



Regular Meeting of the Santa Clara County Health Authority Executive/Finance Committee

Thursday, August 24, 2017
10:30 AM - 12:00 AM
210 E. Hacienda Avenue
Campbell CA 95008

VIA TELECONFERENCE AT:

Residence
1985 Cowper Street
Palo Alto, CA 94301

VIA TELECONFERENCE AT:

Residence
2060 Bryant Street
Palo Alto, CA 94301

AGENDA

- | | | | |
|--|---------|------|-------|
| 1. Roll Call | Ms. Lew | 8:30 | 5 min |
| 2. Meeting Minutes
Review meeting minutes of the July 27, 2017 Executive/Finance Committee.
Possible Action: Approve July 27, 2017 Executive/Finance Committee Minutes | Ms. Lew | 8:35 | 5 min |
| 3. Public Comment
Members of the public may speak to any item not on the agenda; two minutes per speaker. The Executive/Finance Committee reserves the right to limit the duration of the public comment period to 30 minutes. | Ms. Lew | 8:40 | 5 min |
| <u>Announcement Prior to Recessing into Closed Session</u>
Announcement that the Executive/Finance Committee will recess into closed session to discuss Items 4(a) and (b) below. | | | |
| 4. Adjourn to Closed Session | | | 8:45 |
| a. <u>Anticipated Litigation</u> (Government Code Section 54956.9(d)(2)):
It is the intention of the Executive/Finance Committee to meet in Closed Session to confer with Legal Counsel regarding significant exposure to litigation in connection with a CalPERS issue. | | | |

b. Conference with Labor Negotiators (Government Code Section 54956.9(f)):

It is the intention of the SCCCHA Governing Board to meet in Closed Session to confer with its Designated Representatives for labor relations regarding the status of salary benchmarking for SCCCHA staff represented by SEIU Local 521.

5. Report from Closed Session	Ms. Lew	9:05	5 min
6. Publicly Available Salary Schedule Ranges Consider changes to the Publicly Available Salary Schedule. Possible Action: Approve Publicly Available Salary Schedule	Ms. Valdez	9:10	10 min
7. Interim June 2017 Financial Statements Review Interim June 2017 Financial Statements. Possible Action: Approve Interim June 2017 Financial Statements	Mr. Cameron	9:20	10 min
8. Allocate remaining ACA 1202 Funds to Whole Person Care Program Consider allocation of ACA 1202 funds to Whole Person Care Program. Possible Action: Approve moving residual ACA 1202 funds of \$2.1m to Whole Person Care Program	Mr. Jarecki	9:30	10 min
9. Report on Internal Control Review by Moss Adams Review Internal Control Report. Possible Action: Approvel Internal Control Report and recommendations	Mr. Cameron/ Mr. Jarecki	9:40	10 min
10. CEO Update Discuss status of current topics and initiatives. Possible Action: Accept CEO Update	Ms. Tomcala	9:50	10 min
11. Adjournment	Ms. Lew	10:00	

Notice to the Public—Meeting Procedures

- Persons wishing to address the Committee on any item on the agenda are requested to advise the Recorder so that the Chairperson can call on them when the item comes up for discussion.
- The Executive/Finance Committee may take other actions relating to the issues as may be determined following consideration of the matter and discussion of the possible action.
- In compliance with the Americans with Disabilities Act, those requiring accommodations in this meeting should notify Rita Zambrano 48 hours prior to the meeting at 408-874-1842.
- To obtain a copy of any supporting document that is available, contact Rita Zambrano at 408-874-1842. Agenda materials distributed less than 72 hours before a meeting can be inspected at the Santa Clara Family Health Plan offices at 210 E. Hacienda Avenue, Campbell.
- This agenda and meeting documents are available at www.scfhp.com



Santa Clara
Family Health Plan
The Spirit of Care

**Regular Meeting of the
Santa Clara County Health Authority
Executive/Finance Committee**

Thursday, July 27, 2017
8:30 AM – 10:00 AM
210 E. Hacienda Avenue
Campbell, CA 95008

Minutes – Draft

Members Present

Michele Lew, Chair
Bob Brownstein
Liz Kniss (*via telephone*)
Wally Wenner, M.D.
Linda Williams (*via telephone*)

Staff Present

Christine Tomcala, Chief Executive Officer
Neal Jarecki, Controller
Rita Zambrano, Executive Assistant

Others Present

Janet Sommers, Burke, Williams, & Sorenson LLP
April Pitt, Membership Accounting Coordinator & SEIU
Steward
Stacy Renteria, Provider Services Specialist & SEIU
Steward
Steven Mashin, Nurse Care Manager
Caroline Alexander, Administrative Assistant
Nicole Bell, LTSS Personal Care Coordinator

1. Roll Call

Michele Lew, Chair, called the meeting to order at 8:30 am. Roll call was taken and a quorum was established.

2. Meeting Minutes

The minutes of the July 27, 2017 Executive/Finance Committee Meeting were reviewed.

It was moved, seconded, and the July 27, 2017 Executive/Finance Committee Meeting minutes were **unanimously approved** as presented.

3. Public Comment

April Pitt, Membership Accounting Coordinator and SEIU Steward noted the Union and SCFHP created a compensation committee focused on four items;

- Updating and benchmarking all 85 job descriptions in the bargaining unit
- Ensuring all unit members are properly classified
- Creating a wage schedule that will retain and recruit the best qualified workforce
- Allocating the compensation adjustment accordingly

Ms. Pitt reported 99% of the job descriptions have been completed and properly describe the job duties of each bargaining unit worker. She further reported that the Health Plan proposed a traditional wage scale and the Union proposed a step system. Ms. Pitt noted that both parties have put in their best effort.

Stacy Renteria, Provider Services Specialist & SEIU Steward, noted the Committee needs to determine the basis of allocating the compensation adjustment. She asked management to provide the data to continue working together on this process.

4. Adjourn to Closed Session

a. Anticipated Litigation

The Executive/Finance Committee met in Closed Session to confer with Legal Counsel regarding one item of significant exposure to litigation involving a CalPERS administrative claim for damages.

5. Report from Closed Session

Ms. Lew reported the Committee took action in closed session to approve a settlement agreement between and among the Authority, the Healthier Kids Foundation of Santa Clara County, and Kathleen King. The Agreement resolves Ms. King's claims related to CalPERS' determination that she was not eligible for CalPERS membership and was not entitled to pension or retiree medical benefits through the CalPERS system, including the claims set forth in her administrative claim for damages.

The vote to approve the Agreement was 5, with 0 members absent.

The agreement has not yet been signed by Ms. King or representatives of the Foundation.

