Finance Committee Meeting Agenda

October 18, 2023: 8:00 a.m. – 9:30 a.m.

In-person Locations:

PHC's Southeast Region Office located at 4605 Business Center Drive, Conference Center, Fairfield, CA

PHC's Northeast Region Office located at 2525 Airpark Dr., Redding, CA

PHC's Southwest Office located at 495 Tesconi Circle, Santa Rosa, CA

PHC's Northwest Office located at 1036 5th Street, Eureka, CA

Finance Committee Members: Jonathan Andrus**,** Dave Jones, Chair, Alicia Hardy, Randall Hempling, Kathryn Powell, Nancy Starck, Nolan Sullivan

Public Participation

Public comment is welcome during designated "Public Comments" time frames or by emailing comments to the Board Clerk at Board_FinanceClerk@partnershiphp.org by 5:00p.m on October 17, 2023. Comments received will be read during the meeting.

8:00A.M – Opening			
1.1 **Call to Order**			*Dave Jones, Chair*
1.2 **Roll Call**			*Clerk*
1.3	***ACTION:*** Approval of Agenda	1-2	*Chair*
1.4	***ACTION:*** Approval of Finance Committee Minutes from September 20, 2023	3-7	*Chair*
1.5 **Commissioner Comment**			*Chair*
1.6 **Public Comment**			*Public*
New Business			
2.1	***ACTION:*** Appointment of Jonathan Andrus to the Finance Committee	8-9	*Sonja Bjork*
2.2	***ACTION:*** Resolution to Accept the Moss Adams Audit Report for FY 2022-2023; This resolution accepts the audit report completed by Moss Adams on Partnership's financial statements for the period July 1, 2022 to June 30, 2023.	10-76	*Moss Adams Auditors, Rianne Suico and Chris Pritchard*
2.3	***INFORMATION:*** CEO Health Plan Update	77	*Sonja Bjork*
2.4	***ACTION:*** Accept August 2023 Metrics and Financials	78-90	*Patti McFarland*
Closed Session			

3.1	***Discussion*** Pursuant to Welfare and Institutions Code Section 14087.38(n); ***TRADE SECRETS*** Discussion Concerning New Services, Program	*Full Committee, Sonja Bjork, Patti McFarland, Jennifer Lopez, Wendi West, Amy Turnipseed, Ashlyn Scott, Clerk*
3.2	***Discussion*** Pursuant to Welfare and Institutions Code Section 14087.38(m***); CONTRACT RATES*** Discussion Concerning DHCS, Provider Rates	*Full Committee, Sonja Bjork, Patti McFarland, Jennifer Lopez, Wendi West, Amy Turnipseed, Ashlyn Scott, Clerk*
Adjournment		

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 707-863-4516 or by email at *ascott@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.

MINUTES OF THE MEETING OF
PARTNERSHIP HEALTHPLAN OF CALIFORNIA FINANCE COMMITTEE
In person locations:
PHC's Southeast Office located at 4605 Business Center Drive, Fairfield, CA
PHC's Northwest Office located at 1036 Fifth Street, Eureka, CA
PHC's Northeast Office located at 2525 Airpark Drive, Redding, CA
PHC's Southwest Office located at 495 Tesconi Circle, Santa Rosa, CA

On
September 20, 2023

Members Present: Alicia Hardy (8:07am arrival), Randall Hempling, Dave Jones, Chair, Kathryn Powell, Nancy Starck
Members Excused: Nolan Sullivan
Staff: Sonja Bjork, Wendell Coats, Marisa Dominguez, Pearl Johns, Kirt Kemp, Mary Kerlin, Melanie Lam, John Lemoine, Jennifer Lopez, Patti McFarland, Ashlyn Scott, Lori Williams

AGENDA ITEM	DISCUSSION	MOTION / ACTION
1.2 Roll Call	Ashlyn Scott, Clerk of the Commission, called the roll indicating there was a quorum.	None
1.3 Approval of Agenda	Chairman Jones asked if anyone had changes to the agenda. Hearing no requests for modification, he asked for a motion to approve the agenda.	*Commissioner Hempling moved to approve the agenda as presented, seconded by Commissioner Starck.* ***ACTION SUMMARY:*** *Yes: 4* *No: 0* *Abstention: 0* *Excused: 2 (Hardy, Sullivan)*

		MOTION CARRIED
1.4 Approval of the August 16, 2023 Finance Committee Meeting Minutes	Chairman Jones asked if anyone had changes to the August 16, 2023 minutes. Hearing no requests for modification, he asked for a motion to approve the minutes.	*Commissioner Starck moved to approve the agenda and minutes as presented, seconded by Commissioner Hempling.* ***ACTION SUMMARY:*** *Yes: 4* *No: 0* *Abstention: 0* *Excused: 2 (Hardy, Sullivan)* **MOTION CARRIED**
1.5 & 1.6 Public Comment and Correspondence	Chairman Jones asked if there were any public or commissioner comments. There were none.	None
1.7 CEO Report	Chief Executive Officer, Sonja Bjork, gave a report on the following topics: ***Health Equity*** **–** The State budgeted $700 million for Equity and Practice Transformation Grants and DHCS announced they would host a webinar regarding the application process. Partnership quickly informed our clinic consortiums in an effort to increase provider participation. There were 150 participants on the webinar and Partnership is working diligently to secure dollars for our communities. Applications were released and are due back by October 23. There will be a second webinar for managed care plans on September 25 and updates will be reported at the October Finance Committee meeting. ***DHCS & State Issues*** – Jacey Cooper, DHCS Medicaid Director, will resign effective October 20. Her successor has not yet been named. SB 525, which will increase the minimum wage for health care workers to $25 an hour, was approved by the Legislature after months of negotiations and is awaiting final approval from Governor Newsom. Though the bill will not apply to Partnership staff, we are closely monitoring the potential challenges it could pose for our providers, particularly in rural areas. Partnership has joined the Coalition to Protect Access to Care, which is the coalition leading the effort to bring an MCO tax measure to the November 2024 ballot. Amongst others, the Primary Care Association, California Hospital Association and the California Medical Association have united to ensure MCO tax dollars remain in the health care delivery system. The measure would	None

permanently authorize the tax, without the need to renew every three years. The coalition has until April to collect 546,651 signatures to qualify for the November ballot, and an additional challenge will be explaining a complex health care tax to voters.

The Voluntary Rate Range Program, often referred to as the Intergovernmental Transfer (IGT) program, is in progress, with a tight deadline to apply for funds. The program allows for the transfer of funds to government entities such as counties, district hospitals, UC hospitals and fire districts, for Medi-Cal covered services. Eleven of Partnership's counties are engaged in the process and Partnership staff have contacted the district hospitals in our service area to encourage them to apply for funding.

Commissioner Starck thanked Melanie Lam, Senior Director of Financial Analysis, for her assistance throughout the IGT process. She also questioned how much IGTs bring into Partnership counties.

Jennifer Lopez, Deputy Chief Financial Officer, responded that most recent IGTs will bring roughly $150 million to Partnership's service area, however the exact amount fluctuates year to year. DHCS should be sending IGT agreements to providers in October or November, and Partnership expects to issue payments in April 2024.

CalAIM: Enhanced Care Management (ECM) / Community Supports (CS) – The State has expressed disappointment in the slow rollout of ECM and CS services. In response, DHCS' consulting firm, Manatt will host an idea session. Partnership is sending two participants and is encouraging providers to attend.

CalAIM: Dual Eligible Special Needs Plans (D-SNP) – As a part of CalAIM, by January 2026, all Medi-Cal Managed Care Plans will be required to begin operating a D-SNP. Partnership is in the midst of operational and financial gap assessments. The assessments are expected to take 16 weeks to complete and the results will be presented to the Finance Committee.

Commissioner Hempling stated that the implementation of a D-SNP program will be difficult and the key to success will be having a strong provider network, especially with specialty care providers.

Ms. Bjork agreed that the providers will be the key to a successful D-SNP implementation. She added that if the providers are excited about the program, they are more likely to promote it to their patients. Partnership is exploring supplemental benefits to make the program more enticing for members.

Commissioner Jones questioned if the D-SNP network will be the same as the current established network.

	Ms. Bjork responded yes, but Partnership also hopes to contract with providers who only provide Medicare services. ***CalAIM: Incentive Payment Program (IPP)*** – Another round of IPP funds will be released by DHCS and are intended to support the implementation and expansion of CalAIM services. In the meantime, Partnership plans to distribute already earned IPP funds through direct investments that will help us close gaps in services. We have developed a list of principles to help guide the process of allocating funds. The principles include promoting innovation, promoting quality, promoting capital investments, supporting and rewarding good reporting, supporting member engagement and supporting equitable access. Updates on the IPP process will be reported to the Finance Committee and full Board. ***Medi-Cal Redeterminations*** – The State has launched a dashboard page on the DHCS website, which is tracking the Medi-Cal eligibility redetermination progress in each county, however there are delays in the dashboard data. Partnership is beginning to see a loss of about 4,000 members a month. Partnership's Consumer Advisory Committee members are reporting issues in reaching county representatives regarding eligibility and in some cases, hours long hold times. ***Moss Adams Audit*** – Moss Adams is nearing the completion of Partnership's annual audit and the final report will be presented at the October Finance Committee and Board Meetings. *Commissioner Hardy reported that as Board Chair Moss Adams interviewed her for the audit. The auditors questioned what Partnership would do if there is consolidation in the provider network and how the financial losses would be mitigated. She continued to say she did not understand why a struggling provider network would affect Partnership financially.* *Ms. McFarland responded that consolidation amongst providers, specifically hospitals, could give them more purchasing power. Since there are fewer hospital organizations in Northern California, we do not foresee this being an issue in the immediate future.* ***Geographic Expansion*** **–** All departments are working diligently to prepare for geographic expansion. Provider contracting continues to be a challenge and October 2 is the deadline to submit Partnership's contracted network to the DHCS. Consumer Representative Commissioner, Wendy Longwell, has been helping to connect Partnership to members with disabilities in the expansion counties.	
2.2 *ACTION:* Accept May and June 2023 Metrics and Financials	Ms. McFarland presented Partnership's Metrics and Financials for the month ending July 31, 2023, the first month of fiscal year 2023-2024. Partnership reported a net surplus of $7.9 million, which is below what was budgeted. Commonly the first six months of the fiscal year are positive, with more cost pressures present in the latter half. There are claims being received for last fiscal year that are negatively impacting the current budget and may be re-allocated to the FY22-23 budget. After 29 years of reliable utilization data, the COVID-19 pandemic resulted in a stark change in trends. Healthcare Costs are greater than budget by $13.1 million for the month. Utilization rates	*Commissioner Starck moved to accept July Financials as presented, seconded by Commissioner Hempling.*

	are abnormally high for the summer months and can be partially attributed to elevated levels of respiratory illnesses such an influenza, RSV and COVID-19. Administrative costs are lower than budget by $2.3 million for the month, which is expected prior to an uptick in hiring in the Fall. Ms. McFarland's full report is included in the packet	***ACTION SUMMARY:*** *Yes: 5* *No: 0* *Abstention: 0* *Excused: 1 (Sullivan)* **MOTION CARRIED**
3 CLOSED SESSION	Chairman Jones adjourned the Board of Commissioner to Closed Session at 8:32AM. He announced that the following would be discussed in Closed Session. Action Pursuant to Welfare and Institutions Code Section 14087.38(n); ***TRADE SECRETS*** Action Concerning New Services, Program Discussion Pursuant to Welfare and Institutions Code Section 14087.38(m***); CONTRACT RATES*** Discussion Concerning DHCS, Provider Rates Discussion Pursuant to Government Code § 54956.9; ***EXISTING LITIGATION*** *Case Name Unspecified:* Disclosure would jeopardize existing settlement negotiation	*Commissioner Powell moved to approve Action Pursuant to Welfare and Institutions Code Section 14087.38(n);* ***TRADE SECRETS*** *Action Concerning New Services, seconded by Commissioner Hardy.* ***ACTION SUMMARY:*** *Yes: 5* *No: 0* *Abstention: 0* *Excused: 1 (Sullivan)* **MOTION CARRIED**
Adjournment	Chairman Jones reconvened the meeting in Open Session and announced there was action taken on the Trade Secrets portion of closed session and the motion carried, with all members present voting yes. No other action was taken in Closed Session. The meeting was adjourned at 8:48AM.	None

Respectfully submitted by:
Ashlyn Scott, Board Clerk

Committee Approval Date: 10/18/2023

Signed: _____ _____
Ashlyn Scott, Clerk Dave Jones, Chair

CONSENT AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Meeting Date: October 18, 2023
Board Meeting Date: October 25, 2023

Agenda Item Number:
2.1

Resolution Sponsor:
Sonja Bjork, Partnership HealthPlan of CA

Approved by:
PHC Staff

Topic Description:
Commissioner Jonathan Andrus, Chief Executive Officer of Fairchild Medical Center, has expressed interest in joining the Finance Committee. He has served on the Partnership Board as a commissioner since February 2018, representing Siskiyou County.

Reason for Resolution:
Commissioner Jonathan Andrus has expressed interest in will representing Partnership's Northern Region on the Finance Committee.

Financial Impact:
The financial impact to the HealthPlan is not material.

Requested Action of the Board:
Based on the recommendation Partnership Staff the full board is being asked to approve the appointment of Jonathan Andrus to the Finance Committee as a new member.

CONSENT AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Meeting Date: October 18, 2023
Board Meeting Date: October 25, 2023

Agenda Item Number:
2.1

Resolution Number:
23-

IN THE MATTER OF: APPROVING THE APPOINTMENT OF JONATHAN ANDRUS TO THE FINANCE COMMITTEE AS A NEW MEMBER

Recital: Whereas,

A. Board members are encouraged to serve on one or more committees.

B. Commissioner Andrus has expressed interest in serving on the Finance Committee.

C. The Board has authority to appoint committee members.

Now, Therefore, It Is Hereby Resolved As Follows:

1. To approve the appointment of Jonathan Andrus to the Finance Committee as a new member

PASSED, APPROVED, AND ADOPTED by the Partnership HealthPlan of California this 25th day of October 2023 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

Board / Finance Committee (when applicable) **Agenda Item Number:**
Meeting Date: October 18, 2023 2.2
Board Meeting Date: October 25, 2023

Resolution Sponsor:
Sonja Bjork, CEO, Partnership HealthPlan of CA

Recommendation by:
PHC Staff

Topic Description:
Moss Adams has completed their audit of PHC's financial statements for the period of July 1, 2022 to June 30, 2023. The audit was conducted in accordance with generally accepted auditing standards.

Reason for Resolution:
To provide Board members with the attached audit report conducted by Moss Adams for review and acceptance.

Financial Impact:
The audited financial statements reflect a true and fair view of the HealthPlan's financial position and performances.

Requested Action of the Board:
Based on the recommendation of PHC Staff, the Board is asked to accept the attached Moss Adams Audit Report for the period of July 1, 2022 to June 30, 2023.

REGULAR AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Meeting Date: October 18, 2023
Board Meeting Date: October 25, 2023

Agenda Item Number:
2.2

Resolution Number:
23-

IN THE MATTER OF: ACCEPTING THE MOSS ADAMS AUDIT REPORT FOR THE PERIOD OF JULY 1, 2022 TO JUNE 30, 2023

Recital: Whereas,

A. Financial audits are a requirement of DHCS and are an essential component of the Board's oversight.

B. The Board has responsibility for reviewing and accepting independent auditor reports for Partnership HealthPlan of California.

Now, Therefore, It Is Hereby Resolved As Follows:

1. To accept the attached Moss Adams Audit Report for the period of July 1, 2022 to June 30, 2023.

PASSED, APPROVED, AND ADOPTED by the Partnership HealthPlan of California this 25th day of October 2023 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, Board Clerk

MOSSADAMS

Partnership Health Plan of California

Report of Independent Auditors

Chris Pritchard, Health Care Services Partner

Rianne Suico, Health Care Services Partner

(415) 956-1500

Report of Independent Auditors

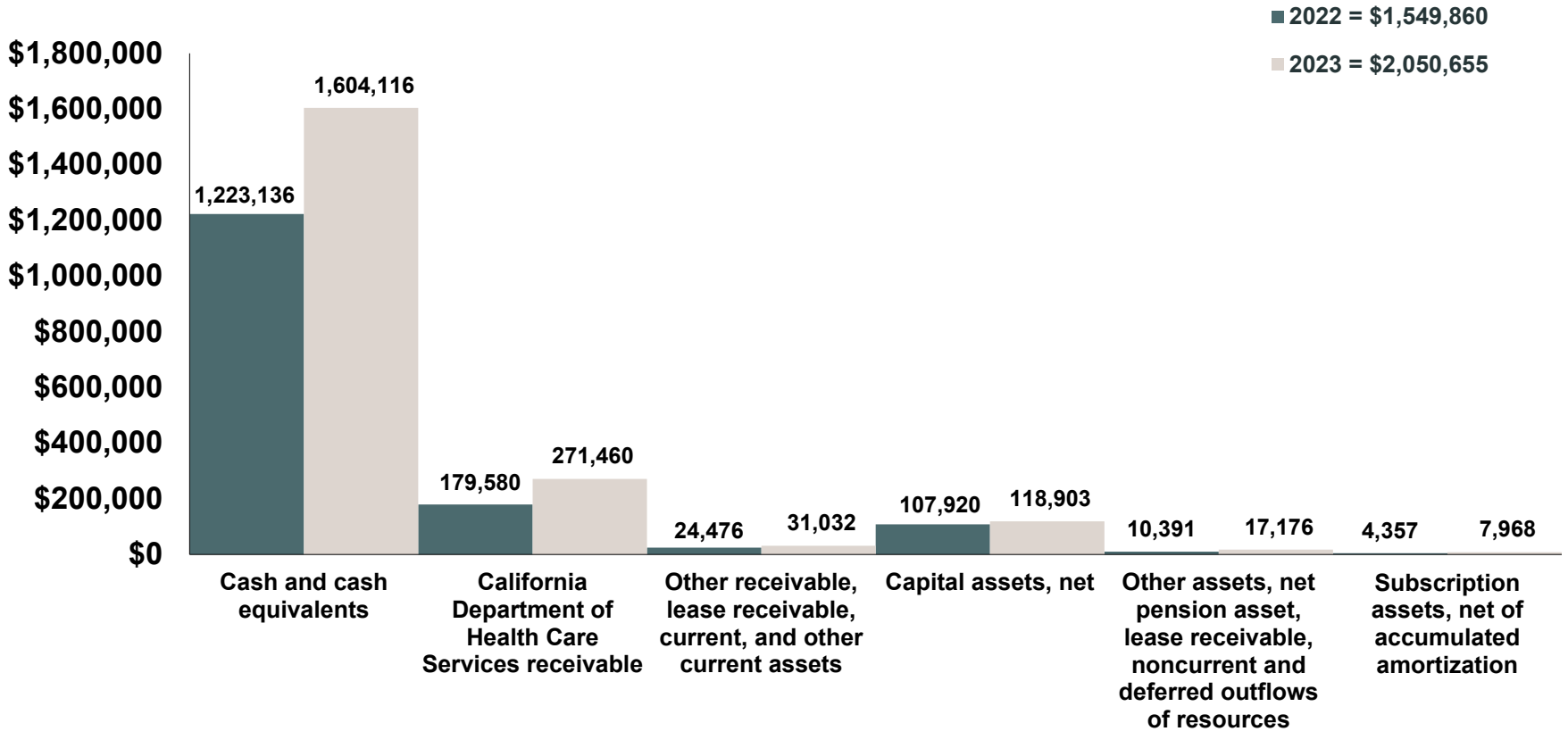
Unmodified Opinion

Financial statements are fairly presented in accordance with generally accepted accounting principles.

