Finance Committee Meeting Agenda

April 16, 2025: 8:00 a.m. – 9:30 a.m.

In-person Locations:
Partnership's Fairfield Office located at 4605 Business Center Drive, Fairfield, CA (Conference Center)
Partnership's Redding Office located at 2525 Airpark Dr., Redding, CA
Partnership's Santa Rosa Office located at 495 Tesconi Circle, Santa Rosa, CA
Partnership's Eureka Office located at 1036 5th Street, Eureka, CA
Partnership's Auburn Office located at 281 Nevada Street, Auburn, CA
Partnership's Chico Office located at 2760 Esplanade Ave, Suite 130, Chico, CA

Finance Committee Members: Jonathon Andrus**,** Jayme Bottke, Dave Jones, Chair, Ryan Gruver, Kathryn Powell, Nancy Starck

Public Participation
Public comment is welcome during designated "Public Comments" time frames or by emailing comments to the Board Clerk at Board_FinanceClerk@partnershiphp.org by 5:00p.m on April 15, 2025. Comments received will be read during the meeting.

8:00A.M – Opening			
1.1 **Call to Order**			*Dave Jones, Chair*
1.2 **Roll Call**			*Clerk*
1.3	***ACTION:*** Approval of Agenda	1	*Chair*
1.4	***ACTION:*** Approval of Finance Committee Minutes from March 19, 2025	2-6	*Chair*
1.5 **Commissioner Comment**			*Chair*
1.6 **Public Comment**			*Public*
New Business			
2.1	***INFORMATION:*** CEO Health Plan Update	7	*Sonja Bjork*
2.2	***ACTION:*** Accept February 2025 Metrics and Financials and Financial Update	8-21	*Jennifer Lopez*
2.3	***ACTION:*** Approve Budget Assumptions for Fiscal Year 2025-2026	22-29	*Jennifer Lopez*
Adjournment			

Government Code §54957.5 requires that public records related to items on the open session agenda for a regular finance meeting be made available for public inspection. Records distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the committee. The Finance Committee has designated the Board Clerk as the contact for Partnership HealthPlan of California located at 4665 Business Center Drive, Fairfield, CA 94534, for the purpose of making those public records available for inspection. The Finance Committee Meeting Agenda and supporting documentation is available for review from 8:00 AM to 5:00 PM, Monday through Friday at all PHC regional offices (see locations above). It can also be found online at www.partnershiphp.org. PHC meeting rooms are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation (including auxiliary aids or services) to participate in this meeting, or who have a disability and wish to request an alternative format for the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting, should contact the Board Clerk at least two (2) working days before the meeting at 707-863-4516 or by email at *ascott@partnershiphp.org*. Notification in advance of the meeting will enable the Clerk to make reasonable arrangements to ensure accessibility to this meeting and to materials related to it. This agenda contains a brief description of each item to be considered. Except as provided by law, no action shall be taken on any item not appearing on the agenda.

MINUTES OF THE MEETING OF
PARTNERSHIP HEALTHPLAN OF CALIFORNIA FINANCE COMMITTEE
In person locations:

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On
March 19, 2025

Members Present: Jonathon Andrus, Jayme Bottke, Dave Jones, Chair, Nancy Starck
Members Excused: Ryan Gruver, Kathie Powell, Nolan Sullivan
Staff: Leigha Andrews, Katherine Barresi, Sonja Bjork, Jill Blake, Tina Buop, Alexandra Chappell, Wendell Coats, Wendi Davis, Marisa Dominguez, Robert Ducay, Naomi Gordon, Mary Kerlin, Melanie Lam, John Lemoine, Jennifer Lopez, Kathryn Power, Jose Puga, Ashlyn Scott, Tim Sharp, Brian Spiker, Rebecca Stark, Amy Turnipseed, Diane Walton
Guests: T Abraham

AGENDA ITEM	DISCUSSION	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 Starck moved to approve the agenda as presented, seconded by Commissioner Bottke.* ***ACTION SUMMARY:*** *Yes:4* *No: 0* *Abstention: 0*

