

SANTA CRUZ – MONTEREY – MERCED MANAGED MEDICAL CARE COMMISSION Finance Committee



Meeting Agenda

Wednesday, March 22, 2023

1:30 p.m. – 2:45 p.m.

Location: In Santa Cruz County:

Central California Alliance for Health Board Room
1600 Green Hills Road, Suite 101, Scotts Valley, CA

In Monterey County:

Central California Alliance for Health Board Room
950 East Blanco Road, Suite 101, Salinas, CA

In Merced County:

Central California Alliance for Health Board Room
530 West 16th Street, Suite B, Merced, CA

Alliance offices have opened for Finance Committee meetings in each county. Face coverings are not required in Alliance offices but are highly encouraged.

1. Members of the public wishing to observe the meeting remotely via online livestreaming may do so as follows:
 - a. Computer, tablet or smartphone via Microsoft Teams:
[Click here to join the meeting](#)
 - b. Or call in (audio only)
[+1 323-705-3950..230124717#](#) United States, Los Angeles
Phone Conference ID: 230 124 717#
2. Members of the public wishing to provide public comment on items not listed on the agenda that are within jurisdiction of the commission or to address an item that is listed on the agenda may do so in one of the following ways.
 - a. Email comments by 5:00 p.m. on Tuesday, March 21, 2023, to Dulcie San Paolo, Finance Administrative Specialist, at dsanpaolo@ccah-alliance.org.
 - i. Indicate in the subject line "Public Comment". Include your name, organization, agenda item number, and title of the item in the body of the e-mail along with your comments.
 - ii. Comments will be read during the meeting and are limited to five minutes.
 - b. In person, during the meeting, when that item is announced.
 - i. State your name and organization prior to providing comment.
 - ii. Comments are limited to five minutes.

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- 1. Call to Order by Chairperson Molesky. 1:30 p.m.**
 - A. Roll call; establish quorum.
- 2. Oral Communications. 1:35 p.m.**
 - A. Members of the public may address the Commission on items not listed on today's agenda that are within the jurisdiction of the Commission. Presentations must not exceed five minutes in length, and any individuals may speak only once during Oral Communications.
 - B. If any member of the public wishes to address the Commission on any item that is listed on today's agenda, they may do so when that item is called. Speakers are limited to five minutes per item.
- 3. Approve minutes of October 26, 2022 meeting of the Finance Committee. 1:40 p.m.**
- 4. Propose addition of August 2023 Finance Committee meeting. 1:45 p.m.**
- 5. Preliminary 2022 Financial Results. 1:50 p.m.**
- 6. CY 2021-2022 RDT Findings. 2:00 p.m.**
- 7. Investment update YTD December 2022. 2:20 p.m.**

The complete agenda packet is available for review on the Alliance website at www.thealliance.health/about-the-alliance/public-meetings/. The Commission complies with the Americans with Disabilities Act (ADA). Individuals who need special assistance or a disability-related accommodation to participate in this meeting should contact the Clerk of the Board at least 72 hours prior to the meeting at (831) 430-5523. Board meeting locations in Salinas and Merced are directly accessible by bus. As a courtesy to persons affected, please attend the meeting smoke and scent free.

**FINANCE COMMITTEE
SANTA CRUZ – MONTEREY – MERCED
MANAGED MEDICAL CARE COMMISSION**



Meeting Minutes

Wednesday, October 26, 2022

Teleconference Meeting

(Pursuant to Assembly Bill 361 signed by Governor Newsom, September 16, 2021)

Members Present:

Ms. Elsa Jiménez	County Health Director
Mr. Michael Molesky	Public Representative
Allen Radner, MD	Provider Representative
Mr. Tony Weber	Provider Representative

Members Absent:

Ms. Shebreh Kalantari-Johnson	Public Representative
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Staff Present:

Ms. Lisa Ba	Chief Financial Officer
Ms. Stephanie Sonnenshine	Chief Executive Officer
Ms. Dulcie San Paolo	Finance Administrative Specialist

1. Call to Order. (1:29 p.m.)

The meeting was called to order at 1:29 p.m. Roll call was taken. A quorum was present.