6. Publicly Available Salary Schedule Ranges

Christine Tomcala, CEO, reported that, at the Compensation Committee, the Health Plan presented the Union with the salary ranges benchmarked by the vendor, but they have not yet been approved by the Union. Therefore, no action is necessary at this time.

7. May 2017 Financial Statements

In Mr. Cameron's absence, Neal Jarecki, Controller, presented the May 2017 financial statements which report the results of operations for the first eleven months of the Plan's fiscal year.

For the month, the Plan reported a net surplus of \$1.7 million, which is \$843 thousand favorable to budget. For the first eleven months of the fiscal year, the Plan reported a net surplus of \$22.7 million, or \$11.7 million favorable to budget.

Mr. Jarecki noted that enrollment of 276,000 members slightly trailed budget by 0.8%, while year-to-date member months of 3,069,000 exceeded budget by 1.3%. Enrollment peaked at 282,000 members in October 2016 and declined by approximately 1% thereafter, largely in the Medi-Cal program. For the eleven months of the fiscal year-to-date, Medi-Cal enrollment increased 2.5%, Healthy Kids enrollment decreased 37.8% and CMC enrollment decreased 8%. There were no significant changes in enrollment by network. Ms. Tomcala noted that enrollment again declined by roughly 4,000 members in July.

The Plan's year-to-date net surplus results from a combination of factors including (a) higher member months (versus both budget and prior year actual) which affects both revenue and medical expense, (b) lower than expected increases to medical expense, and (c) decreases in prior medical expense (IBNR) estimates which are favorable to the financial statements. The overall medical loss ratio is 94.3% on a year-to-date basis.

Administrative expenses were within 1% of budget for both the month and year-to-date. Some budgeted occupancy and postage costs were deferred into Fiscal Year 2017-18. The Plan continued to use consultants and temps in support of unfilled staff positions and special projects. Year-to-date, administrative expenses were 3.5% of revenue.

The Plan's balance sheet include large receivables from, and payables to, DHCS and/or the State Board of Equalization. A significant portion of the non-IHSS CCI program receivables was recently paid. Mr. Jarecki noted that the accounting for the CCI program is based largely on estimates, which continue to be refined and adjusted as additional data becomes known. The Plan expects DHCS to commence recoupment of the MCE rate overpayment with the June 2017 capitation payment. Mr. Jarecki added that the June capitation payment has been delayed approximately one month later than normal while the July capitation (which will be based on the FY16/17 capitation rates) has been delayed approximately two weeks.

The Plan's net assets of \$123.0 million represented 337% of the DMHC minimum required tangible net equity (TNE) of \$36.5 million. The Plan has exceeded its internal liquidity target but has not achieved its internal equity requirement.

Capital assets of \$7.1 million have been acquired year-to-date, much of which is related to the QNXT claims system implementation. The Board approved capital acquisitions of \$10.9 million for the full fiscal year.

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

8. CEO Update

Ms. Tomcala invited Mr. Jarecki to update the Committee on misdirected claims. For the quarter ended June 2017, the Plan attained a compliance rate of 98%, meeting the compensation requirement of 95%. The Plan will report its progress on the Corrective Action Plan (CAP) to DMHC by the end of July.

Ms. Tomcala reported that work continues to ensure Provider Dispute Resolutions (PDRs) are processed consistent with compliance requirements. Averaging performance across product lines in June, the Plan processed 96.88% of PDRs in a timely manner. A final report is being drafted to update regulators on the status of our CAP.

The Committee was advised that QNXT conversion commenced when the authorization process successfully went live on June 12th. The system further went live with a date-of-receipt cut-over for Medi-Cal claims received from July 1st onward. Ms. Tomcala discussed the status of various aspects of the conversion, including check runs, capitation payments, auto-adjudication rates, and Health Kids premium billing.

Ms. Tomcala noted that NCQA performed their accreditation review in June, and provided feedback on a Closing Conference call July 25th. They indicated the Plan was well-prepared, and our materials were easy to follow and comprehensive. Two minor deficiencies were identified. The final report is anticipated within 30 days.

Ms. Tomcala also announced that the Plan had closed on the new building. The next steps are to engage an architect and contractor.

Ms. Tomcala noted the Government Accountability Office reached out to the Plan for an interview on Medicaid Managed Care Payment Risks. They are conducting interviews in 10 states.

There was a discussion regarding challenges with the early morning meeting time of the Committee. Committee members indicated a later morning meeting time, e.g., 11:30 am, may facilitate attendance.

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

9. Adjournment

The meeting was adjourned at 9:50 am.

Michele Lew, Chair



Santa Clara
Family Health Plan

The Spirit of Care

Preliminary and Unaudited
Financial Statements
For Twelve Months Ended June 2017

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Fiscal Year 2016-17 Year-To-Date Highlights

- **Net Surplus** – June \$14.3 million surplus and YTD \$37.0 million surplus (\$25.2 million favorable to budget)
 - Results for June include several one-time adjustments including CCI recasting, MCO tax true-up and annual adjustments

- **Enrollment** – June 2017 membership: 276,028 (1.2% unfavorable to budget) and June YTD: 3,345,527 member months (1.1% favorable to budget and 4.8% higher than June YTD last year)
 - Medi-Cal membership continued the downward trend that started in November 2016. CMC membership continued its slight decreasing trend seen through the year. HK membership transition to Medi-Cal is slower than planned.

- **Revenue** – Favorable YTD budget by \$81.7 million (+7.1%). Key variances are:
 - Prior Year revenue Higher (\$31.6M) – largely due to Duals Recast
 - Medicare revenue Higher (\$10.8 M) – due to higher risk scores and mid-year sweep
 - LTC revenue Higher (\$8.2M) – due to higher member months
 - Medi-Cal Expansion revenue Lower (\$21.1M) – due to Duals reclassification (\$12M) and lower member months
 - Abortion revenue Lower (\$3.0 M) – due to incorrect COA mix
 - Hep C revenue Lower (\$7.6M) – lower PMPM
 - MCO Taxes Higher (\$10.9 M) – due to MCO taxes erroneously recorded as revenue in current and prior years

- **Medical Expenses** – Unfavorable YTD budget by \$52.9 million (-4.9%)
 - Unfavorable variance was due to higher member months resulting in higher capitation costs as well as higher inpatient, LTC, and provider risk sharing reserve expenses.

Fiscal Year 2016-17 Year-To-Date Highlights (continued)

- **Administrative Expenses** – Unfavorable YTD budget by \$0.5 million (-1.2%)
 - Lower payroll costs are offset by unfavorable consulting/temporary expense; rent/utilities/furniture is favorable due to deferred expansion plans; advertising and postage expenses are favorable due to timing, and contract services are favorable due to a non-recurring pharmacy administration expense goodwill credit. Bank service charges are higher due to higher management fees charged by the bank for higher cash balances.

