Partnership HealthPlan of California
Finance Committee Meeting Agenda

June 15, 2022 | 8:00 a.m. to 9:30 a.m.

Held at PHC's Southeast Regional Office at 4605 Business Center Drive, Fairfield, CA 94534
(East Building, Conference Center B, First Floor)

Video Conference Location
PHC's Southwest Regional Office at 495 Tesconi Circle, Santa Rosa, CA 95401,
PHC's Northwest Regional Office at 1036 5th Street, Eureka, CA 95501,
PHC's Northeast Regional Office at 2525 Airpark, Redding, CA 96001

Per Governor Newsom Executive Order, N-25-20 that relates to social distancing measures being taken for COVID-19. The Executive Order authorizes public meetings with Brown Act requirements to be held via teleconference or telephone. It waives the Brown Act requirement for physical presence at the meeting for members, the clerk, and/ or other personnel of the body as a condition of participation for a quorum. However, the Executive Order requires at least one public location consistent with ADA requirements to be made available for members of the public to attend the meeting, so all PHC offices will be available for members of the public to attend the meeting in-person.

Finance Committee Members: Dave Jones, Chair, Randall Hempling, Karen Larsen, Viola Lujan, Mitesh Popat, M.D.,

Kathryn Powell, Nancy Starck

I.	Agenda Items	Lead	Page #	Time
1.	Agenda	Dave Jones, Chair	1	8:00
2.	Finance Committee Minutes – May 18, 2022 - **Decision**	Dave Jones, Chair	2	
3.	Commissioner Comments *At this time, committee members may provide comments and announcements.*	Commissioners	--	
4.	Public Comments *At this time, members of the public may address the committee on any non-agenda item of interest to the public that is within the subject matter jurisdiction of the committee. There will also be an opportunity to address the committee on a scheduled agenda item during the committee's consideration of that item. Speakers will be limited to three (3) minutes.*	Public	--	
II.	**New Business**			
1.	Brown Act Requirements: Open Meetings: State and Local Agencies – Teleconferences – **Decision**	Liz Gibboney	12	
2.	Resolution: Compliance Dashboard Q1.2022 – **Decision**	Dani Ogren	14	
3.	CEO's Health Plan Update – **Information**	Liz Gibboney	17	
4.	Approve April 2022 Metrics and Financials – **Decision**	Jeff Ingram / Patti McFarland	18	
5.	Final Budget for FY 2022-2023 – **Decision**	Jeff Ingram / Patti McFarland	31	
III.	**Closed Session**			
1.	Closed Session: Discussion Pursuant to Government Code § 54956.9(c) – POTENTIAL LITIGATION	Liz Gibboney Patti McFarland Jeff Ingram Chris Dilenno	--	
IV.	**Adjournment**			9:30

Government Code §54957.5 requires that public records related to items on the open session agenda for a regular finance meeting be made available for public inspection. Records distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the committee. The Finance Committee has designated the Administrative Assistant to the CFO as the contact for Partnership HealthPlan of California located at 4665 Business Center Drive, Fairfield, CA 94534, for the purpose of making those public records available for inspection. The Finance Committee Meeting Agenda and supporting documentation is available for review from 8:00 AM to 5:00 PM, Monday through Friday at all PHC regional offices (see locations above). It can also be found online at www.partnershiphp.org.

PHC meeting rooms are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation (including auxiliary aids or services) to participate in this meeting, or who have a disability and wish to request an alternative format for the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting, should contact the Administrative Assistant to the CFO at least two (2) working days before the meeting at (707) 863-4207 or by email at oodonovan@partnershiphp.org. Notification in advance of the meeting will enable the Administrative Assistant to make reasonable arrangements to ensure accessibility to this meeting and to materials related to it.

This agenda contains a brief description of each item to be considered. Except as provided by law, no action shall be taken on any item not appearing on the agenda.

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PARTNERSHIP HEALTHPLAN OF CALIFORNIA
MEETING MINUTES

Per Governor Newsom, Executive Order, N-25-20 that relates to social distancing measures being taken for COVID-19. The Executive Order authorizes public meetings with Brown Act requirements to be held via teleconference or telephone. It waives the Brown Act requirement for physical presence at the meeting for members, the clerk, and/ or other personnel of the body as a condition of participation for a quorum. However, the Executive Order requires at least one public location consistent with ADA requirements to be made available for members of the public to attend the meeting, so all PHC offices will be available for members of the public to attend the meeting in-person.

Committee: Finance Committee
Date/Time: May 18, 2022 / 8:00 – 9:30 AM
Members Present: Dave Jones –Chairperson *, Alicia Hardy *, Randall Hempling, Viola Lujan *, Mitesh Popat, M.D. *, Kathryn Powell *, Nancy Starck*
Members Absent:
Staff Present: Liz Gibboney, Patti McFarland, Sonja Bjork, Jeff Ingram, Wendell Coats, Marisa Dominguez*, Mary Kerlin*, Dani Ogren*, Wendi West *
Samantha Tieu*, Diane Walton, Olevia O'Donovan, Pearl Johns
Staff Absent: Amy Turnipseed, Kirt Kemp, Katrina Dupont
Guests:

* *Attendance via Video Conference*

DECISION AGENDA ITEMS	DISCUSSION / CONCLUSIONS	RECOMMENDATIONS / ACTION	TARGET DATE	DATE RESOLVED
Approval of April 20, 2022, Meeting Minutes	Dave Jones – Chairperson, confirmed a quorum at 8:02am, stated there are no changes to the agenda. April 20, 2022, meeting minutes was presented for approval.	**Action:** Decision Mr. Randall Hempling moved to approve minutes. Ms. Nancy Starck seconded the motion. All voted to approve the minutes.	05/18/2022	05/18/2022
AGENDA CHANGES AND DELETIONS				
	None			
COMMISSIONER COMMENTS				
	None			
PUBLIC COMMENTS				
	None			
NEW BUSINESS				

Brown Act Requirements: Open Meetings: State and Local Agencies – Teleconferences **Presenter:** **Liz Gibboney, CEO**	Ms. Gibboney explained that the item is the same from last month where we have to take the request to either our governing board or the acting governing board, which is the Finance Committee, to allow continued flexibilities for Brown Act covered meetings, so that meeting attendees can join remotely. The request for continued meeting flexibilities is required every 30 days, and is the purpose of this agenda item.	**Action:** Decision Ms. Kathie Powell motioned to approve the resolution. Ms. Starck seconded the motion. All voted to approve. Motion carried.	05/18/2022	05/18/2022
CEO's Health Plan Update **Presenter:** **Liz Gibboney, CEO**	Ms. Gibboney provided various PHC and Federal/State level updates. **DHCS Policy & State Budget** **May Revise:** A lot of activities with the May Revise, which came out on May 13th. There is reported to be an even greater surplus than anticipated with the Governor's January budget proposal. The total revised budget is over $300 billion. The revised surplus is $49.2 billion with 94% of the discretional surplus allocated for one-time spending. The administration is cognizant that these are good, but temporary times, and are trying not to commit on repeat funding requests. It is just short of $3 billion more than the January budget proposal. The projected Medi-Cal enrollment caseload is 14.46 million and believed to be a record high for the program. The section of the May Revise that continues to have our attention is the Medi-Cal eligibility expansion for undocumented adults 26-49 years old, regardless of immigration status. For Partnership this would mean over 30k people who will become newly eligible members. In addition, there is language in the Governor's May Revise about the Kaiser Direct Medi-Cal Contract. They made some additional clarifications and also stated that Kaiser would be responsible for WCM or CCS in the counties that it serves, and that had not been in the original proposal. It continues to grow in terms of scope. There is also some additional funding for CalAIM.	**Action:** Information only	05/18/2022	05/18/2022

	The main news on the May Revise is that there aren't many new programs. There is a significant increase in the area of what the Department has called "health equity payments" for providers, which are one-time payments. In the January budget proposal there was $400 million, however, in the May Revise, the Governor called for additional funding, bringing the total to $700 million. There are no new details in terms of what those payments are going to be specifically for and how they will be administered. **Medi-Cal Rx Transition**: DHCS announced that it has indefinitely extended its grace period for flexibilities and permissions, helping the Medi-Cal recipients to get their prescriptions filled without issue. They are not imposing prior authorization requirements or other requirements that Managed Care Plans have always had to follow. No new date on when this grace period is set to expire. **Student Behavioral Health Grants:** Happy to say that PHC now has all 14 counties' Offices of Education contracted to receive Student Behavioral Health Incentive funds. They will be getting some funding now to do assessments over the summer, and then implementation dollars will start flowing in Fall. About $2 million is going out, and another $2 million flows back in when the assessments are complete. We will be working with over 80 different schools across the 14 counties. **Housing and Homeless Incentive Program:** At the April Board meeting, it was mentioned that we are still waiting for guidance in allocation from the State with regards to the Housing and Homelessness Incentive Program. Since then, we have learned that we will have about $89 million in incentive payments for housing to administer across our 14 counties. We will be getting additional guidance from DHCS, however, we believe we will be able to use these dollars for housing, in addition to care coordination and referral services. **Kaiser Direct Contract Proposal:** Another update on the Kaiser Direct Contract Proposal. It was heard in a combined Senate Budget and Health Committee meeting couple of weeks ago that the Senators were quite engaged, and asked a lot of questions. We expect the administration will place			

	the language that they are seeking back in the budget trailer bill and expect it to come out in the next couple of days. **General Issues** **System Disruption:** As far as our system disruption goes, we are going to be sending out notices to our affected members starting this week. We are also going to be sending out a media advisory, and notifying our providers in case they get questions from patients. There is a separate call center that is operating just to handle calls related to the system disruption. If you are a provider and your staff gets questions, we can provide you with this call center information. **Geographic Expansion:** DHCS continues to reference a brand new contract that goes into effect January 2024. It is not just the geographical expansion, but for all Medi-Cal plans across the State. We are doing a lot of assessments of that new contract to determine what the new requirements are and how we will implement if it is finalized as is. In the meantime, we are waiting for DHCS to release a map of how they will divide up the State in terms of rating regions. We expect that to come sometime in the Fall. That will be a big consideration for us as we determine financial viability for the expansion. In response, Ms. Gibboney stated that it is confirmed that the counties will be getting the notices. Ms. Gibboney replied that this expansion goes into effect in January 2024, assuming the legislature passes it. There is a lot of interest in making that happen sooner. However, there are system issues within the State that make it more complicated to implement any earlier than January 2024. Once passed, Ms. Gibboney stated that Partnership will work with our counties to get the word out to those eligible. Per Ms. Gibboney, the Staff will look into it and get back to the commissioners.	Ms. Starck wanted to ensure that the counties will be included on the notices to be sent out, to ensure questions are fielded appropriately. Ms. Viola Lujan asked if the notification for the 50+ Commission has been sent out to the potentially eligible members.(those discussed earlier who may be eligible regardless of immigration status) Ms. Lujan added that she had heard this 50+ program is supposed to start May 1st, and any updated information would be appreciated. She stated there is some		