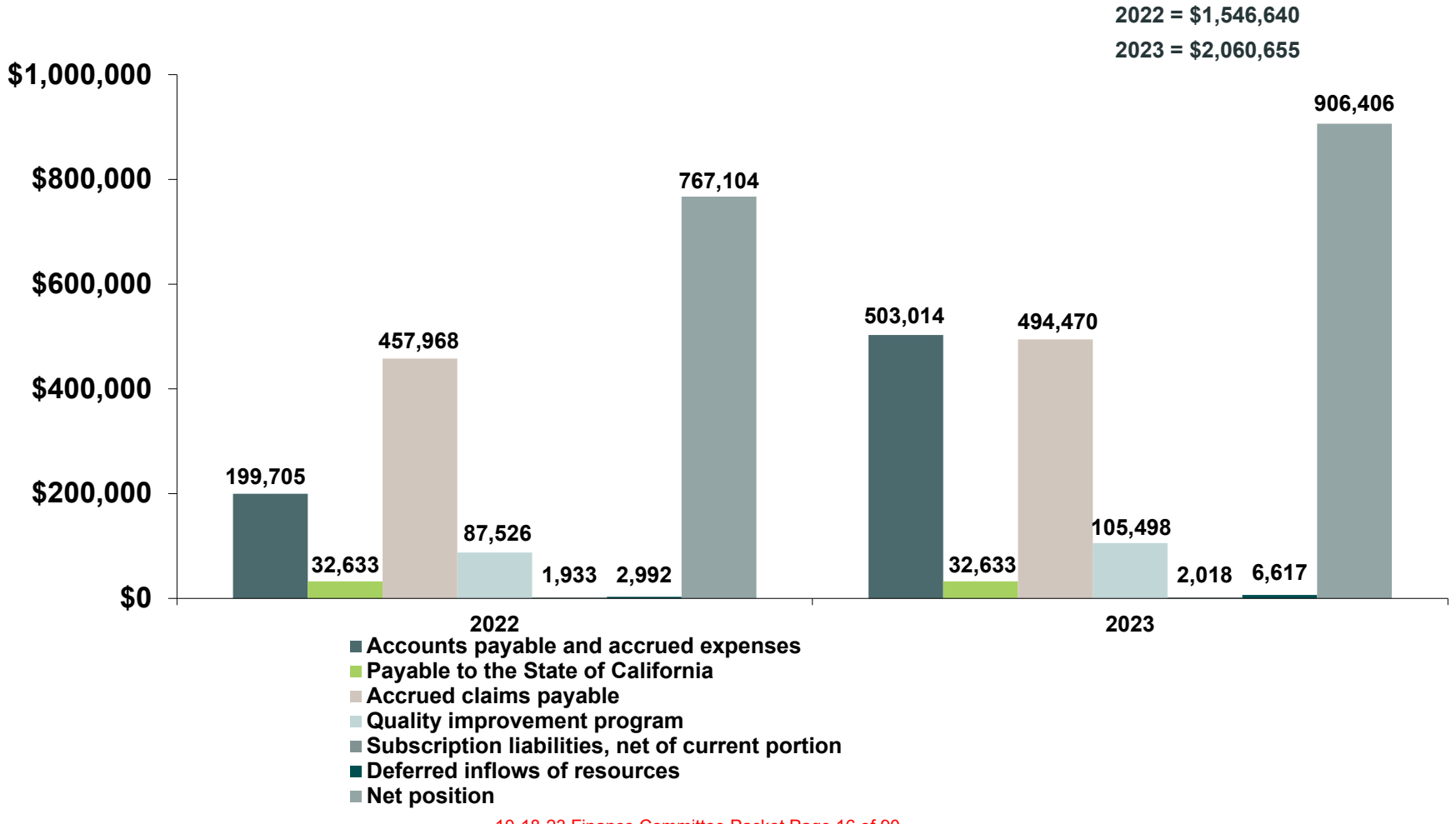
MOSSADAMS

Statements of Net Position

Assets and Deferred Outflows of Resources Composition (in thousands)



Liabilities, Deferred Inflows, and Net Position Composition (in thousands)

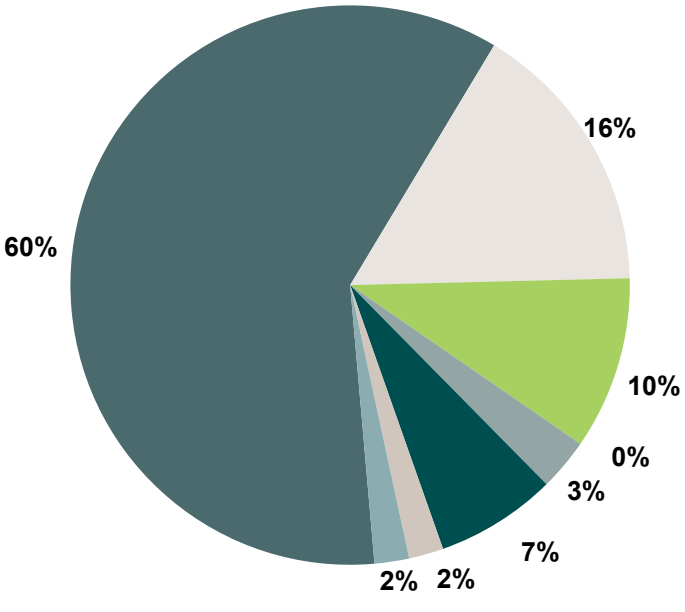


MOSSADAMS

Operations

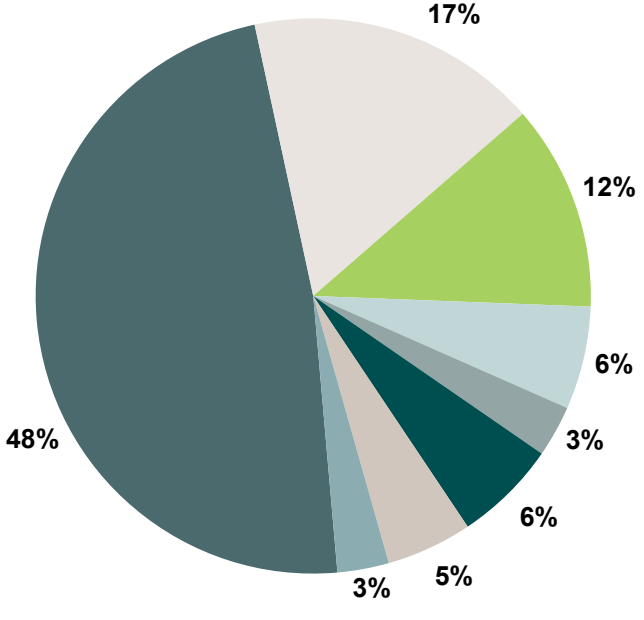
Total Operating Expenses as a % of Total Operating Revenues (in thousands)

June 30, 2023
(Total operating revenues)
$3,698.8

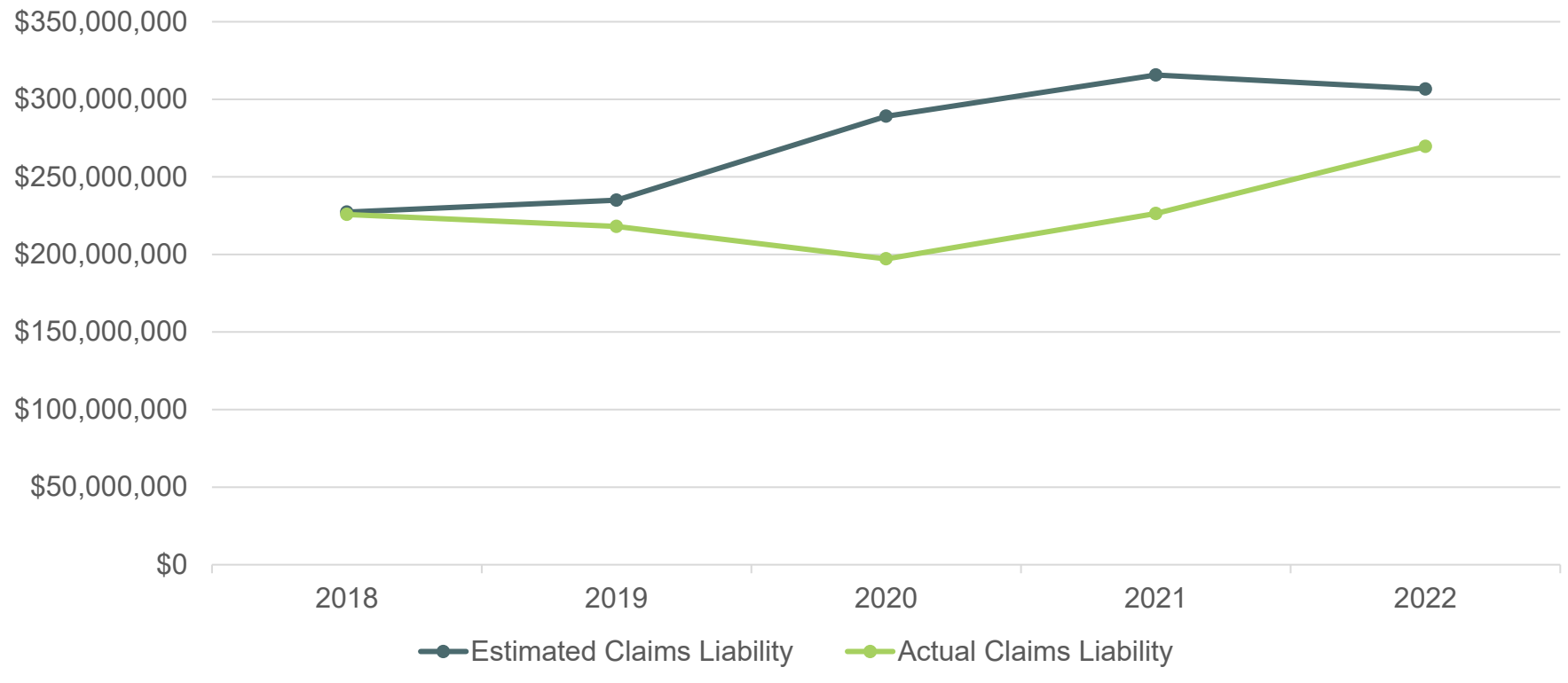


- Fee for service hospital, physician, and other costs
- Capitated physician, hospital, and other costs
- Long-term care
- Pharmacy
- Quality improvement program and hospital stop loss
- General and administrative expenses
- Premium tax
- Operating income

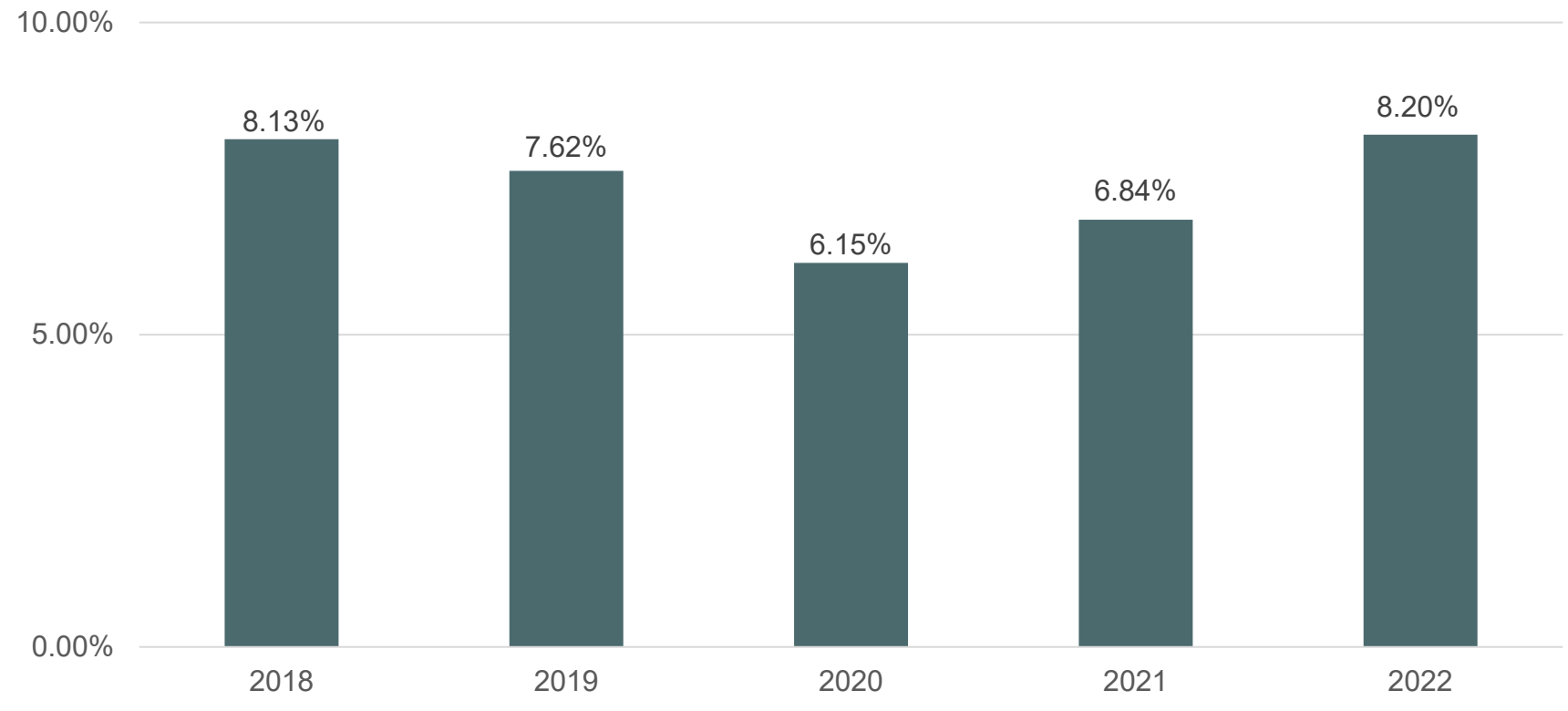
June 30, 2022
(Total operating revenues)
$3,308.1



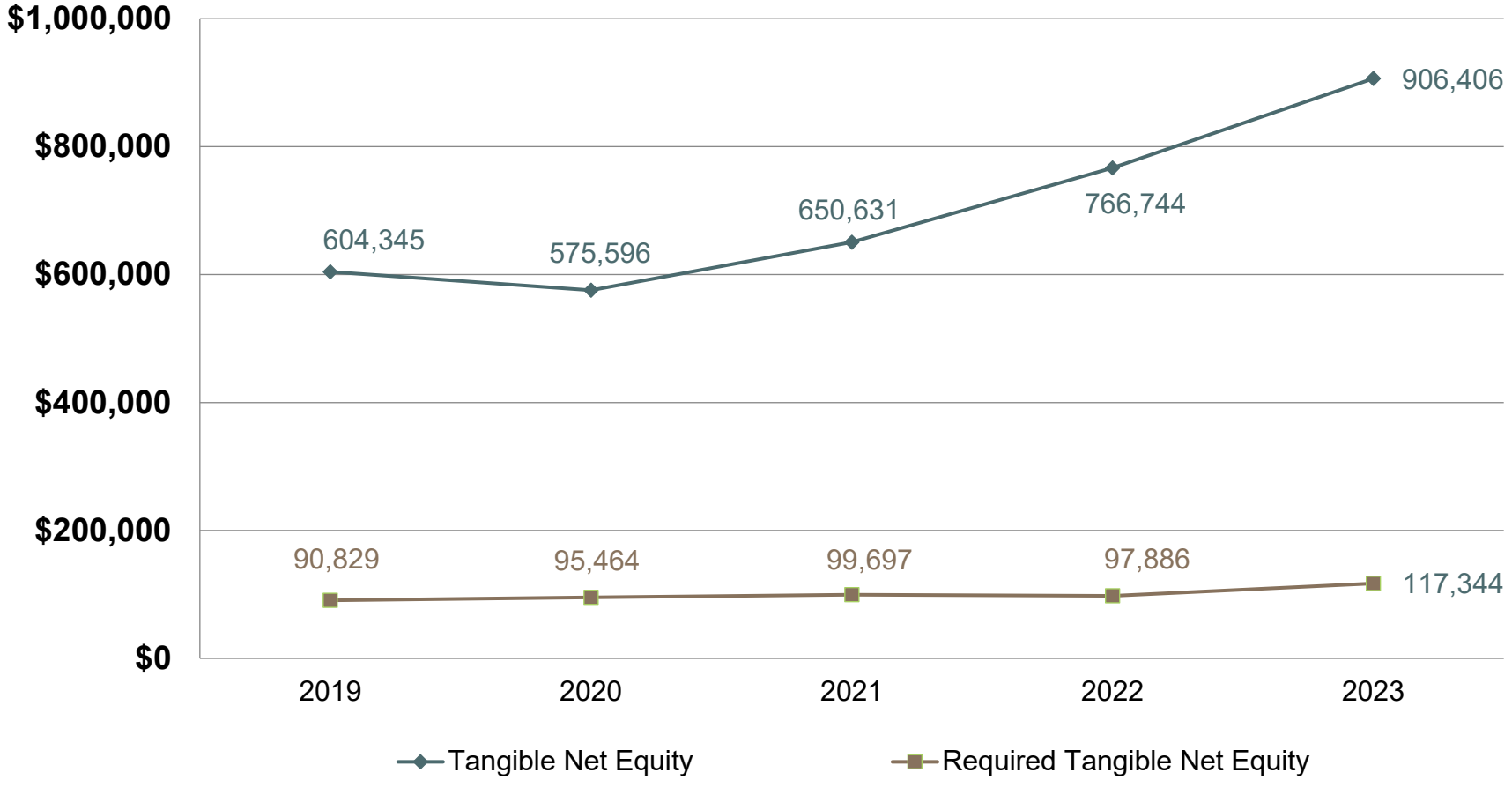
Historic Estimated Claims Liability and Historic Actual Claims Liability



Historic Actual Claims Liability as a % of Capitation Revenues



Tangible Net Equity (in thousands)



Source: Annual Department of Managed Health Care Filing

Important Board Communications

- AU-C Section 260 – *The Auditors' Communication with Those Charged with Governance*
- Significant accounting policies
- Accounting estimates are reasonable
- No audit adjustments
- No issues discussed prior to our retention as auditors
- No disagreements with management
- No awareness of material fraud and noncompliance with laws and regulations

MOSSADAMS

Questions?

