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

2240 E. Gonzales, Suite 200, Oxnard, CA 93036
Monday, November 26, 2012
3:00 p.m.

AMENDED AGENDA

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT / CORRESPONDENCE

1. **APPROVE MINUTES**
   a. Regular Meeting of October 22, 2012

2. **CEO MONTHLY REPORT**

3. **ACCEPT AND FILE ITEMS**
   a. September Financials

4. **APPROVAL ITEMS**
   a. Extension of Tatum Contract
   b. Benefits Update and Request for Approval
   c. DHCS Contract Amendment
   d. Request for Additional Resources
   e. Continuation of Legal Services with Nordman Cormany Hair & Compton LLP

CLOSED SESSION

Conference with Legal Counsel-Anticipated litigation significant exposure to litigation pursuant to Government Code section 54956.9 (b). (One case)

Announcement from Closed Session, if any.

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

Legal Counsel

1. In re Application to file Late Claim Audra Lucas- Recommendation grant late claim application for processing

2. In re Claim of Audra Lucas-Reject claim

COMMENTS FROM COMMISSIONERS

ADJOURNMENT

Unless otherwise determined by the Commission, the next regular meeting of the Commission will be held on January 28, 2013 at 3:00 p.m. at 2240 E. Gonzales Road, Suite 200, Oxnard CA 93036

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Ventura County Medi-Cal Managed Care Commission (VCMMCC) dba Gold Coast Health Plan (GCHP) Commission Meeting Minutes
October 22, 2012
(Not official until approved)

CALL TO ORDER

Chair Gonzalez called the meeting to order at 6:00 p.m. in Suite 200 at the Ventura County Public Health Building located at 2240 E. Gonzales Road, Oxnard, CA 93036.

The Pledge of Allegiance was recited.

ROLL CALL

COMMITTEE MEMBERS PRESENT
David Araujo, MD, Ventura County Medical Center Family Medicine Residency Program
Maylee Berry, Medi-Cal Beneficiary Advocate
Anil Chawla, MD, Clinicas del Camino Real, Inc.
Laurie Eberst, Private Hospitals / Healthcare System
John Fankhauser, MD, Ventura County Medical Center Executive Committee
David Glyer, Private Hospitals / Healthcare System
Robert Gonzalez, MD, Ventura County Health Care Agency
Catherine Rodriguez, Ventura County Medical Health System

EXCUSED / ABSENT COMMITTEE MEMBERS
Lanyard Dial, MD, Ventura County Medical Association
Robert S. Juarez, Clinicas del Camino Real, Inc.
Kathy Long, Ventura County Board of Supervisors

STAFF IN ATTENDANCE
Michael Engelhard, CEO
Nancy Kiersten Schreiner, Legal Counsel
Sonia DeMarta, Interim CFO
Traci R. McGinley, Clerk of the Board
Charlie Cho, MD, Chief Medical Officer
Stefani Conley, Interim Human Resources Director
Guillermo Gonzalez, Government Relations Director
Lupe Gonzalez, Manager of Health Education & Disease Management
Steven Lalich, Communications Manager
Jenny Palm, Interim Health Services Director
Cassie Undlin, Interim COO

Language Interpreting and Translating services provided by GCHP from Lourdes González Campbell of Lourdes González Campbell and Associates.

PUBLIC COMMENT / CORRESPONDENCE

Christina Velasco, Clinicas CFO, requested to know when the Auto Assignment 3:1 ratio would be implemented, it had been discussed in June, July and briefly at the September Executive Finance Meeting. CEO Engelhard responded that programming was complete and that the 3:1 auto assignment would be implemented effective November 1, 2012.

Tony Alatorre, Clinicas COO, stated that GCHP's August 2012 Provider Newsletter advised providers that the CHDP (Child Health Disability Prevention) is considered in the PCP CAP. Clinicas is contesting this and has heard from other medical groups that GCHP receives premium dollars from federal funds. He requested to know what will happen to the unit and the money the County receives for the CHDP exams.

With regard to the CHDP Program, coverage under the PCP CAP the August Provider Newsletter clarified which billing codes could and could not be used for CHDP. The CHDP program is still in existence, and the Plan does not get extra money over and above its normal monthly capitation rate from the State. CEO Engelhard continued, stating that the Plan does not administer the County program so that question would have to be addressed with the County.

Chair Gonzalez requested a three-way meeting with Clinicas, Public Health CHDP Program staff and GCHP to reconcile this matter and come out with a statement on an understanding about how the dollars are distributed.

Tony Alatorre stated that at the Provider Advisory Committee Meeting Clinicas contested change in CHDP billing process but did not know how information from those meetings comes to the Commission. There is a population that has accepted this approach; however, Clinicas is disputing it.

1. APPROVE MINUTES

a. Regular Meeting of June 25, 2012
b. Regular Meeting of September 24, 2012

Clerk McGinley noted that the September 24, 2012 Regular Meeting Minutes needed to reflect the attendance of Charlie Cho, MD, Chief Medical Officer.

Commissioner Eberst moved to approve the Regular Meeting Minutes of June 25, 2012 and the Regular Meeting Minutes of September 24, 2012 as amended. Commissioner Berry seconded the motion. The motion carried. **Approved 8-0.**

2. CEO REPORT

CEO Engelhard updated the Commission about the first GCHP-hosted Community Resource Fair that was held on October 21st at Del Sol Park in Oxnard. Free health screenings and health education materials were distributed to attendees. Members, the general public and a number of GCHP providers were in attendance. Staff plans on scheduling additional resource fairs around the county throughout the year.

Commissioner Araujo questioned the financial impact of the Specialty Services contract. CEO Engelhard responded that staff views it as cost neutral. Chair Gonzalez added that this came to the Commission approximately one year ago. Commissioner Araujo asked what would happen should patients cross over between the County and Clinicas. Chair Gonzalez responded that there would be a contract between Clinicas and the County.

a. Health Education – Group Needs Assessment (GNA) Finings

Lupe Gonzalez, Manager of Health Education & Disease Management, reviewed the presentation.

3. ACCEPT AND FILE ITEMS

a. August Financials

Interim CFO DeMarta stated that the August Financials were reviewed in detail by the Executive Finance Committee. She noted that the Plan booked an additional $7 million to IBNR expense based on analysis staff has done with BRG, as well as Milliman. This will continue to be analyzed and refined over time. The Plan is going through its annual financial audit so the actuaries from the audit firm will also take a look at this. Staff should have the final number within a few weeks which will then be reflected back to June.

CEO Engelhard explained that being a new Plan, the actuaries had determined what would be an appropriate expense level based on the historical cost that were received from the State. The claims and cost information received from the State was only through April 2010, and the Plan was basing a lot of the cost estimates on old fee-for-service (FFS) data. The costs are higher than what was booked and estimated from that data. Just last week the Plan received updated FFS data from the State through June 2011 and now staff has approximately 30 months of data to analyze going backwards from the beginning of the Plan. Staff can now better understand the actual FFS trends to see if the actual costs the Plan is incurring are consistent with that. It will also enable staff to see if the rates received from the State are adequate since the basis of the rates where several years old. GCHP is continuing to work with BRG, Milliman and its financial auditor to understand what the IBNR number is. As GCHP receives more data, the IBNR will be based on actual claims experience as opposed to historical FFS analysis. Staff is looking at all the accruals on the balance sheet to see where there are opportunities to offset some of the $7 million. When the Plan has the financial statement audit performed and completed staff will advise the Commission if there were other opportunities to offset this.

