Finance Committee Meeting Agenda

June 19, 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, Ryan Gruver, Alicia Hardy, Randall Hempling, Kathryn Powell, Nancy Starck, Nolan Sullivan

Public Participation
Public comment is welcome during designated "Public Comments" time frames or by emailing comments to the Board Clerk at Board_FinanceClerk@partnershiphp.org by 5:00p.m on June 18, 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 May 15, 2024	3-9	*Chair*
1.5 **Commissioner Comment**			*Chair*
1.6 **Public Comment**			*Public*
New Business			
2.1	***ACTION:*** Appointment of Dr. Farhan Fadoo, Marin County, to the Finance Committee	10-11	*Sonja Bjork*
2.2	***INFORMATION:*** CEO Health Plan Update	12	*Sonja Bjork*
2.3	***ACTION:*** Approve the Final Budget for FY 2024-2025	13-29	*Jennifer Lopez / Patti McFarland*
2.4	***ACTION:*** Accept April 2024 Metrics and Financials	30-43	*Jennifer Lopez / Patti McFarland*
Closed Session			

3.1	***Discussion and Action Pursuant to Government Code § 54956.87 Subdivision (c); PROVIDER CONTRACT NEGOTIATIONS***	*Committee Members Sonja Bjork, Patti McFarland, Wendi Davis, Amy Turnipseed Jennifer Lopez, and Ashlyn Scott, Board Clerk*
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 Clerk to make reasonable arrangements to ensure accessibility to this meeting and to materials related to it. This agenda contains a brief description of each item to be considered. Except as provided by law, no action shall be taken on any item not appearing on the agenda.

MINUTES OF THE MEETING OF
PARTNERSHIP HEALTHPLAN OF CALIFORNIA FINANCE COMMITTEE
In person locations:
Partnership's Southeast Office located at 4605 Business Center Drive, Fairfield, CA
Partnership's Eastern Office located at 281 Nevada Street, Auburn, CA
Partnership's Northwest Office located at 1036 Fifth Street, Eureka, CA
Partnership's Northeast Office located at 2525 Airpark Drive, Redding, CA
Partnership's Southwest Office located at 495 Tesconi Circle, Santa Rosa, CA

On
May 15, 2024

Members Present: Jonathon Andrus, Jayme Bottke, Ryan Gruver (excused at 9:20am), Alicia Hardy, Randall Hempling, Dave Jones, Chair, Nancy Starck, Nolan Sullivan
Members Excused: Kathryn Powell
Staff: Sonja Bjork, Wendell Coats, Wendi Davis, Marisa Dominguez, Melanie Lam, John Lemoine, Jennifer Lopez, Patti McFarland, Tommee Naenphan, Tim Sharp. Ashlyn Scott, Amy Turnipseed, Colleen Valenti, Diane Walton, Brent Weinberg, Lori Williams
Guests: Sheila Allen, Lucas Frerichs

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.	*Commissioner Hempling moved to approve the agenda as presented, seconded by Commissioner Bottke.*

		ACTION SUMMARY: *Yes:7* *No: 0* *Abstention: 0* *Excused: 1 (Powell)* **MOTION CARRIED**
1.4 Approval of the April 17, 2024 Finance Committee Meeting Minutes	Chairman Jones asked if anyone had changes to the April 17, 2024 minutes. Hearing none, Chairman Jones asked for a motion to approve the minutes.	*Commissioner Andrus moved to approve the minutes as presented seconded by Commissioner Starck.* ***ACTION SUMMARY:*** *Yes:7* *No: 0* *Abstention: 0* *Excused: 1 (Powell)* **MOTION CARRIED**
1.5 Commissioner Comment	Chairman Jones asked if there were any public or commissioner comments. Commissioner Hempling asked to recognize the providers who welcomed new members in light of the Dignity contract termination. He thanked Shasta Community Health Center for their willingness to take many Dignity-assigned members in Shasta County. Commissioner Sullivan stated that in Yolo County there were 16,000 Partnership members assigned to Dignity that needed to be reassigned to a different primary care physician (PCP). He expressed concern over the lack of local providers with the bandwidth to serve such a large number of new members.	None
1.6 Public Comment	Lucas Frerichs, Board Chair for the Yolo Board of Supervisors, advocated for the 16,000 Partnership members in Yolo County and 64,000 statewide who were previously assigned to Dignity for primary care. He thanked CommuniCare+OLE for their willingness to take some of these members in Yolo County, however, he expressed that finding a new provider can be a daunting task for members. He implored Partnership and Dignity to enter mediation in an effort to come to an agreement, and stated that peoples' lives are hanging in the balance. Sheila Allen, Deputy Supervisor for the Yolo Board of Supervisors and public health nurse, asked to speak on behalf of low income individuals in Yolo County. She stressed the importance of Dignity providers in the Yolo County community. She encouraged Partnership to enter mediation with Dignity. She advocated for vulnerable members who will need to reestablish care with new	None

	providers if an agreement is not reached.	
New Business		
2.1 *ACTION:* Appointment of Ryan Gruver, Nevada County, to the Finance Committee	Chief Executive Officer, Sonja Bjork, introduced Commissioner Ryan Gruver, who was appointed in February to represent Nevada County on the Partnership Board. Commissioner Gruver expressed interested in representing the Eastern Region on the Finance Committee. Commissioner Sullivan added that he works extensively with Commissioner Gruver and believes he will be a great addition to the Finance Committee.	*Commissioner Hempling moved to approve the appointment as presented seconded by Commissioner Sullivan.* ***ACTION SUMMARY:*** *Yes:7* *No: 0* *Abstention: 0* *Excused: 1 (Powell)* **MOTION CARRIED**
2.2 CEO Report	Ms. Bjork gave a report on the following topics: ***State Budget* –** With the exception of adult acupuncture, Medi-Cal benefits remain intact in the proposed budget, despite the estimated $45 billion deficit. The May Budget Revision proposes repurposing MCO Tax funding, taking $6.7 billion over several years, which was intended to increase provider rates, and using that money instead for the general fund. In November, voters will decide on an MCO tax ballot initiative, which seeks to permanently authorize the MCO tax, dedicates revenue to increase Medi-Cal provider reimbursement and prevents revenues from being diverted to other purposes. Funding for the Health Equity and Provider Practice Transformation Payments Program was also cut. This $700 million dollar investment was meant to advance health equity and reduce disparities by investing in up-stream care models, partnerships to address health an wellness an funding practice transformation. The program was directed toward primary care (pediatrics, family practice, adult medicine, OB/GYN and behavioral health in primary care settings). Elimination of this funding was particularly disappointing as twenty-seven primary care sites from Partnership's region had been selected to participate. Budget cuts were also made to school behavioral health grant programs, which were intended to support the infrastructure for schools to provide behavioral health services to students and bill for Medi-Cal services. *Commissioner Gruver asked how the MCO tax affects Partnership.* *Ms. Bjork replied that the MCO Tax is an important tool because it serves as a supplemental directed payment for our providers. Deputy Chief Financial Officer, Jennifer Lopez, will share more details on how the MCO Tax impacts Partnership's FY24-25 budget in her presentation.* *Commissioner Sullivan asked for more details regarding cuts to school services.*	None

Ms. Bjork responded that the current proposed cuts are to the grant programs that would allow schools to provide behavioral health services and bill as Medi-Cal providers.

Primary Care Provider Quality Incentive Program (PCPQIP) – Partnership will distribute $38 million to 252 top performing primary care sites. Some of the top performers include CommuniCare+OLE Davis, Community Medical Center Dixon, Petaluma Health Center and Winters Healthcare. Providers often use QIP funds to reward their staff and launch new projects.

***Dignity Negotiations* –** Partnership sent an updated counter proposal to Dignity on May 14 and the contracting teams from both organizations will meet in-person in Sacramento this week for two full days of negotiations. After a large influx of member calls following the contract term, call volume has since decreased. All three call centers have wait times under 2 minutes, which is within normal range, however, Partnership strives to keep wait times under 30 seconds. Clinical teams from Partnership and Dignity are meeting three times a week to discuss continuity of care (CoC) cases.

Katherine Barresi, Chief Health Services Officer, shared several cases of CoC-eligible members who were denied care by Dignity. Partnership staff worked quickly to resolve these cases with Dignity and educate them on CoC provisions and criteria.

Commissioner Sullivan asked what else can be done to hold Dignity accountable for turning away members who are eligible for CoC.

Ms. Bjork explained that Partnership has sent two letters emphasizing the importance of following CoC provisions and reminding Dignity of the enhanced rates for CoC services. Ms. Barresi will continue to address cases with Dignity's clinical team on their calls and Partnership's Care Coordination team is carefully tracking reported issues in a spreadsheet.

Commissioner Bottke questioned if CoC eligibility is determined by the member's diagnosis and if those members require prior authorization for each visit.