THANK YOU

Report of Independent Auditors and
Financial Statements with Supplementary Information

Partnership Health Plan of California

June 30, 2023 and 2022

Table of Contents

Management's Discussion and Analysis

Partnership Health Plan of California
Management's Discussion and Analysis
As of and for Years Ended June 30, 2023, 2022, and 2021

Our discussion and analysis of the Partnership Health Plan of California (the "Health Plan") provides an overview of the Health Plan's financial activities for the years ended June 30, 2023, 2022, and 2021. The management's discussion and analysis should be read in conjunction with the Health Plan's audited financial statements and accompanying notes.

The following table presents the condensed statements of net position for the Health Plan as of June 30, 2023, 2022, and 2021, and the change between periods:

Table 1 – Condensed statements of net position (dollars in thousands):

	2023	2022 (As Restated)	2021	Change from 2022 Amount	Change from 2022 Percent	Change from 2021 Amount	Change from 2021 Percent
ASSETS							
Current assets	$ 1,910,811	$ 1,427,191	$ 1,239,206	$ 483,620	33.9%	$ 187,985	15.2%
Capital assets, net	118,903	107,920	105,550	10,983	10.2%	2,370	2.2%
Other assets	15,118	8,388	2,332	6,730	80.2%	6,056	259.7%
Net pension asset	2,961	3,476	7,231	(515)	(14.8%)	(3,755)	(51.9%)
Total assets	2,047,794	1,546,975	1,354,319	500,819	32.4%	192,656	14.2%
DEFERRED OUTFLOWS OF RESOURCES	2,861	2,885	930	(24)	(0.8%)	1,955	210.2%
Total assets and deferred outflows of resources	$ 2,050,655	$ 1,549,860	$ 1,355,249	$ 500,795	32.3%	$ 194,611	14.4%
LIABILITIES							
CURRENT LIABILITIES	$ 1,135,614	$ 777,831	$ 702,033	$ 357,783	46.0%	$ 75,798	10.8%
SUBSCRIPTION LIABILITIES, net of current portion	2,018	1,933	-	85	-%	1,933	-%
Total liabilities	1,137,632	779,764	702,033	357,868	45.9%	77,731	11.1%
DEFERRED INFLOWS OF RESOURCES	6,617	2,991	2,571	3,626	121.2%	420	16.3%
NET POSITION							
Invested in capital assets	$ 118,903	$ 107,921	$ 105,550	$ 10,982	10.2%	$ 2,371	2.2%
Restricted	300	300	300	-	-%	-	-%
Unrestricted	787,203	658,884	544,795	128,319	19.5%	114,089	20.9%
Total net position	906,406	767,105	650,645	139,301	18.2%	116,460	17.9%
Total liabilities, deferred inflows, and net position	$ 2,050,655	$ 1,549,860	$ 1,355,249	$ 500,795	32.3%	$ 194,611	14.4%

ASSETS

2022–2023

Total assets increased by $500.8 million (32.4%) from 2022 to 2023. Current assets increased by $483.6 million from $1.43 billion in 2022 to $1.9 billion in 2023, primarily in cash and investments. This increase is primarily from the recording of the receivable accruals for Directed Payments and Voluntary Rate Range, which is offset in current liabilities; the increase also partially reflects the increase in operating income and non-operating (investment) income for the year. Net pension asset decreased by $515 thousand (14.8%) from 2022 to 2023. Deferred outflows of resources decreased by $24 thousand (0.8%) from 2022 to 2023. Refer to Note 9 of the financial statements for additional information.

2021–2022

Total assets increased by $192.7 million (14.2%) from 2021 to 2022. Current assets increased by $188.0 million from $1.24 billion in 2021 to $1.43 billion in 2022, primarily in cash and investments. This increase is a result of timing differences related to the distribution of funds related to various State programs, including the CalAIM Incentive Payment Program. Net pension asset decreased by $3.8 million, from $7.2 million in 2021 to $3.5 million (51.9%) in 2022. Deferred outflows of resources increased by $2.0 million from $0.93 million in 2021 to $2.9 million in 2022. Refer to Note 9 of the financial statements for additional information.

LIABILITIES

2022–2023

Total current liabilities increased by $357.8 million from $777.8 million in 2022 to $1.1 billion in 2023. This increase, primarily in Accounts Payable and Accrued Expenses, can be attributed to the inclusion of accruals for Directed Payments and Voluntary Rate Range, which is offset in current assets.

2021–2022

Total current liabilities increased by $75.8 million from $702.0 million in 2021 to $777.8 million in 2022. The 2022 increase can be attributable to the increases in accruals for the supplemental retirement plan, system disruption, and supplemental capitation expense. An additional increase can be attributable to unearned CalAIM Incentive Payment Program income.

NET POSITION

Total net position increased by $139.3 million (18.2%) in 2023 from 2022, and increased by $116.5 million (17.9%) in 2022 from 2021. In 2023, the increase is primarily due to an operating income of $90.8 million and net investment earnings of $48.9 million in 2023. In 2022, the increase is primarily due to an operating income of $114.6 million and net investment earnings of $1.5 million in 2022.

KEY OPERATING INDICATORS

The following table compares key operating indicators for the Health Plan for the years ended June 30, 2023, 2022, and 2021:

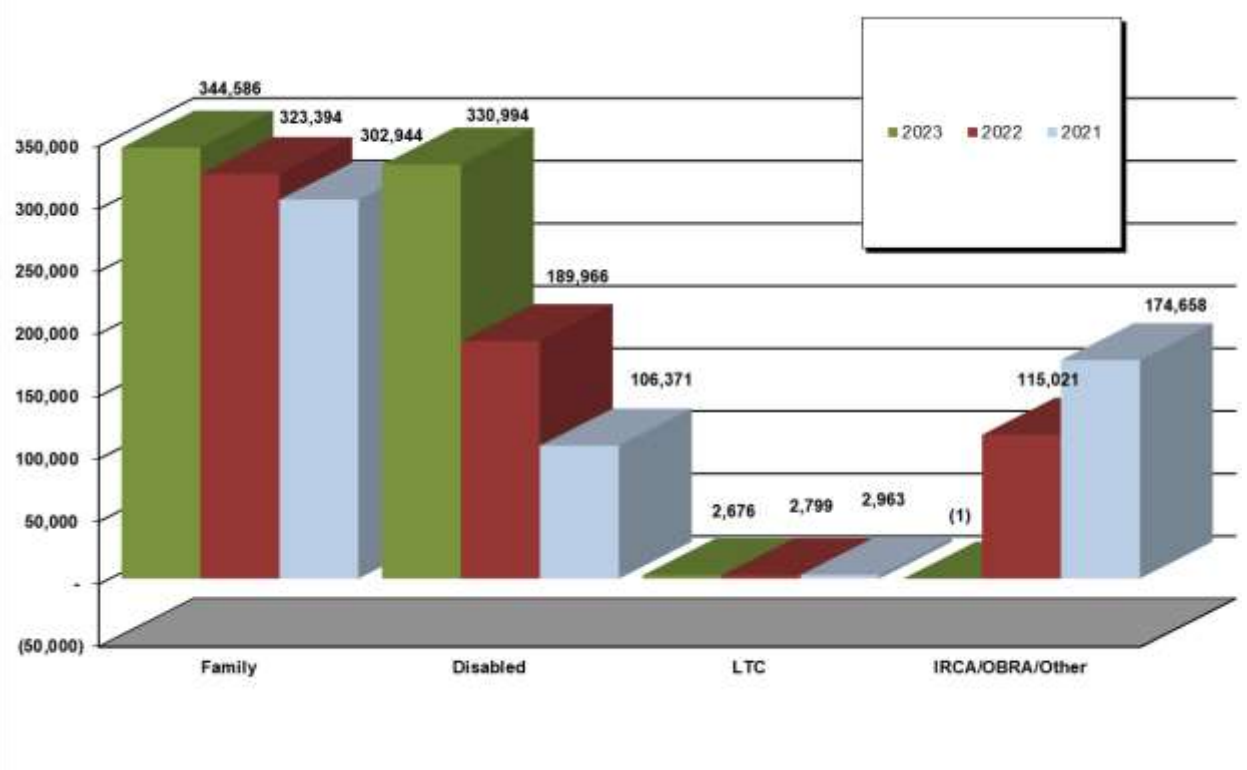
	2023	2022 (As Restated)	2021
MEMBERSHIP			
Member months for the year:			
Medi-Cal program	8,139,058	7,574,159	7,043,228
Total	8,139,058	7,574,159	7,043,228
Average member per month			
Medi-Cal program	678,255	631,180	586,936
Total	678,255	631,180	586,936
OPERATING RESULTS (in thousands)			
Operating revenues	$ 3,698,827	$ 3,308,076	$ 3,204,891
Operating expenses:			
Health care	3,271,089	2,816,658	2,815,331
General and administrative	245,885	210,188	166,192
Premium tax	91,437	166,250	149,230
Total	3,608,412	3,193,096	3,130,753
Operating income	$ 90,415	$ 114,980	$ 74,138
OPERATING RESULTS PER MEMBER PER MONTH			
Operating revenues	$ 454.5	$ 436.8	$ 455.0
Operating expenses:			
Health care	401.9	371.9	399.7
General and administrative	30.2	27.8	23.6
Premium tax	11.2	21.9	21.2
Total	443.3	421.6	444.5
Operating income	$ 11.1	$ 15.2	$ 10.5
RATIOS			
Health care cost as a percentage of operating revenues	88.4%	85.1%	87.8%
General and administrative expense as a percentage of operating revenues	6.6%	6.4%	5.2%
Premium tax as a percentage of operating revenues	2.5%	5.0%	4.7%
Operating income as a percentage of operating revenues	2.4%	3.5%	2.3%

ENROLLMENT

During the years ended June 30, 2023, 2022, and 2021, the Health Plan served Medi-Cal members at an average of 678,255, 631,180, and 586,936, respectively, per month. Enrollment from 2022 to 2023 increased steadily during the year.

The following chart displays a comparative view of average monthly membership by Medi-Cal aid category for the years ended June 30, 2023, 2022, and 2021.

Partnership Health Plan of California's Medi-Cal membership by aid category (shown as average member months):



RESULTS OF OPERATIONS

The following table presents the results of operations for the years ended June 30, 2023, 2022, and 2021, and the change from prior year (in thousands):

	2023	2022 (As Restated)	2021	Change from 2022 Amount	Change from 2022 Percent	Change from 2021 Amount	Change from 2021 Percent
California Department of Health Care Services							
Capitation revenue	$ 3,649,230	$ 3,285,782	$ 3,194,351	$ 363,448	11.1%	$ 91,431	2.9%
Other income	49,598	22,294	10,540	27,304	122.5%	11,754	111.5%
Total operating revenues	3,698,827	3,308,076	3,204,891	390,751	11.8%	103,185	3.2%
Fee for service hospital inpatient, physician, and other services	2,218,400	1,583,762	1,510,366	634,638	40.1%	73,396	4.9%
Capitated physician, hospital, and other costs	578,434	576,925	515,027	1,509	0.3%	61,898	12.0%
Long-term care	373,012	387,085	373,741	(14,073)	(3.6%)	13,344	3.6%
Pharmacy	-	183,590	333,918	(183,590)	(100.0%)	(150,328)	(45.0%)
Quality improvement program and hospital stop loss	101,243	85,296	82,279	15,947	18.7%	3,017	3.7%
Total health care expenses	3,271,089	2,816,658	2,815,331	454,431	16.1%	1,327	0.0%
Total general and administrative expenses	245,885	210,188	166,192	35,697	17.0%	43,996	26.5%
Premium tax	91,437	166,250	149,230	(74,813)	(45.0%)	17,020	11.4%
Total operating expenses	3,608,412	3,193,096	3,130,753	415,316	13.0%	62,343	2.0%
Operating inome	90,415	114,980	74,138	(24,565)	(21.4%)	40,842	55.1%
Investment income	48,887	1,478	912	47,409	3,207.6%	566	62.1%
Total nonoperating revenues	48,887	1,478	912	47,409	3,207.6%	566	62.1%
Increase in net position	$ 139,303	$ 116,458	$ 75,050	$ 22,845	19.6%	$ 41,408	55.2%

OPERATING REVENUES

The Health Plan's total operating revenues increased by $390.8 million (11.8%) for the year ended June 30, 2023. The increase in operating revenues in 2023 is attributable to an increase in membership of 7.5% resulting in additional revenue of approximately $363.4 million from fiscal year 2022. The additional increase in revenue can also be attributed to the inclusion of accruals for Directed Payments and Voluntary Rate Range; these revenues are offset by accruals in other healthcare costs.

The Health Plan's total operating revenues increased by $103.2 million (3.2%) for the year ended June 30, 2022. The increase in operating revenues in 2022 is attributable to an increase in membership of 7.5% resulting in additional revenue of approximately $91.4 million from fiscal year 2021. The additional increase in revenue can also be attributable to various State Incentive Programs. The State Incentive Programs revenue is offset by accruals in general and administrative expenses.

HEALTH CARE EXPENSES

2022–2023

Overall health care expenses increased by $454.4 million or 16.1%, totaling $3.271 billion in 2023, compared to $2.817 billion in 2022. The Health Plan's health care ratio, or health care costs as a percentage of operating revenue, at 88.4% in 2023 increased from 2022's health care ratio of 85.1%. Overall increased costs are explained as follows:

- Provider capitation is comprised of capitation payments made to the Health Plan's contracted medical groups, hospitals, physicians, and other health care service providers. Capitation expenses totaled $578.4 million in 2023 compared to $576.9 million in 2022, for an increase of $1.5 million or 0.3%. The primary driver of the increase is due to an overall increase in membership. Quality Improvement Program expenses increased as well from $85.3 million in 2022 to $101.2 million in 2023 also due to the overall increase in membership and from the increase in the number of participating providers meeting their performance measures.

- Fee for service expenses for hospital, physician, and other services increased from $1.58 billion in 2022 to $2.22 billion in 2023 due to increases in membership and utilization and pending retroactive adjustments to IBNR; the increase is also due to the inclusion of Directed Payments and Voluntary Rate Range, which have an offset in DHCS Capitation Revenue. Long-term care fee-for-service expenses decreased from $387.1 million in 2022 to $373.0 million in 2023; the decrease can be attributed to prior year adjustments to IBNR related to decreased utilization. Pharmacy costs are no longer being incurred as the pharmacy program has been carved out effective January 1, 2022.

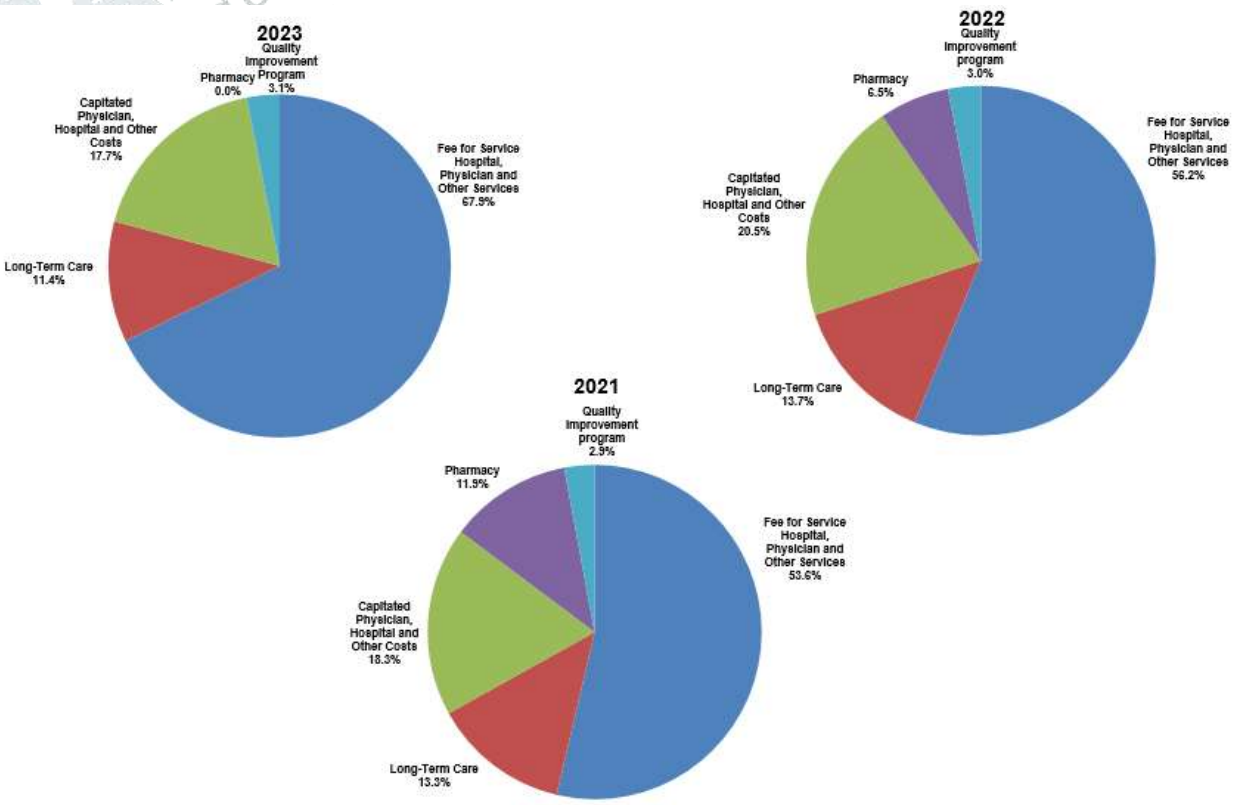
2021–2022

Overall health care expenses increased by $1.3 million or 0.05%, totaling $2.817 billion in 2022, compared to $2.815 billion in 2021. The Health Plan's health care ratio, or health care costs as a percentage of operating revenue, at 85.1% in 2022 decreased from 2021's health care ratio of 87.8%. Overall increased costs are explained as follows:

- Provider capitation is comprised of capitation payments made to the Health Plan's contracted medical groups, hospitals, physicians, and other health care service providers. Capitation expenses totaled $576.9 million in 2022 compared to $515.0 million in 2021, for an increase of $61.9 million or 12.0%. The primary driver of the increase is due to an overall increase in membership. Quality Improvement Program expenses also increased from $82.3 million in 2021 to $85.3 million in 2022 as a number of participating providers met their performance measures, and had an increase in assigned membership.

- Fee for service expenses for hospital, physician, and other services increased from $1.51 billion in 2021 to $1.59 billion in 2022 and long-term care fee-for-service expenses increased from $373.7 million in 2021 to $387.1 million in 2022. The increase in long-term care and hospital expenses can be attributed to prior period IBNR adjustments while fee for service expenses increased primarily due to an increase in membership. Pharmacy costs decreased by 45.0% from $333.9 million in 2021 to $183.6 million in 2022 due to the pharmacy carve-out beginning January 1, 2022.