Interim CFO DeMarta noted that staff worked on a revised methodology that BRG, Milliman (the actuaries) and the State have agreed with.

Chair Gonzalez added that this is not the first time the Plan has had to adjust the IBNR and it always creates a dramatic change, which also affects the TNE. However the Plan has money in the bank and is paying the bills.

CEO Engelhard noted that the Plan continues to have two months of cash in the bank, and is paying claims more timely than in the first few months of Plan operations. The Plan has more than adequate working capital to continue to operate; however needs to continue to watch the IBNR versus the cash levels. Staff is developing plans to ensure the cost structure of the organization is as optimal as possible.

CEO Engelhard announced that there are a number of activities that the Plan is undertaking surrounding claims – claim review, claim recovery, other health coverage, and credit balance audits. Staff is doing an RFP for non-emergency transportation and the State asked the Plan to review contracts for rates.

CEO Engelhard reported that the Plan reserved approximately $6 million for AB97, 10% Provider cuts. Staff believes the Plan has accrued $4.8 million that may be able to be released and used towards the IBNR. Staff hopes to present that at the Executive Finance Committee Meeting.

Commissioner Chawla moved to accept and file the August Financials. Commissioner Araujo seconded the motion. The motion carried. **Approved 8-0.**

4. CONSENT ITEMS

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

Commissioner Eberst moved to ratify the contract with the Law Firm of Wilke-Fleury for Specialized Legal Services for Managed Care Contracting. Commissioner Chawla seconded the motion. The motion carried. **Approved 8-0.**

5. APPROVAL ITEMS

a. Consideration of Adoption of Claims Procedure for Claims Against Gold Coast Health Plan and Adoption of Associated Resolution

Legal Counsel Kiersten Schreiner reported that when the Plan was created a Non Medi-Cal Claim process was not created.

Commissioner Glyer moved to adopt the Claims Procedure and adopt the Resolution. Commissioner Araujo seconded the motion. The motion carried. **Approved 8-0.**

RESOLUTION 2012-002

A RESOLUTION OF THE VENTURA COUNTY MEDI-CAL MANAGED CARE COMMISSION ADOPTING CLAIMS PROCEDURE

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

Commissioner Eberst moved to approve that no further action be required in the establishment of meetings for the Executive Finance Committee by the Commission. Commissioner Chawla seconded the motion. The motion carried. **Approved 8-0.**

c. Consideration and Adoption of 2013 Commission Meeting Schedule

Commissioner Berry moved to adopt the 2013 Commission Meeting Schedule. Commissioner Fankhauser seconded the motion. The motion carried. **Approved 8-0.**

d. Consideration of Adoption of Conflict of Interest Code and Adoption of Associated Resolution

Legal Counsel Kiersten Schreiner noted that with the transition from RGS (Regional Government Services) to GCHP, having title changes, as well as filing category requirement corrections. This will not be effective until it has gone to the Board of Supervisors and they have approved the modifications, the existing Conflict of Interest Code will remain in effect until the Board of Supervisors adopts the new Code.

Commissioner Eberst moved to adopt the Conflict of Interest Code and adopt the Resolution. Commissioner Berry seconded the motion. The motion carried. **Approved 8-0.**

RESOLUTION NO. 2012-003

A RESOLUTION OF VENTURA COUNTY MEDI-CAL MANAGED CARE COMMISSION dba Gold Coast Health Plan UPDATING DESIGNATED EMPLOYEES, OFFICERS AND DISCLOSURE CATEGORY LIST FOR POLITICAL REFORM ACT AND FAIR POLITICAL PRACTICES REQUIREMENTS (CONFLICT OF INTEREST AND RESCINDING OF PRIOR CONFLICT OF INTEREST CODE)

6. CONSIDERATION OF EMPLOYEE HEALTH BENEFIT COVERAGE AND PROVIDE DIRECTION

CEO Engelhard reported that staff surveyed eight organizations, other COHS and local hospitals which were included in the packet. What staff is proposing is consistent with the other agencies and hospitals.

Staff recommendation is to allow the Plan to continue health, vision and dental immediately to employee and their family members: continue the 10% retirement benefit contribution, hire a benefit structure professional to perform a review and determine the appropriate retirement plan for GCHP employees.

Commissioner Berry moved that GCHP offer health, dental and vision benefits to its employees and families upon eligibility. Commissioner Fankhauser seconded the motion. The motion carried. **Approved 8-0.**

Commissioner Rodriguez moved GCHP maintain the ten percent (10%) contribution to the STARS retirement system pending further review of retirement plan options. Commissioner Eberst seconded the motion. The motion carried. **Approved 8-0.**

7. DISCUSSION OF CORRECTIVE ACTION PLAN

CEO Engelhard reported that on October 4, 2012 the Plan received a Corrective Action Plan (CAP) with eight areas of focus for improvement. These are areas the Plan was already aware of and staff had been working on. The State wants an agreed upon methodology for the IBNR. The Plan is to maintain low claims inventory, which will allow the Plan to get a better handle on IBNR. The Plan is to keep refunds at a low level. There are five key positions they want filled - COO, CFO, HR, IT and HS. Staff is moving aggressively on 4 of the 5. The Plan is still identifying candidates for the COO position; as GCHP wants to make sure we get it done right. By the next Commission Meeting there should be announcements on the 4 positions.

CEO Engelhard continued, stating that the State wants to see what the Plan is doing in terms of identifying additional cost savings through utilization measures. DHCS wants GCHP to look at the cost side of the contracts, the Plan's Utilization Management Plans, including CCS referrals. The last piece of the CAP is the submission of encounter data; the Plan is still working on getting the formatting of that file correct. There is a lot there, but nothing really new to GCHP or the State.

Commissioner Glyer stated that the report seemed generic and he expected the State required more specific responses and numbers to the items. Discussion was held regarding the specific CAP. Commissioner Glyer added that the ability to meet the TNE is one of the most important challenges facing the Plan and he is concerned about the response to the Utilization Management issues and staff seems to have come back with solving it with cuts to providers as opposed to fixing utilization issues that have been discussed.

CEO Engelhard responded that staff's intent was not to solve the TNE issue by merely cutting providers; the Plan needs to get a handle on the claims so that staff can see what the historical cost structure of the organization looks like and so it can determine what the real IBNR is. The State has specifically asked the Plan to look at provider contract rates and staff is responding to that request. It is not staff's intent to balance its books by only cutting provider rates.

CEO Engelhard stated that he would be discussing pushing some of the dates out with the State. Chair Gonzalez asked CEO Engelhard if he would confirm with the State whether or not it is a document the Commission should receive at this point and clarify what dates the Plan will be held to. He clarified that the purpose of today was to inform everyone that the Plan received a CAP and for the CEO to walk the Commission through the major items.

CEO Engelhard stated there are a few items that the Plan wishes to push back on to the State, but wish to be transparent to the Commission and the community. GCHP is writing a letter to the State, but staff wanted to get this to the Commission as soon as possible in terms of a meeting scheduled.

COMMENTS FROM COMMISSIONERS

Commissioner Berry reported that the Resource Fair was a great event, there were so many families, it was great fun, and it had a great feeling. It was very well attended and it was great to see the efforts of the providers. People waited in line for a long time but the atmosphere was fun. She complimented the staff and stated that the vendors (providers) were very excited to be at the fair.

