Ventura County Medi-Cal Managed Care Commission (VCMMCC) dba Gold Coast Health Plan Executive / Finance Committee Meeting

DATE: **Thursday,** November 1, 2012
TIME: 3:00 p.m.
PLACE: 2240 E. Gonzales Road, Suite 230, Oxnard, CA

AGENDA

Call to Order, Welcome and Roll Call

Public Comment / Correspondence

1. **Approve Minutes**
   a. September 20, 2012 Special Meeting Minutes
   b. October 4, 2012 Regular Meeting Minutes

2. **Consent Item**
   a. Extension of Tatum Contract

3. **Accept and File CEO Update** *(verbal)*

4. **Approval Items**
   a. Consideration of 2013 Meeting Schedule

5. **Accept and File Items**
   a. September Financials

Closed Session – GC 54956.9
Conference with Legal Counsel-Anticipated Litigation pursuant to Government Code Section 54956.9 (1 case)

Meeting Agenda available at http://www.goldcoasthealthplan.org

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ADMINISTRATIVE REPORTS RELATING TO THIS AGENDA AND MATERIALS RELATED TO AN AGENDA ITEM SUBMITTED TO THE COMMISSION AFTER DISTRIBUTION OF THE AGENDA PACKET ARE AVAILABLE FOR PUBLIC REVIEW DURING NORMAL BUSINESS HOURS AT THE OFFICE OF THE CLERK OF THE BOARD, 2220 E. GONZALES ROAD, SUITE 200, OXNARD, CA.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT TRACI AT 805/981-5340. REASONABLE ADVANCE NOTIFICATION OF THE NEED FOR ACCOMMODATION PRIOR TO THE MEETING (48 HOURS ADVANCE NOTICE IS PREFERABLE) WILL ENABLE US TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING

Ventura County Medi-Cal Managed Care Commission (VCMMCC) dba Gold Coast Health Plan – November 1, 2012
Executive Finance Committee Meeting Agenda *(continued)*
PLACE: 2240 E. Gonzales Road, **Suite 230,** Oxnard CA 93036
TIME: 3:00 p.m.

Return to Open Meeting

Announcements from Closed Session, if any.

Comments from Committee Members

Adjourn

Unless otherwise determined by the Executive Finance Committee, the next regular meeting will be held on December 6, 2012 at 3:00 p.m. at 2240 E. Gonzales Road, Suite 280, Oxnard, CA 93036.

Meeting Agenda available at http://www.goldcoasthealthplan.org

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Ventura County Medi-Cal Managed Care Commission (VCMMCC) dba Gold Coast Health Plan (GCHP) Executive / Finance Committee Meeting Minutes
September 20, 2012
(Not official until approved)

Notice of said meeting was duly given in the time and manner prescribed by law. Affidavit of compliance is on file in the Clerk of the Board's Office.

CALL TO ORDER

Chair Gonzalez called the meeting to order at 3:06 p.m. in Suite 280 at the Ventura County Public Health Building located at 2240 E. Gonzales Road, Oxnard, CA 93036.

ROLL CALL

COMMITTEE MEMBERS PRESENT
Anil Chawla, Clinicas del Camino Real, Inc.
David Glyer, Private Hospitals / Healthcare System
Robert Gonzalez, Ventura County Medical Health System
Catherine Rodriguez, Ventura County Medical Health System (arrived at 3:39 p.m.)

EXCUSED / ABSENT COMMITTEE MEMBERS
Roberto Juarez, Clinicas del Camino Real, Inc.

STAFF IN ATTENDANCE
Michael Engelhard, CEO
Sonia DeMarta, Interim CFO
Nancy Kierstyn Schreiner, Legal Counsel
Guillermo Gonzalez, Government Affairs Director
Steve Lalich, Communications Manager
Traci R. McGinley, Clerk of the Board
Cassie Undlin, Interim COO

PUBLIC COMMENT

None.

1. ACCEPT AND FILE CEO UPDATE

CEO Engelhard reported that the CBAS Amendment to the State Contract has been executed; will go into effect October 1st and will be funded at approximately $10 million annually.

McGladrey and Pullen (external financial auditors) are currently at the Plan and working on the Fiscal Year 2011-2012 annual financial audit.

CEO Engelhard announced that a press release will be going out as the Plan now has the ability to do EFT payments for all Providers.

Staff is evaluating claim recovery vendors in order to check the accuracy of claims, look for additional coverage, duplicate billing, coding, etc. Typically they have an upfront charge of $20,000 - $50,000 and then they work on a contingency basis, typically a 10% - 25% recovery.

Discussion was held on how the claim recovery process might work due to the Xerox / ACS' systems and how it might impact the IBNR. CEO Engelhard added that the State still has concerns about the Plan's IBNR, which is largely driven by claims processing. BRG will be doing additional work to assist the Plan on the claims estimation process, setting parameters, measuring and setting goals; as well as providing analytical tools.

CEO Engelhard closed his report stating that he and Government Affairs Director Guillermo Gonzalez will be on David Cruz' radio program the next morning.

2. FINANCE REPORT

a. July Financials

Interim CFO DeMarta noted that a few questions came up regarding some changes to healthcare expense and IBNR. Staff is in the process of doing a complete evaluation of the method for calculating IBNR.

CEO Engelhard added that it most likely means an increase in the IBNR and the target date to get this cleaned up is by the end of the month.

Chair Gonzalez asked if staff was working on bringing down the medical expenses since the IBNR was going up.

CEO Engelhard responded yes, staff is reviewing contracts to see if there is ability to bring payment rates down if they are not at industry standards. GCHP is increasing the medical management reporting capability in order to put appropriate interventions in place, ensuring that the Plan has appropriate staffing levels and the Plan is managing utilization properly. Staff is moving aggressively to measure rates and utilization that are driving medical costs.

Interim CFO DeMarta continued review of the financial report; she reminded the Committee that the costs for LTC's were recently separated out on the management reports, as requested. CEO Engelhard confirmed that LTC costs of 27% of total medical costs are consistent with other COHS. CEO Engelhard expressed that his immediate goal is to get a thorough analysis of the organization's cost structure and

determine if it is appropriate and then staff can look at ways of enhancing appropriate payment levels, such as primary care.

Committee Member Chawla stated that she believed Specialty Services were categorized under “outpatient” and “professional” services and asked if staff had researched to see what top two or three specialties were being utilized so those services could be capitated.

CEO Engelhard responded that it would be researched.

Interim CFO DeMarta reviewed the Balance Sheet; total cash on hand at the end of July was $24 million and the Plan has a $26 million premium receivable asset.

Questions arose regarding the change in IBNR and Claims Payable combined of $45 million to $35 million at July 31st which gave approximately $10 million decline. Interim CFO DeMarta stated that during the month of July the Plan incurred additional claims of approximately $20.4 million, and paid $27.9 million in medical claims and $1.9 million in pharmacy claims. This resulted in $35.7 million IBNR / Claims Payable balance at July 31, 2012.

Interim CFO DeMarta explained that June is higher than normal due to the IBNR retroactive adjustment.

Committee Member Chawla indicated that there had been a question on the legal expenses. Interim CFO DeMarta responded that those expenses were $50,000 from Legal Counsel Kierstyn Schreiner’s firm, Nordman Cormany Hair & Compton LLP and an additional $37,000 from Regional Government Services (RGS). Committee Member Chawla asked what was included in Legal Counsel Kierstyn Schreiner’s bills. Legal Counsel Kierstyn Schreiner responded that there were personnel issues, potential litigation and contracts.

Interim CFO DeMarta reviewed the “Outside Service Other” versus “Consulting” categories of administrative expense. Outside Services Other is for outsourced services like payroll, IT, etc. Consulting is used as additional staff or supplementing our staff like Tatum Consulting. Consulting Services were higher in June because it included additional billing from Tatum (to catch up for previously unbilled services), IT consultants, accounting consultants, RGS, two HR personnel, and timing of billings.

Interim CFO DeMarta closed her report stating that on Shipping and Postage the Plan received billing from Xerox / ACS for $150,000 which the Plan receives on a quarterly basis. After discussion it was agreed that staff will start accruing this monthly rather than quarterly.

Committee Member Glyer moved to approve and file the Financials. Committee Member Chawla seconded. The motion carried. **Approved 3-0.**

Chair Gonzalez suggested having a list of the expenses available at the Commission Meeting in case there are questions.

Committee Member Rodriguez arrived.

b. FY 10-11 Audit Results

Interim CFO DeMarta reviewed the Auditors findings; there were no Significant Accounting Estimates, Financial Disclosures, Audit Adjustments, Uncorrected Misstatements, Disagreements with Management, Consultations with Other Accountants, Difficulties Encountered in Performing Audit.

The Auditors suggest that the Plan have an Internal Auditor. There should also be an operational audit of medical claims processing with a focus on medical claims expenses, cash receipts and disbursements. There should be regular assessments of business risk management and assessment of new systems.

They suggested a business continuity program. Staff submitted a written response which was included in the packet.

Committee Member Rodriguez suggested staff contact the County as the Plan may benefit from an assessment tool questionnaire that the County utilizes.

Chair Gonzalez maintained that it seemed that the auditors were recommending the Plan do things it already had in place. Interim CFO DeMarta explained that the Plan's response was that it has many similar processes.