Ms. Barresi responded that Dignity providers have the purview to decide which members with chronic illnesses qualify for CoC. Prenatal care and children under 3 years and younger are also eligible for CoC. Partnership pays enhanced rates for Dignity to continue to see these members and prior authorization is not required before each visit.

Commissioner Starck questioned if the state has leverage to hold Dignity accountable for refusing to see CoC members.

Amy Turnipseed, Chief Strategy and Government Affairs Officer, said that while the Department of Health Care Services (DHCS), regulates Partnership, there is a gap in hospital oversight.

	Ms. Bjork added that we encourage members who are experiencing issues to file a grievance with Partnership. Additionally, we are regularly sharing updates with the Department of Health Care Services (DHCS). ***CalAIM IPP Grants*–** To date, Partnership has awarded approximately $50 million in IPP grant funding to our providers. For the most recent IPP awarded grants, recipients will need to share data on how the dollars are used, as Partnership will need to prove to the state that the funds are being allocated appropriately.	
2.3 *ACTION:* Approve the Preliminary Health Care Expense Budget for FY 2024-2025	Jennifer Lopez, Deputy Chief Financial Officer, presented the Preliminary Health Care Expense Budget for FY 2024-2025, the second of the three-part budget approval process. The Final Budget will be presented for approval to both Finance Committee and the full Board in June. ***Outlook for FY 2024-2025*** – The May Budget Revision was released on Friday, May 10 and the Finance team is analyzing potential impacts to the Partnership budget. In response to a significant budget shortfall, we expect the State to focus on cost efficient spending in managed care. We anticipate that revenue may be affected by the deficit. Additionally, Partnership is accounting for up to $150 million in expansion-related losses, over two years. In January 2025, the State will also begin withholding 1% of Partnership's revenue that can be earned back by meeting quality measures. The quality metrics will also become more stringent, posing a significant risk, especially in Partnership's rural and frontier regions. The State will begin requiring plans to make prescriptive community reinvestments from a defined set of categories and submitting an annual investment plan for approval beginning in 2026. Additional CalAIM initiatives will be implemented in the coming year, including the Justice Involved Initiative and Transitional Care Services, while also 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. ***Preliminary Health Care Budget* –** Ms. Lopez presented a year-over-year comparison of health care expenses. There will be $0 budgeted for Global Subcapitation and Capitated Medical Group moving forward, which is due to the removal of Kaiser members. Inpatient costs will increase due to expansion expenses and emerging trends. Physician Services are projected to increase to include Proposition 56 payments and potential changes to the MCO Tax Targeted Rate Increases. Long Term Care (LTC) expenses are expected to increase as a result of costs for the expansion counties, overall increases in non-expansion county utilization, and the DHCS annual facility per diem rate increases. The year-over-year increase to the DHCS Facility Directed Payments is primarily driven by increases to the statewide pool for the Private Hospital Directed Payment program. ***Next Steps* –** In June, the Final Budget will be presented, incorporating the Administrative Budget, refined Budget Assumptions and refined Health Care Expenses, however, with so much budget uncertainty, a mid-year revision may be necessary.	*Commissioner Hempling moved to accept the Preliminary Health Care Expense Budget for FY 2024-2025 as presented, seconded by Commissioner Hardy.* ***ACTION SUMMARY:*** *Yes: 7* *No: 0* *Abstention: 0* *Excused: 2 (Gruver (excused at 9:20am), Powell)* **MOTION CARRIED**

	Commissioner Andrus asked how much of the 19% increase in health care expenses is related to the 10-county expansion. *Ms. Lopez responded that it is not yet clear how much of the increase in health care expenses can be attributed to the expansion. We are experiencing pent up demand in the expansion counties as a result of low utilization from the previous commercial plans, and we will be able to refine assumptions when more data is incorporated in the Final Budget.*	
2.4 *ACTION:* Accept March 2024 Metrics and Financials	Patti McFarland, Chief Financial Officer, presented Partnership's Metrics and Financials for the month ending March 31, 2024. Partnership reported a loss of $11 million, bringing the year-to-date surplus to $47.8 million. Partnership has begun processing claims from providers in the expansion region, however it will take some time before we have a clear understanding of the new normal claims volume. Many providers were affected by the Change Healthcare security breach, resulting in a backlog of claims. Partnership will likely need a 13th period to true up claims and close the books for FY 2023-2024. Ms. McFarland's full report is included in the packet.	*Commissioner Andrus moved to accept the March Financials as presented, seconded by Commissioner Bottke.* ***ACTION SUMMARY:*** *Yes: 7* *No: 0* *Abstention: 0* *Excused: 2 (Gruver (excused at 9:20am), Powell)* **MOTION CARRIED**
CLOSED SESSION	Chairman Jones announced the following item would be discussed in Closed Session. ***Discussion and Action Pursuant to Government Code § 54956.87 Subdivision (c); PROVIDER CONTRACT NEGOTIATIONS***	*Commissioner Sullivan moved to approve Entering Non-Binding Mediation with Dignity, seconded by Commissioner Bottke.* ***ACTION SUMMARY:*** *Yes: 6* *No: 0*

		Abstention: 1 (Hardy – not present for Closed Session)) *Excused: 2 (Gruver (excused at 9:20am), Powell)* **MOTION CARRIED**
Adjournment	Chairman Jones reconvened open session and announced the Committee approved a resolution to authorize non-binding mediation should contract negotiations with Dignity Health fail to move forward in good faith. The meeting adjourned at 9:48AM.	None

Respectfully submitted by:
Ashlyn Scott, Board Clerk

Committee Approval Date: 06/19/2024

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

CONSENT AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Meeting Date: June 19, 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 Dr. Farhan Fadoo, Chief Executive Officer of Marin Community Clinics, has expressed interest in joining the Finance Committee. He was appointed to the Partnership Board as a commissioner in April 2024, representing Marin County.

Reason for Resolution:
Commissioner Dr. Farhan Fadoo has expressed interest in serving 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 Dr. Farhan Fadoo to the Finance Committee as a new member.

CONSENT AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Meeting Date: June 19, 2024
Board Meeting Date: June 26, 2024

Agenda Item Number:
2.1

Resolution Number:
24-

IN THE MATTER OF: APPROVING THE APPOINTMENT OF DR FARHAN FADOO TO THE FINANCE COMMITTEE AS A NEW MEMBER

Recital: Whereas,

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

B. Commissioner Fadoo 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 Dr. Farhan Fadoo 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
June 19, 2024

I. **MACPAC Update**

II. **Voluntary Rate Range Program (Intergovernmental Transfers – IGTs)**

III. **Reorganization of Partnership Regions**

IV. **OIG of CA DHCS – overpayment implications**

REGULAR AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable) **Agenda Item Number:** 2.3
Meeting Date: June 19, 2024
Board Meeting Date: June 26, 2024

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

Recommendation by:
Finance Committee & Partnership Staff

Topic Description:
On April 24, 2024, the Board approved Budget Assumptions for fiscal year 2024-2025 and directed staff to prepare a full operational budget. On May 15, 2024, the Finance Committee approved the Preliminary Health Care Budget for FY 2024-2025, so a final Budget could be prepared.

Reason for Resolution:
To give the Board the opportunity to review and approve the final Budget for FY 2024-2025 that includes Partnership's core business: administration, health care, capital and updated assumptions for review and approval.

Financial Impact:
The impact to the HealthPlan is implicit in the budget.

Requested Action of the Board:
Based on the recommendation of the Finance Committee and Partnership Staff, the Board is asked to approve the final budget for FY 2024-2025.

REGULAR AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable) **Agenda Item Number:**
Meeting Date: June 19, 2024 2.3
Board Meeting Date: June 26, 2024

Resolution Number:
24-

IN THE MATTER OF: APPROVING THE FINAL 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 Board provided direction and input.

C. The final Budget conforms to general assumptions established.

Now, Therefore, It Is Hereby Resolved As Follows:

1. To obtain approval for the final Budget for FY 2024-2025.

PASSED, APPROVED, AND ADOPTED by the Partnership HealthPlan of California this 26th day of June 2023 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

Annual Operating & Capital Budget

June 2024

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Introduction

The next phase of the Partnership budget process is to present the 2024-25 Operating & Capital Budget to the Finance Committee and Board of Directors for final consideration and approval. Partnership Staff has consolidated the prior components of the budget into one comprehensive summary. A version history is provided at the conclusion of this report to walk between the healthcare assumptions presented in May 2024 and the final healthcare costs presented below.

