Finance Committee Meeting Agenda

October 2, 2024: 8:00 a.m. – 9:30 a.m.

In-person Locations:
Partnership's Fairfield Office located at 4605 Business Center Drive, Fairfield, CA (Conference Center)
Partnership's Redding Office located at 2525 Airpark Dr., Redding, CA
Partnership's Santa Rosa Office located at 495 Tesconi Circle, Santa Rosa, CA
Partnership's Eureka Office located at 1036 5th Street, Eureka, CA
Partnership's Auburn Office located at 281 Nevada Street, Auburn, CA

Finance Committee Members: Jonathan Andrus**,** Jayme Bottke, Dave Jones, Chair, Ryan Gruver, 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 1, 2024. 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	*Chair*
1.4	***ACTION:*** Approval of Finance Committee Minutes from September 18, 2024	2-7	*Chair*
1.5 **Commissioner Comment**			*Chair*
1.6 **Public Comment**			*Public*
New Business			
2.1	***ACTION:*** Resolution to Accept the Moss Adams Audit Report for FY 2023-2024; This resolution accepts the audit report completed by Moss Adams on Partnership's financial statements for the period July 1, 2023 to June 30, 2024.	8-61	*Moss Adams Auditors; Rianne Suico and Chris Pritchard*
2.2	***INFORMATION:*** Finance Update		*Jennifer Lopez*
2.3	***ACTION:*** Request for Hospital Advance	62-63	*Jennifer Lopez*
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 Board Clerk 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 Board Clerk 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 Clerk 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:
Partnership's Southeast Office located at 4605 Business Center Drive, Fairfield, CA
Partnership's Eastern Office located at 281 Nevada Street, Auburn, CA
Partnership's Northwest Office located at 1036 Fifth Street, Eureka, CA
Partnership's Northeast Office located at 2525 Airpark Drive, Redding, CA
Partnership's Southwest Office located at 495 Tesconi Circle, Santa Rosa, CA
Partnership's Chico Office located at 2760 Esplanade Ave, Suite 130, Chico, CA

On
September 18, 2024

Members Present: Jayme Bottke, Ryan Gruver, Alicia Hardy, Randall Hempling, Dave Jones, Chair, Kathryn Powell Nancy Starck, Nolan Sullivan
Members Excused: Jonathon Andrus
Staff: Alexandra Chappell, Joe Chiminiello, Wendell Coats, Marisa Dominguez, Curtis Hardwick, John Lemoine, Jennifer Lopez, Jose Puga, Tim Sharp, Ashlyn Scott, Rebecca Stark, Amy Turnipseed, Colleen Valenti, Diane Walton, Lori Williams

AGENDA ITEM		MOTION / ACTION
1.2 Roll Call	Ashlyn Scott, Clerk of the Commission, called the roll and announced there was a quorum.	None
1.3 Approval of Agenda	Chairman Jones asked if anyone had changes to the agenda. Hearing none, he asked for a motion to approve the agenda.	*Commissioner Starck moved to approve the agenda as presented, seconded by Commissioner Sullivan.* ***ACTION SUMMARY:*** *Yes: 8* *No: 0*

		Abstention: 0 *Excused: 1 (Andrus)* **MOTION CARRIED**
1.4 Approval of the August 21, 2024 Finance Committee Meeting Minutes	Chairman Jones asked if anyone had changes to the August 21, 2024 minutes. Hearing none, Chairman Jones asked for a motion to approve the minutes.	*Commissioner Starck moved to approve the minutes as presented seconded by Commissioner Sullivan.* ***ACTION SUMMARY:*** *Yes: 8* *No: 0* *Abstention: 0* *Excused: 1 (Andrus)* **MOTION CARRIED**
1.5 Commissioner Comment & 1.6 Public Comment	Chairman Jones asked if there were any public or commissioner comments. There were none.	None
New Business		
2.1 Resolution to Accept Commissioner Tina Rivera's Resignation from the Partnership Board as a Sonoma County Representative	Katherine Barresi, Acting Chief Executive Officer, announced that Board Commissioner, Tina Rivera, resigned from her position at Sonoma County and the Partnership Board. Since the full Board does not meet in September, the Finance Committee was asked to accept the resignation.	*Commissioner Hardy moved to approve agenda item 2.1 as presented seconded by Commissioner Sullivan.* ***ACTION SUMMARY:*** *Yes: 8* *No: 0* *Abstention: 0* *Excused: 1 (Andrus)* **MOTION CARRIED**
2.2 ACTION: Resolution to Accept the Resignation of Commissioner Dr. Fahan Fadoo, MD from the Partnership Board and Finance Committee as a	Ms. Barresi announced that Board Commissioner, and Finance Committee member, Dr. Farhan Fadoo, resigned from his position at Marin Community Clinics and the Partnership Board. Since the full Board does not meet in September, the Finance Committee was asked to accept his resignation from the Board and Finance Committee.	*Commissioner Powell moved to approve agenda item 2.2 as presented seconded by Commissioner Sullivan.* ***ACTION SUMMARY:*** *Yes: 8*

Marin County Representative		*No: 0* *Abstention: 0* *Excused: 1 (Andrus)* **MOTION CARRIED**
2.3 CEO Report	Ms. Barresi gave a report on the following topics: ***Community Reinvestment Policy*** **–** The Department of Health Care Services (DHCS) has recently released policy guidance for the Community Reinvestment Policy, in alignment with the 2024 contract requirements. The Community Reinvestment Policy mandates that managed care plans allocate a portion of their net income back into the community. Partnership and our sister health plans have concerns regarding the guidance. Notably, DHCS is examining the legal viability and practicality of governance frameworks for overseeing Community Reinvestments, which could alter the responsibilities of Partnership's Board. Additionally, the guidance suggests that health plans base their investments on the number of Medi-Cal beneficiaries they serve. This approach is a concern for Partnership, as areas of our service area have a smaller Medi-Cal membership in relation to the population; yet require substantial community investments. There are also worries that our current programs, such as workforce development, may not be recognized under the policy. The guidance also stipulates that investment projects must be completed within a year, presenting challenges since many of our capital investments take several years to implement. We also would like the ability to respond flexibly to community needs during emergencies, such as natural disasters. Our association, Local Health Plans of California (LHPC), is implementing a robust communication plan that highlights findings from a survey of local health plans, which revealed that local health plans have invested nearly $800 million in California since 2019. Given our extensive experience, we are concerned about losing credit for ongoing projects or needing to halt projects that may not align with the policy. *Commissioner Sullivan echoed the concerns regarding the draft guidance. He inquired whether the Board could draft a communication to DHCS to voice these concerns and suggested Partnership create letter templates for distribution to counties, hospitals, and community partners.* *Ms. Barresi responded that the full Board would discuss the policy at the October meeting. She also proposed the possibility of hosting a webinar or workgroup to address the issue.* *Commissioner Gruver recommended that county partners provide feedback on the policy guidance*	None

during the upcoming DHCS CalAIM listening sessions.