2. Oral Communications. (1:30 – 1:31 p.m.)

Chairperson Molesky opened the floor for any members of the public to address the Committee on items not listed on the agenda.

No members of the public addressed the Committee.

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Consent Agenda Items:**3. Approve minutes of the August 24, 2022 meeting of the Finance Committee. (1:31–1:32 p.m.)**

FINANCE COMMITTEE ACTION: Chairperson Molesky opened the floor for approval of the minutes of the August 24, 2022 meeting.

MOTION: Commissioner Radner moved to approve the minutes, seconded by Commissioner Weber.

ACTION: The motion passed with the following vote:

Ayes: Commissioners Molesky, Radner, Weber

Noes: None

Absent: Commissioners Jiménez, Kalantari-Johnson

Abstain: None

Regular Agenda Items:**4. August YTD Financial Results. (1:32 – 1:39 p.m.)**

Ms. Lisa Ba, Chief Financial Officer (CFO), updated the commissioners on the Alliance's most recent financial performance for the eight months ending on August 31, 2022

[Commissioner Elsa Jiménez arrived at this time: 1:36 p.m.]

5. Preliminary 2023 Budget. (1:39 – 2:28 p.m.)

Ms. Ba oriented the commissioners to the preliminary 2023 budget.

An overview of the financial performance trend from 2019 to 2022 was reviewed. Next, the CFO discussed the assumptions upon which the budget was based, including enrollment, revenue, and medical cost.

Regarding enrollment, Ms. Ba explained that redetermination is expected to begin in April 2023. Staff anticipates that the process will take eighteen months to complete, with the full impact of the enrollment decrease likely evident in 2024. She explained that as enrollment reduces, the acuity and the Per Member Per Month (PMPM) medical cost will increase. The preliminary budget assumes that members will continue resuming the delayed care throughout 2023 and that the overall annual utilization will be 5% above 2019.

With regard to revenue, the CFO noted that a 1.2% rate increase from the current 2022 draft rate is included in the 2023 budget. This is based on Rate Development Template (RDT) walkthrough data that the California Department of Health Care Services (DHCS) provided in

September. It is expected that the Enhanced Care Management (ECM) rates will be received in November and the draft rate will be received in December.

In summary, the preliminary budget includes a \$66.6M operating income or 4.3%, with a Medical Loss Ratio (MLR) of 89.5% and an Administrative Loss Ratio (ALR) of 6.1%. Ms. Ba pointed out that this budget does not include Dual Special Needs Plan (D-SNP) related activities in 2023. Staff will submit a separate D-SNP budget once the Operation Gap Assessment has been completed.

Next, the CFO provided a future financial outlook for the commissioners. She outlined several factors impacting the Alliance's financial state over the next four years.

Ms. Ba offered a view of the five-year projection and noted that it is anticipated that the Alliance will experience three years of losses beginning in 2024. One contributing factor is that the State will likely have a budget deficit in SFY 2023-2024. This could mean that Medi-Cal revenue will be constrained.

Of additional note, with the full impact of the decreased enrollment being realized in 2024, it is expected that the reduced enrollment will result in higher acuity and higher PMPM medical cost. Therefore, medical costs are expected to be higher from 2024 through 2026.

Ms. Ba went on to explain that the upcoming regional rate poses a significant threat to the Alliance's finances, and it is likely that revenue may decrease by 2%. Under the regional rate, the Alliance's revenue will be risk- and quality-adjusted. The Alliance will have to compete with other local and commercial Medi-Cal managed care plans for funding. As a result, the Alliance may experience operating losses for up to three years once the regional rate is implemented.

The CFO oriented the commissioners to a projected view of the fund balance with grant funding and the D-SNP reserve removed. She advised that although the plan is expected to continue to build a healthy fund balance in 2022 and 2023, the subsequent loss cycle could result in the fund balance falling below the Board Designated Reserves Target.

