Report of Independent Auditors
and Financial Statements

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

June 30, 2023 and 2022

Table of Contents

Management's Discussion and Analysis

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, 2023 and 2022. This overview is provided in conjunction with the Plan's fiscal year ended June 30, 2023, 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 248,000 Medi-Cal beneficiaries at June 30, 2023. 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, 2023 and 2022. 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 include all GCHP's assets and liabilities, using the accrual basis of accounting.
- The statements of revenues, expenses, and changes in net position present the results of operating activities during the fiscal year and the resulting change in net position.
- The statements of cash flows report 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. During the fiscal year ended June 30, 2023, GCHP adopted the provisions of Governmental Accounting Standards Board ("GASB") No. 96, *Subscription-Based Information Technology Arrangements*, retroactive to July 1, 2021. The fiscal year 2021 amounts in the tables below have not been adjusted for the impact of GASB No. 96.

Financial Highlights

The table below presents condensed statements of net position of the Plan as of June 30, 2023, 2022, and 2021:

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

(Dollars in Thousands)

	2023	2022 (as restated)	2021	2023 - 2022 Change Amount	2023 - 2022 Change Percentage	2022 - 2021 Change Amount	2022 - 2021 Change Percentage
ASSETS							
Current assets and other assets	$ 550,528	$ 414,557	$ 358,015	$ 135,971	32.8 %	$ 56,542	15.8 %
Capital assets, net	982	1,224	1,198	(242)	(19.8)%	26	2.2 %
Total assets	$ 551,510	$ 415,781	$ 359,213	$ 135,729	32.6 %	$ 56,568	15.7 %
LIABILITIES							
Current liabilities	$ 185,470	$ 231,008	$ 246,472	$ (45,538)	(19.7)%	$ (15,464)	(6.3)%
Noncurrent liabilities	6,088	8,156	7,280	(2,068)	(25.4)%	876	12.0 %
Total liabilities	191,558	239,164	253,752	(47,606)	(19.9)%	(14,588)	(5.7)%
NET POSITION							
Invested in capital assets	982	1,224	1,198	(242)	(19.8)%	26	2.2 %
Unrestricted net position	358,970	175,393	104,263	183,577	104.7 %	71,130	68.2 %
Total net position	359,952	176,617	105,461	183,335	103.8 %	71,156	67.5 %
Total liabilities and net position	$ 551,510	$ 415,781	$ 359,213	$ 135,729	32.6 %	$ 56,568	15.7 %

Fiscal Year 2023

- As of June 30, 2023 and 2022, total assets were $551,510,000 and $415,781,000, respectively, an increase of $135,971,000 or 32.8 percent due to an increase in cash and cash equivalents.

- Total liabilities as of June 30, 2023, were $191,558,000 compared with $239,164,000 as of June 30, 2022, a 19.9 percent decrease. The decrease was primarily driven by a decrease in accrued medical expenses.

- The Plan's total net position increased by $183,335,000, or 103.8 percent, during fiscal year 2023. This increase in net position was attributable to favorability in capitation rates from the State and overall reduced utilization because of the COVID-19 pandemic, which resulted in a net position at June 30, 2023, of $359,952,000 compared to a net position of $176,617,000 at June 30, 2022.

- Tangible Net Equity ("TNE") at June 30, 2023, was 1094 percent of the DHCS required minimum of $32,914,000.

Fiscal Year 2022

- As of June 30, 2022 and 2021, total assets were $415,781,000 and $359,213,000, respectively, an increase of $56,568,000 or 15.7 percent due to an increase in cash and cash equivalents.

- Total liabilities as of June 30, 2022, were $239,164,000 compared with $253,752,000 as of June 30, 2021, a 5.7 percent decrease. The decrease was primarily driven by a decrease in accrued medical expenses.

- The Plan's total net position increased by $71,156,000, or 67.5 percent, during fiscal year 2022. This increase in net position was attributable to favorability in capitation rates from the State and overall reduced utilization because of the COVID-19 pandemic, which resulted in a net position at June 30, 2022, of $176,617,000 compared to a net position of $105,461,000 at June 30, 2021.