Commissioner Starck requested that the draft guidance be circulated to the Board and inquired about the timeline for DHCS to finalize the policy.

Ms. Barresi clarified that the deadline for stakeholder feedback is September 27, after which the policy is expected to be finalized by the end of the year.

Commissioner Jones raised the question of whether our legislators are aware of the potential negative impact of the policy.

Ms. Barresi confirmed that legislators are informed. She noted that when we shared our concerns, many expressed that they had not realized the broad implications that the policy could have.

PATH Cited Funding– On August 30, DHCS awarded $146.6 million to 133 organizations providing Enhanced Care Management (ECM) and Community Supports services. Of the 133 providers, 49 were in Partnership's service area, which will be beneficial in growing our network. PATH Cited funding is intended to build the capacity and infrastructure for CalAIM providers and can be used on resources such as additional staff, billing systems, and data exchange capabilities. These funds have been a valuable investment in our communities, particularly in workforce development and facilitating the process of non-traditional providers becoming CalAIM providers.

Medicare D-SNP Implementation – Partnership has received DHCS approval for a phased D-SNP implementation. The first phase will include 8 counties: Del Norte, Humboldt, Lake, Mendocino, Marin, Napa, Solano, and Sonoma. We are developing a Model of Care, due in February 2025, and have been focused on expanding our network, with 16 D-SNP provider contracts executed at the time of the meeting. In early September, representatives from the Centers for Medicare and Medicaid Services (CMS) visited Partnership, providing us the opportunity to address their questions and share our concerns.

Commissioner Sullivan inquired about the benefits of having a D-SNP product.

	Ms. Barresi responded that most members who are eligible for both Medi-Cal and Medicare receive their benefits through both Partnership and Fee-For-Service Medicare. This creates a disjointed system and it makes more sense to have a single health plan for our dual-eligible members. *Commissioner Hardy asked why Partnership is expected to implement a D-SNP product again, potentially incurring losses.* *Ms. Barresi responded that financial concerns are part of our rationale for the phased implementation approach. We recognize the financial, regulatory, and access challenges, and we have been collaborating with our actuaries to identify the best opportunities and inform our approach.* *Ms. Lopez added that our actuaries projected that we would likely lose money during the first six years post-D-SNP implementation, but that estimate was based on a model including all 24 counties. We also cannot yet predict enrollment numbers. We will gain insights throughout the first phase that will help inform our future approach.*	
2.4 *ACTION:* Accept July 2024 Metrics and Financials	Jennifer Lopez, Deputy Chief Financial Officer, presented Partnership's metrics and financials for the month ending July 31, 2024, the first month of the fiscal year. Partnership reported a net loss of $2.8 million for the month. We are currently experiencing higher birth counts than expected in our new expansion area, which we will continue to monitor. Transportation utilization is also increasing. Additionally, interest income is favorable by $3.6 million, attributed to higher-than-expected interest rates. Partnership has yet to receive the final rates for the 2024 calendar year, which complicates the budgeting process. As mentioned in the prior Finance Committee meetings, we are using a 13th period to reconcile claims and other estimated costs based on additional run-out data for the year ending June 30, 2024 Adjustments recorded in the 13th period will be reflected in the annual audited financial statements. This month, Partnership received private hospital directed payments, set to be distributed to hospitals in October. Additionally, we anticipate disbursing funding for the calendar year 2023 Voluntary Rate Range program in January. We do not yet have the schedule for calendar year 2024, but we have conducted a webinar for our new expansion partners who will be eligible to participate in the program.	*Commissioner Bottke moved to accept the July Financials as presented, seconded by Commissioner Hardy.* ***ACTION SUMMARY:*** *Yes:8* *No: 0* *Abstention: 0* *Excused: 1 (Andrus)* **MOTION CARRIED**

	Commissioner Gruver inquired about the potential impact of the ballot initiative Prop 35 (MCO Tax) on the health plan. *Ms. Lopez explained that Partnership is liable for the managed care organization tax based on membership, regardless of the initiative's outcome, Partnership will receive revenue to offset this liability in the rates we receive from the state. Prop 35 would mandate that a portion of the MCO tax be allocated to the Medi-Cal rate increases. If the proposition fails, the Administration could reallocate MCO tax funding during the annual budget process. As a public agency, Partnership cannot take a public stance on the proposition.* Ms. Lopez's full report is included in the packet.	
Adjournment	Chairman Jones adjourned the meeting at 8:46AM.	None

Respectfully submitted by:
Ashlyn Scott, Board Clerk

Committee Approval Date: 10/2/2024

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

REGULAR AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable) **Agenda Item Number:**
Meeting Date: October 2, 2024 2.1
Board Meeting Date: October 9, 2024

Resolution Sponsor:
Katherine Barresi, Acting CEO, Partnership HealthPlan of CA

Recommendation by:
Partnership Staff

Topic Description:
Moss Adams has completed their audit of Partnership's financial statements for the period of July 1, 2023 to June 30, 2024. 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 Partnership Staff, the Board is asked to accept the attached Moss Adams Audit Report for the period of July 1, 2023 to June 30, 2024.

REGULAR AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Meeting Date: October 2, 2024
Board Meeting Date: October 9, 2024

Agenda Item Number:
2.1

Resolution Number:
24-

IN THE MATTER OF: ACCEPTING THE MOSS ADAMS AUDIT REPORT FOR THE PERIOD OF JULY 1, 2023 TO JUNE 30, 2024

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, 2023 to June 30, 2024.

PASSED, APPROVED, AND ADOPTED by the Partnership HealthPlan of California this 9th day of October 2024 by motion of Commissioner, seconded by Commissioner, and by the following votes:

AYES: Commissioners:

NOES: Commissioners:

ABSTAINED: Commissioners:

ABSENT: Commissioners:

EXCUSED: Commissioners:

_____
Kim Tangermann, Chair

_____
Date

ATTEST:

BY: _____
Ashlyn Scott, Board Clerk

Report of Independent Auditors and
Financial Statements with Supplementary Information

Partnership Health Plan of California

June 30, 2024 and 2023

Table of Contents

Management's Discussion and Analysis

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, 2024, 2023, and 2022. 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, 2024, 2023, and 2022, and the change between periods:

