



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

2240 E. Gonzales, Suite 230, Oxnard, CA 93036  
**Thursday, April 4, 2013**  
**3:00 p.m.**

**AGENDA**

**CALL TO ORDER / ROLL CALL**

**PUBLIC COMMENT**

1. **APPROVE MINUTES**
  - a. [March 7, 2013 Regular Executive / Finance Meeting Minutes](#)
2. **APPROVAL ITEMS**
  - a. [DHCS Contract Amendment 4 & 5](#)
3. **ACCEPT AND FILE ITEMS**
  - a. [CEO Update](#)
  - b. [February Financials](#)
4. **INFORMATIONAL ITEMS**
  - a. [Financial Forecast Update](#)
  - b. [Line of Credit \(LOC\) Update](#)
  - c. [Intergovernmental Transfer \(IGT\) Update](#)
  - d. [SB335 Hospital Quality Assurance Fee Update](#)
  - e. [Affordable Care Act PCP Rate Increase Update](#)

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

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, 1701 LOMBARD STREET, SUITE 100, OXNARD, CA.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT TRACI AT 805/889-6900. 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 (VCMCC) dba  
Gold Coast Health Plan  
Executive Finance Committee Meeting Agenda (continued)**  
2240 E. Gonzalez, Room 230, Oxnard, CA  
April 4, 2013 at 3:00 p.m.

## **CLOSED SESSION**

**Closed Session Conference with Legal Counsel – Existing Litigation pursuant to Government Code Section 54956.9** Hernandez v. Ventura County Medi-Cal Managed Care Commission, VCSC Case No. 56-2012-00427535-CU-OE-VTA

**Closed Session Conference with Legal Counsel – Existing Litigation pursuant to Government Code Section 54956.9** Lucas v. Regional Government Services et al, VCSC Case No. 56-2013-00432444-CU-CE-VTA

**Closed Session Conference with Legal Counsel – Anticipated Litigation Significant Exposure to Litigation pursuant to Government Code Section 54956.9(b)** (One Case)

**Closed Session pursuant to Government Code Section 54957(e)**  
Public Employee Performance Evaluation  
Title: Chief Executive Officer

Announcement from Closed Session, if any.

## **COMMENTS FROM COMMITTEE MEMBERS**

## **ADJOURNMENT**

Unless otherwise determined, the next regular meeting of the Executive / Finance Committee Meeting will be held on May 2, 2013 at 3:00 p.m. at 2240 E. Gonzales Road, Suite 230, Oxnard CA 93036

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

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

**March 7, 2013**

*(Not official until approved)*

**CALL TO ORDER**

Chair Gonzalez called the Special meeting to order at 1:49 p.m. in Suite 230 at the Ventura County Public Health Building located at 2240 E. Gonzales Road, Oxnard, CA 93036.

**COMMITTEE MEMBERS PRESENT**

**Anil Chawla**, Clinicas del Camino Real, Inc.

**David Glycer**, Private Hospitals / Healthcare System

**Robert Gonzalez**, Ventura County Medical Health System

**Roberto Juarez**, Clinicas del Camino Real, Inc.

**Catherine Rodriguez**, Ventura County Medical Health System

**STAFF IN ATTENDANCE**

**Michael Engelhard**, CEO

**Nancy Kierstyn Schreiner**, Legal Counsel

**Sonia DeMarta**, Controller

**Traci R. McGinley**, Clerk of the Board

**Guillermo Gonzalez**, Government Affairs Director

**Melissa Scrymgeour**, IT Director

**Lyndon Turner**, Finance Manager

**PUBLIC COMMENTS**

Tony Alatorre, Clinicas COO, advised the Committee that Clinicas was having problems with Gold Coast Health Plan (GCHP) and had been unable to get the issues resolved.

1) Primary Care Provider (PCP) Selection Forms were faxed, hand delivered and the call center was contacted for Clinicas patients, but those members were not assigned to Clinicas. 2) Per conversations with Interim COO Undlin, the GCHP auto-assignment seems to be arbitrary. 3) Certain Clinicas facilities have not been properly designated as FQHC facilities. 4) GCHP did not provide the Clinicas Moorpark facility a Provider Identification Number for seven months and the Simi Valley facility does not have one though it has been open since 2011. 5) GCHP only lists the County for behavioral health services, Clinicas COO Alatorre requested the references be corrected.

6) Clinicas COO Alatorre asked what happened at the last meeting about the incident he spoke of during the Commission Meeting of January 28, 2013 and his letter of December 28, 2012 as he was unable to attend the last meeting. CEO Engelhard explained the policy and noted that the letter had not pertained to an agenda item and was therefore not put into the record.

Committee Member Juarez stressed that it should be up to the Commissioners to decide and expressed concern that letters may have come in that Commissioners have not been provided. CEO Engelhard added that all Commissioners were provided copies of the letter when it was sent to the Commission and to the Plan in December.

Legal Counsel Kierstyn Schreiner clarified that the Commission has a policy in place and the policy requires that a public comment card be filled out if someone wants to speak under public comment.

Chair Gonzalez noted that the new items brought forward to the Committee by Clinicas COO Alatorre need to be addressed by Staff and reported back to the Commission.

**1. APPROVE MINUTES**

**a. February 7, 2013 Regular Meeting Minutes**

Committee Member Glycer moved to approve the February 7, 2013 Regular Meeting Minutes. Committee Member Rodriguez seconded. The motion carried. **Approved 5-0.**

**2. ACCEPT AND FILE ITEMS**

**a. CEO Update**

CEO Engelhard provided an overview of his report, the Plan received a letter from the State requesting clarification and supporting analysis of the financial forecast and estimates to the Corrective Action Plan (CAP). The Plan is currently in a weak cash position with only 40-50 days cash on hand. Chair Gonzalez requested having “tracking” on the issues.

Stuart Busby, Chief of the Department of Health Care Services Capitated Rate Development Division noted that the letter was a request for additional information and clarification, not an amendment to the CAP.

CEO Engelhard noted that an Intergovernmental Transfer (IGT) may provide additional means for the Plan to address the TNE requirements, but staff is still exploring the issues with the County and State. Discussion was held as to the amount, to which CEO Engelhard noted it could be as high as \$10-12 million.

CEO Engelhard advised the Committee that HEDIS Auditors would be on site and Staff will be reporting back to the Commissioners.

**b. January Financials**

CEO Engelhard reviewed the January Financials and explained that Staff streamlined the reporting format to improve how this information is being communicated. January results indicated a net operating surplus of \$0.5 million. Health Care costs were favorable, the IBNR tail is continuing to shorten and Staff has been able to refine IBNR estimates. Overall January was favorable to budget even though historically it is a high cost month and the flu impact was pronounced in the month as evidenced by the high pharmacy costs.

Chair Gonzalez questioned the membership mix and asked if children from the Healthy Families Program will go into the “Family” mix, to which CEO Engelhard responded yes. Chair Gonzalez confirmed that they were already coming directly into the Plan.

Discussion was held regarding the increase of prescriptions during the month of January. After discussion, it was decided that a list of the top ten most expensive medications and top ten most used medications would be provided to the Commission.

Discussion was held regarding AB97 and the fact that it will not be implemented retroactively for managed care plans. The remaining AB97 cuts are currently tied up in courts and if the State prevails and proceeds with implementation on a prospective basis, staff would have to go before the Commission to determine if the cuts would be passed through to Providers.

Committee Member Rodriguez moved to accept and file the CEO Report and the January Financials. Committee Member Juarez seconded. The motion carried.  
**Approved 5-0.**

### **3. INFORMATIONAL ITEMS**

#### **a. Financial Forecast Update**

CEO Engelhard noted that the Plan is seeing the impact from some Member codes being updated. Staff has identified a large number of people who are eligible and want to participate in Part A benefit, but are not enrolled into the Medicare Part A. The Plan is working with members and appropriate government agencies to ensure dual eligible members are enrolled into Part A appropriately, but the processing of paperwork takes time, so the impact of this initiative will be realized but slightly delayed.

Staff is starting to meet with certain providers to negotiate new contracts. Providers have started to return overpayments. CEO Engelhard reminded the Committee that Staff used conservative figures in the financial forecast.

#### **b. Line of Credit (LOC) Update**

CEO Engelhard noted that the original Line of Credit (LOC) was drawn down in December 2012 for the entire amount of \$2.2 million with an effective date of July 2011. It is subordinated to all current and future creditors of the Plan and was used to help bolster cash reserves. The amount of the proposed LOC is not known at this time. Some discussion was held as to how this would be used versus the IGT if it was obtained. CEO Engelhard noted that it is not certain that the IGT can be used to address TNE issues.

In response to concerns raised by Committee Member Juarez, Stuart Busby, Chief of the Department of Health Care Services Capitated Rate Development Division noted that GCHP is the only COHS in the State that does not have a Knox Keene license. Most COHS do not have Knox-Keene licenses for their Medi-Cal business, but they are licensed for other lines of business such as Healthy Families or Medicare Advantage.

Since GCHP currently only operates a Medi-Cal program, it is not licensed by DMHC under a Knox-Keene Act and therefore the Plan is regulated by DHCS, consistent with the majority of the other COHS plans.

### **CLOSED SESSION**

Legal Counsel Kierstyn Schreiner read and announced the Closed Session items..

### **ADJOURN TO CLOSED SESSION**

The Commission adjourned to Closed Session at 4:19 p.m. regarding the following item:

**Closed Session Conference with Legal Counsel – Existing Litigation pursuant to Government Code Section 54956.9** Sziklai v. Gold Coast Health Plan *et al*/ VCSC Case No. 56-2012-00428086-CU-WT-VTA

**Closed Session Conference with Legal Counsel – Existing Litigation pursuant to Government Code Section 54956.9** Hernandez v. Ventura County Medi-Cal Managed Care Commission-VCSC Case No. 56-2012-00427535-CU-OE-VTA

**Closed Session Conference with Legal Counsel – Existing Litigation pursuant to Government Code Section 54956.9** Lucas v. Regional Government Services *et al* VCSC Case No 56-2013-00432444-CU-CE-VTA

**Closed Session Conference with Legal Counsel – Anticipated Litigation Significant exposure to litigation pursuant to Government Code Section 54956.9(b) (One Case)**

**Closed Session pursuant to Government Code Section 54957(e)**  
Public Employee Performance Evaluation  
Title: Chief Executive Officer

### **RETURN TO OPEN SESSION**

The Regular Meeting reconvened at 5:20 p.m.

