



Santa Clara
Family Health Plan
The Spirit of Care

Regular Meeting of the Santa Clara County Health Authority Executive Committee

Thursday, October 22, 2015
8:30 AM - 10:00 AM
210 E. Hacienda Avenue
Campbell CA 95008

VIA TELECONFERENCE AT:

Residence
1985 Cowper Street
Palo Alto, CA 94301

AGENDA

1. **Roll Call** Ms. Lew
2. **Minutes Review and Approval** Ms. Lew
 - July 23, 2015 Executive Committee Regular Meeting
3. **Public Comment** Ms. Lew

Members of the public may speak to any item not on the agenda; 2 minutes per speaker. The Executive Committee reserves the right to limit the duration or public comment period to 30 minutes.

Announcement Prior to Recessing into Closed Session
Announcement that the Executive Committee will recess into closed session to discuss Item No. 4a, and will identify its Designated Representatives for Item No. 4a
4. **Adjourn to Closed Session** Ms. Lew
 - a. Conference with Labor Negotiators (Government Code Section 54957.6): It is the intention of the Executive Committee to meet in Closed Session to confer with its Designated Representatives:
 - Designated Representatives' Names: Dave Cameron, Sharon Valdez, and Richard Noack
 - Employee organization: Local 521, SEIU
5. **Report from Closed Session**

- | | |
|---|-------------|
| 6. CEO Update
Discuss status of current topics and initiatives

Possible Action: Accept CEO update | Ms. Tomcala |
| 7. Update on Fiscal 2014-15 Year End Financials
Discuss status of YE Financials | Mr. Cameron |
| 8. July and August 2015 Financial Statements
Consider recommendations relating to the July and August 2015 Financial Statements

Possible Action: Approve July and August Financial Statements | Mr. Cameron |
| 9. Budget Line Item Adjustment
Consider reclassification of Pharmacy administrative expenses from medical to administrative expense

Possible Action: Approve Budget Line Item Adjustment | Mr. Cameron |
| 10. Reserves Discussion
Discuss reserve methodology

Possible Action: Approve Reserve Methodology | Mr. Cameron |
| 11. Adjournment | Ms. Lew |

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 Governing Board 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

Minutes - DRAFT

**Santa Clara County Health Authority
Executive Committee Regular Meeting**

Thursday, July 23, 2015
8:30 AM-9:30 AM
210 E. Hacienda Avenue Campbell CA
95008

Members present:

Ms. Michele Lew
Ms. Linda Williams
Mr. Waldeman (Wally) Wenner
Mr. Bob Brownstein

Members not present:

Ms. Liz Kniss

Staff present:

Ms. Christine M. Tomcala, CEO
Mr. Dave Cameron, CFO
Ms. Sharon Valdez, VP HR

Others present:

Mr. Richard (Dick) Noack w/ Hopkins & Carley

1. Roll Call

Chairperson Lew called the meeting to order at 8:35am. Roll was taken, and a quorum was established.

2. Action Item: Approve Minute's

No action taken.

3. Public comment

There were no public comments.

4. Action Item: Adjourn to Closed Session

- a. Conference with Labor Negotiators (Government Code Section 54957.6): It is the intention of the Executive Committee to meet in Closed Session to confer with its Designated Representatives:
- Designated Representatives' Names: Dave Cameron, Sharon Valdez, and Richard Noack
 - Employee organization: Local 521, SEIU

5. Report from closed session

Direction was given to management and the Authority attorney with respect to union negotiations

6. Action Item: Approve May 2015 Financial Statements

Mr. Cameron, Chief Financial Officer, presented highlights for May 2015. The surplus is \$1.2m for the month and \$16.9m YTD. , the overall medical loss ratio is 94.2% and 93.4% for the month and YTD respectively. Administrative expenses were 3.5% and 3.4% for the month and YTD respectively.

Medi-Cal revenue has doubled year over year and CMC is now becoming a significant portion of our base. Expansion membership has gone from zero January of 2014 to 25% of our Medi-Cal membership. These rates were initially set at very high levels, however they're getting to a level where they should be but everybody has benefited from that until now.

Healthy Kids enrollment is declining consistently as in prior years. The growth of the Cal-MediConnect is slightly less than projected thru May. Agnews Line of Business is being rolled into Medi-Cal Classic retro to July 2014.

Mr. Cameron also went through the enrollment by aid category; Medi-Cal growth has primarily been expansion and aged disabled, the under 19 and over 19 is stable. The tangible net equity has grown to \$57.8 million or 3.39 times the minimum required by the Department if Managed Health Care.

It was moved, seconded, and approved to accept the May 2015 Financial Statements

7. Adjournment

It was moved, seconded, and approved to adjourn the meeting at 9:50am

Elizabeth Pianca, Secretary to the Board



August 2015 Financial Summary

SCCHA Executive Committee Meeting
October 22, 2015



Fiscal Year 2015-16 Highlights

- **Net Surplus:**
 - August \$1.6m and YTD \$4.4m (\$0.2m favorable to budget)
 - \$6.9m Medi-Cal surplus (largely due to Medi-Cal Expansion growth)
 - Lower Administrative costs YTD (3.3 as % of revenue)
- **Revenue** – over budget by \$13.7m
- **Medical Expenses** – over budget by \$14.5m
- **Administrative Expenses** – under budget by \$0.1m
- **Other Expenses** – under budget by \$0.9m
- **Enrollment**
 - August 2015 membership: 254,564 (1.8% favorable to budget)
 - August YTD: 504,804 member months (1.1% favorable to budget and 24% higher than August YTD last year)
 - Continued growth in Medi-Cal Expansion membership (4% favorable to budget)



Consolidated Performance

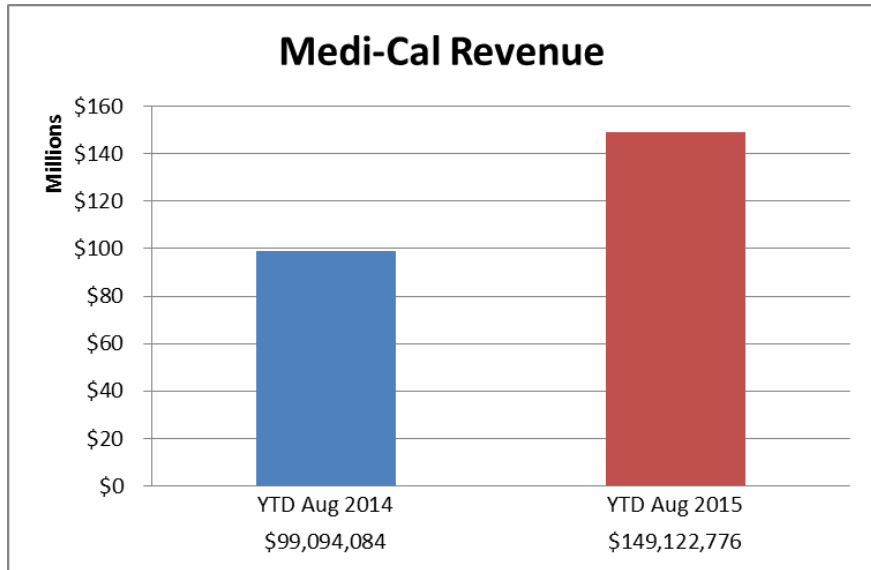
August 2015 and Year to Date

Aug					Year - To - Date			
Actual	Budget	Variance	Variance		Actual	Budget	Variance	Variance
254,564	250,169	4,395	1.8%	Member Months	504,804	499,464	5,340	1.1%
\$83,730,870	\$76,799,186	\$6,931,684	9.0%	Revenues	\$166,226,344	\$152,529,212	\$13,697,132	9.0%
\$79,433,401	\$71,417,027	(\$8,016,374)	-11.2%	Medical Expenses	\$156,182,979	\$141,716,889	(\$14,466,090)	-10.2%
\$ 2,630,942	\$ 2,669,815	\$38,873	1.5%	Administrative Expenses	\$ 5,519,108	\$ 5,659,269	\$ 140,161	2.5%
\$ (43,668)	\$ (478,570)	\$434,902	90.9%	Non Operating	\$ (92,758)	\$ (957,140)	\$864,382	90.3%
<u>\$ 1,622,858</u>	<u>\$ 2,233,773</u>	<u>\$ (610,915)</u>	<u>27.3%</u>	Net Surplus	<u>\$ 4,431,499</u>	<u>\$ 4,195,914</u>	<u>\$ 235,586</u>	<u>5.6%</u>
94.9%	93.0%	-1.9%		Medical Loss Ratio	94.0%	92.9%	-1.0%	
3.1%	3.5%	0.3%		Administrative Loss ratio	3.3%	3.7%	0.4%	

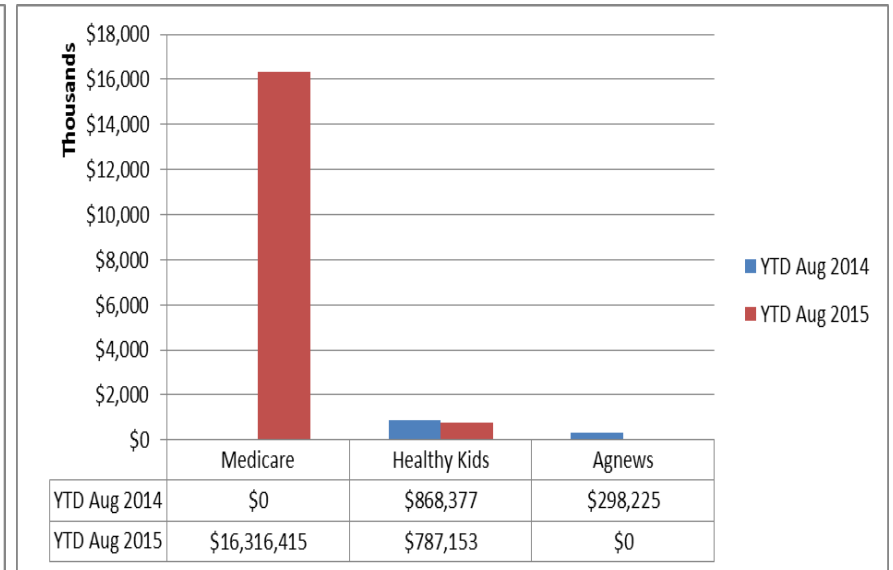


Revenue Trend

Graph 1: Portrays current YTD Medi-Cal revenue vs. previous year. Increase of 50%.

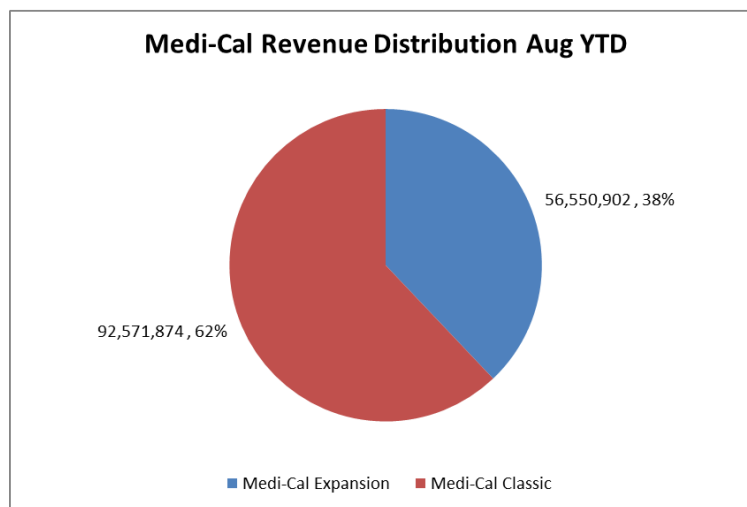
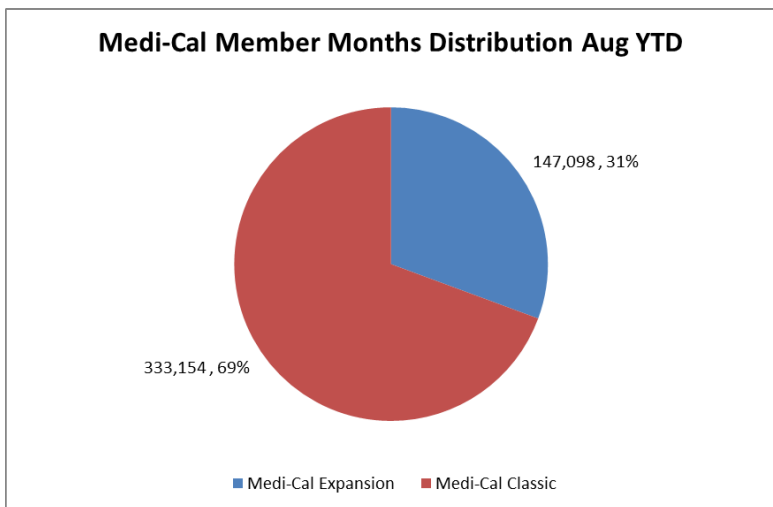
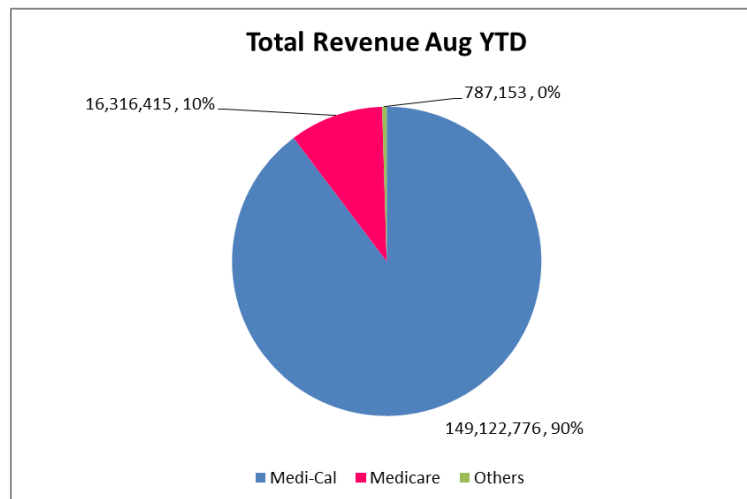
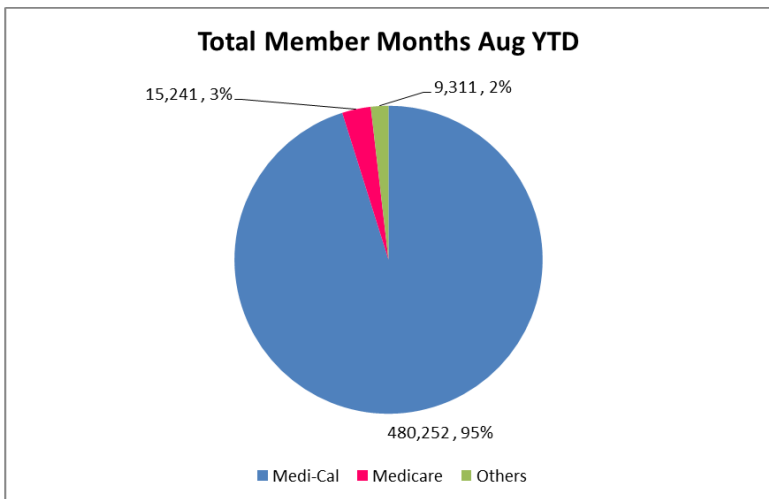


Graph 2: Represents all other operating revenue YTD compared to previous year. Increase of 1366%.