		Excused: 3 (Gruver, Powell, Sullivan) **MOTION CARRIED**
1.4 Approval of the February 19, 2025, Finance Committee Meeting Minutes	Chairman Jones asked if anyone had changes to the February 19, 2025, minutes. Hearing no requests for modification, he asked for a motion to approve the minutes.	*Commissioner Bottke moved to approve the minutes as presented, seconded by Commissioner Starck.* ***ACTION SUMMARY:*** *Yes:4* *No: 0* *Abstention: 0* *Excused: 3 (Gruver, Powell, Sullivan)* **MOTION CARRIED**
1.5 & 1.6 Public Comment and Commissioner Comment	Chairman Jones asked if there were any public or commissioner comments. There were none.	None
New Business		
2.1 CEO Report	Sonja Bjork, Chief Executive Officer, presented a report on the following topics: ***Federal Updates*** Robert F. Kennedy Jr. has been confirmed as the Secretary of the Department of Health and Human Services, and Dr. Mehmet Oz is expected to be confirmed to oversee the Centers for Medicare and Medicaid Services (CMS), in the coming weeks. The budget resolution currently under consideration in the Senate, could potentially cut up to $880 billion in healthcare costs. Partnership continues to monitor the potential impact of these cuts. ***State Updates*** As we await the Governor's May revision budget, the federal budget is not expected to be finalized until later in the year. It remains unclear whether the state will implement cuts in anticipation of potential reductions in the federal budget or if adjustments will be made in the fall as more details emerge. At Partnership's April Strategic Planning Retreat, we will focus on possible scenarios regarding Medicaid cuts and how to navigate them. We will also hear from various stakeholders, including hospitals, FQHCs, counties, members, and more. ***Voluntary Rate Range Intergovernmental Transfer Program*** The application period for the Voluntary Rate Range Intergovernmental Transfer Program (VRRP/IGT) is open for calendar year 2024. This marks the first year that eligible providers from the expansion region will collaborate with Partnership to apply for IGT funding. The program	None

	allows providers with tax authority to report uncompensated costs related to delivering Medi-Cal services to Partnership members. Partnership is encouraging eligible entities to apply for IGT funding to help maximize funding distributed in our local communities. We expect that 14 Partnership counties will likely participate. The deadline to submit a letter of intent is Friday, March 21. *Commissioner Starck questioned why all 24 Partnership counties are not participating in the IGT program.* *Ms. Bjork replied that some counties did not provide services that qualify for IGT funding. Additionally, some counties did not feel they had the bandwidth to navigate the complex IGT process, however we are hopeful more counties will participate if the program is offered next year.*	
Public Comment	*Guest, T. Abraham, asked whether Partnership plans to engage partners in advocacy efforts to contact legislators and highlight the harmful impacts that Medicaid cuts would have on our communities.* *Ms. Bjork responded that Partnership met with congressional representatives and staff in Washington DC in February. The electeds and their staff members emphasized the importance of constituents personally calling or emailing their representatives. In April, Partnership leadership will meet with our state representatives to advocate for Medi-Cal as well.* *Mr. Abraham shared that some providers are uncertain about whether to continue programs such as Community Health Worker (CHW) services, Community Supports (CS), and Enhanced Care Management (ECM), as these may be impacted by cuts.* *Ms. Bjork responded that some of Partnership's sister plans are also signaling they will be scaling back on these services. However, since the state has not directed us to reduce services, we are refraining from making assumptions or decisions, as these programs are still currently being funded.*	
2.2 *ACTION*: Accept January 2025 Metrics and Financials	Jennifer Lopez, Chief Financial Officer, presented Partnership's financial metrics for the month ending January 31, 2025. Partnership reported a surplus of $5.2 million, bringing the year-to-date surplus to $21.2 million. The primary factor driving favorability is inpatient expenses in the 10-county expansion region. In contrast, outpatient costs in the expansion region are unfavorable, which is a positive sign, as it indicates that members are not being treated in acute care settings. It will take several years of complete data to establish reliable trends for the new region; however, we are monitoring emerging patterns. We currently have less than one year of complete data for the expansion counties and providers have up to one year to submit their claims. Transportation utilization remains high, which is positive, as we anticipate increased transportation costs will be reflected in our future rates. Administrative costs remain favorable, primarily due to the timing of hiring qualified staff. When creating the FY2024-25 budget, we budgeted for the	*Commissioner Andrus moved to approve the metrics and financials as presented, seconded by Commissioner Starck.* ***ACTION SUMMARY:*** *Yes:4* *No: 0* *Abstention: 0* *Excused: 3 (Gruver, Powell, Sullivan)* **MOTION CARRIED**

