Santa Clara Family Health Plan
The Spirit of Care

Regular Meeting of the

Santa Clara County Health Authority Executive/Finance Committee

Thursday, January 25, 2017
11:30 AM - 1:00 PM
210 E. Hacienda Avenue
Campbell CA 95008

Minutes – Draft

Members Present
Michele Lew, Chair
Linda Williams
Liz Kniss
Dolores Alvarado *(via telephone)*

Members Absent
Bob Brownstein

Staff Present
Christine Tomcala, Chief Executive Officer
Dave Cameron, Chief Financial Officer
Robin Larmer, Chief Compliance Officer & Regulatory Affairs Officer
Jonathan Tamayo, Chief Information Officer
Sharon Valdez, VP Human Resources
Rita Zambrano. Executive Assistant

Others Present
Richard Noack, Hopkins and Carley LLP

1. Roll Call

Michele Lew, Chair, called the meeting to order at 11:40am. Roll call was taken and a quorum was not established.

2. Enterprise Data Warehouse Vendor

Jonathan Tamayo, Chief Information Officer, presented the Committee with background information on FluidEdge, the vendor selected to assist in developing the Enterprise Data Warehouse. FluidEdge has knowledge of claims processing systems and Enterprise Data Warehouse solutions and focuses its work in the health care industry.

3. CEO Update

Christine Tomcala, Chief Executive Officer, presented an update on the QNXT claims system implementation. Ms. Tomcala noted it is an organizational objective to achieve a 70% auto-adjudicaton rate this year for Medi-Cal claims on QNXT. Current auto-adjudication rates are averaging 68-70%.

Dave Cameron, Chief Financial Officer, provided an update on misdirected claims and provider dispute resolutions, indicating they are current and monitored weekly.

Ms. Tomcala reported that, due to recent federal legislative activity, the CHIP program has been funded for an additional six years.

Dolores Alvarado joined the meeting at 12:00 pm and a quorum was established.

It was moved, seconded and unanimously approved to accept the CEO update.

4. Meeting Minutes

The minutes of the November 16, 2017 Executive/Finance Committee were reviewed.

It was moved, seconded and the November 16, 2017 Executive/Finance Committee meeting minutes were **unanimously approved** as presented.

5. Public Comment

There were no public comments.

6. Adjourn to Closed Session

a. Conference with Labor Negotiators
The Executive/Finance Committee met in Closed Session to confer with Designated Representatives regarding negotiations with SEIU Local 521.

7. Report from Closed Session

Ms. Lew reported that the Committee conferred with its labor negotiators to consider a proposed agreement.

8. Tentative Agreement with SEIU Local 521

The Tentative Agreement with SEIU Local 521 was discussed and Ms. Lew recommended approval.

It was moved, seconded, and unanimously approved to (1) approve, and recommend that the Board approve, the Tentative Agreement with SEIU; and (2) authorize executive staff to implement the salary adjustments in advance of Board approval.

9. November 2017 Financial Statements

Mr. Cameron presented the financial statements for the month of November 2017, which reflected a net surplus of $2.1 million for the month and $12.9 million for the first five months of the fiscal year. These represent favorable budget variances of $1.5 million and $10.6 million, respectively.

November enrollment of approximately 268,000 members reflected an unfavorable budget variance of 5,152 members and a decline of approximately 1,800 members from the prior month. This continues a downward enrollment trend that began after October 2016 for which specific cause(s) are unknown. While Medi-Cal enrollment continued to decline, enrollment in Healthy Kids held steady, while enrollment in Cal Medi-Connect increased slightly.

Liz Kniss joined the meeting at 12:20 pm.

November revenue reflected a favorable budget variance of $2.9 million (2.9%) for the month and a favorable budget variance of $755 thousand (0.1%) year-to-date. The November variance was caused by higher LTC and BHT enrollment and rates versus budget.

Medical expense reflected an unfavorable budget variance of $1.7 million (1.8%) for the month and a favorable budget variance of $8.7 million (1.8%) year-to-date due to higher LTC utilizers and an unfavorable inpatient expense vs. budget**.** The overall medical loss ratio (MLR) was 94.18% for the month and 93.3% year-to-date, both favorable to budgeted MLR of 95.1% and 95.2%, respectively.

Administrative expense reflected a favorable budget variance of $78 thousand (4%) for the month and a favorable variance of $740 thousand year-to-date. Much of the variance was attributable to delayed hiring of staff, offset by increased usage of consultants.

The balance sheet continues to reflect significant Coordinated Care Initiative (CCI) receivables and payables. The Plan is actively seeking reconciliation and finalization of prior year CCI amounts with DHCS. DHCS continues to recoup prior year overpayments by approximately $18 million per month and the Plan anticipates completion of the MCE rate recoupments by approximately April 2018. The current ratio of 1.2 exceeds the DMHC minimum of 1.0.

Tangible Net Equity (TNE) of $171.3 million was 475% of the Department of Managed Health Care (DMCH) minimum requirement of $36 million.

Capital assets of $10.3 million have been acquired during the fiscal year-to-date, largely the 50 Great Oaks building. The Capital Budget includes total annual expenditures of $17.3 million.

> **It was moved, seconded and** the November 2017 Financial Statements were **unanimously approved** as presented.

10. Selection of General Contractor for Build-out of 50 Great Oaks Blvd.

Ms. Tomcala reminded the Committee that the Board delegated authorization of budgets and contracts related to the build-out to the Executive/Finance Committee. Ms. Tomcala further noted the Plan had engaged a construction and project manager, Jason Schlutt of Compass Solutions, and an architect design firm, Studio G.

Mr. Cameron noted that four general contractor bids were vetted and Build SJC was chosen. The project is a design-build arrangement and will be a union job. The contract with Build SJC will establish a fee that is a percentage of the cost of all work. Mr. Cameron noted that due to the market, material and other factors, the overall cost of the work will exceed the initial $5 million.

> **It was moved, seconded and unanimously approved** to authorize the CEO to negotiate and execute a contract with Build SJC consistent with material terms as described to the Committee.

11. Adjournment

The meeting was adjourned at 12:40 pm.

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Michele Lew, Chair

SANTA CLARA FAMILY HEALTH PLAN
Retirement Benefit Program
February 2018

Background

Currently there are three types of retirement options that SCFHP provides to employees:

1) CalPERS is a defined benefit plan that employees are automatically enrolled in upon hire. Beginning January 1, 2013, the California Public Employees' Pension Reform Act of 2013 (PEPRA) was enacted that no longer allows an organization or its employees to make contributions beyond the annual limit ($145,666 in 2018). This Act (PEPRA) impacted SCFHP in the following ways:

- Employees in management positions that were hired before PEPRA came into effect (January 1, 2013) continue to have SCFHP contribute to CalPERS up to the annual IRS limit ($275,000). This category of employee is referred to as Classic members.
- Employees in management positions that were hired after PEPRA (January 1, 2013), for whom SCFHP cannot contribute beyond the lower limit, have a substantially lower overall benefit.
- This leaves a significant equity gap in both employer contribution and benefits between the Classic team member and PEPRA-impacted team member.

(Note: SCFHP does not participate in Social Security.)

2) SCFHP offers a Money Purchase Plan governed by section 401(a) of the Internal Revenue code for all team members. Employees must opt in at time of hire to be eligible. Staff contribute 6% of their wages and receive a company match of 3%, Executives contribute 0.067% and receive a company match of 6% up to an annual Max contribution of $10,200. Currently, 74% (166) of the eligible SCFHP workforce currently participates in this benefit.

3) SCFHP offers a voluntary deferred compensation plan governed by section 457(b) of the Internal Revenue code for all team members. Currently, 31% (70) of the eligible SCFHP workforce participates in this benefit.

Discussion

In addition to the equity gap due to PEPRA, SCFHP continues to face recruitment and retention challenges with leadership talent. CalPERS at the original level is no longer available as an incentive to balance out SCFHP's lower than market wages, especially as we compete for talent outside of the Bay Area. To alleviate the current equity gap and make our compensation portfolio more competitive, SCFHP plans to offer a 401(a) PEPRA Supplement for employees hired after January 1, 2013. This will allow employees to continue their contributions (6.555%) and to be matched by the company up to the IRS limits. Additionally, for the PEPRA Executives, the maximum contribution in the 401(a) of $10,200 would be eliminated. Maximum contribution is limited by IRS rules.