Medi-Cal Expansion comprises 31% of the plan's Medi-Cal membership and 38% of the Medi-Cal Revenue for Year – To – Date August 2015





Enrollment Summary August and YTD

Santa Clara Family Health Plan Enrollment Summary
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For the Month of Aug 2015

Two Months Ending Aug 2015

	<u>Actual</u> <u>Budget</u> <u>Variance</u>			<u>Actual</u> <u>Budget</u> <u>Variance</u>			Prior Year	Change FY16
							<u>Actual</u>	<u>vs. FY15</u>
Medi-Cal	242,159	237,466	2.0%	480,252	474,417	1.2%	398,209	20.6%
Healthy Kids	4,598	4,457	3.2%	9,094	8,963	1.5%	10,064	(9.6%)
Medicare	7,698	8,133	(5.3%)	15,241	15,856	(3.9%)		
Agnews	109	114	0.0%	217	228	0.0%	228	(4.8%)
Total	254,564	250,169	1.8%	504,804	499,464	1.1%	408,501	23.6%



Enrollment by Network - YTD

Santa Clara County Health Authority
August 2015

	Medi-Cal		Healthy Kids		CMC		AG		Total	
	<u>Enrollment</u>	<u>% of Total</u>	<u>Enrollment</u>	<u>% of Total</u>	<u>Enrollment</u>	<u>% of Total</u>	<u>Enrollment</u>	<u>% of Total</u>	<u>Enrollment</u>	<u>% of Total</u>
Direct Contract Physicians	19,260	8%	180	4%	7,698	100%	109	100%	27,247	11%
SCVHHS, Safety Net Clinics, FQHC Clinics	132,053	55%	3,122	68%	0	0%	0	0%	135,175	53%
Palo Alto Medical Foundation	6,568	3%	46	1%	0	0%	0	0%	6,614	3%
Physicians Medical Group	43,780	18%	1,104	24%	0	0%	0	0%	44,884	18%
Premier Care	15,180	6%	146	3%	0	0%	0	0%	15,326	6%
Kaiser	<u>25,318</u>	<u>10%</u>	<u>0</u>	<u>0%</u>	<u>0</u>	<u>0%</u>	<u>0</u>	<u>0%</u>	<u>25,318</u>	<u>10%</u>
Total	<u>242,159</u>	<u>100%</u>	<u>4,598</u>	<u>100%</u>	<u>7,698</u>	<u>100%</u>	<u>109</u>	<u>100%</u>	<u>254,564</u>	<u>100%</u>
Enrollment @ 6-30-15	<u>234,497</u>		<u>4,541</u>		<u>7,187</u>		<u>112</u>		<u>246,337</u>	
Net % Change from Beginning of FY	<u>3.3%</u>		<u>1.3%</u>		<u>7.1%</u>		<u>-2.7%</u>		<u>3.3%</u>	

Membership has increased 3.3% since the beginning of the Fiscal Year, primarily as a result of Medi-Cal Expansion, which started January 1, 2014 and has grown to 74,739 members and the new Cal-MediConnect (CMC) membership.



Enrollment by Aid Category

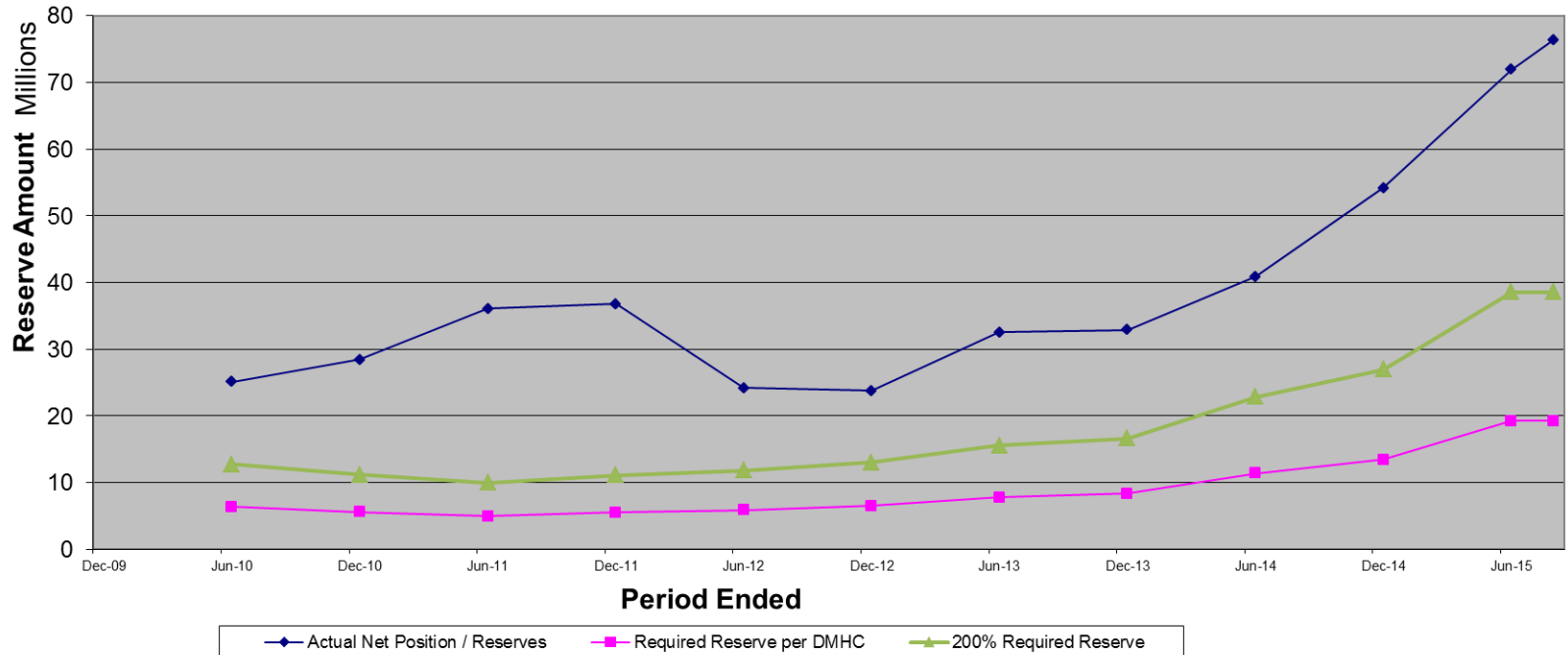
	2014-09	2014-10	2014-11	2014-12	2015-01	2015-02	2015-03	2015-04	2015-05	2015-06	2015-07	2015-08
Family	107,312	108,476	110,124	111,221	112,621	112,938	114,279	115,616	117,654	119,402	121,056	123,317
Aged - Medi-Cal Only	7,952	7,850	7,923	7,994	8,238	8,460	8,403	8,563	8,709	8,778	8,695	8,786
Disabled - Medi-Cal Only	11,870	11,848	11,860	11,815	11,687	11,663	11,634	11,546	11,556	11,483	11,455	11,371
Child (HF conversion)	21,545	20,433	20,062	18,951	17,178	16,307	15,346	13,939	12,297	10,683	9,055	7,312
Adult Expansion	43,067	48,176	52,507	55,595	58,747	59,324	61,068	63,373	66,514	68,762	71,222	73,739
Total Non-Duals	191,746	196,783	202,476	205,576	208,471	208,692	210,730	213,037	216,730	219,108	221,483	224,525
Aged -Duals	5,899	5,362	5,424	5,242	4,320	5,428	6,352	7,550	8,675	9,754	10,596	11,346
Disabled - Duals	3,781	3,521	3,534	3,467	2,473	2,930	3,275	3,691	4,060	4,480	4,771	4,980
Other Duals	749	793	837	887	842	886	954	1012	1069	1155	1243	1308
Total Duals	10,429	9,676	9,795	9,596	7,635	9,244	10,581	12,253	13,804	15,389	16,610	17,634
Total Medi-Cal	202,175	206,459	212,271	215,172	216,106	217,936	221,311	225,290	230,534	234,497	238,093	242,159
Healthy Kids	4,910	4,858	4,762	4,820	4,822	4,682	4,648	4,616	4,615	4,559	4,496	4,598
Agnews	114	114	113	112	112	112	112	112	112	112	108	109
CMC	0	0	0	0	5557	6162	6,548	7,226	6,836	7,187	7,543	7,698
Total Enrollment	207,199	211,431	217,146	220,104	226,597	228,892	232,619	237,244	242,097	246,355	250,240	254,564



Tangible Net Equity at August 31, 2015

TNE is \$76.4 million or 3.96 times the minimum TNE required by the Department of Managed Health Care (DMHC). The Plans reserves are roughly \$70.5 million below the reserves targeted by the Authority Board of two months' Medi-Cal capitation revenue.

TNE Actual vs. Required





Santa Clara
Family Health Plan

The Spirit of Care

Financial Statements
For One Month Ended July 2015
(Unaudited)

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Santa Clara Family Health Plan
CFO Finance Report
For the Month and Year to Date Ended July 31, 2015

Summary of Financial Results

For the month of July 2015 and year to date July 2015, SCFHP recorded a net surplus of \$2.8 million compared to a budgeted net surplus of \$2.0 million resulting in a favorable variance from budget of \$0.8 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 – July 2015
Favorable/ (Unfavorable)

Current Month					Year to Date			
Actual	Budget	Variance \$	Variance %		Actual	Budget	Variance \$	Variance %
\$ 82,495,474	\$ 75,730,027	\$ 6,765,448	8.9%	Revenue	\$ 82,495,474	\$ 75,730,027	\$ 6,765,448	8.9%
76,749,577	70,299,862	(6,449,715)	-9.2%	Medical Expense	76,749,577	70,299,862	(6,449,715)	-9.2%
5,745,897	5,430,165	315,732	5.8%	Gross Margin	5,745,897	5,430,165	315,732	5.8%
2,888,166	2,989,454	101,288	3.4%	Administrative Expense	2,888,166	2,989,454	101,288	3.4%
2,857,731	2,440,710	417,021	17.1%	Net Operating Income	2,857,731	2,440,710	417,021	17.1%
(49,090)	(478,570)	429,480	89.7%	Non-Operating Income/Exp	(49,090)	(478,570)	429,480	89.7%
\$ 2,808,641	\$ 1,962,140	\$ 846,501	43.1%	Net Surplus/ (Loss)	\$ 2,808,641	\$ 1,962,140	\$ 846,501	43.1%

Revenue

The Health Plan recorded net revenue of \$82.5 million for the month of July 2015 and year to date July 2015, compared to budgeted revenue of \$75.7 million, resulting in a favorable variance from budget of \$6.8 million, or 8.9%, which was primarily driven by the additional In Home Support Services (IHSS) pass-through revenue that also increases the medical expenses commensurately.

A statistical and financial summary for all lines of business is included on page 9 of this report.

Member months

For the month of July 2015 and year to date July 2015, overall member months were higher than budget by 946 (+0.4%).

In the one month since the end of the prior fiscal year, 6/30/2015, membership in Medi-Cal increased by 1.5%, membership in the Healthy Kids program decreased by 1.0%, and membership in the Agnews program decreased by 3.6%.

In January 2015, we started enrolling members for the Medicare LOB. For the month of July 2015 and year to date July 2015, membership in the Medicare program was lower than the budget by 180 member months (-2.3%). In the one month since the end of the prior fiscal year, 6/30/2015, membership in Medicare program increased by 5.0%.

Member months, and changes from prior year, are summarized on Page 11.

Medical Expenses

For the month of July 2015 and year to date July 2015, medical expense was \$76.7 million compared to budget of \$70.3 million, resulting in an unfavorable budget variance of \$6.4 million, or -9.2%. The increased medical expenses for the month, and year to date, compared to budget is primarily attributable to the IHSS pass-through expense, which was also the primary driver of higher than budgeted revenue in equal amounts.

The administrative cost of the third-party pharmacy claims processing was included in the medical expenses budget. However, this portion of the pharmacy medical expense budget (approximately \$200K per month) should be treated as an administrative expense. Therefore, it has been carved out and moved to administrative expenses reducing the medical expenses by a commensurate amount.

Administrative Expenses

Overall administrative costs were under budget by \$101 thousand (3.4%) for the month of July 2015 and year to date July 2015. Salaries/Benefits are under budget; however, higher than budget Professional Fees/Consulting/Temporary Staffing costs offset some of this favorable variance. Additionally, legal fees were higher than budgeted in the month of July primarily due to Union contract consultations.

The administrative expenses include approximately \$200K per month of the pharmacy administration costs, which were reclassified from medical expenses to administrative expenses.

Overall administrative expenses were 3.5% of revenues for year to date July 2015.