- **Other Income/Expenses** – Unfavorable to budget by \$3.0 million primarily due to early adoption of GASB 45, accruing OPEB liability, which was offset by higher interest earnings than budget

- **Balance Sheet**
 - June capitation was received in July, which included recoupment of prior MCE rate overpayments a month earlier than expected.
 - TNE of \$137.0 million or 385% of most recent Required TNE of \$35.7 million per DMHC (\$12.5 million above the SCFHP low-end Equity Target and \$128.0 million above the low-end Liquidity Target).
 - YTD Capital Expenses increased by \$7.6 million largely due to capitalization of Trizetto/QNXT claims system expenses versus annual capital budget of \$10.9 million.

Consolidated Performance
June 2017 and Year to Date

	Month	YTD
Revenue	\$116 million	\$1227 million
Medical Costs	\$94 million	\$1142 million
Medical Loss Ratio	81.1%	93.1%
Administrative Costs	\$4.5 million (3.8%)	\$43.7 million (3.6%)
Other Income/ Expense	(\$3,270,132)	(\$4,034,386)
Net Surplus (Loss)	\$14,252,511	\$36,967,756
Cash on Hand		\$365 million
Net Cash Available to SCFHP		\$250 million
Receivables		\$576 million
Current Liabilities		\$814 million
Tangible Net Equity		\$137 million

**Santa Clara Family Health Plan
CFO Finance Report
For the Month and Year to Date Ended June 30, 2017**

Summary of Financial Results

For the month of June 2017, SCFHP recorded a net surplus of \$14.3 million compared to a budgeted net surplus of \$0.7 million resulting in a favorable variance from budget of \$13.6 million. For year to date June 2017, SCFHP recorded a net surplus of \$37.0 million compared to a budgeted net surplus of \$11.7 million resulting in a favorable variance from budget of \$25.2 million. The table below summarizes the components of the overall variance from budget.

**Summary Operating Results - Actual vs. Budget
For the Current Month & Fiscal Year to Date - Jun 2017**
Favorable/(Unfavorable)

Current Month					Year to Date			
Actual	Budget	Variance \$	Variance %		Actual	Budget	Variance \$	Variance %
\$116,351,252	\$ 96,637,407	\$ 19,713,845	20.4%	Revenue	\$ 1,226,562,105	\$ 1,144,894,628	\$ 81,667,477	7.1%
94,378,396	91,881,676	(2,496,720)	-2.7%	Medical Expense	1,141,812,853	1,088,901,437	(52,911,416)	-4.9%
21,972,856	4,755,730	17,217,125	362.0%	Gross Margin	84,749,252	55,993,191	28,756,061	51.4%
4,450,213	3,976,386	(473,827)	-11.9%	Administrative Expense	43,747,110	43,227,982	(519,128)	-1.2%
17,522,643	779,344	16,743,299	2148.4%	Net Operating Income	41,002,142	12,765,209	28,236,933	221.2%
(3,270,132)	(85,842)	(3,184,289)	-3709.5%	Non-Operating Income/Exp	(4,034,386)	(1,030,109)	(3,004,277)	-291.6%
\$ 14,252,511	\$ 693,502	\$ 13,559,010	1955.2%	Net Surplus/ (Loss)	\$ 36,967,756	\$ 11,735,100	\$ 25,232,656	215.0%

Member Months

For the month of June 2017, overall member months were lower than budget by 3,279 (-1.2%). For year to date June 2017, overall member months were higher than budget by 37,517 (+1.1%).

In the twelve months since the end of the prior fiscal year, 6/30/2016, membership in Medi-Cal increased by 2.2%, membership in Healthy Kids program decreased by 38.4%, and membership in CMC program decreased by 8.0%.

Member months, and changes from prior year, are summarized on Page 10.

Revenue

The Plan recorded net revenue of \$116.4 million for the month of June 2017, compared to budgeted revenue of \$96.6 million, resulting in a favorable variance from budget of \$19.7 million, or 20.4%. For year to date June 2017, the Plan recorded net revenue of \$1.23 billion, compared to budgeted revenue of \$1.14 billion, resulting in a favorable variance from budget of \$81.7 million, or 7.1%. Increase was due to recording a large amount of prior year revenue that can now be estimated with high confidence. Some of this increase was offset by recognition of MCO taxes on IHSS revenue paid directly by the state to DSS. Other increases were due to higher than budgeted member months YTD, which were partially offset by unfavorable variance in Medi-Cal Expansion, Abortion, and Hep C revenue. Medicare revenue was favorable due to higher risk scores of the plan members.

A statistical and financial summary for all lines of business is included on page 15 of this report.

Medical Expenses

For the month of June 2017, medical expense was \$94.4 million compared to budget of \$91.9 million, resulting in an unfavorable budget variance of \$2.5 million, or -2.7%. For year to date June 2017, medical expense was \$1.14 billion compared to budget of \$1.09 billion, resulting in an unfavorable budget variance of \$52.9 million, or -4.9%. The unfavorable variance was largely due to higher than budgeted member months, which led to higher capitation costs of \$9.2 million. Increased LTC and inpatient expenses also contributed to the unfavorable variance. Some of this unfavorability was offset by a lowering of the prior year medical cost reserves, lower than budgeted Pharmacy expenses including a cost saving share credit, and a net reinsurance recovery over premiums paid. Additionally, the Plan has set aside \$13.0 million for provider risk sharing.

Administrative Expenses

Overall administrative costs were unfavorable to budget by \$0.5 million (-11.9%) for the month of June 2017 and unfavorable to budget by \$0.5 million (-1.2%) for year to date June 2017. Occupancy related costs (e.g., Contract Services, Utilities, Depreciation, Furniture etc.) were favorable due to deferred expansion plans and Advertising/Postage expenses were favorable due to timing. Lower personnel costs due to open positions were offset by higher consulting/temporary expenses. Bank service charges were unfavorable due to an increase in plan's cash balances.

Overall administrative expenses were 3.6% of revenue for year to date June 2017.

Balance Sheet

Current assets totaled \$947.3 million compared to current liabilities of \$813.9 million, yielding a current ratio (the ratio of current assets to current liabilities) of 1.2 vs. the DMHC minimum requirement of 1.0 as of June 30, 2017. Working capital increased by \$26.4 million for the twelve months year to date ended June 30, 2017.

