Finance Committee Meeting Agenda

April 17, 2024: 8:00 a.m. – 9:30 a.m.

In-person Locations:

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

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

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

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

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

Public Participation

Public comment is welcome during designated "Public Comments" time frames or by emailing comments to the Board Clerk at Board_FinanceClerk@partnershiphp.org by 5:00p.m on April 16, 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	1-2	*Chair*
1.4	***ACTION:*** Approval of Finance Committee Minutes from March 20, 2024	3-8	*Chair*
1.5 **Commissioner Comment**			*Chair*
1.6 **Public Comment**			*Public*
New Business			
2.1	***ACTION:*** Appointment of Jayme Bottke, Tehama County, to the Finance Committee	9-10	*Sonja Bjork*
2.2	***INFORMATION:*** CEO Health Plan Update	11	*Sonja Bjork*
2.3	***ACTION:*** Approve Budget Revisions for FY 2023-2024	12-15	*Patti McFarland / Jennifer Lopez*
2.4	***ACTION:*** Approve Budget Assumptions for FY 2024-2025	16-23	*Patti McFarland / Jennifer Lopez*

2.5	***ACTION:*** Accept February 2024 Metrics and Financials	24-37	*Patti McFarland / Jennifer Lopez*
Closed Session			
3.1	***Discussion Pursuant to Government Code § 54956.87 Subdivision (c); PROVIDER CONTRACT NEGOTIATIONS***		*Full Committee, Sonja Bjork, Patti McFarland, Wendi Davis, Amy Turnipseed Jennifer Lopez and Ashlyn Scott, Board Clerk*
Adjournment			

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

PHC meeting rooms are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation (including auxiliary aids or services) to participate in this meeting, or who have a disability and wish to request an alternative format for the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting, should contact the Administrative Assistant to the CFO at least two (2) working days before the meeting at 707-863-4516 or by email at *ascott@partnershiphp.org*. Notification in advance of the meeting will enable the Administrative Assistant to make reasonable arrangements to ensure accessibility to this meeting and to materials related to it.

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

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

On
March 20, 2024

Members Present: Jonathon Andrus, Randall Hempling, Dave Jones, Chair, Kathryn Powell, Nancy Starck, Nolan Sullivan (8:17am arrival and absent for action items 1.3 and 1.4)
Members Excused: Alicia Hardy
Staff: Sonja Bjork, Wendell Coats, Wendi Davis, Marisa Dominguez, John Lemoine, Jennifer Lopez, Jay Navarrete, Jose Puga, Amy Turnipseed, Colleen Valenti, Diane Walton, Brent Weinberg, Lori Williams

AGENDA ITEM		MOTION / ACTION
1.2 Roll Call	Colleen Valenti, Assistant Clerk of the Commission, called the roll indicating there was a quorum.	None
1.3 Approval of Agenda	Chairman Jones asked if anyone had changes to the agenda. Hearing no requests for modification, he asked for a motion to approve the agenda.	*Commissioner Hempling moved to approve the agenda as presented, seconded by Commissioner Starck.* ***ACTION SUMMARY:*** *Yes:5* *No: 0* *Abstention: 0* *Excused: 2 (Hardy, Sullivan - 8:14am*

		arrival) **MOTION CARRIED**
1.4 Approval of the January 17, 2024 Finance Committee Meeting Minutes	Chairman Jones asked if anyone had changes to the February 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 Powell .* ***ACTION SUMMARY:*** *Yes:5* *No: 0* *Abstention: 0* *Excused: 1 (Hardy, Sullivan - 8:17am arrival)* **MOTION CARRIED**
1.5 & 1.6 Public and Commissioner Comment	Chairman Jones asked if there were any public or commissioner comments. There were none.	None
New Business		
2.1 CEO Report	Chief Executive Officer, Sonja Bjork, gave a report on the following topics: ***Change Healthcare*** – Change Healthcare suffered a serious cyber security incident. They are the biggest billing platform that many organizations in the healthcare industry use. As soon as Partnership learned of the incident, all connections to them were shut down. When we learned it was safe, we reconnected. Partnership has approximately 1600 providers that use Change Heathcare, mostly smaller FQHCs and some hospitals. We conducted a provider webinar to share information and advised providers of the steps taken to ensure Partnerships systems were not impacted. Partnership stayed up to date on developments and announced that it would be allowing billing exceptions when necessary. Change Healthcare announced they would be able to begin processing claims on March 18. They indicated they would first address billing submissions from larger organizations such as Kaiser, Anthem, etc., with the goal of servicing the backlog from smaller entities by March 25. We addressed provider concerns and issued an advance to one provider. In that instance we reviewed their typical claims submissions to determine the amount of the advance. Claims staff remained at the ready to work overtime once Change Healthcare came back online. Overall Partnership pays over 900,000 claims per month. We did see a small reduction in volume, there was not a substantial impact. ***HHIP –*** Housing and Homelessness Incentive Program (HHIP) is a DHCS initiative that went live January 1, 2022. The state made $1.2B available to plans that could be earned and passed on to counties and other providers for housing, prevention of homelessness and support of unhoused	None

	individuals. We are in Phase 3 of the program now, and are working with counties and street medicine providers, and regularly submitting reports to the state. Based on the last report we submitted, Partnership will receive $31.4M to distribute to counties. The types of measures include proving Partnership maintains relationships with the local continuums of care, as well as submitting attestations that prove we are attending meetings and working together with the counties. We also have to show how many CS and ECM providers are in each county and must be able to prove there is a street medicine program in a given county, and how many people the program served. In addition, Partnership is gathering data on how many members were housed and how many remain housed. To do this, we use different data points to match up who receives services through CS/ECM and then review the data we receive from counties to determine how many individuals remain housed. This submission to the state is an estimate rather than an exact submission. The dollars will be distributed to Partnership in the middle of April and will then be disbursed to counties. Of note, Yolo and Sonoma counties were high performers in this area. ***Legislative Outreach*** **–** Recently we have been meeting in Sacramento with our elected officials or their staffers. With Partnership's new footprint, we felt it was important to meet with new representatives, and reconnect with representatives from regions we were already serving. Amy Turnipseed, Dustin Lyda and Sonja Bjork attend these meetings. Sonja participated in a panel with other CEOs to provide a briefing for key legislative staffers. We met with Assemblymember Aguair-Curry, the Senior Policy Analyst for Senator Niello, the Chief of Staff and Legislative Aide for Assemblymember M. Dahle, Asssemblymember Connolly, Assemblymember Gallagher, Assemblymember Patterson and Senator McGuire. Our CMO, Dr. Robert, Moore testified at a legislative hearing regarding hospital financing. ***Community Benefit*** **–** Partnership's new contract, effective January 2024, focuses heavily on community reinvestments. Partnership has a long history of community reinvestments that include Strategic Use of Reserves and workforce development projects/incentives. DHCS is now mandating that every Medi-Cal managed care plan needs to engage in community reinvestments. The new requirements are very prescriptive. The new program is tied to a health plan's revenue. If a health plan has a net profit DHCS will require they invest between 5% and 7.5% of annual net income in a list of approved community reinvestments. Managed Care Plans will submit their plans to DHCS and DHCS will then decide if the plan is approved. There will be a two-year lookback period. For example, for CY 2024, in 2026, DHCS will determine if Partnership had a positive annual net income, and then determine how much we are required to spend on community reinvestments. We do not have all the details yet, but DHCS is working on an All Plan Letter, which will specify the requirements. Examples of approved initiatives are: Cultivating Improved Health Outcomes; Cultivating a Healthcare Workforce; Cultivate Wellbeing for Priority Populations; Cultivate Local Communities, i.e., education initiatives, employment and training programs and services to address social isolation. Lastly, Partnership can Cultivate Neighborhoods and Built Environments. If the health plan scores low on quality measures, DHCS can require them to invest an additional 7.5% of annual net income in initiatives that will promote higher HEDIS scores/better performance on quality measures. Partnership HealthPlan already makes substantial	

	strategic investments in the communities we serve, such as our workforce development program. Jennifer Lopez and Patti McFarland participate in the state's Small Rate Workgroup, and are advocating the plans receive credit for the investments we are already making. To date however, DHCS not approved this request. Jennifer Lopez noted that we are hearing the same message from other health plans, and are unified in advocacy efforts. *Commissioner Jones asked if DHCS has provided any reasons for their position. Ms. Lopez replied that she believes DHCS wants to be able to review and approve the investment plans submitted in 2026, for the 24-25 lookback period before making a determination.* *Commissioner Hempling noted that he assumes there is not an issue of equity in terms of each county receiving a specific amount of funding to be considered in compliance. Further, there is an opportunity in assuming that the new counties have not had the levels of investments that were made in the legacy counties. The opportunity is to first maintain efforts in the original fourteen counties, but then allocate a sizeable amount of investments and enhance efforts in the new counties. Ms. Bjork clarified that per DHCS, investments must be proportionate to membership in counties. Ms. Lopez and Ms. Mcfarland are advocating to allow Partnership, our Board and other stakeholders to decide where resources should be allocated according to need.* *Commissioner Powell requested to focus on funding projects that will help us ensure that we do not get sanctioned in 2026. Ms. Bjork agreed with Commissioner Powell and noted that we will focus on quality initiatives, which include the health and wellbeing of our members and preventative services.* *Commissioner Starck added that there is an opportunity with investments that we are already making in communities in relation to CHIP/CHA as well initiatives that meet quality requirements to avoid future sanctions.*	
2.2 *ACTION:* Approve Recommended Edits to the Partnership Bylaws	Ms. Turnipseed presented the recommended edits to the Partnership Bylaws to allow Board Commissioners to be employed by an organization that is located within the county they represent. Currently, the Bylaws require Board Commissioners be a legal resident of the county they represent. In addition, the Bylaws require edits to add the ordinance numbers of the ten new counties: Butte, Colusa, Glenn, Nevada, Placer, Plumas, Sierra, Sutter, Yuba and Tehama.	*Commissioner Hempling moved to accept the recommended edits to the Partnership Bylaws as presented, seconded by Commissioner Powell.* ***ACTION SUMMARY:*** *Yes: 6* *No: 0* *Abstention: 0* *Excused: 1 (Hardy)* **MOTION CARRIED**
2.3 *ACTION:* Accept	Jennifer Lopez, Deputy Chief Financial Officer, presented Partnership's Metrics and Financials for	*Commissioner Starck moved to accept*

