

MINUTES
Santa Clara County Health Authority
Annual Governing Board Retreat

Thursday, December 12th, 2013
12:00 PM-4:00 PM
210 E. Hacienda Avenue
Campbell CA 95008

Board members present:

Ms. Michele Lew
Dr. Dale Rai
Dr. Wally Wenner
Ms. Emily Harrison
Ms. Laura Jones
Mr. Daniel Peddycord
Ms. Linda Williams
Ms. Pattie DeMellopine
Ms. Liz Kniss
Ms. Dolores Alvarado
Ms. Jolene Smith

Board members not present:

None

Others present:

Ms. Elizabeth Darrow, Chief Executive Officer
Mr. Dave Cameron, Chief Financial Officer
Mr. Matt Woodruff, Chief Operations Officer
Mr. Jeff Robertson, Chief Medical Officer
Mr. Rayne Johnson, Chief Information Officer
Ms. Shannon McNally, Secretary
Ms. Robin Bilinski, Manager, Government Relations
Ms. Sharon Valdez, VP of Human Resources

1. Roll Call

Chairman Lew called the meeting to order at 12:36pm. Roll call was taken, and a quorum was established.

2. Adjourn to closed session

a. Pending Litigation (Government Code 54956)

It is the intention of the Governing Board to meet in closed session to discuss pending litigation.

3. Report from closed session

The board discussed pending litigation and no action was taken.

4. Action item: Review and approval of October 24th meeting minutes.

It was moved, seconded, and approved to accept minutes as presented.

5. Public comment

There was no public comment.

6. Action item: Approval of October 2013 financial statements

Mr. Cameron presented highlights for October 2013. Revenue reflects a 3% increase based on Capitation rates received from DHCS effective October 1, 2013. Rates increase does not include ACA 1202 PCP increase.

- For the month of October 2013, SCFHP recorded an operating surplus of \$395 thousand compared to a budgeted operating loss of \$71 thousand, resulting in a favorable variance from budget of \$466 thousand. For year to date October 2013, SCFHP recorded an operating loss of \$421 thousand compared to a budgeted operating loss of \$241 thousand resulting in an unfavorable variance from budget of \$180 thousand.
- The Health Plan recorded net revenue of \$26.2 million for the month of October 2013, compared to budgeted revenue of \$25.3 million, resulting in a favorable variance from budget of \$872 thousand, or 3.5%. For year to date October 2013, the plan recorded net revenue of \$102.4 million compared to budgeted revenue of \$100.8 million, resulting in a favorable variance from budget of \$1.6 million, or 1.6%.

- For the month of October 2013, and October 2013 year to date, overall member months were lower than budget by 2,310 members (-1.5%), and 5,381 (0.9%), respectively.
- For the month of October 2013, medical expense was \$23.8 million compared to budget of \$23.6 million, resulting in an unfavorable budget variance of \$248 thousand, or -1.1%. For year to date October 2013, medical expense was \$95.8 million compared to budget of \$94.0 million, resulting in an unfavorable budget variance of \$1.8 million, or -1.9%. Increases for the four months, through October 2013, includes costs over budget in the areas of inpatient hospitalization and outpatient services. This was partially offset by lower than anticipated Pharmacy expenses.

It was moved, seconded, and approved to accept the financial statements as presented.

7. Action item: Approval of FY13-14 Budget Revision

Ms. Darrow and Mr. Cameron gave an update on assumptions, enrollment projections, revenue and medical expenses and the Cal MediConnect implementation projection. Key budget assumptions included Medi-Cal FY13-14 final capitation rates from DHCS and updated LIHP transitioning enrollment and capitation rates. Cal-MediConnect has an updated start date of January 2015 and the revised budget now includes the implementation costs. Mr. Cameron commented that Medi-Cal enrollment is down slightly from budget through October 2013 and the Plan will see increased transitioning LIHP members to Medi-Cal between January and June 2014. No other lines of business were adjusted from the original budget. New capitation rates for existing Medi-Cal membership reflect a 3% increase in revenue. Medi-Cal Expansion rates are still draft and reflect a \$26.1m increase from the original budget. Mr. Cameron noted that the ACA 1202 increase is not a part of this revised budget. By way of further discussion, Mr. Cameron stated that existing Medi-Cal membership is based on current provider capitation contract and FFS utilization and Medi-Cal expansion population is expected primarily to be enrolled with the County under a global capitation agreement.

Mr. Cameron expanded on the Cal MediConnect project costs, stating that staffing costs would ramp up in April of 2014 with approximately seventeen full time positions. Contract services and other services have already started. Mr. Cameron noted that there would be no revenue or enrollment until July of 2014.

There will be a separate proforma on a two year financial projection, as noted in Action Item number eight, listed below.

It was moved, seconded, and approved to accept the FY13-14 revised budget as presented.

8. Action item: Approval to sign 3-way contract for Cal MediConnect

Mr. Cameron stated that the Cal MediConnect three year demo contract term is 2015-2017 with three rate components and two payers. CMS on the Medicare Part A, B, and D and Medi-Cal for Medicaid covered services. Ms. Darrow commented institutionalized beneficiaries are in nursing homes or nursing home eligible. Home and community based services are members who are receiving long term support, such as IHSS or a waiver program as a high intensity case management program and then there is low which are members with lower level acuity and illness and the community well are enrollees who have not accessed any of these LTSS benefits.

Mr. Cameron commented that there are county specific efficiency targets and savings targets throughout the program, and are built into the rates. The Plan currently has 8,000 dual eligible enrollees including “partial”. Ms. Darrow explained that a partial dual eligible is someone who only has Part B or Part B and Part D, but don’t have A.

DHCS and CMS will withhold a percentage of their respective components of the capitation rate, with the exception of the Medicare Part D rate component. DHCS and CMS will evaluate SCFHPs performance against specified metrics to earn back the withheld amount for a given demonstration year. Enrollment assumptions starting at 4,000 members with a 20% opt-out and growing to approximately 15,000 by December 2015. The revenue assumptions estimate at around \$1897.52 PMPM combined. Mr. Cameron noted that there may be a minor tweak before the final rates are established. Medical cost assumptions were worked out with the Plans actuaries and used a combination of benchmark data for populations and actual experience for Santa Clara County to develop costs. The medical cost assumptions excluded supplemental benefits, with the exception of mental health and transportation services, and includes program guidelines that require higher levels of case management and health services.

Ms. Darrow commented that the program is a very sophisticated care management program and that the Plan needs to be prepared for a very

significant shift. Mr. Cameron noted that the three-way agreement specifies certain staffing requirements in areas such as compliance, customer service and care management. The Plan estimates approximately 30 FTE's between April and December of 2014 and things will start to ramp up approximately three months prior to membership enrollment.

Mr. Cameron shared the final revenue projections with the Board commenting that there isn't a lot of margin for error but the Plan has been conservative enough with assumptions that the Health Plan is comfortable with moving forward. Ms. Darrow gave her recommendation for the Plan to move forward and requested approval to sign the contract with a start date of January 1, 2015. Ms. Darrow also noted that the state has promised that there will be reviews on financials every few months to make sure no one is in jeopardy of insolvency.

Ms. Jones, Board Member, asked Ms. Darrow what her biggest fears were in regard to the Cal MediConnect project, to which Ms. Darrow replied, the complex IT systems and the accuracy of the data, the assumptions from the State and CMS, staffing and most importantly to make a difference in healthcare outcomes.

It was moved, seconded, and approved for the CEO of SCFHP to move forward with signing the three-way contract for Cal MediConnect as presented for a start date of January 2015.

9. Action item: Approval to move forward with Management Services Organization for Valley Medical Center

Ms. Darrow gave a presentation to the Board explaining what an MSO is and describing what the current arrangement and proposed arrangement looked like. Ms. Darrow commented that an MSO generally provides practice management and administrative support to health care providers. In a capitated environment, most medical professionals want to have an MSO because it relieves providers of non-medical business functions so that they can concentrate on the clinical aspect of their practice. The administrative functions include such things as utilization management, contracting and credentialing, claims payment, etc. The range of services depends on the functions for which the providers are responsible.

Ms. Darrow commented that the current arrangement is that Valley Medical Center, the network, currently contracts with Valley Health Plan for MSO services. SCFHP delegates approximately 70,000 lives to Valley Health Plan who are assigned to the Valley Medical Center network which includes non-VMC

community clinics and other community providers. SCFHP pays Valley Health Plan a global capitation rate. Currently, Valley Health Plan performs functions on behalf of VMC such as contracts and credentialing health care providers, process and pays medical claims, utilization review, case management and provider relations.

Ms. Darrow stated that Valley Health Plan is focused on growing their commercial line of business and on Covered California. Covered California is a complex program with four different individual plans to administer. VHP is currently transitioning to a new operating system to support this program. Ms. Darrow stated that moving forward with an MSO gives opportunity for more efficiency. These are SCFHP enrollees so their data already resides in the Plans system and the Health Plan's focus is government programs. Historically, SCFHP has not had a direct relationship with the VMC delivery system and the Plan believes there is opportunity to improve health outcomes with a direct relationship. The Health Plan is interested in working with VMC to decrease the use of outside providers for their assigned enrollees and should work on joint care management.

Ms. Darrow noted that VMC has engaged a consultant who will issue a final report by the end of December outlining all operational steps required, identifying key responsible parties at VMC, VHP and SCFHP. There will be a draft outlining a timeline with deliverables. An upcoming meeting is planned with VMC leadership, SCFHP legal counsel and County Counsel to explore structure and design options and to work on development of a contract to begin negotiations and agreement on pricing.

Several Board Members complimented Ms. Darrow on her thorough explanation of the relationship between VHP, VMC and SCFHP and feel that an MSO could be beneficial for the relationship of all parties.

Ms. Darrow commented that some other considerations include relationships and contracts with community providers as well as Board of Supervisor approval. Ms. Darrow requested approval from the Board to move forward with the concept of an MSO for Medi-Cal and that the Health Plan would return to the board with updates before signing a contract.

Ms. Harrison, Board Member, commented that county employees must identify themselves prior to voting. Ms. Harrison, Mr. Peddycord and Ms. Jones identified themselves as county employees prior to voting.

It was moved, seconded, and approved for the CEO of SCFHP to move forward with the concept of developing an MSO as presented.

10. Discussion item: Profile of SCFHP Membership

Mr. Rayne Johnson, Chief Information Officer and Dr. Jeff Robertson, Chief Medical Officer, gave a detailed presentation of the current membership of SCFHP including enrollee demographics and disease burden. Mr. Johnson commented on the significance of the Plans report portal and the importance of trending data. Encounter data and claims data are useful tools for identifying membership. Dr. Robertson presented a comparison on the burden of disease from 2003 to 2013 which illustrated the change in the Plans population. The population is sicker and higher risk than the Plan has experienced in the past. Dr. Robertson also noted that pharmacy costs had risen significantly with the mandatory enrollment of the SPD population.

11. Discussion item: Significant Initiatives for 2014

Ms. Darrow gave an update on other Health Plan initiatives in 2014 which included the ICD-10 compliance. Ms. Darrow commented that from what the Plan is hearing from providers and associations is that they are not prepared. For those currently using ICD-9 this would mean thousands of coding and compliance changes. Ms. Darrow noted that this is a huge change and would be expensive for everybody involved. The Health Plan will be engaging in system analysis and provider readiness to help prepare. Ms. Darrow also commented that the Health Plan currently offers retirement health care which covers retirees and their dependents. The Health Plan is working closely with CalPERS experts and legal counsel to make a decision, being fair and respectful to the employees and retirees, as the Plan can no longer sustain these costs long term.

Members of the Board agreed that the County and City have been forced to address similar issues.

12. Committee Reports

a. Consumer Affairs Committee

i. Discussion item

A recap of recent Committee proceedings was presented.

b. Provider Advisory Council

i. Discussion item

A recap of recent Committee proceedings was presented.

13. Action item: Approve 2014 Meeting calendar(s)

It was moved, seconded, and approved to accept the 2014 meeting calendar as presented.

14. Adjournment

It was moved, seconded, and approved to adjourn the meetings at 4:48pm.

Shannon McNally, Secretary to the Board



Santa Clara
Family Health Plan

The Spirit of Care

Financial Statements
For Five Months Ended November 2013
(Unaudited)

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**Santa Clara Family Health Plan
CFO Finance Report
For the Month and Year to Date Ended November 30, 2013**

Summary of Financial Results

For the month of November 2013, SCFHP recorded an operating surplus of \$555 thousand compared to a budgeted operating loss of \$20 thousand, resulting in a favorable variance from budget of \$535 thousand. For year to date November 2013, SCFHP recorded an operating surplus of \$134 thousand compared to a budgeted operating loss of \$221 thousand resulting in a favorable variance from budget of \$355 thousand. 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 – November 2013
Favorable/ (Unfavorable)**

Current Month					Year to Date			
Actual	Budget	Variance \$	Variance %		Actual	Budget	Variance \$	Variance %
\$ 25,592,176	\$ 25,318,169	\$ 274,007	1.1%	Revenue	\$ 127,981,086	\$ 126,070,593	\$ 1,910,492	1.5%
23,449,786	23,608,411	158,626	0.7%	Medical Expense	119,280,396	117,617,488	(1,662,908)	-1.4%
2,142,390	1,709,757	432,633	25%	Gross Margin	8,700,689	8,453,106	247,584	3%
1,601,542	1,666,058	64,517	3.9%	Administrative Expense	8,505,937	8,556,978	51,042	0.6%
540,849	43,699	497,149	-1138%	Net Operating Income	194,753	(103,873)	298,626	287%
14,317	(23,333)	37,650	161%	Non-Operating Income/Exp	(60,744)	(116,667)	55,923	48%
\$ 555,165	\$ 20,366	\$ 534,799	-2626%	Operating Surplus/ (Loss)	\$ 134,009	\$ (220,540)	354,548	161%

Revenue

The Health Plan recorded net revenue of \$25.6 million for the month of November 2013, compared to budgeted revenue of \$25.3 million, resulting in a favorable variance from budget of \$274 thousand, or 1.1%. For year to date November 2013, the plan recorded net revenue of \$128.0 million compared to budgeted revenue of \$126.1 million, resulting in a favorable variance from budget of \$1.9 million, or 1.5%.