- TNE at June 30, 2022, was 482 percent of the DHCS required minimum of $36,610,000.

Results of Operations

As mentioned above, GCHP's fiscal year 2023 operations and nonoperating revenues and expenses, net resulted in a $183,335,000 increase in net position. As mentioned above, GCHP's fiscal year 2022 operations and nonoperating revenues and expenses, net resulted in a $71,156,000 increase in net position. The following table shows the changes in revenues and expenses for 2023 compared to 2022 and 2022 compared to 2021:

Table 2 – Revenues, Expenses, and Changes in Net Position for Fiscal Years Ended June 30

(Dollars in Thousands)

		(as restated)		2023 to 2022 Change		2022 to 2021 Change	
	2023	2022	2021	Amount	Percentage	Amount	Percentage
Capitation revenues	$ 1,053,304	$ 1,046,588	$ 985,385	$ 6,716	0.6 %	$ 61,203	6.2 %
Total operating revenues	1,053,304	1,046,588	985,385	6,716	0.6 %	61,203	6.2 %
Provider capitation	101,667	89,283	87,192	12,384	13.9 %	2,091	2.4 %
Claim payments to providers and facilities	639,652	646,212	570,844	(6,560)	(1.0)%	75,368	13.2 %
Prescription drugs	(454)	81,765	159,068	(82,219)	(100.6)%	(77,303)	(48.6)%
Other medical	23,136	23,964	16,624	(828)	(3.5)%	7,340	44.2 %
Reinsurance, net of recoveries	(2,932)	(8,375)	(3,549)	5,443	(65.0)%	(4,826)	136.0 %
Total health care expenses	761,069	832,849	830,179	(71,780)	(8.6)%	2,670	0.3 %
Salaries, benefits, and compensation	29,146	17,340	14,635	11,806	68.1 %	2,705	18.5 %
Professional fees	39,549	28,060	29,220	11,489	40.9 %	(1,160)	(4.0)%
General administrative fees	3,682	2,662	3,086	1,020	38.3 %	(424)	(13.7)%
Supplies, occupancy, insurance, and other	1,618	1,144	620	474	41.4 %	524	84.5 %
Premium tax	39,516	89,424	77,637	(49,908)	(55.8)%	11,787	15.2 %
Depreciation	4,036	3,599	1,732	437	12.1 %	1,867	107.8 %
Total administrative expenses	117,547	142,229	126,930	(24,682)	(17.4)%	15,299	12.1 %
Total operating expenses	878,616	975,078	957,109	(96,462)	(9.9)%	17,969	1.9 %
Operating income	174,688	71,510	28,276	103,178	144.3 %	43,234	152.9 %
Interest income	9,385	215	459	9,171	4265.3 %	(244)	(53.3)%
Interest expense	(739)	(569)	(597)	(171)	30.0 %	28	(4.7)%
Total nonoperating revenues and expenses, net	8,646	(354)	(138)	9,000	(2544.2)%	(216)	156.4 %
Increase in net position	183,334	71,156	28,138	112,178	157.7 %	43,018	152.9 %
Total net position, beginning of year	176,617	105,461	77,323	71,156	67.5 %	28,138	36.4 %
Total net position, end of year	$ 359,952	$ 176,617	$ 105,461	$ 183,335	103.8 %	$ 71,156	67.5 %

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 year 2023, the Plan served an average of 247,855 members per month, compared to an average of 229,367 members per month in fiscal year 2022 and an average of 213,586 members per month in fiscal year 2021. The increase in enrollment is attributed to the moratorium on redeterminations because of the COVID-19 pandemic.

