1. Call to Order. 1:30 p.m.
   A. Roll call

2. Oral Communications. (1:30 – 1:35 p.m.)
   Members of the public may address the Committee on items not listed on today’s agenda that are within the jurisdiction of the Committee. Presentations must not exceed five minutes in length, and any individual may speak only once during Oral Communications.
   If any member of the public wishes to address the Committee on any item that is listed on today’s agenda, they may do so when that item is called. Speakers are limited to five minutes per item.

3. Approve minutes of December 4, 2019 meeting of the Finance Committee. (1:35 – 1:40 p.m.)

4. Year-to-date Preliminary December Financials as of 1/31/2020 (1:40 – 1:55 p.m.)

5. Medical Cost Analysis. (1:55 – 2:30 p.m.)

Members of the public interested in attending should call the Alliance at (831) 430-5523 to verify meeting dates and locations prior to the meetings.

The complete agenda packet is available for review on the Alliance website at http://www.ccah-alliance.org/boardmeeting.html and at the Alliance’s offices. The Commission complies with the Americans with Disabilities Act (ADA). Individuals who need special assistance or a disability-related accommodation to participate in this meeting should contact the Clerk of the Board at least 72 hours prior to the meeting at (831) 430-5523. Meeting locations in Salinas and Merced are directly accessible by bus. As a courtesy to persons affected, please attend the meeting smoke and scent free.
Meeting Minutes
Wednesday, December 4, 2019
2:00 – 2:45 p.m.

In Santa Cruz County:
Central California Alliance for Health
1600 Green Hills Road, Suite 101, Scotts Valley, California

In Monterey County:
Central California Alliance for Health
950 East Blanco Road, Suite 101, Salinas, California

In Merced County:
Central California Alliance for Health
530 West 16th Street, Suite B, Merced, California

Commissioners Present:
Ms. Leslie Conner
Provider Representative
Ms. Mimi Hall
County Health Services Agency Director
Mr. Michael Molesky
Public Representative
Mr. Tony Weber
Provider Representative

Commissioners Absent:
Ms. Elsa Jimenez
County Health Director
Supervisor Lee Lor
County Board of Supervisors

Staff Present:
Ms. Lisa Ba
Chief Financial Officer
Ms. Stephanie Sonnenshine
Chief Executive Officer
Oksana Chabanenko
Finance Administrative Specialist
1. **Call to Order by Chairperson Michael Molesky. (2:05- 2:06 p.m.)**

Chairperson Michael Molesky called the meeting to order at 2:05 p.m. Roll call was taken. A quorum was present.

2. **Approve Minutes of June 26, 2019 meeting of the Finance Committee. (2:06 – 2:07 p.m.)**

FINANCE COMMITTEE ACTION: Commissioner Weber moved to approve the minutes of the June 26, 2019 meeting of the Finance Committee, seconded by Commissioner Conner. Motion carried with 4 votes affirmative, 2 absent and was so ordered.

3. **Proposed Payment Change. (2:07 – 2:17 p.m.)**

Ms. Lisa Ba, Chief Financial Officer, notified the commissioners that the Alliance staff is currently performing financial and network impact analysis as a part of the payment change process. The work was started in November and is expected to last through January. The process is anticipated to fit the following timeline: staff will develop proposals for the Finance Committee to review at the February 26 meeting; options will be presented to the committee, which will, in turn, set boundaries and next steps for the staff to follow; provider outreach will be performed in January and February and the Physician Advisory Group (PAG) will be engaged to assess access impact at their March 5, 2020 meeting. PAG feedback will be reported to the Finance Committee at the March 25, 2020 meeting to obtain further guidance. Staff plans to submit the final proposal for approval to the Board on April 22, 2020. An estimated six months of lead time will be necessary to implement any payment changes due to provider noticing requirements. This puts the effective date on October 1, 2020 or later.

Due to the extensive amount of work related to the payment change process, the CFO extended the Finance Committee meeting duration for the year 2020 from 45 to 75 minutes: the meetings will start at 1:30 p.m. and adjourn at 2:45 p.m. and will occur on February 26th, March 25th, September 23rd and December 2nd.

The CFO then solicited feedback on the proposed timeline.

Commissioner Leslie Conner inquired if the urgency as emphasized in the past meeting still applies to these changes, given that the new timeline stretches out almost a year. Ms. Ba assured that the process is being treated with utmost urgency, however, the team is prioritizing proper process over speediness to avoid potential pitfalls.