The following charts show a comparison of health care expenses by major category and their respective percentages of the overall health care expenditures for the years ended June 30, 2023, 2022, and 2021:



GENERAL AND ADMINISTRATIVE EXPENSES AND PREMIUM TAX EXPENSE

Total general and administrative expenses were $245.9 million in 2023, compared to $210.2 million in 2022. Overall administrative expenses increased by 17.0% or $35.7 million. This increase is due to the additional costs from various State Incentive Programs pertaining to Housing and Homelessness, CalAIM, and Student Behavioral Health; these costs are offset in Other Income. The Health Plan's administrative expenses as a percentage of operating of revenues were 6.6% in 2023 and 6.4% in 2022.

Total general and administrative expenses were $210.2 million in 2022, compared to $166.2 million in 2021. Overall administrative expenses increased by 26.5% or $44.0 million, corresponding to higher salaries and benefits due to additional staffing and the Supplemental Executive Retirement Plan ("SERP"). The Health Plan's administrative expenses as a percentage of operating of revenues were 6.4% in 2022 and 5.2% in 2021.

On March 1, 2016, SB X2-2 established a new Medi-Cal Managed Care Organizations ("MCO") tax, to be administered by the California Department of Healthcare Services ("CDHCS"), effective July 1, 2016 through July 1, 2019. The tax would be assessed by CDHCS on licensed health care service plans, managed care plans contracted with CDHCS to provide Medi-Cal services, and alternate health care service plans ("AHCSP"), as defined, except as excluded by the bill. This bill would establish applicable taxing tiers and per enrollee amounts for the 2016–2017, 2017–2018, and 2018–2019 fiscal years, for all enrollees, as defined. On September 27, 2019, Assembly Bill 115 (Chapter 348, Statutes 2019) authorized CDHCS to implement a modified MCO tax model on specified health plans, which was approved by the Centers for Medicare & Medicaid Services on April 3, 2020. The effective date range for this approval is January 1, 2020 through December 31, 2022. The Health Plan's premium tax expense for the years ended June 30, 2023 and 2022 was $91.4 million and $166.3 million, respectively.

NONOPERATING REVENUES

Nonoperating revenues, consisting of net investment income for fiscal years 2023 and 2022 were $48.9 million and $1.5 million, respectively. Increase in nonoperating revenues is due to an increase in interest income from increased interest rates.

LIQUIDITY

As of June 30, 2023, working capital (current assets in excess of current liabilities) was $775.2 million, compared to $649.4 million at June 30, 2022. The significant increase is due to the current year's operating income.

As of June 30, 2022, working capital (current assets in excess of current liabilities) was $649.4 million, compared to $537.2 million at June 30, 2021. The significant increase is due to the current year's operating income.

ECONOMIC FACTORS AND FISCAL YEAR 2023 BUDGET

The federal Consolidated Appropriation Act of 2023 lifted the pause on Medicaid eligibility redeterminations that were granted during the COVID-19 public health emergency and mandated redeterminations for all Medicaid members must be completed by July 2024. As a result, membership will likely see significant reductions over fiscal year 2023-24 as each of the respective counties processes Medi-Cal redeterminations; this remains to be one of the largest variables to the Health Plan's finances.

Effective January 1, 2024 there are two major changes affecting Health Plan finances and operations. The Health Plan is expected to expand our service area to 10 new counties, which brings further uncertainty tied to health care revenue and health care costs for this new region. Additionally, the State will enter into a direct contractual relationship with Kaiser Permanente ending our longstanding delegated contractual relationship. As a result, approximately 90,000 of our members will transition from the Health Plan to Kaiser.

The Health Plan's health care costs are projected to increase 19.8% from prior year's budget, mainly due to our service area expansion, expected increases in fee-for-service costs across multiple categories of service, due to cost pressures, and overall increases in members served. The Health Plan is beginning to see increases in inpatient hospital costs trends; we believe this is an indication of deferred care during COVID-19. Inflation will continue to add cost pressures to the delivery system in the coming year as providers struggle with employee retention and managing overall expenses.

The Health Plan is currently expecting a net surplus in fiscal year 2023-24 of $24.6 million. Fiscal year projections were based on placeholder revenue assumptions, as CDHCS has not yet provided final calendar year ("CY") 2023 or draft CY 2024 rates. The Health Plan has accounted for changes to base revenues, expenses, and membership as a result of the upcoming regional expansion, cost trends, and market pressures. We anticipate the state will continue to focus on cost efficient spending in managed care especially with the forthcoming implementation of regional rates. Other fiscal pressures that may affect plan finances include the uncertainty surrounding the state's fiscal outlook and legislative mandates affecting the Medi-Cal program. The Health Plan will continue to navigate the vast landscape of unknowns to ensure it remains in a stable financial condition to serve our members.

FINANCIAL HIGHLIGHTS – FIDUCIARY FUND

The table below is a summarized comparison of the assets, liabilities and fiduciary net position of the Partnership Health Plan of California Retirement Plan Fund as of December 31, and the changes in fiduciary net position for the years ended June 30:

	2023	2022
Total assets	$ 18,457,437	$ 17,718,986
Total fiduciary net position	$ 18,457,437	$ 17,718,986
Total additions	$ 1,704,391	$ (1,739,309)
Total deductions	(965,940)	(1,038,014)
Increase in fiduciary net position	738,451	(2,777,323)
Fiduciary net position, beginning of year	17,718,986	20,496,309
Fiduciary net position, end of year	$ 18,457,437	$ 17,718,986

Total fiduciary fund net position as of June 30, 2023, increased by $738.5 thousand from June 30, 2022, due to plan contributions and a net investment gain for the year ending June 30, 2023.

MOSSADAMS

Report of Independent Auditors

The Commissioners
Partnership Health Plan of California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of Partnership Health Plan of California as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Partnership Health Plan of California's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of Partnership Health Plan of California as of June 30, 2023 and 2022, and the respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Partnership Health Plan of California and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Partnership Health Plan of California's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Partnership Health Plan of California's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Partnership Health Plan of California's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Emphasis of Matter – New Accounting Standard

As discussed in Note 2 to the financial statements, Partnership Health Plan of California adopted Government Accounting Standards Statement No. 96, *Subscription-Based Information Technology Arrangements*, as of July 1, 2021. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 9 and the supplementary schedule of changes in the net pension assets and related ratios, supplementary schedule of contributions, and supplementary schedule of investment returns on pages 42 through 44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise Partnership Health Plan of California's basic financial statements. The statement of revenues, expenses, and changes in net position – actual and budget operations on page 40 presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statement of revenues, expenses, and changes in net position – actual and budget operations is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

San Francisco, California
October ____, 2023

Financial Statements

Partnership Health Plan of California
Statements of Net Position
June 30, 2023 and 2022

	2023	2022 (As Restated)
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,604,116,396	$ 1,223,135,598
California Department of Health Care Services receivable	271,459,494	179,579,724
Other receivables	24,912,786	17,119,102
Lease receivable, current portion	1,186,819	1,105,915
Other current assets	9,135,628	6,251,010
Total current assets	1,910,811,123	1,427,191,349
CAPITAL ASSETS		
Nondepreciable	47,481,359	37,198,399
Depreciable, net of accumulated depreciation	71,421,772	70,722,179
Total capital assets	118,903,131	107,920,578
OTHER ASSETS	1,961,029	2,291,909
NET PENSION ASSET	2,961,371	3,475,861
LEASE RECEIVABLE, net of current portion	5,189,425	1,738,762
SUBSCRIPTION ASSET, net of amortization	7,967,995	4,356,910
Total assets	2,047,794,074	1,546,975,369
DEFERRED OUTFLOWS OF RESOURCES	2,861,333	2,884,773
Total assets and deferred outflows	$ 2,050,655,407	$ 1,549,860,142
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 503,013,515	$ 199,704,668
Payable to the State of California	32,633,113	32,633,113
Accrued claims payable	494,469,581	457,967,956
Quality improvement program	105,498,279	87,525,942
Total current liabilities	1,135,614,488	777,831,679
SUBSCRIPTION LIABILITIES, net of current portion	2,017,951	1,932,730
Total liabilities	1,137,632,439	779,764,409
DEFERRED INFLOWS OF RESOURCES	6,616,582	2,991,590
NET POSITION		
Invested in capital assets	118,903,131	107,920,578
Restricted	300,000	300,000
Unrestricted	787,203,255	658,883,565
Total net position	906,406,386	767,104,143
Total liabilities, deferred inflows, and net position	$ 2,050,655,407	$ 1,549,860,142

See accompanying notes.

Partnership Health Plan of California
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023	2022 (As Restated)
OPERATING REVENUES		
California Department of Health Care Services revenue	$ 3,649,229,563	$ 3,285,782,331
Other income	49,597,596	22,294,264
Total operating revenues	3,698,827,159	3,308,076,595
OPERATING EXPENSES		
Health care expenses:		
Fee for service hospital, physician, and other services	2,218,400,461	1,583,762,419
Capitated physician, hospital, and other costs	578,434,026	576,924,916
Long-term care	373,011,946	387,085,317
Pharmacy	-	183,589,558
Quality improvement program and hospital stop loss	101,243,329	85,295,989
Total health care expenses	3,271,089,762	2,816,658,199
General and administrative expenses	245,885,134	210,188,684
Premium tax	91,437,498	166,250,000
Total operating expenses	3,608,412,394	3,193,096,883
Operating income	90,414,765	114,979,712
NONOPERATING REVENUES		
Investment income	48,887,478	1,478,853
Total nonoperating revenues	48,887,478	1,478,853
INCREASE IN NET POSITION	139,302,243	116,458,565
NET POSITION, beginning of year	767,104,143	650,645,578
NET POSITION, end of year	$ 906,406,386	$ 767,104,143

See accompanying notes.

Partnership Health Plan of California
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from California Department of Health Care Services	$ 4,024,486,204	$ 3,403,788,898
Other income	37,425,603	22,636,004
Cash payments to providers for Medi-Cal members:		
Capitation payments	(507,849,923)	(522,346,928)
Medical claims payments	(2,902,263,791)	(2,379,125,295)
Cash payments to vendors	(181,026,280)	(106,942,530)
Cash payments for salaries, wages, and related benefits	(119,440,526)	(108,474,162)
Net cash provided by operating activities	351,331,287	309,535,987
CASH FLOWS FROM FINANCING ACTIVITY		
Payments on subscription liabilities	(1,289,411)	(935,899)
Purchases of capital assets	(17,398,637)	(11,635,972)
Net cash used in financing activity	(18,688,048)	(12,571,871)
CASH FLOWS FROM INVESTING ACTIVITY		
Interest and dividends on investments	48,337,559	1,417,853
Net cash provided by investing activity	48,337,559	1,417,853
INCREASE IN CASH AND CASH EQUIVALENTS	380,980,798	298,381,969
CASH AND CASH EQUIVALENTS, beginning of year	1,223,135,598	924,753,629
CASH AND CASH EQUIVALENTS, end of year	$ 1,604,116,396	$ 1,223,135,598

See accompanying notes.

Partnership Health Plan of California
Statements of Cash Flows (Continued)
Years Ended June 30, 2023 and 2022

	2023	2022 (As Restated)
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Operating income	$ 90,414,765	$ 114,979,712
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	6,416,084	9,265,763
Changes in operating assets and liabilities:		
California Department of Health Care Services receivable	(91,879,770)	112,903,422
Other receivables	(7,243,765)	(1,169,736)
Lease receivables	(3,531,567)	(2,046,461)
Other assets	(9,025,243)	(2,425,758)
Net pension asset	4,162,922	2,221,823
Accounts payable and accrued expenses	307,543,898	49,538,182
Accrued claims payable	36,501,626	(1,060,431)
Quality improvement program	17,972,337	27,328,671
Net cash provided by operating activities	$ 351,331,287	$ 309,535,187
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for premium tax	$ 141,843,475	$ 162,093,750
Subscription assets as a result of implementation of GASB 96	-	4,356,910
Subscription liabilities as a result of implementation of GASB 96	-	2,860,421

See accompanying notes.

Partnership Health Plan of California

Partnership Health Plan of California Supplemental Executive Retirement Plan – Statements of Fiduciary Net Position

June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 825,642	$ 854,921
Investments, at fair value:		
Mutual funds	17,631,795	16,864,065
Total investments, at fair value	17,631,795	16,864,065
Total assets	$ 18,457,437	$ 17,718,986
NET POSITION RESTRICTED FOR PENSIONS	$ 18,457,437	$ 17,718,986

See accompanying notes.

Partnership Health Plan of California

Partnership Health Plan of California Supplemental Executive Retirement Plan – Statements of Changes in Fiduciary Net Position

Years Ended June 30, 2023 and 2022

	2023	2022
ADDITIONS		
Contributions:		
Member contributions	$ 120,548	$ 70,605
Employer contributions	464,413	506,632
Total contributions	584,961	577,237
Investment income	1,119,430	(2,316,546)
Total additions	1,704,391	(1,739,309)
DEDUCTIONS		
Benefits paid to participants	(878,858)	(894,232)
Administrative expenses	(87,082)	(143,782)
Total deductions	(965,940)	(1,038,014)
INCREASE (DECREASE) IN NET POSITION	738,451	(2,777,323)
NET POSITION RESTRICTED FOR PENSION, beginning of year	17,718,986	20,496,309
NET POSITION RESTRICTED FOR PENSION, end of year	$ 18,457,437	$ 17,718,986

See accompanying notes.

Note 1 – Organization

Partnership Health Plan of California (the "Health Plan"), a County Organized Health System, is a joint public/private managed health care system serving Medi-Cal eligible persons in fourteen (14) counties: Solano, Napa, Yolo, Sonoma, Mendocino, Marin, Lake, Del Norte, Humboldt, Lassen, Modoc, Shasta, Siskiyou, and Trinity. The Health Plan is an independent public agency separate and distinct from each County's government. Pursuant to the California Welfare and Institutions Code, the Health Plan was created by the Solano County Board of Supervisors through the adoption of an ordinance on November 3, 1992. The Health Plan began operations on May 1, 1994. The Health Plan began covering Medi-Cal eligible persons in Napa County on March 1, 1998, Yolo County on March 1, 2001, Sonoma County on October 1, 2009, Mendocino and Marin counties on July 1, 2011, and began serving Medi-Cal beneficiaries in eight (8) counties in the Northern Region on September 1, 2013. Beginning July 2018 and in accordance with direction from the California Department of Health Care Services ("CDHCS"), the Health Plan has consolidated its reporting from these fourteen counties into two regions to the CDHCS; these are in alignment with the two CDHCS rating regions.

The Health Plan has contracted with CDHCS to receive Medi-Cal funding to provide health care benefits to eligible members (the "Contract"). The Health Plan has contracted with various health care providers to provide or arrange hospital and medical services for its members. Provider agreements are typically for one year with provisions for annual renewal and contain quality performance measures.

Established by Assembly Bill ("AB") AB 1653, the Health Quality Assurance Fee ("HQAF") program allows additional draw down of federal funding to be used for increased payments to general acute care hospitals for inpatient services rendered to Medi-Cal beneficiaries. CDHCS provides increased capitation payments to Medi-Cal managed health care plans who in turn expend 100 percent of any increased capitation payments on hospital services. In April 2011, Senate Bill ("SB") SB90 was signed into law, which extended the HQAF through June 30, 2011. SB335, signed into law in September 2011, extended the HQAF portion of SB90 for an additional 30 months through December 31, 2013. The payments were received and distributed in a manner prescribed as a pass through to revenue. SB239, signed into law October 8, 2013, extended the program for an additional 36 months from January 1, 2014 through December 31, 2016. In November of 2016, California approved Proposition 52, which made SB239 permanent and also created HQAF V. The program period for HQAF V is from January 1, 2017 through June 30, 2019. An extension of the program known as HQAF VI, covering July 1, 2019–December 31, 2021 was approved by the Centers for Medicare & Medicaid Services in February 2020.

Beginning January 1, 2022, CDHCS began implementing California Advancing and Innovating Medi-Cal ("CalAIM") to modernize the state of California's Medi-Cal Program. CalAIM will require managed care plans to implement a whole-system, person-centered strategy that focuses on wellness and prevention, including assessments of each enrollee's health risks and health-related social needs, and provide care management and care transitions across delivery systems and settings. CalAIM is expected to provide additional new funding to the Health Plan and increase expenses, the total magnitude of which are unknown at this time.

As a public agency, the Health Plan is exempt from state and federal income taxes.

Note 2 – Summary of Significant Accounting Policies

Accounting standards – Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Health Plan's proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as codified pronouncements issued on or before November 30, 1989.

Proprietary fund accounting – The Health Plan utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis and financial statements are prepared using the economic resources measurement focus.

Cash and cash equivalents – Cash and cash equivalents consist of demand deposits, investments in the State Treasurer's Local Agency Investment Fund ("LAIF"), and other short-term, highly liquid securities with original maturities of three months or less.

Other assets – Other assets consist of prepaid expenses and investments in certificates of deposit. The investments in certificates of deposit are stated at fair market value as determined by quoted market prices, with any changes in the fair value of investments are included in net investment and interest income reported in the statements of revenues, expenses, and changes in net position.

Capital assets – Capital assets whose costs are greater than or equal to $10,000 are recorded at cost. Depreciation ranging from three (3) to thirty-nine (39) years is computed using the straight-line method over the estimated useful lives. Leasehold improvements are amortized over the lesser of the term of the related lease or their estimated useful life. The costs of normal maintenance, repairs, and minor replacements are charged to expense when incurred.

The Health Plan evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset.

Leases – The Health Plan recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative future receipts on the contract exceed $10,000 that meet the definition of an other than short-term lease. The Health Plan uses the same interest rate it charges to lessee as the discount rate or that is implicit in the contract to the lessee. Short-term lease receipts and variable lease receipts not included in the measurement of the lease receivable are recognized as income when earned.

Subscription assets – The Health Plan has recorded subscription assets as a result of implementing GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). The subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any contract payments made to the subscription-based information technology arrangement ("SBITA") vendor at the commencement of the subscription term, capitalizable initial implementation cost, less any incentive payments received from the SBITA vendor at the commencement of the subscription term. The subscription assets are amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying assets.

Subscription liabilities – The Health Plan entered into various agreements for information technology ("IT") subscriptions. These agreements range in terms up to year 2026. In fiscal year 2023, the total subscription payments were $1,289,411. Variable payments based upon the use of the underlying IT asset are not fixed in substance — therefore, these payments are not included in subscription assets or subscription liabilities. There were no variable subscription expenses and payments in fiscal years ended June 30, 2023 or 2022. The Health Plan is in the process of entering into additional subscription agreements that have yet to commence as of June 30, 2023.

