,413,066 |
| 9,300 | 9,300 | - | Hospital Admitting Team | 109,800 | 109,800 | - |
| 12,660,363 | 14,491,234 | 1,830,871 | TOTAL PHYSICIAN SERVICES | 161,329,321 | 172,781,008 | 11,451,687 |
| OTHER PROFESSIONAL SERVICES | | | | | | |
| 280,205 | 272,397 | (7,808) | Vision Service Capitation | 3,312,525 | 3,251,683 | (60,842) |
| 202,794 | 212,779 | 9,985 | 221 - Business Intelligence | 2,484,467 | 2,553,348 | 68,881 |
| 576,533 | 560,329 | (16,204) | 310 - Health Services - Utilization Management - UM Allocation * | 6,940,669 | 6,671,968 | (268,701) |
| 122,403 | 169,507 | 47,104 | 311 - Health Services - Quality Improvement - UM Allocation * | 1,714,160 | 2,034,046 | 319,886 |
| 125,888 | 127,991 | 2,103 | 312 - Health Services - Education - UM Allocation * | 1,390,735 | 1,535,888 | 145,153 |
| 87,073 | 94,630 | 7,557 | 313 - Health Services - Pharmacy - UM Allocation * | 1,015,587 | 1,135,565 | 119,978 |
| 133,500 | 139,492 | 5,992 | 314 - Health Homes - UM Allocation * | 1,320,504 | 1,629,491 | 308,987 |
| 266,254 | 258,856 | (7,398) | 315 - Case Management - UM Allocation * | 3,167,483 | 3,106,275 | (61,208) |
| 59,314 | 61,775 | 2,461 | 616 - Disease Management - UM Allocation * | 717,270 | 741,297 | 24,027 |
| 1,309,847 | 1,426,288 | 116,441 | Behavior Health Treatment | 11,877,951 | 17,025,420 | 5,147,469 |
| 133,466 | 171,520 | 38,054 | Mental Health Services | 1,431,695 | 2,050,521 | 618,826 |
| 1,638,124 | 1,162,525 | (475,599) | Other Professional Services | 14,750,311 | 13,882,937 | (867,374) |
| 4,935,401 | 4,658,089 | (277,312) | TOTAL OTHER PROFESSIONAL SERVICES | 50,123,357 | 55,618,439 | 5,495,082 |
| 3,194,257 | 5,202,479 | 2,008,222 | EMERGENCY ROOM | 53,283,940 | 61,951,060 | 8,667,120 |
| 19,183,080 | 13,592,759 | (5,590,321) | INPATIENT HOSPITAL | 196,200,624 | 162,271,155 | (33,929,469) |
| 77,390 | 73,638 | (3,752) | REINSURANCE EXPENSE PREMIUM | 904,111 | 876,003 | (28,108) |
| 6,565,195 | 6,587,593 | 22,398 | OUTPATIENT HOSPITAL SERVICES | 76,997,217 | 78,700,252 | 1,703,035 |
| OTHER MEDICAL | | | | | | |
| 1,216,505 | 1,556,311 | 339,806 | Ambulance and NEMT | 14,928,009 | 18,575,529 | 3,647,520 |
| 546,590 | 391,165 | (155,425) | Home Health Services & CBAS | 5,469,205 | 4,676,179 | (793,026) |
| 429,853 | 511,873 | 82,020 | Utilization and Quality Review Expenses | 3,164,784 | 6,024,354 | 2,859,570 |
| 1,568,567 | 941,837 | (626,730) | Long Term/SNF/Hospice | 15,568,858 | 11,275,540 | (4,293,318) |
| (42,600) | 485,601 | 528,201 | Health Home Capitation & Incentive | 2,439,535 | 5,808,932 | 3,369,397 |
| 5,029,190 | 2,753,854 | (2,275,336) | Provider Enhancement Expense - Prop. 56 | 58,793,786 | 32,781,481 | (26,012,305) |
| 480,982 | 435,362 | (45,620) | Provider Enhancement Expense - GEMT | 5,362,387 | 5,209,318 | (153,069) |
| 3,841,160 | - | (3,841,160) | Provider COVID-19 Expenses | 21,040,180 | - | (21,040,180) |
| 13,070,247 | 7,076,003 | (5,994,244) | TOTAL OTHER MEDICAL | 126,766,744 | 84,351,333 | (42,415,411) |
| PHARMACY SERVICES | | | | | | |
| 8,657,426 | 8,743,981 | 86,555 | RX - Drugs & OTC | 99,509,583 | 104,500,319 | 4,990,736 |
| 334,193 | 471,673 | 137,480 | RX - HEP-C | 3,776,146 | 5,649,091 | 1,872,945 |
| 852,003 | 692,828 | (159,175) | Rx - DME | 8,697,421 | 8,280,917 | (416,504) |
| (191,741) | (145,983) | 45,758 | RX - Pharmacy Rebates | (1,437,333) | (1,750,000) | (312,667) |
| 9,651,881 | 9,762,500 | 110,619 | TOTAL PHARMACY SERVICES | 110,545,817 | 116,680,328 | 6,134,511 |
| - | 507,850 | 507,850 | PAY FOR PERFORMANCE QUALITY INCENTIVE | 5,721,372 | 6,041,400 | 320,028 |
| - | - | - | RISK CORRIDOR EXPENSE | - | - | - |
| 9,738,038 | 11,113,880 | 1,375,842 | HOSPITAL DIRECTED PAYMENTS | 107,913,519 | 133,083,820 | 25,170,301 |
| (1,263) | - | 1,263 | HOSPITAL DIRECTED PAYMENT ADJUSTMENT | (52,015,573) | - | 52,015,573 |
| 1,598 | - | (1,598) | NON-CLAIMS EXPENSE ADJUSTMENT | (2,453,956) | - | 2,453,956 |
| 316,193 | - | (316,193) | IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT | (11,093,983) | - | 11,093,983 |
| 79,392,380 | 73,066,026 | (6,326,354) | Total Medical Costs | 824,222,510 | 872,354,797 | 48,132,287 |

* 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, 2020 | YEAR-TO-DATE | | |
|------------------------------------|--------|----------|--|--------------|--------|----------|
| ACTUAL | BUDGET | VARIANCE | | ACTUAL | BUDGET | VARIANCE |
| PHYSICIAN SERVICES | | | | | | |
| 11.35 | 11.42 | 0.07 | Primary Care Physician Services | 10.67 | 11.42 | 0.75 |
| 29.21 | 39.94 | 10.73 | Referral Specialty Services | 35.55 | 40.07 | 4.52 |
| 5.04 | 5.67 | 0.64 | Urgent Care & After Hours Advise | 4.99 | 5.67 | 0.68 |
| 0.03 | 0.04 | 0.00 | Hospital Admitting Team | 0.03 | 0.04 | 0.00 |
| 45.63 | 57.07 | 11.44 | TOTAL PHYSICIAN SERVICES | 51.24 | 57.20 | 5.96 |
| OTHER PROFESSIONAL SERVICES | | | | | | |
| 1.01 | 1.07 | 0.06 | Vision Service Capitation | 1.05 | 1.08 | 0.02 |
| 0.73 | 0.84 | 0.11 | 221 - Business Intelligence | 0.79 | 0.85 | 0.06 |
| 2.08 | 2.21 | 0.13 | 310 - Health Services - Utilization Management - UM Allocation * | 2.20 | 2.21 | 0.00 |
| 0.44 | 0.67 | 0.23 | 311 - Health Services - Quality Improvement - UM Allocation * | 0.54 | 0.67 | 0.13 |
| 0.45 | 0.50 | 0.05 | 312 - Health Services - Education - UM Allocation * | 0.44 | 0.51 | 0.07 |
| 0.31 | 0.37 | 0.06 | 313 - Health Services - Pharmacy - UM Allocation * | 0.32 | 0.38 | 0.05 |
| 0.48 | 0.55 | 0.07 | 314 - Health Homes - UM Allocation * | 0.42 | 0.54 | 0.12 |
| 0.96 | 1.02 | 0.06 | 315 - Case Management - UM Allocation * | 1.01 | 1.03 | 0.02 |
| 0.21 | 0.24 | 0.03 | 616 - Disease Management - UM Allocation * | 0.23 | 0.25 | 0.02 |
| 4.72 | 5.62 | 0.90 | Behavior Health Treatment | 3.77 | 5.64 | 1.86 |
| 0.48 | 0.68 | 0.19 | Mental Health Services | 0.45 | 0.68 | 0.22 |
| 5.90 | 4.58 | (1.33) | Other Professional Services | 4.68 | 4.60 | (0.09) |
| 17.79 | 18.34 | 0.56 | TOTAL OTHER PROFESSIONAL SERVICES | 15.92 | 18.41 | 2.49 |
| 11.51 | 20.49 | 8.98 | EMERGENCY ROOM | 16.92 | 20.51 | 3.59 |
| 69.14 | 53.53 | (15.61) | INPATIENT HOSPITAL | 62.32 | 53.72 | (8.60) |
| 0.28 | 0.29 | 0.01 | REINSURANCE EXPENSE PREMIUM | 0.29 | 0.29 | 0.00 |
| 23.66 | 25.94 | 2.28 | OUTPATIENT HOSPITAL SERVICES | 24.46 | 26.05 | 1.60 |
| OTHER MEDICAL | | | | | | |
| 4.38 | 6.13 | 1.74 | Ambulance and NEMT | 4.74 | 6.15 | 1.41 |
| 1.97 | 1.54 | (0.43) | Home Health Services & CBAS | 1.74 | 1.55 | (0.19) |
| 1.55 | 2.02 | 0.47 | Utilization and Quality Review Expenses | 1.01 | 1.99 | 0.99 |
| 5.65 | 3.71 | (1.94) | Long Term/SNF/Hospice | 4.94 | 3.73 | (1.21) |
| (0.15) | 1.91 | 2.07 | Health Home Capitation & Incentive | 0.77 | 1.92 | 1.15 |
| 18.13 | 10.85 | (7.28) | Provider Enhancement Expense - Prop. 56 | 18.67 | 10.85 | (7.82) |
| 1.73 | 1.71 | (0.02) | Provider Enhancement Expense - GEMT | 1.70 | 1.72 | 0.02 |
| 13.84 | 0.00 | (13.84) | Provider COVID-19 Expenses | 6.68 | 0.00 | (6.68) |
| 47.11 | 27.87 | (19.24) | TOTAL OTHER MEDICAL | 40.26 | 27.92 | (12.34) |
| PHARMACY SERVICES | | | | | | |
| 31.20 | 34.44 | 3.23 | RX - Drugs & OTC | 31.61 | 34.59 | 2.99 |
| 1.20 | 1.86 | 0.65 | RX - HEP-C | 1.20 | 1.87 | 0.67 |
| 3.07 | 2.73 | (0.34) | Rx - DME | 2.76 | 2.74 | (0.02) |
| (0.69) | (0.57) | 0.12 | RX - Pharmacy Rebates | (0.46) | (0.58) | (0.12) |
| 34.79 | 38.45 | 3.66 | TOTAL PHARMACY SERVICES | 35.11 | 38.63 | 3.52 |
| - | 2.00 | 2.00 | PAY FOR PERFORMANCE QUALITY INCENTIVE | 1.82 | 2.00 | 0.18 |
| 0.00 | 0.00 | 0.00 | RISK CORRIDOR EXPENSE | 0.00 | 0.00 | 0.00 |
| 35.10 | 43.77 | 8.67 | HOSPITAL DIRECTED PAYMENTS | 34.27 | 44.06 | 9.78 |
| (0.00) | 0.00 | 0.00 | HOSPITAL DIRECTED PAYMENT ADJUSTMENT | (16.52) | 0.00 | 16.52 |
| 0.01 | 0.00 | (0.01) | NON-CLAIMS EXPENSE ADJUSTMENT | (0.78) | 0.00 | 0.78 |
| 1.14 | 0.00 | (1.14) | IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT | (3.52) | 0.00 | 3.52 |
| 286.15 | 287.75 | 1.60 | Total Medical Costs | 261.79 | 288.79 | 27.01 |

* Medical costs per DMHC regulations

KHS Finance Committee Meeting, April 9, 2021

| KERN HEALTH SYSTEMS MEDICAL SCHEDULE OF MEDICAL COSTS BY MONTH THROUGH DECEMBER 31, 2020 | JANUARY 2020 | FEBRUARY 2020 | MARCH 2020 | APRIL 2020 | MAY 2020 | JUNE 2020 | JULY 2020 | AUGUST 2020 | SEPTEMBER 2020 | OCTOBER 2020 | NOVEMBER 2020 | DECEMBER 2020 | YEAR TO DATE 2020 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| PHYSICIAN SERVICES | | | | | | | | | | | | | |
| Primary Care Physician Services | 2,098,272 | 3,164,661 | 2,861,899 | 2,953,514 | 2,417,265 | 2,336,317 | 2,930,685 | 3,346,613 | 2,809,219 | 2,765,243 | 2,941,771 | 3,149,306 | 33,584,705 |
| Referral Specialty Services | 10,425,085 | 8,803,273 | 10,044,984 | 8,437,260 | 8,955,919 | 8,510,414 | 9,270,830 | 9,094,353 | 10,281,444 | 10,322,176 | 9,663,573 | 8,104,692 | 111,914,003 |
| Urgent Care & After Hours Advice | 1,414,889 | 1,896,664 | 1,435,097 | 1,019,114 | 1,047,424 | 950,870 | 1,146,821 | 1,683,928 | 1,414,358 | 1,061,055 | 1,253,528 | 1,397,605 | 15,720,813 |
| Hospital Admitting Team | 9,300 | 8,700 | 9,300 | 9,000 | 9,300 | 9,000 | 9,300 | 9,300 | 9,300 | 9,300 | 9,000 | 9,300 | 109,800 |
| TOTAL PHYSICIAN SERVICES | 14,257,546 | 13,873,238 | 14,351,280 | 12,418,888 | 12,429,908 | 11,806,601 | 13,357,636 | 13,134,194 | 14,514,021 | 14,157,774 | 13,867,872 | 12,660,363 | 161,329,321 |
| OTHER PROFESSIONAL SERVICES | | | | | | | | | | | | | |
| Vision Service Capitation | 299,489 | 261,072 | 261,072 | 263,942 | 267,033 | 265,598 | 272,284 | 276,202 | 278,450 | 281,154 | 306,024 | 280,205 | 3,312,525 |
| 221 - Business Intelligence | 199,939 | 204,745 | 195,081 | 233,961 | 195,184 | 234,246 | 214,511 | 209,784 | 225,505 | 191,532 | 177,185 | 202,794 | 2,484,467 |
| 310 - Health Services - Utilization Management - UM Allocation * | 550,995 | 482,617 | 507,782 | 619,537 | 541,633 | 584,998 | 629,823 | 568,977 | 619,543 | 626,261 | 632,460 | 576,533 | 6,940,669 |
| 311 - Health Services - Quality Improvement - UM Allocation * | 130,719 | 131,973 | 135,845 | 172,419 | 144,887 | 144,162 | 159,894 | 142,027 | 154,808 | 159,386 | 116,037 | 122,403 | 1,714,160 |
| 312 - Health Services - Education - UM Allocation * | 111,799 | 102,037 | 108,402 | 122,087 | 114,199 | 123,705 | 120,317 | 112,888 | 121,409 | 114,483 | 113,521 | 125,888 | 1,390,735 |
| 313 - Health Services - Pharmacy - UM Allocation * | 88,153 | 80,696 | 81,505 | 86,248 | 76,014 | 89,969 | 88,996 | 83,460 | 86,476 | 81,501 | 85,496 | 87,073 | 1,015,587 |
| 314 - Health Homes - UM Allocation * | 91,425 | 88,868 | 104,710 | 127,358 | 101,323 | 104,978 | 109,116 | 99,352 | 105,987 | 124,379 | 129,111 | 133,500 | 1,326,504 |
| 315 - Case Management - UM Allocation * | 267,758 | 241,370 | 244,642 | 304,832 | 251,817 | 270,106 | 281,444 | 254,766 | 267,334 | 253,648 | 263,912 | 266,254 | 3,167,483 |
| 616 - Disease Management - UM Allocation * | 56,335 | 54,217 | 57,384 | 69,526 | 56,199 | 58,667 | 56,199 | 58,838 | 63,644 | 66,587 | 56,164 | 59,314 | 717,270 |
| Behavior Health Treatment | 980,035 | 925,456 | 999,720 | 1,194,682 | 670,273 | 685,282 | 1,162,988 | 1,118,480 | 1,146,195 | 565,425 | 1,109,648 | 1,309,847 | 11,877,951 |
| Mental Health Services | 330,042 | 217,243 | 131,586 | 4,228 | 112,306 | 55,987 | 52,159 | 226,649 | 86,212 | 17,266 | 63,631 | 133,666 | 1,431,095 |
| Other Professional Services | 1,227,554 | 1,166,121 | 1,197,113 | 709,542 | 958,940 | 767,836 | 1,264,240 | 1,467,668 | 1,685,815 | 1,331,063 | 1,336,295 | 1,638,124 | 14,750,311 |
| TOTAL OTHER PROFESSIONAL SERVICES | 4,334,953 | 3,666,515 | 4,024,762 | 3,908,759 | 3,489,408 | 3,385,134 | 4,421,687 | 4,619,091 | 4,841,378 | 3,806,785 | 4,389,484 | 4,935,401 | 50,123,357 |
| EMERGENCY ROOM | | | | | | | | | | | | | |
| EMERGENCY ROOM | 5,226,947 | 5,258,084 | 5,370,795 | 3,813,875 | 4,212,272 | 3,363,172 | 3,651,975 | 4,813,363 | 4,926,659 | 4,814,428 | 4,638,713 | 3,194,257 | 53,283,940 |
| INPATIENT HOSPITAL | | | | | | | | | | | | | |
| INPATIENT HOSPITAL | 14,911,677 | 13,893,706 | 14,743,904 | 15,995,368 | 14,410,696 | 17,115,732 | 17,082,368 | 16,635,497 | 17,879,275 | 17,137,251 | 17,212,070 | 19,183,080 | 196,200,624 |
| REINSURANCE EXPENSE PREMIUM | 72,320 | 144,425 | (213) | 77,341 | 69,310 | 73,356 | 75,202 | 76,284 | 76,523 | 77,652 | 84,521 | 77,990 | 904,111 |
| OUTPATIENT HOSPITAL SERVICES | 6,734,395 | 6,204,610 | 6,566,090 | 6,270,816 | 5,199,240 | 6,447,664 | 6,446,825 | 6,894,371 | 6,804,440 | 6,653,372 | 6,209,999 | 6,565,195 | 76,997,217 |
| OTHER MEDICAL | | | | | | | | | | | | | |
| Ambulance and NEMT | 1,599,375 | 1,498,667 | 1,444,299 | 670,262 | 1,090,342 | 366,750 | 1,660,648 | 1,632,473 | 1,199,057 | 1,324,882 | 1,224,809 | 1,216,505 | 14,928,009 |
| Home Health Services & CBAS | 292,407 | 393,491 | 349,594 | 300,546 | 492,779 | 171,601 | 327,117 | 89,406 | 655,484 | 379,453 | 566,737 | 546,590 | 5,649,205 |
| Utilization and Quality Review Expenses | 308,250 | 229,353 | 247,983 | 245,426 | 95,995 | 243,906 | 275,750 | 192,375 | 276,893 | 497,822 | 121,178 | 429,853 | 3,164,784 |
| Long Term/SNF/Hospice | 1,052,766 | 1,197,702 | 1,539,187 | 1,549,960 | 1,452,690 | 697,808 | 1,765,635 | 1,090,186 | 1,046,610 | 1,335,346 | 1,372,401 | 1,568,567 | 15,568,858 |
| Health Home Capitation & Incentive | 166,060 | 137,300 | 112,910 | 263,565 | 330,205 | 249,665 | 238,950 | 318,405 | 50,415 | 217,080 | 407,580 | (42,600) | 2,439,535 |
| Provider Enhancement Expense - Prop. 56 | 1,620,309 | 5,971,496 | 6,564,156 | 4,841,254 | 4,273,154 | 5,297,431 | 5,004,018 | 3,659,026 | 5,102,697 | 6,361,698 | 4,760,377 | 5,029,190 | 58,793,786 |
| Provider Enhancement Expense - GEMT | 322,617 | 593,064 | 395,321 | 399,960 | 258,923 | 425,341 | 518,378 | 445,212 | 497,005 | 556,965 | 468,619 | 480,982 | 5,362,387 |
| Provider COVID-19 Expense | - | - | - | 561,100 | 2,766,220 | 1,747,240 | 1,724,310 | 818,360 | 5,205,074 | 2,343,032 | 2,033,684 | 3,841,160 | 21,040,180 |
| TOTAL OTHER MEDICAL | 5,661,784 | 10,021,013 | 10,653,430 | 8,832,073 | 10,860,308 | 9,199,742 | 11,504,806 | 9,055,443 | 14,033,235 | 12,916,278 | 10,958,385 | 13,970,247 | 126,766,744 |
| PHARMACY SERVICES | | | | | | | | | | | | | |
| RX - Drugs & OTC | 9,137,997 | 8,470,785 | 9,200,496 | 7,803,679 | 7,771,494 | 7,983,594 | 8,100,996 | 8,168,036 | 8,318,159 | 8,267,808 | 7,628,753 | 8,657,426 | 99,509,583 |
| RX - HEP-C | 271,776 | 331,788 | 470,380 | 364,602 | 292,610 | 298,687 | 322,441 | 286,767 | 228,266 | 309,152 | 265,484 | 334,193 | 3,776,146 |
| Rx - DME | 696,914 | 578,635 | 675,997 | 634,644 | 687,187 | 109,695 | 591,970 | 860,866 | 1,234,371 | 817,209 | 957,930 | 852,003 | 8,697,421 |
| RX - Pharmacy Rebates | (135,000) | (135,000) | (35,000) | (135,000) | (135,000) | (78,879) | (235,000) | (135,000) | 48,287 | (135,000) | (135,000) | (191,741) | (1,437,333) |
| TOTAL PHARMACY SERVICES | 9,971,687 | 9,246,208 | 10,311,873 | 8,667,925 | 8,616,291 | 8,313,457 | 8,700,407 | 9,180,669 | 9,829,083 | 9,259,169 | 8,717,167 | 9,651,881 | 116,545,817 |
| PAY FOR PERFORMANCE/QUALITY INCENTIVE | 497,280 | 500,014 | 503,104 | 509,814 | 508,354 | 519,184 | 523,464 | 529,498 | 529,498 | 556,200 | 542,962 | - | 5,721,372 |
| RISK CORRIDOR EXPENSE | - | - | - | - | - | 4,700,000 | (2,000,000) | - | (2,700,000) | - | - | - | - |
| HOSPITAL DIRECTED PAYMENTS | 11,276,584 | 11,391,396 | 11,495,457 | 11,614,664 | 11,614,663 | 12,149,677 | (8,860,821) | 9,112,870 | 9,112,869 | 9,955,034 | 9,313,088 | 9,738,038 | 107,913,519 |
| HOSPITAL DIRECTED PAYMENT ADJUSTMENT | 118,333 | 60,959 | 42,436 | 26,523 | 36,524 | (10,733) | (52,075,201) | (233,958) | 4,234 | 77 | 6,596 | (1,263) | (52,015,576) |
| NON-CLAIMS EXPENSE ADJUSTMENT | 57,172 | 232,393 | (1,583,770) | 1,420 | 167,936 | (325,027) | (23,790) | (157) | (777,546) | 5,124 | (209,309) | 1,598 | (2,453,956) |
| IBNR INCENTIVE, AND PAID CLAIMS ADJUSTMENT | 816 | (8,559) | (2,649,204) | (4,444,586) | 11,543 | (426,819) | 344,451 | (126,764) | (43,175,566) | (5,474) | 205,986 | 316,193 | (11,493,983) |
| Total Medical Costs | 73,621,494 | 74,784,002 | 73,829,944 | 67,708,880 | 71,626,453 | 76,311,140 | 3,228,909 | 73,696,401 | 74,755,703 | 79,332,670 | 75,939,534 | 79,392,380 | 824,222,510 |

| KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS BY MONTH - PMPM THROUGH DECEMBER 31, 2020 | JANUARY 2020 | FEBRUARY 2020 | MARCH 2020 | APRIL 2020 | MAY 2020 | JUNE 2020 | JULY 2020 | AUGUST 2020 | SEPTEMBER 2020 | OCTOBER 2020 | NOVEMBER 2020 | DECEMBER 2020 | YEAR TO DATE 2020 |
|---|-----------------|------------------|---------------|---------------|-------------|--------------|--------------|----------------|-------------------|-----------------|------------------|------------------|-------------------------|
| PHYSICIAN SERVICES | | | | | | | | | | | | | |
| Primary Care Physician Services | 11.70 | 12.66 | 11.38 | 11.68 | 9.44 | 9.00 | 11.20 | 8.86 | 10.10 | 10.15 | 10.69 | 11.35 | 10.67 |
| Referral Specialty Services | 41.93 | 35.21 | 39.93 | 33.36 | 34.97 | 32.78 | 35.42 | 34.35 | 36.97 | 37.98 | 35.13 | 29.21 | 35.55 |
| Urgent Care & After Hours Advise | 5.69 | 7.59 | 5.70 | 4.03 | 4.09 | 3.66 | 4.38 | 6.36 | 5.09 | 3.89 | 4.56 | 5.04 | 4.99 |
| Hospital Admitting Team | 0.04 | 0.03 | 0.04 | 0.04 | 0.04 | 0.03 | 0.04 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 |
| TOTAL PHYSICIAN SERVICES | 59.35 | 55.49 | 57.05 | 49.10 | 48.53 | 45.48 | 51.04 | 49.61 | 52.19 | 51.96 | 50.41 | 45.63 | 51.24 |
| OTHER PROFESSIONAL SERVICES | | | | | | | | | | | | | |
| Vision Service Capitation | 1.20 | 1.04 | 1.04 | 1.04 | 1.04 | 1.02 | 1.04 | 1.04 | 1.00 | 1.03 | 1.11 | 1.01 | 1.05 |
| 221 - Business Intelligence | 0.80 | 0.82 | 0.78 | 0.92 | 0.76 | 0.90 | 0.82 | 0.79 | 0.81 | 0.64 | 0.64 | 0.73 | 0.79 |
| 310 - Health Services - Utilization Management - UM Allocation * | 2.22 | 1.93 | 2.02 | 2.45 | 2.11 | 2.25 | 2.41 | 2.15 | 2.23 | 2.30 | 2.30 | 2.08 | 2.20 |
| 311 - Health Services - Quality Improvement - UM Allocation * | 0.53 | 0.53 | 0.54 | 0.68 | 0.56 | 0.56 | 0.61 | 0.54 | 0.56 | 0.58 | 0.42 | 0.44 | 0.54 |
| 312 - Health Services - Education - UM Allocation * | 0.45 | 0.41 | 0.43 | 0.48 | 0.45 | 0.48 | 0.46 | 0.43 | 0.44 | 0.42 | 0.41 | 0.45 | 0.44 |
| 313 - Health Services - Pharmacy - UM Allocation * | 0.35 | 0.32 | 0.32 | 0.34 | 0.30 | 0.35 | 0.34 | 0.32 | 0.31 | 0.30 | 0.31 | 0.31 | 0.32 |
| 314 - Health Homes - UM Allocation * | 0.37 | 0.36 | 0.42 | 0.51 | 0.40 | 0.40 | 0.42 | 0.38 | 0.38 | 0.46 | 0.47 | 0.48 | 0.42 |
| 315 - Case Management - UM Allocation * | 1.08 | 0.97 | 0.97 | 1.21 | 0.98 | 1.04 | 1.07 | 0.96 | 0.96 | 0.93 | 0.96 | 0.96 | 1.01 |
| 616 - Disease Management - UM Allocation * | 0.23 | 0.22 | 0.23 | 0.27 | 0.22 | 0.23 | 0.25 | 0.22 | 0.23 | 0.22 | 0.20 | 0.21 | 0.23 |
| Behavior Health Treatment | 3.94 | 3.74 | 3.97 | 4.72 | 3.62 | 2.64 | 4.44 | 4.22 | 4.12 | 2.08 | 4.03 | 4.72 | 3.77 |
| Mental Health Services | 1.33 | 0.87 | 0.52 | 0.02 | 0.44 | 0.22 | 0.20 | 0.86 | 0.31 | 0.06 | 0.23 | 0.48 | 0.45 |
| Other Professional Services | 4.94 | 4.66 | 4.76 | 2.81 | 3.74 | 2.96 | 4.83 | 5.54 | 6.06 | 4.88 | 4.86 | 5.90 | 4.68 |
| TOTAL OTHER PROFESSIONAL SERVICES | 17.43 | 15.87 | 16.00 | 15.45 | 13.62 | 13.04 | 16.89 | 17.45 | 17.41 | 13.97 | 15.96 | 17.79 | 15.92 |
| EMERGENCY ROOM | 21.02 | 21.03 | 21.35 | 15.08 | 16.45 | 12.96 | 13.95 | 18.18 | 17.71 | 17.67 | 16.86 | 11.51 | 16.92 |
| INPATIENT HOSPITAL | 59.97 | 55.57 | 58.61 | 63.24 | 56.26 | 65.93 | 65.27 | 62.83 | 64.29 | 62.89 | 62.57 | 69.14 | 62.32 |
| REINSURANCE EXPENSE PREMIUM | 0.29 | 0.58 | 0.00 | 0.31 | 0.27 | 0.28 | 0.29 | 0.29 | 24.47 | 0.28 | 0.31 | 0.28 | 0.29 |
| OUTPATIENT HOSPITAL SERVICES | 27.08 | 24.82 | 26.10 | 24.79 | 20.30 | 24.84 | 24.63 | 26.04 | 0.00 | 24.42 | 22.58 | 23.66 | 24.46 |
| OTHER MEDICAL | | | | | | | | | | | | | |
| Ambulance and NEMT | 6.43 | 5.99 | 5.74 | 2.65 | 4.26 | 1.41 | 6.34 | 6.17 | 4.31 | 4.86 | 4.45 | 4.38 | 4.74 |
| Home Health Services & CBAS | 1.58 | 1.57 | 1.39 | 1.19 | 1.92 | 0.66 | 1.25 | 3.40 | 2.36 | 1.39 | 2.04 | 1.97 | 1.74 |
| Utilization and Quality Review Expenses | 1.24 | 0.92 | 0.99 | 0.97 | 0.37 | 0.94 | 1.05 | 0.73 | 1.00 | 1.83 | 0.44 | 1.55 | 1.01 |
| Long Term SN/Hospice | 4.23 | 4.79 | 6.12 | 6.13 | 5.67 | 2.69 | 6.75 | 4.12 | 3.76 | 4.53 | 4.99 | 5.65 | 4.94 |
| Health Home Capitation & Incentive | 0.67 | 0.55 | 0.45 | 1.04 | 1.29 | 0.96 | 0.87 | 1.20 | 0.18 | 0.80 | 1.48 | (0.15) | 0.77 |
| Provider Enhancement Expense - Prop. 56 | 7.32 | 23.89 | 26.09 | 19.14 | 17.07 | 20.41 | 19.12 | 13.82 | 18.35 | 23.35 | 17.34 | 18.13 | 18.67 |
| Provider Enhancement Expense - GEMT | 1.30 | 2.37 | 1.57 | 1.58 | 1.01 | 1.64 | 1.98 | 1.68 | 1.79 | 2.04 | 1.70 | 1.73 | 1.70 |
| Provider COVID-19 Expenses | 0.00 | 0.00 | 0.00 | 2.22 | 10.80 | 6.73 | 6.59 | 3.09 | 18.72 | 8.60 | 7.39 | 13.84 | 6.68 |
| TOTAL OTHER MEDICAL | 22.77 | 40.08 | 42.35 | 34.92 | 42.40 | 35.44 | 43.96 | 34.20 | 50.46 | 47.40 | 39.84 | 47.11 | 40.26 |
| PHARMACY SERVICES | | | | | | | | | | | | | |
| RX - Drugs & OTC | 36.75 | 33.88 | 36.57 | 30.85 | 30.34 | 30.76 | 30.95 | 30.85 | 29.91 | 30.34 | 27.73 | 31.20 | 31.61 |
| RX - HEP-C | 1.09 | 1.33 | 1.87 | 1.44 | 1.14 | 1.15 | 1.23 | 1.08 | 0.82 | 1.13 | 0.97 | 1.20 | 1.20 |
| Rx - DME | 2.80 | 2.31 | 2.69 | 2.51 | 2.68 | 0.42 | 2.26 | 3.25 | 4.44 | 3.00 | 3.48 | 3.07 | 2.76 |
| RX - Pharmacy Rebates | (0.54) | (0.54) | (0.14) | (0.53) | (0.53) | (0.30) | (0.90) | (0.51) | 0.17 | (0.50) | (0.49) | (0.69) | (0.46) |
| TOTAL PHARMACY SERVICES | 40.10 | 36.98 | 40.99 | 34.27 | 33.64 | 32.03 | 33.55 | 34.68 | 35.34 | 33.98 | 31.69 | 34.79 | 35.11 |
| PAY FOR PERFORMANCE QUALITY INCENTIVE | 2.00 | 2.00 | 2.00 | 2.02 | 1.98 | 2.00 | 2.00 | 2.00 | 1.90 | 2.04 | 1.98 | 0.00 | 1.82 |
| RISK CORRIDOR EXPENSE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 18.11 | (7.64) | 0.00 | (9.71) | 0.00 | 0.00 | 0.00 |
| HOSPITAL DIRECTED PAYMENTS | 45.35 | 45.56 | 45.70 | 45.92 | 45.35 | 46.80 | (33.85) | 34.42 | 32.77 | 36.53 | 33.86 | 35.10 | 34.27 |
| HOSPITAL DIRECTED PAYMENT ADJUSTMENT | 0.48 | 0.24 | 0.17 | 0.14 | 0.14 | (0.04) | (198.96) | (0.88) | 0.02 | 0.00 | 0.02 | (0.00) | (16.53) |
| NON-CLAIMS EXPENSE ADJUSTMENT | 0.23 | 0.93 | (6.30) | 0.01 | 0.66 | (1.25) | (0.09) | (0.00) | (2.80) | 0.02 | (0.76) | 0.01 | (0.78) |
| IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT | 0.00 | (0.03) | (10.53) | (17.57) | 0.05 | (1.64) | 1.32 | (0.46) | (15.53) | (0.02) | 0.75 | 1.14 | (3.52) |
| Total Medical Costs | 296.10 | 299.13 | 293.50 | 267.65 | 279.64 | 293.97 | 12.34 | 278.36 | 268.81 | 291.15 | 276.06 | 286.15 | 261.79 |

| CURRENT MONTH | | | KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF ADMINISTRATIVE EXPENSES BY DEPT FOR THE MONTH ENDED DECEMBER 31, 2020 | YEAR-TO-DATE | | |
|---------------|-----------|-------------|---|--------------|------------|-------------|
| ACTUAL | BUDGET | VARIANCE | | ACTUAL | BUDGET | VARIANCE |
| 481,278 | 314,472 | (166,806) | 110 - Executive | 4,213,814 | 3,849,044 | (364,770) |
| 204,040 | 198,806 | (5,234) | 210 - Accounting | 2,183,081 | 2,383,730 | 200,649 |
| 268,648 | 273,113 | 4,465 | 220 - Management Information Systems | 3,343,187 | 3,277,370 | (65,817) |
| 17,481 | 13,049 | (4,432) | 221 - Business Intelligence | 118,591 | 156,616 | 38,025 |
| 229,193 | 281,944 | 52,751 | 222 - Enterprise Development | 3,041,935 | 3,383,373 | 341,438 |
| 647,221 | 415,723 | (231,498) | 225 - Infrastructure | 4,527,633 | 4,988,672 | 461,039 |
| 560,438 | 559,947 | (491) | 230 - Claims | 6,408,298 | 6,700,958 | 292,660 |
| 95,260 | 114,175 | 18,915 | 240 - Project Management | 1,215,915 | 1,369,836 | 153,921 |
| 83,855 | 100,301 | 16,446 | 310 - Health Services - Utilization Management | 1,202,902 | 1,197,406 | (5,496) |
| 60,254 | 55,142 | (5,112) | 311 - Health Services - Quality Improvement | 533,898 | 661,493 | 127,595 |
| 9,846 | 67 | (9,779) | 312 - Health Services - Education | 10,327 | 1,100 | (9,227) |
| 138,183 | 143,883 | 5,700 | 313- Pharmacy | 1,651,472 | 1,713,091 | 61,619 |
| 7,082 | - | (7,082) | 314 - Health Homes | 8,252 | - | (8,252) |
| 13,653 | 16,573 | 2,920 | 315 - Case Management | 199,351 | 198,873 | (478) |
| 18,384 | 23,135 | 4,751 | 616 - Disease Management | 261,785 | 277,579 | 15,794 |
| 260,381 | 313,556 | 53,175 | 320 - Provider Network Management | 3,310,304 | 3,762,628 | 452,324 |
| 568,704 | 563,886 | (4,818) | 330 - Member Services | 6,306,727 | 6,766,582 | 459,855 |
| 639,211 | 533,116 | (106,095) | 340 - Corporate Services | 6,978,086 | 6,351,392 | (626,694) |
| 71,832 | 67,176 | (4,656) | 360 - Audit & Investigative Services | 871,118 | 806,112 | (65,006) |
| 34,964 | 54,335 | 19,371 | 410 - Advertising Media | 533,423 | 651,800 | 118,377 |
| 72,769 | 68,457 | (4,312) | 420 - Sales/Marketing/Public Relations | 611,337 | 821,484 | 210,147 |
| 268,517 | 220,169 | (48,348) | 510 - Human Resources | 2,588,673 | 2,687,536 | 98,863 |
| 1,407,045 | - | (1,407,045) | Administrative Expense Adjustment | 1,194,816 | - | (1,194,816) |
| 6,158,239 | 4,331,024 | (1,827,215) | Total Administrative Expenses | 51,314,925 | 52,006,674 | 691,749 |

| KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF ADMIN EXPENSES BY DEPT BY MONTH FOR THE MONTH ENDED DECEMBER 31, 2020 | JANUARY 2020 | FEBRUARY 2020 | MARCH 2020 | APRIL 2020 | MAY 2020 | JUNE 2020 | JULY 2020 | AUGUST 2020 | SEPTEMBER 2020 | OCTOBER 2020 | NOVEMBER 2020 | DECEMBER 2020 | YEAR TO DATE 2020 |
|---|-----------------|------------------|---------------|---------------|-------------|--------------|--------------|----------------|-------------------|-----------------|------------------|------------------|-------------------------|
| 110 - Executive | 339,242 | 293,820 | 365,045 | 399,347 | 259,748 | 354,211 | 358,020 | 346,343 | 374,015 | 326,229 | 316,516 | 481,278 | 4,213,814 |
| 210 - Accounting | 173,904 | 178,919 | 174,836 | 183,136 | 174,058 | 229,239 | 197,424 | 181,448 | 174,523 | 158,312 | 153,242 | 204,040 | 2,183,081 |
| 220 - Management Information Systems (MIS) | 381,511 | 295,419 | 338,903 | 162,587 | 375,885 | 409,177 | 283,465 | 385,215 | (71,269) | 340,586 | 173,060 | 268,648 | 3,343,187 |
| 221 - Business Intelligence | - | 11,648 | 20,702 | 22,767 | 15,303 | 14,750 | 15,840 | 100 | 14,760 | (14,760) | - | 17,481 | 118,591 |
| 222 - Enterprise Development | 211,299 | 225,855 | 262,079 | 292,897 | 213,893 | 299,686 | 277,998 | 269,776 | 270,074 | 228,971 | 260,214 | 229,193 | 3,041,935 |
| 225 - Infrastructure | 359,015 | 241,507 | 308,323 | 274,546 | 428,168 | 431,419 | 409,337 | 388,698 | 315,770 | 353,492 | 370,137 | 647,221 | 4,527,633 |
| 230 - Claims | 556,280 | 498,960 | 493,312 | 543,105 | 485,601 | 547,271 | 552,376 | 529,257 | 570,198 | 519,409 | 552,091 | 560,438 | 6,408,298 |
| 240 - Project Management | 85,191 | 84,709 | 97,954 | 100,673 | 102,586 | 121,862 | 123,048 | 107,034 | 102,541 | 91,330 | 103,727 | 95,260 | 1,215,915 |
| 310 - Health Services - Utilization Management | 98,529 | 107,809 | 95,426 | 112,873 | 93,694 | 127,289 | 99,273 | 106,044 | 114,396 | 82,166 | 81,548 | 83,855 | 1,202,902 |
| 311 - Health Services - Quality Improvement | 10,824 | 41,860 | 43,027 | 54,448 | 45,627 | 46,653 | 50,493 | 44,850 | 48,886 | 50,333 | 36,643 | 60,254 | 533,898 |
| 312 - Health Services - Education | - | 60 | - | 61 | - | - | - | 102 | 258 | - | - | - | 9,846 |
| 313 - Pharmacy | 156,947 | 147,980 | 148,599 | 141,729 | 123,386 | 126,485 | 118,633 | 129,761 | 154,674 | 135,163 | 129,932 | 138,183 | 1,651,472 |
| 314 - Health Homes | 222 | 15,046 | 98 | (14,707) | - | 76 | 68 | - | 258 | - | 109 | 7,082 | 8,252 |
| 315 - Case Management | 17,349 | 15,664 | 15,615 | 19,456 | 16,074 | 17,240 | 17,939 | 16,261 | 17,064 | 16,190 | 16,846 | 13,653 | 199,251 |
| 616 - Disease Management | 20,836 | 20,068 | 21,223 | 25,749 | 20,786 | 21,699 | 24,558 | 21,762 | 23,538 | 22,408 | 20,774 | 18,384 | 261,785 |
| 320 - Provider Network Management | 256,860 | 252,748 | 291,995 | 307,450 | 269,465 | 313,902 | 281,741 | 260,987 | 274,601 | 295,174 | 245,000 | 260,381 | 3,310,304 |
| 330 - Member Services | 530,714 | 484,954 | 496,790 | 563,492 | 484,348 | 547,629 | 542,035 | 529,092 | 504,521 | 526,135 | 528,313 | 568,704 | 6,306,727 |
| 340 - Corporate Services | 439,804 | 482,885 | 487,474 | 449,175 | 1,070,946 | 640,485 | 556,403 | 599,825 | 606,212 | 405,269 | 600,397 | 639,211 | 6,978,086 |
| 360 - Audit & Investigative Services | 81,923 | 83,979 | 59,288 | 87,154 | 60,510 | 76,957 | 69,507 | 55,676 | 81,171 | 63,378 | 79,743 | 71,832 | 871,118 |
| 410 - Advertising Media | 9,439 | 47,590 | 38,083 | 134,979 | 29,053 | 138,348 | 28,355 | (17,205) | 18,396 | 41,471 | 29,950 | 34,964 | 533,423 |
| 420 - Sales/Marketing/Public Relations | 44,020 | 35,104 | 43,800 | 36,382 | 55,996 | 54,859 | 78,000 | 3,632 | 45,864 | 49,297 | 91,614 | 72,769 | 611,337 |
| 510 - Human Resources | 285,952 | 186,648 | 181,915 | 228,494 | 160,954 | 252,332 | 237,528 | 195,087 | 204,890 | 205,283 | 181,073 | 268,517 | 2,588,673 |
| Total Department Expenses | 4,059,861 | 3,753,232 | 3,984,487 | 4,125,793 | 4,486,081 | 4,771,569 | 4,322,041 | 4,153,745 | 3,845,341 | 3,895,836 | 3,970,929 | 6,158,239 | 51,214,925 |
| ADMINISTRATIVE EXPENSE ADJUSTMENT | - | - | - | - | - | (212,229) | - | - | - | - | - | 1,407,045 | 1,194,816 |
| Total Administrative Expenses | 4,059,861 | 3,753,232 | 3,984,487 | 4,125,793 | 4,486,081 | 4,559,340 | 4,322,041 | 4,153,745 | 3,845,341 | 3,895,836 | 3,970,929 | 6,158,239 | 51,214,925 |

| KERN HEALTH SYSTEMS GROUP HEALTH PLAN - HFAM BALANCE SHEET STATEMENT AS OF DECEMBER 31, 2020 | | | |
|---|----------------------|----------------------|-----------------|
| ASSETS | DECEMBER 2020 | NOVEMBER 2020 | INC(DEC) |
| CURRENT ASSETS: | | | |
| Cash and Cash Equivalents | \$ 1,136,281 | \$ 1,133,718 | 2,563 |
| Interest Receivable | 1,785 | 1,594 | 191 |
| TOTAL CURRENT ASSETS | \$ 1,138,066 | \$ 1,135,312 | \$ 2,754 |
| LIABILITIES AND NET POSITION | | | |
| CURRENT LIABILITIES: | | | |
| Other Liabilities | - | - | - |
| TOTAL CURRENT LIABILITIES | \$ - | \$ - | \$ - |
| NET POSITION: | | | |
| Net Position- Beg. of Year | 1,128,885 | 1,128,885 | - |
| Increase (Decrease) in Net Position - Current Year | 9,181 | 6,427 | 2,754 |
| Total Net Position | \$ 1,138,066 | \$ 1,135,312 | \$ 2,754 |
| TOTAL LIABILITIES AND NET POSITION | \$ 1,138,066 | \$ 1,135,312 | \$ 2,754 |

| CURRENT MONTH | | | KERN HEALTH SYSTEMS GROUP HEALTH PLAN - HFAM STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION FOR THE MONTH ENDED DECEMBER 31, 2020 | YEAR-TO-DATE | | |
|-----------------------|----|-------|--|---------------|-----------|----------------|
| | | | | ACTUAL | BUDGET | VARIANCE |
| ENROLLMENT | | | | | | |
| - | - | - | Members | - | - | - |
| REVENUES | | | | | | |
| - | - | - | Premium | - | - | - |
| 191 | - | 191 | Interest | 13,581 | - | 13,581 |
| 2,563 | - | 2,563 | Other Investment Income | 600 | - | 600 |
| 2,754 | - | 2,754 | TOTAL REVENUES | 14,181 | - | 14,181 |
| EXPENSES | | | | | | |
| - | - | - | Medical Costs | - | - | - |
| - | - | - | IBNR and Paid Claims Adjustment | - | - | - |
| - | - | - | Total Medical Costs | - | - | - |
| 2,754 | - | 2,754 | GROSS MARGIN | 14,181 | - | 14,181 |
| Administrative | | | | | | |
| - | - | - | Management Fee Expense and Other Admin Exp | 5,000 | - | (5,000) |
| - | - | - | Total Administrative Expenses | 5,000 | - | (5,000) |
| - | - | - | TOTAL EXPENSES | 5,000 | - | (5,000) |
| 2,754 | - | 2,754 | OPERATING INCOME (LOSS) | 9,181 | - | 9,181 |
| - | - | - | TOTAL NONOPERATING REVENUE (EXPENSES) | - | - | - |
| 2,754 | - | 2,754 | NET INCREASE (DECREASE) IN NET POSITION | 9,181 | - | 9,181 |
| 0% | 0% | 0% | MEDICAL LOSS RATIO | 0% | 0% | 0% |
| 0% | 0% | 0% | ADMINISTRATIVE EXPENSE RATIO | 35% | 0% | -35% |