January 2024 Metrics and Financials	the month ending January 31, 2024. Partnership reported a net surplus of $4.7 million, bringing the year-to-date surplus to $45.7 million. January is the first month where Kaiser members were removed along with any revenue and associated expenses. January also marks the first month of the 10-county expansion revenue, and thus expenses are primarily estimates. We could also see some claims delays due to the Change Healthcare ransomware attack.. Also included are the expanded Medi-Cal eligibility for individuals, aged 26-49, regardless of immigration status, and we are beginning to record revenue and estimated expenses. With regard to the 10-county expansion, Partnership is expected to carry potential losses. It will take a couple months to see the trends in expenses in the new counties. To date we have not heard of any substantial issues, other than the billing issues posed by Change Healthcare. The main issues to watch are suppressed utilization by the two prior Medi-Cal plans. We are beginning to see high inpatient utilization, based on emerging claims, which was expected. Partnership will keep the Finance Committee and Board of Commissioners apprised as we continue to learn more. In healthcare revenue, the MCO Tax is driving the large swing in relation to what was budgeted. In expenses, we are seeing increases in utilization and costs in professional and outpatient services. We are also beginning to see increases in long-term care (LTC). The state has implemented retroactive rate increases for LTC, and we are beginning to see utilization return to pre-COVID levels. Transportation costs have increased, which is viewed as positive, as members are seeing their providers. Administrative costs are favorable, roughly $1.7 million for the month of January. However, due to the 2024 contract requirements, we are working on recruiting to fulfill these requirements. We plan to present a re-budget at the April Finance Committee meeting. We expect to stay within the Administrative budget, but need to account for the CY 2024 rates received from the state as well as other expense changes. Membership had a net increase of 258,000 in January. Ms. Lopez provided an update on the three buildings, based on the action taken in the February Board of Commissioners Meeting. The Eureka building is in escrow and expected to close on April 5. We received the appraisal, which was at the purchase price. This property is next to our current office, in the same building. There is planned construction to join the two spaces. The former VA clinic in Redding is expected to close escrow on April 12. We received an inspection report from AE Consultants, which found some issues with the HVAC system. The findings did not include anything to necessitate a cancellation of the purchase. Once the issues are fixed, AE Consultants will conduct a re-inspection of the property.	*the January Financials as presented, seconded by Commissioner Andrus.* ***ACTION SUMMARY:*** *Yes: 6* *No: 0* *Abstention: 0* *Excused: 1 (Hardy)* **MOTION CARRIED**

	The State Insurance Fund building in Redding is expected to enter escrow during the week of March 25. The current tenant requested a long-term, 10-year lease. Partnership agreed to the request, at roughly $210-$220/sq ft in rental income, which is very favorable for the Redding area. Ms. Lopez's full report is included in the packet.	
CLOSED SESSION	Chairman Jones announced the following item would be discussed in Closed Session. • Discussion Pursuant to Government Code § 54956.87 Subdivision (c); PROVIDER CONTRACT NEGOTIATIONS	None
3.1	Discussion Pursuant to Government Code § 54956.87 Subdivision (c); PROVIDER CONTRACT NEGOTIATIONS	None
Adjournment	Chairman Jones reconvened open session and announced no action was taken in closed session. The meeting adjourned at 9:06AM.	None

Respectfully submitted by:
Colleen Valenti, Assistant Board Clerk

Committee Approval Date: 04/17/2024

Signed: _____ _____
Colleen Valenti, Assistant Board Clerk Dave Jones, Chair

CONSENT AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Meeting Date: April 17, 2024
Board Meeting Date: April 24, 2024

Agenda Item Number:
2.1

Resolution Sponsor:
Sonja Bjork, Partnership HealthPlan of CA

Approved by:
Partnership Staff

Topic Description:
Commissioner Jayme Bottke, Executive Director at Tehama County Health Services Agency, has expressed interest in joining the Finance Committee. She was appointed to the Partnership Board as a Commissioner in February 2024, representing Tehama County and Partnership's new Eastern Region. Commissioner Bottke has worked for over 22 years with Tehama County and during this tenure, her responsibilities have included fiscal management, administration and operation of the Health Services Agency. The department consists of multiple budget units including Behavioral Health, Public Health, Substance Use Recovery and a Medical Clinic with an annual operating budget of over $36 million.

Reason for Resolution:
Commissioner Jayme Bottke has expressed interest in representing Partnership's Eastern Region on the Finance Committee.

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

Requested Action of the Board:
Based on the recommendation of Partnership staff, the Board is asked to approve the appointment of Jayme Bottke to the Finance Committee as a new member.

CONSENT AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Meeting Date: April 17, 2024
Board Meeting Date: April 24, 2024

Agenda Item Number:
2.1

Resolution Number:
24-

IN THE MATTER OF: APPROVING THE APPOINTMENT OF JAYME BOTTKE TO THE FINANCE COMMITTEE AS A NEW MEMBER

Recital: Whereas,

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

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

C. The Board has authority to appoint committee members.

Now, Therefore, It Is Hereby Resolved As Follows:

1. To approve the appointment of Jayme Bottke to the Finance Committee as a new member

PASSED, APPROVED, AND ADOPTED by the Partnership HealthPlan of California this 24th day of April 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, Clerk

Finance Committee
Chief Executive Officer Update
April 17, 2024

I. **New Commissioner Appointments**

II. **Real Estate Update**

III. **FY22 IGTs**

IV. **Foundation Update**

V. **Transitions of Care Requirements**

VI. **Common Spirit/Dignity Contract Termination**

REGULAR AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Finance Committee Meeting Date: April 17, 2024
Board Meeting Date: April 24, 2024

Agenda Item Number:
2.3

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

Recommendation by:
Partnership Staff

Topic Description:
Partnership's FY2023-2024 approved budget requires revisions due to the January 1, 2024 10-county geographic expansion and to account for positions added to support new administrative contract requirements, per DHCS.

Reason for Resolution:
To present FY2023-2024 budget with revisions related to geographic expansion and new DHCS regulatory requirements.

Financial Impact:
The financial impact is significant.

Requested Action of the Board:
Based on the recommendation of Partnership staff, the Board is asked to approve the revised budget for FY 2023-2024.

REGULAR AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Finance Committee Meeting Date: April 17, 2024
Board Meeting Date: April 24, 2024

Agenda Item Number:
2.3

Resolution Number:
24-

IN THE MATTER OF: APPROVING BUDGET REVISIONS FOR FY 2023-2024

Recital: Whereas,

A. The Board is responsible for budget approval.
B. Partnership expanded to 10 additional counties on January 1, 2024.
C. DHCS has implemented additional regulatory requirements which require Partnership to add new staff positions.
D. The FY 2023-2024 budget requires revisions.

Now, Therefore, It Is Hereby Resolved As Follows:

1. To approve revisions to the FY 2023-2024 budget.

PASSED, APPROVED, AND ADOPTED by the Partnership HealthPlan of California this 24th day of April 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, Clerk

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Statement of Revenues and Expenses

Annual Capital & Operating Budget

	2023-24 Annual Budget	8+4 Forecast	$ VARIANCE	2023-24 Budget PMPM	8+4 Forecast PMPM
Total Membership	**738,373**	**906,637**	**168,264**		
Total Member Months	**8,457,985**	**9,563,314**	**1,105,329**		
REVENUE					
State Capitation Revenue	4,086,118,320	4,681,836,982	595,718,662	483.11	489.56
Interest Income	27,600,000	79,186,504	51,586,504	3.26	8.28
Other Revenue	66,172,000	66,172,000	-	7.82	6.92
TOTAL REVENUE	**4,179,890,320**	**4,827,195,486**	**647,305,166**	**494.19**	**504.76**
HEALTHCARE COSTS					
Global Subcapitation	124,993,640	132,004,028	(7,010,388)	14.78	13.80
Capitated Medical Groups	24,967,378	25,495,392	(528,014)	2.95	2.67
Physician Services					
PCP Capitation	71,168,858	76,268,893	(5,100,035)	8.41	7.98
Specialty Capitation	2,509,364	2,600,358	(90,994)	0.30	0.27
Non-Capitated Physician Services	602,711,738	704,324,121	(101,612,383)	71.26	73.65
Total Physician Services	**676,389,960**	**783,193,372**	**(106,803,412)**	**79.97**	**81.90**
Inpatient Hospital					
Hospital Capitation	211,273,947	214,000,006	(2,726,059)	24.98	22.38
Inpatient Hospital - FFS	951,653,201	1,109,493,032	(157,839,831)	112.52	116.02
Hospital Stoploss	16,500,000	18,266,959	(1,766,959)	1.95	1.91
Total Inpatient Hospital	**1,179,427,148**	**1,341,759,997**	**(162,332,849)**	**139.45**	**140.30**
Long Term Care	464,497,775	548,669,646	(84,171,871)	54.92	57.37
Ancillary Services					
Ancillary Services - Capitated	11,564,542	12,917,535	(1,352,993)	1.37	1.35
Ancillary Services - Non-Capitated	533,334,912	755,635,138	(222,300,226)	63.06	79.01
Total Ancillary Services	**544,899,454**	**768,552,673**	**(223,653,219)**	**64.42**	**80.36**
Other Medical					
Quality Assurance	43,550,675	44,439,776	(889,101)	5.15	4.65
Healthcare Investment Funds	734,845,193	824,195,114	(89,349,921)	86.88	86.18
Advice Nurse	1,541,000	1,541,000	-	0.18	0.16
HIPP Payments	100,000	100,000	-	0.01	0.01
Transportation	87,862,817	114,161,183	(26,298,366)	10.39	11.94
Total Other Medical	**867,899,685**	**984,437,073**	**(116,537,388)**	**102.61**	**102.94**
Quality Improvement Programs	78,836,040	92,259,517	(13,423,477)	9.32	9.65
TOTAL HEALTHCARE COSTS	**3,961,911,080**	**4,676,371,698**	**(714,460,618)**	**468.42**	**488.99**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Statement of Revenues and Expenses