Legal Counsel Kierstyn Schreiner reported that there was no reportable action.

### **COMMENTS FROM COMMITTEE MEMBERS**

None.

### **ADJOURNMENT**

The meeting adjourned at 5:21 pm.



## **AGENDA ITEM 2a**

To: Gold Coast Health Plan Executive Finance Committee

From: Michelle Raleigh, Chief Financial Officer

Date: April 4, 2013

RE: State of California Department of Health Care Services, Contract Amendments #4 and #5

### **SUMMARY:**

State of California (State) Department of Health Care Services (DHCS) has presented Gold Coast Health Plan (GCHP) with contract amendments #4 and #5 which reflect changes to State capitation payments. The DHCS is requesting signature of both amendments by GCHP. Staff is requesting the Executive Finance Committee recommend to the Commission that both amendments be executed by the Chief Executive Officer (CEO).

### **BACKGROUND / DISCUSSION:**

The DHCS establishes monthly capitation payments by major Medi-Cal population groups and updates them periodically to reflect policy changes and other adjustments.

Amendment #4 provides two clarifications:

- FY2011-12 rates exclude AB97 provider rate cuts.
- Provides updated rates for TLIC (Targeted-Low Income Child) population effective January 1, 2013. This is to address the transition of the Healthy Families Program members to Medi-Cal. These members will be phased in over the following schedule:
  - Phase 1 - January 1, 2013 through March 31, 2013
  - Phase 2 - April 1, 2013 through July 31, 2013
  - Phase 3 - August 1, 2013 through June 30, 2014

Per DHCS, the TLIC rates were updated (from the November 5, 2012 version) to reflect the policy change whereby the Plan would only cover limited cases of retroactive eligibility.

Amendment #5 adjusts non-TLIC capitation rates for FY2011-12 and clarifies rates for FY2012-13 as follows:

- FY2011-12 rates have been updated to reflect the inclusion of the hospital quality assurance fee (QAF) as outlined in Senate Bill (SB) 335 and the

related impact of the MCO tax. According to DHCS, QAF money should be transmitted to the managed care plans in the May capitation check which is normally received at the end of May or early June. The plans will have no more than 30 days to distribute the QAF money consistent with the terms of SB335.

Also clarified in this amendment is that the State did not reduce FY2011-12 rates retroactively for AB97 reductions. This is consistent with the Governor's budget proposal released in January 2013.

- FY2012-13 rates in Amendment #5 are set to be equal to FY2011-12 rates, excluding any impact from the SB335 adjustment and related MCO tax. DHCS has indicated to GCHP that updated, draft FY2012-13 rates should be provided to the managed care plans in late March/early April after the rates are sent to the Centers for Medicare and Medicaid Services for approval. This updated rate package is expected to reflect additional adjustments to include SB335, MCO tax, and other policy changes.

The FY2012-13 rates in Amendment #5 do not match the draft FY2012-13 rates sent to GCHP in July, 2012 (which is what is used for financial reporting).

#### **FISCAL IMPACT:**

The estimated fiscal impact for the amendments is as follows:

- Amendment #4
  - TLIC rates in Amendment #4 are very close to the rates that GCHP has used in the FY2012-13 budget. Amendment #4 TLIC rates are higher than what was assumed in the budget by:
    - \$0.04 PMPM for the January 1 – March 31 time period and
    - \$0.71 PMPM higher for the April 1 – June 30 time period.Therefore, the fiscal impact will be minimal for FY2012-13.
  - Note there will be a positive impact on the financials due to the removal of the FY2011-12 AB97 rate cuts which amounts to approximately \$1.9 million accrued through June 30, 2012.
- Amendment #5
  - FY2011-12 rates – There is no net fiscal impact since the increase due to SB335 and related MCO tax will be passed on to the hospitals and the State, respectively. The dollars expected to be forwarded to eligible hospitals is approximately \$34.3 million and the corresponding MCO Tax amount is approximately \$0.8 million.



- FY2012-13 rates – Amendment #5 reflects payments at the FY2011-12 rates (excluding any SB335 impact and related taxes) for FY2012-13. These rates are lower by approximately \$4.4 million as compared to the draft FY2012-13 rates received by GCHP in July 2012, which have been used to estimate revenue for FY2012-13. However, as noted above, the State has indicated that they will provide updated FY2012-13 rate packages to managed care plans in early April.

**RECOMMENDATION:**

Staff requests that the Committee recommend to the full Commission to delegate authority to the GCHP CEO to sign both DHCS contract amendments.

**ATTACHMENTS:**

None.



**FINANCIAL PACKAGE**  
FOR THE MONTH ENDED FEBRUARY 28, 2013

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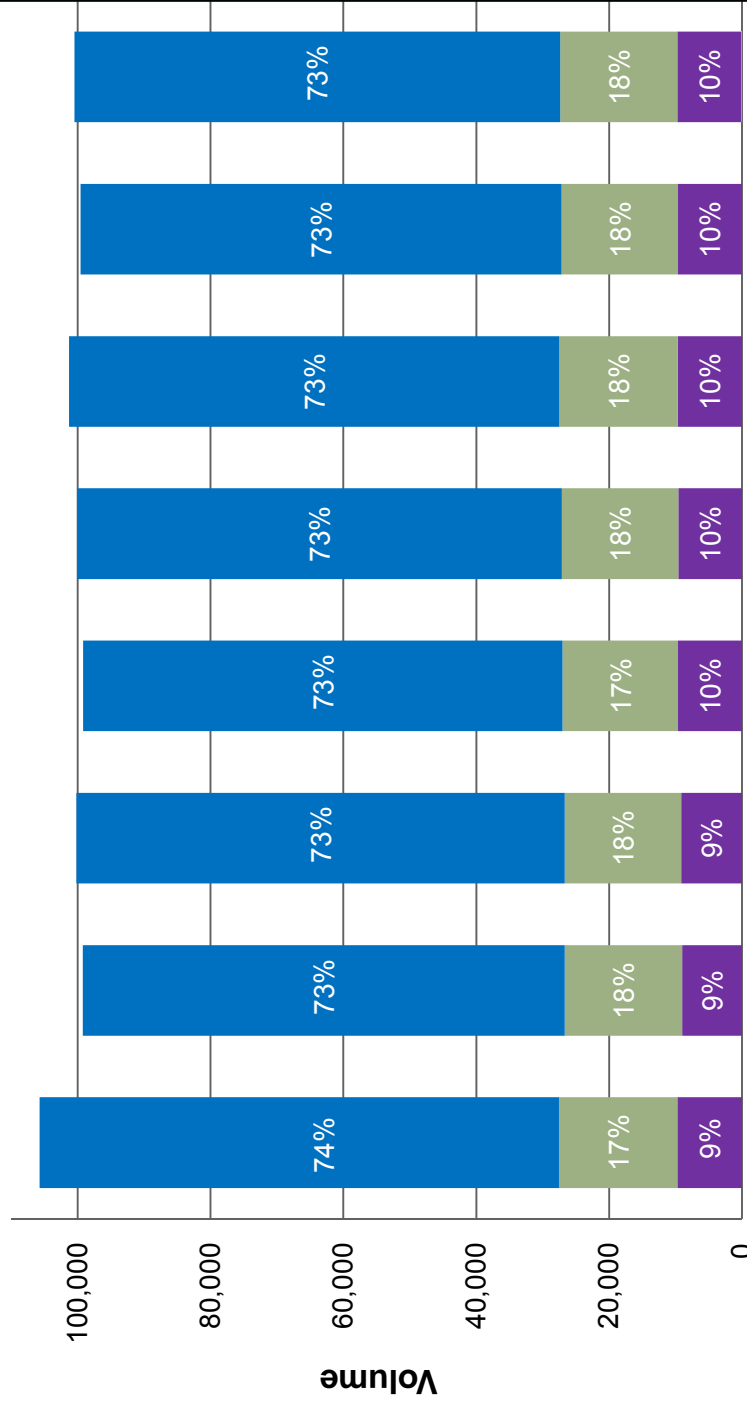
- FINANCIAL OVERVIEW
- MEMBERSHIP
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- TOTAL EXPENDITURE FEBRUARY YTD
- PAID CLAIMS AND IBNP COMPOSITION
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- STATEMENT OF CASH FLOWS YTD

## FINANCIAL OVERVIEW

Description	Audited FY 2011-12	FY 2012-13 Actual					YTD	Budget YTD	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %
		July - Sep	Oct - Dec	Jan'13	Feb'13					
Member Months	1,258,189	305,220	300,604	99,595	100,522		805,941	796,576	9,365	1.2 %
<b>Revenue</b> <i>pmpm</i>	<b>304,635,932</b> 242.12	73,225,136 239.91	76,563,668 254.70	<b>25,291,754</b> 253.95	<b>25,424,315</b> 252.92		<b>200,504,873</b> 248.78	<b>201,638,594</b> 253.13	(1,133,721) (4.35)	(0.6)% (1.7)%
<b>Health Care Costs</b> <i>pmpm</i> % of Revenue	<b>287,353,672</b> 228.39 94.3%	71,648,550 234.74 97.8%	68,967,923 229.43 90.1%	<b>22,713,884</b> 228.06 89.8%	<b>22,894,562</b> 227.76 90.0%		<b>186,224,919</b> 231.07 92.9%	<b>189,669,171</b> 238.11 94.1%	3,444,252 7.04	1.8 % 3.0 %
<b>Admin Exp</b> <i>pmpm</i> % of Revenue	<b>18,891,320</b> 15.01 6.2%	4,976,867 16.31 6.8%	6,036,079 20.08 7.9%	<b>2,041,565</b> 20.50 8.1%	<b>1,918,352</b> 19.08 7.5%		<b>14,972,864</b> 18.58 7.5%	<b>14,328,131</b> 17.99 7.1%	(644,733) (0.59)	(4.5)% (3.3)%
<b>Net Income</b> <i>pmpm</i> % of Revenue	<b>(1,609,063)</b> (1.28) -0.5%	(3,400,282) (11.14) -4.6%	1,559,667 5.19 2.0%	<b>536,305</b> 5.38 2.1%	<b>611,401</b> 6.08 2.4%		<b>(692,909)</b> (0.86) -0.3%	<b>(2,358,707)</b> (2.96) -1.2%	1,665,798 2.10	70.6 % 71.0 %
100% TNE	16,769,368	16,693,841	16,308,936	16,270,934	16,219,716		16,219,716	16,477,235	(257,519)	(1.6)%
% TNE Required	36%	36%	52%	52%	52%		52%	52%		
Required TNE	6,036,972	6,009,783	8,480,647	8,460,886	8,434,253		8,434,253	8,568,162	(133,910)	(1.6)%
<b>GCHP TNE</b>	<b>(6,031,881)</b>	<b>(9,432,163)</b>	<b>(5,672,496)</b>	<b>(5,136,192)</b>	<b>(4,524,791)</b>		<b>(4,524,791)</b>	<b>(6,190,589)</b>	1,665,798	26.9 %
TNE Excess / (Deficiency)	<b>(12,068,853)</b>	<b>(15,441,946)</b>	<b>(14,153,143)</b>	<b>(13,597,077)</b>	<b>(12,959,043)</b>		<b>(12,959,043)</b>	<b>(14,758,751)</b>	1,799,708	12.2 %