Cash as of June 30, 2017, increased by \$218.5 million compared to the cash balance as of year-end June 30, 2016. Net receivables increased by \$158.5 million during the same twelve month period ended June 30, 2017 largely due to a delay in receipt of Duals Recast differential revenue, MCO tax revenue, and increase in IHSS liability. The overall cash position increased largely due to the receipt of prior period receivables, capitation revenue paid at the prospective rates, and an increase in the payables.

SCFHP had 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 may need to withdraw some of these funds starting in October/November.

Liabilities increased by a net amount of \$345.9 million during the twelve months ended June 30, 2017. Liabilities increased primarily due to the continued overpayment of Medi-Cal expansion premium revenues by the State through December 2016 to \$193.2 million and an increase in IHSS payables year to date. The Plan also reserved \$3.8 million for post employment benefits liability. Medical cost reserves increased by \$6.6 million during the twelve months ended June 30, 2017.

Capital Expenses increased by \$7.6 million for the twelve months ended June 30, 2017. A substantial portion of the unspent capital assets has been rolled over into FY18 capital budget. The YTD capital expenses include:

Expense	YTD Actual	Annual Budget
Trizetto	6,402,859	6,800,000
Computers	931,500	3,134,500
Leasehold Improvement & Furniture	216,729	992,700
TOTAL	7,551,088	10,927,200

Reserves Analysis

Tangible Net Equity (TNE) was \$137.0 million at June 30, 2017 or 385% of the most recent quarterly Department of Managed Health Care (DMHC) minimum requirement of \$35.7 million. A chart showing TNE trends is shown on page 16 of this report.

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 June 30, 2017, the Plan's TNE was \$12.5 million above the low-end Equity Target and \$128.0 million above the low-end Liquidity Target and the Plan's TNE was \$41.0 million below the high-end Equity Target and \$87.2 million above the high-end Liquidity Target (see calculations below).

Financial Reserve Target #1: Tangible Net Equity	
Actual TNE	\$137,261,212
Current Required TNE	\$35,658,000
Excess TNE	\$101,603,212
Required TNE Percentage	385%
SCFHP Target TNE Range:	
350% of Required TNE (low end)	\$124,803,000
500% of Required TNE (high end)	\$178,290,000
TNE Above/(Below) SCFHP Low End Target	\$12,458,212
Financial Reserve Target #2: Liquidity	
Cash & Cash Equivalents	\$364,609,248
Less Pass-through Liabilities:	
Net Receivable/(Payable) from/to State of CA*	(101,683,822)
Other Pass-through Liabilities	(12,803,963)
Total Pass-through Liabilities	(114,487,785)
Net Cash Available to SCFHP	\$250,121,463
SCFHP Target Liquidity:	
45 days of Total Operating Expenses	(\$122,160,070)
60 days of Total Operating Expenses	(\$162,880,093)
Liquidity Above/(Below) SCFHP Low End Target	\$127,961,393

*Pass-Throughs from State of CA (excludes IHSS)

Receivables Due to SCFHP	139,840,503
Payables Due from SCFHP	(241,524,325)
Net Receivable/(Payable)	(\$101,683,822)

Santa Clara Family Health Plan Enrollment Summary

	For the Month of Jun 2017			Twelve Months Ending Jun 2017				
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	Prior Year <u>Actual</u>	FY17 <u>vs. FY16</u>
Medi-Cal	265,753	270,103	(1.6%)	3,217,486	3,188,966	0.9%	3,039,258	5.9%
Healthy Kids	2,732	1,426	91.6%	35,667	26,708	33.5%	52,025	(31.4%)
Medicare	7,543	7,778	(3.0%)	92,374	92,336	0.0%	101,943	(9.4%)
Total	<u>276,028</u>	<u>279,307</u>	<u>(1.2%)</u>	<u>3,345,527</u>	<u>3,308,010</u>	<u>1.1%</u>	<u>3,193,226</u>	<u>4.8%</u>

**Santa Clara Health Authority
Jun 2017**

Network	Medi-Cal		Healthy Kids		CMC		Total	
	Enrollment	% of Total	Enrollment	% of Total	Enrollment	% of Total	Enrollment	% of Total
Direct Contact Physicians	27,790	10%	339	12%	7,543	100%	35,672	13%
SCVVHS, Safety Net Clinics, FQHC Clinics	138,625	52%	1,410	52%	-	0%	140,035	51%
Palo Alto Medical Foundation	7,553	3%	82	3%	-	0%	7,635	3%
Physicians Medical Group	48,116	18%	737	27%	-	0%	48,853	18%
Premier Care	16,492	6%	164	6%	-	0%	16,656	6%
Kaiser	27,177	10%	-	0%	-	0%	27,177	10%
Total	265,753	100%	2,732	100%	7,543	100%	276,028	100%
Enrollment at June 30, 2016	260,031		4,435		8,203		272,669	
Net Change from Beginning of FY17	2.2%		-38.4%		-8.0%		1.2%	