Annual Capital & Operating Budget

	2023-24 Annual Budget	8+4 Forecast	$ VARIANCE	2023-24 Budget PMPM	8+4 Forecast PMPM
ADMINISTRATIVE COSTS					
Employee	118,167,171	120,524,134	(2,356,963)	13.97	12.60
Travel And Meals	1,153,527	1,127,473	26,054	0.14	0.12
Occupancy	23,865,438	18,751,722	5,113,716	2.82	1.96
Operational	7,306,973	7,106,859	200,114	0.86	0.74
Professional Services	24,912,743	23,448,451	1,464,292	2.95	2.45
Computer And Data	17,912,595	21,470,706	(3,558,111)	2.12	2.25
TOTAL ADMINISTRATIVE COSTS	**193,318,447**	**192,429,345**	**889,102**	**22.86**	**20.12**
Medi-Cal Managed Care Tax	-	-	-	-	-
Surplus / (Deficit)	**24,660,793**	**(41,605,557)**	**(66,266,350)**	**2.92**	**(4.35)**

REGULAR AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Finance Committee Meeting Date: April 17, 2024
Board Meeting Date: April 24, 2024

Agenda Item Number:
2.4

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

Recommendation by:
Partnership Staff

Topic Description:
The Partnership budget approval process is a three-step process, in which, the draft budget assumptions are presented to the Finance Committee and Board in April, followed by the draft health care expense budget in May. In June, the final budget—including previously reviewed component parts and a fully developed administrative budget—are presented to the Board for final review and approval.

Reason for Resolution:
To provide the Board with the attached budget assumptions for FY 2024-2025, and to direct staff to prepare a full operational budget.

Financial Impact:
The financial impact is significant.

Requested Action of the Board:
Based on the recommendation of Partnership staff, the Board is asked to approve budget assumptions for FY 2024-2025.

REGULAR AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Finance Committee Meeting Date: April 17, 2024
Board Meeting Date: April 24, 2024

Agenda Item Number:
2.4

Resolution Number:
24-

IN THE MATTER OF: APPROVING BUDGET ASSUMPTIONS FOR FY 2024-2025

Recital: Whereas,

A. The Board is responsible for approving budget assumptions to direct staff to prepare the full operational budget.

B. The Board is responsible for approving the annual budget.

Now, Therefore, It Is Hereby Resolved As Follows:

1. To approve budget assumptions for FY 2024-2025.

2. To direct staff to prepare a full operational budget for FY 2024-2025

PASSED, APPROVED, AND ADOPTED by the Partnership HealthPlan of California this 24th day of April 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, Clerk

Partnership HealthPlan of California

2024-25 Budget Assumptions

April 2024

Introduction

Each year, starting in January, Partnership HealthPlan of California (Partnership) begins building the annual budget for Board of Commissioner review and approval in June. As part of this process, Partnership presents to the Finance Committee and the Board key components of the budget development for review and approval. Specifically, in April the draft budget assumptions are presented, followed by the draft health care expense budget in May. In June, the final budget—including previously reviewed component parts and a fully developed administrative budget—are presented to the Board for final review and approval. This document outlines the Plan's draft budget assumptions that inform Partnership's revenue and cost projections as impacted by estimated changes in enrollment, health care costs, administrative costs, as well as disposition of incentive arrangements and reserves.

Outlook for 2024-25

California continues to face a sizeable budget deficit with the Governor's January Budget predicting a deficit of $37.9 billion and the Legislative Analyst's Office predicting a deficit of up to $73 billion based on updated personal income tax revenue projections. The Governor and state legislature recently approved an early action budget plan that reduces the State's budget deficit by $17 billion, however, given the sizeable shortfall that still needs to be solved, the Governor and the Legislature will be forced to make tough budgetary decisions in order to reach a balanced budget by early July. Uncertainty continues to loom as to whether Medi-Cal will face programmatic changes and budgetary reductions.

- The upcoming Governor's May Revision for FY 2024-25 is expected to provide further insight into the overall budgetary condition and proposed budget solutions. In historical times of budgetary hardship, the State has implemented a variety of cost cutting measures in the Medi-Cal program and specifically in Medi-Cal managed care.
- As outlined in last year's budget, we anticipate the DHCS will continue to focus on cost efficient spending in managed care and expect pressures to be amplified given the budget outlook. 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 contracting heath care costs levels, some of which resulted in prior year downward rate adjustments. The out year implementation of regional rate averaging heightens concerns regarding future downward rate pressures to Partnership revenue levels.

The transformation of Medi-Cal known as California Advancing and Innovating Medi-Cal (CalAIM) continues into fiscal year (FY) 2024-25, key changes are noted below.

- Managed Care Organization (MCO) Tax Targeted Rate Increases – DHCS recently received approval from the federal government to extend the MCO tax resulting in $19.4 billion in additional general fund revenue. The Governor has since proposed to increase the tax by an additional $1.5 billion. DHCS is proposing to use $11.1 billion of the MCO tax revenue to support Medi-Cal targeted rate increase (TRI) investments. These investments will be phased over a multiple year period with initial investments being made in calendar year (CY) 2024. Due to delays in DHCS issuance of the final CY 2024 policy, associated CY 2024 TRI rate increases will be implemented retroactively. The Governor has proposed a CY 2025 investment spending plan, which includes investments in the following areas:
    - Federally Qualified Health Centers and Rural Health Clinics – $125 million (increase of $50 million from prior program) would be allocated to transition an existing supplemental payment program for non-hospital 340B community clinics into a managed care directed payment arrangement.
    - Physician and Non-Physician Health Professional Services – $2.6 billion in Investments

    - Equity adjustments $200 million – DHCS is anticipated to develop an equity index; enhanced funding is intended to be large enough to affect provider behavior and to alleviate reimbursement disparities.
    - Community and Hospital Outpatient and Emergency Department Facility Services – $490 million has been set aside for community and hospital outpatient services, including hospitals and ambulatory surgical centers. With $725 million set aside for emergency department rate increases.
- Justice Involved Initiative – This initiative focuses on offering a targeted set of Medi-Cal services to youth and adults in state prisons, county jails, and youth correctional facilities for up to 90 days prior to release. In October 2024, select counties will go live with this new Medi-Cal benefit, which will require Partnership to have tight coordination with local jails, counties, and probation offices to connect these members with an Enhanced Care Manager. To date, Partnership has identified a Partnership specific Justice Involved Initiative Liaison as required by current DHCS policy. We anticipate forthcoming policy guidance from the Department of Health Care Services (DHCS) which could result in additional regulatory requirements and cost on the health plan.
- Transitional Care Services – Will require discharge planning services to members moving across health care settings, DHCS policy outline's specific requirements based on defined population types. In order to comply with these policy requirements, Partnership will need to considerably increase health service staff; these increased costs will be reflected in Partnership health care expenses. The updated policy applies to the following health care setting transitions:
    - Hospital-to-Home
    - Hospital-to-Skilled Nursing Facility
    - Skilled Nursing Facility-to-Home
- 10-County Whole Child Model Implementation – In January of 2025, the California Children's Services (CCS) program will transition the state's fee-for-service program in our 10-county expansion to Medi-Cal managed care. The forthcoming implementation will transition the delivery of CCS member care to Partnership. Currently, Partnership is responsible for the provision of care to CCS eligible children in our non-expansion counties. The anticipated revenue and health care costs associated with this transition will be reflected in the final Partnership budget.
- Community Health Workers, Community Supports, and Enhanced Care Management – There continues to be emphasis on expanding Community Health Workers, Community Supports, and Enhanced Care Management use across the Medi-Cal program. Partnership continues to embark on strategies to expand utilization in our service area.
- Dual Special Needs Plan (D-SNP) – DHCS is requiring all Medi-Cal managed care plans to operationalize a D-SNP by January 2026. D-SNP's are Medicare Advantage plans that provide specialized care to beneficiaries dually eligible for Medicare and Medi-Cal. In order to comply with this requirement, the plan has begun efforts to operationalize a D-SNP by January 2026. Partnership anticipates increases to staffing cost, consulting cost, and capital cost associated with systems and infrastructure in the upcoming FY 2024-25.
- DHCS Contract Changes – The revamp of the CY 2024 DHCS contract has added substantial regulatory requirements. Partnership anticipates sizeable staffing cost increases to comply with the new requirements. DHCS has yet to release policy guidance for all of the new requirements. As a result, further resource needs are anticipated in future budget years.
- Quality Monitoring – DHCS continues to emphasize quality monitoring. In January 2024, DHCS implemented a quality withhold on Partnership revenue. We have the ability to earn our withheld revenue back from the state so long as we meet defined quality benchmarks and metrics. DHCS has indicated they intend to increase the quality withhold percentage and the associated quality benchmarks in each subsequent fiscal year which poses financial risk to the Partnership revenue. In addition to the rate withhold, DHCS continues to sanction Medi-Cal managed care plans who do not meet defined quality targets. Partnership was recently required to pay a monetary sanction for not meeting state quality requirements tied to CY 2022. There continues to be cost pressures associated with the quality withhold and future monetary sanctions. As part of our forthcoming health care cost budget, we expect to re-evaluate quality investments to mitigate impacts associated with withholds and sanctions.
- Community Reinvestments – DHCS is working with key stakeholders to finalize the CY 2024 contract Community Reinvestment policy. This new policy requires plans to make targeted investments

toward a defined set of categories tailored to specific needs of the community. The categories are: Cultivating Improved Health Outcomes; Cultivating a Health Care Workforce; Cultivating Well-Being for Priority Populations; Cultivating Local Communities; and Cultivating Neighborhoods and Built Environment. Based on the DHCS draft policy, CY 2024 investments would be made in late 2026. This means investments are made 2-years in arrears. Plans will be required to submit a community reinvestment plan to DHCS on an annual basis which is subject to review and approval. Partnership will not receive funding or additional revenue from DHCS for this new requirement which requires plans to invest their own resources. Current draft policy indicates prior community investments and any investments made within the actual CY 2024 period would not count towards this contract requirement.