Interim CFO DeMarta asserted that when the auditors came out it was right when the CEO had resigned, the CFO had left and it was difficult to locate information timely for the Auditors due to staffing levels, etc.

Discussion was held regarding the development of a Comprehensive Business Continuity Plan. CEO Engelhard responded that he would check into this matter and get back with the Committee.

Committee Member Glyer moved to accept the Audit Report. Committee Member Rodriguez seconded. The motion carried. **Approved 4-0.**

3. CONSIDERATION OF ELIMINATION OF HIRING FREEZE

CEO Engelhard reported that the Hiring Freeze occurred prior to his arrival, due to whether the Plan should be hiring people when there is such a high benefit load. The analysis shows that the effective benefit load is lower than it appeared in the budget. Also, staff is engaged with a broker to continue to refine the benefits and reduce costs further.

Interim CFO DeMarta affirmed that staff assessed the RGS billings to determine the actual benefit load. It includes 15 days of vacation, 12 sick, 10 holidays, 2 administration, 1 bereavement and 1 day for jury duty.

Chair Gonzalez asked about the benefit load of other COHS. CEO Engelhard responded that staff did not receive much of a response: one 42%, CenCal is approximately 35% and CalOptima is at 35%. Committee Member Chawla expressed that it would be beneficial to know the full benefit package of other COHS.

Further discussion was held regarding the RGS billings.

Legal Counsel Kierstyn Schreiner left the meeting at 4:12 p.m.

CEO Engelhard stated that the budget will need to be restated to show the benefit load at the more appropriate level of 31%-35%. He stated that if the hiring freeze was not lifted, the Plan would incur further costs because the work must be completed therefore there would be overtime costs and consultants would need to be hired.

Chair Gonzalez asked if the CEO was suggesting keeping 3 weeks' vacation, life insurance and the 10% 401(a). He asked if the 401(a) was a matching program. Interim CFO DeMarta responded that it was not.

Chair Gonzalez suggested that when the item was presented to the Commission, that it be a tiered program. Staff currently with the Plan would continue with the same benefit level, but new hires could be at a different level. Staff is assuming that since it is 31% or 35% and not 43% it would be approved.

Chair Gonzalez suggested presenting comparisons of RGS vs. GCHP and verbally highlighting considerations, such as potentially dropping down vacation, keeping health insurance at the full benefit, but going out and marketing it for better rates.

4. CONTRACT REVIEW

Consideration and Recommendation to Commission of Extension of Tatum Contract, the contract is currently through October.

CEO Engelhard advised the Committee that Cassie Undlin is currently filling the role of Interim Chief Operating Officer (COO) which is responsible for managing the ACS contract and provider contracting area. There is not adequate time to get the work done therefore staff is requesting an extension of the contract. There is also another consultant currently managing IT workflows, so IT has been moved out from under Sonia DeMarta. Management is currently working with a recruiter for a Director of IT.

The Committee Members stressed that $40,000 per month was extremely high for these positions. Chair Gonzalez suggested that he and CEO Engelhard discuss this with Linda Klute of Tatum before the item goes before the Commission.

Committee Member Chawla moved to extend the Tatum Contract to November 30, 2012, with the rates being negotiated prior to the item going to the Commission. Committee Member Glyer seconded. The motion carried. **Approved 4-0.**

COMMENTS FROM COMMITTEE MEMBERS

Committee Member Rodriguez asked for clarification on how items get on the Commission Agenda. Chair Gonzalez responded that CEO puts the Agenda together and the Chair reviews the items.

Committee Member Rodriguez asked when the following items would come to the Commission: Progress Report, BRG Audit, CEO Hiring Plan, The State's Report, General Update, Budget Presentation and the Business Plan.

CEO Engelhard responded that he would have to review what staff had previously committed to and get back to the Commission on some of the items. The hiring plan, benefit load, revised budgeted are targeted to be presented at the November Commission meeting.

Chair Gonzalez commented on the BRG Reports, he indicated that there was discussion about the reports but they were not public as they were draft reports.

CEO Engelhard stated that it is his understanding that BRG provides a proposed report to DHCS and at some point DHCS will say it is a "final" or filed report.

Mark Abernathy of BRG responded that while preparing their findings they were shared with Interim CEO Undlin, and they will not be finalized until DHCS approves them as final. CEO Engelhard added that the issues are not being resolved as quickly as DHCS would like which has DHCS concerned.

Committee Member Rodriguez stated that in May or June Tatum presented a Chart of needs or assessments, such as operational, or the structure in itself or assessment of what was lacking of the structure. She asked if they have all been remedied as she wanted to make sure it was addressed before Tatum was no longer at GCHP.

Committee Member Rodriguez expressed concern about processing of payments to Providers. Interim CFO DeMarta responded that previously the County had been picking up its check. Wire transfers began last week, but went out a day late. The Plan processes weekly. Discussion was held regarding EOB and delays.

Chair Gonzalez stated that in October or November, 2011, he had asked that a shared risk contract come to the Commission for presentation. Subsequent to that it became clear to him that the Plan and Providers work very diligently with their attorneys, then product goes up to the State where it is reviewed and approved. It does not seem right that the Commission would delay processing of contracts or to be involved. We need to

know that things are being done, but there shouldn't be any delay in the process pending approval by the Commission. If we search old minutes and find something that impairs that process then we should go back to the Commission and reverse that process.

ADJOURNMENT

The meeting adjourned at 5:16 p.m.

Ventura County Medi-Cal Managed Care Commission (VCMMCC) dba Gold Coast Health Plan (GCHP) Executive / Finance Committee Meeting Minutes
October 4, 2012
(Not official until approved)

CALL TO ORDER

Chair Gonzalez called the meeting to order at 3:24 p.m. in Suite 230 at the Ventura County Public Health Building located at 2240 E. Gonzalez Road, Oxnard, CA 93036.

ROLL CALL

COMMITTEE MEMBERS PRESENT
Anil Chawla, Clinicas del Camino Real, Inc.
David Glyer, Private Hospitals / Healthcare System
Robert Gonzalez, Ventura County Medical Health System
Roberto Juarez, Clinicas del Camino Real, Inc.

EXCUSED / ABSENT COMMITTEE MEMBERS
Catherine Rodriguez, Ventura County Medical Health System

STAFF IN ATTENDANCE
Michael Engelhard, CEO
Sonia DeMarta, Interim CFO
Nancy Kierstyn Schreiner, Legal Counsel
Guillermo Gonzalez, Government Affairs Director
Traci R. McGinley, Clerk of the Board

PUBLIC COMMENTS

Tony Alatorre, Clinicas COO, spoke regarding the GCHP August Providers Newsletter and its announcement that effective October 1, 2012, GCHP considered the CHDP Program part of the capitation payment for primary care providers in Ventura County. He stated that Clinicas went through credentialing, sends surveys; goes through certifications, hearing, vision and immunizations through public health. He asked if that funding was going away, if GCHP was administering the program fully and was removing the requirements that Clinicas has through CHDP as Clinicas also administers the PM160 claim forms. He also asked what would happen to the children that are not Medi-Cal, the treatment program, what will happen to that funding. Will GCHP be paying for those that don't qualify for Healthy Families or Medi-Cal?

CEO Engelhard responded that a lot of questions were presented which required research; however, GCHP receives no additional funding for CHDP. CEO Engelhard added that the Newsletter was to explain for Providers that CHDP funding was provided through the capitation payment and the newsletter clarified which billing codes were to

be used. CEO Engelhard added that it was a question of what is covered under the DOFR (Division of Financial Responsibility) and that the Provider Newsletter clarified this.

1. APPROVE MINUTES

a. August 24, 2012 Regular Meeting Minutes

Committee Member Juarez moved to approve the August 24, 2012 Regular Meeting Minutes. Committee Member Glyer seconded. The motion carried. **Approved 4-0.**

b. September 6, 2012 Regular Meeting Minutes

Chair Gonzalez noted that the 2nd to the last paragraph on Page 6 needed to be amended to read as follows:

> Chair Gonzalez indicated that when BRG became our monitor they expressed concern about our IBNR and it is important that we get a sense of whether improvement has occurred, because when I look at the claims report it looks like we are slipping backwards.

Committee Member Glyer moved to approve the Minutes of the September 6, 2012, Regular Meeting as amended. Chair Chawla seconded. The motion carried. **Approved 4-0.**

c. September 20, 2012 Special Meeting Minutes

The following changes were noted:

Page 2, 1st line should be McGladrey and Pullen.

Page 7, 3rd paragraph:

> Chair Gonzalez commented on the BRG Reports, he indicated that there was discussion about the reports, but they were not public as they were draft reports.

The September 20, 2012, minutes were pulled, the above changes would be made and the Clerk would work with the staff member that handled the meeting in her absence to rework the minutes.

2. CONSENT ITEM

a. Ratification of Contract with the Law Firm of Wilke-Fleury for Specialized Legal Services for Managed Care Contracting

Committee Member Juarez moved to recommend ratification of legal services contract. Committee Member Glyer seconded. The motion carried. **Approved 4-0.**

3. ACCEPT AND FILE CEO UPDATE

CEO Engelhard reported that on October 1, 2012, CBAS became a managed Medi-Cal benefit. The Plan has 784 members eligible for the service; there were a few minor

issues, but case managers handled them. The CBAS centers raised concerns that the Plan may have issues paying the claims as the centers are a thin margin business. The Plan encouraged the CBAS facilities to sign up for EFT.