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

Enrollment Category	2023	2022	2021
Child	94,297	92,327	89,885
Adult	38,421	32,471	28,535
Adult Expansion	80,891	71,794	63,226
Seniors and Persons with Disabilities ("SPD")	11,389	10,530	10,310
SPD - Dual	22,155	21,525	20,748
Breast and Cervical Cancer Treatment Program ("BCCTP")	-	-	76
Long Term Care ("LTC")	46	46	49
LTC - Dual	656	674	757
Total average monthly enrollment	247,855	229,367	213,586

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.

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 2023

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 2023 was $1,053,000,000 a 0.6 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 $761,069,000 in fiscal year 2023, compared to $832,849,000 in fiscal year 2022, which is a decrease of 8.6 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 75.1 percent in fiscal year 2023, compared to 87.0 percent in fiscal year 2022.

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 year 2023 was $101,667,000, or $12,384,000 higher than in fiscal year 2022. The increase was primarily due to higher capitated membership from prior year and the implementation of capitation for Enhanced Care Management ("ECM") services effective January 1, 2022.

2. Prescription drugs expenses were $(454,000), or $82,219,000 lower in fiscal year 2023 than in the prior year. The 100.6 percent decrease in costs was primarily due to the pharmacy benefit carve-out beginning January 1, 2022.

3. Other medical, including care management, expense was $23,136,000 in fiscal year 2023, or $828,000 and 3.5 percent lower than in fiscal year 2022. The decrease was primarily due to a reduction in utilization.

4. Total reinsurance, net of recoveries and provider refunds resulted in a $2,932,000 reduction to health care expenses in fiscal year 2023, versus $8,375,000 in fiscal year 2022.

Administrative Expenses

Total administrative expenses were $117,547,000 in fiscal year 2023, compared to $142,229,000 in fiscal year 2022, for a decrease of $24,682,000. The decrease was predominantly due to premium tax expense, which was $39,516,000 in fiscal year 2023 compared to $89,424,000 in fiscal year 2022, a decrease of $49,908,000.

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 ("AB") 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 new enterprise projects as compared to prior years and increases in staffing.

Fiscal Year 2022

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 2022 was $1,046,588,000, a 6.2 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 $832,849,000 in fiscal year 2022, compared to $830,179,000 in fiscal year 2021, which is an increase of 0.3 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 87.0 percent in fiscal year 2022, compared to 91.5 percent in fiscal year 2021.

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 year 2022 was $89,283,000, or $2,091,000 higher than in fiscal year 2021. The increase was primarily due to higher capitated membership from prior year and the implementation of capitation for ECM services effective January 1, 2022.

2. Prescription drugs expenses were $81,765,000, or $77,303,000 lower in fiscal year 2022 than in the prior year. The 48.6 percent decrease in costs was primarily due to the pharmacy benefit carve-out beginning January 1, 2022.

3. Other medical, including care management, expense was $23,964,000 in fiscal year 2022, or $7,340,000 and 44.2 percent higher than in fiscal year 2021. 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 $8,375,000 reduction to health care expenses in fiscal year 2022, versus $3,549,000 in fiscal year 2021.

Administrative Expenses

Total administrative expenses were $142,229,000 in fiscal year 2022, compared to $126,930,000 in fiscal year 2021, for an increase of $15,299,000. The increase was predominantly due to premium tax expense, which was $89,423,000 in fiscal year 2022 compared to $77,637,000 in fiscal year 2021, an increase of $11,786,000.

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. AB 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 new 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, 2023, was $359,952,000, which exceeded the required TNE amount of $32,914,000. The Plan's TNE at June 30, 2022, was $176,617,000, which exceeded the required TNE amount of $36,610,000.

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

	June 30, 2023	(as restated) June 30, 2022	June 30, 2021
Actual TNE, beginning balance	$ 176,617	$ 105,461	$ 77,323
Change in net position	183,335	71,156	28,138
Actual TNE, ending balance	$ 359,952	$ 176,617	$ 105,461
Required TNE	$ 32,914	$ 36,610	$ 36,073

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan (a discrete component unit of the County of Ventura, California), which comprise the statements of net position as of June 30, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2023, Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan adopted the accounting requirements of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ventura County Medi-Cal Managed Care Commission dba Gold Coast Health Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Matter

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.