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

Member months

For the month of November 2013, and November 2013 year to date, overall member months were lower than budget by 989 members (-0.6%), and 6,370 (0.8%), respectively.

In the five months since the end of the prior fiscal year, 6/30/2013, membership in Medi-Cal increased by 0.1%. Membership in the Healthy Families program (the transition is substantially complete; see below) declined by 134 members (-91.8%), and membership in the Healthy Kids program declined by 4.4%, since 6/30/2013. Member months and changes from prior year are summarized on Page 11.

The transfer of Healthy Families members to Medi-Cal has occurred in three phases of the planned Medi-Cal Healthy Families Product Transition, and is substantially complete.

Medical Expenses

For the month of November 2013, medical expense was \$23.4 million compared to budget of \$23.6 million, resulting in a favorable budget variance of \$159 thousand, or +0.7%. For year to date November 2013, medical expense was \$119.3 million compared to budget of \$117.6 million, resulting in an unfavorable budget variance of \$1.7 million, or -1.4%. Increases for five months through November 2013 includes costs over budget in the areas of inpatient hospitalization and outpatient services. This was partially offset by lower than anticipated Pharmacy expenses.

Administrative Expenses

Overall administrative costs were under budget by \$65 thousand (-3.9%) and \$51 thousand (-0.6%), for the month and year to date November 2013, respectively.

Administrative expenses is under budget for both month and year-to-date even though actual expenses include unbudgeted Duals Demonstration project expenditures (approved at the October board meeting).

Overall administrative expenses were 6.7% of revenues for year to date November 2013.

Balance Sheet (Page 6)

Current assets at November 30, 2013 totaled \$75.2 million compared to current liabilities of \$43.1 million, yielding a current ratio (the ratio of current assets to current liabilities) of 1.7:1 as of November 30, 2013. Working capital increased by \$90 thousand for five months year-to-date ended November 30, 2013.

Cash as of November 30, 2013, decreased by \$29.9 million compared to the cash balance as of year-end June 30, 2013. This decrease was largely due to the payment of \$27.3 million to Santa Clara Valley Medical Center for the SB 208 IGT pass through, paid in July 2013. Net receivables increased by \$10.4 million during the five months ended November 30, 2013.

Liabilities decreased by a net amount of \$19.7 million during the five months ended November 2013. This was primarily due to the payable for SB 208, as mentioned above, payable as of June 30, 2013, and paid in July 2013.

As of fiscal year ending June 30, 2013, the “Board Designated Reserve – Healthy Kids” is \$1.5 million, and is shown on the Balance Sheet on page 6.

Capital Expenses increased by \$170 thousand for the five months ended November 30, 2013.

Tangible Net Equity

Tangible net equity (TNE) was \$32.7 million at November 30, 2013, compared to the minimum TNE required by the Department of Managed Health Care (DMHC) of \$8.1 million (as per quarterly filing at 09-30-13). A chart showing TNE trends is shown on page 12 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 November 30, 2013, the Plan's reserves are about \$19.7 million below this reserves target (see calculation below).

Calculation of targeted reserves as of November 30, 2013

Estimate of two months' capitation (November-2013 Medi-Cal capitation of \$25,763,000 X 2 = \$51,526,000)	\$51,526,000
Less: Unrestricted Net Equity per balance sheet (rounded)	<u>\$31,828,000</u>
Approximate reserves below target	<u>\$19,698,000</u>

**Santa Clara County Health Authority
Balance Sheet**

	<u>11/30/2013</u>	<u>10/31/2013</u>	<u>9/30/2013</u>	<u>6/30/2013</u>
Assets				
Current Assets				
Cash and Marketable Securities	\$ 31,955,571	\$ 27,699,832	\$ 28,673,915	\$ 61,888,777
Premiums Receivable	42,560,815	38,101,214	32,048,631	32,121,807
Due from Santa Clara Family Health Foundation - net	5,504	9,711	6,959	319,279
Prepaid Expenses and Other Current Assets	<u>718,357</u>	<u>592,607</u>	<u>779,603</u>	<u>527,488</u>
Total Current Assets	75,240,247	66,403,364	61,509,107	94,857,352
Long Term Assets				
Equipment	6,914,679	6,851,379	6,814,729	6,745,116
Less: Accumulated Depreciation	<u>(6,362,958)</u>	<u>(6,336,946)</u>	<u>(6,312,526)</u>	<u>(6,237,519)</u>
Total Long Term Assets	<u>551,721</u>	<u>514,433</u>	<u>502,203</u>	<u>507,596</u>
Total Assets	<u>\$ 75,791,968</u>	<u>\$ 66,917,796</u>	<u>\$ 62,011,310</u>	<u>\$ 95,364,948</u>
Liabilities and Net Assets				
Liabilities				
Trade Payables	\$ 13,190,419	\$ 7,737,688	\$ 2,421,951	\$ 36,693,075
Employee Benefits	867,918	847,313	822,390	784,300
Retirement Obligation per GASB 45	188,145	150,516	100,001	-
Due to (from) Santa Clara County Valley Health Plan	1,444,839	1,697,171	1,908,231	1,108,409
Advance Premium - Healthy Kids	63,523	60,207	59,440	62,652
Reserve for Rate Reductions	-	-	-	1,068,713
Medical Cost Reserves	<u>27,351,954</u>	<u>24,294,898</u>	<u>24,964,118</u>	<u>23,096,637</u>
Total Liabilities	43,106,799	34,787,792	30,276,130	62,813,787
Net Assets / Reserves				
Invested in Capital Assets	551,721	514,433	502,203	507,596
Restricted under Knox-Keene agreement	305,350	305,350	305,350	305,350
Board Designated Reserve - Healthy Kids	1,489,090	1,489,090	1,489,090	1,489,090
Unrestricted Net Equity	30,205,000	30,242,288	30,254,518	21,906,540
Current YTD Income (Loss)	<u>134,009</u>	<u>(421,156)</u>	<u>(815,981)</u>	<u>8,342,585</u>
Net Assets / Reserves	<u>32,685,170</u>	<u>32,130,004</u>	<u>31,735,180</u>	<u>32,551,161</u>
Total Liabilities and Net Assets	<u>\$ 75,791,968</u>	<u>\$ 66,917,796</u>	<u>\$ 62,011,310</u>	<u>\$ 95,364,948</u>
Solvency Ratios:				
Working Capital	32,133,448	31,615,572	31,232,977	32,043,565
Working Capital ratio	1.7	1.9	2.0	1.5
Average Days Cash on Hand	38	33	34	84

Santa Clara County Health Authority
Income Statement for the Month Ending November 30, 2013

	For the Month of November 2013					For Five Months Ending of November 2013				
	Actual	% of Revenue	Budget	% of Revenue	Variance	Actual	% of Revenue	Budget	% of Revenue	Variance
REVENUES										
MEDI-CAL	\$ 24,848,371	97.1%	\$ 24,539,548	96.9%	\$ 308,823	\$ 124,238,268	97.1%	\$ 122,166,281	96.9%	\$ 2,071,987
HEALTHY FAMILIES	68	0.0%	-	0.0%	68	14,061	0.0%	11,207	0.0%	2,854
HEALTHY KIDS	455,312	1.8%	505,000	2.0%	(49,688)	2,312,125	1.8%	2,525,000	2.0%	(212,875)
AGNEWS	164,000	1.6%	142,671	0.6%	21,329	775,387	1.3%	713,356	1.4%	62,031
HEALTHY WORKERS	<u>124,425</u>	<u>0.5%</u>	<u>130,950</u>	<u>0.5%</u>	<u>(6,526)</u>	<u>641,245</u>	<u>0.5%</u>	<u>654,750</u>	<u>0.5%</u>	<u>(13,506)</u>
TOTAL REVENUE	25,592,176	101.0%	25,318,169	100.0%	274,007	127,981,086	100.7%	126,070,593	100.9%	1,910,492
MEDICAL EXPENSES										
MEDI-CAL	22,755,221	88.9%	22,949,625	90.6%	194,404	115,808,189	90.5%	114,306,802	90.7%	(1,501,387)
HEALTHY FAMILIES	(180)	0.0%	0	0.0%	180	11,500	0.0%	9,202	0.0%	(2,298)
HEALTHY KIDS	416,581	1.6%	454,500	1.8%	37,919	2,112,790	1.7%	2,272,500	1.8%	159,710
AGNEWS	155,952	0.6%	86,431	0.3%	(69,520)	658,027	0.0%	439,709	0.0%	(218,318)
HEALTHY WORKERS	<u>122,211</u>	<u>0.5%</u>	<u>117,855</u>	<u>0.5%</u>	<u>(4,356)</u>	<u>689,890</u>	<u>0.0%</u>	<u>589,275</u>	<u>0.0%</u>	<u>(100,615)</u>
TOTAL MEDICAL EXPENSES	<u>23,449,786</u>	<u>91.6%</u>	<u>23,608,411</u>	<u>93.2%</u>	<u>158,626</u>	<u>119,280,396</u>	<u>92.2%</u>	<u>117,617,488</u>	<u>92.5%</u>	<u>(1,662,908)</u>
MEDICAL OPERATING MARGIN	2,142,390	8.4%	1,709,757	6.8%	432,633	8,700,689	6.8%	8,453,106	6.7%	247,584
ADMINISTRATIVE EXPENSES										
SALARIES AND BENEFITS	1,082,580	4.2%	1,125,259	4.4%	42,679	5,477,681	4.3%	5,852,981	4.6%	375,301
RENTS AND UTILITIES	11,292	0.0%	103,875	0.4%	92,583	420,639	0.3%	519,375	0.4%	98,736
PRINTING AND ADVERTISING	(18,061)	-0.1%	13,754	0.1%	31,816	51,142	0.0%	68,771	0.1%	17,629
INFORMATION SYSTEMS	48,652	0.2%	78,593	0.3%	29,941	400,280	0.3%	392,967	0.3%	(7,313)
PROF FEES / CONSULTING / TEMP STAFFING	312,549	1.2%	153,792	0.6%	(158,758)	1,364,368	1.1%	768,958	0.6%	(595,410)
DEPRECIATION / INSURANCE / EQUIPMENT	89,082	0.3%	80,012	0.3%	(9,070)	336,721	0.3%	400,058	0.3%	63,337
OFFICE SUPPLIES / POSTAGE / TELEPHONE	19,028	0.1%	42,900	0.2%	23,872	177,336	0.1%	214,500	0.2%	37,164
MEETINGS / TRAVEL / DUES	49,780	0.2%	60,440	0.2%	10,660	253,167	0.2%	302,202	0.2%	49,035
OTHER	<u>6,640</u>	<u>0.0%</u>	<u>7,433</u>	<u>0.0%</u>	<u>793</u>	<u>24,604</u>	<u>0.0%</u>	<u>37,167</u>	<u>0.0%</u>	<u>12,563</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>1,601,542</u>	<u>6.3%</u>	<u>1,666,058</u>	<u>6.6%</u>	<u>64,517</u>	<u>8,505,937</u>	<u>6.6%</u>	<u>8,556,978</u>	<u>6.8%</u>	<u>51,042</u>
OPERATING SURPLUS (LOSS)	540,849	2.1%	43,699	0.2%	497,149	194,753	0.2%	(103,873)	-0.1%	298,626
GASB 45-POST EMPLOYMENT BENEFITS EXPENSE	(37,629)	-0.1%	(33,333)	-0.1%	(4,296)	(188,145)	0.0%	(166,667)	0.0%	(21,478)
INTEREST & OTHER INCOME	<u>51,946</u>	<u>0.2%</u>	<u>10,000</u>	<u>0.0%</u>	<u>41,946</u>	<u>127,401</u>	<u>0.1%</u>	<u>50,000</u>	<u>0.0%</u>	<u>77,401</u>
NET INCOME (LOSS) FINAL	<u>\$ 555,165</u>	<u>2.2%</u>	<u>\$ 20,366</u>	<u>0.1%</u>	<u>\$ 534,799</u>	<u>\$ 134,009</u>	<u>0.1%</u>	<u>\$ (220,540)</u>	<u>-0.2%</u>	<u>\$ 354,548</u>

Administrative Expense
Actual vs. Budget
For the Current Month & Fiscal Year to Date - November 2013
Favorable/(Unfavorable)

Current Month					Year to Date			
Actual	Budget	Variance \$	Variance %		Actual	Budget	Variance \$	Variance %
\$ 1,082,580	\$ 1,125,259	\$ 42,679	3.8%	Personnel	\$ 5,477,681	\$ 5,852,981	\$ 375,301	6.4%
518,962	540,799	21,838	4.0%	Non-Personnel	3,028,256	2,703,997	\$ (324,259)	-12.0%
1,601,542	1,666,058	64,517	3.9%	Total Administrative Expense	8,505,937	8,556,978	51,042	0.6%

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

FIVE MONTHS ENDED NOVEMBER 30, 2013

	Medi-Cal	Healthy Families	Healthy Kids	Agnews	Healthy Workers	Grand Total
P&L (ALLOCATED BASIS)						
REVENUE	\$124,238,268	\$14,061	\$2,312,125	\$775,387	641,245	\$127,981,086
MEDICAL EXPENSES	115,808,189	11,500	2,112,790	658,027	689,890	\$119,280,396
	MLR 93.2%	81.8%	91.4%	84.9%	107.6%	93.2%
GROSS MARGIN	8,430,079	2,561	199,335	117,360	(48,646)	\$8,700,689
ADMINISTRATIVE EXPENSES	8,168,059	2,326	297,164	6,659	31,728	\$8,505,937
(indirect costs subject to % MM allocation)						
OPERATING INCOME/(LOSS)	262,020	234	(97,830)	110,702	(80,374)	194,753
OTHER INCOME/EXPENSE (% of mm Allocation)	(58,331)	(17)	(2,122)	(48)	(227)	(60,744)
NET INCOME/ (LOSS)	<u>\$203,689</u>	<u>\$218</u>	<u>(\$99,952)</u>	<u>\$110,654</u>	<u>(\$80,601)</u>	<u>\$134,009</u>

