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

**CALL TO ORDER**

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

**ROLL CALL**

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

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

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

**PUBLIC COMMENT**

None.

1. **ACCEPT AND FILE CEO UPDATE**

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

McGladrey and Pullen (external financial auditors) are currently at the Plan and working on the Fiscal Year 2011-2012 annual financial audit.
CEO Engelhard announced that a press release will be going out as the Plan now has the ability to do EFT payments for all Providers.

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

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

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

2. **FINANCE REPORT**

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

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

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

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

   Interim CFO DeMarta continued review of the financial report; she reminded the Committee that the costs for LTC's were recently separated out on the management reports, as requested. CEO Engelhard confirmed that LTC costs of 27% of total medical costs are consistent with other COHS. CEO Engelhard expressed that his immediate goal is to get a thorough analysis of the organization's cost structure and determine if it is appropriate and then staff can look at ways of enhancing appropriate payment levels, such as primary care.
Committee Member Chawla stated that she believed Specialty Services were categorized under “outpatient” and “professional” services and asked if staff had researched to see what top two or three specialties were being utilized so those services could be capitated.

CEO Engelhard responded that it would be researched.

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

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

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

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

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

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

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

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

Committee Member Rodriguez arrived.
b. **FY 10-11 Audit Results**

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

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

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

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

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

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

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

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

3. **CONSIDERATION OF ELIMINATION OF HIRING FREEZE**

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

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

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

Further discussion was held regarding the RGS billings.

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

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

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

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

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

4. **CONTRACT REVIEW**

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

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

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

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

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

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

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

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

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

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

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

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

Chair Gonzalez stated that in October or November, 2011, he had asked that a shared risk contract come to the Commission for presentation. Subsequent to that it became clear to him that the Plan and Providers work very diligently with their attorneys, then product goes up to the State where it is reviewed and approved. It does not seem right that the Commission would delay processing of contracts or to be involved. We need to know that things are being done, but there shouldn’t be any delay in the process pending approval by the Commission. If we search old minutes and find something that impairs that process then we should go back to the Commission and reverse that process.
ADJOURNMENT

The meeting adjourned at 5:16 p.m.

APPROVED:

Traci R. McGinley, MMC, Clerk of the Board