



AGENDA ITEM 4

To: Executive Finance Committee

From: Kashina Bishop, Chief Financial Officer

Date: October 20, 2021

Re: FY 2020-21 Audit Results (Presented by Moss Adams)

SUMMARY:

Moss Adams LLP (Moss Adams) is presenting the annual financial statements of Gold Coast Health Plan (GCHP) as of and for the year ended June 30, 2021.

The auditor's report reflects an "unmodified opinion" which means the determination is that the financial statements for the audit period present fairly, in all material respects, the financial position of GCHP as of June 30, 2021 in accordance with accounting principles generally accepted in the United States of America.

BACKGROUND / DISCUSSION:

The primary purpose of the audit is for the Commission and stakeholders to gain assurance that GCHP's financial statements are properly presented, are free of material misstatements and have been prepared in conformity with accounting principles generally accepted in the U.S.

We are pleased to report that there were no audit adjustments. From the preliminary June close, GCHP staff identified necessary adjustments and immediately communicated those to Moss Adams. Below is a comparison of the June 30, 2021 financial statements approved by the Commission in July to the final audit report.

	Preliminary		Audited
	FY 20-21	Adjustments	FY 20-21
Net Capitation Revenue	\$ 917,972,897	\$ (1,315,268)	\$ 916,657,629
Health Care Costs	845,119,016	(6,030,151)	839,088,866
Administrative Expenses	49,637,603	-	49,637,603
Non-Operating Revenue/(Expense)	460,444	-	460,444
Total Increase/(Decrease) in Net Assets	<u>\$ 23,676,724</u>	<u>\$ 4,714,882</u>	<u>\$ 28,391,605</u>
GCHP TNE	\$ 100,999,994		\$ 105,714,877
Required TNE	\$ 36,313,908		\$ 36,072,702
% of Required	278%		293%

The net adjustment which improved the year end results is related to the receipt of revised capitation rates from the DHCS that were retroactive to January 2021. There were some reclassifications from medical expense to a contra revenue account that did not impact the net results.

A secondary and important purpose of the audit is to test and comment on the GCHP's design and operation of internal controls that have a relationship with financial reporting. Moss Adams has identified a deficiency in internal controls related to Conduent claims processing and the impact that has in the medical expense estimation process. Staff has increased internal review over claims and actively addressed issues as they arise. In addition, GCHP retained over 60 temporary claims processors with strong claims processing experience to ensure complete adjudication of backlogged claims.

RECOMMENDATION:

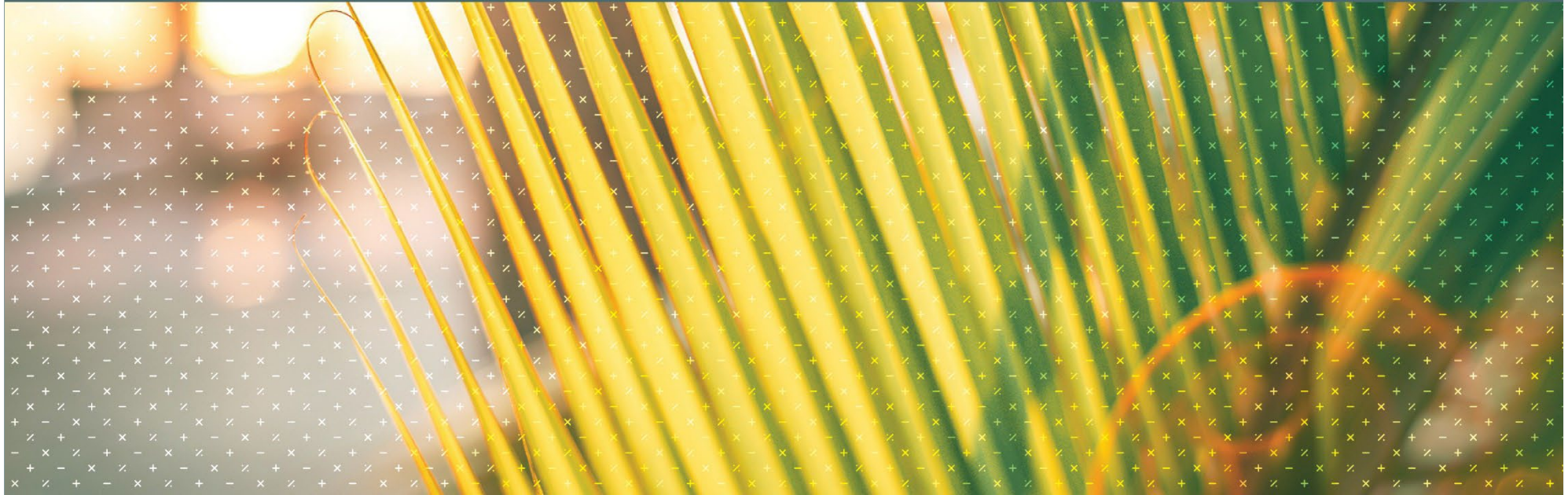
Staff recommends that the Executive Finance Committee recommend approval of the audited financial statements as of and for the year ended June 30, 2021.

CONCURRENCE

N/A

ATTACHMENT:

Draft Report of Independent Auditors and Financial Statements for GCHP as of June 30, 2021 and 2020



Audit Results – Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan

Prepared by the Moss Adams Health Care Group

October 25, 2021

Ventura County Medi-Cal Managed Care Commission

Gold Coast Health Plan



Dear Commissioners:

Thank you for your continued engagement of Moss Adams LLP. We are pleased to have the opportunity to meet with you to discuss the results of our audit of the financial statements of Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan (the “Plan”) for the year ended June 30, 2021.

The accompanying report, which is intended solely for the use of the Commission and management, presents important information regarding the financial statements of the Plan and our audit that we believe will be of interest to you. It is not intended for, and should not be used by, anyone other than these specified parties.

We conducted our audit with the objectivity and independence that you expect. We receive the full support and assistance of the Plan personnel. We are pleased to serve and be associated with the Plan as its independent public accountants and look forward to our continued relationship.

We look forward to discussing our report or any other matters of interest with you during this meeting.

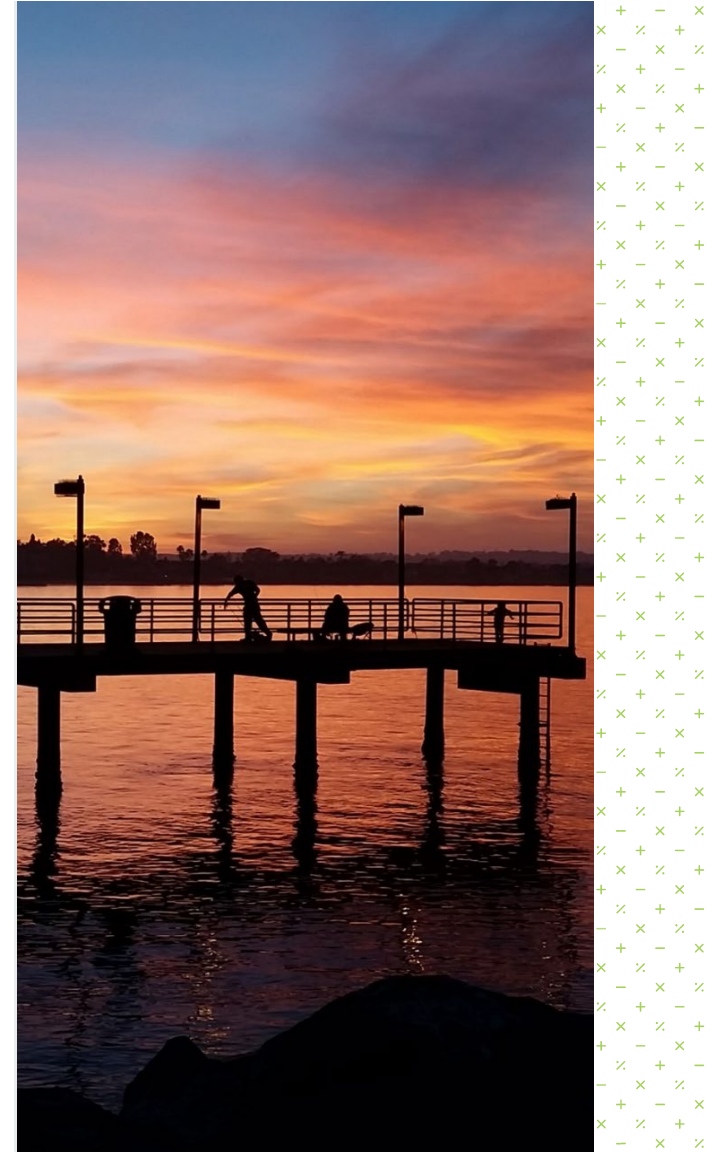


Agenda

1. Auditor Opinion & Report
2. Communications with Those Charged with Governance
3. Exhibit: Management Representation Letter
4. Exhibit: Communication of Internal Control Related Matters
5. Other Information



Auditor Opinion & Report



Scope of Services

We have performed the following services for Gold Coast Health Plan:

- Annual financial statement audit as of and for the year ended June 30, 2021.

We have also performed the following nonattest services:

- Assisted in the drafting the financial statements of the Plan



Auditor Report on the Financial Statements

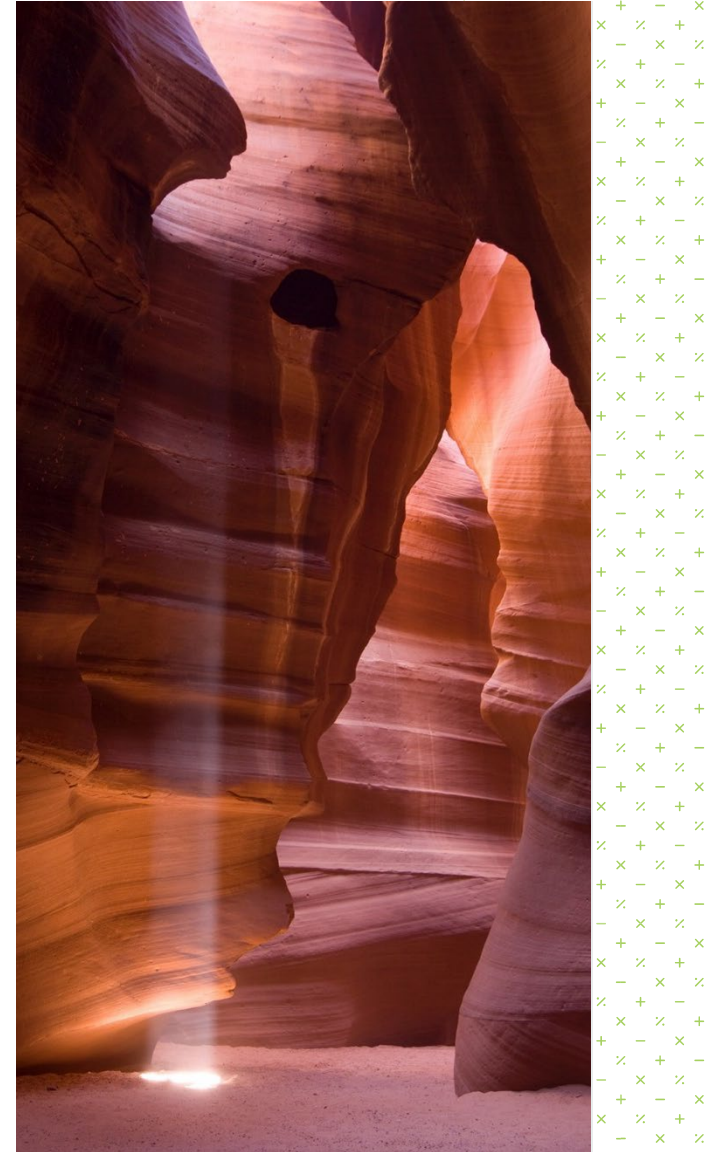
Unmodified Opinion

- Financial statements are presented fairly and in accordance with US GAAP









Communications with Those Charged with Governance



Our Responsibility

			
<p>To express our opinion on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.</p>	<p>To perform an audit in accordance with generally accepted auditing standards issued by the AICPA, and design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.</p>	<p>To consider internal control over financial reporting as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.</p>	<p>To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.</p>



Planned Scope & Timing of the Audit

It is the auditor's responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence and to communicate with those charged with governance an overview of the planned scope and timing of the audit.

Our Comments

The planned scope and timing of the audit was communicated to the Plan's Executive/Finance Committee at the audit entrance meeting and was included in the engagement letter for the year ended June 30, 2021.



Significant Accounting Policies & Unusual Transactions

The auditor should determine that the Commission is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine that the Commission is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Our Comments

Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in the footnotes to the financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies. There were no changes to significant accounting policies for the year ended June 30, 2021.

We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year.



Management Judgments & Accounting Estimates

The Commission should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

Our Comments

Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially misstate the financial statements.

Significant management estimates impacted the financial statements including the following: medical claims liabilities, payable to the State of California (which includes the estimate related to the medical loss ratio requirements), and capitation payable.

We deem them to be reasonable.



Areas of Audit Emphasis



Capitation revenue and receivables



Cash and cash equivalents



Investments



Medical claim liability, capitation payable, and payable to the State of California



Non-routine transactions, including the implementation of a new claims processing system (in process)

Significant Accounting Policies, Accounting Estimates, and Financial Statement Disclosures

Our views about the quantitative aspects of the entity's significant accounting policies, accounting estimates, and financial statement disclosures.

Our Comments

The disclosures in the financial statements are clear and consistent. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statements users. We call your attention to the following notes:

- Note 7 – Medical Claims Liability
- Note 8 – Commitments and Contingencies



Significant Audit Adjustments & Unadjusted Differences Considered by Management to Be Immaterial

The Commission should be informed of all significant audit adjustments arising from the audit. Consideration should be given to whether an adjustment is indicative of a significant deficiency or a material weakness in the Plan's internal control over financial reporting, or in its process for reporting interim financial information, that could cause future financial statements to be materially misstated.

The Commission should also be informed of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

Our Comments

CORRECTED ADJUSTMENTS:

No significant adjustments noted

UNCORRECTED ADJUSTMENTS:

None noted



Deficiencies in Internal Control

Any material weaknesses and significant deficiencies in the design or operation of internal control that came to the auditor's attention during the audit must be reported to the Commission.

Our Comments

MATERIAL WEAKNESS

- None noted

SIGNIFICANT DEFICIENCIES

- Conduent, Inc. claims processing controls around the new system implementation



Potential Effect on the Financial Statements of Any Significant Risks, Exposures & Uncertainties

The Commission should be adequately informed of the potential effect on financial statements of significant risks, exposures, and uncertainties that are disclosed in the financial statements.

Our Comments

The Plan is subject to potential legal proceedings and claims that arise in the ordinary course of business, which are disclosed in the notes to the financial statements.



Difficulties Encountered in Performing the Audit

The Commission should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit, including disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Plan's financial statements or the auditor's report.

Our Comments

No significant difficulties were encountered during our audit, other than incremental audit procedures performed in response to the claims system implementation challenges.

We are pleased to report that there were no disagreements with management.



Material Uncertainties Related to Events & Conditions/ Fraud & Noncompliance with Laws & Regulations

Any doubt regarding the entity's ability to continue, as a going concern, should be communicated to the Commission.

Fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements should be communicated. We are also required to communicate any noncompliance with laws and regulations involving senior management that come to our attention, unless clearly inconsequential.

Our Comments

No such matters came to our attention.

We have not become aware of any instances of fraud or noncompliance with laws and regulations, other than recent communication from DHCS regarding claims processing delays.



Other Material Written Communications

Report to those charged with governance significant written communications between the auditor and management.

Our Comments

See Exhibit 1 for management representation letter.

See Exhibit 2 for communication of internal control related matters.

Other than the engagement letter, management representation letter, and communications to those charged with governance, there have been no other significant communications.



Management's Consultation with Other Accountants

In some cases, management may decide to consult about auditing and accounting matters. If management has consulted with other accountants about an auditing and accounting matter that involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

Our Comments

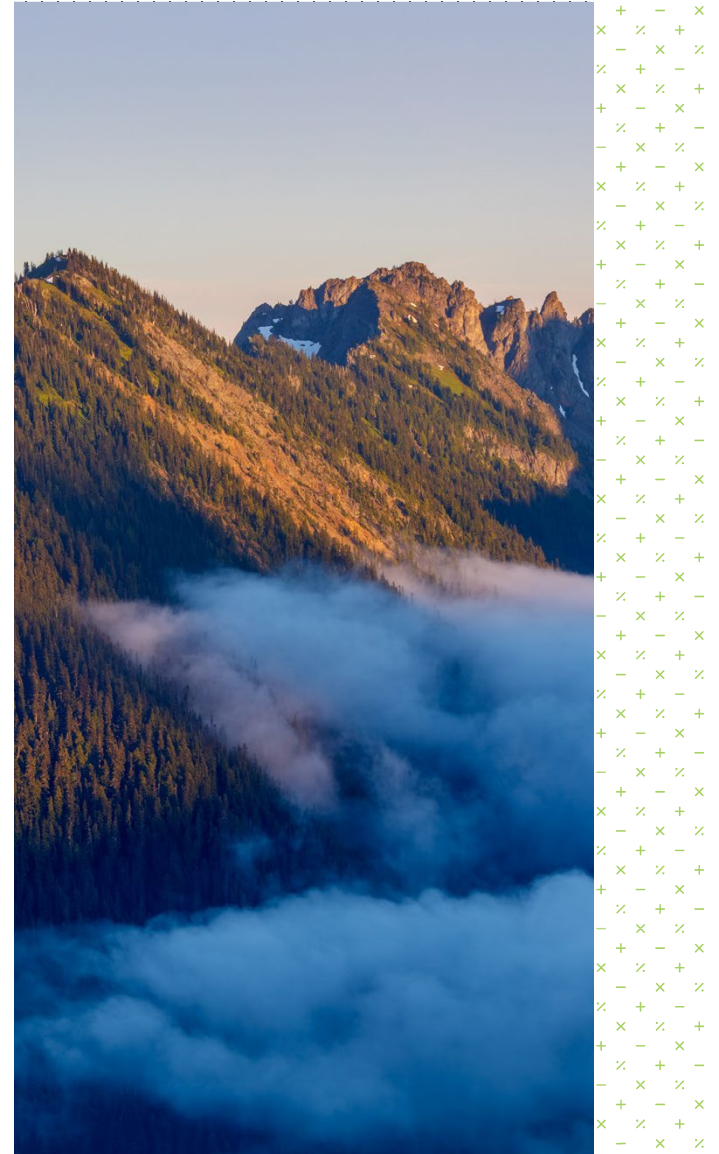
We are not aware of any significant accounting or auditing matters for which management consulted other accountants.