PMPM ALLOCATED P&L:

REVENUE	\$167.68	\$66.64	\$85.78	\$1,283.75	\$222.81	\$165.88
MEDICAL EXPENSES	156.31	54.50	78.38	1,089.45	239.71	154.60
GROSS MARGIN	11.38	12.14	7.40	194.31	(16.90)	11.28
ADMINISTRATIVE EXPENS	11.02	11.02	11.02	11.02	11.02	11.02
OPERATING INCOME/(LOSS)	0.35	1.11	(3.63)	183.28	(27.93)	0.25
OTHER INCOME / (EXPENSE)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)
NET INCOME / (LOSS)	<u>\$0.27</u>	<u>\$1.03</u>	<u>(\$3.71)</u>	<u>\$183.20</u>	<u>(\$28.01)</u>	<u>\$0.17</u>

ALLOCATION BASIS:

MEMBER MONTHS - Month and YTD	740,903	211	26,955	604	2,878	771,551
% of Member Months	96.03%	0.03%	3.49%	0.08%	0.37%	100.00%

Santa Clara Family Health Plan
Statement of Cash Flows
For Five Months Ended November 30, 2013

Cash flows from operating activities	
Premiums received	\$ 116,788,011
Medical expenses paid	\$ (114,688,649)
Administrative expenses paid	<u>\$ (31,990,406)</u>
Net cash from operating activities	\$ (29,891,044)
Cash flows from capital and related financing activities	
Purchases of capital assets	\$ (169,563)
Cash flows from investing activities	
Interest income and other income, net	<u>\$ 127,401</u>
Net (Decrease) increase in cash and cash equivalents	<u>\$ (29,933,207)</u>
Cash and cash equivalents, beginning of year	<u>\$ 61,888,777</u>
Cash and cash equivalents at November 30, 2013	<u>\$ 31,955,571</u>
Reconciliation of operating income to net cash from operating activities	
Operating income (loss)	\$ 6,608
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	\$ 125,438
Changes in operating assets and liabilities	
Premiums receivable	\$ (10,439,007)
Due from Santa Clara Family Health Foundation	\$ 313,775
Prepays and other assets	\$ (190,869)
Accounts payable and accrued liabilities	\$ (23,314,511)
Capitation payable	\$ 336,430
Employee benefit liabilities	\$ 83,618
Advance premium - Healthy Kids	\$ 871
Reserve for Rate Reductions	\$ (1,068,713)
Incurred but not reported claims payable and risk share payments payable	<u>\$ 4,255,317</u>
Total adjustments	<u>\$ (29,897,652)</u>
Net cash from operating activities	<u>\$ (29,891,044)</u>

Santa Clara Family Health Plan Enrollment Summary

For the Month of November 2013

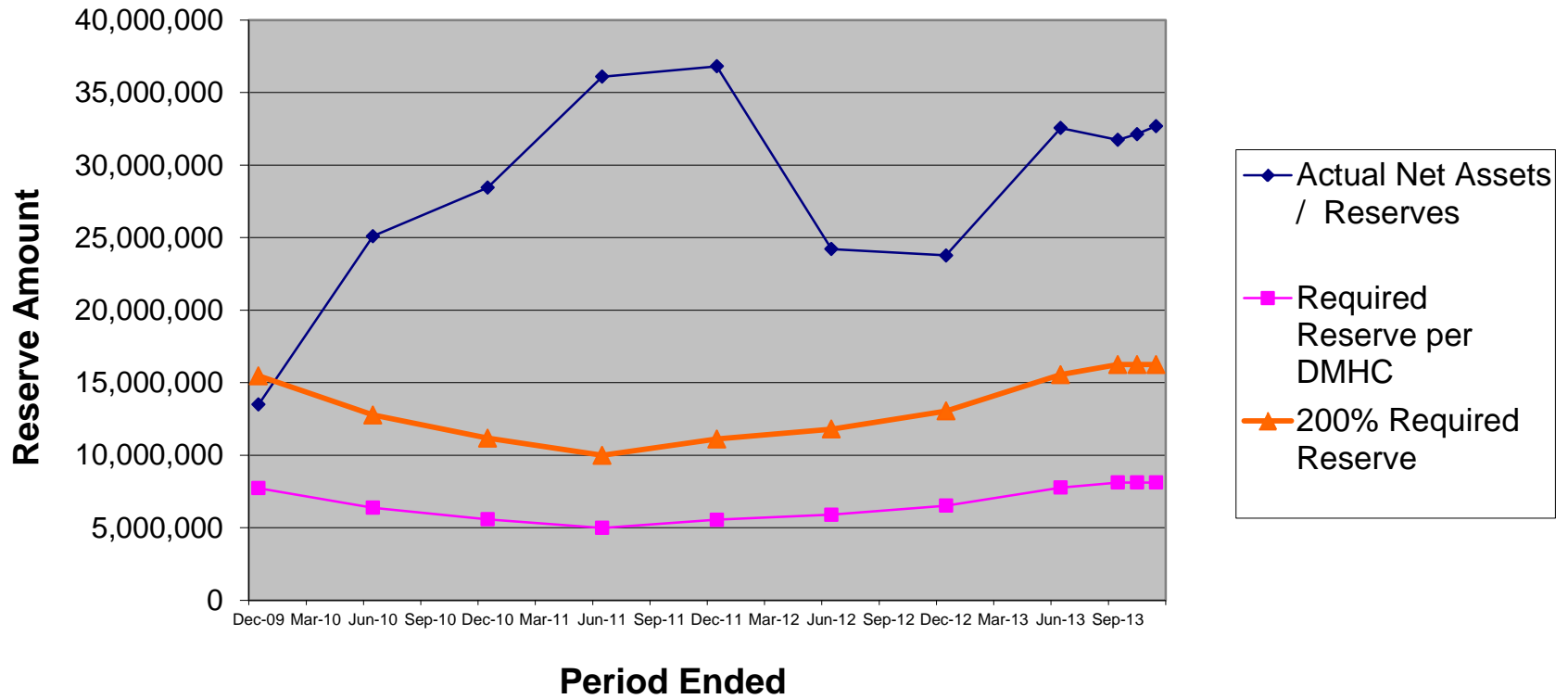
YTD Five Months Ending November 2013

	For the Month of November 2013			YTD Five Months Ending November 2013			Prior Year	% Change
	<u>Actual</u>	<u>Budget</u>	<u>% Variance</u>	<u>Actual</u>	<u>Budget</u>	<u>% Variance</u>	<u>Actual</u>	<u>FY14 vs FY13</u>
Medi-Cal	149,086	149,846	(0.51%)	740,903	746,740	(0.78%)	579,890	27.77%
Healthy Families	12	0	0.00%	211	146	44.52%	83,264	(99.75%)
Healthy Kids	5,319	5,500	(3.29%)	26,955	27,500	(1.98%)	29,733	(9.34%)
Agnews	117	126	(7.14%)	604	630	(4.13%)	645	(6.36%)
Healthy Workers	<u>530</u>	<u>581</u>	<u>(8.78%)</u>	<u>2,878</u>	<u>2,905</u>	<u>(0.93%)</u>	<u>2,635</u>	<u>9.22%</u>
Total	<u>155,064</u>	<u>156,053</u>	<u>(0.63%)</u>	<u>771,551</u>	<u>777,921</u>	<u>(0.82%)</u>	<u>696,167</u>	<u>10.83%</u>

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

	12/31/2009	6/30/2010	12/31/2010	6/30/2011	12/31/2011	6/30/2012	12/31/2012	6/30/2013	9/30/2013	10/31/2013	11/30/2013
Actual Net Assets / Reserves	13,501,652	25,103,011	28,445,504	36,093,769	36,803,460	24,208,576	23,776,902	32,551,161	31,735,180	32,130,004	32,685,170
Required Reserve per DMHC	7,737,000	6,388,000	5,591,000	4,996,000	5,558,000	5,901,000	6,525,000	7,778,000	8,125,000	8,125,000	8,125,000
200% of Required Reserve	15,474,000	12,776,000	11,182,000	9,992,000	11,116,000	11,802,000	13,050,000	15,556,000	16,250,000	16,250,000	16,250,000

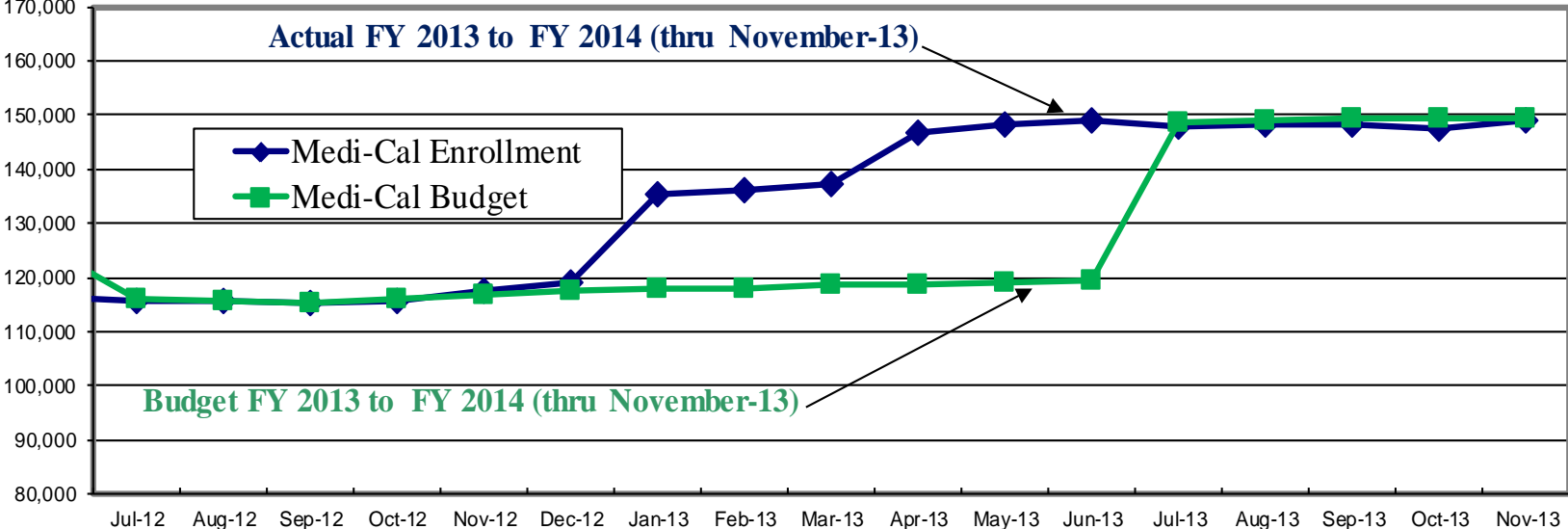
TNE Actual vs. Required



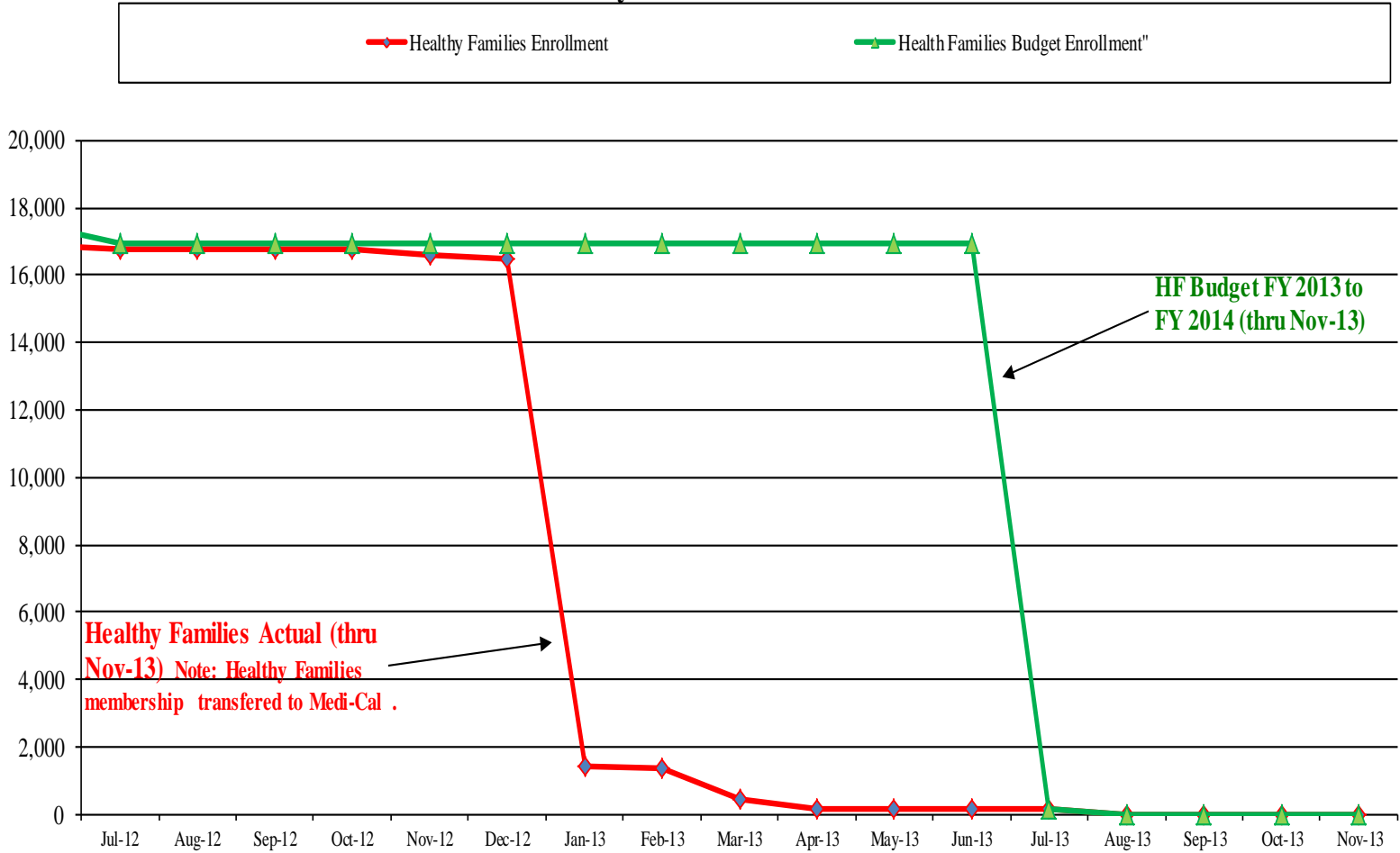
**Santa Clara County Health Authority
Enrollment Summary by Network
November 2013**