Santa Clara
Family Health Plan

Additionally, in the interest of promoting greater staff participation in SCFHP's retirement savings opportunities, and to stay competitive with what is commonly offered by most companies, SCFHP will provide a match on staff contributions to either the 401(a) or 457(b) plans. This will allow employees to change their level of participation throughout their employment, better accommodating their changing personal financial needs. In addition, SCFHP will structure the 457(b) retirement plan to allow employees at their discretion to contribute lump sum pay, such as team incentive or PTO payout. We hope these modifications will motivate many of our younger employees to start utilizing the program to protect their future. Maximum contributions are limited by IRS rules.

The annual fiscal impact for both programs is estimated to be between $100k and $300k contingent on enrollment in the 457(b) plan and turnover in management staff.

Recommendation:
SCFHP is requesting that the Governing Board approve the revisions to the retirement benefit programs and authorize the CEO to execute all applicable documents to activate the changes. Market survey data indicates the requested changes are consistent to the industry and ensures that SCFHP can remain a competitive place of employment to attract and maintain quality leadership.

RESOLUTION NO.

FIXING THE EMPLOYER CONTRIBUTION AT AN EQUAL AMOUNT FOR EMPLOYEES AND ANNUITANTS UNDER THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT

WHEREAS, (1) Santa Clara County Health Authority is a contracting agency under Government Code Section 22920 and subject to the Public Employees' Medical and Hospital Care Act (the "Act"); and

WHEREAS, (2) Government Code Section 22892(a) provides that a contracting agency subject to Act shall fix the amount of the employer contribution by resolution; and

WHEREAS, (3) Government Code Section 22892(b) provides that the employer contribution shall be an equal amount for both employees and annuitants, but may not be less than the amount prescribed by Section 22892(b) of the Act; and

RESOLVED, (a) That the employer contribution for each employee or annuitant shall be the amount necessary to pay the full cost of his/her enrollment, including the enrollment of family members, in a health benefits plan up to a maximum **of the PEMHCA Minimum** per month, plus administrative fees and Contingency Reserve Fund assessments; and be it further

RESOLVED, (b) Santa Clara County Health Authority has fully complied with any and all applicable provisions of Government Code Section 7507 in electing the benefits set forth above; and be it further

RESOLVED, (c) That the participation of the employees and annuitants of Santa Clara County Health Authority shall be subject to determination of its status as an "agency or instrumentality of the state or political subdivision of a State" that is eligible to participate in a governmental plan within the meaning of Section 414(d) of the Internal Revenue Code, upon publication of final Regulations pursuant to such Section. If it is determined that Santa Clara County Health Authority would not qualify as an agency or instrumentality of the state or political subdivision of a State under such final Regulations, CalPERS may be obligated, and reserves the right to terminate the health coverage of all participants of the employer.

RESOLVED, (d) That the executive body appoint and direct, and it does hereby appoint and direct, to file with the Board a verified copy of this resolution, and to perform on behalf of Santa Clara County Health Authority all functions required of it under the Act.

Adopted at a meeting of the at , this day of , .

Signed: ________________________________
Chief Executive Officer

Attest: ________________________________
Chief Financial Officer

Santa Clara Family Health Plan

The Spirit of Care

Unaudited
Financial Statements
For Six Months Ended December 2017

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Financial Highlights

- **Net Surplus –** December $2.7 million surplus ($1.9 million favorable to budget) and year-to-date (YTD) $15.6 million surplus ($12.5 million favorable to budget). YTD surplus is mostly driven by lower medical expenses than budget.
- **Enrollment –** December membership 267,942 (1.8% unfavorable to budget) and YTD: 1,622,148 member months (1.4% unfavorable to budget and 3.5% lower than YTD last year). While Medi-Cal enrollment has continually declined since October 2016, Cal MediConnect (CMC) membership exhibited month over month growth for the first time since March, 2017.
- **Revenue –** Favorable to budget by $0.5 million for the month (0.5%) and favorable to budget by $1.2 million (0.2%) YTD
- **Medical Expenses –** Favorable to budget by $1.4 million for the month (1.5%) and favorable to budget by $10.1 million (1.8%)
- **Administrative Expenses –** Unfavorable to budget by $0.3 million (-6.9%) and favorable YTD budget by $0.5 million (+1.8%)
- **Tangible Net Equity –** $173.9 million or 485% of minimum required Tangible Net Equity (TNE) of $35.8 million per Department of Managed Health Care (DMHC)
- **Capital Expenditure –** YTD capital investments of $10.5 million versus $17.3 million per annual budget, largely building purchase

	Month	YTD
Revenue	$99 million	$595 million
Medical Costs	$93 million	$555 million
Medical Loss Ratio	93.3%	93.3%
Administrative Costs	$4.3 million (4.3%)	$24.9 million (4.2%)
Other Income/ Expense	$259,153	$299,497
Net Surplus (Loss)	$2,651,793	$15,560,688

Cash on Hand	$243 million
Net Cash Available to SCFHP	$225 million
Receivables	$537 million
Current Liabilities	$634 million
Tangible Net Equity	$174 million
Percent Of DMHC Requirement	**485%**

Risks and Opportunities

- **Risks**
  - Fiscal Year 2017-18 YTD enrollment is below budget. Medi-Cal enrollment has been declining since October 2016.
  - Claim inventory build-up due to conversion of claims payments system is causing some volatility in claims payment and in estimation of total monthly medical expenses. The claims inventory returned to a normal level by December 2017.
  - Delay in revenue receipts due to rate differential vs. budget requires some estimation and accruals.
  - Rate reconciliation timing by Department of Healthcare Services (DHCS) for Coordinated Care Initiative (CCI) program.

- **Opportunities**
  - Continued growth in CCI membership.
  - Continue to fill open positions to replace temporary staff and consultant usage.
  - With convergence of claims processing to QNXT, all claims are processed on one system, which should allow for increased auto-adjudication rates and better efficiency.

Member Months

For the month of December 2017, total membership was lower than budget by 5,017 (-1.8%). For YTD, total member months were lower than budget by 23,259 (-1.4%). Medi-Cal membership has declined since October 2016 while CMC membership continued its marginal growth that began in November 2017.

In the six months since the end of the prior fiscal year (FY), 6/30/2017, membership in Medi-Cal decreased by 2.9 %, membership in Healthy Kids program decreased by 10.4%, and membership in CMC program decreased by 2.0%.

Santa Clara Family Health Plan Enrollment Summary

	For the Month of Dec 2017			For Six Months Ending Dec 31, 2017				
	Actual	**Budget**	**Variance**	**Actual**	**Budget**	**Variance**	**Prior Year Actual**	**Change FY18 vs. FY17**
Medi-Cal	258,106	262,659	(1.7%)	1,563,221	1,583,607	(1.3%)	1,614,671	(3.2%)
Healthy Kids	2,447	2,800	(12.6%)	14,550	16,800	(13.4%)	19,267	(24.5%)
Medicare	7,389	7,500	(1.5%)	44,377	45,000	(1.4%)	46,972	(5.5%)
Total	267,942	272,959	(1.8%)	1,622,148	1,645,407	(1.4%)	1,680,910	(3.5%)

Santa Clara Family Health Plan Enrollment by Network
December 2017

Network	Medi-Cal		Healthy Kids		CMC		Total	
	Enrollment	**% of Total**	**Enrollment**	**% of Total**	**Enrollment**	**% of Total**	**Enrollment**	**% of Total**
Direct Contact Physicians	28,811	11%	298	12%	7,389	100%	36,498	14%
SCVHHS, Safety Net Clinics, FQHC Clinics	131,889	51%	1,065	44%	-	0%	132,954	50%
Palo Alto Medical Foundation	7,374	3%	82	3%	-	0%	7,456	3%
Physicians Medical Group	47,472	18%	807	33%	-	0%	48,279	18%
Premier Care	16,053	6%	195	8%	-	0%	16,248	6%
Kaiser	26,507	10%	-	0%	-	0%	26,507	10%
Total	**258,106**	**100%**	**2,447**	**100%**	**7,389**	**100%**	**267,942**	**100%**
Enrollment at June 30, 2017	265,753		2,732		7,543		276,028	
Net Change from Beginning of FY18	-2.9%		-10.4%		-2.0%		-2.9%	