Management Representation Letter

Exhibit



Management Representation Letter

October 26, 2021

Moss Adams LLP
101 Second Street, Suite 900
San Francisco, CA 94105

We are providing this letter in connection with your audit of the financial statements of Ventura County Medi-Cal Managed Care Commission, dba Gold Coast Health Plan ("GCHP") which comprise the statements of net position and the related statements of revenues, expenses, and changes in net position, and cash flows as of June 30, 2021 and 2020 and for the years then ended and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters less than \$900,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the Financial Audit Services Service Order No. 09 dated October 9, 2020, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material

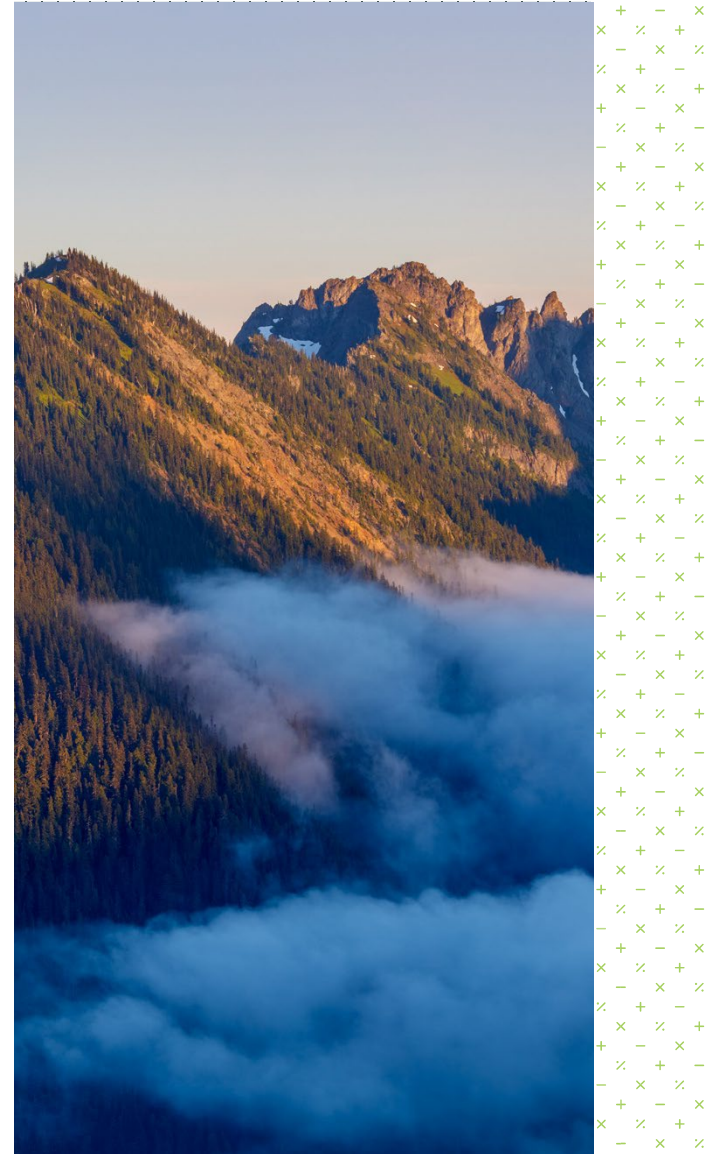
Note: a copy of the full management representation letter is available, upon request.





Communication of Internal Control Related Matters

Exhibit



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*Communication of Internal
Control Related Matters*

**Ventura County Medi-Cal Managed Care
Commission Dba Gold Coast Health Plan**

June 30, 2021

Communication of Internal Control Related Matters

To the Management and Commissioners of
Ventura County Medi-Cal Managed Care Commission DBA Gold Coast Health Plan

In planning and performing our audit of the financial statements of Ventura County Medi-Cal Managed Care Commission DBA Gold Coast Health Plan (the "Plan") as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our audit was also not designed to identify deficiencies in internal control that might be significant deficiencies. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Plan's internal control to be a significant deficiency:

Conduent, Inc. Claims Processing

During our control test procedures over the Health Solutions Plus Meditrac claims processing cycle, we noted that Conduent, Inc., the Plan's third-party claims processing organization, has not consistently processed claims within the required 30 working days since the system was implemented in May 2021 and certain errors were noted in initial claims processing, both of which have caused payment errors and significant delays in processing claim payments. Additionally, the claims processing data utilized for the estimation of the medical claims liability contained reporting errors and was not categorized at a precise level, causing challenges in the estimation process.

Management's Response:

GCHP has aggressively monitored Conduent's performance since the system conversion and consistently issued Notices of Deficiency and followed up to ensure Corrective Action Plans were defined. GCHP staff has increased manual review of claims payments to minimize errors. In addition, GCHP retained over 60 temporary claims processors with strong claims processing experience to ensure complete adjudication of backlogged claims. GCHP has experienced some challenges in the data files utilized for the medical claims liability. GCHP has root caused the issues and works daily to remediate and update the data mapping.

The Plan's written response to the significant deficiency identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, Commissioners and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

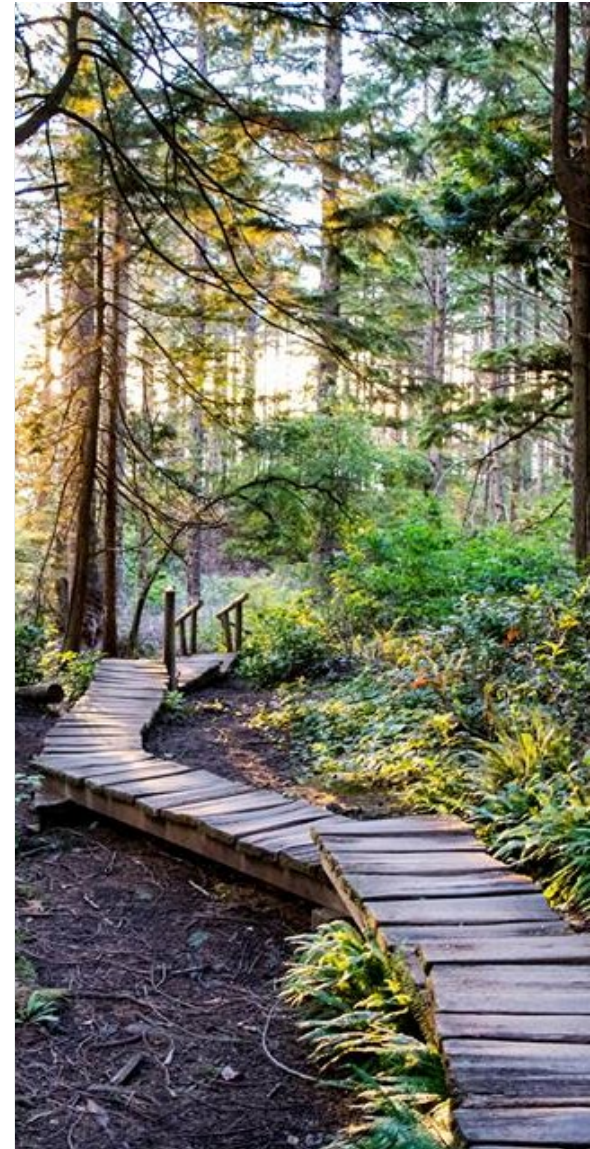
San Francisco, California
October __, 2021

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Accounting Update

Exhibit



New Standards

GASB 84

Fiduciary Activities

Clarifies fiduciary activities as having the following characteristics:

1. Government controls the assets of the activity.
 2. Those assets are not derived solely from the government's own source revenue.
 3. One of the following:
 - The assets result from a pass-through grant or trust agreement.
 - Assets are used to benefit individuals not typical recipients of the government's goods and services (i.e. employees receive the benefit instead of patients.)
 - Assets are to be used to benefit other organizations or governments.
- Would require stand alone business-type entities (i.e. hospitals) with pension and OPEB trusts or patient custodial accounts to report separate fiduciary fund financial statements within the financial statements.
 - Effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.



New Standards

GASB **87**

Leases

- Would treat all leases as financings (no classification of capital v. operating) similar to FASB ASU 2016-02.
- Includes non-cancellable period + periods covered by options to renew if reasonably certain to be exercised.
- Lessee would record an intangible asset (amortized over the shorter of its useful life or lease term) and present value of future lease payments as a liability.
- Lessor would record a lease receivable and deferred inflow of resources for cash received up front + future payments (revenue recognized over lease term in a systematic and rational basis).
- Effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.



New Standards

GASB 96

Subscription-Based Information Technology Arrangements

- Provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users
 - Defines a SBITA as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction
 - Establishes that a SBITA results in a right-to-use subscription asset (intangible asset) and a corresponding subscription liability
 - Provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA
 - Requires note disclosures regarding a SBITA
- Based on the standards established in Statement No. 87, *Leases*
- Effective for fiscal years beginning after June 15, 2022.

New Standards

GASB **97**

Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

- Provides updated guidance and clarification on Statement No. 84, *Fiduciary Activities*
- Requires that a Section 457 plan be classified as either a pension plan or other employee benefit plan and clarifies that Statement No. 84 should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.
- Certain requirements in this standard are effective immediately.
- The requirements related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.



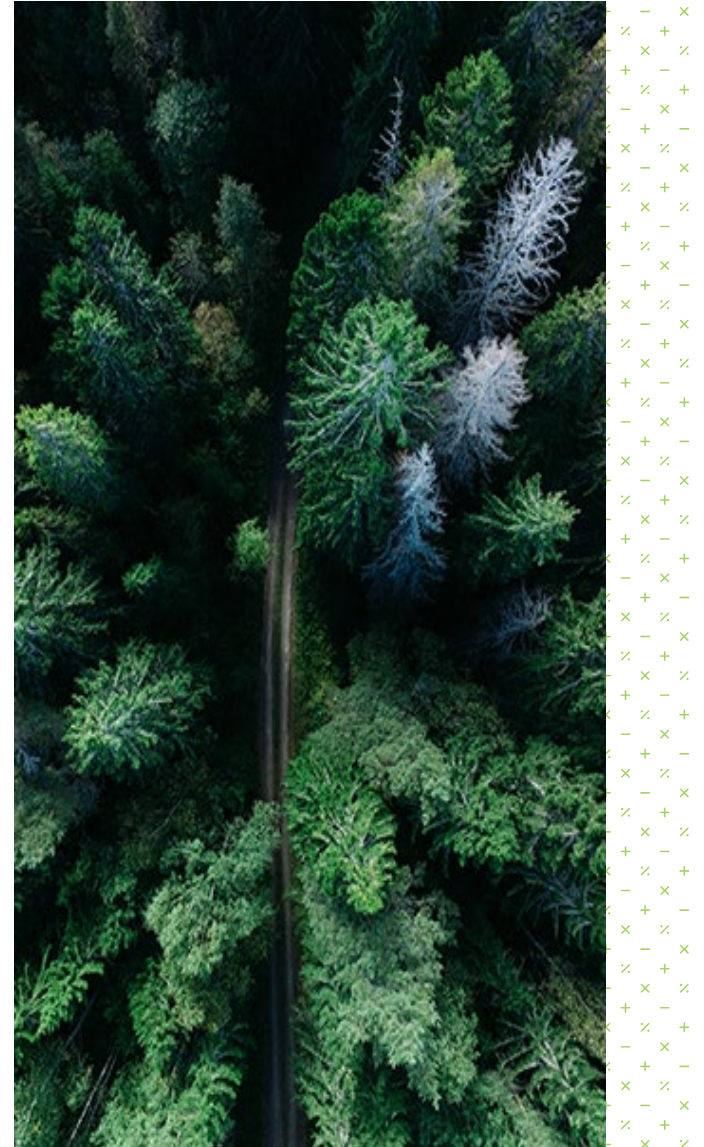
On the Horizon – Exposure Drafts and Preliminary Views

- **Financial Reporting Model Improvements** – Proposes defining “operating” vs. “non-operating” activities; proposes requiring combining financial statements as supplementary information for blended component units; proposes classification of government-wide expenses by function or program.
- **Revenue and Expense Recognition** – Better differentiates exchange from non-exchange transactions; proposes a uniform revenue recognition standard with 3 models to be evaluated.
- **Disclosure Framework** – Proposes a framework for the development and evaluation of notes to financial statements for the purpose of improving the effectiveness of note disclosures.
- **Compensated Absences** – Addresses certain types of accrued leave benefits not covered in Statement No. 16, measurement options for sick leave, and usefulness of required notes to financial statements for decision-making and assessing accountability.
- **Prior-Period Adjustments, Accounting Changes, and Error Corrections** – Examines existing standards to address issues related to inconsistency in practice, confusion about and difficulty in applying requirements, and usefulness of related disclosures.
- **Risks and Uncertainties Disclosures** – Identifies potential risks and uncertainties in the state and local government environment and develops disclosure requirements for these.
- **Renaming the Comprehensive Annual Financial Report** – Considers whether a new name for the comprehensive annual financial report should be established.





About Moss Adams





2021 Health Care Executive Webcast Series

KEYNOTE SPEAKERS



Liz Fowler
Deputy Director
CMMI



Patrick J. Kennedy
Former US
Representative



Mark McClennan
Former Administrator
CMS



Susan Dentzer
Senior Policy Fellow
Duke-Margolis Center



Shawn Coughlin
President and CEO
NABH



David Lloyd
Sr. Policy Advisor
The Kennedy Forum



John Arch
State Senator
Nebraska



Ford Koles
Vice President
The Advisory Board

SESSIONS

REGISTER & LEARN MORE

2021 State of the Union: Health Care

November 2, 2021
11:00 AM-12:30 PM PT

Presenter Ford Koles of The Advisory Board provides insight into the aftermath of the COVID-19 pandemic. He'll address key opportunities and challenges for the health care industry and steps you can take to prepare your organization for 2022.

CMMI's Vision of Future Payment Models and Value-Based Care

November 9, 2021
12:30 PM-2:00 PM PT

Presenters Dr. Liz Fowler, Dr. Mark McClennan and Susan Dentzer discuss the Center for Medicare and Medicaid Innovation's (CMMI's) vision of the future of payment models and value-based care.

Behavioral Health Transformation and Payment Reform

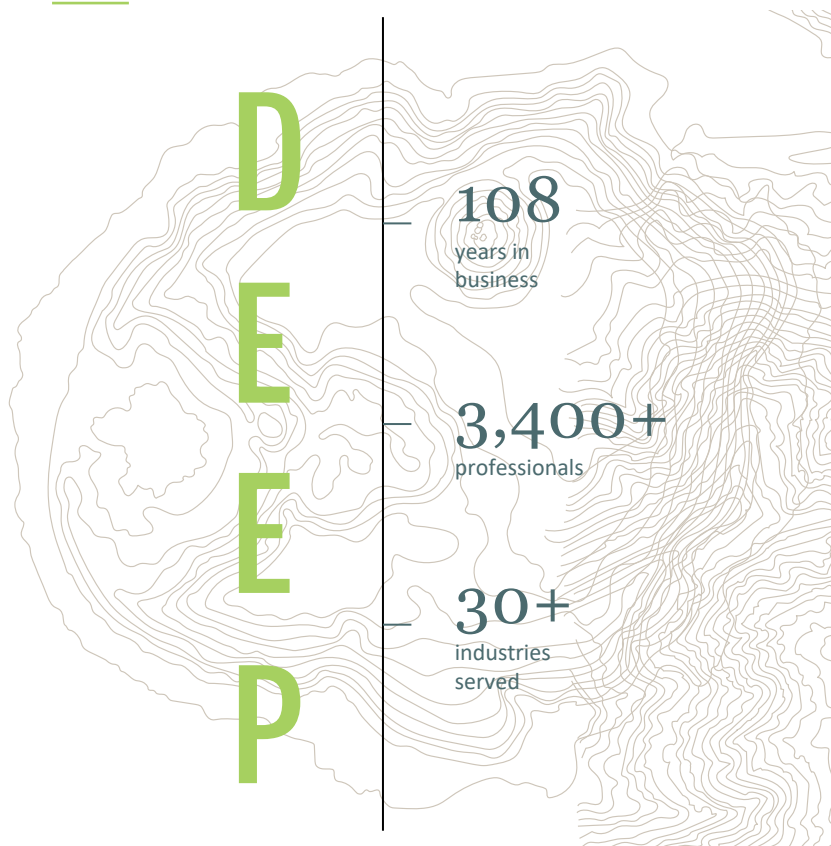
November 11, 2021
11:00 AM-12:30 PM PT

This panel discussion features former US Representative Patrick J. Kennedy and other industry professionals on transformation and payment reform in behavioral health. We'll address payment parity at the federal and state levels, and how it's impacting the continuum of care.

Our Expertise

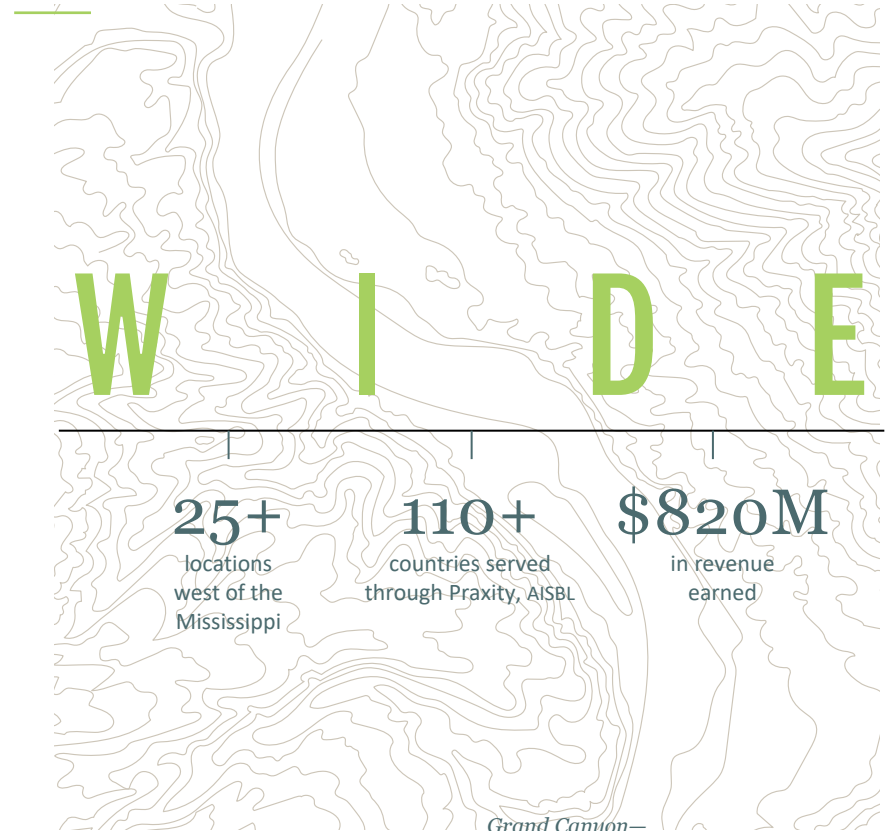


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*Crater Lake—
A monument to perseverance, North America's
deepest lake filled to 1,949 feet over 720 years.*

Our Reach



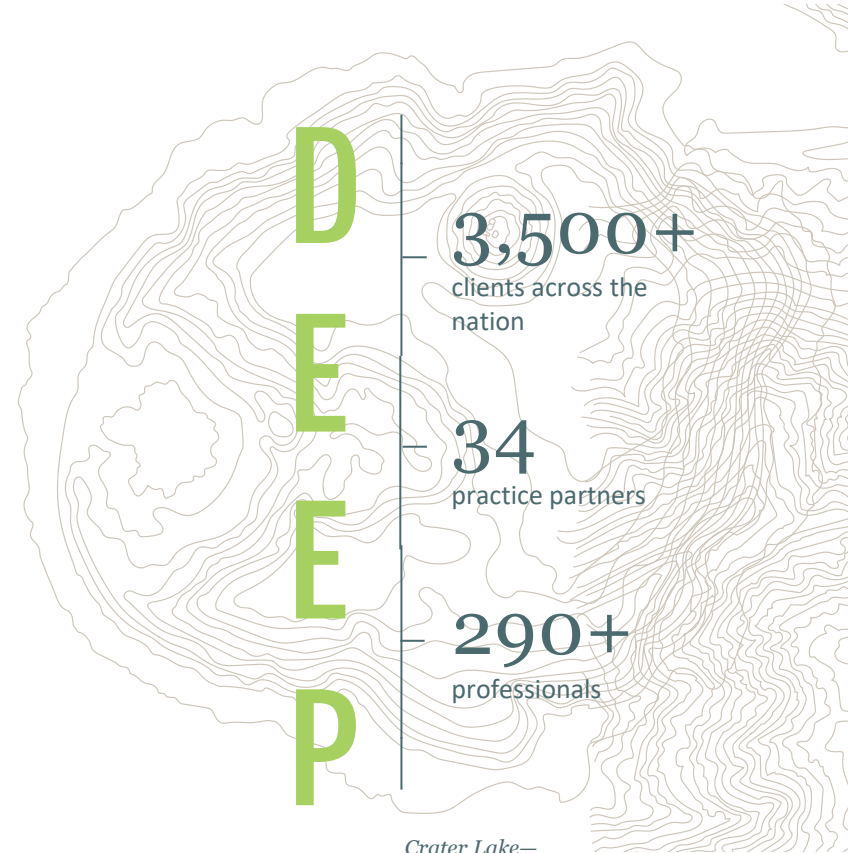
*Grand Canyon—
At 277 miles long and up to 18 miles
wide, this icon serves as a testament
to determination and time.*

Health Care Industry Experience

Our health care professionals dedicate their careers to serving the industry.