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 for this expansion area and the associated expenses. The data used as the basis by the state to develop Partnership revenue rates for this new region continues to be based on the two previous Medi-Cal plans' cost and utilization experience. As approved by the board in October of 2023, Partnership is at risk for losing up to $150 million over the first two years of this new contract. This estimate was informed by an actuarial analysis and best available point in time information at the time of expansion.

Other fiscal pressures that may affect plan finances continue to be associated with the passage of the federal Consolidation Appropriations Act of 2023, which delinked Medicaid continuous coverage to the COVID19 public health emergency (PHE) as of March 31, 2023. This delinkage required local Medi-Cal county offices to complete mass Medi-Cal redeterminations over a 14-month compressed time period. Redetermination activities began April 1, 2023 and are expected to be completed by May 31, 2024. The unprecedented volume of processing eligibility for 15 million enrollees statewide has created significant workload pressure on local county offices and there is uncertainty on the feasibility of meeting the federal deadline. According to the most recent DHCS' Medi-Cal Continuous Coverage Unwinding Dashboard, for Partnership counties, 74% of redeterminations were completed for January 2024 eligibility month. Out of the total 73,413 redeterminations, 26% of renewals are still in process. The sheer volume of workload results in unknowns on the final membership loss that Partnership will experience once all redetermination efforts have been completed. This membership uncertainty continues to be a predominant variable associated with Plan finances. As indicated in the prior budget, the pause in redeterminations steadily increased the Plan's membership since the start of the pandemic impacting revenue, rate development, non-operating income and health care trends. The continued unknowns in membership could have notable impacts to our revenue rates as DHCS bases overall reimbursement on underlying membership assumptions.

Due to the materiality of the impacts relating to the State's Budget, Medi-Cal Program Changes, the 10-county expansion, and Medi-Cal redeterminations Partnership Staff may need to complete an off-cycle budget if developments arise during the upcoming fiscal year.

Enrollment

Partnership's membership increased by approximately 165,000 for its 14 non-expansion counties since the start of the pandemic (around March 2020). On January 1, 2024, Kaiser Permanente entered into a direct contract with DHCS. This new contract resulted in 80,500 total members being dis-enrolled from Partnership in Solano, Napa, Yolo, Marin and Sonoma counties. Further, beginning on January 1, 2024, Senate Bill 184 qualified adults ages 26 through 49 for full-scope Medi-Cal, regardless of immigration status. This initiative referred to as the "Ages 26 through 49 Adult Expansion" brought in approximately 23,000 newly eligible members in our existing counties and another 6,800 in the 10 expansion counties. The charts below illustrate, by county, the enrollment trends along with the various point in time comparisons. For the non-expansion counties, the trailing 10-month average (T10M) of -1.5% and trailing 6-month average (T6M) of -2% is significantly impacted by the Kaiser direct contract, with offsets to the newly eligible Adult Expansion members. Prior to January 1, 2024, the average net decrease was -1.1%.

Partnership Non-Expansion Counties Membership as of 04/01/2024

County	T4M	T6M	T10M	Apr '24 vs Mar '20	# of MM	Apr '24 vs Dec '23	# of MM
Solano	-5.9%	-4.3%	-2.8%	-0.3%	(358)	-23.8%	(32,360)
Sonoma	-3.6%	-2.7%	-1.9%	9.5%	9,613	-14.3%	(18,440)
Shasta	-0.3%	-0.5%	-0.6%	21.4%	12,290	-1.3%	(904)
Yolo	-2.4%	-2.1%	-1.6%	10.7%	5,277	-9.3%	(5,617)
Marin	-1.3%	-1.3%	-1.1%	26.8%	9,923	-5.3%	(2,638)
Humboldt	-0.2%	-0.5%	-0.6%	14.9%	7,664	-0.7%	(444)
Napa	-4.9%	-3.7%	-2.6%	-0.5%	(137)	-19.5%	(6,597)
Mendocino	0.7%	0.1%	-0.3%	20.5%	7,074	2.7%	1,090
Lake	0.4%	-0.1%	-0.3%	19.2%	5,614	1.7%	567
Siskiyou	-1.1%	-1.0%	-0.9%	9.0%	1,505	-4.5%	(866)
Lassen	-0.5%	-0.7%	-0.6%	21.1%	1,509	-1.8%	(162)
Del Norte	0.1%	-0.3%	-0.4%	12.5%	1,392	0.2%	31
Trinity	-0.1%	-0.5%	-0.5%	33.4%	1,407	-0.3%	(16)
Modoc	-0.2%	-0.5%	-0.7%	22.9%	745	-0.7%	(27)
Total	**-0.3%**	**-2.0%**	**-1.5%**	**11.9%**	**63,518**	**-10.0%**	**-66,383**
	Trailing # Month average month-to-month increase			**Point-in-time comparison, % △ and # of members**		**Point-in-time comparison, % △ and # of members**	

Partnership enrollment grew by 318,914 members with the expansion to the 10 new counties. As noted above, approximately 6,800 of these members are the Ages 26 through 49 Adult Expansion.

Partnership Expansion Counties Membership as of 04/01/2024

County	T3M	T6M	T10M	Apr '24 vs Jan '24	# of MM
Butte	0.0%			-0.1%	-118
Colusa	-1.1%			-3.4%	-363
Glenn	0.0%			0.0%	-3
Nevada	-0.5%			-1.4%	-400
Placer	0.3%			0.9%	521
Plumas	-0.4%			-1.1%	-65
Sierra	0.7%			2.0%	17
Sutter	-0.4%			-1.3%	-563
Tehama	-0.9%			-2.6%	-826
Yuba	-0.4%			-1.2%	-457
Total Expansion	**-0.2%**			**-0.7%**	**(2,257)**
	Trailing # Month average month-to-month increase			**Point-in-time comparison, % △ and # of members**	

Membership is expected to continue to decline slowly through June 2024 due to redeterminations. Partnership Staff will refine membership assumptions in the coming months and will update the budget assumptions accordingly. The flex budget will help account for material changes that develop after the final presentation of the 2024-25 budget, variances will be noted and presented to the respective Committees.

Revenue

Major anticipated revenue impacts are noted below:

- **Medi-Cal Rates:** Partnership draft CY 2024 revenue will be used as the basis for budgeting. Partnership staff will make revenue assumptions specific to enrollment, member acuity, and other emerging factors for the upcoming FY. Further revenue assumptions will be applied to the second 6 months of the FY to account for prior year trends as they will not be released until later this calendar

year. Staff will also account for program updates and any additional efficiency factors that have been applied to prior cycles.

As indicated above, the 10-county revenue will continue to rely on historical non-Partnership cost and utilization experience specific to the prior Medi-Cal managed care plans who operated in this region. Partnership staff will make revenue assumptions specific to enrollment, member acuity, prior year trends, program updates, and other emerging factors associated with this new region.

The budget will also account for the Proposition 56 Physician supplemental payment program sunset and transition to the Medi-Cal TRI program, resulting in increases to the Medi-Cal base rates and reduction in supplemental payment revenue.

- **Supplemental Revenue:** The MCO Tax paid by Partnership to DHCS, is designed to be an "at-risk" program, meaning there is a fixed liability and the revenue is subject to membership experience. This becomes a challenge in times of volatile membership trends, causing plans to move between gain and loss positions over time, though, the program tends to be zero-sum. Noting the new MCO tax liability Partnership is required to pay has significantly increased in comparison to prior years liabilities. As noted above, the Proposition 56 Physician supplemental program sunset in December 2023 and has transitioned into the TRI program. Proposition 56 supplemental payment programs such as Development Screening, Family Planning, and Adverse Childhood Experience Screening will continue to be operated. Additional supplemental revenue sources specific to hospital or facility directed payments include the following: Private Hospital Directed Payment Program (PHDP); Designated Public Hospital Enhanced Payment Program (DPH-EPP); Designated Public Hospital Quality Improvement Program (DPH-QIP); District Hospital Directed Payment (DHDP); and the skilled nursing facility Workforce and Quality Incentive Program (WQIP).

- **Interest Income:** During the March 2024 Federal Open Market Committee (FOMC) meeting, the committee maintained its targeted federal funds rate range of 5.25% to 5.5%. This marks the fifth consecutive meeting in which the Federal Reserve has kept the rates steady. The market is anticipating two to three rate cuts before the end of the calendar year. While there is not a direct correlation between the federal funds rate and the interest rate earned on deposits or investments held, Partnership's overall yield tends to follow a similar direction. The Plan will assume an annual rate of return of 4.00%. Partnershipwill revise the rate accordingly based on any future actions taken by the Federal Reserve.

- **Rental Income:** Currently, Partnership leases space to 15 tenants in Fairfield, four in Auburn, and one in each of Redding, Chico, and Eureka. Tenants are currently being sought for previously leased, vacant space. Recently acquired properties that include existing tenants will be accounted for during the final budget. Total Rental income will be estimated based on existing and anticipated lease agreements. For anticipated leases, rental income will be projected using lease rates that are approximately 90% of current market rates. Building maintenance costs associated with the leased space will be included in administrative costs.

