

**Ventura County Medi-Cal Managed Care Commission
(VCOMMCC) dba Gold Coast Health Plan (GCHP)
Executive / Finance Committee Meeting Minutes
September 6, 2012**

CALL TO ORDER

Chair Gonzalez called the meeting to order at 3:03 pm at Nordman Cormany Hair & Compton LLP, 1000 Town Center Drive, Sixth Floor, Oxnard, California 93036.

ROLL CALL

COMMITTEE MEMBERS PRESENT

Anil Chawla, Clinicas del Camino Real, Inc. (Arrived at 3:22 p.m.)

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 (Arrived 3:22 p.m.)

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

Paula Cabral, Administrative Assistant

Cassie Undlin, Consultant

1. APPROVE MINUTES

a. July 19, 2012 Regular Meeting Minutes

It was noted that Agenda Item 2, *Accept and File CEO Update*, should be corrected to read as follows "...the meeting with Margaret Tater from the Department of Health Services would be visiting the Plan on Friday, July 20, 2012..."

Committee Member Glycer moved to approve the Minutes as amended. Chair Gonzalez seconded. The motion carried. **Approved 3-0.**

PUBLIC COMMENT

Christina Velasco, Clinicas CFO, expressed objection to the Healthy Families allocation to Kaiser. She requested Gold Coast Health Plan fight the action because the decision is bad for Ventura County.

Committee Member Juarez stated that he did not believe that there was a State regulation requiring GCHP agree to do this with Kaiser.

CEO Engelhard reported that the State's issue is continuity of care for the 190,000 Healthy Families and Kaiser members across the State. The deal the State cut with Kaiser is if the Plan doesn't contract with Kaiser, the State will give Kaiser a Medi-Cal contract in the county. The State was very tough on the Plan and did not give the Plan a lot of options. He continued, stating that it is not in legislation, but there is an agreement with DHCS (Department of Health Care Services).

Chair Gonzalez requested that the CEO keep the Commission updated on the progress and confirmed that when it comes down to the decision, the CEO will provide the Commission with an assessment of the pros and cons, CEO Engelhard confirmed.

2. ACCEPT AND FILE CEO UPDATE

CEO Engelhard expressed his pleasure to be at the Plan and noted that he not only believes it will succeed, but do very well. He reported that the Plan is in need of securing a Director of Health Services; however it is likely that a search firm will be required as it is very competitive for health professionals all around the State. In recent months the Plan has lost two RN's, three have been hired, but more case managers are needed.

There have been a large number of Ultrasound OB claims; they are being reviewed as they are from a single Perinatologist, who is the only specialist in our network. Doctor Cho will meet with him to develop a policy and approach for these high risk cases.

DHCS has informed us that we must hire a site review nurse. We will be looking at that once we get through the hiring freeze.

The Compliance Fraud Hotline is up. Staff attended a fraud seminar held by the Department of Justice on July 18. Gold Coast Plan Code of Conduct has been recently adopted by the Commission and will be sent to all employees.

Compliance 360 software is in the process of being built out. Staff is working on internal processes to ensure compliance. The next scheduled Compliance Committee Meeting is on September 26, 2012.

Quality Improvement staff is in the process of implementing HEDIS software. Patient accessibility audits need to be completed. Staff was trained on the Milliman database and working on quality reports.

CEO Engelhard closed stating that he met with the external auditors on September 5; regarding year ending June 2011. They found no issues with the statement of the condition of the Plan. An interim report will come to the Committee at the October 4, 2012 Meeting. Financial Statements need to be filed with the State by October 28, 2012.

Committee Member Juarez asked the status of implementation of the 3-1 Auto Assignment for Safety Net Providers by ACS, which was supposed to have been in place 18 months ago. Cassie Undlin responded that it is in the process of being completed and will be done by the end of the month; and the issue with regard to resident physicians was dealt with sometime back.

3. FINANCE REPORT

a. June Financials

Interim CFO DeMarta reported that staff has met with Berkeley Research Group (BRG) and they have expressed a concern that the Plan does not have adequate claims reserves. The Plan also received a letter from Milliman expressing the same. They are at different ends of the spectrum as to what the adjustment should be. (In June, Milliman expressed that the Plan had an excess of \$5 million in IBNR reserves, but things shifted in July and August.)

Staff did an assessment of the reserves looking at three different methodologies: a lag analysis, using factors from BRG and Tatum, and compared those to the book to budget numbers received from Milliman. They were so different that staff took an average and then adjusted June and booked an additional \$2 million in reserves, therefore the healthcare costs increased by \$2 million in the June report. Result of net income went from \$2.4 million to \$129,000 for the month. Due to late invoices that came in there were minor changes to Accounts Payable. The only changes to the Balance Sheet were an increase in Incurred But Not Reported (IBNR) of approximately \$2 million; it was \$33 million and is now \$35 million.

There is no impact on the Cash Flow Statement and very minimal impact on the Administrative Costs.

Chair Gonzalez asked if the IBNR increase affected the TNE. Interim CFO DeMarta replied yes, but we are at \$4.8 million and the Plan was able to meet the July 36% requirement as well.