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

	2024	2023	2022 (As Restated)	Change from 2023 Amount	Change from 2023 Percent	Change from 2022 Amount	Change from 2022 Percent
ASSETS							
Current assets	$ 3,532,429	$ 1,910,811	$ 1,427,191	$ 1,621,617	84.9%	$ 483,620	33.9%
Capital assets, net	133,499	118,903	107,920	14,596	12.3%	10,983	10.2%
Other assets	25,828	15,118	8,388	10,709	70.8%	6,730	80.2%
Net pension asset	4,919	2,961	3,476	1,958	66.1%	(515)	(14.8%)
Total assets	3,696,674	2,047,794	1,546,975	1,648,880	80.5%	500,818	32.4%
DEFERRED OUTFLOWS OF RESOURCES	1,620	2,861	2,885	(1,241)	(43.4%)	(24)	(0.8%)
Total assets and deferred outflows of resources	$ 3,698,294	$ 2,050,655	$ 1,549,860	$ 1,647,639	80.3%	$ 500,794	32.3%
LIABILITIES							
CURRENT LIABILITIES	$ 2,442,227	$ 1,135,614	$ 777,831	$ 1,306,613	115.1%	$ 357,783	46.0%
SUBSCRIPTION LIABILITIES, net of current portion	847	2,018	1,933	(1,171)	(58.1%)	85	4.4%
Total liabilities	2,443,074	1,137,632	779,764	1,305,442	114.8%	357,868	45.9%
DEFERRED INFLOWS OF RESOURCES	7,618	6,617	2,991	1,001	15.1%	3,626	121.2%
NET POSITION							
Invested in capital assets	$ 133,499	$ 118,903	$ 107,921	$ 14,596	12.3%	$ 10,982	10.2%
Restricted	300	300	300	-	-%	-	-%
Unrestricted	1,113,804	787,203	658,884	326,601	41.5%	128,319	19.5%
Total net position	1,247,603	906,406	767,105	341,197	37.6%	139,301	18.2%
Total liabilities, deferred inflows, and net position	$ 3,698,294	$ 2,050,655	$ 1,549,860	$ 1,647,640	80.3%	$ 500,795	32.3%

ASSETS

2023–2024

Total assets increased by $1.65 billion (80.5%) from 2023 to 2024. Current assets increased by $1.62 billion from $1.91 billion in 2023 to $3.53 billion in 2024, primarily in cash and investments. This increase is primarily from the recording of the receivable accruals for Directed Payments, Voluntary Rate Range, and Medi-Cal Managed Care Organizations (MCO) tax revenue which have corresponding offsets in current liabilities; the increase also partially reflects the increase in operating income and non-operating (investment) income for the year. Net pension asset increased by $1.96 million (66.1%) from 2023 to 2024. Deferred outflows of resources decreased by $1.24 million (43.4%) from 2023 to 2024. Refer to Note 9 of the financial statements for additional information.

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.

LIABILITIES

2023–2024

Total current liabilities increased by $1.3 billion from $1.1 billion in 2023 to $2.4 billion in 2024. This increase, primarily in Accounts Payable and Accrued Expenses, can be attributed to the accruals for Directed Payments and Voluntary Rate Range, which is offset in current assets; an additional increase in Accounts Payable can be attributed to the additional MCO tax payable accrued for 2024, which will be addressed in the upcoming sections. Lastly, additional increases can be attributed to the increase in Accrued Claims Payable from the expansion counties.

2022–2023

Total current liabilities increased by $357.8 million from $777.8 million in 2022 to $1.14 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.

NET POSITION

Total net position increased by $341.2 million (37.6%) in 2024 from 2023, and increased by $139.3 million (18.2%) in 2023 from 2022. In 2024, the increase is primarily due to an operating income of $249.1 million and net investment earnings of $92.1 million in 2024. In 2023, the increase is primarily due to an operating income of $90.4 million and net investment earnings of $48.9 million in 2023.

KEY OPERATING INDICATORS

The following table compares key operating indicators for the Health Plan for the years ended June 30, 2024, 2023, and 2022:

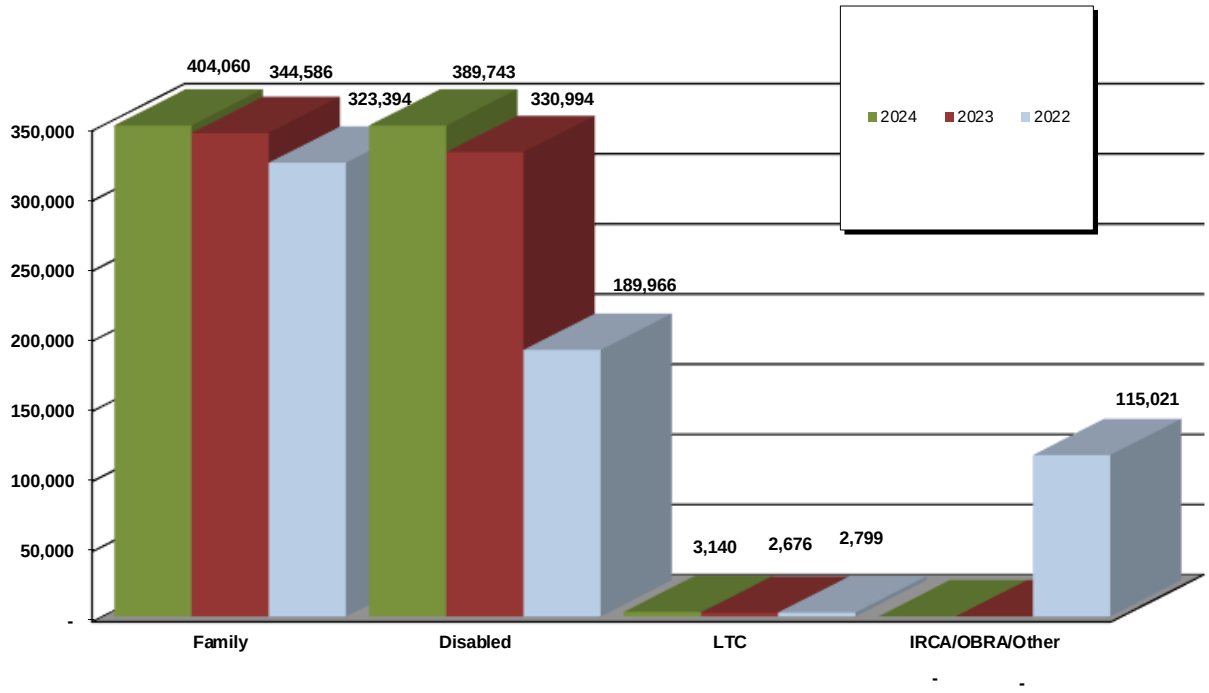
	2024	2023	2022 (As Restated)
MEMBERSHIP			
Member months for the year:			
Medi-Cal program	9,563,314	8,139,058	7,574,159
Total	9,563,314	8,139,058	7,574,159
Average member per month			
Medi-Cal program	796,943	678,255	631,180
Total	796,943	678,255	631,180
OPERATING RESULTS (in thousands)			
Operating revenues	$ 5,640,676	$ 3,698,827	$ 3,308,076
Operating expenses:			
Health care	4,455,620	3,271,089	2,816,658
General and administrative	276,630	245,885	210,188
Premium tax	659,356	91,437	166,250
Total	5,391,606	3,608,412	3,193,096
Operating income	$ 249,069	$ 90,415	$ 114,980
OPERATING RESULTS PER MEMBER PER MONTH			
Operating revenues	$ 589.8	$ 454.5	$ 436.8
Operating expenses:			
Health care	465.9	401.9	371.9
General and administrative	28.9	30.2	27.8
Premium tax	68.9	11.2	21.9
Total	563.7	443.3	421.6
Operating income	$ 26.0	$ 11.1	$ 15.2
RATIOS			
Health care cost as a percentage of operating revenues	79.0%	88.4%	85.1%
General and administrative expense as a percentage of operating revenues	4.9%	6.6%	6.4%
Premium tax as a percentage of operating revenues	11.7%	2.5%	5.0%
Operating income as a percentage of operating revenues	4.4%	2.4%	3.5%

ENROLLMENT

During the years ended June 30, 2024, 2023, and 2022, the Health Plan served Medi-Cal members at an average of 796,943, 678,255, and 631,180, respectively, per month. Enrollment from 2023 to 2024 increased steadily during the year primarily from the additional expansion counties but are offset by decreases from the termination of the global sub-capitation agreement with the Plan; these both occurred effective January 2024.