We cover the full spectrum of health care including:

- Hospitals and health systems
- Independent practice associations
- Medical groups
- Community health centers
- Behavioral health organizations
- Long-term care
- Surgery centers
- Knox Keene licensed health plans
- Health care ancillary services



*Crater Lake—
A monument to perseverance, North
America's deepest lake filled to 1,949 feet over
720 years.*

Our Response to COVID-19

The COVID-19 pandemic has touched all aspects of our lives. We're here to guide you to the information and resources you need now and provide strategies for the changes to come. We'll support you as you rebuild and help you take advantage of rising opportunities.

NAVIGATE



- Stay up to date with guidance and support to help combat uncertainty
- Reach out to your Moss Adams professional with any questions on the most current updates and advisements

ARTICLE

- [Weather COVID-19 Market Volatility: Investments, Finances, and Tax Planning](#)

REBUILD



- Strategize needs and be aware of what's to come
 - We'll connect you with the right resource, either within the greater Moss Adams team or through our various industry contacts
- Review Moss Adams announcements that provide tax and regulatory relief

ALERTS

- [CARES Act Overview: Implications for Business Taxpayers](#)
- [CARES Act: Implications for Individual Taxpayers](#)

THRIVE



- Take steps to bolster your workforce and organization
- Evaluate additional service needs, such as the following:
 - Capital sourcing
 - Cloud tools
 - Cost segregation
 - Enterprise resource planning
 - Estate and succession planning
 - Financial planning
 - Forecasting
 - IT security and cybersecurity
 - Process improvement
 - Outsourced finance accounting
 - R&D tax credits
 - Risk assessment
 - State and local tax
 - Transactions services

HELPING YOU ADAPT TO UNCERTAIN TIMES



Find more information and resources here: <https://mossadams.com/covid-19-implications>



Insights and Resources

We'll keep you informed to help you stay abreast of critical industry issues.

Moss Adams closely monitors regulatory agencies, participates in industry and technical forums, and writes about a wide range of relevant accounting, tax, and business issues to keep you informed.

We also offer CPE webinars and events that are archived and available on demand, allowing you to watch them on your schedule.



MOSSADAMS

ALERT

California State taxes will be administered and adjudicated differently beginning July 1

[READ MORE](#)

MOSSADAMS

INSIGHT

Is your data secure? Avoid a significant data breach by implementing best practices with the HITRUST CSF.

[READ MORE](#)

MOSSADAMS

WEBCAST

Boost Compliance with System and Organization Controls

[LEARN MORE](#)

Connect With Us

In today's fast-paced world, we know how precious your time is. We also know that knowledge is key. These resources offer what you need to know, when you need to know it, and are presented in the format that fits your life.



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**THANK
YOU**

DRAFT

*Report of Independent Auditors
and Financial Statements*

**Ventura County Medi-Cal Managed Care
Commission Dba Gold Coast Health Plan**

June 30, 2021 and 2020

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DRAFT

Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan Management's Discussion and Analysis

The intent of the Management's Discussion and Analysis is to provide readers with an overview of the Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan's ("GCHP" or the "Plan") financial activities for the fiscal years ended June 30, 2021 and 2020. This overview is provided in conjunction with the Plan's fiscal year ended June 30, 2021 financial statements. Readers should review this overview in conjunction with GCHP's financial statements and accompanying notes to the financial statements to enhance their understanding of the financial performance.

GOLD COAST HEALTH PLAN OVERVIEW

On June 2, 2009, the Ventura County Board of Supervisors approved the implementation of a county-organized health system ("COHS") model to transition Ventura County Medi-Cal members from a fee-for-service model to a managed care model. Ordinance No. 4409 (April 2010) established the Ventura County Medi-Cal Managed Care Commission as an oversight entity. The Commission's 11 members oversee a single plan—Gold Coast Health Plan—to serve Ventura County Medi-Cal beneficiaries.

As a COHS, the Plan has an exclusive contract (the "Contract") with the State of California (the "State") Department of Health Care Services ("DHCS") to arrange for the provision of health care services to Ventura County's approximately 222,000 Medi-Cal beneficiaries at June 30, 2021. The Plan receives virtually 100 percent of its revenue in the form of capitation from the State of California.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of financial statements and notes to those statements, which reflect GCHP's financial position and results of operations for the fiscal years ended June 30, 2021 and 2020. The financial statements of GCHP include the statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to the financial statements.

- The statements of net position includes all of GCHP's assets and liabilities, using the accrual basis of accounting.
- The statements of revenues, expenses, and changes in net position presents the results of operating activities during the fiscal year and the resulting change in net position.
- The statements of cash flows reports the net cash provided by operating activities, as well as other sources, and uses of cash from investing, capital, and related financing activities.

The following discussion and analysis addresses GCHP's overall program activities.

Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS

The table below presents condensed statements of net position of the Plan as of June 30, 2021, 2020, and 2019:

Table 1 – Condensed Statements of Net Position as of June 30

	(Dollars in Thousands)						
	2021	2020	2019	2021 - 2020 Change		2020 - 2019 Change	
				Amount	Percentage	Amount	Percentage
ASSETS							
Current assets and other assets	\$ 350,936	\$ 244,402	\$ 237,883	\$ 106,534	43.6 %	\$ 6,519	2.7 %
Capital assets, net	1,199	1,610	1,668	(411)	(25.5)%	(58)	(3.5)%
Total assets	352,135	246,012	239,551	106,123	43.1 %	6,461	2.7 %
LIABILITIES							
Current liabilities	246,420	168,689	163,946	77,731	46.1 %	4,743	2.9 %
Total liabilities	246,420	168,689	163,946	77,731	46.1 %	4,743	2.9 %
NET POSITION							
Invested in capital assets	1,198	1,610	1,668	(412)	(25.6)%	(58)	(3.5)%
Unrestricted net position	104,517	75,713	73,937	28,804	38.0 %	1,776	2.4 %
Total net position	105,715	77,323	75,605	28,392	36.7 %	1,718	2.3 %
Total liabilities and net position	\$ 352,135	\$ 246,012	\$ 239,551	\$ 106,123	43.1 %	\$ 6,461	2.7 %

FISCAL YEAR 2021

- As of June 30, 2021 and 2020, total assets were approximately \$352,135,000 and \$246,012,000, respectively, an increase of \$106,123,000 or 43.1 percent due to an increase in cash and cash equivalents driven by the increase in accrued medical expenses.
- Current liabilities as of June 30, 2021, were \$246,420,000 compared with \$168,689,000 as of June 30, 2020, a 46.1 percent increase. The increase was primarily driven by an increase in accrued medical expenses resulting from claims inventory build-up that occurred due to the claims systems migration to Health Solutions Plus MediTrac.
- The Plan's total net position increased by approximately \$28,392,000, or 36.7 percent, during fiscal 2021. This increase in net position was attributable to favorability in capitation rates from the State and overall reduced utilization as a result of the COVID-19 pandemic, which resulted in a net position at June 30, 2021 of \$105,715,000 compared to a net position of \$77,323,000 at June 30, 2020.
- Tangible Net Equity ("TNE") at June 30, 2021, was 293 percent of the DHCS required minimum of \$36,073,000.

FISCAL YEAR 2020

As of June 30, 2020 and 2019, total assets were approximately \$246,012,000 and \$239,551,000 respectively, an increase of \$6,461,000 or 2.7 percent.

- Current liabilities at June 30, 2020, were \$168,689,000, compared with \$163,946,000 at June 30, 2019, a 2.9 percent increase. The increase was primarily related to increases in accrued pharmacy.

Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan Management's Discussion and Analysis

- The Plan's total net position increased by approximately \$1,718,000, or 2.3 percent, during fiscal 2020. This increase in net position was attributable to favorability in capitation rates from the State, which resulted in a net position at June 30, 2020 of \$77,323,000 from a net position of \$75,605,000 at June 30, 2019.
- TNE at June 30, 2020, was 225 percent of the DHCS required minimum of \$34,440,000.

RESULTS OF OPERATIONS

As mentioned above, GCHP's fiscal 2021 operations and nonoperating revenues and expenses, net resulted in a \$28,392,000 increase in net position. GCHP's fiscal 2020 operations and nonoperating revenues and expenses, net resulted in a \$1,718,000 increase in net position. The following table shows the changes in revenues and expenses for 2021 compared to 2020 and 2020 compared to 2019.

**Table 2 – Revenues, Expenses, and Changes in Net Position for
Fiscal Years Ended June 30**
(Dollars in Thousands)

	2021	2020	2019	2021 to 2020 Change		2020 to 2019 Change	
				Amount	Percentage	Amount	Percentage
Capitation revenues	\$ 985,385	\$ 854,969	\$ 808,723	\$ 130,416	15.3 %	\$ 46,246	5.7 %
Total operating revenues	985,385	854,969	808,723	130,416	15.3 %	46,246	5.7 %
Provider capitation	87,192	58,648	56,824	28,544	48.7 %	1,824	3.2 %
Claim payments to providers and facilities	570,844	552,877	521,847	17,967	3.2 %	31,030	5.9 %
Prescription drugs	159,068	143,601	134,567	15,467	10.8 %	9,034	6.7 %
Other medical	16,624	15,493	16,212	1,131	7.3 %	(719)	(4.4)%
Reinsurance, net of recoveries	(3,549)	(895)	(3,496)	(2,654)	296.5 %	2,601	(74.4)%
Total health care expenses	830,179	769,724	725,954	60,455	7.9 %	43,770	6.0 %
Salaries, benefits, and compensation	14,635	15,560	14,897	(925)	(5.9)%	663	4.5 %
Professional fees	29,220	28,449	25,639	771	2.7 %	2,810	11.0 %
General administrative fees	3,118	3,258	2,766	(140)	(4.3)%	492	17.8 %
Supplies, occupancy, insurance, and other	2,020	2,265	2,221	(245)	(10.8)%	44	2.0 %
Premium tax	77,637	34,505	96,569	43,132	125.0 %	(62,064)	(64.3)%
Depreciation	514	467	534	47	10.1 %	(67)	(12.5)%
Total administrative expenses	127,144	84,504	142,626	42,640	50.5 %	(58,122)	(40.8)%
Total operating expenses	957,323	854,228	868,580	103,095	12.1 %	(14,352)	(1.7)%
Operating income (loss)	28,062	741	(59,857)	27,321	3687.0 %	60,598	(101.2)%
Interest income	458	1,800	3,993	(1,342)	(74.6)%	(2,193)	(54.9)%
Interest expense	(128)	(823)	(646)	695	(84.4)%	(177)	27.4 %
Total nonoperating revenues and expenses, net	330	977	3,347	(647)	(66.2)%	(2,370)	(70.8)%
Increase (decrease) in net position	28,392	1,718	(56,510)	26,674	1552.6 %	58,228	(103.0)%
Total net position, beginning of year	77,323	75,605	132,115	1,718	2.3 %	(56,510)	(42.8)%
Total net position, end of year	\$ 105,715	\$ 77,323	\$ 75,605	\$ 28,392	36.7 %	\$ 1,718	2.3 %

**Ventura County Medi-Cal Managed Care Commission
dba Gold Coast Health Plan
Management’s Discussion and Analysis**

ENROLLMENT, CAPITATION REVENUE AND HEALTH CARE EXPENSES

ENROLLMENT

Enrollment is divided into aid categories, which correspond to specific rates of capitation to be received by the Plan from the State. During fiscal 2021, the Plan served an average of 213,585 members per month, compared to an average of 194,879 members per month in fiscal 2020 and an average of 199,109 members per month in fiscal 2019. The increase in enrollment is attributed to the moratorium on redeterminations as a result of the COVID-19 pandemic.

Table 3 – Medi-Cal Enrollment by Aid Category
(Shown as Average Member Months)

Enrollment Category	2021	2020	2019
Child	89,885	86,238	89,325
Adult	28,535	24,009	24,407
Adult Expansion	63,226	53,798	54,220
Seniors and Persons with Disabilities ("SPD")	10,310	10,169	9,344
SPD - Dual	20,748	19,628	20,747
Breast and Cervical Cancer Treatment Program ("BCCTP")	76	154	171
Long Term Care ("LTC")	49	53	27
LTC - Dual	757	830	868
Total average monthly enrollment	213,586	194,879	199,109

Significant aid categories are defined as follows:

1. Child: Qualifying members under age 19.
2. Adult: Qualifying members between the ages of 19 and 64.
3. Adult Expansion ("AE"): Refers to members who became eligible for the Medi-Cal program effective January 1, 2014, as a result of the implementation of the Affordable Care Act ("ACA") and the expanded eligibility criteria for Medicaid.
4. Senior and Persons with Disabilities ("SPD")*: Includes individuals who are 65 years of age and older who receive supplemental security income (SSI) checks, or are medically needy if their income and resources are within the Medi-Cal limits, and individuals who met the criteria for disability set by the Social Security Administration and the State Program-Disability and Audit Program Division.
5. Long-Term Care* ("LTC"): Includes frail, elderly, nonelderly adults with disabilities and children with developmental disabilities, and other disabling conditions requiring long-term care services.

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6. Breast and Cervical Cancer Treatment Program ("BCCTP"): Provides cancer treatment for eligible low-income California residents who are screened by the Cancer Detection Program: Every Woman Counts ("CDP:EWC") or Family Planning, Access, Care and Treatment ("Family PACT") programs and found to be in the need of treatment for breast and/or cervical cancer. For the CY2021 rate year this category of aid was rolled into the SPD category of aid.

**"Dual" coverage refers to enrollees who are eligible for both Medi-Cal and Medicare Parts A, B, and D.

FISCAL YEAR 2021

CAPITATION REVENUE

Premium revenue (capitation received by the Plan from the State) is determined by rates set by the State at the beginning of the plan year and generally are effective for the entire year. The State may, on occasion, provide updated rates during the fiscal year. Total revenue for fiscal year 2021 was \$985,385,000, a 15.3 percent increase from the prior year. The increase was primarily attributable to favorability in capitation rates from the State.

HEALTH CARE EXPENSES

Aggregate health care expenses were \$830,179,000 in fiscal 2021, compared to \$769,724,000 in fiscal 2020, which is an increase of 7.9 percent. The Plan's medical loss ratio, or health care expenses as a percent of operating revenues (net of Managed Care Organization ("MCO") taxes), was 91.5 percent in fiscal 2021, compared to 93.8 percent in fiscal 2020.

Note the following regarding the components of health care expenses:

1. Provider capitation represents monthly payments for members assigned to primary care providers who have agreed to accept risk to provide specific services (when needed) to their members. Rates are fixed by contract and are generally known at the beginning of the fiscal year. Capitation expense for fiscal 2021 was \$87,192,000, or \$28,544,000 higher than in fiscal 2020. The increase was primarily due to a contract change with a provider in which they took on additional services as well as higher capitated membership from prior year.
2. Pharmacy expenses were \$159,068,000, or \$15,467,000 higher in fiscal 2021 than in the prior year. The 10.8 percent increase in costs were impacted by an overall increase in utilization and an overall increase in unit costs consistent with a national trend and allowing for 90-day supplies starting in the latter half of fiscal 2020 due to COVID-19 and continuing through the entire fiscal 2021.
3. Other medical, including care management, expense was \$16,624,000 in fiscal 2021, or \$1,131,000 and 7.3 percent higher than in fiscal 2020. The increase was primarily due to an increase in care management expenses from the prior year due to additional staffing and software costs.
4. Total reinsurance, net of recoveries and provider refunds resulted in a \$3,549,000 reduction to health care expenses in fiscal 2021, versus \$895,000 in fiscal 2020.

Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan Management's Discussion and Analysis

Administrative Expenses

Total administrative expenses were approximately \$127,144,000 in fiscal 2021, compared to \$84,504,000 in fiscal 2020, for an increase of \$42,640,000. The increase was predominantly due to premium tax expense, which was \$77,637,000 in fiscal year 2021 compared to \$34,505,000 in fiscal year 2020. The increase in premium tax was due to a 6-month gap in required premium tax in fiscal 2020. Senate Bill X2-2 established the managed care organization tax between July 1, 2016 through June 30, 2019. The tax was renewed with the Centers for Medicare and Medicaid Services CMS approval of Assembly Bill 115 with an effective date of January 1, 2020.

Senate Bill ("SB") X2-2, which passed in March 2016, redefined the premium tax payment and calculation. Per SB X2-2, the tax rate was a pre-determined liability based on DHCS projected Medi-Cal membership, and specified rates and was effective through June 30, 2019. Assembly Bill 115 re-established a managed care enrollment tax, using a modified tiered taxing model. On April 3, 2020, the federal government approved the State's revised proposal to implement a tax on MCOs to help fund the Medi-Cal program. The new AB115 MCO tax is effective from January 2020 through December 2022.

FISCAL YEAR 2020

CAPITATION REVENUE

Premium revenue (capitation received by the Plan from the State) is determined by rates set by the State at the beginning of the plan year and generally are effective for the entire year. The State may, on occasion, provide updated rates during the fiscal year. Total revenue for fiscal year 2020 was \$854,969,000, a 5.7 percent increase from the prior year. The increase was primarily attributable to favorability in capitation rates from the State.

HEALTH CARE EXPENSES

Aggregate health care expenses were \$769,724,000 in fiscal 2020, compared to \$725,954,000 in fiscal 2019, which is an increase of 6.0 percent. The Plan's medical loss ratio, or health care expenses as a percent of operating revenues (net of MCO taxes), was 93.8 percent in fiscal 2020, compared to 101.9 percent in fiscal 2019.

Note the following regarding the components of health care expenses:

1. Provider capitation represents monthly payments for members assigned to primary care providers who have agreed to accept risk to provide specific services (when needed) to their members. Rates are fixed by contract and are generally known at the beginning of the fiscal year. Capitation expense for fiscal 2020 was \$58,648,000, or \$1,824,000 higher than in fiscal 2019. The increase was primarily due to a contract change with a provider in which they took on additional services.
2. Pharmacy expenses were \$143,601,000, or \$9,034,000 higher in fiscal 2020 than in the prior year. The 6.7 percent increase in costs were impacted by an overall increase in utilization, primarily for dermatology and diabetes, and an overall increase in unit costs consistent with a national trend and allowing for 90-day supplies in the latter half of fiscal 2020 due to COVID-19.

Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan Management's Discussion and Analysis

3. Other medical, including care management, expense was \$15,493,000 in fiscal 2020, or \$719,000 and 4.4 percent lower than in fiscal 2019. The decrease was primarily due to a decrease in provider reserves in fiscal 2020, which was partially offset by an increase in care management expenses from the prior year due to additional staffing and software costs.
4. Total reinsurance, net of recoveries and provider refunds resulted in a \$895,000 reduction to health care expenses in fiscal 2020, versus \$3,496,000 in fiscal 2019.

ADMINISTRATIVE EXPENSES

Total administrative expenses were approximately \$84,504,000 in fiscal 2020, compared to \$142,626,000 in fiscal 2019, for a decrease of \$58,122,000. The decrease was predominantly due to premium tax expense, which was \$34,505,000 in fiscal year 2020 compared to \$96,569,000 in fiscal year 2019. The decrease in premium tax was due to a 6-month gap in required premium tax. Senate Bill X2-2 established the managed care organization tax between July 1, 2016 through June 30, 2019. The tax was renewed with the CMS approval of Assembly Bill 115 with an effective date of January 1, 2020.

Senate Bill X2-2, which passed in March 2016, redefined the premium tax payment and calculation. Per SB X2-2, the tax rate was a pre-determined liability based on DHCS projected Medi-Cal membership, and specified rates and was effective through June 30, 2019. Assembly Bill 115 re-established a managed care enrollment tax, using a modified tiered taxing model. On April 3, 2020, the federal government approved the State's revised proposal to implement a tax on MCOs to help fund the Medi-Cal program. The new AB115 MCO tax is effective from January 2020 through December 2022.