Balance Sheet (Page 6)

Current assets at July 31, 2015 totaled \$237.1 million compared to current liabilities of \$161.2 million, yielding a current ratio (the ratio of current assets to current liabilities) of 1.5 as of July 31, 2015. Working capital increased by \$2.9 million for the one month year to date ended July 31, 2015.

Cash as of July 31, 2015, increased by \$10.3 million compared to the cash balance as of year-end June 30, 2015. Net receivables increased by \$8.0 million during the same one month period ended July 31, 2015. The cash position increased largely due to the advance payment of the Medicare revenue as well as an increase in medical cost reserves.

Liabilities increased by a net amount of \$15.8 million during the one month ended July 2015. This was primarily due to the continued overpayment of Medi-Cal expansion premium revenues by the State and the increase in medical cost reserves mentioned above. The plan also recorded a Premium Deficiency Reserve (\$18.0 million) for the CMC contract period ending December 31, 2017. Additionally, the Health Plan recorded the unfunded Pension Liability of \$5.2 million as required by GASB 68, as of June 30, 2015.

Capital Expenses increased by \$7 thousand for the one month ended July 31, 2015.

Tangible Net Equity

Tangible Net Equity (TNE) was \$74.8 million at July 31, 2015 compared to the minimum TNE required by the Department of Managed Health Care (DMHC) of \$19.3 million (as per quarterly filing at 6-30-15). A chart showing TNE trends is shown on page 14 of this report.

At the December 2011 Board of Director's meeting, a policy was adopted for targeting the organization's capital reserves to equal two months of Medi-Cal capitation revenue.

As of July 31, 2015, the Plan's reserves are below this reserves target by about \$67.4 million (see calculation below). This amount has increased by \$17.3 million from the required amount as of July 31, 2014 (an increase of 34.5%) primarily due to the 22.1% growth in Medi-Cal membership during this period.

Calculation of targeted reserves as of July 31, 2015

Estimate of two months' capitation (based on July 2015) (July-2015 Medi-Cal capitation of \$68,702,000 x 2 = \$137,404,000)	\$137,404,000
Less: Unrestricted Net Equity per balance sheet (rounded)	<u>\$ 70,040,000</u>
Approximate reserves below target	<u>\$ 67,364,000</u>

**Santa Clara County Health Authority
Balance Sheet**

	<u>7/31/2015</u>	<u>6/30/2015</u>	<u>5/31/2015</u>	<u>6/30/2014</u>
Assets				
Current Assets				
Cash and Marketable Securities	\$ 120,860,288	\$ 110,520,927	\$ 112,228,288	\$ 38,802,506
Premiums Receivable	115,020,486	106,996,506	77,019,816	65,246,586
Due from Santa Clara Family Health Foundation - net	0	3,612	3,612	70,697
Prepaid Expenses and Other Current Assets	<u>1,180,782</u>	<u>816,058</u>	<u>1,032,985</u>	<u>6,833,379</u>
Total Current Assets	237,061,556	218,337,103	190,284,701	110,953,168
Long Term Assets				
Equipment	11,886,313	11,879,173	11,606,837	10,097,538
Less: Accumulated Depreciation	<u>(7,465,560)</u>	<u>(7,363,871)</u>	<u>(7,263,493)</u>	<u>(6,553,597)</u>
Total Long Term Assets	<u>4,420,753</u>	<u>4,515,302</u>	<u>4,343,344</u>	<u>3,543,941</u>
Total Assets	<u>\$ 241,482,309</u>	<u>\$ 222,852,405</u>	<u>\$ 194,628,045</u>	<u>\$ 114,497,109</u>
Deferred Outflow of Resources	<u>\$ 1,264,128</u>	<u>\$ 1,264,128</u>	<u>0</u>	<u>0</u>
Total Deferred Outflows and Assets	<u>242,746,437</u>	<u>224,116,533</u>	<u>194,628,045</u>	<u>114,497,109</u>
Liabilities and Net Position				
Current Liabilities				
Trade Payables	\$ 3,555,398	\$ 4,924,038	\$ 3,516,562	\$ 4,969,182
Deferred Rent	165,074	167,134	167,160	167,447
Employee Benefits	898,711	973,066	1,021,801	949,180
Retirement Obligation per GASB 45	57,946	0	637,406	0
Net Pension Liability GASB 68	5,276,145	5,276,145	4,812,271	0
Advance Premium - Healthy Kids	61,110	64,127	66,321	63,872
Deferred Revenue - Medicare	8,224,778	0	0	0
Liability for ACA 1202	5,069,271	5,069,225	31,428,818	30,689,658
Payable to Hospitals (SB208)	(35,535)	(35,535)	(35,535)	0
Payable to Hospitals (AB 85)	2,891,566	4,615,251	3,201,926	1,555,000
Due to Santa Clara County Valley Health Plan	4,600,010	11,230,305	8,736,388	4,664,956
MCO Tax Payable - State Board of Equalization	8,466,295	8,090,506	6,464,166	1,954,025
Due to DHCS	33,491,268	22,173,221	17,381,270	2,541,250
Premium Deficiency Reserve (PDR)	13,088,054	13,088,054	0	0
Medical Cost Reserves	<u>75,365,208</u>	<u>69,718,500</u>	<u>59,426,040</u>	<u>26,069,960</u>
Total Current Liabilities	161,175,300	145,354,036	136,824,595	73,624,529
Non-Current Liabilities (PDR)	<u>4,911,946</u>	<u>4,911,946</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>166,087,246</u>	<u>150,265,982</u>	<u>136,824,595</u>	<u>73,624,529</u>
Deferred Inflow of Resources	<u>1,892,634</u>	<u>1,892,634</u>	<u>0</u>	<u>0</u>
Net Position / Reserves				
Invested in Capital Assets	4,420,753	4,515,302	4,343,344	3,543,941
Restricted under Knox-Keene agreement	305,350	305,350	305,350	305,350
Unrestricted Net Equity	67,231,813	30,024,798	36,223,886	28,701,870
Current YTD Income (Loss)	<u>2,808,641</u>	<u>37,112,467</u>	<u>16,930,870</u>	<u>8,321,419</u>
Net Position / Reserves	<u>74,766,557</u>	<u>71,957,916</u>	<u>57,803,449</u>	<u>40,872,580</u>
Total Liabilities, Deferred Inflows, and Net Assets	<u>\$ 242,746,437</u>	<u>\$ 224,116,533</u>	<u>\$ 194,628,045</u>	<u>\$ 114,497,109</u>
Solvency Ratios:				
Working Capital	\$ 75,886,256	\$ 72,983,066	\$ 53,460,106	\$ 37,328,639
Working Capital Ratio	1.5	1.5	1.4	1.5
Average Days Cash on Hand	47	55	55	34

Santa Clara County Health Authority
Income Statement for the One Month Ending July 31, 2015

	For the Month of July 2015					For One Month Ending July 31, 2015				
	Actual	% of Revenue	Budget	% of Revenue	Variance	Actual	% of Revenue	Budget	% of Revenue	Variance
REVENUES										
MEDI-CAL	\$ 74,013,434	89.7%	\$ 67,094,516	88.6%	\$ 6,918,918	\$ 74,013,434	89.7%	\$ 67,094,516	88.6%	\$ 6,918,918
HEALTHY KIDS	\$ 390,404	0.5%	\$ 389,718	0.5%	\$ 687	\$ 390,404	0.5%	\$ 389,718	0.5%	\$ 687
MEDICARE	\$ 8,091,637	9.8%	\$ 8,160,113	10.8%	\$ (68,477)	\$ 8,091,637	9.8%	\$ 8,160,113	10.8%	\$ (68,477)
AGNEWS	\$ -	0.0%	\$ 85,680	0.1%	\$ (85,680)	\$ -	0.0%	\$ 85,680	0.1%	\$ (85,680)
TOTAL REVENUE	\$ 82,495,474	100.0%	\$ 75,730,027	100.0%	\$ 6,765,448	\$ 82,495,474	100.0%	\$ 75,730,027	100.0%	\$ 6,765,448
MEDICAL EXPENSES										
MEDI-CAL	\$ 67,562,454	81.9%	\$ 61,052,437	80.6%	\$ (6,510,017)	\$ 67,562,454	81.9%	\$ 61,052,437	80.6%	\$ (6,510,017)
HEALTHY KIDS	\$ 418,628	0.5%	\$ 355,965	0.5%	\$ (62,662)	\$ 418,628	0.5%	\$ 355,965	0.5%	\$ (62,662)
MEDICARE	\$ 8,680,367	10.5%	\$ 8,818,746	11.6%	\$ 138,379	\$ 8,680,367	10.5%	\$ 8,818,746	11.6%	\$ 138,379
AGNEWS	\$ 88,128	0.1%	\$ 72,714	0.1%	\$ (15,414)	\$ 88,128	0.1%	\$ 72,714	0.1%	\$ (15,414)
TOTAL MEDICAL EXPENSES	\$ 76,749,577	93.0%	\$ 70,299,862	92.8%	\$ (6,449,715)	\$ 76,749,577	93.0%	\$ 70,299,862	92.8%	\$ (6,449,715)
MEDICAL OPERATING MARGIN	\$ 5,745,897	7.0%	\$ 5,430,165	7.2%	\$ 315,732	\$ 5,745,897	7.0%	\$ 5,430,165	7.2%	\$ 315,732
ADMINISTRATIVE EXPENSES										
SALARIES AND BENEFITS	\$ 1,527,723	1.9%	\$ 1,682,561	2.2%	\$ 154,838	\$ 1,527,723	1.9%	\$ 1,682,561	2.2%	\$ 154,838
RENTS AND UTILITIES	\$ 106,593	0.1%	\$ 114,203	0.2%	\$ 7,610	\$ 106,593	0.1%	\$ 114,203	0.2%	\$ 7,610
PRINTING AND ADVERTISING	\$ 71,235	0.1%	\$ 81,317	0.1%	\$ 10,082	\$ 71,235	0.1%	\$ 81,317	0.1%	\$ 10,082
INFORMATION SYSTEMS	\$ 119,607	0.1%	\$ 124,602	0.2%	\$ 4,995	\$ 119,607	0.1%	\$ 124,602	0.2%	\$ 4,995
PROF FEES / CONSULTING / TEMP STAFFING	\$ 807,936	1.0%	\$ 655,396	0.9%	\$ (152,540)	\$ 807,936	1.0%	\$ 655,396	0.9%	\$ (152,540)
DEPRECIATION / INSURANCE / EQUIPMENT	\$ 129,362	0.2%	\$ 132,639	0.2%	\$ 3,278	\$ 129,362	0.2%	\$ 132,639	0.2%	\$ 3,278
OFFICE SUPPLIES / POSTAGE / TELEPHONE	\$ 70,088	0.1%	\$ 55,846	0.1%	\$ (14,242)	\$ 70,088	0.1%	\$ 55,846	0.1%	\$ (14,242)
MEETINGS / TRAVEL / DUES	\$ 54,849	0.1%	\$ 135,249	0.2%	\$ 80,400	\$ 54,849	0.1%	\$ 135,249	0.2%	\$ 80,400
OTHER	\$ 774	0.0%	\$ 7,642	0.0%	\$ 6,868	\$ 774	0.0%	\$ 7,642	0.0%	\$ 6,868
TOTAL ADMINISTRATIVE EXPENSES	\$ 2,888,166	3.5%	\$ 2,989,454	3.9%	\$ 101,288	\$ 2,888,166	3.5%	\$ 2,989,454	3.9%	\$ 101,288
OPERATING SURPLUS (LOSS)	\$ 2,857,731	3.5%	\$ 2,440,710	3.2%	\$ 417,021	\$ 2,857,731	3.5%	\$ 2,440,710	3.2%	\$ 417,021
GASB 45-POST EMPLOYMENT BENEFITS EXPENSE	\$ (57,946)	-0.1%	\$ (57,946)	-0.1%	\$ -	\$ (57,946)	-0.1%	\$ (57,946)	-0.1%	\$ -
GASB 68 - UNFUNDED PENSION LIABILITY	\$ -		\$ (437,479)		\$ 437,479	\$ -		\$ (437,479)		\$ 437,479
INTEREST & OTHER INCOME	\$ 8,856	0.0%	\$ 16,855	0.0%	\$ (7,999)	\$ 8,856	0.0%	\$ 16,855	0.0%	\$ (7,999)
NET SURPLUS (LOSS) FINAL	\$ 2,808,641	3%	\$ 1,962,140	2.6%	\$ 846,501	\$ 2,808,641	3.4%	\$ 1,962,140	2.6%	\$ 846,501

Administrative Expense
Actual vs. Budget
For the Current Month & Fiscal Year to Date - July 2015
Favorable/(Unfavorable)

Current Month					Year to Date			
Actual	Budget	Variance \$	Variance %		Actual	Budget	Variance \$	Variance %
\$ 1,527,723	\$ 1,682,561	\$ 154,838	9.2%	Personnel	\$ 1,527,723	\$ 1,682,561	\$ 154,838	9.2%
1,360,442	1,306,893	(53,549)	-4.1%	Non-Personnel	1,360,442	1,306,893	\$ (53,549)	-4.1%
2,888,166	2,989,454	101,288	3.4%	Total Administrative Expense	2,888,166	2,989,454	101,288	3.4%

