

Regular Meeting of the

**Santa Clara County Health Authority
Executive/Finance Committee**

Thursday, January 23, 2020, 11:30 AM - 1:30 PM
Santa Clara Family Health Plan, Boardroom
6201 San Ignacio Ave, San Jose, CA 95119

Via Teleconference
Hyatt Regency Capitol Hill
400 New Jersey Ave. NW
Washington, DC 20001

AGENDA

- | | | | |
|--|----------------|-------|-------|
| 1. Roll Call | Mr. Brownstein | 11:30 | 5 min |
| 2. Public Comment
Members of the public may speak to any item on the agenda; two minutes per speaker. The Executive/Finance Committee reserves the right to limit the duration of the public comment period to 30 minutes. | Mr. Brownstein | 11:35 | 5 min |
| <u>Announcement Prior to Recessing into Closed Session</u>
Announcement that the Executive/Finance Committee will recess into Closed Session to discuss Item 3(a) & (b) below. | | | |
| 3. Adjourn to Closed Session | | 11:40 | |
| <p>a. <u>Existing Litigation</u> (Government Code Section 54956.9(d)(1)):
It is the intention of the Executive/Finance Committee to meet in Closed Session to confer with Legal Counsel regarding consolidated Cases before the Board Administration of the California Public Employees' Retirement System:</p> <ul style="list-style-type: none"> i. In the Matter of the Appeal Regarding Membership Exclusion of Foundation Employees by Santa Clara County Health Authority (Respondent) and Craig W. Walsh (Respondent) Case Number: CalPERS Case No. 2017-1114; OAH No. 2018051223. ii. In the Matter of Appeal Regarding Membership Exclusion of Foundation Employees by Santa Clara County Health Authority (Respondent) and Melodie U. Gellman (Respondent) Case Number: CalPERS Case No. 2017-1115; OAH No. 2018051029. <p>b. <u>Contract Rates</u> (Welfare and Institutions Code Section 14087.38(n)):
It is the intention of the Executive/Finance Committee to meet in Closed Session to discuss plan partner rates.</p> | | | |
| 4. Report from Closed Session | Mr. Brownstein | 12:10 | 5 min |

<p>5. Meeting Minutes Review meeting minutes of the November 21, 2019 Executive/Finance Committee. Possible Action: Approve November 21, 2019 Executive/Finance Committee Minutes</p>	Mr. Brownstein	12:15	5 min
<p>6. November 2019 Financial Statements Review November 2019 Financial Statements. Possible Action: Approve the November 2019 Financial Statements</p>	Mr. Cameron	12:20	10 min
<p>7. Quarterly Investment Compliance Report Discuss investment compliance report prepared by Sperry Capital as of September 30, 2019. Possible Action: Accept the September 30, 2019 Investment Compliance Report</p>	Mr. Cameron	12:30	10 min
<p>8. DMHC Routine Financial Audit Report Discuss DMHC Financial Audit Report as of December 31, 2019. Possible Action: Accept the DMHC Financial Audit Report</p>	Mr. Jarecki	12:40	10 min
<p>9. Compliance Update Discuss audit activity and corrective action plan progress. Possible Action: Accept Compliance Update</p>	Ms. Larmer	12:50	15 min
<p>10. Government Relations Update Discussion of local, state and federal legislative and policy issues impacting the Plan and its members. Possible Action: Accept Government Relations Update</p>	Mr. Haskell	1:05	15 min
<p>11. CEO Update Discuss status of current topics and initiatives. Possible Action: Accept CEO Update</p>	Ms. Tomcala	1:20	10 min
<p>12. Adjournment</p>	Mr. Brownstein	1:30	

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 Committee may take other actions relating to the issues as may be determined following consideration of the matter and discussion of the possible action.
- In compliance with the Americans with Disabilities Act, those requiring accommodations in this meeting should notify Rita Zambrano 48 hours prior to the meeting at 408-874-1842.
- To obtain a copy of any supporting document that is available, contact Rita Zambrano at 408-874-1842. Agenda materials distributed less than 72 hours before a meeting can be inspected at the Santa Clara Family Health Plan offices at 6201 San Ignacio Ave, San Jose, CA 95119.
- This agenda and meeting documents are available at www.scfhp.com

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Thursday, November 14, 2019, 11:30 AM - 1:30 PM

Santa Clara Family Health Plan, Boardroom

6201 San Ignacio Ave, San Jose, CA 95119

Minutes - Draft

Members Present

Dolores Alvarado, Chair
Liz Kniss
Linda Williams

Members Absent

Bob Brownstein
Sue Murphy

Staff Present

Christine Tomcala, Chief Executive officer
Dave Cameron, Chief Financial Officer
Robin Larmer, Chief Compliance and Regulatory
Affairs Officers
Laurie Nakahira, D.O., Chief Medical Officer
Jonathan Tamayo, Chief Information Officer
Laura Watkins, Vice President, Marketing and
Enrollment
Neal Jarecki, Controller
Tyler Haskell, Director, Government Relations
Jayne Giangreco, Manager, Administrative
Services
Rita Zambrano, Executive Assistant

1. Roll Call

Dolores Alvarado, Chair, called the meeting to order at 11:35 am. Roll call was taken and a quorum was not established.

2. Public Comment

There were no public comments.

3. Adjourn to Closed Session

a. Real Property Negotiations

The Executive/Finance Committee met in Closed Session to confer with its Real Property Negotiators concerning the price and terms of payment related to the possible lease of real property located at 408 N. Capitol Avenue, San Jose, CA.

4. Report from Closed Session

Ms. Alvarado reported that the Executive/Finance Committee met in Closed Session to discuss Real Property Negotiations.

5. Network Detection and Prevention Update

Jonathan Tamayo, Chief Information Officer, reported on firewall intrusion, detection, and prevention efforts.

It was moved, seconded, and unanimously approved to accept the Network Detection and Prevention Update.

Liz Kniss arrived at 11:58 am and a quorum was established.

6. Compliance Update

Robin Larmer, Chief Compliance and Regulatory Affairs Officer, discussed audit activity and corrective action plan progress. The Independent Validation Audit (IVA) to assess the Plan's correction of the Conditions cited in the CMS Program Audit Final Report is complete. Based on the results of the validation audit, CMS determined that 26 of the 31 Conditions identified in the Program Audit Final report had been fully remediated, and 5 Conditions had not been fully remediated. There was also one new Condition identified. CMS acknowledged the substantial progress made by the Plan throughout the remediation period. However, because some of the 5 non-remediated Conditions impacted more than a few members, CMS was unwilling to close the Program Audit, and directed the Plan to: (1) submit corrective action plans; (2) complete remediation; and (3) undergo a second validation audit of those 5 initial Conditions and the new Condition.

ATTAC Consulting Group (ACG) will conduct the second validation audit. ACG is developing a proposed audit work plan and timeline that will be submitted to CMS for approval. If the work plan is approved, we anticipate that the auditor's report will be submitted to CMS in June 2020.

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

7. Meeting Minutes

The minutes of the October 24, 2019 Executive/Finance Committee were reviewed.

It was moved, seconded, and the October 24, 2019 Executive/Finance Committee Minutes were unanimously approved.

8. September 2019 Financial Statements

Dave Cameron, Chief Financial Officer, presented the September 2019 financial statements, which reflected a current month net surplus of \$497 thousand (\$66 thousand favorable to budget) and a fiscal year to date net surplus of \$2.6 million (\$223 thousand favorable to budget). Enrollment decreased by 824 members from the prior month to 246,184 members (877 favorable to budget). Medi-Cal enrollment has generally declined since October 2016 while CMC enrollment has grown due to continued outreach efforts. Revenue reflected a favorable current month variance of \$2.1 million (2.3%) largely due to higher member months and slightly higher capitation rates versus budget. Medical expense reflected an unfavorable current month variance of \$2.8 million (3.3%) due to higher capitation member months and rates coupled with certain higher fee-for-service expenses versus budget. Administrative expense reflected a favorable current month variance of \$557 thousand (10.3%) due largely to the timing of personnel hiring and of certain non-personnel expenses. The balance sheet reflected a Current Ratio of 1.28:1, versus the minimum required by DMHC of 1.0:1. Tangible Net Equity of \$204.3 million represented approximately two months of the Plan's total monthly expenses. Year-to-date capital investments of \$499 thousand were made, comprised largely of building improvements.

It was moved, seconded, and the September 2019 Financial Statements were unanimously approved.

9. Government Relations Update

Tyler Haskell, Director, Government Relations, discussed local, state, and federal legislative and policy issues impacting the Plan and its members. Mr. Haskell noted that DHCS is proposing significant changes to Medi-Cal over the next few years, with changes roughly falling into eight categories:

1. Population Health Management plan (2021)

2. Enhanced Case Management/ILOS (in lieu of services) benefits (2021)
3. Ending CMC while requiring dual enrollment (2022-23)
4. Mandatory MMC enrollments for almost all (2021)
5. Annual open enrollment (2021)
6. NCQA accreditation for plans and delegates (2025)
7. Regional Rates
8. Changes to county-based Serious Mental Illness (SMI) system (payment reform, revising medical necessity criteria)

There are unanswered questions that will be addressed through the workgroup process. SCFHP is represented in 2 out of 5 state workgroups, LHPC is on all of them. Other questions will be answered through finalized proposals, legislation, and behind the scenes conversations.

Mr. Haskell noted that DHCS is freeing up some Proposition 56 funding for behavioral health integration projects under six categories:

1. Basic behavioral health integration
2. Maternal access to mental health and substance use disorder screening and treatment
3. Medication management for beneficiaries with co-occurring chronic medical and behavioral diagnoses
4. Diabetes screening and treatment for people with serious mental illness
5. Improving follow-up after hospitalization for mental illness
6. Improving follow-up after an emergency department visit for behavioral health diagnosis

Interested providers may apply to MCPs by January 21, and will require letters of support from the County if they address severe mental illness or substance use disorder. MCPs will issue decisions by March 18 and programs start April 1. Each project contains a target population, practice redesign components, performance measures.

Mr. Haskell also gave an overview of proposed prescription drug legislation and noted the unlikelihood of a House vote until December, where leaders are waiting for a Congressional Budget Office analysis, because now the bill is tied to some expanded Medicare benefits (vision, hearing, and dental). The Senate will likely wait to see if the House passes its bill, which the Senate would substitute with its own bipartisan/moderate bill. The biggest question now is, can Ms. Pelosi get enough votes; many House Democrats want to move the bill to the left and go into conference with the strongest possible position. White House has recently publicly opposed House bill, and praised the Senate bill.

The Health Extenders Act of 2019 deadline is November 21, 2019 and another short-term extension is likely at hand. The question is whether it will be a one or three-month extension. Medicaid and Medicare are largely unaffected by this process, but it provides funding for Federally Qualified Health Centers (FQHC) and Medicaid DSH funding.

On December 14, 2018 a federal district court in Texas struck down the Affordable Care Act (ACA) in its entirety, finding that the 2017 Tax Cuts and Jobs Act (TCJA), which zeroed out the tax penalties associated with the ACA's individual mandate, renders the mandate unconstitutional. The judge further concluded that since the individual mandate is "essential" to the ACA, it could not be severed from the rest of the ACA, and the entire ACA was therefore unconstitutional. If the 5th Circuit appeals court upholds the lower court decision, it will be appealed to the Supreme Court.

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

10. Strategic Investment Funding

Christine Tomcala, Chief Executive Officer, reported on Strategic Investment Funding, noting the Plan anticipates having sufficient reserves to direct some funding into projects in the community and she outlined a proposed Community Health Investment Program. Ms. Tomcala referred to the Board Discretionary Fund Policy and solicited discussion and input from the Board regarding potential revisions to the Policy.

11. CEO Update

Ms. Tomcala noted that effective November 18, 2019 Valley Health Plan (VHP) has a new CEO, Laura Rosas. Ms. Tomcala further noted that Dolly Goel, M.D., is leaving VHP for a position at Valley Medical Center.

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

12. Adjournment

The meeting was adjourned at 1:28 pm.