	Medi-Cal		Healthy Families		Healthy Kids		AG		Healthy Workers		Total	
	Enrollment	% of Total	Enrollment	% of Total	Enrollment	% of Total	Enrollment	% of Total	Enrollment	% of Total	Enrollment	% of Total
Direct Contract Physicians SCVHHS, Safety Net Clinics, FQHC Clinics,	9,925	7%	0	0%	161	3%	117	100%	0	0%	10,203	7%
Palo Alto Medical Foundation Physicians Medical Group	69,948	47%	6	50%	3,676	69%	0	0%	530	100%	74,160	48%
Premier Care	3,455	2%	0	0%	51	1%	0	0%	0	0%	3,506	2%
Kaiser	36,953	25%	3	25%	1,298	24%	0	0%	0	0%	38,254	25%
Total	9,982	7%	3	25%	133	3%	0	0%	0	0%	10,118	7%
	18,823	13%	0	0%	0	0%	0	0%	0	0%	18,823	12%
	<u>149,086</u>	<u>100%</u>	<u>12</u>	<u>100%</u>	<u>5,319</u>	<u>100%</u>	<u>117</u>	<u>100%</u>	<u>530</u>	<u>100%</u>	<u>155,064</u>	<u>100%</u>
Enrollment @ 6-30-13	-	-	-	-	-	-	-	-	-	-	-	-
Net % Change from Beginning of FY	<u>148,874</u>	-	<u>146</u>	-	<u>5,565</u>	-	<u>126</u>	-	<u>604</u>	-	<u>155,315</u>	-
	<u>0.14%</u>	-	<u>-91.78%</u>	-	<u>-4.42%</u>	-	<u>-7.14%</u>	-	<u>-12.25%</u>	-	<u>-0.16%</u>	-

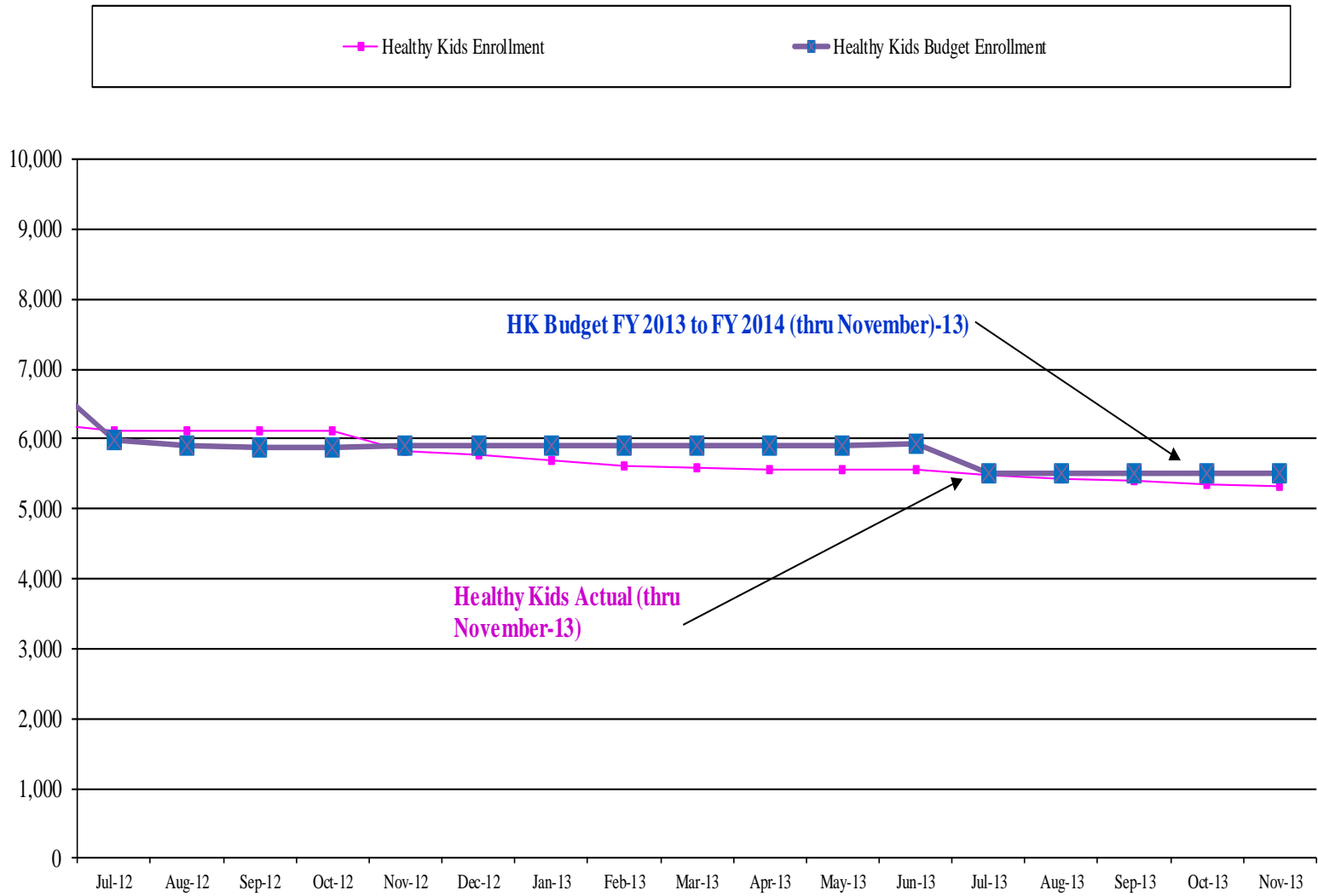
SCFHP Medi-Cal Enrollment as of November 2013



SCFHP Healthy Families Enrollment as of November 2013



SCFHP Healthy Kids Enrollment as of November 2013





Santa Clara
Family Health Plan

The Spirit of Care

Financial Statements
For Six Months Ended December 2013
(Unaudited)

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Santa Clara Family Health Plan CFO Finance Report

For the Month and Year to Date Ended December 31, 2013

Summary of Financial Results

For the month of December 2013, SCFHP recorded an operating surplus of \$194 thousand compared to a budgeted operating loss of \$31 thousand, resulting in a favorable variance from budget of \$225 thousand. For year to date December 2013, SCFHP recorded an operating surplus of \$328 thousand compared to a budgeted operating loss of \$485 thousand resulting in a favorable variance from budget of \$813 thousand. The table below summarizes the components of the overall variance from budget.

Note: For purposes of this report all budget amounts are per Revised Budget as presented at the Board Meeting on December 12, 2013.

Summary Operating Results – Actual vs. Revised Budget

For the Current Month & Fiscal Year to Date – December 2013
Favorable/ (Unfavorable)

Current Month					Year to Date			
Actual	Revised Budget	Variance \$	Variance %		Actual	Revised Budget	Variance \$	Variance %
\$ 26,231,920	\$ 26,023,000	\$ 208,920	0.8%	Revenue	\$ 154,213,006	\$ 154,394,982	\$ (181,976)	-0.1%
24,339,324	24,218,593	(120,732)	-0.5%	Medical Expense	143,619,720	144,229,642	609,922	0.4%
1,892,596	1,804,407	88,189	5%	Gross Margin	10,593,285	10,165,340	427,946	4%
1,686,506	1,812,471	125,965	6.9%	Administrative Expense	10,192,443	10,528,420	335,977	3.2%
206,090	(8,063)	214,153	2656%	Net Operating Income	400,843	(363,080)	763,923	210%
(12,309)	(23,333)	11,024	47%	Non-Operating Income/Exp	(73,053)	(121,728)	48,674	40%
\$ 193,781	\$ (31,397)	\$ 225,177	717%	Operating Surplus/ (Loss)	\$ 327,790	\$ (484,807)	812,597	168%

Revenue

The Health Plan recorded net revenue of \$26.2 million for the month of December 2013, compared to budgeted revenue of \$26.0 million, resulting in a favorable variance from budget of \$209 thousand, or 0.8%. For year to date December 2013, the plan recorded net revenue of \$154.2 million compared to budgeted revenue of \$154.4 million, resulting in an unfavorable variance from budget of \$182 thousand, or -0.1%.

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

Member months

For the month of December 2013, and December 2013 year to date, overall member months were lower than budget by 2,992 members (-1.9%), and 3,981 (-0.4%), respectively.

In the six months since the end of the prior fiscal year, 6/30/2013, membership in Medi-Cal decreased by 1.1%. Membership in the Healthy Families program declined by 145 members (-99.3%), and membership in the Healthy Kids program declined by 2.3%, since 6/30/2013. Member months and changes from prior year are summarized on Page 11.

The transfer of Healthy Families members to Medi-Cal has occurred in three phases of the planned Medi-Cal Healthy Families Product Transition, and is complete as of 12-31-13.

Medical Expenses

For the month of December 2013, medical expense was \$24.3 million compared to budget of \$24.2 million, resulting in an unfavorable budget variance of \$121 thousand, or -0.5%. For year to date December 2013, medical expense was \$143.6 million compared to budget of \$144.2 million, resulting in a favorable budget variance of \$610 thousand, or +0.4%. Increases for six months through December 2013 includes costs over budget in the areas of inpatient hospitalization, specialist's and outpatient services. This was partially offset by lower than anticipated Capitation and Pharmacy expenses.

Administrative Expenses

Overall administrative costs were under budget by \$126 thousand (-7.0%) and \$336 thousand (-3.2%), for the month and year to date December 2013, respectively.

Overall administrative expenses were 6.6% of revenues for year to date December 2013.

Balance Sheet (Page 6)

Current assets at December 31, 2013 totaled \$69.1 million compared to current liabilities of \$36.8 million, yielding a current ratio (the ratio of current assets to current liabilities) of 1.9:1 as of December 31, 2013. Working capital increased by \$261 thousand for six months year-to-date ended December 31, 2013.

Cash as of December 31, 2013, decreased by \$37.1 million compared to the cash balance as of year-end June 30, 2013. This decrease was largely due to the payment of \$27.3 million to Santa Clara Valley Medical Center for the SB 208 IGT pass through, paid in July 2013. Net receivables increased by \$11.4 million during the six months ended December 31, 2013.

Liabilities decreased by a net amount of \$26.0 million during the six months ended December 2013. This was primarily due to the payable for SB 208, as mentioned above, payable as of June 30, 2013, and paid in July 2013.

As of fiscal year ending June 30, 2013, the “Board Designated Reserve – Healthy Kids” is \$1.5 million, and is shown on the Balance Sheet on page 6.

Capital Expenses increased by \$220 thousand for the six months ended December 31, 2013.

Tangible Net Equity

Tangible net equity (TNE) was \$32.9 million at December 31, 2013, compared to the minimum TNE required by the Department of Managed Health Care (DMHC) of \$8.1 million (as per quarterly filing at 09-30-13). A chart showing TNE trends is shown on page 12 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 December 31, 2013, the Plan's reserves are about \$19.1 million below this reserves target (see calculation below).