Chair Gonzalez stated that the Public Health Department does have programs teaching healthy eating and there is a community garden project in Oxnard. That is something that could be promulgated a little more with GCHP. St. Johns has done some programs around this as well. People love cooking demonstrations, Public Health got a cookbook for Latino dishes where they have taken a lot of fat and calories out of the dishes and they do demos on how to cook a chili relleno that doesn't have all the calories.

Chair Gonzalez stressed that staff needs to understand that by asking questions about the level of employee benefits the Commission is not making a statement of not appreciating what staff is doing or supporting them; the Commission is merely exercising their fiduciary responsibility.

ADJOURNMENT

Meeting adjourned at 7:36 p.m.

AGENDA ITEM 2

To: Gold Coast Health Plan Commission Meeting

From: Michael Engelhard, CEO

Date: November 26, 2012

Re: CEO Update

DHCS Update

- Corrective Action Plan: GCHP continues to work towards meeting the targets established in the CAP received on October 4, 2012. The final deadline for submissions listed in the CAP is December 31, 2012.

  A key part of the CAP is providing DHCS with a viable plan to get GCHP back in compliance with its TNE requirements. To accomplish this, revenue needs to be increased, costs need to be controlled and, if possible, capital needs to be raised.

  - Revenue: GCHP is implementing coding initiatives to ensure members are coded into their proper aid category to ensure appropriate revenue levels. GCHP is also reviewing initial rates provided by DHCS to ensure accuracy.
  - Costs: Costs need to be contained. Accuracy of claims payments is the primary focus. This also includes the recovery of duplicate and overpayments, coordination of benefits with primary payers, and configuring the claims system for greater accuracy. Utilization management approaches are being reviewed to make certain that applicable controls are in place. Based on observations by the Monitor, DHCS has pointed out that certain provider contract rates need to be revisited to more closely reflect consistency with payments for Medi-Cal services.

- Medical Review Audit: On November 2, 2012, GCHP received notice from DHCS of its intent to perform a medical review audit of GCHP. Medical review audits are performed on plans approximately every three years. GCHP to-date had not been audited in these areas. DHCS auditors will be on-site during the week of December 10-14. These audits require extensive preparation which staff is performing now. While the outcome of such an audit is unknown, it is likely to include certain corrective actions to be taken by the plan.

- Meeting with DHCS on November 14: CEO, CFO and Director of Government Relations meet with Toby Douglas and other DHCS leadership at his office in Sacramento. While Mr. Douglas expressed the Department's support for the new management team at GCHP and their desire to see the plan succeed, he emphasized the deep concern DHCS has about the financial condition of the plan. Fulfilling the corrective action plan, which includes the submission of a detailed financial plan, is an important step for GCHP.

Key Positions Hiring Update

- Director of Health Services: Jenny Palm, a consultant at GCHP since last year, was hired as full-time Director of Health Services effective on or about November 1
- CFO: Michelle Raleigh began work at GCHP on November 13
- Director, IT: Melissa Scrymgeour will begin on November 28
- Human Resources Manager: Stacy Diaz will begin on December 3
- COO: candidates are being recruited and interviewed. Hire date is still TBD.

Operations Update

- Auto Assignment: the Commission-approved "3:1" auto-assignment process was implemented for enrollments effective November 1, 2012.
- Claims Processing: Inventory has settled in around 20-23,000 claims. This represents about one week's worth of claims receipts. Turnaround times continue to improve. New claims edits are expected to be implemented in January 2013. The auto-adjudication rate is low, at about 20-30%, but the Plan is working with ACS to get this rate to above 60% by the end of this fiscal year.
- Customer Service: graphs on call center statistics and grievance and appeals are attached.

Government Relations

- Meetings in Sacramento:
  - Capitol Meetings: On November 14 Staff met separately with Assemblymen Das Williams and Dr. Richard Pan. Staff also met with Senate and Assembly Health Committee representatives to discuss issues relevant to Gold Coast Health Plan.
  - All-Plan CEO Meeting with DHCS: the CEO and Director of Government Relations were in Sacramento on November 15th to attend the All-Plan CEO Meeting with DHCS. Topics and discussion included:
    - Status of FY11-12 and FY12-13 final rates: the Department indicated that they are submitting rate packages for these two fiscal

years to CMS in January. If approved, GCHP (and all plans in CA) may receive final rates for these two fiscal years in March or April.

- ACA PCP rate increase implementation status: CMS issued its final rules for this about 2 weeks ago. The state of California is reviewing as to how it will implement this requirement. DHCS indicated that they will likely not be providing rates to the health plans nor to the FFS providers until June 2013. The plans expressed great concern that providers are expecting the rate increase effective January 1, 2013 as outlined in the ACA. DHCS understood these concerns but indicated that since they received the rules so late from CMS that it will take them some time to determine implementation rules and rate impacts.

- Healthy Families transition to Medi-Cal: the Department is moving forward with the transition. GCHP will transition HFP children into the Plan on August 1, 2013.

Finance and Accounting Update

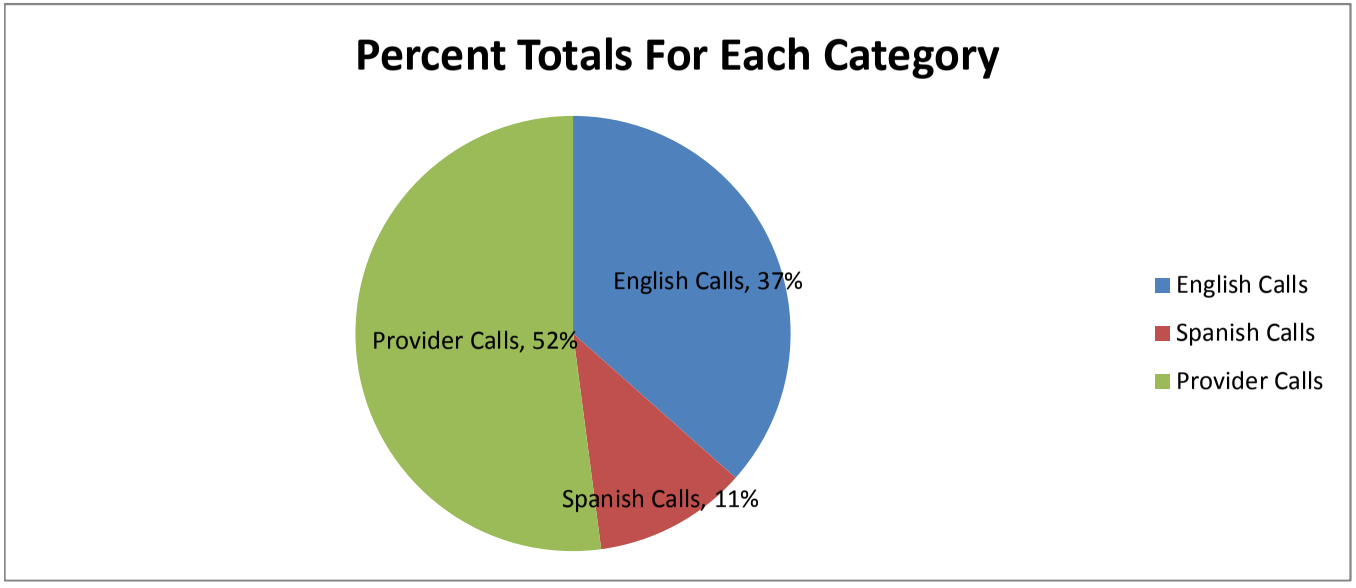
- FY 2011-12 Financial Audit Update: The Plan is on target to submit the Audited Financial Statement to DHCS by the November 30, 2012 deadline. GCHP's actuary (Milliman), along with BRG and DMHC, have arrived at a consensus as to what the final incurred but not reported (IBNR) should be for the period ended June 30, 2012.