Staff is developing detailed work plans that are focused on a multitude of areas such as claims / cost containment, utilization management optimization, revenue optimization, reporting, and reevaluation of administrative costs (particularly around some of our higher cost contracts) to make sure that GCHP is operating efficiently and it is getting value for what it is paying for.

Chair Gonzalez asked if the IBNR would be better defined when claims are reviewed, and corrections are made. CEO Engelhard responded that cleaning up claims and understanding the data is an important piece. Another item that will help with the estimation of IBNR is that beginning July 1, 2012, the State eliminated the retroactivity for COHS and those are often higher dollar claims. The Plan should have a better and quicker understanding of costs.

Mark Abernathy of BRG added that until the Plan is steady and running smoothly, it is difficult to calculate IBNR. Old claims and retroactive authorization are coming through. When the Claims area had problems in processing and the problems were fixed, releases all the claims that had that problem from day one, which creates that long tail, and retroactivity also creates a long tail. When the IBNR is booked, the most recent months are generally booked as pmpm because they are volatile because one large hospital claim can come in; completion factors are utilized for all other months.

CEO Engelhard reminded the Committee that the Plan will be having its first Community Resource Fair at Del Sol Park on Sunday October 21st from 10:00 a.m. until 3:00 p.m. There will be upwards of 19 of the Plan's contracted Provider Partners as well as mobile clinics involved. There will be information on the website, spots on the radio and flyers. Staff plans to do something in other sections of the County at other times.

4. APPROVAL ITEMS

a. Consideration of Adoption of Claims Procedure for Claims Against Gold Coast Health Plan and Recommendation to Commission

Legal Counsel Kierstyn Schreiner reviewed her report for Non Medi-Cal related Claims.

Chair Gonzalez questioned that the CEO was not mentioned in the language. Legal Counsel Kierstyn Schreiner responded that it is standard language and by her forwarding it to the CEO it would remain confidential.

Committee Member Chawla moved to recommend the Resolution adopting a claim procedure to be approved by the Commission at its next regular meeting. Committee Member Glyer seconded. The motion carried. **Approved 4-0.**

b. Discussion of Bylaws and Meeting of the Executive / Finance Committee

Legal Counsel Kierstyn Schreiner reviewed her report.

Committee Member Glyer moved to forward the information to the Commission at the next regular meeting. Committee Member Chawla seconded. The motion carried. **Approved 4-0.**

5. ACCEPT AND FILE ITEMS

b. Plan-to-Plan Contract Template

Provided for review and information purposes only.

Chair Gonzalez stated that there is a rigorous process in creating the contracts, checks and balances exist between the Plan, Providers and their attorneys. The State also reviews and approves the template. He questioned the utility of the Committee reviewing the templates. He stated that he tried to clarify this at the last meeting.

Chair Gonzalez continued, stating that it was his desire is to have the CEO inform the Commission of important business in the Plan, that was not occurring previously and the Commission was blinded. This was an attempt to ensure the Commission was provided information.

Committee Member Juarez stated that the Plan had templates that had not been seen by the Commission, possibly a list would be helpful, as well as being informed if they change.

CEO Engelhard stated that if DHCS requires that the template be changed, staff could advise the Commission of the required change.

Chair Gonzalez requested that this item go before the Commission so the action could be undone.

a. August Financials

CEO Engelhard reported that there is a material decline in the Fund Balance which puts the Plan out of compliance with the TNE requirement, Page 5a-3. Staff has been having discussions with BRG and Milliman about the IBNR and the data issues. There has been processing problems with the “tail” on the claims lag. The Monitors have argued for a higher level of IBNR because they didn’t have a good idea of where long claims tail would end. The Plan was using book to budget and as we moved through the balance of the fiscal year it became apparent that booking expenses using this approach was understating true costs. The Plan agreed to add $7 million into IBNR until it has a better understanding of reprocessed claims, and then it will have a better estimate of actual costs. The Plan hopes that as clean up continues on old claims that there is some positive change on the IBNR estimate.

CEO Engelhard added that staff hopes to offset some of this amount with a portion of the Accrued Premium Reduction and will be meeting with auditors tomorrow. The Accrued Premium Reduction - AB97 10% rate cuts. The largest class that was sustained was LTC's. In June there was $6.7 million rate cuts accrued. Staff has done some analysis and believes that approximately $4.9 million is related to LTC accruals. If GCHP expects that money back by December 31, 2012, it can unwind it this amount of the accrual and use it to partially offset the increase in IBNR.

Committee Member Glyer asked about the implications associated with not meeting the TNE. CEO Engelhard explained that the Plan could be put on a Corrective Action Plan (CAP).

COMMENTS FROM COMMITTEE MEMBERS

None.

ADJOURNMENT

The meeting adjourned at 5:07 pm.

AGENDA ITEM 2

To: Executive / Finance Committee of the Ventura County Medi-Cal Managed Care Commission

From: Michael Engelhard, CEO

Date: November 1, 2012

Re: Extension of Tatum Contract

I am requesting an extension of one month to November 30, 2012 for Debbie Rieger as a contract IT consultant. Debbie will continue to be responsible for the following:

- Developing IT needs for organization
- Reporting, MedInsight and Verisk
- Ad Hoc reporting
- Specialty Contract Implementation
- Plan-to-plan systems needs mapping

At last month's meeting the Commission approved extending Ms. Rieger's contract, worth $40,000/month, through October 31, 2012 at which time it was to be reviewed.

Gold Coast Health Plan has been interviewing candidates for the Director of IT position, which will assume most or all of the above mentioned duties. However, until the recruitment is completed and this position filled, the Plan cannot do without the work being done by the IT Consultant. Failure to extend the contract would be extremely detrimental to the completion of the Corrective Action Plan and to the work being performed on the items listed above.

Staff recommends approval to extend the IT Consultant work to November 30, 2012.

AGENDA ITEM 3

To: Gold Coast Health Plan Executive/Finance Committee Meeting

From: Michael Engelhard, CEO

Date: November 1, 2012

Re: CEO Update

Operations Review

- Contracting: Released a RFP for non-emergency medical transportation services. Responses will outline proposals that will manage the utilization, improve the quality of services and lower the current cost of services. We have requested the vendor to propose a capitation rate.

- Claims inventory: Claims inventory is at about 27,000, or about 6 days of receipts. The CAP targeted getting to below 40,000 by October 15 (which was achieved) and to 15,000 by November 15th.

- Claims auto adjudication rate: is currently below 20%. Gold Coast staff and our claims processing vendor are working on an auto adjudication project to improve the rate. Current goal is at least 50% by the end of December and greater than 70% by June 2013. Significant improvement in the rate is expected the first of December when the first phase of the project will be implemented.

- Claims review vendors: proposals from three vendors have been reviewed to analyze Gold Coast's FY 2011 claims information for potential recoveries in the areas of Coordination of Benefits (mostly Medicare), fraud waste and abuse, credit balance audits, and pharmacy payments.

- Refunds inventory: Inventory is currently at 160, a significant reduction from the past. The goal was to reduce this inventory to < 50 by October 31, 2012, which will be difficult to achieve. These claims adjustments take about 5 times the amount of work a clean claim takes. We will be working with the State to report on turnaround time instead rather than an absolute number of recoveries. It is typical to get a large numbers of recoveries in at one time, making it difficult to manage to a quantity. We expect to see an increase in the volume as we implement a claims review and recovery processes.

- Administrative Members: We are analyzing the current PCP assignment process and corresponding authorization process. Currently none of the members in this category are assigned to a PCP; there are instances where we could assign PCP's. We are evaluating this process.

Finance Review

- FY2011-12 Financial Audit Update: the financial audit for fiscal year ended 6/30/2012 is nearly completed. The Plan is working with its actuary (Milliman), BRG and DHCS to arrive at a consensus as to what the required IBNR adjustment should be for the year ended June 30, 2012. Other potential adjustments, including possible legal reserves, are being finalized.

- Filing Deadline: DHCS has extended our deadline for filing our year-end financials to 11/15/2012.

- Check Run Frequency: in order to reduce the turn-around-time for processing claims, the Plan will begin to generating payments two times per week on Tuesday and Thursday.

- RGS Final Reconcilement: GCHP is working with RGS to determine the amount, and collect for unused paid days off paid for by the Plan but unused by employees at the time of contract termination.

- Staffing Plan: the Plan is working on a new, proposed staffing plan to meet the organization's needs. This was called out in the state's corrective action plan.