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

One Month Ended July 31, 2015

	Medi-Cal (incl. Agnews)	CMC	Healthy Kids	Grand Total
P&L (ALLOCATED BASIS)				
REVENUE	72,006,753	10,098,317	\$390,404	\$82,495,474
MEDICAL EXPENSES (MLR)	66,353,680 92.1%	9,977,270 98.8%	418,628 107.2%	\$76,749,577 93.0%
GROSS MARGIN	5,653,073	121,047	(28,223)	5,745,897
ADMINISTRATIVE EXPENSES (% MM allocation except CMC)	2,487,669	353,542	46,954	2,888,166
OPERATING INCOME/(LOSS)	3,165,404	(232,495)	(75,178)	2,857,731
OTHER INCOME/(EXPENSE) (% of Revenue Allocation)	(42,849)	(6,009)	(232)	(49,090)
NET INCOME/ (LOSS)	\$3,122,555	(\$238,504)	(\$75,410)	\$2,808,641
PMPM (ALLOCATED BASIS)				
REVENUE	\$302.29	\$1,338.77	\$86.83	\$329.67
MEDICAL EXPENSES	278.56	1,322.72	93.11	306.70
GROSS MARGIN	23.73	16.05	(6.28)	22.96
ADMINISTRATIVE EXPENSES	10.44	46.87	10.44	11.54
OPERATING INCOME/(LOSS)	13.29	(30.82)	(16.72)	11.42
OTHER INCOME / (EXPENSE)	(0.18)	(0.80)	(0.05)	(0.20)
NET INCOME / (LOSS)	\$13.11	(\$31.62)	(\$16.77)	\$11.22
ALLOCATION BASIS:				
MEMBER MONTHS - YTD	238,201	7,543	4,496	250,240
Member MONTHS by LOB	95.2%	3.0%	1.9%	100%
Revenue by LOB	87.3%	12.2%	0.5%	100%

**Santa Clara Family Health Plan
Statement of Cash Flows
For One Month Ended July 31, 2015**

Cash flows from operating activities	
Premiums received	\$ 74,475,107
Medical expenses paid	\$ (66,415,117)
Administrative expenses paid	<u>\$ 2,277,656</u>
Net cash from operating activities	\$ 10,337,646
 Cash flows from capital and related financing activities	
Purchases of capital assets	\$ (7,140)
 Cash flows from investing activities	
Interest income and other income, net	<u>\$ 8,856</u>
 Net (Decrease) increase in cash and cash equivalents	<u>\$ 10,339,362</u>
 Cash and cash equivalents, beginning of year	<u>\$ 110,520,927</u>
 Cash and cash equivalents at July 31, 2015	<u><u>\$ 120,860,288</u></u>
 Reconciliation of operating income to net cash from operating activities	
Operating income (loss)	\$ 2,799,785
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	\$ 101,688
Changes in operating assets and liabilities	
Premiums receivable	\$ (8,023,980)
Due from Santa Clara Family Health Foundation	\$ 3,612
Prepays and other assets	\$ (364,724)
Deferred outflow of resources	\$ -
Accounts payable and accrued liabilities	\$ 5,486,803
State payable	\$ 11,318,047
Santa Clara Valley Health Plan payable	\$ (6,630,295)
Net Pension Liability	\$ -
Medical cost reserves and PDR	\$ 5,646,708
Deferred inflow of resources	<u>\$ -</u>
Total adjustments	<u>\$ 7,537,861</u>
Net cash from operating activities	<u><u>\$ 10,337,646</u></u>

Santa Clara Family Health Plan Enrollment Summary

For the Month of July 2015

One Month Ending July 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Prior Year Actual</u>	<u>Change FY16 vs. FY15</u>
Medi-Cal	238,093	236,951	0.5%	238,093	236,951	0.5%	194,998	22.1%
Healthy Kids	4,496	4,506	(0.2%)	4,496	4,506	(0.2%)	5,081	(11.5%)
Medicare	7,543	7,723	(2.3%)	7,543	7,723	(2.3%)		
Agnews	108	114	0.0%	108	114	0.0%	114	(5.3%)
Total	250,240	249,294	0.4%	250,240	249,294	0.4%	200,193	25.0%

**Santa Clara County Health Authority
July 2015**

	Medi-Cal		Healthy Kids		CMC		AG		Total	
	<u>Enrollment</u>	<u>% of Total</u>	<u>Enrollment</u>	<u>% of Total</u>	<u>Enrollment</u>	<u>% of Total</u>	<u>Enrollment</u>	<u>% of Total</u>	<u>Enrollment</u>	<u>% of Total</u>
Direct Contract Physicians	18,650	8%	172	4%	7,543	100%	108	100%	26,473	11%
SCVHHS, Safety Net Clinics, FQHC Clinics	129,487	54%	3,058	68%	0	0%	0	0%	132,545	53%
Palo Alto Medical Foundation	6,386	3%	45	1%	0	0%	0	0%	6,431	3%
Physicians Medical Group	43,400	18%	1,076	24%	0	0%	0	0%	44,476	18%
Premier Care	15,065	6%	145	3%	0	0%	0	0%	15,210	6%
Kaiser	<u>25,105</u>	<u>11%</u>	<u>0</u>	<u>0%</u>	<u>0</u>	<u>0%</u>	<u>0</u>	<u>0%</u>	<u>25,105</u>	<u>10%</u>
Total	<u>238,093</u>	<u>100%</u>	<u>4,496</u>	<u>100%</u>	<u>7,543</u>	<u>100%</u>	<u>108</u>	<u>100%</u>	<u>250,240</u>	<u>100%</u>
Enrollment @ 6-30-15	<u>234,497</u>		<u>4,541</u>		<u>7,187</u>		<u>112</u>		<u>246,337</u>	
Net % Change from Beginning of FY	<u>1.5%</u>		<u>-1.0%</u>		<u>5.0%</u>		<u>-3.6%</u>		<u>1.6%</u>	

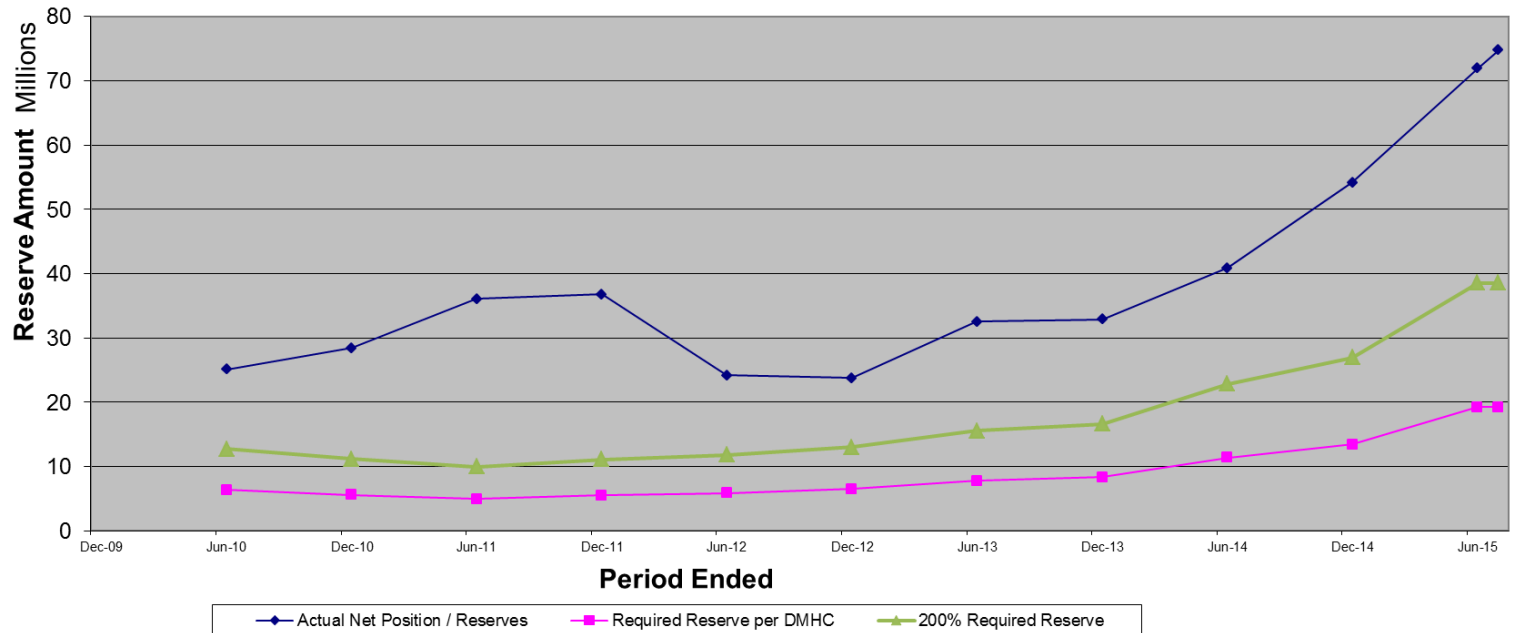
Santa Clara Family Health Plan Enrollment by Aid-Category

	2014-08	2014-09	2014-10	2014-11	2014-12	2015-01	2015-02	2015-03	2015-04	2015-05	2015-06	2015-07
Family	112,347	107,312	108,476	110,124	111,221	112,621	112,938	114,279	115,616	117,654	119,402	121,056
Aged - Medi-Cal Only	7,939	7,952	7,850	7,923	7,994	8,238	8,460	8,403	8,563	8,709	8,778	8,695
Disabled - Medi-Cal Only	11,907	11,870	11,848	11,860	11,815	11,687	11,663	11,634	11,546	11,556	11,483	11,455
Child (HF conversion)	25,394	21,545	20,433	20,062	18,951	17,178	16,307	15,346	13,939	12,297	10,683	9,055
Adult Expansion	36,460	43,067	48,176	52,507	55,595	58,747	59,324	61,068	63,373	66,514	68,762	71,222
Total Non-Duals	194,047	191,746	196,783	202,476	205,576	208,471	208,692	210,730	213,037	216,730	219,108	221,483
Aged -Duals	5,037	5,899	5,362	5,424	5,242	4,320	5,428	6,352	7,550	8,675	9,754	10,596
Disabled - Duals	3,416	3,781	3,521	3,534	3,467	2,473	2,930	3,275	3,691	4,060	4,480	4,771
Other Duals	712	749	793	837	887	842	886	954	1012	1069	1155	1243
Total Duals	9,165	10,429	9,676	9,795	9,596	7,635	9,244	10,581	12,253	13,804	15,389	16,610
Total Medi-Cal	203,212	202,175	206,459	212,271	215,172	216,106	217,936	221,311	225,290	230,534	234,497	238,093
Healthy Kids	4,983	4,910	4,858	4,762	4,820	4,822	4,682	4,648	4,616	4,615	4,559	4,496
Agnews	114	114	114	113	112	112	112	112	112	112	112	108
CMC	0	0	0	0	0	5557	6,162	6,548	7,226	6,836	7,187	7,543
Total Enrollment	208,309	207,199	211,431	217,146	220,104	226,597	228,892	232,619	237,244	242,097	246,355	250,240

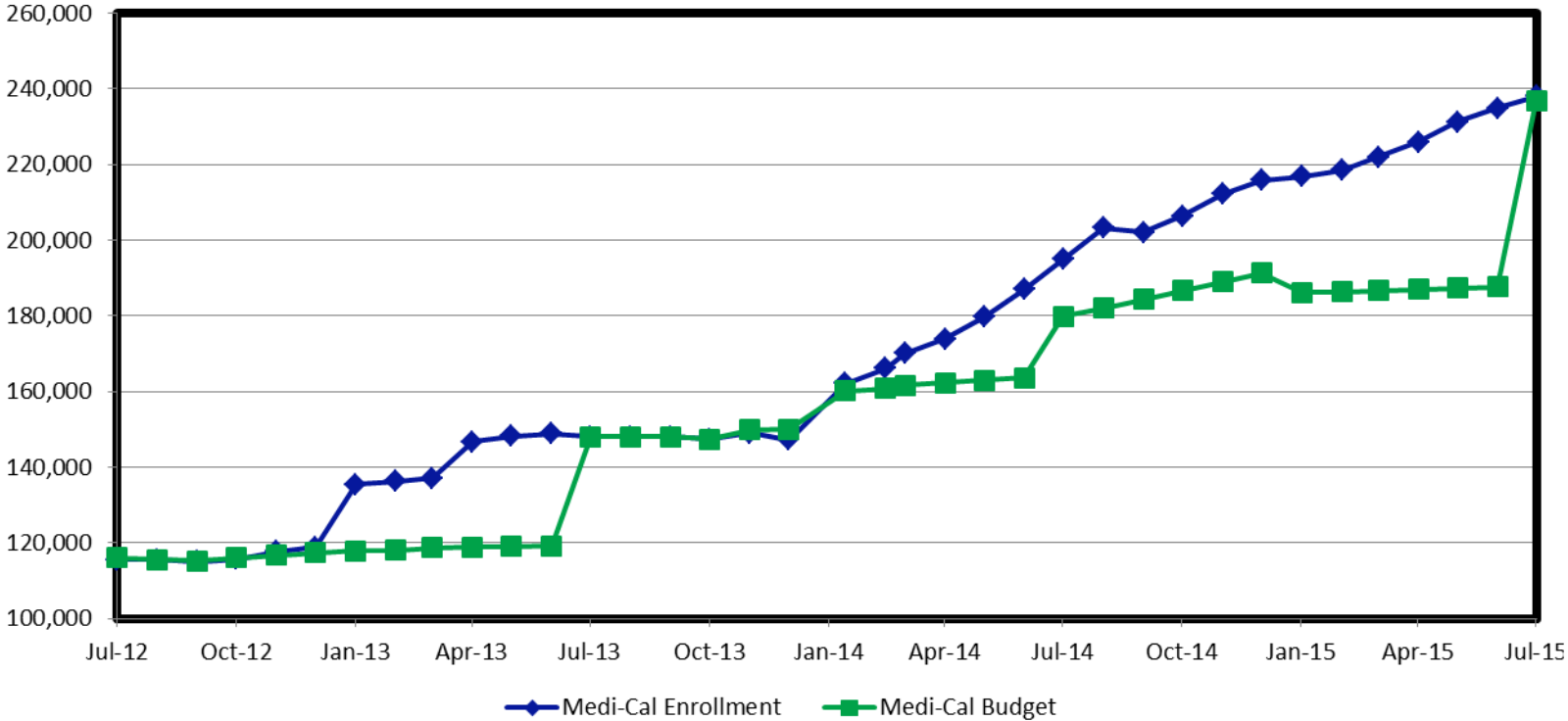
**Santa Clara County Health Authority
Tangible Net Equity - Actual vs. Required
As of Period Ended:**