[Signature]

San Francisco, California
October XX, 2023

Financial Statements

Ventura County Medi-Cal Managed Care Commission
dba Gold Coast Health Plan
Statements of Net Position
June 30, 2023 and 2022

	2023	2022 (as restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 344,166,985	$ 207,279,854
Short-term investments	95,269,796	93,427,202
Capitation receivable	96,222,357	96,372,009
Provider receivables	422,995	892,634
Reinsurance and other receivables	522,414	4,135,513
Prepaid expenses and other assets	5,681,145	2,283,083
Total current assets	542,285,692	404,390,295
CAPITAL ASSETS, net	982,367	1,224,095
INTANGIBLE RIGHT TO USE LEASE, net of accumulated amortization	4,661,876	5,865,606
INTANGIBLE RIGHT TO USE SUBSCRIPTION, net of accumulated amortization	3,580,350	4,301,008
Total assets	$ 551,510,285	$ 415,781,004
LIABILITIES AND NET POSITION		
LIABILITIES		
Medical claims liability	$ 144,395,047	$ 143,514,151
Capitation payable	11,256,966	28,842,731
Payable to the State of California	10,411,049	25,002,750
Accounts payable	1,455,088	1,869,914
Accrued payroll and employee benefits	3,189,633	2,277,953
Accrued premium tax	-	21,565,800
Accrued expenses and other	11,461,986	4,660,084
Current portion of lease and subscription liability	3,300,321	3,274,413
Total current liabilities	185,470,090	231,007,796
LEASE AND SUBSCRIPTION LIABILITY, net of current portion	6,088,557	8,156,169
Total liabilities	191,558,647	239,163,965
NET POSITION		
Net invested in capital assets	982,367	1,224,095
Unrestricted net position	358,969,271	175,392,944
Total net position	359,951,638	176,617,039
Total liabilities and net position	$ 551,510,285	$ 415,781,004

See accompanying notes.

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, 2023 and 2022

	2023	2022 (as restated)
OPERATING REVENUES		
Capitation revenues	$ 1,053,304,059	$1,046,588,089
Total operating revenues	1,053,304,059	1,046,588,089
OPERATING EXPENSES		
Health care expenses		
Provider capitation	101,666,937	89,282,591
Claim payments to providers and facilities	639,652,210	646,211,940
Prescription drugs	(454,456)	81,764,901
Other medical	23,136,023	23,964,068
Reinsurance, net of recoveries	(2,931,966)	(8,374,426)
Total health care expenses	761,068,748	832,849,074
ADMINISTRATIVE EXPENSES		
Salaries, benefits, and compensation	29,145,586	17,339,956
Professional fees	39,548,921	28,060,304
General administrative fees	3,682,438	2,662,324
Supplies, occupancy, insurance, and other	1,617,969	1,144,060
Premium tax	39,516,214	89,423,556
Depreciation and amortization	4,035,654	3,598,928
Total administrative expenses	117,546,782	142,229,128
Total operating expenses	878,615,530	975,078,202
Operating income	174,688,529	71,509,887
NONOPERATING REVENUES AND EXPENSES, NET		
Interest income	9,384,542	214,572
Interest expense	(738,472)	(568,771)
Total nonoperating revenues and expenses, net	8,646,070	(354,199)
Increase in net position	183,334,599	71,155,688
NET POSITION, beginning of year	176,617,039	105,461,351
NET POSITION, end of year	$ 359,951,638	$ 176,617,039

See accompanying notes.