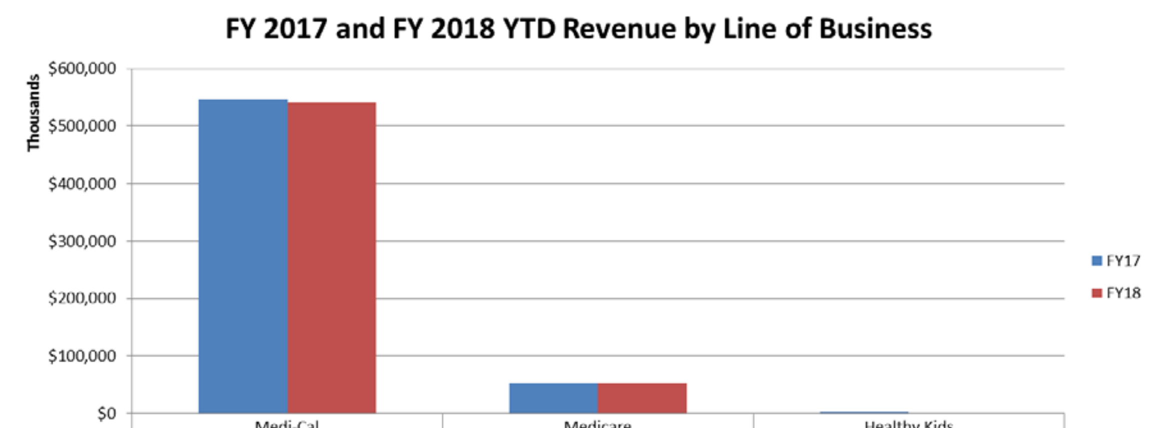
SCVHHS = Santa Clara Valley Health & Hospital System
FQHC = Federally Qualified Health Center

Revenue

Santa Clara Family Health Plan (SCFHP or The Plan) recorded net revenue of $99.4 million for the month of December 2017, compared to budgeted revenue of $98.9 million, resulting in a favorable variance from budget of $0.5 million, or +0.5%. For YTD December 2017, the Plan recorded net revenue of $595.5 million, compared to budgeted revenue of $594.2 million, resulting in a favorable variance from budget of $1.2 million, or +0.2%.

Major revenue variances for December 2017, which net to $0.5 million were:

1. Long Term Care (LTC) revenue favorable by $1.7 million due to both higher member months and rate differential.
2. BHT revenue favorable by $1.2 million due to both higher member months and rate differential.
3. Assembly Bill (AB 85) revenue unfavorable by $1.2 million (no impact on net income).
4. Other smaller unfavorable variances in Medicaid Coverage Expansion (MCE) (lower member months), Medi-Cal CMC (lower member months), and Hepatitis C (both lower member months and rate differential) total $1.3 million.



	Medi-Cal	Medicare	Healthy Kids
FY17	$547,239,110	$52,426,072	$1,840,411
FY18	$540,887,139	$53,077,171	$1,496,923

Medical Expenses

For the month of December 2017, medical expense was $92.7 million compared to budget of $94.0 million, resulting in a favorable budget variance of $1.4 million, or +1.5%. For year to date December 2017, medical expense was $555.3 million compared to budget of $565.4 million, resulting in a favorable budget variance of $10.1 million, or +1.8%.

Major medical expense variances for December 2017, which net to $1.4 million were:

1. Pharmacy expenses ($1.9 million) and capitation expenses ($1.2 million) were favorable largely due to lower member months than budget.
2. IHSS expense is favorable by $1.2 million primarily due to budgeted monthly $1.0 million loss for risk to the plan not yet recorded for FY18. Similar to IHSS expense, AB85 expense is favorable by $1.2 million. Both favorable medical expense variances largely match the corresponding unfavorable variance in revenue.
3. Inpatient expenses were unfavorable by $3.7 million due to retroactive application of the increased contract rates as well as seasonal increase in utilization.

YTD medical expense favorability of $10.1 million is largely driven by:

1. The Plan had recorded a net IHSS loss for FY 17. Based on this experience, a $1.0 million monthly net IHSS expense ($6.0 million YTD) was budgeted for FY18 for the potential risk the Plan still carries. This expense is under evaluation for FY18.
2. Capitation expense favorable by $4.6 million due to lower member months vs. budget.

YTD medical expense summary:

Medical Expense	Amount	% of Total
Network Capitation	$198,514,535	36%
IHSS	$89,599,922	16%
Pharmacy	$72,908,276	13%
Inpatient, Emergency, and Maternity	$71,562,517	13%
Institutional Extended Care	$64,663,311	12%
Outpatient and Other	$58,087,325	10%
Total Medical Expense	**$555,335,886**	

Administrative Expenses

Administrative costs were unfavorable to budget by $0.3 million (-6.9%) for the month of December 2017 and favorable to budget by $0.5 million (+1.8%) for YTD December 2017.

Major administrative expense variances for December 2017 (and also YTD) were:

1. Consulting expenses are higher by $225K due to a higher use of consulting services than budgeted.
2. Temporary staff expenses are higher by $155K due to a higher use of temporary services than budgeted. Most of the unfavorable variance is due to in-sourcing of a previously outsourced case management function as well as the planned effort to bring claims inventory to a normal level.
3. Remaining variance is due to smaller unfavorable variances in printing, and translation services offset by favorable variances in benefits, postage, and information services due to timing.

Overall administrative expenses were 4.2% of revenue for YTD December 2017 (0.1% favorable to budget).

Administrative Expense

Actual vs. Budget

For the Current Month & Fiscal Year to Date - Dec 2017

Favorable/(Unfavorable)

Current Month					Year to Date			
Actual	Budget	Variance $	Variance %		Actual	Budget	Variance $	Variance %
$ 2,258,790	$ 2,306,581	$ 47,791	2.1%	Personnel	$ 13,150,618	$ 13,607,868	$ 457,251	3.4%
2,045,636	1,720,813	(324,823)	-18.9%	Non-Personnel	11,713,536	11,719,800	$ 6,263	0.1%
4,304,426	4,027,394	(277,032)	-6.9%	Total Administrative Expense	24,864,154	25,327,668	463,514	1.8%

Balance Sheet

- Current assets totaled $787.7 million compared to current liabilities of $633.6 million, yielding a current ratio (the ratio of current assets to current liabilities) of 1.2 vs. the DMHC minimum requirement of 1.0. Working capital (current assets minus current liabilities) increased by $2.2 million for the six months of the fiscal year.

- Cash as of December 31, 2017 decreased by $121.8 million compared to the cash balance as of year-end June 30, 2017. The overall cash position decreased largely due to:
    1. recoupment of FY2015-17 MCE overpayments (~$18 million per month) by DHCS.
    2. increase in net receivables by $62.6 million due to a delay in receipt of payments for Duals Recast differential revenue, Managed Care Organization (MCO) tax revenue, and Supplemental revenue.
    3. payment of MCO tax for FY17 and prior years.
    4. purchase of a new building.
    5. voluntary funding of future pension and retiree benefits liabilities.

- SCFHP moved $140.0 million of its cash to the county investment pool in order to achieve higher interest income while still maintaining the liquidity of its funds. With the commencement of monthly recoupment of MCE overpayments by the State beginning in June's capitation, the Plan will need to withdraw ~$50 million of these funds in January 2018.