Government Relations

- Meetings in Sacramento: the CEO and Director of Government Relations will be in Sacramento on November 15th to attend the All-Plan CEO Meeting with DHCS and the CAHIO – DHCS Quarterly Meeting. (Note: CAHIO is the California Association of Health Insuring Organizations, the association of non-profit, public-entity County Organized Health System plans.) Meeting agendas are being finalized, but known topics include:

    - Status of FY11-12 and FY12-13 final rates
    - ACA PCP rate increase implementation status
    - Healthy Families transition to Medi-Cal
    - New SPD requirements for COHS

EDELSTEIN GILBERT ROBSON & SMITH LLC

Donald B. Gilbert Michael R. Robson Trent E. Smith Alan L. Edelstein OF COUNSEL

Proposition 30 Update

October 30, 2012

by Don Gilbert, Mike Robson, and Trent Smith

With the Legislature adjourned and October coming to a close, Capitol eyes are focused on the upcoming November 6 election. The 2012 election features a number of competitive legislative contests and a hand-full of high-stakes ballot initiatives. Perhaps the most significant item on the November ballot is the Governor's Proposition 30. The likely failure of Proposition 30 could have a serious impact on any stakeholder in the Medi-Cal program.

Campaigning in 2010, Governor Brown promised not to raise taxes without voter approval and to put the state's fiscal house back in order. These promises are the genesis of the Governor's Proposition 30, which would increase the personal income tax rates for high-income earners and the sales tax rate for all taxpayers. All told, the Department of Finance (DOF) anticipates that Proposition 30 will bring in $8.5 billion in new revenue annually.

In passing the 2012-2013 State Budget, the Governor and the Legislature assumed that Proposition 30 would pass. In order to balance the budget and to ensure that it was financeable, the Legislature included $6 billion in trigger cuts when passing the budget that will take effect if Proposition 30 fails. These cuts would fall almost entirely on K-12 and higher education. The Legislature and the Governor killed two birds with one stone by assuming passage of Proposition 30 and enacting the $6 billion in trigger cuts. This maneuver allowed the Legislature to avoid more severe cuts to health and human services and allowed the Governor to use the trigger cuts to public education to leverage voters to pass Proposition 30.

All told, the campaign for Proposition 30 is a high-stakes game for the Legislature, the Governor, the state's K-12 and higher education system, and any stakeholder with an interest in the budget. Recent polling data shows that Proposition 30's prospects are poor and that the measure is likely to fail. If this happens, the trigger cuts in the 2012-2013 State Budget will take effect by law. However, it is uncertain whether there is political will among both Democrats and Republicans in the Legislature and in the Governor's office to allow nearly $6 billion in cuts to public education to take effect. The powerful California Teachers Association would certainly engage to keep this from happening. Under this pressure, the Governor could call a Special Session of the lame-duck Legislature to consider alternatives to the cuts.

A Special Session could bring Legislators back to Sacramento as early as November 12. It is difficult to predict how the legislators – some of whom will not be returning to

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The Capitol in 2013 – would choose to re-balance the budget. Both Democrats and Republicans may be more capable of making difficult choices without the threat of immediate political fallout. However the budget would be balanced in this scenario, it is likely that any alternative proposal would contemplate severe cuts to health and human services.

In summary, Medi-Cal program stakeholders could have a lot to lose if Proposition 30 fails and should be concerned. As such, all program participants should ready themselves to engage in the Legislature and defend their interests in the coming weeks and months.

We will continue to monitor the situation and keep you apprised of further developments.

GCHP 2013 Meeting Schedule

Meetings begin at 3:00 p.m.

Gold Coast Health Plan℠
A Public Entity

Executive Finance Committee (1st Thursday of the Month) *

*With exception of May and November due to Holidays

Black "Grey" - No Meeting Scheduled
Meetings begin at 3:00 p.m.

JANUARY						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

FEBRUARY						
S	M	T	W	T	F	S
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10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

MARCH						
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10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

APRIL						
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14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

MAY						
S	M	T	W	T	F	S
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12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

JUNE						
S	M	T	W	T	F	S
						1
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9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

JULY						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

AUGUST						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

SEPTEMBER						
S	M	T	W	T	F	S
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15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

OCTOBER						
S	M	T	W	T	F	S
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6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

NOVEMBER						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

DECEMBER						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

GOLD COAST HEALTH PLAN

SUMMARY FINANCIAL RESULTS

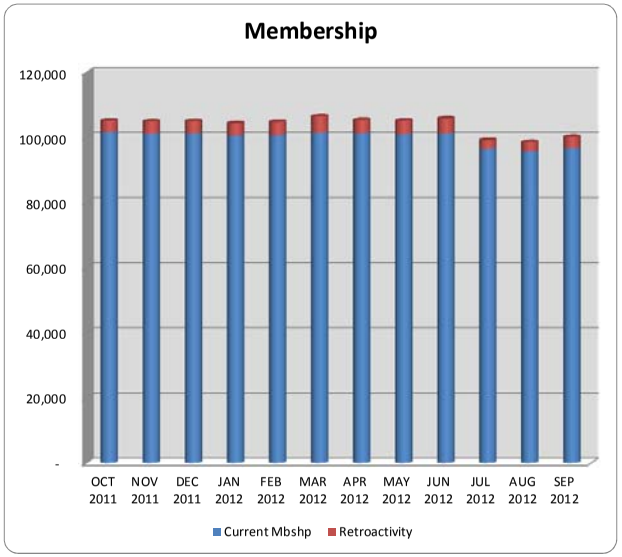
Rolling Quarterly Actual Trend

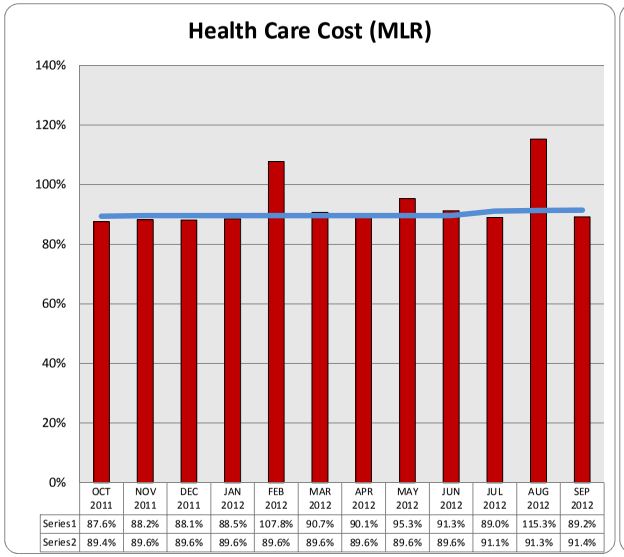
Description	Actual FY 2011-12 Results					FY 2012-13			
	Q1	Q2	Q3	Q4	TOTAL	JUL	AUG	SEP	YTD
Member Months	310,543	315,303	315,760	316,583	1,258,189	99,232	98,620	96,669	294,521
Revenue	**73,454,082**	**75,587,567**	**74,633,536**	**76,174,617**	**299,849,802**	**23,806,175**	**24,430,512**	**24,988,448**	**73,225,136**
pmpm	*236.53*	*239.73*	*236.36*	*240.61*	*238.32*	*239.90*	*247.72*	*258.49*	*248.62*
Health Care Costs	**63,808,034**	**66,484,716**	**71,277,547**	**70,250,942**	**271,821,239**	**21,181,745**	**28,173,162**	**22,293,643**	**71,648,550**
pmpm	*205.47*	*210.86*	*225.73*	*221.90*	*216.04*	*213.46*	*285.67*	*230.62*	*243.27*
% of Revenue	86.9%	88.0%	95.5%	92.2%	90.7%	89.0%	115.3%	89.2%	97.8%
Admin Exp	**4,109,458**	**4,197,826**	**4,660,719**	**5,805,047**	**18,773,050**	**1,587,586**	**1,683,028** (4)	**1,703,687**	**4,974,301**
pmpm	*13.23*	*13.31*	*14.76*	*18.34*	*14.92*	*16.00*	*17.07*	*17.62*	*16.89*
% of Revenue	5.6%	5.6%	6.2%	7.6%	6.3%	6.7%	6.9%	6.8%	6.8%
Net Income	**5,536,591**	**4,905,024**	**(1,304,732)**	**118,627**	**9,255,510**	**1,036,844**	**(5,425,678)**	**991,118**	**(3,397,715)**
pmpm	*17.83*	*15.56*	*(4.13)*	*0.37*	*7.36*	*10.45*	*(55.02)*	*10.25*	*(11.54)*
% of Revenue	7.5%	6.5%	-1.7%	0.2%	3.1%	4.4%	-22.2%	4.0%	-4.6%
100% TNE	14,671,236	15,048,230	15,685,187	15,797,312	15,797,312	15,841,387	16,249,352	16,302,963	16,302,963
Required TNE	-	-	3,137,037	3,137,023	3,137,023	5,702,899	5,849,767	5,869,067	5,869,067
GCHP TNE	**1,113,773**	**6,018,797**	**4,714,065**	**4,832,692**	**4,832,692**	**5,869,535**	**443,858**	**1,434,977**	**1,434,977**

DRAFT
BEFORE AUDIT ADJUSTMENTS

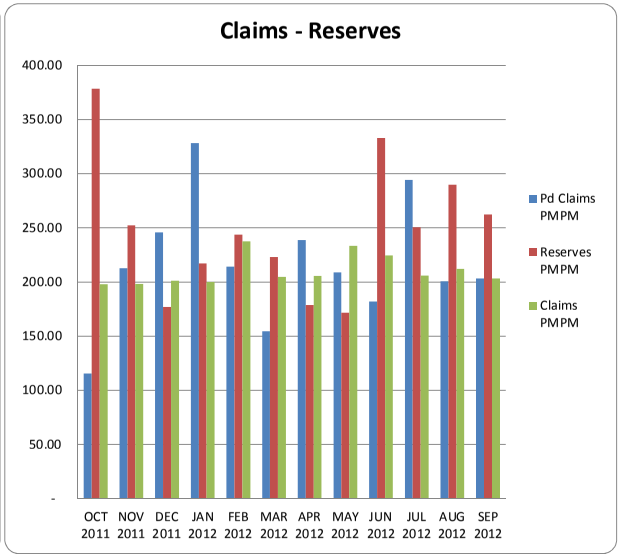
Note (1): February Health Care Costs include $4M added to reserves pursuant to updated Milliman IBNR methodology.
Note (2): May Health Care Costs include $3M added to reserves.
Note (3): June Health Care Costs include $2M added to IBNR.
Note (4): August Health Care Costs include $7M added to IBNR.