- Rate Development Template (RDT): The Plan filed its first RDT with DHCS on November 15th. The template included claims experience and membership covering the first six months of operations. This information will most likely be combined with other factors to determine our rates for SFY 2013 – 14.

- Overpayment & Offset Ability: The Plan received guidance from its Attorney at Wilke Fleury confirming its ability to offset overpayments to providers if funds are not returned or disputed within 60 days. Collection Letters will be issued to providers to return known overpayments per government regulations.

Gold Coast Health Plan Call Center October Metrics

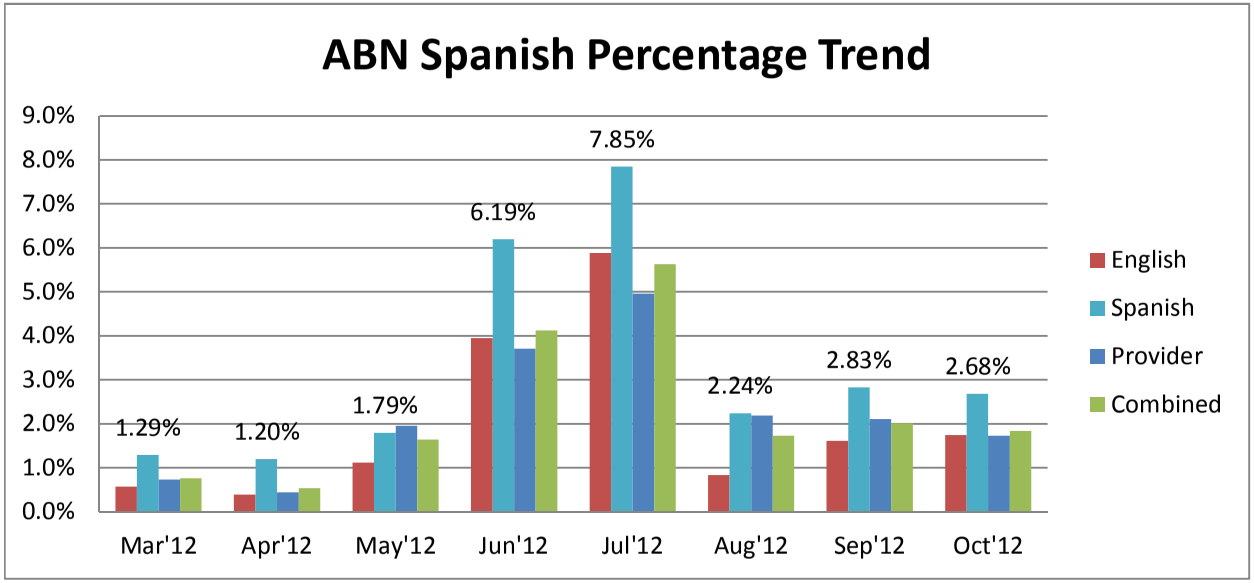
October Call Center Stats	Calls Offered	Calls Offered (as % of total)	Calls Handled	Calls Abandoned	Abandoned Percent	Avg Speed Answer (in min)	Average Talk Time (in min)	Average Hold Time (in min)
English Calls	2880	37%	2830	50	1.74%	0.51	5.49	0.82
Spanish Calls	897	11%	873	24	2.68%	0.85	7.07	0.96
Provider Calls	4104	52%	4033	71	1.73%	0.68	5.73	0.89
Month Totals	7881	100%	7736	145	1.84%	0.64	5.80	0.87



Gold Coast Health Plan

Abandon % - Monthly Comparison Trend

Category Call Type	Mar'12	Apr'12	May'12	Jun'12	Jul'12	Aug'12	Sep'12	Oct'12	Ave total per Cat. Call
English	0.57%	0.39%	1.12%	3.95%	5.88%	0.83%	1.61%	1.74%	2.01%
Spanish	1.29%	1.20%	1.79%	6.19%	7.85%	2.24%	2.83%	2.68%	3.26%
Provider	0.73%	0.44%	1.95%	3.71%	4.96%	2.19%	2.11%	1.73%	2.23%
Combined	0.76%	0.53%	1.64%	4.12%	5.63%	1.73%	2.01%	1.84%	2.28%
Average per month - excluding combined	0.84%	0.64%	1.63%	4.49%	6.08%	1.75%	2.14%	2.00%	
Average Total Months Mar. through Oct.	2.45%								



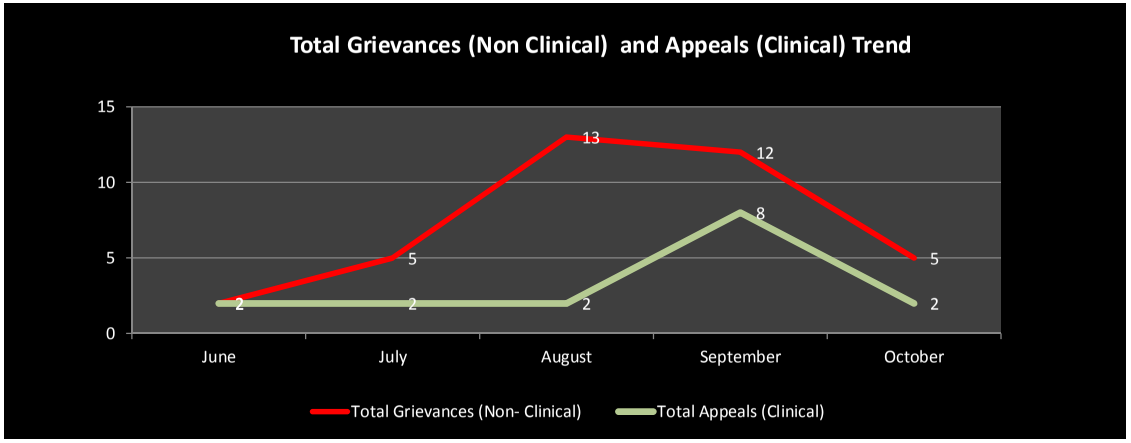
Note: Spanish to English abandon percentage gap narrowed by 5.3%