Robin Larmer, Secretary



Santa Clara Family
Health Plan™

Unaudited Financial Statements
For Five Months Ended November 30, 2019

Agenda

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Financial Highlights



	MTD		YTD	
Revenue	\$97 M		\$461 M	
Medical Expense (MLR)	\$92 M	94.9%	\$435 M	94.4%
Administrative Expense (% Rev)	\$4.5 M	4.7%	\$24.2 M	5.3%
Other Income/Expense	\$315K		\$2.0 M	
Net Surplus (Loss)	\$722K		\$3.6 M	

Cash on Hand	\$324 M
Receivables	\$546 M
Total Current Assets	\$881 M
Current Liabilities	\$709 M
Current Ratio	1.24
Tangible Net Equity	\$206 M
% of DMHC Requirement	669.5%

Financial Highlights

Net Surplus (Loss)	<ul style="list-style-type: none"> ▶ Month: Surplus of \$722K is \$171K or 19.1% unfavorable to budget of \$893K. ▶ YTD: Surplus of \$3.6M is \$212K or 5.6% unfavorable to budget of \$3.8M.
Enrollment	<ul style="list-style-type: none"> ▶ Month: Membership was 243,641 (332 or 0.1% favorable budget of 243,309). ▶ YTD: Membership was 1,230,342 (4,308 or 0.4% favorable budget of 1,226,034).
Revenue	<ul style="list-style-type: none"> ▶ Month: \$96.9M (\$7.9M or 8.9% favorable to budget of \$89.0M). ▶ YTD: \$460.7M (\$14.6M or 3.3% favorable to budget of \$446.1M).
Medical Expenses	<ul style="list-style-type: none"> ▶ Month: \$91.9M (\$8.7M or 10.4% unfavorable to budget of \$83.3M). ▶ YTD: \$434.9M (\$17.0M or 4.1% unfavorable to budget of \$418.0M).
Administrative Expenses	<ul style="list-style-type: none"> ▶ Month: \$4.5M (\$532K or 10.5% favorable to budget of \$5.0M). ▶ YTD: \$24.2M (\$1.4M or 5.3% favorable to budget of \$25.6M).
Tangible Net Equity	<ul style="list-style-type: none"> ▶ TNE was \$205.5M (669.5% of minimum DMHC requirement of \$30.7M).
Capital Expenditures	<ul style="list-style-type: none"> ▶ YTD Capital Investments of \$1.2M vs. \$4.8M annual budget, primarily building improvements and computer hardware.

Enrollment



- Total enrollment of 243,641 members exceeds budget by 332 or 0.1%. Total enrollment has decreased since June 30, 2019 by 5,564 or 2.2%, slightly better than budgeted expectation.
- Medi-Cal enrollment has declined since October 2016, predominately in the Non-Dual Child, Adult & Adult Expansion categories of aid. Effective October 1st, 2019, approximately 3,500 Healthy Kids members transitioned to Medi-Cal. Medi-Cal Dual enrollment has been stable overall while CMC enrollment continues to grow in line with budget due to outreach efforts.
- With the transfer of the Healthy Kids program, net Medi-Cal membership has decreased since the beginning of the fiscal year by 2,347 or 1.0%. CMC membership has increased since the beginning of the fiscal year by 267 or 3.3%.

	For the Month November 2019				For Five Months Ending November 30, 2019				Prior Year Actuals	Δ FY19 vs. FY20
	Actual	Budget	Variance	Variance (%)	Actual	Budget	Variance	Variance (%)		
Medi-Cal	235,350	235,082	268	0.1%	1,178,890	1,175,292	3,598	0.3%	1,227,485	(4.0%)
Cal Medi-Connect	8,289	8,227	62	0.8%	40,926	40,698	228	0.6%	37,889	8.0%
Healthy Kids	2	0	2	0.0%	10,526	10,044	482	4.8%	16,305	(35.4%)
Total	243,641	243,309	332	0.1%	1,230,342	1,226,034	4,308	0.4%	1,281,679	(4.0%)

Santa Clara Family Health Plan Enrollment By Network
November 2019

Network	Medi-Cal		CMC		Healthy Kids		Total	
	Enrollment	% of Total	Enrollment	% of Total	Enrollment	% of Total	Enrollment	% of Total
Direct Contract Physicians	30,956	13%	8,289	100%	-	0%	39,245	16%
SCVHHS ¹ , Safety Net Clinics, FQHC ² Clinics	116,394	49%	-	0%	-	0%	116,394	48%
Palo Alto Medical Foundation	6,678	3%	-	0%	-	0%	6,678	3%
Physicians Medical Group	41,548	18%	-	0%	2	100%	41,550	17%
Premier Care	14,622	6%	-	0%	-	0%	14,622	6%
Kaiser	25,152	11%	-	0%	-	0%	25,152	10%
Total	235,350	100%	8,289	100%	2	100%	243,641	100%
Enrollment at June 30, 2019	237,697		8,022		3,486		249,205	
Net Δ from Beginning of FY20	(1.0%)		3.3%		(99.9%)		(2.2%)	

¹ SCVHHS = Santa Clara Valley Health & Hospital System

² FQHC = Federally Qualified Health Center

Enrollment By Aid Category

SCFHP TRENDED ENROLLMENT BY COA YTD NOV-19

		2018-11	2018-12	2019-01	2019-02	2019-03	2019-04	2019-05	2019-06	2019-07	2019-08	2019-09	2019-10	2019-11	FYTD Var	%	
NON DUAL	Adult (over 19)	26,213	26,175	25,954	25,846	25,779	25,563	25,198	25,204	24,989	24,888	24,689	24,492	24,207	(997)	(4.0%)	
	Child (under 19)	96,830	96,330	95,155	95,177	95,229	94,956	94,255	94,026	93,536	92,668	92,092	95,000	93,829	(197)	(0.2%)	
	Aged - Medi-Cal Only	10,887	10,923	10,901	10,963	10,934	10,949	10,871	10,995	10,948	10,958	10,855	10,850	10,897	(98)	(0.9%)	
	Disabled - Medi-Cal Only	10,624	10,631	10,629	10,579	10,595	10,678	10,780	10,819	10,774	10,833	10,814	10,836	10,865	47	0.4%	
	Adult Expansion	73,398	73,186	72,075	72,223	72,143	72,114	71,364	71,465	71,082	70,635	70,418	70,285	69,889	(1,576)	(2.2%)	
	BCCTP	11	11	9	9	8	10	11	11	10	10	10	10	10	12	1	9.1%
	Long Term Care	377	372	371	376	375	375	370	372	372	364	366	372	371	(1)	(0.3%)	
	Total Non-Duals	218,340	217,628	215,093	215,173	215,063	214,644	212,848	212,891	211,711	210,356	209,244	211,845	210,070	(2,821)	(1.3%)	

DUAL	Adult (21 Over)	390	379	373	376	367	368	354	352	351	345	351	341	350	(2)	(0.6%)
	SPD (21 Over)	22,897	22,893	22,765	22,728	22,725	22,941	23,009	22,988	23,087	23,230	23,445	23,531	23,577	589	2.6%
	Adult Expansion	538	586	556	529	479	304	252	253	209	226	201	122	82	(171)	(67.6%)
	BCCTP	1	1	2	1	1	0	0	0	0	0	0	0	0	0	0.0%
	Long Term Care	1,233	1,208	1,209	1,203	1,201	1,187	1,192	1,213	1,220	1,232	1,237	1,256	1,271	58	4.8%
	Total Duals	25,059	25,067	24,905	24,837	24,773	24,800	24,807	24,806	24,867	25,033	25,234	25,250	25,280	474	1.9%

Total Medi-Cal	243,399	242,695	239,998	240,010	239,836	239,444	237,655	237,697	236,578	235,389	234,478	237,095	235,350	(2,347)	(1.0%)
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Healthy Kids	3,460	3,345	3,252	3,375	3,348	3,465	3,507	3,486	3,501	3,509	3,512	2	2	(3,484)	(99.9%)
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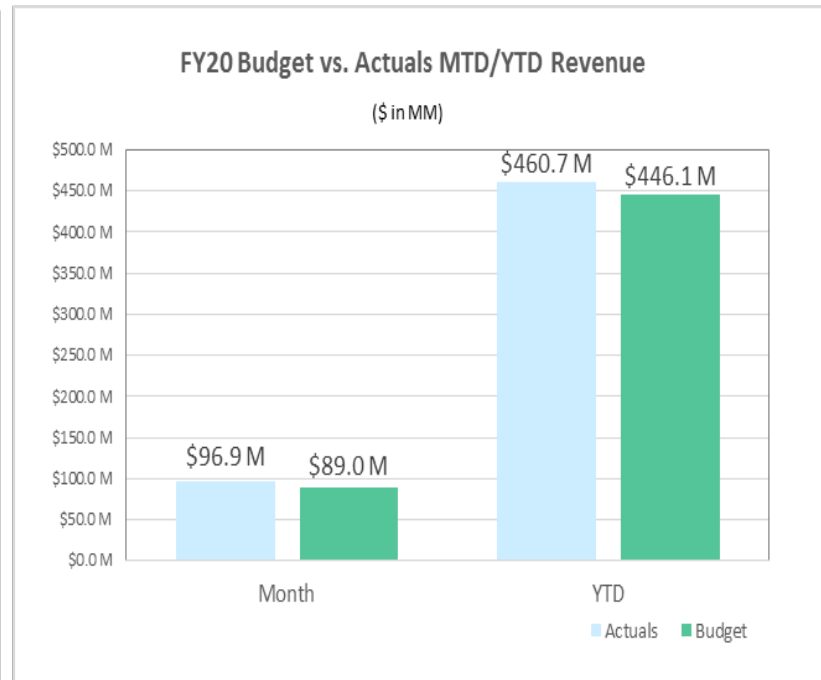
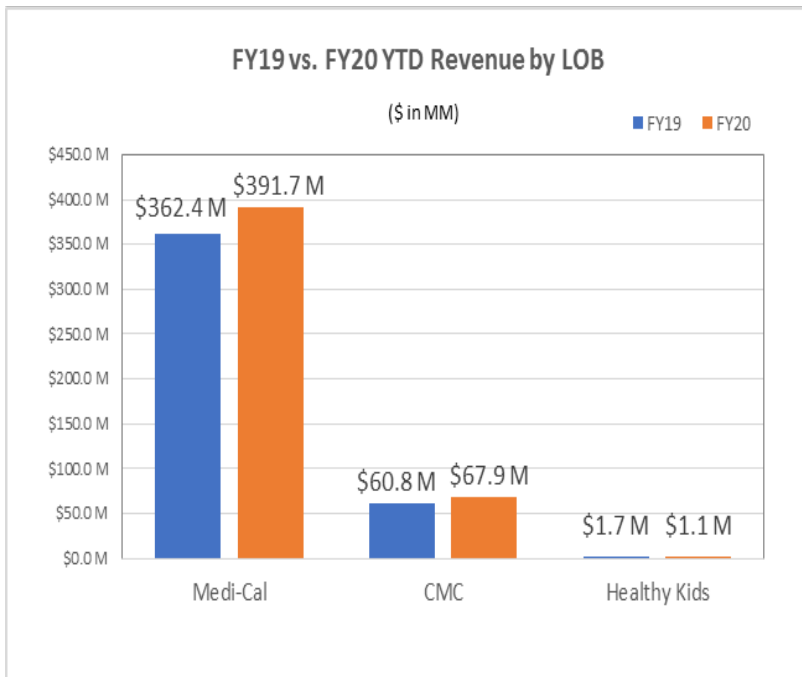
CMC	CMC Non-Long Term Care	7,407	7,484	7,540	7,616	7,680	7,661	7,706	7,815	7,869	7,921	7,982	8,016	8,069	254	3.3%
	CMC - Long Term Care	218	211	210	198	204	208	209	207	207	213	212	217	220	13	6.3%
	Total CMC	7,625	7,695	7,750	7,814	7,884	7,869	7,915	8,022	8,076	8,134	8,194	8,233	8,289	267	3.3%

Total Enrollment	254,484	253,735	251,000	251,199	251,068	250,778	249,077	249,205	248,155	247,032	246,184	245,330	243,641	(5,564)	(2.2%)
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Revenue

Current month revenue of \$96.9M is \$7.9M or 8.9% favorable to budget of \$89.0M. The current month variance was due to largely to Medi-Cal revenue, which is \$6.7M favorable and CMC Medicare, which is \$1.3M favorable.