Outlook for 2024-25

As stated in our budget assumptions last month, California continues to face a sizeable budget deficit. The Governor's fiscal year (FY) 2024-25 January Budget initially predicted a deficit of $37.9 billion, which was subsequently reduced when the Governor signed legislation on April 15, 2024 via an early action budget plan that reduced the State's budget deficit by $17.3 billion. On May 10, 2024, the Governor released his May Revision, which included several budget solutions to address a $28.4 billion deficit. The most notable budget solution sweeps $6.7 billion in Managed Care Organization (MCO) Tax revenue that was previously committed to further enhance Medi-Cal provider rates over the Governor's 2024 targeted rate increase investments. Additional budget solutions include:

- Adopting an intergovernmental transfer fee on hospital directed payments including the Enhanced Payment Program and the Quality Incentive Pool.
- Eliminating the Medi-Cal Adult Acupuncture benefit.
- Using managed care plan quality sanctions to support the Medi-Cal program.
- Reducing the Behavioral Health Bridge Housing program by $132.5 million general fund in FY 2024-25 and $207.5 million general fund in FY 2025-26.

Given the sizeable shortfall, we anticipate that the Governor and the Legislature will be forced to make tough budgetary decisions in order to reach a balanced budget.

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 contracted health care expense levels, some of which resulted in prior year downward rate adjustments. Given Partnership is an outlier with our inpatient contracting levels in comparison to other Medi-Cal plans across the state, the out year implementation of regional rate cost averaging heightens concerns regarding future downward rate pressures to Partnership revenue levels and could significantly affect Plan finances.

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

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. Partnership will need increase health services staff considerably in order to comply with these policy requirements.
- **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. As indicated by the actuarial assessment completed by our consulting firm, Partnership anticipates multi-year losses tied to this new line of business beginning in 2026. This puts additional strain on Plan finances and reserves.

There is uncertainty on the volume of membership loss Partnership will experience once all Medi-Cal eligibility redeterminations have been completed. This membership uncertainty continues to be a predominant variable associated with Plan finances. 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 that are not covered as part of our flex budget process. The flex budget will help account for material changes that develop after the FY 2024-25 budget, variances will be noted and presented to the respective Committees.

Membership

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 -1.6% and trailing 6-month average (T6M) of -1.9% 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 06/01/2024

County	T4M	T6M	T10M	Jun '24 vs Mar '20	# of MM	Jun '24 vs Dec '23	# of MM
Solano	-0.4%	-4.2%	-2.9%	-1.9%	(1,963)	-25.0%	(33,973)
Sonoma	0.0%	-2.5%	-1.8%	9.0%	9,048	-14.8%	(19,052)
Shasta	-0.9%	-0.7%	-0.8%	17.9%	10,311	-4.1%	(2,919)
Yolo	-0.9%	-2.0%	-1.8%	8.1%	4,011	-11.5%	(6,917)
Marin	-0.6%	-1.2%	-1.3%	24.8%	9,171	-6.8%	(3,394)
Humboldt	-0.5%	-0.3%	-0.6%	13.7%	7,059	-1.9%	(1,133)
Napa	-0.6%	-3.5%	-2.7%	-1.5%	(413)	-20.3%	(6,885)
Mendocino	-0.1%	0.3%	-0.3%	19.7%	6,800	1.9%	768
Lake	-0.4%	0.0%	-0.4%	17.5%	5,134	0.2%	61
Siskiyou	-1.0%	-0.9%	-0.9%	8.1%	1,353	-5.4%	(1,038)
Lassen	-0.4%	-0.2%	-0.6%	22.0%	1,570	-1.2%	(107)
Del Norte	-0.2%	-0.2%	-0.4%	11.2%	1,239	-1.0%	(122)
Trinity	-0.5%	-0.3%	-0.5%	31.8%	1,342	-1.5%	(86)
Modoc	-0.5%	-0.4%	-0.7%	21.1%	686	-2.5%	(102)
Total	**-0.5%**	**-1.9%**	**-1.6%**	**10.4%**	**55,348**	**-11.3%**	**-74,899**
	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 319,130 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 06/01/2024

County	T3M	T6M	T10M	Jun '24 vs Jan '24	# of MM
Butte	-0.7%			-1.8%	-1,563
Colusa	-1.6%			-5.7%	-615
Glenn	-0.8%			-2.0%	-282
Nevada	-0.5%			-2.5%	-717
Placer	-0.3%			0.0%	4
Plumas	-0.3%			-2.2%	-134
Sierra	-0.9%			-0.8%	-7
Sutter	-0.7%			-2.4%	-1,049
Tehama	-1.3%			-5.8%	-1,840
Yuba	-0.9%			-3.3%	-1,215
Total Expansion	**-0.7%**			**-2.3%**	**(7,418)**
	Trailing # Month average month-to-month increase			**Point-in-time comparison, % △ and # of members**	

Membership is expected to continue to decline slowly through June 2025 due to ongoing Medi-Cal redeterminations.

Revenue

Partnership budgeted overall revenue of $5.6 billion for a year-over-year increase of $784.6 million. The budget utilized modified CY 2024 draft rates received from DHCS. DHCS communicated on June 12, 2024, that final CY 2024 rates are anticipate to be delivered to plans in the Fall of 2024, while CY 2025 draft rates are expected to be delivered in October 2024. The complications around prospective rate setting and delayed Medi-Cal eligibility redeterminations have created a unique circumstance that requires the misalignment of delivering rate packages. Population Acuity, Targeted Rate Increases, Transitional Care Services, Health Care Worker Wage Increases (SB 525), Risk Adjustment, new Directed Payment programs and Enrollment Unwinding updates are anticipated to be incorporated in the final CY 2024 rates.

Medi-Cal State Capitation Revenue

2024-25: $5.5 billion | 2023-24 △: $856.9 million or 18.3%

The Medi-Cal Base Capitation includes offsetting variances driven by base revenue, membership trends, and other supplemental revenues. As noted in the prior fiscal year's budget presentation, revenues related to "at-risk" programs such as hospital directed payments and the voluntary rate range, are now recognized in top line revenue. These programs represent $958.1 million in total revenue. The additional six months of revenue for the expansion counties is the primary driver for the increase. Also offsetting the increase are reductions tied to the Proposition 56 (Prop 56) Physician program which sunset at the end of calendar year 2023 and transitioned into the MCO Tax Targeted Rate Increase program and increases to other supplemental payments, which have historically been difficult to estimate due to the fluctuations in utilization.

DHCS implemented a 0.5 percent quality withhold on plan capitated revenue effective January 1, 2024, and has indicated the withhold percentage will increase to 1 percent effective January 1, 2025. The increased withhold results in $21.8 million in additional base revenue decreases. As noted above, 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. DHCS has not released the full details surrounding the calendar year 2025 quality withhold program, therefore, for budgeting purposes we are assuming the withhold will not be earned back. This budgeting assumption is further driven by the volume of rural and frontier counties in our service area who have historically had low quality scores.

Lastly, as in previous years, MCO tax revenue and the offsetting expense are excluded from this presentation.

Interest & Other Income

2024-25: $73.1 million | 2023-24 △: ($72.2 million) or (49.7%)

Other Revenue includes interest income, building tenant revenue, and DHCS incentive grant revenue from the State, which has a corresponding expense offset in Other Medical. Interest income of $70.7 million is expected to be earned and is based on an assumed 4.0% annual rate of return on all account balances; the decrease in earnings corresponds to the expected decrease in cash balances based on the overall budgeted operational loss for the year. In addition, $2.3 million of building tenant revenue is expected to

be earned during the year, which is an increase in comparison to the previous year. This is due to the additional tenants from the new buildings that have been recently acquired. Lastly, the timing of the recognition of the DHCS incentive grant revenues (along with the corresponding offsetting expenses) varies and is not included as part of the FY2024-25 presentation. Recognition of the incentive revenue and related expense will be recorded when and if awarded.

Health Care Expenses

As stated in our budget assumptions last month, there is significant uncertainty on the volume of membership loss Partnership will experience due to the State's massive redetermination efforts and unknown trends in the 10 expansion counties, this remains to be one of the largest variables to the Plan's finances. We are assuming Partnership will continue to serve pre-redetermination utilizing members and expect a significant portion of non-utilizers will fall off our rolls resulting in Partnership serving a more acute population overall by the end of FY 2024-25. Although we expect underlying utilization to at least remain constant, staff reviewed emerging information and made further refinements in detail as shown in the "version history table" on page 15. Similar to prior years, Partnership has applied a blended per member per month (PMPM) method to construct the health care expense budget. Utilizing the Plan's historical claims experience for all counties with dates of service ranging from January 2022 through December 2023, and applied smoothing to irregular trends.

The health care budget assumes an overall expense of $5.6 billion, which is $884.6 million, or 18.9 percent, greater than the FY 2023-24 revised budget. The primary driver of the increase is the inclusion of a full year of expense for the 10 expansion counties. Considerations and estimates by cost category are presented in more detail, below.