Calculation of targeted reserves as of December 31, 2013

Estimate of two months' capitation (December-2013 Medi-Cal capitation of \$25,559,500 X 2 = \$51,119,000)	\$51,119,000
Less: Unrestricted Net Equity per balance sheet (rounded)	<u>\$31,999,000</u>
Approximate reserves below target	<u>\$19,120,000</u>

**Santa Clara County Health Authority
Balance Sheet**

	<u>12/31/2013</u>	<u>11/30/2013</u>	<u>10/31/2013</u>	<u>6/30/2013</u>
Assets				
Current Assets				
Cash and Marketable Securities	\$ 24,786,184	\$ 31,955,571	\$ 27,699,832	\$ 61,888,777
Premiums Receivable	43,548,791	42,560,815	38,101,214	32,121,807
Due from Santa Clara Family Health Foundation - net	5,504	5,504	9,711	319,279
Prepaid Expenses and Other Current Assets	<u>808,634</u>	<u>718,357</u>	<u>592,607</u>	<u>527,488</u>
Total Current Assets	69,149,113	75,240,247	66,403,364	94,857,352
Long Term Assets				
Equipment	6,964,679	6,914,679	6,851,379	6,745,116
Less: Accumulated Depreciation	<u>(6,390,358)</u>	<u>(6,362,958)</u>	<u>(6,336,946)</u>	<u>(6,237,519)</u>
Total Long Term Assets	<u>574,321</u>	<u>551,721</u>	<u>514,433</u>	<u>507,596</u>
Total Assets	<u>\$ 69,723,434</u>	<u>\$ 75,791,968</u>	<u>\$ 66,917,796</u>	<u>\$ 95,364,948</u>
Liabilities and Net Assets				
Liabilities				
Trade Payables	\$ 1,852,022	\$ 1,956,810	\$ 1,827,809	\$ 1,641,280
Employee Benefits	892,879	867,918	847,313	784,300
Retirement Obligation per GASB 45	225,774	188,145	150,516	-
Due to (from) Santa Clara County Valley Health Plan	1,173,780	1,444,839	1,697,171	1,108,409
Advance Premium - Healthy Kids	65,545	63,523	60,207	62,652
Liability for ACA 1202	5,074,527	3,378,632	1,675,473	-
Payable to Hospitals (SB208)	-	-	-	27,272,387
Due to DHCS	11,073,169	7,854,978	4,234,406	8,848,121
Medical Cost Reserves	<u>16,331,064</u>	<u>27,351,954</u>	<u>24,294,898</u>	<u>23,096,637</u>
Total Liabilities	36,844,484	43,106,799	34,787,792	62,813,787
Net Assets / Reserves				
Invested in Capital Assets	574,321	551,721	514,433	507,596
Restricted under Knox-Keene agreement	305,350	305,350	305,350	305,350
Board Designated Reserve - Healthy Kids	1,489,090	1,489,090	1,489,090	1,489,090
Unrestricted Net Equity	30,182,400	30,205,000	30,242,288	21,906,540
Current YTD Income (Loss)	327,790	134,009	(421,156)	8,342,585
Net Assets / Reserves	<u>32,878,950</u>	<u>32,685,170</u>	<u>32,130,004</u>	<u>32,551,161</u>
Total Liabilities and Net Assets	<u>\$ 69,723,434</u>	<u>\$ 75,791,968</u>	<u>\$ 66,917,796</u>	<u>\$ 95,364,948</u>
Solvency Ratios:				
Working Capital	32,304,630	32,133,448	31,615,572	32,043,565
Working Capital ratio	1.9	1.7	2.0	1.5
Average Days Cash on Hand	30	33	34	84

Santa Clara County Health Authority
Income Statement for the Month Ending December 31, 2013

	For the Month of December 2013					For Six Months Ending of December 2013				
	Actual	% of Revenue	Revised Budget	% of Revenue	Variance	Actual	% of Revenue	Revised Budget	% of Revenue	Variance
REVENUES										
MEDI-CAL	\$ 25,524,457	97.3%	\$ 25,196,822	96.8%	\$ 327,635	\$ 149,762,725	97.1%	\$ 149,743,613	97.0%	\$ 19,112
HEALTHY FAMILIES	0	0.0%	-	0.0%	0	14,061	0.0%	13,993	0.0%	68
HEALTHY KIDS	468,469	1.8%	505,000	1.9%	(36,531)	2,780,594	1.8%	2,866,813	1.9%	(86,219)
AGNEWS	143,595	1.6%	190,228	0.7%	(46,634)	918,982	1.3%	991,843	1.4%	(72,862)
HEALTHY WORKERS	95,400	0.4%	130,950	0.5%	(35,550)	736,645	0.5%	778,720	0.5%	(42,076)
TOTAL REVENUE	26,231,920	101.1%	26,023,000	100.0%	208,920	154,213,006	100.7%	154,394,982	100.8%	(181,976)
MEDICAL EXPENSES										
MEDI-CAL	23,708,021	90.4%	23,559,806	90.5%	(148,214)	139,516,209	90.5%	140,134,427	90.8%	618,217
HEALTHY FAMILIES	(21,695)	-0.1%	0	0.0%	21,695	(10,195)	0.0%	11,680	0.0%	21,875
HEALTHY KIDS	460,620	1.8%	454,500	1.7%	(6,120)	2,573,411	1.7%	2,605,209	1.7%	31,799
AGNEWS	85,221	0.3%	86,431	0.3%	1,210	743,248	0.0%	674,938	0.0%	(68,310)
HEALTHY WORKERS	107,157	0.4%	117,855	0.5%	10,698	797,047	0.0%	803,389	0.0%	6,342
TOTAL MEDICAL EXPENSES	24,339,324	92.8%	24,218,593	93.1%	(120,732)	143,619,720	92.1%	144,229,642	92.5%	609,922
MEDICAL OPERATING MARGIN	1,892,596	7.2%	1,804,407	6.9%	88,189	10,593,285	6.9%	10,165,340	6.6%	427,946
ADMINISTRATIVE EXPENSES										
SALARIES AND BENEFITS	1,129,805	4.3%	1,162,838	4.5%	33,033	6,607,485	4.3%	6,720,777	4.4%	113,292
RENTS AND UTILITIES	164,862	0.6%	103,875	0.4%	(60,987)	585,501	0.4%	616,180	0.4%	30,679
PRINTING AND ADVERTISING	493	0.0%	13,754	0.1%	13,261	51,635	0.0%	96,712	0.1%	45,076
INFORMATION SYSTEMS	71,023	0.3%	71,593	0.3%	571	471,302	0.3%	494,814	0.3%	23,512
PROF FEES / CONSULTING / TEMP STAFFING	154,723	0.6%	262,126	1.0%	107,402	1,519,092	1.0%	1,576,070	1.0%	56,979
DEPRECIATION / INSURANCE / EQUIPMENT	60,132	0.2%	80,012	0.3%	19,879	396,853	0.3%	407,662	0.3%	10,809
OFFICE SUPPLIES / POSTAGE / TELEPHONE	54,901	0.2%	42,900	0.2%	(12,001)	232,237	0.2%	244,108	0.2%	11,871
MEETINGS / TRAVEL / DUES	43,732	0.2%	60,939	0.2%	17,208	296,899	0.2%	325,265	0.2%	28,367
OTHER	6,834	0.0%	14,433	0.1%	7,599	31,438	0.0%	46,830	0.0%	15,392
TOTAL ADMINISTRATIVE EXPENSES	1,686,506	6.4%	1,812,471	7.0%	125,965	10,192,443	6.6%	10,528,420	6.8%	335,977
OPERATING SURPLUS (LOSS)	206,090	0.8%	(8,063)	0.0%	214,153	400,843	0.3%	(363,080)	-0.2%	763,923
GASB 45-POST EMPLOYMENT BENEFITS EXPENSE	(37,629)	-0.1%	(33,334)	-0.1%	(4,296)	(225,774)	0.0%	(217,183)	0.0%	(8,591)
INTEREST & OTHER INCOME	25,320	0.1%	10,000	0.0%	15,320	152,721	0.1%	95,455	0.1%	57,265
NET INCOME (LOSS) FINAL	\$ 193,781	0.7%	\$ (31,397)	-0.1%	\$ 225,178	\$ 327,790	0.2%	\$ (484,807)	-0.3%	\$ 812,597

Administrative Expense
Actual vs. Revised Budget
For the Current Month & Fiscal Year to Date - December 2013
Favorable/(Unfavorable)

Current Month					Year to Date			
Actual	Revised Budget	Variance \$	Variance %		Actual	Revised Budget	Variance \$	Variance %
\$ 1,129,805	\$ 1,162,838	\$ 33,033	2.8%	Personnel	\$ 6,607,485	\$ 6,720,777	\$ 113,292	1.7%
556,701	649,632	92,931	14.3%	Non-Personnel	3,584,957	3,807,643	\$ 222,685	5.8%
1,686,506	1,812,471	125,965	6.9%	Total Administrative Expense	10,192,443	10,528,420	335,977	3.2%

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

SIX MONTHS ENDED DECEMBER 31, 2013

	Medi-Cal	Healthy Families	Healthy Kids	Agnews	Healthy Workers	Grand Total
P&L (ALLOCATED BASIS)						
REVENUE	\$149,762,725	\$14,061	\$2,780,594	\$918,982	736,645	\$154,213,006
MEDICAL EXPENSES	139,516,209	(10,195)	2,573,411	743,248	797,047	\$143,619,720
GROSS MARGIN	MLR 93.2%	-72.5%	92.5%	80.9%	108.2%	93.1%
	10,246,515	24,256	207,184	175,733	(60,403)	\$10,593,285
ADMINISTRATIVE EXPENSES	9,787,703	2,336	357,010	7,979	37,415	\$10,192,443
(indirect costs subject to % MM allocation)						
OPERATING INCOME/(LOSS)	458,812	21,919	(149,826)	167,755	(97,817)	400,843
OTHER INCOME/EXPENSE (% of mm Allocation)	(70,152)	(17)	(2,559)	(57)	(268)	(73,053)
NET INCOME/ (LOSS)	<u>\$388,660</u>	<u>\$21,903</u>	<u>(\$152,385)</u>	<u>\$167,697</u>	<u>(\$98,085)</u>	<u>\$327,790</u>

PMPM ALLOCATED P&L:

REVENUE	\$168.63	\$66.33	\$85.83	\$1,269.31	\$216.98	\$166.74
MEDICAL EXPENSES	157.09	(48.09)	79.44	1,026.59	234.77	155.29
GROSS MARGIN	11.54	114.41	6.40	242.73	(17.79)	11.45
ADMINISTRATIVE EXPENSES	11.02	11.02	11.02	11.02	11.02	11.02
OPERATING INCOME/(LOSS)	0.52	103.39	(4.62)	231.71	(28.81)	0.43
OTHER INCOME / (EXPENSE)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)
NET INCOME / (LOSS)	<u>\$0.44</u>	<u>\$103.31</u>	<u>(\$4.70)</u>	<u>\$231.63</u>	<u>(\$28.89)</u>	<u>\$0.35</u>

ALLOCATION BASIS:

MEMBER MONTHS - Month and YTD	888,135	212	32,395	724	3,395	924,861
% of Member Months	96.03%	0.02%	3.50%	0.08%	0.37%	100.00%

Santa Clara Family Health Plan
Statement of Cash Flows
For Six Months Ended December 31, 2013

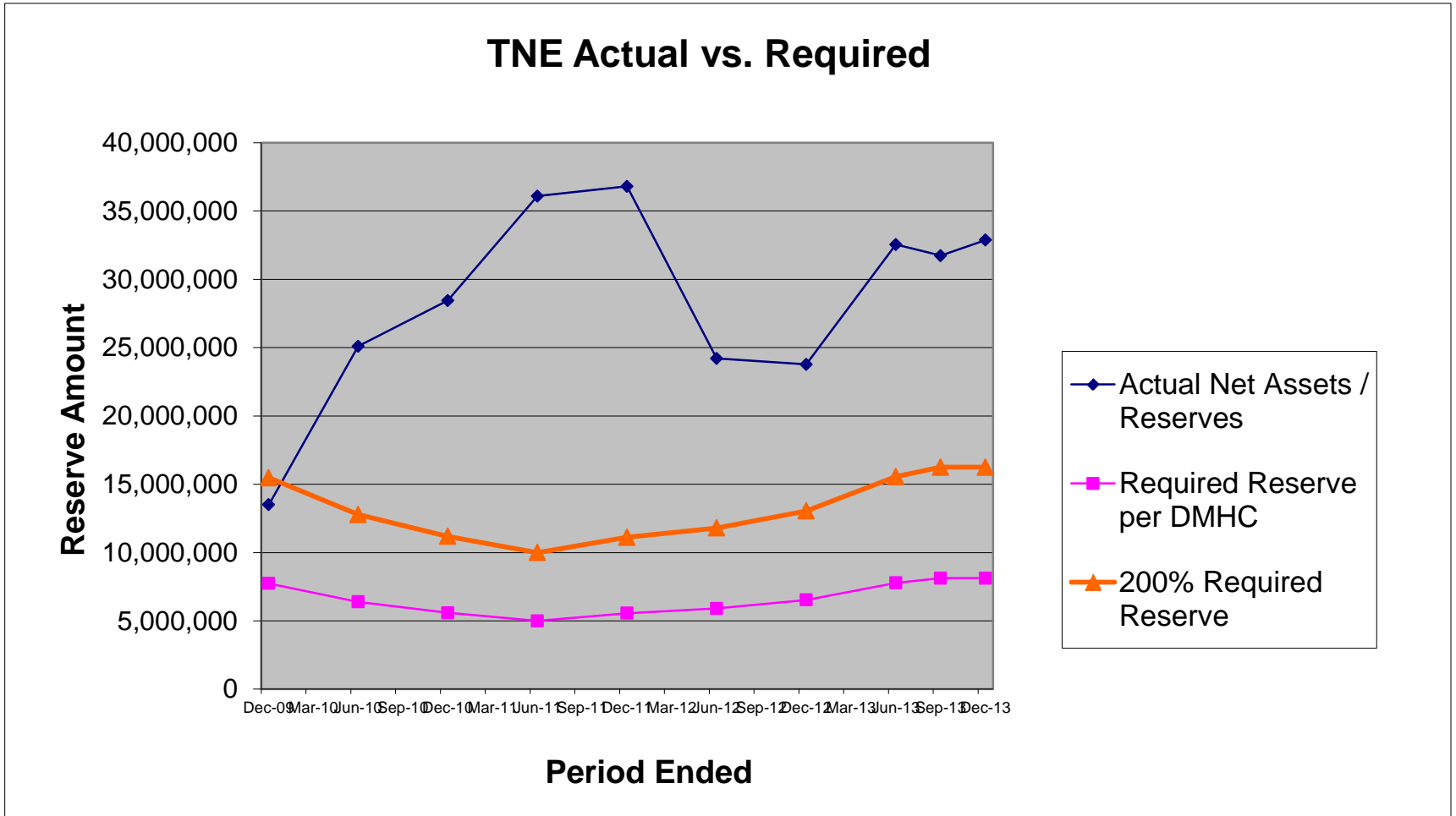
Cash flows from operating activities	
Premiums received	\$ 142,033,976
Medical expenses paid	\$ (150,319,923)
Administrative expenses paid	<u>\$ (28,749,805)</u>
Net cash from operating activities	\$ (37,035,751)
Cash flows from capital and related financing activities	
Purchases of capital assets	\$ (219,563)
Cash flows from investing activities	
Interest income and other income, net	<u>\$ 152,721</u>
Net (Decrease) increase in cash and cash equivalents	<u>\$ (37,102,593)</u>
Cash and cash equivalents, beginning of year	<u>\$ 61,888,777</u>
Cash and cash equivalents at December 31, 2013	<u>\$ 24,786,184</u>
Reconciliation of operating income to net cash from operating activities	
Operating income (loss)	\$ 175,069
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	\$ 152,838
Changes in operating assets and liabilities	
Premiums receivable	\$ (11,426,984)
Due from Santa Clara Family Health Foundation	\$ 313,775
Prepays and other assets	\$ (281,146)
Accounts payable and accrued liabilities	\$ (18,311,860)
Capitation payable	\$ 65,371
Employee benefit liabilities	\$ 108,579
Advance premium - Healthy Kids	\$ 2,892
Reserve for Rate Reductions	\$ (1,068,713)
Incurred but not reported claims payable and risk share payments payable	<u>\$ (6,765,573)</u>
Total adjustments	<u>\$ (37,210,820)</u>
Net cash from operating activities	<u>\$ (37,035,751)</u>