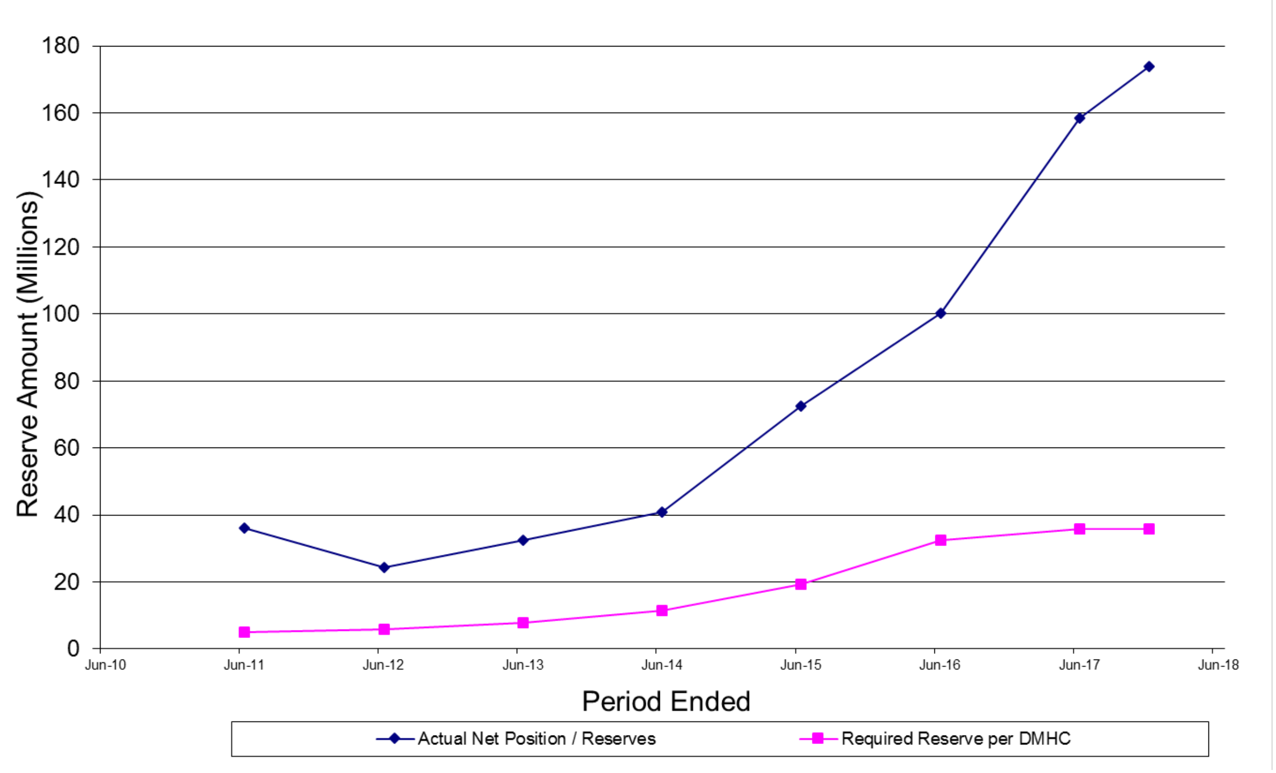
- Liabilities decreased by $60.6 million during the six months ended December 31, 2017. Liabilities decreased primarily due to the disbursement of pass-through funds to hospitals, payment of MCO tax for FY17 and prior years, and recoupment of FY2015-17 MCE overpayments by DHCS.

Tangible Net Equity (TNE)

TNE was $173.9 million at December 31, 2017 or 485% of the most recent quarterly DMHC minimum requirement of $35.8 million. TNE trends for SCFHP are shown below.

Santa Clara County Health Authority
Tangible Net Equity - Actual vs. Required
As of Period Ended:

	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	12/31/2017
Actual Net Position / Reserves	36,093,769	24,208,576	32,551,161	40,872,580	72,630,954	100,293,456	158,380,560	173,941,248
Required Reserve per DMHC	4,996,000	5,901,000	7,778,000	11,434,000	19,269,000	32,375,000	35,898,000	35,831,907
200% of Required Reserve	9,992,000	11,802,000	15,556,000	22,868,000	38,538,000	64,750,000	71,796,000	71,663,814
Actual as % Required	722%	410%	419%	357%	377%	310%	441%	485%



Reserves Analysis

- At the September 2016 Governing Board meeting, a policy was adopted for targeting the organization's capital reserves to include a) an Equity Target of 350-500% of DMHC required TNE percentage and b) a Liquidity Target of 45-60 days of total operating expenses in available cash.

- As of December 31, 2017, the Plan's TNE was $48.5 million above the low-end Equity Target and $104.9 million above the low-end Liquidity Target. The Plan's TNE was $5.2 million below the high-end Equity Target and $64.9 million above the high-end Liquidity Target (see calculations below).

SCFHP RESERVES ANALYSIS DECEMBER 2017

Financial Reserve Target #1: Tangible Net Equity	
Actual TNE	$173,941,248
Current Required TNE	$35,831,907
Excess TNE	$138,109,341
Required TNE Percentage	485%
SCFHP Target TNE Range:	
350% of Required TNE (low end)	$125,411,674
500% of Required TNE (high end)	$179,159,534
TNE Above/(Below) SCFHP Low End Target	**$48,529,574**
TNE Above/(Below) SCFHP High End Target	**($5,218,286)**
Financial Reserve Target #2: Liquidity	
Cash & Cash Equivalents	$242,799,014
Less Pass-through Liabilities:	
Payable to State of CA*	-
Other Pass-through Liabilities	(17,962,917)
Total Pass-through Liabilities	(17,962,917)
Net Cash Available to SCFHP	$224,836,097
SCFHP Target Liquidity:	
45 days of Total Operating Expenses	($119,983,725)
60 days of Total Operating Expenses	($159,978,299)
Liquidity Above/(Below) SCFHP Low End Target	**$104,852,373**
Liquidity Above/(Below) SCFHP High End Target	**$64,857,798**

*Pass-Throughs from State of CA (excludes IHSS)	
Receivables Due to SCFHP	164,523,331
Payables Due from SCFHP	(113,873,497)
Net Receivable/(Payable)	$50,649,834

Capital Expenditure

Capital investments of $10.5 million were made during the six months ended December 31, 2017, largely due to the purchase of a new building (in order to lower the long term occupancy costs in an ever increasing rental rate situation in the current location). The YTD capital expenditure includes:

Expenditure	**YTD Actual**	**Annual Budget**
New Building*	$9,787,867	$14,300,000
Systems	119,881	1,595,000
Hardware	388,166	611,500
Software	20,647	587,000
Furniture and Fixtures	135,935	173,515
Automobile	0	33,000
Leasehold Improvements	0	10,000
TOTAL	**$10,452,495**	**$17,310,015**

**Budget includes $4.5 million of renovation expend associated with 50 Great Oaks building*

The Plan expects to incur the bulk of the remaining expenditures later in the FY 2018.

Santa Clara Family Health Plan
Enrollment by Aid-Category

		2017-01	2017-02	2017-03	2017-04	2017-05	2017-06	2017-07	2017-08	2017-09	2017-10	2017-11	2017-12
NON DUAL	Adult (over 19)	31,072	30,836	30,479	30,204	29,921	29,651	28,985	29,301	29,051	28,722	28,252	28,072
	Adult (under 19)	106,719	106,926	106,305	106,181	105,945	106,082	104,658	105,129	104,328	103,793	103,224	103,047
	Aged - Medi-Cal Only	10,371	10,400	10,400	10,520	10,538	10,674	10,776	10,693	10,722	10,801	10,778	10,782
	Disabled - Medi-Cal Only	11,016	11,045	11,060	11,075	11,064	10,902	10,888	10,836	10,816	10,823	10,843	10,819
	Child (HF conversion)	973	921	879	845	280	192	74	59	52	57	53	40
	Adult Expansion	83,031	82,715	82,618	82,751	82,420	82,349	80,300	80,741	80,470	79,998	79,232	79,207
	Other	34	38	38	39	35	38	33	35	45	61	82	92
	Long Term Care	327	322	325	323	337	353	369	381	395	396	390	379
	Total Non-Duals	243,543	243,203	242,104	241,938	240,540	240,241	236,083	237,175	235,879	234,651	232,854	232,438
DUAL	Aged	15,325	15,915	16,068	16,199	16,191	16,372	16,297	16,677	16,782	16,805	16,813	16,726
	Disabled	6,353	6,478	6,506	6,507	6,458	6,518	6,474	6,502	6,522	6,547	6,555	6,552
	Other	1,727	1,686	1,621	1,427	1,389	1,370	1,271	1,235	1,241	1,233	1,144	1,142
	Long Term Care	1,166	1,183	1,241	1,233	1,240	1,252	1,266	1,282	1,277	1,282	1,267	1,248
	Total Duals	24,571	25,262	25,436	25,366	25,278	25,512	25,308	25,696	25,822	25,867	25,779	25,668
	Total Medi-Cal	268,114	268,465	267,540	267,304	265,818	265,753	261,391	262,871	261,701	260,518	258,633	258,106
	Healthy Kids	2,585	2,780	2,752	2,794	2,757	2,732	2,633	2,618	2,243	2,288	2,321	2,447
CMC	CMC Non-Long Term Care	7,225	7,301	7,333	7,278	7,257	7,263	7,255	7,142	7,126	7,071	7,100	7,142
	CMC - Long Term Care	302	297	289	289	288	280	270	263	257	255	249	247
	Total CMC	7,527	7,598	7,622	7,567	7,545	7,543	7,525	7,405	7,383	7,326	7,349	7,389
	Total Enrollment	**278,226**	**278,843**	**277,914**	**277,665**	**276,120**	**276,028**	**271,549**	**272,894**	**271,327**	**270,132**	**268,303**	**267,942**