Ventura County Medi-Cal Managed Care Commission
dba Gold Coast Health Plan
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022 (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Capitation revenues received	$ 1,038,862,010	$ 1,063,456,487
Reinsurance premiums paid	(4,331,309)	(3,581,673)
Payments to providers and facilities	(769,017,963)	(854,209,240)
Payments of premium tax	(61,082,014)	(87,266,976)
Payments of administrative expenses	(70,094,220)	(51,191,550)
Net cash provided by operating activities	134,336,504	67,207,048
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(275,716)	(543,789)
Interest payments	(666,883)	(475,208)
Payments on subscription liability	(2,479,964)	(2,014,788)
Payments on lease liability	(1,226,848)	(1,140,837)
Net cash used in capital and related financing activities	(4,649,411)	(4,174,622)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	(75,000,000)
Proceeds from sale of investments	-	25,000,000
Interest income	7,200,038	300,424
Net cash provided by (used in) investing activities	7,200,038	(49,699,576)
NET INCREASE IN CASH AND CASH EQUIVALENTS	136,887,131	13,332,850
Cash and cash equivalents, beginning of year	207,279,854	193,947,004
Cash and cash equivalents, end of year	$ 344,166,985	$ 207,279,854
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 174,688,529	$ 71,509,887
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	4,035,654	3,598,928
Changes in assets and liabilities		
Receivables	4,573,997	9,970,713
Prepaid expenses and other assets	(3,398,062)	(178,150)
Medical claims liability	880,896	(30,253,267)
Capitation payable	(17,585,765)	2,143,284
Payable to the State of California	(14,591,700)	10,065,829
Accounts payable	(414,827)	186,332
Accrued premium tax and other liabilities	(13,852,218)	163,492
Net cash provided by operating activities	$ 134,336,504	$ 67,207,048

See accompanying notes.

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 248,000 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. 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. In January 2022, the DHCS launched a new program to improve the health and wellbeing of Medi-Cal members beyond traditional medical services, make services work together better, and improve the quality of services called California Advancing and Innovating Medi-Cal ("CalAIM"). Upon implementation of the program, the Plan began offering a new benefit, Enhanced Care Management ("ECM"), and new services called Community Supports.

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,	
	2023	2022
	(in thousands)	
Actual TNE, beginning balance	$ 176,617	$ 105,461
Change in net position	183,335	71,156
Reportable TNE	$ 359,952	$ 176,617
Required TNE	$ 32,914	$ 36,610

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.

Note 3 – Summary of Significant Accounting Policies

Basis of presentation – GCHP is a county-organized health system governed by an 12-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, capitation payable, accounts payable, payable to the State of California, accrued payroll and employee benefits, 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 2023 and 2022, 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.

Capitation receivable – Capitation receivable represents capitation revenue for the years ended June 30, 2023 and 2022, received subsequent to June 30, 2023 and 2022, 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, 2023 and 2022, was approximately $517,000 and $520,000, 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.

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, 2023 and 2022, was approximately $10,411,000 and $25,003,000, 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 majority of the balance as of June 30, 2023 and 2022 represents an estimate due back to the State of California for the Proposition 56 programs in effect for State fiscal year 2021 and an estimate for the ECM risk corridor for the period of January 1, 2022 through June 30, 2023. During the year ended June 30, 2023, GCHP paid approximately $16,400,000 based on the May 2023 determination letter received from the State of California for the Proposition 56 programs for the bridge period of July 1, 2019 to December 31, 2020. As of June 30, 2023, the remaining Proposition 56 program accrual for the State fiscal year 2021 was approximately $3,172,000. As of June 30, 2023 and 2022, the estimated amount due related to the ECM risk corridor was approximately $7,239,000 and $1,721,000, respectively. 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 as of June 30, 2023 or 2022.

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.

Premium taxes – 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 ("AB") 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. This MCO tax is effective from January 2020 through December 2022. As this MCO tax expired on December 31, 2022, the Plan did not record a MCO tax liability or premium tax refund receivable as of June 30, 2023. The DHCS calculated GCHP's total MCO tax liability for the year ended June 30, 2022, to be approximately $89,424,000. A premium tax refund receivable of approximately $3,160,000 was recognized as of June 30, 2022, 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, 2023 or 2022.