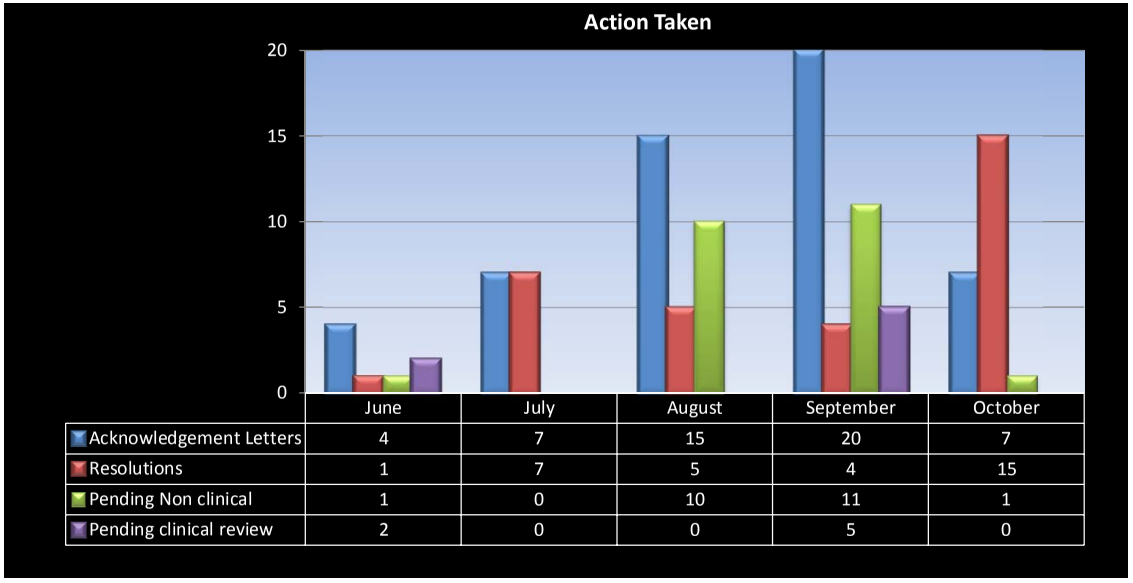
Gold Coast Health Plan

Medi-Cal Member Grievances And Appeals Trend

June thru October 2012

	Trend (June thru October 2012)				
G & A Totals:	**June**	**July**	**August**	**September**	**October**
Total Grievances (Non- Clinical)	2	5	13	12	5
Total Appeals (Clinical)	2	2	2	8	2
Action Taken:					
Acknowledgement Letters	4	7	15	20	7
Resolutions	1	7	5	4	15
Pending Non clinical	1	0	10	11	1
Pending clinical review	2	0	0	5	0





California Election Wrap-up and Forecast

By: Don Gilbert, Mike Robson, and Trent Smith
November 9, 2012

With the results of the November 6, 2012, election mostly complete, this election will go down as monumental in terms of impact on state government funding and the Legislature. The following is a summary of the major stories that frame the 2012 election in California.

Proposition 30 – Passed. Governor Brown's ballot initiative to raise the sales tax and income tax on high-wage earners passed easily at the ballot 54% to 46%, surprising many because polling data heading into the final days of the campaign showed the measure slipping. The Governor's campaign strategy which focused on appealing to younger, college-age voters who would be impacted by cuts to higher education proved to be the correct strategy. Voters aged 18-29 turned out in record numbers providing a significant boost to Prop 30's vote totals.

Proposition 32 – Failed. More money, television advertising, and campaign workers were focused on this initiative than any other item on the ballot. This proposition aimed to neuter labor unions' ability to raise campaign money from members by prohibiting payroll deductions from employee's paychecks for political activity. It also would have prohibited corporate and union spending on politicians' campaigns. At least $50 million was spent in favor of the initiative, while unions poured in more than $60 million to defeat it. Organized labor put 40,000 union volunteers into the campaign against the initiative making direct contact with at least one million voters. These contacts, in turn, played a role in the outcome of Proposition 30 and certainly helped Democrat candidates on the ballot.

Legislature – 2/3 Supermajorities for Democrats. Assuming nothing changes in the legislative races that are still counting absentee ballots, both the State Senate and Assembly are going to elect enough Democrats to secure a 2/3 majority in each house. This will be the first time in 80 years that one party has controlled both Houses of the Legislature with a supermajority and the Governor's office at the same time. The Democrats also continue to hold every statewide constitutional office.

The Senate should seat 28 Democrats in December, one more than the 27 needed for a 2/3 vote. However, two sitting Democrats won election to Congress and will vacate their seats once sworn into Congress in January. Those safe Democratic seats will be filled in special elections in the Spring.

The Assembly, on the other hand, should seat 54 Democrats in December. However, it is expected that at least one of those Democrats will assume one of the Senate seats in the Spring, necessitating another special election which could be filled by Summer.

With a municipal election in Los Angeles looming, there may be more legislators leaving by Summer of 2013. So in short, while the electorate has given the Democrats the ability to have a 2/3 vote, it may not surface for practical use until late Summer of 2013.

The significance of the 2/3 vote is that urgency bills, tax levies, votes to waive the rules of the House on procedural matters, and constitutional amendments require 2/3 vote. Historically, the Republicans do not vote on tax increases and constitutional amendments. The procedural rules requiring 2/3 vote often ensure that last-minute legislation receives proper review and analysis before being voted on. Once the electoral dominoes have fallen, the Democrats will not need the Republicans for any of the above items.

Preliminary Outlook for 2013

Governor – With his victory on Proposition 30, the Governor has created some breathing room on the budget and will have ability to focus his attention on other pressing issues. It is expected that the tax increase will bring in $6 billion to help bridge a budget deficit of approximately $9 billion. He has expressed a desire to be judicious and wise with the new revenues and to keep the Legislature's desires in check. To that end, he will not propose new spending programs. Rather, he has expressed a desire to focus on regulatory reform to balance the needs of business and environment, water infrastructure, continued rollout of high speed rail, education reform, and the next state budget.

Legislature -- With 39 new members not being sworn in until December, it is too early to tell what the Legislature's priorities will be. However, in his press conference following the election, Darrell Steinberg, the Senate Democratic leader, promised to pursue initiative reform and tax reform. The term "tax reform" means different things to different people. To Senator Steinberg, "tax reform" means stabilizing the volatility of the current state tax system, which is heavily dependent upon income tax and capital gains. Past efforts at "tax reform" meant raising taxes by broadening the sales tax to include a tax on services. The big question is whether the Democrats will be able to avoid over-reaching on policy and budget issues given their supermajority. The Governor is promising to reign the Legislature in should they over-reach.

2/3 Vote and Moderate Democrats -- In past years, various Republican legislators would occasionally cross party-lines to vote for legislation that would raise taxes or pass a state budget. Often, those Republicans would leverage their vote to ensure that issues they cared about were also passed or projects in their district were funded. With Republican votes no longer needed, the influence that comes with being a swing vote, will fall on the moderate Democrats in each House. Individual Democrats' stock will rise because on an important 2/3 vote bill, such as one to raise taxes, each Democrat is the swing vote to pass the bill. We expect the moderate Democrats to recognize this potential power.

Labor Unions -- By defeating Proposition 32 and with the Democrats gaining seats in both houses of the Legislature, we expect the unions to have even more influence than ever. How organized labor exercises that influence remains to be seen. However, in early press conferences the President of the California Labor Federation has expressed a desire to look at "corporate tax loopholes".

Budget -- With the passage of Proposition 30, there will be less pressure to make additional cuts to the state budget; the bulk of which would have to come from Medi-Cal and other health care programs. Given past cuts in these areas, the Legislature is likely to try to "paper over" the approximately $3 billion remaining deficit. Nonetheless, Medi-Cal and other health care programs could still be targeted to some degree.