	<u>6/30/2010</u>	<u>12/31/2010</u>	<u>6/30/2011</u>	<u>12/31/2011</u>	<u>6/30/2012</u>	<u>12/31/2012</u>	<u>6/30/2013</u>	<u>12/31/2013</u>	<u>6/30/2014</u>	<u>12/31/2014</u>	<u>6/30/2015</u>	<u>7/31/2015</u>
Actual Net Position / Reserves	25,103,011	28,445,504	36,093,769	36,803,460	24,208,576	23,776,902	32,551,161	32,878,950	40,872,580	54,224,335	71,957,916	74,766,557
Required Reserve per DMHC	6,388,000	5,591,000	4,996,000	5,558,000	5,901,000	6,525,000	7,778,000	8,330,000	11,434,000	13,467,000	19,269,000	19,269,000
200% of Required Reserve	12,776,000	11,182,000	9,992,000	11,116,000	11,802,000	13,050,000	15,556,000	16,660,000	22,868,000	26,934,000	38,538,000	38,538,000

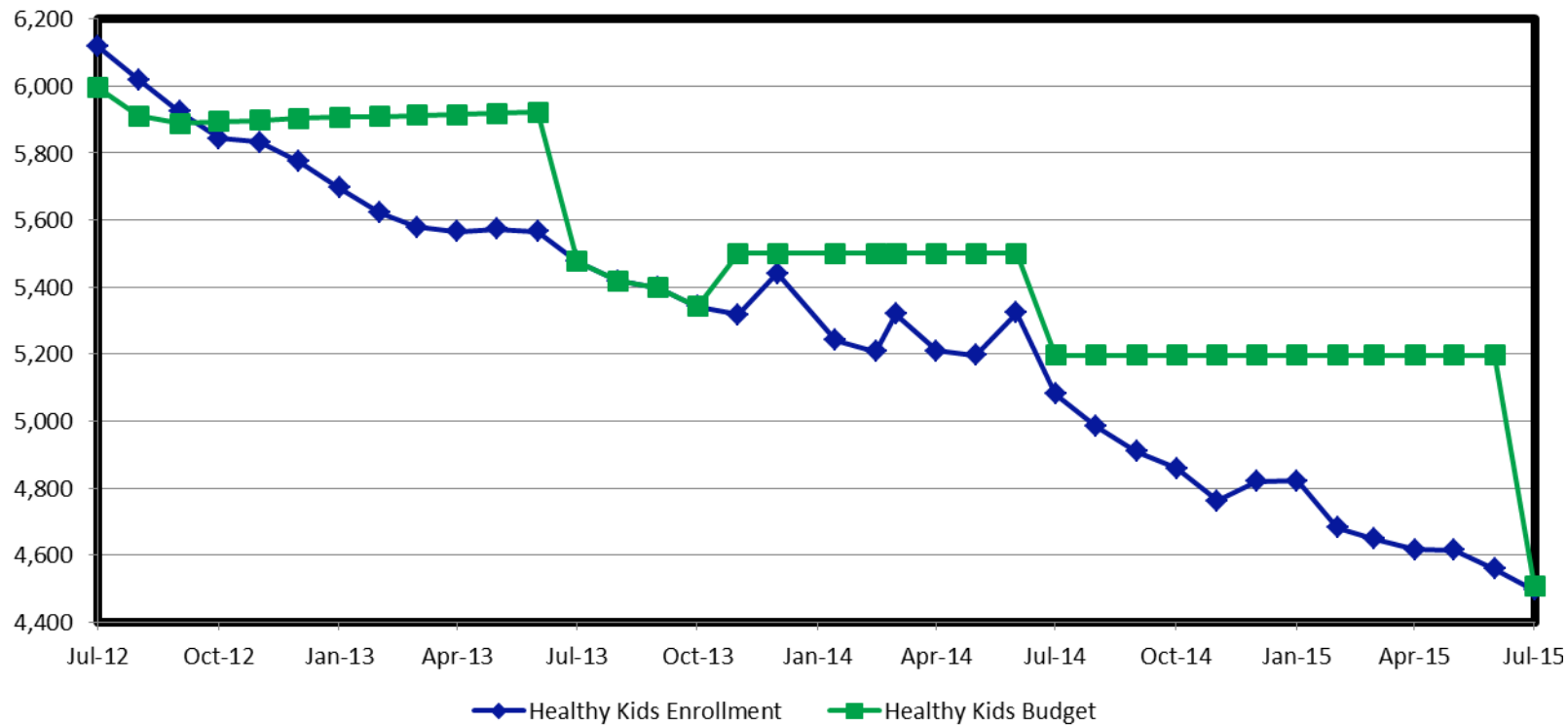
TNE Actual vs. Required



SCFHP Medi-Cal Enrollment as of Jul 2015



SCFHP Healthy Kids Enrollment as of Jul 2015





Santa Clara
Family Health Plan

The Spirit of Care

Financial Statements
For Two Months Ended August 2015
(Unaudited)

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Santa Clara Family Health Plan
CFO Finance Report
For the Month and Year to Date Ended August 31, 2015

Summary of Financial Results

For the month of August 2015, SCFHP recorded a net surplus of \$1.6 million compared to a budgeted net surplus of \$2.2 million resulting in an unfavorable variance from budget of \$0.6 million. For year to date August 2015, SCFHP recorded a net surplus of \$4.4 million compared to a budgeted net surplus of \$4.2 million resulting in a favorable variance from budget of \$0.2 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 – August 2015
Favorable/ (Unfavorable)

Current Month					Year to Date			
Actual	Budget	Variance \$	Variance %		Actual	Budget	Variance \$	Variance %
\$ 83,730,870	\$ 76,799,186	\$ 6,931,684	9.0%	Revenue	\$ 166,226,344	\$ 152,529,212	\$ 13,697,132	9.0%
79,433,401	71,417,027	(8,016,374)	-11.2%	Medical Expense	156,182,979	141,716,889	(14,466,090)	-10.2%
4,297,469	5,382,159	(1,084,690)	-20.2%	Gross Margin	10,043,366	10,812,323	(768,958)	-7.1%
2,630,942	2,669,815	38,873	1.5%	Administrative Expense	5,519,108	5,659,269	140,161	2.5%
1,666,526	2,712,343	(1,045,817)	-38.6%	Net Operating Income	4,524,258	5,153,054	(628,796)	-12.2%
(43,668)	(478,570)	434,902	90.9%	Non-Operating Income/Exp	(92,758)	(957,140)	864,382	90.3%
\$ 1,622,858	\$ 2,233,773	\$ (610,915)	-27.3%	Net Surplus/ (Loss)	\$ 4,431,499	\$ 4,195,914	\$ 235,586	5.6%

Revenue

The Health Plan recorded net revenue of \$83.7 million for the month of August 2015, compared to budgeted revenue of \$76.8 million, resulting in a favorable variance from budget of \$6.9 million, or 9.0%. For year to date August 2015, the Plan recorded net revenue of \$166.2 million, compared to budgeted revenue of \$152.5 million, resulting in a favorable variance from budget of \$13.7 million, or 9.0%, which was primarily driven by the additional In Home Support Services (IHSS) pass-through revenue that also increases the medical expenses commensurately. Higher than budgeted membership also contributed to positive variance in Medi-Cal expansion and Hep C revenues.

A statistical and financial summary for all lines of business is included on page 9 of this report.

Member months

For the month of August 2015, overall member months were higher than budget by 4,395 (+1.8%). For year to date August 2015, overall member months were higher than budget by 5,340 (+1.1%).

In the two months since the end of the prior fiscal year, 6/30/2015, membership in Medi-Cal increased by 3.3%, membership in the Healthy Kids program increased by 1.3%, and membership in the Agnews program decreased by 2.7%.

In January 2015, we started enrolling members for the Medicare LOB. For the month of August 2015, membership in the Medicare program was lower than the budget by 435 member months (-5.3%). For year to date August 2015, membership in the Medicare program was lower than the budget by 615 member months (-3.9%). In the two months since the end of the prior fiscal year, 6/30/2015, membership in Medicare program increased by 7.1%.

Member months, and changes from prior year, are summarized on Page 11.

Medical Expenses

For the month of August 2015, medical expense was \$79.4 million compared to budget of \$71.4 million, resulting in an unfavorable budget variance of \$8.0 million, or -11.2%. For year to date August 2015, medical expense was \$156.2 million compared to budget of \$141.7 million, resulting in an unfavorable budget variance of \$14.5 million, or -10.2%. The increased medical expenses for the month, and year to date, compared to budget is primarily attributable to the IHSS pass-through expense, which was also the primary driver of higher than budgeted revenue in equal amounts.

The administrative cost of the third-party pharmacy claims processing was included in the medical expenses budget. However, this portion of the pharmacy medical expense budget (approximately \$200K per month) should be treated as an administrative expense. Therefore, it has been carved out and moved to administrative expenses reducing the medical expenses by a commensurate amount.

Administrative Expenses

Overall administrative costs were under budget by \$39 thousand (+1.5%) for the month of August 2015, and under budget by \$140 thousand (+2.5%) for year to date August 2015. Salaries/Benefits are under budget; however, higher than budget Professional Fees/Consulting/Temporary Staffing costs offset some of this favorable variance.

Overall administrative expenses were 3.3% of revenues for year to date August 2015.

Balance Sheet (Page 6)

Current assets at August 31, 2015 totaled \$263.6 million compared to current liabilities of \$191.1 million, yielding a current ratio (the ratio of current assets to current liabilities) of 1.4 as of August 31, 2015. Working capital increased by \$4.4 million for the two months year to date ended August 31, 2015.

Cash as of August 31, 2015, increased by \$40.1 million compared to the cash balance as of year-end June 30, 2015. Net receivables increased by \$4.7 million during the same two months period ended August 31, 2015. The cash position increased largely due to the continued overpayment of Medi-Cal expansion premium revenues by the State as well as an increase in medical cost reserves.

Liabilities increased by a net amount of \$40.8 million during the two months ended August 2015. This was primarily due to the continued overpayment of Medi-Cal expansion premium revenues by the State and the increase in medical cost reserves mentioned above. The plan also recorded a Premium Deficiency Reserve (\$18.0 million) for the CMC contract period ending December 31, 2017. Additionally, the Health Plan recorded the unfunded Pension Liability of \$5.2 million as required by GASB 68, as of June 30, 2015.

Capital Expenses increased by \$207 thousand for the two months ended August 31, 2015.

Tangible Net Equity

Tangible Net Equity (TNE) was \$76.4 million at August 31, 2015 compared to the minimum TNE required by the Department of Managed Health Care (DMHC) of \$19.3 million (as per quarterly filing at 6-30-15). A chart showing TNE trends is shown on page 14 of this report.

At the December 2011 Board of Director's meeting, a policy was adopted for targeting the organization's capital reserves to equal two months of Medi-Cal capitation revenue.

As of August 31, 2015, the Plan's reserves are below this reserves target by about \$70.5 million (see calculation below). This amount has increased by \$18.2 million from the required amount as of August 31, 2014 (an increase of 34.9%) primarily due to the 20.6% growth in Medi-Cal membership during this period.

Calculation of targeted reserves as of August 31, 2015

Estimate of two months' capitation (based on August 2015) (August-2015 Medi-Cal capitation of \$71,039,000 x 2 = \$142,078,000)	\$142,078,000
Less: Unrestricted Net Equity per balance sheet (rounded)	<u>\$ 71,570,000</u>
Approximate reserves below target	<u>\$ 70,508,000</u>

**Santa Clara County Health Authority
Balance Sheet**

	<u>8/31/2015</u>	<u>7/31/2015</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Assets				
Current Assets				
Cash and Marketable Securities	\$ 150,661,832	\$ 120,860,288	\$ 110,520,927	\$ 38,802,506
Premiums Receivable	111,744,301	115,020,486	106,996,506	65,246,586
Due from Santa Clara Family Health Foundation - net	0	0	3,612	70,697
Prepaid Expenses and Other Current Assets	<u>1,191,626</u>	<u>1,180,782</u>	<u>816,058</u>	<u>6,833,379</u>
Total Current Assets	263,597,759	237,061,556	218,337,103	110,953,168
Long Term Assets				
Equipment	12,085,696	11,886,313	11,879,173	10,097,538
Less: Accumulated Depreciation	<u>(7,572,258)</u>	<u>(7,465,560)</u>	<u>(7,363,871)</u>	<u>(6,553,597)</u>
Total Long Term Assets	<u>4,513,438</u>	<u>4,420,753</u>	<u>4,515,302</u>	<u>3,543,941</u>
Total Assets	<u>\$ 268,111,197</u>	<u>\$ 241,482,309</u>	<u>\$ 222,852,405</u>	<u>\$ 114,497,109</u>
Deferred Outflow of Resources	<u>\$ 1,264,128</u>	<u>\$ 1,264,128</u>	<u>1,264,128</u>	<u>0</u>
Total Deferred Outflows and Assets	<u>269,375,325</u>	<u>242,746,437</u>	<u>224,116,533</u>	<u>114,497,109</u>
Liabilities and Net Position				
Current Liabilities				
Trade Payables	\$ 30,532,575	\$ 3,555,398	\$ 4,924,038	\$ 4,969,182
Deferred Rent	163,013	165,074	167,134	167,447
Employee Benefits	861,161	898,711	973,066	949,180
Retirement Obligation per GASB 45	115,892	57,946	0	0
Net Pension Liability GASB 68	5,276,145	5,276,145	5,276,145	0
Advance Premium - Healthy Kids	64,208	61,110	64,127	63,872
Deferred Revenue - Medicare	0	8,224,778	0	0
Liability for ACA 1202	5,069,591	5,069,271	5,069,225	30,689,658
Payable to Hospitals (SB208)	(35,535)	(35,535)	(35,535)	0
Payable to Hospitals (AB 85)	1,540,785	2,891,566	4,615,251	1,555,000
Due to Santa Clara County Valley Health Plan	2,389,080	4,600,010	11,230,305	4,664,956
MCO Tax Payable - State Board of Equalization	9,861,990	8,466,295	8,090,506	1,954,025
Due to DHCS	44,318,631	33,491,268	22,173,221	2,541,250
Premium Deficiency Reserve (PDR)	13,088,054	13,088,054	13,088,054	0
Medical Cost Reserves	<u>72,935,738</u>	<u>75,365,208</u>	<u>69,718,500</u>	<u>26,069,960</u>
Total Current Liabilities	186,181,329	161,175,300	145,354,036	73,624,529
Non-Current Liabilities (PDR)	<u>4,911,946</u>	<u>4,911,946</u>	<u>4,911,946</u>	<u>0</u>
Total Liabilities	<u>191,093,275</u>	<u>166,087,246</u>	<u>150,265,982</u>	<u>73,624,529</u>
Deferred Inflow of Resources	<u>1,892,634</u>	<u>1,892,634</u>	<u>1,892,634</u>	<u>0</u>
Net Position / Reserves				
Invested in Capital Assets	4,513,438	4,420,753	4,515,302	3,543,941
Restricted under Knox-Keene agreement	305,350	305,350	305,350	305,350
Unrestricted Net Equity	67,139,129	67,231,813	30,024,798	28,701,870
Current YTD Income (Loss)	<u>4,431,499</u>	<u>2,808,641</u>	<u>37,112,467</u>	<u>8,321,419</u>
Net Position / Reserves	<u>76,389,416</u>	<u>74,766,557</u>	<u>71,957,916</u>	<u>40,872,580</u>
Total Liabilities, Deferred Inflows, and Net Assets	<u>\$ 269,375,325</u>	<u>\$ 242,746,437</u>	<u>\$ 224,116,533</u>	<u>\$ 114,497,109</u>
Solvency Ratios:				
Working Capital	\$ 77,416,430	\$ 75,886,256	\$ 72,983,066	\$ 37,328,639
Working Capital Ratio	1.4	1.5	1.5	1.5
Average Days Cash on Hand	58	47	55	34