	Ms. Gibboney asked Ms. Starck if Humboldt County has received any notification. Ms. Gibboney stated that the map that DHCS proposed is supposed to be released this Fall and plans have all been requesting it sooner. Ms. Patti McFarland added that the rates themselves have not been received and the only commitment from DHCS is that they will provide the rates 6 months prior. She stated we may be able to know more by reviewing the rate area. It is important that we get our rating regions first. The Department is waiting for procurement before they finalize the map, but they likely have a good idea how the map is going to look. Partnership has been told that, despite being in 24 counties, we will not be in our own rate region as DHCS wants all health plans to compete on costs with one another. Ms. Gibboney gave a follow-up update to Ms. Lujan's question regarding the 50+ Commission. Ms. Sonja Bjork explained that two (2) notices were sent out including an FAQ in early March, then the other notice towards the end of April. We have not received any calls regarding those notices. Ms. Bjork stated it is likely that the providers are being asked questions from the people who received the notice. It may be that people who are already signed up for Emergency Only Coverage, have less trepidation about signing up for the full benefits. Ms. Bjork asked the Commissioners if they have any feedback about this item and what their respective staff has heard about it in their outreach. Ms. Bjork offered to send copies of the notices to the Commissioners.	confusion about coverage. Ms. Starck replied that she has not seen the notification and will look into it. Ms. Starck requested clarification about the new regional rating system set to come out in the Fall, which will provide financing information for the 10 additional counties. She stated concern about the timing because of the implementation date of January 2024. Ms. Powell replied that it is business as usual at their health center. Ms. Lujan was appreciative of the update from the Staff. She added that her organization has many patients in this category so they did an agency-wide initiative to get the messages out there. They are doing in-reach, as well as outreach. They continue to see some reluctance from patients due to the		

		charge-back fears. Mr. Jones asked if there were any further comments or questions. No comments or questions.		
Preliminary Health Care Budget for FY 2022-2023 **Presenter:** **Jeff Ingram, Sr. Director of Financial Analysis** **Patti McFarland, CFO**	Mr. Jeff Ingram stated that the Preliminary Heath Care Budget is the last step before finalizing and bringing a full budget proposal to Finance Committee and the Board next month. As we walk through the report, there will be references to "8 + 4 forecast", which refers to 8 months of actuals thru February and 4 months of forecast to the end of this fiscal year. **Health Care Expenses:** Overall, the initial health care cost budget is set to $2.7 billion, which is $210 million less than the forecasted spend in this fiscal year. There are three (3) main buckets we will focus on to explain some of the larger drivers. First and largest piece is the pharmacy carve-out, which was effective January 1, 2022. The forecast for this year includes six (6) months of actual spend which is $184 million. The budget for next year has zero dollars, making it the biggest driver of the year-to-year difference between the forecast and the budget, just from the removal of that portion of the expenses. Second largest umbrella is the Public Health Emergency, with the largest piece being the redeterminations. Since there is not an end date for the budget assumptions, for now we are assuming the redeterminations will resume in January 2023, with that it lowers the revenue and it also lowers the capitated membership. Therefore, year-over-year, we are seeing decreases of about $42 million across all of our capitation expense lines within the budget. Another contributor is Proposition 56 Programs. With the membership assumption of redeterminations resuming in January 2023, the reduced membership has an impact of lowering the Prop 56 expenses. Additionally, DHCS sun-set the Value Based Providers (VBP) Program, which was	**Action:** Decision	05/18/2022	05/18/2022

	administratively burdensome and did not have a lot of benefit downstream to providers. It was a very small program that would be eliminated as of June 30, 2022. Third piece within the Public Health Emergency is the Long Term Care (LTC) 10% add-on. Staff assumed this is going away in January 2023, which is a $12 million decrease in the LTC line item. The last piece is tied to grants and incentives. Throughout these last two (2) years, DHCS has been pushing out quite a few one-time expenses like the BHI grants and the COVID incentives. Those float through the P&L within revenue and health care costs. We do not budget for these, as we do not necessarily anticipate them coming, which brings a $17 million decrease year-to-year. Overall, the Public Health Emergency impacts about $90 million in reduced spending from year-to-year. Offsetting those two (2) decreases is our overall increase in fee-for-service (FFS) expenses. It is more so because Partnership built quite a bit of reserves during the COVID waves within IBNR. Staff have been slowly letting go of those reserves for prior periods which is artificially lowering our expenses in the P&L as they are released from the balance sheet. Year-to-year, our underlying expenses for Fee For Service will remain constant, but in terms of the impacts in the IBNR as it releases year-to-year, it is showing a $62 million increase from the forecast for next year's budget. We will continue to monitor the paid claims trends and adjust our models over the next few weeks before finalizing the budget. We are also hopeful that we find out more information on the redeterminations or we receive our final rates for calendar year 2022. As we know, DHCS is going to revise them prior to finalizing the budget, otherwise we likely have to do an off-cycle budget refresh because it will carry a significant impact to our budget forecast. Ms. McFarland replied that every year PHC does a Rate Development Template (RDT) that goes to DHCS/Mercer. It has gotten much more detailed over the years. The State's actuary, Mercer, looks at encounter data and the trends and compares us across other health plans, which is one of the reasons they wanted to move to regional rates. During the	Ms. Starck asked about how PHC is an outlier in hospital cost or reimbursement, and what can be anticipated of the pressure from the hospital system.		

	ACA expansion, many of the health plans made a profit and that eventually got into the base rates that the State has been watching. About four (4) years ago, we took on a project to start looking at our hospital contracts and making sure we were more in-line with the expectations that the State has for our rates. Typically, we always target more than Medi-Cal with most of our providers, and hospitals were no exception. About 7-8 years ago, the State moved to a new way to pay the hospitals. Before, you were either contracted with the State for one single rate (per diem) or you were given a percentage of a rate, and when audited, a lot of costs got thrown out. They moved to an APRDRG, which we believe is a much more fair way to look at hospital reimbursements. When we received the APRDGR and compared to what we are paying the hospitals, we found a significant variance between the hospitals. Hospitals rarely take a decrease in their rates, so we have tried to hold steady to avoid being an outlier. About 3 years ago, $40 million was taken out of our rates because our hospital reimbursement was too high. We re-negotiated the majority of our capitated hospitals where we have stop loss provisions, or increased the stop loss provisions to ensure we are not obligated for the loss at a lower level. On the outpatient hospital side, we are a bit more in the middle. Therefore, our strategy in the last 4 years has been to hold steady on the hospital inpatient, but increase in hospital outpatient to avoid being an outlier. Ms. McFarland asked Ms. Starck if the explanation answered the question. Ms. McFarland added that Ms. Starck's concerns have also been expressed to the State. The bigger issue is when making changes as big as this, usually the health plans are provided enough runway to make those changes downstream in their contracts. In our case, the State changed the rules by taking the $40 million out of our rates based on assumptions. We only ask that they not change the rules retroactively and give us a chance to re-do our contracts.	Ms. Starck appreciated the detailed explanation, and expressed that it seems Partnership is being hit on all sides and that there is not any recognition from the State that it costs more to deliver care in rural places. Then, combining that with taking the Kaiser patients out, she stated that she is concerned about the quality scores, and for the expansion. She asked the other commissioners if they have anything to add. Mr. Hempling moved to approve the Preliminary Budget.		

		Seconded by Ms. Powell. No additional comments, or questions. All voted to approve. Motion carried.		
Approve March 2022 Metrics and Financials **Presenter:** **Patti McFarland, CFO**	**Financial Performance:** Mr. Ingram stated that for the month ending March 31, 2022, PHC reported a net surplus of $27.8 million, bringing the year-to-date surplus to $134.4 million. **Revenue:** The Revenue that has been talked about in the last few months is favorable almost $91 million year-to-date. We know that DHCS is going to be revising our rates and delivering in the next couple of months, which will retro back to January 2022, which will take back quite a bit of the favorable variance on Revenue, and will also reduce our surplus for the year-to-date. **Healthcare Costs:** We are favorable $36.4 million year-to-date which is only a 1.6% variance. Most of the favorability stems from the IBNR release, contributing to a higher surplus. **Administrative Costs:** We are favorable $7.9 million year-to-date, primarily due to lower employee expenses and timing of capital projects. You may have noticed that in the current month, we are unfavorable $3.4 million. This includes some accruals related to our system disruption. We will likely see some adjustments to these accruals through the remainder of this fiscal year as we continue to work through the recommended investments and changes we are making.	**Action:** Decision Ms. Starck moved to approve the March 2022 Financials. Ms. Powell seconded the motion. All voted to approve.	05/18/2022	05/18/2022

		Motion carried.		
Adjournment	Meeting adjourned at approximately 8:35 am.			

Minutes Prepared and Submitted by: Olevia E. O'Donovan
Reviewed and Edited by: Diane Walton
Minutes Reviewed and Submitted by: Jeff Ingram

Chairman Signature of Approval_____ Date_____

CONSENT AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Finance Committee Meeting Date:
June 15, 2022

Board Meeting Date:
June 22, 2022

Agenda Item Number:
2.1

Resolution Sponsor:
Liz Gibboney, CEO, Partnership HealthPlan of CA

Recommendation by:
PHC Staff

Topic Description:
AB361 authorizes public meetings with Brown Act requirements to be held via teleconference or telephone during a state of emergency. Virtual public meetings still require standard meeting agendas and notices and the ability for the public to provide public comment. To continue virtual meetings, the Commission must make findings every 30 days that 1) it has reconsidered the circumstances of the ongoing COVID-19 pandemic state of emergency and 2) either the state of emergency continues to directly impact the ability of the public to meet safely in person, or state or local officials continue to impose or recommend measures to promote social distancing.

Due to the ongoing risk of community transmission of COVID-19, it is recommended that the Partnership HealthPlan of California Commission continues to offer virtual attendance as an option and encourages in-person attendance following current PHC guidelines with regard to vaccinations, masking, social distancing and other protective measures.

Reason for Resolution:
To allow the Board the opportunity to review and approve ongoing virtual Board Meetings, due to the ongoing risk of community transmission of COVID-19.

Financial Impact:
There is no additional financial impact to the HealthPlan.

Requested Action of the Board:
Based on the recommendation of PHC staff and public health officials, the Board is asked to approve the recommended to continue to offer virtual attendance, due to the ongoing risk of community transmission of COVID-19.

CONSENT AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Finance Committee Meeting Date:
June 15, 2022
Board Meeting Date:
June 22, 2022

Agenda Item Number:
2.1

Resolution Number:
22-

IN THE MATTER OF: APPROVING THE RECOMMENDED CONTINUATION OF MEETING VIRTUALLY

Recital: Whereas,

A. AB361, signed by Governor Newsom on September 16, 2021, requires the Commission must make findings every 30 days to continue to offer virtual attendance.

Now, Therefore, It Is Hereby Resolved As Follows:

1. To approve the recommended continuation of offering virtual attendance for meetings, due to the ongoing risk of COVID-19 transmission, for the next 30 days, per AB 361.

PASSED, APPROVED, AND ADOPTED by the Partnership HealthPlan of California this 22nd day of June 2022 by motion of Commissioner, seconded by Commissioner, and by the following votes:

AYES: Commissioners:

NOES: Commissioners:

ABSTAINED: Commissioners:

ABSENT: Commissioners:

EXCUSED: Commissioners:

_____
Alicia Hardy, Chair

_____
Date

ATTEST:

BY: _____
Ashlyn Scott, Clerk

REGULAR AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Finance Committee Meeting Date:
June 15, 2022

Board Meeting Date:
June 22, 2022

Agenda Item Number:
2.2

Resolution Sponsor:
Liz Gibboney, CEO, Partnership HealthPlan of CA

Recommendation by:
Compliance Committee and PHC Staff

Topic Description:
The Compliance Dashboard outlines activities to track Partnership HealthPlan's Compliance Program and regulatory and contractual requirements.

Reason for Resolution:
To ensure Board members have the opportunity to review the Compliance dashboard biannually.

Financial Impact:
There is no measurable impact to the HealthPlan.

Requested Action of the Board:
Based on the recommendation of the Compliance Committee, the Board is being asked to approve PHCs Q12022 Compliance Dashboard.

REGULAR AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Finance Committee Meeting Date:
June 15, 2022

Board Meeting Date | **Agenda Item Number**
June 22, 2022 | 2.2

Resolution Number:
22-

IN THE MATTER OF: APPROVING PARTNERSHIP HEALTHPLAN (PHC) COMPLIANCE DASHBOARD

Recital: Whereas,

A. PHC staff is committed to conducting business in compliance with all required standards.
B. The Board has responsibility for reviewing and approving the organizational Compliance Dashboard.

Now, Therefore, It Is Hereby Resolved As Follows:

1. To approve PHCs Q12022 Compliance Dashboard.

PASSED, APPROVED, AND ADOPTED by the Partnership HealthPlan of California this 22nd day of June 2022 by motion of Commissioner seconded by Commissioner and by the following votes:

AYES: Commissioners:

NOES: Commissioners:

ABSTAINED: Commissioners:

ABSENT: Commissioners:

EXCUSED: Commissioners:

_____
Alicia Hardy, Chair

_____
Date

ATTEST:

BY: _____
Ashlyn Scott, Clerk

2022 Regulatory Affairs and Compliance Dashboard

Category	Description	Q1	Comments
DELEGATION OVERSIGHT	**Annual Delegate / Subcontractor Audits**	**1 / 1**	
When PHC delegates administrative functions that it is required by contract or regulation to perform, PHC retains the ultimate responsibility for the performance of these functions and must monitor and evaluate the performance of these functions when performed by a delegate.	Quarterly percentage to demonstrate the total number of annual delegate/subcontractor audits completed within 30 days following the planned months, as defined by the audit calendar.	**100.0%**	
	Oversight of Delegate Reporting	**146 / 147**	
	Percentage of timely submissions of regulatory reports.	**99.3%**	
REGULATORY REPORTING	**DHCS Reports Submitted Timely**	**47 / 55**	
Regulatory Affairs works collaboratively with all PHC departments to implement and track the timely submission of regulatory reporting requirements to PHC's governing agencies.	Percentage of regulatory reports submitted timely by RAC to DHCS with no missed due date per RAC Master Tracker and Regulatory Reporting Calendar.	**85.5%**	8 regulatory reports were late due to the system disruption in March. PHC kept DHCS apprised of delays related to the disruption and began resumption of report submission upon DHCS connection restoration.
	Report Acceptance Rate	**47 / 47**	
	Percentage of standard regulatory reports submitted by RAC and not rejected by DHCS for being incomplete, on the wrong template, or for other findings.	**100.0%**	
HIPAA REFERRALS	**Timely DHCS Privacy Notification Filings**	**15 / 15**	
Appropriate safeguards, including administrative policies & procedures, to protect the confidentiality of PHI and ensure compliance with HIPAA regulatory requirements.	Percentage of reportable notifications that PHC filed timely within applicable DHCS required timeframe. **Initial notice within 24 hours, initial PIR within 72 hours, and final PIR within 10 business days. If any deadline is missed, it will be counted as untimely.*	**100.0%**	Q1 2022- 2 PHC Breach, 2 Delegate Breach
FWA REFERRALS	**Timely DHCS FWA Notifications**	**15 / 17**	
Regulatory Affairs oversees the Fraud, Waste and Abuse Prevention program intended to prevent, detect, investigate, report and resolve suspected and/or actual FWA in the PHC daily operations and interactions, whether internal or external.	Percentage of reportable notifications that PHC filed timely with DHCS within 10 business of discovery per contractual obligations.	**88.2%**	2 Incidents not reported timely to DHCS due to system disruption in March. PHC kept DHCS apprised of delays related to the disruption and began resumption of filings upon DHCS connection restoration.