Ms. Stephanie Sonnenshine, Chief Executive Officer, added that the 2020 incentive program is already in place, as provider contracting has been completed. The amount, however, is not yet approved and can therefore be changed based on the plan’s latest performance. She also explained that the timeline depends significantly on the regulatory provider noticing requirements, which mandate a 90 business day notice of change for all fee-for-service (FFS) contracts. She added that staff had not previously recognized the Board members’ interest in a more comprehensive understanding of the Alliance’s provider
payment structure and access impact, and going forward will ensure a more ample coverage of all related aspects.

Other things the staff is working on in the context of the payment change include addressing the climbing hospital costs, which is our highest expense category. Ms. Sonnenshine and Ms. Ba have a meeting with the California Department of Health Care Services (DHCS) on December 18, 2019 to discuss Whole Child Model (WCM) operation and revenue issues. Any potential outcome, however, will not affect the State’s 2020 rates as they had already been finalized.

Commissioner Conner inquired if the proposed payment changes will encompass a broader range of budget levers such as incentive payments and grants in addition to base payment rates. Ms. Ba confirmed the subject is being approached holistically, including various supplemental payments, such as Prop 56 for non-FQHC providers and hospital directed payments. Additionally, with the new value based initiative from the State, other payments will become available to the provider network, such as Behavioral Health Integration, and will be factored in. As for grants, she noted, the main focus of the program is to ensure its utilization in driving outcomes to impact community wellness rather than funding operational activities. These various factors will be considered in creating a cohesive and comprehensive payment program.

Ms. Sonnenshine noted that with regard to grants, as the Board begins to engage in the strategic planning process for 2021 and beyond, it is important to align grant funding with our strategic direction. With this in mind, the recommendation is to let the current grants run out and slow down new grant spending in order to allow us to redirect these funds towards current priorities. She agreed with Ms. Ba that it is important to not consider grant funds a potential tool in addressing medical costs, but instead focus on a comprehensive plan to bring provider reimbursement back in line with our revenue from the State. We are not looking at simply cutting payments, but rather aiming to adequately support our provider network while efficiently and effectively utilizing State funds. It is also critical to adequately research and direct funding towards services that will positively impact social determinants of care upstream and downstream.

Commissioner Conner questioned the appropriateness of the plan maintaining a grant program in light of ongoing operating losses and wondered if focusing on State revenue instead of redirecting grant funds is the most effective course of action. Ms. Sonnenshine explained that while the grant funds may seem like the most direct way to address the operating shortage, they would only be sufficient to cover two months of the Alliance’s expenses and therefore offer no viable long-term solution. We also need to ensure availability of funds for preventative child-focused work as such initiatives will help us get to the actual source of increasing medical costs. Additionally, preserving the grant funds’ independence from operating activities might prove strategic in the context of the State’s new California Advancing and Innovating Medi-Cal (CalAIM) program. This program essentially implies making the health plans responsible for building and running an enhanced case management infrastructure delivered by community providers and supportive services in each of its counties. This is an extensive undertaking in which the Alliance’s
grant funds can prove indispensable. Therefore, she summarized, these funds should not be considered relevant to medical costs.

Commissioner Conner agreed this strategy makes good sense.

4. **Investment Portfolio Update. (2:17 – 2:30 p.m.)**

As of September 30, 2019, the Alliance holds $403.0M in investment funds. Union bank holds the biggest portion – $106.6M or 26%, followed by CalTRUST with $96.8M or 24%. Wells Fargo currently comprises only $64.9 or 16% of our portfolio. Per the Board’s recommendations to transition the Alliance funds away from Wells Fargo due to the bank’s past transgressions, staff has been liquidating and divesting the holdings into other institutions; this will be accomplished in stages as the funds become available to withdraw without penalties or losing interest.

By holding category, the majority of our funds of $159.3M or 40% is in the Pooled Money Investment Account (PMIA), which includes CalTRUST and LAIF. This is a State maintained fund that offers a higher yield and better liquidity compared to many private institutions. The second highest holding category is government bonds – $131.2M or 33%. Only $3.3M or 1% is allocated in money market funds.