GOLD COAST HEALTH PLAN

SUMMARY FINANCIAL RESULTS

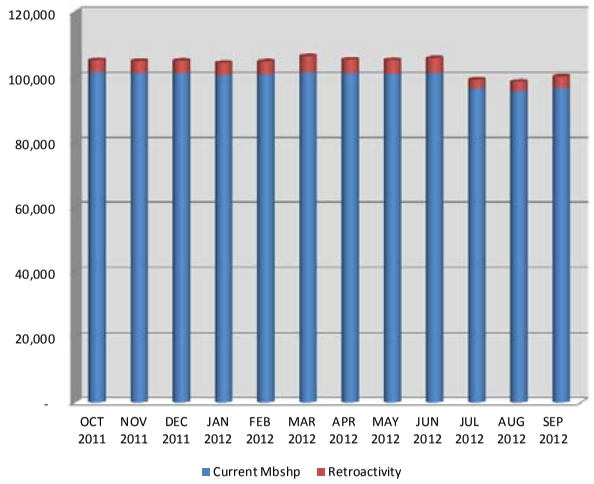
Rolling Quarterly Actual Trend

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**

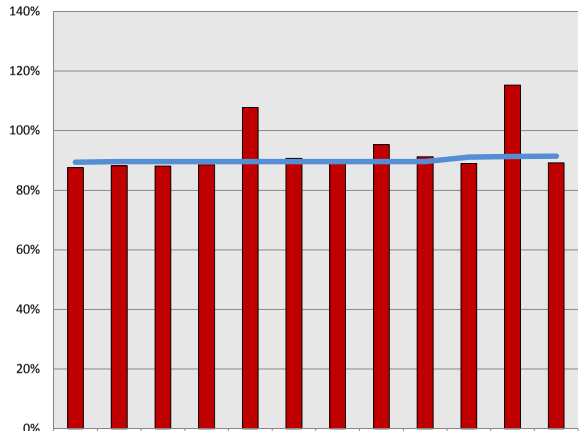
Note (1): February Health Care Costs include $4M added to reserves pursuant to updated Milliman IBNR methodology.
Note (2): May Health Care Costs include $3M added to reserves.
Note (3): June Health Care Costs include $2M added to IBNR.
Note (4): August Health Care Costs include $7M added to IBNR.

GOLD COAST HEALTH PLAN
Financial Scorecard - September 2012

Membership

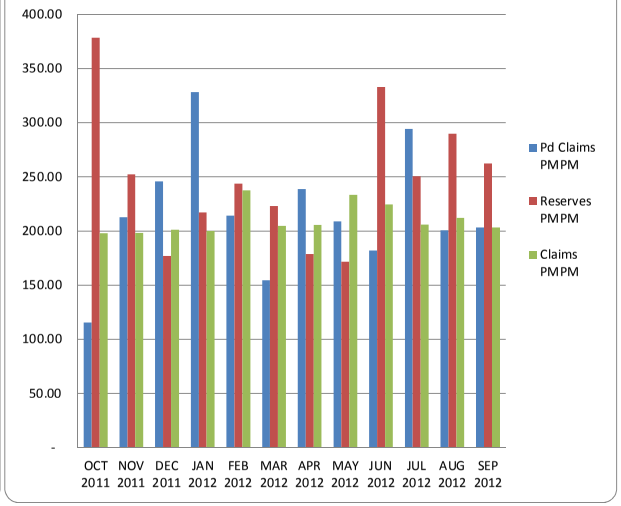


Health Care Cost (MLR)

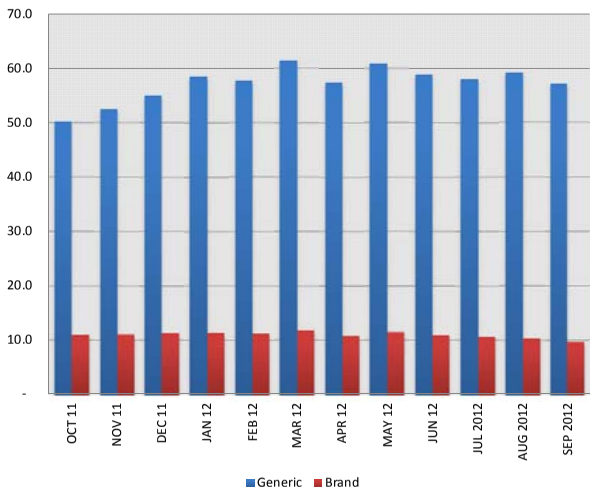


	OCT 2011	NOV 2011	DEC 2011	JAN 2012	FEB 2012	MAR 2012	APR 2012	MAY 2012	JUN 2012	JUL 2012	AUG 2012	SEP 2012
Series1	87.6%	88.2%	88.1%	88.5%	107.8%	90.7%	90.1%	95.3%	91.3%	89.0%	115.3%	89.2%
Series2	89.4%	89.6%	89.6%	89.6%	89.6%	89.6%	89.6%	89.6%	89.6%	91.1%	91.3%	91.4%

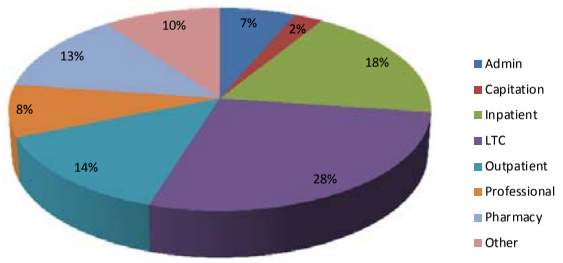
Claims - Reserves



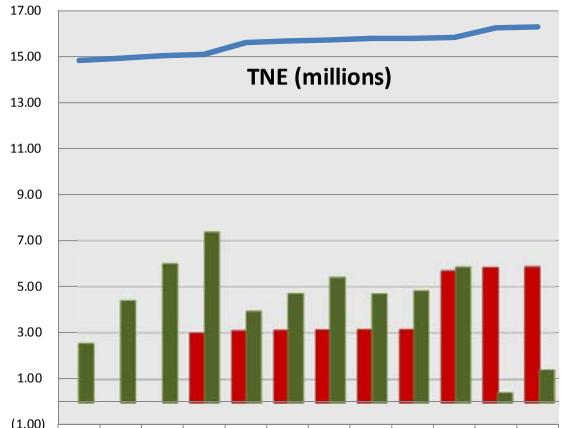
Pharmacy Encounters (Count in 000s)



Expenditures September YTD



TNE (millions)