Santa Clara County Health Authority
Income Statement for Six Months Ending December 31, 2017

	For the Month of Dec 2017					For Six Months Ending Dec 31, 2017				
	Actual	% of Revenue	Budget	% of Revenue	Variance	Actual	% of Revenue	Budget	% of Revenue	Variance
REVENUES										
MEDI-CAL	$ 90,686,097	91.3%	$ 89,978,887	91.0%	$ 707,210	$ 540,887,139	90.8%	$ 540,884,764	91.0%	$ 2,375
HEALTHY KIDS	$ 252,924	0.3%	$ 252,000	0.3%	$ 924	$ 1,496,923	0.3%	$ 1,512,000	0.3%	$ (15,077)
MEDICARE	$ 8,411,604	8.5%	$ 8,637,957	8.7%	$ (226,353)	$ 53,077,171	8.9%	$ 51,827,744	8.7%	$ 1,249,426
TOTAL REVENUE	$ 99,350,625	100.0%	$ 98,868,845	100.0%	$ 481,780	$ 595,461,232	100.0%	$ 594,224,509	100.0%	$ 1,236,724
MEDICAL EXPENSES										
MEDI-CAL	$ 85,992,863	86.6%	$ 85,521,110	86.5%	$ (471,753)	$ 507,909,161	85.3%	$ 514,397,698	86.6%	$ 6,488,537
HEALTHY KIDS	$ 228,738	0.2%	$ 240,242	0.2%	$ 11,504	$ 1,342,539	0.2%	$ 1,441,451	0.2%	$ 98,912
MEDICARE	$ 6,431,957	6.5%	$ 8,267,243	8.4%	$ 1,835,287	$ 46,084,187	7.7%	$ 49,603,459	8.3%	$ 3,519,273
TOTAL MEDICAL EXPENSES	$ 92,653,558	93.3%	$ 94,028,595	95.1%	$ 1,375,038	$ 555,335,886	93.3%	$ 565,442,609	95.2%	$ 10,106,722
MEDICAL OPERATING MARGIN	$ 6,697,067	6.7%	$ 4,840,249	4.9%	$ 1,856,818	$ 40,125,346	6.7%	$ 28,781,900	4.8%	$ 11,343,446
ADMINISTRATIVE EXPENSES										
SALARIES AND BENEFITS	$ 2,258,790	2.3%	$ 2,306,581	2.3%	$ 47,791	$ 13,150,618	2.2%	$ 13,607,868	2.3%	$ 457,251
RENTS AND UTILITIES	$ 123,961	0.1%	$ 111,735	0.1%	$ (12,226)	$ 810,652	0.1%	$ 712,319	0.1%	$ (98,333)
PRINTING AND ADVERTISING	$ 84,462	0.1%	$ 58,150	0.1%	$ (26,312)	$ 249,901	0.0%	$ 623,500	0.1%	$ 373,599
INFORMATION SYSTEMS	$ 98,190	0.1%	$ 217,714	0.2%	$ 119,524	$ 962,679	0.2%	$ 1,306,283	0.2%	$ 343,604
PROF FEES / CONSULTING / TEMP STAFFING	$ 1,228,581	1.2%	$ 776,577	0.8%	$ (452,004)	$ 6,796,038	1.1%	$ 5,415,126	0.9%	$ (1,380,912)
DEPRECIATION / INSURANCE / EQUIPMENT	$ 338,949	0.3%	$ 349,145	0.4%	$ 10,196	$ 2,043,309	0.3%	$ 2,082,914	0.4%	$ 39,605
OFFICE SUPPLIES / POSTAGE / TELEPHONE	$ 72,450	0.1%	$ 109,411	0.1%	$ 36,961	$ 318,912	0.1%	$ 919,068	0.2%	$ 600,156
MEETINGS / TRAVEL / DUES	$ 99,044	0.1%	$ 85,562	0.1%	$ (13,482)	$ 489,834	0.1%	$ 564,821	0.1%	$ 74,987
OTHER	$ -	0.0%	$ 12,520	0.0%	$ 12,520	$ 42,211	0.0%	$ 95,768	0.0%	$ 53,557
TOTAL ADMINISTRATIVE EXPENSES	$ 4,304,426	4.3%	$ 4,027,394	4.1%	$ (277,032)	$ 24,864,154	4.2%	$ 25,327,668	4.3%	$ 463,514
OPERATING SURPLUS (LOSS)	$ 2,392,641	2.4%	$ 812,855	0.8%	$ 1,579,786	$ 15,261,192	2.6%	$ 3,454,232	0.6%	$ 11,806,960
GASB 45 - POST EMPLOYMENT BENEFITS EXPENSE	$ (59,780)	-0.1%	$ (59,780)	-0.1%	$ -	$ (358,678)	-0.1%	$ (358,678)	-0.1%	$ -
GASB 68 - UNFUNDED PENSION LIABILITY	$ (75,000)	-0.1%	$ (75,000)	-0.1%	$ -	$ (450,000)	-0.1%	$ (450,000)	-0.1%	$ -
INTEREST & OTHER INCOME	$ 393,932	0.4%	$ 65,153	0.1%	$ 328,780	$ 1,108,175	0.2%	$ 390,916	0.1%	$ 717,259
NET SURPLUS (LOSS) FINAL	$ 2,651,793	2.7%	$ 743,228	0.8%	$ 1,908,565	$ 15,560,688	2.6%	$ 3,036,470	0.5%	$ 12,524,218

Santa Clara County Health Authority
Balance Sheet

	DEC 17	NOV 17	OCT 17	JUN 17
Assets				
Current Assets				
Cash and Marketable Securities	$ 242,799,014	$ 285,180,287	$ 357,109,019	$ 364,609,248
Premiums Receivable				
In Home Support Services (IHSS)	372,463,251	357,111,472	339,579,401	282,168,565
All Other	165,020,333	166,363,472	87,217,376	192,697,632
Prepaid Expenses and Other Current Assets	7,417,269	6,802,123	7,531,826	7,070,619
Total Current Assets	787,699,867	815,457,354	791,437,623	846,546,064
Long Term Assets				
Equipment	31,721,382	31,596,931	31,587,323	21,268,887
Less: Accumulated Depreciation	(12,546,390)	(12,257,068)	(11,965,083)	(10,761,759)
Total Long Term Assets	19,174,992	19,339,863	19,622,240	10,507,128
Total Assets	$ 806,874,859	$ 834,797,217	$ 811,059,863	$ 857,053,192
Deferred Outflow of Resources	$ 14,405,010	$ 9,287,513	9,287,513	9,287,513
Total Deferred Outflows and Assets	821,279,869	844,084,730	820,347,376	866,340,705
Liabilities and Net Position				
Current Liabilities				
Trade Payables	$ 6,515,940	$ 5,833,810	$ 5,890,149	$ 6,157,039
Deferred Rent	54,804	61,103	67,402	92,597
Employee Benefits	1,386,017	1,344,252	1,276,273	1,262,108
Retirement Obligation per GASB 45	5,177,037	5,117,257	5,057,478	4,818,359
Advance Premium - Healthy Kids	54,641	42,696	55,358	53,439
Deferred Revenue - Medicare				8,372,938
Whole Person Care	2,065,180	2,065,180	2,065,180	2,065,180
Payable to Hospitals (SB90)				0
Payable to Hospitals (SB208)				0
Payable to Hospitals (AB 85)	11,060,140	11,049,602	11,067,353	27,378,335
Due to Santa Clara County Valley Health Plan and Kaiser	4,837,597	9,117,449	7,379,033	9,456,454
MCO Tax Payable - State Board of Equalization	8,799,433	25,445,080	25,566,157	33,865,555
Due to DHCS	105,074,063	121,349,747	120,989,438	207,658,770
Liability for In Home Support Services (IHSS)	390,514,952	375,163,173	357,631,102	300,220,266
Premium Deficiency Reserve (PDR)	2,374,525	2,374,525	2,374,525	2,374,525
Medical Cost Reserves	95,712,093	100,194,202	98,182,526	90,922,381
Total Current Liabilities	633,626,422	659,158,076	637,601,974	694,697,947
Non-Current Liabilities				
Noncurrent Premium Deficiency Reserve	5,919,500	5,919,500	5,919,500	5,919,500
Net Pension Liability GASB 68	7,307,370	7,232,370	7,157,370	6,857,370
Total Liabilities	646,853,292	672,309,946	650,678,844	707,474,817
Deferred Inflow of Resources	485,329	485,329	485,329	485,329
Net Position / Reserves				
Invested in Capital Assets	10,083,469	10,171,607	10,349,463	10,507,128
Restricted under Knox-Keene agreement	305,350	305,350	305,350	305,350
Unrestricted Net Equity	147,991,740	147,903,603	147,725,747	89,480,978
Current YTD Income (Loss)	15,560,688	12,908,895	10,802,643	58,087,104
Net Position / Reserves	173,941,248	171,289,455	169,183,203	158,380,560
Total Liabilities, Deferred Inflows, and Net Assets	$ 821,279,869	$ 844,084,730	$ 820,347,376	$ 866,340,705