It was asked whether BRG's numbers matched Milliman's. Interim CFO DeMarta responded no, they use different guidelines and BRG takes a much more conservative approach. Further discussion was held. Interim CFO DeMarta noted that when the Plan made adjustments in the past it was when BRG advised the Plan that the IBNR should be adjusted.

Committee Member Rodriguez expressed her concern about using different guidelines. Interim CFO DeMarta responded that due to the great variance, staff took an average; this was run past Milliman and discussed with Mark Abernathy of BRG before it was booked.

Interim CFO DeMarta explained that a large problem was that ACS (Xerox) changed the way they were producing their lag tables. Initially they were creating lag tables based on

payments only. Early in the year we started identifying over payments and started getting refunds. *As those over payments were identified, the initial claims must be reversed and new claims must be submitted. When the claims were resubmitted ACS was not using correct dates and would show payment dates as of the date they were processing the new documents, not the original dates, etc.*

Milliman is working under a normal assumption that payments occur when it shows up in the system. There was a change of when a payment shows two months ago when we make adjustments or reverse out payments.

Interim CFO DeMarta continued stating that Milliman is working on more assumptions on changes in the system. They also did not take into account reinsurance that would be received.

A meeting is scheduled for next week on discrepancies and differences between Milliman and BRG.

IBNR is an estimate of what happened in the past and what will happen in the future. The tails on some of these claims are very long, In August we received \$240,000 on July 2011 claims. Everyone states that there is 1 ½ - 3 years of data needed on claims before we will know for sure.

Chair Gonzalez noted that more clarification will most likely be required. CEO Engelhard added that the auditors will have a big impact on the way June will be stated. They have their own actuary staff and will most likely be in touch with Milliman.

Chair Gonzalez questioned the \$240,000 bills from July, Interim COO Undlin explained that most were originally denied and are coming back with the appropriate attachments. CEO Engelhard reminded the Committee that due to the previous "retroactive" nature of the COHS, it is not uncommon to have large claims come through.

Interim CFO DeMarta closed her report stating that the Balance Sheet IBNR went up by \$2 million additional. Prepaid Expense and Accounts Payable came in after the June 30th date, as the June financials were held open for a longer period of time.

b. July Financials

Interim CFO DeMarta reviewed the Summary Financial Results of July 2012; major change is the first month without membership retroactivity so the membership declined. In addition there is overall decline in membership from this month versus the prior month, which resulted in a 6.4% decline in revenue, \$25.4 million in June versus \$23.8 in July.

Health Care Costs reflect a reduction as a result of reduction of retro members. We met required TNE at 15.7%.

Interim CFO DeMarta reviewed the graphs on page 3b-2 which showed that costs went down due to the membership numbers going down. Discussion was held regarding

Chair Gonzalez' previous request that long-term care and hospital versus acute be broken out. Interim CFO DeMarta responded that staff had been working on that and it should be provided by the next report.

Discussion regarding how much revenue is being used for hospitalization was held. Cassie Undlin reported that the Plan is pre-authorizing a number of hospital days. We will deny the claim if the number of days are not pre-authorized.

Committee Member Chawla noted there are high expenses and more health education is required. Cassie Undlin noted that information does go to the UM Committee. Milliman has the ability to do more reports but our capabilities are not very strong on using them but we are starting to focus on them. A daily report is received that shows people in the hospital. This is used in the medical management area to see how many patients we have. There has been an increase in nursing for the utilization side when the patient is admitted. Committee Member Rodriguez asked about the utilization report (days per thousand) and where we are. CEO Engelhard indicated that he would look into that matter.

Interim CFO DeMarta reviewed the Balance Sheet total cash in hand \$24.4 million at the end of July. Medi-Cal receivables, \$26 million July payment had not been received as of the end of the month. We see Provider receivables going down. Other receivables include receivables for reinsurance. IBNR is approximately \$35 million, for net equity of \$5.8 million.

Chair Gonzalez noted that claims payable was about the same for two months. There was a \$10 million difference in IBNR. Interim CFO DeMarta said that our membership has dropped and no longer doing retros. Cassie Undlin added that losing 7,000 members for the month is important and you will see a decline, we made an adjustment for June and not for July. Claim payments are made on how many refunds are processed back into the system. CEO Engelhard noted we will have a written explanation to demonstrate the numbers so it is on paper for review as well as for a paper trail.

Interim CFO DeMarta explained that on the Profit & Loss side we are still booking reserve for rate reductions AB97. Our net premium revenue was \$23 million. Fairly close to what was budgeted.

Healthcare costs based on budget numbers we received from Milliman. No major changes in the Medi-Cal review costs from June. They are fairly consistent under General and Administrative. Still high due to consulting charges.

No changes in Medi-Cal. Reinsurance administrative went up from June \$91,000 up to \$234,000. The premium tripled. Costs are consistent under General and Administrative. Some decrease in outside services, ACS due to enrollment numbers. Some savings without RGS (Regional Government Services); no dramatic change.