Santa Clara Family Health Plan Enrollment Summary

	For the Month of December 2013			YTD Six Months Ending December 2013				Prior Year	
	<u>Actual</u>	<u>Revised Budget</u>	<u>% Variance</u>	<u>Actual</u>	<u>Revised Budget</u>	<u>% Variance</u>	<u>Actual</u>	<u>% Change FY14 vs FY13</u>	
Medi-Cal	147,232	150,095	(1.91%)	888,135	891,758	(0.41%)	698,865	27.08%	
Healthy Families	1	0	0.00%	212	199	6.53%	99,742	(99.79%)	
Healthy Kids	5,440	5,500	(1.09%)	32,395	32,636	(0.74%)	35,508	(8.77%)	
Agnews	120	126	(4.76%)	724	739	(2.03%)	770	(5.97%)	
Healthy Workers	<u>517</u>	<u>581</u>	<u>(11.02%)</u>	<u>3,395</u>	<u>3,510</u>	<u>(3.28%)</u>	<u>3,218</u>	<u>5.50%</u>	
Total	<u>153,310</u>	<u>156,302</u>	<u>(1.91%)</u>	<u>924,861</u>	<u>928,842</u>	<u>(0.43%)</u>	<u>838,103</u>	<u>10.35%</u>	

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

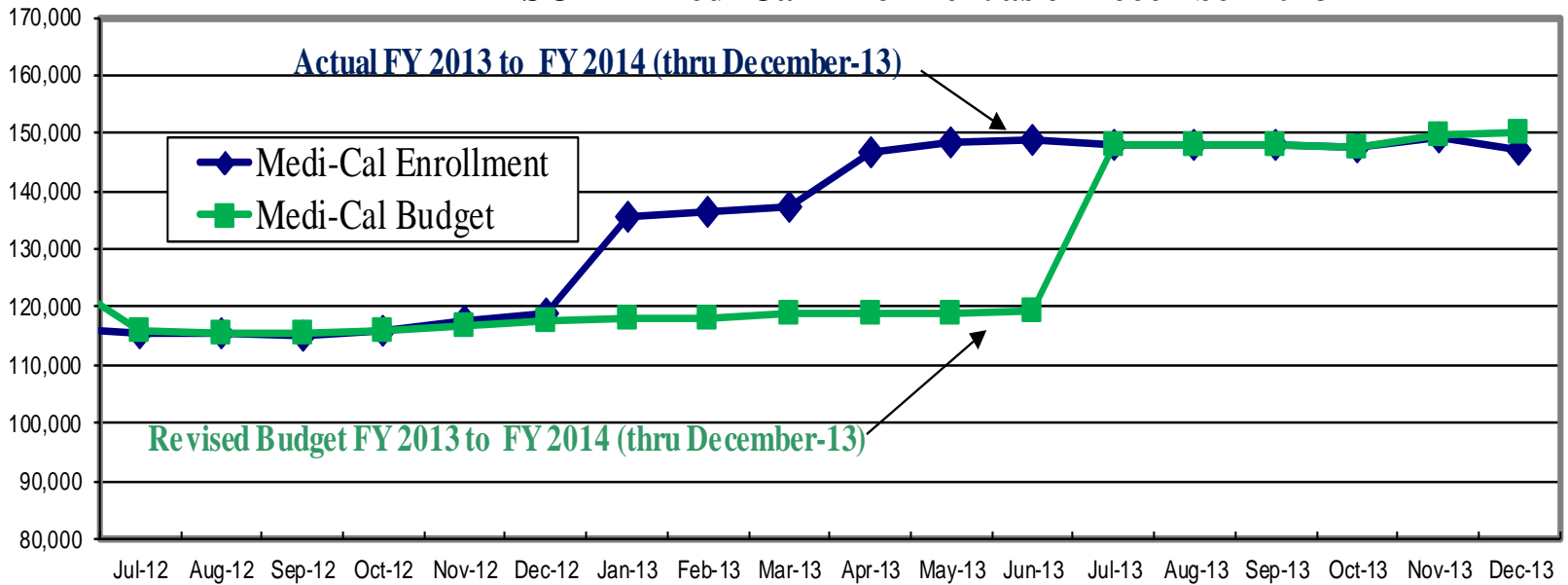
	12/31/2009	6/30/2010	12/31/2010	6/30/2011	12/31/2011	6/30/2012	12/31/2012	6/30/2013	9/30/2013	12/31/2013
Actual Net Assets / Reserves	13,501,652	25,103,011	28,445,504	36,093,769	36,803,460	24,208,576	23,776,902	32,551,161	31,735,180	32,878,950
Required Reserve per DMHC	7,737,000	6,388,000	5,591,000	4,996,000	5,558,000	5,901,000	6,525,000	7,778,000	8,125,000	8,125,000
200% of Required Reserve	15,474,000	12,776,000	11,182,000	9,992,000	11,116,000	11,802,000	13,050,000	15,556,000	16,250,000	16,250,000



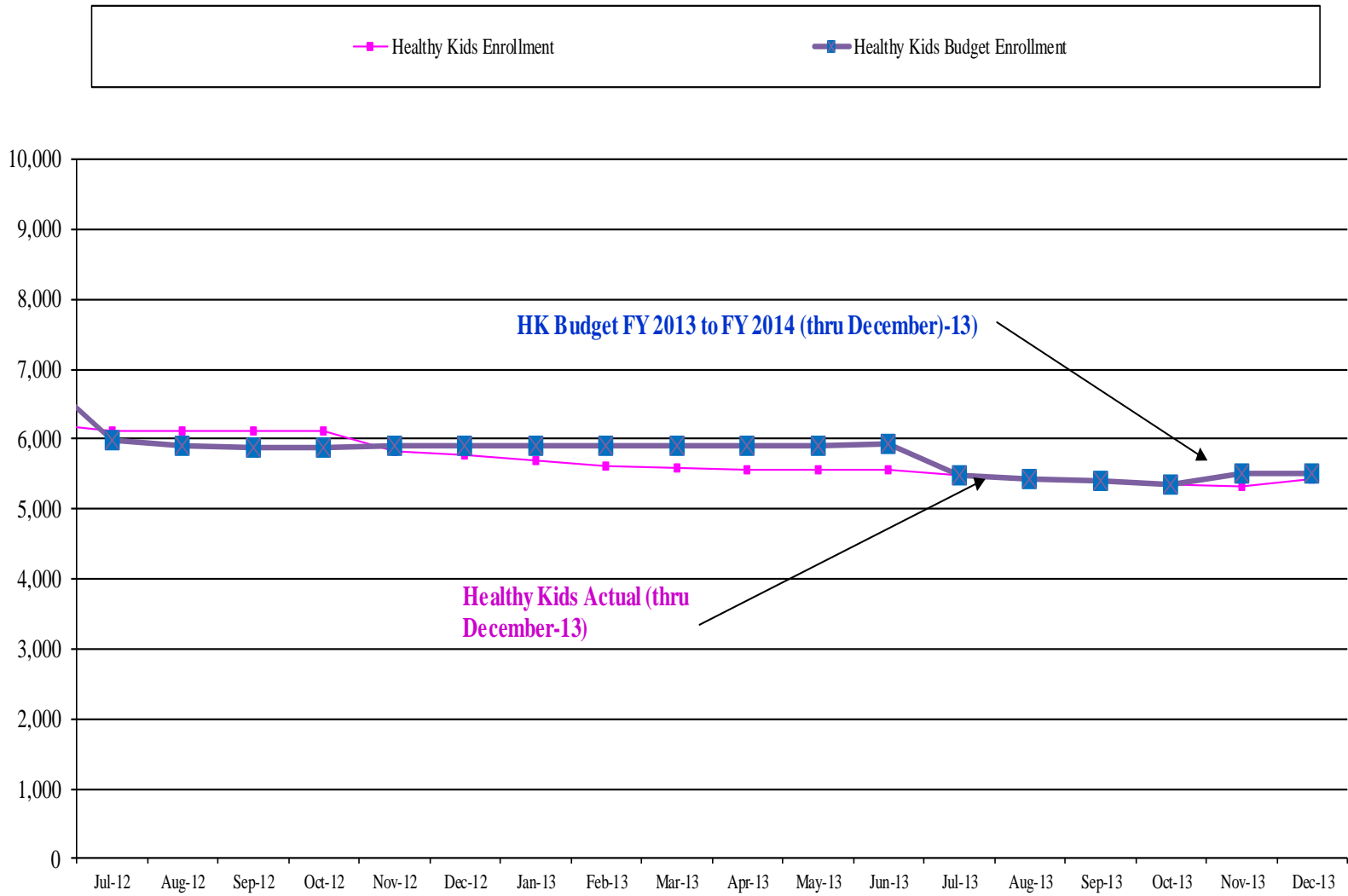
**Santa Clara County Health Authority
Enrollment Summary by Network
December 2013**

	Medi-Cal		Healthy Families		Healthy Kids		AG		Healthy Workers		Total	
	Enrollment	% of Total	Enrollment	% of Total	Enrollment	% of Total	Enrollment	% of Total	Enrollment	% of Total	Enrollment	% of Total
Direct Contract Physicians SCVHHS, Safety Net Clinics, FQHC Clinics,	9,810	7%	0	0%	164	3%	120	100%	0	0%	10,094	7%
Palo Alto Medical Foundation Physicians Medical Group	69,925	47%	1	100%	3,766	69%	0	0%	517	100%	74,209	48%
Premier Care	3,368	2%	0	0%	54	1%	0	0%	0	0%	3,422	2%
Kaiser	35,258	24%	0	0%	1,298	24%	0	0%	0	0%	36,556	24%
Total	10,952	7%	0	0%	158	3%	0	0%	0	0%	11,110	7%
	17,919	12%	0	0%	0	0%	0	0%	0	0%	17,919	12%
	<u>147,232</u>	<u>100%</u>	<u>1</u>	<u>100%</u>	<u>5,440</u>	<u>100%</u>	<u>120</u>	<u>100%</u>	<u>517</u>	<u>100%</u>	<u>153,310</u>	<u>100%</u>
Enrollment @ 6-30-13	-	-	-	-	-	-	-	-	-	-	-	-
Net % Change from Beginning of FY	<u>148,874</u>		<u>146</u>		<u>5,565</u>		<u>126</u>		<u>604</u>		<u>155,315</u>	
	<u>-1.10%</u>		<u>-99.32%</u>		<u>-2.25%</u>		<u>-4.76%</u>		<u>-14.40%</u>		<u>-1.29%</u>	

SCFHP Medi-Cal Enrollment as of December 2013



SCFHP Healthy Kids Enrollment as of December 2013





Call Center

Service Excellence Update

Santa Clara Family Health Plan

Board of Directors Meeting
February 13, 2014



Objectives

- To describe the call center certification process
- To provide update on progress and improvement initiatives



Goals of call center certification

- To distinguish SCFHP for its customer service
- To focus attention on service operations
- To improve employee engagement & company pride
- To gain insight from Call Center quality experts
- Retention - Return on investment
- To prepare for the future



BenchmarkPortal

Mission is to help call centers to optimize their centers in terms of efficiency and effectiveness

- Leader in benchmarking and certifying call centers
- Experts in **Best Practices** in the call center industry
- Offers a multi-year approval approach to certification



Steps to Call Center Certification

1. Assessment and discovery
2. Benchmarking
3. Pinpoint performance strengths and gaps
4. Identify and implement improvement initiatives
5. Do it again - Assessment and discovery



Step 1: Assessment and Discovery

- Survey
 - Focus on 22 key performance indicators (KPI's)
 - Effectiveness and Efficiency or (Quality and Quantity/Cost)
 - Focus on 24 operational process
 - Hiring, training, development, compensation, coaching, information access
 - Call routing, quality monitoring, analytics and reporting,
- Caller Satisfaction Survey
- Member Service Representative (MSR) Satisfaction Survey
- On-Site Visit



Step 2: Benchmarking

- Data is matched against 22 specific KPI, averages are weighted and compared to peers in the same industry (Health Care)
- Plotted on the Performance Matrix report



Effectiveness Metrics

- Top Box Caller Satisfaction
- Bottom Box Caller Satisfaction
- Top Box MSR Satisfaction
- Bottom Box MSR Satisfaction
- First call resolution
- Average Speed of Answer
- Calls Transferred
- Average Hold Time
- Average Time in Queue
- Average Calls Abandoned

Efficiency Metrics

- Inbound Calls per MSR per hour
- Cost per Calls in dollars
- Average After Call Work time
- Average Talk Time
- MSR Occupancy
- Average MSR Attendance
- Agent/Supervisor Ratio