**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 | 566,560 | | 43,519 | 43,767 | 44,480 | 44,402 | 45,381 | 46,558 | 47,144 | 47,950 | 50,967 | 49,961 | 50,875 | 51,556 |
| CHILD | 1,524,338 | | 122,496 | 123,040 | 123,357 | 123,687 | 124,785 | 126,031 | 126,735 | 127,723 | 133,883 | 130,268 | 130,746 | 131,587 |
| SUB-TOTAL ADULT & FAMILY | 2,090,898 | | 166,015 | 166,807 | 167,837 | 168,089 | 170,166 | 172,589 | 173,879 | 175,673 | 184,850 | 180,229 | 181,621 | 183,143 |
| OTHER MEMBERS | | | | | | | | | | | | | | |
| BCCTP-TOBACCO SETTLEMENT | 332 | | 26 | 28 | 26 | 25 | 27 | 27 | 28 | 30 | 29 | 30 | 29 | 27 |
| DUALS | | | | | | | | | | | | | | |
| PARTIAL DUALS - FAMILY | 5,844 | | 432 | 432 | 453 | 461 | 474 | 450 | 452 | 462 | 550 | 570 | 554 | 554 |
| PARTIAL DUALS - CHILD | 11 | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 0 |
| PARTIAL DUALS - BCCTP | 22 | | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| SPD FULL DUALS | 84,123 | | 6,599 | 6,759 | 6,911 | 6,923 | 6,983 | 6,941 | 6,945 | 7,021 | 7,235 | 7,172 | 7,326 | 7,308 |
| SUB-TOTAL DUALS | 90,000 | | 7,033 | 7,193 | 7,367 | 7,387 | 7,460 | 7,394 | 7,400 | 7,486 | 7,788 | 7,745 | 7,883 | 7,864 |
| TOTAL FAMILY & OTHER | 2,181,230 | | 173,074 | 174,028 | 175,230 | 175,501 | 177,653 | 180,010 | 181,307 | 183,189 | 192,667 | 188,004 | 189,533 | 191,034 |
| SPD | | | | | | | | | | | | | | |
| SPD (AGED AND DISABLED) | 188,095 | | 15,667 | 15,493 | 15,688 | 15,992 | 15,946 | 15,803 | 15,518 | 15,508 | 15,301 | 15,810 | 15,692 | 15,677 |
| MEDI-CAL EXPANSION | | | | | | | | | | | | | | |
| ACA Expansion Adult-Citizen | 773,610 | | 59,583 | 60,197 | 60,360 | 61,164 | 62,179 | 63,373 | 64,432 | 65,545 | 69,552 | 68,077 | 69,160 | 69,988 |
| ACA Expansion Duals | 5,534 | | 316 | 289 | 274 | 293 | 356 | 406 | 475 | 507 | 580 | 590 | 695 | 753 |
| SUB-TOTAL MED-CAL EXPANSION | 779,144 | | 59,899 | 60,486 | 60,634 | 61,457 | 62,535 | 63,779 | 64,907 | 66,052 | 70,132 | 68,667 | 69,855 | 70,741 |
| TOTAL KAISER | 118,205 | | 8,992 | 9,125 | 9,169 | 9,262 | 9,475 | 9,594 | 9,823 | 10,138 | 10,386 | 10,579 | 10,753 | 10,909 |
| TOTAL MEDI-CAL MEMBERS | 3,266,674 | | 257,632 | 259,132 | 260,721 | 262,212 | 265,609 | 269,186 | 271,555 | 274,887 | 288,486 | 283,060 | 285,833 | 288,361 |



To: KHS Finance Committee

From: Robert Landis, CFO

Date: April 9, 2021

Re: January 2021 Financial Results

The January results reflect a \$1,492,915 Net Increase in Net Position which is a \$1,208,876 favorable variance to the budget. Listed below are the major variances for the month:

- 1) Total Revenues reflect a \$9.0 million favorable variance primarily due to:
 - A) \$2.0 million favorable variance primarily due to higher than expected budgeted membership.
 - B) \$.7 million favorable variance in MCO Tax Premiums primarily due to receiving revised MCO Tax rates for calendar year 2021 from DHCS.
 - C) \$5.7 million favorable variance in Premium-Hospital Directed Payments primarily due to receiving revised 19/20 HDP rates. This amount is offset against amounts included in 2E below
 - D) \$.8 million favorable variance in Rate/Income Adjustments primarily due to retroactive revenue received for the prior year.

- 2) Total Medical Costs reflect a \$8.5 million unfavorable variance primarily due to:
 - A) \$.9 million favorable variance in Emergency Room primarily due to lower than expected utilization.
 - B) \$4.5 million unfavorable variance in Inpatient primarily due to higher than expected utilization.
 - C) \$.5 million unfavorable variance in Other Medical primarily due to Covid-19 provider relief expense.
 - D) \$1.4 million favorable variance in Pharmacy primarily due from formulary modifications that capitalized on new generics that came to market and less costly brands within the same therapeutic class. There was also a timing impact from the lengthening of the day supply per prescription of maintenance medications that occurred beginning in March 2020. Additionally, the Flu Season was not as severe as expected due to increased social distancing, washing hands, wearing masks and an increase in flu vaccine administration due to our efforts in reaching out to our members during the 4th quarter of 2020.
 - E) \$5.7 million unfavorable variance in Hospital Directed Payments primarily due to receiving revised 19/20 HDP rates. This amount is offset against amounts included in 1C above.

The January Medical Loss Ratio is 93.1% which is unfavorable to the 92.5% budgeted amount. The January Administrative Expense Ratio is 5.7% which is favorable to the 6.7% budgeted amount.

**Kern Health Systems
Financial Packet
January 2021**

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

| | |
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| KERN HEALTH SYSTEMS MEDI-CAL STATEMENT OF NET POSITION AS OF JANUARY 31, 2021 | | | |
|--|-----------------------|-----------------------|----------------------|
| ASSETS | JANUARY 2021 | DECEMBER 2020 | INC(DEC) |
| CURRENT ASSETS: | | | |
| Cash and Cash Equivalents | \$ 105,073,268 | \$ 74,866,934 | \$ 30,206,334 |
| Short-Term Investments | 129,481,278 | 169,078,187 | (39,596,909) |
| Pass-through Monies Held for Future Payment | 63,901,877 | - | 63,901,877 |
| Premiums Receivable - Net | 99,682,751 | 97,593,440 | 2,089,311 |
| Premiums Receivable - Hospital Direct Payments | 210,829,165 | 195,667,272 | 15,161,893 |
| Interest Receivable | 96,977 | 111,800 | (14,823) |
| Provider Advance Payment | 5,506,518 | 5,506,518 | - |
| Other Receivables | 1,162,978 | 999,272 | 163,706 |
| Prepaid Expenses & Other Current Assets | 2,977,322 | 2,223,252 | 754,070 |
| Total Current Assets | \$ 618,712,134 | \$ 546,046,675 | \$ 72,665,459 |
| CAPITAL ASSETS - NET OF ACCUM DEPREE: | | | |
| Land | 4,090,706 | 4,090,706 | - |
| Furniture and Equipment - Net | 2,074,454 | 2,121,548 | (47,094) |
| Computer Hardware and Software - Net | 14,611,138 | 14,911,184 | (300,046) |
| Building and Building Improvements - Net | 35,272,587 | 35,348,281 | (75,694) |
| Capital Projects in Progress | 12,438,635 | 12,183,359 | 255,276 |
| Total Capital Assets | \$ 68,487,520 | \$ 68,655,078 | \$ (167,558) |
| LONG TERM ASSETS: | | | |
| Restricted Investments | 300,000 | 300,000 | - |
| Officer Life Insurance Receivables | 1,556,944 | 1,556,944 | - |
| Total Long Term Assets | \$ 1,856,944 | \$ 1,856,944 | \$ - |
| DEFERRED OUTFLOWS OF RESOURCES | \$ 3,018,341 | \$ 3,018,341 | \$ - |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 692,074,939 | \$ 619,577,038 | \$ 72,497,901 |
| LIABILITIES AND NET POSITION | | | |
| CURRENT LIABILITIES: | | | |
| Accrued Salaries and Employee Benefits | \$ 3,724,831 | \$ 3,474,673 | 250,158 |
| Accrued Other Operating Expenses | 2,387,430 | 2,054,935 | 332,495 |
| Accrued Taxes and Licenses | 8,725,272 | 26,536,275 | (17,811,003) |
| Other Medical Liabilities - Nonoperating Passthrough | 63,901,877 | - | 63,901,877 |
| Claims Payable (Reported) | 30,841,482 | 25,988,208 | 4,853,274 |
| IBNR - Inpatient Claims | 35,269,379 | 33,478,470 | 1,790,909 |
| IBNR - Physician Claims | 16,682,703 | 15,114,732 | 1,567,971 |
| IBNR - Accrued Other Medical | 24,247,032 | 25,003,428 | (756,396) |
| Risk Pool and Withholds Payable | 5,534,345 | 5,005,162 | 529,183 |
| Statutory Allowance for Claims Processing Expense | 2,225,904 | 2,225,904 | - |
| Other Liabilities | 50,607,359 | 49,422,734 | 1,184,625 |
| Accrued Hospital Directed Payments | 210,829,165 | 195,667,272 | 15,161,893 |
| Total Current Liabilities | \$ 454,976,779 | \$ 383,971,793 | \$ 71,004,986 |
| NONCURRENT LIABILITIES: | | | |
| Net Pension Liability | 8,432,377 | 8,432,377 | - |
| TOTAL NONCURRENT LIABILITIES | \$ 8,432,377 | \$ 8,432,377 | \$ - |
| DEFERRED INFLOWS OF RESOURCES | \$ 86,684 | \$ 86,684 | \$ - |
| NET POSITION: | | | |
| Net Position - Beg. of Year | 227,086,184 | 214,692,379 | 12,393,805 |
| Increase (Decrease) in Net Position - Current Year | 1,492,915 | 12,393,805 | (10,900,890) |
| Total Net Position | \$ 228,579,099 | \$ 227,086,184 | \$ 1,492,915 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | \$ 692,074,939 | \$ 619,577,038 | \$ 72,497,901 |

| CURRENT MONTH MEMBERS | | | KERN HEALTH SYSTEMS MEDI-CAL - ALL COA STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION FOR THE MONTH ENDED JANUARY 31, 2021 | | | YEAR-TO-DATE MEMBER MONTHS | | |
|-----------------------|------------|-------------|---|-------------|------------|----------------------------|--------|----------|
| | | | | | | ACTUAL | BUDGET | VARIANCE |
| 183,217 | 181,400 | 1,817 | Family Members | 183,217 | 181,400 | 1,817 | | |
| 71,400 | 70,565 | 835 | Expansion Members | 71,400 | 70,565 | 835 | | |
| 16,054 | 15,230 | 824 | SPD Members | 16,054 | 15,230 | 824 | | |
| 7,846 | 7,000 | 846 | Other Members | 7,846 | 7,000 | 846 | | |
| 11,047 | 10,500 | 547 | Kaiser Members | 11,047 | 10,500 | 547 | | |
| 289,564 | 284,695 | 4,869 | Total Members - MCAL | 289,564 | 284,695 | 4,869 | | |
| | | | REVENUES | | | | | |
| 33,254,490 | 32,098,951 | 1,155,539 | Title XIX - Medicaid - Family and Other | 33,254,490 | 32,098,951 | 1,155,539 | | |
| 27,548,311 | 26,523,701 | 1,024,610 | Title XIX - Medicaid - Expansion Members | 27,548,311 | 26,523,701 | 1,024,610 | | |
| 15,326,978 | 15,473,370 | (146,392) | Title XIX - Medicaid - SPD Members | 15,326,978 | 15,473,370 | (146,392) | | |
| 9,577,432 | 8,904,649 | 672,783 | Premium - MCO Tax | 9,577,432 | 8,904,649 | 672,783 | | |
| 15,121,903 | 9,467,460 | 5,654,443 | Premium - Hospital Directed Payments | 15,121,903 | 9,467,460 | 5,654,443 | | |
| 4,303 | 164,743 | (160,440) | Investment Earnings And Other Income | 4,303 | 164,743 | (160,440) | | |
| - | 79,517 | (79,517) | Reinsurance Recoveries | - | 79,517 | (79,517) | | |
| 39,990 | - | 39,990 | Rate Adjustments - Hospital Directed Payments | 39,990 | - | 39,990 | | |
| 799,886 | - | 799,886 | Rate/Income Adjustments | 799,886 | - | 799,886 | | |
| 101,673,293 | 92,712,390 | 8,960,903 | TOTAL REVENUES | 101,673,293 | 92,712,390 | 8,960,903 | | |
| | | | EXPENSES | | | | | |
| | | | Medical Costs: | | | | | |
| 14,907,160 | 15,070,846 | 163,686 | Physician Services | 14,907,160 | 15,070,846 | 163,686 | | |
| 4,421,552 | 4,713,570 | 292,018 | Other Professional Services | 4,421,552 | 4,713,570 | 292,018 | | |
| 4,676,327 | 5,532,296 | 855,969 | Emergency Room | 4,676,327 | 5,532,296 | 855,969 | | |
| 19,853,180 | 15,343,180 | (4,510,000) | Inpatient | 19,853,180 | 15,343,180 | (4,510,000) | | |
| 81,215 | 79,517 | (1,698) | Reinsurance Expense | 81,215 | 79,517 | (1,698) | | |
| 7,108,674 | 6,962,569 | (146,105) | Outpatient Hospital | 7,108,674 | 6,962,569 | (146,105) | | |
| 10,641,113 | 10,097,242 | (543,871) | Other Medical | 10,641,113 | 10,097,242 | (543,871) | | |
| 9,100,359 | 10,456,099 | 1,355,740 | Pharmacy | 9,100,359 | 10,456,099 | 1,355,740 | | |
| 529,182 | 520,971 | (8,212) | Pay for Performance Quality Incentive | 529,182 | 520,971 | (8,212) | | |
| - | - | - | Risk Corridor Expense | - | - | - | | |
| 15,121,903 | 9,467,460 | (5,654,443) | Hospital Directed Payments | 15,121,903 | 9,467,460 | (5,654,443) | | |
| 39,990 | - | (39,990) | Hospital Directed Payment Adjustment | 39,990 | - | (39,990) | | |
| 287,063 | - | (287,063) | Non-Claims Expense Adjustment | 287,063 | - | (287,063) | | |
| 4,787 | - | (4,787) | IBNR, Incentive, Paid Claims Adjustment | 4,787 | - | (4,787) | | |
| 86,772,505 | 78,243,748 | (8,528,757) | Total Medical Costs | 86,772,505 | 78,243,748 | (8,528,757) | | |
| 14,900,788 | 14,468,642 | 432,146 | GROSS MARGIN | 14,900,788 | 14,468,642 | 432,146 | | |
| | | | Administrative: | | | | | |
| 2,772,584 | 2,856,030 | 83,446 | Compensation | 2,772,584 | 2,856,030 | 83,446 | | |
| 818,908 | 1,071,006 | 252,098 | Purchased Services | 818,908 | 1,071,006 | 252,098 | | |
| 57,592 | 133,106 | 75,514 | Supplies | 57,592 | 133,106 | 75,514 | | |
| 422,833 | 500,520 | 77,687 | Depreciation | 422,833 | 500,520 | 77,687 | | |
| 277,245 | 385,959 | 108,714 | Other Administrative Expenses | 277,245 | 385,959 | 108,714 | | |
| 18,296 | - | (18,296) | Administrative Expense Adjustment | 18,296 | - | (18,296) | | |
| 4,367,458 | 4,946,622 | 579,164 | Total Administrative Expenses | 4,367,458 | 4,946,622 | 579,164 | | |
| 91,139,963 | 83,190,370 | (7,949,593) | TOTAL EXPENSES | 91,139,963 | 83,190,370 | (7,949,593) | | |
| 10,533,330 | 9,522,020 | 1,011,310 | OPERATING INCOME (LOSS) BEFORE TAX | 10,533,330 | 9,522,020 | 1,011,310 | | |
| 8,902,943 | 8,904,649 | 1,706 | MCO TAX | 8,902,943 | 8,904,649 | 1,706 | | |
| 1,630,387 | 617,371 | 1,013,016 | OPERATING INCOME (LOSS) NET OF TAX | 1,630,387 | 617,371 | 1,013,016 | | |
| | | | NONOPERATING REVENUE (EXPENSE) | | | | | |
| - | - | - | Gain on Sale of Assets | - | - | - | | |
| (81,396) | (166,666) | 85,270 | Provider Recruitment and Retention Grants | (81,396) | (166,666) | 85,270 | | |
| (56,076) | (166,666) | 110,590 | Health Home | (56,076) | (166,666) | 110,590 | | |
| (137,472) | (333,332) | 195,860 | TOTAL NONOPERATING REVENUE (EXPENSE) | (137,472) | (333,332) | 195,860 | | |
| 1,492,915 | 284,039 | 1,208,876 | NET INCREASE (DECREASE) IN NET POSITION | 1,492,915 | 284,039 | 1,208,876 | | |
| 93.1% | 92.5% | -0.6% | MEDICAL LOSS RATIO | 93.1% | 92.5% | -0.6% | | |
| 5.7% | 6.7% | 1.0% | ADMINISTRATIVE EXPENSE RATIO | 5.7% | 6.7% | 1.0% | | |

| CURRENT MONTH | | | KERN HEALTH SYSTEMS MEDI-CAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - PMPM FOR THE MONTH ENDED JANUARY 31, 2021 | YEAR-TO-DATE | | |
|---------------------------------------|----------|---------|--|--------------|----------|---------|
| | | | | | | |
| ENROLLMENT | | | | | | |
| 183,217 | 181,400 | 1,817 | Family Members | 183,217 | 181,400 | 1,817 |
| 71,400 | 70,565 | 835 | Expansion Members | 71,400 | 70,565 | 835 |
| 16,054 | 15,230 | 824 | SPD Members | 16,054 | 15,230 | 824 |
| 7,846 | 7,000 | 846 | Other Members | 7,846 | 7,000 | 846 |
| 11,047 | 10,500 | 547 | Kaiser Members | 11,047 | 10,500 | 547 |
| 289,564 | 284,695 | 4,869 | Total Members - MCAL | 289,564 | 284,695 | 4,869 |
| REVENUES | | | | | | |
| 174.05 | 170.38 | 3.67 | Title XIX - Medicaid - Family and Other | 174.05 | 170.38 | 3.67 |
| 385.83 | 375.88 | 9.95 | Title XIX - Medicaid - Expansion Members | 385.83 | 375.88 | 9.95 |
| 954.71 | 1,015.98 | (61.27) | Title XIX - Medicaid - SPD Members | 954.71 | 1,015.98 | (61.27) |
| 34.39 | 32.48 | 1.91 | Premium - MCO Tax | 34.39 | 32.48 | 1.91 |
| 54.29 | 34.53 | 19.77 | Premium - Hospital Directed Payments | 54.29 | 34.53 | 19.77 |
| 0.02 | 0.60 | (0.59) | Investment Earnings And Other Income | 0.02 | 0.60 | (0.59) |
| 0.00 | 0.29 | (0.29) | Reinsurance Recoveries | 0.00 | 0.29 | (0.29) |
| 0.14 | 0.00 | 0.14 | Rate Adjustments - Hospital Directed Payments | 0.14 | 0.00 | 0.14 |
| 2.87 | 0.00 | 2.87 | Rate/Income Adjustments | 2.87 | 0.00 | 2.87 |
| 365.05 | 338.13 | 26.93 | TOTAL REVENUES | 365.05 | 338.13 | 26.93 |
| EXPENSES | | | | | | |
| Medical Costs: | | | | | | |
| 53.52 | 54.96 | 1.44 | Physician Services | 53.52 | 54.96 | 1.44 |
| 15.88 | 17.19 | 1.32 | Other Professional Services | 15.88 | 17.19 | 1.32 |
| 16.79 | 20.18 | 3.39 | Emergency Room | 16.79 | 20.18 | 3.39 |
| 71.28 | 55.96 | (15.32) | Inpatient | 71.28 | 55.96 | (15.32) |
| 0.29 | 0.29 | (0.00) | Reinsurance Expense | 0.29 | 0.29 | (0.00) |
| 25.52 | 25.39 | (0.13) | Outpatient Hospital | 25.52 | 25.39 | (0.13) |
| 38.21 | 36.83 | (1.38) | Other Medical | 38.21 | 36.83 | (1.38) |
| 32.67 | 38.13 | 5.46 | Pharmacy | 32.67 | 38.13 | 5.46 |
| 1.90 | 1.90 | 0.00 | Pay for Performance Quality Incentive | 1.90 | 1.90 | 0.00 |
| 0.00 | 0.00 | 0.00 | Risk Corridor Expense | 0.00 | 0.00 | 0.00 |
| 54.29 | 34.53 | (19.77) | Hospital Directed Payments | 54.29 | 34.53 | (19.77) |
| 0.14 | 0.00 | (0.14) | Hospital Directed Payment Adjustment | 0.14 | 0.00 | (0.14) |
| 1.03 | 0.00 | (1.03) | Non-Claims Expense Adjustment | 1.03 | 0.00 | (1.03) |
| 0.02 | 0.00 | (0.02) | IBNR, Incentive, Paid Claims Adjustment | 0.02 | 0.00 | (0.02) |
| 311.55 | 285.36 | (26.19) | Total Medical Costs | 311.55 | 285.36 | (26.19) |
| 53.50 | 52.77 | 0.73 | GROSS MARGIN | 53.50 | 52.77 | 0.73 |
| Administrative: | | | | | | |
| 9.95 | 10.42 | 0.46 | Compensation | 9.95 | 10.42 | 0.46 |
| 2.94 | 3.91 | 0.97 | Purchased Services | 2.94 | 3.91 | 0.97 |
| 0.21 | 0.49 | 0.28 | Supplies | 0.21 | 0.49 | 0.28 |
| 1.52 | 1.83 | 0.31 | Depreciation | 1.52 | 1.83 | 0.31 |
| 1.00 | 1.41 | 0.41 | Other Administrative Expenses | 1.00 | 1.41 | 0.41 |
| 0.07 | 0.00 | (0.07) | Administrative Expense Adjustment | 0.07 | 0.00 | (0.07) |
| 15.68 | 18.04 | 2.36 | Total Administrative Expenses | 15.68 | 18.04 | 2.36 |
| 327.23 | 303.40 | (23.83) | TOTAL EXPENSES | 327.23 | 303.40 | (23.83) |
| 37.82 | 34.73 | 3.09 | OPERATING INCOME (LOSS) BEFORE TAX | 37.82 | 34.73 | 3.09 |
| 31.97 | 32.48 | 0.51 | MCO TAX | 31.97 | 32.48 | 0.51 |
| 5.85 | 2.25 | 3.60 | OPERATING INCOME (LOSS) NET OF TAX | 5.85 | 2.25 | 3.60 |
| NONOPERATING REVENUE (EXPENSE) | | | | | | |
| 0.00 | 0.00 | 0.00 | Gain on Sale of Assets | 0.00 | 0.00 | 0.00 |
| (0.29) | (0.61) | 0.32 | Reserve Fund Projects/Community Grants | (0.29) | (0.61) | 0.32 |
| (0.20) | (0.61) | 0.41 | Health Home | (0.20) | (0.61) | 0.41 |
| (0.49) | (1.22) | 0.72 | TOTAL NONOPERATING REVENUE (EXPENSE) | (0.49) | (1.22) | 0.72 |
| 5.36 | 1.04 | 4.32 | NET INCREASE (DECREASE) IN NET POSITION | 5.36 | 1.04 | 4.32 |
| 93.1% | 92.5% | -0.6% | MEDICAL LOSS RATIO | 93.1% | 92.5% | -0.6% |
| 5.7% | 6.7% | 1.0% | ADMINISTRATIVE EXPENSE RATIO | 5.7% | 6.7% | 1.0% |