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, 2023 and 2022, GCHP received approximately $31,485,000 and $30,998,000, 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, 2023 and 2022, GCHP received approximately $117,294,000 and $61,732,000, respectively, in QIP payments.

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, 2023 and 2022, GCHP received approximately $41,396,000 and $29,827,000, 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, 2023 and 2022, GCHP received approximately $93,840,000 and $60,881,000, 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, 2023 and 2022, 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 $38,968,000 and $21,359,000 recorded in years ended June 30, 2023 and 2022, 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, 2023 and 2022, for administrative costs.

DHCS has established the CalAIM Incentive Payment Program (“IPP”). Under the program, GCHP is eligible to receive incentive payments from DHCS based on the successful completion of DHCS-established development goals, objectives, and measures of the program’s priority areas. The Plan received approximately $6,027,000 of the approximately $12,054,000 for calendar year 2022 in April 2022 and received notification from DHCS in June of 2023 that the remaining $6,027,000 was awarded to the Plan. The amount was recognized as revenue during the year ended June 30, 2023. The Plan also recorded approximately $5,123,000 as a payable to providers participating in the program with the remaining $904,000 retained by the Plan as an administrative fee allowed under the program.

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, 2023 and 2022, GCHP contributions to the 401 Plan were $3,075,000 and $2,137,000, respectively.

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 the years ended June 30, 2023 and 2022.

Leases – GCHP recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceed $50,000 and that meet the definition of an other than short-term lease. GCHP uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using GCHP's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

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 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.

During the year ended June 30, 2023, GCHP implemented GASB 96 on a retroactive basis by restating June 30, 2022, balances, as required. These changes had an effect on the beginning net position of GCHP. GCHP recognized approximately $5,258,000 in a subscription liability as of July 1, 2021, due to the implementation of GASB 96; however, this entire amount was offset by an intangible right to use subscription asset. The implementation of GASB 96 had the following effect on net position as reported as of June 30, 2022:

Net position as of June 30, 2022, as previously reported	$	176,562,902
GASB 96 SBITAs		54,137
Net position as of June 30, 2022, as restated	$	176,617,039

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* ("GASB 101"). GASB 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. The requirements of GASB 101 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. GCHP is reviewing the impact of the adoption of GASB 101 for the fiscal year ending June 30, 2025.

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, 2023, the weighted average maturity of GCHP's investments, including cash equivalents was approximately 1 day.

The Plan's investments as of June 30, 2023, are summarized as follows:

Investment Type	Fair Value	Maximum Maturity*	Weighted Average Maturity (Years)	Weighted Average Maturity (Days)
CalTrust Investment Fund	$ 35,924,706	N/A	-	1
Local Agency Investment Fund	40,693,940	N/A	-	1
Ventura County Investment Pool	18,651,150	N/A	-	1
	$ 95,269,796		-	1

* 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, 2023, are summarized below:

			Ratings as of Year-End (S&P / Moody's)				
Investment Type	Fair Value	Minimum Legal Rating*	Exempt From Rating	A-1 / P-1	A1 / AA+	A1 / A+	A2 / A
CalTrust Investment Fund	$ 35,924,706	None	$ 35,924,706	$ -	$ -	$ -	$ -
Local Agency Investment Fund	40,693,940	None	40,693,940	-	-	-	-
Ventura County Investment Pool	18,651,150	None	18,651,150	-	-	-	-
	$ 95,269,796		$ 95,269,796	$ -	$ -	$ -	$ -

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

Credit ratings of investment and cash equivalents as of June 30, 2022, are summarized below:

			Ratings as of Year-End (S&P / Moody's)				
Investment Type	Fair Value	Minimum Legal Rating*	Exempt from rating	A-1 / P-1	A1 / AA+	A1 / A+	A2 / A
CalTrust Investment Fund	$ 34,780,107	None	$ 34,780,107	$ -	$ -	$ -	$ -
Local Agency Investment Fund	40,269,787	None	40,269,787	-	-	-	-
Ventura County Investment Pool	18,377,308	None	18,377,308	-	-	-	-
	$ 93,427,202		$ 93,427,202	$ -	$ -	$ -	$ -

* 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 section 53601 to meet the percentage limits of investment holdings.

