



Finance Committee Meeting Agenda

May 15, 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

Partnership’s Eastern Office located at 281 Nevada Street, Auburn, CA

Finance Committee Members: Jonathan Andrus, Jayme Bottke, 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 May 14, 2024. Comments received will be read during the meeting.

| 8:00A.M – Opening | | | |
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| 1.1 Call to Order | | <i>Dave Jones, Chair</i> | |
| 1.2 Roll Call | | <i>Clerk</i> | |
| 1.3 | ACTION: Approval of Agenda | 1-2 | <i>Chair</i> |
| 1.4 | ACTION: Approval of Finance Committee Minutes from April 17, 2024 | 3-8 | <i>Chair</i> |
| 1.5 Commissioner Comment | | <i>Chair</i> | |
| 1.6 Public Comment | | <i>Public</i> | |
| New Business | | | |
| 2.1 | ACTION: Appointment of Ryan Gruver, Nevada County, to the Finance Committee | 9-10 | <i>Sonja Bjork</i> |
| 2.2 | INFORMATION: CEO Health Plan Update | 11 | <i>Sonja Bjork</i> |
| 2.3 | ACTION: Approve the Preliminary Health Care Expense Budget for FY 2024-2025 | 12-19 | <i>Jennifer Lopez / Patti McFarland</i> |
| 2.4 | ACTION: Accept March 2024 Metrics and Financials | 20-33 | <i>Jennifer Lopez / Patti McFarland</i> |
| Closed Session | | | |

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| 3.1 | Discussion and Action Pursuant to Government Code § 54956.87 Subdivision (c); PROVIDER CONTRACT NEGOTIATIONS | <i>Committee Members without a Conflict of Interest, Sonja Bjork, Patti McFarland, Wendi Davis, Amy Turnipseed Jennifer Lopez, Dustin Lyda, and Ashlyn Scott, Board Clerk</i> |
| Reconvene in Open Session | | |
| 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 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:

Partnership’s Southeast Office located at 4605 Business Center Drive, Fairfield, 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

**On
April 17, 2024**

Members Present: Jonathon Andrus, Jayme Bottke, Alicia Hardy, Randall Hempling, Dave Jones, Chair, Nancy Starck

Members Excused: Kathryn Powell, Nolan Sullivan

Staff: Sonja Bjork, Wendell Coats, Wendi Davis, Marisa Dominguez, Melanie Lam, John Lemoine, Jennifer Lopez, Patti Mcfarland, Jose Puga, Ashlyn Scott, Amy Turnipseed, Colleen Valenti, Diane Walton, Brent Weinberg, Lori Williams

Guests: T Abraham

| AGENDA ITEM | | MOTION / ACTION |
|-------------------------------|--|--|
| 1.2 Roll Call | Ashlyn Scott, Clerk of the Commission, called the roll indicating there was a quorum. | None |
| 1.3 Approval of Agenda | Chairman Jones asked if anyone had changes to the agenda. Hearing no requests for modification, he asked for a motion to approve the agenda. | <p><i>Commissioner Starck moved to approve the agenda as presented, seconded by Commissioner Hempling.</i></p> <p><u>ACTION SUMMARY:</u> <i>Yes:5</i></p> |

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| | | <p>No: 0 Abstention: 0 Excused: 2 (Powell, Sullivan)</p> <p>MOTION CARRIED</p> |
| 1.4 Approval of the March 20, 2024 Finance Committee Meeting Minutes | Chairman Jones asked if anyone had changes to the March 20, 2024 minutes. Hearing none, Chairman Jones asked for a motion to approve the minutes. | <p><i>Commissioner Hempling moved to approve the minutes as presented seconded by Commissioner Hardy.</i></p> <p><u>ACTION SUMMARY:</u> Yes: 5 No: 0 Abstention: 0 Excused: 2 (Powell, Sullivan)</p> <p>MOTION CARRIED</p> |
| 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 ACTION: Appointment of Jayme Bottke, Tehama County, to the Finance Committee | Chief Executive Officer, Sonja Bjork, introduced Commissioner Jayme Bottke, who was appointed in February to represent Tehama County on the Partnership Board. Commissioner Bottke has extensive budgeting experience and is interested in representing the Eastern Region on the Finance Committee. | <p><i>Commissioner Hempling moved to approve the minutes as presented seconded by Commissioner Hardy.</i></p> <p><u>ACTION SUMMARY:</u> Yes: 5 No: 0 Abstention: 0 Excused: 2 (Powell, Sullivan)</p> <p>MOTION CARRIED</p> |
| 2.2 CEO Report | <p>Ms. Bjork gave a report on the following topics:</p> <p><i>Expansion Update</i> – In February, the Partnership Board appointed seven new Commissioners representing expansion counties. Six additional Commissioner appointments will be taken to the April Board Meeting for approval. Partnership’s Chico office is currently undergoing a remodel</p> | None |

and is expected to be ready for use in the 4th quarter of this year. In the interim, Chico-based employees are working out of a rental office. The Auburn office requires minor updates, however staff have already begun utilizing the space. In April, Partnership expects to close escrow on two additional buildings in Redding and Eureka, which will help alleviate the current space constraints.

Commissioner Starck asked if the tenants in the Eureka building will continue their lease under Partnership's ownership.

Ms. McFarland replied that yes, the current tenants intend on extending their lease.

Intergovernmental Transfers (IGT) – Partnership works diligently to maximize IGT funding to draw down dollars to the communities we serve. Only certain entities with taxing authority are eligible for funding. These entities include district hospitals, public institutions, fire districts and counties. Partnership will soon receive and disperse funding for fiscal year 2022. Expansion counties will work with Anthem and California Health and Wellness on IGTs until the look back period for fiscal year 2024.

Non-Profit Foundation Update – Partnership is in the process of establishing a non-profit foundation, which is common amongst local health plans. The foundation would be able to make different community investments and accept donations, outside of what is allowable for Medi-Cal plans. Outside counsel is reviewing the foundation's drafted bylaws. Additionally, articles were filed with the Secretary of State in March. Updates will be brought to the Board in the coming months.

2024 Contract Requirements – The DHCS' 2024 contract requires many additional staff positions, which will result in increased admin costs. One example is Transition of Care Services, which requires an assigned case manager for every member transferring from one setting or level of care to another. At any given time, Partnership has around 1000 members admitted in a hospital. Each of which will need a case manager to oversee their transition to a new setting. To handle the increased workload, the Health Service Department has added several new positions.

Commissioner Hardy said she supports the establishment of a non-profit foundation but asked to confirm that the foundation will not be soliciting donations and forming a fundraising team.

Ms. Bjork replied no, the foundation will be a lean operation and will not be fundraising.