KHS Finance Committee Meeting, April 9, 2021

| KERN HEALTH SYSTEMS MEDI-CAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - ROLLING 13 MONTHS THROUGH JANUARY 31, 2021 | JANUARY 2020 | FEBRUARY 2020 | MARCH 2020 | APRIL 2020 | MAY 2020 | JUNE 2020 | JULY 2020 | AUGUST 2020 | SEPTEMBER 2020 | OCTOBER 2020 | NOVEMBER 2020 | DECEMBER 2020 | JANUARY 2021 | 13 MONTH TOTAL |
|---|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|----------------------|
| ENROLLMENT | | | | | | | | | | | | | | |
| Members-MCAL | 248,640 | 250,007 | 251,552 | 252,950 | 256,134 | 259,592 | 261,732 | 264,749 | 278,100 | 272,481 | 275,080 | 277,452 | 278,517 | 3,426,986 |
| REVENUES | | | | | | | | | | | | | | |
| Title XIX - Medicaid - Family and Other | 28,111,536 | 28,136,428 | 28,589,738 | 27,567,358 | 28,170,470 | 30,522,053 | 29,997,411 | 30,548,160 | 30,419,692 | 33,387,274 | 30,920,096 | 32,216,002 | 33,254,490 | 391,840,708 |
| Title XIX - Medicaid - Expansion Members | 23,135,804 | 23,419,130 | 23,548,401 | 22,679,789 | 23,386,527 | 24,776,875 | 24,533,357 | 24,848,094 | 25,069,155 | 27,568,938 | 25,504,052 | 27,197,954 | 27,548,311 | 323,216,387 |
| Title XIX - Medicaid - SPD Members | 15,020,731 | 15,113,713 | 15,275,980 | 14,884,891 | 14,967,019 | 15,603,750 | 15,224,387 | 15,192,022 | 15,191,965 | 14,457,143 | 16,007,482 | 15,504,966 | 15,326,978 | 197,771,027 |
| Premium - MCO Tax | - | 16,158,895 | 7,586,709 | 7,915,338 | 7,915,091 | 8,023,287 | 8,236,232 | 8,333,151 | 8,332,682 | 9,166,454 | 8,420,487 | 8,830,398 | 9,577,432 | 108,496,156 |
| Premium - Hospital Directed Payments | 11,276,584 | 11,391,396 | 11,495,457 | 11,614,664 | 11,614,663 | 12,149,677 | (8,860,821) | 9,112,870 | 9,112,869 | 9,955,034 | 9,313,088 | 9,738,038 | 15,121,903 | 123,035,422 |
| Investment Earnings And Other Income | 190,131 | 301,265 | 424,094 | 266,256 | 323,827 | 62,534 | 315,583 | 173,465 | - | (14,474) | 151,948 | 166,556 | 147,197 | 2,512,685 |
| Reinsurance Recoveries | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Rate Adjustments - Hospital Directed Payments | 118,333 | 60,959 | 42,436 | 36,523 | 36,524 | (10,733) | (52,075,301) | 4,234 | 2,924 | 77 | 10,627 | (2,692) | 39,990 | (51,736,099) |
| Rate/Income Adjustments | 819,618 | 809,261 | 616,798 | (4,529,302) | 444,891 | 476,588 | 135,705 | 291,820 | 70,321 | (582,499) | 127,031 | 226,726 | 799,886 | (293,156) |
| TOTAL REVENUES | 78,672,737 | 95,391,047 | 87,579,613 | 80,435,517 | 86,859,012 | 91,604,031 | 17,506,553 | 88,503,816 | 88,185,134 | 94,104,369 | 90,469,419 | 93,858,589 | 101,673,293 | 1,094,843,130 |
| EXPENSES | | | | | | | | | | | | | | |
| Medical Costs: | | | | | | | | | | | | | | |
| Physician Services | 14,757,546 | 13,873,238 | 14,351,280 | 12,418,888 | 12,429,908 | 11,806,601 | 13,357,636 | 13,134,194 | 14,514,021 | 14,157,774 | 13,867,872 | 12,660,363 | 14,907,160 | 176,236,481 |
| Other Professional Services | 4,334,953 | 3,966,515 | 4,024,762 | 3,908,759 | 3,489,408 | 3,385,134 | 4,421,687 | 4,619,091 | 4,841,378 | 3,806,785 | 4,389,484 | 4,935,401 | 4,421,552 | 54,544,909 |
| Emergency Room | 5,226,947 | 5,258,084 | 5,370,795 | 3,813,875 | 4,212,272 | 3,363,172 | 3,651,975 | 4,813,363 | 4,926,059 | 4,814,428 | 4,638,713 | 3,194,257 | 4,676,327 | 57,960,267 |
| Inpatient | 14,911,677 | 13,893,706 | 14,743,904 | 15,995,368 | 14,410,696 | 17,115,732 | 17,082,368 | 16,635,497 | 17,879,275 | 17,137,251 | 17,212,070 | 19,183,080 | 19,853,180 | 216,053,804 |
| Reinsurance Expense | 72,320 | 144,425 | (213) | 77,341 | 69,310 | 73,356 | 75,202 | 76,284 | 76,523 | 77,652 | 84,521 | 77,390 | 81,215 | 985,326 |
| Outpatient Hospital | 6,734,395 | 6,204,610 | 6,566,090 | 6,270,816 | 5,199,240 | 6,447,664 | 6,446,825 | 6,894,371 | 6,804,640 | 6,653,372 | 6,209,999 | 6,565,195 | 7,108,674 | 84,105,891 |
| Other Medical | 5,661,784 | 10,021,013 | 10,653,430 | 8,832,073 | 10,860,308 | 9,199,742 | 11,504,806 | 9,055,443 | 14,033,235 | 12,916,278 | 10,958,385 | 13,070,247 | 10,641,113 | 137,407,857 |
| Pharmacy | 9,971,687 | 9,246,208 | 10,311,873 | 8,667,925 | 8,616,291 | 8,313,457 | 8,780,407 | 9,180,669 | 9,829,083 | 9,259,169 | 8,717,167 | 9,651,881 | 9,100,359 | 119,646,176 |
| Pay for Performance Quality Incentive | 497,280 | 500,014 | 503,104 | 509,814 | 508,354 | 519,184 | 523,464 | 529,498 | 529,498 | 556,200 | 544,962 | - | 529,182 | 6,250,554 |
| Risk Corridor Expense | - | - | - | - | - | 4,700,000 | (2,000,000) | - | (2,700,000) | - | - | - | - | - |
| Hospital Directed Payments | 11,276,584 | 11,391,396 | 11,495,457 | 11,614,664 | 11,614,663 | 12,149,677 | (8,860,821) | 9,112,870 | 9,112,869 | 9,955,034 | 9,313,088 | 9,738,038 | 15,121,903 | 123,035,422 |
| Hospital Directed Payment Adjustment | 118,333 | 60,959 | 42,436 | 36,523 | 36,524 | (10,733) | (52,075,301) | 4,234 | 2,924 | 77 | 6,596 | (1,263) | 39,990 | (51,975,583) |
| Non-Claims Expense Adjustment | 57,172 | 232,393 | (1,583,770) | 1,420 | 167,936 | (325,027) | (23,790) | (157) | (777,546) | 5,124 | (209,309) | 1,598 | 287,063 | (2,166,893) |
| IBNR, Incentive, Paid Claims Adjustment | 816 | (8,559) | (2,649,204) | (4,444,586) | 11,543 | (426,819) | 344,451 | (120,764) | (4,317,566) | (5,474) | 205,986 | 316,193 | 4,787 | (11,089,196) |
| Total Medical Costs | 73,621,494 | 74,784,002 | 73,829,944 | 67,702,880 | 71,626,453 | 76,311,140 | 3,228,909 | 73,696,401 | 74,755,703 | 79,333,670 | 75,939,534 | 79,392,380 | 86,772,505 | 910,995,015 |
| GROSS MARGIN | 5,051,243 | 20,607,045 | 13,749,669 | 12,732,637 | 15,232,559 | 15,292,891 | 14,277,644 | 14,807,415 | 13,429,431 | 14,770,699 | 14,529,885 | 14,466,209 | 14,900,788 | 183,848,115 |
| Administrative: | | | | | | | | | | | | | | |
| Compensation | 2,577,348 | 2,407,112 | 2,447,667 | 2,678,816 | 2,375,693 | 2,835,739 | 2,732,099 | 2,597,575 | 2,636,509 | 2,613,272 | 2,456,357 | 2,766,869 | 2,772,584 | 33,897,640 |
| Purchased Services | 805,903 | 728,049 | 867,391 | 644,717 | 903,379 | 1,142,683 | 859,845 | 819,771 | 421,612 | 689,841 | 745,537 | 1,172,530 | 818,908 | 10,620,166 |
| Supplies | 35,806 | 149,042 | 99,552 | 60,138 | 59,208 | 29,774 | 71,551 | 63,919 | 71,111 | 34,967 | 106,489 | 39,305 | 57,592 | 878,454 |
| Depreciation | 287,590 | 287,536 | 300,318 | 300,318 | 924,253 | 418,036 | 417,768 | 418,389 | 419,251 | 419,796 | 419,850 | 421,301 | 422,833 | 5,457,039 |
| Other Administrative Expenses | 353,414 | 181,493 | 269,559 | 441,804 | 223,548 | 345,337 | 240,778 | 254,091 | 296,858 | 137,960 | 242,696 | 351,189 | 277,245 | 3,615,972 |
| Administrative Expense Adjustment | - | - | - | - | - | (212,229) | - | - | - | - | - | - | 1,407,045 | 18,296 |
| Total Administrative Expenses | 4,059,861 | 3,753,232 | 3,984,487 | 4,125,793 | 4,486,081 | 4,559,340 | 4,322,041 | 4,153,745 | 3,845,341 | 3,895,836 | 3,970,929 | 6,158,239 | 4,367,458 | 55,682,383 |
| TOTAL EXPENSES | 77,681,355 | 78,537,234 | 77,814,431 | 71,828,673 | 76,112,534 | 80,870,480 | 7,550,950 | 77,850,146 | 78,601,044 | 83,229,506 | 79,910,463 | 85,550,619 | 91,139,963 | 966,677,398 |
| OPERATING INCOME (LOSS) BEFORE TAX | 991,382 | 16,853,813 | 9,765,182 | 8,606,844 | 10,746,478 | 10,733,551 | 9,955,603 | 10,653,670 | 9,584,090 | 10,874,863 | 10,558,956 | 8,307,970 | 10,533,330 | 128,165,732 |
| MCO TAX | - | 16,159,021 | 7,586,709 | 7,915,243 | 7,914,997 | 7,915,244 | 8,904,648 | 8,905,117 | 8,904,649 | 8,904,648 | 8,904,649 | 8,904,649 | 8,902,943 | 109,822,517 |
| OPERATING INCOME (LOSS) NET OF TAX | 991,382 | 694,792 | 2,178,473 | 691,601 | 2,831,481 | 2,818,307 | 1,050,955 | 1,748,553 | 679,441 | 1,970,215 | 1,654,307 | (596,679) | 1,630,387 | 18,343,215 |
| TOTAL NONOPERATING REVENUE (EXPENSE) | (942,282) | (569,882) | (1,076,457) | 424,682 | (587,120) | (479,019) | 462,756 | (687,453) | (176,843) | (1,188,755) | (931,682) | 1,433,032 | (137,472) | (4,456,495) |
| NET INCREASE (DECREASE) IN NET POSITION | 49,100 | 124,910 | 1,102,016 | 1,116,283 | 2,244,361 | 2,339,288 | 1,513,711 | 1,061,100 | 502,598 | 781,460 | 722,625 | 836,353 | 1,492,915 | 13,886,720 |
| MEDICAL LOSS RATIO | 92.5% | 93.4% | 91.0% | 92.1% | 89.1% | 89.8% | 91.4% | 91.2% | 92.8% | 92.5% | 91.6% | 92.5% | 93.1% | 91.8% |
| ADMINISTRATIVE EXPENSE RATIO | 6.0% | 5.5% | 5.8% | 6.8% | 6.7% | 6.4% | 6.2% | 5.8% | 5.4% | 5.2% | 5.5% | 8.2% | 5.7% | 6.1% |

| KERN HEALTH SYSTEMS MEDICAL STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION BY MONTH - PMPM ROLLING 13 MONTHS THROUGH JANUARY 31, 2021 | | | | | | | | | | | | | | |
|---|-----------------|------------------|---------------|---------------|---------------|---------------|--------------|----------------|-------------------|-----------------|------------------|------------------|-----------------|-------------------|
| | JANUARY 2020 | FEBRUARY 2020 | MARCH 2020 | APRIL 2020 | MAY 2020 | JUNE 2020 | JULY 2020 | AUGUST 2020 | SEPTEMBER 2020 | OCTOBER 2020 | NOVEMBER 2020 | DECEMBER 2020 | JANUARY 2021 | 13 MONTH TOTAL |
| ENROLLMENT Members- MCAL | 248,640 | 250,007 | 251,552 | 252,950 | 256,134 | 259,592 | 261,732 | 264,749 | 278,100 | 272,481 | 275,080 | 277,452 | 278,517 | 3,426,986 |
| REVENUES | | | | | | | | | | | | | | |
| Title XIX - Medicaid - Family and Other | 162.42 | 161.68 | 163.16 | 157.08 | 158.57 | 169.56 | 165.45 | 166.87 | 166.16 | 175.40 | 164.62 | 168.64 | 174.05 | 165.17 |
| Title XIX - Medicaid - Expansion Members | 386.25 | 387.18 | 388.37 | 369.04 | 373.98 | 388.48 | 377.98 | 376.19 | 379.54 | 393.46 | 371.41 | 384.47 | 385.83 | 380.01 |
| Title XIX - Medicaid - SPD Members | 958.75 | 975.52 | 973.74 | 930.77 | 938.61 | 987.39 | 981.08 | 972.23 | 972.22 | 945.03 | 1,012.68 | 989.03 | 954.71 | 968.89 |
| Premium - MCO Tax | 0.00 | 64.63 | 30.16 | 31.29 | 30.90 | 30.91 | 31.47 | 31.48 | 29.96 | 33.64 | 30.61 | 31.83 | 34.39 | 31.66 |
| Premium - Hospital Directed Payments | 45.35 | 45.56 | 45.70 | 45.92 | 45.35 | 46.80 | (33.85) | 34.42 | 32.77 | 36.53 | 33.86 | 35.10 | 54.29 | 35.90 |
| Investment Earnings And Other Income | 0.76 | 1.21 | 1.69 | 1.05 | 1.26 | 0.24 | 1.21 | 0.66 | (0.05) | 0.56 | 0.61 | 0.53 | 0.02 | 0.73 |
| 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 | 0.48 | 0.24 | 0.17 | 0.14 | 0.14 | (0.04) | (198.96) | 0.02 | 0.01 | 0.00 | 0.04 | (0.01) | 0.14 | (15.10) |
| Rate/Income Adjustments | 3.30 | 3.24 | 2.45 | (17.91) | 1.74 | 1.84 | 0.52 | 1.10 | 0.25 | (2.14) | 0.46 | 0.82 | 2.87 | (0.09) |
| TOTAL REVENUES | 316.41 | 381.55 | 348.16 | 317.99 | 339.12 | 352.88 | 66.89 | 334.29 | 317.10 | 345.36 | 328.88 | 338.29 | 365.05 | 319.48 |
| EXPENSES | | | | | | | | | | | | | | |
| Medical Costs: | | | | | | | | | | | | | | |
| Physician Services | 59.35 | 55.49 | 57.05 | 49.10 | 48.53 | 45.48 | 51.04 | 49.61 | 52.19 | 51.96 | 50.41 | 45.63 | 53.52 | 51.43 |
| Other Professional Services | 17.43 | 15.87 | 16.00 | 15.45 | 13.62 | 13.04 | 16.89 | 17.45 | 17.41 | 13.97 | 15.96 | 17.79 | 15.88 | 15.92 |
| Emergency Room | 21.02 | 21.03 | 21.35 | 15.08 | 16.45 | 12.96 | 13.95 | 18.18 | 17.71 | 17.67 | 16.86 | 11.51 | 16.79 | 16.91 |
| Inpatient | 59.97 | 55.57 | 58.61 | 63.24 | 56.26 | 65.93 | 65.27 | 62.83 | 64.29 | 62.89 | 62.57 | 69.14 | 71.28 | 63.04 |
| Reinsurance Expense | 0.29 | 0.58 | (0.00) | 0.31 | 0.27 | 0.28 | 0.29 | 0.29 | 0.28 | 0.28 | 0.31 | 0.28 | 0.29 | 0.29 |
| Outpatient Hospital | 27.08 | 24.82 | 26.10 | 24.79 | 20.30 | 24.84 | 24.63 | 26.04 | 24.47 | 24.42 | 22.58 | 23.66 | 25.52 | 24.54 |
| Other Medical | 22.77 | 40.08 | 42.35 | 34.92 | 42.40 | 35.44 | 43.96 | 34.20 | 50.46 | 47.40 | 39.84 | 47.11 | 38.21 | 40.10 |
| Pharmacy | 40.10 | 36.98 | 40.99 | 34.27 | 33.64 | 32.03 | 33.55 | 34.68 | 35.34 | 33.98 | 31.69 | 34.79 | 32.67 | 34.91 |
| Pay for Performance Quality Incentive | 2.00 | 2.00 | 2.00 | 2.02 | 1.98 | 2.00 | 2.00 | 2.00 | 1.90 | 2.04 | 1.98 | 0.00 | 1.90 | 1.82 |
| Risk Corridor Expense | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 18.11 | (7.64) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Hospital Directed Payments | 45.35 | 45.56 | 45.70 | 45.92 | 45.35 | 46.80 | (33.85) | 34.42 | 32.77 | 36.53 | 33.86 | 35.10 | 54.29 | 35.90 |
| Hospital Directed Payment Adjustment | 0.48 | 0.24 | 0.17 | 0.14 | 0.14 | (0.04) | (198.96) | (0.88) | 0.02 | 0.00 | 0.02 | (0.00) | 0.14 | (15.17) |
| Non-Claims Expense Adjustment | 0.23 | 0.93 | (6.30) | 0.01 | 0.66 | (1.25) | (0.09) | (0.00) | (2.80) | 0.02 | (0.76) | 0.01 | 1.03 | (0.63) |
| IBNR, Incentive, Paid Claims Adjustment | 0.00 | (0.03) | (10.53) | (17.57) | 0.05 | (1.64) | 1.32 | (0.46) | (15.53) | (0.02) | 0.75 | 1.14 | 0.02 | (3.24) |
| Total Medical Costs | 296.10 | 299.13 | 293.50 | 267.65 | 279.64 | 293.97 | 12.34 | 278.36 | 268.81 | 291.15 | 276.06 | 286.15 | 311.55 | 265.83 |
| GROSS MARGIN | 20.32 | 82.43 | 54.66 | 50.34 | 59.47 | 58.91 | 54.55 | 55.93 | 48.29 | 54.21 | 52.82 | 52.14 | 53.50 | 53.65 |
| Administrative: | | | | | | | | | | | | | | |
| Compensation | 10.37 | 9.63 | 9.73 | 10.59 | 9.28 | 10.92 | 10.44 | 9.81 | 9.48 | 9.59 | 8.93 | 9.97 | 9.95 | 9.89 |
| Purchased Services | 3.24 | 2.91 | 3.45 | 2.55 | 3.53 | 4.40 | 3.29 | 3.10 | 1.52 | 2.53 | 2.71 | 4.23 | 2.94 | 3.10 |
| Supplies | 0.14 | 0.60 | 0.40 | 0.24 | 0.23 | 0.11 | 0.27 | 0.24 | 0.26 | 0.13 | 0.39 | 0.14 | 0.21 | 0.26 |
| Depreciation | 1.16 | 1.15 | 1.19 | 1.19 | 3.61 | 1.61 | 1.60 | 1.58 | 1.51 | 1.54 | 1.53 | 1.52 | 1.52 | 1.59 |
| Other Administrative Expenses | 1.42 | 0.73 | 1.07 | 1.75 | 0.87 | 1.33 | 0.92 | 0.96 | 1.07 | 0.51 | 0.88 | 1.27 | 1.00 | 1.06 |
| Administrative Expense Adjustment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (0.82) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5.07 | 0.07 | 0.35 |
| Total Administrative Expenses | 16.33 | 15.01 | 15.84 | 16.31 | 17.51 | 17.56 | 16.51 | 15.69 | 13.83 | 14.30 | 14.44 | 22.20 | 15.68 | 16.25 |
| TOTAL EXPENSES | 312.43 | 314.14 | 309.34 | 283.96 | 297.16 | 311.53 | 28.85 | 294.05 | 282.64 | 305.45 | 290.50 | 308.34 | 327.23 | 282.08 |
| OPERATING INCOME (LOSS) BEFORE TAX | 3.99 | 67.41 | 38.82 | 34.03 | 41.96 | 41.35 | 38.04 | 40.24 | 34.46 | 39.91 | 38.39 | 29.94 | 37.82 | 37.40 |
| MCO TAX | 0.00 | 64.63 | 30.16 | 31.29 | 30.90 | 30.49 | 34.02 | 33.64 | 32.02 | 32.68 | 32.37 | 32.09 | 31.97 | 32.05 |
| OPERATING INCOME (LOSS) NET OF TAX | 3.99 | 2.78 | 8.66 | 2.73 | 11.05 | 10.86 | 4.02 | 6.60 | 2.44 | 7.23 | 6.01 | (2.15) | 5.85 | 5.35 |
| TOTAL NONOPERATING REVENUE (EXPENSE) | (3.79) | (2.28) | (4.28) | 1.68 | (2.29) | (1.85) | 1.77 | (2.60) | (0.64) | (4.36) | (3.39) | 5.16 | (0.49) | (1.30) |
| NET INCREASE (DECREASE) IN NET POSITION | 0.20 | 0.50 | 4.38 | 4.41 | 8.76 | 9.01 | 5.78 | 4.01 | 1.81 | 2.87 | 2.63 | 3.01 | 5.36 | 4.05 |
| MEDICAL LOSS RATIO | 92.5% | 93.4% | 91.0% | 92.1% | 89.1% | 89.8% | 91.4% | 91.2% | 92.8% | 92.5% | 91.6% | 92.5% | 93.1% | 91.8% |
| ADMINISTRATIVE EXPENSE RATIO | 6.0% | 5.5% | 5.8% | 6.8% | 6.7% | 6.4% | 6.2% | 5.8% | 5.4% | 5.2% | 5.5% | 8.2% | 5.7% | 6.1% |