The following chart displays a comparative view of average monthly membership by Medi-Cal aid category for the years ended June 30, 2024, 2023, and 2022.

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, 2024, 2023, and 2022, and the change from prior year (in thousands):

	2024	2023	2022	Change from 2023 Amount	Change from 2023 Percent	Change from 2022 Amount	Change from 2022 Percent
			(As Restated)				
California Department of Health Care Services							
Capitation revenue	$ 5,608,959	$ 3,649,230	$ 3,285,782	$ 1,959,729	53.7%	$ 363,448	11.1%
Other income	31,717	49,598	22,294	(17,881)	(36.1%)	27,304	122.5%
Total operating revenues	5,640,676	3,698,827	3,308,076	1,941,848	52.5%	390,752	11.8%
Fee for service hospital inpatient, physician, and other services	3,404,458	2,218,400	1,583,762	1,186,058	53.5%	634,638	40.1%
Capitated physician, hospital, and other costs	450,573	578,434	576,925	(127,861)	(22.1%)	1,509	0.3%
Long-term care	551,122	373,012	387,085	178,110	47.7%	(14,073)	(3.6%)
Pharmacy	-	-	183,590	-	-%	(183,590)	(100.0%)
Quality improvement program and hospital stop loss	49,466	101,243	85,296	(51,777)	(51.1%)	15,947	18.7%
Total health care expenses	4,455,620	3,271,089	2,816,658	1,184,530	36.2%	454,431	16.1%
Total general and administrative expenses	276,630	245,885	210,188	30,745	12.5%	35,697	17.0%
Premium tax	659,356	91,437	166,250	567,919	621.1%	(74,813)	(45.0%)
Total operating expenses	5,391,606	3,608,412	3,193,096	1,783,194	49.4%	415,315	13.0%
Operating income	249,069	90,415	114,980	158,653	175.5%	(24,563)	(21.4%)
Investment income	92,127	48,887	1,478	43,240	88.4%	47,409	3,207.5%
Total nonoperating revenues	92,127	48,887	1,478	43,240	88.4%	47,409	3,207.5%
Increase in net position	$ 341,196	$ 139,303	$ 116,458	$ 201,893	144.9%	$ 22,846	19.6%

OPERATING REVENUES

The Health Plan's total operating revenues increased by $1.94 billion (52.5%) for the year ended June 30, 2024. The increase in operating revenues in 2024 is attributable to an increase in membership of 17.5%, which includes the expansion region, resulting in additional revenue of approximately $1.96 billion from fiscal year 2023. The additional increase in revenue can also be attributed to the inclusion of accruals for Directed Payments and Voluntary Rate Range, which are offset by accruals in other healthcare costs. Lastly, a new Medi-Cal Managed Care Organizations (MCO) tax revenue program with increased rates was established at the beginning of fiscal year 2024; these previous MCO tax expired in the middle of fiscal year 2023.

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.

HEALTH CARE EXPENSES

2023–2024

Overall health care expenses increased by $1.18 billion or 36.2%, totaling $4.46 billion in 2024, compared to $3.27 billion in 2023. The Health Plan's health care ratio (health care costs as a percentage of operating revenue) at 79.0% in 2024 decreased, however, from 2023's health care ratio of 88.4%; the calculation of this ratio is affected by the increased revenue – primarily MCO revenue – which is addressed in the Operating Revenues section. 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 $450.6 million in 2024 compared to $578.4 million in 2023, for a decrease of $127.9 million or (22.1%), primarily due to the termination of the global sub-capitation agreement effective January 2024. Quality Improvement Program expenses decreased as well from $101.2 million in 2023 to $49.5 million in 2024 primarily due to the prior year's true-up and decrease in the number of participating providers meeting their performance measures.

- Fee for service expenses for hospital, physician, and other services increased from $2.22 billion in 2023 to $3.40 billion in 2024 due to increases in membership and utilization; the increase is also due to the inclusion of Directed Payments and Voluntary Rate Range, which have an offset in Department of Health Care Services (DHCS) Capitation Revenue. Long-term care fee-for-service expenses increased from $373.0 million in 2023 to $551.1 million in 2024; the increase can be attributed to prior year adjustments to IBNR related to increased utilization. Pharmacy costs are no longer being incurred as the pharmacy program has been carved out effective January 1, 2022.