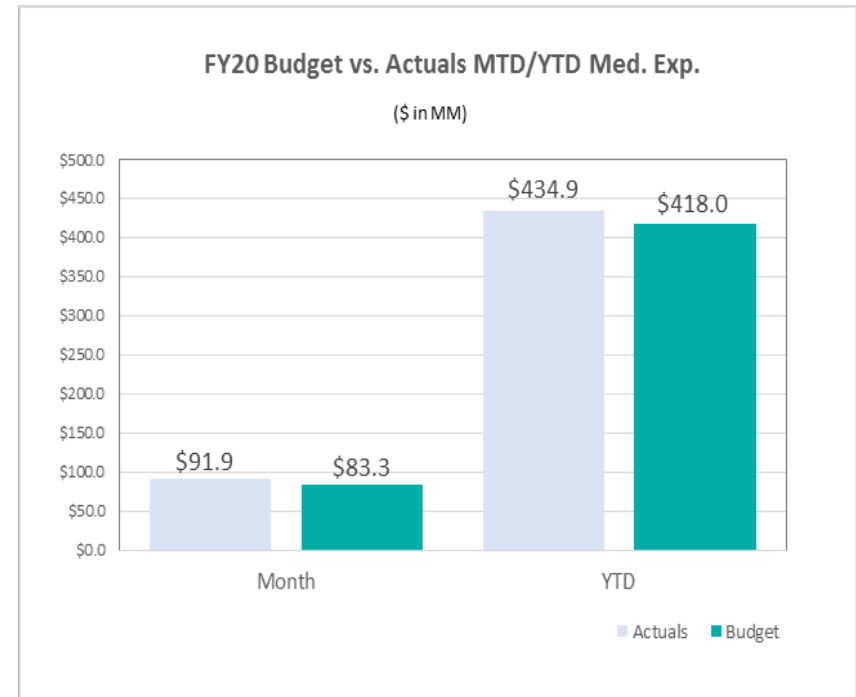
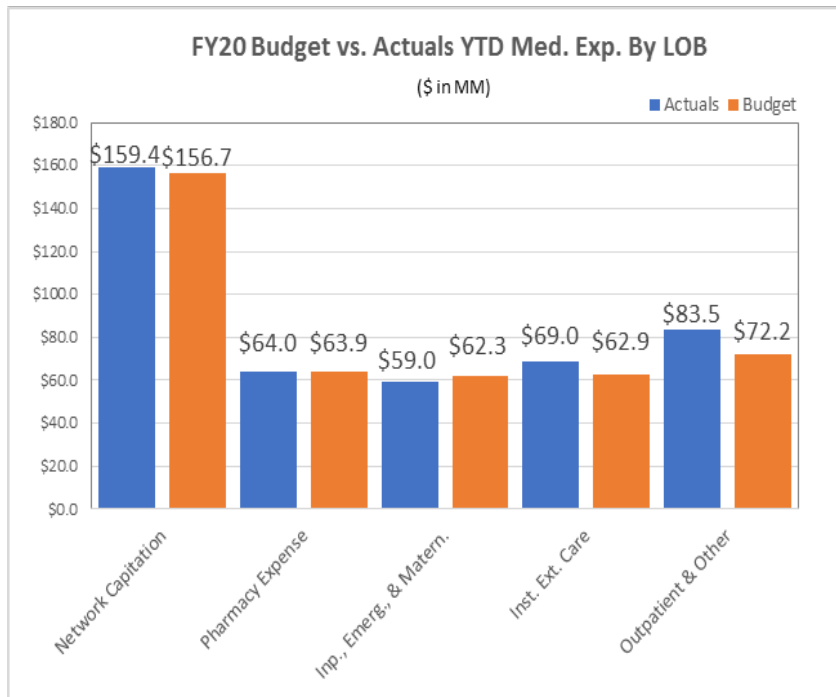
- FYTD Prop 56 accrual of \$4.4M (with an offsetting increase to medical expense).
- Higher FY20 rates in the Medi-Cal Non-Dual categories of aid (\$2.1M) which includes July-Oct 19 revenue of \$1.3M.
- Accrual of CY19 CMC Quality Withhold Earnback of \$1.2M.
- Higher retro member months than budget (\$200K).



Medical Expense

Current month medical expense of \$91.9M is \$8.7M or 10.4% unfavorable to budget of \$83.3M. The current month variance was due largely to:

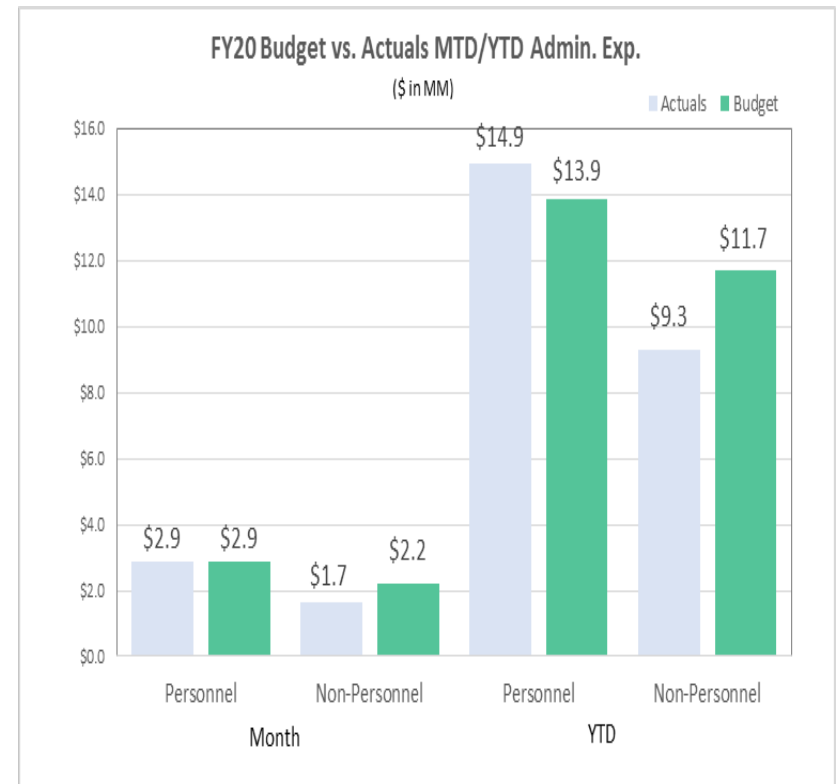
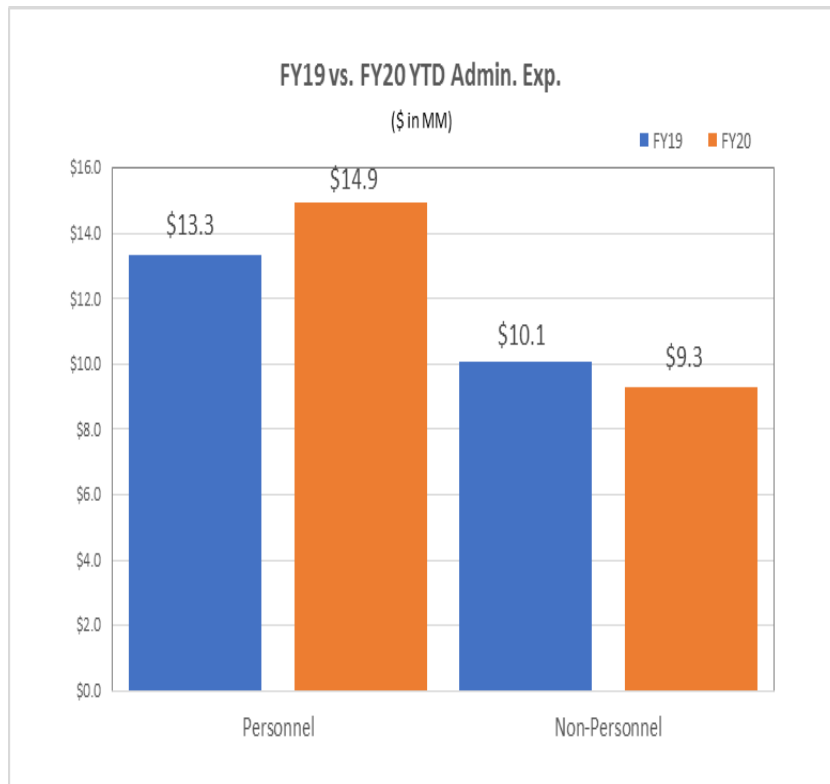
- FY20 Prop 56 accrued expense of \$4.4M (with offsetting an increase to revenue).
- Medi-Cal LTC, Inpatient, and Outpatient Facility expenses in excess of budget yielded an unfavorable variance of \$4.0M due to higher average cost versus budget.
- Capitation expense is \$734K unfavorable due to higher member months and rates than budgeted.
- Pharmacy expense is \$356K favorable due to an increase in rebates.



Administrative Expense

Current month admin expense of \$4.5M is \$532K or 10.5% favorable to budget of \$5.0M. The current month variances were primarily due to the following:

- Non-Personnel expenses were overall \$534K or 24.4% favorable to budget due to timing of consulting, advertising and postage expenses and reduced Quality Improvement spending versus budget.
- Personnel expenses were at budget.



Balance Sheet

- Current assets totaled \$881.2M compared to current liabilities of \$708.6M, yielding a current ratio (Current Assets/Current Liabilities) of 1.24:1 vs. the DMHC minimum requirement of 1.0:1.
- Cash balance increased by \$24.3M compared to the cash balance as of year-end June 30, 2019 due to timing of payments, received and paid.
- Current Cash & Equivalent components and yields were as follows:
 - Overall cash and investment yield favorably exceeds budget (1.8% actual vs. 1.4% budgeted).

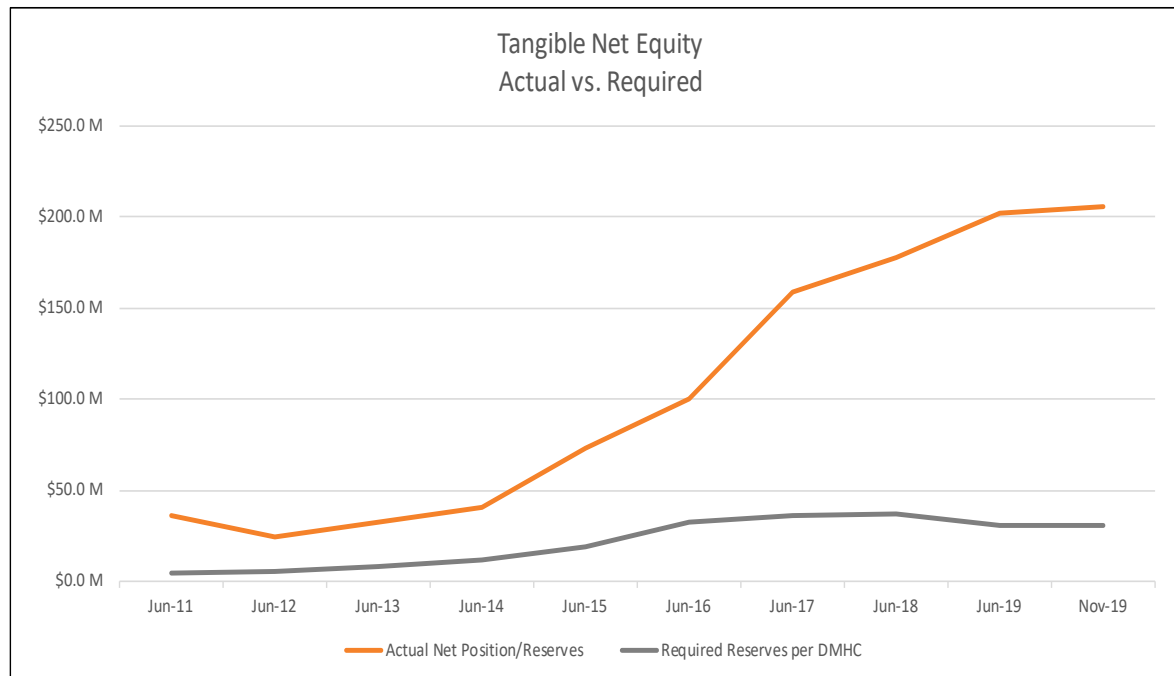
Description	Cash & Investments	Current Yield %	Interest Income	
			Month	YTD
Short-Term Investments				
County of Santa Clara Comingled Pool	\$79,623,903	2.13%	\$100,000	\$500,000
Wells Fargo Investments	\$203,775,676	2.01%	\$277,410	\$851,806
	<u>\$283,399,579</u>		<u>\$377,410</u>	<u>\$1,351,806</u>
Cash & Equivalents				
Bank of the West Money Market	\$397,810	0.70%	\$1,655	\$56,446
Wells Fargo Bank Accounts	\$39,578,562	1.50%	\$45,158	\$1,166,151
	<u>\$39,976,372</u>		<u>\$46,813</u>	<u>\$1,222,597</u>
Assets Pledged to DMHC				
Restricted Cash	\$305,350	0.42%	\$0	\$348
Petty Cash				
	\$500	0.00%	\$0	\$0
Month-End Balance	<u>\$323,681,801</u>		<u>\$424,223</u>	<u>\$2,574,751</u>

Tangible Net Equity

- TNE was \$205.5M or 669.5% of the most recent quarterly DMHC minimum requirement of \$30.7M. This represents approximately two months of the Plan's total actual expenses.