Common Spirit Contract – Partnership's contract with Common Spirit/Dignity Health expired on March 31. The contracting team worked until the final hours negotiating and despite the term, negotiations will continue in hopes of coming to an agreement. With the exception of members who qualify for Continuation of Care (COC), members assigned to Dignity will be reassigned effective May 1. These members will be receiving new packets and ID cards in the coming weeks. Partnership is receiving an influx of Dignity-related calls, and as a result, we have shifted staff to

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| | <p>assist with the call volume. The Yolo County Board of Supervisors sent a letter to both Partnership and Dignity to encourage continued negotiations until an agreement is reached.</p> <p><i>Commissioner Starck asked if Partnership has communicated with the Consumer Advisory Committee (CAC) to try to direct members to the online member portal to ease the increased call volume.</i></p> <p><i>Ms. Bjork confirmed that we are communicating with the CAC about Dignity messaging. The CAC representatives from Yolo County are advocating for their fellow affected members and directing eligible members to apply for COC.</i></p> <p><i>Chairman Jones questioned where Dignity members currently receiving OB services will be reassigned.</i></p> <p><i>Ms. Bjork replied that pregnant members qualify for COC.</i></p> | |
| <p>2.3 ACTION: Approve Budget Revisions for FY 2023-2024</p> | <p>Jennifer Lopez, Deputy Chief Financial Officer, presented the budget revisions for FY 2023-2024. The revision is necessary to account for expenses related to geographic expansion and to support new requirements, per the DHCS 2024 contract. The Board approved \$150 million in losses over the initial two years of the contract for geographic expansion expenses. The revised budget reflects \$41.6 million losses for fiscal year 2023-2024. Partnership received 25,000 more members from the expansion than initially expected, which results in more revenue but also increased expenses. Additionally, the revision includes a reallocation of admin dollars to support new DHCS contractual requirements. Ms. Bjork noted that it is not standard practice to come back to the Board with a revised budget, however there were so many unknowns this year, making it difficult to accurately forecast. Lastly, transportation administrative expenses will be separately identified in the final administrative expense budget comparison that is included in the final budget presentation, this will allow for a more accurate comparison to our sister plans, who do not administer the transportation benefit in house.</p> <p><i>Commissioner Starck questioned if the \$41 million in losses is what was expected at this point.</i></p> <p><i>Ms. Lopez responded that the \$41 million is within reason at this time. Expansion losses are being closely monitored to inform next year's budget.</i></p> | <p><i>Commissioner Starck moved to accept the FY2023-2024 Budget Revisions as presented, seconded by Commissioner Andrus.</i></p> <p><u>ACTION SUMMARY:</u> <i>Yes: 6 No: 0 Abstention: 0 Excused: 2 (Powell, Sullivan)</i></p> <p>MOTION CARRIED</p> |
| <p>2.4 ACTION: Approve Budget Assumptions for FY 2024-2025</p> | <p>Ms. Lopez presented the Budget Assumptions for Fiscal Year 2024-2025, the first of the three-part budget approval process. Draft Health Care Expense Budget will be presented to the Finance Committee in May, followed by the Final Budget presented to both Finance Committee and the full Board in June.</p> <p><i>Outlook for FY 2024-2025</i> –The state is facing a significant deficit, which could impact Medi-Cal and Plan finances, however the total impact is still unknown. The Legislative Analyst's Office</p> | <p><i>Commissioner Andrus moved to accept the FY2024-2025 Budget Assumptions as presented, seconded by Commissioner Andrus.</i></p> <p><u>ACTION SUMMARY:</u> <i>Yes: 6</i></p> |

(LAO) is projecting a budget deficit at an estimated \$73 billion, which is nearly double the \$38 billion shortfall included in Governor Newsom’s January budget proposal. Currently, Medi-Cal programs have remained unscathed by budget cuts, but this could change in the May Revision. We currently expect significant changes related to the Managed Care Organization (MCO) tax Targeted Rate Increases (TRI) beginning in 2025. Currently, DHCS is proposing targeting annual investments increases of \$2.4 billion in 2025 focusing investments in primary care, obstetric care, non-specialty mental health, specialty care services, and other targeted areas. In calendar year 2024, \$240 million in added revenue is expected to be distributed to providers statewide as part of the MCO tax TRI, it should be noted these investments are over and beyond the historical Proposition 56 physician supplemental payment levels. Partnership awaits DHCS’ final policy to understand how providers will be paid and the required timeframes for the 2024 rate increases. Additional CalAIM initiatives will be implemented in the coming year, including the Justice Involved Initiative and Transitional Care Services, while preparing to operationalize a Medicare D-SNP by January 2026. Partnership will begin to administer the Whole Child Model (WCM) program for the ten expansion counties in January 2025. The State will begin withholding 1% of Partnership’s revenue that can be earned back by meeting quality measures beginning in January of 2025. The quality metrics will also become more stringent. The state will begin requiring plans to make prescriptive community investments from a defined set of categories and submitting an annual investment plan for approval beginning in 2026.

There is continued uncertainty regarding membership as the counties continue to work through the backlogs of Medi-Cal redeterminations. There will be significant implications for revenue if less acute members continue to lose eligibility. A mid-year re-budget may be necessary due to the many unknowns.

Revenue – Partnership has received draft rates for calendar year 2024, though dampened in the 10-county expansion region by lower utilization and cost data from the previous commercial plans. Revenue in 2024 could be impacted by member acuity. Partnership will have increased MCO tax liability, totaling around \$500,000, which will be reimbursed once matching federal funds are secured. We are monitoring interest rates and their effect on interest income. Partnership also receives rental income from tenants.

Health Care Costs – Health care costs were estimated based on historical claims experience from CY 2022 and CY 2023, pre and post COVID trends and contracting changes. Health care costs for the 10-county expansion region were based on actuarial analysis, draft rate projections and actual claims experience.

Administrative Costs – As previously discussed, administrative costs will increase to support new contractual requirements. Additional resources will also be necessary to build the infrastructure to launch a D-SNP product in 2026. Benefits costs increased substantially last year and Partnership will continue the annual salary survey to remain competitive in the job market.

No: 0
Abstention: 0
Excused: 2 (Powell, Sullivan)

MOTION CARRIED

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| | <p><i>Commissioner Hardy complimented the team on assembling a budget given so many unknowns. She asked if the Finance Committee should have metrics to monitor the plan's financial health and at what point should the organization analyze ways to cut back.</i></p> <p><i>Ms. Lopez responded that Partnership has strong reserves and there are contractual levers. If reserves are being depleted at an uncomfortable rate, the Finance Committee and full Board will be notified.</i></p> | |
| 2.5 ACTION: Accept February 2024 Metrics and Financials | <p>Patti McFarland, Chief Financial Officer, presented Partnership's Metrics and Financials for the month ending February 29, 2024. Partnership reported a net surplus of \$13.0 million, bringing the year-to-date surplus to \$58.7 million. Providers in the expansion region have begun submitting claims, however it will take some time before we have a clear picture of normal claims volume.</p> <p>Ms. McFarland's full report is included in the packet.</p> | <p><i>Commissioner Starck moved to accept the February Financials as presented, seconded by Commissioner Hardy.</i></p> <p><u>ACTION SUMMARY:</u> <i>Yes: 6 No: 0 Abstention: 0 Excused: 2 (Powell, Sullivan)</i></p> <p>MOTION CARRIED</p> |
| CLOSED SESSION | <p>Chairman Jones announced the following item would be discussed in Closed Session.</p> <ul style="list-style-type: none"> • 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 9:55AM. | None |

Respectfully submitted by:
Ashlyn Scott, Board Clerk

Committee Approval Date: 05/15/2024

Signed: _____
Ashlyn Scott, Board Clerk

Dave Jones, Chair

CONSENT AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Meeting Date: May 15, 2024
Board Meeting Date: June 26, 2024

Agenda Item Number:
2.1

Resolution Sponsor:
Sonja Bjork, Partnership HealthPlan of CA

Approved by:
Partnership Staff

Topic Description:

Commissioner Ryan Gruver, Director of Nevada County Health Services Agency, has expressed interest in joining the Finance Committee. He was appointed to the Partnership Board as a commissioner in February 2024, representing Nevada County and Partnership's new Eastern Region.

Reason for Resolution:

Commissioner Ryan Gruver 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 full Board is asked to approve the appointment of Ryan Gruver to the Finance Committee as a new member.