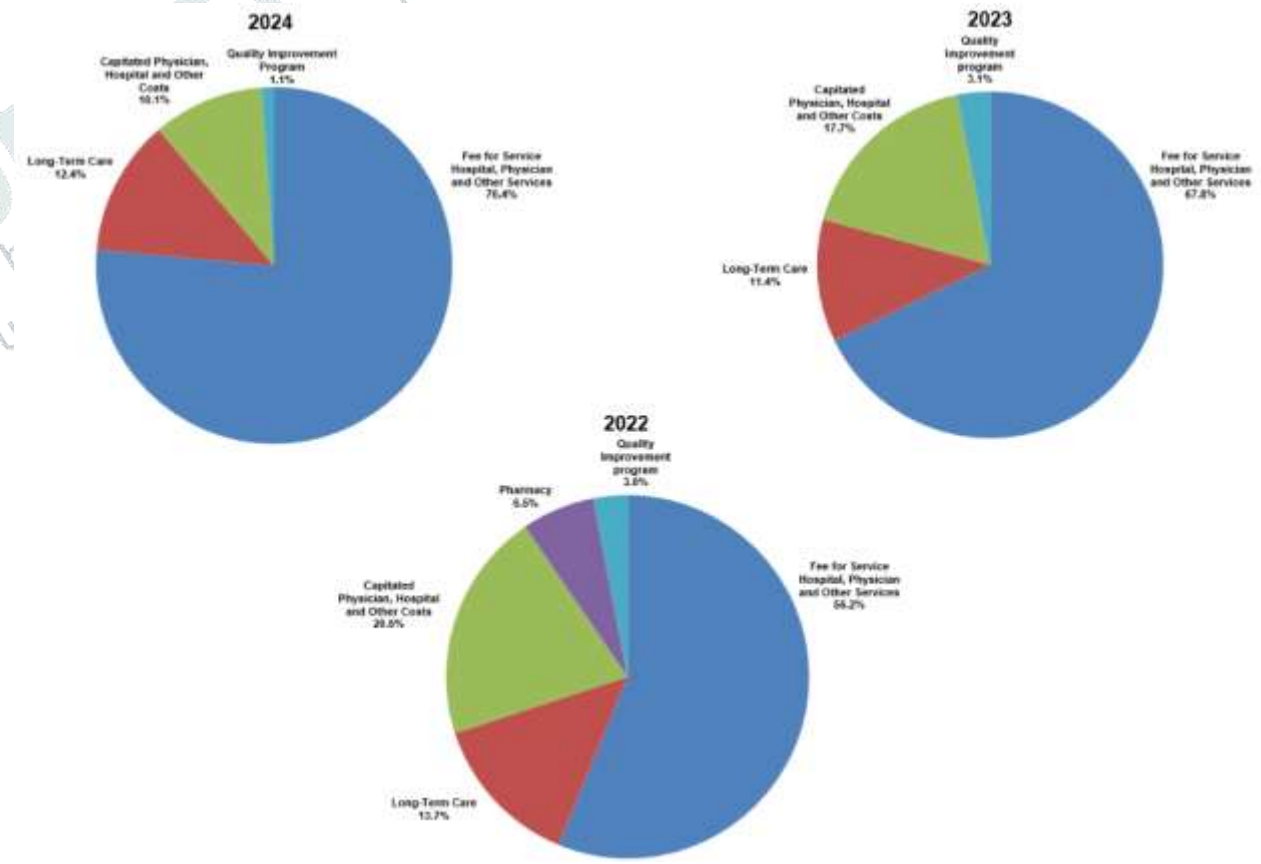
2022–2023

Overall health care expenses increased by $454.4 million or 16.1%, totaling $3.271 billion in 2023, compared to $2.82 billion in 2022. The Health Plan's health care ratio (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; 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.

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, 2024, 2023, and 2022:



GENERAL AND ADMINISTRATIVE EXPENSES AND PREMIUM TAX EXPENSE

Total general and administrative expenses were $276.6 million in 2024, compared to $245.9 million in 2023. Overall administrative expenses increased by 12.5% or $30.7 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 4.9% in 2024 and 6.6% in 2023; the increase in revenue, which also affects the calculation of this ratio, is addressed in the Operating Revenues section.

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.

On March 1, 2016, SB X2-2 established a new 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 (CMS) on April 3, 2020. The effective date range for this approval is January 1, 2020 through December 31, 2022. Effective April 1, 2023, a revised MCO provider tax was established and is in effect through December 31, 2026. The Health Plan's premium tax expense for the years ended June 30, 2024 and 2023 was $659.4 million and $91.4 million, respectively.

NONOPERATING REVENUES

Nonoperating revenues, consisting of net investment income for fiscal years 2024 and 2023 were $92.1 million and $48.9 million, respectively. Increase in nonoperating revenues is due to an increase in interest income from increased interest rates.

LIQUIDITY

As of June 30, 2024, working capital (current assets in excess of current liabilities) was $1.09 billion, compared to $775.2 million at June 30, 2023. The significant increase is due to the current year's operating income.

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.

ECONOMIC FACTORS AND FISCAL YEAR 2025 BUDGET

Given the State's overall budget condition, we continue to anticipate the DHCS will focus on cost efficient spending in managed care and expect pressures to be amplified given the budget shortfall. Historically, plan incurred health care costs were considered in future rate development. However, over the last several years Partnership has faced increased scrutiny from DHCS on contracted health care expense levels, some of which resulted in prior year downward rate adjustments. Given Partnership is an outlier with our inpatient contracting levels in comparison to other Medi-Cal plans across the state, the out-year implementation of regional rate cost averaging heightens concerns regarding future downward rate pressures to Partnership revenue levels and could significantly affect plan finances.

With Partnership's recent coverage area expansion into our 10 new counties in January 2024, there continues to be uncertainty on the revenue rate levels we will receive from DHCS for this expansion area and the associated expenses. The two previous Medi-Cal plans' cost and utilization data continues to influence Partnership's revenue rates for this new region. In October of 2023, the board approved losses of up to $150 million over the first two years of this new contract. Partnership continues to be at risk of sizeable losses tied to this expansion.

Additionally, there is uncertainty on the volume of membership loss Partnership will experience once all Medi-Cal eligibility redeterminations have been completed. This membership uncertainty continues to be a predominant variable associated with plan finances. Overall, the membership is expected to continue to decline slowly through June 2025.

The Health Plan is currently projecting a net loss for fiscal year 2024-25 of $260.7 million. However, given the many uncertainties regarding the 10-county expansion and Medi-Cal redeterminations, the budget may be revised mid-year to incorporate significant new developments. The Health Plan will continue to work through this period of unknowns by engaging in collaborative discussions with the State and Health Plan partners 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 June 30, and the changes in fiduciary net position for the years ended June 30:

	2024	2023
Total assets	$ 20,780,557	$ 18,457,437
Total fiduciary net position	$ 20,780,557	$ 18,457,437
Total additions	$ 3,562,542	$ 1,704,391
Total deductions	(1,239,422)	(965,940)
Increase in fiduciary net position	2,323,120	738,451
Fiduciary net position, beginning of year	18,457,437	17,718,986
Fiduciary net position, end of year	$ 20,780,557	$ 18,457,437

Total fiduciary fund net position as of June 30, 2024, increased by $2.3 million from June 30, 2023, due to plan contributions and a net investment gain for the year ending June 30, 2024.

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, 2024 and 2023, 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, 2024 and 2023, 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.

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 40 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 15 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 ____, 2024

Financial Statements

Partnership Health Plan of California
Statements of Net Position
June 30, 2024 and 2023

	2024	2023
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,295,140,947	$ 1,604,116,396
California Department of Health Care Services receivable	1,192,154,097	271,459,494
Other receivables	33,211,979	24,912,786
Lease receivable, current portion	1,903,599	1,186,819
Other current assets	10,017,878	9,135,628
Total current assets	3,532,428,500	1,910,811,123
CAPITAL ASSETS		
Nondepreciable	47,179,618	47,481,359
Depreciable, net of accumulated depreciation	86,319,215	71,421,772
Total capital assets	133,498,833	118,903,131
OTHER ASSETS	2,343,862	1,961,029
NET PENSION ASSET	4,919,453	2,961,371
LEASE RECEIVABLE, net of current portion	5,798,513	5,189,425
SUBSCRIPTION ASSET, net of amortization	17,685,202	7,967,995
Total assets	3,696,674,363	2,047,794,074
DEFERRED OUTFLOWS OF RESOURCES	1,620,052	2,861,333
Total assets and deferred outflows	$ 3,698,294,415	$ 2,050,655,407
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,434,326,199	$ 503,013,515
Payable to the State of California	32,633,113	32,633,113
Accrued claims payable	886,017,427	494,469,581
Quality improvement program	89,250,080	105,498,279
Total current liabilities	2,442,226,819	1,135,614,488
SUBSCRIPTION LIABILITIES, net of current portion	846,976	2,017,951
Total liabilities	2,443,073,795	1,137,632,439
DEFERRED INFLOWS OF RESOURCES	7,617,910	6,616,582
NET POSITION		
Invested in capital assets	133,498,833	118,903,131
Restricted	300,000	300,000
Unrestricted	1,113,803,877	787,203,255
Total net position	1,247,602,710	906,406,386
Total liabilities, deferred inflows, and net position	$ 3,698,294,415	$ 2,050,655,407

See accompanying notes.