Other administrative expenses increased from the prior year due to increased expenses related to Enterprise Projects as compared to prior years and increases in staffing.

Tangible Net Equity

GCHP is required by DHCS to maintain certain levels of TNE. Regulatory TNE levels are determined by formula and are based on specified percentages of revenue and medical expenses. Driven by its operating performance, the Plan's TNE at June 30, 2021 was \$105,715,000, which exceeded the required TNE amount of \$36,073,000. The Plan's TNE at June 30, 2020, was \$77,323,000, which exceeded the required TNE amount of \$34,440,000.

**Ventura County Medi-Cal Managed Care Commission
 dba Gold Coast Health Plan
 Management’s Discussion and Analysis**

Table 4 – Tangible Net Equity (TNE)
 (Dollars in Thousands)

	<u>June 30, 2021</u>	<u>June 30, 2020</u> (in thousands)	<u>June 30, 2019</u>
Actual TNE, beginning balance	\$ 77,323	\$ 75,605	\$ 132,115
Change in net position	<u>28,392</u>	<u>1,718</u>	<u>(56,510)</u>
Actual TNE, ending balance	<u>\$ 105,715</u>	<u>\$ 77,323</u>	<u>\$ 75,605</u>
Required TNE	<u>\$ 36,073</u>	<u>\$ 34,440</u>	<u>\$ 32,907</u>

REQUESTS FOR INFORMATION

This financial report has been prepared in the spirit of full disclosure to provide the reader with an overview of GCHP’s operations. If the reader has questions or would like additional information about GCHP, please direct the request to GCHP, 711 East Daily Drive, Suite 106, Camarillo, CA 93010 or call 805-437-5500.

Report of Independent Auditors

The Commission
Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan
Camarillo, California

Report on Financial Statements

We have audited the accompanying financial statements of Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan (“GCHP” or the “Plan”) (a discrete component unit of the County of Ventura, California), which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GCHP as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

San Francisco, California

[DATE]

Financial Statements

DRAFT

Ventura County Medi-Cal Managed Care Commission
dba Gold Coast Health Plan
Statements of Net Position
June 30, 2021 and 2020

		ASSETS	
		June 30,	
		2021	2020
CURRENT ASSETS			
Cash and cash equivalents	\$	193,947,004	\$ 89,586,429
Short-term investments		43,515,100	43,040,224
Capitation receivable		103,174,578	102,000,828
Provider receivables		1,754,312	727,334
Reinsurance and other receivables		6,440,232	7,141,958
Prepaid expenses and other assets		2,104,933	1,905,555
Total current assets		350,936,159	244,402,328
CAPITAL ASSETS			
		1,198,472	1,610,328
Total assets	\$	352,134,631	\$ 246,012,656
LIABILITIES AND NET POSITION			
LIABILITIES			
Medical claims liability	\$	173,767,418	\$ 102,596,475
Capitation payable		26,699,447	18,217,262
Payable to the State of California		14,936,921	5,257,358
Accounts payable		1,683,582	2,363,635
Accrued payroll and employee benefits		2,195,823	2,187,982
Accrued premium tax		19,409,220	34,505,280
Accrued expenses and other		7,727,364	3,561,402
Total current liabilities		246,419,775	168,689,394
Total liabilities		246,419,775	168,689,394
NET POSITION			
Net invested in capital assets		1,198,472	1,610,328
Unrestricted net position		104,516,384	75,712,934
Total net position		105,714,856	77,323,262
Total liabilities and net position	\$	352,134,631	\$ 246,012,656

**Ventura County Medi-Cal Managed Care Commission
dba Gold Coast Health Plan
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Capitation revenues	\$ 985,384,706	\$ 854,968,887
Total operating revenues	<u>985,384,706</u>	<u>854,968,887</u>
OPERATING EXPENSES		
Health care expenses		
Provider capitation	87,191,841	58,647,943
Claim payments to providers and facilities	570,844,057	552,877,249
Prescription drugs	159,068,436	143,601,339
Other medical	16,623,754	15,492,871
Reinsurance, net of recoveries	(3,549,024)	(895,291)
Total health care expenses	<u>830,179,064</u>	<u>769,724,111</u>
ADMINISTRATIVE EXPENSES		
Salaries, benefits, and compensation	14,635,320	15,560,002
Professional fees	29,219,779	28,448,531
General administrative fees	3,118,060	3,258,036
Supplies, occupancy, insurance, and other	2,020,162	2,264,505
Premium tax	77,636,880	34,505,280
Depreciation	514,342	467,455
Total administrative expenses	<u>127,144,543</u>	<u>84,503,809</u>
Total operating expenses	<u>957,323,607</u>	<u>854,227,920</u>
Operating income	<u>28,061,099</u>	<u>740,967</u>
NONOPERATING REVENUES AND EXPENSES, NET		
Interest income	459,359	1,800,513
Interest expense	(128,864)	(823,164)
Total nonoperating revenues and expenses, net	<u>330,495</u>	<u>977,349</u>
Increase in net position	28,391,594	1,718,316
NET POSITION, beginning of year	<u>77,323,262</u>	<u>75,604,946</u>
NET POSITION, end of year	<u>\$ 105,714,856</u>	<u>\$ 77,323,262</u>

Ventura County Medi-Cal Managed Care Commission
dba Gold Coast Health Plan
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Capitation revenues received	\$ 993,890,519	\$ 812,509,761
Reinsurance premiums paid	(4,233,183)	(3,387,261)
Payments to providers and facilities	(746,807,828)	(761,098,988)
Payments of premium tax	(92,732,940)	(23,626,246)
Payments of administrative expenses	(45,698,961)	(48,367,314)
	<u>104,417,607</u>	<u>(23,970,048)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(104,101)	(410,013)
Interest payments	(128,864)	(823,166)
	<u>(232,965)</u>	<u>(1,233,179)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	5,000,000
Interest income	175,933	825,344
	<u>175,933</u>	<u>5,825,344</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	104,360,575	(19,377,883)
Cash and cash equivalents, beginning of year	89,586,429	108,964,312
Cash and cash equivalents, end of year	<u>\$ 193,947,004</u>	<u>\$ 89,586,429</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 28,061,099	\$ 740,967
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Depreciation	514,342	467,455
Changes in assets and liabilities		
Receivables	(1,688,825)	(30,214,369)
Prepaid expenses and other assets	(199,378)	292,304
Medical claims liability	71,170,943	13,127,479
Capitation payable	8,482,185	(9,780,522)
Payable to the State of California	9,679,563	(10,353,850)
Accounts payable	(680,053)	(1,894,150)
Accrued premium tax and other liabilities	(10,922,269)	13,644,638
	<u>\$ 104,417,607</u>	<u>\$ (23,970,048)</u>

**Ventura County Medi-Cal Managed Care Commission
dba Gold Coast Health Plan
Notes to Financial Statements**

NOTE 1 – ORGANIZATION AND OPERATIONS

Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan (“GCHP” or the “Plan”) is a county-organized health system (“COHS”) organized to serve Medi-Cal beneficiaries living in Ventura County, California. The formation of GCHP was approved by the Board of Supervisors of the County of Ventura in December 2009 through the adoption of Ordinance No. 4409.

As a COHS, GCHP maintains an exclusive contract (the “Contract”) with the State of California Department of Health Care Services (“DHCS”) to arrange for the provision of health care services to Ventura County’s approximately 200,000 Medi-Cal beneficiaries. All of GCHP’s revenues are earned from the State of California (the “State”) in the form of capitation payments. Revenue is primarily based on enrollment and capitation rates as provided for in the Contract. The Plan began providing services to Medi-Cal beneficiaries in July 2011. In August 2013, the State of California transferred the Healthy Families Program members in Ventura County into the Medi-Cal program, Targeted Low Income Program (“TLIC”). In January 2014, the federal Affordable Care Act (“ACA”) expanded health coverage to certain adults age 19 or older and under 65 and resulted in new enrollment through Adult Expansion (“AE”) and other population groups.

NOTE 2 – COMPLIANCE WITH THE DHCS, CONCENTRATION RISK, AND RESTRICTED NET POSITION

GCHP’s contract with the DHCS includes several financial and nonfinancial requirements. As established by the contract, GCHP is required to meet and maintain a minimum level of tangible net equity (“TNE”). TNE is defined as the excess of total assets over total liabilities, excluding subordinated liabilities and intangible assets.

Required and actual TNE are as follows:

	June 30,	
	2021	2020
	(in thousands)	
Actual TNE, beginning balance	\$ 77,323	\$ 75,605
Change in net position	28,392	1,718
Reportable TNE	<u>\$ 105,715</u>	<u>\$ 77,323</u>
Required TNE	<u>\$ 36,073</u>	<u>\$ 34,440</u>

The ability of GCHP to continue as a going concern is dependent on its continued compliance with the DHCS requirements. The loss of this contract would have an adverse effect on GCHP’s future operations.

In March 2020, the World Health Organization declared the COVID-19 virus spread a pandemic and public health emergency. The duration and intensity of the disruption from the pandemic is uncertain. Therefore, there may be adverse financial pressures on GCHP that could impact GCHP’s future operations.

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NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – GCHP is a county-organized health system governed by an 11-member Ventura County Medi-Cal Managed Care Commission appointed by the Ventura County Board of Supervisors. Effective for the fiscal year ended June 30, 2011, GCHP began reporting as a discrete component unit of the County of Ventura, California. The County made this determination based on the County Board of Supervisors having the right to elect 100 percent of the GCHP Commissioners.

Basis of accounting – GCHP uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis, using the economic resources measurement focus. The accompanying financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board (“GASB”).

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments – The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of these financial instruments. The carrying amounts reported in the statement of net position for capitation receivable, provider receivables, reinsurance and other receivables, prepaid expenses and other assets, medical claims liability and capitation payable, accounts payable, premium reserve, accrued payroll, and accrued premium tax and other liabilities approximate their fair values, as they are expected to be realized within the next fiscal year.

Cash and cash equivalents – Cash and cash equivalents include highly liquid instruments purchased with an original maturity of three months or less when purchased.

Custodial credit risk-deposits – Custodial credit risk is the risk that in the event of a bank failure, GCHP may not be able to recover its deposits or collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure deposits made by public agencies by pledging securities in an undivided collateral pool held by a depository regulated under the state law. As of June 30, 2021 and 2020, all accounts were covered by posted collateral.

Investments – Investments are stated at fair value in accordance with GASB Codification Section 150. The fair value of investments is estimated based on quoted market prices, when available. For debt securities not actively traded, fair values are estimated using values obtained from external pricing services or are estimated by discounting the expected future cash flows, using current market rates applicable to the coupon rate, credit and maturity of the investments.

All investments with an original maturity of one year or less when purchased are recorded as current investments, unless designated or restricted for long-term purposes.

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Capitation receivable – Capitation receivable represents capitation revenue for the years ended June 30, 2021 and 2020, received subsequent to June 30, 2021 and 2020, respectively. Capitation receivable also includes final revenue rate adjustments based on communications from the DHCS. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering payment history, financial condition, and current economic conditions. Subsequent adjustments to the contracted rates or enrollments are recognized in the period the adjustment is determined.

Provider receivables – Provider receivables are recorded for all claim refunds due from providers. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering payment history, financial condition, and current economic conditions.

Reinsurance – In the normal course of business, the Plan seeks to reduce the loss that may arise from events that cause unfavorable medical claim results by reinsuring certain levels of risk in various areas of exposure with a reinsurer. Amounts recoverable from reinsurance are estimated in a manner consistent with the development of the medical claim liability.

Amounts recoverable from reinsurers that relate to paid claims are classified as assets and as a reduction to medical expenses incurred. Reinsurance premiums paid are included in medical expenses.

Capital assets – Capital assets are stated at cost at the date of acquisition. The costs of normal maintenance, repairs, and minor replacements are expensed when incurred. Capital assets acquired but not yet placed into service are reported as construction in progress. Construction-in-progress assets are not depreciated until they are placed into service.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Long-lived assets are periodically reviewed for impairment. The estimated useful lives of three to seven years are used for furniture, fixtures, computer equipment, and software. Leasehold improvements are depreciated over the life of the lease or estimated useful life, whichever is shorter. Depreciation expense for the years ended June 30, 2021 and 2020, was approximately \$514,000 and \$467,000, respectively.

Medical claims liability, capitation payable, and medical expenses – GCHP establishes a claims liability based on estimates of the ultimate cost of claims in process and a provision for claims incurred but not yet reported, which is actuarially determined based on historical claims payment experience and other operational changes. In cases where adequate historical claims payment experience does not yet exist for a new population, a book-to-budget methodology is used in which GCHP relies on state-developed medical rates or medical loss ratios to estimate claims liabilities.

Such reserves are continually monitored and reviewed, with any adjustments made as necessary in the period the adjustment is determined. Management believes that the claims liability is adequate and fairly stated; however, this liability is based on estimates, and the ultimate liability may differ from the amount provided.

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GCHP has provider services agreements with several health networks in Ventura County, whereby the health networks provide care directly to covered members or through subcontracts with other health care providers. Payment for the services provided by the health networks is on a fully capitated basis. The capitation amount is based on contractually agreed-upon terms with each health network. GCHP may withhold amounts from providers at an agreed-upon percentage of capitation payments made to ensure the financial solvency of each contract. The capitation expense is included in provider capitation in the statements of revenues, expenses, and changes in net position.

Payable to the State of California – The liability at June 30, 2021 and 2020 was approximately \$14,937,000 and \$5,257,000, respectively, due to state of California funding programs that have minimum Medical Loss Ratio (“MLR”) requirements and potential amounts due back to the State. The balance as of June 30, 2021 represents an estimate due back to the State of California for the Proposition 56 programs in effect for state fiscal years 2018 and 2019. The balance as of June 30, 2020 represents an estimate due back to the State of California for the Proposition 56 programs in effect for state fiscal year 2019. The liability may vary depending on actual claims experience and final reconciliation and audit results. This liability is presented in the payable to the State of California in the accompanying statements of net position.

Accounts payable and accrued expenses – GCHP is required to estimate certain expenses, including accrued payroll, payroll taxes, and professional services fees, as of each statement of net position date and make appropriate accruals based on these estimates. Estimates are affected by the status and timing of services provided relative to the actual level of services performed by the service providers. The date on which certain services commence, the level of services performed on or before a given date, and the cost of services are often subject to judgment. These judgments are based upon the facts and circumstances known at the date of the financial statements. For the periods presented in the financial statements, there were no material adjustments to the estimates for accrued payroll, payroll taxes, and professional services fees.

Premium deficiency reserves – GCHP performed an analysis of its expected future health care and maintenance costs to determine whether such costs will exceed anticipated future revenues under its contracts. Should expected costs exceed anticipated revenues, a premium deficiency reserve would be accrued. A premium deficiency reserve was not required at June 30, 2021 or 2020.

Accrued compensated absences – GCHP’s policy permits eligible employees to accrue vacation based on their individual employment agreements. Unused vacation may be carried over into subsequent years, up to limits indicated in their employment agreements. Accumulated vacation will be paid to the employee upon separation from service with GCHP. All compensated absences are accrued and recorded in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, and are included in accrued payroll and employee benefits in the accompanying statements of net position.

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Premium taxes – Senate Bill X2-2, which passed in March 2016, redefined the premium tax payment and calculation. Per SB X2-2, the tax rate was a pre-determined liability based on DHCS projected Medi-Cal membership, and specified rates and was effective through June 30, 2019. Assembly Bill 115, *Committee on Budget, Chapter 348, Statutes of 2019*, re-established a managed care enrollment tax, using a modified tiered taxing model and the implementation of the tax is projected to generate a net state benefit of approximately \$7 billion over the three-year duration of the tax. On April 3, 2020, the federal government approved the state's revised proposal to implement a tax on Managed Care Organizations (“MCO”) to help fund the Medi-Cal program. The new MCO tax is effective from January 2020 through December 2022. The DHCS calculated GCHP's total MCO tax liabilities for the years ended June 30, 2021 and 2020, to be approximately \$77,637,000 and \$34,505,000, respectively. A premium tax refund receivable of approximately \$6,321,000 and \$6,833,000 was recognized at June 30, 2021 and 2020, respectively, and is included in the reinsurance and other receivables balance on the accompanying statements of net position.

Net position – Net position is broken down into three categories, defined as follows:

Net invested in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, and is reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable (if any) to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of external constraints placed on net asset used by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation. There were no amounts classified as restricted net position as of June 30, 2021 or 2020.

Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “net invested in capital assets.”

Revenue recognition – Capitation revenue received under the Contract is recognized during the period in which GCHP is obligated to provide medical service to the beneficiaries. This revenue is based on estimated enrollment provided monthly by the DHCS and capitation rates as provided for in the DHCS Contract. Enrollment and the capitation rates are subject to retrospective changes by the DHCS. As such, capitation revenue includes an estimate for amounts receivable from or refundable to the DHCS for these retrospective changes in estimates. These estimates are continually monitored and reviewed, with any changes in estimates recognized in the period when determined.

During the years ended June 30, 2021 and 2020, GCHP received approximately \$47,791,000 and \$27,828,000, respectively, of supplemental fee revenue from the DHCS as a hospital quality assurance fee (“HQAF”) as a result of SB 229 and SB 335, respectively.

DHCS implemented a managed care Designated Public Hospital (“DPH”) Quality Incentive Pool (“QIP”) that was expanded effective July 1, 2020 under which managed care plans were directed to make QIP payments tied to performance on designated performance metrics in four strategic categories: primary care, specialty care, inpatient care, and resource utilization. The QIP payments are linked to delivery of services under the managed care plan contracts and increase the amount of funding tied to quality outcomes. During the years ended June 30, 2021 and 2020, GCHP received approximately \$97,215,000 and \$51,212,000, respectively, in QIP payments.

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DHCS also established a Directed Payments DPH Enhanced Payment Program (“EPP”) under which managed care providers were directed to reimburse California’s 21 DPHs for network contracted services delivered by DPH systems, enhanced by either a uniform percentage or dollar increment based on actual utilization of network contracted services. The State will evaluate the extent to which enhanced payments are achieving the goals identified. During the years ended June 30, 2021 and 2020, GCHP received approximately \$31,101,000 and \$30,685,000, respectively, through the EPP.

DHCS also established a Private Hospital Directed Payment Program (“PHDPP”) under which managed care providers were directed to reimburse private hospitals as defined in WIC 14169.51, based on actual utilization of contracted services. The enhanced payment is contingent upon hospitals providing adequate access to service, including primary, specialty, and inpatient (both tertiary and quaternary) care. During the years ended June 30, 2021 and 2020, GCHP received approximately \$45,441,000 and \$29,931,000, respectively, through the PHDPP.

GCHP passed these HQAF, QIP, EPP and PHDPP funds through to providers. These amounts were not reflected in the accompanying financial statements for the years ended June 30, 2021 and 2020, as the amounts passed through to the providers do not meet requirements for revenue recognition under Government Accounting Standards (“GAS”).

GCHP has an agreement with the DHCS to receive an intergovernmental transfer (“IGT”) through a capitation rate increase of \$39,931,000 and \$34,987,000 recorded in years ended June 30, 2021 and 2020, respectively. Under the agreement, these funds that are distributed to providers are not reported on the statements of revenues, expenses and changes in net position, or the statements of net position, as these amounts do not meet requirements for revenue recognition under GAS. GCHP did not retain any of this IGT during the years ended June 30, 2021 and 2020 for administrative costs.

Operating revenues and expenses – GCHP’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with arranging for the provision of health care services. Operating expenses are all expenses incurred to arrange for the provision of health care services, as well as the costs of administration. Claims adjustment expenses are an estimate of the cost to process the claims and are included in operating expenses. Nonexchange revenues and expenses are reported as nonoperating revenues and expenses.

Administrative expenses – Administrative expenses are recognized as incurred and consist of administrative expenses that directly relate to the implementation and operation costs of the Plan. Capitation contract acquisition costs are expensed in the period incurred.