CONSENT AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Meeting Date: May 15, 2024
Board Meeting Date: June 26, 2024

Agenda Item Number:
2.1

Resolution Number:
24-

IN THE MATTER OF: APPROVING THE APPOINTMENT OF RYAN GRUVER TO THE FINANCE COMMITTEE AS A NEW MEMBER

Recital: Whereas,

- A. Board members are encouraged to serve on one or more committees.
- B. Commissioner Gruver 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 Ryan Gruver to the Finance Committee as a new member

PASSED, APPROVED, AND ADOPTED by the Partnership HealthPlan of California this 26th day of June 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
May 15, 2024**

- I. California State Budget: May Revise**
- II. PCP Quality Incentive Program**
- III. Common Spirit Contract Termination / Negotiations Update**
- IV. CalAIM IPP Grants**

**AGENDA REQUEST FOR RATIFICATION
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA**

Board / Finance Committee (when applicable)
Meeting Date: May 15, 2024
Board Meeting Date: June 26, 2024

Agenda Item Number:
2.3

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

Recommendation by:
The Finance Committee and Partnership Staff

Topic Description:

On April 24, 2024, the Board approved Budget Assumptions for Fiscal Year (FY) 2024-2025 and directed staff to prepare a full operational budget. The Preliminary Health Care Expense Budget for FY 2024-2025 is presented for Finance Committee’s approval on May 15, 2024. The full Board will ratify the Finance Committee’s approval on June 26, 2024.

On June 19, 2024, the Finance Committee will review and approve the Final Budget, before the full Board reviews and approves on June 26, 2024.

Reason for Resolution:

The purpose of this resolution is to present the Preliminary Health Care Expense Budget for FY 2024-2025 for review and approval.

Financial Impact:

The financial impact is material.

Requested Action of the Board:

Based on the approval of the Finance Committee and Partnership staff, the Board is asked to ratify the Preliminary Health Care Expense Budget for FY 2024-2025.

**AGENDA REQUEST FOR RATIFICATION
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA**

Board / Finance Committee (when applicable)
Meeting Date: May 15, 2024
Board Meeting Date: June 26, 2024

Agenda Item Number:
2.3

Resolution Number:
24-

**IN THE MATTER OF: RATIFYING THE FINANCE COMMITTEE’S APPROVAL OF THE
PRELIMINARY HEALTH CARE EXPENSE BUDGET FOR FY 2024-2025**

Recital: Whereas,

- A. The Board has responsibility for establishing budget policy and specific budget approval.
- B. In prior meetings, Partnership staff, the Finance Committee, and the Board have provided direction and input into the development of the budget.

Now, Therefore, It Is Hereby Resolved As Follows:

- 1. To ratify the Finance Committee’s approval of the Preliminary Health Care Expense Budget for FY 2024-2025

PASSED, APPROVED, AND ADOPTED by the Partnership HealthPlan of California this 26th day of June 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

FY 2024-25
Preliminary Health Care Budget



May 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 were presented and approved. The next phase of the process is to present and seek approval from the Finance Committee on the preliminary health care expense budget. In June, the final budget—including previously reviewed components and a fully developed administrative budget—are presented to the Board for final review and approval. This document outlines the Plan’s preliminary health care expense budget and outlines the major expense categories and the risks assumed. Partnership staff will continue to make refinements to the health care expense budget, estimates may materially change prior to the final presentation of the full operating budget in June 2024.

Health Care Expenses

As stated in our budget assumptions last month, 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. On April 15, 2024, the Governor signed legislation reflecting the early action budget plan that is expected to reduce the State’s budget deficit by approximately \$17 billion. On May 10, 2024 the Governor will release his fiscal year (FY) 2024-25 May Revision which will provide further insight into the state’s overall budget condition and proposed budget solutions. Due to the timing of preparing our health care expense budget, May Revision policy changes and associated cost pressures are not reflected in this iteration of our budget. As new information becomes available prior to our final budget presentation, staff will make adjustments where necessary including accounting for any related May Revision impacts. Given the sizeable shortfall we anticipated 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.

We continue to anticipate the Department of Health Care Services (DHCS) will 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 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 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.

As noted in our budget assumptions, the transformation of Medi-Cal known as California Advancing and Innovating Medi-Cal (CalAIM) continues into fiscal year (FY) 2024-25. Notable items include:

- **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 Partnership. 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.
- **Transition Care Services** – Will require discharge planning services to members moving across health care settings, DHCS policy outlines specific requirements based on defined population types. In order to comply with these policy requirements, Partnership will need to considerably increase health services staff.
- **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 these new requirements.
- **10-County Whole Child Model (WCM) Implementation** – In January of 2025, the California Children’s Services program will transition the state’s fee-for-service program in our 10-county expansion area to Medi-Cal managed care. The anticipated health care costs associated with this transition are reflected in this budget.
- **Dual Special Needs Plan (D-SNP)** – DHCS is requiring all Medi-Cal managed care plans to operationalize a D-SNP by January 2026. D-SNPs 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. It is further noted beginning in 2026, Partnership anticipates multi-year losses tied to this new line of business, which puts further strain on plan finances and reserves.

There is uncertainty on the volume of membership loss Partnership will experience once all Medi-Cal redeterminations 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 expense trends.

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.

The first draft of the health care budget for our existing service area assumes an overall expense of \$5.6 billion, which is \$907.4 million, or 19.4 percent, greater than the 2023-24 revised budget. The primary driver of the increase is tied to the expansion counties. Specifically, budgeting for twelve months of expenses in FY 2024-25, while FY 2023-24 only included six months.

Considerations and estimates by cost category are presented in more detail below.

Global Sub-Capitation

2024-25: \$0 | 2023-24 Δ: (\$132.0 million) or (100%)

Effective, January 1, 2024, Partnership’s global sub-capitated provider Kaiser Permanente entered into a direct contract with DHCS. The termination of the prior global sub-capitation agreement between Partnership and Kaiser Permanente is driving the year-over-year decrease in expense.

Inpatient Hospital

2024-25: \$1.68 billion | 2023-24 Δ: \$339.3 million or 25.3%

The Inpatient Hospital line item includes inpatient fee-for-service (FFS), hospital capitation, and stop loss expenses. The additional six months of costs for the expansion counties and the implementation of the WCM program in January 1, 2025 for these counties are driving the year-over-year increase.

According to California Consumer Price Index data, the health care and other economic sectors in California were significantly affected by inflation in 2022. In 2023 the inflationary pressures have been reduced by approximately half, with 2024 year-to-date inflation keeping pace with 2023. Given the current state budgetary condition, forthcoming regional rate implementation, and cooling inflation since 2022 record levels, Partnership must continue to be prudent in controlling health care expenses through appropriate medical management and sound contracting decisions. As contract requests are evaluated it is imperative to recognize other hospital revenue sources that are afforded to contracted providers in Medi-Cal managed care, such as the Private Hospital Directed Payment (PHDP) program and the District Hospital Directed Payment program. Specifically, the PHDP program grew by approximately 74.19 percent from CY 2021 to CY 2024. As displayed in the chart below, the PHDP year-over-year revenue increases are recognized in the year revenue is received. For example the CY 2023 PHDP program year increase of 42.73 percent will be received and recognized by private hospitals in CY 2025.

| Program Year | Year Revenue Received | PHDP Program Funding Total | % Increase from Prior Year |
|--------------|-----------------------|----------------------------|----------------------------|
| CY 2024** | CY 2026 | \$6,687,256,629 | 26.35% |
| CY 2023* | CY 2025 | \$5,292,730,897 | 42.73% |
| CY 2022 | CY 2024 | \$3,708,338,000 | 5.11% |
| CY 2021 | CY 2023 | \$3,528,000,000 | 7.60% |
| CY 2020 | CY 2022 | \$3,278,853,493 | |

*CY 2023 Program Year total (less \$100 million pass through shift into PHDP) approved by Centers for Medicare & Medicaid Services.

**CY 2024 Program Year total (less \$500 million pass through shift into PHDP) approved by Centers for Medicare & Medicaid Services.