Health Care Costs

Health care cost projections for FY 2024-25 will be based on the Plan's historical claims experience for non-expansion counties. The cost experience from January 2022 through December 2023 and emerging cost data will serve as the base data for budget development. Completion factors will be incorporated where appropriate to account for incurred but not yet reported claims. Partnership is closely monitoring health care costs in the context of membership fluctuations and the impacts of the trends post-COVID, adjusting our budget methodology accordingly to better estimate future trends. Health care cost projections for the expansion counties will be based on actuarial analysis, draft rate projections, and actual claims experience received prior to budget finalization.

The base period costs will be adjusted for:

- COVID-19 historical trend impacts and anticipated post COVID-19 trends.
- Changes in provider contracting such as new payment amendments.

- Reasonable assumptions regarding underlying utilization trends based on internal analysis and a review of DHCS trends used in developing Plan capitation rates.
- Anticipated impacts of case management, utilization management, and specific disease management programs from year-to-year, or newly developed programs.
- Other material anticipated benefit, price, and enrollment related changes.

Administrative Costs

- **Staff:** With the new requirements per the 2024 contract, a full year in the 10-county expansion, and in anticipation of the upcoming Medicare D-SNP, Partnership will continue to propose staffing changes to meet the demands of these growing number of requirements. As with prior years, a vacancy rate will be determined based on historical trends. Staffing changes are currently being reviewed and final numbers are to be determined.

- **Benefits:** Partnership is currently researching employer benefit trends and will present the estimated percentage change for employee medical, dental and vision benefits during the May review. All other benefits impacted by IRS limits will be projected accordingly. Also any proposed benefit changes, to be approved by Board will be incorporated.

- **Salaries:** According to the January 2024 Economic News Release from the U.S. Bureau of Labor Statistics, the Western Region of the U.S. employment cost index (ECI) for the 12 months ending December 2023 ranged from 2.8 percent to 5.0 percent. Partnership will wait for the March release to obtain a better gauge on the proposed annual merit increase. Additionally, Partnership is in the process of completing a company-wide salary survey and the final results of the survey will be incorporated into the fiscal year 2024-25 budget. To help inform the market salaries used in the survey, Partnership will consider various factors and resources including but not limited to the recent Living Wage Study performed by MIT, the potential impact of SB 525 Minimum Wages: Health Care Workers and the most recent minimum wage increases applied to California fast food workers.

- **Capital:** New capital purchase recommendations, primarily related to IT needs, general building repairs, tenant improvements for new leases, and for building improvements in the new buildings will be included on the final detailed capital expenditures budget list. Depreciation will be calculated based on anticipated purchase dates, completion dates for those items that are considered construction in progress, and existing capital assets.

Reserves

Board designated reserves are calculated according to policy: 60 days of operating expenses, $15 million for infrastructure, and an additional amount set aside for the Strategic use of Reserves (SUR)-already approved but not yet incurred. However, Board designated reserve policy changes may be proposed to confirm that the requirements in the 2024 State Contract are satisfied and also to address future capital reinvestment needs. The total fund balance, including the projected Board designated amount for the year ending June 30, 2025 will be presented with the final budget.

FINANCIAL HIGHLIGHTS
Of The Partnership HealthPlan Of California
For the Period Ending February 29, 2024

Financial Analysis for the Current Period

Total (Deficit) Surplus

For the month ending February 29, 2024, PHC reported a net surplus of $13.0 million, bringing the year-to-date surplus to $58.7 million. Significant variances are explained below.

Revenue

Total Revenue is greater than budget by $64.6 million for the month and $411.0 million for the year-to-date. State capitation revenue for the year-to-date includes unbudgeted amounts for MCO tax revenue of $376.4 million pertaining to service calendar year 2023 and also has an additional favorable variance of $64.4 million for service calendar year 2024 due to a higher than budgeted MCO tax rate; these variances have offsets in MCO tax expense. Medi-Cal revenue is $76.7 million unfavorable due to lower than budgeted CY 2023 rates partially offset by $58.0 million favorable due to higher than budgeted CY 2024 rates. Supplemental revenues are $5 .6 million unfavorable due mainly to lower rates for CY 2024 Prop 56. Other revenue is unfavorable $42.1 million due to timing of revenue for various incentive programs (BHI Grant, SBHIP, HHIP); corresponding expenses are also being recorded in HCIF. Interest income is $36.6 million favorable due to higher than anticipated interest rates.

Healthcare Costs

Total Healthcare Costs are greater than budget by $31.9 million for the month and $61.5 million for the year-to-date. Physician and Ancillary expenses are $99.2 million unfavorable as a result of adjustments to IBNR reserves to reflect increases in utilization trend. Healthcare Investment Funds (HCIF) are $53.7 million favorable due to timing of expenses for various incentive programs; corresponding revenue is also being recorded in Other Revenue. Long term care expenses are $52.4 million unfavorable due to anticipated rate increases for CY 2023 and CY 2024 plus increases in utilization trend. Inpatient hospital FFS expense is $21.3 million favorable due to adjustments to IBNR reserves. Transportation expense is $5.2 million unfavorable due to increase in utilization in non-medical transportation. Quality Assurance expense is $5.1 million favorable due to the timing of Utilization Management and Quality Assurance (UM/QA) operational expenses. Hospital and PCP Capitation are $16.1 million favorable due to lower than budgeted expenses. Quality Improvement Programs is $0.6 million unfavorable due recording of additional QIP expenses for the expansion counties offset by the reallocation of excess QIP funds from prior years for use in HCIF-related programs.

Administrative Costs

Administrative costs continue to have an overall positive variance for the year-to-date. Most non-Employee and non-Occupancy costs are prorated relatively evenly throughout the year; as the year progresses, the variances between actual and budget in these categories are expected to even out. Total costs have increased by $0.8 million in comparison to the previous month primarily in Operational Costs from additional mailings relating to county expansion and the winter newsletter.

Balance Sheet / Cash Flow

Total Cash & Cash Equivalents increased by $216.1 million for the month. Inflows of $600.0 million in

State Capitation payments include $421.1 million in Base and Supplemental Capitation payments and $178.9 million in Directed Payments; these Directed Payments are expected to be disbursed in the following months. Additional inflows include $7.8 million in Drug Medi-Cal payments and $6.0 million in interest earnings. These inflows were offset by outflows of $247.5 million in healthcare cost payments, $3.9 million in Drug Medi-Cal payments, $20.4 million in administrative and capital cost payments, and $125.5 million for a quarterly MCO tax payment pertaining to calendar year 2023. The remaining difference can be attributed to other revenues and the recording of board-designated reserve transfers .

General Statistics

Membership

Membership had a total net decrease of 2,241 members for the month.

Utilization Metrics and High Dollar Case

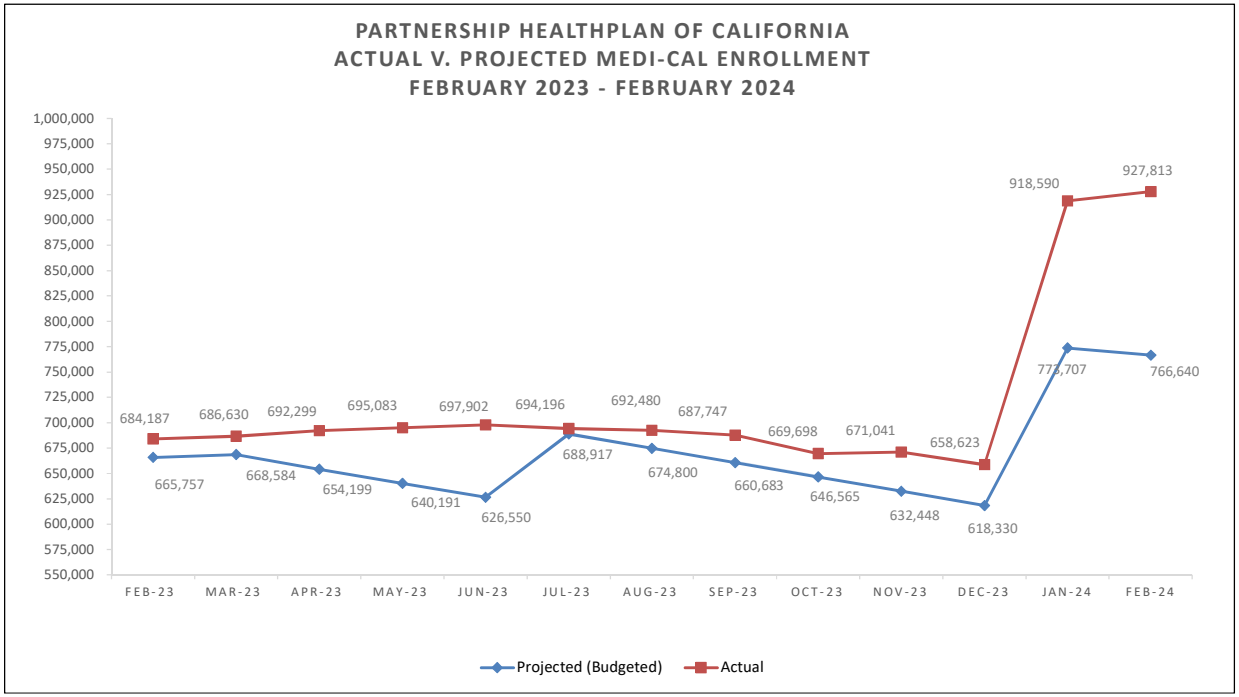
For the fiscal year 2023/24 through February 2024, 287 members reached the $250,000 threshold with an average cost of $502,790. For fiscal year 2022/23, 694 members reached the $250,000 threshold with an average cost per case was $518,379. For fiscal year 2021/22, 584 members reached the $250,000 threshold with an average claims cost of $496,021.