In terms of ratings, per the Alliance’s investment policy we are investing in AAA to A rated funds and 89% of our current portfolio falls within that range. Due to fluctuations in ratings, however, 1% of our invested funds are in BBB funds and 10% are non-rated due to being US treasury notes. Any holdings that fall below an A rating will automatically get liquidated upon maturity.

Our intention is to keep our fund liquidable with normally no longer than three years to maturity. The maturity of our current investments is spread from 2019 through 2023.

The quarterly yield per institution for the third quarter of 2019 is as follows: 2.18% for Comerica, 2.31% for Union Bank, 2.2% for PMIA (CalTRUST/LAIF) and 1.75% for Wells Fargo. Our average 2019 yield is between 2.11% and 2.21%; the PMIA has the highest return of 2.41% and is the most liquidable, therefore holding the majority of our funds.

Ms. Ba summarized that the Alliance has been managing its investment portfolio per the company policy in place. No new bonds have been purchased since October of 2018 and any liquidated cash funds are allocated to PMIA. She also added that the goal is to give the commissioners an investment status update at least every 6 months.

Commissioner Michael Molesky inquired about the Alliance’s investment portfolio management fees. Ms. Ba clarified that the yield, as reflected in the presentation, already includes all fund expenses. Wells Fargo, she noted, has the highest management rate which staff has recently negotiated downward, but, as mentioned earlier, the funds held with this institution are being steadily liquidated.
Commissioner Molesky asked whether it would make financial sense to transfer portfolio management duties to an in-house investment manager. The CFO explained that the Alliance mainly deals in more secure investments like long-term bonds versus stock trading and also holds a significant portion of its funds in cash, making investment activity relatively low and unlikely to justify a designated in-house manager. Also, with Comerica bank we receive fee credits, since our operating account is with the same institution. Our overall 2019 investment yield is 2.15%, which is solid compared to average market rates as well as other health plans, whose investment performance runs a yield averaging 1.5% to 2.0%.

Ms. Sonnenshine also pointed out that from the staffing perspective, focusing Finance staff resources on the development of provider payments is likely to be more economically effective than engaging in active investment portfolio management.

4. 2020 Budget Overview. (2:30 – 2:53 p.m.)

Ms. Ba introduced to the committee the estimated 2020 budget. The annual revenue assumption is $1.2B with an average enrollment of 329,342. The CFO reminded the commissioners that as the State has converted from fiscal to calendar year revenue, current capitation rates in effect since July 2019 will be effective for 18 months through December of 2020 instead of the usual 12 months. Given the predictable revenue for the entire year, our 2020 assumptions are for enrollment and medical cost numbers only.

We are conservatively assuming an annual decrease in enrollment of 3.4% based on data from October 2018 to July 2019, updated through October 2019.

Medical cost assumptions are based on the 12-month period from August 2018 through July 2019 with claims paid through September 2019. Since the budget is built based on category of service and different aid categories, it is highly sensitive to enrollment and acuity mix. Total medical cost is budgeted at $1.2B, which represents 97.4% of revenue. Administrative cost is projected at $85.1M, which is an Administrative Loss Ratio (ALR) of 6.9%. The average Full-Time Employee (FTE) numbers for 2020 reflect a net reduction from last year – 525 FTEs in 2020 compared to 560 employees in 2019.

By category of service, total medical costs are comprised of Inpatient Services of $362.7M or 30.2%, followed by Physician Services of $223.9M or 18.7%, Other Medical of $202.7M or 16.9%, Pharmacy or $187.9M or 15.7%, Inpatient Services (LTC) or $137.9M or 11.5% and Outpatient Facility of $84.2M or 7.0%. For Long-Term Care (LTC), we budget a year over year increase of 2% per the fixed State increase.

Commissioner Conner asked if negative contingencies are somehow considered in the medical cost assumptions in addition to the historical rate. Ms. Ba confirmed that when the budget is built, we start with historic claims and apply year-over-year utilization and unit cost increases; to the extent we can estimate, unforeseen increases are also factored into the forecast. Additionally, we have reinsurance in place for any catastrophic cases.
Staff is committed to maintaining hospital contract rates and physician administered drug rates with no increases; for Pharmacy 5.0% is budgeted for year-over-year inflation. In the Physician Services category, we budgeted a small increase in utilization, offset by a 1% reduction at the outpatient facility or ER – the rationale is encouraging members’ utilization of physician services instead of the costly ER visits.