***Threshold percentages for the above measures are as follows:**
≥ 95% = GREEN 90 - 94.9% = YELLOW < 90% = RED

CAP Tracker

*Please note that the above threshold percentages do not apply here

Finance Committee

Chief Executive Officer Update

June 2022

DHCS & State Issues

- State Budget
- CalAIM/Enhanced Care Management & Community Supports
- Housing and Homeless Incentive Program
- Kaiser Direct Contract Proposal
- DHCS Contract

General Issues:

- Geographic Expansion
- June Strategic Planning Board Retreat

FINANCIAL HIGHLIGHTS
Of The Partnership HealthPlan Of California
For the Period Ending April 30, 2022

Financial Analysis for the Current Period

Total (Deficit) Surplus

For the month ending April 30, 2022, PHC reported a net deficit of $18.0 million, reducing the year-to- date surplus to $116.3 million. Significant variances are explained below.

Revenue

Total Revenue is lower than budget by $41.7 million for the month and greater than budget by $49.2 million for the year-to-date. The unfavorable variance for the month is due to a $58.5 million retroactive adjustment to CY 2022 revenue in anticipation of DHCS rate decreases in the upcoming rate schedule update. The favorable year-to-date variance is primarily related to CY 2021 favorability related to COVID-19 impacts along with considerations for the delay in the pharmacy carve-out. Also contributing to the favorable variance are prior period adjustments for maternity kick and Indian Health Service programs, both of which have offsets in healthcare costs. Additionally, Other Revenue includes year-to-date revenue of $8.2 million for the Behavioral Health Integration (BHI) Incentive Program and $4.7 million for the COVID-19 vaccine incentive; corresponding expenses are being recorded in Healthcare Investment Funds.

Healthcare Costs

Total Healthcare Costs are lower than budget by $9.5 million for the month and $45.9 million for the year-to-date. Long Term Care and Inpatient Hospital FFS are collectively $54.6 million favorable for the year-to-date due to prior period IBNR adjustments and lower than budgeted expenses. Hospital Stop- Loss is $18.6 million favorable year-to-date due primarily to FY 2019-20 stop-loss expense true-up and lower than budgeted stop-loss expenses for FY 2021-22. Physician and Ancillary expenses are $14.3 million favorable for the year-to-date due to prior period IBNR adjustments. PCP, ancillary, and hospital capitation expenses are collectively $6.2 million favorable for the year-to-date due to lower than budgeted expenses. Transportation expense is $16.7 million unfavorable year-to-date due to higher than anticipated utilization specific to drug rehabilitation trips and specialty visits. Pharmacy expenses are $4.7 million unfavorable year-to-date due to higher than budgeted cost and unbudgeted true-up of prior year pharmacy expense for Kaiser's whole child model population. Healthcare Investment Funds expenses are $5.1 million unfavorable year-to-date due to unbudgeted BHI Incentive Program and COVID-19 vaccine incentive expenses, offsets mentioned in revenue above. Global Subcapitation is $26.6 million unfavorable year-to-date due to unbudgeted prior period expense true-ups for maternity kick, higher than budgeted global subcap rates for CY 2022, adult age band catch-up accrual, and CY 2021 rate updates.

Administrative Costs

Total administrative costs are lower than budget by $2.5 million for the month and $10.4 million for the year-to-date. This positive variance continues to primarily be in Employee expenses due to the greater number of open positions than originally anticipated. Lower depreciation costs and building repairs and maintenance, which contribute to the positive variance in Occupancy, continues to be attributed to the planned capital and IT projects that have yet to take place.

FINANCIAL HIGHLIGHTS
Of The Partnership HealthPlan Of California
For the Period Ending April 30, 2022

Balance Sheet

Total Cash & Cash Equivalents decreased by $125.8 million for the month. $278.9 million in State Capitation payments and $1.2 million in Drug Medi-Cal payments were received during the month; in addition, $6.1 million in transfers between cash and Board Designated Reserves were recorded during the month. These payments were offset by $211.4 million in healthcare cost payments, $2.6 million in Drug Medi-Cal payments, $141.5 million in directed payment disbursements, $41.6 million in MCO quarterly tax payments, and $15.1 million in administrative and capital costs. The remaining difference can be attributed to interest and other revenues.

General Statistics

Membership

Membership had a total net increase of 6,483 members for the month.

Utilization Metrics and High Dollar Case

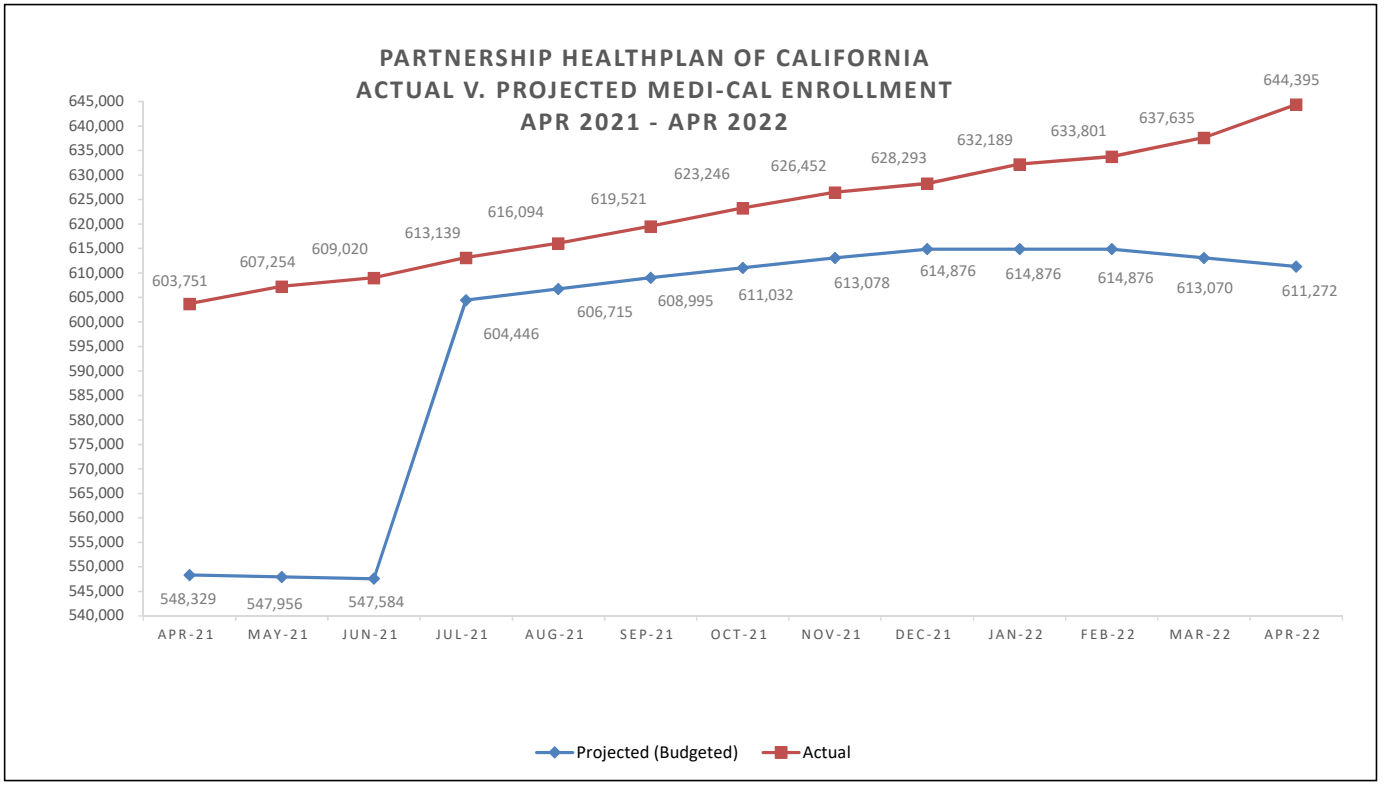
For the fiscal year 2021/22 through April 30, 2022, 377 members reached the $250,000 threshold with an average cost of $457,485. For fiscal year 2020/21, 510 members reached the $250,000 threshold with an average cost per case was $491,243. For fiscal year 2019/20, 443 members reached the $250,000 threshold with an average claims cost of $484,885.

Current Ratio/Required Reserves

Current Ratio Including Required Reserves	**1.79**
Current Ratio Excluding Required Reserves:	**1.26**
Required Reserves:	**$543,390,579**
Total Fund Balance:	**$766,955,361**

Days of Cash on Hand

Including Required Reserves:	**119.58**
Excluding Required Reserves:	**77.24**



Member Months by County:

County	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
Solano	119,971	120,604	120,997	121,963	122,560	123,349	124,247	125,202	125,748	126,876	127,721	128,602	130,389
Napa	31,144	31,392	31,532	31,637	31,786	31,879	31,874	32,186	32,223	32,566	32,447	32,696	33,096
Yolo	55,239	55,646	55,623	56,116	56,290	56,687	57,644	58,371	58,386	58,531	58,770	59,008	59,247
Sonoma	114,542	115,779	116,329	117,149	118,045	118,578	119,138	119,850	120,345	121,061	121,635	122,221	123,035
Marin	42,763	43,137	43,322	43,642	43,883	44,239	44,637	44,731	44,833	45,288	45,344	45,716	46,275
Mendocino	38,196	38,305	38,504	38,627	38,773	38,942	39,128	39,272	39,266	39,507	39,422	39,655	40,143
Lake	32,390	32,520	32,605	32,826	32,933	33,083	33,137	33,281	33,340	33,552	33,537	33,682	33,892
Del Norte	11,947	12,040	12,069	12,089	12,147	12,138	12,175	12,166	12,271	12,233	12,245	12,323	12,378
Humboldt	56,835	57,014	57,052	57,391	57,547	57,895	58,203	58,217	58,347	58,779	58,818	59,127	59,837
Lassen	7,952	7,986	8,002	8,045	8,129	8,186	8,189	8,264	8,343	8,413	8,383	8,459	8,616
Modoc	3,729	3,722	3,708	3,760	3,761	3,785	3,809	3,803	3,820	3,871	3,883	3,896	3,981
Shasta	65,446	65,488	65,653	66,074	66,323	66,734	66,922	67,042	67,225	67,304	67,413	67,990	68,974
Siskiyou	18,552	18,540	18,506	18,691	18,733	18,826	18,926	18,830	18,859	18,921	18,911	18,900	19,094
Trinity	5,045	5,081	5,118	5,129	5,184	5,200	5,217	5,237	5,287	5,287	5,272	5,360	5,438
All Counties Total	**603,751**	**607,254**	**609,020**	**613,139**	**616,094**	**619,521**	**623,246**	**626,452**	**628,293**	**632,189**	**633,801**	**637,635**	**644,395**

Medi-Cal Region 1: Solano, Napa, Yolo & Marin; Medi-Cal Region 2: Sonoma, Mendocino & Rural 8 Counties