Current Ratio/Reserved Funds

Current Ratio Including Required Reserves	**1.34**
Current Ratio Excluding Required Reserves:	**0.88**
Required Reserves:	**$1,240,914,119**
Total Fund Balance:	**$965,103,380**

Days of Cash on Hand

Including Required Reserves:	**185.66**
Excluding Required Reserves:	**87.19**



Member Months by County:

County	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Solano	138,935	139,224	140,852	141,571	141,941	141,591	140,953	140,988	136,597	137,807	134,534	103,140	105,208
Napa	35,443	35,715	35,911	35,993	36,130	35,882	35,969	35,439	34,269	34,043	33,710	27,596	28,140
Yolo	63,266	63,204	63,575	64,127	64,298	63,943	63,559	63,142	61,135	60,507	60,230	55,624	56,087
Sonoma	132,341	133,417	134,183	134,653	135,896	134,420	133,261	132,745	131,013	129,901	128,356	109,623	112,447
Marin	51,213	51,267	51,965	52,340	52,547	52,302	52,602	51,713	50,119	49,383	49,823	46,981	48,331
Mendocino	41,999	42,022	42,372	42,645	42,613	42,323	42,371	41,868	40,599	41,192	39,846	41,552	41,963
Lake	35,598	35,540	35,857	35,891	35,915	35,753	35,897	35,381	34,530	34,446	34,367	35,058	35,405
Del Norte	12,867	12,904	12,916	12,978	13,106	12,970	12,868	12,850	12,505	12,499	12,426	12,527	12,610
Humboldt	61,846	61,955	62,522	62,318	62,681	62,329	62,399	61,695	60,093	60,931	58,752	60,016	60,415
Lassen	9,053	9,088	9,171	9,149	9,177	9,271	9,232	9,151	8,871	9,044	8,600	8,864	8,952
Modoc	4,246	4,226	4,261	4,261	4,307	4,240	4,247	4,167	4,099	4,139	3,928	4,055	4,035
Shasta	71,985	72,567	73,093	73,478	73,580	73,539	73,456	73,179	71,113	72,049	69,783	70,605	70,880
Siskiyou	19,604	19,670	19,746	19,807	19,826	19,762	19,793	19,566	19,059	19,440	18,625	19,052	19,115
Trinity	5,791	5,831	5,875	5,872	5,885	5,871	5,873	5,863	5,696	5,660	5,643	5,660	5,739
Butte	-	-	-	-	-	-	-	-	-	-	-	85,751	85,856
Colusa	-	-	-	-	-	-	-	-	-	-	-	10,710	10,663
Glenn	-	-	-	-	-	-	-	-	-	-	-	13,752	13,774
Nevada	-	-	-	-	-	-	-	-	-	-	-	28,962	28,798
Placer	-	-	-	-	-	-	-	-	-	-	-	59,373	59,846
Plumas	-	-	-	-	-	-	-	-	-	-	-	6,015	5,978
Sierra	-	-	-	-	-	-	-	-	-	-	-	855	870
Sutter	-	-	-	-	-	-	-	-	-	-	-	44,339	44,438
Tehama	-	-	-	-	-	-	-	-	-	-	-	31,784	31,484
Yuba	-	-	-	-	-	-	-	-	-	-	-	36,696	36,779
All Counties Total	**684,187**	**686,630**	**692,299**	**695,083**	**697,902**	**694,196**	**692,480**	**687,747**	**669,698**	**671,041**	**658,623**	**918,590**	**927,813**

Medi-Cal Region 1: Sonoma, Solano, Napa, Yolo & Marin; Medi-Cal Region 2: Mendocino & Rural 8 Counties; Medi-Cal Region 3: Butte, Colusa, Glenn, Nevada, Placer, Plumas, Sierra, Sutter, Tehama & Yuba

Partnership HealthPlan of California
Comparative Financial Indicators Monthly Report
Fiscal Year 2023 - 2024 & Fiscal Year 2022 - 2023

FINANCIAL INDICATORS	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24					YTD	Avg / Month As of Feb-24
Total Enrollment	697,169	694,364	689,096	674,680	670,710	660,101	918,590	916,349					5,921,059	740,132
Total Revenue	346,807,441	341,606,254	341,452,348	336,820,011	333,606,699	704,499,918	494,922,661	507,388,748					3,407,104,081	425,888,010
Total Healthcare Costs	327,163,476	330,010,604	317,050,232	309,178,329	314,689,553	312,699,931	427,212,628	429,268,911					2,767,273,665	345,909,208
Total Administrative Costs	11,697,451	12,604,507	11,948,835	13,398,097	13,672,021	13,241,394	16,243,013	17,074,220					109,879,536	13,734,942
Medi-Cal Hospital & Managed Care Taxes	-	-	-	-	-	376,406,250	46,790,714	48,056,922					471,253,886	58,906,736
Total Current Year Surplus (Deficit)	7,946,514	(1,008,857)	12,453,281	14,243,585	5,245,125	2,152,343	4,676,306	12,988,695					58,696,994	7,337,124
Total Claims Payable	422,844,079	452,077,175	486,822,447	455,222,013	481,847,695	499,411,492	589,212,971	701,582,898					701,582,898	511,127,596
Total Fund Balance	914,352,902	913,344,045	925,797,326	940,040,910	945,286,036	947,438,379	952,114,686	965,103,380					965,103,380	937,934,708
Reserved Funds														
State Financial Performance Guarantee	620,648,000	631,921,000	642,576,000	651,031,000	660,631,000	670,618,000	672,671,000	665,303,000					665,303,000	651,924,875
State Financial Performance Guarantee - 2024 Expansion Counties	204,422,000	208,054,000	211,111,000	213,600,000	216,649,000	221,007,000	259,599,000	263,695,000					263,695,000	224,767,125
Regulatory Reserve Requirement	121,199,906	124,463,886	127,223,354	129,634,111	132,142,758	135,116,282	141,734,763	147,194,481					147,194,481	132,338,693
Board Approved Capital and Infrastructure Purchases	47,177,080	46,374,091	45,797,964	41,394,205	40,388,299	39,549,920	37,862,493	36,225,975					36,225,975	41,846,253
Capital Assets	118,991,470	119,235,734	119,254,457	123,078,590	126,154,438	126,341,441	127,443,936	128,495,663					128,495,663	123,624,466
Strategic Use of Reserve-Board Approved Community Reinvestments	70,659,883	70,318,568	70,455,056	71,514,836	72,116,668	72,116,668	72,116,668	72,116,668					72,116,668	71,426,877
Unrestricted Fund Balance	(268,745,437)	(287,023,235)	(290,620,505)	(290,211,832)	(302,796,127)	(317,310,932)	(359,313,174)	(347,927,407)					(347,927,407)	(307,993,581)
Fund Balance as % of Reserved Funds	77.28%	76.09%	76.11%	76.41%	75.74%	74.91%	72.60%	73.50%					73.50%	75.28%
Current Ratio (including Required Reserves)	1.69:1	1.63:1	1.49:1	1.59:1	1.56:1	1.43:1	1.38:1	1.34:1					1.34:1	1.49:1
Medical Loss Ratio w/o Tax	94.34%	96.61%	92.85%	91.79%	94.33%	95.31%	95.33%	93.46%					94.26%	94.26%
Admin Ratio w/o Tax	3.37%	3.69%	3.50%	3.98%	4.10%	4.04%	3.62%	3.72%					3.74%	3.74%
Profit Margin Ratio	2.29%	-0.30%	3.65%	4.23%	1.57%	0.31%	0.94%	2.56%					1.72%	1.72%

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

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Membership and Financial Summary
For The Period Ending February 29, 2024

CURRENT MONTH	PRIOR MONTH	INC / DEC	MEMBERSHIP SUMMARY	CURRENT YTD AVG	PRIOR YTD AVG	VARIANCE
916,349	918,590	(2,241)	**Total Membership**	740,132	671,866	68,266

ACTUAL MONTH	BUDGET MONTH	$ VARIANCE MONTH	FINANCIAL SUMMARY	ACTUAL YTD	BUDGET YTD	$ VARIANCE YTD
507,388,748	442,784,204	64,604,544	**Total Revenue**	3,407,104,081	2,996,056,174	411,047,907
429,268,911	397,390,406	(31,878,505)	**Total Healthcare Costs**	2,767,273,665	2,705,779,069	(61,494,596)
17,074,220	17,652,706	578,486	**Total Administrative Costs**	109,879,536	123,260,411	13,380,875
48,056,922	15,239,583	(32,817,339)	**Medi-Cal Managed Care Tax**	471,253,886	30,479,166	(440,774,720)
12,988,695	**12,501,509**	**487,186**	**Total Current Year Surplus (Deficit)**	**58,696,994**	**136,537,528**	**(77,840,534)**

93.46%	92.95%	**Medical Loss Ratio (HC Costs as a % of Rev, excluding Managed Care Tax)**	94.26%	91.24%	
3.72%	4.13%	**Admin Ratio (Admin Costs as a % of Rev, excluding Managed Care Tax)**	3.74%	4.16%	

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Balance Sheet
As Of February 29, 2024