Global Sub-Capitation

2024-25: $0 | 2023-24 △: ($132.0 million) or (100.0%)

As noted above, Partnership's global sub-capitated provider Kaiser Permanente entered into a direct contract with DHCS on January 1, 2024. 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: $1.7 billion | 2023-24 △: $357.3 billion or 26.6%

The Inpatient Hospital category 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, Partnership has faced increased scrutiny from DHCS on contracting heath 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.

Physician Services

2024-25: $981.4 million | 2023-24 △: $172.7 million or 21.4%

Physician Services includes Prop 56 payments, 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 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. Beginning 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, this new Medi-Cal rate floor will carry forward into subsequent years. Further guidance from DHCS will be forthcoming including implementation timelines and how to operationalize these increases in capitated arrangements.

Long Term Care

2024-25: $634.9 million | 2023-24 △: $86.3 million or 15.7%

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: $957.3 million | 2023-24 △: $188.8 million or 24.6%

The Ancillary Services category is comprised of FFS and capitated ancillary services. The additional six months of costs for the expansion counties is the primary driver for the year-over-year increase. 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: $434.8 million | 2023-24 △: $0.5 million or 0.1%

The Other Medical category includes transportation, quality assurance, health care investment fund (HCIF), the nurse advice line, other supplemental payments, and the DHCS Voluntary Rate Range IGT program. As of April 2023, 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.

HCIF includes expenses from programs including the Workforce Development (previously Provider Recruitment) program and the Remote Monitoring Equipment program. HCIF, along with the nurse advice line, are expected to remain at similar levels as the previous year. Also as previously referenced, the timing of the recognition of the DHCS incentive payment programs (along with the corresponding offsetting DHCS incentive grant revenues) varies and is not included as part of the FY2024-25 presentation. Recognition of the incentive revenue and related expense will be recorded when and if awarded.

DHCS Facility Directed Payment Programs

2024-25: $753.4 million | 2023-24 △: $203.3 million or 36.9%

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 △: $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 revenue starting January 1, 2024 and has proposed a 1 percent quality withhold beginning on 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 is offset by the sunset of the Partnership SNF QIP program, which ended on December 31, 2023. Like in prior periods, incentive funding is subject to final revenue projections.

Administrative Expense

Overall administrative spend is estimated to be $311.5 million which is a substantial increase to the prior year's budget of $119.1 million or 61.9 percent. The increase in administrative spending is driven by a number of factors, including: an increase in staffing, the implementation of a new claims core system, investments in IT infrastructure, building maintenance and enhancements, and depreciation tied to capital purchases and completed projects. Given the significant increase in regulatory requirements many of which are tied to the CY 2024 Medi-Cal contract, it is imperative we increase our staffing levels to comply with these new requirements. Historically, Partnership has operated with one of the lowest administrative ratios in comparison to other Medi-Cal plans across the state, operating at these levels is no longer sustainable. It is noted, the increased costs associated with administrative spend are expected to be reflected in future revenue rates. Lastly, further administrative resource needs are necessary to operationalize a Medicare D-SNP program by January 2026 as required by DHCS.

Employee Workforce

2024-25: $193.8 million | 2023-24 △: $73.3 million or 60.8%

The workforce, as well as the accompanying employee costs, are expected to increase to meet the needs to satisfy the 2024 DHCS contract. Partnership is expecting to make progress in hiring and in filling the positions that were open and unfilled in the prior fiscal year, primarily due to a tight labor market. An additional 346 FTEs are being requested, 56% of which are administrative cost related and the other 44% are health services related and are reflected in the Medical Admin section of the budget. Also contributing to the increase is a projected 4% merit increase, an assumed 20% increase in employee medical costs, and 8% in dental and vision costs.

Occupancy

2024-25: $40.2 million | 2023-24 △: $21.5 million or 114.6%

Increases in Occupancy costs are expected from the additional depreciation costs from the new core claims processing system. The remaining increase in Occupancy costs can be attributed to building costs associated with the additional building purchases in the expansion region and the accompanying depreciation that comes along with these and other capital purchases.

Operational

2024-25: $10.9 million | 2023-24 △: $3.8 million or 52.9%

Operating costs are comprised of general office supplies, printing, and postage. Increases in Operational costs are expected from additional printing and mailings for new members and other member engagement efforts, especially in the expansion region. Additionally, the increase in staffing and the new buildings in the expansion region will contribute to an increase in insurance requirements.

Professional Services

2024-25: $36.0 million | 2023-24 △: $12.6 million or 53.6%

Professional Services primarily includes outside services such as consultants, contracted claims processing, and other third party processing vendors. Behavioral health claims processing costs are expected to increase based on the increase in membership from the expansion region. Consultant use is expected to increase to provide additional expertise for the new claims system, Targeted Rate Increases, the Rate Development Template (RDT), provider contracting, QIP pilot proposals, and again the regional expansion.

Computer & Data

2024-25: $28.6 million | 2023-24 △: $7.1 million or 33.2%

Hardware, software, and data processing purchases in IT and other departments are expected to increase corresponding with additional staffing as well as with the additional buildings in the expansion region. Additional licensing costs associated with the new claims system and also from other software purchases will contribute to the to the increase software costs.

Profit & Loss Statement

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Statement of Revenues and Expenses

Annual Capital & Operating Budget

	2024-25 Budget	2023-24 Revised Budget	$ VARIANCE	2024-25 Budget PMPM	2023-24 Revised Budget PMPM
Membership at Fiscal Year End	**858,157**	**906,637**	**(48,480)**		
Total Member Months	**10,528,712**	**9,563,314**	**965,398**		
REVENUE					
State Capitation Revenue	5,538,765,135	4,681,836,982	856,928,153	526.06	489.56
Interest Income	70,743,000	79,186,504	(8,443,504)	6.72	8.28
Other Revenue	2,335,100	66,172,000	(63,836,900)	0.22	6.92
TOTAL REVENUE	**5,611,843,235**	**4,827,195,486**	**784,647,749**	**533.00**	**504.76**
HEALTHCARE COSTS					
Global Subcapitation	-	132,004,028	132,004,028	-	13.80
Physician Services					
PCP Capitation	106,664,971	101,764,286	(4,900,685)	10.13	10.64
Specialty Capitation	2,628,366	2,600,358	(28,008)	0.25	0.27
Non-Capitated Physician Services	872,095,135	704,324,121	(167,771,014)	82.83	73.65
Total Physician Services	**981,388,472**	**808,688,765**	**(172,699,707)**	**93.21**	**84.56**
Inpatient Hospital					
Hospital Capitation	214,000,006	214,000,006	-	20.33	22.38
Inpatient Hospital - FFS	1,465,895,850	1,109,493,032	(356,402,818)	139.23	116.02
Hospital Stoploss	19,200,000	18,266,959	(933,041)	1.82	1.91
Total Inpatient Hospital	**1,699,095,856**	**1,341,759,997**	**(357,335,859)**	**161.38**	**140.30**
Long Term Care	634,948,033	548,669,646	(86,278,387)	60.31	57.37
Ancillary Services					
Ancillary Services - Capitated	14,635,449	12,917,535	(1,717,914)	1.39	1.35
Ancillary Services - Non-Capitated	942,704,801	755,635,138	(187,069,663)	89.54	79.01
Total Ancillary Services	**957,340,250**	**768,552,673**	**(188,787,577)**	**90.93**	**80.36**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Statement of Revenues and Expenses

Annual Capital & Operating Budget

	2024-25 Budget	2023-24 Revised Budget	$ VARIANCE	2024-25 Budget PMPM	2023-24 Revised Budget PMPM
Other Medical					
Quality Assurance	87,600,012	44,439,776	(43,160,236)	8.32	4.65
Healthcare Investment Funds	210,279,671	274,029,817	63,750,146	19.97	28.65
Advice Nurse	1,729,200	1,541,000	(188,200)	0.16	0.16
HIPP Payments	90,000	100,000	10,000	0.01	0.01
Transportation	135,094,176	114,161,183	(20,932,993)	12.83	11.94
Total Other Medical	**434,793,059**	**434,271,776**	**(521,283)**	**41.30**	**45.41**
DHCS Facility Directed Payment Programs	753,440,101	550,165,297	(203,274,804)	71.56	57.53
Quality Improvement Programs	100,009,080	92,259,517	(7,749,563)	9.50	9.65
TOTAL HEALTHCARE COSTS	**5,561,014,851**	**4,676,371,699**	**(884,643,152)**	**528.18**	**488.99**
ADMINISTRATIVE COSTS					
Employee	193,794,546	120,524,134	(73,270,412)	18.41	12.60
Travel And Meals	1,992,350	1,127,473	(864,877)	0.19	0.12
Occupancy	40,233,429	18,751,722	(21,481,707)	3.82	1.96
Operational	10,865,941	7,106,859	(3,759,082)	1.03	0.74
Professional Services	36,009,640	23,448,451	(12,561,189)	3.42	2.45
Computer And Data	28,587,942	21,470,706	(7,117,236)	2.72	2.25
TOTAL ADMINISTRATIVE COSTS	**311,483,848**	**192,429,345**	**(119,054,503)**	**29.58**	**20.12**
Medi-Cal Managed Care Tax	-	-	-	-	-
Surplus / (Deficit)	**(260,655,464)**	**(41,605,558)**	**(219,049,906)**	**(24.76)**	**(4.35)**