There are two sets of assumptions: one for the traditional Medi-Cal and the other for the Whole Child Model, since it is relatively new program; assumption details will be presented during the Board meeting.

Overall, under the proposed medical and admin budget we are forecasting an operating loss of $53.2M compared to $89.2 in 2018 and $62.4M in 2019 (forecasted). This represents a slight Medical Loss Ratio (MLR) improvement – from 98.4% to 97.4%.

The ALR is at 6.9% compared to the 2019 budget of 7.4%. The 2019 actual administrative expense is extremely low due to higher than anticipated post-restructure FTE turnover, as well as delay of some large expenditures. The admin budget trend from 2015 through 2018 shows a double-digit increase, however, staff was able to halt the trend in 2019 with only a nominal 1% increase budgeted and actual 2019 forecast showing an ALR of 7% below the budget. Our per-member-per-month (PMPM) rate for admin costs is running at about $21.

The projected fund balance at the end of 2020 is $395.0M, which is 732% of the State required Tangible Net Equity (TNE). After subtracting grants, the fund balance is still well above the TNE, but below the Board designated target of $307.8M (300% of monthly capitation).

Compared to the other California health plans, we are in the mid-percentile: 2019 forecast is 841% of the TNE requirement and the 2020 budget is at 732% of TNE. The State’s requirement is that we remain at 200% of TNE or above.

Ms. Sonnenshine solicited feedback from the commissioners about any concerns or questions they may have with regard to any information presented.

Commissioner Conner inquired about the role of the Finance Committee versus the Board and the separation between them; given the provider representatives on both committees who have a vested interest in the subject of provider payments, she questioned what conversations are more appropriate for the Finance Committee versus the Board meetings. She also remarked on the necessity of taking a joint approach since the primary focus for both the Alliance and the providers is on how to best serve the members in the context of limited resources.

Ms. Sonnenshine stated that while the Finance Committee discussions tend to be more in-depth, it is appropriate at the Board level to have discussions concerning subjects of accessibility of services to our members, availability of financial resources for provider reimbursement and adequate staffing at the Alliance to be able to facilitate these services. She added that there had been a recent request from the Board for a five-year forecast and explained that in the rapidly shifting environment of managed health care it might not be
realistic. A two-year forecast, however, is more feasible and staff will present this data to the Finance Committee under the broader payment discussion in 2020. This will also promote the focus of the conversation on long-term health plan sustainability rather than specific provider contracts, where potential conflict could ensue as it did at the October meeting. The good outcome of that debate, however, was the focused collaboration and fervent exchange of ideas between the Alliance’s Provider Services department and the emergency physician groups. Ms. Sonnenshine assured that this collaboration will continue as will the emphasis on forming better relationships and promoting proactive communication with these facilities with the goal of avoiding readmissions or rerouting members to primary care.

Inpatient costs currently present a significant issue to the health plan as a result of 2017 negotiations that granted increases to hospitals which far outpaced the plan’s revenues. The issue was exacerbated by growing complexity in our patient populations, and while there have been no increases in the lengths of stay, the surge in readmissions is notable; this likely points to the shortage of outpatient care, which is an issue that needs to be addressed.

The CEO also notes that while it is important to focus on provider reimbursement and inpatient cost trends, the ultimate emphasis should be on ensuring our revenues from the State are commensurate with our trends to be able to finally achieve break-even performance in the upcoming year.

Ms. Sonnenshine also commended the Board’s strategic decision to allocate funds to the grant program and expressed confidence that these resources will help us address the defining upstream or downstream factors that impact care in our community.

The meeting adjourned at 2:54 p.m.

Respectfully submitted,

Ms. Oksana Chabanenko
Finance Administrative Specialist
Unaudited Financial Highlights for Month Ending December 31, 2019
Preliminary as of 1/31/2020

- The December 2019 Operating Loss for all lines of business stands at $8.0M
- Medical Expenses are unfavorable to budget by $7.9M or 8.1% with an MLR of 101.4%
- Administrative Expenses are favorable to budget by $0.7M or 10.1% with an ALR of 6.4%
- Fund Balance is $452.2M or 8.3 times the minimum Tangible Net Equity (TNE) required by the State