	maximum number of positions required to meet the regulatory requirements outlined in the DHCS' 2024 contract amendment. However, we are still awaiting further details from the state regarding some new requirements, which has led to a pause in hiring for certain positions. Since finalizing the January financials, Partnership has hired over 20 new employees. Positive variances will be helpful in navigating future challenges and potential budget cuts. Partnership received $171 million from the state, as part of the Private Hospital Directed Payment program, with the expectation that these funds will be distributed to hospitals by April 15. In addition, Partnership is making monthly rolling payments to providers as part of the state's Targeted Rate Increase (TRI) program. Ms. Lopez reminded the committee that the Budget Assumptions for Fiscal Year 2025-26 will be presented in April, marking the first step of the three-part budget approval process. The draft Health Care Expense Budget will be presented to the Finance Committee in May, followed by the final budget, which will be presented to both the Finance Committee and the full Board in June. Given the federal and state uncertainty, Partnership may need to present a mid-year budget revision to the Finance Committee and Board for approval. *Commissioner Andrus asked if administrative costs are expected to rise.* *Ms. Lopez confirmed that, yes, we do anticipate an increase in administrative costs. Partnership currently has the lowest administrative cost ratio statewide compared to our sister plans. Ideally, our administrative cost ratio should fall between 5-7% for Medi-Cal. While it may take some time to reach that target, it is crucial that we continue to hire new staff to manage the increased administrative demands required of us.* *Commissioner Starck asked what the acronym "AIHS" stands for.* *Ms. Lopez replied that it stands for American Indian Health Services.*	
2.3 *ACTION*: Resolution to Accept Commissioner Nolan Sullivan's Resignation from the Partnership Board and Finance Committee as a Yolo County Representative	Ms. Bjork announced that Yolo County Board Commissioner, Nolan Sullivan, resigned from his position at Yolo County and thus, the Partnership Board and Finance Committee. Ms. Bjork thanked Commissioner Sullivan for his dedication to the Board since 2022. Since the full Board does not meet in March, the Finance Committee was asked to accept the resignation.	*Commissioner Bottke moved to approve agenda item 2.3 as presented seconded by Commissioner Starck.* ***ACTION SUMMARY:*** *Yes:4* *No: 0* *Abstention: 0* *Excused: 2 (Gruver, Powell)* **MOTION CARRIED**

Adjournment	Chairman Jones adjourned the meeting at 8:55AM.	None

Respectfully submitted by:
Ashlyn Scott, Board Clerk

Committee Approval Date: 4/16/2025

Signed: _____
Ashlyn Scott, Clerk

Finance Committee
Chief Executive Officer Update
April 16, 2025

1. **CHA/CHIP**
2. **Sacramento Update**
3. **Hospital Council**
4. **CalAIM and Access Grants Reminders**

Financial Analysis for the Current Period

Total Surplus

For the month ended February 28, 2025, Partnership reported a net surplus of $7.9 million, increasing the year-to-date surplus to $29.1 million. Key variances are outlined below.

Revenue

Total Revenue is favorable to budget for the month by $241.2 million, and favorable $198.6 million for the year-to-date. Medi-Cal revenue is $230.8 million favorable to budget due to the recording of an additional $251.6 million in MCO tax revenue pertaining to calendar year 2024, which was authorized by Assembly Bill (AB) 160; a corresponding offset is also recorded in MCO tax expense. The positive variances are partially offset by the $26.2 million unbudgeted UIS risk corridor and $3.0 million unfavorability in base revenue. Directed Payments are $93.2 million unfavorable due to lower than budgeted rates; a corresponding offset is recorded in Healthcare Investment Funds (HCIF). Supplemental revenues are $36.5 million favorable due to the timing of DHCS submissions primarily in the expansion counties for American Indian Health Services (AIHS) and higher than expected volumes for Maternity Kick payments. Interest income is $22.9 million favorable due to higher than anticipated interest rates accompanied with higher than budgeted cash balances. The remaining favorable variance is attributed to other revenues.

Healthcare Costs

Total healthcare costs exceeded budget by $1.5 million for the month but is under budget $134.3 million for the year-to-date. Non-Capitated Physician and Ancillary expenses were $108.3 million over budget, largely due to the accrual of Targeted Rate Increases (TRI) and updates to IBNR reserves based on current utilization trends. Capitation expenses were $26.6 million under budget, reflecting changes in the funding methodology for certain healthcare providers. Long-Term Care costs exceeded budget by $10.6 million, primarily due to anticipated rate increases retroactive to January 2024. Inpatient Hospital Fee-For-Service (FFS) expenses were $140.3 million favorable, largely driven by downward adjustments to prior fiscal year IBNR reserves, reflecting lower-than-expected utilization in the new expansion region and seasonal trends. HCIF expenses were $76.9 million below budget due to lower-than-anticipated directed payment rates, partially offset by the timing of IPP CalAIM incentive payments. Transportation costs were $10.2 million over budget, attributed to increased utilization. Quality Assurance expenses were $22.6 million under budget due to the timing of medical administrative costs. Conversely, Quality Improvement Program expenses were $3.3 million over budget, due to the timing of incentive grant disbursements.