The Plan's percentage of portfolio as of June 30, 2023, is summarized below:

Investment Type	Issuer	Fair Value	Percentage of Portfolio
CalTrust Investment Fund	Wells Fargo	$ 35,924,706	37.7%
Local Agency Investment Fund	State of California Treasurer	40,693,940	42.7%
Ventura County Investment Pool	County of Ventura Treasurer	18,651,150	19.6%
Total Funds Available for Investments		$ 95,269,796	100.0%

The Plan's percentage of portfolio as of June 30, 2022, is summarized below:

Investment Type	Issuer	Fair Value	Percentage of Portfolio
CalTrust Investment Fund	Wells Fargo	$ 34,780,107	37.2%
Local Agency Investment Fund	State of California Treasurer	40,269,787	43.1%
Ventura County Investment Pool	County of Ventura Treasurer	18,377,308	19.7%
Total Funds Available for Investments		$ 93,427,202	100.0%

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.

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 June 30, 2023 and 2022, the Plan held approximately $35,925,000 and $34,780,000 in CalTrust, respectively.

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, 2023 and 2022, the Plan held approximately $40,694,000 and $40,270,000 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, 2023 and 2022, the Plan held approximately $18,651,000 and $18,377,000, respectively in VCIP.

The following tables present 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.

The Plan had the following recurring fair value measurements as of June 30, 2023:

		Fair Value Measurements Using		
	Total	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				
CalTrust Investment Fund	$ 35,924,706			
Local Agency Investment Fund	40,693,940			
Ventura County Investment Pool	18,651,150			
	$ 95,269,796			

The Plan had the following recurring fair value measurements as of June 30, 2022:

		Fair Value Measurements Using		
	Total	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				
CalTrust Investment Fund	$ 34,780,107			
Local Agency Investment Fund	40,269,787			
Ventura County Investment Pool	18,377,308			
	$ 93,427,202			

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, 2023 and 2022, were approximately $21,888,000 and $18,803,000, respectively, and are reported in professional fees on the accompanying statements of revenues, expenses, and changes in net position.

Carelon Behavioral Health, LLC ("Carelon") – On April 14, 2014, GCHP entered into a two-year agreement with Carelon, previously known as Beacon Health Strategies, to provide administrative services to arrange for and support the administration of behavioral health services for GCHP. The agreement with Carelon has been extended until February 28, 2024. Total expenses for Carelon were approximately $2,641,000 and $2,320,000 for the years ended June 30, 2023 and 2022, respectively, and are included in professional fees on the accompanying statements of revenues, expenses, and changes in net position.

Note 6 – Capital Assets

Capital asset activity during the years ended June 30, 2023 and 2022, consisted of the following:

	Balance June 30, 2022	Increases	Transfers	Decreases	Balance June 30, 2023
Capital assets					
Leasehold improvements	$ 1,804,976	$ -	$ -	$ -	$ 1,804,976
Software and equipment	2,433,862	275,716	-	-	2,709,578
Furniture and fixtures	1,197,450	-	-	-	1,197,450
Total capital assets	5,436,288	275,716	-	-	5,712,004
Less accumulated depreciation and amortization for					
Leasehold improvements	1,209,872	191,328	-	-	1,401,200
Software and equipment	1,832,059	297,906	-	-	2,129,965
Furniture and fixtures	1,170,262	28,210	-	-	1,198,472
Total accumulated depreciation	4,212,193	517,444	-	-	4,729,637
Total capital assets, net	$ 1,224,095	$ (241,728)	$ -	$ -	$ 982,367