<table>
<thead>
<tr>
<th>Key Indicators</th>
<th>Dec-19 (In $000s)</th>
<th>Dec-19 YTD (In $000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current Actual</td>
<td>Current Budget</td>
</tr>
<tr>
<td><strong>Enrollment</strong></td>
<td>334,316</td>
<td>343,932</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>103,228</td>
<td>102,030</td>
</tr>
<tr>
<td><strong>Medical Expenses</strong></td>
<td>104,663</td>
<td>96,787</td>
</tr>
<tr>
<td><strong>Administrative Expenses</strong></td>
<td>6,584</td>
<td>7,325</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>(8,019)</td>
<td>(2,081)</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>(7,922)</td>
<td>(4,230)</td>
</tr>
<tr>
<td><strong>MLR %</strong></td>
<td>101.4%</td>
<td>94.9%</td>
</tr>
<tr>
<td><strong>ALR %</strong></td>
<td>6.4%</td>
<td>7.2%</td>
</tr>
<tr>
<td><strong>Operating Income %</strong></td>
<td>-7.8%</td>
<td>-2.0%</td>
</tr>
<tr>
<td><strong>Net Income %</strong></td>
<td>-7.7%</td>
<td>-4.1%</td>
</tr>
</tbody>
</table>

Report from the Chief Financial Officer
February 26, 2020
Enrollment. December 2019 enrollment is unfavorable to budget by 2.8%. By county, Monterey is unfavorable to budget by 6.7%, followed by Santa Cruz by 1.8%, while Merced is favorable to budget by 1.9%. The unfavorability in Member Months is primarily driven by the “Family/Adult 0-19” Category of Aid, which accounts for 38.4% of the decrease.

Enrollment Actual vs. Budget (based on actual enrollment trend for Dec-19 YTD)

Revenue. December 2019 Medi-Cal capitation revenue is $103.0M, which is favorable to budget by $1.2M or 1.1%. A recoupment of $2.3M in Medi-Cal capitation revenue was recognized due to a Department of Health Care Services (DHCS) audit finding that Plans received capitation payments for Medi-Cal members after they were deceased for the periods from August 2011 to August 2018.

December 2019 year-to-date (YTD) capitation revenue is favorable to budget by $15.6M or 1.3%. The YTD capitation revenue increased by $39.1M due to increases in rates for SFY 2019-20. This increase in revenue is partially offset by $23.6M due to lower enrollment.

Dec-19 YTD Capitation Revenue Summary (In $000s)

<table>
<thead>
<tr>
<th>County</th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
<th>Variance Due to Enrollment</th>
<th>Variance Due to Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santa Cruz</td>
<td>269,449</td>
<td>268,025</td>
<td>1,423</td>
<td>(3,708)</td>
<td>5,132</td>
</tr>
<tr>
<td>Monterey</td>
<td>532,373</td>
<td>528,724</td>
<td>3,649</td>
<td>(19,402)</td>
<td>23,051</td>
</tr>
<tr>
<td>Merced</td>
<td>416,620</td>
<td>406,121</td>
<td>10,499</td>
<td>(450)</td>
<td>10,949</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,218,441</strong></td>
<td><strong>1,202,870</strong></td>
<td><strong>15,571</strong></td>
<td><strong>(23,560)</strong></td>
<td><strong>39,131</strong></td>
</tr>
</tbody>
</table>

Note: Excludes Dec-19 YTD In-Home Supportive Services premiums revenue of $2.9M
Medical Expenses. December 2019 YTD Medical Expenses are $1.2B, which is unfavorable to budget by $39.3M or 3.4%, with an MLR of 99.3%. Inpatient Services (Hospital) are unfavorable by $59.8M or 17.7%, Inpatient Services (LTC) are unfavorable by $10.7M or 8.0%, and Other Medical Costs are unfavorable by $25.8M or 13.6%. Expenses are partially offset by favorability in Physician Services of $33.8M or 14.2%, Outpatient Facility favorability of $13.0M or 15.3%, and Pharmacy favorability of $10.2M or 5.4%.

Administrative Expenses. December 2019 YTD Administrative Expenses are favorable to budget by $8.9M or 10.0%, with an ALR of 6.6%. Favorability is driven by Salaries, Wages and Benefits of $2.7M, Professional Fees of $2.0M and Supplies & Other of $2.4M.