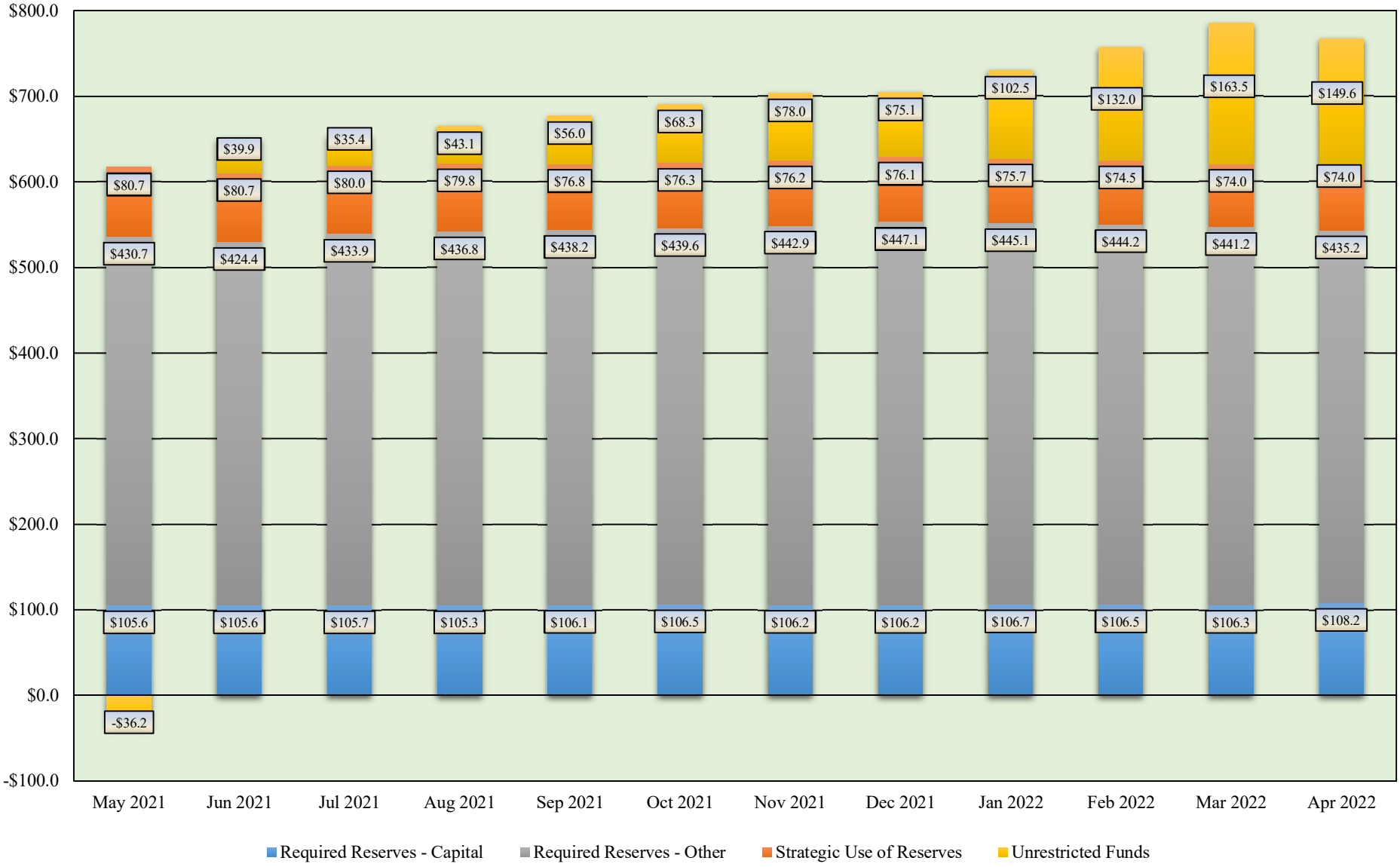
Partnership HealthPlan of California
Comparative Financial Indicators Monthly Report
Fiscal Year 2021 - 2022 & Fiscal Year 2020 - 2021

FINANCIAL INDICATORS	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22			YTD	Avg / Month As of Apr-22
Total Enrollment	612,565	615,504	619,135	622,749	625,752	627,918	632,226	633,903	637,424	643,907			6,271,083	627,108
Total Revenue	285,770,409	290,492,773	289,217,239	289,434,715	295,168,702	291,059,764	280,860,131	279,174,488	277,787,868	221,339,724			2,800,305,813	280,030,581
Total Healthcare Costs	258,057,572	256,910,666	252,438,582	251,402,013	258,737,530	263,716,815	230,109,224	227,347,263	219,750,868	215,289,340			2,433,759,872	243,375,987
Total Administrative Costs	9,527,532	9,674,878	10,915,842	10,456,654	10,013,386	12,195,146	11,432,906	10,800,639	16,431,194	10,231,596			111,679,773	11,167,977
Medi-Cal Hospital & Managed Care Taxes	13,854,167	13,854,167	13,854,167	13,854,167	13,854,167	13,854,167	13,854,167	13,854,167	13,854,167	13,854,167			138,541,670	13,854,167
Total Current Year Surplus (Deficit)	4,331,138	10,053,062	12,008,648	13,721,881	12,563,619	1,293,636	25,463,834	27,172,419	27,751,639	(18,035,379)			116,324,498	11,632,450
Total Claims Payable	479,612,906	469,987,817	490,436,456	489,196,877	474,284,933	488,534,512	474,970,355	492,259,098	538,975,371	558,387,815			558,387,815	495,664,614
Total Fund Balance	654,962,002	665,015,064	677,023,711	690,745,593	703,309,212	704,602,848	730,066,681	757,239,100	784,990,740	766,955,361			766,955,361	713,491,031
Reserve Fund - Required Reserves	433,909,347	436,773,283	438,173,175	439,588,278	442,927,577	447,118,437	445,125,440	444,244,504	441,232,366	435,169,278			435,169,278	440,426,168
Reserve Fund - Capital Assets	105,684,355	105,331,238	106,055,796	106,519,267	106,191,511	106,189,354	106,721,219	106,521,169	106,252,966	108,221,301			108,221,301	106,368,818
Reserve Fund - Strategic Use of Reserves	80,012,212	79,785,705	76,769,579	76,300,252	76,231,209	76,149,155	75,717,707	74,488,498	73,989,726	73,956,826			73,956,826	76,340,087
Unrestricted Fund Balance	35,356,088	43,124,838	56,025,161	68,337,796	77,958,915	75,145,902	102,502,315	131,984,929	163,515,682	149,607,956			149,607,956	90,355,958
Fund Balance as % of Reserved Funds	105.71%	106.93%	109.02%	110.98%	112.47%	111.94%	116.33%	121.11%	126.31%	124.23%			124.23%	114.50%
Current Ratio	1.15:1	1.16:1	1.16:1	1.19:1	1.20:1	1.17:1	1.19:1	1.26:1	1.23:1	1.26:1			1.26:1	1.20:1
Medical Loss Ratio w/o Tax	94.94%	92.93%	91.76%	91.34%	92.11%	95.29%	86.64%	86.16%	83.75%	104.62%			91.70%	91.70%
Admin Ratio w/o Tax	3.51%	3.50%	3.97%	3.80%	3.56%	4.41%	4.30%	4.09%	6.26%	4.97%			4.21%	4.21%
Profit Margin Ratio	1.52%	3.46%	4.15%	4.74%	4.26%	0.44%	9.07%	9.73%	9.99%	-8.15%			4.15%	4.15%

FINANCIAL INDICATORS	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	YTD	Avg / Month As of Jun-21
Total Enrollment	556,087	563,455	569,392	574,604	579,254	583,912	588,652	593,177	596,201	601,587	606,935	608,597	7,021,853	585,154
Total Revenue	244,622,822	258,045,152	257,210,637	268,252,952	261,036,547	260,390,466	266,550,404	280,192,651	270,995,801	280,012,525	287,059,375	271,418,148	3,205,787,480	267,148,957
Total Healthcare Costs	228,533,285	240,676,950	241,362,720	247,291,936	246,025,716	239,273,022	247,842,498	255,154,457	241,380,692	245,272,242	245,019,491	179,666,787	2,857,499,796	238,124,983
Total Administrative Costs	10,312,618	9,352,080	10,205,235	10,149,122	9,951,801	11,135,881	10,084,463	10,394,568	11,620,169	10,791,482	10,521,875	9,504,028	124,023,322	10,335,277
Medi-Cal Hospital & Managed Care Taxes	12,073,441	12,468,750	12,468,750	12,468,750	12,468,750	12,468,750	12,468,750	12,468,750	12,468,750	12,468,750	12,468,750	12,468,750	149,229,691	12,435,808
Total Current Year Surplus (Deficit)	(6,296,521)	(4,452,629)	(6,826,068)	(1,656,856)	(7,409,720)	(2,487,187)	(3,845,308)	2,174,876	5,526,190	11,480,051	19,049,259	69,778,582	75,034,671	6,252,889
Total Claims Payable	401,791,137	412,650,255	443,747,870	454,556,100	443,896,724	465,413,310	498,051,908	533,566,353	511,412,385	524,307,516	540,428,719	459,028,387	459,028,387	474,070,889
Total Fund Balance	569,299,672	564,847,043	558,020,975	556,364,119	548,954,399	546,467,212	542,621,904	544,796,781	550,322,971	561,803,022	580,852,281	650,630,864	650,630,864	564,581,770
Reserve Fund - Required Reserves	385,127,705	388,857,534	392,130,843	397,251,115	402,055,814	404,937,855	409,782,082	416,395,226	421,825,722	426,777,482	430,741,070	424,393,928	424,393,928	408,356,365
Reserve Fund - Capital Assets	106,003,559	105,914,664	106,538,718	106,279,522	106,095,318	106,918,382	107,015,106	106,595,855	105,296,542	104,979,446	105,564,656	105,550,369	105,550,369	106,062,678
Reserve Fund - Strategic Use of Reserves	85,732,498	84,460,474	84,275,330	83,096,409	82,803,306	82,590,776	82,439,453	81,423,816	81,052,937	81,038,133	80,724,657	80,743,188	80,743,188	82,531,748
Unrestricted Fund Balance	(7,564,090)	(14,385,629)	(24,923,916)	(30,262,927)	(42,000,039)	(47,979,801)	(56,614,736)	(59,618,116)	(57,852,230)	(50,992,038)	(36,178,101)	39,943,378	39,943,378	(32,369,020)
Fund Balance as % of Reserved Funds	98.69%	97.52%	95.72%	94.84%	92.89%	91.93%	90.55%	90.14%	90.49%	91.68%	94.14%	106.54%	106.54%	94.58%
Current Ratio	1.09:1	1.08:1	1.07:1	1.07:1	1.05:1	1.04:1	1.02:1	1.02:1	1.02:1	1.03:1	1.04:1	1.16:1	1.16:1	1.06:1
Medical Loss Ratio w/o Tax	98.06%	97.76%	98.36%	96.49%	98.80%	96.37%	97.90%	95.68%	93.76%	92.11%	89.67%	69.76%	93.61%	93.61%
Admin Ratio w/o Tax	4.42%	3.80%	4.16%	3.96%	4.00%	4.48%	3.98%	3.90%	4.51%	4.05%	3.85%	3.69%	4.06%	4.06%
Profit Margin Ratio	-2.57%	-1.73%	-2.65%	-0.62%	-2.84%	-0.96%	-1.44%	0.78%	2.04%	4.10%	6.64%	25.71%	2.34%	2.34%

Partnership HealthPlan of California
Fund Balance Comparison
(in Millions of Dollars)

For the Past 12 Months Ending April 30, 2022



PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Membership and Financial Summary
For The Period Ending April 30, 2022

CURRENT MONTH	PRIOR MONTH	INC / DEC	MEMBERSHIP SUMMARY	CURRENT YTD AVG	PRIOR YTD AVG	VARIANCE
643,907	637,424	6,483	**Total Membership**	627,108	580,632	46,476

ACTUAL MONTH	BUDGET MONTH	$ VARIANCE MONTH	FINANCIAL SUMMARY	ACTUAL YTD	BUDGET YTD	$ VARIANCE YTD
221,339,724	262,990,037	(41,650,313)	**Total Revenue**	2,800,305,813	2,751,136,718	49,169,095
215,289,340	224,782,155	9,492,815	**Total Healthcare Costs**	2,433,759,872	2,479,686,557	45,926,685
10,231,596	12,699,340	2,467,744	**Total Administrative Costs**	111,679,773	122,077,568	10,397,795
13,854,167	14,617,064	762,897	**Medi-Cal Managed Care Tax**	138,541,670	142,317,611	3,775,941
(18,035,379)	**10,891,478**	**(28,926,857)**	**Total Current Year Surplus (Deficit)**	**116,324,498**	**7,054,982**	**109,269,516**
104.62%	90.50%		**Medical Loss Ratio (HC Costs as a % of Rev, excluding Managed Care Tax)**	91.70%	95.05%	
4.97%	5.11%		**Admin Ratio (Admin Costs as a % of Rev, excluding Managed Care Tax)**	4.21%	4.68%	

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Balance Sheet
As Of April 30, 2022