The Health Plan recognizes contracts or equivalents that have a term exceeding one year with cumulative future payments on the contract exceeding $100,000 per year that meet the definition of an other than short-term lease. The Health Plan uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the Health Plan's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

The following is a summary of changes in subscription liabilities, net of current portion for the year ended June 30:

	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion
2023	$ 2,860,421	$ 1,752,060	$ 1,289,411	$ 3,323,070	$ 1,305,119

	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion
2022	$ -	$ 3,796,320	$ 935,899	$ 2,860,421	$ 927,691

Quality improvement program – Quality improvement program pools are calculated based upon a budgeted fixed per member per month rate for primary care providers ("PCP"), percentage of capitation or contracted rate hospital, and percentage of contracted rate for long-term care providers ("LTC"). The rate is subject to adjustment depending on the Health Plan's financial performance and may change pending unforeseen State of California budget impacts to the plan and changes in the regulatory environment. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate amount of quality improvement programs is dependent on future developments, management is of the opinion that the quality improvement programs are adequate to cover such estimates.

Intra-governmental transfer ("IGT") payable – Approved in June 2011 and effective retroactively to July 2009, CDHCS implemented a supplemental revenue or intra-governmental transfer program. This program assesses a fee on the revenue of certain participating health plan providers. CDHCS then uses this assessment to obtain matching federal funds based on that approved program. Once CDHCS obtains the federal match, it returns the original assessed fee and a portion of the matched federal funds to the participating health plan provider through the Health Plan's administration. As of June 30, 2023 and 2022, $5,328,350, included in accounts payable and accrued expenses, remains for the expected payout of IGT.

Accounts payable and accrued expenses – Accounts payable and accrued expenses include accruals of $244,198,746 for Directed Payments and $80,666,799 for Voluntary Rate Range. These liability accruals have corresponding offsets in current assets.

Net position – Net position is classified as invested in capital assets, restricted, or unrestricted. Invested in capital assets represents investments in motor vehicles, equipment, furniture, leasehold improvements, buildings and building improvements net of depreciation, land, and capital projects at cost. The restricted net position to meet minimum tangible net equity requirements under Knox-Keene, which represent the total cash balances that are restricted as to their use, was $300,000 as of June 30, 2023 and 2022. Unrestricted net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets." Of the total amount of unrestricted net position reported as of June 30, 2023 and 2022, the Health Plan's Board of Commissioners has designated $117,343,975 and $97,886,315, respectively, toward the tangible net equity requirement of DMHC. Designated funds remain under the control of the Board of Commissioners, which at its discretion later, may use the funds for other purposes. The capital reserve policy was subsequently revised to include Board approved capital and infrastructure purchases as well as an estimate for the State Financial Performance Guarantee based on new state contract requirements for 2024. Management estimated the designated reserve under this revised methodology to be $1,092,714,472 and $981,979,475 as of June 30, 2023 and 2022, respectively.

Operating revenues and expenses – The Health Plan's primary operating revenue is derived from capitation. As defined by GASB Codification Section P80, *Proprietary Fund Accounting and Financial Reporting*, all operating revenues are considered program revenues since they are charges for services provided and program-specific operating grants. The primary operating expense is health care costs. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or net investment income and changes in the fair value of investments.

Revenues – Medi-Cal capitation revenue under the Contract is based on the monthly capitation rates, as provided for in the Contract, and the actual number of Medi-Cal eligible members. Eligibility of beneficiaries is determined by each respective county's Department of Human Services and validated by CDHCS. CDHCS provides the Health Plan the validated monthly eligibility file of program beneficiaries who are continuing, newly added, or terminated from the program in support of capitation revenue for the respective month.

Capitation revenues are paid by the CDHCS on a monthly basis in arrears based on estimated membership. Payments include retrospective adjustments that are reconciled monthly by CDHCS. As such, capitation revenue includes an estimate for amounts receivable from or refundable to CDHCS for these retrospective adjustments. These estimates are continually monitored and adjusted, as necessary, as experience develops, or new information becomes known.

Effective with the enrollment of the Adult Expansion Population per the Affordable Care Act ("ACA") on January 1, 2014, the Health Plan is subject to CDHCS requirements to meet a minimum 85% medical loss ratio for this population for the periods January 1, 2014 through June 30, 2015, and for fiscal years ending June 30, 2017 and 2016. Specifically, the Health Plan is required to expend at least 85% of the Medi-Cal capitation revenue received for this population on allowable medical expenses as defined by CDHCS. In the event the Health Plan expends less than the 85% requirement, the Health Plan will be required to return to CDHCS the difference between the minimum threshold and the actual allowed medical expenses. As of June 30, 2023 and 2022, the Health Plan included, in the payable to the State of California, an estimated return of funds of $32,633,113 as a reduction to the total amount expected from CDHCS, pending final reconciliation from CDHCS.

Premium deficiencies – The Health Plan performs periodic analyses of its expected future medical expenses and maintenance costs to determine whether such costs will exceed anticipated future revenues under its contracts. Should expected costs exceed anticipated revenues, a premium deficiency reserve is recorded. Management determined that no premium deficiency reserves were needed at June 30, 2023 and 2022.

Health care expenses – Hospital, physician, and other service costs are based on actual paid claims plus an estimate for accrued incurred, but not reported, claims. Claims are paid primarily on a discounted fee-for-service basis. PCPs and certain hospitals are compensated primarily on a capitation basis with provisions for additional incentive payments in certain circumstances.

Premium tax – On March 1, 2016, SB X2-2 established a new Medi-Cal Managed Care Organizations ("MCO") tax, to be administered by CDHCS, effective July 1, 2016 through July 1, 2019. The tax would be assessed by CDHCS on licensed health care service plans, managed care plans contracted with CDHCS to provide Medi-Cal services, and alternate health care service plans ("AHCSP"), as defined, except as excluded by the bill. This bill would establish applicable taxing tiers and per enrollee amounts for the 2016–2017, 2017–2018, and 2018–2019 fiscal years, for all enrollees, as defined. On September 27, 2019, Assembly Bill 115 (Chapter 348, Statutes 2019) authorized DHCS to implement a modified MCO tax model on specified health plans, which was approved by the Centers for Medicare & Medicaid Services on April 3, 2020. The effective date range for this approval is January 1, 2020 through December 31, 2022.

Premium tax expense for the years ended June 30, 2023 and 2022 was $91,437,498 and $166,250,000, respectively.

Pension – For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Health Plan's Supplemental Executive Retirement Plan ("SERP") and additions to/deductions from the SERP's fiduciary net position have been determined on the same basis as they are reported by the SERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of risk – Financial instruments potentially subjecting the Health Plan to concentrations of risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation ("FDIC") insurance thresholds. The Health Plan maintains its cash in bank deposit accounts, which, at times, may exceed FDIC insurance thresholds. The Health Plan believes no significant concentration of credit risk exists with these cash accounts. Management assesses the financial ability of these financial institutions periodically. At June 30, 2023 and 2022, the Health Plan had cash and deposits with four (4) financial institutions. Cash deposits had carrying amounts of $1,604,116,396 and $1,223,135,598, respectively, and bank balances of $1,636,834,734 and $1,257,720,330, respectively. Of the bank balances at June 30, 2023 and 2022, $188,221,270 and $184,450,393, respectively, were not covered by federal depository insurance.

The Health Plan's business could be impacted by federal and state legislation, and governmental licensing regulations of Health Maintenance Organizations ("HMOs") and insurance companies. External influences in these areas could have the potential to adversely impact the Health Plan's operations in the future.

The Health Plan is highly dependent upon the State of California for its revenues. All accounts receivable and substantially all revenues are from the State of California. Loss of the contracts with the State of California due to nonrenewal or legislative decisions that impact program funding or result in discontinuation could materially affect the financial position of the Health Plan.

New accounting pronouncements – In May 2020, the GASB issued GASB No. 96 which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITA") for government end users (governments). GASB 96 (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of GASB No. 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Health Plan adopted GASB No. 96 as of July 1, 2022 and retrospectively applied it to July 1, 2021. The Health Plan evaluated contracts that were formerly accounted for as software support contracts to determine whether they meet the definition of a SBITA as defined in GASB No. 96. Upon review of the contracts that meet the definition of a SBITA, the Health Plan calculated and recognized a net subscription asset of $4,356,910 and a subscription liability of $2,860,421 as of June 30, 2022. The beginning net position was restated by $360,291 as a result of the adoption of GASB No. 96.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections. It defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity. This Statement requires that (1) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (2) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (3) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Statement is effective for fiscal years beginning after June 15, 2023. The Health Plan is currently evaluating the impact of the adoption of this standard on its financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* ("GASB No. 101"). GASB No. 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. The requirements of this GASB No. 101 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Health Plan is reviewing the impact of the adoption of GASB No. 101 for the fiscal year ending June 30, 2025.

Reclassifications – Certain reclassifications of prior years' balances have been made to conform with the current year presentations. Such reclassifications did not affect the total increase in net position or total current or noncurrent assets or liabilities.

Note 3 – Cash and Investments

Cash and investments as of June 30 consisted of the following:

	2023	2022
Cash on hand	$ 3,300	$ 3,300
Cash deposits	1,417,344,803	1,039,282,091
Cash equivalents	186,768,293	183,850,207
Certificates of deposit	300,000	300,000
Total cash and investments	$ 1,604,416,396	$ 1,223,435,598

The investments balance consisting of certificates of deposit of $300,000 as of June 30, 2023 and 2022, are included in other assets in the statements of net position, and relate to the Health Plan's Knox-Keene reserve requirement.

The Health Plan's Annual Investment Policy ("Policy") sets forth the guidelines for the investment of all operating funds. The Policy conforms to the California Investment Code Section 53646 ("Code") as well as customary standards of prudent investment management. The objectives of the Health Plan's investment policy, in order of priority, are safety of principal, maintenance of liquidity, and attainment of a market rate return that considers risk constraints and cash flow requirements.

The table below identifies the investment types that are authorized for the Health Plan. The table also identifies certain provisions that address interest rate risk, credit risk, and concentrations of risk.

Investment Type	Maximum Remaining Maturity	Maximum Specified % of Portfolio	Minimum Quality Requirements	Government Code Sections
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations: CA and Others	5 years	None	None	53601(d)
CA Local Agency Obligations	5 years	None	None	53601(e)
U.S. Agency Obligations	5 years	None	None	53601(f)
Bankers' Acceptances	180 days	40%	None	53601(g)
Commercial Paper: Nonpooled Funds	270 days or less	25% of the agency's money	Highest letter and number rating by an NRSRO	53601(h)(2)(c)
Commercial Paper: Pooled Funds	270 days or less	40% of the agency's money	Highest letter and number rating by an NRSRO	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30%	None	53601(i)
Nonnegotiable Certificates of Deposit	5 years	None	None	53630 et seq.
Placement Service Deposits	5 years	30%	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	30%	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None	53601(j)
Medium-term Notes	5 years or less	30%	"A" rating category or its equivalent or better	53601(k)
Mutual Funds and Money Market Mutual Funds	N/A	20%	Multiple	53601(l) and 53601.6(b)
Collateralized Bank Deposits	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-through and Asset Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple	53601(p)
Local Agency Investment Fund ("LAIF")	N/A	None	None	16429.1
Voluntary Investment Program Fund	N/A	None	None	16340
Supranational Obligations	5 years or less	30%	"AA" rating category or its equivalent or better	53601(q)
Public Bank Obligations	5 years	None	None	53601(r), 53635(c) and 57603

Custodial credit risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Health Plan will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Code requires financial institutions to secure deposits made by public agencies by pledging securities in an undivided collateral pool held by a depository regulated under State law. As of June 30, 2023 and 2022, deposits exposed to custodial credit risk as they were uninsured, and the collateral held by the pledging bank not in the Health Plan's name were $1,601,089,342 and $1,220,325,456, respectively.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Health Plan will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2023 and 2022, the Health Plan did not hold investments exposed to custodial credit risk.

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Health Plan manages the risk of market value fluctuations due to overall changes in the general level of interest rates by limiting weighted average maturity of its portfolio to no more than five years. The weighted average maturity in years for the Health Plan's investment as of June 30 was as follows:

	June 30, 2023		June 30, 2022	
Investment Type	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Certificates of Deposit	$ 300,000	1.58	$ 300,000	0.86
Total fair value	$ 300,000		$ 300,000	

Credit risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code or the Health Plan's investment policy and the actual rating as of year end for each investment type (where applicable).

Rating as of June 30, 2023:

Investment Type	Fair Value	A-1
Certificates of deposit	$ 300,000	$ 300,000
Total fair value	$ 300,000	$ 300,000

Rating as of June 30, 2022:

Investment Type	Fair Value	A-1
Certificates of deposit	$ 300,000	$ 300,000
Total fair value	$ 300,000	$ 300,000

Concentration of credit risk – The investment policy of the Health Plan contains certain limitations on the amount that can be invested in any one issuer, which are listed in the table on page 27. There were no investments and cash equivalents that are included in cash and cash equivalents in the statements of net position that represent 5% or more of the Health Plan's total investments and cash equivalents as of June 30, 2023 and 2022.

Note 4 – Capital Assets

A summary of changes in capital assets for the years ended June 30, 2023 and 2022 is as follows:

	Beginning Balance 2023	Increases	Decreases	Transfers/Reclass	Ending Balance 2023
Motor vehicles	$ 154,341	$ 67,489	$ -	$ -	$ 221,830
Equipment	41,765,971	5,083,663	-	1,613,470	48,463,104
Furniture	7,518,859	-	-	-	7,518,859
Leasehold improvements	962,374	-	-	-	962,374
Land	6,767,292	-	-	-	6,767,292
Building	55,932,087	-	-	-	55,932,087
Building improvements	31,104,021	280,557	-	70,498	31,455,076
Capital projects	30,431,108	11,966,928	-	(1,683,968)	40,714,068
Total capital assets	174,636,053	17,398,637	-	-	192,034,690
Less: depreciation expense and accumulated depreciation related to disposals	(66,715,475)	(6,416,084)	-	-	(73,131,559)
Capital assets, net of accumulated depreciation	$ 107,920,578	$ 10,982,553	$ -	$ -	$ 118,903,131

	Beginning Balance 2022	Increases	Decreases	Transfers/Reclass	Ending Balance 2022
Motor vehicles	$ 154,341	$ -	$ -	$ -	$ 154,341
Equipment	40,378,221	1,135,968	-	251,782	41,765,971
Furniture	7,518,859	-	-	-	7,518,859
Leasehold improvements	962,374	-	-	-	962,374
Land	6,767,292	-	-	-	6,767,292
Building	55,932,087	-	-	-	55,932,087
Building improvements	30,043,722	391,898	-	668,401	31,104,021
Capital projects	21,243,185	10,108,106	-	(920,183)	30,431,108
Total capital assets	163,000,081	11,635,972	-	-	174,636,053
Less: depreciation expense and accumulated depreciation related to disposals	(57,449,712)	(9,265,763)	-	-	(66,715,475)
Capital assets, net of accumulated depreciation	$ 105,550,369	$ 2,370,209	$ -	$ -	$ 107,920,578

Depreciation and amortization expense included in general and administrative expenses were $6,416,084 and $9,265,763 for the years ended June 30, 2023 and 2022, respectively.

Note 5 – Accrued Claims Payable

The cost of health care services is recognized in the period in which it is provided and includes an estimate of the cost of services that have been incurred but not yet reported.

The Health Plan estimates accrued claims payable based on historical claims payments and other relevant information. Estimates are continually monitored and reviewed and, as settlements are made or estimates adjusted, differences are reflected in current operations. Such estimates are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate amount of claims paid is dependent on future developments, management is of the opinion that the accrued claims payable is adequate.

Below is a reconciliation of accrued claims payable liability for the years ended June 30:

	2023	2022
Beginning balance	$ 457,967,956	$ 459,028,387
Incurred	2,269,013,964	2,154,874,283
Paid	(2,232,512,339)	(2,155,934,714)
Ending balance	$ 494,469,581	$ 457,967,956

Accrued claims liability increased by $36.5 million in comparison to the previous year. $21.3 million of this increase is in the general medical claims payable reserves and is due to the changes between actual payments for medical services and estimated amounts in previous years. An additional increase of $20.9 million is from the accruals and payments of State directed Proposition 56 supplemental payments. This is offset by a decrease of $5.7 million in other accrued claims and claim settlements, primarily in transportation services.

Note 6 – Quality Improvement Program

Under the terms of certain provider agreements, the Health Plan has agreed to various quality improvement program arrangements. Effective July 1, 2010, the Health Plan sets aside a pre-determined amount to distribute to primary care providers participating in their Quality Improvement Program. The total allotted dollar amount may fluctuate according to financial performance. The amount paid to each provider is determined by points earned across several quality measures within the following domains: Healthcare Effectiveness Data and Information Set (“HEDIS”), Disease Management, Use of Resources, Access, Health Information Technology (“HIT”), and Member Satisfaction. Participation in the quality program is mandatory for contracted primary care physicians and there is no downside risk to them.

At June 30, 2023 and 2022, the Health Plan has accrued $105,498,279 and $87,525,942, respectively, due to providers under the quality improvement program.

Note 7 – Leases

The Health Plan is a lessor for various noncancelable lease of office space with lease terms through 2025. For the years ending June 30, 2023 and 2022, the Health Plan recognized $991,908 and $1,001,416 in lease revenue released from the deferred Inflows of resources related to the office leases included in other income on the statements of revenues, expenses, and changes in net position. The Health Plan recognized interest revenue of $175,505 and $50,261 for the years ending June 30, 2023 and 2022, respectively. No inflows of resources were recognized in the year related to termination penalties or residual value guarantees during the fiscal year.

Note 8 – Subscription Based Information Technology Arrangements

The Health Plan has the following subscription assets activities for the years ended June 30, 2023 and 2022:

	Balance July 1, 2022	Increase	Decrease	Balance June 30, 2023
Subscription assets	$ 4,906,788	$ 4,782,532	$ -	$ 9,689,320
Less accumulated amoritzation	(549,878)	(1,171,447)	-	(1,721,325)
Subscription assets, net	$ 4,356,910	$ 3,611,085	$ -	$ 7,967,995

	Balance July 1, 2021	Increase	Decrease	Balance June 30, 2022
Subscription assets	$ -	$ 4,906,788	$ -	$ 4,906,788
Less accumulated amoritzation	-	(549,878)	-	(549,878)
Subscription assets, net	$ -	$ 4,356,910	$ -	$ 4,356,910

For the year ended June 30, 2023 and 2022, the Health Plan recognized $1,171,447 and $549,878, respectively, in amortization expense.

The future principal and interest subscription payments as of June 30, 2023, are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ 1,305,118	$ 30,171	$ 1,335,289
2025	1,331,553	15,429	1,346,982
2026	343,199	-	343,199
2027	343,199	-	343,199
	$ 3,323,069	$ 45,600	$ 3,368,669

The Health Plan evaluated the subscription assets for impairment and determined there was no impairment for the years ended June 30, 2023 and 2022.