Santa Clara Family Health Plan Enrollment by Aid-Category

	2015-07	2015-08	2015-09	2015-10	2015-11	2015-12	2016-01	2016-02	2016-03	2016-04	2016-05	2016-06	2016-07	2016-08	2016-09	2016-10	2016-11	2016-12	2017-01	2017-02	2017-03	2017-04	2017-05	2017-06	
NON DUAL	Adult (over 19)	27,844	27,331	27,080	27,148	27,229	27,493	27,509	27,485	27,857	27,436	27,431	27,482	29,530	31,197	31,372	31,863	31,603	31,396	31,072	30,836	30,479	30,204	29,921	29,651
	Adult (under 19)	92,783	95,565	97,889	99,823	101,802	103,083	102,501	103,018	104,740	104,443	105,205	105,342	105,841	107,019	108,006	108,627	108,876	107,489	106,719	106,926	106,305	106,181	105,945	106,082
	Aged - Medi-Cal Only	8,642	8,730	8,858	8,909	9,103	9,235	9,241	9,158	9,150	9,145	9,144	9,101	9,256	10,078	10,138	10,199	10,216	10,206	10,371	10,400	10,400	10,520	10,538	10,674
	Disabled - Medi-Cal Only	11,421	11,345	11,294	11,249	11,262	11,125	11,108	11,037	10,962	10,922	10,866	10,815	10,785	11,019	11,003	11,052	11,031	11,016	11,019	11,048	11,065	11,079	11,082	10,948
	Child (HF conversion)	9,541	7,791	6,032	4,575	3,837	3,461	3,211	2,863	2,556	2,301	2,045	1,828	1,725	1,542	1,350	1,297	1,150	1,078	973	921	879	845	280	192
	Adult Expansion	71,183	73,695	75,814	77,756	79,406	81,235	79,284	79,393	81,325	79,934	80,941	81,786	82,983	83,513	83,721	84,679	84,327	84,551	83,031	82,715	82,618	82,751	82,418	82,349
	Other	48	47	55	47	45	45	40	40	42	42	40	38	40	38	38	37	35	35	34	38	38	39	35	38
Long Term Care	194	194	205	212	229	247	246	288	294	289	293	294	297	302	300	307	318	324	324	319	320	319	319	307	
Total Non-Duals	221,656	224,698	227,227	229,719	232,913	235,924	233,140	233,282	236,926	234,512	235,965	236,686	240,457	244,708	245,928	248,061	247,556	246,095	243,543	243,203	242,104	241,938	240,538	240,241	
DUAL	Aged	10,003	10,678	11,583	12,426	13,380	14,034	14,071	14,197	14,273	14,246	14,366	14,450	14,466	14,521	14,652	14,717	14,795	14,931	15,329	15,922	16,081	16,217	16,229	16,444
	Disabled	4,727	4,932	5,235	5,544	5,852	6,042	6,049	6,070	6,058	6,050	6,018	6,037	6,033	6,023	6,027	6,024	6,034	6,033	6,353	6,478	6,506	6,507	6,458	6,518
	Other	1,238	1,303	1,370	1,458	1,483	1,638	1,638	1,654	1,701	1,711	1,787	1,814	1,817	1,832	1,856	1,896	1,879	1,891	1,727	1,686	1,621	1,427	1,389	1,370
	Long Term Care	644	722	814	904	983	1,065	1,061	1,087	1,074	1,061	1,052	1,044	1,050	1,051	1,046	1,036	1,029	1,050	1,162	1,176	1,228	1,215	1,202	1,180
Total Duals	16,612	17,635	19,002	20,332	21,698	22,779	22,819	23,008	23,106	23,068	23,223	23,345	23,366	23,427	23,581	23,673	23,737	23,905	24,571	25,262	25,436	25,366	25,278	25,512	
Total Medi-Cal	238,268	242,333	246,229	250,051	254,611	258,703	255,959	256,290	260,032	257,580	259,188	260,031	263,823	268,135	269,509	271,734	271,293	270,000	268,114	268,465	267,540	267,304	265,816	265,753	
Healthy Kids	4,496	4,598	4,375	4,362	4,325	4,273	4,186	4,114	4,158	4,328	4,375	4,435	4,380	4,224	2,962	2,662	2,458	2,581	2,585	2,780	2,752	2,794	2,757	2,732	
CMC	CMC Non-Long Term Care	7,249	7,386	7,587	8,002	8,524	9,304	8,783	8,525	8,373	8,144	8,032	7,867	7,776	7,694	7,587	7,486	7,271	7,241	7,224	7,300	7,329	7,275	7,254	7,265
	CMC - Long Term Care	294	312	325	352	382	395	376	361	355	344	335	336	332	331	322	315	312	305	303	298	293	292	291	278
	Total CMC	7,543	7,698	7,912	8,354	8,906	9,699	9,159	8,886	8,728	8,488	8,367	8,203	8,108	8,025	7,909	7,801	7,583	7,546	7,527	7,598	7,622	7,567	7,545	7,543
Total Enrollment	250,307	254,629	258,516	262,767	267,842	272,675	269,304	269,290	272,918	270,396	271,930	272,669	276,311	280,384	280,380	282,197	281,334	280,127	278,226	278,843	277,914	277,665	276,118	276,028	

**Santa Clara County Health Authority
Balance Sheet**

	<u>JUN 17</u>	<u>MAY 17</u>	<u>APR 17</u>	<u>JUN 16</u>
Assets				
Current Assets				
Cash and Marketable Securities	\$ 364,609,248	\$ 332,577,867	\$ 447,853,943	\$ 146,082,070
Premiums Receivable				
In Home Support Services (IHSS)	428,416,517	411,916,567	395,416,617	235,710,453
All Other	147,231,544	126,550,244	36,748,083	181,456,519
Prepaid Expenses and Other Current Assets	<u>7,070,619</u>	<u>6,555,848</u>	<u>9,146,697</u>	<u>6,766,163</u>
Total Current Assets	947,327,928	877,600,527	889,165,341	570,015,205
Long Term Assets				
Equipment	21,268,887	20,796,465	20,126,909	13,717,799
Less: Accumulated Depreciation	<u>(10,761,759)</u>	<u>(10,560,264)</u>	<u>(10,395,375)</u>	<u>(8,775,886)</u>
Total Long Term Assets	<u>10,507,128</u>	<u>10,236,201</u>	<u>9,731,533</u>	<u>4,941,913</u>
Total Assets	\$ 957,835,056	\$ 887,836,727	\$ 898,896,874	\$ 574,957,118
Deferred Outflow of Resources				
	\$ 1,570,339	\$ 1,570,339	1,570,339	1,570,339
Total Deferred Outflows and Assets	<u>959,405,395</u>	<u>889,407,066</u>	<u>900,467,213</u>	<u>576,527,457</u>
Liabilities and Net Position				
Current Liabilities				
Trade Payables	\$ 6,203,040	\$ 5,523,060	\$ 4,906,546	\$ 4,824,017
Deferred Rent	92,597	96,748	100,899	142,408
Employee Benefits	1,262,108	1,246,192	1,273,680	1,013,759
Retirement Obligation per GASB 45	3,800,000	657,576	597,797	
Advance Premium - Healthy Kids	53,439	51,202	52,515	65,758
Deferred Revenue - Medicare	8,372,938			
Liability for ACA 1202	2,065,180	2,065,180	2,065,180	5,503,985
Payable to Hospitals (SB90)	0			55,140
Payable to Hospitals (SB208)	0	(35,535)	(35,535)	(35,535)
Payable to Hospitals (AB 85)	1,282,329	1,282,329	1,378,461	1,717,483
Due to Santa Clara County Valley Health Plan and Kaiser	9,456,454	6,794,277	5,347,329	6,604,472
MCO Tax Payable - State Board of Equalization	33,865,555	18,087,074	34,529,672	10,779,014
Due to DHCS	207,658,770	233,472,515	226,823,793	107,213,315
Liability for In Home Support Services (IHSS)	446,468,218	414,394,167	397,894,217	238,387,141
Premium Deficiency Reserve (PDR)	2,374,525	2,374,525	2,374,525	2,374,525
Medical Cost Reserves	<u>90,922,381</u>	<u>72,150,797</u>	<u>81,378,845</u>	<u>84,321,012</u>
Total Current Liabilities	813,877,535	758,206,717	771,016,409	462,966,494
Non-Current Liabilities				
Noncurrent Premium Deficiency Reserve	5,919,500	5,919,500	5,919,500	5,919,500
Net Pension Liability GASB 68	17,527	(57,473)	(132,473)	5,018,386
Total Liabilities	<u>819,814,562</u>	<u>764,068,744</u>	<u>776,803,436</u>	<u>473,904,380</u>
Deferred Inflow of Resources	<u>2,329,621</u>	<u>2,329,621</u>	<u>2,329,621</u>	<u>2,329,621</u>
Net Position / Reserves				
Invested in Capital Assets	10,507,128	10,236,201	9,731,533	4,941,913
Restricted under Knox-Keene agreement	305,350	305,350	305,350	305,350
Unrestricted Net Equity	89,480,978	89,751,905	90,256,573	67,383,691
Current YTD Income (Loss)	<u>36,967,756</u>	<u>22,715,245</u>	<u>21,040,700</u>	<u>27,662,502</u>
Net Position / Reserves	<u>137,261,212</u>	<u>123,008,701</u>	<u>121,334,156</u>	<u>100,293,456</u>
Total Liabilities, Deferred Inflows, and Net Assets	\$ 959,405,395	\$ 889,407,066	\$ 900,467,213	\$ 576,527,457