Lastly, Ms. Ba described how D-SNP would be another critical element to consider regarding the Alliance's financial future. She noted that once D-SNP is implemented, the Alliance will need to build a reserve to meet the three-month premium revenue requirement for the D-SNP line of business per the reserve policy.

The Commission adjourned its meeting on October 26, 2022, at 2:28 p.m.

Respectfully submitted,

Ms. Dulcie San Paolo
Finance Administrative Specialist



DATE: March 22, 2023
TO: Santa Cruz-Monterey-Merced Managed Medical Care Commission
FROM: Lisa Ba, Chief Financial Officer
SUBJECT: Financial Highlights for the First Month Ending January 31, 2023

For the month ending January 31, 2023, the Alliance reported an Operating Income of \$16.2M with a Medical Loss Ratio (MLR) of 82.9% and an Administrative Loss Ratio (ALR) of 5.4%. The net income is \$20.8M after accounting for Non-Operating Income/Expenses.

The budget expected a \$8.8M Operating Income for January. The actual result is favorable to budget by \$7.4M or 85.1%, driven primarily by the boosted enrollment from the Public Health Emergency (PHE).

Jan-23 (In \$000s)				
<u>Key Indicators</u>	Current Actual	Current Budget	Current Variance	% Variance to Budget
<i>Member Months</i>	421,212	412,231	8,981	2.2%
Revenue	137,686	131,070	6,616	5.0%
Medical Expenses	114,102	114,360	259	0.2%
Administrative Expenses	7,386	7,958	572	7.2%
Operating Income/(Loss)	16,198	8,751	7,447	85.1%
Net Income/(Loss)	20,805	6,067	14,738	100.0%
PMPM				
Revenue	326.88	317.95	8.93	2.8%
Medical Expenses	270.89	277.42	6.53	2.4%
Administrative Expenses	17.54	19.30	1.77	9.2%
Operating Income/(Loss)	38.46	21.23	17.23	81.1%
<i>MLR %</i>	82.9%	87.3%	4.4%	
<i>ALR %</i>	5.4%	6.1%	0.7%	
<i>Operating Income %</i>	11.8%	6.7%	5.1%	
<i>Net Income %</i>	15.1%	4.6%	10.5%	

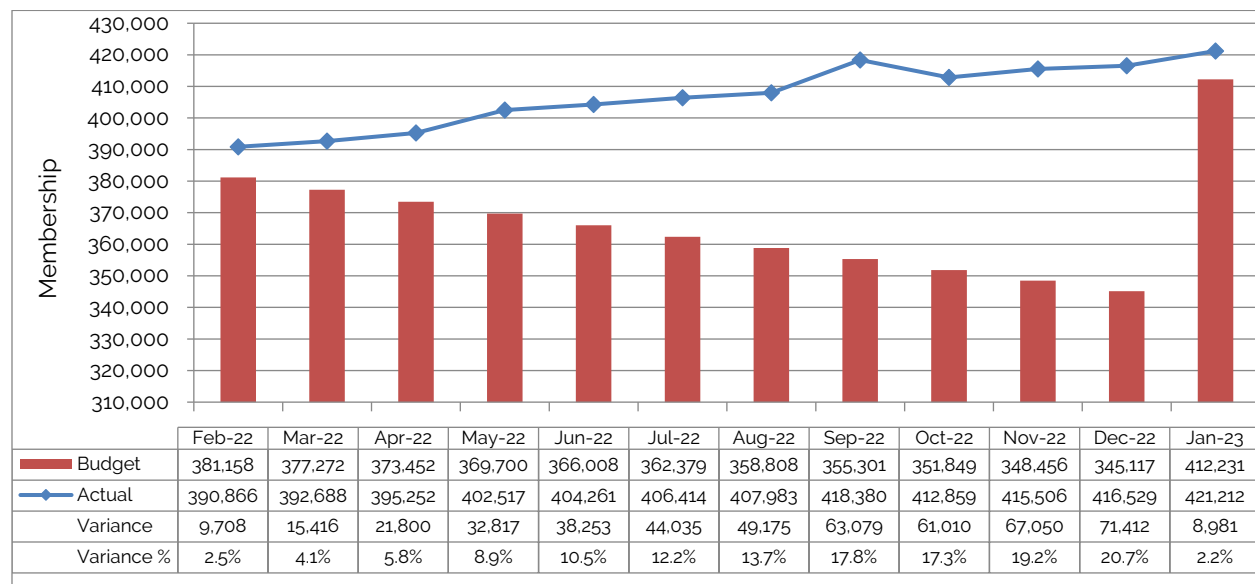
Per Member Per Month. Capitation revenue and medical expenses are variable based on enrollment fluctuations; therefore, the PMPM view offers more clarity than the total dollar amount. Conversely, administrative expenses do not usually correspond with enrollment and should be evaluated at the dollar amount.