Santa Clara County Health Authority
Income Statement for the Two Months Ending Aug 31, 2015

	For the Month of Aug 2015					For Two Months Ending Aug 31, 2015				
	Actual	% of Revenue	Budget	% of Revenue	Variance	Actual	% of Revenue	Budget	% of Revenue	Variance
REVENUES										
MEDI-CAL	\$ 75,109,343	89.7%	\$ 67,639,788	88.1%	\$ 7,469,554	\$ 149,122,776	89.7%	\$ 134,734,304	88.3%	\$ 14,388,472
HEALTHY KIDS	\$ 396,749	0.5%	\$ 385,466	0.5%	\$ 11,283	\$ 787,153	0.5%	\$ 775,184	0.5%	\$ 11,970
MEDICARE	\$ 8,224,778	9.8%	\$ 8,688,251	11.3%	\$ (463,473)	\$ 16,316,415	9.8%	\$ 16,848,365	11.0%	\$ (531,950)
AGNEWS	\$ -	0.0%	\$ 85,680	0.1%	\$ (85,680)	\$ -	0.0%	\$ 171,360	0.1%	\$ (171,360)
TOTAL REVENUE	\$ 83,730,870	100.0%	\$ 76,799,186	100.0%	\$ 6,931,684	\$ 166,226,344	100.0%	\$ 152,529,212	100.0%	\$ 13,697,132
MEDICAL EXPENSES										
MEDI-CAL	\$ 69,657,164	83.2%	\$ 61,705,846	80.3%	\$ (7,951,318)	\$ 137,219,618	82.5%	\$ 122,758,284	80.5%	\$ (14,461,335)
HEALTHY KIDS	\$ 131,403	0.2%	\$ 352,082	0.5%	\$ 220,679	\$ 550,030	0.3%	\$ 708,047	0.5%	\$ 158,017
MEDICARE	\$ 9,620,641	11.5%	\$ 9,286,385	12.1%	\$ (334,256)	\$ 18,301,008	11.0%	\$ 18,105,131	11.9%	\$ (195,877)
AGNEWS	\$ 24,194	0.0%	\$ 72,714	0.1%	\$ 48,520	\$ 112,322	0.1%	\$ 145,428	0.1%	\$ 33,106
TOTAL MEDICAL EXPENSES	\$ 79,433,401	94.9%	\$ 71,417,027	93.0%	\$ (8,016,374)	\$ 156,182,979	94.0%	\$ 141,716,889	92.9%	\$ (14,466,090)
MEDICAL OPERATING MARGIN	\$ 4,297,469	5.1%	\$ 5,382,159	7.0%	\$ (1,084,690)	\$ 10,043,366	6.0%	\$ 10,812,323	7.1%	\$ (768,958)
ADMINISTRATIVE EXPENSES										
SALARIES AND BENEFITS	\$ 1,377,250	1.6%	\$ 1,588,896	2.1%	\$ 211,646	\$ 2,904,973	1.7%	\$ 3,271,457	2.1%	\$ 366,484
RENTS AND UTILITIES	\$ 111,933	0.1%	\$ 114,203	0.1%	\$ 2,270	\$ 218,526	0.1%	\$ 228,405	0.1%	\$ 9,880
PRINTING AND ADVERTISING	\$ 15,796	0.0%	\$ 30,317	0.0%	\$ 14,520	\$ 87,031	0.1%	\$ 111,633	0.1%	\$ 24,602
INFORMATION SYSTEMS	\$ 178,174	0.2%	\$ 124,602	0.2%	\$ (53,572)	\$ 297,781	0.2%	\$ 249,204	0.2%	\$ (48,577)
PROF FEES / CONSULTING / TEMP STAFFING	\$ 690,864	0.8%	\$ 560,923	0.7%	\$ (129,941)	\$ 1,498,799	0.9%	\$ 1,216,319	0.8%	\$ (282,481)
DEPRECIATION / INSURANCE / EQUIPMENT	\$ 130,927	0.2%	\$ 132,639	0.2%	\$ 1,713	\$ 260,288	0.2%	\$ 265,279	0.2%	\$ 4,990
OFFICE SUPPLIES / POSTAGE / TELEPHONE	\$ 49,703	0.1%	\$ 55,346	0.1%	\$ 5,643	\$ 119,791	0.1%	\$ 111,192	0.1%	\$ (8,599)
MEETINGS / TRAVEL / DUES	\$ 71,574	0.1%	\$ 55,249	0.1%	\$ (16,326)	\$ 126,423	0.1%	\$ 190,497	0.1%	\$ 64,074
OTHER	\$ 4,722	0.0%	\$ 7,642	0.0%	\$ 2,920	\$ 5,496	0.0%	\$ 15,284	0.0%	\$ 9,788
TOTAL ADMINISTRATIVE EXPENSES	\$ 2,630,942	3.1%	\$ 2,669,815	3.5%	\$ 38,873	\$ 5,519,108	3.3%	\$ 5,659,269	3.7%	\$ 140,161
OPERATING SURPLUS (LOSS)	\$ 1,666,526	2.0%	\$ 2,712,343	3.5%	\$ (1,045,817)	\$ 4,524,258	2.7%	\$ 5,153,054	3.4%	\$ (628,796)
GASB 45-POST EMPLOYMENT BENEFITS EXPENSE	\$ (57,946)	-0.1%	\$ (57,946)	-0.1%	\$ -	\$ (115,892)	-0.1%	\$ (115,892)	-0.1%	\$ -
GASB 68 - UNFUNDED PENSION LIABILITY	\$ -		\$ (437,479)		\$ 437,479	\$ -		\$ (874,958)		\$ 874,958
INTEREST & OTHER INCOME	\$ 14,278	0.0%	\$ 16,855	0.0%	\$ (2,577)	\$ 23,134	0.0%	\$ 33,710	0.0%	\$ (10,576)
NET SURPLUS (LOSS) FINAL	\$ 1,622,858	2%	\$ 2,233,773	2.9%	\$ (610,915)	\$ 4,431,499	2.7%	\$ 4,195,914	2.8%	\$ 235,586

Administrative Expense
Actual vs. Budget
For the Current Month & Fiscal Year to Date - Aug 2015
Favorable/(Unfavorable)

Current Month					Year to Date			
Actual	Budget	Variance \$	Variance %		Actual	Budget	Variance \$	Variance %
\$ 1,377,250	\$ 1,588,896	\$ 211,646	13.3%	Personnel	\$ 2,904,973	\$ 3,271,457	\$ 366,484	11.2%
1,253,693	1,080,920	(172,773)	-16.0%	Non-Personnel	2,614,135	2,387,813	\$ (226,323)	-9.5%
2,630,942	2,669,815	38,873	1.5%	Total Administrative Expense	5,519,108	5,659,269	140,161	2.5%

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

Two Months Ended Aug 31, 2015

	Medi-Cal (incl. Agnews)	CMC	Healthy Kids	Grand Total
P&L (ALLOCATED BASIS)				
REVENUE	145,346,068	20,093,123	\$787,153	\$166,226,344
MEDICAL EXPENSES (MLR)	133,556,422 91.9%	22,076,526 109.9%	550,030 69.9%	\$156,182,979 94.0%
GROSS MARGIN	11,789,645	(1,983,403)	237,123	10,043,366
ADMINISTRATIVE EXPENSES (% MM allocation except CMC)	4,761,840	667,139	90,129	5,519,108
OPERATING INCOME/(LOSS)	7,027,806	(2,650,542)	146,994	4,524,258
OTHER INCOME/(EXPENSE) (% of Revenue Allocation)	(81,107)	(11,212)	(439)	(92,758)
NET INCOME/ (LOSS)	\$6,946,699	(\$2,661,755)	\$146,555	\$4,431,499
PMPM (ALLOCATED BASIS)				
REVENUE	\$302.51	\$1,318.36	\$86.56	\$329.29
MEDICAL EXPENSES	277.97	1,448.50	60.48	309.39
GROSS MARGIN	24.54	(130.14)	26.07	19.90
ADMINISTRATIVE EXPENSES	9.91	43.77	9.91	10.93
OPERATING INCOME/(LOSS)	14.63	(173.91)	16.16	8.96
OTHER INCOME / (EXPENSE)	(0.17)	(0.74)	(0.05)	(0.18)
NET INCOME / (LOSS)	\$14.46	(\$174.64)	\$16.12	\$8.78
ALLOCATION BASIS:				
MEMBER MONTHS - YTD	480,469	15,241	9,094	504,804
Member MONTHS by LOB	95.2%	3.0%	1.9%	100%
Revenue by LOB	87.4%	12.1%	0.5%	100%

**Santa Clara Family Health Plan
Statement of Cash Flows
For Two Months Ended Aug 31, 2015**

Cash flows from operating activities	
Premiums received	\$ 161,482,161
Medical expenses paid	\$ (139,661,555)
Administrative expenses paid	<u>\$ 18,503,688</u>
Net cash from operating activities	\$ 40,324,295
Cash flows from capital and related financing activities	
Purchases of capital assets	\$ (206,523)
Cash flows from investing activities	
Interest income and other income, net	<u>\$ 23,134</u>
Net (Decrease) increase in cash and cash equivalents	<u>\$ 40,140,905</u>
Cash and cash equivalents, beginning of year	<u>\$ 110,520,927</u>
Cash and cash equivalents at Aug 31, 2015	<u><u>\$ 150,661,832</u></u>
Reconciliation of operating income to net cash from operating activities	
Operating income (loss)	\$ 4,408,366
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	\$ 208,387
Changes in operating assets and liabilities	
Premiums receivable	\$ (4,747,795)
Due from Santa Clara Family Health Foundation	\$ 3,612
Prepays and other assets	\$ (375,568)
Deferred outflow of resources	\$ -
Accounts payable and accrued liabilities	\$ 24,305,869
State payable	\$ 22,145,411
Santa Clara Valley Health Plan payable	\$ (8,841,225)
Net Pension Liability	\$ -
Medical cost reserves and PDR	\$ 3,217,238
Deferred inflow of resources	<u>\$ -</u>
Total adjustments	<u>\$ 35,915,929</u>
Net cash from operating activities	<u><u>\$ 40,324,295</u></u>

Santa Clara Family Health Plan Enrollment Summary

For the Month of Aug 2015

Two Months Ending Aug 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Prior Year Actual</u>	<u>Change FY16 vs. FY15</u>
Medi-Cal	242,159	237,466	2.0%	480,252	474,417	1.2%	398,209	20.6%
Healthy Kids	4,598	4,457	3.2%	9,094	8,963	1.5%	10,064	(9.6%)
Medicare	7,698	8,133	(5.3%)	15,241	15,856	(3.9%)		
Agnews	109	114	0.0%	217	228	0.0%	228	(4.8%)
Total	254,564	250,169	1.8%	504,804	499,464	1.1%	408,501	23.6%

**Santa Clara County Health Authority
August 2015**

	Medi-Cal		Healthy Kids		CMC		AG		Total	
	<u>Enrollment</u>	<u>% of Total</u>	<u>Enrollment</u>	<u>% of Total</u>	<u>Enrollment</u>	<u>% of Total</u>	<u>Enrollment</u>	<u>% of Total</u>	<u>Enrollment</u>	<u>% of Total</u>
Direct Contract Physicians	19,260	8%	180	4%	7,698	100%	109	100%	27,247	11%
SCVHHS, Safety Net Clinics, FQHC Clinics	132,053	55%	3,122	68%	0	0%	0	0%	135,175	53%
Palo Alto Medical Foundation	6,568	3%	46	1%	0	0%	0	0%	6,614	3%
Physicians Medical Group	43,780	18%	1,104	24%	0	0%	0	0%	44,884	18%
Premier Care	15,180	6%	146	3%	0	0%	0	0%	15,326	6%
Kaiser	<u>25,318</u>	<u>10%</u>	<u>0</u>	<u>0%</u>	<u>0</u>	<u>0%</u>	<u>0</u>	<u>0%</u>	<u>25,318</u>	<u>10%</u>
Total	<u>242,159</u>	<u>100%</u>	<u>4,598</u>	<u>100%</u>	<u>7,698</u>	<u>100%</u>	<u>109</u>	<u>100%</u>	<u>254,564</u>	<u>100%</u>
Enrollment @ 6-30-15	<u>234,497</u>		<u>4,541</u>		<u>7,187</u>		<u>112</u>		<u>246,337</u>	
Net % Change from Beginning of FY	<u>3.3%</u>		<u>1.3%</u>		<u>7.1%</u>		<u>-2.7%</u>		<u>3.3%</u>	