Defined contribution plan – GCHP has adopted, and its employees are participants in, the California Public Agencies Self-Directed Tax-Advantaged Retirement System (“CPA STARS”). CPA STARS is a California public trust organized under the laws of the State of California and includes the STARS 401(a) Retirement Plan (the “401 Plan”), which is a retirement plan under Section 401(a) of the Internal Revenue Code. GCHP participation in the 401 Plan is defined by the 401(a) Trust Agreement and the 401 Plan Agreement between GCHP and CPA STARS.

All regular employees participate in the CPA STARS 401 Plan. Employee contributions to the 401 Plan are not allowed. GCHP makes employer contributions to the 401 Plan in an amount annually determined under the 401 Plan Agreement. For the years ended June 30, 2021 and 2020, GCHP contributions to the 401 Plan were \$1,855,000 and \$1,863,000, respectively.

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Deferred compensation plan – GCHP has adopted, and its employees are participants in, the CPA STARS 457(b) deferred compensation plan (the “457 Plan”). The 457 Plan was created in accordance with Internal Revenue Code Section 457 and permits employees to defer a portion of their annual salary until future years. GCHP participation in the 457 Plan is defined by the 457 Trust Agreement between GCHP and CPA STARS. Employee participation in the 457 Plan is voluntary, and GCHP has not made any contributions. As such, there were no GCHP employer contributions for years ended June 30, 2021 and 2020.

Income taxes – GCHP operates under the purview of the Internal Revenue Code, Section 501(a) and corresponding California Revenue and Taxation Code provisions. As such, GCHP is not subject to federal or state taxes. Accordingly, no provision for income tax has been recorded in the accompanying financial statements.

Risk management – GCHP is exposed to various risks of loss from torts, business interruption, errors and omissions, and natural disasters. Commercial insurance coverage is purchased by GCHP for claims arising from such matters. No claims have exceeded commercial coverage.

Recent accounting pronouncements – In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities* (“GASB 84”). The principal objective of GASB 84 is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. GASB 84 is also intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which deferred the effective date of GASB 84 to reporting periods beginning after December 15, 2019. GCHP adopted GASB 84 for the fiscal year ended June 30, 2021, which did not have a significant impact on the financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases* (“GASB 87”). GASB 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which deferred the effective date of GASB 87 to reporting periods beginning after June 15, 2021. GCHP is reviewing the impact of the adoption of GASB 87 for the fiscal year ending June 30, 2022.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (“GASB 96”). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITA”) for government end users (governments). GASB 96 (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. GCHP is reviewing the impact of the adoption of GASB 96 for the fiscal year ending June 30, 2023.

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NOTE 4 – CASH AND INVESTMENTS

Investments – The Plan invests in obligations of the U.S. Treasury, other U.S. government agencies and instrumentalities, state obligations, corporate securities, and money market funds.

Interest rate risk – In accordance with its Annual Investment Policy (“investment policy”), GCHP manages its exposure to decline in fair value from increasing interest rates by matching maturity dates to the extent possible with the Plan’s expected cash flow draws. Its investment policy limits maturities to five years, while also staggering maturities. The Plan maintains a low-weighted average maturity strategy, targeting a portfolio with maturities of three years or less, with the intent of reducing interest rate risk. Portfolios with low weighted average maturities are less volatile because they are less sensitive to interest rate changes. As of June 30, 2021, the weighted average maturity of GCHP’s investments, including cash equivalents was approximately 1 day.

The Plan’s investments at June 30, 2021, are summarized as follows:

Investment Type	Fair Value	Maximum Maturity*	Weighted Average Maturity (Years)	Weighted Average Maturity (Days)
Cal Trust Investment Fund	\$ 3,771	N/A	-	1
Local Agency Investment Fund	206,976	N/A	-	1
Ventura County Investment Pool	43,304,353	N/A	-	1
	<u>\$ 43,515,100</u>		<u>-</u>	<u>1</u>

*Per investment policy (Gov’t code section 53601)

Credit risk – GCHP’s investment policy conforms to the California Government Code as well as to customary standards of prudent investment management. Credit risk is mitigated by investing in only permitted investments. The investment policy sets minimum acceptable credit ratings for investments from two nationally recognized rating services: Standard and Poor’s Corporation (“S&P”), and Moody’s Investor Service (“Moody’s”). For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody’s), while an issuer of long-term debt shall be rated no less than an “A.”

Credit ratings of investments and cash equivalents as of June 30, 2021, are summarized below:

Investment Type	Fair Value	Minimum Legal Rating*	Exempt from rating	Ratings as of Year-End (SP / MDY)			
				A-1 / P-1	A1 / AA+	A1 / A+	A2 / A
Cal Trust Investment Fund	\$ 3,771	None	\$ 3,771	\$ -	\$ -	\$ -	\$ -
Local Agency Investment Fund	206,976	None	206,976	-	-	-	-
Ventura County Investment Pool	43,304,353	None	43,304,353	-	-	-	-
	<u>\$ 43,515,100</u>		<u>\$ 43,515,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Per investment policy (Gov’t code section 53601)

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Credit ratings of investment and cash equivalents as of June 30, 2020, are summarized below:

Investment Type	Fair Value	Minimum Legal Rating*	Ratings as of Year-End (SP / MDY)				
			Exempt from rating	A-1 / P-1	A1 / AA+	A1 / A+	A2 / A
Cal Trust Investment Fund	\$ 3,760	None	\$ 3,760	\$ -	\$ -	\$ -	\$ -
Local Agency Investment Fund	205,239	None	205,239	-	-	-	-
Ventura County Investment Pool	42,831,225	None	42,831,225	-	-	-	-
	<u>\$ 43,040,224</u>		<u>\$ 43,040,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Per investment policy (Gov't code section 53601)

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of The Plan's investment in a single issuer. GCHP's Policy does not contain any specific provisions to limit exposure to concentration of credit risk, but conforms to the California Government Code sections 53601 to meet the percentage limits of investment holdings.

The Plan's percentage of portfolio as of June 30, 2021, is summarized below:

Investment Type	Issuer	Fair Value	Percentage of Portfolio
Cal Trust Investment Fund	Wells Fargo	\$ 3,771	0.0%
Local Agency Investment Fund	State of California Treasurer	206,976	0.5%
Ventura County Investment Pool	County of Ventura Treasurer	43,304,353	99.5%
Total Funds Available for Investments		<u>\$ 43,515,100</u>	<u>100.0%</u>

The Plan's percentage of portfolio as of June 30, 2020, is summarized below:

Investment Type	Issuer	Fair Value	Percentage of Portfolio
Cal Trust Investment Fund	Wells Fargo	\$ 3,760	0.0%
Local Agency Investment Fund	State of California Treasurer	205,239	0.5%
Ventura County Investment Pool	County of Ventura Treasurer	42,831,225	99.5%
Total Funds Available for Investments		<u>\$ 43,040,224</u>	<u>100.0%</u>

Investments – GCHP categorizes its fair value investments within the fair value hierarchy established by U.S. GAAP. The hierarchy for fair value measurements is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 – Significant unobservable inputs.

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The following is a description of the valuation methodologies used for instruments at fair value on a recurring basis and recognized in the accompanying statements of net position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

External investment pools – CalTrust is organized as a Joint Powers Authority established by public agencies in California for the purpose of pooling and investing local agency funds. A Board of Trustees supervises and administers the investment program of the Trust. CalTrust has four pools: money market account, short-term, medium-term, and long-term. The Plan has deposits in the Short-Term Fund. Investments in CalTrust Short-Term Fund are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

The Plan is a voluntary participant in CalTrust. The Plan's investment in this pool is reported in the accompanying financial statements at fair value based on the Plan's pro rata share of the respective pool as reported by CalTrust. As of both June 30, 2021 and 2020, the Plan held approximately \$4,000 in CalTrust.

The California State Treasurer's Office makes available the Local Agency Investment Fund ("LAIF") through which local governments may pool investments. Each governmental entity may invest up to \$65 million in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The Plan is a voluntary participant in the LAIF. The fair value of the GCHP's investments in the LAIF is reported in the accompanying financial statements based on the GCHP's pro rata share of the fair value provided by the LAIF for the entire LAIF portfolio. As of June 30, 2021 and 2020, the Plan held approximately \$207,000 and \$205,000 in LAIF, respectively.

The Ventura County Investment Pool ("VCIP") is available to local public governments, agencies, and school districts within Ventura County (the "County"). Wells Fargo Bank NA serves as custodian for the pool's investments. The portfolio is typically comprised of U.S. agency securities and high-quality short-term instruments, resulting in a relatively short-weighted average maturity. Fair value calculations are based on market values provided by the County's investment custodian. Investments in the VCIP are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The Plan is a voluntary participant in the VCIP. The fair value of the GCHP's investments in the VCIP is reported in the accompanying financial statements based on the GCHP's pro rata share of the fair value provided by the VCIP for the entire VCIP portfolio. As of June 30, 2021 and 2020, the Plan held approximately \$43,304,000 and \$42,831,000 in VCIP, respectively.

The following table presents the fair value measurements of assets recognized in the accompanying statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

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The Plan had the following recurring fair value measurements as of June 30, 2021:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments not subject to fair value hierarchy				
Cal Trust Investment Fund	\$ 3,771			
Local Agency Investment Fund	206,976			
Ventura County Investment Pool	43,304,353			
	\$ 43,515,100			

The Plan had the following recurring fair value measurements as of June 30, 2020:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments not subject to fair value hierarchy				
Cal Trust Investment Fund	\$ 3,760			
Local Agency Investment Fund	205,239			
Ventura County Investment Pool	42,831,225			
	\$ 43,040,224			

NOTE 5 – ADMINISTRATIVE SERVICES AGREEMENTS

Conduent, Inc. (“Conduent”), formerly Affiliated Computer Services – GCHP entered into an agreement with Conduent on June 28, 2017, to provide certain operational services, for a two-year term with 4 to 6 month extensions beginning July 1, 2017. On May 1, 2019, GCHP and Conduent entered into a new agreement extending service through June 30, 2024. Included in the extension is a project to replace the existing technology platform with a new system and realign business processes. Compensation for these services is based on a per-member, per-month cost at varying membership levels. These costs are recorded as expenses in the period incurred. Total expenses for services provided for the years ended June 30, 2021 and 2020, were approximately \$19,370,000 and \$19,994,000, respectively, and are reported in professional fees on the accompanying statements of revenues, expenses, and changes in net position.

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OptumRx, Inc. (“Optum Rx”) – GCHP entered into a three-year agreement with Optum Rx, effective June 1, 2017, replacing Script Care as the provider of pharmacy administration and management services. The agreement was renewed effective July 1, 2020, and will expire on June 30, 2024. Optum Rx services are specific to the prescription benefit drug program for GCHP Medi-Cal beneficiaries. Total expenses for Optum Rx services were approximately \$2,028,000 and \$1,826,000 for the years ended June 30, 2021 and 2020, respectively, and are included in other medical expenses on the accompanying statements of revenues, expenses, and changes in net position.

Beacon Health Strategies, LLC (“Beacon Health Strategies”) – On April 14, 2014, GCHP entered into a two-year agreement with Beacon Health Strategies to provide administrative services to arrange for and support the administration of behavioral health services for GCHP. The agreement with Beacon Health Strategies has been extended until February 28, 2022. Total expenses for Beacon Health Strategies were approximately \$2,171,000 and \$1,948,000 for the years ended June 30, 2021 and 2020, respectively, and are included in professional fees on the accompanying statements of revenues, expenses, and changes in net position.

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NOTE 6 – CAPITAL ASSETS

Capital asset activity during the years ended June 30, 2021 and 2020, consisted of the following:

	Balance June 30, 2020	Increases	Transfers	Decreases	Balance June 30, 2021
Capital assets					
Leasehold improvements	\$ 1,800,989	\$ 3,987	\$ -	\$ -	\$ 1,804,976
Software and equipment	1,789,959	100,114	-	-	1,890,073
Furniture and fixtures	1,207,135	-	-	9,685	1,197,450
Total capital assets	<u>4,798,083</u>	<u>104,101</u>	<u>-</u>	<u>9,685</u>	<u>4,892,499</u>
Less accumulated depreciation and amortization for					
Leasehold improvements	815,421	199,547	-	-	1,014,968
Software and equipment	1,405,124	149,840	-	-	1,554,964
Furniture and fixtures	967,210	164,955	-	8,070	1,124,095
Total accumulated depreciation	<u>3,187,755</u>	<u>514,342</u>	<u>-</u>	<u>8,070</u>	<u>3,694,027</u>
Total capital assets, net	<u>\$ 1,610,328</u>	<u>\$ (410,241)</u>	<u>\$ -</u>	<u>\$ (1,615)</u>	<u>\$ 1,198,472</u>
	Balance June 30, 2019	Increases	Transfers	Decreases	Balance June 30, 2020
Capital assets					
Leasehold improvements	\$ 1,780,212	\$ 20,777	\$ -	\$ -	\$ 1,800,989
Software and equipment	1,450,920	339,039	-	-	1,789,959
Furniture and fixtures	1,156,938	50,197	-	-	1,207,135
Total capital assets	<u>4,388,070</u>	<u>410,013</u>	<u>-</u>	<u>-</u>	<u>4,798,083</u>
Less accumulated depreciation and amortization for					
Leasehold improvements	583,928	231,493	-	-	815,421
Software and equipment	1,328,325	76,799	-	-	1,405,124
Furniture and fixtures	808,047	159,163	-	-	967,210
Total accumulated depreciation	<u>2,720,300</u>	<u>467,455</u>	<u>-</u>	<u>-</u>	<u>3,187,755</u>
Total capital assets, net	<u>\$ 1,667,770</u>	<u>\$ (57,442)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,610,328</u>

Ventura County Medi-Cal Managed Care Commission
dba Gold Coast Health Plan
Notes to Financial Statements

NOTE 7 – MEDICAL CLAIMS LIABILITY

Medical claims liability and capitation payable consists of the following:

	June 30,	
	2021	2020
Claims payable or pending approval	\$ 29,923,759	\$ 34,897,614
Capitation payable	26,699,447	18,217,262
Provisions for claims incurred but not yet reported and other	126,960,643	51,769,339
Directed payments to providers payable	16,883,016	15,929,522
	<u>\$ 200,466,865</u>	<u>\$ 120,813,737</u>

The cost of health care services is recognized in the period in which care is provided and includes an estimate of the cost of services that has been incurred but not yet reported. GCHP estimates accrued claims payable based on historical claims payments and other relevant information. Estimates are continually monitored and reviewed, and as settlements are made or estimates adjusted, differences are reflected in current operations. Such estimates are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate amount of claims paid is dependent on future developments, management is of the opinion that the accrued medical claims payable is adequate.

**Ventura County Medi-Cal Managed Care Commission
dba Gold Coast Health Plan
Notes to Financial Statements**

The following is reconciliation of the medical claims liability and capitation payable activity for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Medical claims liability and capitation payable at beginning of year	\$ 120,813,737	\$ 117,466,780
Incurred		
Current	827,996,130	780,676,321
Prior	4,856,499	(10,164,318)
Total incurred	<u>832,852,629</u>	<u>770,512,003</u>
Paid		
Current	669,483,942	670,892,743
Prior	79,851,476	96,596,307
Total paid	<u>749,335,418</u>	<u>767,489,050</u>
Net balance at end of year	204,330,948	120,489,733
Provider and reinsurance receivable of paid claims, beginning	(948,446)	(624,442)
Provider and reinsurance receivable of paid claims, ending	<u>(2,915,637)</u>	<u>948,446</u>
Medical claims liability and capitation payable at end of year	<u>\$ 200,466,865</u>	<u>\$ 120,813,737</u>

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately adjudicated and paid. Liabilities at any year end are continually reviewed and re-estimated as information regarding actual claim payments becomes known. This information is compared to the originally established prior reporting period liability. Negative amounts reported for incurred, related to prior years, result from claims being adjudicated and paid for amounts less than originally estimated. Results for the years ended June 30, 2021 and 2020, included an increase of prior year incurred of approximately \$4,856,000 and a decrease of prior year incurred of approximately \$10,164,000, respectively. Original estimates are increased or decreased as additional information becomes known regarding individual claims. Additional estimation uncertainty exists as of June 30, 2021, resulting from the impact of a new claims system implemented in May 2021.

**Ventura County Medi-Cal Managed Care Commission
dba Gold Coast Health Plan
Notes to Financial Statements**

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Lease commitments – GCHP leases office space and equipment under long-term operating leases ending on various dates through March 2026. The total amount of rental payments due over the lease terms is being recognized as rent expense using the straight-line method over the term of the lease. Rent and lease expenses were approximately \$1,371,000 and \$1,423,000 for the years ended June 30, 2021 and 2020, respectively. Minimum annual rent and lease payments are as follows:

Years Ending June 30,	<u>Minimum Lease Payments</u>
2022	\$ 1,524,800
2023	1,556,410
2024	1,588,917
2025	1,633,606
2026	1,250,872
Thereafter	<u>-</u>
	<u>\$ 7,554,605</u>

Litigation – Through the course of ordinary business, the Plan became party to various administrative proceedings, mediations, and was party to various legal actions and subject to various claims arising as a result. During the year ended June 30, 2021, the Plan has successfully resolved some matters, and other administrative and legal matters are still proceeding. As a result of pending administrative and legal matters, the Plan has recorded a liability for these contingencies. It is the opinion of management that the ultimate resolution of such claims will not have a material adverse effect on the financial statements.

Regulatory matters – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties. Management believes that GCHP is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review a interpretation as well as regulatory actions unknown or unasserted at this time.

In September 2021, GCHP received a request from DHCS to submit a corrective action plan related to claims processing backlogs due to a new claims processing system implementation during the year ended June 30, 2021. While the ultimate outcome of this matter is not known, it is the opinion of management that the ultimate resolution of this matter will not have a material adverse effect on the financial statements.

Patient protection and Affordable Care Act – The ACA allowed for the expansion of Medicaid members in the State of California. Any future federal or state changes in eligibility requirements or federal and state funding could have an impact on the Plan. With the changes in the executive branch, the future of PPACA and impact of future changes in Medicaid to the Plan is uncertain at this time.



AGENDA ITEM NO. 5

TO: Executive Finance Committee
FROM: Kashina Bishop, Chief Financial Officer
DATE: October 20, 2021
SUBJECT: September 2021 Fiscal Year to Date Financials

SUMMARY:

Staff is presenting the attached September 2021 fiscal year-to-date (“FYTD”) financial statements of Gold Coast Health Plan (“GCHP”) for review and approval.

BACKGROUND/DISCUSSION:

The staff has prepared the unaudited 2022 FYTD financial packages, including statements of financial position, statement of revenues and expenses, changes in net assets, statement of cash flows and schedule of investments and cash balances.

Financial Overview:

GCHP experienced a gain of \$6.3 million for the month of September 2021 and is favorable to the budget for September 2021 by \$5.4M. The favorability is due to timing of administrative and project expenses, and medical expense estimates that are currently less than budget.

Solvency Action Plan (SAP):

GCHP is on the right trajectory to ensure its long-term viability. That said, GCHP remains in a vulnerable position and must continue to build reserves to levels that are, at minimum, consistent with the Commission policy. To that end, your management team remains focused on the next phases of the SAP and that solvency-related actions are implemented in a manner that respects the provider community and mitigates any adverse impact on our providers or members.

The SAP is comprised of three main categories: cost of healthcare, internal control improvements and contract strategies. The primary objectives within each of these categories is as follows:

1. Cost of healthcare – to ensure care is being provided at the optimal place of service which both reduces costs and improves member experience.

2. Internal control improvements – to ensure GCHP is operating effectively and efficiently which will result in administrative savings and safeguard against improper claim payments.
3. Contracting strategies – to ensure that GCHP is reimbursing providers within industry standard for a Medi-Cal managed care plan and moving toward value-based methodologies.