Santa Clara County Health Authority
Income Statement for Twelve Months Ending June 30, 2017

	For the Month of June 2017					For Twelve Months Ending Jun 30, 2017				
	Actual	% of Revenue	Budget	% of Revenue	Variance	Actual	% of Revenue	Budget	% of Revenue	Variance
REVENUES										
MEDI-CAL	\$ 101,089,557	86.9%	\$ 88,178,157	91.2%	\$ 12,911,400	\$ 1,113,355,063	90.8%	\$ 1,043,622,750	91.2%	\$ 69,732,313
HEALTHY KIDS	\$ 237,822	0.2%	\$ 127,256	0.1%	\$ 110,566	\$ 3,464,210	0.3%	\$ 2,359,181	0.2%	\$ 1,105,029
MEDICARE	\$ 15,023,873	12.9%	\$ 8,331,994	8.6%	\$ 6,691,879	\$ 109,742,832	8.9%	\$ 98,912,698	8.6%	\$ 10,830,134
TOTAL REVENUE	<u>\$ 116,351,252</u>	<u>100.0%</u>	<u>\$ 96,637,407</u>	<u>100.0%</u>	<u>\$ 19,713,845</u>	<u>\$ 1,226,562,105</u>	<u>100.0%</u>	<u>\$ 1,144,894,628</u>	<u>100.0%</u>	<u>\$ 81,667,477</u>
MEDICAL EXPENSES										
MEDI-CAL	\$ 84,984,153	73.0%	\$ 84,019,916	86.9%	\$ (964,238)	\$ 1,032,270,770	84.2%	\$ 994,738,925	86.9%	\$ (37,531,845)
HEALTHY KIDS	\$ 258,348	0.2%	\$ 121,206	0.1%	\$ (137,143)	\$ 2,896,268	0.2%	\$ 2,270,648	0.2%	\$ (625,620)
MEDICARE	\$ 9,135,895	7.9%	\$ 7,740,555	8.0%	\$ (1,395,340)	\$ 106,645,815	8.7%	\$ 91,891,863	8.0%	\$ (14,753,952)
TOTAL MEDICAL EXPENSES	<u>\$ 94,378,396</u>	<u>81.1%</u>	<u>\$ 91,881,676</u>	<u>95.1%</u>	<u>\$ (2,496,720)</u>	<u>\$ 1,141,812,853</u>	<u>93.1%</u>	<u>\$ 1,088,901,437</u>	<u>95.1%</u>	<u>\$ (52,911,416)</u>
MEDICAL OPERATING MARGIN	\$ 21,972,856	18.9%	\$ 4,755,730	4.9%	\$ 17,217,125	\$ 84,749,252	6.9%	\$ 55,993,191	4.9%	\$ 28,756,061
ADMINISTRATIVE EXPENSES										
SALARIES AND BENEFITS	\$ 2,410,358	2.1%	\$ 2,244,501	2.3%	\$ (165,858)	\$ 23,245,616	1.9%	\$ 23,862,812	2.1%	\$ 617,196
RENTS AND UTILITIES	\$ 115,669	0.1%	\$ 138,225	0.1%	\$ 22,556	\$ 1,296,133	0.1%	\$ 1,491,384	0.1%	\$ 195,251
PRINTING AND ADVERTISING	\$ 43,397	0.0%	\$ 299,358	0.3%	\$ 255,962	\$ 610,693	0.0%	\$ 1,064,300	0.1%	\$ 453,607
INFORMATION SYSTEMS	\$ 361,284	0.3%	\$ 148,276	0.2%	\$ (213,008)	\$ 2,321,649	0.2%	\$ 2,245,579	0.2%	\$ (76,070)
PROF FEES / CONSULTING / TEMP STAFFING	\$ 1,090,797	0.9%	\$ 671,780	0.7%	\$ (419,017)	\$ 11,543,240	0.9%	\$ 9,250,870	0.8%	\$ (2,292,370)
DEPRECIATION / INSURANCE / EQUIPMENT	\$ 247,031	0.2%	\$ 238,618	0.2%	\$ (8,413)	\$ 2,445,929	0.2%	\$ 2,478,599	0.2%	\$ 32,670
OFFICE SUPPLIES / POSTAGE / TELEPHONE	\$ 59,204	0.1%	\$ 144,180	0.1%	\$ 84,975	\$ 1,237,518	0.1%	\$ 1,708,156	0.1%	\$ 470,638
MEETINGS / TRAVEL / DUES	\$ 109,135	0.1%	\$ 85,169	0.1%	\$ (23,966)	\$ 933,476	0.1%	\$ 1,013,128	0.1%	\$ 79,652
OTHER	\$ 13,339	0.0%	\$ 6,280	0.0%	\$ (7,059)	\$ 112,857	0.0%	\$ 113,156	0.0%	\$ 299
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 4,450,213</u>	<u>3.8%</u>	<u>\$ 3,976,386</u>	<u>4.1%</u>	<u>\$ (473,827)</u>	<u>\$ 43,747,110</u>	<u>3.6%</u>	<u>\$ 43,227,982</u>	<u>3.8%</u>	<u>\$ (519,128)</u>
OPERATING SURPLUS (LOSS)	\$ 17,522,643	15.1%	\$ 779,344	0.8%	\$ 16,743,299	\$ 41,002,142	3.3%	\$ 12,765,209	1.1%	\$ 28,236,933
ALLOWANCE FOR UNCOLLECTED PREMIUMS	\$ 136,450	0.1%	\$ -	0.0%	\$ 136,450	\$ -	0.0%	\$ -	0.0%	\$ -
GASB 45 - POST EMPLOYMENT BENEFITS EXPENSE	\$ (3,742,422)	-3.2%	\$ (50,592)	-0.1%	\$ (3,691,829)	\$ (4,399,998)	-0.4%	\$ (607,107)	-0.1%	\$ (3,792,891)
GASB 68 - UNFUNDED PENSION LIABILITY	\$ (75,000)	-0.1%	\$ (75,000)	-0.1%	\$ -	\$ (900,000)	-0.1%	\$ (900,000)	-0.1%	\$ -
INTEREST & OTHER INCOME	\$ 410,840	0.4%	\$ 39,750	0.0%	\$ 371,090	\$ 1,265,612	0.1%	\$ 476,998	0.0%	\$ 788,614
NET SURPLUS (LOSS) FINAL	<u>\$ 14,252,511</u>	<u>12.2%</u>	<u>\$ 693,502</u>	<u>0.7%</u>	<u>\$ 13,559,010</u>	<u>\$ 36,967,756</u>	<u>3.0%</u>	<u>\$ 11,735,100</u>	<u>1.0%</u>	<u>\$ 25,232,656</u>