Fund Balance

Total Fund Balance includes reserves for the State Financial Performance Guarantee, Capital Assets, and Strategic Use of Reserves (SUR). The State Financial Performance Guarantee is calculated at two months (2x) worth of state capitation revenue, which are referenced in the 2024 contract; the Guarantee also satisfies the regulatory requirements for State Tangible Net Equity (TNE) as well as Knox-Keene. Net capital assets are included as part of Fund Balance. Lastly, SURs are initiatives that were approved by the Board in previous years. The reserves for these SURs have been utilized over the years in a manner that has expanded member access, increased provider reimbursement, and improved overall operational efficiency; Partnership will continue to utilize the funds as approved. The remaining SUR balance is primarily comprised of funds set aside for the Drug Medi-Cal Program, quality initiatives and capital investments. Note also that Fund Balance includes an unrestricted amount that is negative, which represents the shortfall of funds needed to meet all of the reserve requirements. Like in prior county expansions, it is not uncommon to reflect a negative fund balance for the first several years of a coverage expansion. The total fund balance for the year ending June 30, 2025 is estimated at $604.1 million.

Partnership Healthplan of California

Fiscal Year 2024-25 Fund Balance Analysis
Projected through June 2025
Fund Balance Analysis / TNE

Fund Balance at 04/30/2024		965,369,824
Actual Year to Date Surplus (Deficit) at 04/30/2024	58,963,436	
Projected Year to Date Surplus (Deficit) at 6/30/2024	(41,605,557)	
Projected Surplus (Deficit) for May - June 2024		(100,568,993)
Projected Fund Balance at 06/30/2024		**864,800,831**
Projected Surplus (Deficit) for FY 2024/25		(260,655,463)
Estimated Fund Balance at 06/30/2025		**604,145,368**
Estimated Fund Balance Allocated at 06/30/2025		
State Financial Performance Guarantee		923,128,000
Capital Assets		240,460,000
Strategic Use of Reserve-Board Approved		72,116,668
Unrestricted		(631,559,300)
Estimated Fund Balance at 06/30/2025		**604,145,368**

Capital Projects

As part of developing the capital budget, each of the projects were evaluated based on the current economic conditions along with the strategic goals and priorities of the organization. Due to delays caused by supply chain issues and labor shortages and other unforeseen circumstances, certain projects that were approved in the 2024-25 budget were either not started or were started and not completed during the fiscal year as originally planned. These projects (**) have been included, below, for 2024-25 budget consideration.

The capital budget for Facilities includes expenditures for building improvements for maintenance of the facilities, safety, and business continuity in addition to tenant improvements for vacant spaces expected to be leased in fiscal year 2026.

The capital budget for Information Technology includes expenditures intended to increase system security, improve efficiency and data storage for general operations, and provide support for the core system implementation (Phoenix Project). Purchases for the core system implementation will be recorded as a capital project in progress until the year the system is fully implemented, in which case depreciation begins.

A summary of capital expenditures by department is list below:

SUMMARY OF CAPITAL BUDGET					
DEPARTMENT	BUDGET ITEM DESCRIPTION	CARRYOVER	COST APPROVED IN PRIOR FISCAL YEARS	NEW OR CHANGE IN ESTMATED PURCHASE	TOTAL FY 24-25 ESTIMATED PURCHASE COST
Facilities	Infrastructure and Annual Maintenance	**	$ 9,658,066	$ 12,294,637	$ 21,952,703
	New Vehicles	**	18,000	207,815	225,815
Total Facilities Purchase Cost FY 2024-25			**$ 9,676,066**	**$ 12,502,452**	**$ 22,178,518**
Information Technology	Infrastructure and Annual Maintenance	**	13,210,324	24,875,961	38,086,285
	Phoenix Project	**	43,460,164	15,629,925	59,090,089
Total Information Technology Purchase Cost FY 2024-25			**$ 56,670,488**	**$ 40,505,886**	**$ 97,176,374**
Provider Relations	System/Software Enhancements		-	341,000	341,000
Total Provider Relations Purchase Cost FY 2024-25			**$ -**	**$ 341,000**	$ 341,000
Total Purchase Cost FY 2024-25			**$ 66,346,554**	**$ 53,349,338**	**$ 119,695,892**

DEPARTMENT	BUDGET ITEM DESCRIPTION	CARRYOVER	COST APPROVED IN PRIOR FISCAL YEARS	NEW OR CHANGE IN ESTMATED PURCHASE	TOTAL FY 24-25 ESTIMATED PURCHASE COST
Facilities	Avtech Office: Tenant Improvements	**	$ 358,400	$ -	$ 358,400
	Building 4605: Tenant Improvements		-	3,220,000	3,220,000
	Building 4820: Tenant Improvements	**	1,000,000	-	1,000,000
	2175 Shasta View, Redding: Infrastructure Investments		-	3,377,000	3,377,000
	351 Hartnell Ave., Redding: Infrastructure Investments		-	2,650,000	2,650,000
	Airpark Office: Infrastructure Investments	**	1,356,560	396,900	1,753,460
	Building 1000 Fortress, Chico: Infrastructure Investments	**	3,800,000	656,464	4,456,464
	Building 299 Nevada St. Auburn: Infrastructure Investments	**	758,000	-	758,000
	Building 4605: Infrastructure Investments	**	625,000	-	625,000
	Building 4665: Infrastructure Investments		-	207,500	207,500
	Building 4665: Infrastructure Investments	**	605,803	404,000	1,009,803
	Building 4665: Title 24 Improvements	**	132,000	-	132,000
	Building 4820: Infrastructure Investments		-	23,480	23,480
	Building 4820: Solar/EV Charging Stations & Infrastructure	**	236,005	89,500	325,505
	Building 4820: Title 24 Improvements		-	494,788	494,788
	Eureka Office: Infrastructure Investments	**	620,986	138,000	758,986
	Santa Rosa Office: Infrastructure Investments		-	276,000	276,000
	Santa Rosa Office: Solar/EV Charging Stations & Infrastructure	**	165,312	361,005	526,317
	New Vehicles	**	18,000	207,815	225,815
Total Facilities Purchase Cost FY 2024-25			**$ 9,676,066**	**$ 12,502,452**	**$ 22,178,518**
Information Technology	System/Software Enhancements	**	$ 2,217,950	$ 2,083,335	$ 4,301,285
	Annual Maintenance/renewals/upgrades	**	9,542,374	17,862,626	27,405,000
	Infrastructure Enhancements	**	1,100,000	4,570,000	5,670,000
	Citrix VDI/UX Monitoring Solution	**	350,000	360,000	710,000
	Total Infrastructure and Annual Maintenance		**$ 13,210,324**	**$ 24,875,961**	**$ 38,086,285**
	Phoenix Project	**	43,460,164	15,629,925	59,090,089
Total Information Technology Purchase Cost FY 2024-25			**$ 56,670,488**	**$ 40,505,886**	**$ 97,176,374**
Provider Relations	System/Software Enhancements		-	341,000	341,000
Total Provider Relations Purchase Cost FY 2024-25			**$ -**	**$ 341,000**	**$ 341,000**
Total Purchase Cost FY 2024-25			**$ 66,346,554**	**$ 53,349,338**	**$ 119,695,892**

Version History

This table was created for Committee Members to quickly review changes between the preliminary healthcare budget presented in May 2024 and the final budget presented above.