Note 9 – Partnership Health Plan of California Executive Supplemental Retirement Plan – Fiduciary Fund

Plan description – Effective May 1, 2001, the Health Plan's Board of Commissioners approved and adopted a tax-qualified governmental Supplemental Executive Retirement Plan ("SERP") for the benefit of certain eligible employees. The SERP is a single-employer defined benefit pension plan administered by the Health Plan. The SERP provides retirement, disability, and death benefits to plan members and their beneficiaries. With respect to plan members and their beneficiaries under the trust created pursuant to this plan, the trust assets are not to be used for, or diverted to, purposes other than the exclusive benefit of the plan members or their beneficiaries, as prescribed in Section 401(a)(2) of the Internal Revenue Code of 1986.

Benefits provided – An employee is eligible for benefits under this plan if, at the time of retirement on or after May 1, 2001, the employee is in a director position as specified in the SERP plan document, is at least 63 years of age or has at least seven years of service, and has applied for benefits under the SERP.

Funding policy – The Health Plan will contribute at an actuarially determined rate; the rate was 7.34% and 9.44% in 2023 and 2022, respectively, of annual covered payroll. The contribution rate is established bi-annually and may be amended by the Health Plan's Board of Commissioners.

Summary of Significant Accounting Policies

Basis of accounting – The SERP fiduciary financial statements are prepared using the accrual basis of accounting. The Health Plan's contributions are recognized in the period in which contributions are made. Benefits are recognized when due and payable in accordance with the terms of the SERP.

Investments – The SERP's investments, consisting of mutual funds, are reported at fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Mutual funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the SERP are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the SERP are deemed to be actively traded.

Investments by fair value level include the following as of June 30, 2023 and 2022:

	Level 1	Level 2	Level 3	Fair Value Measurement at June 30, 2023
Investments by fair value level:				
Mutual funds	$ 17,631,795	$ -	$ -	$ 17,631,795
Total investments	$ 17,631,795	$ -	$ -	$ 17,631,795

	Level 1	Level 2	Level 3	Fair Value Measurement at June 30, 2022
Investments by fair value level:				
Mutual funds	$ 16,864,065	$ -	$ -	$ 16,864,065
Total investments	$ 16,864,065	$ -	$ -	$ 16,864,065

Plan description – Participant data for the Health Plan, as of the measurement date for the indicated years, is as follows:

	2023	2022
Retired and beneficiaries	7	5
Inactive	1	-
Active	18	17
Total participants	26	22

Components of pension (benefit) cost (included in general and administrative expenses) and deferred outflows and inflows of resources for the years ended June 30 were as follows:

	2023	2022
Pension cost:		
Service cost	$ 464,152	$ 496,313
Interest on total pension liability	927,860	865,883
Administrative expenses	87,082	143,782
Member contributions	(120,548)	(70,605)
Expected investment return, net of investment expenses	(1,139,547)	(1,317,521)
Recognition of deferred outflows of resources:		
Recognition of economic/demographic gains	328,270	217,534
Recognition of assumption changes	(27,575)	(27,575)
Recognition of investment gains	384,228	401,276
Total pension cost	$ 903,922	$ 709,087

	2023	2022
Deferred outflows of resources as of June 30:		
Difference between expected and actual experience	$ 1,407,805	$ 1,050,267
Changes in assumptions	71,554	88,421
Net difference between projected and actual earnings on pension plan investments	1,381,974	1,746,085
Contributions made subsequent to measurement date	-	-
Total	$ 2,861,333	$ 2,884,773
Deferred inflows of resources as of June 30:		
Difference between expected and actual	$ (61,336)	$ (115,315)
Changes in assumptions	(26,661)	(71,103)
Net difference between projected and actual earnings on pension plan investments	-	-
Total	$ (87,997)	$ (186,418)

Amounts reported as deferred outflows of resources and deferred inflows of resources to pension will be recognized in pension expense are as follows:

Years Ending June 30,	
2024	$ 651,745
2025	512,566
2026	961,494
2027	217,016
2028	152,787
Thereafter	277,728
	$ 2,773,336

The following table summarizes changes in pension (asset) liability for the fiscal year ended June 30, 2023:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, June 30, 2022	$ 14,243,125	$ 17,718,986	$ (3,475,861)
Changes during the year:			
Service cost	464,152		464,152
Interest on the total pension asset	927,860		927,860
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	739,787		739,787
Effect of assumptions, changes, or inputs	-		-
Benefit payments, including refunds of employee contributions	(878,858)	(878,858)	-
Contributions - employer		464,413	(464,413)
Contributions - members		120,548	(120,548)
Net investment income		1,119,430	(1,119,430)
Administrative expenses		(87,082)	87,082
Net change in total pension liability (asset)	1,252,941	738,451	514,490
Balance, June 30, 2023	$ 15,496,066	$ 18,457,437	$ (2,961,371)
Total pension liability			$ 15,496,066
Plan fiduciary net position			18,457,437
Net pension asset			$ (2,961,371)
Plan fiduciary net position as a percentage of the total pension liability			119.11%
Covered-employee payroll			$ 6,325,907
Plan net pension asset as of a percentage of covered-employee payroll			-46.81%

The following table summarizes changes in pension liability for the fiscal year ended June 30, 2022:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, June 30, 2021	$ 13,265,051	$ 20,496,309	$ (7,231,258)
Changes during the year:			
Service cost	496,313		496,313
Interest on the total pension asset	865,883		865,883
Effect of plan changes			-
Effect of economic/demographic gains or losses	456,929		456,929
Effect of assumptions, changes, or inputs	53,181		53,181
Benefit payments, including refunds of employee contributions	(894,232)	(894,232)	-
Contributions - employer		506,632	(506,632)
Contributions - members		70,605	(70,605)
Net investment income		(2,316,546)	2,316,546
Administrative expenses		(143,782)	143,782
Net change in total pension liability (asset)	978,074	(2,777,323)	3,755,397
Balance, June 30, 2022	$ 14,243,125	$ 17,718,986	$ (3,475,861)
Total pension liability			$ 14,243,125
Plan fiduciary net position			17,718,986
Net pension asset			$ (3,475,861)
Plan fiduciary net position as a percentage of the total pension liability			124.40%
Covered-employee payroll			$ 5,364,882
Plan net pension asset as of a percentage of covered-employee payroll			-64.79%

The following table summarizes the actuarial assumptions used to determine net pension (asset) liability and plan fiduciary net position as of June 30, 2023:

Valuation date:	Actuarially determined contribution rates are calculated as of June 30, and are applicable for the next two fiscal years beginning July 1
Actuarial cost method:	Entry-age normal cost method
Amortization method:	Level dollar
Asset valuation method:	Market value
Actuarial assumptions	
Discount rate:	6.50%
Long-term expected rate of return:	6.50%
Projected salary increases:	Graded rates based on years of service, 3.34% after 30 years of service
Cost-of-living adjustments:	2.00% compounded annually
Inflation:	2.30%
Mortality:	Nonindustrial rates used to value the miscellaneous CalPers

The following table summarizes the sensitivity of net pension asset to changes in the discount rate as of June 30, 2023:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Total pension liability	$ 17,049,029	$ 15,496,066	$ 14,169,747
Fiduciary net position	18,457,437	18,457,437	18,457,437
Net pension asset	$ (1,408,408)	$ (2,961,371)	$ (4,287,690)

The following table summarizes the sensitivity of net pension asset to changes in the discount rate as of June 30, 2022:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Total pension liability	$ 15,297,630	$ 14,243,125	$ 13,300,032
Fiduciary net position	17,718,986	17,718,986	17,718,986
Net pension asset	$ (2,421,356)	$ (3,475,861)	$ (4,418,954)

Note 10 – Tangible Net Equity

As a limited license plan under the Knox-Keene Health Care Services Plan Act of 1975, the Health Plan is required to maintain a minimum level of tangible net equity. The required tangible net equity level was $117,343,975 and $97,886,315 at June 30, 2023 and 2022, respectively. The Health Plan's tangible net equity was $906,406,386 and $767,104,143, at June 30, 2023 and 2022, respectively.

Note 11 – Risk Management

The Health Plan is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruptions; errors and omissions; employee injuries and illness; natural disasters; and employee health, dental, and accident benefits. The Health Plan carries commercial insurance for claims arising from such matters, and no settled claims have ever exceeded the Health Plan's commercial coverage.

Note 12 – Commitments and Contingencies

In the ordinary course of business, the Health Plan is a party to claims and legal actions by enrollees, providers, and governmental and regulatory agencies. The Health Plan's policy is to accrue for amounts related to these claims and legal actions if it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. After consulting with legal counsel, Health Plan management is of the opinion that any liability that may ultimately result in claims or legal actions will not have a material effect on the financial position or results of operations of the Health Plan.

Note 13 – Health Care Reform

There are various proposals at the federal and state levels that could, among other things, significantly change member eligibility, payment rates or benefits. The ultimate outcome of these proposals, including the potential effects of or changes to health care reform that will be enacted cannot presently be determined.

Supplementary Information

Partnership Health Plan of California
Statement of Revenues, Expenses, and Changes in Net Position – Actual and Budget Operations
Year Ended June 30, 2023

	Actual	Budget	Variance Revenue/ Expense Over (Under)
OPERATING REVENUES			
California Department of Health Care Services revenue	$ 3,649,229,563	$ 3,235,401,403	$ 413,828,160
Other income	49,597,596	12,843,084	36,754,512
Total operating revenues	3,698,827,159	3,248,244,487	450,582,672
OPERATING EXPENSES			
Health care expenses:			
Fee for service hospital, physician, and other services	2,218,400,461	1,805,143,683	413,256,778
Capitated physician, hospital, and other costs	578,434,026	573,909,695	4,524,331
Long-term care	373,011,946	382,246,212	(9,234,266)
Pharmacy	-	-	-
Quality improvement program and hospital stop loss	101,243,329	100,333,395	909,934
Total health care expenses	3,271,089,762	2,861,632,985	409,456,777
GENERAL AND ADMINISTRATIVE EXPENSES			
Other admin expenses	69,245,989	15,664,712	53,581,277
Employee expenses	123,829,780	132,349,783	(8,520,003)
Travel/meeting/meals expenses	682,045	1,328,100	(646,055)
Occupancy costs	10,918,722	18,358,147	(7,439,425)
Operating costs	4,897,859	9,896,649	(4,998,790)
Professional services	21,010,668	22,183,976	(1,173,308)
Computer and data expenses	15,300,071	18,064,260	(2,764,189)
Total general and administrative expenses	245,885,134	217,845,627	28,039,507
Premium tax	91,437,498	91,437,498	-
Total operating expenses	3,608,412,394	3,170,916,110	437,496,284
Operating income	90,414,765	77,328,377	13,086,388
NONOPERATING REVENUES			
Investment income	48,887,478	1,173,372	47,714,106
Total nonoperating revenues	48,887,478	1,173,372	47,714,106
INCREASE IN NET POSITION	139,302,243	78,501,749	60,800,494
NET POSITION, beginning of year	767,104,143	766,743,852	360,291
NET POSITION, end of year	$ 906,406,386	$ 845,245,601	$ 61,160,785

Supplementary Pension Benefit Information

Partnership Health Plan of California
Supplementary Schedule of Changes in the Net Pension Asset and Related Ratios
Years Ended June 30, 2023 and 2022

	2023	2022
TOTAL PENSION LIABILITY		
Service cost	$ 464,152	$ 496,313
Interest	927,860	865,883
Difference between expected and actual experience	739,787	456,929
Changes of assumptions	-	53,181
Benefit payments, including refunds of employee contributions	(878,858)	(894,232)
Net changes in total pension liability	1,252,941	978,074
TOTAL PENSION LIABILITY, beginning of fiscal year	14,243,125	13,265,051
TOTAL PENSION LIABILITY, end of fiscal year	$ 15,496,066	$ 14,243,125
PLAN FIDUCIARY NET POSITION		
Contributions - employer	$ 464,413	$ 506,632
Contributions - employee	120,548	70,605
Net investment income	1,119,430	(2,316,546)
Benefit payments, including refunds of employee contributions	(878,858)	(894,232)
Other changes in fiduciary net position	(87,082)	(143,782)
Net changes in fiduciary net position	738,451	(2,777,323)
PLAN FIDUCIARY NET POSITION, beginning of fiscal year	17,718,986	20,496,309
PLAN FIDUCIARY NET POSITION, end of fiscal year	$ 18,457,437	$ 17,718,986
PLAN NET PENSION ASSET	$ (2,961,371)	$ (3,475,861)
PLAN FIDUCIARY NET POSITION as a percentage of the total pension asset	119.11%	124.40%
COVERED EMPLOYEE PAYROLL	$ 6,325,907	$ 5,364,882
PLAN NET PENSION ASSET as of a percentage of covered employee payroll	-46.81%	-64.79%

Partnership Health Plan of California
Supplementary Schedule of Contributions
Years Ended June 30, 2023 and 2022

Fiscal Year Ending June 30	Actuarially Determined Contributions	Actual Employer Contribution	Contribution Excess	Covered Payroll	Contribution as a % of Covered Payroll
2018	$ 457,112	$ 796,124	$ (339,012)	$ 3,618,215	22.00%
2019	$ 516,967	$ 796,124	$ (279,157)	$ 3,512,096	22.67%
2020	$ 315,503	$ 2,999,233	$ (2,683,730)	$ 3,443,478	87.10%
2021	$ 308,995	$ 2,199,301	$ (1,890,306)	$ 3,783,868	58.12%
2022	$ 315,937	$ 506,632	$ (190,695)	$ 5,364,882	9.44%
2023	$ 370,177	$ 464,413	$ (94,236)	$ 6,325,907	7.34%

Partnership Health Plan of California

Partnership Health Plan of California Supplemental Executive Retirement Plan – Supplementary Schedule of Investment Returns

Years Ended June 30, 2023 and 2022

Years Ended June 30,	Rate of return
2018	5.59%
2019	5.58%
2020	3.61%
2021	20.33%
2022	-11.44%
2023	6.39%

Communication with the Commissioners

Partnership Health Plan of California

June 30, 2023

Communication with the Commissioners

To the Commissioners
Partnership Health Plan of California

We have audited the financial statements of Partnership Health Plan of California (the Health Plan) as of and for the year ended June 30, 2023 and have issued our report thereon dated October _____, 2023. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated March 4, 2022 we are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). As part of an audit conducted in accordance with U.S. GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership Health Plan of California's internal control over financial reporting. Accordingly, we considered Partnership Health Plan of California's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

The supplementary information was subject to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated March 4, 2022.

Significant Audit Findings and Issues

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Partnership Health Plan of California are described in Note 2 to the financial statements. During the year ended June 30, 2023, the Health Plan adopted Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements*, under the retrospective approach. No other new accounting policies were adopted and there were no changes in the application of existing policies during 2023. We noted no transactions entered into by the Health Plan during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management recorded an estimated liability for incurred but unreported claims expenses. The estimated liability for unreported claims is based on management's estimate of historical claims experience and known activity subsequent to year end. We have gained an understanding of management's estimate methodology, and have examined the documentation supporting these methodologies and formulas. We found management's process to be reasonable.

- Management recorded an estimated liability for the quality improvement program. The estimated liability is based on the providers' performance by region and are calculated based on the risk sharing agreements in the provider contracts. We have gained an understanding of management's estimate methodology, and have examined the documentation supporting these methodologies and formulas. We found management's process to be reasonable.

- Management recorded an estimated amount due to the State of California. The estimated payable for eligible Medi-Cal program beneficiaries is based upon estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. We evaluated the key factors and assumptions used to develop the estimated net realizable amounts. We found management's basis to be reasonable in relation to the financial statements taken as a whole.

- Management recorded an estimated capitation receivable. The estimated capitation receivable for eligible Medi-Cal program beneficiaries is based upon a historical experience methodology. We have gained an understanding of management's estimate methodology and have examined the documentation supporting these methodologies and formulas. We found management's process to be reasonable.

- Management's estimate of the net pension asset is actuarially determined using assumptions on the long-term rate of return on pension plan assets, the discount rate used to determine the present value of benefit obligations, and the rate of compensation increases. These assumptions are provided by management. We have evaluated the key factors and assumptions used to develop the estimate. We found management's basis to be reasonable in relation to the financial statements taken as a whole.

- The useful lives of capital assets have been estimated based on the intended use and are within accounting principles generally accepted in the United States of America.

- Management's estimates of the discount rate and subscription terms related to the Health Plan's subscription assets and subscription liabilities. We have gained an understanding of management's key factors and assumptions and examined the documentation supporting the estimates. We found management's basis to be reasonable in relation to the Health Plan's financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were related to incurred, but unreported claims expense and capitation revenues.

Significant Unusual Transactions

We encountered no significant unusual transactions during our audit of the Health Plan's financial statements.

Significant Difficulties Encountered in Performing the Audit

Professional standards require us to inform you of any significant difficulties encountered in performing the audit. No significant difficulties were encountered during our audit of the Health Plan's financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Circumstances that Affect the Form and Content of the Auditor's Report

There may be circumstances in which we would consider it necessary to include additional information in the auditor's report in accordance with U.S. GAAS. Other than an emphasis of a matter paragraph related to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, there were no circumstances that affected the form and content of the auditor's report.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements whose effects, as determined by management, are material, both individually and in the aggregate, to the financial statements as a whole.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October _____, 2023.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Health Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We are required to communicate to you other findings or issues arising from the audit that are, in our professional judgment, significant and relevant to your oversight of the financial reporting process. There were no such items identified.

This information is intended solely for the use of the Commissioners and management of Partnership Health Plan of California and is not intended to be and should not be used by anyone other than these specified parties.

San Francisco, California
October ____, 2023

Finance Committee
Chief Executive Officer Update
October 18, 2023

- **DHCS & State Issues**
    - Health Equity Practice Transformation Program – Update
    - Modernizing Mental Health Services Act (SB326 Eggman)
    - MCO Tax Update
    - Hospital Directed Payments
    - MediCal Redeterminations

- **CalAIM**
    - Populations of Focus – Justice Involved
    - DHCS Gap Analysis / IPP Funds
    - Medicare DSNP – Model of Care

- **General Issues:**
    - Project Phoenix and IT Update
    - Geographic Expansion

FINANCIAL HIGHLIGHTS
Of The Partnership HealthPlan Of California
For the Period Ending August 31, 2023

Financial Analysis for the Current Period

Total (Deficit) Surplus

For the month ending August 31, 2023, PHC reported a net deficit of $1.0 million, bringing the year-to-date surplus to $6.9 million. Significant variances are explained below.

Revenue

Total Revenue is lower than budget by $15.6 million for the month and $27.9 million for the year-to-date. Medi-Cal revenue is $26.7 million unfavorable due primarily to lower than budgeted CY 2023 rates. Supplemental revenues are $2.4 million favorable due primarily to timing differences of submissions to DHCS. Other revenue is unfavorable $10.6 million due to timing of revenue for various incentive programs (BHI Grant, SBHIP, HHIP); corresponding expenses are also being recorded in HCIF. Interest income is $7.0 million favorable due to higher than anticipated interest rates.