Santa Clara Family Health Plan
Statement of Cash Flows
For Six Months Ending Dec 31, 2017

Cash flows from operating activities		
Premiums received	$	405,193,017
Medical expenses paid	$	(464,870,346)
Administrative expenses paid	$	(52,788,585)
Net cash from operating activities	$	(112,465,914)
Cash flows from capital and related financing activities		
Purchases of capital assets	$	(10,452,495)
Cash flows from investing activities		
Interest income and other income, net	$	1,108,175
Net (Decrease) increase in cash and cash equivalents	$	(121,810,234)
Cash and cash equivalents, beginning of year	$	364,609,248
Cash and cash equivalents at Dec 31, 2017	$	242,799,014
Reconciliation of operating income to net cash from operating activities		
Operating income (loss)	$	14,452,514
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	$	1,784,631
Changes in operating assets and liabilities		
Premiums receivable	$	(62,617,386)
Due from Santa Clara Family Health Foundation	$	-
Prepaids and other assets	$	(346,650)
Deferred outflow of resources	$	(5,117,497)
Accounts payable and accrued liabilities	$	(23,886,237)
State payable	$	(127,650,829)
Santa Clara Valley Health Plan and Kaiser payable	$	(4,618,857)
Net Pension Liability	$	450,000
Medical cost reserves and PDR	$	4,789,712
Deferred inflow of resources	$	-
Total adjustments	$	(126,918,427)
Net cash from operating activities	$	(112,465,914)

Santa Clara County Health Authority
STATEMENT OF OPERATIONS
BY LINE OF BUSINESS (INCLUDING ALLOCATED EXPENSES)

For Six Months Ending Dec 31, 2017

	Medi-Cal	CMC	Healthy Kids	**Grand Total**
P&L (ALLOCATED BASIS)				
REVENUE	$527,302,309	$66,662,000	$1,496,923	**$595,461,232**
MEDICAL EXPENSES	494,155,061	59,838,287	1,342,539	**555,335,886**
(MLR)	93.7%	89.8%	89.7%	**93.3%**
GROSS MARGIN	33,147,249	6,823,713	154,384	**40,125,346**
ADMINISTRATIVE EXPENSES	22,018,101	2,783,547	62,506	**24,864,154**
(% of Revenue Allocation)				
OPERATING INCOME/(LOSS)	11,129,147	4,040,166	91,878	**15,261,192**
OTHER INCOME/(EXPENSE)	265,215	33,529	753	**299,497**
(% of Revenue Allocation)				
NET INCOME/ (LOSS)	$11,394,362	$4,073,695	$92,631	**$15,560,688**
PMPM (ALLOCATED BASIS)				
REVENUE	$337.32	$1,502.17	$102.88	**$367.08**
MEDICAL EXPENSES	316.11	1,348.41	92.27	**342.35**
GROSS MARGIN	21.20	153.77	10.61	**24.74**
ADMINISTRATIVE EXPENSES	14.09	62.72	4.30	**15.33**
OPERATING INCOME/(LOSS)	7.12	91.04	6.31	**9.41**
OTHER INCOME / (EXPENSE)	0.17	0.76	0.05	**0.18**
NET INCOME / (LOSS)	$7.29	$91.80	$6.37	**$9.59**
ALLOCATION BASIS:				
MEMBER MONTHS - YTD	*1,563,221*	*44,377*	*14,550*	***1,622,148***
Revenue by LOB	*88.6%*	*11.2%*	*0.3%*	***100%***

Note: CMC includes Medi-Cal portion of the Coordinated Care Initiative (CCI) data

Network Detection and Prevention Report

February 2018

Executive Finance Committee Meeting

Santa Clara
Family Health Plan

Firewall Background

The following network intrusion reports show the malicious activities that were prevented from accessing SCFHP's network. It is important to note that these attempts are not specifically targeted at SCFHP, but rather are common attempts against entire areas of the Internet. The results are typical of many organizations.

None of the intrusion attempts on the SCFHP network were successful.

The attempts have been categorized in three severity levels:

High

These attacks are the most dangerous. They can take down our entire network or disable servers, such as various Backdoor, DDoS(Distributed Denial of Service), and DOS(Denial of Service) attacks.

Medium

These attacks can cause disruption to the network, such as increased network traffic that slows down performance. For example, various DNS(Domain Naming Service), FTP(File Transfer Protocol), and Telnet attacks.

Low

These attacks are characterized more as informational events, such as various Scans (port and IP internet protocol address), RPC(Remote Procedure Call), and SMTP(Simple Mail Transfer Protocol) attacks.

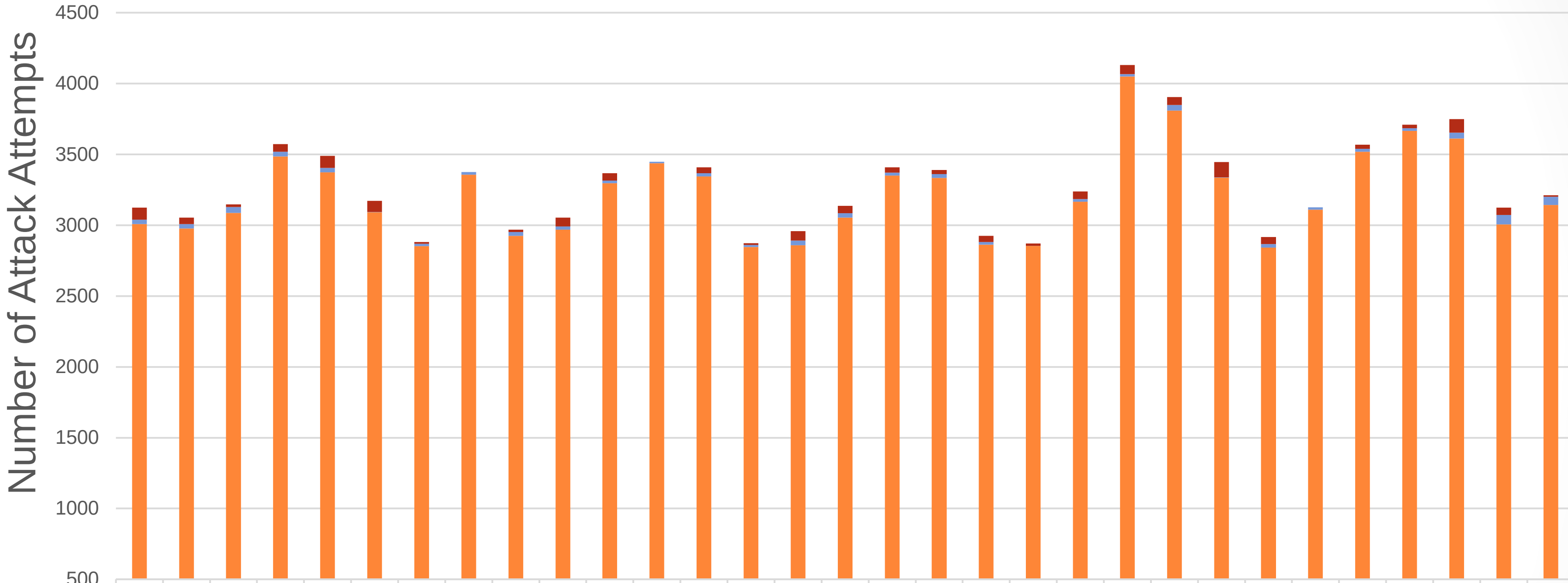
Attack Statistics Combined

October/November/December/January

	Number of Different Types of Attacks				Total Number of Attempts				Percent of Attempts			
Severity Level	OCT	NOV	DEC	JAN	OCT	NOV	DEC	JAN	OCT	NOV	DEC	JAN
High	2	3	5	3	1362	1684	2061	284	1.26	1.69	1.42	0.27
Medium	17	19	24	25	771	1034	1397	440	.82	1.04	0.97	0.42
Low	31	35	28	27	99618	96736	141206	104392	97.92	97.27	97.61	99.31

For the month of January, the high and medium vulnerabilities are lower because the old provider portal to our network has been closed.