Non-Operating Revenue. December 2019 YTD Total Non-Operating Revenue is favorable to budget by $8.9M or 103.1% and consists of $11.1M in interest income, $5.3M in unrealized investment gain, and $1.0M in rental income for a total of $17.4M. Unrealized gains or losses will not be realized unless the bonds are sold prior to their maturity. The bonds have been bought with the intention of holding them to maturity. If held to maturity, unrealized gains or losses would be completely reversed.

Non-Operating Expenses. December 2019 YTD Total Non-Operating Expenses are favorable to budget by $21.6M or 62.1%. There is currently $160.3M in the Grant program, which is a non-operating expense.

Non-Operating Revenue/Expenses. December 2019 YTD Non-Operating Revenue of $17.4M was offset by $13.1M in grant distribution, resulting in a Net Non-Operating Income of $4.3M.

Fund Balance. The Fund Balance is now $452.2M, which is 8.3 times the minimum TNE requirement established by the State of $54.5M. The Alliance’s reserves without grants are $291.9M, which is $13.8M or 4.5% below the Board Designated Reserves Target requirement established by the Board.

Health Care Expense Reserve. The Plan’s Health Care Expense Reserve is $305.7M, an increase from the prior reporting period of $0.3M. This line on the Alliance’s Balance Sheet reflects three times capitation premiums and prior year adjustments.
<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$78,075</td>
</tr>
<tr>
<td>Restricted Cash</td>
<td>301</td>
</tr>
<tr>
<td>Short Term Investments</td>
<td>361,254</td>
</tr>
<tr>
<td>Receivables</td>
<td>257,693</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>1,999</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>7,437</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>$706,760</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Building, Land, Furniture &amp; Equipment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Assets</td>
<td>$80,614</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(29,933)</td>
</tr>
<tr>
<td>CIP</td>
<td>3,583</td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td><strong>54,264</strong></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$761,023</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$86,134</td>
</tr>
<tr>
<td>IBNR/Claims Payable</td>
<td>183,533</td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>90</td>
</tr>
<tr>
<td>Estimated Risk Share Payable</td>
<td>10,164</td>
</tr>
<tr>
<td>Other Current Liabilities</td>
<td>4,977</td>
</tr>
<tr>
<td>Due to State</td>
<td>23,950</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>$308,848</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fund Balance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balance - Prior</td>
<td>$519,821</td>
</tr>
<tr>
<td>Retained Earnings - CY</td>
<td>(67,646)</td>
</tr>
<tr>
<td><strong>Total Fund Balance</strong></td>
<td><strong>452,175</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities &amp; Fund Balance</strong></td>
<td><strong>$761,023</strong></td>
</tr>
</tbody>
</table>
### CENTRAL CALIFORNIA ALLIANCE FOR HEALTH

#### Income Statement - Actual vs. Budget

For Month Ending December 31, 2019  
Unaudited Preliminary results as of 1.31.20  
(In $000s)

<table>
<thead>
<tr>
<th>Member Months</th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
<th>%</th>
<th>YTD Actual</th>
<th>YTD Budget</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>334,316</td>
<td>343,932</td>
<td>(9,616)</td>
<td>-3%</td>
<td>4,086,720</td>
<td>4,153,556</td>
<td>(66,836)</td>
<td>-2%</td>
<td></td>
</tr>
</tbody>
</table>

#### Capitation Revenue

Capitation Revenue Medi-Cal:
- $102,969  
- $101,804  
- $1,165  
- 1%

Premiums Commercial:
- 260  
- 226  
- 33  
- 15%

Total Operating Revenue:
- $103,228  
- $102,030  
- $1,198  
- 1%

#### Medical Expenses

- **Inpatient Services (Hospital)**:
  - $35,828  
  - $27,863  
  - ($7,966)  
  - -29%

