CALL TO ORDER

Chair Gonzalez called the meeting to order at 1:36 p.m. in Suite 230 at the Ventura County Public Health Building located at 2240 E. Gonzalez Road, Oxnard, CA 93036.

ROLL CALL

COMMITTEE MEMBERS PRESENT
Robert Gonzalez, MD, Ventura County Health Care Agency
David Glyer, Private Hospitals / Healthcare System
Catherine Rodriguez, Ventura County Medical Health System

EXCUSED / ABSENT MEMBERS
Roberto S. Juarez, Clinicas del Camino Real, Inc.
Anil Chawla, MD, Clinicas del Camino Real, Inc.

STAFF IN ATTENDANCE
Cassie Undlin, Interim Chief Executive Officer
Sonia DeMarta, Interim Chief Financial Officer
Nancy Kierstyn Schreiner, Legal Counsel (left at 3:45 p.m.)
Traci R. McGinley, Clerk of the Board
Paula Cabral, Administrative Assistant

PUBLIC COMMENT

None.

1. APPROVAL OF MINUTES

   a. May 17, 2012 Meeting Minutes
   b. June 21, 2012 Meeting Minutes

Committee Member Rodriguez moved to approve the Minutes of the May 17, 2012 and June 21, 2012 Committee Meetings. Committee Member Glyer seconded. The motion carried. Approved 3-0.
2. **ACCEPT AND FILE CEO UPDATE**

Interim CEO Undlin informed the Committee that Margaret Tatar from the Department of Healthcare Services would be visiting the Plan on Friday, July 20, 2012, and she would provide an update at a later date.

Interim CEO Undlin reported that staff was producing a dashboard of ACS requirements according to their contract. A Vendor Operations Manager, Luis Aguilar, has been hired to handle the day to day relationship with ACS, there will be an onsite visit to the Kentucky call center during the week of July 23rd.

Interim CEO Undlin advised the Commissioners that the State is no longer retroactively adding members to COHS; therefore Providers need to bill the State directly until Members become active on the first of the month. It appears that the State did not communicate to their constituency so GCHP will be using a bulletin to get the information out to Providers about the change.

Interim CEO Undlin noted that Commissioner Eberst previously requested that the claims be further investigated. The evaluation is still underway; but issues determined to date are: cross-over claims for Medicare and Medi-Cal coverage are being done manually, there have been some over-payments to long-term care facilities, there is a large backlog, there are also issues with the pre-authorizations for services and conducting those services; as well as issues of the startup implementation. Interim CEO Undlin closed stating that a fairly extensive log has been developed on the claims and what the root causes are, but also how and / or why the error occurred or was created.

3. **ACCEPT AND FILE FINANCIAL REPORT**

a. **May Financials**

Interim CFO DeMarta reviewed the year-end expenses and noted that they only went through July 19, 2012 so the figures would change. Membership had a minor increase up to 105,875; Revenue was up slightly to $240 pmpm (per member per month). The biggest fluctuation was in Health Care Costs, May’s Health Care Costs included an additional $3 million in IBNR (incurred but not reported) reserves and June’s expenses were reduced from previous months because the expected receivables were booked from the reinsurance company for approximately $1.3 million and an additional $500,000 from refunds of over-payments from Providers.

Interim CFO DeMarta continued, stating that Health Care Costs YTD (year-to-date) are 90% of the expenses. Administrative Expenses declined slightly in April and May; however, there was an increase in costs due to the purchase of cubicles. YTD Administrative Costs were at 6.1%, Net Income for the month was up $2.4 million for a total Net Income for the year of 3.9%. As of the end of June the required TNE is 20% so we have met the requirements (July 1st we must be at 36%).
Interim CFO DeMarta reviewed the charts showing the claims reserves are up and the claims payable is down (due to processing backlog). Pharmacy Encounter is holding steady, our percentage distribution of Health Care expenditure is fairly consistent with previous months.

Interim CFO DeMarta noted that staff and Berkeley Research Group (BRG) are looking at IBNR. Milliman is doing an assessment for May and June and has provided a preliminary letter of recommendation to continue to use the book to budget methodology going forward as we still are unsure how many claims are still outstanding from July 2011, overpayments and returns.