	February 2024	January 2024
A S S E T S		
Current Assets		
Cash & Cash Equivalents	**984,901,290**	**768,791,954**
Receivables		
Accrued Interest	1,205,971	802,871
State DHS - Cap Rec	1,105,835,571	1,026,065,512
Other Healthcare Receivable	29,965,562	32,812,081
Miscellaneous Receivable	6,260,374	6,364,223
Total Receivables	**1,143,267,478**	**1,066,044,687**
Other Current Assets		
Payroll Clearing	54,856	15,574
Prepaid Expenses	7,872,860	9,236,075
Total Other Current Assets	**7,927,716**	**9,251,649**
Total Current Assets	**2,136,096,484**	**1,844,088,290**
Non-Current Assets		
Fixed Assets		
Motor Vehicles	398,931	398,931
Furniture & Fixtures	7,518,859	7,518,859
Computer Equipment - HP	541,886	541,886
Computer Equipment	25,965,470	25,674,725
Computer Software	22,392,583	22,392,583
Leasehold Improvements	962,374	962,374
Land	6,767,292	6,767,292
Building	62,528,083	62,528,083
Building Improvements	37,501,444	37,501,444
Accum Depr - Motor Vehicles	(205,015)	(198,221)
Accum Depr - Furniture	(7,518,859)	(7,518,859)
Accum Depr - Comp Equip - HP	(541,886)	(541,886)
Accum Depr - Comp Equipment	(22,413,119)	(22,254,766)
Accum Depr - Comp Software	(21,292,759)	(21,201,688)
Accum Depr - Leasehold Improvements	(962,374)	(962,374)
Accum Depr - Building	(11,594,173)	(11,460,480)
Accum Depr - Bldg Improvements	(13,178,089)	(12,983,207)
Construction Work-In-Progress	41,625,014	40,279,240
Total Fixed Assets	**128,495,662**	**127,443,936**
Other Non-Current Assets		
Deposits	475,246	233,290
Board-Designated Reserves	1,112,118,456	1,111,567,256
Knox-Keene Reserves	300,000	300,000
Prepaid - Other Non-Current	3,433,641	3,408,761
Net Pension Asset	2,961,371	2,961,371
Deferred Outflows Of Resources	2,861,333	2,861,333
Net Subscription Asset	3,765,260	3,765,260
Total Other Non-Current Assets	**1,125,915,307**	**1,125,097,271**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Balance Sheet
As Of February 29, 2024

	February 2024	January 2024
Total Non-Current Assets	**1,254,410,969**	**1,252,541,207**
Total Assets	**3,390,507,453**	**3,096,629,497**
L I A B I L I T I E S & F U N D B A L A N C E		
Liabilities		
Current Liabilities		
Accounts Payable	443,551,614	535,556,263
Unearned Income	66,981,697	66,981,697
Suspense Account	5,346,964	4,527,003
Capitation Payable	66,771,741	66,717,055
State DHS - Cap Payable	32,633,113	32,633,113
Accrued Healthcare Costs	965,342,143	715,897,402
Claims Payable	210,750,505	176,741,330
Incurred But Not Reported-IBNR	490,832,393	412,471,641
Quality Improvement Programs	133,254,252	123,049,656
Total Current Liabilities	**2,415,464,422**	**2,134,575,160**
Non-Current Liabilities		
Deferred Inflows Of Resources	6,616,582	6,616,582
Net Subscription Liability	3,323,069	3,323,069
Total Non-Current Liabilities	**9,939,651**	**9,939,651**
Total Liabilities	**2,425,404,073**	**2,144,514,811**
Fund Balance		
Unrestricted Fund Balance	**(347,927,407)**	**(359,313,174)**
Reserved Funds		
State Financial Performance Guarantee	665,303,000	672,671,000
State Financial Performance Guarantee - Expansion Counties	263,695,000	259,599,000
Regulatory Reserve Requirement	147,194,481	141,734,763
Board Approved Capital and Infrastructure Purchases	36,225,975	37,862,493
Capital Assets	128,495,663	127,443,936
Strategic Use of Reserve-Board Approved Community Reinvestments	72,116,668	72,116,668
Total Reserved Funds	**1,313,030,787**	**1,311,427,860**
Total Fund Balance	**965,103,380**	**952,114,686**
Total Liabilities And Fund Balance	**3,390,507,453**	**3,096,629,497**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Statement of Cash Flow
For The Period Ending February 29, 2024

	Current Month Activity	Year-To-Date Activity
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From:		
Capitation from California Department of Health Care Services	599,993,432	2,995,956,479
Other Revenues	189,571	37,025,602
Cash Payments to Providers for Medi-Cal Members		
Capitation Payments	(25,168,610)	(283,383,215)
Medical Claims Payments	(222,326,192)	(1,994,521,392)
Drug Medi-Cal		
DMC Receipts from Counties	7,804,624	23,446,138
DMC Payments to Providers	(3,942,369)	(29,931,924)
Cash Payments to Vendors	(129,670,476)	(207,013,188)
Cash Payments to Employees	(15,247,333)	(91,615,447)
Net Cash (Used) Provided by Operating Activities	**211,632,647**	**449,963,053**
CASH FLOWS FROM CAPITAL FINANCING & RELATED ACTIVITIES:		
Purchases of Capital Assets	(976,281)	(11,598,455)
Net Cash Used by Capital Financial & Related Activities	**(976,281)**	**(11,598,455)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Board-Designated Reserve Transfers	(551,200)	(138,307,116)
Interest and Dividends on Investments	6,004,170	54,538,752
Net Cash (Used) Provided by Investing Activities	**5,452,970**	**(83,768,364)**
NET (DECREASE) INCREASE IN CASH & CASH EQUIVALENTS	**216,109,336**	**354,596,234**
CASH & CASH EQUIVALENTS, BEGINNING	**768,791,954**	**630,305,056**
CASH & CASH EQUIVALENTS, ENDING	**984,901,290**	**984,901,290**
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
TOTAL OPERATING (LOSS) INCOME	**6,581,425**	**3,650,488**
DEPRECIATION	**584,791**	**4,574,718**
CHANGES IN ASSETS AND LIABILITIES:		
Other Receivables	2,950,370	(5,635,124)
California Department of Health Services Receivable	(79,770,058)	(834,376,077)
Other Assets	396,859	(1,280,455)
Accounts Payable and Accrued Expenses	158,314,737	1,048,160,214
Accrued Claims Payable	112,369,927	207,113,317
Quality Improvement Programs	10,204,596	27,755,972
Net Cash Provided (Used) by Operating Activities	**211,632,647**	**449,963,053**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Statement of Revenues and Expenses

For The Period Ending February 29, 2024

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

ACTUAL MONTH	BUDGET MONTH	$ VARIANCE MONTH	ACTUAL MONTH PMPM	BUDGET MONTH PMPM		ACTUAL YTD	BUDGET YTD	$ VARIANCE YTD	ACTUAL YTD PMPM	BUDGET YTD PMPM
916,349	**916,349**	**-**			**TOTAL MEMBERSHIP**	**5,921,059**	**5,921,059**	**-**		
					REVENUE					
500,846,384	434,969,871	65,876,513	546.57	474.68	State Capitation Revenue	3,350,075,453	2,933,541,510	416,533,943	565.79	495.44
6,407,270	2,300,000	4,107,270	6.99	2.51	Interest Income	55,046,504	18,400,000	36,646,504	9.30	3.11
135,094	5,514,333	(5,379,239)	0.15	6.02	Other Revenue	1,982,124	44,114,664	(42,132,540)	0.33	7.45
507,388,748	**442,784,204**	**64,604,544**	**553.71**	**483.21**	**TOTAL REVENUE**	**3,407,104,081**	**2,996,056,174**	**411,047,907**	**575.42**	**506.00**
					HEALTHCARE COSTS					
-	-	-	-	-	Global Subcapitation	132,004,028	131,424,690	(579,338)	22.29	22.20
2,113,826	2,501,441	387,615	2.31	2.73	Capitated Medical Groups	17,025,127	18,382,570	1,357,443	2.88	3.10
					Physician Services					
6,571,455	7,046,864	475,409	7.17	7.69	PCP Capitation	49,228,149	51,763,439	2,535,290	8.31	8.74
216,832	246,278	29,446	0.24	0.27	Specialty Capitation	1,700,953	1,802,346	101,393	0.29	0.30
69,277,857	72,157,365	2,879,508	75.60	78.74	Non-Capitated Physician Services	413,761,822	396,449,543	(17,312,279)	69.88	66.96
76,066,144	**79,450,507**	**3,384,363**	**83.01**	**86.70**	**Total Physician Services**	**464,690,924**	**450,015,328**	**(14,675,596)**	**78.48**	**76.00**
					Inpatient Hospital					
17,820,890	20,621,730	2,800,840	19.45	22.50	Hospital Capitation	141,531,899	153,498,411	11,966,512	23.90	25.92
103,477,777	104,081,326	603,549	112.92	113.58	Inpatient Hospital - FFS	615,892,758	637,222,170	21,329,412	104.02	107.62
1,622,544	1,622,543	(1)	1.77	1.77	Hospital Stoploss	11,866,959	11,866,958	(1)	2.00	2.00
122,921,211	**126,325,599**	**3,404,388**	**134.14**	**137.85**	**Total Inpatient Hospital**	**769,291,616**	**802,587,539**	**33,295,923**	**129.92**	**135.54**
52,859,479	39,748,414	(13,111,065)	57.68	43.38	Long Term Care	323,426,712	271,015,871	(52,410,841)	54.62	45.77
					Ancillary Services					
1,176,088	1,130,112	(45,976)	1.28	1.23	Ancillary Services - Capitated	8,188,931	8,330,316	141,385	1.38	1.41
78,113,147	51,807,011	(26,306,136)	85.24	56.54	Ancillary Services - Non-Capitated	439,317,399	357,398,041	(81,919,358)	74.20	60.36
79,289,235	**52,937,123**	**(26,352,112)**	**86.52**	**57.77**	**Total Ancillary Services**	**447,506,330**	**365,728,357**	**(81,777,973)**	**75.58**	**61.77**
					Other Medical					
2,924,766	3,728,932	804,166	3.19	4.07	Quality Assurance	23,366,303	28,430,179	5,063,876	3.95	4.80
71,300,650	75,323,694	4,023,044	77.81	82.20	Healthcare Investment Funds	469,345,505	523,053,906	53,708,401	79.27	88.34
127,100	151,799	24,699	0.14	0.17	Advice Nurse	813,500	1,103,807	290,307	0.14	0.19
670	10,036	9,366	-	0.01	HIPP Payments	12,433	72,114	59,681	-	0.01
11,461,234	9,508,265	(1,952,969)	12.51	10.38	Transportation	63,154,259	57,935,237	(5,219,022)	10.67	9.78
85,814,420	**88,722,726**	**2,908,306**	**93.65**	**96.83**	**Total Other Medical**	**556,692,000**	**610,595,243**	**53,903,243**	**94.03**	**103.12**
10,204,596	7,704,596	(2,500,000)	11.14	8.41	Quality Improvement Programs	56,636,928	56,029,471	(607,457)	9.57	9.46
429,268,911	**397,390,406**	**(31,878,505)**	**468**	**434**	**TOTAL HEALTHCARE COSTS**	**2,767,273,665**	**2,705,779,069**	**(61,494,596)**	**467**	**457**
					ADMINISTRATIVE COSTS					
9,598,496	10,121,242	522,746	10.47	11.05	Employee	70,717,675	76,952,965	6,235,290	11.94	13.00
55,684	96,018	40,334	0.06	0.10	Travel And Meals	541,326	768,146	226,820	0.09	0.13
1,116,711	2,830,223	1,713,512	1.22	3.09	Occupancy	8,602,530	12,564,426	3,961,896	1.45	2.12
1,767,183	809,473	(957,710)	1.93	0.88	Operational	4,825,304	5,049,143	223,839	0.81	0.85
2,241,168	2,250,295	9,127	2.45	2.46	Professional Services	12,237,220	16,255,956	4,018,736	2.07	2.75
2,294,978	1,545,455	(749,523)	2.50	1.69	Computer And Data	12,955,481	11,669,775	(1,285,706)	2.19	1.97
17,074,220	**17,652,706**	**578,486**	**18.63**	**19.27**	**TOTAL ADMINISTRATIVE COSTS**	**109,879,536**	**123,260,411**	**13,380,875**	**18.55**	**20.82**
48,056,922	15,239,583	(32,817,339)	52.44	16.63	**Medi-Cal Managed Care Tax**	471,253,886	30,479,166	(440,774,720)	79.59	5.15
12,988,695	**12,501,509**	**487,186**	**14.19**	**13.64**	**TOTAL CURRENT YEAR SURPLUS (DEFICIT)**	**58,696,994**	**136,537,528**	**(77,840,534)**	**9.91**	**23.07**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
February 29, 2024