**Santa Clara Family Health Plan
Statement of Cash Flows
For Twelve Months Ended Jun 30, 2017**

Cash flows from operating activities	
Premiums received	\$ 1,191,613,013
Medical expenses paid	\$ (924,278,425)
Administrative expenses paid	\$ (42,521,934)
Net cash from operating activities	\$ 224,812,654
Cash flows from capital and related financing activities	
Purchases of capital assets	\$ (7,551,088)
Cash flows from investing activities	
Interest income and other income, net	\$ 1,265,612
Net (Decrease) increase in cash and cash equivalents	\$ 218,527,178
Cash and cash equivalents, beginning of year	\$ 146,082,070
Cash and cash equivalents at Jun 30, 2017	\$ 364,609,248
Reconciliation of operating income to net cash from operating activities	
Operating income (loss)	\$ 35,702,144
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	\$ 1,985,873
Changes in operating assets and liabilities	
Premiums receivable	\$ (158,481,088)
Due from Santa Clara Family Health Foundation	\$ -
Prepays and other assets	\$ (304,457)
Deferred outflow of resources	\$ -
Accounts payable and accrued liabilities	\$ 9,844,617
State payable	\$ 123,531,996
Santa Clara Valley Health Plan and Kaiser payable	\$ 2,851,982
Net Pension Liability	\$ (5,000,859)
Medical cost reserves and PDR	\$ 6,601,369
Deferred inflow of resources	\$ -
Total adjustments	\$ 189,110,510
Net cash from operating activities	\$ 224,812,654