Private Hospital Directed Payment (PHDP) – Provides supplemental funding to contracted hospitals for Medi-Cal managed care member utilization for inpatient, outpatient, and emergency room services. This funding is in addition to hospital and plan contracted rates.

It is important to note the state’s actuaries assess the reasonableness of Partnership’s contracting levels inclusive of these supplemental payments. As a reminder, PHC has faced increased scrutiny from DHCS on contracting health care costs levels, some of which resulted in downward inpatient rate adjustments. Like in prior years, we expect DHCS to remain focused on cost efficient spending in managed care. Further as noted above, 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 of future downward rate pressures to Partnership revenue levels which could significantly affect Plan finances. Staff are continuing to evaluate our budget assumptions and the final inpatient hospital expense will be presented in June.

Physician Services

2024-25: \$1.02 billion | 2023-24 Δ: \$211.4 million or 26.1%

Physician Services includes Proposition 56 payments (Prop 56), specialty capitation, primary capitation, and physician FFS expenses. FFS expenses are increasing year-over-year due to the six months of expense for the expansion counties and recent contracting increases.

Further notable changes are tied to the Managed Care Organization (MCO) tax Targeted Rate Increases (TRI) policy which begins in CY 2024. Effective January 1, 2024, the Prop 56 physician supplemental payment program transitioned into TRI. In CY 2024, TRI will afford eligible contracted providers minimum reimbursement levels of 87.5% of lowest Medicare locality in the state for certain Medi-Cal services. Further guidance from DHCS will be forthcoming including implementation timelines and how to operationalize these increases in capitation arrangements. Over the next several weeks, Partnership staff will refine assumptions as additional run-out of paid claims data becomes available.

Long Term Care

2024-25: \$653.4 million | 2023-24 Δ: \$104.8 million or 19.1%

As explained in prior year budget cycles, the Long Term Care (LTC) expense category is challenging to budget for due to the timing and complexity of the retroactive DHCS rate increases. The rates are often released months after their effective date, more recently with multiple versions. This requires Partnership staff to complete an in-depth analysis to calculate and correct prior payments. The additional six months of costs for the expansion counties, overall increases in non-expansion county utilization, and the DHCS annual facility per diem rate increases are driving the overall year-over-year increase.

Ancillary Services

2024-25: \$909.4 million | 2023-24 Δ: \$140.8 million or 18.3%

Ancillary Services is comprised of FFS and capitated ancillary services. The additional six months of costs for the expansion counties. The budget also assumes increases tied to FFS increases specific to emergency department and outpatient hospital services. Additionally, utilization for outpatient mental health services and BHT has increased since the start of the pandemic and we expected similar trends to continue.

Other Medical

2024-25: \$463.4 million | 2023-24 Δ: \$29.2 million or 6.7%

The Other Medical category includes: transportation; quality assurance; health care investment fund (HCIF); nurse advice line; DHCS incentive payment programs; and the DHCS voluntary rate range program. As of April 2024, transportation benefits are directly coordinated by Partnership. The in-house administration of the non-medical and non-emergency medical transportation benefits provide greater access and better customer service to our members and providers. Increases in utilization and the rural nature of the counties we serve are the main drivers for the year-over-year increase. In addition, staff assumed the quality assurance and medical administrative expenses will increase from current year due to additional DHCS 2024 contract requirements and transitional care services staffing requirements.

DHCS Facility Directed Payment Programs

2024-25: \$756.3 million | 2023-24 Δ: \$206.2 million or 37.5%

The following facility directed payments are included in this category: Private Hospital Directed Payment Program, Designated Public Hospital Enhanced Payment Program, Designated Public Hospital Quality Improvement Program, District Hospital Directed Payment, and the new Skilled Nursing Facility Workforce Quality Improvement Program. The significant increase of the statewide pool for the Private Hospital Directed Payment program as in the above table is the primary driver of the year-over-year increase.

Quality Improvement Programs (Incentives)

2024-25: \$100.0 million | 2023-24 Δ: \$7.7 million or 8.4%

As noted above, DHCS continues to focus on quality improvement and quality sanctions. DHCS implemented a 0.5 percent quality withhold on plan capitated in January 1, 2024 and has proposed a 1 percent quality withhold beginning in January 1, 2025 which puts further strain on Plan finances. While there are expected changes in membership, given these external pressures, Partnership staff have budgeted an increase in year-over-year quality investments. A portion of these increases are offset by sunset of the SNF QIP program which ended on December 31, 2023. Like in prior periods, incentive funding is subject to final revenue projections.

Health Care Budget FY 2024-25 to FY 2023-24 Comparison

| Health Care Categories | Budget FY 2024-25 | Revised Budget FY 2023-24 | Y-o-Y Δ | |
|--|------------------------|------------------------------|----------------------|--------------|
| | | | \$ | % |
| Global Subcapitation & Capitated Medical Group | \$0 | \$132,004,028 | (\$132,004,028) | (100.0%) |
| Inpatient Hospital | \$1,681,095,856 | \$1,341,759,998 | \$339,335,859 | 25.3% |
| Physician Services | \$1,020,062,993 | \$808,688,765 | \$211,374,228 | 26.1% |
| Long Term Care | \$653,448,033 | \$548,669,646 | \$104,778,387 | 19.1% |
| Ancillary Services | \$909,395,108 | \$768,552,673 | \$140,842,435 | 18.3% |
| Other Medical | \$463,447,536 | \$434,271,776 | \$29,175,760 | 6.7% |
| DHCS Facility Directed Payment Programs | \$756,342,765 | \$550,165,297 | \$206,177,468 | 37.5% |
| Quality Improvement Programs | \$100,000,000 | \$92,259,517 | \$7,740,483 | 8.4% |
| Total Health Care Expense | \$5,583,792,292 | \$4,676,371,701 | \$907,420,591 | 19.4% |

FINANCIAL HIGHLIGHTS

Of The Partnership HealthPlan Of California

For the Period Ending March 31, 2024

Financial Analysis for the Current Period

Total (Deficit) Surplus

For the month ending March 31, 2024, PHC reported a net deficit of \$10.9 million, bringing the year-to-date surplus to \$47.8 million. Significant variances are explained below.

Revenue

Total Revenue is greater than budget by \$3.7 million for the year-to-date. Medi-Cal revenue is \$4.0 million favorable mainly due to January 2024 and February 2024 retro-activity adjustments. Supplemental revenues are \$11.8 million favorable due to timing of DHCS submissions mainly in the Expansion Counties. Other revenue is \$15.9 million unfavorable due to timing of revenue for various incentive programs (BHI Grant, SBHIP, HHIP); corresponding expenses are also being recorded in HCIF. Interest income is \$3.6 million favorable due to higher than anticipated interest rates.

Healthcare Costs

Total Healthcare Costs is lower than budget by \$7.6 million for the year-to-date. Physician and Ancillary expenses are \$15.1 million unfavorable primarily due to accrual for estimated CY2024 TRI expense impact and adjustments to IBNR reserves to reflect the latest utilization trend. Healthcare Investment Funds (HCIF) are \$17.0 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 \$2.3 million favorable due to lower than budgeted expense. Transportation expense is \$2.1 million favorable due to lower than budgeted utilization. Quality Assurance expense is \$1.9 million favorable due to the timing of Utilization Management and Quality Assurance (UM/QA) operational expenses.

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 decreased by \$1.3 million in comparison to the previous month primarily in Operational Costs from the previous month's additional mailings relating to county expansion and the winter newsletter.

Year-To-Date (YTD) Budget

Revisions to the Fiscal Year 2023/24 budget, presented to and approved by the Board last month, are reflected in the Year-To-Date (YTD) budget numbers. Approximately \$411.1 million was added to revenue while a net \$488.9 million was added to overall expenses including MCO. As noted in prior month's presentation, the budget adjustments were calculated on eight months of actual experience and four months of projections. The YTD budget as reflected in the March State of Revenues and Expenses includes the eight months actual experience plus one month of projection.