Santa Clara Health Authority
Tangible Net Equity - Actual vs. Required
As of November 30, 2019

	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Nov-19
Actual Net Position/Reserves	\$36.1 M	\$24.2 M	\$32.6 M	\$40.9 M	\$72.6 M	\$100.3 M	\$158.4 M	\$178.0 M	\$202.1 M	\$205.5 M
Required Reserves per DMHC	\$5.0 M	\$5.9 M	\$7.8 M	\$11.4 M	\$19.3 M	\$32.4 M	\$35.9 M	\$36.8 M	\$30.9 M	\$30.7 M
200% of Required Reserve	\$10.0 M	\$11.8 M	\$15.6 M	\$22.9 M	\$38.5 M	\$64.8 M	\$71.8 M	\$73.6 M	\$61.8 M	\$61.4 M
Actual as % Required	722.5%	410.2%	418.5%	357.5%	376.9%	309.8%	441.2%	483.4%	654.4%	669.5%



Reserves Analysis

SCFHP RESERVES ANALYSIS NOVEMBER 2019		
Financial Reserve Target #1: Tangible Net Equity		
	Approved	Balance
Unrestricted Net Equity		\$203,506,625
Board Designated Special Project Funding for CBOs	2,200,000	<u>2,040,000</u>
Total TNE		205,546,625
Current Required TNE		<u>30,700,511</u>
Excess TNE		174,846,113
Required TNE %		669.5%
SCFHP Target TNE Range:		
350% of Required TNE (Low)		107,451,789
500% of Required TNE (High)		153,502,556
TNE Above/(Below) SCFHP Low Target		<u>98,094,835</u>
TNE Above/(Below) High Target		<u>\$52,044,068</u>
Financial Reserve Target #2: Liquidity		
Cash & Investments		\$323,681,801
Less Pass-Through Liabilities		
Net Payable to State of CA		(51,762,850)
Other Pass-Through Liabilities		<u>(27,601,237)</u>
Total Pass-Through Liabilities		(79,364,087)
Net Cash Available to SCFHP		<u>244,317,715</u>
SCFHP Target Liquidity		
45 Days of Total Operating Expense		(132,452,458)
60 Days of Total Operating Expense		(176,603,277)
Liquidity Above/(Below) SCFHP Low Target		<u>111,865,257</u>
Liquidity Above/(Below) High Target		<u>\$67,714,437</u>

Note 1: In December 2018, the Governing Board established a Board Discretionary Fund of \$2.2M. The specific projects/recipients have yet to be determined.

Note 2: Other Pass-Through Liabilities include Prop 56 and other provider payables.

Note 3: SCFHP Target Liquidity is based on total monthly budgeted expenses.

Capital Expenditures

Expenditure	YTD Actual	Annual Budget
Hardware	\$344,468	\$620,000
Software	\$54,419	\$1,029,000
Building Improvements	\$777,923	\$3,149,500
TOTAL	\$1,176,809	\$4,798,500



**Santa Clara Family
Health Plan™**

Financial Statements

Income Statement



Santa Clara County Health Authority INCOME STATEMENT For Five Months Ending November 30, 2019

	Nov-2019	% of	Nov-2019	% of	Current Month Variance		YTD Nov-2019	% of	YTD Nov-2019	% of	YTD Variance	
	Actuals	Rev	Budget	Rev	\$	%	Actuals	Rev	Budget	Rev	\$	%
REVENUES												
MEDI-CAL	\$ 81,836,162	84.5%	\$ 75,088,924	84.4%	\$ 6,747,238	9.0%	\$ 391,681,234	85.0%	\$ 376,511,702	84.4%	\$ 15,169,532	4.0%
CMC MEDI-CAL	2,695,964	2.8%	2,868,360	3.2%	(172,396)	-6.0%	13,353,313	2.9%	14,189,439	3.2%	(836,126)	-5.9%
CMC MEDICARE	12,332,926	12.7%	10,992,917	12.4%	1,340,008	12.2%	54,591,377	11.8%	54,380,668	12.2%	210,710	0.4%
TOTAL CMC	15,028,890	15.5%	13,861,277	15.6%	1,167,612	8.4%	67,944,690	14.7%	68,570,107	15.4%	(625,417)	-0.9%
HEALTHY KIDS	151	0.0%	0	0.0%	151	0.0%	1,123,638	0.2%	1,043,572	0.2%	80,066	7.7%
TOTAL REVENUE	\$ 96,865,203	100.0%	\$ 88,950,202	100.0%	\$ 7,915,002	8.9%	\$ 460,749,562	100.0%	\$ 446,125,380	100.0%	\$ 14,624,182	3.3%
MEDICAL EXPENSES												
MEDI-CAL	\$ 79,059,070	81.6%	\$ 70,086,581	78.8%	\$ (8,972,489)	-12.8%	\$ 370,113,666	80.3%	\$ 351,733,653	78.8%	\$ (18,380,013)	-5.2%
CMC MEDI-CAL	2,854,836	2.9%	3,024,042	3.4%	169,206	5.6%	13,389,630	2.9%	14,962,501	3.4%	1,572,871	10.5%
CMC MEDICARE	10,043,595	10.4%	10,142,786	11.4%	99,191	1.0%	50,634,816	11.0%	50,149,425	11.2%	(485,391)	-1.0%
TOTAL CMC	12,898,430	13.3%	13,166,828	14.8%	268,397	2.0%	64,024,446	13.9%	65,111,927	14.6%	1,087,481	1.7%
HEALTHY KIDS	(15,204)	0.0%	0	0.0%	15,204	0.0%	804,536	0.2%	1,123,405	0.3%	318,869	28.4%
TOTAL MEDICAL EXPENSES	\$ 91,942,296	94.9%	\$ 83,253,409	93.6%	\$ (8,688,887)	-10.4%	\$ 434,942,648	94.4%	\$ 417,968,985	93.7%	\$ (16,973,663)	-4.1%
MEDICAL OPERATING MARGIN	\$ 4,922,907	5.1%	\$ 5,696,793	6.4%	\$ (773,886)	-13.6%	\$ 25,806,914	5.6%	\$ 28,156,395	6.3%	\$ (2,349,481)	-8.3%
ADMINISTRATIVE EXPENSE												
SALARIES AND BENEFITS	\$ 2,860,258	3.0%	\$ 2,858,326	3.2%	\$ (1,932)	-0.1%	\$ 14,926,149	3.2%	\$ 13,883,251	3.1%	\$ (1,042,898)	-7.5%
RENTS AND UTILITIES	26,306	0.0%	11,917	0.0%	(14,389)	-120.7%	96,282	0.0%	85,185	0.0%	(11,097)	-13.0%
PRINTING AND ADVERTISING	(16,613)	0.0%	72,613	0.1%	89,226	122.9%	77,855	0.0%	345,565	0.1%	267,710	77.5%
INFORMATION SYSTEMS	273,688	0.3%	299,410	0.3%	25,722	8.6%	1,295,848	0.3%	1,554,050	0.3%	258,202	16.6%
PROF FEES/CONSULTING/TEMP STAFFING	675,853	0.7%	1,022,689	1.1%	346,836	33.9%	4,430,511	1.0%	5,751,639	1.3%	1,321,128	23.0%
DEPRECIATION/INSURANCE/EQUIPMENT	370,072	0.4%	387,762	0.4%	17,690	4.6%	1,735,488	0.4%	1,942,749	0.4%	207,261	10.7%
OFFICE SUPPLIES/POSTAGE/TELEPHONE	47,791	0.0%	84,741	0.1%	36,950	43.6%	344,231	0.1%	396,105	0.1%	51,874	13.1%
MEETINGS/TRAVEL/DUES	100,138	0.1%	111,772	0.1%	11,634	10.4%	474,196	0.1%	628,474	0.1%	154,278	24.5%
OTHER	178,300	0.2%	199,000	0.2%	20,700	10.4%	844,540	0.2%	997,750	0.2%	153,210	15.4%
TOTAL ADMINISTRATIVE EXPENSES	\$ 4,515,792	4.7%	\$ 5,048,230	5.7%	\$ 532,437	10.5%	\$ 24,225,099	5.3%	\$ 25,584,768	5.7%	\$ 1,359,670	5.3%
OPERATING SURPLUS (LOSS)	\$ 407,115	0.4%	\$ 648,563	0.7%	\$ (241,448)	-37.2%	\$ 1,581,815	0.3%	\$ 2,571,627	0.6%	\$ (989,812)	-38.5%
ALLOWANCE FOR UNCOLLECTED PREMIUM	0	0.0%	0	0.0%	0	0.0%	42,267	0.0%	0	0.0%	(42,267)	0.0%
GASB 75 - POST EMPLOYMENT BENEFITS EXPENSE	59,780	0.1%	60,000	0.1%	220	0.4%	298,898	0.1%	300,000	0.1%	1,102	0.4%
GASB 68 - UNFUNDED PENSION LIABILITY	75,000	0.1%	75,000	0.1%	0	0.0%	375,000	0.1%	375,000	0.1%	0	0.0%
NON-OPERATING EXPENSES	\$ 134,780	0.1%	\$ 135,000	0.2%	\$ 220	0.2%	\$ 716,165	0.2%	\$ 675,000	0.2%	\$ (41,165)	-6.1%
INTEREST & OTHER INCOME	449,595	0.5%	379,225	0.4%	70,369	18.6%	2,715,222	0.6%	1,896,125	0.4%	819,096	43.2%
NET NON-OPERATING ACTIVITIES	\$ 314,815	0.3%	\$ 244,225	0.3%	\$ 70,590	28.9%	\$ 1,999,056	0.4%	\$ 1,221,125	0.3%	\$ 777,931	63.7%
NET SURPLUS (LOSS)	\$ 721,930	0.7%	\$ 892,788	1.0%	\$ (170,858)	-19.1%	\$ 3,580,872	0.8%	\$ 3,792,752	0.9%	\$ (211,880)	-5.6%