	FY 2024-25		Final vs HCC Assumptions Version △		
Health Care Categories	Budget - Final	HCC Assumptions (1st Pass)	$	%	Notes
Inpatient Hospital	1,699,095,856	1,681,095,856	$18,000,000	1.1%	Adjusted to account for current Inpatient trends
Physician Services	$981,388,472	$1,020,062,993	($38,674,521)	(3.8%)	Adjusted to account for current Physician Services trends and reclass of TRI expense to Ancillary services
Long Term Care	$634,948,033	$653,448,033	($18,500,000)	(2.8%)	Adjusted to account for current LTC trends
Ancillary Services	$957,340,250	$909,395,108	$47,945,141	5.3%	Adjusted to account for current Ancillary Services trends and reclass of TRI expense from Physician Services.
Other Medical	$434,793,058	$463,447,536	($28,654,478)	(6.2%)	Adjusted to account for change in budgeting for DHCS incentive program expenses where $60M was removed offset by increase in Quality assurance by $32M due to increase in Admin expense
DHCS Facility Directed Payment Programs	$753,440,101	$756,342,765	($2,902,664)	(0.4%)	Decrease due to member months update
Quality Improvement Programs	$100,009,080	$100,000,000	$9,080	0.0%	
Total Health Care Expense	**$5,561,014,850**	**$5,583,792,291**	**($22,777,442)**	**(0.4%)**	

FINANCIAL HIGHLIGHTS
Of The Partnership HealthPlan Of California
For the Period Ending April 30, 2024

Financial Analysis for the Current Period

Total (Deficit) Surplus

For the month ending April 30, 2024, PHC reported a net surplus of $11.1 million, bringing the year-to-date surplus to $59.0 million. Significant variances are explained below.

Revenue

Total Revenue is lower than budget by $11.6 million for the month and $7.9 million for the year-to-date. Medi-Cal revenue is $0.7 million favorable due to higher than budgeted ECM revenue partially offset by 2024 retro-activity adjustments. Supplemental revenues are $16.8 million favorable due to the timing of DHCS submissions mainly in the Expansion Counties. Other revenue is $31.7 million unfavorable due to the timing of revenue for various DHCS incentive programs (BHI Grant, SBHIP, HHIP); corresponding expenses are also recorded in HCIF, which offset this unfavorability. Interest income is $6.3 million favorable due to higher than anticipated interest rates.

Healthcare Costs

Total Healthcare Costs is lower than budget by $40.7 million for the month and $48.2 million for the year-to-date. Physician and Ancillary expenses are $20.4 million unfavorable primarily due to the accrual of TRI estimates for calendar year 2024 and adjustments to IBNR reserves to reflect the latest utilization trend. Hospital and PCP Capitation are $4.9 million favorable due to lower than budgeted expenses, Healthcare Investment Funds (HCIF) are $36.3 million favorable due to the timing of expenses for various DHCS incentive programs; corresponding revenue is also being recorded in Other Revenue, which offsets these amounts. Long Term Care expenses are $1.6 million unfavorable due to higher than budgeted expenses. Inpatient hospital FFS expense is $22.5 million favorable due to adjustments to IBNR reserves and seasonality. Transportation expense is $3.5 million favorable due to lower than budgeted unit cost as utilization continues to increase. Quality Assurance expense is $3.5 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 increased by $0.9 million in comparison to the previous month, primarily in Employee Costs due to an increase in FTE.

Balance Sheet / Cash Flow

Total Cash & Cash Equivalents decreased by $96.4 million for the month. Inflows include $554.5 million in State Capitation payments, $31.9 million in State grant incentive program payments, $4.5 million in Drug Medi-Cal payments, $9.7 million in interest earnings, and the recording of $1.2 million in board-designated reserve transfers. These inflows were offset by outflows of $532.3 million in healthcare cost payments, $5.5 million in Drug Medi-Cal payments, $35.0 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.

General Statistics

Membership
Membership had a total net decrease of 9,215 members for the month.

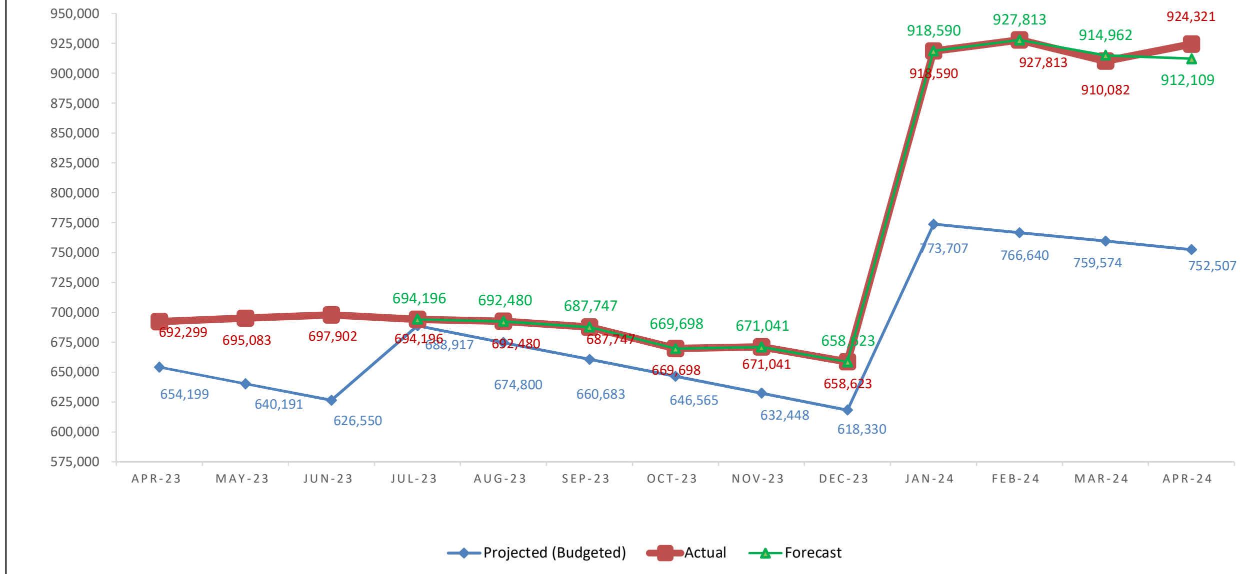
Utilization Metrics and High Dollar Case
For the fiscal year 2023/24 through April 2024, 442 members reached the $250,000 threshold with an average cost of $496,779. For fiscal year 2022/23, 694 members reached the $250,000 threshold with an average cost per case was $518,841. For fiscal year 2021/22, 584 members reached the $250,000 threshold with an average claims cost of $496,020.

Current Ratio/Reserved Funds

Current Ratio Including Required Reserves	**1.33**
Current Ratio Excluding Required Reserves:	**0.88**
Required Reserves:	**$1,262,142,057**
Total Fund Balance:	**$965,369,824**

Days of Cash on Hand

Including Required Reserves:	**172.20**
Excluding Required Reserves:	**88.08**



Member Months by County:

County	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24 ☆	Apr-24
Solano	140,852	141,571	141,941	141,591	140,953	140,988	136,597	137,807	134,534	103,140	105,208	102,065	105,274
Napa	35,911	35,993	36,130	35,882	35,969	35,439	34,269	34,043	33,710	27,596	28,140	27,005	27,891
Yolo	63,575	64,127	64,298	63,943	63,559	63,142	61,135	60,507	60,230	55,624	56,087	54,327	55,592
Sonoma	134,183	134,653	135,896	134,420	133,261	132,745	131,013	129,901	128,356	109,623	112,447	108,106	112,999
Marin	51,965	52,340	52,547	52,302	52,602	51,713	50,119	49,383	49,823	46,981	48,331	46,215	48,257
Mendocino	42,372	42,645	42,613	42,323	42,371	41,868	40,599	41,192	39,846	41,552	41,963	41,055	42,150
Lake	35,857	35,891	35,915	35,753	35,897	35,381	34,530	34,446	34,367	35,058	35,405	34,559	35,494
Del Norte	12,916	12,978	13,106	12,970	12,868	12,850	12,505	12,499	12,426	12,527	12,610	12,316	12,675
Humboldt	62,522	62,318	62,681	62,329	62,399	61,695	60,093	60,931	58,752	60,016	60,415	59,075	60,273
Lassen	9,171	9,149	9,177	9,271	9,232	9,151	8,871	9,044	8,600	8,864	8,952	8,576	8,793
Modoc	4,261	4,261	4,307	4,240	4,247	4,167	4,099	4,139	3,928	4,055	4,035	4,020	4,051
Shasta	73,093	73,478	73,580	73,539	73,456	73,179	71,113	72,049	69,783	70,605	70,880	69,820	70,514
Siskiyou	19,746	19,807	19,826	19,762	19,793	19,566	19,059	19,440	18,625	19,052	19,115	17,966	18,653
Trinity	5,875	5,872	5,885	5,871	5,873	5,863	5,696	5,660	5,643	5,660	5,739	5,567	5,704
Butte	-	-	-	-	-	-	-	-	-	85,751	85,856	86,303	85,581
Colusa	-	-	-	-	-	-	-	-	-	10,710	10,663	10,674	10,392
Glenn	-	-	-	-	-	-	-	-	-	13,752	13,774	13,883	13,772
Nevada	-	-	-	-	-	-	-	-	-	28,962	28,798	28,708	28,519
Placer	-	-	-	-	-	-	-	-	-	59,373	59,846	60,289	59,915
Plumas	-	-	-	-	-	-	-	-	-	6,015	5,978	5,975	5,942
Sierra	-	-	-	-	-	-	-	-	-	855	870	869	869
Sutter	-	-	-	-	-	-	-	-	-	44,339	44,438	44,558	43,816
Tehama	-	-	-	-	-	-	-	-	-	31,784	31,484	31,299	30,932
Yuba	-	-	-	-	-	-	-	-	-	36,696	36,779	36,851	36,263
All Counties Total	**692,299**	**695,083**	**697,902**	**694,196**	**692,480**	**687,747**	**669,698**	**671,041**	**658,623**	**918,590**	**927,813**	**910,082**	**924,321**