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

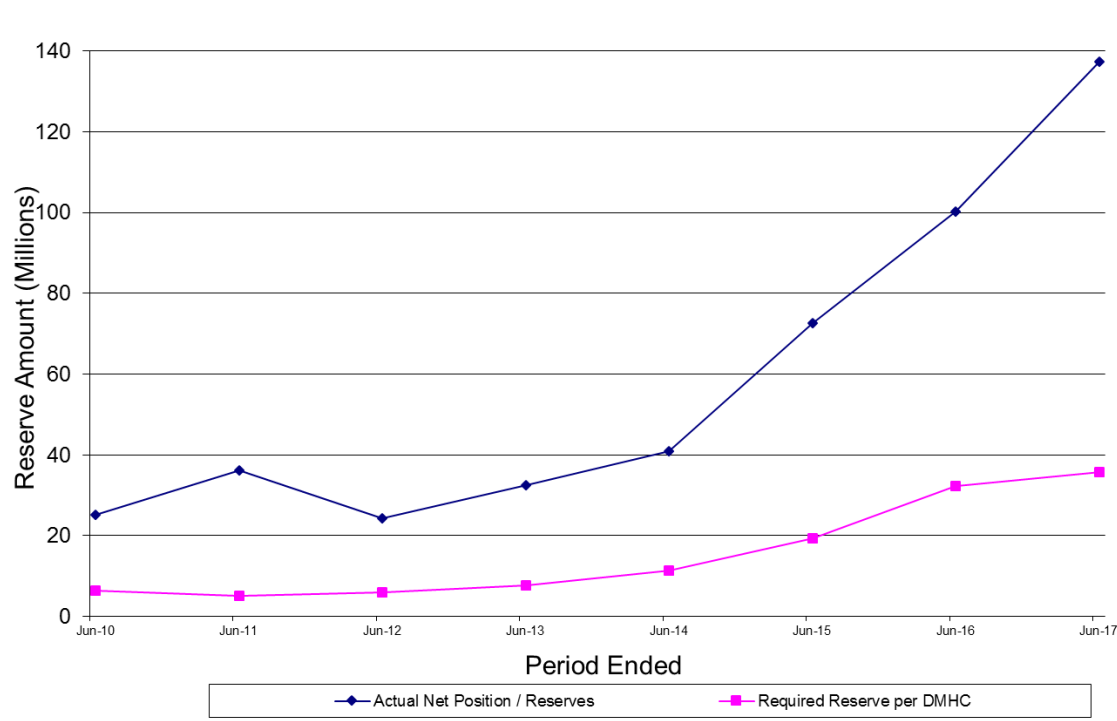
Twelve Months Ended Jun 30, 2017

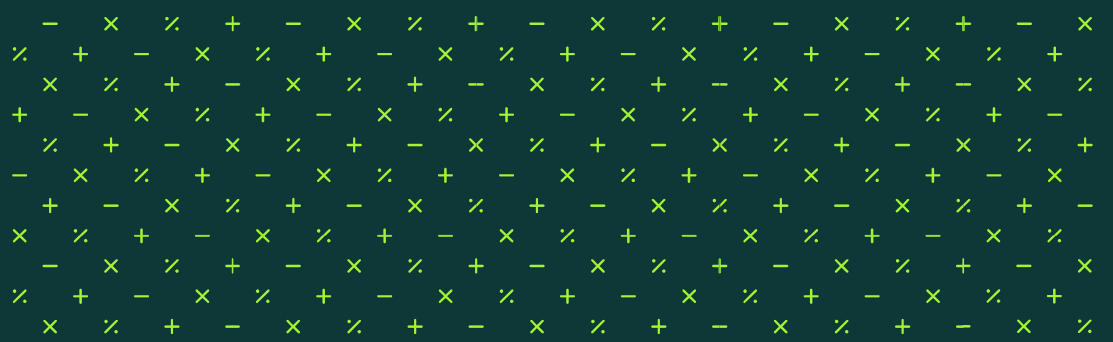
	Medi-Cal	CMC	Healthy Kids	Grand Total
P&L (ALLOCATED BASIS)				
REVENUE	\$1,081,874,573	\$141,223,322	\$3,464,210	\$1,226,562,105
MEDICAL EXPENSES (MLR)	1,000,716,325 92.5%	138,200,259 97.9%	2,896,268 83.6%	1,141,812,853 93.1%
GROSS MARGIN	81,158,247	3,023,063	567,942	84,749,252
ADMINISTRATIVE EXPENSES (% MM allocation except CMC)	38,586,620	5,036,934	123,556	43,747,110
OPERATING INCOME/(LOSS)	42,571,627	(2,013,871)	444,386	41,002,142
OTHER INCOME/(EXPENSE) (% of Revenue Allocation)	(3,558,482)	(464,509)	(11,394)	(4,034,386)
NET INCOME/ (LOSS)	\$39,013,145	(\$2,478,380)	\$432,992	\$36,967,756
PMPM (ALLOCATED BASIS)				
REVENUE	\$336.25	\$1,528.82	\$97.13	\$366.63
MEDICAL EXPENSES	311.02	1,496.09	81.20	341.30
GROSS MARGIN	25.22	32.73	15.92	25.33
ADMINISTRATIVE EXPENSES	11.99	54.53	3.46	13.08
OPERATING INCOME/(LOSS)	13.23	(21.80)	12.46	12.26
OTHER INCOME / (EXPENSE)	(1.11)	(5.03)	(0.32)	(1.21)
NET INCOME / (LOSS)	\$12.13	(\$26.83)	\$12.14	\$11.05
ALLOCATION BASIS:				
MEMBER MONTHS - YTD	3,217,486	92,374	35,667	3,345,527
Member MONTHS by LOB	96.2%	2.8%	1.1%	100%
Revenue by LOB	88.2%	11.5%	0.3%	100%

Note: CMC includes Medi-Cal portion of the CCI data

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

	<u>6/30/2010</u>	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
Actual Net Position / Reserves	25,103,011	36,093,769	24,208,576	32,551,161	40,872,580	72,630,954	100,293,456	137,261,212
Required Reserve per DMHC	6,388,000	4,996,000	5,901,000	7,778,000	11,434,000	19,269,000	32,375,000	35,658,000
200% of Required Reserve	12,776,000	9,992,000	11,802,000	15,556,000	22,868,000	38,538,000	64,750,000	71,316,000
Actual as % Required	393%	722%	410%	419%	357%	377%	310%	385%





Santa Clara Family Health Plan Results of Internal Audit Procedures

August 18, 2017

Agenda

Introduction

Scope

Summary of Results

Management Action Plans

Questions



Introduction

It is our pleasure to provide you a summary of the results from our internal audit procedures. This summary should be read in conjunction with:

- Engagement letter dated March 14, 2017
- The appendices include detailed deliverables (outlining our findings, recommendations and Management's responses) which include:
 - Appendix 1 – Procure to Pay Process Risk and Control Matrix
 - Appendix 2 – Payroll Segregation of Duties Matrix
 - Appendix 3 – Segregation of Duties Gap Log
 - Appendix 4 – Procurement Policy – Recommended Key Elements



Scope

Internal audit of high-risk areas identified by previous risk assessment

- Procure-to-Pay Process
- Segregation of Duties

Internal audit procedures

- Conducted on-site interviews with accounting, finance, IT, and human resources personnel
- Reviewed current policies and procedures
- Evaluated current access permissions in key financial systems
- Identified and documented existing controls
- Provided recommendations for improvement to Management



Summary of Results

Strengths

- Personnel appear to have appropriate background and experience
- Majority of general & administrative expenses are pre-approved by the CEO or CIO
- Disbursements are approved by appropriate Management
- Detective controls over disbursements are in place (e.g. Positive Pay, account reconciliations)



Recommendations for improvement

- Further restrict access permissions in Great Plans and ADP
- Implement a formal procurement function
- Formalize policies and procedures for procurement, accounting, and IT

Procurement Function – Recommended Key Elements

1. Introduction

- a. Nature & Purpose of procurement policy

2. Vendor Selection

- a. Requirements for competitive bidding
- b. Review against sanctioned entity lists
- c. Selection Criteria

3. Vendor onboarding

- a. Required documentation

4. Purchasing Authority

- a. Approval limits (Board, CEO, Executive Team, Dept. Directors & Managers)
- b. Budgeted vs. Non-budgeted
- c. Operating expense & capital asset
- d. Emergency purchase criteria

5. Pre-Purchase Documentation

6. Invoicing, GL Coding & Payment processing



Management Action Plans & Current Status

Procure-to-Pay

- Formal procurement function and policy to be implemented
- Created AP email box to ensure all vendor invoices are routed to AP
- Implemented procedure to enter vendor invoices upon receipt to ensure proper accrual

Current Status

In Development

✓ Completed May 17

✓ Completed May 17



Segregation of Duties

- Key conflicts have been resolved
 - Accounting Manager's administrative rights in Great Plains and ADP have been terminated
 - Journal entry preparation and posting responsibilities have been segregated
- Implemented Controller or CFO review of transactions without proper segregation of duties
- Implemented user access rights approval form for Great Plains and ADP
- Great Plains access by role to be reviewed

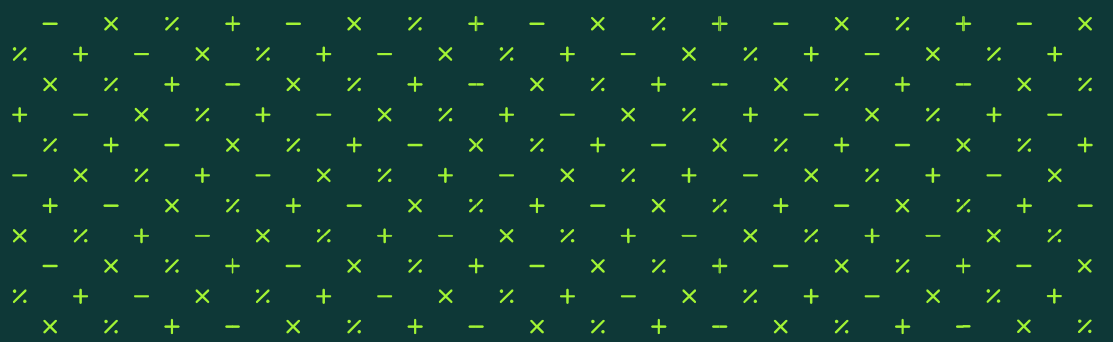
✓ Completed May 17

✓ Completed May 17

✓ Completed May 17

✓ Completed May 17

In Process



Questions

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