The management team concluded several months ago that it is imperative that GCHP have a keen focus on fundamental activities that are essential to its providers and members, most notably the system conversion and implementation of CalAim. This has and will continue to cause some delay in implementing some of the below initiatives, but the focus and hard work remains particularly on the efforts to tighten internal controls. During the system conversion, staff was able to complete two significant internal control improvements:

1. Appropriate diversion of ED claims to California Children’s Services; these services are carved out of GCHP.
2. Implementation of additional claims edit system checks which will minimize payment errors.

Category	Current Focus	Annualized impact in savings
Cost of Healthcare	LANE – avoidable ER analysis	TBD
	Pro-active transplant management approach	TBD
	Analysis of leakage to out of area providers	TBD
Internal Control Improvements*	Review of provider contracts for language interpretation and validation	N/A
	Develop revised provider contract templates and a standard codified DOFR template	N/A
	Improve quality and completeness of encounter data	Revenue implications
	Capitation reconciliation at member level	Revenue
	RDT data improvement	Revenue
Contracting Strategies	Expansion of capitation arrangements	Required TNE and risk reductions
	LANE/HCPACS analysis	TBD
	Outlier rate analysis	TBD

* this is a sub-set of the internal control improvements with direct impacts to the SAP and providers. Staff will periodically update the Commission on the comprehensive list.

Financial Report:

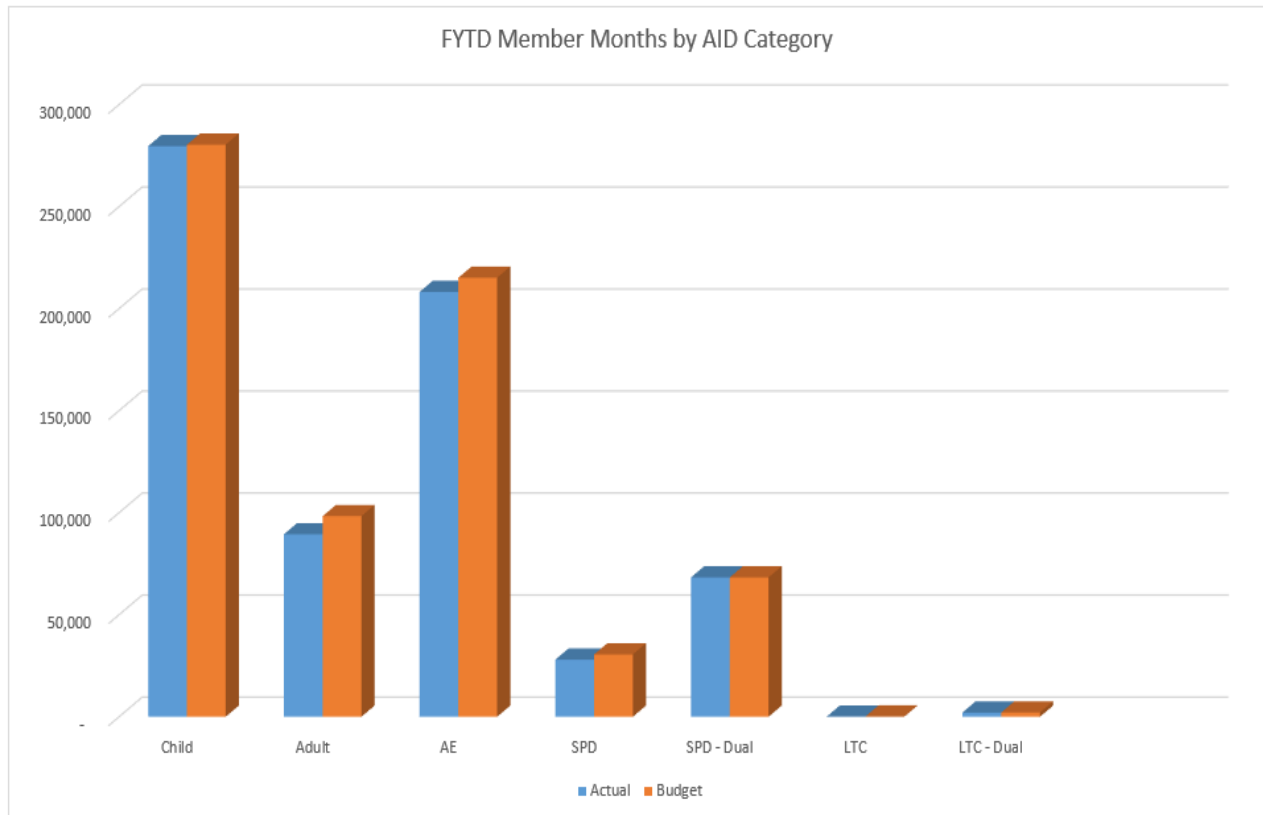
GCHP is reporting net gains of \$6.3 million for the month of September 2021.

September 2021 FYTD Highlights:

1. Net gain of \$16.4 million, a \$13.2 million favorable budget variance.
2. FYTD net revenue is \$249.9 million, \$233,600 over budget.
3. FYTD Cost of health care is \$220.0 million, \$9.8 million under budget.
4. The medical loss ratio is 88.0% of revenue, 4.0% less than the budget.
5. FYTD administrative expenses are \$13.5 million, \$3.2 million under budget.
6. The administrative cost ratio is 5.4%, 1.3% under budget.
7. Current membership for September is 224,580.
8. Tangible Net Equity is \$122.2 million which represents approximately 48 days of operating expenses in reserve and 333% of the required amount by the State.

Note: To improve comparative analysis, GCHP is reporting the budget on a flexible basis which allows for updated revenue and medical expense budget figures consistent with membership trends.





Revenue

Net Premium revenue is \$249.9 million; a \$233,600 and .1% favorable budget variance.

Health Care Costs

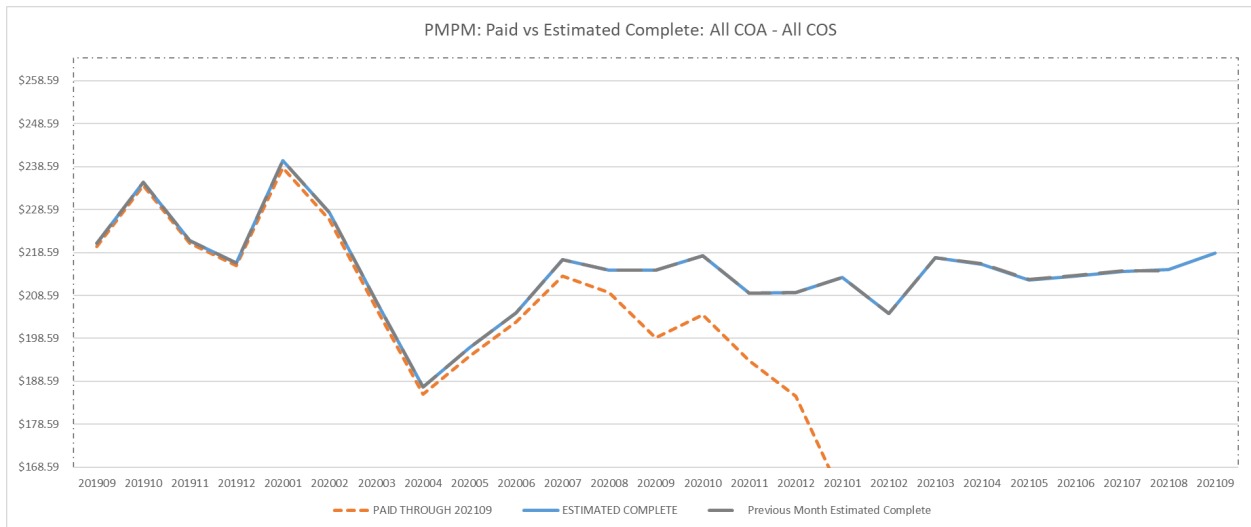
FYTD Health care costs are \$220.0 million; a \$9.8 million and 4% favorable budget variance.

Medical expenses are calculated through a predictive model which examines the timing of claims receipt and claims payments. It is referred to as “Incurred but Not Paid” (IBNP) and is a liability on the balance sheet. On the balance sheet, this calculation is a combination of the Incurred but Not Reported and Claims Payable.

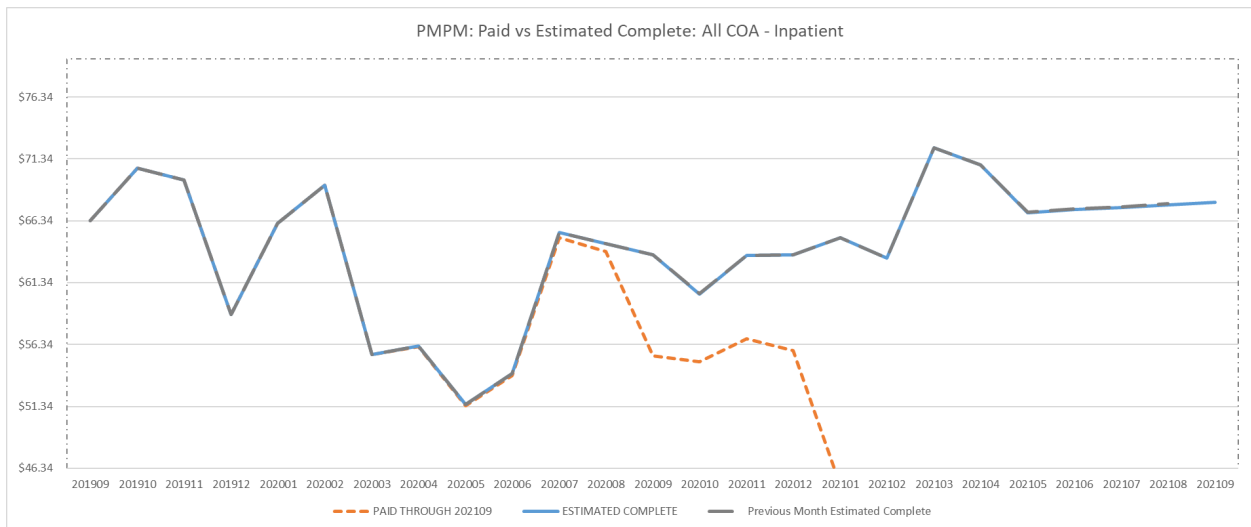
Due to the system conversion, staff does not yet have an accurate data file to complete the estimate with the same level of detail as has been the historical process. One of the issues being addressed is discrepancies in the mapping of data to the correct category of service. This impacts staff’s ability to research actual and budget variances at the category of service level. At a high level, medical expenses have remained consistent with prior months and are running below budget expectations which were conservative.

High level trends on a per member per month (PMPM) basis for the major categories of service are as follows:

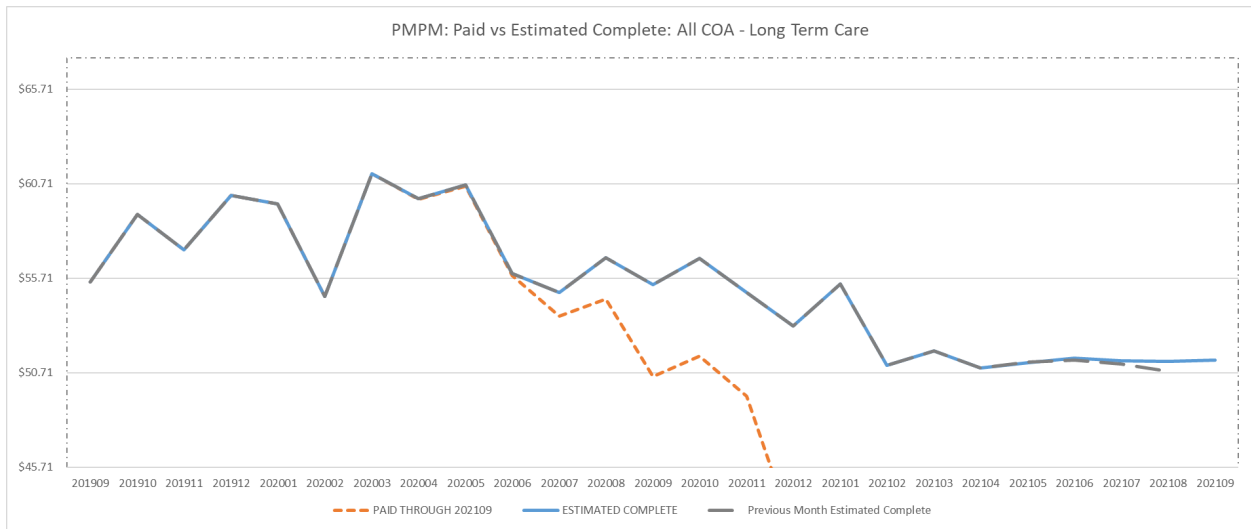
1. All categories of service



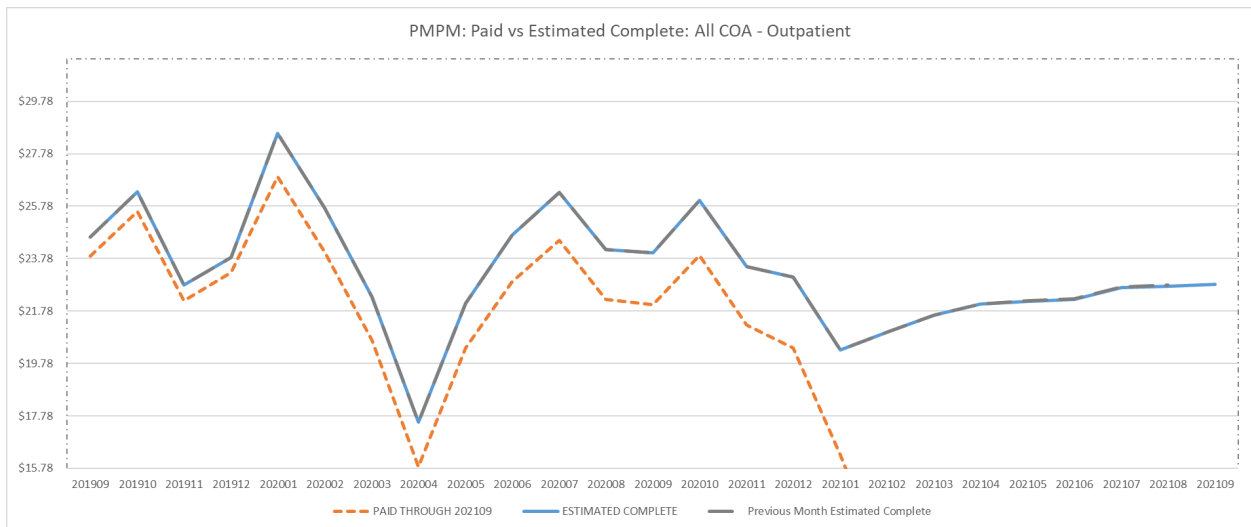
2. Inpatient hospital costs



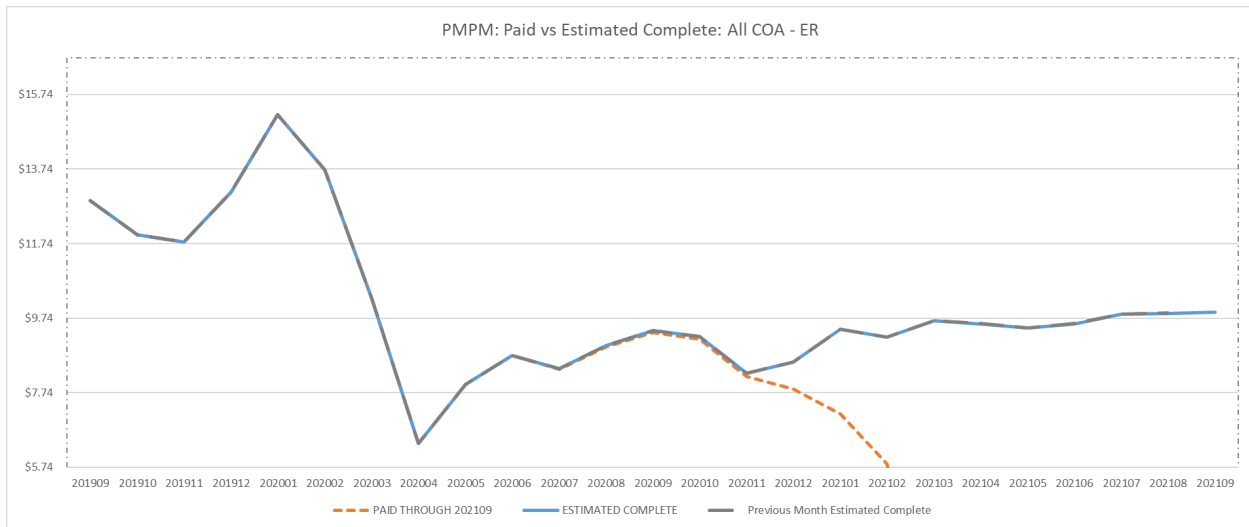
3. Long term care (LTC) expenses



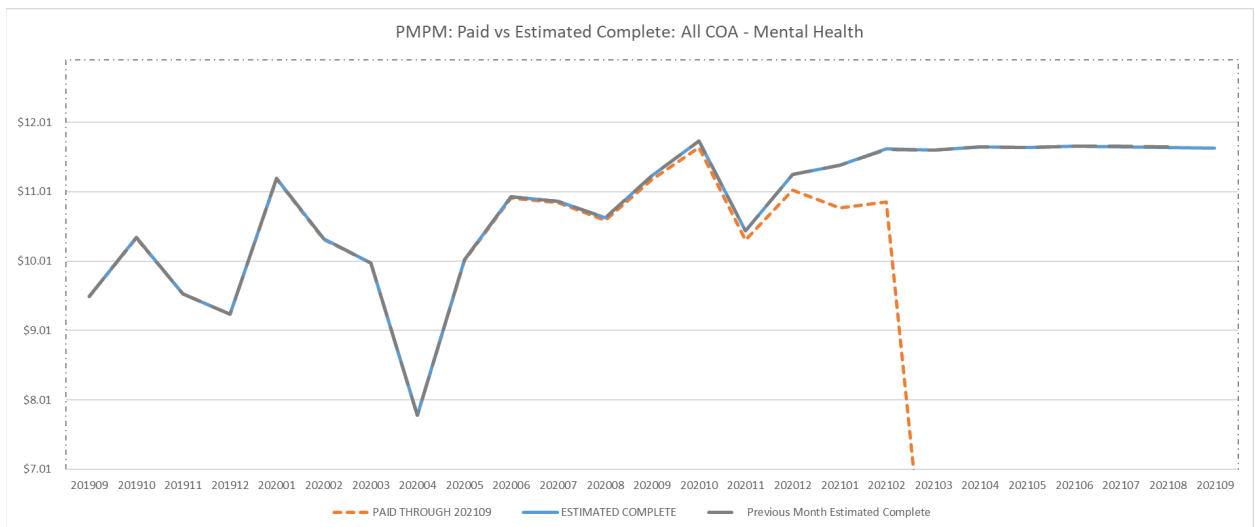
4. Outpatient expenses



5. Emergency Room expenses



6. Mental and behavioral health services



Administrative Expenses

The administrative expenses are currently running within amounts allocated to administration in the capitation revenue from the State. In addition, the ratio is comparable to other public health plans in California.

For the fiscal year to date through September 2021, administrative costs were \$13.5 million and \$3.2 million under budget. As a percentage of revenue, the administrative cost ratio (or ACR) was 5.4% versus 6.7% for budget.

The following are drivers of administrative expense favorability:

- *Enterprise Project Portfolio*: timing of consulting services related to multiple projects (~\$1.2M)
- *Salaries, Wages & Employee Benefits*: primarily related to timing of filling open IT positions (~\$559K)
- *Outside Services*: favorability of Conduent expenses due to membership lower than projected and lower fulfillment related charges (~\$648K)
- *Professional Services*: timing of employee recruitment in budget (~\$219K), favorable consulting expenses related to timing (\$435K)
- *Occupancy, Supplies, Insurance and Other*: timing of software and non-capital equipment purchases and implementation (~\$353K)

Cash and Short-Term Investment Portfolio

At September 30 the Plan had \$244.5 million in cash and short-term investments. The investment portfolio included Ventura County Investment Pool \$18.3 million; LAIF CA State \$25.2 million; the portfolio yielded a rate of 2.5%.