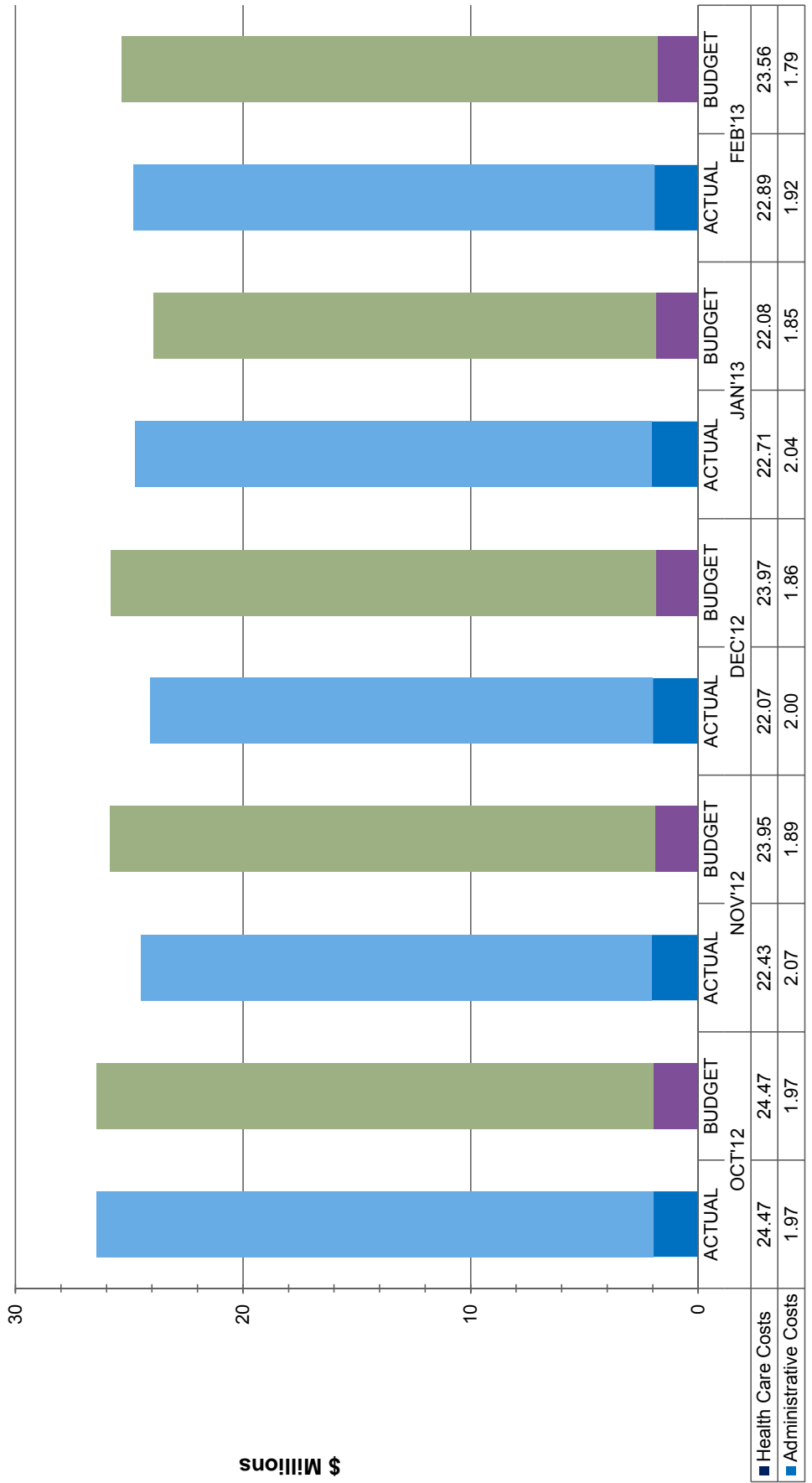
**Note:** Jul-Sep- Health Care Costs include \$7M IBNR addition.

## Membership

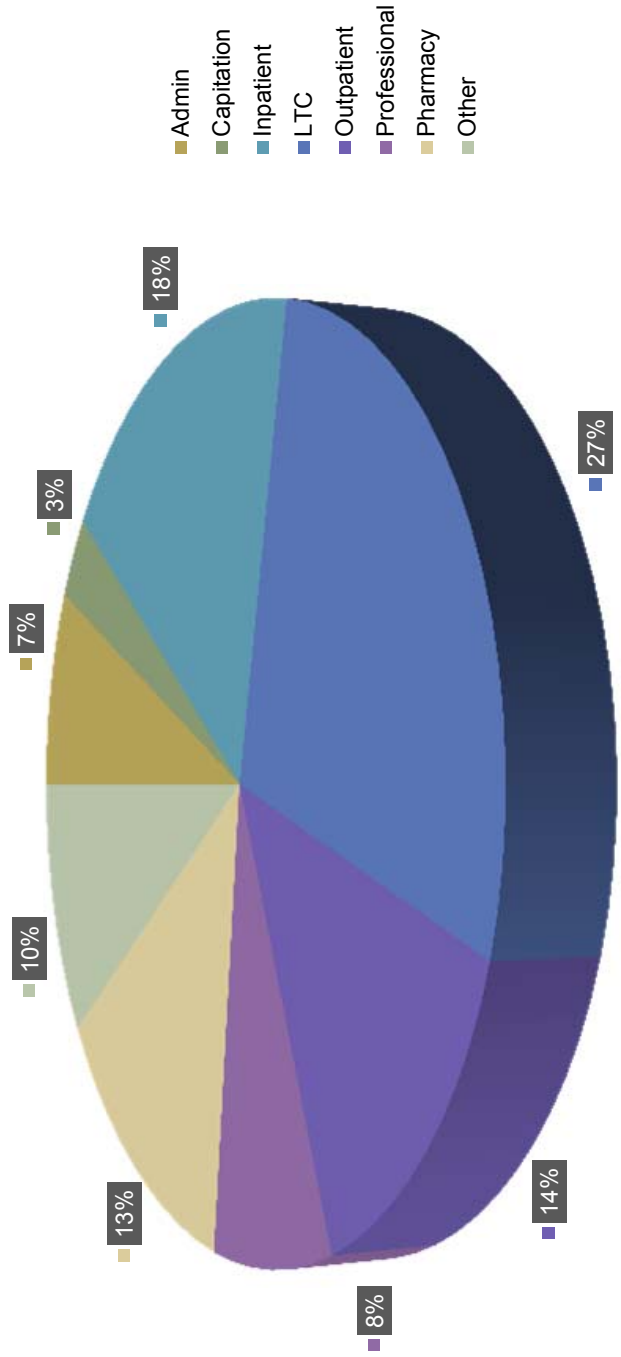


	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13
TOTAL	105,753	99,264	100,203	99,217	100,088	101,299	99,595	100,522
FAMILY	78,219	72,581	73,550	72,222	72,955	73,806	72,433	73,162
DUALS	17,837	17,685	17,510	17,395	17,561	17,816	17,529	17,669
SPD	9,697	8,998	9,143	9,600	9,572	9,677	9,633	9,603
TLIC								88

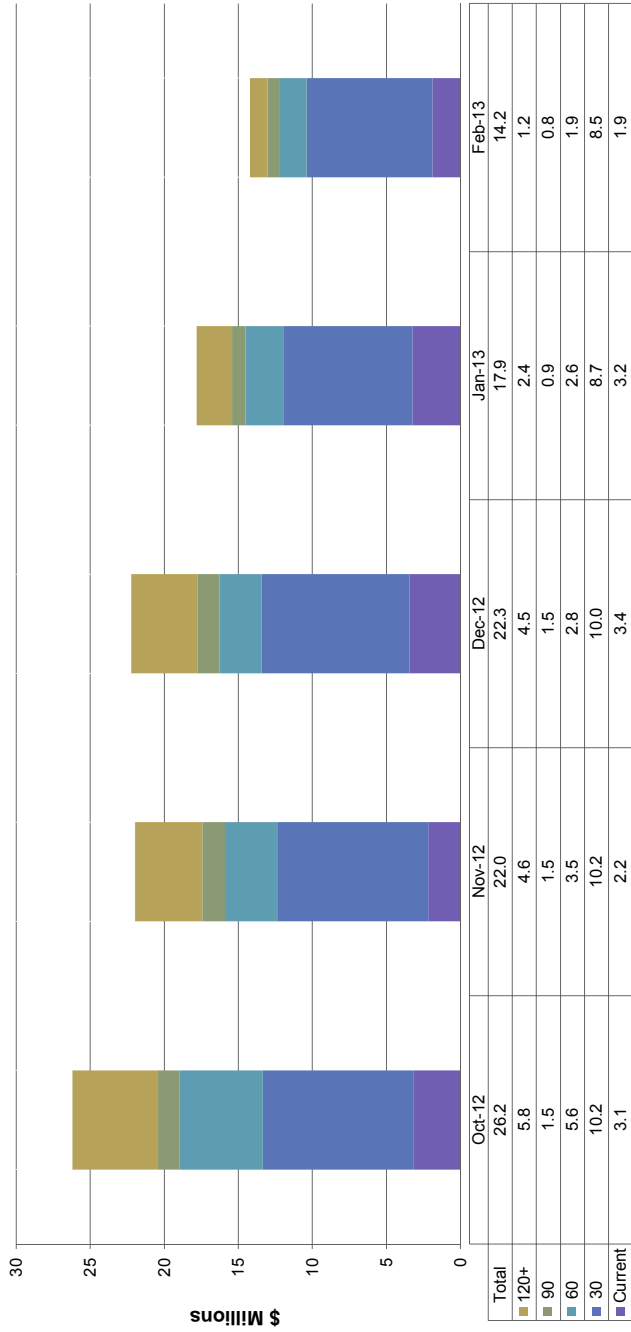
### Total Health Care and Administrative Costs