Balance Sheet / Cash Flow

Total Cash & Cash Equivalents increased by \$291.4 million for the month. Inflows of \$911.5 million in State Capitation payments include \$155.2 million in Voluntary Rate Range payments, which are expected

FINANCIAL HIGHLIGHTS
Of The Partnership HealthPlan Of California
For the Period Ending March 31, 2024

to be disbursed in the following month. Additional inflows include \$2.0 million in Drug Medi-Cal payments and \$9.1 million in interest earnings. These inflows were offset by outflows of \$180.1 million in Directed Payments, \$288.5 million in healthcare cost payments, \$4.4 million in Drug Medi-Cal payments, \$17.2 million in administrative and capital cost payments, \$125.5 million for a quarterly MCO tax payment pertaining to calendar year 2023, and the recording of \$15.7 million in board-designated reserve transfers. The remaining difference can be attributed to other revenues.

General Statistics

Membership

Membership had a total net increase of 5,197 members for the month.

Utilization Metrics and High Dollar Case

For the fiscal year 2023/24 through March 2024, 360 members reached the \$250,000 threshold with an average cost of \$500,191. For fiscal year 2022/23, 694 members reached the \$250,000 threshold with an average cost per case was \$518,841. For fiscal year 2021/22, 584 members reached the \$250,000 threshold with an average claims cost of \$496,019.

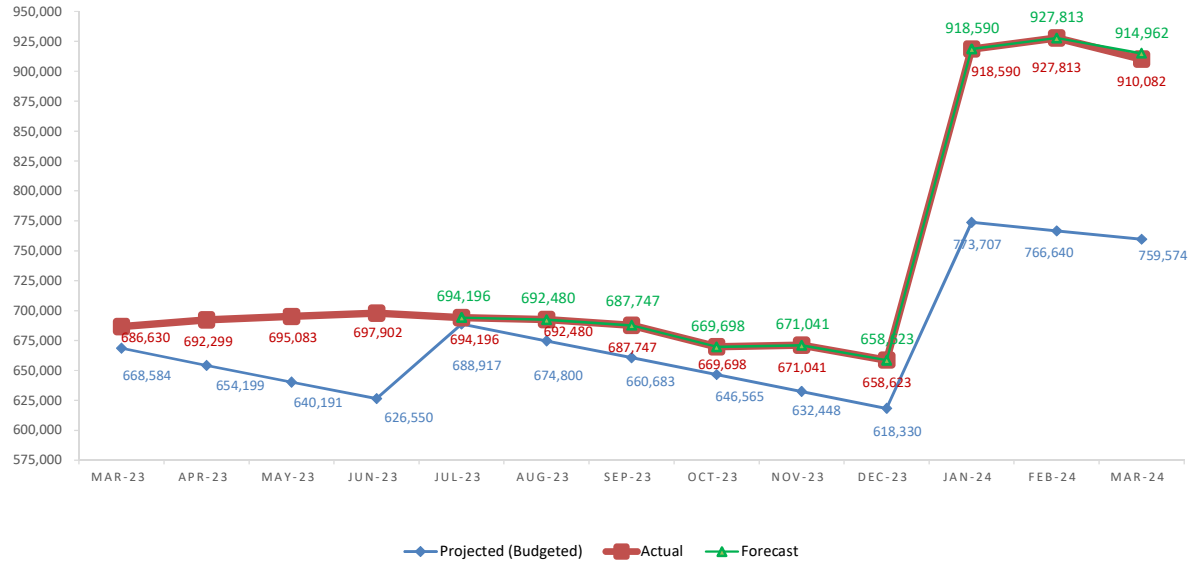
Current Ratio/Reserved Funds

| | |
|--|------------------------|
| Current Ratio Including Required Reserves | 1.33 |
| Current Ratio Excluding Required Reserves: | 0.88 |
| Required Reserves: | \$1,256,404,339 |
| Total Fund Balance: | \$954,242,413 |

Days of Cash on Hand

| | |
|------------------------------|---------------|
| Including Required Reserves: | 195.18 |
| Excluding Required Reserves: | 103.61 |

**PARTNERSHIP HEALTHPLAN OF CALIFORNIA
ACTUAL V. PROJECTED V. FORECAST MEDI-CAL ENROLLMENT
MARCH 2023 - MARCH 2024**



Member Months by County:

| County | Mar-23 | Apr-23 | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | ★ |
|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------|
| Solano | 139,224 | 140,852 | 141,571 | 141,941 | 141,591 | 140,953 | 140,988 | 136,597 | 137,807 | 134,534 | 103,140 | 105,208 | 102,065 | |
| Napa | 35,715 | 35,911 | 35,993 | 36,130 | 35,882 | 35,969 | 35,439 | 34,269 | 34,043 | 33,710 | 27,596 | 28,140 | 27,005 | |
| Yolo | 63,204 | 63,575 | 64,127 | 64,298 | 63,943 | 63,559 | 63,142 | 61,135 | 60,507 | 60,230 | 55,624 | 56,087 | 54,327 | |
| Sonoma | 133,417 | 134,183 | 134,653 | 135,896 | 134,420 | 133,261 | 132,745 | 131,013 | 129,901 | 128,356 | 109,623 | 112,447 | 108,106 | |
| Marin | 51,267 | 51,965 | 52,340 | 52,547 | 52,302 | 52,602 | 51,713 | 50,119 | 49,383 | 49,823 | 46,981 | 48,331 | 46,215 | |
| Mendocino | 42,022 | 42,372 | 42,645 | 42,613 | 42,323 | 42,371 | 41,868 | 40,599 | 41,192 | 39,846 | 41,552 | 41,963 | 41,055 | |
| Lake | 35,540 | 35,857 | 35,891 | 35,915 | 35,753 | 35,897 | 35,381 | 34,530 | 34,446 | 34,367 | 35,058 | 35,405 | 34,559 | |
| Del Norte | 12,904 | 12,916 | 12,978 | 13,106 | 12,970 | 12,868 | 12,850 | 12,505 | 12,499 | 12,426 | 12,527 | 12,610 | 12,316 | |
| Humboldt | 61,955 | 62,522 | 62,318 | 62,681 | 62,329 | 62,399 | 61,695 | 60,093 | 60,931 | 58,752 | 60,016 | 60,415 | 59,075 | |
| Lassen | 9,088 | 9,171 | 9,149 | 9,177 | 9,271 | 9,232 | 9,151 | 8,871 | 9,044 | 8,600 | 8,864 | 8,952 | 8,576 | |
| Modoc | 4,226 | 4,261 | 4,261 | 4,307 | 4,240 | 4,247 | 4,167 | 4,099 | 4,139 | 3,928 | 4,055 | 4,035 | 4,020 | |
| Shasta | 72,567 | 73,093 | 73,478 | 73,580 | 73,539 | 73,456 | 73,179 | 71,113 | 72,049 | 69,783 | 70,605 | 70,880 | 69,820 | |
| Siskiyou | 19,670 | 19,746 | 19,807 | 19,826 | 19,762 | 19,793 | 19,566 | 19,059 | 19,440 | 18,625 | 19,052 | 19,115 | 17,966 | |
| Trinity | 5,831 | 5,875 | 5,872 | 5,885 | 5,871 | 5,873 | 5,863 | 5,696 | 5,660 | 5,643 | 5,660 | 5,739 | 5,567 | |
| Butte | - | - | - | - | - | - | - | - | - | - | 85,751 | 85,856 | 86,303 | |
| Colusa | - | - | - | - | - | - | - | - | - | - | 10,710 | 10,663 | 10,674 | |
| Glenn | - | - | - | - | - | - | - | - | - | - | 13,752 | 13,774 | 13,883 | |
| Nevada | - | - | - | - | - | - | - | - | - | - | 28,962 | 28,798 | 28,708 | |
| Placer | - | - | - | - | - | - | - | - | - | - | 59,373 | 59,846 | 60,289 | |
| Plumas | - | - | - | - | - | - | - | - | - | - | 6,015 | 5,978 | 5,975 | |
| Sierra | - | - | - | - | - | - | - | - | - | - | 855 | 870 | 869 | |
| Sutter | - | - | - | - | - | - | - | - | - | - | 44,339 | 44,438 | 44,558 | |
| Tehama | - | - | - | - | - | - | - | - | - | - | 31,784 | 31,484 | 31,299 | |
| Yuba | - | - | - | - | - | - | - | - | - | - | 36,696 | 36,779 | 36,851 | |
| All Counties Total | 686,630 | 692,299 | 695,083 | 697,902 | 694,196 | 692,480 | 687,747 | 669,698 | 671,041 | 658,623 | 918,590 | 927,813 | 910,082 | ★ |