	April 2022	March 2022
A S S E T S		
Current Assets		
Cash &Cash Equivalents	**793,880,293**	**919,704,699**
Receivables		
Accrued Interest	72,100	76,500
State DHS - Cap Rec	217,250,790	271,675,544
Other Healthcare Receivable	17,165,272	14,284,160
Miscellaneous Receivable	2,348,912	4,872,756
Total Receivables	**236,837,074**	**290,908,960**
Other Current Assets		
Payroll Clearing	3,721	2,391
Prepaid Expenses	3,485,166	3,938,169
Total Other Current Assets	**3,488,887**	**3,940,560**
Total Current Assets	**1,034,206,254**	**1,214,554,219**
Non-Current Assets		
Fixed Assets		
Motor Vehicles	154,341	154,341
Furniture & Fixtures	7,518,859	7,518,859
Computer Equipment - HP	541,886	541,886
Computer Equipment	20,453,491	20,453,491
Computer Software	20,714,113	20,462,331
Leasehold Improvements	962,374	962,374
Land	6,767,292	6,767,292
Building	55,932,088	55,932,088
Building Improvements	30,342,041	30,250,112
Accum Depr - Motor Vehicles	(144,668)	(143,654)
Accum Depr - Furniture	(7,057,551)	(7,028,840)
Accum Depr - Comp Equip - HP	(541,886)	(541,886)
Accum Depr - Comp Equipment	(19,377,725)	(19,122,387)
Accum Depr - Comp Software	(19,069,946)	(18,880,151)
Accum Depr - Leasehold Improvements	(962,374)	(962,374)
Accum Depr - Building	(8,940,562)	(8,821,049)
Accum Depr - Bldg Improvements	(9,166,170)	(9,008,796)
Construction Work-In-Progress	30,095,697	27,719,329
Total Fixed Assets	**108,221,300**	**106,252,966**
Other Non-Current Assets		
Deposits	64,230	38,899
Board-Designated Reserves	434,869,278	440,932,366
Knox-Keene Reserves	300,000	300,000
Prepaid - Other Non-Current	2,414,927	2,209,037
Net Pension Asset	7,231,258	7,231,258
Deferred Outflows Of Resources	930,354	930,354
Total Other Non-Current Assets	**445,810,047**	**451,641,914**
Total Non-Current Assets	**554,031,347**	**557,894,880**
Total Assets	**1,588,237,601**	**1,772,449,099**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Balance Sheet
As Of April 30, 2022

	April 2022	March 2022
L I A B I L I T I E S & F U N D B A L A N C E		
Liabilities		
Current Liabilities		
Accounts Payable	107,092,507	126,666,987
Unearned Income	5,214,279	5,657,550
Suspense Account	3,706,216	2,903,106
Capitation Payable	25,473,783	27,725,924
State DHS - Cap Payable	32,633,113	32,633,113
Accrued Healthcare Costs	9,671,049	150,152,542
Claims Payable	172,393,858	153,849,684
Incurred But Not Reported-IBNR	385,993,957	385,125,687
Quality Improvement Programs	77,318,537	100,958,825
Total Current Liabilities	**819,497,299**	**985,673,418**
Non-Current Liabilities		
Deferred Inflows Of Resources	1,784,941	1,784,941
Total Non-Current Liabilities	**1,784,941**	**1,784,941**
Total Liabilities	**821,282,240**	**987,458,359**
Fund Balance		
Unrestricted Fund Balance	**149,607,956**	**163,515,682**
Reserved Funds		
Reserve Fund-Board Designated	419,869,278	425,932,366
Reserve Fund-Board Designated-Infrastructure	15,000,000	15,000,000
Reserve Fund-Board Designated-Capital Assets	108,221,301	106,252,966
Reserve Fund-Strategic Use Of Reserve	73,956,826	73,989,726
Reserve For Restricted Fund-Knox-Keene	300,000	300,000
Total Reserved Funds	**617,347,405**	**621,475,058**
Total Fund Balance	**766,955,361**	**784,990,740**
Total Liabilities And Fund Balance	**1,588,237,601**	**1,772,449,099**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Statement of Cash Flow
For The Period Ending April 30, 2022

	Current Month Activity	Year-To-Date Activity
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From:		
Capitation from California Department of Health Care Service	278,852,248	3,382,511,983
Other Revenues	59,226	2,963,038
Cash Payments to Providers for Medi-Cal Members		
Capitation Payments	(52,051,991)	(433,554,760)
Medical Claims Payments	(159,356,168)	(1,926,145,263)
Drug Medi-Cal		
DMC Receipts from Counties	1,169,506	19,804,314
DMC Payments to Providers	(2,623,992)	(19,987,339)
Cash Payments to Vendors	(187,925,851)	(622,737,087)
Cash Payments to Employees	(7,151,301)	(87,294,895)
Net Cash (Used) Provided by Operating Activities	**(129,028,323)**	**315,559,991**
CASH FLOWS FROM CAPITAL FINANCING & RELATED ACTIVITIES:		
Purchases of Capital Assets	(3,043,610)	(12,150,084)
Net Cash Used by Capital Financial & Related Activities	**(3,043,610)**	**(12,150,084)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Board-Designated Reserve Transfers	6,063,088	(10,775,350)
Interest and Dividends on Investments	184,439	586,036
Net Cash (Used) Provided by Investing Activities	**6,247,527**	**(10,189,314)**
NET (DECREASE) INCREASE IN CASH & CASH EQUIVALENTS	**(125,824,406)**	**293,220,593**
CASH & CASH EQUIVALENTS, BEGINNING	**919,704,699**	**500,659,700**
CASH & CASH EQUIVALENTS, ENDING	**793,880,293**	**793,880,293**
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
TOTAL OPERATING (LOSS) INCOME	**(18,215,418)**	**115,754,463**
DEPRECIATION	**751,745**	**7,811,173**
CHANGES IN ASSETS AND LIABILITIES:		
Other Receivables	(357,266)	(3,715,420)
California Department of Health Services Receivable	54,424,754	75,232,357
Other Assets	543,982	2,279,105
Accounts Payable and Accrued Expenses	(161,948,274)	1,717,620
Accrued Claims Payable	19,412,443	99,359,428
Quality Improvement Programs	(23,640,289)	17,121,265
Net Cash Provided (Used) by Operating Activities	**(129,028,323)**	**315,559,991**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Statement of Revenues and Expenses

For The Period Ending April 30, 2022

****The Notes to the Financial Statement are an Integral Part of this Statement****

ACTUAL MONTH	BUDGET MONTH	$ VARIANCE MONTH	ACTUAL MONTH PMPM	BUDGET MONTH PMPM		ACTUAL YTD	BUDGET YTD	$ VARIANCE YTD	ACTUAL YTD PMPM	BUDGET YTD PMPM
643,907	**643,907**	**-**			**TOTAL MEMBERSHIP**	**6,271,083**	**6,271,083**	**-**		
					REVENUE					
220,979,303	262,773,787	(41,794,484)	343.19	408.09	State Capitation Revenue	2,785,494,722	2,748,974,218	36,520,504	444.18	438.36
180,039	101,583	78,456	0.28	0.16	Interest Income	570,035	1,015,830	(445,795)	0.09	0.16
180,382	114,667	65,715	0.28	0.18	Other Revenue	14,241,056	1,146,670	13,094,386	2.27	0.18
221,339,724	**262,990,037**	**(41,650,313)**	**343.75**	**408.43**	**TOTAL REVENUE**	**2,800,305,813**	**2,751,136,718**	**49,169,095**	**446.54**	**438.70**
					HEALTHCARE COSTS					
22,504,466	18,049,920	(4,454,546)	34.95	28.03	Global Subcapitation	217,037,619	190,449,490	(26,588,129)	34.61	30.37
2,427,365	2,593,002	165,637	3.77	4.03	Capitated Medical Groups	23,397,991	24,666,774	1,268,783	3.73	3.93
					Physician Services					
6,167,256	6,414,626	247,370	9.58	9.96	PCP Capitation	60,457,964	61,754,119	1,296,155	9.64	9.85
210,731	209,291	(1,440)	0.33	0.33	Specialty Capitation	2,053,298	2,023,140	(30,158)	0.33	0.32
31,747,866	33,314,769	1,566,903	49.31	51.74	Non-Capitated Physician Services	340,087,391	350,721,464	10,634,073	54.23	55.93
38,125,853	**39,938,686**	**1,812,833**	**59.22**	**62.03**	**Total Physician Services**	**402,598,653**	**414,498,723**	**11,900,070**	**64.20**	**66.10**
					Inpatient Hospital					
17,685,222	18,512,531	827,309	27.47	28.75	Hospital Capitation	171,662,748	177,183,595	5,520,847	27.37	28.25
50,526,549	59,999,974	9,473,425	78.47	93.18	Inpatient Hospital - FFS	547,284,136	597,458,087	50,173,951	87.27	95.27
850,000	1,952,411	1,102,411	1.32	3.03	Hospital Stoploss	300,939	18,858,835	18,557,896	0.05	3.01
69,061,771	**80,464,916**	**11,403,145**	**107.26**	**124.96**	**Total Inpatient Hospital**	**719,247,823**	**793,500,517**	**74,252,694**	**114.69**	**126.53**
31,215,372	29,905,093	(1,310,279)	48.48	46.44	Long Term Care	326,793,451	331,232,482	4,439,031	52.11	52.82
-	-	-	-	-	Pharmacy	183,588,912	178,908,641	(4,680,271)	29.28	28.53
					Ancillary Services					
949,253	1,010,562	61,309	1.47	1.57	Ancillary Services - Capitated	9,616,095	9,736,557	120,462	1.53	1.55
35,705,352	37,409,997	1,704,645	55.45	58.10	Ancillary Services - Non-Capitated	382,333,669	385,969,836	3,636,167	60.97	61.55
36,654,605	**38,420,559**	**1,765,954**	**56.92**	**59.67**	**Total Ancillary Services**	**391,949,764**	**395,706,393**	**3,756,629**	**62.50**	**63.10**
					Other Medical					
1,905,850	2,887,773	981,923	2.96	4.48	Quality Assurance	21,869,850	25,001,309	3,131,459	3.49	3.99
130,154	1,195,318	1,065,164	0.20	1.86	Healthcare Investment Funds	18,606,100	13,553,176	(5,052,924)	2.97	2.16
90,800	111,417	20,617	0.14	0.17	Advice Nurse	843,600	1,114,170	270,570	0.13	0.18
2,125	9,533	7,408	-	0.01	HIPP Payments	37,963	95,330	57,367	0.01	0.02
6,059,376	4,142,635	(1,916,741)	9.41	6.43	Transportation	58,969,999	42,239,805	(16,730,194)	9.40	6.74
8,188,305	**8,346,676**	**158,371**	**12.71**	**12.95**	**Total Other Medical**	**100,327,512**	**82,003,790**	**(18,323,722)**	**16.00**	**13.09**
7,111,603	7,063,303	(48,300)	11.04	10.97	Quality Improvement Programs	68,818,147	68,719,747	(98,400)	10.97	10.96
215,289,340	**224,782,155**	**9,492,815**	**334.35**	**349.08**	**TOTAL HEALTHCARE COSTS**	**2,433,759,872**	**2,479,686,557**	**45,926,685**	**388.09**	**395.43**
					ADMINISTRATIVE COSTS					
6,843,473	7,638,950	795,477	10.63	11.86	Employee	70,419,323	75,888,777	5,469,454	11.23	12.10
18,052	72,687	54,635	0.03	0.11	Travel And Meals	176,059	516,966	340,907	0.03	0.08
1,137,868	1,922,532	784,664	1.77	2.99	Occupancy	11,090,697	16,603,843	5,513,146	1.77	2.65
293,922	376,994	83,072	0.46	0.59	Operational	2,501,160	4,168,359	1,667,199	0.40	0.66
1,230,314	1,698,389	468,075	1.91	2.64	Professional Services	18,512,894	16,275,708	(2,237,186)	2.95	2.60
707,967	989,788	281,821	1.10	1.54	Computer And Data	8,979,640	8,623,915	(355,725)	1.43	1.38
10,231,596	**12,699,340**	**2,467,744**	**15.90**	**19.73**	**TOTAL ADMINISTRATIVE COSTS**	**111,679,773**	**122,077,568**	**10,397,795**	**17.81**	**19.47**
13,854,167	14,617,064	762,897	21.52	22.70	Medi-Cal Managed Care Tax	138,541,670	142,317,611	3,775,941	22.09	22.69
(18,035,379)	**10,891,478**	**(28,926,857)**	**(28.02)**	**16.92**	**TOTAL CURRENT YEAR SURPLUS (DEFICIT)**	**116,324,498**	**7,054,982**	**109,269,516**	**18.55**	**1.11**