Partnership Health Plan of California
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2024 and 2023

	2024	2023
OPERATING REVENUES		
California Department of Health Care Services revenue	$ 5,608,959,006	$ 3,649,229,563
Other income	31,716,652	49,597,596
Total operating revenues	5,640,675,658	3,698,827,159
OPERATING EXPENSES		
Health care expenses		
Fee for service hospital, physician, and other services	3,404,458,422	2,218,400,461
Capitated physician, hospital, and other costs	450,572,781	578,434,026
Long-term care	551,122,436	373,011,946
Quality improvement program and hospital stop loss	49,466,395	101,243,329
Total health care expenses	4,455,620,034	3,271,089,762
General and administrative expenses	276,630,351	245,885,134
Premium tax	659,355,957	91,437,498
Total operating expenses	5,391,606,342	3,608,412,394
Operating income	249,069,316	90,414,765
NONOPERATING REVENUES		
Investment income	92,127,008	48,887,478
Total nonoperating revenues	92,127,008	48,887,478
INCREASE IN NET POSITION	341,196,324	139,302,243
NET POSITION, beginning of year	906,406,386	767,104,143
NET POSITION, end of year	$ 1,247,602,710	$ 906,406,386

See accompanying notes.

Partnership Health Plan of California
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from California Department of Health Care Services	$ 5,491,931,118	$ 4,024,486,204
Other income	69,700,614	37,425,603
Cash payments to providers for Medi-Cal members		
Capitation payments	(360,792,058)	(507,849,923)
Medical claims payments	(3,770,350,154)	(2,902,263,791)
Cash payments to vendors	(634,420,948)	(181,026,280)
Cash payments for salaries, wages, and related benefits	(157,762,327)	(119,440,526)
Net cash provided by operating activities	638,306,245	351,331,287
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on subscription liabilities	(17,063,242)	(1,289,411)
Purchases of capital assets	(22,180,985)	(17,398,637)
Net cash used in financing activities	(39,244,227)	(18,688,048)
CASH FLOWS FROM INVESTING ACTIVITY		
Interest and dividends on investments	91,962,533	48,337,559
Net cash provided by investing activity	91,962,533	48,337,559
INCREASE IN CASH AND CASH EQUIVALENTS	691,024,551	380,980,798
CASH AND CASH EQUIVALENTS, beginning of year	1,604,116,396	1,223,135,598
CASH AND CASH EQUIVALENTS, end of year	$ 2,295,140,947	$ 1,604,116,396

See accompanying notes.

Partnership Health Plan of California
Statements of Cash Flows (Continued)
Years Ended June 30, 2024 and 2023

	2024	2023
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 249,069,316	$ 90,414,765
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	7,585,282	6,416,084
Changes in operating assets and liabilities		
California Department of Health Care Services receivable	(920,694,603)	(91,879,770)
Other receivables	(8,134,718)	(7,243,765)
Lease receivables	(1,325,868)	(3,531,567)
Other assets	(10,982,290)	(9,025,243)
Net pension asset	284,527	4,162,922
Accounts payable and accrued expenses	947,204,952	307,543,898
Accrued claims payable	391,547,846	36,501,626
Quality improvement program	(16,248,199)	17,972,337
Net cash provided by operating activities	$ 638,306,245	$ 351,331,287
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for premium tax	$ 504,426,233	$ 141,843,475

See accompanying notes.

Partnership Health Plan of California
Partnership Health Plan of California Supplemental Executive Retirement Plan – Statements of Fiduciary Net Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	$ 570,894	$ 825,642
Investments, at fair value		
Mutual funds	20,209,663	17,631,795
Total investments, at fair value	20,209,663	17,631,795
Total assets	$ 20,780,557	$ 18,457,437
NET POSITION RESTRICTED FOR PENSIONS	$ 20,780,557	$ 18,457,437

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, 2024 and 2023

	2024	2023
ADDITIONS		
Contributions		
Member contributions	$ 210,692	$ 120,548
Employer contributions	1,463,028	464,413
Total contributions	1,673,720	584,961
Investment income	1,888,822	1,119,430
Total additions	3,562,542	1,704,391
DEDUCTIONS		
Benefits paid to participants	(1,168,179)	(878,858)
Administrative expenses	(71,243)	(87,082)
Total deductions	(1,239,422)	(965,940)
INCREASE IN NET POSITION	2,323,120	738,451
NET POSITION RESTRICTED FOR PENSION, beginning of year	18,457,437	17,718,986
NET POSITION RESTRICTED FOR PENSION, end of year	$ 20,780,557	$ 18,457,437

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 twenty-four (24) counties: Butte, Colusa, Del Norte, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba. 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 its fourteen (14) counties into two regions, which are in alignment with the two CDHCS rating regions. Beginning January 2024, the Health Plan expanded into ten (10) additional counties, which comprised a third region.

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. Extensions of the program were approved by the Centers for Medicare and Medicaid Services are as follows: 1) HQAF VI, covering July 1, 2019–December 31, 2021; 2) HQAF VII, covering January 1, 2022-December 31, 2022; and 3) HQAF VIII, covering January 1, 2023-December 31, 2024.

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 2028. In fiscal year 2024, the total subscription payments were $17,063,242. 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, 2024 and 2023. The Health Plan is in the process of entering into additional subscription agreements that have yet to commence as of June 30, 2024.

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.

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, 2024 and 2023, $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 $794,531,104 and $244,198,746 for Directed Payments, $265,991,304 and $80,666,799 for Voluntary Rate Range, and $157,480,957 and $0 for MCO Tax respectively, as of June 30, 2024 and 2023. 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, 2024 and 2023. 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, 2024 and 2023, the Health Plan's Board of Commissioners has designated $170,058,631 and $117,343,975, 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 $1,294,748,689 and $1,092,714,472 as of June 30, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023.

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. Effective April 1, 2023, a revised MCO provider tax was established and is in effect through December 31, 2026.

Premium tax expense for the years ended June 30, 2024 and 2023 was $659,355,957 and $91,437,498, 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, 2024 and 2023, the Health Plan had cash and deposits with four (4) financial institutions. Cash deposits had carrying amounts of $2,295,140,947 and $1,604,116,396, respectively, and bank balances of $2,335,744,150 and $1,636,834,734, respectively. Of the bank balances at June 30, 2024 and 2023, $194,633,006 and $188,221,270, 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 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 adopted 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:

	2024	2023
Cash on hand	$ 3,300	$ 3,300
Cash deposits	2,102,878,427	1,417,344,803
Cash equivalents	192,259,220	186,768,293
Certificates of deposit	300,000	300,000
Total cash and investments	$ 2,295,440,947	$ 1,604,416,396

The investments balance consisting of certificates of deposit of $300,000 as of June 30, 2024 and 2023, 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, 2024 and 2023, 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 $2,292,081,484 and $1,601,089,342, 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, 2024 and 2023, 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, 2024		June 30, 2023	
Investment Type	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Certificates of deposit	$ 300,000	0.58	$ 300,000	1.58
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, 2024:

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, 2023:

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, 2024 and 2023.