★ March 2024 actual membership includes Jan & Feb retro correction. The Jan, Feb, and Mar 2024 true memberships are 921,261, 918,516, and 916,708, respectively.

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 | | | | | | | | | | | | | Avg / Month As of | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|--|--|----------------------|---------------|
| | Jul-23 | Aug-23 | Sep-23 | Oct-23 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | | | | YTD | Mar-24 |
| Total Enrollment | 697,169 | 694,364 | 689,096 | 674,680 | 670,710 | 660,101 | 918,590 | 916,349 | 921,546 | | | | 6,842,605 | 760,289 |
| Total Revenue | 346,807,441 | 341,606,254 | 341,452,348 | 336,820,011 | 333,606,699 | 704,499,918 | 494,922,661 | 507,388,749 | 527,490,880 | | | | 3,934,594,962 | 437,177,218 |
| Total Healthcare Costs | 327,163,476 | 330,010,604 | 317,050,232 | 309,178,329 | 314,689,553 | 312,699,931 | 427,212,628 | 429,268,912 | 475,024,261 | | | | 3,242,297,927 | 360,255,325 |
| Total Administrative Costs | 11,697,451 | 12,604,507 | 11,948,835 | 13,398,097 | 13,672,021 | 13,241,394 | 16,243,013 | 17,074,221 | 15,790,362 | | | | 125,669,900 | 13,963,322 |
| Medi-Cal Hospital & Managed Care Taxes | - | - | - | - | - | 376,406,250 | 46,790,714 | 48,056,922 | 47,537,225 | | | | 518,791,111 | 57,643,457 |
| 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 | 12,988,694 | (10,860,968) | | | | 47,836,024 | 5,315,114 |
| 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 | 808,535,908 | | | | 808,535,908 | 544,172,964 |
| 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 | 954,242,413 | | | | 954,242,413 | 939,746,675 |
| 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 | 660,519,000 | | | | 660,519,000 | 652,879,778 |
| 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 | 277,938,000 | | | | 277,938,000 | 230,675,000 |
| 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 | 153,810,035 | | | | 153,810,035 | 134,724,397 |
| 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 | 35,770,696 | | | | 35,770,696 | 41,171,191 |
| 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 | 128,366,608 | | | | 128,366,608 | 124,151,371 |
| Strategic Use of Reserve-Board Approved | 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 | | | | 72,116,668 | 71,503,520 |
| 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) | (374,278,595) | | | | (374,278,595) | (315,358,583) |
| Fund Balance as % of Reserved Funds | 77.28% | 76.09% | 76.11% | 76.41% | 75.74% | 74.91% | 72.60% | 73.50% | 71.83% | | | | 71.83% | 74.87% |
| 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 | 1.33:1 | | | | 1.33:1 | 1.46:1 |
| Medical Loss Ratio w/o Tax | 94.34% | 96.61% | 92.85% | 91.79% | 94.33% | 95.31% | 95.33% | 93.46% | 98.97% | | | | 94.92% | 94.92% |
| Admin Ratio w/o Tax | 3.37% | 3.69% | 3.50% | 3.98% | 4.10% | 4.04% | 3.62% | 3.72% | 3.29% | | | | 3.68% | 3.68% |
| Profit Margin Ratio | 2.29% | -0.30% | 3.65% | 4.23% | 1.57% | 0.31% | 0.94% | 2.56% | -2.06% | | | | 1.22% | 1.22% |

| FINANCIAL INDICATORS | | | | | | | | | | | | | Avg / Month As of | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------------|---------------|
| | 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 | 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 | 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 March 31, 2024

| CURRENT MONTH | PRIOR MONTH | INC / DEC | MEMBERSHIP SUMMARY | CURRENT YTD AVG | PRIOR YTD AVG | VARIANCE |
|---------------------|---------------------|-------------------|---|-------------------|-------------------|-------------------|
| 921,546 | 916,349 | 5,197 | Total Membership | 760,289 | 673,837 | 86,452 |
| ACTUAL MONTH | BUDGET MONTH | \$ VARIANCE MONTH | FINANCIAL SUMMARY | ACTUAL YTD | BUDGET YTD | \$ VARIANCE YTD |
| 527,490,880 | 523,770,834 | 3,720,046 | Total Revenue | 3,934,594,962 | 3,930,874,916 | 3,720,046 |
| 475,024,261 | 482,582,436 | 7,558,175 | Total Healthcare Costs | 3,242,297,927 | 3,249,856,102 | 7,558,175 |
| 15,790,362 | 20,975,772 | 5,185,410 | Total Administrative Costs | 125,669,900 | 130,855,310 | 5,185,410 |
| 47,537,225 | 47,285,236 | (251,989) | Medi-Cal Managed Care Tax | 518,791,111 | 518,539,122 | (251,989) |
| (10,860,968) | (27,072,610) | 16,211,642 | Total Current Year Surplus (Deficit) | 47,836,024 | 31,624,382 | 16,211,642 |

| | | | | |
|--------|---------|--|--------|--------|
| 98.97% | 101.28% | Medical Loss Ratio (HC Costs as a % of Rev, excluding Managed Care Tax) | 94.92% | 95.24% |
|--------|---------|--|--------|--------|

| | | | | |
|-------|-------|--|-------|-------|
| 3.29% | 4.40% | Admin Ratio (Admin Costs as a % of Rev, excluding Managed Care Tax) | 3.68% | 3.83% |
|-------|-------|--|-------|-------|

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Balance Sheet As Of March 31, 2024

| | March 2024 | February 2024 |
|-------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash & Cash Equivalents | 1,276,315,391 | 984,901,290 |
| Receivables | | |
| Accrued Interest | 1,619,871 | 1,205,971 |
| State DHS - Cap Rec | 867,395,747 | 1,105,835,571 |
| Other Healthcare Receivable | 31,892,415 | 29,965,562 |
| Miscellaneous Receivable | 6,253,905 | 6,260,374 |
| Total Receivables | 907,161,938 | 1,143,267,478 |
| Other Current Assets | | |
| Payroll Clearing | 13,178 | 54,856 |
| Prepaid Expenses | 7,368,621 | 7,872,860 |
| Total Other Current Assets | 7,381,799 | 7,927,716 |
| Total Current Assets | 2,190,859,128 | 2,136,096,484 |
| Non-Current Assets | | |
| Fixed Assets | | |
| Motor Vehicles | 372,583 | 398,931 |
| Furniture & Fixtures | 6,638,027 | 7,518,859 |
| Computer Equipment - HP | - | 541,886 |
| Computer Equipment | 24,712,800 | 25,965,470 |
| Computer Software | 21,166,237 | 22,392,583 |
| Leasehold Improvements | 137,144 | 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 | (185,460) | (205,015) |
| Accum Depr - Furniture | (6,638,027) | (7,518,859) |
| Accum Depr - Comp Equip - HP | - | (541,886) |
| Accum Depr - Comp Equipment | (21,318,802) | (22,413,119) |
| Accum Depr - Comp Software | (20,157,483) | (21,292,759) |
| Accum Depr - Leasehold Improvements | (137,144) | (962,374) |
| Accum Depr - Building | (11,727,865) | (11,594,173) |
| Accum Depr - Bldg Improvements | (13,372,513) | (13,178,089) |
| Construction Work-In-Progress | 42,080,293 | 41,625,014 |
| Total Fixed Assets | 128,366,609 | 128,495,662 |
| Other Non-Current Assets | | |
| Deposits | 441,705 | 475,246 |
| Board-Designated Reserves | 1,127,737,731 | 1,112,118,456 |
| Knox-Keene Reserves | 300,000 | 300,000 |
| Prepaid - Other Non-Current | 3,276,397 | 3,433,641 |
| 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 |