1. ORGANIZATION

The Partnership HealthPlan of California (PHC) was formed as a health insurance organization, and is legally a subdivision of the State of California, but is not part of any city, county or state government system. PHC has quasi-independent political jurisdiction to contract with the State for managing Medi-Cal beneficiaries who reside in various Northern California counties. PHC is a combined public and private effort engaged principally in providing a more cost-effective method of healthcare. PHC began serving Medi-Cal eligible persons in Solano County in May 1994. That was followed by additional Northern California counties in March 1998, March 2001, October 2009, two counties in July 2011, and eight counties in September 2013. Beginning July 2018 and in accordance with direction from the Department of Health Care Services (DHCS), PHC consolidated its reporting from these fourteen counties into two regions, which are in alignment with the two DHCS rating regions. Beginning January 2024, PHC expanded into ten additional counties, which comprise a third region.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

RESERVED FUNDS:

As of February 2024, PHC has Total Reserved Funds of $1.3 billion. This includes $72.1 million of funds set aside for Board approved Strategic Use of Reserve (SUR) initiatives for community reinvestments; this also includes funding for the Wellness & Recovery program. The total SUR amount represents the net amount remaining for all SUR projects that have been approved to date and is periodically adjusted as projects are completed. Reserved funds also includes $0.3 million of Knox-Keene Reserves.

3. STATE CAPITATION REVENUE

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

4. HEALTHCARE COST

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

5. QUALITY IMPROVEMENT PROGRAM

PHC maintains quality incentive contracts with acute care hospitals and primary care physicians. As of February 2024, PHC has accrued a Quality Incentive Program payout of $133.3 million.

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
February 29, 2024

6. **ESTIMATES**

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

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

7. **COMMITMENTS AND CONTINGENCIES**

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

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

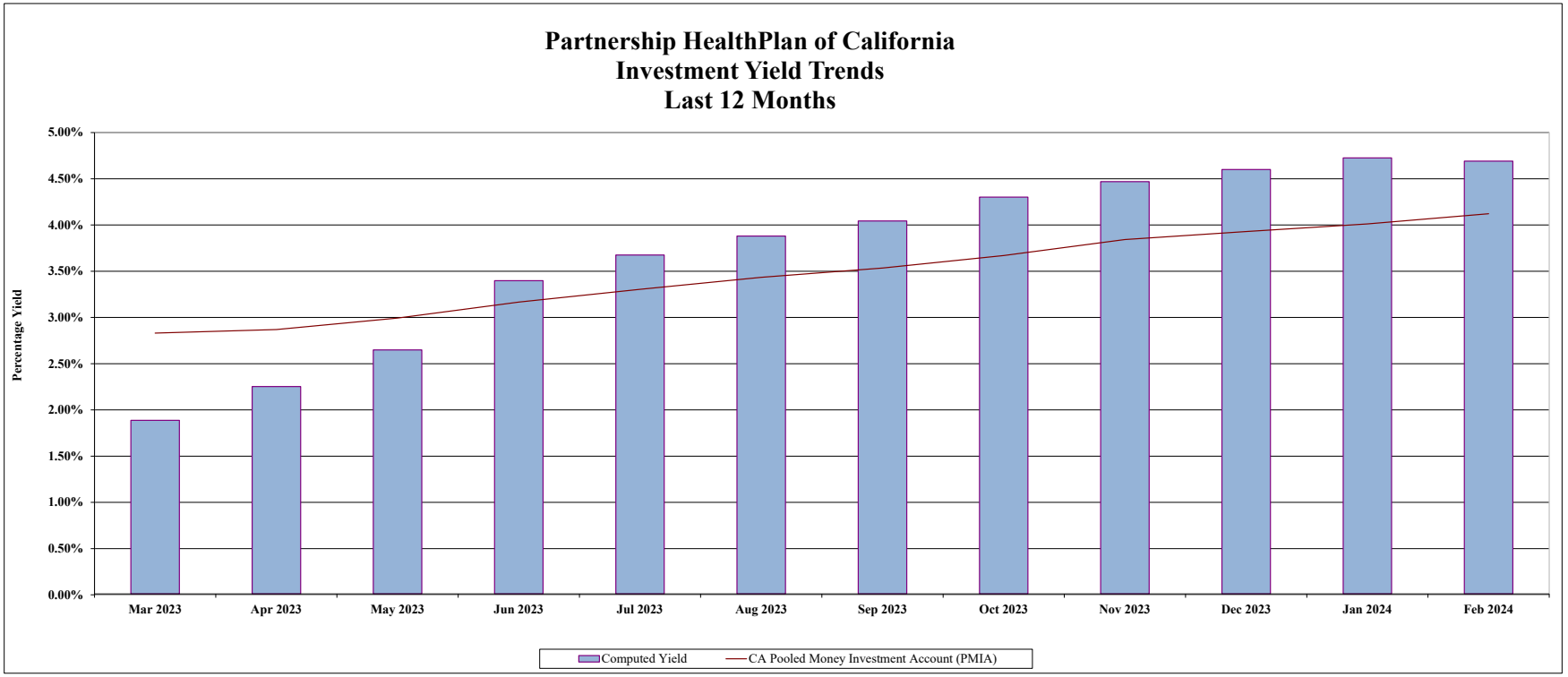
None noted.

Partnership HealthPlan of California
Investment Schedule
February 29, 2024

Name of Investment	Investment Type	Yield to Maturity	Trade Date	Maturity Date	Call Date	Face Value	Purchase Price	Market Value	Credit Rating Agency	Credit Rating
FUNDS HELD FOR INVESTMENT:										
Highmark Money Market	Cash & Cash Equiv	NA	Various	NA	NA	NA	$ 1,335,640	$ 1,335,640	NA	NR
US Treasury Note	Cash & Cash Equiv	0.01375	1/11/2022	1/31/2025	NA	$ 300,000	$ 303,281	$ 284,439	Fitch	AA+
Certificate of Deposit for Knox Keene	Cash & Cash Equiv	0.0526	5/24/2023	1/31/2025	NA	$ 300,000	$ 300,000	$ 300,000	NA	NR
FUNDS HELD FOR OPERATIONS:										
Merrill Lynch Institutional	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 71,069,325		
Merrill Lynch MMA - Checking	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 1,598,603		
US Bank - General, MMA, and Sweeps	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 1,905,199,836		
Government Investment Pools (LAIF)	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 75,000,000		
Government Investment Pools (County)	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 42,365,520		
West America Payroll	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 147,521		
Petty Cash	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 3,300		
GRAND TOTAL:								$ 2,097,304,184		

Partnership HealthPlan of California
Investment Yield Trends

PERIOD		Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024
Interest Income		4,307,494	5,688,633	6,462,471	10,745,120	5,951,214	5,662,667	6,681,800	7,965,260	6,968,741	7,219,959	8,189,594	6,407,270
Cash & Investments at Historical Cost	(1)	1,801,522,186	1,526,531,278	1,529,952,547	1,604,416,396	1,588,740,621	1,644,124,824	2,054,308,786	1,722,919,248	1,755,658,813	1,834,478,790	1,880,659,210	2,097,319,746
Computed Yield	(2)	1.89%	2.25%	2.65%	3.40%	3.68%	3.88%	4.04%	4.30%	4.47%	4.60%	4.73%	4.69%
CA Pooled Money Investment Account (PMIA)	(3)	2.83%	2.87%	2.99%	3.17%	3.31%	3.43%	3.53%	3.67%	3.84%	3.93%	4.01%	4.12%



NOTES:

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

(2) Computed yield is calculated by dividing the past 12 months of interest by the average cash balance for the past 12 months.

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