Note 4 – Capital Assets

A summary of changes in capital assets for the years ended June 30, 2024 and 2023 is as follows:

	Beginning Balance 2024	Increases	Decreases	Transfers/Reclass	Ending Balance 2024
Motor vehicles	$ 221,830	$ 266,630	$ (26,348)	$ -	$ 462,112
Equipment	48,463,104	1,401,622	(22,293,098)	-	27,571,628
Furniture	7,518,859	-	(976,028)	473,051	7,015,882
Leasehold improvements	962,374	-	(838,086)	-	124,288
Land	6,767,292	-	-	-	6,767,292
Building	55,932,087	12,039,758	-	-	67,971,845
Building improvements	31,455,076	1,909,770	(132,576)	6,391,895	39,624,165
Capital projects	40,714,067	6,563,205	-	(6,864,946)	40,412,326
Total capital assets	192,034,689	22,180,985	(24,266,136)	-	189,949,538
Less: depreciation expense and accumulated depreciation related to disposals	(73,131,559)	(7,585,282)	24,266,136	-	(56,450,705)
Capital assets, net of accumulated depreciation	$ 118,903,130	$ 14,595,703	$ -	$ -	$ 133,498,833

	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

Depreciation and amortization expense included in general and administrative expenses were $7,585,282 and $6,416,084 for the years ended June 30, 2024 and 2023, 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:

	2024	2023
Beginning balance	$ 494,469,581	$ 457,967,956
Incurred	3,217,359,142	2,269,013,964
Paid	(2,825,811,296)	(2,232,512,339)
Ending balance	$ 886,017,427	$ 494,469,581

Accrued claims liability increased by $391.5 million in comparison to the previous year. $391.9 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 and also reflects increased accruals resulting from the additional expansion counties. An additional increase of $70.7 million is for the accruals for the new Targeted Rate Increase for calendar year 2024. These increases are offset by a net decrease in the Proposition 56 State directed supplemental payment liability; total payments were greater than total accruals during the year resulting in a net decrease of $71.1 million in the liability.

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, 2024 and 2023, the Health Plan has accrued $89,250,080 and $105,498,279, 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, 2024 and 2023, the Health Plan recognized $1,820,385 and $991,908, respectively, 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 $180,725 and $175,505 for the years ending June 30, 2024 and 2023, 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, 2024 and 2023:

	Balance July 1, 2023	Increase	Decrease	Balance June 30, 2024
Subscription assets	$ 9,689,320	$ 12,336,102	$ -	$ 22,025,422
Less accumulated amortization	(1,721,325)	(2,618,895)	-	(4,340,220)
Subscription assets, net	$ 7,967,995	$ 9,717,207	$ -	$ 17,685,202

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

For the years ended June 30, 2024 and 2023, the Health Plan recognized $2,618,895 and $1,171,447, respectively, in amortization expense.

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

	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion
2024	$ 3,323,070	$ 16,088,250	$ 17,063,242	$ 2,348,078	$ 1,501,102

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

The future principal and interest subscription payments as of June 30, 2024, are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 1,492,131	$ 15,429	$ 1,507,560
2026	503,777	-	503,777
2027	343,199	-	343,199
	$ 2,339,107	$ 15,429	$ 2,354,536

The Health Plan evaluated the subscription assets for impairment and determined there was no impairment for the years ended June 30, 2024 and 2023.

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 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 20.65% and 7.34% in 2024 and 2023, 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, 2024 and 2023:

	Level 1	Level 2	Level 3	Fair Value Measurement at June 30, 2024
Investments by fair value level				
Mutual funds	$ 20,209,663	$ -	$ -	$ 20,209,663
Total investments	$ 20,209,663	$ -	$ -	$ 20,209,663

	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

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

	2024	2023
Retired and beneficiaries	7	7
Inactive	1	1
Active	18	18
Total participants	26	26

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:

	2024	2023
Pension cost		
Service cost	$ 528,958	$ 464,152
Interest on total pension liability	1,004,259	927,860
Administrative expenses	71,243	87,082
Member contributions	(210,692)	(120,548)
Expected investment return, net of investment expenses	(1,213,626)	(1,139,547)
Recognition of deferred outflows of resources		
Recognition of economic/demographic gains	299,833	328,270
Recognition of assumption changes	(9,794)	(27,575)
Recognition of investment gains	226,667	384,228
Total pension cost	$ 696,848	$ 903,922

	2024	2023
Deferred outflows of resources as of June 30		
Difference between expected and actual experience	$ 1,085,254	$ 1,407,805
Changes in assumptions	54,687	71,554
Net difference between projected and actual earnings on pension plan investments	480,111	1,381,974
Total	$ 1,620,052	$ 2,861,333
Deferred inflows of resources as of June 30		
Difference between expected and actual	$ (38,618)	$ (61,336)
Changes in assumptions	-	(26,661)
Total	$ (38,618)	$ (87,997)

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,	
2025	$ 377,527
2026	826,455
2027	81,977
2028	17,747
2029	152,787
Thereafter	124,941
	$ 1,581,434

The following table summarizes changes in pension liability (asset) for the fiscal year ended June 30, 2024:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, June 30, 2023	$ 15,496,066	$ 18,457,437	$ (2,961,371)
Changes during the year			
Service cost	528,958	-	528,958
Interest on the total pension asset	1,004,259	-	1,004,259
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Effect of assumptions, changes, or inputs			-
Benefit payments, including refunds of employee contributions	(1,168,179)	(1,168,179)	-
Contributions - employer		1,463,028	(1,463,028)
Contributions - members		210,692	(210,692)
Net investment income		1,888,822	(1,888,822)
Administrative expenses		(71,243)	71,243
Net change in total pension liability (asset)	365,038	2,323,120	(1,958,082)
Balance, June 30, 2024	$ 15,861,104	$ 20,780,557	$ (4,919,453)
Total pension liability			$ 15,861,104
Plan fiduciary net position			20,780,557
Net pension asset			$ (4,919,453)
Plan fiduciary net position as a percentage of the total pension liability			131.02%
Covered-employee payroll			$7,083,809
Plan net pension asset as of a percentage of covered-employee payroll			-69.45%

The following table summarizes changes in pension 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 the actuarial assumptions used to determine net pension (asset) liability and plan fiduciary net position as of June 30, 2024:

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, 2024:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Total pension liability	$17,478,722	$15,861,104	$14,481,791
Fiduciary net position	20,780,557	20,780,557	20,780,557
Net pension asset	$ (3,301,835)	$ (4,919,453)	$ (6,298,766)

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)