Partnership HealthPlan of California
Investment Schedule
April 30, 2022

Name of Investment	Investment Type	Yield to Maturity	Trade Date	Maturity Date	Call Date	Face Value	Market Value	Credit Rating Agency	Credit Rating
FUNDS HELD FOR INVESTMENT:									
Highmark Money Market	Cash & Cash Equiv	NA	Various	NA	NA	NA	$ 1,533,293	NA	NR
Certificate of Deposit for Knox Keene	Cash & Cash Equiv	0.00015	NA	1/4/2022	NA	NA	$ 300,000	NA	NR
FUNDS HELD FOR OPERATIONS:									
Merrill Lynch Institutional	Cash for Operations	NA	NA	NA	NA	NA	$ 66,649,001		
Merrill Lynch MMA - Checking	Cash for Operations	NA	NA	NA	NA	NA	$ 185,177		
UB - General, MMA, and Sweeps	Cash for Operations	NA	NA	NA	NA	NA	$ 1,043,743,164		
Government Investment Pools (LAIF)	Cash for Operations	NA	NA	NA	NA	NA	$ 75,000,000		
Government Investment Pools (County)	Cash for Operations	NA	NA	NA	NA	NA	$ 40,542,674		
West America Payroll	Cash for Operations	NA	NA	NA	NA	NA	$ 1,092,961		
Petty Cash	Cash for Operations	NA	NA	NA	NA	NA	$ 3,300		
GRAND TOTAL:							$ 1,229,049,570		

Required Reserves (Liquid)

Board Designated Assets	$	434,869,278
Knox Keene Reserves	$	300,000
Total Required Reserves (Liquid)	**$**	**435,169,278**

Cash on Hand / Cash Days Available:

Including Required Reserves	$	1,229,049,570	
Excluding Required Reserves	$	793,880,292	
Cash Days Available incl. Required Reserves			**119.58**
Cash Days Available excl. Required Reserves			**77.24**

Partnership HealthPlan of California
Investment Yield Trends

FISCAL YEAR 21/22		JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
Interest Income		69,194	34,507	35,073	48,030	35,292	32,599	43,164	43,000	49,137	180,039			570,035
Cash & Investments at Historical Cost	(1)	492,803,755	513,054,483	588,066,155	570,252,227	294,587,864	673,772,755	780,352,876	677,905,415	919,704,699	793,880,293			630,438,052
Computed Yield	(2)	0.17%	0.08%	0.08%	0.10%	0.10%	0.08%	0.07%	0.07%	0.07%	0.25%			
Total Rate of Return	(3)	0.17%	0.12%	0.10%	0.10%	0.11%	0.10%	0.09%	0.09%	0.08%	0.11%			
CA Pooled Money Investment Account (PMIA)	(4)	0.22%	0.22%	0.21%	0.20%	0.20%	0.21%	0.23%	0.28%	0.37%	0.52%			

FISCAL YEAR 20/21		JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
Interest Income		101,518	79,393	129,142	85,682	69,555	60,493	95,805	55,872	54,937	85,764	51,531	41,924	911,616
Cash & Investments at Historical Cost	(1)	447,722,427	457,223,207	608,616,971	474,773,196	430,208,837	457,366,473	747,219,094	482,418,564	609,864,227	566,842,230	657,099,091	500,659,700	536,667,835
Computed Yield	(2)	0.27%	0.21%	0.29%	0.19%	0.18%	0.16%	0.19%	0.11%	0.12%	0.17%	0.10%	0.09%	
Total Rate of Return	(3)	0.27%	0.24%	0.25%	0.24%	0.23%	0.22%	0.21%	0.20%	0.19%	0.19%	0.18%	0.17%	
CA Pooled Money Investment Account (PMIA)	(4)	0.92%	0.78%	0.69%	0.62%	0.58%	0.54%	0.46%	0.41%	0.36%	0.34%	0.32%	0.26%	

NOTES:

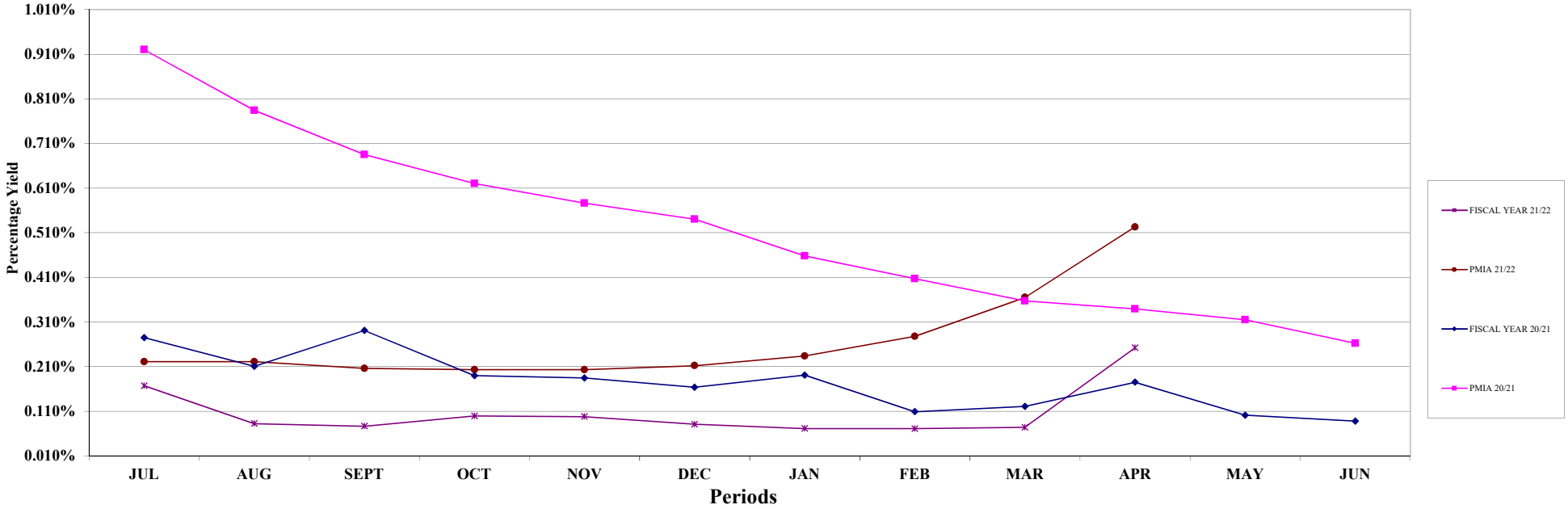
(1) Investment balances include Restricted Cash and Board Designated Reserves
YTD for Cash & Investments is average year-to-date

(2) Computed yield is calculated by annualizing the current month's interest divided by the current month's average balance.

(3) Total Rate of Return is computed based on year-to-date interest income annualized divided by an average of the fiscal year's portfolio's market value at month-end.

(4) LAIF limits the amount a single government entity can deposit into LAIF; currently that amount is set at $75 million.

Partnership HealthPlan of California
Investment Yield Trends



REGULAR AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable) **Agenda Item Number:**
Meeting Date: June 15, 2022 [4.x]
Board Meeting Date: June 22, 2022

Resolution Sponsor:
Liz Gibboney, CEO, Partnership HealthPlan of CA

Recommendation by:
PHC Staff

Topic Description:
On April 20, 2022, the Board approved Budget Assumptions for FY 2022-2023 and directed staff to prepare a full operational budget. On May 18, 2022, the Finance Committee approved the Preliminary Health Care Budget for FY 2022-2023, so a final Budget could be prepared.

Reason for Resolution:
To give the Board the opportunity to review and approve the final Budget for FY 2022-2023 that includes our core business: administration, health care, capital, and updated assumptions for review and approval.

Financial Impact:
The impact to the HealthPlan is implicit in the budget.

Requested Action of the Board:
Based on the recommendation of PHC staff, the Board is asked to approve the final Budget for FY 2022-2023.

REGULAR AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Meeting Date: June 15, 2022
Board Meeting Date: June 22, 2022

Agenda Item Number:
[4.#]

Resolution Number:
[22-]

IN THE MATTER OF: APPROVING THE FINAL BUDGET FOR FY 2022-2023

Recital: Whereas,

A. The Board has the responsibility for establishing budget policy and specific budget approval

B. In prior meetings, PHC staff, the Finance Committee, and Board provided direction and input; and

C. The final Budget conforms to general assumptions established.

Now, Therefore, It Is Hereby Resolved As Follows:

1. To obtain approval for the final Budget for FY 2022-2023.

PASSED, APPROVED, AND ADOPTED by the Partnership HealthPlan of California this 22nd day of June 2022, by motion of Commissioner, seconded by Commissioner, and by the following votes:

AYES: Commissioners:

NOES:

ABSTAINED: Commissioners:

ABSENT: Commissioners:

EXCUSED: Commissioners:

_____
Nancy Starck, Chair

_____
Date

ATTEST:

BY: _____
Ashlyn Scott, Clerk

FY 2022-23

Annual Operating & Capital Budget

PARTNERSHIP
HEALTHPLAN
of CALIFORNIA
A Public Agency

June 2022

Table of Contents

Introduction

The next phase of the PHC budget process is to present the 2022-23 Operating & Capital Budget to the Finance Committee and Board of Directors for final consideration and approval. PHC Staff has consolidated the prior components of the budget into one comprehensive summary. A version history has been provided at the conclusion of this report to walk between the healthcare assumptions presented in May 2022 and the final healthcare costs presented below.

Outlook for 2022-23

Although the COVID-19 pandemic impacts have softened on the delivery system, the emergency response continues to have a significant impact on our financial planning efforts. The continuation, and unknown end, of the public health emergency (PHE) remains to be the largest variable to the Plan's finances. More specifically, the pause in redeterminations steadily increased the plans membership since the start of the pandemic impacting revenue, rate development, non-operating income and health care trends. The resumption of the redeterminations will likely have an unknown gradual impact as the Counties work through their respective eligibility back-logs. The unknowns in membership have material impacts to our revenue rates as Mercer bases overall reimbursement on underlying membership assumptions. PHC will eventually receive updated rates with an expected delivery of November 2022 for CY 2023 and Q1 2023 for CY 2022.

Due to the materiality of the impacts relating to the PHE, Staff may need to complete an off-cycle budget during the upcoming fiscal year.

Membership

PHC's membership has experienced consistent month-over-month growth since March 2020, which is almost completely a result of the PHE declaration. The freeze of member redeterminations has steadily increased the membership by means of limiting the terms managed care organizations would have experienced under normal circumstances. The chart below illustrates, by county, the growth trends along with the overall point in time increases for PHC's membership.

PHC Membership as of 4/1/2022

County	T3M	T6M	T10M	Apr '22 vs Mar '20	# of MM
Solano	0.7%	0.7%	0.6%	25.3%	26,296
Sonoma	0.5%	0.5%	0.5%	21.8%	22,050
Shasta	0.4%	0.3%	0.4%	19.9%	11,430
Yolo	0.4%	0.7%	0.6%	20.3%	9,973
Marin	0.6%	0.5%	0.6%	25.0%	9,252
Humboldt	0.4%	0.4%	0.4%	15.9%	8,218
Napa	0.4%	0.4%	0.4%	20.7%	5,684
Mendocino	0.4%	0.3%	0.3%	16.3%	5,627
Lake	0.3%	0.3%	0.3%	15.8%	4,640
Siskiyou	0.1%	0.1%	0.2%	14.2%	2,379
Lassen	0.6%	0.6%	0.6%	20.6%	1,468
Del Norte	0.3%	0.2%	0.2%	11.4%	1,268
Trinity	0.6%	0.5%	0.5%	29.0%	1,221
Modoc	0.7%	0.5%	0.5%	22.1%	719
Total	**0.5%**	**0.5%**	**0.5%**	**20.7%**	**110,225**
	Trailing # Month average month-to-month increase			**Point-in-time comparison, % △ and # of members**	

Overall, PHC has increased membership by roughly 110,000 members. It is also evident that the growth trends have leveled off as most of the counties trailing averages are relatively flat. The trailing 10-month average (T10M) of 0.5% is down from 0.9% this time last year. The net member increases have been primarily in the Family (Child & Adult) and Medi-Cal expansion (MCE) aid categories; which is fitting as these are the members that are most likely to move in and out of Medi-Cal as life circumstances change. PHC's overall long term care (LTC) counts have decreased, which is a result of COVID related impacts.

Membership will continue to slowly grow until the PHE has officially ended and redeterminations are resumed. Each of PHC's fourteen counties will have twelve months to systematically work through all enrolled members to determine Medi-Cal eligibility. There will be a substantial amount of ineligible members, reversing the month-over-month gains at an unknown rate. Like prior years, PHC picked a more aggressive attrition rate to ensure the overall budget does not include an unrealistic revenue target. This provides inherent upside if the membership counts remain higher than estimated, relieving margin pressures.

Revenue

PHC budgeted overall revenues at $3.0 billion for a year-over-year decrease of ($156.9) million. The budget utilized modified CY 2022 draft rates received from DHCS and estimated CY 2023 rates for the latter half of the upcoming fiscal year. DHCS communicated on June 8, 2022 that final CY 2023 rates will be delivered to plans in November 2022 while CY 2022 rates be delivered sometime in Q1 2023. Although

the release dates seem to be written in error, the complications around prospective rate setting and the delayed conclusion of the public health emergency have created a unique circumstance that requires the misalignment of delivering rate packages.