	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**

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**

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**

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)**

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%**	

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)**

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)**

Gold Coast Health Plan

Script Care Plan Utilization and Cost Trend

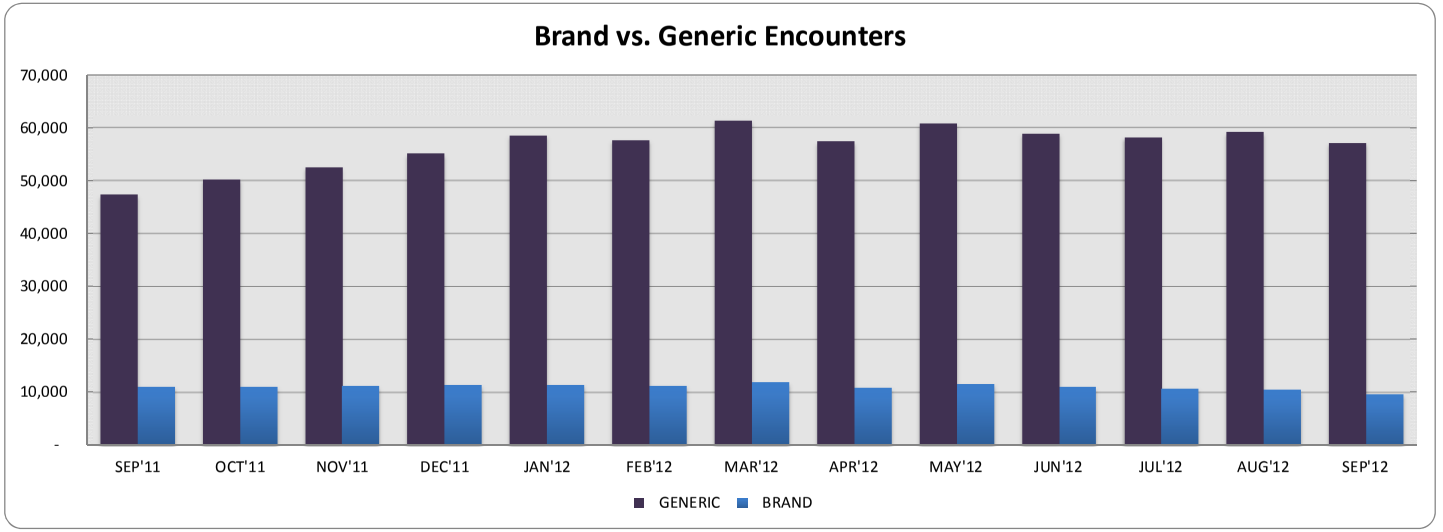
For The Month Ended September 30, 2012

	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.



AGENDA ITEM 4a

To: Gold Coast Health Plan Commissioners

From: Michael Engelhard, Chief Executive Officer

Date: November 26, 2012

RE: Extension of Tatum Contract

SUMMARY:
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

BACKGROUND:
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.

DISCUSSION:
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.

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

AGENDA ITEM 4b

To: Gold Coast Health Plan Commissioners

From: Michael Engelhard, Chief Executive Officer

Date: November 26, 2012

RE: GCHP Benefits Update and Request for Approval

SUMMARY:
On October 22, 2012, Gold Coast Health Plan (GCHP or "Plan") Commission approved moving forward with the employee benefits described at that meeting. This report item requests the Commission to give the CEO the authority to finalize an employee benefits package that would be effective on January 1, 2013 and to enter into contracts to provide these benefits.

BACKGROUND:
When Gold Coast Health Plan was formed, certain necessary pieces of an organization's infrastructure were not yet formed. One important piece of infrastructure was a Human Resources department and more importantly, the development and implementation of a benefits program. The Plan entered into an agreement with Regional Government Services to be responsible for the staffing of GCHP. All employees were RGS employees but their work was to be managed by GCHP's CEO. Since RGS was responsible for providing leased staff, they were also responsible for providing employee benefits, including health, dental, vision, retirement, etc. to the RGS employees.

As of September 1, 2012, Gold Coast Health Plan and RGS jointly terminated the contract between the two entities and GCHP became the responsible legal entity for the employees who transitioned to be GCHP employees including employee recruitment, compensation and benefits.

Consequently GCHP worked with an employee benefits broker to market the Plan to various providers. This work was performed and finalization of the benefits package is proceeding. In order to have the benefits available to employees effective January 1, 2013, contracts will have to be signed in the next few weeks. Therefore the Plan is seeking authority for the CEO to enter into these contracts.

DISCUSSION:
Having a robust and competitive employee benefit package is crucial for the hiring and retention of professional staff. GCHP is continuing to add staff to meet the needs of the

state contract to serve Ventura County's vulnerable Medi-Cal and dual eligible populations. In order to recruit and retain highly qualified candidates, GCHP needs to offer a competitive benefits program.

The proposed benefits plan is similar to benefits provided by RGS with a few exceptions. GCHP will offer both a Kaiser option (HMO) and a non-Kaiser option (HMO and PPO) to employees. The RGS package contained two non-Kaiser health carriers. GCHP recommends offering only one non-Kaiser health carrier.

The RGS package did not contain any out-of-pocket maximums. While this kept premiums down, it could cause severe hardship for individual employees if they or a family member suffered a catastrophic health event. Therefore, the proposed plan would contain out-of-pocket maximums that vary from $4,000 to $16,000, depending on number of persons covered and the type of plan selected (PPO versus HMO). The plan believes this is an important benefit to offer its employees.

Another change to the existing benefits package that Gold Coast Health Plan employees receive is that in order to keep the total annual increase in cost of coverage to GCHP low, employees will be asked to pay more of the monthly premium amount on average. Employees currently contribute only about an average of 3% of the total premium cost of coverage. The new proposal would increase the average employee premium contribution to more than 10%.

With the changes outlined above, the annualized increase of employee benefits costs to Gold Coast Health Plan is projected to be in the mid to high single digits. This represents a very modest annual increase in today's employee benefits environment, particularly for employers of only approximately 50 employees.

RECOMMENDATION:
Recommend giving the CEO authority to enter into contracts when the final benefits and carriers are selected.

AGENDA ITEM 4c

To: Gold Coast Health Plan Commissioners

From: Michael Engelhard, Chief Executive Officer

Date: November 26, 2012

RE: Request CEO to Sign DHCS Contract Amendment

SUMMARY:
Gold Coast Health Plan requests the Commission to give the CEO approval to sign a Contract Amendment (Draft at this time (no contract number)) which incorporates DHCS instructions on processes and procedures for new Seniors and Persons with Disabilities (SPD). DHCS is working with CMS to develop a new implementation date. Once that is determined and approved the COHS plans will be contacted with a new implementation date. Work will continue on draft contract language and deliverables so plans are fully prepared for implementation.

BACKGROUND:
A federal waiver was granted under section 1115(a) permitting enrollment of Medi-Cal Seniors and Persons with Disabilities into Medi-Cal managed care plans. The waiver allows DHCS to facilitate care coordination, better managements of chronic conditions and improved health outcomes through additional requirements specific to this population.

DISCUSSION:
DHCS is requiring that GCHP identify, contact and assess all new SPD members for medical risk (including the establishment of a risk score) and develop care plans to mediate identified medical risk. This must be done within the first 44 days of enrollment. The goal of the assessment is to ensure as much as possible decompensation in status and / or to slow the progression of chronic medical conditions. Both basic and comprehensive case management services are to be provided as appropriate. In addition, SPD specific HEDIS measures are to be calculated for measures specified by DHCS. This initiative begins with the collection of 2013 HEDIS data (year 2012). As part of the process to ensure that PCP and high volume specialists are compliant with the standards for access for disabled persons, a new addendum to the facility site review has been created. This addendum must be completed on all PCP sites that contract with the Plan. Networks will be required to be adequate to treat all conditions specific to the SPD population and reports will be required to be submitted on a designated schedule. Sensitivity training must be provided by the Health plans to the provider network on specifics around dealing with SPD members. GCHP must provide

12 month access to out of network services for newly enrolled SPDs if they have established care with Out of Network providers. SPD members must be allowed to select a specialist as their PCP based on their chronic / long-term medical conditions. In addition, GCHP will be required to create new or update existing policies and procedures to accommodate specifically for the SPD population.