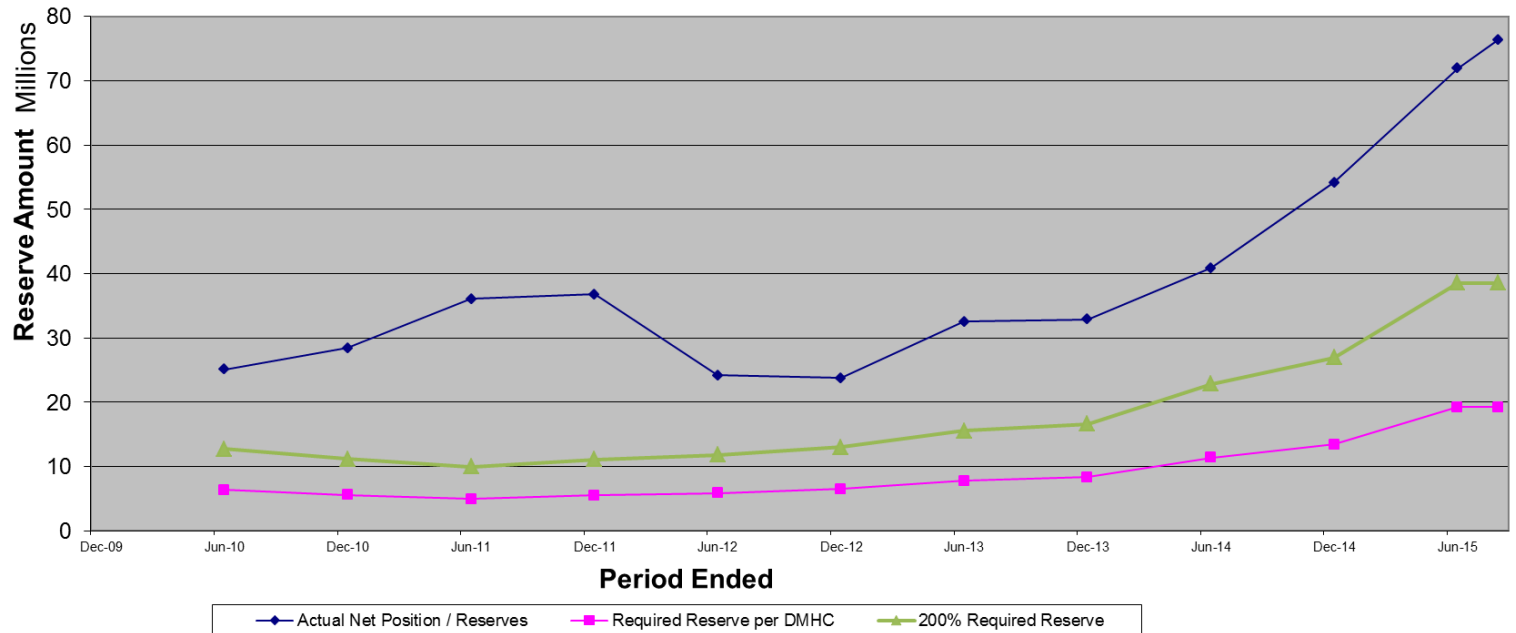
Santa Clara Family Health Plan Enrollment by Aid-Category

	2014-09	2014-10	2014-11	2014-12	2015-01	2015-02	2015-03	2015-04	2015-05	2015-06	2015-07	2015-08
Family	107,312	108,476	110,124	111,221	112,621	112,938	114,279	115,616	117,654	119,402	121,056	123,317
Aged - Medi-Cal Only	7,952	7,850	7,923	7,994	8,238	8,460	8,403	8,563	8,709	8,778	8,695	8,786
Disabled - Medi-Cal Only	11,870	11,848	11,860	11,815	11,687	11,663	11,634	11,546	11,556	11,483	11,455	11,371
Child (HF conversion)	21,545	20,433	20,062	18,951	17,178	16,307	15,346	13,939	12,297	10,683	9,055	7,312
Adult Expansion	43,067	48,176	52,507	55,595	58,747	59,324	61,068	63,373	66,514	68,762	71,222	73,739
Total Non-Duals	191,746	196,783	202,476	205,576	208,471	208,692	210,730	213,037	216,730	219,108	221,483	224,525
Aged -Duals	5,899	5,362	5,424	5,242	4,320	5,428	6,352	7,550	8,675	9,754	10,596	11,346
Disabled - Duals	3,781	3,521	3,534	3,467	2,473	2,930	3,275	3,691	4,060	4,480	4,771	4,980
Other Duals	749	793	837	887	842	886	954	1012	1069	1155	1243	1308
Total Duals	10,429	9,676	9,795	9,596	7,635	9,244	10,581	12,253	13,804	15,389	16,610	17,634
Total Medi-Cal	202,175	206,459	212,271	215,172	216,106	217,936	221,311	225,290	230,534	234,497	238,093	242,159
Healthy Kids	4,910	4,858	4,762	4,820	4,822	4,682	4,648	4,616	4,615	4,559	4,496	4,598
Agnews	114	114	113	112	112	112	112	112	112	112	108	109
CMC	0	0	0	0	5557	6162	6,548	7,226	6,836	7,187	7,543	7,698
Total Enrollment	207,199	211,431	217,146	220,104	226,597	228,892	232,619	237,244	242,097	246,355	250,240	254,564

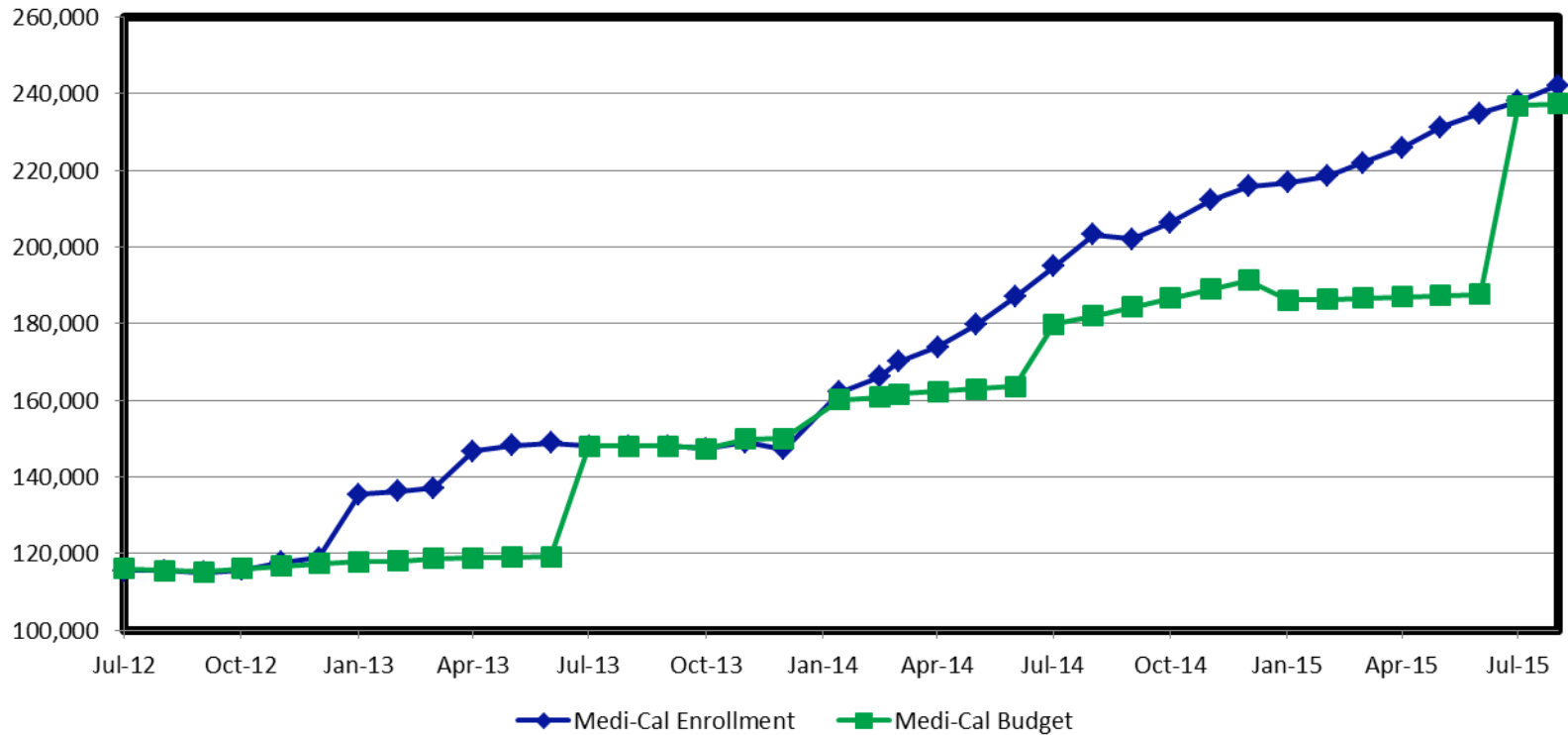
Santa Clara County Health Authority
Tangible Net Equity - Actual vs. Required
As of Period Ended:

	<u>6/30/2010</u>	<u>12/31/2010</u>	<u>6/30/2011</u>	<u>12/31/2011</u>	<u>6/30/2012</u>	<u>12/31/2012</u>	<u>6/30/2013</u>	<u>12/31/2013</u>	<u>6/30/2014</u>	<u>12/31/2014</u>	<u>6/30/2015</u>	<u>8/31/2015</u>
Actual Net Position / Reserves	25,103,011	28,445,504	36,093,769	36,803,460	24,208,576	23,776,902	32,551,161	32,878,950	40,872,580	54,224,335	71,957,916	76,389,416
Required Reserve per DMHC	6,388,000	5,591,000	4,996,000	5,558,000	5,901,000	6,525,000	7,778,000	8,330,000	11,434,000	13,467,000	19,269,000	19,269,000
200% of Required Reserve	12,776,000	11,182,000	9,992,000	11,116,000	11,802,000	13,050,000	15,556,000	16,660,000	22,868,000	26,934,000	38,538,000	38,538,000

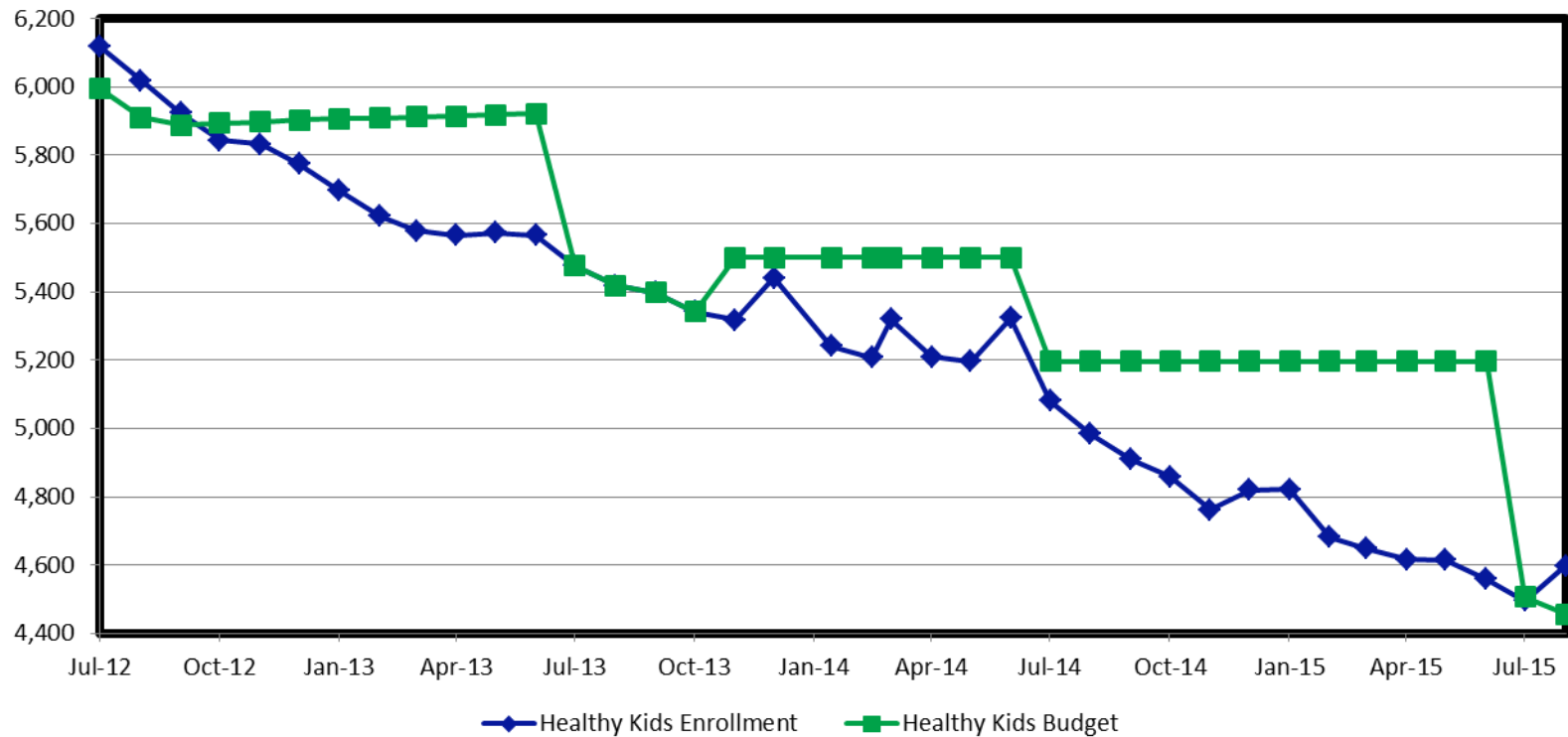
TNE Actual vs. Required



SCFHP Medi-Cal Enrollment as of Aug 2015



SCFHP Healthy Kids Enrollment as of Aug 2015



Reserve Strategy

**Santa Clara Family Health Plan
Executive Committee Meeting
October 22, 2015**

**Dave Cameron
Chief Financial Officer**

Introduction

- **Board of Directors requested analysis of Reserves Policy**
- **Today's presentation:**
 - Background Information
 - Current Policy
 - Future Considerations
 - Recommendation

What are Reserves?