Medi-Cal Base Capitation

2022-23: $3.0 billion | 2021-22 △: ($152.2) million or (4.9%)

The Medi-Cal Base Capitation includes offsetting variances driven by base revenue, membership trends, and other supplemental revenues. The CY 2022 base rates, though estimated, contain a material component change that drives most of the year-over-year decrease. The pharmacy carve-out, effective January 1, 2022, represents a decrease north of ($180.0) million in base capitation. Additionally, proposition 56 (Prop 56) revenue is decreasing ($16.5) million due to reduced reimbursement for existing programs in addition to the elimination of the VBP program. Offsetting these reductions are increases tied to supplemental payments, which have historically been difficult to estimate due to the fluctuations in utilization.

Interest & Other Income

2022-23: $14.0 million | 2021-22 △: ($4.7) million or (25.2%)

Other Revenue includes interest income, tenant revenue and grant revenue (when applicable). In the current fiscal year, the State offered a Behavioral Health Incentive (BHI) program to the Plan's providers where the Plan is responsible for managing the related program grant funds. The current year includes $6 million in BHI grant revenue that is offset in other health care costs within health care investment category.

Health Care Expenses

As stated in our budget assumptions, the COVID-19 impacts to the delivery network began to subside following the Omicron wave. Underlying utilization is returning to pre-COVID patterns, though, Staff will remain cautious for a surge in claims related to the rumored pent-up demand related to the stay-at-home orders that were implemented in the first half of the PHE. PHC has applied a blended per member per month (PMPM) method to construct the health care expense budget. Utilizing the Plan's historical claims experience for all counties with dates of service ranging from January 2019 through January 2022, smoothing irregular trends using seasonal experience. State-mandated increases were assumed to remain in place until December 31, 2022, which is Staff's estimated conclusion of the PHE. In addition, the increased base membership caused by the pause in redeterminations has yielded material increases in capitation expenses and fee-for-service utilization, present in all of the cost categories. Information surfacing after June 2022, will be evaluated and material impacts not covered as part of the flex budget process will need to be incorporated in a full budget refresh.

The health care budget assumes an overall expense of $2.77 billion, which is ($134.6) million, or (4.6%), less than the forecasted 2021-22 spend. Considerations and estimates by cost category are presented in more detail, below.

Global Sub-Capitation & Capitated Medical Groups

2022-23: $241.9 million | 2021-22 △: ($32.4) million or (11.8%)

The first pass of the health care budget assumes minimal year-to-year changes for provider capitation rates. The pharmacy carve-out will be incorporated in the CY 2022 rates and beyond for PHC's global sub-capitation provider, driving much of the year-over-year decrease in expense. The resumption of the redetermination process, assumed in January 2023, will decrease the global sub-capitation expense further by $6.0 million compared to the 2021-22 Forecast. Capitated medical groups will continue to have variability tied to overall plan enrollment. Variances tied to membership will be accounted for as part of the flex budget process. Similar to prior years, contract negotiations pose a risk of increased cost pressures if PHC is unable to keep rates at their current levels.

Physician Services

2022-23: $507.5 million | 2021-22 △: $22.7 million or 4.7%

Physician Services line item includes Prop 56, specialty capitation, primary capitation, and physician fee-for-service expenses. Adjustments to various Prop 56 programs, which includes rate reductions and the elimination of the VBP program, are driving the bulk of the decreases from the prior year. Fee-for-service expenses are expected to increase slightly as part of an allocation adjustment.

Inpatient Hospital

2022-23: $958.3 million | 2021-22 △: $85.3 million or 9.8%

The Inpatient Hospital line item includes inpatient fee-for-service, hospital capitation, and stop loss expenses. DHCS continues to apply downward pressure to PHC's inpatient reimbursement due to the cost per unit's outlier status relative to other managed care plans. Given the current macro-economic conditions, Staff expects to receive strong provider pressure to increase rates to offset ongoing inflation and employment concerns. The cost pressures combined with the release of IBNR in the 2021-22 FY will yield an increase in Inpatient Hospital expenses year-to-year. Staff will continue to evaluate hospital contracts relative to revenue and if DHCS continues to reimburse at levels lower than cost, PHC will need to continue to maintain current reimbursement levels.

Long Term Care

2022-23: $381.7 million | 2021-22 △: ($11.6) million or (3.0%)

As explained in prior year budget cycles, the Long Term Care (LTC) expense category is difficult to budget due to the timing and complexity of periodic DHCS rate releases. The rates are often released months after their effective date, requiring PHC Staff to complete in-depth analysis to calculate and correct prior payments. COVID-19 brought a new layer with a 10% mandatory increase to help support the added burden for many facilities. These increases were implemented in March of 2020 and will continue through end of the PHE, now estimated to be December 2022. The overall decrease of $11.6 million in LTC spend is primarily due to the upcoming fiscal year only including 6 months of the 10% add-on. In addition, PHC has recognized a negative utilization trend over the course of the pandemic, likely due to the disproportionate impact COVID-19 has had on these vulnerable populations. There could be additional pandemic impacts related to behavioral changes as members will likely be hesitant to enter congregate living settings.

Pharmacy

2022-23: $ - | 2021-22 △: ($183.6) million or (100.0%)

The large reduction of $183.6 million is directly tied to the State's pharmacy carve-out from managed care plans, which was effective January 1, 2022. Pharmacy expenses related to inpatient and physician services will be budgeted and reported within their respective categories. Aside from the potential prior period corrections or the unlikely event of claims runout, this category should not include material expenses for the upcoming fiscal year.

Ancillary Services

2022-23: $475.7 million | 2021-22 △: ($9.5) million or (2.0%)

Ancillary Services is comprised of fee-for-service and capitated ancillary services. The budget assumes a decrease of ($9.5) million tied to fee-for-service allocation adjustments along with IBNR releases within FY 2021-22. PHC faces additional pressure from hospitals for emergency department and outpatient services. Additionally, utilization for outpatient mental health services and BHT has increased substantially since the start of the pandemic.

Other Medical

2022-23: $123.2 million | 2021-22 △: ($4.1) million or (3.3%)

The Other Medical category includes transportation, quality assurance, health care investment fund (HCIF), nurse advice line, and Health Insurance Premium Payments (HIPP). The year-to-year net decrease is primarily due to a change in the HCIF that included the development of new grants in the prior year and the conclusion of certain strategic use of reserve initiatives. This is offset by increases in quality assurance where costs are expected to increase in support of CalAim and health equity initiatives mandated by the State. Additionally, transportation expenses are expected to increase with the steady increase in membership and overall upward trend in utilization.

Quality Improvement Programs (Incentives)

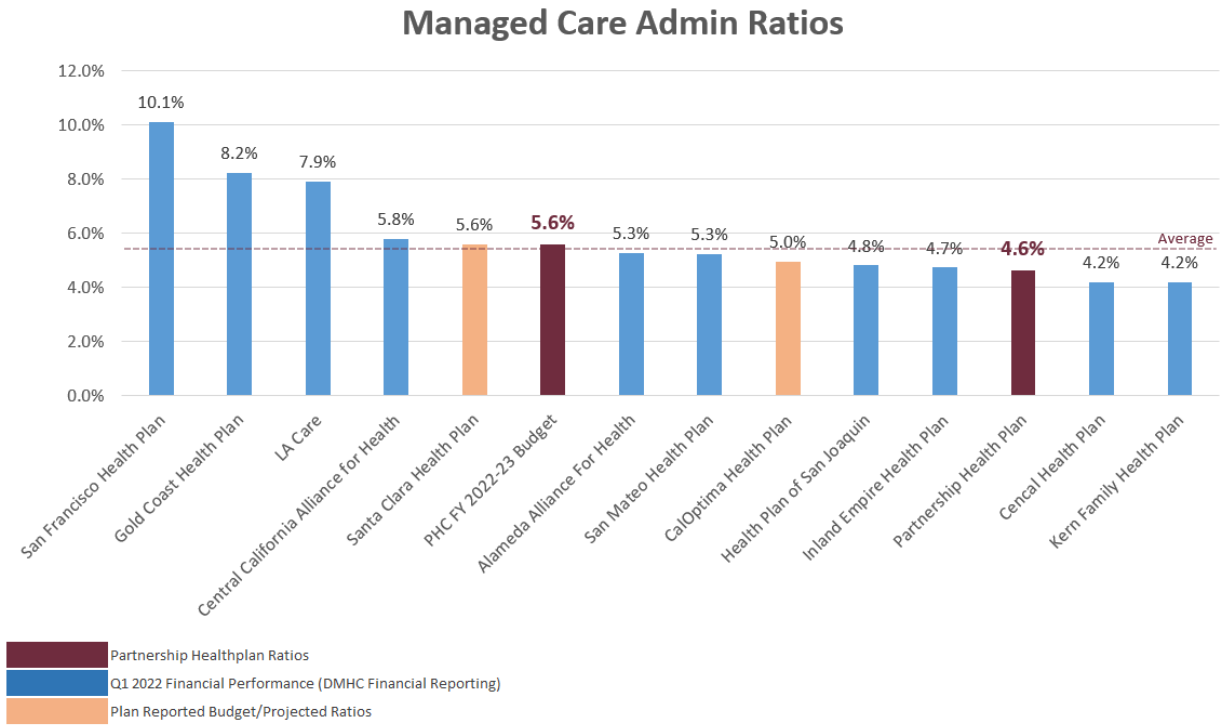
2022-23: $80.2 million | 2021-22 △: ($1.3) million or (1.5%)

PHC plans to budget incentives flat year-to-year due to the assumed resumption of redeterminations. FY 2021-22 saw an increase in budget to account for overall membership growth tied to pandemic impacts. Incentive funding is subject to final revenue projections when revised rates from DHCS are received. There is some budgetary risk involved in estimating the exact overall payment levels, which is dependent on the actual performance of participating providers. COVID-19 introduced its own level of complexity with major disruptions to normal day-to-day activities for measurement years 2020 and 2021. Staff will continue to use historical performance along with more recent leading indicators to predict the estimated payout of all programs. Budget funding may shift between programs as each QIP has its own set of participants, guidelines, and performance.

Administrative Expense

Overall administrative spend is estimated to be $166.9 million which is an increase to the prior year's forecast of $30.0 million or 21.9 percent. The increase in administrative spending is driven by a number of factors including investments in IT infrastructure, the delay of the core system implementation, depreciation tied to completed capital projects, transportation initiatives, and numerous investments that will be made in response to planned DHCS requirements and initiatives.

Historically, the Plan has been able to operate at or below an administrative expense ratio (admin ratio) of 5.0 percent. However, the removal of the pharmacy benefit yielded a significant reduction in revenue, as referenced above. This reduction of revenue inherently increases the admin ratio as the denominator decreases disproportionately to the numerator. This is applicable to all managed care plans within California and requires a rebasing to the historical "sub-5.0 percent" goal.



PHC is budgeting an administrative expense ratio of 5.6 percent, which is only 0.1 percent above the average ratios reported by comparable plans for Q1 2022 performance. The targeted investments in talent and infrastructure will ensure PHC adequately enhances infrastructure, successfully implements a new core system, and prepares itself to execute lofty DHCS initiatives all while remaining financially prudent relative to sister plans.

Workforce

As noted below, during the current fiscal year a number of budgeted positions remained unfilled due to COVID restrictions and a tight labor market. With the return to office and the opportunity to increase recruitment efforts, the expectation is that many of the positions will be filled. Additionally, as mentioned earlier, the Plan will expand its overall staffing to meet infrastructure needs and to accommodate growing DHCS initiatives.

Employee

2022-23: $105.1 million | 2021-22 △: $16.5 million or 18.6%

Many positions remained open and unfilled throughout the current fiscal year primarily as a result of an increasingly tight labor market. The increase from the prior year's forecast is primarily due to the expectation that many of the unfilled positions will be hired as well as the addition of a number of new positions needed to meet a significant increase in DHCS program requirements. During the current fiscal

year, a mid-year 4% COLA was issued to all staff in an effort to help address inflationary issues currently greater than 8%. The effects of this increase will be reflected in fiscal year 2022-2023 for a full year. Also contributing to the fiscal year 2022-23 increase is a projected 4% increase for a combined COLA and merit and an assumed average 12% increase to employee medical, dental and vision benefits. No new employee benefits are projected for fiscal year 2022-23.

Occupancy

2022-23: $18.4 million | 2021-22 △: $5.1 million or 38.3%

Increases in Occupancy costs are expected from tenant improvements and additional depreciation costs from new capital purchases, including the implementation of the new claims processing system expecting to occur in the latter half of the fiscal year.

Operational

2022-23: $5.7 million | 2021-22 △: $2.8 million or 95.3%

Operating costs are comprised of general office supplies, printing, and postage. Increases in Operational costs are expected from additional printing and mailings for the redetermination outreach and other member engagement efforts.