### Total Expenditure February YTD



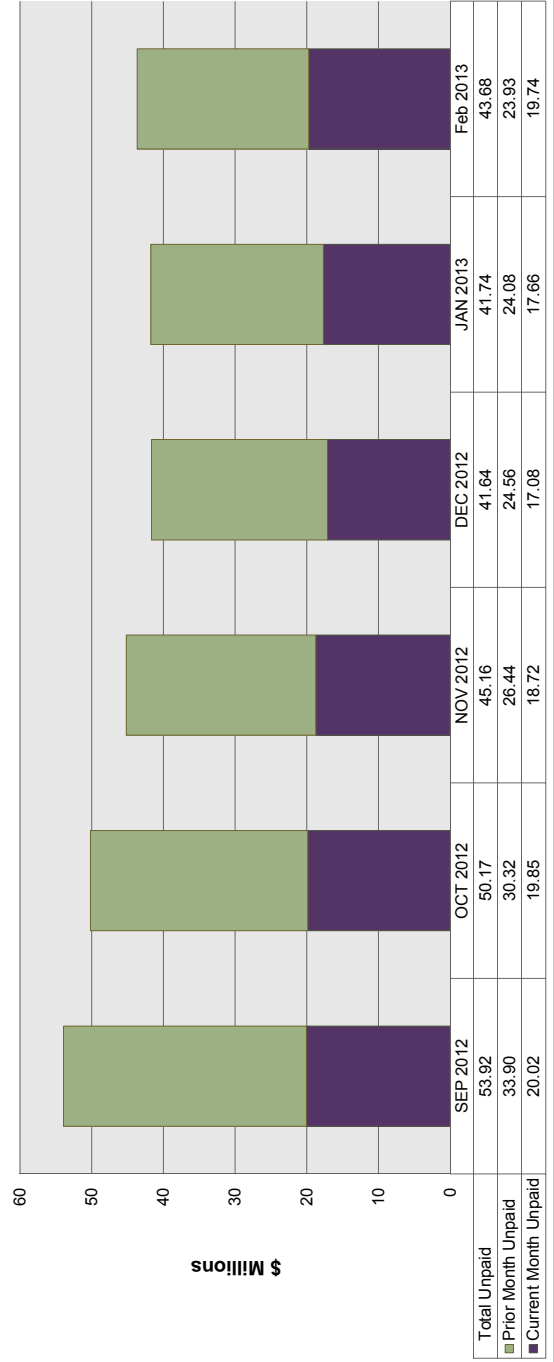
### Paid Claims Composition (excluding Pharmacy)



Note:

**Paid Claims Composition**- reflects adjusted medical claims payment lag schedule.

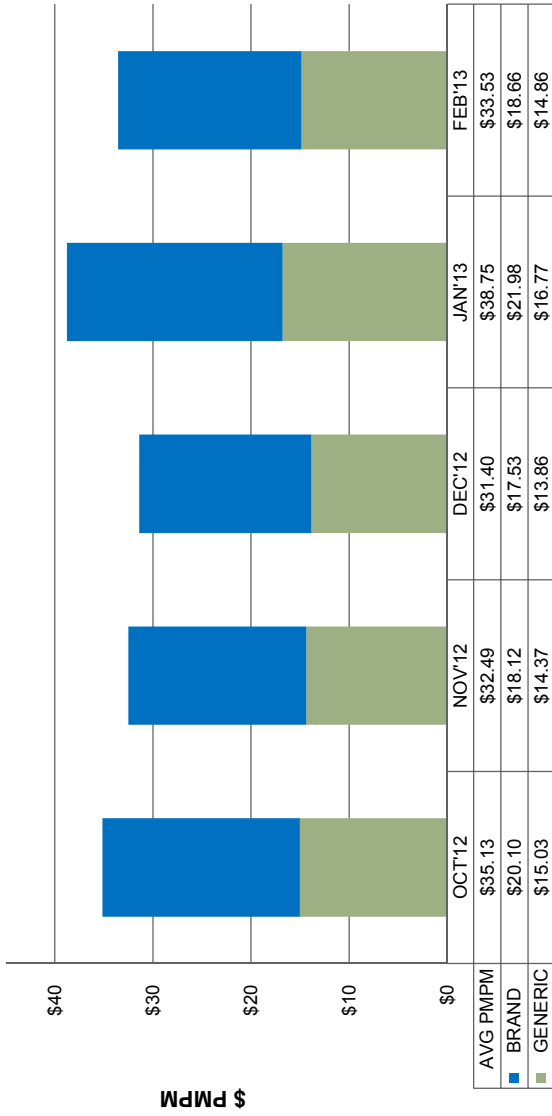
### IBNP Composition



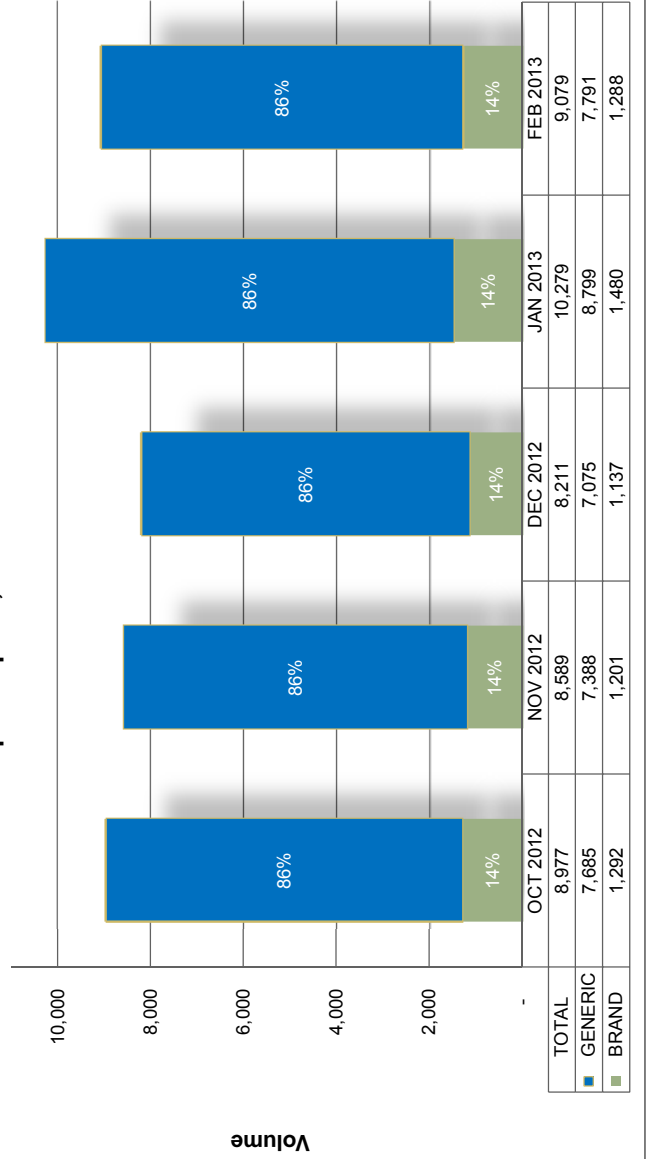
Note:

**IBNP Composition**- reflects updated medical cost reserve calculation plus total system claims payable.

### Pharmacy Cost Trend



### Prescriptions per 1,000 Members



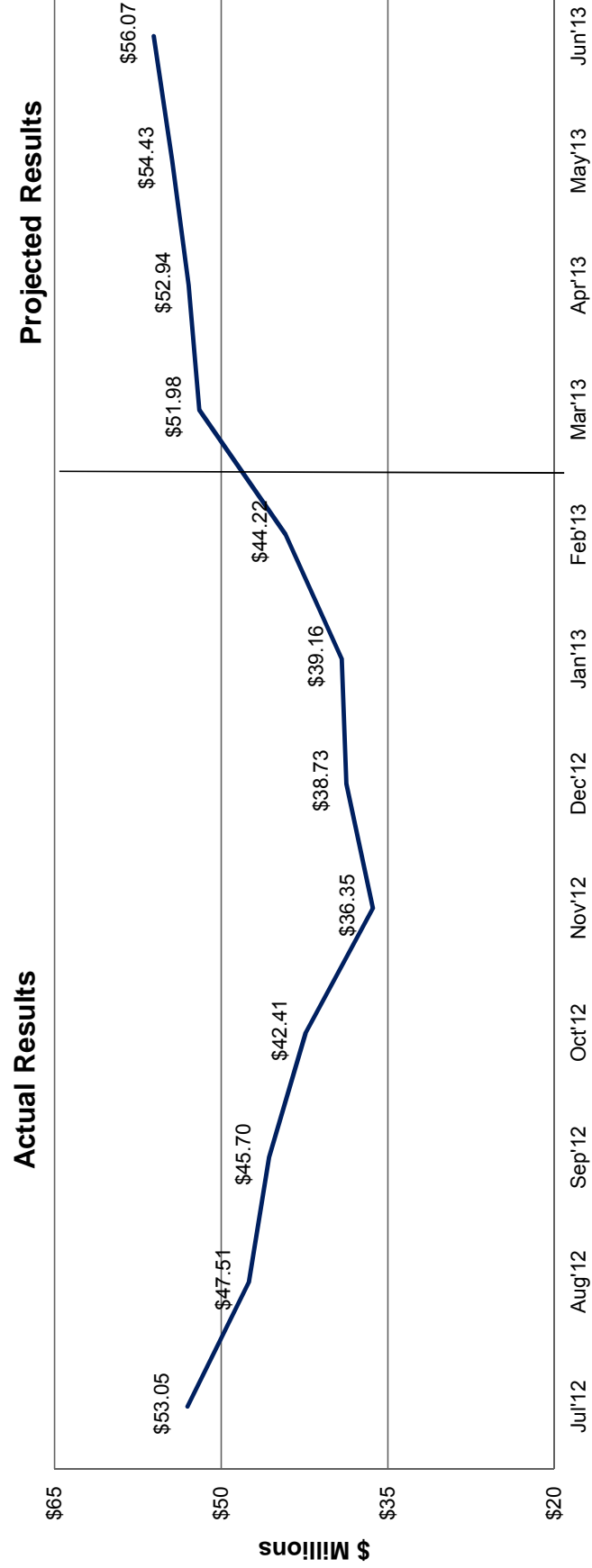


## Comparative Balance Sheet

	2/28/13	1/31/13	Audited FY 2011 - 2012	Notes
<b>ASSETS</b>				
<b>Current Assets</b>				
<b>Total Cash and Cash Equivalents</b>	<b>\$ 19,798,198</b>	<b>\$ 39,161,003</b>	<b>\$ 25,554,098</b>	Reflects impact of cash management program
Medi-Cal Receivable	24,424,503	-	28,534,938	
Provider Receivable	3,425,664	5,743,629	6,539,541	Continued collection of outstanding provider advances & recoveries Additional reinsurance recoveries and bank receivables
Other Receivables	786,291	190,415	2,148,270	
<b>Total Accounts Receivable</b>	<b>28,636,458</b>	<b>5,934,043</b>	<b>37,222,748</b>	
Total Prepaid Accounts	1,173,780	1,191,986	185,797	
Total Other Current Assets	192,977	192,977	375,000	
<b>Total Current Assets</b>	<b>\$ 49,801,413</b>	<b>\$ 46,480,008</b>	<b>\$ 63,337,644</b>	
<b>Total Fixed Assets</b>	<b>156,563</b>	<b>160,117</b>	<b>176,028</b>	
<b>Total Assets</b>	<b>\$ 49,957,976</b>	<b>\$ 46,640,125</b>	<b>\$ 63,513,672</b>	
<b>LIABILITIES &amp; FUND BALANCE</b>				
<b>Current Liabilities</b>				
Incurring But Not Reported	\$ 32,343,457	\$ 32,454,949	\$ 52,610,895	Reflects impact of cash management program
Claims Payable	11,331,990	9,278,055	10,357,609	
Capitation Payable	911,344	921,432	633,276	
Accrued Premium Reduction	2,797,445	3,169,234	1,914,157	
Accounts Payable	3,268,197	3,203,158	886,715	Accruing ACS invoice not yet paid
Accrued ACS	1,159,035	-	200,000	
Accrued Expenses	232,490	247,724	-	
Accrued Premium Tax	604,398	604,395	602,900	
Accrued Interest Payable	2,412	1,468	-	
Current Portion of Deferred Revenue	460,000	460,000	460,000	
Accrued Payroll Expense	90,331	74,235	-	
Current Portion Of Long Term Debt	208,333	250,000	500,000	
<b>Total Current Liabilities</b>	<b>\$ 53,409,433</b>	<b>\$ 50,664,649</b>	<b>\$ 68,165,553</b>	
<b>Long-Term Liabilities</b>				
Deferred Revenue - Long Term Portion	1,073,333	1,111,667	1,380,000	
Notes Payable	2,200,000	2,200,000	-	
<b>Total Long-Term Liabilities</b>	<b>3,273,333</b>	<b>3,311,667</b>	<b>1,380,000</b>	
<b>Total Liabilities</b>	<b>\$ 56,682,767</b>	<b>\$ 53,976,316</b>	<b>\$ 69,545,553</b>	
Beginning Fund Balance	(6,031,881)	(6,031,881)	(4,422,819)	
Net Income Current Year	(692,909)	(1,304,310)	(1,609,062)	
<b>Total Fund Balance</b>	<b>(6,724,790)</b>	<b>(7,336,191)</b>	<b>(6,031,881)</b>	
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$ 49,957,976</b>	<b>\$ 46,640,125</b>	<b>\$ 63,513,672</b>	

<b>FINANCIAL INDICATORS</b>			
Current Ratio	93.2%	91.7%	92.9%
Days Cash on Hand	22	49	30
Days Cash + State Capitation Receivable	50	49	64

### Cash and Medi-Cal Receivable Trend



## Statement of Cash Flows

	FEB'13	JAN'13
<b>Cash Flow From Operating Activities</b>		
Collected Premium	\$ 583,217	\$ 51,269,535
Miscellaneous Income	6,478	3,889
<u>Paid Claims</u>		
Medical & Hospital Expenses	(13,521,936)	(19,544,086)
Pharmacy	(4,179,429)	(3,419,551)
Capitation	(921,432)	(917,020)
Reinsurance of Claims	(228,352)	(225,793)
Reinsurance Recoveries		
Payment of Withhold / Risk Sharing Incentive		
Paid Administration	(1,101,351)	(1,307,167)
Repay Initial Net Liabilities		
MCO Taxes Expense	-	-
Net Cash Provided/ (Used) by Operating Activities	<b>(19,362,804)</b>	<b>25,859,807</b>
<b>Cash Flow From Investing/Financing Activities</b>		
Proceeds from Line of Credit	-	-
Repayments on Line of Credit	-	-
Net Acquisition of Property/Equipment	-	(3,392)
Net Cash Provided/(Used) by Investing/Financing	-	<b>(3,392)</b>
<b>Net Cash Flow</b>	<b>\$(19,362,804)</b>	<b>\$ 25,856,414</b>
Cash and Cash Equivalents (Beg. of Period)	39,161,003	13,304,588
Cash and Cash Equivalents (End of Period)	19,798,198	39,161,003
	<b>\$(19,362,804)</b>	<b>\$ 25,856,414</b>
<b>Adjustment to Reconcile Net Income to Net Cash Flow</b>		
Net (Loss) Income	611,401	536,305
Depreciation & Amortization	3,554	3,554
Decrease/(Increase) in Receivables	(22,702,415)	23,542,824
Decrease/(Increase) in Prepaids & Other Current Assets	18,206	(101,372)
(Decrease)/Increase in Payables	854,092	1,856,253
(Decrease)/Increase in Other Liabilities	(80,000)	(80,000)
Change in MCO Tax Liability	3	(63)
Changes in Claims and Capitation Payable	2,043,847	2,447,488
Changes in IBNR	(111,492)	(2,345,181)
	<b>(19,362,804)</b>	<b>25,859,807</b>
<b>Net Cash Flow from Operating Activities</b>	<b>\$(19,362,804)</b>	<b>\$ 25,859,807</b>



## APPENDIX

**Income Statement Comparison**

	Actual Monthly Trend			Feb-13			Explanation
	Nov'12	Dec'12	Jan'13	Month-To-Date		Variance Fav/(Unfav)	
				Actual	Budget		
<b>Membership</b>	96,907	97,745	97,745	97,691	97,043	648	Increase in Family and Dual members
<b>Revenue:</b>							
Premium	\$ 25,519,637	\$ 25,759,968	\$ 25,377,074	\$ 25,469,855	\$ 26,044,075	\$ (574,220)	Membership mix causing lower revenue and lower CBAS utilization
Reserve for Rate Reduction	(128,543)	(129,959)	(127,606)	(90,347)	(127,039)	36,692	AB 97 Reserve (excluding LTC)
MCO Premium Tax	(37)	21	63	(3)	(781)	778	
<b>Total Net Premium</b>	<b>25,391,057</b>	<b>25,630,030</b>	<b>25,249,532</b>	<b>25,379,504</b>	<b>25,916,255</b>	<b>(536,751)</b>	
<b>Other Revenue:</b>							
Interest Income	9,004	7,899	3,889	6,478	15,626	(9,148)	
Miscellaneous Income	38,333	38,333	38,333	38,333	38,333	0	
<b>Total Other Revenue</b>	<b>47,337</b>	<b>46,233</b>	<b>42,223</b>	<b>44,811</b>	<b>53,959</b>	<b>(9,148)</b>	
<b>Total Revenue</b>	<b>25,438,394</b>	<b>25,676,263</b>	<b>25,291,754</b>	<b>25,424,315</b>	<b>25,970,214</b>	<b>(545,899)</b>	
<b>Medical Expenses:</b>							
Capitation (PCP & Specialty)	907,950	917,020	921,432	911,344	946,159	34,815	
<b>Incurred Claims:</b>							
Inpatient	4,542,801	4,093,335	4,054,978	4,376,271	4,338,630	(37,641)	
LTC/SNF	6,858,363	6,228,689	6,107,181	6,546,009	6,717,792	171,783	
Outpatient	2,735,387	2,458,657	2,438,523	2,629,778	2,926,959	297,181	
Laboratory and Radiology	229,447	206,113	204,418	221,259	226,877	5,618	
Emergency Room Facility Services	529,753	474,523	472,684	509,253	523,847	14,594	
Physician Specialty Services	2,111,295	1,838,999	1,849,915	2,000,658	1,851,737	(148,921)	
Pharmacy	3,251,427	3,180,407	3,859,639	3,370,333	3,141,557	(228,776)	
Other Medical Professional	288,957	332,271	199,667	280,898	246,665	(34,234)	
Other Medical Care Expenses	-	732	-	-	-	-	
Other Fee For Service Expense	1,570,885	1,426,578	1,401,900	1,512,773	1,515,143	2,370	
Transportation	306,198	275,536	299,590	187,014	252,376	65,362	
<b>Total Claims</b>	<b>22,424,513</b>	<b>20,515,839</b>	<b>20,888,495</b>	<b>21,634,246</b>	<b>21,741,584</b>	<b>107,338</b>	
Medical & Care Management Exp	587,293	560,329	666,197	613,599	640,129	26,530	
Reinsurance	224,722	225,793	225,793	(374,504)	233,594	608,097	Reflects net reinsurance
Claims Recoveries	(1,711,511)	(150,917)	11,968	109,876	-	(109,876)	Write-off of estimated uncollectable Provider Refunds
Sub-total	(899,496)	635,205	903,958	348,972	873,723	524,751	
<b>Total Cost of Health Care</b>	<b>22,432,967</b>	<b>22,068,065</b>	<b>22,713,884</b>	<b>22,894,562</b>	<b>23,561,466</b>	<b>666,904</b>	
<b>Contribution Margin</b>	<b>3,005,427</b>	<b>3,608,198</b>	<b>2,577,870</b>	<b>2,529,753</b>	<b>2,408,748</b>	<b>121,005</b>	
<b>General &amp; Administrative Expenses:</b>							
Salaries and Wages	323,624	354,451	474,339	374,176	427,576	53,400	Timing differences in hiring of staff
Payroll Taxes and Benefits	72,886	88,331	106,130	81,676	90,368	8,691	Timing differences in hiring of staff
Total Travel and Training	5,784	2,996	1,546	5,050	5,604	554	
Outside Service - ACS	1,052,244	916,305	883,861	891,100	934,145	43,046	Driven by lower membership
Outside Services - Other	17,311	44,810	28,663	30,339	19,494	(10,845)	Driven by IT/security expenses
Accounting & Actuarial Services	44,311	37,529	25,350	21,061	5,000	(16,061)	Actual expense includes consulting fees which will be reclassified
Legal Expense	67,921	41,114	47,724	31,577	32,350	773	
Insurance	11,846	9,245	9,245	9,245	10,792	1,547	
Lease Expense - Office	15,879	15,977	15,983	25,980	27,630	1,650	
Consulting Services Expense	330,613	379,747	312,781	336,440	155,960	(180,480)	
Translation Services	590	4,101	328	1,182	768	(414)	
Advertising and Promotion Expense	-	2,645	196	-	0	-	
General Office Expenses	78,657	48,327	76,509	103,468	58,752	(44,716)	New association dues, software licenses & computer costs, repairs & maintenance
Depreciation & Amortization Expense	3,561	3,554	3,554	3,554	4,761	1,207	
Printing Expense	1,670	1,276	14,767	1,645	6,431	4,785	
Shipping & Postage Expense	606	21,825	395	349	1,713	1,364	
Interest Exp	37,812	29,643	40,195	1,511	6,172	4,661	
<b>Total G &amp; A Expenses</b>	<b>2,065,315</b>	<b>2,001,876</b>	<b>2,041,565</b>	<b>1,918,352</b>	<b>1,787,515</b>	<b>(130,837)</b>	
<b>Net Income / (Loss)</b>	<b>\$ 940,112</b>	<b>\$ 1,606,322</b>	<b>\$ 536,305</b>	<b>\$ 611,401</b>	<b>\$ 621,233</b>	<b>\$ (9,832)</b>	