At a PMPM level, revenue is \$326.88, which is favorable to budget by \$8.93 or 2.8%. Medical cost PMPM is \$270.89, which is favorable by \$6.53 or 2.4%. The resulting operating income PMPM is \$38.46, which is favorable by \$17.23 compared to the budget.

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Membership. January 2023 membership is favorable to budget by 2.2%. Please note that the 2023 budget assumed the Public Health Emergency (PHE) would end in January 2023, with membership beginning to decline in April 2023. As of January 17, 2023, DHCS states the redetermination begins in April 2023 for the July 2023 renewal date, with the actual enrollment loss expected to begin in July 2023. The Health and Human Services department announced that the PHE will end on May 11, 2023.

Membership. Actual vs. Budget (based on actual enrollment trend for Jan-23 rolling 12 months)



Revenue. The 2023 revenue budget was based on the current Department of Healthcare Services (DHCS) 2022 draft rate package and includes a 1.2% rate increase. Furthermore, the budget assumed breakeven for Enhanced Care Management (ECM) and Community Supports (CS), both were new programs in 2022. The prospective CY 2023 draft rates from DHCS (dated 12/8/2022, including Maternity) are favorable to the rates assumed in the CY 2023 budget by 0.7%. January 2023 capitation revenue of \$137.3M is favorable to budget by \$6.6M or 5.0%, mainly attributed to higher enrollment of \$2.7M, and rate variances of \$3.9M.

Jan-23 Capitation Revenue Summary (In \$000s)					
County	Actual	Budget	Variance	Variance Due to Enrollment	Variance Due to Rate
Santa Cruz	28,282	27,915	367	277	90
Monterey	58,770	56,089	2,681	1,366	1,315
Merced	50,265	46,722	3,543	1,085	2,458
Total	137,317	130,726	6,592	2,729	3,863

Note: Excludes Jan-23 In-Home Supportive Services (IHSS) premiums revenue of \$0.4M.

Medical Expenses. The 2023 budget assumed a 5% increase in utilization from 2019 and a 3% unit cost increase that included case mix and changes in fee schedules.

2023 incentives include \$15M Care-Based Incentive (CBI), \$10M for the Hospital Quality Incentive Program (HQIP), and \$5M for the Specialist Care Incentive (SCI). The budget for HQIP is under Inpatient Services (Hospital), SCI and CBI are under Physician Services.

January 2023 Medical Expenses of \$114.1M are \$0.3M or 0.2% favorable to budget. Of this amount, \$2.8M is due to rate and offset by \$2.5M higher enrollment. Other Medical expense is unfavorable to budget by \$4.4M or 26.9% due to higher utilization in behavioral health services and medical transportation and incentive accruals.