- **Inpatient Services (LTC)**:
  - 12,191  
  - 11,100  
  - (1,091)  
  - -10%

- **Physician Services**:
  - 15,798  
  - 19,658  
  - 3,861  
  - 20%

- **Outpatient Facility**:
  - 6,645  
  - 7,039  
  - 394  
  - 6%

- **Pharmacy**:
  - 13,731  
  - 15,519  
  - 1,787  
  - 12%

- **Other Medical**:
  - 20,471  
  - 15,609  
  - (4,862)  
  - -31%

Total Medical Expenses:
- $104,663  
- $96,787  
- ($7,876)  
- -8%

#### Gross Margin

- ($1,435)  
- $5,243  
- ($6,679)  
- -127%

#### Administrative Expenses

- **Salaries**:
  - $4,238  
  - $4,679  
  - $441  
  - 9%

- **Professional Fees**:
  - 112  
  - 288  
  - 176  
  - 61%

- **Purchased Services**:
  - 781  
  - 704  
  - (77)  
  - -11%

- **Supplies & Other**:
  - 788  
  - 704  
  - (84)  
  - -12%

- **Occupancy**:
  - 138  
  - 133  
  - (5)  
  - -4%

- **Depreciation/Amortization**:
  - 526  
  - 644  
  - 118  
  - 18%

Total Administrative Expenses:
- $6,584  
- $7,325  
- $741  
- 10%

#### Operating Income

- ($8,019)  
- ($2,081)  
- ($5,938)  
- -285%

#### Non-Op Income/(Expense)

- **Interest**:
  - $792  
  - $664  
  - $128  
  - 19%

- **Gain/(Loss) on Investments**:
  - $52  
  - (25)  
  - 77  
  - 100%

- **Other Revenues**:
  - 84  
  - 86  
  - (12)  
  - -2%

- **Grants**:
  - (831)  
  - (2,874)  
  - 2,043  
  - 71%

Total Non-Op Income/(Expense):
- $97  
- ($2,149)  
- $2,246  
- 105%

#### Net Income/(Loss)

- ($7,922)  
- ($4,230)  
- ($3,692)  
- -87%

**MLR**
- 101.4%  
- 94.9%

**ALR**
- 6.4%  
- 7.2%

**Operating Income**
- -7.8%  
- -2.0%

**Net Income %**
- -7.7%  
- -4.1%
CENTRAL CALIFORNIA ALLIANCE FOR HEALTH  
Statement of Cash Flow  
For Month Ending December 31, 2019  
Unaudited Preliminary results as of 1.31.20  
(In $000s)

<table>
<thead>
<tr>
<th></th>
<th>MTD</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>$(7,922)</td>
<td>$(67,646)</td>
</tr>
<tr>
<td>Items not requiring the use of cash: Depreciation</td>
<td>526</td>
<td>6,368</td>
</tr>
<tr>
<td>Adjustments to reconcile Net Income to Net Cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes to Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>(9,802)</td>
<td>(109,748)</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>633</td>
<td>60</td>
</tr>
<tr>
<td>Current Assets</td>
<td>1,394</td>
<td>(6,407)</td>
</tr>
<tr>
<td>Net Changes to Assets</td>
<td>$(7,775)</td>
<td>$(116,095)</td>
</tr>
<tr>
<td>Changes to Payables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$14,454</td>
<td>$54,841</td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>(2,716)</td>
<td>(2,027)</td>
</tr>
<tr>
<td>Other Current Liabilities</td>
<td>222</td>
<td>(336)</td>
</tr>
<tr>
<td>Incurred But Not Reported Claims/Claims Payable</td>
<td>(352)</td>
<td>31,562</td>
</tr>
<tr>
<td>Estimated Risk Share Payable</td>
<td>833</td>
<td>(5,001)</td>
</tr>
<tr>
<td>Due to State</td>
<td>(89)</td>
<td>(1,593)</td>
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<tr>
<td>Net Changes to Payables</td>
<td>$12,352</td>
<td>$77,445</td>
</tr>
<tr>
<td>Net Cash Provided by (Used in) Operating Activities</td>
<td>$4,577</td>
<td>$(38,650)</td>
</tr>
<tr>
<td>Change in Investments</td>
<td>$27,918</td>
<td>51,321</td>
</tr>
<tr>
<td>Other Equipment Acquisitions</td>
<td>(1,237)</td>
<td>(4,330)</td>
</tr>
<tr>
<td>Net Cash Provided by (Used in) Investing Activities</td>
<td>$26,680</td>
<td>$46,992</td>
</tr>
<tr>
<td>Net Increase (Decrease) in Cash &amp; Cash Equivalents</td>
<td>$23,861</td>
<td>$(52,936)</td>
</tr>
<tr>
<td>Cash &amp; Cash Equivalents at Beginning of Period</td>
<td>$54,214</td>
<td>$131,012</td>
</tr>
<tr>
<td>Cash &amp; Cash Equivalents at December 31, 2019</td>
<td>$78,075</td>
<td>$78,075</td>
</tr>
</tbody>
</table>