PMPM Income Statement Comparison

	Actual Monthly Trend			Feb'13 Month-To-Date		Variance
	Nov'12	Dec'12	Jan'13	Actual	Budget	Fav/(Unfav)
<b>Members (Member/Months)</b>	96,907	97,745	97,745	97,691	97,043	648
<b>Revenue:</b>						
Premium	263.34	263.54	259.63	260.72	268.38	(7.66)
Reserve for Rate Reduction	(1.33)	(1.33)	(1.31)	(0.92)	(1.31)	0.38
MCO Premium Tax	(0.00)	0.00	0.00	(0.00)	(0.01)	0.01
<b>Total Net Premium</b>	<b>259.77</b>	<b>262.21</b>	<b>258.32</b>	<b>259.79</b>	<b>267.06</b>	<b>(7.27)</b>
<b>Other Revenue:</b>						
Interest Income	0.09	0.08	0.04	0.07	0.16	(0.09)
Miscellaneous Income	0.40	0.39	0.39	0.39	0.40	(0.00)
<b>Total Other Revenue</b>	<b>0.49</b>	<b>0.47</b>	<b>0.43</b>	<b>0.46</b>	<b>0.53</b>	<b>(0.07)</b>
<b>Total Revenue</b>	<b>262.50</b>	<b>262.69</b>	<b>258.75</b>	<b>260.25</b>	<b>267.62</b>	<b>(7.36)</b>
<b>Medical Expenses:</b>						
<u>Capitation</u>	9.37	9.38	9.43	9.33	9.75	(0.42)
<u>Incurred Claims:</u>						
Inpatient	46.88	41.88	41.49	44.80	44.71	(0.09)
LTC/SNF	70.77	63.72	62.48	67.01	69.22	2.22
Outpatient	28.23	25.15	24.95	26.92	30.16	3.24
Laboratory and Radiology	2.37	2.11	2.09	2.26	2.34	0.07
Emergency Room Facility Services	5.47	4.85	4.84	5.21	5.40	0.19
Physician Specialty Services	21.79	18.81	18.93	20.48	19.08	(1.40)
Pharmacy	33.55	32.54	39.49	34.50	32.37	(2.13)
Other Medical Professional	2.98	3.40	2.04	2.88	2.54	(0.33)
Other Medical Care Expenses	-	0.01	-	-	-	-
Other Fee For Service Expense	16.21	14.59	14.34	15.49	15.61	0.13
Transportation FFS	3.16	2.82	3.07	1.91	2.60	0.69
<b>Total Claims</b>	<b>231.40</b>	<b>209.89</b>	<b>213.70</b>	<b>221.46</b>	<b>224.04</b>	<b>2.58</b>
Medical & Care Management	6.06	5.73	6.82	6.28	6.60	0.32
Reinsurance	2.32	2.31	2.31	(3.83)	2.41	6.24
Claims Recoveries	(17.66)	(1.54)	0.12	1.12	-	(1.12)
Sub-total	(9.28)	6.50	9.25	3.57	8.63	5.06
<b>Total Cost of Health Care</b>	<b>231.49</b>	<b>225.77</b>	<b>232.38</b>	<b>234.36</b>	<b>242.79</b>	<b>8.44</b>
<b>Contribution Margin</b>	<b>31.01</b>	<b>36.91</b>	<b>26.37</b>	<b>25.90</b>	<b>24.82</b>	<b>1.07</b>
<b>Administrative Expenses</b>						
Salaries and Wages	3.34	3.63	4.85	3.83	4.41	0.58
Payroll Taxes and Benefits	0.75	0.90	1.09	0.84	0.93	0.10
Total Travel and Training	0.06	0.03	0.02	0.05	0.06	0.01
Outside Service - ACS	10.86	9.37	9.04	9.12	9.63	0.50
Outside Services - Other	0.18	0.46	0.29	0.31	0.20	(0.11)
Accounting & Actuarial Services	0.46	0.38	0.26	0.22	0.05	(0.16)
Legal Expense	0.70	0.42	0.49	0.32	0.33	0.01
Insurance	0.12	0.09	0.09	0.09	0.11	0.02
Lease Expense -Office	0.16	0.16	0.16	0.27	0.28	0.02
Consulting Services Expense	3.41	3.89	3.20	3.44	1.61	(1.84)
Translation Services	0.01	0.04	0.00	0.01	0.01	(0.00)
Advertising and Promotion Expense	-	0.03	0.00	-	-	-
General Office Expenses	0.81	0.49	0.78	1.06	0.61	(0.45)
Depreciation & Amortization Expense	0.02	0.01	0.15	0.04	0.05	0.01
Printing Expense	0.01	0.22	0.00	0.02	0.07	0.05
Shipping & Postage Expense	0.39	0.30	0.41	0.00	0.02	0.01
Interest Exp	-	-	-	0.02	0.06	0.05
<b>Total Administrative Expenses</b>	<b>21.31</b>	<b>20.48</b>	<b>20.89</b>	<b>19.64</b>	<b>18.42</b>	<b>(1.22)</b>
<b>Net Income / (Loss)</b>	<b>9.70</b>	<b>16.43</b>	<b>5.49</b>	<b>6.26</b>	<b>6.40</b>	<b>(0.14)</b>

**Income Statement Comparison  
For The Eight Months Ended February 28, 2013**

	Feb'13 Year-To-Date		Variance
	Actual	Budget	Fav/(Unfav)
<b>Membership</b>	775,541	771,982	3,559
<b>Revenue:</b>			
Premium	\$ 200,999,234	\$ 202,132,874	\$ (1,133,640)
Reserve for Rate Reduction	(883,290)	(914,754)	31,464
MCO Premium Tax	(1,498)	(4,640)	3,142
<b>Total Net Premium</b>	<b>200,114,446</b>	<b>201,213,480</b>	<b>(1,099,034)</b>
<b>Other Revenue:</b>			
Interest Income	83,761	118,447	(34,686)
Miscellaneous Income	306,666	306,667	(0)
<b>Total Other Revenue</b>	<b>390,427</b>	<b>425,114</b>	<b>(34,686)</b>
<b>Total Revenue</b>	<b>200,504,873</b>	<b>201,638,594</b>	<b>(1,133,721)</b>
<b>Medical Expenses:</b>			
<u>Capitation</u>	6,280,605	6,406,122	125,518
<u>Incurred Claims:</u>			
Inpatient	35,635,698	36,285,815	650,117
LTC/SNF	53,924,324	55,619,697	1,695,373
Outpatient	21,409,915	22,721,268	1,311,352
Laboratory and Radiology	1,797,986	1,861,715	63,729
Emergency Room Facility Services	4,146,789	4,293,163	146,374
Physician Specialty Services	16,454,342	16,201,913	(252,429)
Pharmacy	26,930,203	25,812,424	(1,117,779)
Other Medical Professional	2,273,587	2,181,557	(92,030)
Other Medical Care Expenses	4,311	-	(4,311)
Other Fee For Service Expense	12,350,478	12,632,135	281,657
Transportation	2,316,713	2,366,281	49,568
Total Claims	177,244,346	179,975,968	2,731,622
Medical & Care Management Expense	4,576,691	4,590,994	14,302
Reinsurance	(700,486)	(1,303,914)	(603,428)
Claims Recoveries	(1,176,238)	-	1,176,238
Sub-total	2,699,968	3,287,080	587,112
<b>Total Cost of Health Care</b>	<b>186,224,919</b>	<b>189,669,170</b>	<b>3,444,252</b>
<b>Contribution Margin</b>	<b>14,279,954</b>	<b>11,969,424</b>	<b>2,310,531</b>
<b>General &amp; Administrative Expenses:</b>			
Salaries and Wages	2,803,715	2,746,182	(57,533)
Payroll Taxes and Benefits	740,787	698,349	(42,438)
Total Travel and Training	41,670	44,529	2,859
Outside Service - ACS	7,297,924	7,285,871	(12,053)
Outside Service - RGS	23,674	23,674	0
Outside Services - Other	355,839	317,832	(38,007)
Accounting & Actuarial Services	241,478	143,227	(98,251)
Legal Expense	261,121	202,186	(58,935)
Insurance	67,987	71,574	3,587
Lease Expense - Office	127,715	131,416	3,701
Consulting Services Expense	1,910,678	1,768,176	(142,502)
Translation Services	10,938	7,798	(3,140)
Advertising and Promotion Expense	9,491	9,150	(341)
General Office Expenses	583,350	466,103	(117,247)
Depreciation & Amortization Expense	28,345	30,133	1,788
Printing Expense	48,547	55,696	7,149
Shipping & Postage Expense	39,533	32,561	(6,972)
Interest Exp	380,072	293,674	(86,398)
<b>Total G &amp; A Expenses</b>	<b>14,972,864</b>	<b>14,328,131</b>	<b>(644,733)</b>
<b>Net Income / (Loss)</b>	<b>\$ (692,909)</b>	<b>\$ (2,358,707)</b>	<b>\$ 1,665,798</b>