- **Reserves are funds or other assets that are held to provide financial stability:**
 - They are the excess of Assets over Liabilities
 - Private sector calls this “Equity”
- **Assets that contribute to reserves are:**
 - Cash
 - Investments
 - Accounts Receivable
 - Real Property

Reserves Discussion Review

- Reserves are needed to meet regulatory requirements

- Absorb volatility due to unpredictability of healthcare costs
 - LTSS and Duals Programs paid largely on a FFS basis; more uncertainty
 - Benefit & Program Changes (e.g. Hepatitis C, MH, Autism)
 - Large Inpatient claims

- Stability during periods of insufficient or delayed revenue
 - Pricing on new programs or benefits (SPD, Duals, LTSS, Hepatitis C , MH, Autism)
 - DHCS efficiency factors resulting in rate reductions: MAC, PPA
 - Recent and upcoming ACA Expansion rate reductions
 - Future rate actions that do not cover claim trends

- Current Reserves Policy (established by Board December 2011)
 - 2X monthly premium revenue
 - Have not met since established

Reserve Considerations

Regulatory Case: TNE and RBC

➤ Tangible Net Equity (TNE)

- Requirement to hold 100% of minimum TNE, or DMHC can take control of health plan
- If 130% of minimum TNE breached, health plan must submit monthly financial reports
- Minimum TNE requirement based upon % of FFS claims
- Weaknesses in TNE
 - Outdated; RBC is used in majority of states
 - Claims factors appear arbitrary
 - Does not consider non-FFS risks

➤ Risk Based Capital (RBC)

- Nationally recognized model maintained by NAIC and reviewed by actuarial taskforce
- Considers Asset, Underwriting (claims distribution), Credit, and Business risk.
- If 200% RBC breached, health plan must file corrective action plan with regulators
- If 100% RBC breached, health plan may be taken over by regulator

DMHC has discussed shifting reserve requirement from TNE to RBC

Reserve Comparison of California Health Plans As of 6/30/2015: SCFHP Below State Averages

TYPE	HEALTH PLAN	MONTHS	DAYS	QUARTERLY	PROJ ANNUAL	RESERVE	Reserve as a % of Annual Rev
		IN RESERVE	IN RESERVE	REVENUE		(TNE LINE)	
REG	ON LOK SENIOR HEALTH SERVICES	8.58	257	\$ 33,021,216	\$ 132,084,864	\$ 93,121,601	70.50%
LHP	CENTRAL COAST ALLIANCE FOR HEALTH (Santa Cruz)	5.81	174	\$ 241,352,762	\$ 965,411,048	\$ 461,282,832	47.78%
COMM	KAISER PERMANENTE	4.55	137	\$ 15,561,031,000	\$ 62,244,124,000	\$ 23,300,303,000	37.43%
COMM	BLUE SHIELD (CALIFORNIA PHYSICIANS SERVICE)	3.67	110	\$ 3,380,151,000	\$ 13,520,604,000	\$ 4,079,547,000	30.17%
LHP	PARTNERSHIP HEALTH PLAN OF CALIFORNIA	3.62	108	\$ 583,421,854	\$ 2,333,687,416	\$ 693,515,567	29.72%
LHP	HEALTH PLAN OF SAN MATEO	3.54	106	\$ 209,969,286	\$ 839,877,144	\$ 244,139,900	29.07%
LHP	ALAMEDA ALLIANCE FOR HEALTH	3.32	99	\$ 81,495,303	\$ 325,981,212	\$ 88,827,297	27.25%
LHP	HEALTH PLAN OF SAN JOAQUIN	2.87	86	\$ 121,998,757	\$ 487,995,028	\$ 114,974,026	23.56%
REG	SCAN HEALTH PLAN	2.38	71	\$ 554,618,000	\$ 2,218,472,000	\$ 433,497,000	19.54%
LHP	CALOPTIMA (Orange County)	2.30	69	\$ 829,831,280	\$ 3,319,325,120	\$ 626,149,319	18.86%
LHP	KERN HEALTH SYSTEMS	2.00	60	\$ 141,016,000	\$ 564,064,000	\$ 92,512,000	16.40%
LHP	SAN FRANCISCO HEALTH PLAN	1.71	51	\$ 155,583,399	\$ 622,333,596	\$ 87,222,151	14.02%
LHP	CENCAL HEALTH (Santa Barbara)	1.48	44	\$ 187,842,285	\$ 751,369,140	\$ 91,490,659	12.18%
COMM	ANTHEM BLUE CROSS	1.46	44	\$ 4,015,151,000	\$ 16,060,604,000	\$ 1,925,191,000	11.99%
REG	SHARP HEALTH PLAN	1.35	40	\$ 139,206,259	\$ 556,825,036	\$ 61,614,904	11.07%
COMM	HEALTH NET	1.34	40	\$ 1,958,689,890	\$ 7,834,759,560	\$ 862,106,801	11.00%
LHP	INLAND EMPIRE HEALTH PLAN	1.30	39	\$ 1,107,873,418	\$ 4,431,493,672	\$ 472,003,606	10.65%
LHP	COMMUNITY HEALTH GROUP	1.28	38	\$ 240,285,337	\$ 961,141,348	\$ 100,925,246	10.50%
LHP	SANTA CLARA FAMILY HEALTH PLAN	0.74	22	\$ 297,689,000	\$ 1,190,756,000	\$ 71,958,000	6.04%
REG	CARE FIRST HEALTH PLAN	0.81	24	\$ 520,089,042	\$ 2,080,356,168	\$ 137,821,905	6.62%
COMM	AETNA HEALTH OF CALIFORNIA	0.69	21	\$ 481,549,058	\$ 1,926,196,232	\$ 109,410,032	5.68%
LHP	LA CARE (Local Los Angeles)	0.69	21	\$ 1,617,439,835	\$ 6,469,759,340	\$ 364,861,921	5.64%
REG	MOLINA HEALTHCARE OF CALIFORNIA	0.60	18	\$ 532,929,951	\$ 2,131,719,804	\$ 104,997,960	4.93%
LHP	CONTRA COSTA HEALTH PLAN	0.57	17	\$ 214,170,616	\$ 856,682,464	\$ 40,422,607	4.72%
COMM	PACIFICARE (UHC of Calif)	0.46	14	\$ 1,600,760,000	\$ 6,403,040,000	\$ 243,630,000	3.80%
REG	WESTERN HEALTH ADVANTAGE	0.40	12	\$ 156,250,454	\$ 625,001,816	\$ 20,308,908	3.25%
	Weighted Average	3.04	91	\$ 34,963,416,002	\$ 139,853,664,008	\$ 34,921,835,242	24.97%
	Straight Average	2.21	66.31	\$ 1,344,746,769	\$ 5,378,987,077	\$ 1,343,147,509	18.17%
	Local Health Plans (excluding SCFHP)	1.85	55.37	\$ 5,732,280,132	\$ 22,929,120,528	\$ 3,478,327,131	15.17%

Discussion: What's the Right Level?

- As of June 30, 2015, 100% RBC was approximately \$21.9M and with \$71.9M in reserves (328% RBC)
- Milliman Research Paper⁽¹⁾ released June 11, 2015 suggests typical range to be 400-500% for non-profit health plans:
 - 25th / 50th / 75th percentile = 299% / 395% / 512%
 - For-Profit / Non-Profit plans hold a composite RBC of 404% / 457%
 - Non-profits typically hold more capital since for-profits have access to capital markets
- Holding Reserves at industry average levels of around 450% RBC allows SCFHP to withstand a FFS claims spike of 5% and sustain it for up to three years without breaching 200% RBC
 - Current reserve levels allow FFS claims spike of 3% for approximately one year
 - An increase in claims levels can deplete reserves and also increase the required capital at the same time; this is a “double-edged sword”
- There is a balance/tension between paying providers as much as possible and meeting reserve goals

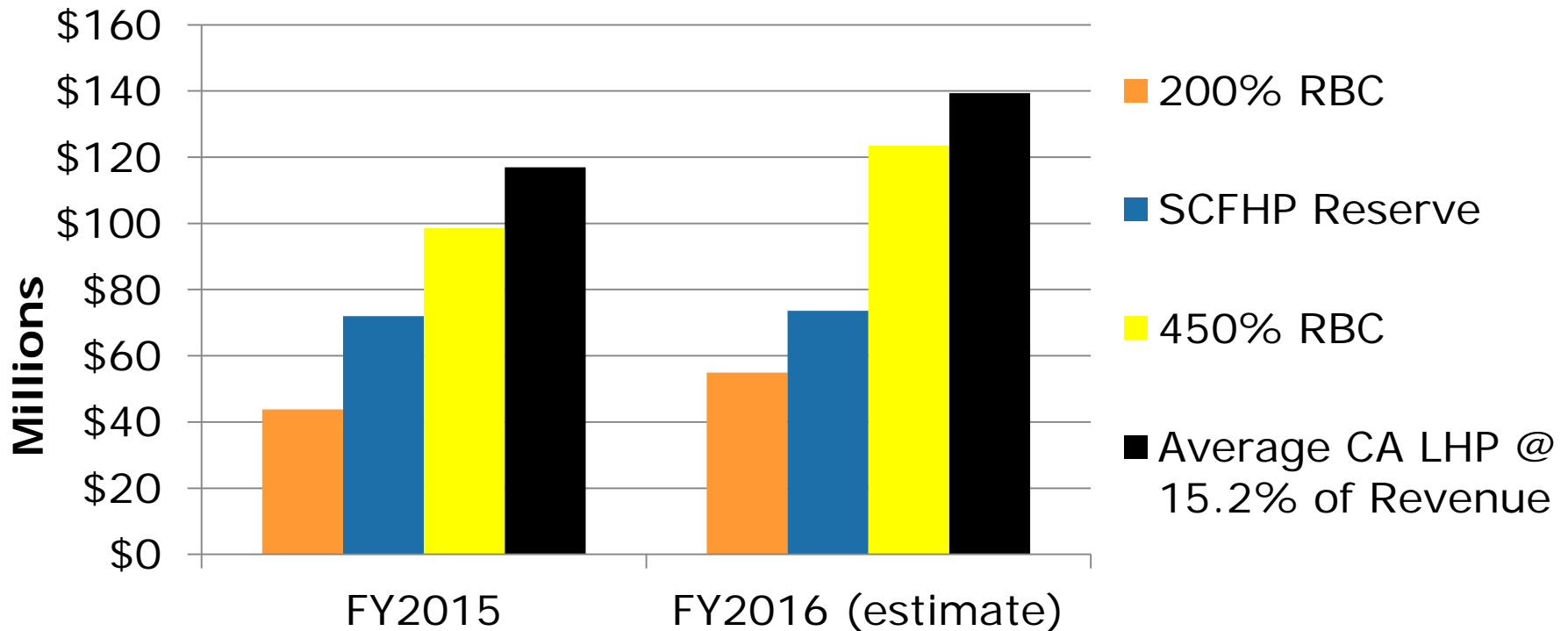
(1): <http://us.milliman.com/uploadedFiles/insight/2015/medicaid-risk-based-managed-care.pdf>

Discussion: Required RBC Estimate (FY15 & FY16)

	FY2015	FY2016
<u>Annual Premium and Administrative Expense Assumptions</u>		
Medical Premium	\$769,418,420	\$916,472,493
Administrative Expense	\$26,264,826	\$31,359,811
Claims Adjustment Expense	\$1,782,781	\$2,123,513
<u>Assets and Other Balance Sheet Items</u>		
Cash, Cash equivalents, and Short-Term Investments	\$112,228,288	\$123,835,372
Real Estate, Property, and Equipment Assets	\$4,343,344	\$4,343,344
Common Stock		
Other Invested Assets		
Receivables	\$77,019,816	\$91,740,126
<u>Annual Claims Distribution</u>		
Claims paid according to contractual arrangement (i.e. fee schedule, per diem, etc)	\$281,589,808	\$407,418,789
Capitation Claims paid directly to providers		
Capitation Claims paid to financial intermediaries.	\$431,533,111	\$428,284,878
Claims paid as a salary to physicians and hospitals		
Claims paid -- Other	\$5,737,233	\$32,059,089
Implied Annual MLR	93.4%	94.7%
H0 - Asset Risk - Affiliates W/RBC	\$0	\$0
H1 - Asset Risk	\$771,019	\$805,841
H2 - U/W Risk	\$38,407,483	\$50,370,776
H3 - Credit Risk	\$21,112,315	\$21,718,401
H4 - Business Risk	\$1,149,244	\$1,366,734
200% of RBC-ACL (need corrective action plan if breached)	\$43,849,514	\$54,876,419
100% of RBC-ACL (State authorized to take control if breached)	\$21,924,757	\$27,438,210
Capital	\$71,958,000	\$73,558,000
Capital as a % of RBC after Covariance	164%	134%
Capital as a % of Authorized Control Level	328%	268%

Discussion: What's the Right Level?

- Assuming a 450% RBC target, FY2016 requirement would be around \$123M compared with an estimated reserve level of \$74M
- FY2015 and FY2016 TNE requirement is \$19M and \$26M



Recommendations

- For internal purposes, consider RBC standard in addition to TNE.
- Target reserve levels between 400%-500% of required RBC as this allows SCFHP to absorb extended periods of elevated claims and/or insufficient premium.
- Difficult to increase RBC ratio when business is growing since required capital typically increases at same pace as reserves.
 - Recommend retaining profits which are higher than expected.
 - Recommend retaining profits when growth stabilizes until target RBC % met.
- Provide an annual review of the reserve policy to the governing board concurrent with the approval of the annual operating budget.