| CURRENT MONTH | | | KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF REVENUES - ALL COA FOR THE MONTH ENDED JANUARY 31, 2021 | YEAR-TO-DATE | | |
|--|------------|-----------|---|--------------|------------|-----------|
| ACTUAL | BUDGET | VARIANCE | | ACTUAL | BUDGET | VARIANCE |
| REVENUES | | | | | | |
| Title XIX - Medicaid - Family & Other | | | | | | |
| 26,044,993 | 24,847,484 | 1,197,509 | Premium - Medi-Cal | 26,044,993 | 24,847,484 | 1,197,509 |
| 2,536,842 | 2,520,887 | 15,955 | Premium - Maternity Kick | 2,536,842 | 2,520,887 | 15,955 |
| 43,682 | 79,197 | (35,515) | Premium - Hep C Kick | 43,682 | 79,197 | (35,515) |
| 461,322 | 484,909 | (23,587) | Premium - BHT Kick | 461,322 | 484,909 | (23,587) |
| 107,059 | 175,390 | (68,331) | Premium - Health Home Kick | 107,059 | 175,390 | (68,331) |
| 3,522,672 | 3,458,468 | 64,204 | Premium - Provider Enhancement | 3,522,672 | 3,458,468 | 64,204 |
| 174,929 | 168,237 | 6,692 | Premium - Ground Emergency Medical Transportation | 174,929 | 168,237 | 6,692 |
| 255,004 | 272,653 | (17,649) | Premium - Behavioral Health Integration Program | 255,004 | 272,653 | (17,649) |
| 107,987 | 91,726 | 16,261 | Other | 107,987 | 91,726 | 16,261 |
| 33,254,490 | 32,098,951 | 1,155,539 | Total Title XIX - Medicaid - Family & Other | 33,254,490 | 32,098,951 | 1,155,539 |
| Title XIX - Medicaid - Expansion Members | | | | | | |
| 24,933,645 | 24,002,303 | 931,342 | Premium - Medi-Cal | 24,933,645 | 24,002,303 | 931,342 |
| 335,055 | 214,253 | 120,802 | Premium - Maternity Kick | 335,055 | 214,253 | 120,802 |
| 192,202 | 202,017 | (9,815) | Premium - Hep C Kick | 192,202 | 202,017 | (9,815) |
| 312,522 | 356,121 | (43,599) | Premium - Health Home Kick | 312,522 | 356,121 | (43,599) |
| 1,472,890 | 1,455,050 | 17,840 | Premium - Provider Enhancement | 1,472,890 | 1,455,050 | 17,840 |
| 176,094 | 165,235 | 10,859 | Premium - Ground Emergency Medical Transportation | 176,094 | 165,235 | 10,859 |
| 95,281 | 102,122 | (6,841) | Premium - Behavioral Health Integration Program | 95,281 | 102,122 | (6,841) |
| 30,622 | 26,600 | 4,022 | Other | 30,622 | 26,600 | 4,022 |
| 27,548,311 | 26,523,701 | 1,024,610 | Total Title XIX - Medicaid - Expansion Members | 27,548,311 | 26,523,701 | 1,024,610 |
| Title XIX - Medicaid - SPD Members | | | | | | |
| 13,999,037 | 13,653,527 | 345,510 | Premium - Medi-Cal | 13,999,037 | 13,653,527 | 345,510 |
| 26,209 | 100,288 | (74,079) | Premium - Hep C Kick | 26,209 | 100,288 | (74,079) |
| 447,015 | 763,566 | (316,551) | Premium - BHT Kick | 447,015 | 763,566 | (316,551) |
| 244,399 | 351,842 | (107,443) | Premium - Health Home Kick | 244,399 | 351,842 | (107,443) |
| 457,090 | 454,632 | 2,458 | Premium - Provider Enhancement | 457,090 | 454,632 | 2,458 |
| 131,841 | 127,475 | 4,366 | Premium - Ground Emergency Medical Transportation | 131,841 | 127,475 | 4,366 |
| 21,387 | 22,041 | (654) | Premium - Behavioral Health Integration Program | 21,387 | 22,041 | (654) |
| 15,326,978 | 15,473,370 | (146,392) | Total Title XIX - Medicaid - SPD Members | 15,326,978 | 15,473,370 | (146,392) |

| CURRENT MONTH | | | KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS - ALL COA FOR THE MONTH ENDED JANUARY 31, 2021 | YEAR-TO-DATE | | |
|---------------|------------|-------------|--|--------------|------------|----------|
| ACTUAL | BUDGET | VARIANCE | | ACTUAL | BUDGET | VARIANCE |
| 2,962,264 | 3,045,286 | 83,022 | PHYSICIAN SERVICES | | | |
| 10,512,215 | 10,527,368 | 15,153 | Primary Care Physician Services | 2,962,264 | 3,045,286 | |
| 1,423,381 | 1,488,891 | 65,510 | Referral Specialty Services | 10,512,215 | 10,527,368 | |
| 9,300 | 9,300 | - | Urgent Care & After Hours Advise | 1,423,381 | 1,488,891 | |
| 14,907,160 | 15,070,846 | 163,686 | Hospital Admitting Team | 9,300 | 9,300 | |
| | | | TOTAL PHYSICIAN SERVICES | 14,907,160 | 15,070,846 | |
| | | | OTHER PROFESSIONAL SERVICES | | | |
| 294,054 | 292,954 | (1,100) | Vision Service Capitation | 294,054 | 292,954 | |
| 210,663 | 212,115 | 1,452 | 221 - Business Intelligence | 210,663 | 212,115 | |
| 595,003 | 597,920 | 2,917 | 310 - Health Services - Utilization Management - UM Allocation * | 595,003 | 597,920 | |
| 138,388 | 189,152 | 50,764 | 311 - Health Services - Quality Improvement - UM Allocation * | 138,388 | 189,152 | |
| 120,621 | 123,336 | 2,715 | 312 - Health Services - Education - UM Allocation * | 120,621 | 123,336 | |
| 75,046 | 80,283 | 5,237 | 313 - Health Services - Pharmacy - UM Allocation * | 75,046 | 80,283 | |
| 120,170 | 210,465 | 90,295 | 314 - Health Homes - UM Allocation * | 120,170 | 210,465 | |
| 270,657 | 270,692 | 35 | 315 - Case Management - UM Allocation * | 270,657 | 270,692 | |
| 62,998 | 56,773 | (6,225) | 616 - Disease Management - UM Allocation * | 62,998 | 56,773 | |
| 867,517 | 1,248,475 | 380,958 | Behavior Health Treatment | 867,517 | 1,248,475 | |
| 292,517 | 188,742 | (103,775) | Mental Health Services | 292,517 | 188,742 | |
| 1,373,918 | 1,242,663 | (131,255) | Other Professional Services | 1,373,918 | 1,242,663 | |
| 4,421,552 | 4,713,570 | 292,018 | TOTAL OTHER PROFESSIONAL SERVICES | 4,421,552 | 4,713,570 | |
| 4,676,327 | 5,532,296 | 855,969 | EMERGENCY ROOM | 4,676,327 | 5,532,296 | |
| 19,853,180 | 15,343,180 | (4,510,000) | INPATIENT HOSPITAL | 19,853,180 | 15,343,180 | |
| 81,215 | 79,517 | (1,698) | REINSURANCE EXPENSE PREMIUM | 81,215 | 79,517 | |
| 7,108,674 | 6,962,569 | (146,105) | OUTPATIENT HOSPITAL SERVICES | 7,108,674 | 6,962,569 | |
| | | | OTHER MEDICAL | | | |
| 1,400,971 | 1,541,820 | 140,849 | Ambulance and NEMT | 1,400,971 | 1,541,820 | |
| 490,933 | 424,091 | (66,842) | Home Health Services & CBAS | 490,933 | 424,091 | |
| 228,696 | 491,325 | 262,629 | Utilization and Quality Review Expenses | 228,696 | 491,325 | |
| 1,616,577 | 1,297,752 | (318,825) | Long Term/SNF/Hospice | 1,616,577 | 1,297,752 | |
| 211,140 | 393,192 | 182,052 | Health Home Capitation & Incentive | 211,140 | 393,192 | |
| 5,190,164 | 5,091,298 | (98,866) | Provider Enhancement Expense - Prop. 56 | 5,190,164 | 5,091,298 | |
| 456,380 | 460,947 | 4,567 | Provider Enhancement Expense - GEMT | 456,380 | 460,947 | |
| 674,580 | - | (674,580) | Provider COVID-19 Expenses | 674,580 | - | |
| 371,672 | 396,816 | 25,144 | Behavioral Health Integration Program | 371,672 | 396,816 | |
| 10,641,113 | 10,097,242 | (543,871) | TOTAL OTHER MEDICAL | 10,641,113 | 10,097,242 | |
| | | | PHARMACY SERVICES | | | |
| 8,174,252 | 9,340,349 | 1,166,097 | RX - Drugs & OTC | 8,174,252 | 9,340,349 | |
| 245,144 | 381,501 | 136,357 | RX - HEP-C | 245,144 | 381,501 | |
| 815,963 | 767,561 | (48,402) | Rx - DME | 815,963 | 767,561 | |
| (135,000) | (33,312) | 101,688 | RX - Pharmacy Rebates | (135,000) | (33,312) | |
| 9,100,359 | 10,456,099 | 1,355,740 | TOTAL PHARMACY SERVICES | 9,100,359 | 10,456,099 | |
| 529,182 | 520,971 | (8,212) | PAY FOR PERFORMANCE QUALITY INCENTIVE | 529,182 | 520,971 | |
| - | - | - | RISK CORRIDOR EXPENSE | - | - | |
| 15,121,903 | 9,467,460 | (5,654,443) | HOSPITAL DIRECTED PAYMENTS | 15,121,903 | 9,467,460 | |
| 39,990 | - | (39,990) | HOSPITAL DIRECTED PAYMENT ADJUSTMENT | 39,990 | - | |
| 287,063 | - | (287,063) | NON-CLAIMS EXPENSE ADJUSTMENT | 287,063 | - | |
| 4,787 | - | (4,787) | IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT | 4,787 | - | |
| 86,772,505 | 78,243,748 | (8,528,757) | Total Medical Costs | 86,772,505 | 78,243,748 | |

KHS3/29/2021
Management Use Only

* 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, 2021 | YEAR-TO-DATE | | |
|---------------|--------|----------|---|--------------|--------|----------|
| ACTUAL | BUDGET | VARIANCE | | ACTUAL | BUDGET | VARIANCE |
| | | | PHYSICIAN SERVICES | | | |
| 10.64 | 11.11 | 0.47 | Primary Care Physician Services | 10.64 | 11.11 | 0.47 |
| 37.74 | 38.39 | 0.65 | Referral Specialty Services | 37.74 | 38.39 | 0.65 |
| 5.11 | 5.43 | 0.32 | Urgent Care & After Hours Advise | 5.11 | 5.43 | 0.32 |
| 0.03 | 0.03 | 0.00 | Hospital Admitting Team | 0.03 | 0.03 | 0.00 |
| 53.52 | 54.96 | 1.44 | TOTAL PHYSICIAN SERVICES | 53.52 | 54.96 | 1.44 |
| | | | OTHER PROFESSIONAL SERVICES | | | |
| 1.06 | 1.07 | 0.01 | Vision Service Capitation | 1.06 | 1.07 | 0.01 |
| 0.76 | 0.77 | 0.02 | 221 - Business Intelligence | 0.76 | 0.77 | 0.02 |
| 2.14 | 2.18 | 0.04 | 310 - Health Services - Utilization Management - UM Allocation * | 2.14 | 2.18 | 0.04 |
| 0.50 | 0.69 | 0.19 | 311 - Health Services - Quality Improvement - UM Allocation * | 0.50 | 0.69 | 0.19 |
| 0.43 | 0.45 | 0.02 | 312 - Health Services - Education - UM Allocation * | 0.43 | 0.45 | 0.02 |
| 0.27 | 0.29 | 0.02 | 313 - Health Services - Pharmacy - UM Allocation * | 0.27 | 0.29 | 0.02 |
| 0.43 | 0.77 | 0.34 | 314 - Health Homes - UM Allocation * | 0.43 | 0.77 | 0.34 |
| 0.97 | 0.99 | 0.02 | 315 - Case Management - UM Allocation * | 0.97 | 0.99 | 0.02 |
| 0.23 | 0.21 | (0.02) | 616 - Disease Management - UM Allocation * | 0.23 | 0.21 | (0.02) |
| 3.11 | 4.55 | 1.44 | Behavior Health Treatment | 3.11 | 4.55 | 1.44 |
| 1.05 | 0.69 | (0.36) | Mental Health Services | 1.05 | 0.69 | (0.36) |
| 4.93 | 4.53 | (0.40) | Other Professional Services | 4.93 | 4.53 | (0.40) |
| 15.88 | 17.19 | 1.32 | TOTAL OTHER PROFESSIONAL SERVICES | 15.88 | 17.19 | 1.32 |
| 16.79 | 20.18 | 3.39 | EMERGENCY ROOM | 16.79 | 20.18 | 3.39 |
| 71.28 | 55.96 | (15.32) | INPATIENT HOSPITAL | 71.28 | 55.96 | (15.32) |
| 0.29 | 0.29 | (0.00) | REINSURANCE EXPENSE PREMIUM | 0.29 | 0.29 | (0.00) |
| 25.52 | 25.39 | (0.13) | OUTPATIENT HOSPITAL SERVICES | 25.52 | 25.39 | (0.13) |
| | | | OTHER MEDICAL | | | |
| 5.03 | 5.62 | 0.59 | Ambulance and NEMT | 5.03 | 5.62 | 0.59 |
| 1.76 | 1.55 | (0.22) | Home Health Services & CBAS | 1.76 | 1.55 | (0.22) |
| 0.82 | 1.79 | 0.97 | Utilization and Quality Review Expenses | 0.82 | 1.79 | 0.97 |
| 5.80 | 4.73 | (1.07) | Long Term/SNF/Hospice | 5.80 | 4.73 | (1.07) |
| 0.76 | 1.43 | 0.68 | Health Home Capitation & Incentive | 0.76 | 1.43 | 0.68 |
| 18.63 | 18.57 | (0.07) | Provider Enhancement Expense - Prop. 56 | 18.63 | 18.57 | (0.07) |
| 1.64 | 1.68 | 0.04 | Provider Enhancement Expense - GEMT | 1.64 | 1.68 | 0.04 |
| 2.42 | 0.00 | (2.42) | Provider COVID-19 Expenses | 2.42 | 0.00 | (2.42) |
| 1.33 | 1.45 | 0.11 | Behavioral Health Integration Program | 1.33 | 1.45 | 0.11 |
| 38.21 | 36.83 | (1.38) | TOTAL OTHER MEDICAL | 38.21 | 36.83 | (1.38) |
| | | | PHARMACY SERVICES | | | |
| 29.35 | 34.06 | 4.72 | RX - Drugs & OTC | 29.35 | 34.06 | 4.72 |
| 0.88 | 1.39 | 0.51 | RX - HEP-C | 0.88 | 1.39 | 0.51 |
| 2.93 | 2.80 | (0.13) | Rx - DME | 2.93 | 2.80 | (0.13) |
| (0.48) | (0.12) | 0.36 | RX - Pharmacy Rebates | (0.48) | (0.12) | 0.36 |
| 32.67 | 38.13 | 5.46 | TOTAL PHARMACY SERVICES | 32.67 | 38.13 | 5.46 |
| 1.90 | 1.90 | 0.00 | PAY FOR PERFORMANCE QUALITY INCENTIVE | 1.90 | 1.90 | 0.00 |
| 0.00 | 0.00 | 0.00 | RISK CORRIDOR EXPENSE | 0.00 | 0.00 | 0.00 |
| 54.29 | 34.53 | (19.77) | HOSPITAL DIRECTED PAYMENTS | 54.29 | 34.53 | (19.77) |
| 0.14 | 0.00 | (0.14) | HOSPITAL DIRECTED PAYMENT ADJUSTMENT | 0.14 | 0.00 | (0.14) |
| 1.03 | 0.00 | (1.03) | NON-CLAIMS EXPENSE ADJUSTMENT | 1.03 | 0.00 | (1.03) |
| 0.02 | 0.00 | (0.02) | IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT | 0.02 | 0.00 | (0.02) |
| 311.55 | 285.36 | (26.19) | Total Medical Costs | 311.55 | 285.36 | (26.19) |

* Medical costs per DMHC regulations

| KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS BY MONTH THROUGH JANUARY 31, 2021 | JANUARY 2021 | YEAR TO DATE 2021 |
|---|-------------------|-------------------------|
| PHYSICIAN SERVICES | | |
| Primary Care Physician Services | 2,962,264 | 2,962,264 |
| Referral Specialty Services | 10,512,215 | 10,512,215 |
| Urgent Care & After Hours Advise | 1,423,381 | 1,423,381 |
| Hospital Admitting Team | 9,300 | 9,300 |
| TOTAL PHYSICIAN SERVICES | 14,907,160 | 14,907,160 |
| OTHER PROFESSIONAL SERVICES | | |
| Vision Service Capitation | 294,054 | 294,054 |
| 221 - Business Intelligence | 210,663 | 210,663 |
| 310 - Health Services - Utilization Management - UM Allocation * | 595,003 | 595,003 |
| 311 - Health Services - Quality Improvement - UM Allocation * | 138,388 | 138,388 |
| 312 - Health Services - Education - UM Allocation * | 120,621 | 120,621 |
| 313 - Health Services - Pharmacy - UM Allocation * | 75,046 | 75,046 |
| 314 - Health Homes - UM Allocation * | 120,170 | 120,170 |
| 315 - Case Management - UM Allocation * | 270,657 | 270,657 |
| 616 - Disease Management - UM Allocation * | 62,998 | 62,998 |
| Behavior Health Treatment | 867,517 | 867,517 |
| Mental Health Services | 292,517 | 292,517 |
| Other Professional Services | 1,373,918 | 1,373,918 |
| TOTAL OTHER PROFESSIONAL SERVICES | 4,421,552 | 4,421,552 |
| EMERGENCY ROOM | 4,676,327 | 4,676,327 |
| INPATIENT HOSPITAL | 19,853,180 | 19,853,180 |
| REINSURANCE EXPENSE PREMIUM | 81,215 | 81,215 |
| OUTPATIENT HOSPITAL SERVICES | 7,108,674 | 7,108,674 |
| OTHER MEDICAL | | |
| Ambulance and NEMT | 1,400,971 | 1,400,971 |
| Home Health Services & CBAS | 490,933 | 490,933 |
| Utilization and Quality Review Expenses | 228,696 | 228,696 |
| Long Term/SNF/Hospice | 1,616,577 | 1,616,577 |
| Health Home Capitation & Incentive | 211,140 | 211,140 |
| Provider Enhancement Expense - Prop. 56 | 5,190,164 | 5,190,164 |
| Provider Enhancement Expense - GEMT | 456,380 | 456,380 |
| Provider COVID-19 Expenses | 674,580 | 674,580 |
| Behavioral Health Integration Program | 371,672 | 371,672 |
| TOTAL OTHER MEDICAL | 10,641,113 | 10,641,113 |
| PHARMACY SERVICES | | |
| RX - Drugs & OTC | 8,174,252 | 8,174,252 |
| RX - HEP-C | 245,144 | 245,144 |
| Rx - DME | 815,963 | 815,963 |
| RX - Pharmacy Rebates | (135,000) | (135,000) |
| TOTAL PHARMACY SERVICES | 9,100,359 | 9,100,359 |
| PAY FOR PERFORMANCE QUALITY INCENTIVE | 529,182 | 529,182 |
| RISK CORRIDOR EXPENSE | - | - |
| HOSPITAL DIRECTED PAYMENTS | 15,121,903 | 15,121,903 |
| HOSPITAL DIRECTED PAYMENT ADJUSTMENT | 39,990 | 39,990 |
| NON-CLAIMS EXPENSE ADJUSTMENT | 287,063 | 287,063 |
| IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT | 4,787 | 4,787 |
| Total Medical Costs | 86,772,505 | 86,772,505 |

| KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF MEDICAL COSTS BY MONTH - PMPM THROUGH JANUARY 31, 2021 | JANUARY 2021 | YEAR TO DATE 2021 |
|--|-----------------|-------------------------|
| PHYSICIAN SERVICES | | |
| Primary Care Physician Services | 10.64 | 10.64 |
| Referral Specialty Services | 37.74 | 37.74 |
| Urgent Care & After Hours Advise | 5.11 | 5.11 |
| Hospital Admitting Team | 0.03 | 0.03 |
| TOTAL PHYSICIAN SERVICES | 53.52 | 53.52 |
| OTHER PROFESSIONAL SERVICES | | |
| Vision Service Capitation | 1.06 | 1.06 |
| 221 - Business Intelligence | 0.76 | 0.76 |
| 310 - Health Services - Utilization Management - UM Allocation * | 2.14 | 2.14 |
| 311 - Health Services - Quality Improvement - UM Allocation * | 0.50 | 0.50 |
| 312 - Health Services - Education - UM Allocation * | 0.43 | 0.43 |
| 313 - Health Services - Pharmacy - UM Allocation * | 0.27 | 0.27 |
| 314 - Health Homes - UM Allocation * | 0.43 | 0.43 |
| 315 - Case Management - UM Allocation * | 0.97 | 0.97 |
| 616 - Disease Management - UM Allocation * | 0.23 | 0.23 |
| Behavior Health Treatment | 3.11 | 3.11 |
| Mental Health Services | 1.05 | 1.05 |
| Other Professional Services | 4.93 | 4.93 |
| TOTAL OTHER PROFESSIONAL SERVICES | 15.88 | 15.88 |
| EMERGENCY ROOM | 16.79 | 16.79 |
| INPATIENT HOSPITAL | 71.28 | 71.28 |
| REINSURANCE EXPENSE PREMIUM | 0.29 | 0.29 |
| OUTPATIENT HOSPITAL SERVICES | 25.52 | 25.52 |
| OTHER MEDICAL | | |
| Ambulance and NEMT | 5.03 | 5.03 |
| Home Health Services & CBAS | 1.76 | 1.76 |
| Utilization and Quality Review Expenses | 0.82 | 0.82 |
| Long Term/SNF/Hospice | 5.80 | 5.80 |
| Health Home Capitation & Incentive | 0.76 | 0.76 |
| Provider Enhancement Expense - Prop. 56 | 18.63 | 18.63 |
| Provider Enhancement Expense - GEMT | 1.64 | 1.64 |
| Provider COVID-19 Expens | 2.42 | 2.42 |
| Behaviorial Health Integration Program | 1.33 | 1.33 |
| TOTAL OTHER MEDICAL | 38.21 | 38.21 |
| PHARMACY SERVICES | | |
| RX - Drugs & OTC | 29.35 | 29.35 |
| RX - HEP-C | 0.88 | 0.88 |
| Rx - DME | 2.93 | 2.93 |
| RX - Pharmacy Rebates | (0.48) | (0.48) |
| TOTAL PHARMACY SERVICES | 32.67 | 32.67 |
| PAY FOR PERFORMANCE QUALITY INCENTIVE | 1.90 | 1.90 |
| RISK CORRIDOR EXPENSE | 0.00 | 0.00 |
| HOSPITAL DIRECTED PAYMENTS | 54.29 | 54.29 |
| HOSPITAL DIRECTED PAYMENT ADJUSTMENT | 0.14 | 0.14 |
| NON-CLAIMS EXPENSE ADJUSTMENT | 1.03 | 1.03 |
| IBNR, INCENTIVE, AND PAID CLAIMS ADJUSTMENT | 0.02 | 0.02 |
| Total Medical Costs | 311.55 | 311.55 |

| CURRENT MONTH | | | KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF ADMINISTRATIVE EXPENSES BY DEPT FOR THE MONTH ENDED JANUARY 31, 2021 | YEAR-TO-DATE | | |
|---------------|-----------|----------|--|--------------|-----------|----------|
| ACTUAL | BUDGET | VARIANCE | | ACTUAL | BUDGET | VARIANCE |
| 353,943 | 377,031 | 23,088 | 110 - Executive | 353,943 | 377,031 | 23,088 |
| 203,619 | 212,651 | 9,032 | 210 - Accounting | 203,619 | 212,651 | 9,032 |
| 340,212 | 362,443 | 22,231 | 220 - Management Information Systems | 340,212 | 362,443 | 22,231 |
| - | 64,468 | 64,468 | 221 - Business Intelligence | - | 64,468 | 64,468 |
| 250,306 | 281,931 | 31,625 | 222 - Enterprise Development | 250,306 | 281,931 | 31,625 |
| 365,340 | 448,523 | 83,183 | 225 - Infrastructure | 365,340 | 448,523 | 83,183 |
| 550,124 | 576,323 | 26,199 | 230 - Claims | 550,124 | 576,323 | 26,199 |
| 99,808 | 149,779 | 49,971 | 240 - Project Management | 99,808 | 149,779 | 49,971 |
| 103,641 | 101,775 | (1,866) | 310 - Health Services - Utilization Management | 103,641 | 101,775 | (1,866) |
| 18,870 | 27,902 | 9,032 | 311 - Health Services - Quality Improvement | 18,870 | 27,902 | 9,032 |
| - | 55 | 55 | 312 - Health Services - Education | - | 55 | 55 |
| 141,859 | 142,146 | 287 | 313- Pharmacy | 141,859 | 142,146 | 287 |
| - | 6,642 | 6,642 | 314 - Health Homes | - | 6,642 | 6,642 |
| 23,536 | 22,357 | (1,179) | 315 - Case Management | 23,536 | 22,357 | (1,179) |
| 32,453 | 29,325 | (3,128) | 616 - Disease Management | 32,453 | 29,325 | (3,128) |
| 304,995 | 323,502 | 18,507 | 320 - Provider Network Management | 304,995 | 323,502 | 18,507 |
| 567,625 | 656,475 | 88,850 | 330 - Member Services | 567,625 | 656,475 | 88,850 |
| 561,450 | 702,275 | 140,825 | 340 - Corporate Services | 561,450 | 702,275 | 140,825 |
| 68,976 | 66,363 | (2,613) | 360 - Audit & Investigative Services | 68,976 | 66,363 | (2,613) |
| 27,368 | 69,250 | 41,882 | 410 - Advertising Media | 27,368 | 69,250 | 41,882 |
| 53,401 | 73,950 | 20,549 | 420 - Sales/Marketing/Public Relations | 53,401 | 73,950 | 20,549 |
| 281,636 | 251,455 | (30,181) | 510 - Human Resources | 281,636 | 251,455 | (30,181) |
| 18,296 | - | (18,296) | Administrative Expense Adjustment | 18,296 | - | (18,296) |
| 4,367,458 | 4,946,622 | 579,164 | Total Administrative Expenses | 4,367,458 | 4,946,622 | 579,164 |

| KERN HEALTH SYSTEMS MEDI-CAL SCHEDULE OF ADMIN EXPENSES BY DEPT BY MONTH FOR THE MONTH ENDED JANUARY 31, 2021 | JANUARY 2021 | YEAR TO DATE 2021 |
|--|-------------------------|----------------------------------|
| 110 - Executive | 353,943 | 353,943 |
| 210 - Accounting | 203,619 | 203,619 |
| 220 - Management Information Systems (MIS) | 340,212 | 340,212 |
| 221 - Business Intelligence | - | - |
| 222 - Enterprise Development | 250,306 | 250,306 |
| 225 - Infrastructure | 365,340 | 365,340 |
| 230 - Claims | 550,124 | 550,124 |
| 240 - Project Management | 99,808 | 99,808 |
| 310 - Health Services - Utilization Management | 103,641 | 103,641 |
| 311 - Health Services - Quality Improvement | 18,870 | 18,870 |
| 312 - Health Services - Education | - | - |
| 313- Pharmacy | 141,859 | 141,859 |
| 314 - Health Homes | - | - |
| 315 - Case Management | 23,536 | 23,536 |
| 616 - Disease Management | 32,453 | 32,453 |
| 320 - Provider Network Management | 304,995 | 304,995 |
| 330 - Member Services | 567,625 | 567,625 |
| 340 - Corporate Services | 561,450 | 561,450 |
| 360 - Audit & Investigative Services | 68,976 | 68,976 |
| 410 - Advertising Media | 27,368 | 27,368 |
| 420 - Sales/Marketing/Public Relations | 53,401 | 53,401 |
| 510 - Human Resources | 281,636 | 281,636 |
| Total Department Expenses | 4,349,162 | 4,349,162 |
| ADMINISTRATIVE EXPENSE ADJUSTMENT | 18,296 | 18,296 |
| Total Administrative Expenses | 4,367,458 | 4,367,458 |

| KERN HEALTH SYSTEMS GROUP HEALTH PLAN - HFAM BALANCE SHEET STATEMENT AS OF JANUARY 31, 2021 | | | |
|--|---------------------|----------------------|-------------------|
| ASSETS | JANUARY 2021 | DECEMBER 2020 | INC(DEC) |
| CURRENT ASSETS: | | | |
| Cash and Cash Equivalents | \$ 1,135,503 | \$ 1,136,281 | (778) |
| Interest Receivable | 595 | 1,785 | (1,190) |
| TOTAL CURRENT ASSETS | \$ 1,136,098 | \$ 1,138,066 | \$ (1,968) |
| LIABILITIES AND NET POSITION | | | |
| CURRENT LIABILITIES: | | | |
| Other Liabilities | - | - | - |
| TOTAL CURRENT LIABILITIES | \$ - | \$ - | \$ - |
| NET POSITION: | | | |
| Net Position- Beg. of Year | 1,138,066 | 1,128,885 | 9,181 |
| Increase (Decrease) in Net Position - Current Year | (1,968) | 9,181 | (11,149) |
| Total Net Position | \$ 1,136,098 | \$ 1,138,066 | \$ (1,968) |
| TOTAL LIABILITIES AND NET POSITION | \$ 1,136,098 | \$ 1,138,066 | \$ (1,968) |

| CURRENT MONTH | | | KERN HEALTH SYSTEMS GROUP HEALTH PLAN - HFAM STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION FOR THE MONTH ENDED JANUARY 31, 2021 | YEAR-TO-DATE | | |
|-----------------------|----|---------|---|--------------|----|---------|
| | | | | | | |
| ENROLLMENT | | | | | | |
| - | - | - | Members | - | - | - |
| REVENUES | | | | | | |
| - | - | - | Premium | - | - | - |
| 595 | - | 595 | Interest | 595 | - | 595 |
| (2,563) | - | (2,563) | Other Investment Income | (2,563) | - | (2,563) |
| (1,968) | - | (1,968) | TOTAL REVENUES | (1,968) | - | (1,968) |
| EXPENSES | | | | | | |
| - | - | - | Medical Costs | - | - | - |
| - | - | - | IBNR and Paid Claims Adjustment | - | - | - |
| - | - | - | Total Medical Costs | - | - | - |
| (1,968) | - | (1,968) | GROSS MARGIN | (1,968) | - | (1,968) |
| Administrative | | | | | | |
| - | - | - | Management Fee Expense and Other Admin Exp | - | - | - |
| - | - | - | Total Administrative Expenses | - | - | - |
| - | - | - | TOTAL EXPENSES | - | - | - |
| (1,968) | - | (1,968) | OPERATING INCOME (LOSS) | (1,968) | - | (1,968) |
| - | - | - | TOTAL NONOPERATING REVENUE (EXPENSES) | - | - | - |
| (1,968) | - | (1,968) | NET INCREASE (DECREASE) IN NET POSITION | (1,968) | - | (1,968) |
| 0% | 0% | 0% | MEDICAL LOSS RATIO | 0% | 0% | 0% |
| 0% | 0% | 0% | ADMINISTRATIVE EXPENSE RATIO | 0% | 0% | 0% |

| KERN HEALTH SYSTEMS | | | | | | | | | | | | | |
|-------------------------------------|---------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| MONTHLY MEMBERS COUNT | | | | | | | | | | | | | |
| KERN HEALTH SYSTEMS | | | | | | | | | | | | | |
| MEDI-CAL | 2021 MEMBER MONTHS | JAN'21 | FEB'21 | MAR'21 | APR'21 | MAY'21 | JUN'21 | JUL'21 | AUG'21 | SEP'21 | OCT'21 | NOV'21 | DEC'21 |
| ADULT AND FAMILY | | | | | | | | | | | | | |
| ADULT | 51,548 | 51,548 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CHILD | 131,669 | 131,669 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SUB-TOTAL ADULT & FAMILY | 183,217 | 183,217 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OTHER MEMBERS | | | | | | | | | | | | | |
| PARTIAL DUALS - FAMILY | 403 | 403 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PARTIAL DUALS - CHILD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PARTIAL DUALS - BCCTP | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| BCCTP - TABACCO SETTLEMENT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| FULL DUALS (SPD) | | | | | | | | | | | | | |
| SPD FULL DUALS | 7,468 | 7,468 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SUBTOTAL OTHER MEMBERS | 7,873 | 7,873 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL FAMILY & OTHER | 191,090 | 191,090 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SPD | | | | | | | | | | | | | |
| SPD (AGED AND DISABLED) | 16,027 | 16,027 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| MEDI-CAL EXPANSION | | | | | | | | | | | | | |
| ACA Expansion Adult-Citizen | 70,649 | 70,649 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ACA Expansion Duals | 751 | 751 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SUB-TOTAL MED-CAL EXPANSION | 71,400 | 71,400 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL KAISER | 11,047 | 11,047 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL MEDI-CAL MEMBERS | 289,564 | 289,564 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

**KERN·HEALTH
SYSTEMS**

December AP Vendor Report
Amounts over \$10,000.00

| Vendor No. | Vendor Name | Current Month | Year-to- Date | Description | Department |
|------------|---|---------------|---------------|--|----------------------------------|
| T4722 | COGNIZANT TRIZETTO SOFTWARE GROUP, INC. | 593,352.66 | 965,736.57 | ANNUAL MAINTENANCE SUPPORT AND LICENSES, NOVEMBER 2020 PROFESSIONAL SERVICES, QNXT MAINT., HPA BILLING & EDI CLAIMS PROCESSING, CLAIMS INTEGRITY | VARIOUS |
| T1045 | KAISER FOUNDATION HEALTH - HMO | 444,969.15 | 5,371,209.15 | DECEMBER 2020 HMO EMPLOYEE HEALTH BENEFITS | VARIOUS |
| T4699 | ZeOMEGA, INC.***** | 330,556.05 | 487,188.34 | MEDICAL MANAGEMENT PLATFORM - ANNUAL LICENSE & CUSTOMIZATION MAINTENANCE SUPPORT | MIS INFRASTRUCTURE |
| T1845 | DEPARTMENT OF MANAGED HEALTH CARE***** | 261,270.08 | 543,607.97 | 2ND AND FINAL PAYMENT 2020 MCAL/HFAM ANNUAL ASSESSMENT FEES | ADMINISTRATION |
| T5229 | DIGNITY HEALTH MEDICAL GROUP - BAKERSFIELD***** | 203,340.98 | 1,502,447.89 | JULY & AUG. 2020 HEALTH HOMES GRANT | COMMUNITY GRANTS |
| T4350 | COMPUTER ENTERPRISE INC. | 198,721.52 | 2,330,141.89 | OCTOBER - NOVEMBER 2020 PROFESSIONAL SERVICES / CONSULTING SERVICES | CAPITAL PROJECTS IN PROCESS/ MIS |
| T4695 | EDIFECS, INC.***** | 196,893.40 | 196,893.40 | ANNUAL TSM MAINTENANCE | MIS INFRASTRUCTURE |
| T5258 | GOOD SAMARITAN HOSPITAL, LP ***** | 155,714.59 | 300,000.00 | SEPTEMBER 2020 PROVIDER QUALITY CARE GRANT | COMMUNITY GRANTS |
| T5319 | CITIUSTECH INC.**** | 155,000.00 | 155,000.00 | FAST + FRAMEWORK LICENSE FEES | CAPITAL PROJECTS IN PROCESS |
| T2469 | DST HEALTH SOLUTIONS, INC.***** | 138,540.00 | 138,540.00 | ACG ANNUAL MAINTENANCE RENEWAL | MIS INFRASTRUCTURE |
| T2726 | DST PHARMACY SOLUTIONS, INC. | 108,321.31 | 1,401,920.13 | NOVEMBER 2020 PHARMACY CLAIMS | PHARMACY |
| T5111 | ENTISYS 360***** | 100,144.00 | 613,096.65 | HARDWARE- 3 NUTANIX NODES WITH SOFTWARE LICENSE AND SUPPORT | CAPTAL PROJECT |
| T2488 | THE LINCOLN NATIONAL LIFE INSURANCE | 68,110.71 | 788,074.97 | DECEMBER 2020 VOLUNTARY LIFE, AD&D, DENTAL INSURANCE | VARIOUS |
| T4237 | FLUIDEDGE CONSULTING, INC. | 57,921.25 | 1,167,486.92 | NOVEMBER 2020 PROFESSIONAL SERVICES/ CONSULTING SERVICES | VARIOUS |

KERN HEALTH SYSTEMS

December AP Vendor Report
Amounts over \$10,000.00

| Vendor No. | Vendor Name | Current Month | Year-to-Date | Description | Department |
|------------|--|---------------|--------------|--|--------------------------------------|
| T4165 | SHI INTERNATIONAL CO. | 56,615.86 | 373,659.37 | VMWARE LICENSES & SUPPORT | MIS INFRASTRUCTURE |
| T2941 | KERN PRINT SERVICES INC.***** | 55,104.61 | 90,555.41 | OTHER PRINTING COSTS, ENVELOPES | VARIOUS |
| T1408 | DELL MARKETING L.P. ***** | 52,099.84 | 242,259.84 | HARDWARE - 25 LATITUDE 5411 LAPTOPS | MIS INFRASTRUCTURE |
| T2562 | CACTUS SOFTWARE LLC***** | 50,537.87 | 64,669.18 | 2020-2021 CACTUS SOFTWARE ANNUAL LICENSE & MAINTENANCE | MIS INFRASTRUCTURE |
| T4959 | BERKSHIRE HATHWAY HOMESTATE COMPANIES***** | 45,543.00 | 248,367.00 | WORKERS COMP - TRUE UP | ADMINISTRATION |
| T4353 | TWE SOLUTIONS, INC.***** | 44,576.52 | 44,576.52 | ANNUAL TECHNICAL SUPPORT AND MAINTENANCE FOR NIMBLE STORAGE SOLUTIONS | MIS INFRASTRUCTURE |
| T1861 | CERIDIAN HCM, INC. | 41,338.55 | 228,232.92 | NOVEMBER & DECEMBER 2020 MONTHLY SUBSCRIPTION FEES & OCT PROFESSIONAL SERVICES | HUMAN RESOURCES |
| T4193 | STRIA LLC | 40,437.29 | 410,364.04 | NOVEMBER 2020 OCR SERVICES AND PROFESSIONAL SERVICES | CLAIMS |
| T4582 | HEALTHX, INC. | 40,376.00 | 484,512.00 | DECEMBER 2020 MAINTENANCE AND SUPPORT FEES - PROVIDER AND MEMBER PORTAL | MIS INFRASTRUCTURE |
| T4391 | OMNI FAMILY HEALTH***** | 39,116.23 | 1,826,620.26 | SEPTEMBER 2020 HEALTH HOMES AND PROVIDER QUALITY CARE GRANT | COMMUNITY GRANTS |
| T5109 | RAND EMPLOYMENT SOLUTIONS | 38,572.49 | 325,843.19 | NOVEMBER 2020 TEMP SERVICES- 4MS, 1UM, 1 HE, 1 MIS, 1 HHP, 1 ACCT | VARIOUS |
| T1272 | COFFEY COMMUNICATIONS INC. | 32,256.22 | 180,694.31 | FALL 2020 MEMBER NEWSLETTER POSTAGE/ NOVEMBER 2020 WEBSITE IMPLEMENTATION | HEALTH EDUCATION/ MIS INFRASTRUCTURE |
| T5321 | TYK TECHNOLOGIES LTD***** | 30,000.00 | 30,000.00 | API MANAGER - SELF MANAGED PACKAGE SUBSCRIPTION & SUPPORT | CAPITAL PROJECTS IN PROCESS |

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December AP Vendor Report
Amounts over \$10,000.00

| Vendor No. | Vendor Name | Current Month | Year-to- Date | Description | Department |
|------------|---|---------------|---------------|--|------------------------|
| T5185 | HOUSING AUTHORITY COUNTY OF KERN | 29,750.00 | 211,150.00 | SEPTEMBER - OCTOBER 2020 HOUSING AUTHORITY GRANT | UM |
| T5145 | CCS ENGINEERING FRESNO INC., | 29,125.64 | 199,501.89 | DECEMBER 2020 JANITORIAL SERVICES | CORPORATE SERVICES |
| T4054 | ASSOCIATION FOR COMMUNITY AFFILIATED PLANS***** | 25,500.00 | 101,000.00 | 2021 LEADERSHIP ACADEMY REGISTRATION | ADMINISTRATION |
| T5076 | MERIDIAN HEALTH SYSTEMS, P.C. | 24,050.00 | 137,410.00 | NOVEMBER 2020 PROFESSIONAL SERVICES | UTILIZATION MANAGEMENT |
| T4538 | CHANGE HEALTHCARE SOLUTIONS, LLC | 21,750.81 | 253,290.88 | NOVEMBER 2020 EDI CLAIM PROCESSING | CLAIMS |
| T3448 | SYNERGY HEALTHCARE, INC.***** | 20,900.00 | 49,600.00 | SEPTEMBER - OCTOBER 2020 KOMOTO ASTHMA PROGRAM | DISEASE MANAGEMENT |
| T4501 | ALLIED UNIVERSAL SECURITY SERVICES | 20,705.17 | 235,435.06 | NOVEMBER - DECEMBER 2020 ONSITE SECURITY | CORPORATE SERVICES |
| T2167 | PG&E | 19,549.28 | 272,517.65 | 10/16/20-11/15/20 USAGE/UTILITIES | CORPORATE SERVICES |
| T2458 | HEALTHCARE FINANCIAL, INC. | 18,000.00 | 285,000.00 | OCTOBER 2020 PROFESSIONAL SERVICES | ADMINISTRATION |
| T4733 | UNITED STAFFING ASSOCIATES | 17,511.82 | 235,984.35 | NOVEMBER - DECEMBER 2020 TEMPORARY HELP- 1 MIS, 1 HHP & 2 HE | VARIOUS |
| T3011 | OFFICE ALLY, INC. | 17,355.75 | 196,533.75 | NOVEMBER 2020 EDI CLAIM PROCESSING | CLAIMS |
| T4563 | SPH ANALYTICS | 17,269.00 | 60,176.80 | 2020 HEALTH HOME PROGRAM SURVEY - INITIAL PAYMENT & 2020 PROVIDER SATISFACTION SURVEY- FINAL PAYMENT | VARIOUS |
| T4521 | PAYSCALE, INC.***** | 16,000.00 | 32,000.00 | COMPENSATION STUDY AND SALARY ANALYTICS | HUMAN RESOURCES |
| T4460 | PAYSPAN, INC | 15,766.72 | 200,725.82 | NOVEMBER 2020 ELECTRIC CLAIMS/PAYMENTS | FINANCE |
| T2918 | STINSON'S | 15,435.49 | 185,812.16 | 2020 OFFICE SUPPLIES, & ADDITIONAL FEES FOR CUBICLES RECONFIGURATIONS | VARIOUS |