## Statement of Cash Flows

	<b>FEB '13 YTD</b>
Cash Flow From Operating Activities	
Collected Premium	\$ 205,109,669
Miscellaneous Income	83,762
<u>Paid Claims</u>	
Medical & Hospital Expenses	(163,114,451)
Pharmacy	(27,269,000)
Capitation	(6,002,537)
Reinsurance of Claims	(2,071,270)
Reinsurance Recoveries	-
Payment of Withhold / Risk Sharing Incentive	-
Paid Administration	(14,683,193)
Repay Initial Net Liabilities	-
MCO Taxes Expense	-
Net Cash Provided/(Used) by Operating Activities	<b>(7,947,021)</b>
 Cash Flow From Investing/Financing Activities	
Proceeds from Line of Credit	2,200,000
Repayments on Line of Credit	-
Net Acquisition of Property/Equipment	(8,879)
Net Cash Provided/(Used) by Investing/Financing	<b>2,191,121</b>
 <b>Net Cash Flow</b>	<b>\$ (5,755,900)</b>
 Cash and Cash Equivalents (Beg. of Period)	25,554,098
Cash and Cash Equivalents (End of Period)	19,798,198
	<b>\$ (5,755,900)</b>
 Adjustment to Reconcile Net Income to Net Cash Flow	
Net Income/(Loss)	(692,909)
Depreciation & Amortization	28,345
Decrease/(Increase) in Receivables	8,586,290
Decrease/(Increase) in Prepaids & Other Current Assets	(805,960)
(Decrease)/Increase in Payables	4,549,038
(Decrease)/Increase in Other Liabilities	(598,334)
Change in MCO Tax Liability	1,498
Changes in Claims and Capitation Payable	1,252,449
Changes in IBNR	(20,267,438)
	<b>(7,947,021)</b>
 <b>Net Cash Flow from Operating Activities</b>	<b>\$ (7,947,021)</b>



**AGENDA ITEM 4a**

To: Gold Coast Health Executive Finance Committee Members

From: Michelle Raleigh, Chief Financial Officer

Date: April 4, 2013

Re: GCHP Financial Forecast Status Update  
Results through: February 28, 2013

This document provides a status update on Gold Coast Health Plan's (GCHP or Plan) updated financial forecast provided the Department of Health Care Services (DHCS) on March 22, 2013. The refreshed financial forecast was provided in response to the Corrective Action Plan (CAP) Amendment and projects revenue and expenses through June 30, 2014. This status update compares actual financial results to the refreshed financial forecast and highlights major differences.

This update compares actual activities to those estimated in the financial forecast for February of 2013 (the new financial forecast included actual results through January 2013). The month's results are summarized in the table below.

**February 2013**

Financial Statement Category	Highlights of Major Differences between Financial Forecast and Actual			Comments
	A. Actual Results	B. Refreshed Financial Forecast	C. Difference (A-B)	
Revenue	\$25.4M	\$25.5M	(\$0.1M)	Differences due to membership mix
Health Care Costs	\$22.9M	\$22.5M	\$0.4M	Differences due to multiple reasons (e.g., slightly higher actual pharmacy costs, higher claims reserves in actual results)
Administrative Costs	\$1.9M	\$1.9M	(\$0.0M)	
Net Income	\$0.6M	\$1.1M	(\$0.5M)	

Also important to note that as of the end of February, 2013:

- Line of Credit – the initial line of credit of \$2.2 million that was received in December 2012, was unchanged at February 28, 2013.
- TNE – phase-in requirement has increased to 52% of the 100% level as of 12/31/12 per the State’s TNE phase-in schedule (i.e., at \$8,247,821 per February Orange Blank submitted to State). The Plan’s TNE at February 28, 2013 was a negative \$4,524,791, resulting in a deficit of \$12,772,612. This deficit is marginally higher than expected in the financial forecast (i.e., \$12,473,233).



Gold Coast  
Health Plan<sup>SM</sup>  
A Public Entity

# Gold Coast Health Plan Financial Forecast Refresh Overview Executive Finance Committee Meeting

April 4, 2013

# Agenda

- Financial Forecast Refresh
- Other Opportunities
- Next Steps



# Financial Forecast Refresh

As part of the 10/4/12 Corrective Action Plan (CAP) response, Gold Coast Health Plan (GCHP) prepared a financial forecast:

- Original was submitted to DHCS on 12/11/12
- Refresh was submitted to DHCS on 3/22/13 as requested in 2/26/13 letter
  - Projected revenues and expenses through 6/30/14 (at which time GCHP is expected to reach 100% of the TNE requirement, which is phased-in over 36 months)
  - Reflected the impact of 19 key initiatives currently underway and those planned
  - Followed same guiding principals
  - Demonstrated GCHP achieving tangible net equity (TNE) requirements with outside support (e.g., lines of credit) as of 6/30/2014

# Financial Forecast Refresh

## Major Changes

- Reviewed and updated all 19 initiatives
- Reflected actual data through January 2013 (prior version used actual data through October 2012)
- Incorporated Healthy Families Transition members
- Adjusted for reduction expected in fee-for-service claims for the Specialty Contract implemented in October 2012

# Refresh of Key Initiatives

GCHP reviewed status of the original 19 key initiatives covering the following areas:

Areas	Number of Initiatives
Correct coding of members	2
Collecting and processing overpayments, coordinating benefit payments, enhancing claims payment edits, and collecting from reinsurance vendor	8
Provider re-contracting	4
Enhanced utilization and case management	3
Managing administrative budget & TNE requirements	2

# Impact of Key Initiatives

## Annualized impact of initiatives on TNE\*:

	Refresh - Annualized Impact (in millions)	Refresh - Range of Annualized Impact (in millions)	Original - Annualized Impact (in millions)	Original - Range of Annualized Impact (in millions)
Increased Revenue	\$2.4	\$2.4-\$3.5	\$2.4	\$2.4-\$3.5
Net reduction to Medical Expenses	\$24.5	\$21.8-\$31.7	\$23.8	\$20.6-\$32.7
Increased Administrative Expenses	(\$3.8)**	(\$3.6-\$4.0)**	(\$1.2)	(\$1.1-\$1.3)
Incorporation of lines of credit	\$7.2	\$2.2-\$7.2	\$8.2	\$2.2-\$8.2

\* Note sign (i.e., positive, negative) of amounts in table indicate the impact on TNE.

\*\* Increase primarily due to phase-in of 20,000 TLIC members as well as staffing increase approved during 1/28/13 Commission meeting.





# Financial Forecast – Income Statement Finding

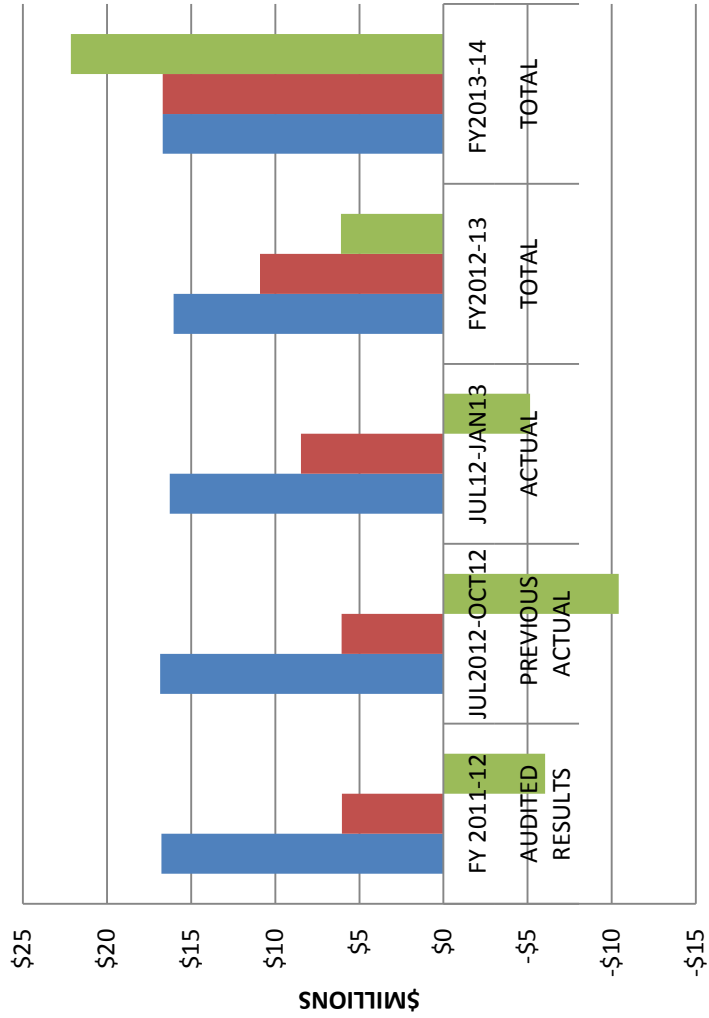
Description	Refreshed Forecast				Original Forecast	
	Audited Results FY 2011-12	2012-13 TOTAL	2013-14 Forecast TOTAL	3 Year Average	3 Year Average	
<b>Member Months</b>	1,258,189	1,199,500	1,395,762	1,284,484	1,208,001	
<b>Revenue</b>	\$ 304,635,931	\$ 303,451,959	\$ 319,346,295	\$ 309,144,729	\$ 304,483,676	
<i>pmpm</i>	242.12	252.98	228.80	240.68	252.06	
<b>Health Care Costs</b>	\$ 287,353,673	\$ 275,931,463	\$ 279,529,291	\$ 280,938,142	\$ 277,784,021	
<i>pmpm</i>	228.39	230.04	200.27	218.72	229.95	
% of Revenue	94.3%	90.9%	87.5%	90.9%	91.2%	
<b>Admin Exp</b>	\$ 18,891,321	\$ 22,814,416	\$ 22,732,511	\$ 21,479,416	\$ 19,730,880	
<i>pmpm</i>	15.01	19.02	16.29	16.72	16.33	
% of Revenue	6.2%	7.5%	7.1%	6.9%	6.5%	
<b>Net Income</b>	\$ (1,609,062)	\$ 4,706,079	\$ 17,084,493	\$ 6,727,170	\$ 6,968,774	
<i>pmpm</i>	(1.28)	3.92	12.24	5.24	5.77	
% of Revenue	-0.5%	1.6%	5.3%	2.2%	2.3%	

Note – FY2012-13 includes an additional increase of \$7M in estimated incurred but not reported (IBNR) health care costs which was included to be conservative.