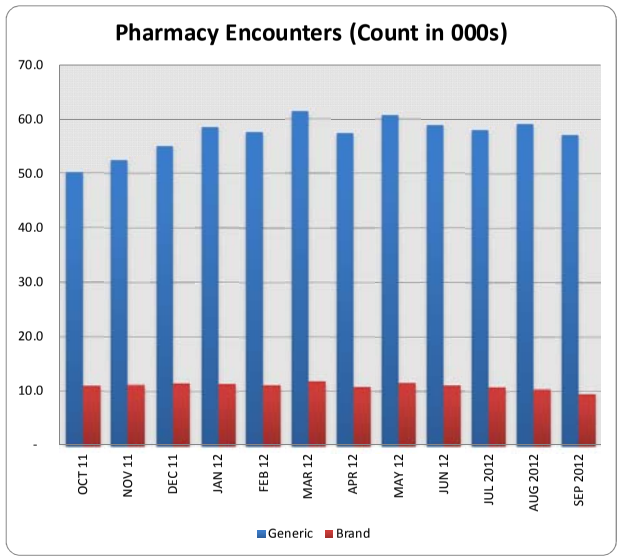
GOLD COAST HEALTH PLAN
Financial Scorecard - September 2012

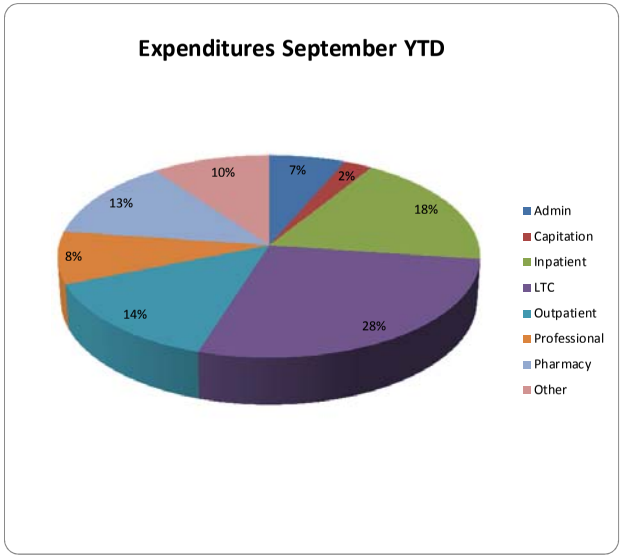


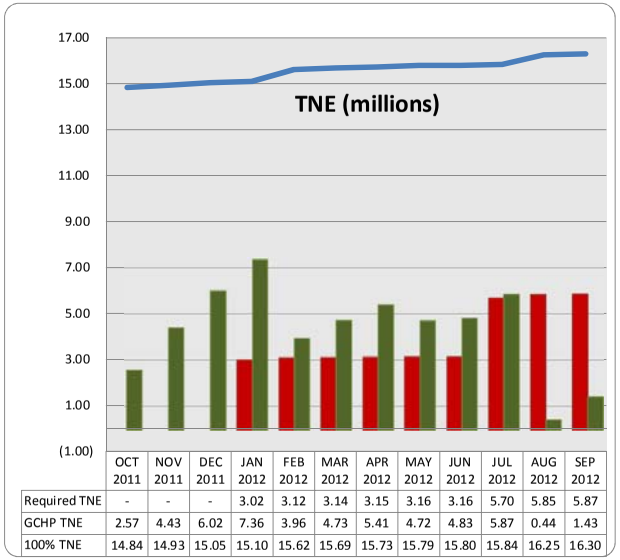


	OCT 2011	NOV 2011	DEC 2011	JAN 2012	FEB 2012	MAR 2012	APR 2012	MAY 2012	JUN 2012	JUL 2012	AUG 2012	SEP 2012
Series1	87.6%	88.2%	88.1%	88.5%	107.8%	90.7%	90.1%	95.3%	91.3%	89.0%	115.3%	89.2%
Series2	89.4%	89.6%	89.6%	89.6%	89.6%	89.6%	89.6%	89.6%	89.6%	91.1%	91.3%	91.4%









	OCT 2011	NOV 2011	DEC 2011	JAN 2012	FEB 2012	MAR 2012	APR 2012	MAY 2012	JUN 2012	JUL 2012	AUG 2012	SEP 2012
Required TNE	-	-	-	3.02	3.12	3.14	3.15	3.16	3.16	5.70	5.85	5.87
GCHP TNE	2.57	4.43	6.02	7.36	3.96	4.73	5.41	4.72	4.83	5.87	0.44	1.43
100% TNE	14.84	14.93	15.05	15.10	15.62	15.69	15.73	15.79	15.80	15.84	16.25	16.30

Gold Coast Health Plan
Comparative Balance Sheet
September 30, 2012

	9/30/12	8/31/12	6/30/12
ASSETS			
Current Assets			
Total Cash and Cash Equivalents	**19,998,005**	**20,486,411**	**23,740,502**
Medi-Cal Receivable	23,893,260	25,211,484	28,534,938
Provider Receivable	4,260,878	3,825,803	6,233,287
Other Receivables	372,561	199,269	1,367,855
Total Accounts Receivable	**28,526,699**	**29,236,556**	**36,136,080**
Total Prepaid Accounts	1,113,902	1,079,417	1,128,838
Total Other Current Assets	3,125	-	750,000
Total Current Assets	**49,641,731**	**50,802,383**	**61,755,420**
Total Fixed Assets	**89,215**	**90,686**	**94,298**
Total Assets	**49,730,947**	**50,893,069**	**61,849,718**
LIABILITIES & FUND BALANCE			
Current Liabilities			
Incurred But Not Reported	26,302,623	28,597,754	35,251,106
Claims Payable	10,575,514	8,275,230	9,284,705
Capitation Payable	620,832	622,092	633,276
Accrued Premium Reduction	6,980,348	7,874,996	6,700,285
Accounts Payable	1,349,890	559,928	1,788,086
Accrued ACS	1,189,575	1,108,943	-
Accrued RGS	-	-	375,000
Accrued Premium Tax	(1,170,493)	1,188,600	602,900
Current Portion of Deferred Revenue	460,000	460,000	460,000
Accrued Payroll Expense	306,015	-	-
Current Portion Of Long Term Debt	416,667	458,333	500,000
Total Current Liabilities	**47,030,970**	**49,145,877**	**55,595,360**
Long-Term Liabilities			
Other Long-term Liability	-	-	41,667
Deferred Revenue - Long Term Portion	1,265,000	1,303,333	1,380,000
Notes Payable	-	-	
Total Long-Term Liabilities	**1,265,000**	**1,303,333**	**1,421,667**
Total Liabilities	**48,295,970**	**50,449,211**	**57,017,026**
Beginning Fund Balance	4,832,692	4,832,692	(4,422,819)
Net Income Current Year	(3,397,715)	(4,388,834)	9,255,511
Total Fund Balance	**1,434,977**	**443,858**	**4,832,692**
Total Liabilities & Fund Balance	**49,730,947**	**50,893,069**	**61,849,718**

DRAFT
BEFORE AUDIT
ADJUSTMENTS

Gold Coast Health Plan
Income Statement Comparison
For The Period Ended September 30, 2012