Healthcare Costs

Total Healthcare Costs are greater than budget by $9.2 million for the month and $22.4 million for the year-to-date. Physician and Ancillary expenses are $36.5 million unfavorable as a result of adjustments to IBNR reserves to reflect increases in utilization trend. Healthcare Investment Funds (HCIF) are $17.3 million favorable due to timing of expenses for various incentive programs. Long term care expenses are $5.4 million unfavorable due to anticipated rate increases for CY 2023. Inpatient hospital FFS expense is $5.6 million favorable due to adjustments to IBNR reserves. Global Subcapitation is $3.5 million unfavorable due to higher than budgeted CY 2023 expenses. Transportation expense is $1.3 million unfavorable due to increase in utilization. Quality Assurance expense is $1.5 million favorable due to the timing of administrative expenses.

Administrative Costs

Total administrative costs are lower than budget by $2.0 million for the month and $4.3 million for the year-to-date. The positive variance in Employee costs can be attributed to the number of open positions – primarily planned in anticipation of the expansion counties – that have not yet been filled. The remaining positive variances in the other administrative categories can be attributed to timing, as several of the accounts in these categories are prorated evenly over 12 months; as the year continues, the variances between actual and budget are expected to even out.

Balance Sheet / Cash Flow

Total Cash & Cash Equivalents increased by $38.0 million for the month. Inflows include $302.7 million in State Capitation payments, $1.5 million in Drug Medi-Cal payments, and $5.3 million in interest earnings. These inflows were offset by outflows of $235.5 million in healthcare cost payments, $3.4 million in Drug Medi-Cal payments, $15.4 million in administrative and capital cost payments, and the recording of $17.4 million in board-designated reserve transfers. The remaining difference can be attributed to other revenues.

FINANCIAL HIGHLIGHTS
Of The Partnership HealthPlan Of California
For the Period Ending August 31, 2023

General Statistics

Membership

Membership had a total net decrease of 2,805 members for the month.

Utilization Metrics and High Dollar Case

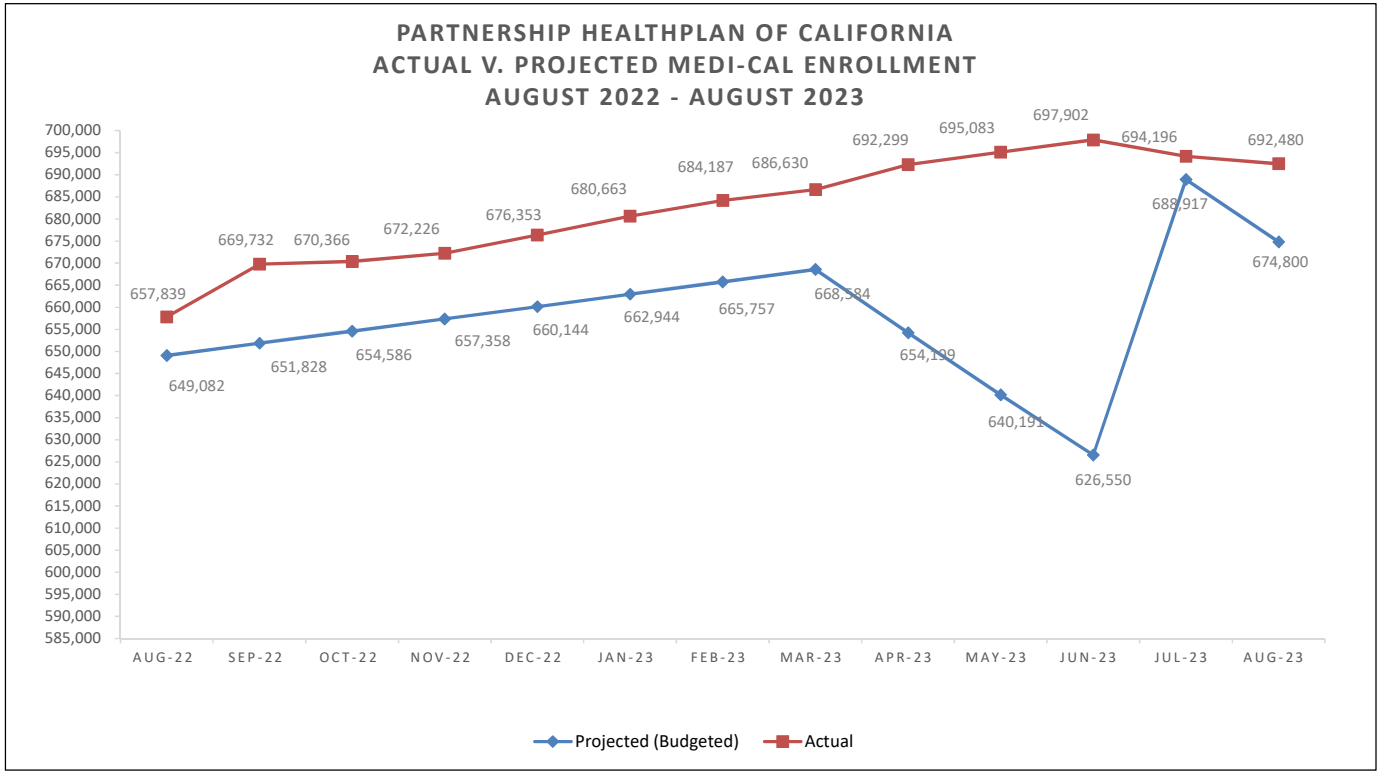
For the fiscal year 2023/24 through August 2023, 12 members reached the $250,000 threshold with an average cost of $404,440. For fiscal year 2022/23, 657 members reached the $250,000 threshold with an average cost per case was $513,723. For fiscal year 2021/22, 582 members reached the $250,000 threshold with an average claims cost of $492,866.

Current Ratio/Reserved Funds

Current Ratio Including Required Reserves	**1.63**
Current Ratio Excluding Required Reserves:	**0.82**
Required Reserves:	**$1,130,048,711**
Total Fund Balance:	**$913,344,045**

Days of Cash on Hand

Including Required Reserves:	**159.89**
Excluding Required Reserves:	**61.59**



Member Months by County:

County	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Solano	133,221	135,456	135,281	136,238	136,950	138,418	138,935	139,224	140,852	141,571	141,941	141,591	140,953
Napa	34,122	34,908	34,866	34,802	35,076	35,308	35,443	35,715	35,911	35,993	36,130	35,882	35,969
Yolo	60,352	61,422	61,850	62,332	62,191	62,548	63,266	63,204	63,575	64,127	64,298	63,943	63,559
Sonoma	127,033	129,477	129,278	129,866	130,730	131,352	132,341	133,417	134,183	134,653	135,896	134,420	133,261
Marin	48,355	50,793	49,810	50,020	50,391	50,699	51,213	51,267	51,965	52,340	52,547	52,302	52,602
Mendocino	40,585	41,232	41,285	41,199	41,535	41,690	41,999	42,022	42,372	42,645	42,613	42,323	42,371
Lake	34,460	34,935	35,079	34,965	35,328	35,505	35,598	35,540	35,857	35,891	35,915	35,753	35,897
Del Norte	12,438	12,559	12,658	12,626	12,785	12,833	12,867	12,904	12,916	12,978	13,106	12,970	12,868
Humboldt	60,064	60,580	61,050	61,004	61,366	61,605	61,846	61,955	62,522	62,318	62,681	62,329	62,399
Lassen	8,696	8,841	8,870	8,892	9,026	9,043	9,053	9,088	9,171	9,149	9,177	9,271	9,232
Modoc	4,000	4,062	4,123	4,120	4,151	4,250	4,246	4,226	4,261	4,261	4,307	4,240	4,247
Shasta	69,767	70,415	71,010	71,085	71,498	71,901	71,985	72,567	73,093	73,478	73,580	73,539	73,456
Siskiyou	19,208	19,408	19,477	19,349	19,526	19,708	19,604	19,670	19,746	19,807	19,826	19,762	19,793
Trinity	5,538	5,644	5,729	5,728	5,800	5,803	5,791	5,831	5,875	5,872	5,885	5,871	5,873
All Counties Total	**657,839**	**669,732**	**670,366**	**672,226**	**676,353**	**680,663**	**684,187**	**686,630**	**692,299**	**695,083**	**697,902**	**694,196**	**692,480**

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 2023 - 2024 & Fiscal Year 2022 - 2023

FINANCIAL INDICATORS	Jul-23	Aug-23											YTD	Avg / Month As of Aug-23
Total Enrollment	697,169	694,364											1,391,533	695,767
Total Revenue	346,807,441	341,606,253											688,413,694	344,206,847
Total Healthcare Costs	327,163,476	330,010,605											657,174,080	328,587,040
Total Administrative Costs	11,697,451	12,604,506											24,301,957	12,150,979
Total Current Year Surplus (Deficit)	7,946,514	(1,008,858)											6,937,657	3,468,828
Total Claims Payable	422,844,079	471,254,480											471,254,480	484,111,629
Total Fund Balance	914,352,902	913,344,045											913,344,045	913,848,473
Reserved Funds														
State Financial Performance Guarantee	620,648,000	631,921,000											631,921,000	626,284,500
State Financial Performance Guarantee - 2024 Expansion Counties	204,422,000	208,054,000											208,054,000	206,238,000
Regulatory Reserve Requirement	121,199,906	124,463,886											124,463,886	122,831,896
Board Approved Capital and Infrastructure Purchases	47,177,080	46,374,091											46,374,091	46,775,586
Capital Assets	118,991,470	119,235,734											119,235,734	119,113,602
Strategic Use of Reserve-Board Approved Community Reinvestments	70,659,883	70,318,568											70,318,568	70,489,226
Unrestricted Fund Balance	(268,745,437)	(287,023,235)											(287,023,235)	(277,884,336)
Fund Balance as % of Reserved Funds	77.28%	76.09%											76.09%	76.68%
Current Ratio (including Required Reserves)	1.69:1	1.63:1											1.63:1	1.66:1
Medical Loss Ratio	94.34%	96.61%											95.46%	95.46%
Admin Ratio	3.37%	3.69%											3.53%	3.53%
Profit Margin Ratio	2.29%	-0.30%											1.01%	1.01%

FINANCIAL INDICATORS	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	YTD	Avg / Month As of Jun-23
Total Enrollment	656,979	659,818	664,126	670,366	675,120	678,560	683,467	686,494	689,603	695,330	698,172	700,966	8,159,001	679,917
Total Revenue	267,284,264	274,023,503	275,982,353	280,650,348	275,952,412	265,473,993	304,542,514	371,793,417	360,344,415	344,752,464	350,566,685	376,348,270	3,747,714,637	312,309,553
Total Healthcare Costs	241,534,619	251,300,353	248,258,706	251,614,472	247,400,638	219,697,713	283,303,662	317,608,625	332,148,596	310,096,667	329,195,106	337,540,071	3,369,699,229	280,808,269
Total Administrative Costs	10,017,179	11,227,840	10,474,206	10,917,406	10,835,726	12,559,210	12,140,319	12,076,690	13,218,207	11,762,649	15,433,246	16,252,696	146,915,375	12,242,948
Medi-Cal Hospital & Managed Care Taxes	15,239,583	15,239,583	15,239,583	15,239,583	15,239,583	15,239,583	-	-	-	-	-	-	91,437,498	7,619,792
Total Current Year Surplus (Deficit)	492,883	(3,744,273)	2,009,858	2,878,887	2,476,465	17,977,487	9,098,533	42,108,102	14,977,612	22,893,148	5,938,333	22,555,503	139,662,535	11,638,544
Total Claims Payable	477,170,822	462,743,832	493,164,597	458,376,705	502,119,489	516,880,860	491,182,247	471,254,480	480,023,593	512,255,577	484,161,663	494,469,581	494,469,581	486,983,621
Total Fund Balance	767,236,734	763,492,462	765,502,320	768,381,207	770,857,672	788,835,159	797,933,693	840,041,794	855,019,406	877,912,554	883,850,886	906,406,388	906,406,388	815,455,856
Reserved Funds														
State Financial Performance Guarantee	544,383,000	541,137,000	538,073,000	536,158,000	532,018,000	527,245,000	530,461,000	545,075,000	556,594,000	576,222,000	592,749,000	608,205,000	608,205,000	552,360,000
State Financial Performance Guarantee - 2024 Expansion Counties	176,589,000	176,452,000	176,272,000	176,387,000	175,879,000	173,531,000	175,756,000	180,072,000	185,368,000	189,953,000	195,103,000	200,418,000	200,418,000	181,815,000
Regulatory Reserve Requirement	95,682,198	96,841,016	96,447,591	97,185,269	95,238,548	94,620,973	101,915,779	106,031,475	105,252,130	109,002,915	113,084,754	117,643,975	117,643,975	102,412,219
Board Approved Capital and Infrastructure Purchases	58,903,733	57,323,454	56,632,864	55,264,727	54,791,487	51,936,093	50,551,014	48,843,205	47,334,893	45,291,855	44,145,051	47,844,365	47,844,365	51,571,895
Capital Assets	108,759,668	109,892,826	110,144,969	111,073,813	111,109,277	113,480,113	114,360,925	115,574,505	116,582,683	118,099,674	118,721,447	118,903,132	118,903,132	113,891,919
Strategic Use of Reserve-Board Approved Community Reinvestments	73,609,149	73,596,300	73,393,537	73,267,220	73,140,010	73,013,685	71,359,774	71,277,813	71,164,307	71,071,836	70,920,100	70,901,964	70,901,964	72,226,308
Unrestricted Fund Balance	(290,690,013)	(291,750,135)	(285,461,641)	(280,954,821)	(271,318,650)	(244,991,705)	(246,470,799)	(226,832,203)	(227,276,607)	(231,728,727)	(250,872,466)	(257,510,049)	(257,510,049)	(258,821,485)
Fund Balance as % of Reserved Funds	72.52%	72.35%	72.84%	73.23%	73.97%	76.30%	76.40%	78.74%	79.00%	79.12%	77.89%	77.88%	77.88%	75.91%
Current Ratio (including Required Reserves)	1.83:1	1.84:1	1.78:1	1.85:1	1.78:1	1.79:1	1.81:1	1.80:1	1.58:1	1.74:1	1.72:1	1.69:1	1.69:1	1.76:1
Medical Loss Ratio w/o Tax	96.06%	97.35%	95.55%	95.14%	95.25%	88.18%	91.47%	85.43%	92.18%	89.95%	93.90%	89.69%	92.16%	92.16%
Admin Ratio w/o Tax	3.98%	4.35%	4.03%	4.13%	4.17%	5.04%	3.92%	3.25%	3.67%	3.41%	4.40%	4.32%	4.02%	4.02%
Profit Margin Ratio	0.18%	-1.37%	0.73%	1.03%	0.90%	6.77%	2.99%	11.33%	4.16%	6.64%	1.69%	5.99%	3.73%	3.73%

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Membership and Financial Summary
For The Period Ending August 31, 2023

CURRENT MONTH	PRIOR MONTH	INC / DEC	MEMBERSHIP SUMMARY	CURRENT YTD AVG	PRIOR YTD AVG	VARIANCE
694,364	697,169	(2,805)	**Total Membership**	695,767	658,399	37,368

ACTUAL MONTH	BUDGET MONTH	$ VARIANCE MONTH	FINANCIAL SUMMARY	ACTUAL YTD	BUDGET YTD	$ VARIANCE YTD
341,606,253	357,166,602	(15,560,349)	**Total Revenue**	688,413,694	716,334,595	(27,920,901)
330,010,605	320,782,509	(9,228,096)	**Total Healthcare Costs**	657,174,080	634,812,825	(22,361,255)
12,604,506	14,600,304	1,995,798	**Total Administrative Costs**	24,301,957	28,637,129	4,335,172
(1,008,858)	**21,783,789**	**(22,792,647)**	**Total Current Year Surplus (Deficit)**	**6,937,657**	**52,884,641**	**(45,946,984)**
			Medical Loss Ratio			
96.61%	89.81%		**(HC Costs as a % of Rev)**	95.46%	88.62%	
			Admin Ratio			
3.69%	4.09%		**(Admin Costs as a % of Rev)**	3.53%	4.00%	

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Balance Sheet
As Of August 31, 2023

	August 2023	July 2023
A S S E T S		
Current Assets		
Cash & Cash Equivalents	**633,311,847**	**595,293,635**
Receivables		
Accrued Interest	763,300	429,800
State DHS - Cap Rec	350,365,698	313,128,209
Other Healthcare Receivable	22,833,612	21,475,558
Miscellaneous Receivable	6,131,657	5,867,466
Total Receivables	**380,094,267**	**340,901,033**
Other Current Assets		
Payroll Clearing	5,103	41,358
Prepaid Expenses	8,189,994	7,671,553
Total Other Current Assets	**8,195,097**	**7,712,911**
Total Current Assets	**1,021,601,211**	**943,907,579**
Non-Current Assets		
Fixed Assets		
Motor Vehicles	275,744	221,831
Furniture & Fixtures	7,518,859	7,518,859
Computer Equipment - HP	541,886	541,886
Computer Equipment	25,595,476	25,547,267
Computer Software	22,392,583	22,392,583
Leasehold Improvements	962,374	962,374
Land	6,767,292	6,767,292
Building	55,932,088	55,932,088
Building Improvements	31,494,170	31,455,072
Accum Depr - Motor Vehicles	(168,018)	(165,759)
Accum Depr - Furniture	(7,473,864)	(7,451,566)
Accum Depr - Comp Equip - HP	(541,886)	(541,886)
Accum Depr - Comp Equipment	(21,509,987)	(21,361,912)
Accum Depr - Comp Software	(20,745,330)	(20,645,423)
Accum Depr - Leasehold Improvements	(962,374)	(962,374)
Accum Depr - Building	(10,852,770)	(10,733,257)
Accum Depr - Bldg Improvements	(12,014,998)	(11,848,327)
Construction Work-In-Progress	42,024,489	41,362,720
Total Fixed Assets	**119,235,734**	**118,991,468**
Other Non-Current Assets		
Deposits	102,500	100,000
Board-Designated Reserves	1,010,512,977	993,146,986
Knox-Keene Reserves	300,000	300,000
Prepaid - Other Non-Current	5,066,897	5,433,967
Net Pension Asset	2,961,371	2,961,371
Deferred Outflows Of Resources	2,861,333	2,861,333
Net Subscription Asset	3,765,260	3,765,260
Total Other Non-Current Assets	**1,025,570,338**	**1,008,568,917**
Total Non-Current Assets	**1,144,806,072**	**1,127,560,385**
Total Assets	**2,166,407,283**	**2,071,467,964**
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	96,354,330	105,970,447
Unearned Income	49,011,119	49,011,119
Suspense Account	1,689,086	1,338,112
Capitation Payable	52,111,060	43,181,289
State DHS - Cap Payable	32,633,113	32,633,113
Accrued Healthcare Costs	440,489,643	380,113,021
Claims Payable	104,521,322	59,415,991
Incurred But Not Reported-IBNR	347,555,853	363,428,088
Quality Improvement Programs	118,758,061	112,084,231
Total Current Liabilities	**1,243,123,587**	**1,147,175,411**
Non-Current Liabilities		
Deferred Inflows Of Resources	6,616,582	6,616,582
Net Subscription Liability	3,323,069	3,323,069
Total Non-Current Liabilities	**9,939,651**	**9,939,651**
Total Liabilities	**1,253,063,238**	**1,157,115,062**
Fund Balance		
Unrestricted Fund Balance	**(287,023,235)**	**(268,745,437)**
Reserved Funds		
State Financial Performance Guarantee	631,921,000	620,648,000
State Financial Performance Guarantee - Expansion Counties	208,054,000	204,422,000
Regulatory Reserve Requirement	124,463,886	121,199,906
Board Approved Capital and Infrastructure Purchases	46,374,091	47,177,080
Capital Assets	119,235,734	118,991,470
Strategic Use of Reserve-Board Approved Community Reinvestments	70,318,568	70,659,883
Total Reserved Funds	**1,200,367,279**	**1,183,098,339**
Total Fund Balance	**913,344,045**	**914,352,902**
Total Liabilities And Fund Balance	**2,166,407,283**	**2,071,467,964**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Statement of Cash Flow
For The Period Ending August 31, 2023