Balance Sheet



SANTA CLARA COUNTY HEALTH AUTHORITY
For Five Months Ending November 30, 2019

	Nov-2019	Oct-2019	Sep-2019	Nov-2018
Assets				
Current Assets				
Cash and Investments	323,681,801	300,653,115	292,802,171	219,146,699
Receivables	545,738,541	528,337,519	512,431,795	516,503,446
Prepaid Expenses and Other Current Assets	11,776,164	11,671,741	11,807,126	8,795,924
Total Current Assets	881,196,507	840,662,376	817,041,092	744,446,069
Long Term Assets				
Property and Equipment	45,935,579	45,648,483	45,257,793	43,080,423
Accumulated Depreciation	(18,867,161)	(18,544,570)	(18,235,377)	(15,859,844)
Total Long Term Assets	27,068,418	27,103,913	27,022,416	27,220,579
Total Assets	908,264,924	867,766,289	844,063,508	771,666,648
Deferred Outflow of Resources	9,237,609	9,237,609	9,237,609	14,535,240
Total Assets & Deferred Outflows	917,502,533	877,003,898	853,301,117	786,201,888
Liabilities and Net Assets:				
Current Liabilities				
Trade Payables	8,257,553	10,008,958	7,598,240	8,265,604
Employee Benefits	1,983,388	1,781,081	1,740,524	1,668,438
Retirement Obligation per GASB 75	4,242,184	4,182,405	4,122,625	5,181,693
Advance Premium - Healthy Kids	-	-	85,058	82,523
Deferred Revenue - Medicare	10,204,914	-	-	8,943,810
Whole Person Care / Prop 56	27,601,237	21,339,570	19,531,214	12,063,420
IGT, HQAF, Other Provider Payables	41,825,039	38,212,182	35,620,914	9,163,650
MCO Tax Payable - State Board of Equalization	51,762,850	41,410,280	31,057,710	17,569,260
Due to DHCS	31,562,982	29,964,404	28,665,798	30,744,661
Liability for In Home Support Services (IHSS)	416,092,527	416,092,527	416,092,527	413,549,551
Current Premium Deficiency Reserve (PDR)	8,294,025	8,294,025	8,294,025	8,294,025
Medical Cost Reserves	106,775,698	97,451,250	92,558,575	86,276,451
Total Current Liabilities	708,602,395	668,736,681	645,367,209	601,803,086
Non-Current Liabilities				
Net Pension Liability GASB 68	358,966	287,974.17	216,983	2,199,796
Total Non-Current Liabilities	358,966	287,974	216,983	2,199,796
Total Liabilities	708,961,361	669,024,655	645,584,191	604,002,882
Deferred Inflow of Resources	2,994,548	2,994,548	2,994,548	4,034,640
Net Assets				
Invested in Capital Assets	27,068,418	27,103,913	27,022,416	27,220,579
Restricted under Knox-Keene agreement	305,350	305,350	305,350	305,350
Board Designated Fund: Special Project Funding for CBOs	2,040,000	2,200,000	2,200,000	0
Unrestricted Net Equity	172,551,985	172,516,490	172,597,987	150,489,934
Current YTD Income (Loss)	3,580,872	2,858,942	2,596,625	148,503
Total Net Assets / Reserves	205,546,625	204,984,695	204,722,378	178,164,366
Total Liabilities, Deferred Inflows and Net Assets	917,502,533	877,003,898	853,301,117	786,201,888

Cash Flow Statement



	<u>Nov-2019</u>	<u>Year-to-date</u>
Cash Flows from Operating Activities		
Premiums Received	\$91,415,329	\$696,259,890
Medical Expenses Paid	(79,164,992)	(673,078,537)
Administrative Expenses Paid	10,615,850	(460,468)
Net Cash from Operating Activities	\$22,866,187	\$22,720,885
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(287,096)	(1,176,809)
Cash Flows from Investing Activities		
Interest Income and Other Income (Net)	449,595	2,715,222
Net Increase/(Decrease) in Cash & Cash Equivalents	23,028,686	24,259,298
Cash & Cash Equivalents (Beginning)	300,653,116	299,422,504
Cash & Cash Equivalents (Ending)	\$323,681,801	\$323,681,801
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating Income/(Loss)	\$272,335	\$865,650
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation	322,592	1,500,631
Changes in Operating Assets/Liabilities		
Premiums Receivable	(17,401,022)	205,327,584
Prepays & Other Assets	(104,423)	363,923
Accounts Payable & Accrued Liabilities	14,977,263	22,417,277
State Payable	11,951,148	30,182,744
IGT, HQAF & Other Provider Payables	3,612,857	(257,056,570)
Net Pension Liability	70,991	358,966
Medical Cost Reserves & PDR	9,164,447	18,760,681
Total Adjustments	22,593,852	21,855,235
Net Cash from Operating Activities	\$22,866,187	\$22,720,885



**Santa Clara Family
Health Plan™**

Detail Analyses

Statement of Operations by Line of Business - YTD



Santa Clara County Health Authority
Statement of Operations
By Line of Business (Including Allocated Expenses)
For Five Months Ending November 30, 2019

	Medi-Cal	CMC Medi-Cal	CMC Medicare	Total CMC	Healthy Kids	Grand Total
P&L (ALLOCATED BASIS)						
REVENUE	\$391,681,234	\$13,353,313	\$54,591,377	\$67,944,690	\$1,123,638	\$460,749,562
MEDICAL EXPENSE (MLR)	\$370,113,666	\$13,389,630	\$50,634,816	\$64,024,446	\$804,536	\$434,942,648
GROSS MARGIN	\$21,567,568	-\$36,317	\$3,956,561	\$3,920,244	\$319,102	\$25,806,914
ADMINISTRATIVE EXPENSE (% of Revenue Allocation)	\$20,593,653	\$702,085	\$2,870,283	\$3,572,368	\$59,078	\$24,225,099
OPERATING INCOME/(LOSS) (% of Revenue Allocation)	\$973,915	(\$738,402)	\$1,086,278	\$347,876	\$260,024	\$1,581,815
OTHER INCOME/(EXPENSE) (% of Revenue Allocation)	\$1,699,389	\$57,936	\$236,856	\$294,792	\$4,875	\$1,999,056
NET INCOME/(LOSS)	\$2,673,304	(\$680,466)	\$1,323,134	\$642,668	\$264,899	\$3,580,872
PMPM (ALLOCATED BASIS)						
REVENUE	\$332.25	\$326.28	\$1,333.90	\$1,660.18	\$106.75	\$374.49
MEDICAL EXPENSES	\$313.95	\$327.17	\$1,237.23	\$1,564.40	\$76.43	\$353.51
GROSS MARGIN	\$18.29	-\$0.89	\$96.68	\$95.79	\$30.32	\$20.98
ADMINISTRATIVE EXPENSES	\$17.47	\$17.15	\$70.13	\$87.29	\$5.61	\$19.69
OPERATING INCOME/(LOSS)	\$0.83	(\$18.04)	\$26.54	\$8.50	\$24.70	\$1.29
OTHER INCOME/(EXPENSE)	\$1.44	\$1.42	\$5.79	\$7.20	\$0.46	\$1.62
NET INCOME/(LOSS)	\$2.27	(\$16.63)	\$32.33	\$15.70	\$25.17	\$2.91
ALLOCATION BASIS:						
MEMBER MONTHS - YTD	1,178,890	40,926	40,926	40,926	10,526	1,230,342
REVENUE BY LOB	85.0%	2.9%	11.8%	14.7%	0.2%	100.0%

Santa Clara Family Health Plan
Quarterly Investment Compliance Report
Third Quarter Ending September 30, 2019
(In accordance with the California Government Code)

1. OVERVIEW

The California Government Code (the Code), Section 53646, which governs Santa Clara Family Health Plan's (the Plan's) investments, requires the Chief Financial Officer to submit a quarterly report on the status of investment portfolio and excess cash to its Governing Board.

The quarterly report contains a listing of investments, fund balances, activity, and return on investments made by the Plan. Quarterly reports reflect the current positions and past performance of a portfolio of investments for the period of time under consideration. (The new Wells Fargo Asset Management Portfolio covers the period from inception on September 17, 2019 through September 30, 2019.)

This quarterly report also includes 1) a statement of compliance with the investment policy or an explanation for non-compliance; and 2) a statement of SCFHP's ability to meet its expenditure requirements for the next six months (and an explanation of why sufficient money would not be available, if that were the case).

The Plan's investments and excess cash accounts currently include:

1. County of Santa Clara Comingled Investment Pool (County Pool)
2. Wells Fargo Investment Management Portfolio (Portfolio)
3. Wells Fargo Stagecoach Money Market Fund (Sweep)

2. COMPLIANCE WITH THE 2019 ANNUAL INVESTMENT POLICY

Based upon our independent compliance review of the quarterly investment reports prepared for the County Pool, and Portfolio) investments and the Sweep account were in compliance with the Santa Clara Family Health Plan's 2019 Annual Investment Policy adopted May 1, 2019 and the subsequent Executive/Finance Committee directive dated July 25, 2019, to engage Wells Fargo Asset Management as portfolio manager. Investments made by Wells Fargo Asset Management are made in keeping with the Annual Investment Policy and the California Government Code.

Investment information for the County Pool and the Portfolio is as of September 30, 2019. Going forward, this investment oversight report will be provided as of quarter end and be available no later than 30 days after quarter end.

As required by the Code, the quarter end listing of the portfolio holdings is attached to this report.

3. PORTFOLIO SUMMARY

As of September 30, 2019, the market values of the investments of the SCFHP as invested in the County Pool, the Wells' managed portfolio and the Wells' Stagecoach Money Market Fund (Sweep Account) are as follows:

County Commingled Investment Pool (County Pool)	Wells Fargo Asset Management Portfolio (Portfolio)	Wells Fargo Stagecoach Money Market Fund (Sweep Account)	Total
\$79,390,883	\$190,599,560	\$38,668,160	\$308,658,603

4. SIX MONTH CASH SUFFICIENCY

The Plan's treasury management staff confirmed to Sperry Capital that the Plan has sufficient cash on-hand plus projected revenues to meet its operating expenditure requirements for at least the next six months.

5. DIVERSIFICATION COMPLIANCE

As of September 30, 2019, the investment composition of the Wells Portfolio and Sweep accounts is compliant with the SCFHP Annual Investment Policy 2019.

The published Quarterly Investment Report as of September 30, 2019 for the Commingled Investment Pool indicates compliance with the County Treasurer's Investment Policy and Diversification parameters. There is no maximum percentage requirement for investment in the Commingled Investment Pool.

6. ACTUAL VS. DIVERSIFICATION REQUIREMENTS

Investment Type	Maximum Maturity	Maximum Specified % of Portfolio	Minimum Quality Requirements	Portfolio As of 9-30-2019	Compliance
Wells Stagecoach MMF	N/A	20%	**	38,668,160	Yes
Wells Govt MMF	N/A	20%	**	963,278	Yes
Commingled Investment Pool	N/A	None	None	79,390,883	Yes
U.S. Treasury Obligations	5 years	None	None	40,009,449	Yes
U.S. Agency Obligations	5 years	None	None	49,552,366	Yes
Commercial Paper	270 days	40% of the agency's money	Highest letter and number rating by a national rating agency	36,404,516	Yes
CA Local Agency Obligations	5 years	None	None	2,661,679	Yes
Medium-Term Notes	5 years	30%	"A" rating or better	44,538,853	Yes
Mortgage Pass-Through Securities	5 years	None	"AA" rating or better	9,936,762	Yes
Supranational Obligations	5 years	30%	"AA" rating or better	7,495,935	Yes

**A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of \$500 million.

7. PERFORMANCE

For the period, September 17 – 30, 2019

Wells Fargo Asset Managed portfolio

Portfolio (Net of Fees): 0.083%* (reflects 2-week period only)

Annualized Yield = 2.04%*

Primary Benchmark: ICE Merrill Lynch 3-Month T-Bill: 0.100%

Average Duration: 0.33 years*

Average Effective Maturity: 0.38 years*

*provided by Wells Fargo Asset Management

For the quarter ending September 30, 2019

1. Santa Clara County Commingled Investment Pool

Yield (annualized) = 2.13%

Weighted average life = 1.53 years (558 days)

Benchmark: LAIF = 2.28% (weighted average life = .51 years)

Benchmark: 2-year T-Note = 1.62%

2. Stagecoach Sweep Account (Wells Money Market Mutual Fund)

7-day yield = .0348% (annualized = 1.81%)



ATTACHMENT

Portfolio listing of the Wells managed portfolio

Sperry Capital Inc. Disclaimer: *Sperry Capital provides this Investment Summary Report for the sole use by the Santa Clara Family Health Plan and is not intended for distribution other than to members of the Board and Financial Committees of the Santa Clara Family Health Plan. This report is based on information prepared and distributed by and market valuations provided by Wells Fargo Asset Management and the Santa Clara County Treasurer's Pool, for those funds held by those firms respectively. Sperry Capital does not provide investment advice or profess an opinion as to asset allocation, appropriateness of investment or recommend alternative investment strategies. Sources for the material contained herein are deemed reliable but cannot be guaranteed*

Portfolio Holdings

US Dollar
As of 30 September 2019

WC-Santa Clara Family HealthPI
Account: XXXX5000
Investment Strategy: Short Duration Fixed Income
Primary Benchmark: ICE BofAML 3-Month U.S. Treasury Bill