Interest Expenses coming in for late claims payments \$61,000 in July. Chair Gonzalez asked what the interest rate was. Cassie Undlin responded that she had asked for a report (in writing) on interest payments, but she had not received it as of yet. It may be due to the way it is being calculated. There may be a reversal. There was discussion as to what causes the delay's in payment. There will be a follow-up at the next meeting.

Interim CFO DeMarta said that the Plan has been doing a focus group reviewing members in LTC if that is where they belong or in a different facility. We may see some improvement in that area.

Committee Member Rodriguez questioned the increase in consulting charges (\$121,000). Discussion was held, it was noted that it was due to a late invoices received in July; combination of RGS and Tatum. Normally consulting is in outside services. June was very high and that was the BRG invoice. Legal Counsel Schreiner questioned the \$85,000 in legal fees for June. It was due to a late invoice being received. Interim CFO DeMarta said it would be looked into. It was suggested that a report be prepared showing these different accounts and funds for the next meeting.

Cash Flow Statement. Biggest source of cash is from premiums and paid claims. Collected premiums was \$26 million, spent \$22 million for claims, \$633,000 for capitation and \$2 million for Pharmacy. Cash at the beginning of period was \$23.7 million and cash at the end of the period was \$24 million and cash provided by operations was \$683,559.

Pharmacy utilization highest usage is in Generic and highest cost is with Brand drugs.

Inventory of Claims – there is a slight decline. Claims rejected - upward trend a little higher than normal. Committee Member Juarez asked if there is a standard where we want them because of a lot of fluctuations. Cassie Undlin said our goal is to be about at the nine day level and there has been a lot of work to bring it down. There has been an increase in their staffing level at ACS so they can meet their requirements.

Chair Gonzalez indicated that when BRG became our monitor they expressed concern about our IBNR and it is important that we get a sense of whether improvement has occurred, because when I look at the claims report it looks like we are slipping backwards.

Cassie Undlin responded that it might be good to put in the most current claim lags because things look different.

There was a consensus that the year-end budget numbers be reviewed one more time prior to the next Commission Meeting and that there be a Special Committee Meeting prior to the Commission Meeting.

Committee Member Juarez stated there was a report issued from BRG. A second report has been kept from the Commission and it needs to be seen because the Commission is responsible. We do not know what response has been given to date and what has or

has not been accomplished. Cassie Undlin responded that the second report was given to the Compliance Committee and the State did not want the report released.

CEO Engelhard asked if it could be taken into a closed session. Legal Counsel Schreiner said it was her understanding that the second report is a draft and not a public record. Committee Member Juarez said if the Plan is stamping things draft so they don't get released or published and to keep things behind "closed doors." It appears we are hiding something when we aren't. Legal Counsel Schreiner responded that it is the State it is not the Plan and it has to do with enforcement.

Chair Gonzalez asked that this item be brought back as an item at the Special Meeting for discussion, keeping it behind closed doors does not sound good. Legal Counsel Schreiner suggested that they may wish to have a closed session. The State is viewing this as a corrective action. Legal Counsel Schreiner reminded the Committee that the item was not agendaized.

c. Benefits

Interim CFO DeMarta stated that discussion had been held regarding the benefits and how the 43% was loaded. Staff contacted RGS and they thought it was 32%. A large portion is paid time off, almost 24%. There are 10 days of Jury Duty and normally an employee only uses 1-2 days of Jury Duty or Bereavement which would take the number down, as well. She further reviewed her handout.

CEO Engelhard stated that a majority of the openings are higher compensated individuals so the benefit loads are lower. It is not a true benefit load. RGS had an extremely high load. We need to go back through the year and come up and get what an actual load would be.

Committee Members stated that the health benefits were still missing from the handout. CEO Engelhard stated we will have a very thorough understanding of expenses at the next meeting. We need to get our benefit plan done correctly.

Committee Member Juarez suggested that the benefits not be so rich, that they possibly be tiered.

Discussion of health insurance and whether employees only or employees and families should be covered, 3 weeks of vacation or whether it should only be two weeks for new employees. Committee Member Rodriguez asked if the new benefit package should just be applied to new employees and grandfathered in for existing employees.

Committee Member Juarez indicated that he was looking for a policy, whether the Plan will cover only the employee, the entire family, or 90% of the family, etc.

Interim CFO DeMarta noted that we would receive a final reconciliation from RGS.

Discussion was held regarding comparing the health coverage offered to employees by other health plans, grandfathering existing employees vs. offering new employees a

different level of coverage than current employees. CEO Engelhard stated that some of these decisions will not be able to be done by the next meeting.

4. CBAS CONTRACT

CEO Engelhard stated that CBAS benefit will go live on October 1st. Discussion was deferred to the next meeting.

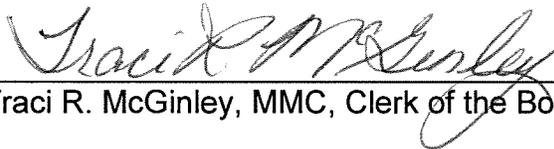
COMMENTS FROM COMMITTEE MEMBERS

Committee Members welcomed the new CEO.

ADJOURNMENT

The meeting adjourned at 5:05 pm.

APPROVED:



Traci R. McGinley, MMC, Clerk of the Board