Concern was raised about book to budget and the fact that we have had two extra increases in IBNR. Interim CFO DeMarta noted that IBNR is currently approximately $6.5 million. Chair Gonzalez reminded the Commission that the numbers for this first year were based on hypothetical figures.

Interim CFO DeMarta reviewed the Balance Sheet, the total cash on hand for last month was $23.7 million and the decrease in that is because the capitation payment check did not come until the beginning of July. Provider Receivables include advances to from Providers and refund overpayment that we requested. The Other Receivables are from vendors, one of which is ACS. Total Account Receivables are $36.1 million. IBNR is higher this month. We continue to book premium reduction rate adjustments 2011 / 2012. Other claim payable expenses are fairly consistent. Payment of $1.8 million was paid in June for taxes.

Interim CFO DeMarta reviewed the Income Statement. Capitation is consistent with previous months. Administrative Costs, Salaries and Wages went down. Interest expenses for the month and outstanding claims payable are up.

Interim CFO DeMarta noted that we are coming in ahead of budget Premium review, Health Care costs by $6 million and Administrative costs by $2 million, net income of $1.8 million favorable to budget. Variances - largest item is in health care costs and decrease due to refunds. Consultant variances are due to BRG, legal expenses due to volume of activity, and Tatum.

Interim CFO DeMarta noted that the Membership mix is higher and lower capitation rates for long-term care. Medi-Cal rates are still used, but other fees for services are the same as Milliman projections. These rates were built by the prior leadership which lumped four major categories together and the initial budget was based on that – which drives some of the changes.

Interim CFO DeMarta reviewed the Heath Dollar Claims Paid, 19 Members fall into that category. Acute care, LTC and Other costs of the $10 million in high dollar costs or four-five percent (45%) of the total. We have some that are $350,000 and higher. One Member was over $1 million.
Interim CFO DeMarta closed stating that there are thirty-five (35) Members on the transplant list; twenty-five (25) are in pre-procedures and ten (10) in post-procedure mostly kidney versus liver.

b. *Budget*
Interim CFO DeMarta reported that the State had not sent the rates for the year. Based on the budget level we anticipate 3.7% in rate cuts. Discussion was held regarding AB 97, it was to be 10% but it has not yet been decided so it has not been passed on to the Providers.

Interim CFO DeMarta reviewed membership figures; she stated that Milliman is working on a letter about losing retroactive members. Also, there will be a growth in membership with picking up 16,000 in Healthy Families and 1,000 CBAS members in October. We expect 35-40 new members over the next 12 months. Medical management will remain in ACS.

Discussion was held regarding the number of employees currently at the Plan. Interim CEO Undlin stressed that that a lot of problems existed due to the Plan being understaffed.

Chair Gonzalez suggested that Interim CFO DeMarta present the budget as discussed to the Commission with AB 97; but do an analysis explaining that if you took out AB 97 we will have this amount of additional revenue to apply to mitigate the cut to the Provider.

Committee Members requested staffing levels versus other COHS, removal of contingency line, detailing of employee costs, mix of revenue assumption, create a line item for Provider Repayment to remove it from Reinsurance.

Interim CEO Undlin explained that the staffing information would be presented in the Human Resources Committee Meeting (which Juarez and Rodriguez are members).

4. **SPACE**
There was a discussion regarding Conflict of Interest for issues for employees of the County of Ventura.

5. **CONTRACT REVIEW**

a. *Consideration and Recommendation to Commission of Extension of Tatum Contract*
Interim CEO Undlin reviewed the proposal for an extension of her services through October 31, 2012 to assist with the transition of the new CEO; there are still a lot of issues. Project management expenses for the specialty contract and will require the extension of the Tatum individual that is working on that project. A different Tatum staff person would continue to work on the ACS contract; her work is in the day to day. She
continued, stating that as she previously noted a new staff member was brought in but he needs to be trained, then she can slowly back out (except for the high level discussions).

Chair Gonzalez reminded Interim CEO Undlin that she would be working on the specialty contract should it be approved; therefore it should be added to this at this time.