WELLS
FARGO

Asset
Management

Cash

Identifier, Description	Base Original Units, Base Current Units	Coupon, Rating	Final Maturity, Effective Maturity	Base Book Value	Market Price, Yield	Base Accrued Balance, Base Net Total Unrealized Gain/Loss	Base Market Value, Base Market Value + Accrued
CCYUSD Cash	-25.00 -25.00	0.00 AAA	09/30/2019 09/30/2019	-25.00	1.0000 0.00	0.00 0.00	-25.00 -25.00
CCYUSD Payable	-7,200,659.60 -7,200,659.60	0.00 AAA	09/30/2019 09/30/2019	-7,200,659.60	1.0000 0.00	0.00 0.00	-7,200,659.60 -7,200,659.60
CCYUSD Receivable	2,051,446.26 2,051,446.26	0.00 AAA	09/30/2019 09/30/2019	2,051,446.26	1.0000 0.00	0.00 0.00	2,051,446.26 2,051,446.26
CCYUSD ---	-5,149,238.34 -5,149,238.34	0.00 AAA	09/30/2019 09/30/2019	-5,149,238.34	1.0000 0.00	0.00 0.00	-5,149,238.34 -5,149,238.34

MMFund

Identifier, Description	Base Original Units, Base Current Units	Coupon, Rating	Final Maturity, Effective Maturity	Base Book Value	Market Price, Yield	Base Accrued Balance, Base Net Total Unrealized Gain/Loss	Base Market Value, Base Market Value + Accrued
94975P405 WELLS FRGO GOVERNMENT CL I MMF	963,277.56 963,277.56	2.04 AAA	09/30/2019 09/30/2019	963,277.56	1.0000 1.75	0.00 0.00	963,277.56 963,277.56
94975P405 WELLS FRGO GOVERNMENT CL I MMF	963,277.56 963,277.56	2.04 AAA	09/30/2019 09/30/2019	963,277.56	1.0000 1.75	0.00 0.00	963,277.56 963,277.56

Fixed Income

Identifier, Description	Base Original Units, Base Current Units	Coupon, Rating	Final Maturity, Effective Maturity	Base Book Value	Market Price, Yield	Base Accrued Balance, Base Net Total Unrealized Gain/Loss	Base Market Value, Base Market Value + Accrued
02665WCL3 AMERICAN HONDA FINANCE CORP	1,350,000.00 1,350,000.00	2.30 A	02/21/2020 02/21/2020	1,350,789.64	100.0464 2.08	3,538.56 -163.22	1,350,626.41 1,354,164.97
02665WCG4 AMERICAN HONDA FINANCE CORP	1,075,000.00 1,075,000.00	2.38 A	06/16/2020 06/16/2020	1,076,417.81	100.1257 1.99	1,065.37 -66.08	1,076,351.73 1,077,417.10
037833DHO APPLE INC	3,356,000.00 3,356,000.00	1.80 AA+	11/13/2019 11/13/2019	3,355,263.11	99.9720 2.02	23,156.40 -204.20	3,355,058.91 3,378,215.31
06051GFT1 BANK OF AMERICA CORP	3,000,000.00 3,000,000.00	2.63 A	10/19/2020 10/19/2020	3,020,625.19	100.6346 2.01	35,437.50 -1,585.75	3,019,039.44 3,054,476.94
06406HDD8 BANK OF NEW YORK MELLON CORP	2,712,000.00 2,712,000.00	2.60 A+	08/17/2020 07/17/2020	2,725,588.09	100.4729 1.99	8,712.02 -761.85	2,724,826.24 2,733,538.26
072024WU2 BAY AREA TOLL AUTH CALIF TOLL BRDG REV	2,660,000.00 2,660,000.00	2.02 AA-	04/01/2020 04/01/2020	2,660,000.00	100.0350 1.95	748.13 931.00	2,660,931.00 2,661,679.13
07330NAP0 BRANCH BANKING AND TRUST CO	3,310,000.00 3,310,000.00	2.75 A+	01/15/2020 12/15/2019	3,313,103.13	100.0870 2.26	19,746.32 -223.72	3,312,879.40 3,332,625.73
1247P3Y55 CAFCO LLC	4,500,000.00 4,500,000.00	0.00 A-1	11/05/2019 11/05/2019	4,491,031.25	99.8004 2.06	0.00 -13.25	4,491,018.00 4,491,018.00
14913Q2K4 CATERPILLAR FINANCIAL SERVICES CORP	3,000,000.00 3,000,000.00	2.34 A	05/15/2020 05/15/2020	3,002,203.24	100.0716 2.01	9,157.68 -56.68	3,002,146.56 3,011,304.24

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Portfolio Holdings

US Dollar
As of 30 September 2019

WC-Santa Clara Family HealthPI
Account: XXXX5000
Investment Strategy: Short Duration Fixed Income
Primary Benchmark: ICE BofAML 3-Month U.S. Treasury Bill

WELLS
FARGO

Asset
Management

Identifier, Description	Base Original Units, Base Current Units	Coupon, Rating	Final Maturity, Effective Maturity	Base Book Value	Market Price, Yield	Base Accrued Balance, Base Net Total Unrealized Gain/Loss	Base Market Value, Base Market Value + Accrued
17325FAE8 CITIBANK NA	3,000,000.00 3,000,000.00	2.10 A+	06/12/2020 05/12/2020	3,001,374.29	100.0318 2.05	19,075.00 -420.92	3,000,953.37 3,020,028.37
12619UY62 CRC Funding, LLC	750,000.00 750,000.00	0.00 A-1	11/06/2019 11/06/2019	748,425.00	99.7865 2.14	0.00 -26.02	748,398.98 748,398.98
53245QXM3 Eli Lilly and Company	1,403,000.00 1,403,000.00	0.00 A-1+	10/21/2019 10/21/2019	1,401,456.70	99.8794 2.07	0.00 -149.19	1,401,307.52 1,401,307.52
30229BXJ1 Exxon Mobil Corporation	3,000,000.00 3,000,000.00	0.00 A-1+	10/18/2019 10/18/2019	2,997,053.33	99.9003 2.00	0.00 -44.33	2,997,009.00 2,997,009.00
313312VZ0 FEDERAL FARM CREDIT BANKS	5,000,000.00 5,000,000.00	0.00 A-1+	04/24/2020 04/24/2020	4,945,906.47	98.9643 1.85	0.00 2,307.43	4,948,213.90 4,948,213.90
313312ZY9 FEDERAL FARM CREDIT BANKS	5,000,000.00 5,000,000.00	0.00 A-1+	07/28/2020 07/28/2020	4,921,799.10	98.5201 1.82	0.00 4,205.05	4,926,004.15 4,926,004.15
313312NQ9 FEDERAL FARM CREDIT BANKS	4,000,000.00 4,000,000.00	0.00 A-1+	10/30/2019 10/30/2019	3,993,812.35	99.8486 1.82	0.00 129.90	3,993,942.24 3,993,942.24
3133EJYY9 FEDERAL FARM CREDIT BANKS FUNDING CORP	2,000,000.00 2,000,000.00	2.69 AAA	09/04/2020 09/04/2020	2,015,060.50	100.8079 1.81	4,035.00 1,097.04	2,016,157.54 2,020,192.54
313384QT9 FEDERAL HOME LOAN BANKS	10,000,000.00 10,000,000.00	0.00 A-1+	12/20/2019 12/20/2019	9,955,539.47	99.5844 1.85	0.00 2,904.93	9,958,444.40 9,958,444.40
313384PK9 FEDERAL HOME LOAN BANKS	5,000,000.00 5,000,000.00	0.00 A-1+	11/18/2019 11/18/2019	4,986,995.77	99.7493 1.85	0.00 470.88	4,987,466.65 4,987,466.65
313384QA0 FEDERAL HOME LOAN BANKS	5,000,000.00 5,000,000.00	0.00 A-1+	12/03/2019 12/03/2019	4,983,107.06	99.6727 1.85	0.00 530.44	4,983,637.50 4,983,637.50
313384NZ8 FEDERAL HOME LOAN BANKS	5,000,000.00 5,000,000.00	0.00 A-1+	11/08/2019 11/08/2019	4,989,811.70	99.8016 1.83	0.00 266.10	4,990,077.80 4,990,077.80
313384G86 FEDERAL HOME LOAN BANKS	3,000,000.00 3,000,000.00	0.00 A-1+	09/22/2020 09/22/2020	2,945,843.98	98.2646 ---	0.00 2,093.51	2,947,937.49 2,947,937.49
313384NW5 FEDERAL HOME LOAN BANKS	800,000.00 800,000.00	0.00 A-1+	11/05/2019 11/05/2019	798,541.47	99.8172 1.83	0.00 -3.70	798,537.78 798,537.78
313396UL5 FEDERAL HOME LOAN MORTGAGE CORP	5,000,000.00 5,000,000.00	0.00 A-1+	03/18/2020 03/18/2020	4,957,508.85	99.1456 1.82	0.00 -228.30	4,957,280.55 4,957,280.55
313396QS5 FEDERAL HOME LOAN MORTGAGE CORP	5,000,000.00 5,000,000.00	0.00 A-1+	12/19/2019 12/19/2019	4,979,478.74	99.5896 1.85	0.00 3.21	4,979,481.95 4,979,481.95
369550BA5 GENERAL DYNAMICS CORP	2,895,000.00 2,895,000.00	2.88 A	05/11/2020 05/11/2020	2,910,543.26	100.5209 2.02	32,367.71 -463.26	2,910,080.00 2,942,447.71
38346MY81 Gotham Funding Corporation	5,000,000.00 5,000,000.00	0.00 A-1	11/08/2019 11/08/2019	4,988,811.11	99.7748 2.14	0.00 -72.36	4,988,738.75 4,988,738.75
4042Q1AE7 HSBC BANK USA	3,000,000.00 3,000,000.00	4.88 A+	08/24/2020 08/24/2020	3,072,970.18	102.4418 2.12	15,031.25 284.39	3,073,254.57 3,088,285.82
458140AQ3 INTEL CORP	3,000,000.00 3,000,000.00	2.45 A+	07/29/2020 07/29/2020	3,011,284.87	100.4142 1.94	12,658.33 1,141.43	3,012,426.30 3,025,084.63
4581XOCP1 INTER-AMERICAN DEVELOPMENT BANK	2,500,000.00 2,500,000.00	1.88 AAA	06/16/2020 06/16/2020	2,498,537.02	99.9438 1.95	13,671.88 58.48	2,498,595.50 2,512,267.38
459058FA6 INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPM	5,000,000.00 5,000,000.00	1.38 AAA	03/30/2020 03/30/2020	4,984,877.84	99.6696 2.04	190.97 -1,400.34	4,983,477.50 4,983,668.47

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Portfolio Holdings

US Dollar
As of 30 September 2019

WC-Santa Clara Family HealthPI
Account: XXXX5000
Investment Strategy: Short Duration Fixed Income
Primary Benchmark: ICE BofAML 3-Month U.S. Treasury Bill