Administrative Costs

Administrative costs have an overall positive variance, which is $2.8 million for the month and $33.5 million for the year-to-date. The primary variance is in Employee costs due to the timing of the filling of open positions, which are primarily geared towards the expansion counties and the fulfilling of the 2024 DHCS Contract requirements. An additional variance is in Occupancy due to the timing of building related costs including repairs, maintenance, and utilities, as well as the depreciation of capitalizable items including the new claims system. The increased negative variance in Computer and Data is primarily due

to the timing of licensing cost payments and the timing of computer stock equipment purchases. 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 narrow.

Balance Sheet / Cash Flow

Total Cash & Cash Equivalents decreased by $5.8 million for the month. Inflows include $448.0 million in State Capitation payments, $3.4 million in Drug Medi-Cal payments, and $6.6 million in interest earnings. These inflows were offset by outflows of $373.2 million in healthcare cost payments, $4.9 million in Drug Medi-Cal payments, $45.2 million in administrative and capital cost payments, and the recording of $40.7 million in board designated reserve transfers. The remaining difference can be attributed to other revenues.

General Statistics

Membership

Membership had a total net increase of 3,040 members for the month.

Utilization Metrics and High Dollar Case

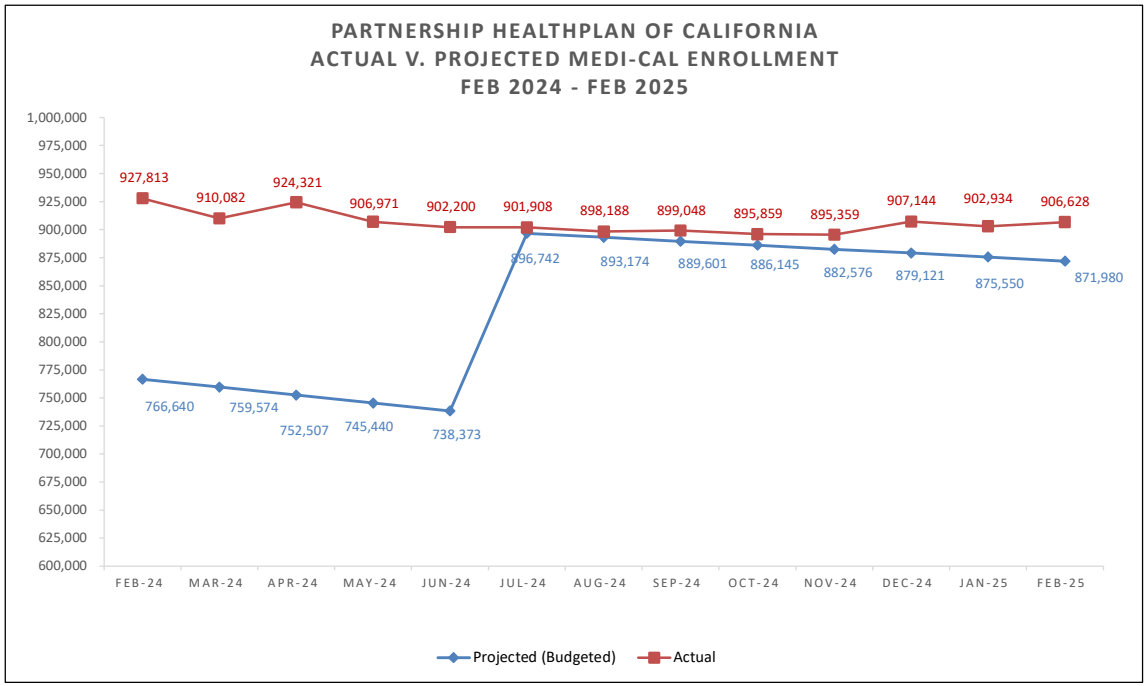
For the fiscal year 2024/25 through February 2025, 422 members reached the $250,000 threshold with an average cost of $467,418. For fiscal year 2023/24, 883 members reached the $250,000 threshold with an average cost per case of $507,681. For fiscal year 2022/23, 694 members reached the $250,000 threshold with an average claims cost of $518,880.