Interim CEO Undlin noted that by the end of the month it will be over the $320,000. The additional amount would be approximately $331,000. Chair Gonzalez clarified that the total engagement would be approximately $600,000.

Committee Member Rodriguez asked for the scope of service for the Project Management of the Specialty Contract and the Vendor Contract Management. Tatum informed them they did not exist at this time.

Committee Member Rodriguez moved to approve Tatum’s contract extension to October 31, 2012, amend the contract for additional services for Project Management of the Specialty Contract and recommend approval to the Commission. Commissioner Glyer seconded. The motion carried. Approved 3-0.

6. CONSIDERATION AND RECOMMENDATION TO THE COMMISSION OF COSTS ASSOCIATED WITH IMPLEMENTING SPECIALTY CONTRACT

Interim CEO Undlin explained that what was before the Committee was the product of a meeting between Gold Coast, ACS, Clinicas and Platinum (a vendor of Clinicas) who took the Specialty Contract (which includes the Primary Care CAP and Specialty CAP). She stated that the outside person was present to have an objective view of the process and to challenge all three sites objectively. There are issues on what it will take and how much work there will be; how much processes must be in place. We felt it was important that it was not decided by the vendor since the vendor (ACS) will be required to implement the changes.

Committee Member Glyer asked what the purpose of this was contract was. Interim CEO Undlin explained that the business purpose is to build the ability for providers to take primary and specialty CAP and manage the specialty services and take the risk as well as primary care.

It was noted that Clinicas has developed its own network of specialty and primary providers and this is a good example of sharing the risk.

Interim CEO Undlin explained that we looked at the project plan and detailed what it would cost. The Plan would pay an estimated $343,000. Clinicas specific is $55,760, and any “clinic” that wished to do this would need to pay a clinic specific cost.

Interim CEO Undlin was asked why she was recommending this, she responded that when utilization management is delegated to the Providers, that is where the Plan can
get the savings in health care. The Provider is responsible for the services that are delivered; it is set up so they understand that it is not a fee for service to the Plan to do all the services that are done. In the utilization management, gives the ability to contract out at a lower rate.

Committee Member Glyer stated that typically when costs are capitated you are trying to reduce costs; he requested to see the analysis of the benefits to the Plan. He asked the other Committee Members if they support this.

Chair Gonzalez expressed his support; he stated that it was his belief that the efficiency of care, when managed by the providers themselves is probably a little better. There was a lot of work done to validate what the rates were that would be passed on as capitation such that the Plan ended up in good shape financially and the provider had the potential to do their good work and stay in fiscal balance. Milliman analysis evaluated this relationship and the costs and validated it. When you see this it is about the implementation.

Interim CEO Undlin explained to Committee Member Glyer that there are other benefits that will occur to the Plan that are not financial, it will be operational. It is a reflection of the type of organization the Plan is, COHS it has to reflect the needs of the community. Chair Gonzalez added that the contract template did come before the Commission and it was approved.

Committee Member Rodriguez moved to recommend to the Commission. Commissioner Glyer seconded. The motion carried. Approved 3-0.

7. UPDATE REGARDING CLAIMS PROCESS
Interim CEO Undlin explained that she previously reviewed this item.

8. ESTABLISH AUDIT COMMITTEE
Interim CEO Undlin reported that it is important to make sure the Commission is part of the workings of the Plan and part of that is establishing an Audit Committee, a subcommittee of the Executive / Finance Committee. We would like to have one member from the Executive / Finance Committee, one member from the Commission and two outside individuals. After discussion Committee Member Glyer agreed to be on the committee as well chair the committee.

Committee Member Rodriguez moved to establish the Audit Committee and forward it to the Commission. Committee Member Glyer seconded. The motion carried. Approved 3-0.
9. **ESTABLISH EXECUTIVE / FINANCE MEETING SCHEDULE**

Committee Member Glyer moved to reschedule the Executive / Finance Meeting to the first Thursday of the month. Committee Member Rodriguez seconded. The motion carried. **Approved 3-0.**

**COMMENTS FROM COMMITTEE MEMBERS**

None.

**ADJOURNMENT**

The meeting adjourned at 4:45 p.m.

**APPROVED:**

Traci R. McGinley, MMC, Clerk of the Board