WELLS
FARGO

Asset
Management

Identifier, Description	Base Original Units, Base Current Units	Coupon, Rating	Final Maturity, Effective Maturity	Base Book Value	Market Price, Yield	Base Accrued Balance, Base Net Total Unrealized Gain/Loss	Base Market Value, Base Market Value + Accrued
24422EUN7 JOHN DEERE CAPITAL CORP	1,731,000.00 1,731,000.00	2.76 A	07/10/2020 07/10/2020	1,735,250.12	100.2134 2.03	11,005.95 -556.61	1,734,693.50 1,745,699.45
46625HNX4 JPMORGAN CHASE & CO	3,000,000.00 3,000,000.00	2.55 A	10/29/2020 09/29/2020	3,013,462.62	100.5168 2.02	32,300.00 2,042.61	3,015,505.23 3,047,805.23
48306BXG5 Kaiser Foundation Hospitals, Inc.	5,250,000.00 5,250,000.00	0.00 A-1+	10/16/2019 10/16/2019	5,245,513.54	99.8965 2.33	0.00 -945.56	5,244,567.98 5,244,567.98
637432NF8 NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP	2,909,000.00 2,909,000.00	2.30 A+	11/01/2020 10/01/2020	2,919,163.91	100.3471 1.95	27,877.92 -68.20	2,919,095.71 2,946,973.63
67983UY64 Old Line Funding LLC	5,000,000.00 5,000,000.00	0.00 A-1+	11/06/2019 11/06/2019	4,989,750.00	99.7948 2.06	0.00 -12.35	4,989,737.65 4,989,737.65
68389XAY1 ORACLE CORP	2,900,000.00 2,900,000.00	2.81 A+	10/08/2019 10/08/2019	2,900,426.30	100.0142 2.15	19,258.70 -14.59	2,900,411.71 2,919,670.42
880592MT4 TENNESSEE VALLEY AUTHORITY	5,000,000.00 5,000,000.00	0.00 A-1+	10/09/2019 10/09/2019	4,997,832.92	99.9582 1.67	0.00 78.18	4,997,911.10 4,997,911.10
19121ACQ2 The Coca-Cola Company	1,048,000.00 1,048,000.00	0.00 A-1	03/24/2020 03/24/2020	1,038,065.83	99.0447 2.00	0.00 -77.26	1,037,988.57 1,037,988.57
2546R3X41 The Walt Disney Company	3,000,000.00 3,000,000.00	0.00 A-1	10/04/2019 10/04/2019	2,999,462.50	99.9753 2.22	0.00 -204.49	2,999,258.01 2,999,258.01
88602UXF2 Thunder Bay Funding, LLC	4,500,000.00 4,500,000.00	0.00 A-1+	10/15/2019 10/15/2019	4,496,360.00	99.9150 2.04	0.00 -185.00	4,496,175.00 4,496,175.00
89236TGE9 TOYOTA MOTOR CREDIT CORP	3,000,000.00 3,000,000.00	2.22 AA-	09/14/2020 09/14/2020	3,001,377.16	100.0165 1.89	3,517.58 -882.85	3,000,494.31 3,004,011.89
912828W22 UNITED STATES TREASURY	5,000,000.00 5,000,000.00	1.38 AAA	02/15/2020 02/15/2020	4,990,122.95	99.7852 1.95	8,780.57 -862.95	4,989,260.00 4,998,040.57
912796WA3 UNITED STATES TREASURY	10,000,000.00 10,000,000.00	0.00 A-1+	10/22/2019 10/22/2019	9,989,091.67	99.8954 1.71	0.00 448.33	9,989,540.00 9,989,540.00
912828W63 UNITED STATES TREASURY	5,000,000.00 5,000,000.00	1.63 AAA	03/15/2020 03/15/2020	4,993,553.55	99.8867 1.87	3,571.43 781.45	4,994,335.00 4,997,906.43
912828Z22 UNITED STATES TREASURY	5,000,000.00 5,000,000.00	1.63 AAA	10/15/2020 10/15/2020	4,989,593.17	99.7969 1.82	37,517.08 251.83	4,989,845.00 5,027,362.08
912796VX4 UNITED STATES TREASURY	5,000,000.00 5,000,000.00	0.00 A-1+	10/01/2019 10/01/2019	5,000,000.00	100.0000 0.00	0.00 0.00	5,000,000.00 5,000,000.00
912796VY2 UNITED STATES TREASURY	10,000,000.00 10,000,000.00	0.00 A-1+	10/08/2019 10/08/2019	9,996,543.75	99.9660 1.53	0.00 56.25	9,996,600.00 9,996,600.00
90331HNU3 US BANK NA	2,005,000.00 2,005,000.00	3.05 AA-	07/24/2020 06/24/2020	2,019,856.25	100.7670 1.99	11,381.16 521.86	2,020,378.11 2,031,759.27
90331HMK5 US BANK NA	1,000,000.00 1,000,000.00	2.43 AA-	01/17/2020 12/17/2019	1,000,350.00	100.0284 2.12	5,126.31 -66.33	1,000,283.67 1,005,409.98
92826CAB8 VISA INC	2,000,000.00 2,000,000.00	2.20 AA-	12/14/2020 11/14/2020	2,007,369.61	100.3712 1.85	13,077.78 54.49	2,007,424.10 2,020,501.88
93114FXR0 Walmart Inc.	3,000,000.00 3,000,000.00	0.00 A-1+	10/25/2019 10/25/2019	2,995,860.00	99.8569 2.06	0.00 -151.68	2,995,708.32 2,995,708.32
---	194,654,000.00	0.89	02/14/2020	194,402,766.35	99.8803	372,006.58	194,413,514.11
---	194,654,000.00	AA+	02/11/2020		1.88	10,747.76	194,785,520.69

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Portfolio Holdings

US Dollar
As of 30 September 2019

WC-Santa Clara Family HealthPI
Account: XXXX5000
Investment Strategy: Short Duration Fixed Income
Primary Benchmark: ICE BofAML 3-Month U.S. Treasury Bill



Asset
Management

Summary

Identifier, Description	Base Original Units, Base Current Units	Coupon, Rating	Final Maturity, Effective Maturity	Base Book Value	Market Price, Yield	Base Accrued Balance, Base Net Total Unrealized Gain/Loss	Base Market Value, Base Market Value + Accrued
---	190,468,039.22	0.92	02/17/2020	190,216,805.57	102.0519	372,006.58	190,227,553.33
---	190,468,039.22	AA+	02/14/2020		1.93	10,747.76	190,599,559.91

* Grouped by: Asset Class. * Groups Sorted by: Asset Class. * Weighted by: Base Market Value + Accrued. * Holdings Displayed by: Position.

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Gavin Newsom, Governor
State of California
Health and Human Services Agency
DEPARTMENT OF MANAGED HEALTH CARE
980 9th Street, Suite 500
Sacramento, CA 95814
Phone: 916-324-8176 | Fax: 916-255-5241
www.HealthHelp.ca.gov

October 15, 2019

Via USPS Delivery and eFile

Mr. Robert Brownstein
Chairman of the Governing Board
Santa Clara County Health Authority
DBA: Santa Clara Family Health Plan
P.O. Box 18880
San Jose, CA 95158

FINAL REPORT OF A ROUTINE EXAMINATION OF SANTA CLARA COUNTY HEALTH AUTHORITY

Dear Mr. Brownstein:

Enclosed is the final report (Final Report) of a routine examination for the quarter ended December 31, 2018 of the fiscal and administrative affairs of Santa Clara County Health Authority (Plan). The examination was conducted by the Department of Managed Health Care (Department) pursuant to Section 1382 of the Knox-Keene Health Care Service Plan Act of 1975.¹ The Department issued a preliminary report to the Plan on July 25, 2019. The Department accepted the Plan's electronically filed responses (Responses) on September 10, 12 and 16, 2019.

The Final Report includes a description of the compliance efforts included in the Plan's Responses in accordance with Section 1382(c).

Section 1382(d) states, "If requested in writing by the plan, the director shall append the plan's response to the final report issued pursuant to subdivision (c). The plan may modify its response or statement at any time and provide modified copies to the department for public distribution not later than 10 days from the date of notification from the department that the final report will be made available to the public. The addendum to the response or statement shall also be made available to the public."

Please indicate within 10 days from the date of the Plan's receipt of this letter whether the Plan requests the Department to append its Responses. If so, please indicate which portions of the Plan's Responses should be appended, and electronically file copies of those portions excluding information held confidential pursuant to Section 1382(c). If the

¹ References to "Section" are to sections of the Knox-Keene Health Care Service Plan Act of 1975, as codified in Health and Safety Code Section 1340 et seq.

Plan requests the Department to append a brief statement summarizing the Plan's Responses or wishes to modify any information provided to the Department in its Responses, please provide an addendum no later than 10 days from the date of the Plan's receipt of this letter. Please file this addendum electronically via the corrective action plan system (CAP system) within the Department's eFiling web portal at <https://wps0.dmhc.ca.gov/secure/login/>, as follows:

- From the main menu, select "eFiling."
- From the eFiling menu, select "Online Forms."
- From the Online Forms menu, select "Details" for "CAP# L19-R-351."
- Go to the "Messages" tab, then:
 - Select "Addendum to Final Report" (note this option will only be available for 10 days after the issuance of the Final Report).
 - Select the deficiency(ies) that are applicable.
 - Create a message for the Department.
 - Attach and upload all documents with the name "Addendum to Final Report."
 - Select "Send Message."

The Department finds that the Plan's compliance efforts are responsive to the deficiencies cited and the corrective actions required. Therefore, no further response is required.

Questions or problems related to the electronic transmission of any addendum should be directed to Vijon Morales at 916-255-2447 or by e-mail at Vijon.Morales@dmhc.ca.gov. You may also e-mail inquiries to wps0@dmhc.ca.gov.

The Department will make the Final Report available to the public in 10 days from the Plan's receipt of this letter. The Final Report will be located at the Department's web site at <http://www.dmhc.ca.gov/LicensingReporting/ViewFinancialExaminationReports.aspx>.

If there are any questions regarding the Final Report, please contact me at 213-576-7541 or by e-mail at Maria.Marquez@dmhc.ca.gov.

Sincerely,

ORIGINAL SIGNED BY

Maria Marquez
Corporation Examiner IV, Supervisor
Office of Financial Review
Division of Financial Oversight

cc: Christine Tomcala, Chief Executive Officer, Santa Clara County Health Authority
Pritika Dutt, CPA, Deputy Director, Office of Financial Review
Ned Gennaoui, Supervising Examiner, Division of Financial Oversight
Francisco Garcia, Examiner, Division of Financial Oversight
Ping Han, Examiner, Division of Financial Oversight
Steven Coskie, Attorney III, Office of Plan Licensing
Laura Dooley-Beile, Supervising Health Care Service Plan Analyst, Office of Plan Monitoring
Ben Carranco, Assistant Deputy Director, Help Center
Chad Bartlett, Staff Services Manager II, Help Center

**STATE OF CALIFORNIA
DEPARTMENT OF MANAGED HEALTH CARE**

**OFFICE OF FINANCIAL REVIEW
DIVISION OF FINANCIAL OVERSIGHT**

FINAL REPORT OF A ROUTINE EXAMINATION

OF
**SANTA CLARA COUNTY HEALTH AUTHORITY
DBA: SANTA CLARA FAMILY HEALTH PLAN**

FILE NO. 933 0351

DATE OF FINAL REPORT: OCTOBER 15, 2019

SUPERVISING EXAMINER: NED GENNAOUI

OVERSIGHT EXAMINER: MARIA MARQUEZ

EXAMINER-IN-CHARGE: FRANCISCO GARCIA

FINANCIAL EXAMINERS:

JULILANA ASABOR

JOHN ATAMIAN

CHANTE BIAGAS

ZAW OO

**BACKGROUND INFORMATION FOR SANTA CLARA COUNTY HEALTH
AUTHORITY DBA SANTA CLARA FAMILY HEALTH PLAN**

Date Plan Licensed:	December 20, 1996
Organizational Structure:	<p>Santa Clara County Health Authority (Plan), dba Santa Clara Family Health Plan, was established by the Santa Clara County (County) Board of Supervisors. The Plan is a Local Initiative Plan created to provide services to Medi-Cal managed care enrollees.</p> <p>The Plan files its financial statements on a combined basis with Santa Clara Community Health Authority (QIF). The QIF is a Knox-Keene licensed plan established by the County's Board of Supervisors.</p> <p>The Plan and the QIF are public entities, separate and apart from the County, and are not considered to be agencies, divisions, or departments of the County.</p>
Type of Plan:	The Plan is a full service health care plan. The Plan contracts with the California Department of Health Care Services and the Centers for Medicare and Medicaid Services.
Provider Network:	The Plan contracts with hospitals and physicians on a capitation or fee-for-service basis.
Plan Enrollment:	As of December 31, 2018, the Plan reported total enrollment of 253,735 enrollees, consisting of 242,695 Medi-Cal, 7,695 Medicare, and 3,345 Healthy Kids beneficiaries.
Service Area:	The Plan's service area is Santa Clara County.
Date of Prior Final Routine Examination Report:	November 29, 2016

FINAL REPORT OF A ROUTINE EXAMINATION OF SANTA CLARA COUNTY HEALTH AUTHORITY DBA SANTA CLARA FAMILY HEALTH PLAN

This is the final report (Final Report) for the quarter ended December 31, 2018 of a routine examination of the fiscal and administrative affairs of Santa Clara County Health Authority (Plan). The examination was conducted by the Department of Managed Health Care (Department) pursuant to Section 1382 of the Knox-Keene Health Care Service Plan Act of 1975.¹ The Department issued a preliminary report (Preliminary Report) to the Plan on July 25, 2019. The Department accepted the Plan's electronically filed responses (Responses) on September 10, 12 and 16, 2019.

This Final Report includes a description of the compliance efforts included in the Plan's Responses to the Preliminary Report, in accordance with Section 1382(c). The Plan's Responses are noted in italics within this Final Report.