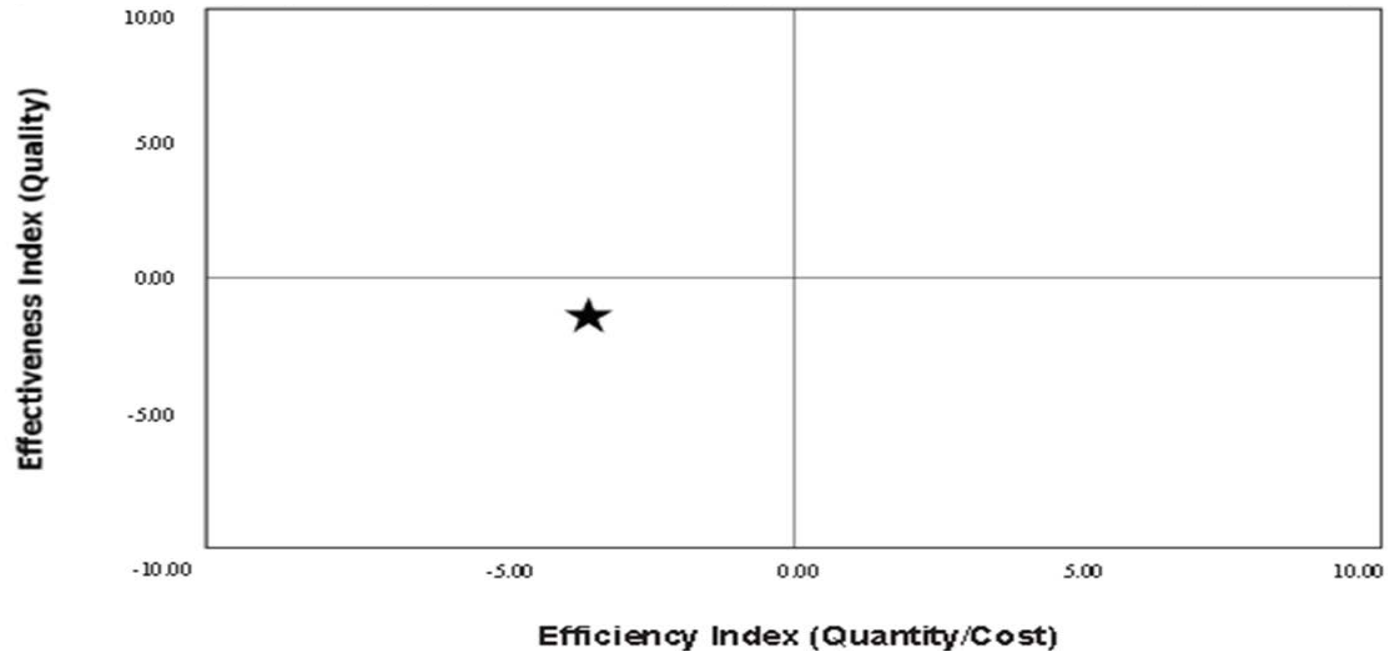




Step 3: Pinpoint strengths and gaps

Performance Matrix

March 1, 2012 through February 28, 2013

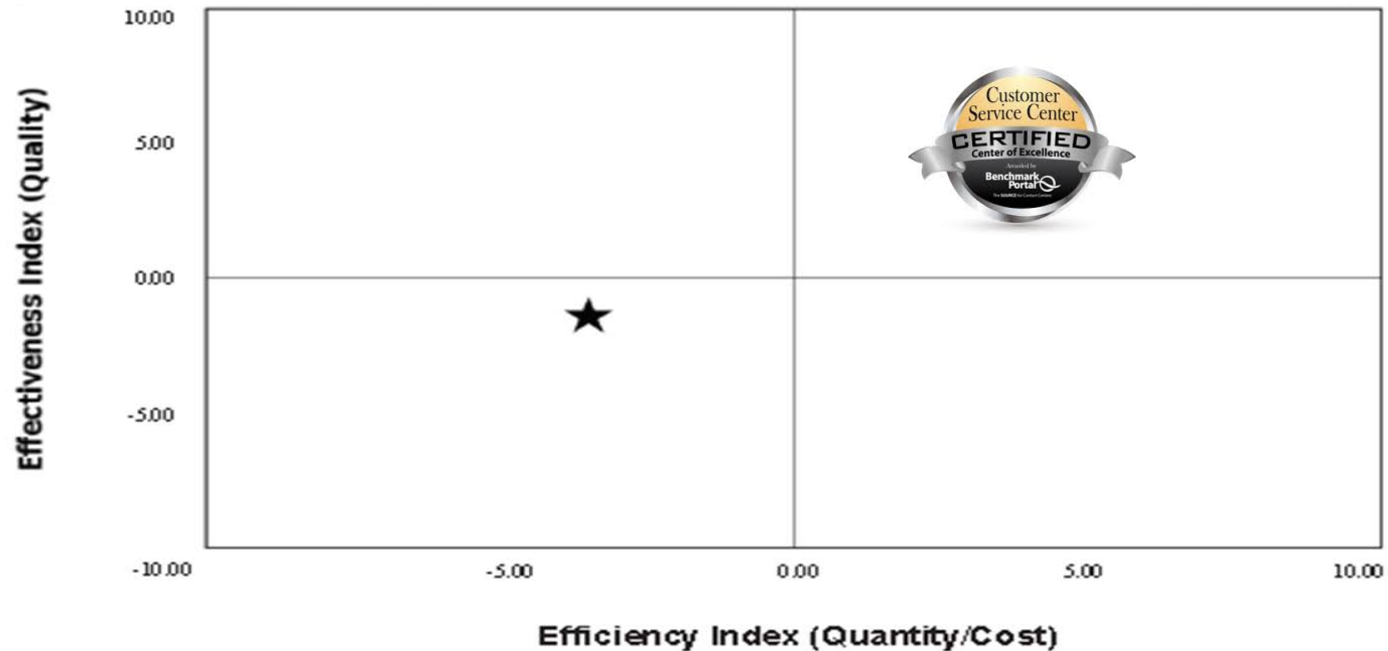




Step 3: Pinpoint strengths and gaps

Performance Matrix

March 1, 2012 through February 28, 2013





Step 4: Identify Improvement Initiatives

- Initiatives that have measurable impact on the operational performance of the call center
- Balance quality and quantity





Effectiveness Measures (Quality)

- Modified telephone call routing and flow
- Implemented post call caller satisfaction survey
- Created focused mini-MSR satisfaction surveys throughout the year
- Established call handing parameters for hold time, after call work time, etc.
- Focused training and coaching for MSRs
- Implemented timelines for training new staff
- Developed targeted reporting and monitoring tools
- Conducted data analytics by month, day, hour, individual MSR, etc.



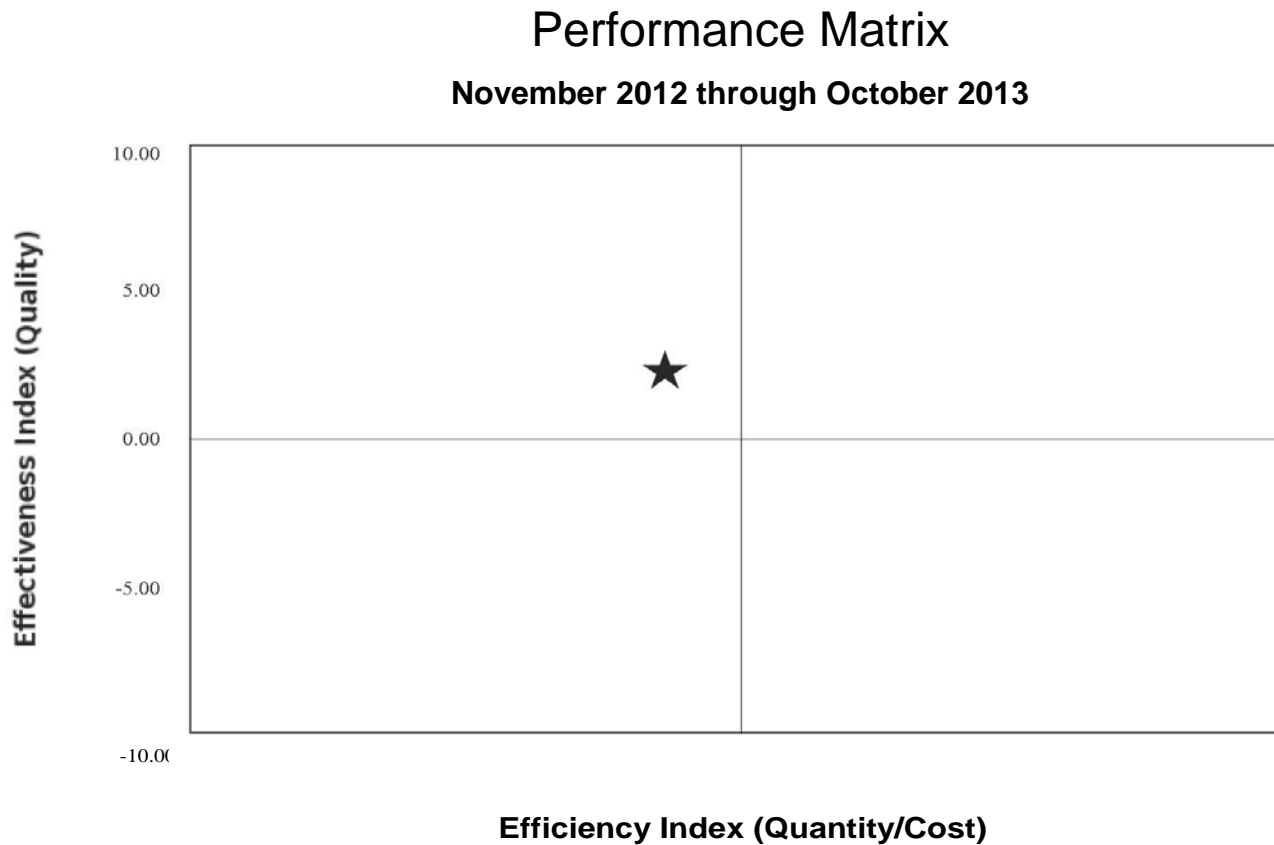
Efficiency Measures (Quantity)

- Implemented internal Help Desk or real-time expert hub
- Established internal MSR Advisory Committee
- Reorganized team and responsibilities
- Managers completed Call Center operations training & certification
- Moved resources to SharePoint site to improve desktop navigation
- Access to computer-based training
- Updated department and individual recognition and incentive program based on KPIs
- Developed targeted reporting and monitoring tools
- Conducted data analytics by month, day, hour, individual MSR



Step 5: Repeat Benchmarking

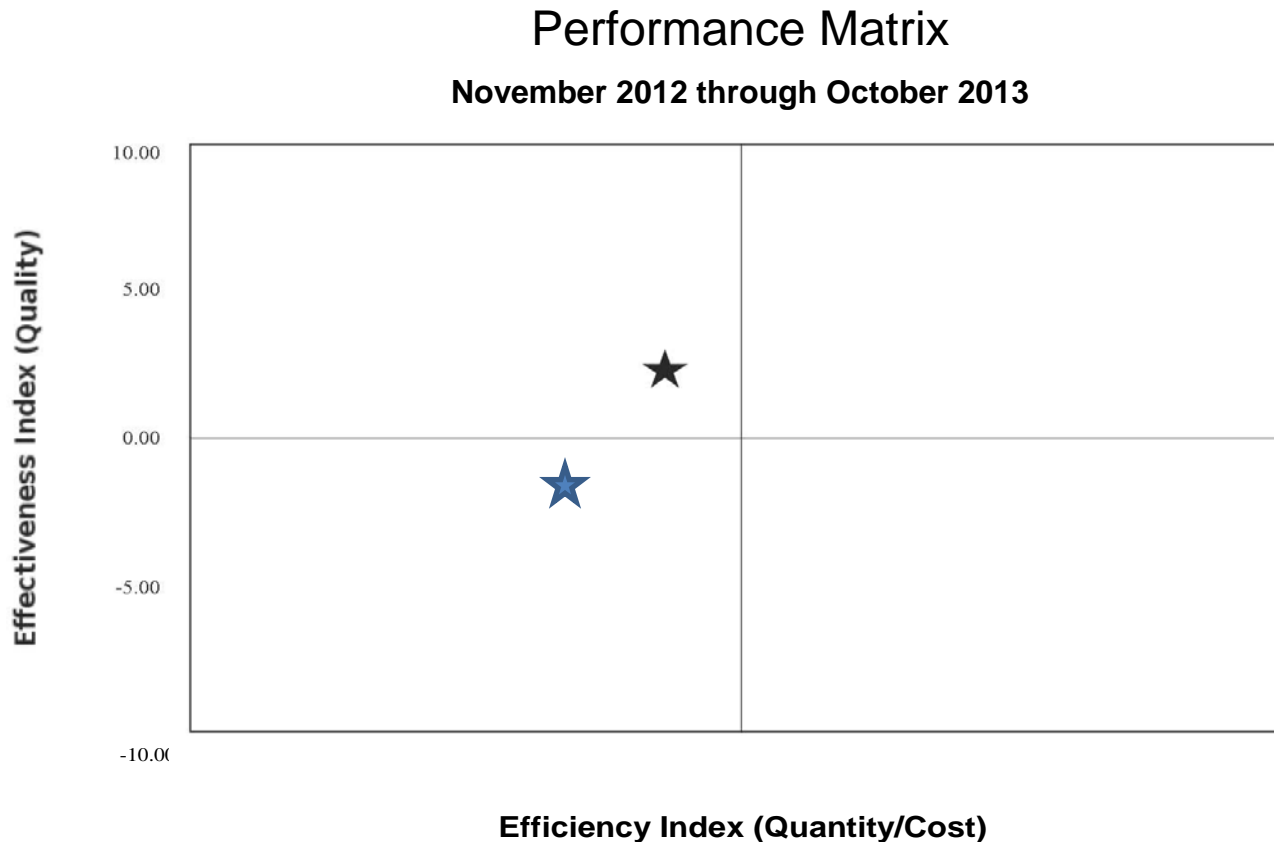
22





Step 5: Repeat Benchmarking

22





Step 5: Repeat Benchmarking

22

Performance Matrix
November 2012 through October 2013





Challenges

- Implemented a new telephone system
- Membership growth
- New populations and programs
- Increase in call center FTEs
- Industry Benchmarks continuously change
- 12-month look back for each evaluation and assessment



What is next?