Jan-23 Medical Expense Summary (In \$000s)					
Category	Actual	Budget	Variance	Variance Due to Enrollment	Variance Due to Rate
Inpatient Services (Hospital)	41,380	42,771	1,391	(932)	2,323
Inpatient Services (LTC)	13,309	15,319	2,010	(334)	2,344
Physician Services	24,205	23,908	(297)	(521)	224
Outpatient Facility	14,067	15,837	1,770	(345)	2,115
Pharmacy	293	99	(193)	(2)	(191)
Other Medical	20,848	16,426	(4,423)	(358)	(4,065)
Total	114,102	114,360	259	(2,491)	2,750

Note: Other Medical Actual includes Allied Health, Non-Claims HC Cost, transportation, ECM, ILOS, BHT, Lab, CBI, SCI and HQIP. The budget for HQIP is under Inpatient Services (Hospital), SCI and CBI are under Physician Services.

At a PMPM level, Medical Expenses are \$270.89, which is favorable by \$6.53 or 2.4% compared to the budget. Please note that the rate (PMPM) is the unit cost for a service multiplied by the utilization.

Jan-23 Medical Expense by Category of Service (In PMPM)				
Category	Actual	Budget	Variance	Variance %
Inpatient Services (Hospital)	98.24	103.76	5.51	5.3%
Inpatient Services (LTC)	31.60	37.16	5.56	15.0%
Physician Services	57.46	58.00	0.53	0.9%
Outpatient Facility	33.40	38.42	5.02	13.1%
Pharmacy	0.69	0.24	(0.45)	-100.0%
Other Medical	49.50	39.85	(9.65)	-24.2%
Total	270.89	277.42	6.53	2.4%

Administrative Expenses. January 2023 Administrative Expenses are favorable to budget by \$0.6M or 7.2% with a 5.4% ALR. Salaries, Wages, & Benefits (SWB) are favorable by \$0.2M or 3.7% due to savings from vacant positions and employee benefits. Non-Salary Administrative Expenses are favorable by \$0.4M or 14.9% due to the timing of the actual spend versus budget.

Non-Operating Revenue/Expenses. January 2023 Total Non-Operating Income is favorable to budget by \$7.3M. This is composed of favorability of \$1.2M in Interest, \$6M of Unrealized Gain on Investments, and \$0.1M in grants.

Summary of Results. Overall, the Alliance generated a YTD Net Income of \$20.8M, with an MLR of 82.9% and an ALR of 5.4%.



CENTRAL CALIFORNIA ALLIANCE FOR HEALTH
Balance Sheet
For The First Month Ending January 31, 2023
(In \$000s)

Assets

Cash	\$151,274
Restricted Cash	300
Short Term Investments	679,715
Receivables	152,545
Prepaid Expenses	4,380
Other Current Assets	14,281
Total Current Assets	\$1,002,496

Building, Land, Furniture & Equipment

Capital Assets	\$83,938
Accumulated Depreciation	(44,866)
CIP	192

Total Non-Current Assets

39,263

Total Assets

\$1,041,759

Liabilities

Accounts Payable	\$26,484
IBNR/Claims Payable	299,652
Accrued Expenses	-
Estimated Risk Share Payable	12,500
Other Current Liabilities	6,325
Due to State	-
Total Current Liabilities	\$344,961

Fund Balance

Fund Balance - Prior	\$675,993
Retained Earnings - CY	20,805
Total Fund Balance	696,798
Total Liabilities & Fund Balance	\$1,041,759

Additional Information

Total Fund Balance	\$696,798
Board Designated Reserves Target	413,058
Strategic Reserve (DSNP)	56,700
Medi-Cal Capacity Grant Program (MCGP)*	173,130
Total Reserves	642,888
Total Operating Reserve	\$53,911

* MCGP includes Additional Contribution of \$43.6M



CENTRAL CALIFORNIA ALLIANCE FOR HEALTH
Income Statement - Actual vs. Budget
For The First Month Ending January 31, 2023
(In \$000s)