RECOMMENDATION:
It is recommended that the GCHP CEO sign the Amendment incorporating new processes and procedures specific to the SPD population. The new processes and procedures are being required of all Medi-Cal managed care plans as a result of the passage of the federal waiver.

AGENDA ITEM 4d

To: Gold Coast Health Plan Commissioners

From: Michael Engelhard, Chief Executive Officer

Date: November 26, 2012

RE: Request for Additional Resources

SUMMARY:
Gold Coast Health Plan (GCHP or "Plan") is entering into a critical phase of its turnaround.

The Plan is currently responding to a Corrective Action Plan from its regulator (Department of Health Care Services or DHCS) for financial and operational deficiencies. On November 2nd, the Plan received notification from DHCS that it would be subject to a medical review audit that would commence on December 10th. Preparing for this audit, on top of responding to the CAP, is placing severe strain on resources.

Additionally, the DHCS monitor continues to have concerns about the current configuration of the Plan's core system used for eligibility and claims payments. The system requires close oversight by Plan resources in order to continue needed configuration improvements to ensure proper and efficient claims processing and data capture.

In addition to these short-term needs, there are longer-term increases to workflow coming in 2013. Among these are:

- Preparing for the Healthy Families transition into Medi-Cal, increasing membership by approximately 20,000 effective August 1, 2013 but requiring planning to begin in early 2013.
- Preparing for Medi-Cal expansion in 2014. Enrollment of these new members begins on or around October 1, 2013, necessitating planning to also begin no later than January 2013. Medi-Cal expansion could increase enrollment by approximately 20,000 to 30,000 members. Since a high percentage of these members are already part of the County's ACE program, the Plan needs to begin working with the County as soon as possible to ensure smooth transitions.
- The Plan is planning on implementing a plan-to-plan, fully-delegated, capitated contract in early 2013. This will require the Plan to significantly increase its

oversight and compliance programs since GCHP will be the regulator for the delegated sub-contractor.
- Implementing the PCP rate increase as required by the Affordable Care Act (ACA). The Plan is waiting for guidance from DHCS on implementation.

Consequently, this report item requests additional staffing and extension of consulting resources to meet critical, looming needs.

BACKGROUND:
When Gold Coast Health Plan went live on July 1, 2013, certain necessary pieces of an organization's infrastructure were not yet formed. The most critical piece of the infrastructure, the claims payment system, was not fully configured prior to go-live. Completing the configuration of the claims system is a crucial step to ensure the long-term sustainability of GCHP.

DISCUSSION:
Gold Coast Health Plan is currently understaffed relative to other COHS who are operating efficiently. GCHP is still completing some work that should have been done prior to start-up as well as resolving current operating issues. Given this environment it is not feasible for the Plan to achieve all its regulatory requirements, operational goals and program enhancements planned by DHCS for 2013 with only 50 employees. One other COHS with approximately 100,000 members and $300 million in annual revenues, the size of GCHP, has about 140 employees. When accounting for the areas that GCHP outsources to ACS (claims, customer service, IT and UM), the other COHS would still have approximately 75 FTE on staff.

Considering the amount of turnaround work to be done and the on-going needs of running the health plan, staff is recommending a hiring plan for the FY 12-13 year that would increase the GCHP staff to between 70-80 FTE. These will be phased in depending on work requirements. It is essential that the Plan have adequate staffing to fulfill its mission.

Included in the staffing plan are the five key positions outlined in the CAP. The status of this hiring is as follows:
- COO – recruitment underway
- CFO – hired as of 11/13/12
- Director of IT, hired; start date on 11/28/12
- Human Resources Manager, start date 12/3/12
- Director of Health Services, start date 11/1/12

In addition to the positions highlighted above, additional hiring is recommended in the following areas:

- Operations: includes staffing for 2 claims positions and 2 provider contracting / relations position
- Information Technology: include an IT security analyst
- Medical: staffing increases include up to 6 additional FTE for UM, case management and quality initiatives
- Analysis / Reporting: this plan includes up to 4 FTE for financial, data and / or business analysts
- Other: includes staff for project management, community outreach, eligibility, compliance and human resources.

This staffing plan represents an increase of approximately 20-24 FTE in addition to the five key positions previously approved in order to complete the turnaround work of the Plan, ensure access to care for our existing members and prepare for expansion in 2013.

Because GCHP is having to address two regulatory actions – the Corrective Action Plan and the medical review audit - the plan-to-plan contract, originally targeted for a January 1, 2013 implementation, has been deferred into late first quarter of 2013 or later if additional regulatory actions arise.

Additionally, progress with ACS systems configuration and operations has been made over the past two months with the help of consultants from Tatum. Their focus has been nearly exclusively on resolving issues with the core system and related operations, and this focus has produced encouraging results. Therefore, it is critically important to allow the expertise built up by the Tatum consultants to continue. The Tatum contract currently extends the work of the Interim COO ($35,000 / month) and the IT Principal ($40,000 / month) to the end of November 2012. Staff recommends extending both consultants for 120 days, through March 31, 2012. Staff also recommends the addition of another Tatum principal to focus primarily on claims analysis and recovery efforts and to assist with utilization management reporting and analysis. These are critical efforts to Gold Coast Health Plan's turnaround plan. It is imperative that Gold Coast Health Plan begin to show progress on the areas identified to resolve the Plan's TNE issue and this person will be critical to implementing the plans that are near completion.

Keeping the Tatum consultants is also recommended by the State's monitor, BRG. The monitor concurs that keeping the momentum begun by the Tatum consultants is critical. Failure to extend their contract would result in the Plan losing momentum on resolving critical systems and operational issues at a time when those areas are the focus of the state's Corrective Action Plan.

RECOMMENDATION:

- Authority to hire recommended staff positions to meet immediate and longer-term needs of the Plan, and
- Extend the Tatum contract for a minimum of 120 days with a focus on completing the configuration work of the ACS core system and implementation of claims recovery efforts. The cost for the three Tatum principals is $100,000 per month.

Gold Coast Health Plan℠
A Public Entity

www.goldcoasthealthplan.org

AGENDA ITEM 4e

To: Gold Coast Health Plan Commissioners

From: Michael Engelhard, Chief Executive Officer

Date: November 26, 2012

RE: Legal Services

BACKGROUND:
On or about April 19, 2012, Cassie Undlin, Interim CEO executed the engagement of legal services provided by Nordman Cormany Hair & Compton LLP (NCHC) for Gold Coast Health Plan (GCHP). The Commission subsequently ratified her action. However, it was the understanding that at that time that it was for a budgeted amount of up to $100,000 since that is the approved authority of the CEO. The actual engagement letter does not have any specific dollar limitation since the legal services are provided as requested by GCHP based upon an hourly rate. Due to the number of unusual issues that have arisen since the termination of prior legal counsel there has been a great need for general counsel services and employment related issues, as well as liability issues, especially with the transition from RGS to GCHP employees. GCHP also has a number of non-medical contracts which also require review by legal counsel. The Commission selected NCHC due it its ability to address public entity and a variety of other related legal matters which are unique to public entities as well as its expertise in a wide variety of legal matters.

GCHP is reaching the authority limit of the CEO and requests the authority from the Commission to extend the NCHC contract for the remainder 2012-13 fiscal year. Work will be approved by the CEO and expenses will be reported monthly to the Commission.

RECOMMENDATION:
The CEO authority to continue requesting legal services from NCHC as CEO deems necessary within budgetary and funding constraints.