- Continuous tracking and fine tuning of improvement initiatives
- Implementing new improvement initiatives
- On-going development of MSR skill sets
- Continuous assessment of call and work flow on daily, weekly, monthly and quarterly basis
- Assessing the phone system for long term viability
- Quarterly Benchmark evaluations - **next March 30, 2014**





QUESTIONS





Low Income Health Plan Transition and Medi-Cal Expansion Update

Board of Directors Meeting
February 13, 2014



Objectives

- To describe the enrollment and assignment processes
- To describe the transition plan
- To describe the current membership



Expanded Coverage

- CMS approved California’s “Bridge to Reform” 1115 Medicaid waiver for the Low Income Health Program (LIHP) in November 2010 – administered by the County
- Under Affordable Care Act (ACA), Medi-Cal coverage expanded January 2014 to include the Low Income Health Plan members

Low Income Health Plan (LIHP)

- Valley Care effective through December 31 ,2013
- Majority of enrollees became Medi-Cal eligible under national health care reform
- Over 133 % FPL eligible for the new California Health Benefit Exchange

Medi-Cal Expansion (MCE)

- Start January 1, 2014
- To be eligible, annual income must be lower than 138 percent of the federal poverty level – Covered CA



Collaboration at State and Local Level

- Benefits comparison
 - Valley Care Program and SCFHP Medi-Cal
- Data Exchange and Information Sharing
 - PCP and Medical Home
 - Medical Utilization and authorization
- Pharmacy Transition Program
 - 90-days
- Continuity of Care
 - 12- months



Communication Plan

- Provider Communication
 - Regular weekly and monthly meetings
 - DHCS , Valley Care Program, Valley Health Plan and SCFHP
- Member Communication
 - Member Notices
 - Informational notices sent 90, 60, 30 days prior to January 1, 2014



Enrollment Process

– State Level

- LIHP-MCE population administratively moved to Medical effective January 1, 2014
- Health Plan and PCP selection through Health Care Options (HCO)
- DHCS auto assignment between SCFHP and Blue Cross

– Health Plan Level

- For PCP assignment, match with PCP data from DHCS and Valley Health Plan
- If no match, then auto assigned PCP/VHP



Valley Care Program

- 20,544 total enrollment December 31, 2013

Medi-Cal Transition

- 18,788 successfully transitioned January 1, 2014

SCFHP

- 14,796 enrolled starting January 1, 2014
 - 1,426 auto assigned to VHP (100%)
 - 410 selected other networks as of January 1, 2014



Membership changes during January 2014

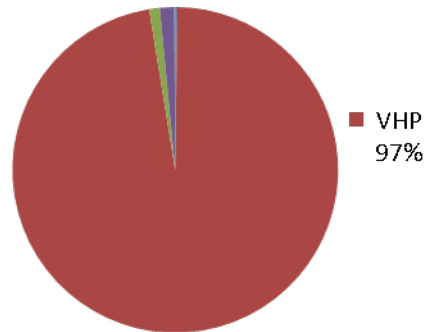
- 297 change from VHP to other medical group

SCFHP	Kaiser	PAMF	PMG	Premier Care
28	15	19	137	98

- 26 lost coverage due to eligibility

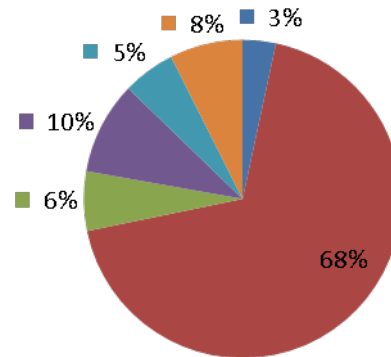


January 2014



■ SCFHP ■ VHP ■ Premier Care ■ PMG ■ Kaiser ■ PAMF

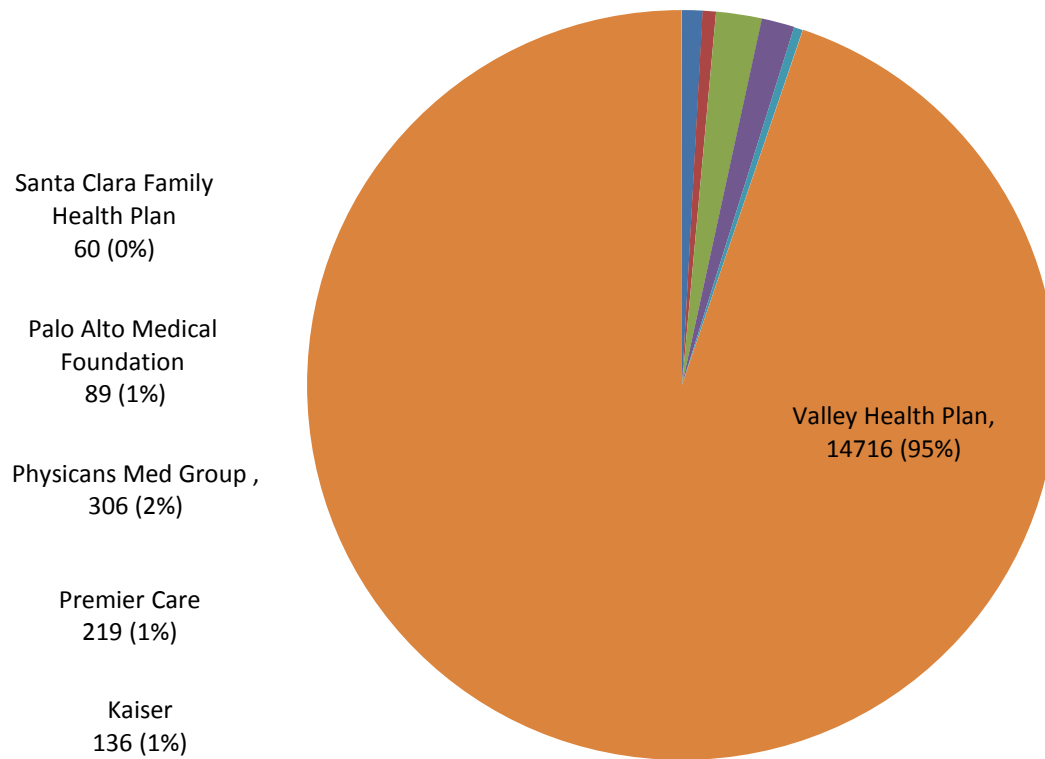
February 2014



■ SCFHP ■ VHP ■ Premier Care ■ PMG ■ Kaiser ■ PAMF



Membership by network as of February 2014





Demographics of the Expansion Population

Medi-Cal

- Gender – 54% Female
- Age – 71%, 0-17
- English - 49%
- Latino – 36%

Seniors, Persons with Disabilities

- Gender, 50% Female/Male
- Age – 52%, 18-64
- English– 63%
- Cantonese/Mandarin – 12%

Medi-Cal Expansion/LIHP

- Gender – 50% Female/Male
- Age – 100%, 18-64
- Largest age band 50-64 at 52%
- English - 77%
- Vietnamese – 14%



Call Center

- Significant increase in the number of calls
 - Over 18,000 in January 2014 compared to January 2013 of just over 11,000 calls

- Reasons for call
 - To check or to change PCP
 - To correct demographic information
 - Benefit questions
 - Dental, Vision, Nurse advice, co-payment
 - Who is SCFHP and what happened to my Valley Care coverage?
 - But I did not sign up for Medi-Cal.....



QUESTIONS

Medi-Cal Expansion

Sneak Peek

Jeff Robertson MD
Chief Medical Officer





TOP 9 CONDITIONS – JANUARY 2014

HYPERTENSION	2540
DIABETES	2458
PAIN MANAGEMENT	1410
DEPRESSION	1374
HIGH CHOLESTEROL	864
ARTHRITIS	819
SEIZURE DISORDER	761
ASTHMA	692
CANCER	24

MCE=15,490

HYPERTENSION	8866
COLDS, COUGHS, EARACHES	6419
ASTHMA	5031
DIABETES	4779
ARTHRITIS	4284
SEIZURE DISORDER	2648
ATTENTION DEFICIT DISORDER	1963
FLU	674
CANCER	247

MC+SPD=150,691

Top 9 conditions based on prescription count for January 2014.



RELATIVE BURDEN OF DISEASE

Relative increase in condition for LIHP

CONDITION	RATE
PAIN MANAGEMENT	>10
HIGH CHOLESTEROL	>10
DEPRESSION	>10
DIABETES	5.1
SEIZURE DISORDER	2.9
HYPERTENSION	2.8
ARTHRITIS	1.9
ASTHMA	1.4
CANCER	1



- LIHP/MCE Population:
 - Older, sicker, depressed
 - Significant Opioid usage
 - Hypertension+Diabetes+High Cholesterol

Don't Have:

- Earaches, colds and flu
- Attention Deficit Disorder



- One month data - snapshot only
- Primarily LIHP transition – not MCE
- LIHP have had full coverage including MH and RX - no significant pent-up demand.

WHAT'S NEXT?

- MCE growth – but no more LIHP
- Potential pent-up demand – initiative to enroll



- The State actuaries forecast the RX cost of MCE to be \$103 pmpm
- By reference, our experience for SPD population is currently \$111 pmpm

DID THEY GET IT RIGHT?



When Having Your Cake And Eating It Too May Be a Bad Thing: Cautions About Cash-Outs Of Unused Leave Or PTO

By Jeffrey C. Chang, Esq. and Kenneth W. Ruthenberg, Esq.

A number of employers, particularly public agencies, allow their employees to accumulate significant amounts of paid time off, vacation or paid leave (collectively PTO). This article alerts employers to certain practices and policies regarding the cash-out of PTO that could result in large, unexpected tax problems for their employees.

Most employers and their employees assume that the employees will be taxed on wages and PTO only when the employee actually receives the wages or takes the PTO. Unfortunately this is not always the case. The income tax concept of "constructive receipt" treats an employee as having received gross income during a taxable year to the extent that the employee could receive the income during the taxable year if the taxpayer had asked for it. Put another way, a constructive receipt issue is likely to arise whenever an employee is given a choice between receiving (i) cash now or (ii) cash or some other benefit in the future. For example, if your PTO policy allows your employees to cash out up to \$10,000 of accumulated PTO each year without restriction, they will have additional income each year equal to the total amount of PTO they could have cashed out – **even if they do not actually cash out any of their PTO!** If you have maintained a PTO policy of this sort, you should have it reviewed and analyzed immediately. It is quite likely that you have been under-reporting your employees' income and under-withholding various income taxes and payroll taxes.

So, how can you allow employees to have their cake (accumulate PTO) and eat it occasionally (cash out PTO) without creating a big tax problem? There are a couple of recognized approaches:

- Require the employee to make a choice between accruing the PTO or receiving cash in lieu of the PTO **in the year before the year when the PTO will be earned.**
- Allow the employee to cash out PTO only in the event of a financial emergency where (i) the employee can demonstrate that he has a real financial emergency caused by an event beyond his control, (ii) it would result in serious financial hardship if the cash payment were not made, (iii) the amount of the cash payment is limited to the amount necessary to meet the emergency, and (iv) the employer will determine, at its sole discretion, whether an emergency exists and the extent of the financial need.

Other somewhat more restrictive alternatives would include:

- Allowing the employee to cash out PTO only upon termination of employment in accordance with the employer's policies regarding PTO.

- Requiring that the value of each employee's unused PTO at the end of the year in excess of a certain carryover amount be automatically paid by the employer to either:
- A profit sharing plan that does not allow distributions until the employee terminates employment with the employer; or
- An employee welfare benefit plan such as a health reimbursement arrangement (HRA) that can provide benefits during active employment or after retirement.

The amount to be contributed to the plan is based on a stated conversion rate. The employee has no choice to receive cash in lieu of the contribution.

In the case of employers eligible to sponsor 403(b) or 457(b) plans, it may also be possible to allow employees to make an election, with respect to PTO that will be earned during the following year, to have their employer contribute a specified amount of PTO to their 403(b) or 457(b) account.

One caution – PTO with a cash-out feature may be treated by the IRS as a form of nonqualified deferred compensation that is subject to the requirements and restrictions of Code section 409A. Therefore, it is important to evaluate whether your PTO is exempt from or subject to Code section 409A's rules.

WHAT TO DO

Because no employer can afford to have its employees taxed on the value of PTO they have not actually taken, immediately take a look at your PTO policies and practices to see if they provide for cash-outs. If so, get help to evaluate whether you and your employees already have a constructive receipt issue that needs to be dealt with or whether you can allow them to have their cake by adopting one of the available alternatives.

Editor's Note: We did the best we could to make sure the information and advice in this article were current as of the date of posting to the web site. Because the laws and the government's rules are changing all the time, you should check with us if you are unsure whether this material is still current. Of course, none of our articles are meant to serve as specific legal advice to you. If you would like that, please call us at (916) 357-5660 or email us at contactus@seethebenefits.com.

**Appendix A - Amended
Santa Clara County Health Authority
Conflict of Interest Code
POSITIONS REQUIRED TO FILE**

The following is a list of those positions that are required to submit Statements of Economic Interests (Form 700) pursuant to the Political Reform Act of 1974, as amended:

Required to File Form 700:

Position	Disclosure Category Number
Health Authority Board Member	1
Chief Executive Officer	2
Chief Financial Officer	2
Chief Operating Officer	4
Chief Medical Officer	5
Chief Information Officer	2
Executive Director, Santa Clara Family Health Foundation	6
Director, Medical Management Quality Improvement	5
Vice President Member Operations	4
Vice President Provider Operations	5
Director, Infrastructure and System Support	4
Pharmacy Director	5
Sr. Director of Integrated Business Solutions Vice President, Information Technology	4
Consultant	7