<i>Member Months</i>	MTD Actual	MTD Budget	Variance	%	YTD Actual	YTD Budget	Variance	%
	<i>421,212</i>	<i>412,231</i>	<i>8,981</i>	<i>2.2%</i>	<i>421,212</i>	<i>412,231</i>	<i>8,981</i>	<i>2.2%</i>
Capitation Revenue								
Capitation Revenue Medi-Cal	\$137,317	\$130,726	\$6,592	5.0%	\$137,317	\$130,726	\$6,592	5.0%
Premiums Commercial	369	344	24	7.1%	369	344	24	7.1%
Total Operating Revenue	\$137,686	\$131,070	\$6,616	5.0%	\$137,686	\$131,070	\$6,616	5.0%
Medical Expenses								
Inpatient Services (Hospital)	\$41,380	\$42,771	\$1,391	3.3%	\$41,380	\$42,771	\$1,391	3.3%
Inpatient Services (LTC)	13,309	15,319	2,010	13.1%	13,309	15,319	2,010	13.1%
Physician Services	24,205	23,908	(297)	-1.2%	24,205	23,908	(297)	-1.2%
Outpatient Facility	14,067	15,837	1,770	11.2%	14,067	15,837	1,770	11.2%
Pharmacy	293	99	(193)	-100.0%	293	99	(193)	-100.0%
Other Medical	20,848	16,426	(4,423)	-26.9%	20,848	16,426	(4,423)	-26.9%
Total Medical Expenses	\$114,102	\$114,360	\$259	0.2%	\$114,102	\$114,360	\$259	0.2%
Gross Margin	\$23,584	\$16,709	\$6,875	41.1%	\$23,584	\$16,709	\$6,875	41.1%
Administrative Expenses								
Salaries	\$5,298	\$5,503	\$205	3.7%	\$5,298	\$5,503	\$205	3.7%
Professional Fees	180	206	25	12.3%	180	206	25	12.3%
Purchased Services	791	925	134	14.5%	791	925	134	14.5%
Supplies & Other	682	933	251	26.9%	682	933	251	26.9%
Occupancy	151	101	(50)	-49.2%	151	101	(50)	-49.2%
Depreciation/Amortization	284	291	7	2.3%	284	291	7	2.3%
Total Administrative Expenses	\$7,386	\$7,958	\$572	7.2%	\$7,386	\$7,958	\$572	7.2%
Operating Income	\$16,198	\$8,751	\$7,447	85.1%	\$16,198	\$8,751	\$7,447	85.1%
Non-Op Income/(Expense)								
Interest	\$2,217	\$1,025	\$1,192	100.0%	\$2,217	\$1,025	\$1,192	100.0%
Gain/(Loss) on Investments	3,681	(2,364)	6,046	100.0%	3,681	(2,364)	6,046	100.0%
Other Revenues	137	155	(18)	-11.5%	137	155	(18)	-11.5%
Grants	(1,429)	(1,500)	71	4.7%	(1,429)	(1,500)	71	4.7%
Total Non-Op Income/(Expense)	\$4,607	(\$2,684)	\$7,291	100.0%	\$4,607	(\$2,684)	\$7,291	100.0%
Net Income/(Loss)	\$20,805	\$6,067	\$14,738	100.0%	\$20,805	\$6,067	\$14,738	100.0%
<i>MLR</i>	<i>82.9%</i>	<i>87.3%</i>			<i>82.9%</i>	<i>87.3%</i>		
<i>ALR</i>	<i>5.4%</i>	<i>6.1%</i>			<i>5.4%</i>	<i>6.1%</i>		
<i>Operating Income</i>	<i>11.8%</i>	<i>6.7%</i>			<i>11.8%</i>	<i>6.7%</i>		
<i>Net Income %</i>	<i>15.1%</i>	<i>4.6%</i>			<i>15.1%</i>	<i>4.6%</i>		



CENTRAL CALIFORNIA ALLIANCE FOR HEALTH
Income Statement - Actual vs. Budget
For The First Month Ending January 31, 2023
(In PMPM)