	2012 Actual Monthly Trend			September 2012		
				Month-To-Date		Variance
	Jun	Jul	Aug	Actual	Budget	Fav/(Unfav)
Membership	101,207	96,540	95,797	96,669	96,588	81
Revenue:						
Premium	$ 26,583,453	$ 24,923,409	$ 24,965,442	$ 23,459,154	$ 24,949,693	$ (1,490,539)
Reserve for Rate Reduction	(565,653)	(587,433)	(587,278)	894,648	(589,139)	1,483,787
MCO Premium Tax	(624,711)	(585,700)	-	584,793	(586,319)	1,171,112
Total Net Premium	**25,393,089**	**23,750,276**	**24,378,164**	**24,938,595**	**23,774,235**	**1,164,360**
Other Revenue:						
Interest Income	15,968	17,566	14,015	11,519	14,970	(3,451)
Miscellaneous Income	38,333	38,333	38,333	38,333	38,333	0
Total Other Revenue	54,301	55,899	52,349	49,853	**53,303**	(3,450)
Total Revenue	**25,447,390**	**23,806,175**	**24,430,512**	**24,988,448**	**23,827,538**	**1,160,910**
Medical Expenses:						
Capitation	633,276	624,487	622,092	620,832	626,742	5,910
Incurred Claims:						
Inpatient	4,879,263	4,053,600	5,672,169	4,249,910	4,196,503	(53,407)
LTC/SNF	7,307,150	6,286,933	8,671,611	6,291,550	5,965,613	(325,937)
Outpatient	2,941,681	2,431,578	3,404,140	2,561,831	2,514,633	(47,198)
Laboratory and Radiology	247,691	204,092	285,780	215,187	210,594	(4,593)
Emergency Room Facility Services	571,756	469,752	659,819	497,489	486,148	(11,341)
Physician Specialty Services	2,226,777	1,848,209	2,584,677	1,940,550	1,899,795	(40,755)
Pharmacy	3,330,093	3,186,191	3,458,256	3,138,389	3,207,274	68,885
Other Medical Professional	304,096	263,752	345,204	274,599	199,188	(75,411)
Other Medical Care Expenses	504	836	1,510	627	-	(627)
Other Fee For Service Expense	1,655,161	1,410,880	1,978,126	1,459,626	1,417,299	(42,327)
Transportation	321,236	272,336	383,168	284,846	271,627	(13,219)
Total Claims	23,785,408	20,428,159	27,444,459	20,914,605	20,368,674	(545,931)
Medical & Care Management Expense	545,482	516,815	541,067	534,999	567,712	32,713
Reinsurance	91,947	224,938	224,994	223,207	225,051	1,844
Claims Recoveries	(1,831,008)	(612,655)	(659,450)	-	-	-
Sub-total	(1,193,579)	129,099	106,611	758,206	**792,763**	34,557
Total Cost of Health Care	**23,225,105**	**21,181,745**	**28,173,162**	**22,293,643**	**21,788,179**	**(505,464)**
Contribution Margin	**2,222,285**	**2,624,430**	**(3,742,650)**	**2,694,805**	**2,039,359**	**655,446**
General & Administrative Expenses:						
Salaries and Wages	310,409	311,747	308,137	268,413	371,534	103,121
Payroll Taxes and Benefits	118,072	108,967	155,252	64,735	109,335	44,600
Total Travel and Training	4,833	1,472	6,977	11,156	4,226	(6,930)
Outside Service - ACS	910,666	864,935	856,106	942,882	867,754	(75,128)
Outside Service - RGS	10,198	10,858	12,571	-	-	-
Outside Services - Other	12,001	10,257	11,092	109,202	43,127	(66,075)
Accounting & Actuarial Services	42,907	-	18,120	9,818	37,000	27,183
Legal Expense	85,387	13,600	4,468	42,522	11,500	(31,022)
Insurance	2,958	3,424	3,424	10,766	3,255	(7,511)
Lease Expense - Office	8,389	11,869	11,869	11,869	13,420	1,551
Consulting Services Expense	269,744	121,319	125,727	112,076	42,140	(69,936)
Translation Services	2,736	1,020	85	819	743	(76)
Advertising and Promotion Expense	-	3,500	-	-	2,500	2,500
General Office Expenses	76,450	45,869	89,227	54,089	108,458	54,369
Depreciation & Amortization Expense	1,461	1,806	1,806	6,958	1,806	(5,152)
Printing Expense	27,618	2,386	22,538	1,727	8,273	6,546
Shipping & Postage Expense	155,250	13,572	2,535	230	11,322	11,092
Interest Exp	53,241	60,986	53,094	56,424	21,072	(35,352)
Total G & A Expenses	**2,092,320**	**1,587,586**	**1,683,028**	**1,703,687**	**1,657,465**	**(46,222)**
Net Income / (Loss)	**$ 129,965**	**$ 1,036,844**	**$ (5,425,678)**	**$ 991,118**	**$ 381,894**	**$ 701,668**

DRAFT
PRIOR AUDIT ADJUSTMENTS

Gold Coast Health Plan
PMPM Income Statement Comparison
For The Period Ended September 30, 2012

	2012 Actual Monthly Trend			Sep'12 Month-To-Date		Variance
	Jun	Jul	Aug	Actual	Budget	Fav/(Unfav)
Members (Member/Months)	101,207	96,540		96,669	96,588	81
Revenue:						
Premium	262.66	258.17	258.26	242.68	258.31	(15.64)
Reserve for Rate Reduction	(5.59)	(6.08)	(6.08)	9.25	(6.10)	15.35
MCO Premium Tax	(6.17)	(6.07)	-	6.05	(6.07)	12.12
Total Net Premium	**250.90**	**246.01**	**252.18**	**257.98**	**246.14**	**11.84**
Other Revenue:						
Interest Income	0.16	0.18	0.14	0.12	0.15	(0.04)
Miscellaneous Income	0.38	0.40	0.40	0.40	0.40	(0.00)
Total Other Revenue	**0.54**	**0.58**	**0.54**	**0.52**	**0.53**	**(0.01)**
Total Revenue	**251.44**	**246.59**	**252.72**	**258.49**	**246.69**	**11.80**
Medical Expenses:						
Capitation	6.26	6.47	6.44	6.42	6.49	(0.07)
Incurred Claims:						
Inpatient	48.21	41.99	58.68	43.96	43.45	0.52
LTC/SNF	72.20	65.12	89.70	65.08	61.76	3.32
Outpatient	29.07	25.19	35.21	26.50	26.03	0.47
Laboratory and Radiology	2.45	2.11	2.96	2.23	2.18	0.05
Emergency Room Facility Services	5.65	4.87	6.83	5.15	5.03	0.11
Physician Specialty Services	22.00	19.14	26.74	20.07	19.67	0.41
Pharmacy	32.90	33.00	35.77	32.47	33.21	(0.74)
Other Medical Professional	3.00	2.73	3.57	2.84	2.06	0.78
Other Medical Care Expenses	0.00	0.01	0.02	0.01	-	0.01
Other Fee For Service Expense	16.35	14.61	20.46	15.10	14.67	0.43
Transportation FFS	3.17	2.82	3.96	2.95	2.81	0.13
Total Claims	235.02	211.60	283.90	216.35	210.88	5.47
Medical & Care Management	5.39	5.35	5.60	5.53	5.88	(0.34)
Reinsurance	0.91	2.33	2.33	2.31	2.33	(0.02)
Claims Recoveries	(18.09)	(6.35)	(6.82)	-	-	-
Sub-total	(11.79)	1.34	1.10	7.84	7.83	0.01
Total Cost of Health Care	229.48	219.41	291.44	230.62	225.58	5.04
Contribution Margin	21.96	27.18	(38.72)	27.88	**21.11**	**6.76**
Administrative Expenses						
Salaries and Wages	3.07	3.23	3.19	2.78	3.85	(1.07)
Payroll Taxes and Benefits	1.17	1.13	1.61	0.67	1.13	(0.46)
Total Travel and Training	0.05	0.02	0.07	0.12	0.04	0.07
Outside Service - ACS	9.00	8.96	8.86	9.75	8.98	0.77
Outside Service - RGS	0.10	0.11	0.13	-	-	-
Outside Services - Other	0.12	0.11	0.11	1.13	0.45	0.68
Accounting & Actuarial Services	0.42	-	0.19	0.10	0.38	(0.28)
Legal Expense	0.84	0.14	0.05	0.44	0.12	0.32
Insurance	0.03	0.04	0.04	0.11	0.03	0.08
Lease Expense -Office	0.08	0.12	0.12	0.12	0.14	(0.02)
Consulting Services Expense	2.67	1.26	1.30	1.16	0.44	0.72
Translation Services	0.03	0.01	0.00	0.01	0.01	0.00
Advertising and Promotion Expense	-	0.04	-	-	0.03	(0.03)
General Office Expenses	0.76	0.48	0.92	0.56	1.12	(0.56)
Depreciation & Amortization Expense	0.01	0.02	0.23	0.02	0.02	(0.00)
Printing Expense	0.27	0.14	0.03	0.00	0.09	(0.08)
Shipping & Postage Expense	1.53	0.63	0.55	0.58	0.12	0.47
Interest Exp	0.53	-	-	-	0.22	(0.22)
Total Administrative Expenses	**20.67**	**16.44**	**17.41**	**17.62**	**17.16**	**0.46**
Net Income / (Loss)	**1.28**	**10.74**	**(56.13)**	**10.25**	**3.95**	**6.30**

DRAFT
BEFORE AUDIT ADJUSTMENTS

Gold Coast Health Plan
Income Statement Comparison
For The Period Ended September 30, 2012