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 $170,058,631 and $117,343,975 at June 30, 2024 and 2023, respectively. The Health Plan's tangible net equity was $1,247,602,710 and $906,406,386, at June 30, 2024 and 2023, 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, 2024

	Actual	Budget	Variance Revenue/ Expense Over (Under)
OPERATING REVENUES			
California Department of Health Care Services revenue	$ 5,608,959,006	$ 5,359,625,695	$ 249,333,311
Other income	31,716,652	66,172,004	(34,455,352)
Total operating revenues	5,640,675,658	5,425,797,699	214,877,959
OPERATING EXPENSES			
Health care expenses			
Fee for service hospital, physician, and other services	3,404,458,422	3,456,884,938	(52,426,516)
Capitated physician, hospital, and other costs	450,572,781	463,981,640	(13,408,859)
Long-term care	551,122,436	553,326,036	(2,203,600)
Quality improvement program and hospital stop loss	49,466,395	110,672,090	(61,205,695)
Total health care expenses	4,455,620,034	4,584,864,704	(129,244,670)
GENERAL AND ADMINISTRATIVE EXPENSES			
Other admin expenses	59,003,467	59,200,476	(197,009)
Employee expenses	147,047,959	157,192,659	(10,144,700)
Travel/meeting/meals expenses	1,165,550	1,834,105	(668,555)
Occupancy costs	13,802,851	18,754,294	(4,951,443)
Operating costs	8,128,956	9,717,418	(1,588,462)
Professional services	23,773,198	27,841,103	(4,067,905)
Computer and data expenses	23,708,370	21,529,546	2,178,824
Total general and administrative expenses	276,630,351	296,069,601	(19,439,249)
Premium tax	659,355,957	659,530,616	(174,659)
Total operating expenses	5,391,606,342	5,540,464,921	(148,858,579)
Operating income	249,069,316	(114,667,222)	363,736,538
NONOPERATING REVENUES			
Investment income	92,127,008	79,186,504	12,940,504
Total nonoperating revenues	92,127,008	79,186,504	12,940,504
INCREASE IN NET POSITION	341,196,324	(35,480,718)	376,677,042
NET POSITION, beginning of year	906,406,386	906,406,386	-
NET POSITION, end of year	$ 1,247,602,710	$ 870,925,668	$ 376,677,042

Supplementary Pension Benefit Information

Partnership Health Plan of California
Supplementary Schedule of Changes in the Net Pension Liability and Related Ratios
Years Ended June 30, 2024 and 2023

	2024	2023
TOTAL PENSION LIABILITY		
Service cost	$ 528,958	$ 464,152
Interest	1,004,259	927,860
Difference between expected and actual experience	-	739,787
Benefit payments, including refunds of employee contributions	(1,168,179)	(878,858)
Net changes in total pension liability	365,038	1,252,941
TOTAL PENSION LIABILITY, beginning of fiscal year	15,496,066	14,243,125
TOTAL PENSION LIABILITY, end of fiscal year	$ 15,861,104	$ 15,496,066
PLAN FIDUCIARY NET POSITION		
Contributions - employer	$ 1,463,028	$ 464,413
Contributions - employee	210,692	120,548
Net investment income	1,888,822	1,119,430
Benefit payments, including refunds of employee contributions	(1,168,179)	(878,858)
Other changes in fiduciary net position	(71,243)	(87,082)
Net changes in fiduciary net position	2,323,120	738,451
PLAN FIDUCIARY NET POSITION, beginning of fiscal year	18,457,437	17,718,986
PLAN FIDUCIARY NET POSITION, end of fiscal year	$ 20,780,557	$ 18,457,437
PLAN NET PENSION LIABILITY	$ (4,919,453)	$ (2,961,371)
PLAN FIDUCIARY NET POSITION as a percentage of the total pension liability	131.02%	119.11%
COVERED EMPLOYEE PAYROLL	$ 7,083,809	$ 6,325,907
PLAN NET PENSION ASSET as of a percentage of covered employee payroll	-69.45%	-46.81%

Partnership Health Plan of California
Supplementary Schedule of Contributions
Years Ended June 30, 2024 and 2023

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%
2024	$ 541,714	$ 1,463,028	$ (921,314)	$ 7,083,809	20.65%

Partnership Health Plan of California

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

Years Ended June 30, 2024 and 2023

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%
2024	10.24%

Communications with Those
Charged with the Commissioners

Partnership Health Plan of California

June 30, 2024

Communications 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, 2024, and have issued our report thereon dated October ____, 2024. 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 May 6, 2024, 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 May 6, 2024.

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, 2024, the Health Plan adopted Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections — an amendment of GASB Statement No. 62*. The adoption had no material impact to the financial statements. 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. 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 and 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 ____, 2024.

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 ___, 2024

AGENDA REQUEST FOR RATIFCATION
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Meeting Date: October 2, 2024
Board Meeting Date: October 9, 2024

Agenda Item Number:
2.3

Resolution Sponsor:
Katherine Barresi, Acting CEO, Partnership Health Plan of CA

Recommendation by:
The Finance Committee and Partnership Staff

Topic Description:
Partnership has received an advance payment request from Surprise Valley Health Care District (Surprise Valley Community Hospital) in the amount of five million dollars ($5,000,000). Surprise Valley Community Hospital is a District Authority-owned hospital located in Cedarville, CA experiencing significant financial hardship, and is seeking temporary financial assistance to help with cash flow for operational purposes over the next couple of months. The advance will ensure Partnership members continue to have access to health care services provided by Surprise Valley Community Hospital. The repayment of the advance will occur in January 2025 through offsetting Surprise Valley Community Hospital's supplemental payments that will be issued by Partnership. The hospital is a licensed 26 bed facility with 4 acute care beds and 22 long term care beds. To ensure access to Partnership members, Partnership staff recommend the approval of this request.

Reason for Resolution:
To obtain Board approval to authorize the $5 million dollar advance payment to Surprise Valley Community Hospital.

Financial Impact:
The net financial impact is $0 to Partnership HealthPlan.

Requested Action of the Board:
Based on the recommendation of the Finance Committee and Partnership Staff, the Board is asked to provide authorization for the Acting CEO to approve the advance request.

AGENDA REQUEST FOR RATIFCATION
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)

Meeting Date: October 2, 2024
October 9, 2024

Agenda Item Number:
2.3

Resolution Number:
24-

IN THE MATTER OF: APPROVAL OF REQUEST FOR HOSPITAL ADVANCE

Recital: Whereas,

A. The Board has authority to approve the hospital advance payment request.

B. The Board is responsible for financial oversight.

Now, Therefore, It Is Hereby Resolved As Follows:

1. To authorize the Acting CEO to approve the hospital advance payment request.

PASSED, APPROVED, AND ADOPTED by the Partnership HealthPlan of California this 9th day of October 2024 by motion of Commissioner, seconded by Commissioner, and by the following votes:

AYES: Commissioners:

NOES: Commissioners:

ABSTAINED: Commissioners:

ABSENT: Commissioners:

_____
Kim Tangermann, Chair

_____
Date

BY: _____
Ashlyn Scott, Clerk