	MTD Actual	MTD Budget	Variance	%	YTD Actual	YTD Budget	Variance	%
<i>Member Months</i>	<i>421,212</i>	<i>412,231</i>	<i>8,981</i>	<i>2.2%</i>	<i>421,212</i>	<i>412,231</i>	<i>8,981</i>	<i>2.2%</i>
Capitation Revenue								
Capitation Revenue Medi-Cal	\$326.01	\$317.12	\$8.89	2.8%	\$326.01	\$317.12	\$8.89	2.8%
Premiums Commercial	0.87	0.83	0.04	4.8%	0.87	0.83	0.04	4.8%
Total Operating Revenue	\$326.88	\$317.95	\$8.93	2.8%	\$326.88	\$317.95	\$8.93	2.8%
Medical Expenses								
Inpatient Services (Hospital)	\$98.24	\$103.76	\$5.51	5.3%	\$98.24	\$103.76	\$5.51	5.3%
Inpatient Services (LTC)	31.60	37.16	5.56	15.0%	31.60	37.16	5.56	15.0%
Physician Services	57.46	58.00	0.53	0.9%	57.46	58.00	0.53	0.9%
Outpatient Facility	33.40	38.42	5.02	13.1%	33.40	38.42	5.02	13.1%
Pharmacy	0.69	0.24	(0.45)	-100.0%	0.69	0.24	(0.45)	-100.0%
Other Medical	49.50	39.85	(9.65)	-24.2%	49.50	39.85	(9.65)	-24.2%
Total Medical Expenses	\$270.89	\$277.42	\$6.53	2.4%	\$270.89	\$277.42	\$6.53	2.4%
Gross Margin	\$55.99	\$40.53	\$15.46	38.1%	\$55.99	\$40.53	\$15.46	38.1%
Administrative Expenses								
Salaries	\$12.58	\$13.35	\$0.77	5.8%	\$12.58	\$13.35	\$0.77	5.8%
Professional Fees	0.43	0.50	0.07	14.2%	0.43	0.50	0.07	14.2%
Purchased Services	1.88	2.24	0.37	16.3%	1.88	2.24	0.37	16.3%
Supplies & Other	1.62	2.26	0.64	28.5%	1.62	2.26	0.64	28.5%
Occupancy	0.36	0.25	(0.11)	-46.0%	0.36	0.25	(0.11)	-46.0%
Depreciation/Amortization	0.67	0.71	0.03	4.3%	0.67	0.71	0.03	4.3%
Total Administrative Expenses	\$17.54	\$19.30	\$1.77	9.2%	\$17.54	\$19.30	\$1.77	9.2%
Operating Income	\$38.46	\$21.23	\$17.23	81.1%	\$38.46	\$21.23	\$17.23	81.1%



CENTRAL CALIFORNIA ALLIANCE FOR HEALTH
Statement of Cash Flow
For The First Month Ending January 31, 2023
(In \$000s)

	MTD	YTD
Net Income	\$20,805	\$20,805
Items not requiring the use of cash: Depreciation	284	284
Adjustments to reconcile Net Income to Net Cash provided by operating activities:		
Changes to Assets:		
Receivables	18,235	18,235
Prepaid Expenses	(330)	(330)
Current Assets	(866)	(866)
Net Changes to Assets	\$17,038	\$17,038
Changes to Payables:		
Accounts Payable	(44,190)	(44,190)
Accrued Expenses	-	-
Other Current Liabilities	(1,383)	(1,383)
Incurred But Not Reported Claims/Claims Payable	21,606	21,606
Estimated Risk Share Payable	2,500	2,500
Due to State	-	-
Net Changes to Payables	(\$21,468)	(\$21,468)
Net Cash Provided by (Used in) Operating Activities	\$16,659	\$16,659
Change in Investments	(3,720)	(3,720)
Other Equipment Acquisitions	(4)	(4)
Net Cash Provided by (Used in) Investing Activities	(\$3,724)	(\$3,724)
Net Increase (Decrease) in Cash & Cash Equivalents	\$12,936	\$12,936
Cash & Cash Equivalents at Beginning of Period	\$138,338	\$138,338
Cash & Cash Equivalents at January 31, 2023	\$151,274	\$151,274