KERN HEALTH SYSTEMS

December AP Vendor Report
Amounts over \$10,000.00

| Vendor No. | Vendor Name | Current Month | Year-to-Date | Description | Department |
|------------|--|---------------------|--------------|--|--------------------|
| T2578 | AMERICAN HEART ASSOCIATION - KERN COUNTY***** | 15,000.00 | 15,000.00 | COMMUNITY SPONSORSHIP | ADMINISTRATION |
| T5268 | TONY'S FIREHOUSE GRILL & PIZZA***** | 14,750.00 | 22,791.26 | 2020 EMPLOYEE EVENTS | MARKETING |
| T4607 | AGILITY RECOVERY SOLUTIONS INC.***** | 14,147.00 | 54,598.00 | OCTOBER - DECEMBER 2020 PROFESSIONAL SERVICES | ADMINISTRATION |
| T1005 | COLONIAL LIFE & ACCIDENT ATTN PREMIUM PROCESSING | 12,101.66 | 149,567.67 | NOVEMBER 2020 ACCIDENT & CRITICAL ILLNESS EMPLOYEE PREMIUM | VARIOUS |
| T5209 | ADOBE, INC.**** | 12,000.00 | 12,000.00 | 2 YR MAINTENANCE - ROBOHELP SERVER & TECHNICAL COMMUNICATION SUITE | MIS INFRASTRUCTURE |
| T5005 | CRAYON SOFTWARE EXPERTS LLC | 11,447.17 | 553,772.16 | OCTOBER 2020 ESD AZURE OVERAGE | MIS INFRASTRUCTURE |
| T4657 | DAPONDE SIMPSON ROWE PC***** | 10,112.50 | 244,016.00 | OCTOBER LEGAL SERVICES | ADMINISTRATION |
| T5012 | KERN MEDICAL CENTER FOUNDATION**** | 10,000.00 | 10,000.00 | COMMUNITY SPONSORSHIP | MARKETING |
| | | 3,987,658.19 | | | |
| | TOTAL VENDORS OVER \$10,000 | 3,987,658.19 | | | |
| | TOTAL VENDORS UNDER \$10,000 | 242,500.57 | | | |
| | TOTAL VENDOR EXPENSES- DECEMBER | 4,230,158.76 | | | |

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

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

| Vendor No. | Vendor Name | Year-to-Date | Description | Department |
|------------|--|--------------|--|------------------------------------|
| T1045 | KAISER FOUNDATION HEALTH - HMO | 5,371,209.15 | HMO EMPLOYEE HEALTH BENEFITS | VARIOUS |
| T4350 | COMPUTER ENTERPRISE INC. | 2,330,141.89 | PROFESSIONAL SERVICES / CONSULTING SERVICES & TRAVEL EXP. | CAPITAL PROJECTS IN PROCESS/ MIS |
| T4391 | OMNI FAMILY HEALTH | 1,826,620.26 | HEALTH HOMES AND PROVIDER QUALITY CARE GRANT | COMMUNITY GRANTS |
| T4290 | S.C. ANDERSON, INC. | 1,555,742.74 | NEW BUILDING RETAINER AND DECEMBER 2019 NEW BUILDING CONSTRUCTION SERVICES | CAPITAL PROJECT - NEW BUILDING |
| T5229 | DIGNITY HEALTH MEDICAL GROUP - BAKERSFIELD | 1,502,447.89 | HEALTH HOMES GRANT | COMMUNITY GRANTS |
| T2726 | DST PHARMACY SOLUTIONS, INC. | 1,401,920.13 | PHARMACY CLAIMS | PHARMACY |
| T4237 | FLUIDEDGE CONSULTING, INC. | 1,167,486.92 | PROFESSIONAL SERVICES / CONSULTING SERVICES & TRAVEL EXP. | VARIOUS |
| T4982 | NGC US, LLC | 1,131,810.99 | PREFUND HEALTH HOMES INCENTIVES & HEALTH EDUCATION MEMBER INCENTIVES | VARIOUS |
| T4722 | COGNIZANT TRIZETTO SOFTWARE GROUP, INC. | 965,736.57 | PROFESSIONAL SERVICES | VARIOUS |
| T2488 | THE LINCOLN NATIONAL LIFE INSURANCE | 788,074.97 | VOLUNTARY LIFE, AD&D, DENTAL INSURANCE | VARIOUS |
| T2686 | ALLIANT INSURANCE SERVICES INC. | 742,417.45 | ANNUAL INSURANCE & ACIP CRIME PREMIUMS | ADMINISTRATION |
| T5111 | ENTISYS 360 | 613,096.65 | DISASTER RECOVERY CONTINUITY PROJECT | MIS INFRASTRUCTURE/CAPITAL PROJECT |
| T5005 | CRAYON SOFTWARE EXPERTS LLC | 553,772.16 | 2019 TRUE UP MAINTENANCE, 2020 ESD ANNUAL SUPPORT & ESD AZURE OVERAGE | MIS INFRASTRUCTURE |
| T1845 | DEPARTMENT OF MANAGED HEALTH CARE | 543,607.97 | 2020 MCAL/HFAM ANNUAL ASSESSMENT FEES | ADMINISTRATION |
| T4483 | INFUSION AND CLINICAL SERVICES, INC. | 490,706.91 | HEALTH HOMES GRANT | COMMUNITY GRANT |
| T4699 | ZeOMEGA, INC. | 487,188.34 | PROFESSIONAL SERVICES AND TRAVEL EXP. | UM |

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

| Vendor No. | Vendor Name | Year-to-Date | Description | Department |
|------------|---|--------------|--|--------------------------------|
| T4582 | HEALTHX, INC. | 484,512.00 | 2020 MAINTENANCE AND SUPPORT FEES - PROVIDER AND MEMBER PORTAL | MIS INFRASTRUCTURE |
| T3130 | OPTUMINSIGHT, INC. | 453,564.00 | ANNUAL LICENSED SOFTWARE EASYGROUP & INCREMENTAL LICENSE | MIS INFRASTRUCTURE |
| T4193 | STRIA LLC | 410,364.04 | OCR SERVICES AND PROFESSIONAL SERVICES | CLAIMS & HUMAN RESOURCES |
| T4165 | SHI INTERNATIONAL CO. | 373,659.37 | STANDING WORKING STATIONS, LICENSES FEES, TRUEUP & JUNIPER NETWORKS -QSFP TRANSCEIVER MODULE | VARIOUS |
| T5109 | RAND EMPLOYMENT SOLUTIONS | 325,843.19 | TEMPORARY HELP | VARIOUS |
| T5258 | GOOD SAMARITAN HOSPITAL, LP | 300,000.00 | PROVIDER QUALITY CARE GRANT | COMMUNITY GRANTS |
| T2458 | HEALTHCARE FINANCIAL, INC. | 285,000.00 | PROFESSIONAL SERVICES | ADMINISTRATION |
| T2167 | PG&E | 272,517.65 | USAGE/UTILITIES | CORPORATE SERVICES |
| T4538 | CHANGE HEALTHCARE SOLUTIONS, LLC | 253,290.88 | EDI CLAIM PROCESSING (EMDEON) | CLAIMS |
| T4959 | BERKSHIRE HATHWAY HOMESTATE COMPANIES | 248,367.00 | 2020-2021 WORKER'S COMPENSATION INSURANCE PREMIUM | ADMINISTRATION |
| T4657 | DAPONDE SIMPSON ROWE PC | 244,016.00 | LEGAL SERVICES | PROVIDER RELATIONS |
| T1408 | DELL MARKETING L.P. | 242,259.84 | HARDWARE & COMPUTER EQUIPMENT | MIS INFRASTRUCTURE |
| T4733 | UNITED STAFFING ASSOCIATES | 235,984.35 | POSTAGE (METER) FUND | CORPORATE SERVICES |
| T5119 | PACIFIC WEST SOUND PROFESSIONAL AUDIO & DESIGN INC. | 235,758.22 | NEW BUILDING FURNITURE (LIVE STREAM VIA IP) | CAPITAL PROJECT - NEW BUILDING |
| T4501 | ALLIED UNIVERSAL SECURITY SERVICES | 235,435.06 | ONSITE SECURITY | CORPORATE SERVICES |
| T1861 | CERIDIAN HCM, INC. | 228,232.92 | MONTHLY SUBSCRIPTION FEES,PROFESSIONAL SERVICES/ DAYFORCE HUMAN CAPITAL MANAGEMENT IMPLEMENTATION & AMENDMENTS | HUMAN RESOURCES |

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

| Vendor No. | Vendor Name | Year-to-Date | Description | Department |
|------------|--|--------------|---|--|
| T5185 | HOUSING AUTHORITY COUNTY OF KERN | 211,150.00 | HOUSING AUTHORITY GRANT | UM |
| T4460 | PAYSPAN, INC | 200,725.82 | ELECTRONIC CLAIMS/PAYMENTS & PPD REIMBURSEMENTS | FINANCE |
| T2584 | UNITED STATES POSTAL SVC.-HASLER | 200,000.00 | POSTAGE (METER) FUND | CORPORATE SERVICES |
| T5145 | CCS ENGINEERING FRESNO INC., | 199,501.89 | JANITORIAL SERVICES | CORPORATE SERVICES |
| T4967 | ADMINISTRATIVE SOLUTIONS, INC. | 197,805.86 | FSA EMPLOYEE PREMIUM & SECTION 125 ADMINISTRATION | VARIOUS |
| T4695 | EDIFECS, INC.**** | 196,893.40 | ANNUAL TSM MAINTENANCE | MIS INFRASTRUCTURE |
| T3011 | OFFICE ALLY, INC. | 196,533.75 | EDI CLAIM PROCESSING | CLAIMS |
| T2918 | STINSON'S | 185,812.16 | 2020 OFFICE SUPPLIES, CONFERENCE TABLES, OFFICE FURNITURE, CABINET FOR TRAINING, DEVELOPMENT ROOM & ADDITIONAL CUBICLES | VARIOUS |
| T1272 | COFFEY COMMUNICATIONS INC. | 180,694.31 | MEMBER NEWSLETTER/ WEBSITE IMPLEMENTATION | HEALTH EDUCATION/ MIS INFRASTRUCTURE |
| T5217 | AMERICAN TILE & BRICK VENEER, INC. | 157,500.00 | FINAL PAYMENT FOR BRICK WALL | BUILDING IMPROVEMENT |
| T5319 | CITIUSTECH INC.**** | 155,000.00 | FAST + FRAMEWORK LICENSE FEES | CAPITAL PROJECTS IN PROCESS |
| T5269 | KERN COMMUNITY FOUNDATION | 151,000.00 | HEALTH HOME GRANT | COMMUNITY GRANT |
| T4696 | ZNALYTICS, LLC | 149,840.00 | PROFESSIONAL SERVICES | CAPITAL PROJECT-CASE MANAGEMENT/DISEASE MANAGEMENT |
| T1005 | COLONIAL LIFE & ACCIDENT ATTN PREMIUM PROCESSING | 149,567.67 | EMPLOYEE PREMIUM - ACCIDENT & CRITICAL ILLNESS | VARIOUS |
| T4331 | COTIVITI, INC | 148,388.00 | CALIFORNIA MEDI-CAL MEDICAID MEASURES & ANNUAL LICENSE FEE | QUALITY IMPROVEMENT |

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Amounts over \$10,000.00

| Vendor No. | Vendor Name | Year-to-Date | Description | Department |
|------------|--|--------------|---|------------------------|
| T4396 | KAISER FOUNDATION HEALTH-DHMO | 144,997.32 | DHMO EMPLOYEE HEALTH BENEFITS | VARIOUS |
| T2469 | DST HEALTH SOLUTIONS, INC.**** | 138,540.00 | ACG ANNUAL MAINTENANCE RENEWAL | MIS INFRASTRUCTURE |
| T5076 | MERIDIAN HEALTH SYSTEMS, P.C. | 137,410.00 | PROFESSIONAL SERVICES | UTILIZATION MANAGEMENT |
| T1189 | APPLE ONE INC, EMPLOYMENT SERVICES | 136,541.97 | TEMPORARY HELP | VARIOUS |
| T4038 | POLYCLINIC MEDICAL CENTER, INC | 120,000.00 | HEALTH HOME AND PROVIDER QUALITY CARE GRANT | COMMUNITY GRANTS |
| T3449 | CDW GOVERNMENT | 113,890.17 | HARDWARE & COMPUTER SUPPLIES | VARIOUS |
| T4902 | CHANGE HEALTHCARE TECHNOLOGIES, LLC | 112,862.29 | EDI CLAIM PROCESSING | CLAIMS / MIS |
| T4785 | COMMGAP | 112,413.75 | INTERPRETATION SERVICES | HEALTH EDUCATION |
| T5132 | TIME WARNER CABLE LLC | 107,943.86 | INTERNET SERVICES | MIS INFRASTRUCTURE |
| T5026 | TEL-TEC SECURITY SYSTEMS | 105,522.05 | ADDITIONAL SECURITY SYSTEM & LABOR | CORPORATE SERVICES |
| T2704 | MCG HEALTH LLC | 104,263.86 | SOFTWARE LICENSE - HEALTH CARE MANAGEMENT | UTILIZATION MANAGEMENT |
| T5227 | RIDGECREST MEDICAL TRANSPORTATION | 101,880.00 | PROVIDER QUALITY CARE GRANT | COMMUNITY GRANTS |
| T1960 | LOCAL HEALTH PLANS OF CALIFORNIA | 101,221.32 | VOLUNTARY LIFE, AD&D, DENTAL INSURANCE | VARIOUS |
| T4054 | ASSOCIATION FOR COMMUNITY AFFILIATED PLANS | 101,000.00 | 2020 ANNUAL DUES, 2019 SALARY SURVEY, & LEADERSHIP FEES | VARIOUS |
| T4634 | EXECUTIVE STAFFING SOLUTIONS | 99,998.00 | RECRUITMENT FEES | HUMAN RESOURCES |

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| Vendor No. | Vendor Name | Year-to-Date | Description | Department |
|------------|------------------------------------|--------------|--|--------------------|
| T1128 | HALL LETTER SHOP, INC. | 90,574.64 | NEW MEMBER LETTER/ENVELOPES, MEMBER HANDBOOKS, CLINICAL CARE MANUAL FOR HH, NEW MEMBER PACKETS & POSTERS | VARIOUS |
| T2941 | KERN PRINT SERVICES INC. | 90,555.41 | OTHER PRINTING COSTS, ENVELOPES, LETTERHEAD | VARIOUS |
| T5121 | TPx COMMUNICATIONS | 86,435.26 | LOCAL CALL SERVICES; LONG DISTANCE CALLS; INTERNET SERVICES; 800 LINES | MIS INFRASTRUCTURE |
| T1022 | UNUM LIFE INSURANCE CO. | 81,151.11 | EMPLOYEE PREMIUM | PAYROLL DEDUCTION |
| T4781 | EDRINGTON HEALTH CONSULTING, LLC | 79,093.75 | CONSULTING SERVICES | ADMINISTRATION |
| T4265 | SIERRA SCHOOL EQUIPMENT COMPANY | 76,189.71 | NEW FURNITURE & OFFICE CHAIRS FOR EMPLOYEES | CORPORATE SERVICES |
| T5015 | SENTINEL ENGINEERING | 74,963.34 | JUNIPER NETWORKS - FIBER OPTICS | MIS INFRASTRUCTURE |
| T4813 | ADVENTIST HEALTH TEHACHAPI VALLEY | 74,074.18 | PROVIDER QUALITY CARE GRANT | COMMUNITY GRANTS |
| T2955 | DELTA ELECTRIC INC. | 69,079.00 | BUILDING MAINTENANCE | CORPORATE SERVICES |
| T4963 | LINKEDIN CORPORATION**** | 68,775.00 | ONLINE JOB POSTINGS/RECRUITMENT | HUMAN RESOURCES |
| T2562 | CACTUS SOFTWARE LLC | 64,669.18 | SOFTWARE LICENSE | MIS INFRASTRUCTURE |
| T4503 | VISION SERVICE PLAN | 64,618.05 | EMPLOYEE HEALTH BENEFITS | VARIOUS |
| T2969 | AMERICAN BUSINESS MACHINES INC | 63,329.22 | HARDWARE AND MAINTENANCE | CORPORATE SERVICES |
| T2446 | AT&T MOBILITY | 61,217.17 | CELLULAR PHONE / INTERNET USAGE | MIS INFRASTRUCTURE |
| T4563 | SPH ANALYTICS | 60,176.80 | PROVIDER AND MEMBER SATISFACTION SURVEYS | VARIOUS |
| T4652 | BAKERSFIELD SYMPHONY ORCHESTRA | 58,399.99 | COMMUNITY SPONSORSHIP | ADMINISTRATION |
| T4052 | RAHUL SHARMA | 58,120.00 | PROVIDER QUALITY CARE GRANT | COMMUNITY GRANTS |
| T4415 | DANIELLS PHILLIPS VAUGHAN AND BOCK | 55,135.00 | 2019 AUDIT FEES | ADMINISTRATION |

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Amounts over \$10,000.00

| Vendor No. | Vendor Name | Year-to-Date | Description | Department |
|------------|---------------------------------------|--------------|---|-------------------------------|
| T3986 | JACQUELYN S. JANS | 54,975.00 | CONSULTING FOR KHS PUBLIC IMAGE CAMPAIGN | ADMINISTRATION/ MARKETING |
| T4607 | AGILITY RECOVERY SOLUTIONS INC. | 54,598.00 | HARDWARE RENTAL- LAPTOP & MONITOR'S RENTAL FOR EMPLOYEES WORKING FROM HOME | MIS INFRASTRUCTURE |
| T1180 | LANGUAGE LINE SERVICES INC. | 50,016.95 | INTERPRETATION SERVICES | MEMBER SERVICES |
| T5226 | SAN MICHAEL PEDIATRICS INC. | 50,000.00 | PROVIDER QUALITY CARE GRANT | COMMUNITY GRANTS |
| T5022 | SVAM INTERNATIONAL INC | 49,848.00 | 2020 PROFESSIONAL SERVICES / CONSULTING SERVICES | BUSINESS INTELLIGENCE |
| T3448 | SYNERGY HEALTHCARE, INC. | 49,600.00 | ASTHMA PROGRAM GRANT | COMMUNITY GRANTS |
| T2933 | SIERRA PRINTERS, INC. | 49,365.61 | PRINTING OF MEMBER EDUCATION MATERIAL/PROVIDER DIRECTORY/BUSINESS CARDS | VARIOUS |
| T3001 | MERCER | 47,500.00 | CONSULTING SERVICES | HUMAN RESOURCES |
| T2961 | SOLUTION BENCH, LLC | 46,414.59 | M-FILES & SCANFINITY LICENSES SUPPORT | MIS INFRASTRUCTURE |
| T4731 | LOGMEIN USA, INC. | 46,134.00 | INTERNET SERVICES | MIS INFRASTRUCTURE |
| T1326 | WALKER-LEWIS RENTS | 45,711.96 | COVID-19 TESTING SITE EQUIPMENT | MARKETING |
| T4389 | EXACT STAFF, INC. | 45,048.17 | TEMPORARY HELP | VARIOUS |
| T4353 | TWE SOLUTIONS, INC.**** | 44,576.52 | ANNUAL TECHNICAL SUPPORT AND MAINTENANCE FOR NIMBLE STORAGE SOLUTIONS | MIS INFRASTRUCTURE |
| T4960 | ZELIS CLAIMS INTEGRITY, LLC | 42,988.84 | POST EDITING SYSTEMS FOR CLAIMS PROCESSING | CLAIMS |
| T4609 | GREGORY D. BYNUM AND ASSOCIATES, INC. | 42,500.00 | CONSTRUCTION CLOSE OUT (SERVICES COMPLETED DURING 2019) AND DEV LEED MANAGEMENT & POST CONSTRUCTION | CAPITAL PROJECT/ NEW BUILDING |
| T2441 | LAURA J. BREZINSKI | 41,225.00 | MARKETING MATERIALS | MARKETING |

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| Vendor No. | Vendor Name | Year-to-Date | Description | Department |
|------------|--|--------------|---|-----------------------------|
| T2413 | TREK IMAGING INC | 40,686.24 | COMMUNITY AND MARKETING EVENTS, MEMBER & HEALTH ED INCENTIVES, EMPLOYEE EVENTS, NEW HIRE SHIRTS | VARIOUS |
| T5260 | HD DYNAMICS | 36,995.00 | 2020 SYSTEM CONFIGURATION, CUSTOMIZATION, & PROJECT MANAGEMENT | PROVIDER RELATIONS |
| T3084 | KERN COUNTY-COUNTY COUNSEL | 36,844.31 | LEGAL FEES | ADMINISTRATION |
| T4182 | THE LAMAR COMPANIES | 35,980.00 | OUTDOOR ADVERTISEMENT-BILLBOARDS | ADVERTISING |
| T4466 | SMOOTH MOVE USA | 35,432.42 | MOVING SERVICES | CORPORATE SERVICES |
| T5279 | GOOD SAMARITAN HEALTH FOUNDATION | 35,000.00 | COVID-19 TESTING SITE SUPPORT-SPONSORSHIP | COMMUNITY ACTIVITIES |
| T4792 | KP LLC | 33,749.67 | PROVIDER DIRECTORIES & FORMULARY (SUPPORT/MAINT.) | PROVIDER RELATIONS/PHARMACY |
| T4496 | VOX NETWORK SOLUTIONS | 33,262.60 | WORKFORCE MANAGEMENT ADVANCED LICENSE ANNUAL REVIEW | MIS INFRASTRUCTURE |
| T1404 | CALIFORNIA ASSOCIATION OF HEALTH PLANS | 32,512.00 | 2020 ANNUAL DUES & CONFERENCE REGISTRATION | VARIOUS |
| T4521 | PAYSCALE, INC. | 32,000.00 | COMPENSATION STUDY AND SALARY ANALYTICS | HUMAN RESOURCES |
| T4663 | DEVELOPMENT DIMENSIONS INTERNATIONAL, INC. | 31,625.00 | 2020-2021 DEVELOPMENT DIMENSIONS INTERNATIONAL MASTER LICENSE FEE | HUMAN RESOURCES |
| T4228 | THE SSI GROUP, LLC. | 31,362.80 | EDI CLAIM PROCESSING | CLAIMS / MIS |
| T5321 | TYK TECHNOLOGIES LTD | 30,000.00 | API MANAGER - SELF MANAGED PACKAGE SUBSCRIPTION & SUPPORT | CAPITAL PROJECTS IN PROCESS |
| T4873 | L5 HEALTHCARE SOLUTIONS, INC. | 29,374.47 | LICENSE AND SUPPORT FEES - CLAIMS AUDIT TOOL | MIS INFRASTRUCTURE |
| T4216 | NEXSTAR BROADCASTING INC | 26,766.50 | ADVERTISEMENT - MEDIA | MARKETING |
| T2232 | DLT SOLUTIONS, LLC | 25,733.63 | SQL LICENSES | MIS INFRASTRUCTURE |