☆ 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	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24			YTD	Avg / Month As of Apr-24
Total Enrollment	697,169	694,364	689,096	674,680	670,710	660,101	918,590	916,349	921,546	912,331	-	-	7,754,936	775,494
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	527,490,882	524,377,176	-	-	4,458,972,138	445,897,214
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	475,024,262	449,448,162	-	-	3,691,746,089	369,174,609
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	16,678,382	-	-	142,348,281	14,234,828
Medi-Cal Hospital & Managed Care Taxes	-	-	-	-	-	376,406,250	46,790,714	48,056,922	47,537,225	47,123,221	-	-	565,914,332	56,591,433
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	(10,860,967)	11,127,411	-	-	58,963,436	5,896,344
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	829,697,152	-	-	829,697,152	572,725,383
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	965,369,824	-	-	965,369,824	942,308,990
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	658,316,000	-	-	658,316,000	653,423,400
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	279,846,000	-	-	279,846,000	235,592,100
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	160,452,311	-	-	160,452,311	137,297,189
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	28,270,742	-	-	28,270,742	39,881,147
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	135,257,004	-	-	135,257,004	125,261,934
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	-	-	72,116,668	71,564,835
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)	(368,888,901)	-	-	(368,888,901)	(320,711,614)
Fund Balance as % of Reserved Funds	77.28%	76.09%	76.11%	76.41%	75.74%	74.91%	72.60%	73.50%	71.83%	72.35%	0.00%	0.00%	72.35%	74.61%
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	0.00:1	0.00:1	1.33:1	1.44:1
Medical Loss Ratio w/o Tax	94.34%	96.61%	92.85%	91.79%	94.33%	95.31%	95.33%	93.46%	98.97%	94.17%	0.00%	0.00%	94.83%	94.83%
Admin Ratio w/o Tax	3.37%	3.69%	3.50%	3.98%	4.10%	4.04%	3.62%	3.72%	3.29%	3.49%	0.00%	0.00%	3.66%	3.66%
Profit Margin Ratio	2.29%	-0.30%	3.65%	4.23%	1.57%	0.31%	0.94%	2.56%	-2.06%	2.12%	0.00%	0.00%	1.32%	1.32%

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	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 April 30, 2024

CURRENT MONTH	PRIOR MONTH	INC / DEC	MEMBERSHIP SUMMARY	CURRENT YTD AVG	PRIOR YTD AVG	VARIANCE
912,331	921,546	(9,215)	**Total Membership**	775,494	675,986	99,508

ACTUAL MONTH	BUDGET MONTH	$ VARIANCE MONTH	FINANCIAL SUMMARY	ACTUAL YTD	BUDGET YTD	$ VARIANCE YTD
524,377,176	536,003,450	(11,626,274)	**Total Revenue**	4,458,972,138	4,466,878,366	(7,906,228)
449,448,162	490,173,484	40,725,322	**Total Healthcare Costs**	3,691,746,089	3,740,029,586	48,283,497
16,678,382	20,299,135	3,620,753	**Total Administrative Costs**	142,348,281	151,154,443	8,806,162
47,123,221	47,137,788	14,567	**Medi-Cal Managed Care Tax**	565,914,332	565,676,910	(237,422)
11,127,411	**(21,606,957)**	**32,734,368**	**Total Current Year Surplus (Deficit)**	**58,963,436**	**10,017,427**	**48,946,009**

ACTUAL MONTH	BUDGET MONTH			ACTUAL YTD	BUDGET YTD	
94.17%	100.27%		**Medical Loss Ratio (HC Costs as a % of Rev, excluding Managed Care Tax)**	94.83%	95.87%	
3.49%	4.15%		**Admin Ratio (Admin Costs as a % of Rev, excluding Managed Care Tax)**	3.66%	3.87%	

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Balance Sheet
As Of April 30, 2024

	April 2024	March 2024
A S S E T S		
Current Assets		
Cash & Cash Equivalents	**1,179,933,603**	**1,276,315,392**
Receivables		
Accrued Interest	737,894	1,619,871
State DHS - Cap Rec	992,402,382	867,395,747
Other Healthcare Receivable	32,165,422	31,892,415
Miscellaneous Receivable	6,230,042	6,253,905
Total Receivables	**1,031,535,740**	**907,161,938**
Other Current Assets		
Payroll Clearing	128,876	13,178
Prepaid Expenses	7,977,206	7,368,621
Total Other Current Assets	**8,106,082**	**7,381,799**
Total Current Assets	**2,219,575,425**	**2,190,859,129**
Non-Current Assets		
Fixed Assets		
Motor Vehicles	428,817	372,583
Furniture & Fixtures	6,638,027	6,638,027
Computer Equipment	25,060,246	24,712,800
Computer Software	21,166,237	21,166,237
Leasehold Improvements	137,144	137,144
Land	6,767,292	6,767,292
Building	67,972,021	62,528,083
Building Improvements	37,730,415	37,501,444
Accum Depr - Motor Vehicles	(193,816)	(185,460)
Accum Depr - Furniture	(6,638,027)	(6,638,027)
Accum Depr - Comp Equipment	(21,486,806)	(21,318,802)
Accum Depr - Comp Software	(20,248,554)	(20,157,483)
Accum Depr - Leasehold Improvements	(137,144)	(137,144)
Accum Depr - Building	(11,873,190)	(11,727,865)
Accum Depr - Bldg Improvements	(13,569,315)	(13,372,513)
Construction Work-In-Progress	43,503,657	42,080,293
Total Fixed Assets	**135,257,004**	**128,366,609**
Other Non-Current Assets		
Deposits	879,864	441,704
Board-Designated Reserves	1,126,585,053	1,127,737,731
Knox-Keene Reserves	300,000	300,000
Prepaid - Other Non-Current	3,265,558	3,276,397
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	**1,140,618,439**	**1,141,343,796**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Balance Sheet
As Of April 30, 2024

	April 2024	March 2024
Total Non-Current Assets	**1,275,875,443**	**1,269,710,405**
Total Assets	**3,495,450,868**	**3,460,569,534**
LIABILITIES & FUND BALANCE		
Liabilities		
Current Liabilities		
Accounts Payable	284,729,281	364,155,060
Unearned Income	102,602,917	66,981,697
Suspense Account	2,426,805	6,208,696
Capitation Payable	66,740,737	66,730,531
State DHS - Cap Payable	32,633,113	32,633,113
Accrued Healthcare Costs	1,086,513,384	1,008,930,703
Claims Payable	212,298,965	195,580,541
Incurred But Not Reported-IBNR	617,398,187	612,955,367
Quality Improvement Programs	114,798,004	142,211,762
Total Current Liabilities	**2,520,141,393**	**2,496,387,470**
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	**2,530,081,044**	**2,506,327,121**
Fund Balance		
Unrestricted Fund Balance	**(368,888,901)**	**(374,278,595)**
Reserved Funds		
State Financial Performance Guarantee	658,316,000	660,519,000
State Financial Performance Guarantee - Expansion Counties	279,846,000	277,938,000
Regulatory Reserve Requirement	160,452,311	153,810,035
Board Approved Capital and Infrastructure Purchases	28,270,742	35,770,696
Capital Assets	135,257,004	128,366,608
Strategic Use of Reserve-Board Approved	72,116,668	72,116,668
Total Reserved Funds	**1,334,258,725**	**1,328,521,007**
Total Fund Balance	**965,369,824**	**954,242,413**
Total Liabilities And Fund Balance	**3,495,450,868**	**3,460,569,534**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Statement of Cash Flow
For The Period Ending April 30, 2024