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Balance Sheet

As Of March 31, 2024

| | March 2024 | February 2024 |
|--|----------------------|----------------------|
| Total Other Non-Current Assets | 1,141,343,797 | 1,125,915,307 |
| Total Non-Current Assets | 1,269,710,406 | 1,254,410,969 |
| Total Assets | 3,460,569,534 | 3,390,507,453 |
| LIABILITIES & FUND BALANCE | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | 364,155,060 | 443,551,614 |
| Unearned Income | 66,981,697 | 66,981,697 |
| Suspense Account | 6,208,696 | 5,346,964 |
| Capitation Payable | 66,730,531 | 66,771,741 |
| State DHS - Cap Payable | 32,633,113 | 32,633,113 |
| Accrued Healthcare Costs | 1,008,930,703 | 965,342,143 |
| Claims Payable | 195,580,541 | 210,750,505 |
| Incurred But Not Reported-IBNR | 612,955,367 | 490,832,393 |
| Quality Improvement Programs | 142,211,762 | 133,254,252 |
| Total Current Liabilities | 2,496,387,470 | 2,415,464,422 |
| 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 | 2,506,327,121 | 2,425,404,073 |
| Fund Balance | | |
| Unrestricted Fund Balance | (374,278,595) | (347,927,407) |
| Reserved Funds | | |
| State Financial Performance Guarantee | 660,519,000 | 665,303,000 |
| State Financial Performance Guarantee - Expansion Counties | 277,938,000 | 263,695,000 |
| Regulatory Reserve Requirement | 153,810,035 | 147,194,481 |
| Board Approved Capital and Infrastructure Purchases | 35,770,696 | 36,225,975 |
| Capital Assets | 128,366,608 | 128,495,663 |
| Strategic Use of Reserve-Board Approved | 72,116,668 | 72,116,668 |
| Total Reserved Funds | 1,328,521,007 | 1,313,030,787 |
| Total Fund Balance | 954,242,413 | 965,103,380 |
| Total Liabilities And Fund Balance | 3,460,569,534 | 3,390,507,453 |

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Statement of Cash Flow
For The Period Ending March 31, 2024

| | <u>Current Month Activity</u> | <u>Year-To-Date Activity</u> |
|---|-----------------------------------|----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash Received From: | | |
| Capitation from California Department of Health Care Services | 911,458,521 | 3,907,415,000 |
| Other Revenues | 150,403 | 37,176,006 |
| Cash Payments to Providers for Medi-Cal Members | | |
| Capitation Payments | (22,374,304) | (305,757,519) |
| Medical Claims Payments | (446,244,694) | (2,440,766,086) |
| Drug Medi-Cal | | |
| DMC Receipts from Counties | 1,963,320 | 25,409,458 |
| DMC Payments to Providers | (4,355,049) | (34,286,973) |
| Cash Payments to Vendors | (130,477,118) | (337,490,306) |
| Cash Payments to Employees | (11,273,625) | (102,889,072) |
| Net Cash (Used) Provided by Operating Activities | 298,847,454 | 748,810,508 |
| CASH FLOWS FROM CAPITAL FINANCING & RELATED ACTIVITIES: | | |
| Purchases of Capital Assets | (909,290) | (12,507,746) |
| Net Cash Used by Capital Financial & Related Activities | (909,290) | (12,507,746) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Board-Designated Reserve Transfers | (15,619,275) | (153,926,391) |
| Interest and Dividends on Investments | 9,095,212 | 63,633,964 |
| Net Cash (Used) Provided by Investing Activities | (6,524,063) | (90,292,427) |
| NET (DECREASE) INCREASE IN CASH & CASH EQUIVALENTS | 291,414,101 | 646,010,335 |
| CASH & CASH EQUIVALENTS, BEGINNING | 984,901,290 | 630,305,056 |
| CASH & CASH EQUIVALENTS, ENDING | 1,276,315,391 | 1,276,315,391 |
| RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | |
| TOTAL OPERATING (LOSS) INCOME | (20,370,080) | (16,719,591) |
| DEPRECIATION | 584,334 | 5,159,051 |
| CHANGES IN ASSETS AND LIABILITIES: | | |
| Other Receivables | (1,920,386) | (7,555,508) |
| California Department of Health Services Receivable | 238,439,824 | (595,936,253) |
| Other Assets | 1,190,715 | (89,741) |
| Accounts Payable and Accrued Expenses | (34,987,473) | 1,013,172,741 |
| Accrued Claims Payable | 106,953,010 | 314,066,327 |
| Quality Improvement Programs | 8,957,510 | 36,713,482 |
| Net Cash Provided (Used) by Operating Activities | 298,847,454 | 748,810,508 |