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| Vendor No. | Vendor Name | Year-to-Date | Description | Department |
|------------|--|--------------|--|----------------------|
| T3454 | DEPARTMENT OF MANAGED HEALTH CARE | 25,000.00 | ENFORCEMENT MATTERS | ADMINISTRATION |
| T1152 | MICHAEL K. BROWN LANDSCAPE & MAINTENANCE CO., INC. | 24,842.75 | 2020 BUILDING MAINTENANCE | CORPORATE SERVICE |
| T2407 | KAISER FOUNDATION HEALTH -COBRA | 24,504.97 | COBRA EMPLOYEE HEALTH BENEFITS | VARIOUS |
| T4544 | BARNES WEALTH MANAGEMENT GROUP | 24,500.00 | RETIREMENT PLAN CONSULTANTS | ADMINISTRATION |
| T4060 | HODEL'S DEVELOPMENT CORPORATION | 23,975.64 | 2020 EMPLOYEE AWARDS | MARKETING |
| T4708 | HEALTH MANAGEMENT ASSOCIATES, INC. | 23,805.00 | CONSULTING SERVICES | ADMINISTRATION |
| T4654 | DELAWIE | 22,825.93 | 1ST QTR 2020 ARCHITECTURAL SERVICES | CAPITAL PROJECT |
| T5268 | TONY'S FIREHOUSE GRILL & PIZZA**** | 22,791.26 | 2020 EMPLOYEE EVENTS | MARKETING |
| T1183 | MILLIMAN USA | 22,205.00 | CY2018/2019 RDT & IBNP CONSULTING - ACTUARIAL | ADMINISTRATION |
| T5161 | INTEGRATED HEALTHCARE ASSOCIATION | 21,805.00 | ADVERTISEMENT - FILMING SERVICES | MARKETING |
| T4523 | BERKSHIRE LIFE INSURANCE COMPANY OF AMERICA | 21,548.75 | EMPLOYEE PREMIUM | ADMINISTRATION |
| T4546 | LEVEL 3 COMMUNICATIONS, LLC | 21,169.97 | DISASTER RECOVERY, INTERNET, LONG DISTANCE CALLS | MIS INFRASTRUCTURE |
| T5277 | SUNBELT RENTALS, INC. | 20,942.29 | COVID-19 TESTING SITE SUPPORT-SPONSORSHIP | COMMUNITY ACTIVITIES |
| T4239 | COAST TO COAST COMPUTER PRODUCTS | 20,794.77 | COMPUTER PRODUCTS & SUPPLIES | CORPORATE SERVICES |
| T5240 | ACE EYECARE INC | 20,000.00 | PROVIDER QUALITY CARE GRANT | COMMUNITY GRANTS |
| T5159 | AT&T CORP | 19,688.35 | INTERNET SERVICES | MIS INFRASTRUCTURE |

**KERN·HEALTH
SYSTEMS**

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

| Vendor No. | Vendor Name | Year-to-Date | Description | Department |
|------------|--|--------------|--|---------------------|
| T5275 | CREATIVE FINANCIAL STAFFING, LLC | 19,000.00 | RECRUITMENT FEES | HUMAN RESOURCES |
| T4261 | KAISER FOUNDATION HEALTH PLAN -TX PPO | 18,858.88 | TX-PPO EMPLOYEE HEALTH BENEFITS | VARIOUS |
| T1097 | NCQA | 17,290.25 | HEDIS, VOL 2 PLUS QUALITY COMPASS AND POPULATION HEALTH PROGRAM ACCREDIATION | QUALITY IMPROVEMENT |
| T4962 | LIBERTY DATA, INC. | 17,100.00 | 2020 TAX NUMBER VALIDATION SERVICES | MIS INFRASTRUCTURE |
| T5013 | ELIZA CORPORATION | 17,090.00 | 2020 DATA MANAGEMENT FEE | CASE MANAGEMENT |
| T1650 | UNIVISION TELEVISION GROUP | 16,915.00 | ADVERTISEMENT - TELEVISION | MARKETING |
| T1347 | ADVANCED DATA STORAGE | 16,890.91 | STORAGE AND SHREDDING SERVICES | CORPORATE SERVICES |
| T4016 | FIRST DATABANK, INC | 16,060.00 | 2020-2021 NATIONAL CODE DATABASE WITH THE GENERIC CODE NUMBER RENEWAL | MIS INFRASTRUCTURE |
| T4589 | KERN VALLEY HOSPITAL FOUNDATION**** | 15,880.00 | COMMUNITY ACTIVITIES-SPONSORSHIP | MARKETING |
| T3092 | LINKS FOR LIFE | 15,548.00 | COMMUNITY ACTIVITIES-SPONSORSHIP | MARKETING |
| T4993 | LEGALSHIELD | 15,423.75 | EMPLOYEE PAID VOLUNTARY COVERAGE | PAYROLL DEDUCTION |
| T5236 | BEST BEST & KRIEGER LLP | 15,389.24 | LEGAL FEES | ADMINISTRATION |
| T2578 | AMERICAN HEART ASSOCIATION - KERN COUNTY**** | 15,000.00 | COMMUNITY SPONSORSHIP | ADMINISTRATION |
| T5030 | KHOA NGUYEN DBA KN CONSULTING LLC | 15,000.00 | LEGAL FEES | ADMINISTRATION |
| T5313 | HEALTH LITERACY INNOVATIONS, LLC | 14,854.00 | 2019 TRUE UP MAINTENANCE, 2020 ESD ANNUAL SUPPORT & ESD AZURE OVERAGE | MIS INFRASTRUCTURE |
| T5155 | A-C ELECTRIC COMPANY | 14,549.48 | BUILDING MAINTENANCE | 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 |
|------------|--|--------------|--|-----------------------|
| T5201 | JAC SERVICES, INC. | 14,535.00 | SPRING 2020 AC MAINTENANCE & SERVICE | CORPORATE SERVICES |
| T2787 | SAGE SOFTWARE, INC | 14,381.75 | 2019-20 SAGE300 ERP SILVER BUSINESS ANNUAL LICENSE | FINANCE |
| T2300 | AT&T LONG DISTANCE | 14,323.81 | LONG DISTANCE CALLS | MIS INFRASTRUCTURE |
| T4934 | APPLE INC. | 14,283.66 | HARDWARE, COMPUTER SUPPLIES & 2020 SERVICE AWARDS | VARIOUS |
| T4195 | SCRIPPS MEDIA, INC. DBA KERO-TV | 13,575.00 | ADVERTISEMENT - TELEVISION | MARKETING |
| T5156 | LIGHTS CAMERA ACTION CINEMA | 13,575.00 | ADVERTISEMENT - FILMING SERVICES | MARKETING |
| T4782 | LEBEAU - HELEN, LLP | 13,406.50 | LEGAL FEES | ADMINISTRATION |
| T4227 | FREESTYLE EVENTS SERVICES INC | 12,890.00 | SERVICES 2020 EMPLOYEE REVOGNITION AWARDS | MARKETING |
| T2938 | SAP AMERICA, INC | 12,308.32 | SAP BUSINESS OBJECTS SOFTWARE ANNUAL MAINTENANCE FEE | BUSINESS INTELLIGENCE |
| T5246 | ACCELEBRATE, INC. | 12,120.15 | ASP.NET CORE 3 DEVELOPMENT TRAINING | BUSINESS INTELLIGENCE |
| T4476 | KERN PARTNERSHIP FOR CHILDREN AND FAMILIES | 12,000.00 | COMMUNITY ACTIVITIES-SPONSORSHIP | COMMUNITY ACTIVITIES |
| T5209 | ADOBE, INC.**** | 12,000.00 | 2 YR MAINTENANCE - ROBOHELP SERVER & TECHNICAL COMMUNICATION SUITE | MIS INFRASTRUCTURE |
| T5292 | ALL'S WELL HEALTH CARE SERVICES | 11,735.80 | TEMPORARY HELP | VARIOUS |
| T4417 | KAISER FOUNDATION HEALTH PLAN -OR | 11,675.84 | OR-PPO EMPLOYEE HEALTH BENEFITS | VARIOUS |
| T2292 | CITY OF BAKERSFIELD | 11,550.94 | UTILITES-GARBAGE/SEWER FEES | CORPORATE SERVICES |
| T5251 | PREVALENT, INC. | 11,412.25 | ANNUAL SAAS SUBSCRIPTION | MIS INFRASTRUCTURE |

KERN·HEALTH SYSTEMS

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

| Vendor No. | Vendor Name | Year-to-Date | Description | Department |
|------------|---|-------------------------|---|----------------------|
| T4211 | KERN COUNTY FAMILY MAGAZINE**** | 11,399.00 | ADVERTISEMENT - DIGITAL & PRINTED | MARKETING |
| T4932 | SPECTRUM REACH (MEDIA) | 11,107.80 | ADVERTISEMENT - TELEVISION | MARKETING |
| T4683 | CLAUDIA M. BACA PROJECT MANAGEMENT CONSULTIN | 11,000.00 | PROJECT MANAGEMENT CONSULTING SERVICES | PROJECT MANAGEMENT |
| T5300 | CENTRAL VALLEY OCCUPATION MEDICAL GROUP, INC.**** | 10,720.00 | COVID-19 TESTING | HUMAN RESOURCES |
| T2840 | ATALASOFT, INC. | 10,254.00 | DOT IMAGING RENEWAL | MIS INFRASTRUCTURE |
| T5228 | CENTRAL SANITARY SUPPLY**** | 10,244.99 | SUPPLIES - MASKS, GLOVES | CORPORATE SERVICES |
| T5012 | KERN MEDICAL CENTER FOUNDATION**** | 10,000.00 | COMMUNITY SPONSORSHIP | MARKETING |
| T5262 | YOUTH CONNECTION, INC. | 10,000.00 | COMMUNITY SPONSORSHIP | COMMUNITY ACTIVITIES |
| T5270 | ENFORCE, LLC | 10,000.00 | DAYFORCE OPTIMIZATION & CONSULTING SERVICES | HUMAN RESOURCES |
| | | 34,205,816.05 | | |
| | TOTAL VENDORS OVER \$10,000 | 34,205,816.05 | | |
| | TOTAL VENDORS UNDER \$10,000 | 826,601.73 | | |
| | TOTAL VENDOR EXPENSES- December | \$ 35,032,417.78 | | |

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 |
|------------|--|---------------|---|--------------------------|
| T3130 | OPTUMINSIGHT, INC. | 630,066.00 | 2020/2021 ANNUAL LICENSED SOFTWARE EASYGROUP & INCREMENTAL LICENSE | MIS INFRASTRUCTURE |
| T1045 | KAISER FOUNDATION HEALTH - HMO | 432,010.92 | JAN. 2021 EMPLOYEE HMO HEALTH BENEFITS PREMIUM | VARIOUS |
| T5005 | CRAYON SOFTWARE EXPERTS LLC | 315,410.49 | 2021 ANNUAL SOFTWARE LICENSE AND NOV. ESD AZURE OVERAGE | MIS INFRASTRUCTURE |
| T4350 | COMPUTER ENTERPRISE INC. | 225,914.60 | NOV. & DEC. 2020 PROFESSIONAL SERVICES / CONSULTING SERVICES | CAPITAL PROJECT |
| T5229 | DIGNITY HEALTH MEDICAL GROUP - BAKERSFIELD | 217,442.81 | SEPT. & OCT. 2020 HEALTH HOME GRANT | COMMUNITY GRANTS |
| T2584 | UNITED STATES POSTAL SVC.-HASLER | 150,000.00 | POSTAGE (METER) FUND | CORPORATE SERVICES |
| T2488 | THE LINCOLN NATIONAL LIFE INSURANCE | 68,879.40 | JAN. 2021 VOLUNTARY LIFE, AD&D, DENTAL INSURANCE PREMIUM | VARIOUS |
| T4054 | ASSOCIATION FOR COMMUNITY AFFILIATED PLANS | 65,000.00 | 2021 ANNUAL DUES ASSESSMENT | ADMINISTRATION |
| T4237 | FLUIDEDGE CONSULTING, INC. | 56,030.00 | DEC. 2020 CONSULTING SERVICES/UPDATE TO STANDARD BUSINESS REPORTING | VARIOUS |
| T4963 | LINKEDIN CORPORATION | 52,000.00 | ANNUAL ONLINE TRAINING FOR ALL EMPLOYEES | HUMAN RESOURCES |
| T5022 | SVAM INTERNATIONAL INC | 44,640.00 | SEPT., NOV., & DEC., 2020 PROFESSIONAL SERVICES/UPDATE TO STANDARD BUSINESS REPORTING | IT BUSINESS INTELLIGENCE |
| T4582 | HEALTHX, INC. | 41,576.00 | JAN. 2021 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 |
|------------|---|---------------|---|-----------------------------|
| T4722 | COGNIZANT TRIZETTO SOFTWARE GROUP, INC. | 41,285.55 | DEC. 2020 PROFESSIONAL SERVICES | VARIOUS |
| T4391 | OMNI FAMILY HEALTH | 40,109.20 | OCT. 2020 SHAFTER HEALTH HOME GRANT | COMMUNITY GRANTS |
| T4193 | STRIA LLC | 34,184.42 | DEC. 2020 OCR SERVICES AND PROFESSIONAL SERVICES | CLAIMS |
| T5325 | WADE A MCNAIR | 32,995.00 | LEADABILITY PROGRAM FACILITATION-CONSULTING SERVICES/ONSITE TRAINING | HUMAN RESOURCES |
| T2458 | HEALTHCARE FINANCIAL, INC. | 32,500.00 | NOV. 2020 PROFESSIONAL SERVICES | ADMINISTRATION |
| T5109 | RAND EMPLOYMENT SOLUTIONS | 32,077.49 | DEC. 2020 & JAN. 2021 TEMPORARY HELP & ACA INSURANCE - (7) MIS; (1) UM; (1) CM; (1) HHP; (1) HE | VARIOUS |
| T4967 | ADMINISTRATIVE SOLUTIONS, INC. | 28,416.89 | FSA EMPLOYEE PREMIUM & SECTION 125 ADMINISTRATION | VARIOUS |
| T4781 | EDRINGTON HEALTH CONSULTING, LLC | 25,793.75 | DEC. 2020 CONSULTING SERVICES | ADMINISTRATION |
| T5298 | TOTALMED, INC. | 25,591.00 | DIRECT PLACEMENT FEES-QI NURSE MANAGER RN | HUMAN RESOURCES |
| T4792 | KP LLC | 25,491.91 | PROVIDER DIRECTORIES & NOV. & DEC. 2020 FORMULARY (SUPPORT/MAINT.) | PROVIDER RELATIONS/PHARMACY |
| T4538 | CHANGE HEALTHCARE SOLUTIONS, LLC | 22,523.45 | DEC. 2020 EDI CLAIM PROCESSING (EMDEON) | CLAIMS |
| T4501 | ALLIED UNIVERSAL SECURITY SERVICES | 20,452.44 | DEC. 2020, & JAN. 2021 ONSITE SECURITY | CORPORATE SERVICES |
| T3011 | OFFICE ALLY, INC. | 18,551.50 | DEC. 2020 EDI CLAIM PROCESSING | CLAIMS |

**KERN·HEALTH
SYSTEMS**

January AP Vendor Report
Amounts over \$10,000.00

| Vendor No. | Vendor Name | Current Month | Description | Department |
|------------|--|------------------------|---|--------------------|
| T4460 | PAYSPAN, INC | 17,984.49 | DEC. 2020 ELECTRONIC CLAIMS/PAYMENTS | FINANCE |
| T4733 | UNITED STAFFING ASSOCIATES | 17,515.63 | DEC. 2020 TEMPORARY HELP & ACA INSURANCE - (1) BI; (1) HH; (1) HR; (1) HE | VARIOUS |
| T2167 | PG&E | 16,165.01 | NOV./DEC 2020 - USAGE/UTILITIES | CORPORATE SERVICES |
| T4353 | TWE SOLUTIONS, INC. | 13,803.42 | ANNUAL TECHNICAL SUPPORT AND MAINTENANCE FOR NIMBLE STORAGE SOLUTIONS | MIS INFRASTRUCTURE |
| T5201 | JAC SERVICES, INC. | 13,732.00 | 2021 AC MAINTENANCE & SERVICE | CORPORATE SERVICES |
| T2790 | KERN COUNTY DEPT OF PUBLIC HEALTH | 12,915.00 | INFLUENZA VACCINATION SPONSORSHIP | MARKETING |
| T1005 | COLONIAL LIFE & ACCIDENT ATTN PREMIUM PROCESSING | 12,102.53 | EMPLOYEE PREMIUM - ACCIDENT & CRITICAL ILLNESS | VARIOUS |
| T1861 | CERIDIAN HCM, INC. | 11,850.00 | JAN. 2021 MONTHLY SUBSCRIPTION FEES/ PROFESSIONAL SERVICES/ DAYFORCE HUMAN CAPITAL MANAGEMENT | HUMAN RESOURCES |
| T4657 | DAPONDE SIMPSON ROWE PC | 11,120.50 | OCT. & NOV. 2020 LEGAL FEES | PROVIDER RELATIONS |
| T4982 | NGC US, LLC | 11,000.00 | PREFUND HEALTH EDUCATION MEMBER INCENTIVES | HEALTH EDUCATION |
| T4396 | KAISER FOUNDATION HEALTH-DHMO | 10,699.21 | JAN. 2020 EMPLOYEE HEALTH BENEFITS | VARIOUS |
| T2840 | ATALASOFT, INC. | 10,254.00 | ANNUAL DOTIMAGE DOCUMENT IMAGING MAINTENANCE | MIS INFRASTRUCTURE |
| | | <u>2,838,084.61</u> | | |
| | TOTAL VENDORS OVER \$10,000 | 2,838,084.61 | | |
| | TOTAL VENDORS UNDER \$10,000 | 202,582.60 | | |
| | TOTAL VENDOR EXPENSES- JANUARY | <u>\$ 3,040,667.21</u> | | |

| Vendor Name | Contract Amount | Budgeted | Department | Department Head | Services that this vendor will provide to KHS | Effective Date | Termination Date |
|-------------------|-----------------|----------|------------|-----------------|---|----------------|------------------|
| January | | | | | | | |
| Poppyrock Designs | \$46,200.00 | Yes | MRK | Louie Iturriria | Graphic design of KHS-KFHC member & provider MKT materials | 1/1/2021 | 12/31/2021 |
| Symplr/Cactus | \$35,700.00 | Yes | IT | Richard Pruitt | Annual SaaS Application manager & the DEA State license monitor | 1/6/2021 | 1/5/2022 |
| HD Dynamics | \$50,000.00 | Yes | PR | Emily Duran | Consulting Services | 1/1/2021 | 12/31/2021 |
| LinkedIn | \$52,000.00 | Yes | HR | Anita Martin | Online training for managed learners | 1/1/2021 | 12/31/2021 |
| Jacquelyn Jans | \$60,000.00 | Yes | MRK | Louie Iturriria | Marketing and Corporate Image Consulting | 1/1/2021 | 12/31/2021 |

| 2020 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 | Enterprise Logging | EXP | \$18,480 | \$0 | \$550 | \$0 | \$0 | \$0 | \$0 | \$8,690 | \$9,207 | \$0 | | | | | \$18,447 | \$33 | |
| 2 | BiTalk Upgrade | EXP | \$14,705 | \$5,100 | \$4,590 | \$4,845 | | | | | | | | | | | | \$14,535 | \$170 |
| 3 | 2D - Clinical Engagement | CAP | \$12,500 | \$0 | \$4,118 | \$5,400 | \$2,633 | | | | | | | | | | | \$12,130 | \$350 |
| 4 | QNX Upgrade with Network and CES KB Update | EXP | \$500 | \$0 | \$0 | \$468 | \$0 | | | | | | | | | | | \$468 | \$32 |
| 5 | Hospital Directed Payments (HDP)/Encounters | EXP | \$21,705 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$206 | \$1,687 | \$6,035 | \$7,225 | \$4,250 | \$2,125 | | \$21,528 | \$177 | |
| 6 | HHP 2020 - CSV Health Homes | CAP | \$166,090 | \$28,448 | \$29,143 | \$12,273 | \$6,695 | \$2,833 | \$15,680 | \$12,530 | \$3,554 | \$773 | \$14,816 | \$20,520 | \$15,120 | | \$162,384 | \$3,706 | |
| 7 | HHP - Member Engagement | CAP | \$18,000 | \$0 | \$1,442 | \$7,501 | \$824 | \$4,928 | \$2,700 | | | | | | | | | \$17,395 | \$606 |
| 8 | Enterprise Data Warehouse | CAP | \$974,490 | \$58,640 | \$54,275 | \$71,995 | \$73,410 | \$66,040 | \$70,090 | \$72,128 | \$81,420 | \$82,320 | \$77,600 | \$69,931 | \$72,760 | | \$850,609 | \$123,881 | |
| 9 | HHP 2020 - Distributive Model | CAP | \$173,810 | \$0 | \$412 | \$6,956 | \$14,983 | \$15,726 | \$15,371 | \$23,894 | \$45,612 | \$30,529 | \$12,498 | \$824 | \$6,480 | | \$173,284 | \$526 | |
| 10 | Disaster Recovery and Business Continuity Test | CAP | \$446,200 | \$56,200 | \$51,475 | \$54,950 | \$50,960 | \$31,920 | \$46,900 | \$26,880 | \$25,200 | \$23,240 | \$24,640 | \$14,560 | \$18,620 | | \$425,545 | \$20,655 | |
| 11 | Rx PBM Transition | EXP | \$70,860 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$6,417 | \$15,624 | \$16,368 | \$14,136 | \$14,880 | \$67,425 | | \$3,435 | | |
| 12 | Auto Adjudication Enhancements | CAP | \$688,240 | \$40,480 | \$19,440 | \$21,120 | \$35,110 | \$59,532 | \$61,379 | \$51,196 | \$54,030 | \$58,359 | \$57,235 | \$50,281 | \$46,574 | | \$554,736 | \$133,504 | |
| 13 | MCAS Member Engagement | CAP | \$200,000 | \$0 | \$0 | \$0 | \$5,380 | \$18,970 | \$2,520 | \$30,983 | \$30,890 | \$25,860 | \$26,430 | \$21,630 | \$36,645 | | \$199,808 | \$192 | |
| 14 | Specialty Med Mgmt. | CAP | \$10,395 | \$0 | \$0 | \$945 | \$9,450 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | | \$10,395 | \$0 | |
| 15 | Interoperability | CAP | \$244,660 | \$0 | \$0 | \$0 | \$0 | \$2,781 | \$4,120 | \$28,068 | \$52,541 | \$41,799 | \$26,853 | \$43,723 | \$199,885 | | \$44,776 | | |
| 17 | Staff Augmentation | EXP | \$1,175,965 | \$97,401 | \$87,696 | \$102,619 | \$101,804 | \$104,894 | \$99,569 | \$93,860 | \$65,486 | \$68,828 | \$77,389 | \$71,045 | \$49,242 | | \$1,019,832 | \$156,133 | |
| Totals: | | | Totals | \$4,236,600 | \$286,269 | \$253,141 | \$289,072 | \$301,748 | \$304,841 | \$316,990 | \$324,487 | \$351,571 | \$364,108 | \$355,999 | \$294,031 | \$306,168 | \$3,748,424 | \$488,176 | |

*Note: State's projects being re-organized due to mid-year changes.

Updated 1/22/21