	Sep'12 Year-To-Date		Variance
	Actual	Budget	Fav/(Unfav)
Membership	289,006	289,692	(686)
Revenue:			
Premium	$ 73,348,005	$ 74,830,374	$ (1,482,369)
Reserve for Rate Reduction	(280,063)	(1,766,974)	1,486,911
MCO Premium Tax	(907)	(1,758,514)	1,757,607
Total Net Premium	**73,067,035**	**71,304,886**	**1,762,149**
Other Revenue:			
Interest Income	43,100	44,898	(1,798)
Miscellaneous Income	115,000	115,000	(0)
Total Other Revenue	158,100	**159,898**	(1,798)
Total Revenue	**73,225,136**	**71,464,784**	**1,760,352**
Medical Expenses:			
Capitation	1,867,412	1,879,755	12,344
Incurred Claims:			
Inpatient	13,975,679	12,586,362	(1,389,317)
LTC/SNF	21,250,094	17,892,366	(3,357,728)
Outpatient	8,397,549	7,542,013	(855,536)
Laboratory and Radiology	705,059	631,625	(73,434)
Emergency Room Facility Services	1,627,060	1,458,080	(168,980)
Physician Specialty Services	6,373,436	5,697,960	(675,476)
Pharmacy	9,782,835	9,619,416	(163,419)
Other Medical Professional	883,555	597,413	(286,142)
Other Medical Care Expenses	2,973		(2,973)
Other Fee For Service Expense	4,848,632	4,250,837	(597,795)
Transportation	940,350	814,677	(125,673)
Total Claims	68,787,223	61,090,749	(7,696,474)
Medical & Care Management Expense	1,592,881	1,601,186	8,305
Reinsurance	673,139	674,983	1,844
Claims Recoveries	(1,272,105)	-	1,272,105
Sub-total	993,916	2,276,169	1,282,253
Total Cost of Health Care	**71,648,550**	**65,246,673**	**(6,401,877)**
Contribution Margin	**1,576,585**	**6,218,111**	**(4,641,526)**
General & Administrative Expenses:			
Salaries and Wages	888,298	981,409	93,111
Payroll Taxes and Benefits	328,955	341,706	12,751
Total Travel and Training	19,605	16,993	(2,612)
Outside Service - ACS	2,663,922	2,602,664	(61,258)
Outside Service - RGS	23,429	21,847	(1,582)
Outside Services - Other	130,551	129,521	(1,030)
Accounting & Actuarial Services	27,938	83,000	55,063
Legal Expense	60,590	34,500	(26,090)
Insurance	17,614	9,765	(7,849)
Lease Expense - Office	35,607	40,260	4,653
Consulting Services Expense	359,122	96,420	(262,702)
Translation Services	1,924	2,228	304
Advertising and Promotion Expense	3,500	2,500	(1,000)
General Office Expenses	189,186	197,277	8,091
Depreciation & Amortization Expense	10,570	5,418	(5,152)
Printing Expense	26,651	12,342	(14,309)
Shipping & Postage Expense	16,337	12,168	(4,169)
Interest Exp	170,504	64,734	(105,770)
Total G & A Expenses	**4,974,301**	**4,654,752**	**(319,549)**
Net Income / (Loss)	**$ (3,397,715)**	**$ 1,563,359**	**$ (4,321,977)**

DRAFT
BEFORE AUDIT ADJUSTMENTS

Gold Coast Health Plan
Income Statement Comparison
September vs. August 2012 Actual Month Activity

	2012 Actual AUG	2012 Actual SEP	$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	Explanation
Members (Member/Months)	96,540	98,620	2,080	2.2%	
Revenue					
Premium	24,965,442	23,459,154	$ (1,506,288)	-6.0%	
Reserve for Retro-Active Rate Reduction	(587,278)	894,648	1,481,926	252.3%	Reverse Jul, Aug LTC AB97 reduction
MCO Tax	-	584,793	584,793	-100.0%	Recapture of Jul MCO Tax, less retros
Total Net Premium	**24,378,164**	**24,938,595**	**560,431**	2.3%	
Other Revenue:					
Interest Income	14,015	11,519	(2,496)	-17.8%	
Miscellaneous Income	38,333	38,333	-	0.0%	
Total Other Revenue	**52,349**	**49,853**	**(2,496)**	-4.8%	
Total Revenue	24,430,512	24,988,448	557,936	2.3%	
Medical Expenses:					
Capitation	622,092	620,832	1,260	0.2%	
Incurred Claims					
Inpatient FFS Expense	5,672,169	4,249,910	1,422,259	25.1%	
LTC/SNF Expense	8,671,611	6,291,550	2,380,061	27.4%	
Outpatient FFS Expense	3,404,140	2,561,831	842,309	24.7%	
Laboratory and Radiology Expense	285,780	215,187	70,593	24.7%	
Emergency Room Facility Services FFS	659,819	497,489	162,330	24.6%	
Physician Specialty Services FFS	2,584,677	1,940,550	644,127	24.9%	
FQHC Services Capitation	-	-	-	-100.0%	
Professional FFS Expense	-	-	-	-100.0%	
Pharmacy	3,458,256	3,138,389	319,867	9.2%	Reduction in Brand claims by 3K and lower avg claim cost ($32.76 Aug'12 to $29.92 Sep'12)
Other Medical Professional	345,204	274,599	70,604	20.5%	
Other Medical Care Expenses	1,510	627	883	58.5%	
Other Fee For Service Expense	1,978,126	1,459,626	518,500	26.2%	
Transportation FFS	383,168	284,846	98,322	25.7%	
Total Claims	27,444,459	20,914,605	6,529,855	23.8%	
Medical & Care Management	541,067	534,999	6,067	1.1%	
Reinsurance	224,994	223,207	1,787	0.8%	
Claims Recoveries	(659,450)	-	(659,450)	100.0%	
Sub-total	106,611	758,206	(651,596)	-611.2%	
Total Cost of Health Care	28,173,162	22,293,643	5,879,519	20.9%	
Contribution Margin	(3,742,650)	2,694,805	(6,437,455)	172.0%	
Administrative Expenses					
Salaries and Wages	308,137	268,413	39,724	12.9%	
Payroll Taxes and Benefits	155,252	64,735	90,516	58.3%	Lower costs reflect actual benefits costs without RGS markup
Total Travel and Training	6,977	11,156	(4,179)	-59.9%	
Outside Service - ACS	856,106	942,882	(86,776)	-10.1%	Retro activity charges ($51K); Project fees ($24K)
Outside Service - RGS	12,571	-	12,571	100.0%	Termination of RGS contract
Outside Services - Other	11,092	109,202	(98,110)	-884.5%	Berkley Research (IBNR analysis)
Accounting & Actuarial Services	18,120	9,818	8,303	45.8%	
Legal Expense	4,468	42,522	(38,054)	-851.8%	Nordman Cormany Hair & Comtpon, LLP (review employee contracts, termination of employment, employee transfer agreements and other)
Insurance	3,424	10,766	(7,343)	-214.5%	Hartford WC
Lease Expense -Office	11,869	11,869	-	0.0%	
Consulting Services Expense	125,727	112,076	13,651	10.9%	
Translation Services	85	819	(734)	-864.0%	
Advertising and Promotion Expense	-	-	-	-100.0%	
General Office Expenses	89,227	54,089	35,137	39.4%	H/R recruiting software, furniture purch
Depreciation & Amortization Expense	1,806	6,958	(5,152)	-285.2%	Change in depreciation expense structure
Printing Expense	22,538	1,727	20,812	92.3%	Coffey printing newsletter in Aug'12
Shipping & Postage Expense	2,535	230	2,305	90.9%	Winning Health newsletter - Summer'12
Interest Exp	53,094	56,424	(3,330)	-6.3%	
Total Administrative Expenses	**1,683,028**	**1,703,687**	**(20,659)**	-1.2%	
Net Income / (Loss)	**$ (5,425,678)**	**$ 991,118**	**$ 6,416,796**	**118.3%**	

DRAFT
BEFORE AUDIT ADJUSTMENTS

Gold Coast Health Plan
Statement of Cash Flows
Month Ended September 30, 2012

Cash Flow From Operating Activities	
Collected Premium	24,777,378
Miscellaneous Income	11,519
Paid Claims	
Medical & Hospital Expenses	(17,288,184)
Pharmacy	(3,831,402)
Capitation	(622,092)
Reinsurance of Claims	(458,667)
Reinsurance Recoveries	
Payment of Withhold / Risk Sharing Incentive	
Paid Administration	(1,297,171)
Repay Initial Net Liabilities	
MCO Taxes Expense	(1,774,300)
Net Cash Provided by Operating Activities	**(482,918)**
Cash Flow From Investing/Financing Activities	
Proceeds from Paid in Surplus/Issuance of Stock	-
Costs of Capitalization	-
Net Acquisition of Property/Equipment	(5,487)
Net Cash Provided/(Used) by Investing/Financing	**(5,487)**
Net Cash Flow	**(488,405)**
Cash and Cash Equivalents (Beg. of Period)	20,486,411
Cash and Cash Equivalents (End of Period)	19,998,005
	(488,405)
Adjustment to Reconcile Net Income to Net Cash Flow	
Net (Loss) Income	991,118
Depreciation & Amortization	6,958
Decrease/(Increase) in Receivables	709,857
Decrease/(Increase) in Prepaids & Other Current Assets	(37,610)
(Decrease)/Increase in Payables	281,960
(Decrease)/Increase in LT Liabilities	(80,000)
Changes in Withhold / Risk Incentive Pool	-
Change in MCO Tax Liability	(2,359,093)
Changes in Claims and Capitation Payable	2,299,024
Changes in IBNR	(2,295,131)
	(482,918)
Net Cash Flow from Operating Activities	**(482,918)**

DRAFT
BEFORE AUDIT
ADJUSTMENTS

Gold Coast Health Plan
Statement of Cash Flows
Three Months Ended September 30, 2012