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

**Statement of Revenues and Expenses
For The Period Ending March 31, 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 |
|---------------------|---------------------|---------------------|-------------------|-------------------|---|----------------------|----------------------|---------------------|-----------------|-----------------|
| 921,546 | 921,546 | - | | | TOTAL MEMBERSHIP | 6,842,605 | 6,842,605 | - | | |
| | | | | | REVENUE | | | | | |
| 517,825,512 | 501,789,365 | 16,036,147 | 561.91 | 544.51 | State Capitation Revenue | 3,867,900,965 | 3,851,864,818 | 16,036,147 | 565.27 | 562.92 |
| 9,509,112 | 5,934,000 | 3,575,112 | 10.32 | 6.44 | Interest Income | 64,555,616 | 60,980,504 | 3,575,112 | 9.43 | 8.91 |
| 156,256 | 16,047,469 | (15,891,213) | 0.17 | 17.41 | Other Revenue | 2,138,381 | 18,029,594 | (15,891,213) | 0.31 | 2.63 |
| 527,490,880 | 523,770,834 | 3,720,046 | 572.40 | 568.36 | TOTAL REVENUE | 3,934,594,962 | 3,930,874,916 | 3,720,046 | 575.01 | 574.46 |
| | | | | | HEALTHCARE COSTS | | | | | |
| 13,475 | - | (13,475) | 0.01 | - | Global Subcapitation | 132,017,503 | 132,004,028 | (13,475) | 19.29 | 19.29 |
| 2,092,411 | 2,096,988 | 4,577 | 2.27 | 2.28 | Capitated Medical Groups | 19,117,538 | 19,122,115 | 4,577 | 2.79 | 2.79 |
| | | | | | Physician Services | | | | | |
| 6,576,119 | 6,592,348 | 16,229 | 7.14 | 7.15 | PCP Capitation | 55,804,268 | 55,820,497 | 16,229 | 8.16 | 8.16 |
| 217,303 | 216,761 | (542) | 0.24 | 0.24 | Specialty Capitation | 1,918,257 | 1,917,715 | (542) | 0.28 | 0.28 |
| 102,391,898 | 73,280,892 | (29,111,006) | 111.11 | 79.52 | Non-Capitated Physician Services | 516,153,720 | 487,042,714 | (29,111,006) | 75.43 | 71.18 |
| 109,185,320 | 80,090,001 | (29,095,319) | 118.49 | 86.91 | Total Physician Services | 573,876,245 | 544,780,926 | (29,095,319) | 83.87 | 79.62 |
| | | | | | Inpatient Hospital | | | | | |
| 17,742,327 | 17,835,334 | 93,007 | 19.25 | 19.35 | Hospital Capitation | 159,274,226 | 159,367,233 | 93,007 | 23.28 | 23.29 |
| 123,665,457 | 123,535,082 | (130,375) | 134.19 | 134.05 | Inpatient Hospital - FFS | 739,558,215 | 739,427,840 | (130,375) | 108.08 | 108.06 |
| 1,605,225 | 1,606,556 | 1,331 | 1.74 | 1.74 | Hospital Stoploss | 13,472,184 | 13,473,515 | 1,331 | 1.97 | 1.97 |
| 143,013,009 | 142,976,972 | (36,037) | 155.18 | 155.15 | Total Inpatient Hospital | 912,304,625 | 912,268,588 | (36,037) | 133.33 | 133.32 |
| 54,267,967 | 56,542,372 | 2,274,405 | 58.89 | 61.36 | Long Term Care | 377,694,679 | 379,969,084 | 2,274,405 | 55.20 | 55.53 |
| | | | | | Ancillary Services | | | | | |
| 1,173,459 | 1,177,500 | 4,041 | 1.27 | 1.28 | Ancillary Services - Capitated | 9,362,390 | 9,366,431 | 4,041 | 1.37 | 1.37 |
| 69,667,504 | 83,684,606 | 14,017,102 | 75.60 | 90.81 | Ancillary Services - Non-Capitated | 508,984,903 | 523,002,005 | 14,017,102 | 74.38 | 76.43 |
| 70,840,963 | 84,862,106 | 14,021,143 | 76.87 | 92.09 | Total Ancillary Services | 518,347,293 | 532,368,436 | 14,021,143 | 75.75 | 77.80 |
| | | | | | Other Medical | | | | | |
| 3,443,952 | 5,354,735 | 1,910,783 | 3.74 | 5.81 | Quality Assurance | 26,810,255 | 28,721,038 | 1,910,783 | 3.92 | 4.20 |
| 72,190,065 | 89,179,935 | 16,989,870 | 78.34 | 96.77 | Healthcare Investment Funds | 541,535,570 | 558,525,440 | 16,989,870 | 79.14 | 81.62 |
| 159,100 | 182,353 | 23,253 | 0.17 | 0.20 | Advice Nurse | 972,600 | 995,853 | 23,253 | 0.14 | 0.15 |
| 1,022 | 21,950 | 20,928 | - | 0.02 | HIPP Payments | 13,455 | 34,383 | 20,928 | - | 0.01 |
| 10,272,567 | 12,330,455 | 2,057,888 | 11.15 | 13.38 | Transportation | 73,426,826 | 75,484,714 | 2,057,888 | 10.73 | 11.03 |
| 86,066,706 | 107,069,428 | 21,002,722 | 93.40 | 116.18 | Total Other Medical | 642,758,706 | 663,761,428 | 21,002,722 | 93.93 | 97.01 |
| 9,544,410 | 8,944,569 | (599,841) | 10.36 | 10.37 | Quality Improvement Programs | 66,181,338 | 65,581,497 | (599,841) | 9.67 | 9.58 |
| 475,024,261 | 482,582,436 | 7,558,175 | 515.47 | 524.33 | TOTAL HEALTHCARE COSTS | 3,242,297,927 | 3,249,856,102 | 7,558,175 | 473.83 | 474.94 |
| | | | | | ADMINISTRATIVE COSTS | | | | | |
| 9,772,495 | 12,655,741 | 2,883,246 | 10.60 | 13.73 | Employee | 80,490,170 | 83,373,416 | 2,883,246 | 11.76 | 12.18 |
| 77,798 | 148,939 | 71,141 | 0.08 | 0.16 | Travel And Meals | 619,125 | 690,266 | 71,141 | 0.09 | 0.10 |
| 1,104,266 | 2,578,893 | 1,474,627 | 1.20 | 2.80 | Occupancy | 9,706,796 | 11,181,423 | 1,474,627 | 1.42 | 1.63 |
| 680,031 | 579,738 | (100,293) | 0.74 | 0.63 | Operational | 5,505,336 | 5,405,043 | (100,293) | 0.80 | 0.79 |
| 2,129,218 | 2,848,756 | 719,538 | 2.31 | 3.09 | Professional Services | 14,366,438 | 15,085,976 | 719,538 | 2.10 | 2.20 |
| 2,026,554 | 2,163,705 | 137,151 | 2.20 | 2.35 | Computer And Data | 14,982,035 | 15,119,186 | 137,151 | 2.19 | 2.21 |
| 15,790,362 | 20,975,772 | 5,185,410 | 17.13 | 22.76 | TOTAL ADMINISTRATIVE COSTS | 125,669,900 | 130,855,310 | 5,185,410 | 18.36 | 19.11 |
| 47,537,225 | 47,285,236 | (251,989) | 51.58 | 51.31 | Medi-Cal Managed Care Tax | 518,791,111 | 518,539,122 | (251,989) | 75.82 | 75.78 |
| (10,860,968) | (27,072,610) | 16,211,642 | (11.78) | (30.04) | TOTAL CURRENT YEAR SURPLUS (DEFICIT) | 47,836,024 | 31,624,382 | 16,211,642 | 7.00 | 4.63 |

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

March 31, 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.

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

RESERVED FUNDS:

As of March 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; 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 March 2024, PHC has accrued a Quality Incentive Program payout of \$142.2 million.

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
March 31, 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**

Revisions to the Fiscal Year 2023/24 budget were presented to and approved by the Board and are reflected in the Year-To-Date (YTD) budget numbers. Refer to Financial Highlights for additional details.

Partnership HealthPlan of California
Investment Schedule
March 31, 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 | \$ 1,341,138 | \$ 1,341,138 | 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 | \$ 71,363,404 | | |
| Merrill Lynch MMA - Checking | Cash for Operations | NA | NA | NA | NA | NA | NA | \$ 1,679,447 | | |
| US Bank - General, MMA, and Sweeps | Cash for Operations | NA | NA | NA | NA | NA | NA | \$ 2,211,852,815 | | |
| Government Investment Pools (LAI) | 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 | \$ 147,498 | | |
| Petty Cash | Cash for Operations | NA | NA | NA | NA | NA | NA | \$ 3,300 | | |
| GRAND TOTAL: | | | | | | | | <u>\$ 2,404,337,561</u> | | |

**Partnership HealthPlan of California
Investment Yield Trends**

| PERIOD | | Apr 2023 | May 2023 | Jun 2023 | Jul 2023 | Aug 2023 | Sep 2023 | Oct 2023 | Nov 2023 | Dec 2023 | Jan 2024 | Feb 2024 | Mar 2024 |
|---|-----|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Interest Income | | 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 | 9,509,112 |
| Cash & Investments at Historical Cost | (1) | 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 | 2,404,353,123 |
| Computed Yield | (2) | 1.86% | 2.21% | 2.68% | 3.29% | 3.53% | 3.72% | 3.83% | 4.07% | 4.21% | 4.29% | 4.40% | 4.46% |
| CA Pooled Money Investment Account (PMIA) | (3) | 2.87% | 2.99% | 3.17% | 3.31% | 3.43% | 3.53% | 3.67% | 3.84% | 3.93% | 4.01% | 4.12% | 4.23% |



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.