Daily Attack Attempts

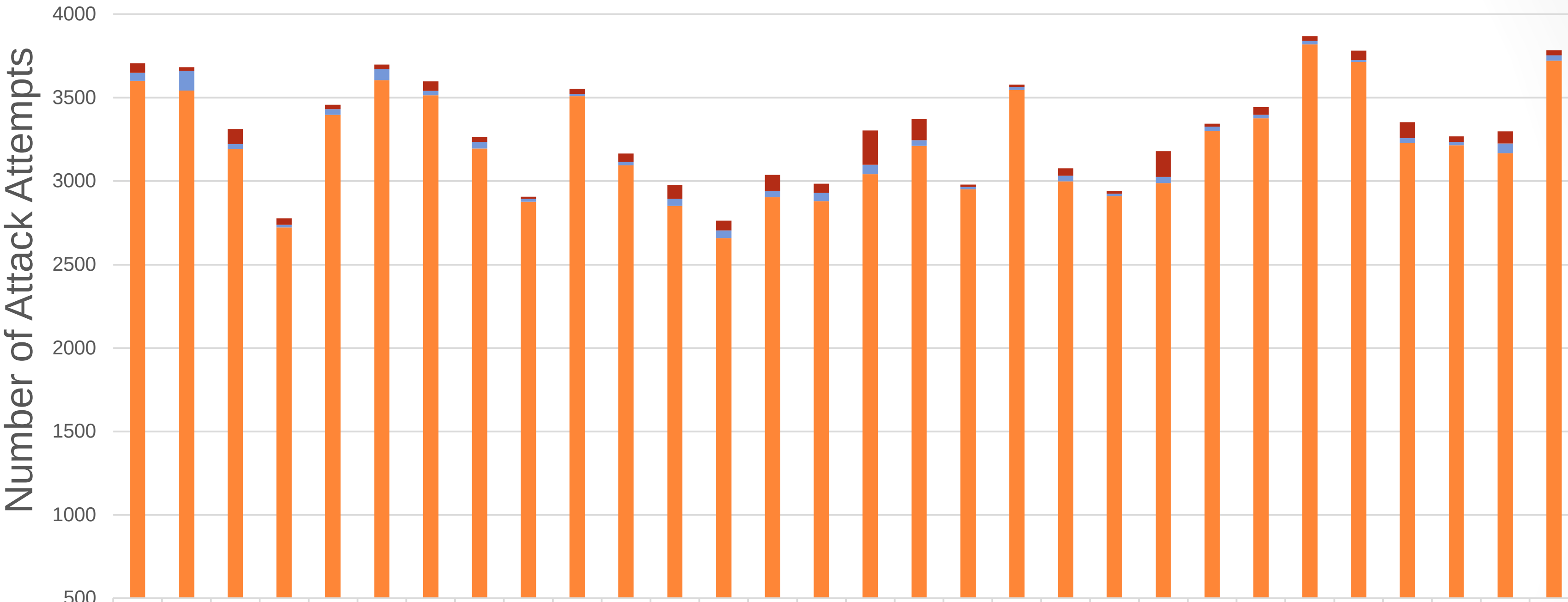


	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
High	85	46	18	54	85	80	14	0	17	62	53	0	42	14	67	53
Medium	31	30	42	33	30	2	16	18	25	22	19	10	22	14	33	30
Low	3009	2977	3087	3485	3374	3091	2852	3357	2926	2969	3296	3437	3345	2846	2858	3054

	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
High	38	29	44	17	54	65	56	108	50	0	29	26	94	53	9
Medium	21	28	19	1	19	16	39	3	24	17	20	18	43	66	59
Low	3350	3333	2863	2854	3166	4050	3810	3335	2842	3110	3519	3666	3611	3006	3143

Days of October

Daily Attack Attempts

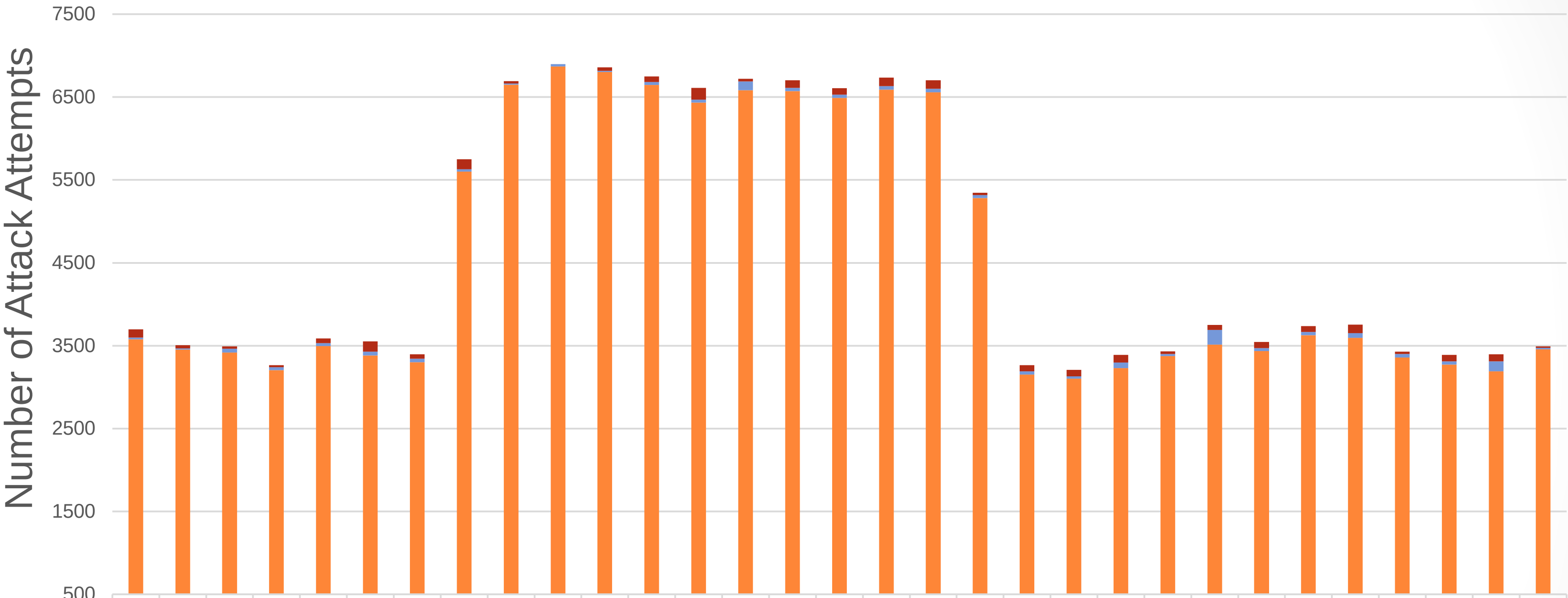


	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
High	55	21	90	38	27	29	56	30	13	31	50	82	58	95	54	205	128	14	14	44	18	153	18	45	29	56	96	33	72	30
Medium	48	118	29	16	34	66	27	39	18	14	21	43	46	39	49	56	33	14	18	35	13	37	25	21	21	12	31	20	59	32
Low	3602	3543	3193	2723	3397	3604	3514	3195	2876	3509	3095	2851	2659	2903	2881	3042	3212	2951	3546	2998	2911	2989	3302	3377	3819	3714	3227	3215	3167	3721