# TNE Requirements

## GCHP TNE POSITION



- GCHP is projected to meet the full TNE requirement by 6/30/2014
- Reflects \$7.2 million in lines of credit throughout projection period

## Other Opportunities

- Intergovernmental Transfer (IGT) not reflected
- Financial forecast is conservative because:
  - Estimates incorporate the lower end of savings ranges
  - No State capitation rate increase is assumed between FY2012-13 and FY2013-14
- Medi-Cal expansion has not been incorporated, where GCHP could leverage existing infrastructure to increase net operating margin from higher enrollment
- Delivery model contracting changes not currently incorporated into the model (e.g., Plan-to-Plan contracting which will increase capitation and lower TNE requirements)



## Next Steps

- Obtain feedback from State and Monitor
- Provide ongoing updates to Executive Finance Committee and Commission on financial forecast results



## **AGENDA ITEM 4b**

To: Gold Coast Health Plan Executive Finance Committee  
From: Michelle Raleigh, Chief Financial Officer  
Date: April 4, 2013  
RE: Line of Credit (LOC) Update

### **SUMMARY:**

Authorize and direct the Chief Executive Officer to execute the line of credit amendment with Ventura County to provide an additional \$5 million dollars of temporary funding.

### **BACKGROUND:**

As discussed in the February 25<sup>th</sup> Commission and March 7<sup>th</sup> Executive Finance Committee meetings, Gold Coast Health Plan (GCHP) has requested an increase in the current line of credit held with the County of Ventura. A formal request was sent to the County of Ventura on March 14<sup>th</sup> for an additional \$5 million dollars. Therefore, the total line of credit would be increased to 7.2 million dollars.

The details of this additional line of credit are assumed to be the same as the existing line of credit. A summary of these terms and conditions of the original (May 10, 2011) agreement were provided at the March 7<sup>th</sup> Executive Finance Committee meeting and are provided below:

- Credit Facility Type: revolving line of credit (LOC)
- Current Maximum LOC commitment: \$2.2 million
- Interest rate: variable rate, equivalent to Ventura County Treasury Pool rate
- Effective date: July 1, 2011
- Unsecured and Subordinated Loan: note is subordinated to all current and future creditors of the Plan
- Purpose: proceeds to be used exclusively for operations and cash reserves of GCHP
- Repayment: Plan must receive written approval from the California Department of Health Care Services (DHCS). Plan may ask for written approval from DHCS once it meets 100% of the minimum required tangible net equity (TNE) as defined in Title 28, CCR, Section 1300.76c(6).

This additional line of credit will provide temporary capital funding to assist in meeting TNE requirements. The DHCS requires GCHP to request the additional LOC per the Corrective Action Plan (CAP).

It is expected that this additional LOC would be presented to the Ventura County Board of Supervisors for approval on April 16<sup>th</sup>. The Plan will provide an update during the April 22<sup>nd</sup> GCHP Commission meeting.

**RECOMMENDATION:**

Staff requests recommendation from the Executive Finance Committee to the full Commission to delegate authority to the Chief Executive Officer to execute LOC contact amendment.

**ATTACHMENTS:**

None



### **AGENDA ITEM 4c**

To: Gold Coast Health Plan Executive Finance Committee  
From: Michelle Raleigh, Chief Financial Officer  
Date: April 4, 2013  
RE: Intergovernmental Transfer (IGT) Update

#### **SUMMARY:**

Authorize and direct the Chief Executive Officer to submit the necessary agreements with the Ventura County Medical Center (VCMC) or other appropriate County agency and the California Department of Health Care Services (DHCS) to secure additional Medi-Cal funds through an Intergovernmental Transfer (IGT).

#### **BACKGROUND:**

As discussed in the February 25<sup>th</sup> Commission meeting, IGTs are a mechanism for managed care plans and public agencies, to work with the State of California (State) in order to bring federal Medicaid matching dollars to the local level.

VCMC sent a nonbinding Letter of Commitment to the DHCS on March 1, 2013 regarding an IGT between the County, GCHP, and the State. Staff has been working with the DHCS to discuss deadlines, confirm necessary documents, and determine available funding amount. Per conversation with the State on March 26<sup>th</sup>, the following deadlines need to be met:

- 4/26 – State needs “ready to sign” (i.e., documents that may not be changed unless changed by CMS) documents to send to CMS. These documents include the following:
  - IGT Funding Questions and Answers Form
  - Health Plan – Provider Agreement Template (agreement between GCHP and County funding agency)
  - Intergovernmental Agreement Template (agreement between DHCS and County funding agency)
  - IGT Assessment Fee Template (20% fee) (agreement between DHCS and County funding agency)
  - Use of Funds Justification document
- May – State has discussions with CMS on documents

- May to early June – State provides feedback to GCHP & County (may need to update documents, depending on CMS feedback)
- 6/10 – final documents need to be provided to State
- 7/8 – State sends wire request to County
- 7/15 - County wires money to State
- GCHP September Capitation Check (expect receipt between 8/25-9/8) – GCHP receives IGT payment with regular capitation payment check
- GCHP returns County portion within 30 days of receipt from DHCS

GCHP staff plans to provide an update on the IGT activities and request approval to submit the necessary documents to the State during the April 22<sup>nd</sup> Commission meeting.

**FISCAL IMPACT:**

On March 28<sup>th</sup>, the State provided GCHP with the FY2011-12 IGT “total funds” available amount of \$24,688,397. This amount is in the process of being confirmed. Details regarding the portion of these funds that could be used as a temporary capital base for tangible net equity (TNE) purposes are still being developed.

**RECOMMENDATION:**

Staff requests recommendation from the Executive Finance Committee to the full Commission for the Chief Executive Officer to submit all necessary documentation and contracts to proceed with the IGT funding.

**ATTACHMENTS:**

None





## **AGENDA ITEM 4d**

To: Gold Coast Health Plan Executive Finance Committee Members  
From: Guillermo Gonzalez, Director of Government Relations  
Date: April 4, 2013  
Re: SB 335 - Hospital Quality Assurance Fee

### **SUMMARY:**

State Senate Bill (SB 335) enacted a thirty-month Medi-Cal hospital provider fee or quality assurance fee (QAF) for the period beginning July 1, 2011 through December 31, 2013. The intent of the QAF is to draw down federal funds and increase payments to designated public hospitals (DPHs) as well as non-designated public hospitals (NDPHs) in the Medi-Cal Program.

### **BACKGROUND:**

Federal law permits states to levy fees on hospitals. Private hospitals pay the fee in quarterly installments, and the state uses the proceeds to draw down federal matching funds. The State Legislature previously passed, and the Governor approved, two QAFs which expired on June 30, 2011. Under SB 335, a third QAF was enacted for the period covering July 1, 2011 through December 31, 2013. The California Hospital Association (CHA) estimated that the current QAF is expected to raise approximately \$7 billion. This amount is expected to be matched with approximately \$6.1 billion in federal funds. According to CHA, private hospitals statewide could receive as much as \$6 billion in supplemental payments for inpatient services, \$1.8 billion for outpatient services. The current QAF also makes an additional \$900 million available for children's health care coverage. Under the current QAF DHCS can withhold up to \$2.5 million in QAF funds to pay for staffing and administrative costs.

### **DISCUSSION:**

Legislation (SB 239) was introduced on March 21, 2013 in the State Senate to extend the QAF from January 1, 2014 through December 31, 2015. This legislation is currently in the Rules Committee and is expected to win passage by the full Legislature before June 2013.

**RECOMMENDATION:**

The QAF is a complex financing mechanism that may carry fiscal implications for Gold Coast Health Plan. GCHP's finance and claims departments should document payments made to private as well as designated public and non-designated public hospitals. If GCHP received increased capitation payments from the proceeds of the QAF, GCHP is required to make payments to hospitals based on actuarial certification, enrollment and hospital utilization within 30 days of receipt of those funds.

**CONCURRENCE:**

N/A

**Attachments:**

None.



### AGENDA ITEM 4e

To: Gold Coast Health Plan Executive/Finance Committee  
From: Sherri Tarpchinoff Bennett, Provider Network Manager  
Date: April 4, 2013  
RE: Primary Care Payment (PCP) Increase – Affordable Care Act (ACA) Section 1202 Implementation Update

#### SUMMARY:

Effective for dates of service on and after January 1, 2013 through December 31, 2014, Medi-Cal reimbursement to qualifying providers for specified primary care services will be paid at the same level as that service is reimbursed by Medicare.

#### BACKGROUND / DISCUSSION:

A presentation outlining the ACA Primary Care Payment Increase was presented to the Provider Advisory Committee on February 12, 2013 and a copy of the presentation was included in the February 25, 2013 Gold Coast Health Plan (GCHP) Commission Agenda Packet.

The State recently updated the health plans with the following information:

#### Additional Federal Guidance

- Clinics or outpatient departments that are reimbursed according to the physician fee schedule are eligible for the increase if the rendering provider is an eligible physician or non-physician medical practitioner (NMP). ***The increase must be passed along to the rendering provider and cannot be retained by the clinic.***
- FQHCs, RHCs, and CBRCs receive wrap-around payments, so they are not eligible even if the health plan reimburses them based on the Medi-Cal physician fee schedule.
- There is still limited guidance regarding how to adjustment payments for qualified physicians who are sub-capitation or salaried.
- Physician eligibility is based a physician attesting that he/she meets the following criteria:
  - Practices in an area of a covered specialty or subspecialty, and
  - Board certified in an eligible specialty/subspecialty or

- Meets a 60% primary care billing threshold for all managed care and fee-for-service Medi-Cal claims. The 60% threshold is based on codes – not revenue.
- NMP providers for whom the physician accepts professional responsibility are eligible.

#### State Level Decisions

- DHCS is using the office-setting rate for all services (unless there is not office rate – then the facility rate would be used).
- DHCS will be using the geographic locality rates statewide.
- DHCS is proposing option 2 for the managed care rate methodology. This means that the State will include an estimated increase in the capitation rates and follow with a retrospective reconciliation.

#### **FISCAL IMPACT:**

Not expected to have a fiscal impact since increases to payments made to the Plan will be passed onto the qualifying providers who provide the specified primary care services.

#### **ATTACHMENTS:**

None