Professional Services

2022-23: $19.7 million | 2021-22 △: ($1.0) million or (4.8%)

Professional Services primarily includes outside services such as consultants, contracted claims processing, and other third party processing vendors. An overall decrease in Professional Services is expected from the removal of processing costs from the pharmacy carve out and also from the system disruption that occurred in the prior year.

Computer & Data

2022-23: $17.3 million | 2021-22 △: $6.3 million or 56.7%

Several planned hardware, software, and data processing purchases in IT and other departments were postponed in the previous year and are expected to occur in the upcoming year. Additional Computer & Data costs are expected from licensing costs relating to the new claims processing system as well as other new software implementation.

Profit & Loss Statement

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Statement of Revenues and Expenses

Annual Capital & Operating Budget

	2022-23 Annual Budget	2021-22 8+4 Forecast	$ VARIANCE	Budget PMPM	Forecast PMPM
Total Membership	**626,550**	**622,188**	**4,362**		
Total Member Months	**7,837,575**	**7,539,131**	**298,444**		
REVENUE					
State Capitation Revenue	2,971,352,017	3,123,581,299	(152,229,282)	379.12	414.32
Interest Income	1,173,374	747,192	426,182	0.15	0.10
Other Revenue	12,843,078	17,978,821	(5,135,743)	1.64	2.38
TOTAL REVENUE	**2,985,368,469**	**3,142,307,312**	**(156,938,843)**	**380.90**	**416.80**
HEALTHCARE COSTS					
Global Subcapitation	213,627,434	246,199,453	32,572,019	27.26	32.66
Capitated Medical Groups	28,281,819	28,138,138	(143,681)	3.61	3.73
Physician Services					
PCP Capitation	72,225,534	72,616,019	390,485	9.22	9.63
Specialty Capitation	2,708,597	2,428,636	(279,961)	0.35	0.32
Non-Capitated Physician Services	432,565,210	409,801,827	(22,763,383)	55.19	54.36
Total Physician Services	**507,499,341**	**484,846,482**	**(22,652,859)**	**64.75**	**64.31**
Inpatient Hospital					
Hospital Capitation	206,786,902	206,441,870	(345,032)	26.38	27.38
Inpatient Hospital - FFS	736,296,936	664,566,965	(71,729,971)	93.94	88.15
Hospital Stoploss	15,216,734	2,000,939	(13,215,795)	1.94	0.27
Total Inpatient Hospital	**958,300,572**	**873,009,774**	**(85,290,798)**	**122.27**	**115.80**
Long Term Care	381,730,849	393,345,302	11,614,453	48.71	52.17
Pharmacy	-	183,588,912	183,588,912	-	24.35
Ancillary Services					
Ancillary Services - Capitated	11,314,230	11,505,840	191,610	1.44	1.53
Ancillary Services - Non-Capitated	464,399,123	473,733,564	9,334,441	59.25	62.84
Total Ancillary Services	**475,713,353**	**485,239,404**	**9,526,051**	**60.70**	**64.36**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Statement of Revenues and Expenses

Annual Capital & Operating Budget

	2022-23 Annual Budget	2021-22 8+4 Forecast	$ VARIANCE	Budget PMPM	Forecast PMPM
Other Medical					
Quality Assurance	35,329,680	28,004,053	(7,325,627)	4.51	3.71
Healthcare Investment Funds	14,213,000	32,951,247	18,738,247	1.81	4.37
Advice Nurse	1,376,000	1,116,967	(259,033)	0.18	0.15
HIPP Payments	100,000	68,878	(31,122)	0.01	0.01
Transportation	72,223,864	65,245,272	(6,978,592)	9.22	8.65
Total Other Medical	**123,242,544**	**127,386,417**	**4,143,873**	**15.72**	**16.90**
Quality Improvement Programs	80,186,040	81,446,030	1,259,990	10.23	10.80
TOTAL HEALTHCARE COSTS	**2,768,581,952**	**2,903,199,911**	**134,617,959**	**353.24**	**385.08**
ADMINISTRATIVE COSTS					
Employee	105,103,520	88,644,764	(16,458,756)	13.41	11.76
Travel And Meals	619,751	210,675	(409,076)	0.08	0.03
Occupancy	18,351,326	13,270,437	(5,080,889)	2.34	1.76
Operational	5,747,944	2,942,984	(2,804,960)	0.73	0.39
Professional Services	19,744,544	20,731,348	986,804	2.52	2.75
Computer And Data	17,284,150	11,028,897	(6,255,253)	2.21	1.46
TOTAL ADMINISTRATIVE COST	**166,851,234**	**136,829,105**	**(30,022,129)**	**21.29**	**18.15**
Medi-Cal Managed Care Tax	-	-	-	-	-
Surplus / (Deficit)	**49,935,283**	**102,278,296**	**(52,343,013)**	**6.37**	**13.57**

Fund Balance

Board Designated Reserves (BDR) are calculated according to policy: 60 days of operating expenses. An additional amount equivalent to one-third of the BDR has been set aside for County Expansion. Also of note is the Strategic use of Reserves (SUR) that was previously approved but not yet incurred. PHC, through Board approval, created the SUR initiatives and over the years has been able to utilize a substantial amount of reserves in a manner that increased member access, provider reimbursement, and improved overall operational efficiency; PHC will continue to utilize the funds as approved. The remaining SUR balance is primarily comprised of funds set aside for the Drug Medi-Cal Program, quality initiatives and capital investments. The total fund balance – including the County Expansion amount, the final SUR amount, and the projected Board Designated amount – for the year ending June 30, 2023 is estimated at $802.8 million.

Partnership Healthplan of California

Fiscal Year 2022/23 Fund Balance Analysis

Projected through June 2023

Fund Balance Analysis / TNE

Fund Balance at 4/30/2022		766,955,361
Actual Year to Date Surplus (Deficit) at 4/30/2022	116,324,498	
Projected Year to Date Surplus (Deficit) at 6/30/2022	102,278,296	
Projected Surplus (Deficit) for May - June 2022		(14,046,202)
Projected Fund Balance at 06/30/2022		**752,909,159**
Projected Surplus (Deficit) for FY 2022/23		49,935,283
Estimated Fund Balance at 06/30/2023		**802,844,442**
Estimated Fund Balance Allocated at 06/30/2023		
Reserve Fund-Board Designated		373,691,000
Reserve Fund-Board Designated-Capital Assets		130,787,000
Reserve Fund-County Expansion		168,159,000
Reserve Fund-Strategic Use Of Reserve		70,773,000
Reserve For Restricted Fund-Knox-Keene		300,000
Unrestricted		59,134,442
Estimated Fund Balance at 06/30/2023		**802,844,442**

Capital Projects

As part of developing the capital budget, each of the projects were evaluated based on the current economic conditions along with the strategic goals and priorities of the organization. Due to delays caused by COVID-19 and other unforeseen circumstances, certain projects that were approved in the 2021-22 budget were either not started or were started and not completed during the fiscal year as originally planned. These projects have been included, below and indicated with (**), for 2022-23 budget consideration.

The capital budget for Facilities includes expenditures for building improvements, maintenance of the facilities, safety, business continuity, and tenant improvements for vacant spaces expected to be leased in fiscal year 2023.

The capital budget for Information Technology includes expenditures intended to enhance system security, improve efficiency and data storage for general operations, and provide support for the core system implementation (Project Phoenix). Phoenix has been delayed due to the system disruption suffered by PHC in March of 2022, requiring additional costs of $2,502,000. Purchases related to the core system implementation will continue to be recorded as a capital project in progress until the year the system is fully implemented, in which case depreciation begins. Staff are currently evaluating the impacts of the system disruption and determining an appropriate revised official implementation date.

A summary of capital expenditures by department and region is list below:

SUMMARY OF CAPITAL BUDGET				
DEPARTMENT	REGION	CHANGE IN ESTIMATED PURCHASE	COST (Approved in Prior Fiscal Years)	TOTAL ESTIMATED PURCHASE COST
Facilities	Northern	$ 778,000	$ 658,000	$ 1,436,000
	Southern	2,125,447	6,765,970	8,891,417
Total Facilities Purchase Cost FY 2022-23		**2,903,447**	**7,423,970**	**10,327,417**
Information Technology	Northern	130,000	-0-	130,000
	Southern	9,152,000	1,230,000	10,382,000
	Phoenix	4,327,000	35,217,164	39,544,164
Total Information Technology Purchase Cost FY 2022-23		**13,609,000**	**36,447,164**	**50,056,164**
Total Purchase Cost FY 2022-23		**$ 16,512,447**	**$ 43,871,134**	**$ 60,383,581**

DETAIL FACILITIES CAPITAL BUDGET						
DEPARTMENT	REGION	Carryover	BUDGET ITEM DESCRIPTION	NEW OR CHANGE IN ESTIMATED PURCHASE COST	CARRYOVER COST (Approved in Prior Fiscal Years)	TOTAL ESTIMATED PURCHASE COST
Facilities	Northern	**	Airpark Office: Tenant Improvements	$ 290,000	$ 460,000	$ 750,000
		**	Airpark Office: Infrastructure Investments	232,000	156,000	388,000
			Avtech Office: Infrastructure Investments	$ 64,000	$ -	$ 64,000
			Eureka Office: Infrastructure Investments	90,000	-	90,000
		**	New Vehicles (3)	$ 102,000	$ 42,000	$ 144,000
Total Northern Facilities Purchase Cost FY 2022-23				**$ 778,000**	**$ 658,000**	**$ 1,436,000**

DETAIL FACILITIES CAPITAL BUDGET (CONTINUED)						
DEPARTMENT	REGION	Carryover	BUDGET ITEM DESCRIPTION	CHANGE IN ESTIMATED PURCHASE COST	CARRYOVER COST (Approved in Prior Fiscal Years)	TOTAL ESTIMATED PURCHASE COST
Facilities	Southern	**	Building 4605: Tenant Improvements	$ 420,000	$ 2,800,000	$ 3,220,000
		**	Building 4605: Infrastructure Investments	112,350	749,000	861,350
		**	Building 4665: Infrastructure Investments	499,511	790,770	1,290,281
		**	Building 4820: Tenant Improvements	708,281	1,235,000	1,943,281
		**	Building 4820: Infrastructure Investments	356,985	1,002,400	1,359,385
		**	Santa Rosa Office: Infrastructure Investments	28,320	188,800	217,120
Total Southern Facilities Purchase Cost FY 2022-23				**$ 2,125,447**	**$ 6,765,970**	**$ 8,891,417**

DETAIL INFORMATION TECHNOLGY CAPITAL BUDGET						
DEPARTMENT	REGION	Carryover	BUDGET ITEM DESCRIPTION	NEW OR CHANGE IN ESTIMATED PURCHASE COST	CARRYOVER COST (Approved in Prior Fiscal Years)	TOTAL ESTIMATED PURCHASE COST
Information Technology	Northern		Infrastructure Enhancements	$ 130,000	$ -0-	$ 130,000
	Southern	**	Annual Maintenance/renewals/upgrades	$ 3,520,000	$ 430,000	$ 3,950,000
		**	System/Software Enhancements	5,382,000	800,000	6,182,000
			Citrix VDI/UX Monitoring Solution	250,000	-0-	250,000
			Phoenix Project	$ 4,327,000	$ 35,217,164	$ 39,544,164
Total Information Technology Purchase Cost FY 2022-23				**$ 13,609,000**	**$ 36,447,164**	**$ 50,056,164**

Version History

This table was created for Committee Members to quickly review changes between the preliminary healthcare budget presented in May '22 and the final budget presented above.

	FY 2022-23		Version △		
Health Care Categories	**Final Draft**	**HCC Assumptions**	**$**	**%**	**Notes**
Global Subcapitation & Capitated Medical Group	$241,909,253	$235,049,678	$6,859,575	2.9%	Updated Capitation to reflect membership trends. Increase is tied to delayed start of membership redetermination from January 2023 to April 2023.
Inpatient Hospital	$958,300,571	$957,800,170	$500,402	0.1%	Slight adjustment to account for current Inpatient trends, immaterial to overall surplus.
Physician Services	$507,499,341	$470,217,033	$37,282,308	7.9%	Increase in American Indian Health Service expense to reflect current trends and higher reimbursement rate.
Long Term Care	$381,730,849	$381,308,096	$422,753	0.1%	Slight increase, immaterial to overall surplus
Pharmacy	$0	$0	$0	0.0%	No changes.
Ancillary Services	$475,713,353	$468,434,596	$7,278,757	1.6%	Increased mental health services cost to reflect current trends .
Other Medical	$123,242,544	$99,980,759	$23,261,785	23.3%	Increased transportation to account for higher fuel costs along with increases to Quality Assurance due to higher projected employee cost.
Quality Improvement Programs	$80,186,040	$80,186,040	$0	0.0%	No changes.
Total Health Care Expense	**$2,768,581,951**	**$2,692,976,371**	**$75,605,580**	**2.8%**	