Days of November

Santa Clara
Family Health Plan

Daily Attack Attempts



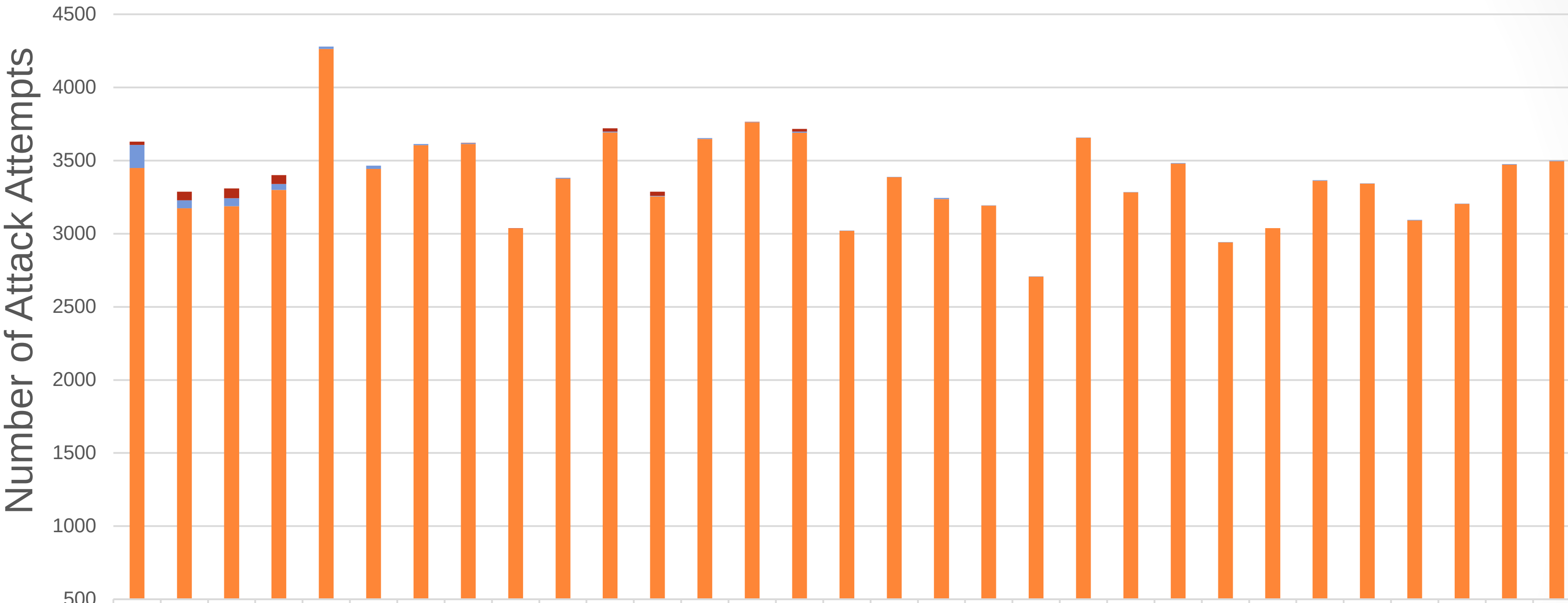
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
High	96	37	29	26	57	122	56	120	30	0	43	69	141	34	90	79
Medium	22	17	45	33	37	48	41	27	14	29	13	35	36	106	40	38
Low	3578	3452	3419	3206	3495	3381	3301	5601	6649	6870	6803	6646	6432	6582	6571	6491

	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
High	101	103	30	75	77	91	30	59	74	73	105	30	80	87	17
Medium	44	44	33	40	30	66	26	180	36	40	57	42	40	120	18
Low	6589	6557	5283	3151	3101	3231	3375	3512	3435	3625	3594	3358	3271	3190	3457

Days of December

We were conducting disaster recovery testing from December 8th to Dec 19th. There was a constant ping from our corporate office to the Disaster Recovery site during the failover process. The ping was stopped after the testing was completed.

Daily Attack Attempts



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
High	22	59	67	60	0	0	0	2	3	0	21	29	0	3	18	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Medium	159	56	55	40	17	24	9	6	0	5	6	4	6	1	8	3	1	9	1	1	2	3	4	1	0	3	2	5	1	3	5
Low	3448	3173	3188	3300	4263	3442	3605	3613	3035	3377	3693	3255	3648	3761	3690	3019	3386	3236	3192	2705	3656	3282	3480	2941	3038	3362	3342	3090	3205	3472	3495

Days of January

Email Background

For email protection SCFHP utilizes software that intercepts every incoming email and scans them for suspicious content, attachments or URLs (Uniform Resource Locator or address to the World Wide Web). The software has anti-malware and phishing-detection technology that is constantly being updated to detect the latest threats. It is configured to detect phishing attempts as well SPF (Sender Policy Framework) anti-spoofing. SPF is a simple technology that detects spoofing by providing a mechanism to validate the incoming mail against the sender's domain name. The software can check those records to make sure mail is coming from legitimate email addresses.

Email Security – Daily Statistics

Top Email Senders

Total number of messages: 1 929

Total email traffic: 153.8 MB

	Email address	#	Size
1	reply@healthplanalliance.info	57	218.9 kB
2	mbv@ngcemp.com	27	15.5 kB
3	gharchuck@llts.com	25	921.5 kB
4	akender@redcard.com	23	220.5 kB
5	info@healthplanalliance.org	21	550.2 kB
6	notifications@basecamp.com	18	290.6 kB
7	grceducators@news.grceducators	14	731.3 kB
8	prvs=2583de064f=systemsupport@	14	707.3 kB
9	newsletter@mailer.techgenix.co	13	778.6 kB
10	noreply@barracuda.com	13	58.2 kB

Top Senders to SCFHP as of 2/14/2018

Santa Clara Family Health Plan

Email Security - Daily Statistics

Top Spam Countries

Total number of spams: 474

Total spam mail size: 11.3 MB

			Spams	Traffic
1		United States	262	9.8 MB
2		Germany	51	494.7 kB
3		Netherlands	20	205.8 kB
4		Japan	19	68.3 kB
5		India	17	45.3 kB
6		United Kingdom	15	165.7 kB
7		Canada	12	185.8 kB
8		Bulgaria	10	112.4 kB
9	?	unknown	8	35.1 kB
10		France	6	66.9 kB

Top Spam Countries to SCFHP as of 2/14/2018

SCFHP Phishing Attacks

	INCIDENT 21 – 10/01-10/31/2017	INCIDENT 22 – 11/30/2017	INCIDENT 23 – 12/22/2017	INCIDENT 24 – 12/27/2017	INCIDENT 25 – 1/08/2018
TYPE OF ATTACK	None	Phishing	Phishing	Phishing	Phishing
SUMMARY	0 employee	2 employees	1 employee	1 employee	1 employee
RESPONSE	**Step 1.** None	**Step 1.** Analyze email and take appropriate action.	**Step 1.** Analyze email and take appropriate action.	**Step 1.** Analyze email and take appropriate action.	**Step 1.** Analyze email and take appropriate action.
	Step 2. None	**Step 2.** Block FW from Source email and IP. Add expression for Subject line keyword "Proofpoint Encryption Password Reset"	**Step 2.** Block FW from Source email and IP. Add expression for Subject line "New Payment".	**Step 2.** Block FW from Source email no_reply@dialog-direct.com" and blocked IP Address 64.235.144.73.	**Step 2.** Block FW from Source email Tturnage@arlingtonva.us Add expression for Subject line keyword – IT SUPPORT TEAM
	Step 3. None	**Step3.** Remove threat by permanently deleting email.	**Step3.** Remove threat by permanently deleting email.	**Step 3.** Remove threat by permanently deleting email.	**Step 3.** Remove threat by permanently deleting email.
	Step 4. None	**Step 4.** Monitor email and user	**Step 4.** Monitor email and user	Step 4. Monitor email and user.	Step 4. Monitor email and user.

Santa Clara Family Health Plan

Questions

Santa Clara
Family Health Plan