	Balance June 30, 2021	Increases	Transfers	Decreases	Balance June 30, 2022
Capital assets					
Leasehold improvements	$ 1,804,976	$ -	$ -	$ -	$ 1,804,976
Software and equipment	1,890,073	543,789	-	-	2,433,862
Furniture and fixtures	1,197,450	-	-	-	1,197,450
Total capital assets	4,892,499	543,789	-	-	5,436,288
Less accumulated depreciation and amortization for					
Leasehold improvements	1,014,968	194,904	-	-	1,209,872
Software and equipment	1,554,964	277,095	-	-	1,832,059
Furniture and fixtures	1,124,095	48,126	-	1,959	1,170,262
Total accumulated depreciation	3,694,027	520,125	-	1,959	4,212,193
Total capital assets, net	$ 1,198,472	$ 23,664	$ -	$ 1,959	$ 1,224,095

Note 7 – Medical Claims Liability

Medical claims liability and capitation payable consists of the following:

	June 30, 2023	June 30, 2022
Claims payable or pending approval	$ 12,923,764	$ 10,321,402
Capitation payable	11,256,966	28,842,731
Provisions for claims incurred but not yet reported and other	84,436,777	101,083,947
Directed payments to providers payable	47,034,506	32,108,802
	$ 155,652,013	$ 172,356,882

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.

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

	2023	2022
Medical claims liability and capitation payable at beginning of year	$ 172,356,882	$ 200,466,865
Incurred		
Current	781,200,206	849,611,294
Prior	(29,527,231)	(4,226,260)
Total incurred	751,672,975	845,385,034
Paid		
Current	678,008,464	716,563,984
Prior	94,631,221	153,031,147
Total paid	772,639,685	869,595,131
Net balance at end of year	151,390,172	176,256,768
Provider and reinsurance receivable of paid claims, beginning	6,815,523	2,915,637
Provider and reinsurance receivable of paid claims, ending	(2,553,682)	(6,815,523)
Medical claims liability and capitation payable at end of year	$ 155,652,013	$ 172,356,882

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, 2023 and 2022, included decreases of prior year incurred of approximately $29,527,000 and $4,226,000, respectively. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

Note 8 – Commitments and Contingencies

Lease commitments – GCHP leases office space and equipment under long-term operating lease agreements. A summary of the principal and interest amounts for the remaining leases is as follows as of June 30, 2023:

Years Ending June 30,	Minimum Lease Principal	Interest
2024	$ 1,307,698	$ 281,221
2025	1,423,797	209,806
2026	1,387,326	132,814
2027	1,013,209	71,943
2028	814,128	17,913
	$ 5,946,158	$ 713,697

Intangible right to use lease – The Plan reported approximately $1,194,000 and $1,212,000 as amortization expense on the statements of revenues, expenses and changes in net position in the years ended June 30, 2023 and 2022, respectively. Accumulated amortization was approximately $3,620,000 and $2,426,000 as of June 30, 2023 and 2022, respectively.

Subscription-Based Information Technology Arrangements – The Plan has several subscription contracts that expire at various dates through 2027, some of which have renewal options. For those contracts where renewal options are reasonably certain to be exercised, the Plan recognizes renewal option periods in the determination of its intangible right to use subscription asset and liability balances. The Plan uses an average rate of 2.4% to determine the present value of its subscription liabilities. The Plan reported approximately $2,325,000 and $1,867,000 as amortization expense on the statements of revenues, expenses and changes in net position in the years ended June 30, 2023 and 2022, respectively. Accumulated amortization was approximately $4,130,000 and $1,867,000 as of June 30, 2023 and 2022, respectively.

A summary of the principal and interest amounts for the subscription payments is as follows as of June 30, 2023:

Years Ending June 30,	Minimum Subscription Principal	Interest
2024	$ 1,992,623	$ 66,633
2025	1,005,227	35,188
2026	303,563	10,795
2027	141,307	3,429
2028	-	-
	$ 3,442,720	$ 116,045

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, 2023, 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 and 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. On March 23, 2022, the Plan received notification from the DHCS that its corrective action plan was approved.

Patient Protection and Affordable Care Act ("PPACA") – 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 are uncertain at this time.