	Current Month Activity	Year-To-Date Activity
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From:		
Capitation from California Department of Health Care Services	302,703,997	601,802,384
Other Revenues	134,164	19,800,449
Cash Payments to Providers for Medi-Cal Members		
Capitation Payments	(40,410,607)	(80,701,527)
Medical Claims Payments	(195,055,366)	(433,765,019)
Drug Medi-Cal		
DMC Receipts from Counties	1,521,470	7,377,925
DMC Payments to Providers	(3,388,718)	(7,460,429)
Cash Payments to Vendors	(3,485,718)	(55,263,651)
Cash Payments to Employees	(10,491,626)	(20,862,865)
Net Cash (Used) Provided by Operating Activities	**51,527,596**	**30,927,267**
CASH FLOWS FROM CAPITAL FINANCING & RELATED ACTIVITIES:		
Purchases of Capital Assets	(1,472,560)	(2,767,639)
Net Cash Used by Capital Financial & Related Activities	**(1,472,560)**	**(2,767,639)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Board-Designated Reserve Transfers	(17,365,991)	(36,701,637)
Interest and Dividends on Investments	5,329,167	11,548,800
Net Cash (Used) Provided by Investing Activities	**(12,036,824)**	**(25,152,837)**
NET (DECREASE) INCREASE IN CASH & CASH EQUIVALENTS	**38,018,212**	**3,006,791**
CASH & CASH EQUIVALENTS, BEGINNING	**595,293,635**	**630,305,056**
CASH & CASH EQUIVALENTS, ENDING	**633,311,847**	**633,311,847**
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
TOTAL OPERATING (LOSS) INCOME	**(6,671,525)**	**(4,676,224)**
DEPRECIATION	**558,724**	**1,137,671**
CHANGES IN ASSETS AND LIABILITIES:		
Other Receivables	(1,622,245)	1,625,543
California Department of Health Services Receivable	(37,237,489)	(78,906,204)
Other Assets	551,955	1,057,812
Accounts Payable and Accrued Expenses	60,041,250	139,821,294
Accrued Claims Payable	29,233,096	(42,392,407)
Quality Improvement Programs	6,673,830	13,259,782
Net Cash Provided (Used) by Operating Activities	**51,527,596**	**30,927,267**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Statement of Revenues and Expenses

For The Period Ending August 31, 2023

****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
694,364	**694,364**	**-**			**TOTAL MEMBERSHIP**	**1,391,533**	**1,391,533**	**-**		
					REVENUE					
335,561,491	349,352,269	(13,790,778)	483.26	503.13	State Capitation Revenue	676,328,594	700,705,929	(24,377,335)	486.03	503.55
5,662,667	2,300,000	3,362,667	8.16	3.31	Interest Income	11,613,881	4,600,000	7,013,881	8.35	3.31
382,095	5,514,333	(5,132,238)	0.55	7.94	Other Revenue	471,219	11,028,666	(10,557,447)	0.34	7.93
341,606,253	**357,166,602**	**(15,560,349)**	**491.97**	**514.38**	**TOTAL REVENUE**	**688,413,694**	**716,334,595**	**(27,920,901)**	**494.72**	**514.79**
					HEALTHCARE COSTS					
27,487,241	21,747,103	(5,740,138)	39.59	31.32	Global Subcapitation	46,811,755	43,252,056	(3,559,699)	33.64	31.08
2,206,967	2,206,768	(199)	3.18	3.18	Capitated Medical Groups	4,394,092	4,383,939	(10,153)	3.16	3.15
					Physician Services					
6,200,779	6,272,175	71,396	8.93	9.03	PCP Capitation	12,392,493	12,486,568	94,075	8.91	8.97
213,722	216,065	2,343	0.31	0.31	Specialty Capitation	428,219	429,158	939	0.31	0.31
47,084,462	42,906,742	(4,177,720)	67.81	61.79	Non-Capitated Physician Services	98,994,368	82,473,208	(16,521,160)	71.14	59.27
53,498,963	**49,394,982**	**(4,103,981)**	**77.05**	**71.13**	**Total Physician Services**	**111,815,080**	**95,388,934**	**(16,426,146)**	**80.36**	**68.55**
					Inpatient Hospital					
18,250,954	18,562,739	311,785	26.28	26.73	Hospital Capitation	36,531,116	36,935,673	404,557	26.25	26.54
69,235,747	71,093,916	1,858,169	99.71	102.39	Inpatient Hospital - FFS	136,486,370	142,089,563	5,603,193	98.08	102.11
1,416,765	1,416,765	-	2.04	2.04	Hospital Stoploss	2,812,517	2,812,517	-	2.02	2.02
88,903,466	**91,073,420**	**2,169,954**	**128.03**	**131.16**	**Total Inpatient Hospital**	**175,830,003**	**181,837,753**	**6,007,750**	**126.35**	**130.67**
36,733,678	32,370,106	(4,363,572)	52.90	46.62	Long Term Care	70,561,735	65,122,859	(5,438,876)	50.71	46.80
					Ancillary Services					
990,050	1,008,578	18,528	1.43	1.45	Ancillary Services - Capitated	1,985,336	2,007,139	21,803	1.43	1.44
48,654,393	43,653,952	(5,000,441)	70.07	62.87	Ancillary Services - Non-Capitated	103,331,601	83,298,887	(20,032,714)	74.26	59.86
49,644,443	**44,662,530**	**(4,981,913)**	**71.50**	**64.32**	**Total Ancillary Services**	**105,316,937**	**85,306,026**	**(20,010,911)**	**75.69**	**61.30**
					Other Medical					
2,896,713	3,130,829	234,116	4.17	4.51	Quality Assurance	5,399,069	6,889,733	1,490,664	3.88	4.95
54,501,743	62,988,724	8,486,981	78.49	90.71	Healthcare Investment Funds	108,928,742	126,258,725	17,329,983	78.28	90.73
99,700	131,973	32,273	0.14	0.19	Advice Nurse	199,400	262,051	62,651	0.14	0.19
651	8,564	7,913	-	0.01	HIPP Payments	2,800	17,005	14,205	-	0.01
6,824,462	6,363,680	(460,782)	9.83	9.16	Transportation	14,092,371	12,780,396	(1,311,975)	10.13	9.18
64,323,269	**72,623,770**	**8,300,501**	**92.63**	**104.58**	**Total Other Medical**	**128,622,382**	**146,207,910**	**17,585,528**	**92.43**	**105.06**
7,212,578	6,703,830	(508,748)	10.39	9.65	Quality Improvement Programs	13,822,096	13,313,348	(508,748)	9.93	9.57
330,010,605	**320,782,509**	**(9,228,096)**	**475.27**	**461.96**	**TOTAL HEALTHCARE COSTS**	**657,174,080**	**634,812,825**	**(22,361,255)**	**472.27**	**456.18**
					ADMINISTRATIVE COSTS					
8,379,000	9,266,937	887,937	12.07	13.35	Employee	16,321,521	17,556,163	1,234,642	11.73	12.62
49,694	96,018	46,324	0.07	0.14	Travel And Meals	92,094	192,036	99,942	0.07	0.14
1,012,145	1,156,540	144,395	1.46	1.67	Occupancy	2,007,888	2,324,427	316,539	1.44	1.67
510,178	523,809	13,631	0.73	0.75	Operational	820,142	1,321,569	501,427	0.59	0.95
1,265,218	2,170,795	905,577	1.82	3.13	Professional Services	2,426,759	4,346,589	1,919,830	1.74	3.12
1,388,271	1,386,205	(2,066)	2.00	2.00	Computer And Data	2,633,553	2,896,345	262,792	1.89	2.08
12,604,506	**14,600,304**	**1,995,798**	**18.15**	**21.04**	**TOTAL ADMINISTRATIVE COSTS**	**24,301,957**	**28,637,129**	**4,335,172**	**17.46**	**20.58**
(1,008,858)	**21,783,789**	**(22,792,647)**	**(1.45)**	**31.38**	**TOTAL CURRENT YEAR SURPLUS (DEFICIT)**	**6,937,657**	**52,884,641**	**(45,946,984)**	**4.99**	**38.03**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
August 31, 2023

1. ORGANIZATION

The Partnership HealthPlan of California (PHC) was formed as a health insurance organization, and is legally a subdivision of the State of California, but is not part of any city, county or state government system. PHC has quasi-independent political jurisdiction to contract with the State for managing Medi-Cal beneficiaries who reside in various Northern California Counties. PHC is a combined public and private effort engaged principally in providing a more cost-effective method of healthcare. PHC began serving Medi-Cal eligible persons in Solano in May 1994. That was followed by Napa in March of 1998, Yolo in March of 2001, Sonoma in October 2009, Marin and Mendocino in July 2011, and eight Northern Counties in September 2013. Beginning July 2018 and in accordance with direction from the Department of Health Care Services (DHCS), PHC has consolidated its reporting from these fourteen counties into two regions; these are in alignment with the two DHCS rating regions.

As a public agency, the HealthPlan is exempt from state and federal income tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING POLICIES:
The accounting and reporting policies of PHC conform to generally-accepted accounting principles and general practices within the healthcare industry.

PROPERTY AND EQUIPMENT:
Effective July 2015, property and equipment totaling $10,000 or more are recorded at cost; this includes assets acquired through capital leases and improvements that significantly add to the productive capacity or extend the useful life of the asset. Costs of maintenance and repairs are expensed as incurred. Depreciation for financial reporting purposes is provided on a straight-line method over the estimated useful life of the asset. The costs of major remodeling and improvements are capitalized as building or leasehold improvements. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining term of the applicable lease or their estimated useful life. Building improvements are depreciated over their estimated useful life.

INVESTMENTS:
PHC investments can consist of U.S. Treasury Securities, Certificates of Deposits, Money Market and Mutual Funds, Government Pooled Funds, Agency Notes, Repurchase Agreements, Shares of Beneficial Interest and Commercial Paper and are carried at fair value.

RESERVED FUNDS:

As of August 2023, PHC has Reserved Funds of $1.1 billion, which includes $0.3 million of Knox-Keene Reserves. To account for Board approved Strategic Use of Reserves (SUR) initiatives, which includes funding for the Wellness & Recovery program, an additional $70.3 million has been set aside as a "Strategic Use of Reserve" for community reinvestments. The amount represents the net amount remaining of all of the SUR projects that have been approved to date; this balance is periodically adjusted as projects are completed.

3. STATE CAPITATION REVENUE

Medi-Cal capitation revenue is based on the monthly capitation rates, as provided for in the State contract, and the actual number of Medi-Cal eligible members. Capitation revenues are paid by the State on a monthly basis in arrears based on estimated membership. As such, capitation revenue includes an estimate for amounts receivable from or refundable to the State for projected changes in membership and trued up monthly through a State reconciliation process. These estimates are continually monitored and adjusted, as necessary, as experience develops or new information becomes known.

4. HEALTHCARE COST

PHC continues to develop completion factors to calculate estimated liability for claims incurred but not reported. These factors are reviewed and adjusted as more historical data become available. Budgeted capitation revenues and healthcare costs are adjusted each month to reflect changes in enrollee counts.

5. QUALITY IMPROVEMENT PROGRAM

PHC maintains quality incentive contracts with acute care hospitals and primary care physicians. As of August 2023, PHC has accrued a Quality Incentive Program payout of $118.8 million.

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
August 31, 2023

6. **ESTIMATES**

Due to the nature of the operations of the Partnership HealthPlan, it is necessary to estimate amounts for financial statement presentation. Substantial overstatement or understatement of these estimates would have a significant impact on the statements. The items estimated through various methodologies are:

- Value of Claims Incurred But Not Received
- Quality Incentive Payouts
- Earned Capitation Revenues
- Total Number of Members
- Retro Capitation Expense for Certain Providers

7. **COMMITMENTS AND CONTINGENCIES**

In the ordinary course of business, the HealthPlan is party to claims and legal actions by enrollees, providers, and others. After consulting with legal counsel, HealthPlan management is of the opinion any liability that may ultimately be incurred as a result of claims or legal actions will not have a material effect on the financial position or results of the operations of the HealthPlan.

8. **UNUSUAL OR INFREQUENT ITEMS REPORTED IN CURRENT MONTH'S FINANCIAL STATEMENTS**

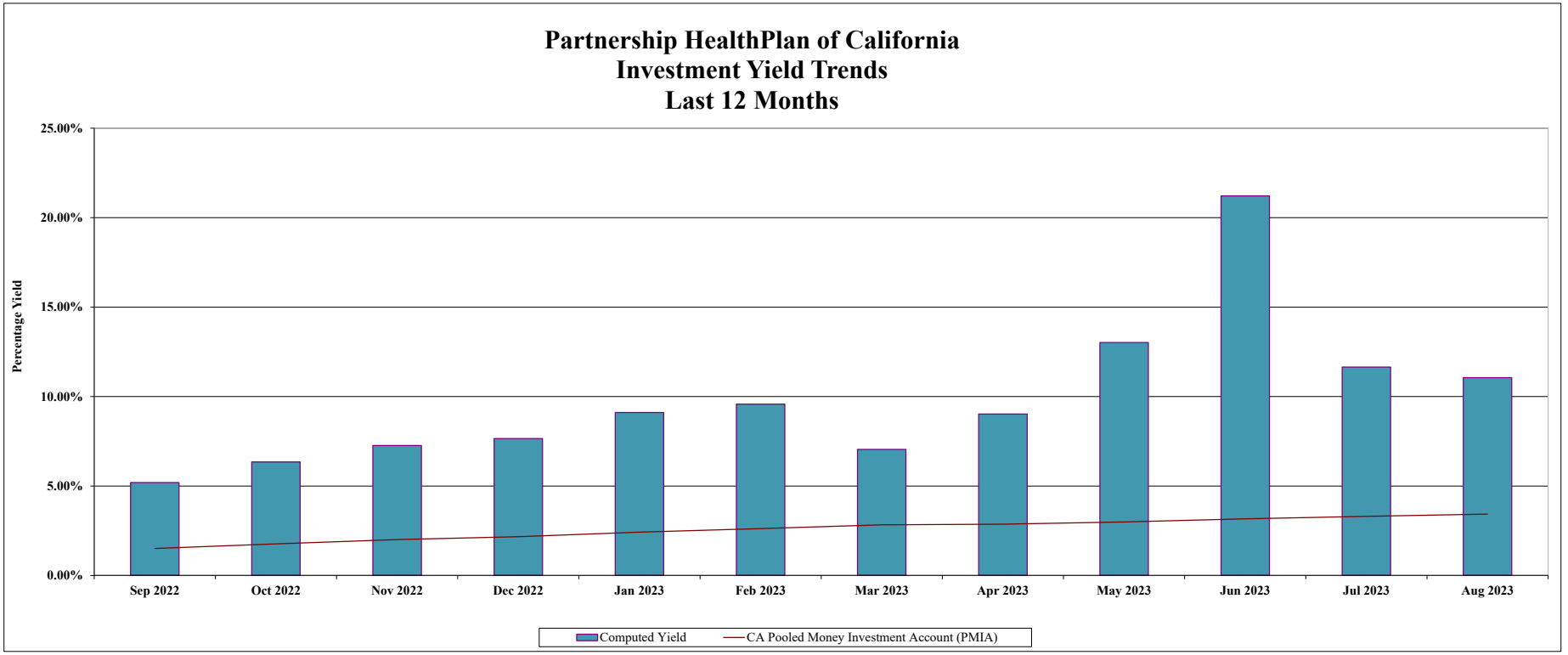
None noted.

Partnership HealthPlan of California
Investment Schedule
August 31, 2023

Name of Investment	Investment Type	Yield to Maturity	Trade Date	Maturity Date	Call Date	Face Value	Purchase Price	Market Value	Credit Rating Agency	Credit Rating
FUNDS HELD FOR INVESTMENT:										
Highmark Money Market	Cash & Cash Equiv	NA	Various	NA	NA	NA	$ 1,299,034	$ 1,299,034	NA	NR
US Treasury Note	Cash & Cash Equiv	0.01375	1/11/2022	1/31/2025	NA	$ 300,000	$ 303,281	$ 284,439	Fitch	AA+
Certificate of Deposit for Knox Keene	Cash & Cash Equiv	0.0526	5/24/2023	1/31/2025	NA	$ 300,000	$ 300,000	$ 300,000	NA	NR
FUNDS HELD FOR OPERATIONS:										
Merrill Lynch Institutional	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 69,225,202		
Merrill Lynch MMA - Checking	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 1,044,827		
US Bank - General, MMA, and Sweeps	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 1,455,086,278		
Government Investment Pools (LAIF)	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 75,000,000		
Government Investment Pools (County)	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 41,538,635		
West America Payroll	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 327,548		
Petty Cash	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 3,300		
GRAND TOTAL:								$ 1,644,109,263		

Partnership HealthPlan of California
Investment Yield Trends

PERIOD		Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023
Interest Income		1,883,686	2,443,612	2,905,941	3,471,137	4,241,349	4,433,774	4,307,494	5,688,633	6,462,471	10,745,120	5,951,214	5,662,667
Cash & Investments at Historical Cost	(1)	486,039,878	437,442,638	522,306,701	566,083,414	551,178,841	559,261,383	906,973,163	606,061,509	584,870,742	630,305,056	595,293,634	633,311,847
Computed Yield	(2)	5.20%	6.35%	7.27%	7.65%	9.11%	9.58%	7.05%	9.02%	13.02%	21.22%	11.65%	11.06%
CA Pooled Money Investment Account (PMIA)	(3)	1.51%	1.77%	2.01%	2.17%	2.43%	2.62%	2.83%	2.87%	2.99%	3.17%	3.31%	3.43%



(1) Investment balances include Restricted Cash and Board Designated Reserves

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

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