Cash Flow From Operating Activities	
Collected Premium	77,989,683
Miscellaneous Income	43,100
Paid Claims	
Medical & Hospital Expenses	(61,660,470)
Pharmacy	(10,793,087)
Capitation	(1,879,856)
Reinsurance of Claims	(724,692)
Reinsurance Recoveries	-
Payment of Withhold / Risk Sharing Incentive	-
Paid Administration	(4,937,389)
Repay Initial Net Liabilities	-
MCO Taxes Expense	(1,774,300)
Net Cash Provided/(Used) by Operating Activities	**(3,737,010)**
Cash Flow From Investing/Financing Activities	
Proceeds from Paid in Surplus/Issuance of Stock	-
Costs of Capitalization	-
Net Acquisition of Property/Equipment	(5,487)
Net Cash Provided/(Used) by Investing/Financing	**(5,487)**
Net Cash Flow	**(3,742,497)**
Cash and Cash Equivalents (Beg. of Period)	23,740,502
Cash and Cash Equivalents (End of Period)	19,998,005
	(3,742,497)
Adjustment to Reconcile Net Income to Net Cash Flow	
Net Income/(Loss)	(3,397,715)
Depreciation & Amortization	10,570
Decrease/(Increase) in Receivables	7,609,381
Decrease/(Increase) in Prepaids & Other Current Assets	761,811
(Decrease)/Increase in Payables	962,455
(Decrease)/Increase in LT Liabilities	(240,000)
Changes in Withhold / Risk Incentive Pool	-
Change in MCO Tax Liability	(1,773,393)
Changes in Claims and Capitation Payable	1,278,364
Changes in IBNR	(8,948,483)
	(3,737,010)
Net Cash Flow from Operating Activities	**(3,737,010)**

DRAFT BEFORE AUDIT ADJUSTMENTS

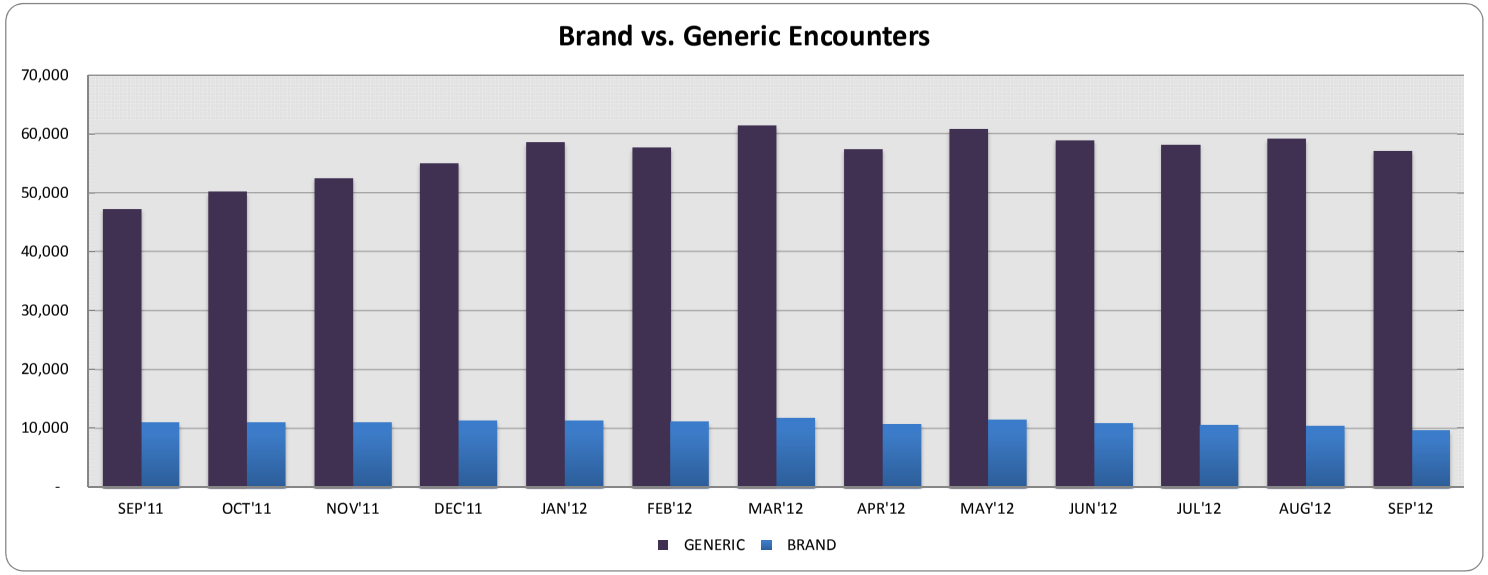
Gold Coast Health Plan

Script Care Plan Utilization and Cost Trend

For The Month Ended September 30, 2012

	SEP'11	OCT'11	NOV'11	DEC'11	JAN'12	FEB'12	MAR'12	APR'12	MAY'12	JUN'12	JUL'12	AUG'12	SEP'12	BUDGET	FAV/ (UNFAV)
Enrollment [1]	101,470	101,619	101,174	101,243	100,636	100,768	101,439	101,272	101,041	101,207	96,540	95,797	96,669	96,588	(48)
Utilization [2]	20,731	21,710	22,389	23,000	23,775	23,926	24,981	23,349	24,216	23,089	22,167	22,373	22,638		
% (enrollment)	***20.4%***	***21.4%***	***22.1%***	***22.7%***	***23.6%***	***23.7%***	***24.6%***	***23.1%***	***24.0%***	***22.8%***	***23.0%***	***23.4%***	***23.4%***		
Number Of Claims Paid [2]															
BRAND	11,068	11,060	11,197	11,482	11,421	11,267	11,903	10,888	11,617	11,052	10,757	10,499	9,743	18,873	8,116
GENERIC	47,334	50,240	52,560	55,093	58,588	57,714	61,435	57,443	60,861	58,950	58,183	59,204	57,199	56,618	(1,565)
Total	58,402	61,300	63,757	66,575	70,009	68,981	73,338	68,331	72,478	70,002	68,940	69,703	66,942	75,545	6,605
pmpm	*0.58*	*0.60*	*0.63*	*0.66*	*0.70*	*0.68*	*0.72*	*0.67*	*0.72*	*0.69*	*0.71*	*0.73*	*0.69*	*0.78*	0.07
BRAND %	**19.0%**	**18.0%**	**17.6%**	**17.2%**	**16.3%**	**16.3%**	**16.2%**	**15.9%**	**16.0%**	**15.8%**	**15.6%**	**15.1%**	**14.6%**	**25.0%**	**9.4%**
GENERIC %	**81.0%**	**82.0%**	**82.4%**	**82.8%**	**83.7%**	**83.7%**	**83.8%**	**84.1%**	**84.0%**	**84.2%**	**84.4%**	**84.9%**	**85.4%**	**74.9%**	**-9.5%**
Plan Cost [2]															
BRAND	1,733,036	1,800,249	1,760,284	1,963,430	1,815,536	1,816,430	1,908,982	1,951,084	1,939,649	2,056,168	1,908,700	2,077,303	1,804,984		
GENERIC	1,014,144	1,100,743	1,153,712	1,254,143	1,304,658	1,259,202	1,348,636	1,293,842	1,370,173	1,273,925	1,277,492	1,380,952	1,333,405		
Total	$ 2,747,179	$ 2,900,992	$ 2,913,996	$ 3,217,573	$ 3,120,194	$ 3,075,632	$ 3,257,618	$ 3,244,925	$ 3,309,822	$ 3,330,093	$ 3,186,191	$ 3,458,255	$ 3,138,389	$ 3,207,274	$ 21,083
pmpm	*$27.07*	*$28.55*	*$28.80*	*$31.78*	*$31.00*	*$30.52*	*$32.11*	*$32.04*	*$32.76*	*$32.90*	*$33.00*	*$36.10*	*$32.47*	*$33.21*	*$0.20*
avg. claim cost (Br & Gen)	*$47.04*	*$47.32*	*$45.70*	*$48.33*	*$44.57*	*$44.59*	*$44.42*	*$47.49*	*$45.67*	*$47.57*	*$46.22*	*$49.61*	*$46.88*	*$42.46*	*($3.76)*
BRAND %	**63.1%**	**62.1%**	**60.4%**	**61.0%**	**58.2%**	**59.1%**	**58.6%**	**60.1%**	**58.6%**	**61.7%**	**59.9%**	**60.1%**	**57.5%**		
GENERIC %	**36.9%**	**37.9%**	**39.6%**	**39.0%**	**41.8%**	**40.9%**	**41.4%**	**39.9%**	**41.4%**	**38.3%**	**40.1%**	**39.9%**	**42.5%**		
avg. claim cost (Brand)	*$156.58*	*$162.77*	*$157.21*	*$171.00*	*$158.96*	*$161.22*	*$160.38*	*$179.20*	*$166.97*	*$186.04*	*$177.44*	*$197.86*	*$185.26*		
avg. claim cost (Generic)	*$21.43*	*$21.91*	*$21.95*	*$22.76*	*$22.27*	*$21.82*	*$21.95*	*$22.52*	*$22.51*	*$21.61*	*$21.96*	*$23.33*	*$23.31*		

Note:

1) The actual stats obtained from California Department of Health Care Services.

2) The actual stats obtained from Script Care, Ltd.