SCHEDULE OF INVESTMENTS AND CASH BALANCES

	Market Value*		Account Type
	September 30, 2021		
Local Agency Investment Fund (LAIF) ¹	\$	25,207,145	investment
Ventura County Investment Pool ²	\$	18,338,883	investment
CalTrust	\$	3,773	short-term investment
Bank of West	\$	172,981,649	money market account
Pacific Premier	\$	26,412,436	operating accounts
Mechanics Bank ³	\$	1,540,672	operating accounts
Petty Cash	\$	500	cash
Investments and monies held by GCHP	\$	244,485,057	

	Sep-21	FYTD 21-22
Local Agency Investment Fund (LAIF)		
Beginning Balance	\$ 25,207,145	\$ 206,976
Transfer of Funds from Ventura County Investment Pool	-	25,000,000
Quarterly Interest Received	-	414
Quarterly Interest Adjustment	-	(245)
Current Market Value	\$ 25,207,145	\$ 25,207,145
Ventura County Investment Pool		
Beginning Balance	\$ 18,338,883	\$ 43,304,353
Transfer of funds to LAIF	-	(25,000,000)
Interest Received	-	34,530
Current Market Value	\$ 18,338,883	\$ 18,338,883

Medi-Cal Receivable

At September 30 the Plan had \$103.8 million in Medi-Cal Receivables due from the DHCS.

RECOMMENDATION:

Staff requests that the Executive Finance Committee recommend approval of the September 2021 financial package.

CONCURRENCE:

N/A

ATTACHMENT:

September 2021 Financial Package



FINANCIAL PACKAGE

For the month ended September 30, 2021

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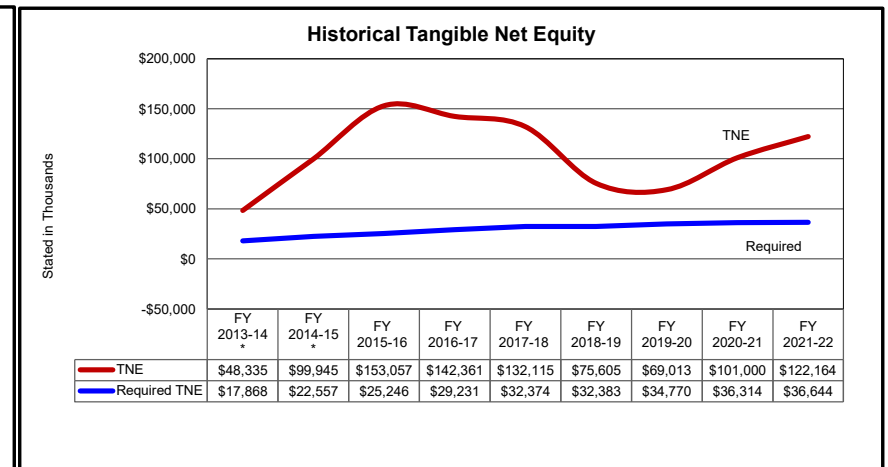
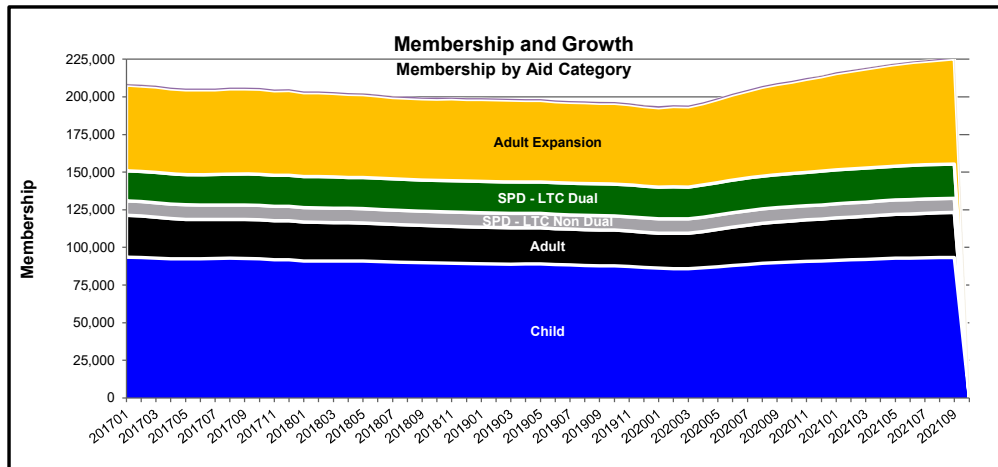
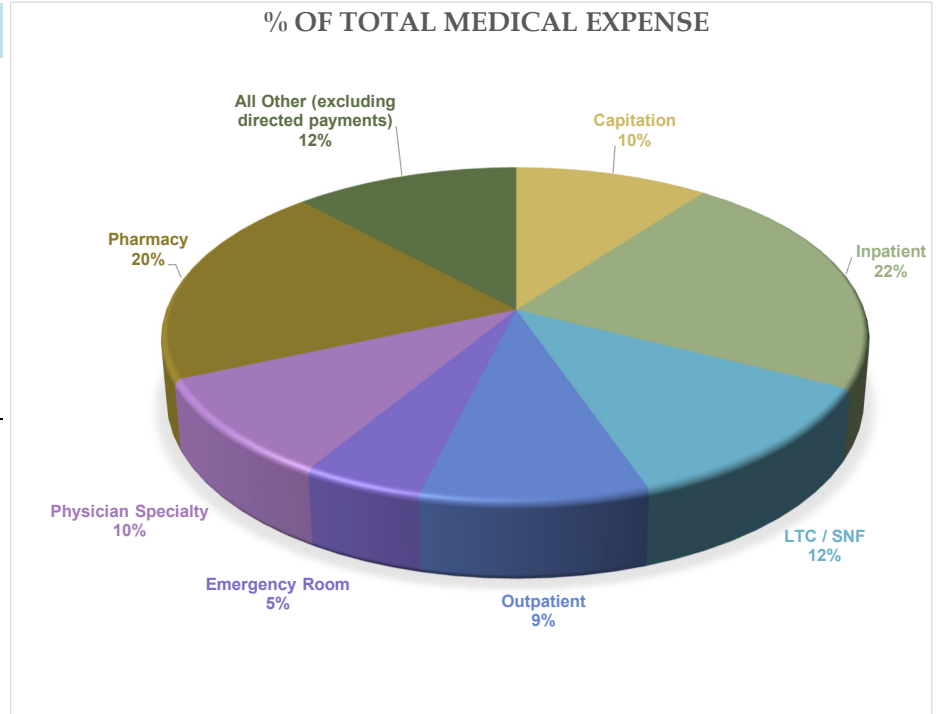
- Executive Dashboard
- Statement of Financial Position
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows
- Schedule of Investments & Cash Balances

Gold Coast Health Plan

Executive Dashboard as of September 30, 2021

	FYTD 21/22 Budget*	FYTD 21/22 Actual	FY 20/21 Actual	FY 19/20 Actual
Average Enrollment	77,202	223,430	213,547	196,012
PMPM Revenue	\$ 371.47	\$ 372.80	\$ 358.22	\$ 348.73
Medical Expenses				
Capitation	\$ 36.12	\$ 32.55	\$ 34.03	\$ 24.93
Inpatient	\$ 65.44	\$ 70.71	\$ 66.52	\$ 65.19
LTC / SNF	\$ 56.72	\$ 38.75	\$ 55.42	\$ 59.20
Outpatient	\$ 25.93	\$ 29.10	\$ 23.16	\$ 25.81
Emergency Room	\$ 12.90	\$ 15.43	\$ 9.25	\$ 11.97
Physician Specialty	\$ 26.82	\$ 30.82	\$ 25.71	\$ 27.63
Pharmacy	\$ 64.39	\$ 62.59	\$ 62.07	\$ 61.05
All Other (excluding directed payments)	\$ 38.09	\$ 37.82	\$ 43.20	\$ 41.07
Total Per Member Per Month	\$ 326.41	\$ 317.78	\$ 319.36	\$ 316.86
Medical Loss Ratio	92.0%	88.0%	92.1%	94.6%
Total Administrative Expenses	\$ 16,646,520	\$ 13,470,675	\$ 49,637,603	\$ 50,821,685
% of Revenue	6.7%	5.4%	5.4%	6.2%
TNE	\$ 100,654,230	\$ 122,164,057	\$ 100,999,994	\$ 71,272,142
Required TNE	\$ 37,464,756	\$ 36,644,265	\$ 36,313,908	\$ 34,685,521
% of Required	269%	333%	278%	205%

* Flexible Budget (uses actual membership & member mix against budgeted rates)



STATEMENT OF FINANCIAL POSITION

	<u>09/30/21</u>	<u>08/31/21</u>	<u>07/31/21</u>
ASSETS			
Current Assets:			
Total Cash and Cash Equivalents	200,935,258	189,665,301	181,564,813
Total Short-Term Investments	43,549,801	43,549,800	43,532,535
Medi-Cal Receivable	103,846,657	109,348,556	106,844,162
Interest Receivable	91,238	86,401	99,015
Provider Receivable	1,456,069	1,025,836	2,161,503
Other Receivables	6,551,713	6,551,713	6,320,713
Total Accounts Receivable	111,945,677	117,012,506	115,425,393
Total Prepaid Accounts	3,112,850	3,160,044	3,033,715
Total Other Current Assets	156,289	153,789	153,789
Total Current Assets	359,699,874	353,541,441	343,710,244
Total Fixed Assets	1,346,277	1,389,413	1,173,684
Total Assets	<u>\$ 361,046,151</u>	<u>\$ 354,930,854</u>	<u>\$ 344,883,929</u>
LIABILITIES & NET ASSETS			
Current Liabilities:			
Incurring But Not Reported	\$ 113,127,383	\$ 125,246,814	\$ 133,395,431
Claims Payable	10,081,989	7,380,747	9,818,017
Capitation Payable	24,190,667	25,377,384	25,368,834
Physician Payable	19,916,310	18,406,909	26,530,179
DHCS - Reserve for Capitation Recoup	14,922,016	14,936,921	6,027,119
Accounts Payable	2,255,970	759,926	190,618
Accrued ACS	3,478,638	3,498,567	3,355,584
Accrued Provider Reserve	1,631,919	1,560,330	1,489,014
Accrued Pharmacy	22,669,416	21,839,389	14,017,265
Accrued Expenses	2,103,839	2,180,746	2,166,098
Accrued Premium Tax	21,565,800	14,377,200	7,188,600
Accrued Payroll Expense	1,974,868	2,544,532	2,341,053
Total Current Liabilities	237,918,815	238,109,464	231,887,813
Long-Term Liabilities:			
Other Long-term Liability-Deferred Rent	963,279	972,873	982,468
Deferred Revenue - Long Term Portion	-	-	-
Notes Payable	-	-	-
Total Long-Term Liabilities	963,279	972,873	982,468
Total Liabilities	238,882,094	239,082,337	232,870,280
Net Assets:			
Beginning Net Assets	105,714,877	105,714,877	105,714,877
Total Increase / (Decrease in Unrestricted Net Assets)	16,449,181	10,133,640	6,298,772
Total Net Assets	122,164,057	115,848,517	112,013,649
Total Liabilities & Net Assets	<u>\$ 361,046,151</u>	<u>\$ 354,930,854</u>	<u>\$ 344,883,929</u>

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR MONTH ENDED September 30, 2021**

	September 2021	September 2021 Year-To-Date		Variance	Variance	September 2021 Year-To-Date		Variance
	Actual	Actual	Budget	Fav / (Unfav)	%	Actual	Budget	Fav / (Unfav)
Membership (includes retro members)	224,580	670,290	694,822	(24,532)	-4%	PMPM - FYTD		
Revenue								
Premium	\$ 91,237,806	\$ 271,449,532	\$ 249,650,132	\$ 21,799,400	9%	\$ 404.97	\$ 359.30	\$ 45.67
Reserve for Cap Requirements	-	-	-	-	0%	-	-	-
MCO Premium Tax	(7,188,600)	(21,565,800)	-	(21,565,800)	0%	(32.17)	-	(32.17)
Total Net Premium	84,049,206	249,883,732	249,650,132	233,600	0%	372.80	359.30	13.50
Other Revenue:								
Miscellaneous Income	165	450	-	450	0%	0.00	-	0.00
Total Other Revenue	165	450	-	450	0%	0.00	-	0.00
Total Revenue	84,049,371	249,884,182	249,650,132	234,050	0%	372.80	359.30	13.50
Medical Expenses:								
<u>Capitation (PCP, Specialty, Kaiser, NEMT & Vision)</u>	6,508,941	21,814,930	24,275,066	2,460,136	10%	32.55	34.94	2.39
<u>FFS Claims Expenses:</u>								
Inpatient	18,281,051	47,394,226	43,980,114	(3,414,111)	-8%	70.71	63.30	(7.41)
LTC / SNF	6,616,811	25,976,271	38,122,280	12,146,009	32%	38.75	54.87	16.11
Outpatient	8,142,395	19,506,260	17,427,146	(2,079,113)	-12%	29.10	25.08	(4.02)
Laboratory and Radiology	476,445	1,551,360	1,664,467	113,107	7%	2.31	2.40	0.08
Directed Payments - Provider	2,355,145	6,997,820	6,628,146	(369,674)	-6%	10.44	9.54	(0.90)
Emergency Room	3,984,146	10,340,126	8,670,470	(1,669,656)	-19%	15.43	12.48	(2.95)
Physician Specialty	6,919,456	20,661,266	18,024,233	(2,637,033)	-15%	30.82	25.94	(4.88)
Primary Care Physician	1,015,918	2,812,404	5,033,273	2,220,870	44%	4.20	7.24	3.05
Home & Community Based Services	1,064,250	5,141,477	6,793,225	1,651,748	24%	7.67	9.78	2.11
Applied Behavioral Analysis/Mental Health Service	2,727,547	7,919,944	7,663,564	(256,379)	-3%	11.82	11.03	(0.79)
Pharmacy	13,726,482	41,956,028	43,270,796	1,314,767	3%	62.59	62.28	(0.32)
Provider Reserve	71,589	(17,198)	-	17,198	0%	(0.03)	-	0.03
Other Medical Professional	222,441	655,384	1,177,093	521,709	44%	0.98	1.69	0.72
Other Medical Care	-	260	-	(260)	0%	0.00	-	(0.00)
Other Fee For Service	696,158	2,639,911	2,727,083	87,172	3%	3.94	3.92	(0.01)
Transportation	130,601	1,974,921	539,061	(1,435,860)	-266%	2.95	0.78	(2.17)
Total Claims	66,430,434	195,510,459	201,720,952	6,210,493	3%	291.68	290.32	(1.36)
Medical & Care Management Expense	1,250,197	3,748,840	3,935,813	186,973	5%	5.59	5.66	0.07
Reinsurance	295,615	33,766	938,010	904,244	96%	0.05	1.35	1.30
Claims Recoveries	(1,318,681)	(1,107,986)	(1,067,716)	40,270	-4%	(1.65)	(1.54)	0.12
Sub-total	227,130	2,674,620	3,806,107	1,131,488	30%	3.99	5.48	1.49
Total Cost of Health Care	73,166,505	220,000,009	229,802,126	9,802,117	4%	328.22	330.74	2.52
Contribution Margin	10,882,866	29,884,173	19,848,006	10,036,167	51%	44.58	28.57	16.02
General & Administrative Expenses:								
Salaries, Wages & Employee Benefits	2,208,172	6,478,484	7,013,415	534,931	8%	9.67	10.09	0.43
Training, Conference & Travel	8,214	11,833	38,915	27,082	70%	0.02	0.06	0.04
Outside Services	2,187,101	6,650,012	7,377,081	727,069	10%	9.92	10.62	0.70
Professional Services	428,079	988,067	1,457,166	469,099	32%	1.47	2.10	0.62
Occupancy, Supplies, Insurance & Others	776,069	2,354,281	2,616,786	262,505	10%	3.51	3.77	0.25
Care Management ReClass to Medical G&A Expenses	(1,250,197)	(3,748,840)	(3,935,813)	(186,973)	5%	(5.59)	(5.66)	(0.07)
	4,357,438	12,733,836	14,567,549	1,833,713	13%	19.00	20.97	1.97
Project Portfolio	223,692	736,839	2,078,971	1,342,131	65%	1.10	2.99	1.89
Total G&A Expenses	4,581,130	13,470,675	16,646,520	3,175,845	19%	20.10	23.96	3.86
Total Operating Gain / (Loss)	6,301,736	16,413,498	3,201,486	13,212,012	413%	24.49	4.61	19.88
Non Operating								
Revenues - Interest	15,051	36,929	90,000	(53,071)	-59%	0.06	0.13	(0.07)
Gain/(Loss) on Sale of Asset	(1,247)	(1,247)	-	(1,247)	0%	(0.00)	-	(0.00)
Total Non-Operating	13,804	35,683	90,000	(54,317)	-60%	0.06	0.13	(0.07)
Total Increase / (Decrease) in Unrestricted Net Assets	\$ 6,315,540	\$ 16,449,181	\$ 3,291,486	\$ 13,157,694	400%	\$ 24.54	\$ 4.74	\$ 19.80

STATEMENT OF CASH FLOWS	September 2021	FYTD 20-21
Cash Flows Provided By Operating Activities		
Net Income (Loss)	\$ 6,315,540	\$ 16,449,181
Adjustments to reconciled net income to net cash provided by operating activities		
Depreciation on fixed assets	39,930	106,696
Disposal of fixed assets	-	-
Amortization of discounts and premium	-	-
Changes in Operating Assets and Liabilities		
Accounts Receivable	5,066,829	(576,554)
Prepaid Expenses	44,695	(1,164,188)
Accrued Expense and Accounts Payable	1,706,662	412,842
Claims Payable	3,023,926	3,726,157
MCO Tax liability	7,188,600	2,156,580
IBNR	(12,119,431)	(13,833,260)
Net Cash Provided by (Used in) Operating Activities	<u>11,266,751</u>	<u>7,277,455</u>
Cash Flow Provided By Investing Activities		
Proceeds from Restricted Cash & Other Assets		
Proceeds from Investments	(0)	(34,701)
Purchase of Property and Equipment	3,206	(254,501)
Net Cash (Used In) Provided by Investing Activities	<u>3,205</u>	<u>(289,202)</u>
Increase/(Decrease) in Cash and Cash Equivalents	11,269,957	6,988,253
Cash and Cash Equivalents, Beginning of Period	<u>189,665,301</u>	<u>193,947,005</u>
Cash and Cash Equivalents, End of Period	<u><u>200,935,258</u></u>	<u><u>200,935,258</u></u>



**Gold Coast
Health Plan**SM
A Public Entity

September 2021 Financial Statements

October 20, 2021

Kashina Bishop
Chief Financial Officer

Integrity

Accountability

Collaboration

Trust

Respect

Financial Overview:



SEPTEMBER NET GAIN \$ 6.3 M



FYTD NET GAIN \$16.4 M



TNE is \$122.2 M and 333% of the minimum required



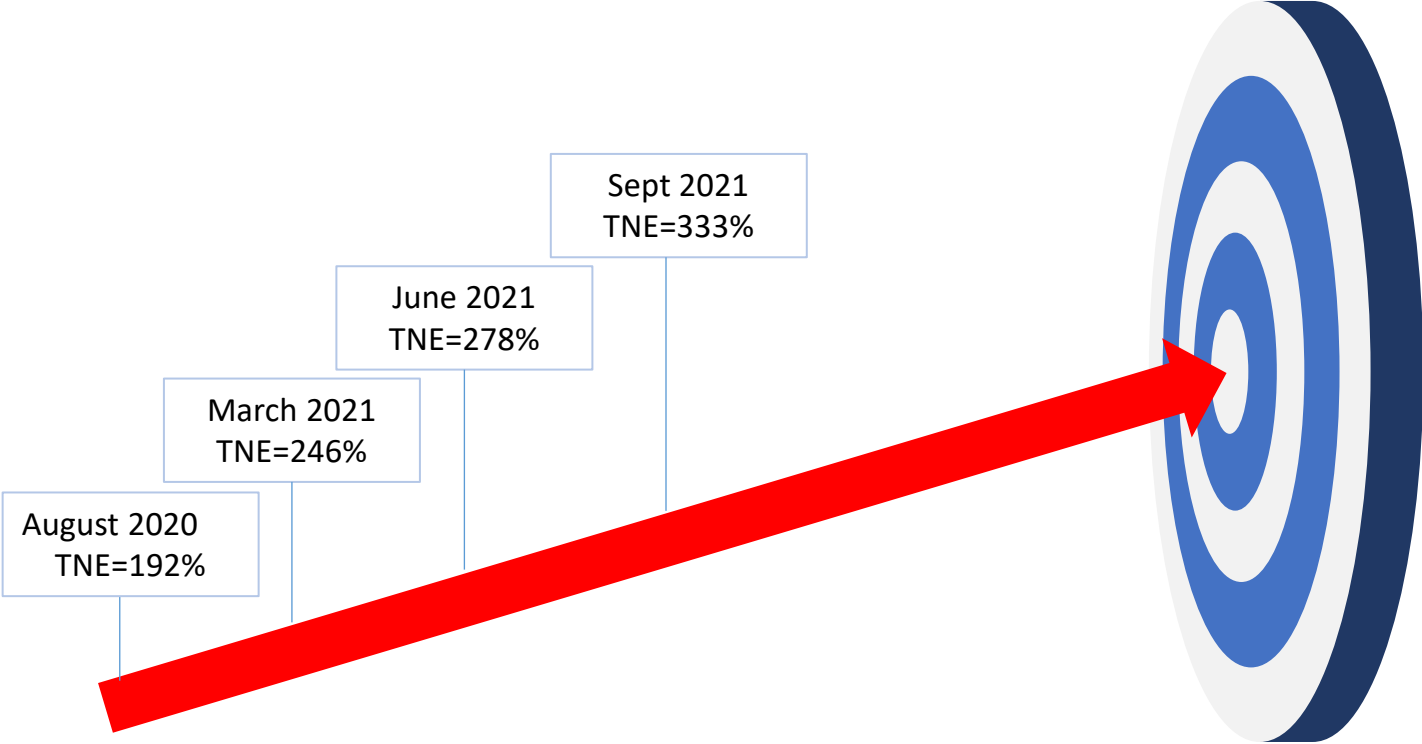
MEDICAL LOSS RATIO 88%



ADMINISTRATIVE RATIO 5.4%

Solvency Action Plan

Target: TNE % = 400-500% of Required



FY 2020-21 Audited Financial Statements

	Preliminary		Audited
	FY 20-21	Adjustments	FY 20-21
Net Capitation Revenue	\$ 917,972,897	\$ (1,315,268)	\$ 916,657,629
Health Care Costs	845,119,016	(6,030,151)	839,088,866
Administrative Expenses	49,637,603	-	49,637,603
Non-Operating Revenue/(Expense)	460,444	-	460,444
Total Increase/(Decrease) in Net Assets	<u>\$ 23,676,724</u>	<u>\$ 4,714,882</u>	<u>\$ 28,391,605</u>
GCHP TNE	\$ 100,999,994		\$ 105,714,877
Required TNE	\$ 36,313,908		\$ 36,072,702
% of Required	278%		293%

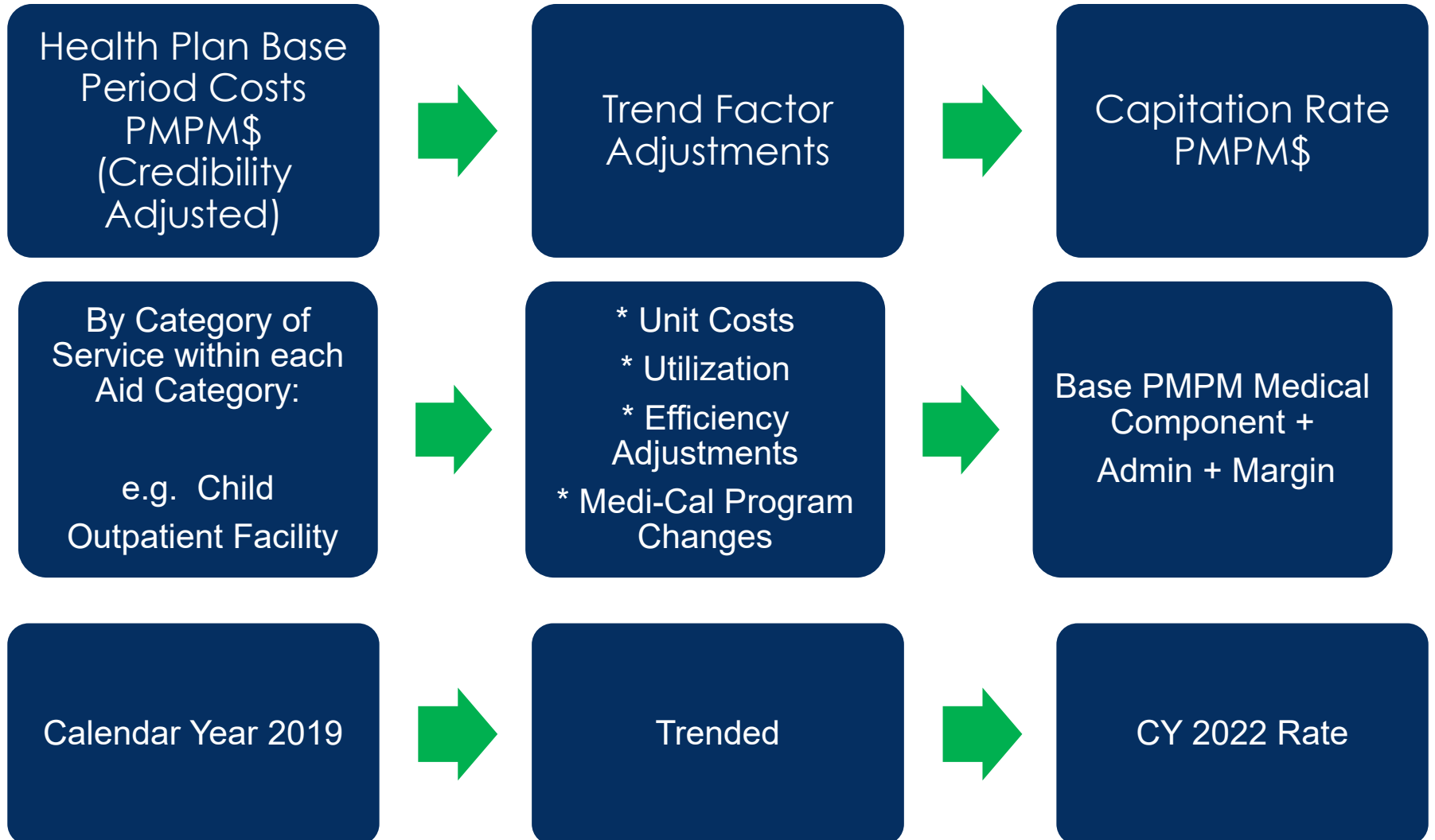
Revenue

Net Premium revenue is \$249.9 million, over budget by \$233,600.

- Favorable CY 2021 rates.

Good news! Received draft CY 2022 rates which represented a 5.7% increase effective January 1, 2022 (1.3% higher than budget).

CY 2022 Rates



CY 2022 Rates

CY 2019 Base Medical Expenses	\$	634,708,075
Trend Adjustments	\$	72,638,219
Program Changes/COVID/GEMT	\$	9,725,352
Efficiency Adjustments	\$	(5,335,036)
Population Acuity Adjustment	\$	(4,730,512)
Maternity Carve-Out	\$	(23,478,197)
Administrative Component	\$	66,081,486
Risk Margin	\$	15,298,151
Total Base Funding*	\$	<u>764,907,537</u>

* Excludes supplemental and directed payments.

Membership trends



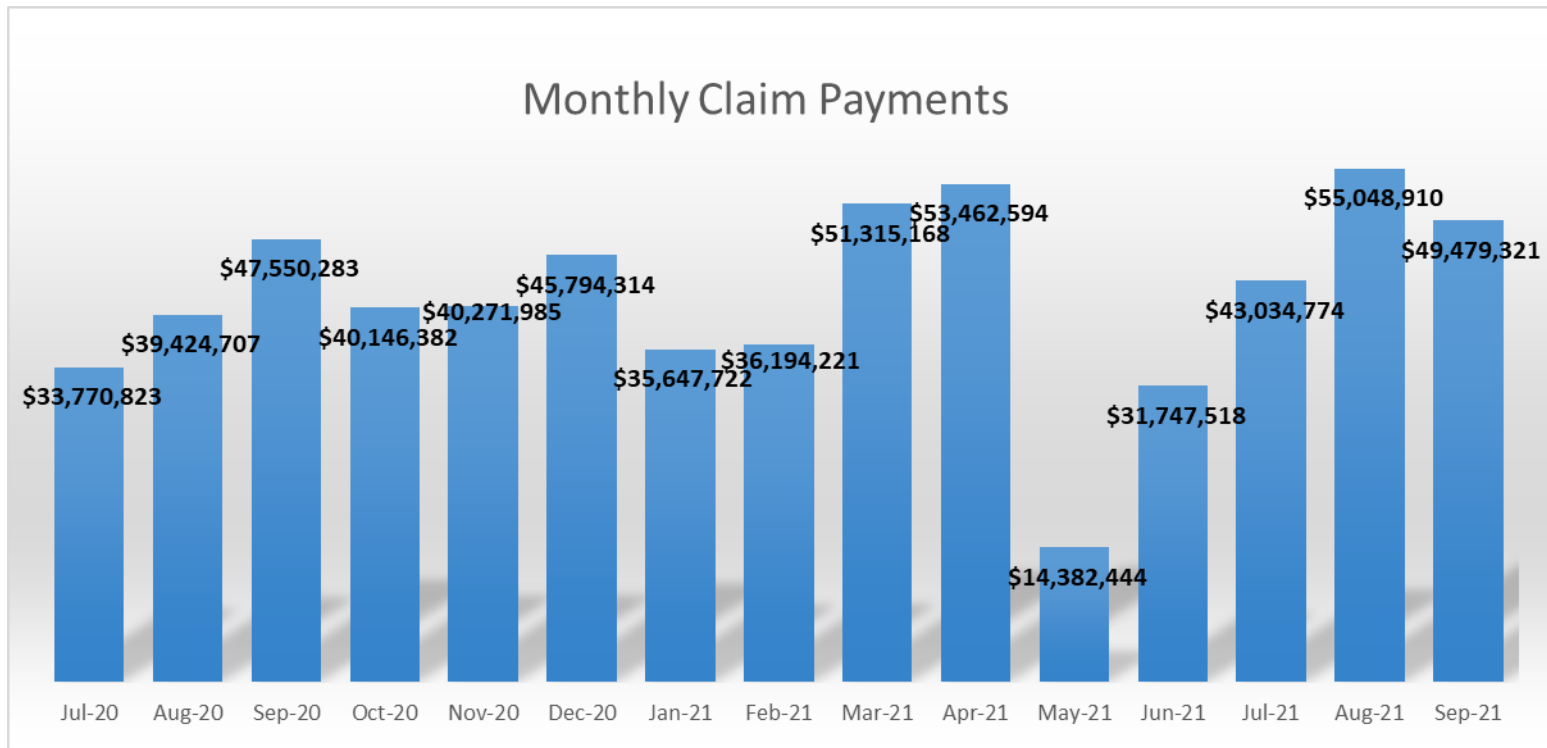
Medical Expense

FYTD Health care costs are \$220.0 million and \$9.8 million and 4% under budget. Medical loss ratio is 88.0%, a 4.0% budget variance.

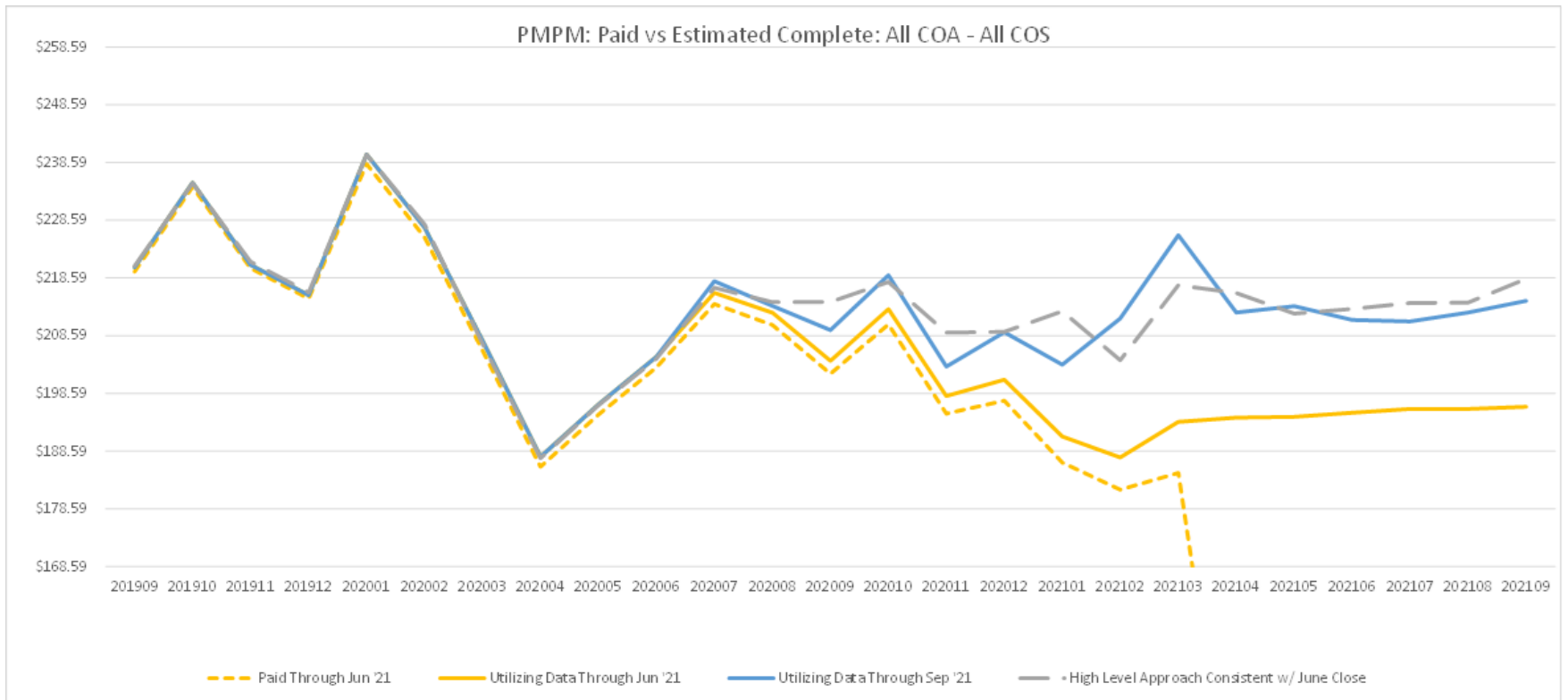
Incurred But Not Paid (IBNP) Medical Expense Reserve – post system conversion

Accurately calculating the reserve becomes more challenging:

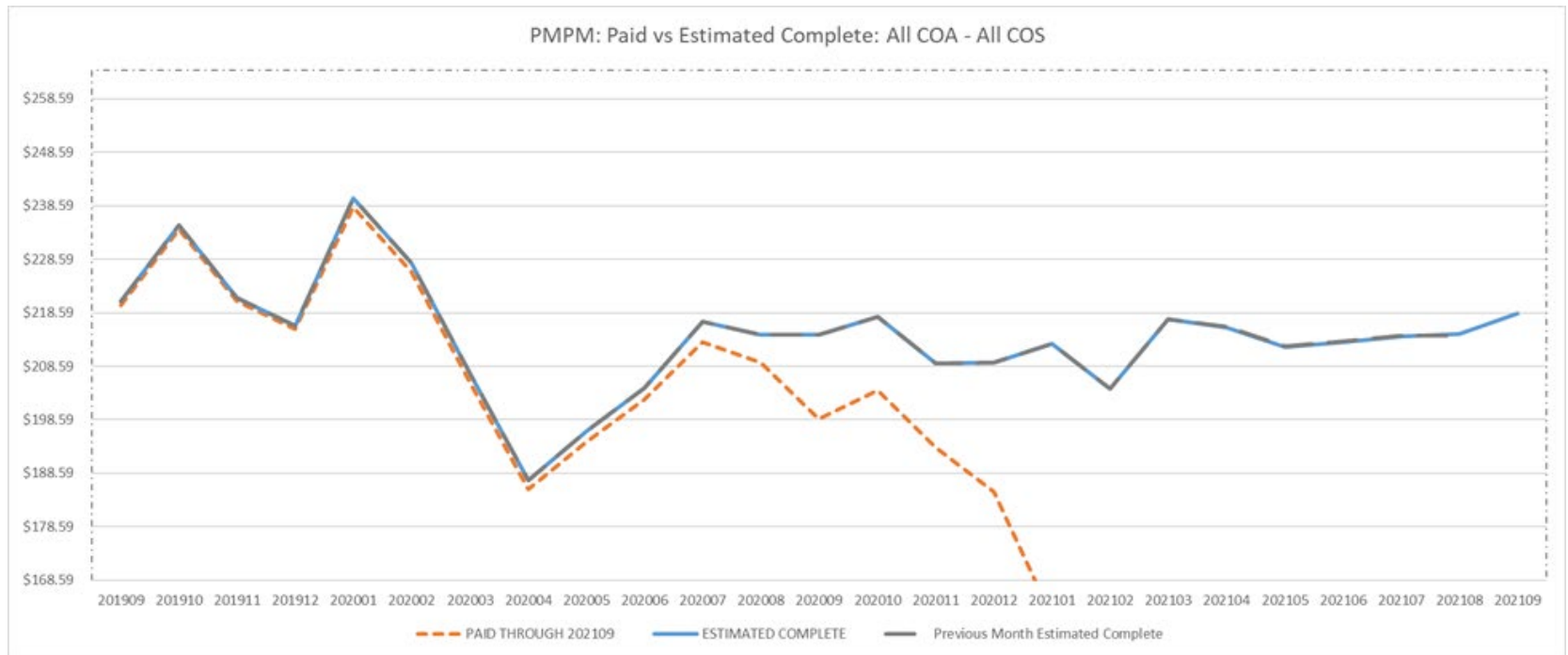
1. Historical lag between when a service is performed and when the claims is paid is disrupted
2. Do not have an accurate data file – impacting category of service on financials



Incurring But Not Paid (IBNP) Medical Expense Reserve – post system conversion



Incurring But Not Paid (IBNP) Medical Expense Reserve



Financial Statement Summary

	September 2021	FYTD Actual	FYTD Budget	Budget Variance
Net Capitation Revenue	\$ 84,049,206	\$ 249,883,732	\$ 249,650,132	\$ 233,600
Health Care Costs	73,166,505	220,000,009	229,802,126	(9,802,117)
Medical Loss Ratio		88.0%	92.0%	
Administrative Expenses	4,581,130	13,470,675	16,646,520	(3,175,845)
Administrative Ratio		5.4%	7.3%	
Non-Operating Revenue/(Expense)	13,804	35,683	90,000	(54,316)
Total Increase/(Decrease) in Net Assets	<u>\$ 6,315,376</u>	<u>\$ 16,448,731</u>	<u>\$ 3,291,486</u>	<u>\$ 13,157,245</u>
Cash and Investments	\$ 244,485,059			
GCHP TNE	\$ 122,164,057			
Required TNE	\$ 36,644,265			
% of Required		333%		

Questions?

Staff requests the Executive Finance Committee recommend approval of the unaudited financial statements for September 2021.