	Current Month Activity	Year-To-Date Activity
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From:		
Capitation from California Department of Health Care Services	554,477,445	4,461,892,446
Other Revenues	32,128,574	69,304,580
Cash Payments to Providers for Medi-Cal Members		
Capitation Payments	(18,256,176)	(324,013,695)
Medical Claims Payments	(514,062,107)	(2,954,828,193)
Drug Medi-Cal		
DMC Receipts from Counties	4,516,451	29,925,909
DMC Payments to Providers	(5,466,498)	(39,753,471)
Cash Payments to Vendors	(140,314,592)	(477,804,898)
Cash Payments to Employees	(19,068,797)	(121,957,869)
Net Cash (Used) Provided by Operating Activities	**(106,045,700)**	**642,764,809**
CASH FLOWS FROM CAPITAL FINANCING & RELATED ACTIVITIES:		
Purchases of Capital Assets	(1,138,801)	(13,646,547)
Net Cash Used by Capital Financial & Related Activities	**(1,138,801)**	**(13,646,547)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Board-Designated Reserve Transfers	1,152,678	(152,773,713)
Interest and Dividends on Investments	9,650,034	73,283,998
Net Cash (Used) Provided by Investing Activities	**10,802,712**	**(79,489,715)**
NET (DECREASE) INCREASE IN CASH & CASH EQUIVALENTS	**(96,381,789)**	**549,628,547**
CASH & CASH EQUIVALENTS, BEGINNING	**1,276,315,392**	**630,305,056**
CASH & CASH EQUIVALENTS, ENDING	**1,179,933,603**	**1,179,933,603**
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
TOTAL OPERATING (LOSS) INCOME	**2,359,354**	**(14,360,236)**
DEPRECIATION	**609,558**	**5,768,610**
CHANGES IN ASSETS AND LIABILITIES:		
Other Receivables	(249,144)	(7,804,652)
California Department of Health Services Receivable	(125,006,635)	(720,942,888)
Other Assets	(7,512,757)	(7,602,498)
Accounts Payable and Accrued Expenses	30,006,438	1,043,179,179
Accrued Claims Payable	21,161,244	335,227,570
Quality Improvement Programs	(27,413,758)	9,299,724
Net Cash Provided (Used) by Operating Activities	**(106,045,700)**	**642,764,809**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Statement of Revenues and Expenses

For The Period Ending April 30, 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
912,331	**912,331**	**-**			**TOTAL MEMBERSHIP**	**7,754,936**	**7,754,936**	**-**		
					REVENUE					
515,436,967	513,916,980	1,519,987	564.97	563.30	State Capitation Revenue	4,383,337,932	4,365,781,798	17,556,134	565.23	562.97
8,768,057	6,039,000	2,729,057	9.61	6.62	Interest Income	73,323,673	67,019,504	6,304,169	9.46	8.64
172,152	16,047,470	(15,875,318)	0.19	17.59	Other Revenue	2,310,533	34,077,064	(31,766,531)	0.30	4.39
524,377,176	**536,003,450**	**(11,626,274)**	**574.77**	**587.51**	**TOTAL REVENUE**	**4,458,972,138**	**4,466,878,366**	**(7,906,228)**	**574.99**	**576.00**
					HEALTHCARE COSTS					
10,206	-	(10,206)	0.01	-	Global Subcapitation	132,027,709	132,004,028	(23,681)	17.02	17.02
-	2,153,222	2,153,222	-	2.36	Capitated Medical Groups	19,117,538	21,275,337	2,157,799	2.47	2.74
					Physician Services					
6,361,176	6,910,205	549,029	6.97	7.57	PCP Capitation	62,165,444	62,730,702	565,258	8.02	8.09
217,366	231,520	14,154	0.24	0.25	Specialty Capitation	2,135,623	2,149,235	13,612	0.28	0.28
80,665,513	72,264,768	(8,400,745)	88.42	79.21	Non-Capitated Physician Services	596,819,233	559,307,482	(37,511,751)	76.96	72.12
87,244,055	**79,406,493**	**(7,837,562)**	**95.63**	**87.03**	**Total Physician Services**	**661,120,300**	**624,187,419**	**(36,932,881)**	**85.26**	**80.49**
					Inpatient Hospital					
16,438,650	18,510,322	2,071,672	18.02	20.29	Hospital Capitation	175,712,876	177,877,555	2,164,679	22.66	22.94
111,091,806	133,752,262	22,660,456	121.77	146.60	Inpatient Hospital - FFS	850,650,021	873,180,102	22,530,081	109.69	112.60
1,640,395	1,640,396	1	1.80	1.80	Hospital Stoploss	15,112,579	15,113,911	1,332	1.95	1.95
129,170,851	**153,902,980**	**24,732,129**	**141.59**	**168.69**	**Total Inpatient Hospital**	**1,041,475,476**	**1,066,171,568**	**24,696,092**	**134.30**	**137.49**
61,531,419	57,679,189	(3,852,230)	67.44	63.22	Long Term Care	439,226,098	437,648,273	(1,577,825)	56.64	56.43
					Ancillary Services					
1,209,623	1,200,386	(9,237)	1.33	1.32	Ancillary Services - Capitated	10,572,013	10,566,817	(5,196)	1.36	1.36
74,825,619	77,949,871	3,124,252	82.02	85.44	Ancillary Services - Non-Capitated	583,810,522	600,951,876	17,141,354	75.28	77.49
76,035,242	**79,150,257**	**3,115,015**	**83.35**	**86.76**	**Total Ancillary Services**	**594,382,535**	**611,518,693**	**17,136,158**	**76.64**	**78.85**
					Other Medical					
3,546,481	5,182,002	1,635,521	3.89	5.68	Quality Assurance	30,356,736	33,903,040	3,546,304	3.91	4.37
71,368,253	90,636,686	19,268,433	78.23	99.35	Healthcare Investment Funds	612,903,823	649,162,126	36,258,303	79.03	83.71
130,900	186,110	55,210	0.14	0.20	Advice Nurse	1,103,500	1,181,963	78,463	0.14	0.15
660	22,402	21,742	-	0.02	HIPP Payments	14,115	56,785	42,670	-	0.01
11,349,803	12,795,356	1,445,553	12.44	14.02	Transportation	84,776,629	88,280,070	3,503,441	10.93	11.38
86,396,097	**108,822,556**	**22,426,459**	**94.70**	**119.27**	**Total Other Medical**	**729,154,803**	**772,583,984**	**43,429,181**	**94.01**	**99.62**
9,060,292	9,058,787	(1,505)	9.93	9.93	Quality Improvement Programs	75,241,630	74,640,284	(601,346)	9.70	9.62
449,448,162	**490,173,484**	**40,725,322**	**492.65**	**537.26**	**TOTAL HEALTHCARE COSTS**	**3,691,746,089**	**3,740,029,586**	**48,283,497**	**476.04**	**482.26**
					ADMINISTRATIVE COSTS					
11,571,978	12,247,490	675,512	12.68	13.42	Employee	92,062,147	95,620,906	3,558,759	11.87	12.33
94,652	144,135	49,483	0.10	0.16	Travel And Meals	713,777	834,401	120,624	0.09	0.11
1,133,619	2,495,703	1,362,084	1.24	2.74	Occupancy	10,840,415	13,677,125	2,836,710	1.40	1.76
563,634	561,038	(2,596)	0.62	0.61	Operational	6,068,970	5,966,081	(102,889)	0.78	0.77
1,779,423	2,756,861	977,438	1.95	3.02	Professional Services	16,145,861	17,842,836	1,696,975	2.08	2.30
1,535,076	2,093,908	558,832	1.68	2.30	Computer And Data	16,517,111	17,213,094	695,983	2.13	2.22
16,678,382	**20,299,135**	**3,620,753**	**18.27**	**22.25**	**TOTAL ADMINISTRATIVE COSTS**	**142,348,281**	**151,154,443**	**8,806,162**	**18.35**	**19.49**
47,123,221	47,137,788	14,567	51.65	51.67	**Medi-Cal Managed Care Tax**	565,914,332	565,676,910	(237,422)	72.97	72.94
11,127,411	**(21,606,957)**	**32,734,368**	**12.20**	**(23.67)**	**TOTAL CURRENT YEAR SURPLUS (DEFICIT)**	**58,963,436**	**10,017,427**	**48,946,009**	**7.63**	**1.31**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
April 30, 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 April 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 April 2024, PHC has accrued a Quality Incentive Program payout of $114.8 million.

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
April 30, 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
April 30, 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	$ 1,347,038	$ 1,347,038	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	$ 71,678,731		
Merrill Lynch MMA - Checking	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 1,770,927		
US Bank - General, MMA, and Sweeps	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 2,113,905,660		
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	$ 147,479		
Petty Cash	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 3,300		
GRAND TOTAL:								$ 2,306,803,094		

Partnership HealthPlan of California
Investment Yield Trends

PERIOD		May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024
Interest Income		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	8,768,057
Cash & Investments at Historical Cost	(1)	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	2,306,818,656
Computed Yield	(2)	2.21%	2.68%	3.29%	3.53%	3.72%	3.83%	4.07%	4.21%	4.29%	4.40%	4.46%	4.47%
CA Pooled Money Investment Account (PMIA)	(3)	2.99%	3.17%	3.31%	3.43%	3.53%	3.67%	3.84%	3.93%	4.01%	4.12%	4.23%	4.27%

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.