The Department examined the Plan's financial report filed with the Department for the quarter ended December 31, 2018 as well as other selected accounting records and controls related to the Plan's various fiscal and administrative transactions. The Department's findings are presented in this Final Report as follows:

- Part I. Financial Statements
- Part II. Calculation of Tangible Net Equity
- Part III. Compliance Issues

The Department finds the Plan's compliance efforts are responsive to the deficiencies cited and the corrective actions required. Therefore, no further response is required.

¹ References to "Section" are to sections of the Knox-Keene Health Care Service Plan Act of 1975, as codified in Health and Safety Code Section 1340 et seq. References to "Rule" are to regulations promulgated pursuant to the Knox-Keene Health Care Service Plan Act of 1975 contained within title 28 of the California Code of Regulations.

PART I. FINANCIAL STATEMENTS

The Department's examination did not result in any adjustments or reclassifications to the Plan's financial statements for the quarter ended December 31, 2018, as filed with the Department. A copy of the Plan's financial statements can be viewed by selecting "Santa Clara County Health Authority" on the second drop-down menu of the Department's financial statement database available at <http://wps0.dmhc.ca.gov/fe/search/#top>.

No response is required to this Part.

PART II. CALCULATION OF TANGIBLE NET EQUITY (TNE)

Net Worth and TNE as reported by the Plan as of quarter ended December 31, 2018	\$186,073,000
Required TNE	<u>34,625,000</u>
TNE Excess per Examination	<u>\$151,448,000</u>

The Plan was in compliance with the TNE requirements of Rule 1300.76 as of December 31, 2018.

No response is required to this Part.

PART III. COMPLIANCE ISSUES

A. CLAIMS SETTLEMENT PRACTICES – “UNFAIR PAYMENT PATTERNS”

Section 1371.37 prohibits a health care service plan from engaging in an unfair payment pattern, and defines certain claim settlement practices as “unfair payment patterns.”

Rule 1300.71(a)(8) defines an "unfair payment pattern" as any practice, policy or procedure that results in repeated delays in the adjudication and correct reimbursement of provider claims.

The Department's examination found that the Plan engaged in “unfair payment patterns” for the three-month period ended December 31, 2018, as follows:

1. PAYMENT ACCURACY OF INTEREST ON LATE CLAIMS

Section 1371 requires a health care service plan that is a health maintenance organization to reimburse uncontested claims no later than 45 working days after the date of receipt of the claim by the plan. If an uncontested claim is not reimbursed within 45 working days after receipt, interest accrues at the rate of 15 percent per annum beginning with the first calendar day after the 45 working-day period. The penalty for failure to comply with this requirement shall be a fee of \$10 paid to the claimant.

Rule 1300.71(i)(2) requires late payments on non-emergency complete claims to automatically include interest at the rate of 15 percent per annum for the period of time the payment is late. Rule 1300.71(j) requires that plans pay a \$10 penalty if the plan fails to automatically include the interest due on a late claim payment as set forth above.

Rule 1300.71(a)(8)(K) describes one unfair payment pattern as the failure to reimburse at least 95 percent of complete claims with the correct payment including the automatic payment of all interest and penalties due and owing over the course of any three-month period.

The Department's examination disclosed the following deficiencies with interest on late claim payments:

- a. Interest was not paid on five out of 73 late paid claims reviewed (a compliance rate of 93 percent). The non-payment of interest on late claims payments was due to a systemic error, resulting from the Plan's transition to a new claim payment processing system, effective July 1, 2017. The new claim payment processing system did not pay interest on claims older than 365 days from the date of receipt of the claim. This deficiency was noted in late paid claims sample numbers: 8, 16, 42, 45 and 48.
- b. Interest was not paid on three out of 50 paid claims reviewed (a compliance rate of 94 percent). Interest is required to be paid on additional late payments resulting from retroactive rate changes to the Medi-Cal fee schedule, paid more than 45 working days after implementation of the retroactive fee schedule. This deficiency was noted in paid claims sample numbers: 11, 25 and 31.

The Preliminary Report required the Plan to submit a corrective action plan (CAP) to address the deficiencies cited above, and to include the following:

- a. Systemic correction implemented, and date of implementation, to ensure that late payments on claims over 365 days from the date of receipt include interest in compliance with the above Section and Rules.
- b. Policy and procedure implemented to ensure late payments on claims resulting from retroactive rate changes to the Medi-Cal fee schedule include interest in compliance with the above Section and Rules.
- c. Audit procedures to ensure that the Plan is monitoring the accurate payment of interest and penalties on late claims payments.
- d. Identification of all late paid claims for which interest and penalties were not correctly paid, including late payments resulting from retroactive rate changes, from July 1, 2017 (date of implementation of the new claim payment processing system) through the date corrective action was implemented by the Plan.

e. Evidence that interest and penalties, as appropriate, were paid retroactively for the claims identified in paragraph “d” above. This evidence was to include an electronic data file (Excel or Access) or schedule that identified the following:

- Claim number
- Date of service
- Date original claim received
- Date of receipt of new information
- Date of receipt for complete claim
- Total billed
- Total paid
- Paid date (mail date)
- Amount of original interest paid
- Date interest paid
- Number of late days used to calculate interest (with formula)
- Total interest owed per claim (with formula)
- Amount of additional interest paid in remediation (total interest owed minus previous interest paid)
- Penalty amount paid
- Date additional interest and penalty paid, if applicable
- Check number for additional interest and penalty paid amount
- Provider name

The data file was to provide the detail of all claims remediated, including the total number of claims and the total additional interest and penalty paid as a result of remediation.

f. Date the additional training and auditing procedures were implemented.

g. Management position responsible for ensuring continued compliance.

The Plan responded by acknowledging a systemic issue regarding interest due for claims paid at 366 days or later. The Plan represented that the new claim payment processing system was corrected on May 19, 2019, and previously paid claims were adjusted to pay interest and penalties.

The Plan submitted with its Responses a revised policy and procedure titled “Interest on the Late Payment of Claims,” which was implemented on September 6, 2019. The Plan’s information technology department committed to updating all rates within two weeks of the date the updated fee schedule is received in order for claims to be paid properly.

The Plan included audit procedures in its policy and procedure to ensure that the Plan is monitoring the accurate payment of interest and penalties on late claim payments.

The Plan submit with its Responses evidence that on July 26, 2019 the Plan completed its required remediation resulting in the additional payments of \$5,664 and \$1,000 in interest and penalty, respectively, on 390 late claim payments.

In addition, the Plan conducted additional training on June 24, 2019. The auditing procedures were implemented on May 19, 2019.

The Plan's Director of Claims is responsible for ensuring continued compliance.

The Department finds that the Plan's compliance effort is responsive to the deficiency cited and corrective action required. Therefore, no further response is required.

2. CLEAR AND ACCURATE DENIAL EXPLANATION

Rule 1300.71(d)(1) states that a plan shall not improperly deny, adjust, or contest a claim. For each claim that is denied, adjusted or contested, the plan shall provide a clear and accurate written explanation of the specific reasons for the action taken.

Rule 1300.71(a)(8)(F) describes one unfair payment pattern as the failure to provide a provider with an accurate and clear written explanation of the specific reasons for denying, adjusting or contesting a claim consistent with Rule 1300.71(d)(1) at least 95 percent of the time over the course of any three-month period.

The Department's examination disclosed that the Plan did not provide a denial explanation or provided an unclear and inaccurate explanation for four out of 50 denied claims reviewed (a compliance rate of 92 percent). For three of these four claims, the Plan had a systemic problem of not issuing a remittance advice (RA) for claims submitted to the Plan with a member identification (ID) number that did not match the Plan's eligibility system member ID number. The Plan denied the claim in its claim payment processing system; however, the Plan did not issue a denial letter nor RA to the provider explaining the specific reason for the denial. This deficiency was noted in denied claims sample numbers: 9, 16 and 43.

In addition, the Plan used an incorrect denial reason for a claim correctly denied. This deficiency was noted in denied claims sample number 37.

The Preliminary Report required the Plan to submit a detailed CAP to address the deficiencies cited above, and to include the following:

- a. Systemic correction implemented, and date of implementation, to ensure that a denial letter or RA is issued for claims with a member ID number that does not match the Plan's eligibility system member ID number in compliance with the above Rule.

- b. Policy and procedure implemented, and date of implementation, to ensure that the Plan provides clear and accurate denial reasons in compliance with the above Rule.
- c. Management position responsible for ensuring continued compliance.

The Plan responded by acknowledging the systemic issue regarding RAs for unknown member claims. The Plan implemented a corrective action process on November 9, 2018, and, subsequently, found that it did not fully correct the issue if providers received a check; it only corrected full denials. A second corrective action process was implemented on May 1, 2019, which corrected the remaining issue for providers that received a mix of payments and denials.

In addition, the Plan's claim payment processing system was updated on May 1, 2019 to ensure that RA is issued for claims having a member ID number that did not match the Plan's eligibility system member ID number.

The Plan submitted with its Responses a revised policy and procedure titled "Claims Processing and Adjudication," which was implemented on September 6, 2019.

The Plan's Director of Claims is responsible for ensuring continued compliance.

The Department finds that the Plan's compliance effort is responsive to the deficiency cited and corrective action required. Therefore, no further response is required.

B. PROVIDER DISPUTE RESOLUTION MECHANISM VIOLATION

Rule 1300.71.38(m)(2) states that the failure of a plan to comply with the requirements of a fast, fair and cost-effective dispute resolution mechanism shall be a basis for disciplinary action against the plan.

The Department's examination found that the Plan failed to comply with the requirements of a fast, fair and cost-effective resolution mechanism for the three-month period ended December 31, 2018, as follows:

1. LATE PAYMENT ON PROVIDER DISPUTES

Rule 1300.71.38(g) states that if the provider dispute or amended provider dispute involves a claim and is determined in whole or in part in favor of the provider, the plan shall pay any outstanding monies determined to be due, and all interest and penalties required under Sections 1371 and 1371.35 and Rules 1300.71(i) and (j), within five working days of the issuance of the written determination.

The Department's examination disclosed that the Plan failed to pay the additional amounts due to providers within five working days from the issuance of the determination letter on seven out of 87 provider disputes reviewed (a compliance rate of

92 percent). This deficiency was noted in provider dispute sample numbers: 16, 23, 37, 38, 40, 44 and 72.

The Preliminary Report required the Plan to submit a detailed CAP to address the deficiencies cited above, and to include the following:

- a. Policy and procedure implemented to ensure that the Plan pays the additional amount due to providers in compliance with the above Rule.
- b. Training procedures to ensure that provider dispute processors are properly trained on the requirements of Rule 1300.71.38(g).
- c. Audit procedures to confirm timely payment of the additional amounts due to providers resulting from provider disputes.
- d. Date of implementation of the new policy and procedure, training and audit procedures.
- e. Management positions responsible for ensuring continued compliance.

The Plan responded by acknowledging that some provider dispute resolution payments were not issued within five business days of the determination letter, and the Plan made adjustments to the letters and payment schedule to meet this requirement.

The Plan responded by submitting with its Responses a revised policy and procedure titled "Provider Dispute Resolution," which was implemented on September 6, 2019. In addition, the Plan submitted a "Quick Reference Guide - PDR Overturned Letter Schedule" and a "Report Summary" as audit tools, which were implemented on May 2, 2019. The Plan provided training to staff on May 2, 2019.

The Plan's Manager of Provider Disputes and the Director of Claims are responsible for ensuring continued compliance.

The Department finds that the Plan's compliance effort is responsive to the deficiency cited and corrective action required. Therefore, no further response is required.

C. ANTI-FRAUD REPORT

Section 1348(c) requires each plan to provide to the director of the Department an annual written report describing the plan's efforts to deter, detect, and investigate fraud, and to report cases of fraud to a law enforcement agency.

The Department's examination disclosed that the Plan did not file its annual antifraud report for 2017 with the Department.

Prior to the issuance of the Preliminary Report, the Plan filed with the Department its annual antifraud report for 2017 (eFiling number 20191966). This filing is currently under review by the Department.

The Preliminary Report required the Plan to provide the policy and procedure implemented to ensure that the antifraud report is filed annually with the Department, date of implementation, and the management position responsible for ensuring continued compliance.

The Plan responded by submitting with its Responses a revised policy and procedure titled "Fraud, Waste and Abuse," which was implemented on July 30, 2019. The Plan's Chief Compliance and Regulatory Affairs Officer is responsible for ensuring continued compliance.

The Department finds that the Plan's compliance effort is responsive to the deficiency cited and corrective action required. Therefore, no further response is required.