Current Ratio/Reserved Funds

Current Ratio Including Required Reserves	**1.37**
Current Ratio Excluding Required Reserves:	**0.98**
Required Reserves:	**$1,317,715,392**
Total Fund Balance:	**$1,276,681,095**

Days of Cash on Hand

Including Required Reserves:	**133.90**
Excluding Required Reserves:	**64.66**



Member Months by County:

County	Feb-24	Mar-24 ☆	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
Solano	105,208	102,065	105,274	102,979	102,062	101,490	101,565	102,138	101,685	101,430	103,225	102,170	102,511
Napa	28,140	27,005	27,891	27,017	27,071	26,878	26,697	26,466	26,242	26,374	26,961	26,991	27,197
Yolo	56,087	54,327	55,592	54,076	53,489	53,332	52,195	52,185	51,806	51,458	53,062	52,646	52,963
Sonoma	112,447	108,106	112,999	110,510	110,327	110,662	110,074	110,141	109,880	110,115	112,185	110,844	112,863
Marin	48,331	46,215	48,257	46,564	46,520	46,274	46,147	46,484	46,059	46,033	46,460	46,616	46,859
Mendocino	41,963	41,055	42,150	41,381	41,239	41,408	41,314	41,195	40,901	41,046	40,947	40,708	40,899
Lake	35,405	34,559	35,494	34,624	34,390	34,422	34,207	34,227	34,122	34,257	34,495	34,338	34,229
Del Norte	12,610	12,316	12,675	12,401	12,214	12,252	12,327	12,382	12,404	12,387	12,420	12,466	12,513
Humboldt	60,415	59,075	60,273	58,758	58,876	58,607	58,434	58,422	58,495	58,614	58,593	58,332	58,577
Lassen	8,952	8,576	8,793	8,668	8,714	8,765	8,802	8,753	8,814	8,754	8,756	8,761	8,825
Modoc	4,035	4,020	4,051	3,944	3,933	3,958	3,941	3,983	3,933	3,925	3,939	3,943	3,990
Shasta	70,880	69,820	70,514	68,436	67,907	67,685	67,173	67,073	66,723	66,780	66,863	66,195	65,800
Siskiyou	19,115	17,966	18,653	18,137	18,131	18,088	17,918	17,839	17,972	18,041	17,945	17,902	17,706
Trinity	5,739	5,567	5,704	5,607	5,540	5,540	5,464	5,437	5,422	5,380	5,419	5,286	5,348
Butte	85,856	86,303	85,581	84,795	84,347	84,598	84,856	85,378	85,666	85,502	85,772	85,639	85,539
Colusa	10,663	10,674	10,392	10,270	10,239	10,208	10,148	10,152	10,097	10,038	10,215	10,219	10,232
Glenn	13,774	13,883	13,772	13,618	13,583	13,501	13,491	13,595	13,543	13,596	13,664	13,594	13,623
Nevada	28,798	28,708	28,519	28,420	28,313	28,407	28,226	28,261	28,434	28,721	28,515	28,748	28,736
Placer	59,846	60,289	59,915	60,009	59,226	59,648	59,419	59,331	58,737	58,334	60,679	60,497	60,860
Plumas	5,978	5,975	5,942	5,925	5,903	5,938	5,924	5,857	5,820	5,870	5,866	5,792	5,858
Sierra	870	869	869	865	850	839	852	871	866	892	887	874	888
Sutter	44,438	44,558	43,816	43,711	43,619	43,542	43,122	43,076	42,418	42,244	43,425	43,430	43,691
Tehama	31,484	31,299	30,932	30,323	29,996	30,297	30,365	30,492	30,542	30,456	30,426	30,321	30,240
Yuba	36,779	36,851	36,263	35,933	35,711	35,569	35,527	35,310	35,278	35,112	36,425	36,622	36,681
All Counties Total	**927,813**	**910,082**	**924,321**	**906,971**	**902,200**	**901,908**	**898,188**	**899,048**	**895,859**	**895,359**	**907,144**	**902,934**	**906,628**

☆ 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 2024 - 2025 & Fiscal Year 2023 - 2024

FINANCIAL INDICATORS	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25					YTD	Avg / Month As of Feb-25
Total Enrollment	898,490	898,153	897,450	895,408	895,235	905,698	901,907	904,947					7,197,288	899,661
Total Revenue	516,467,263	505,732,274	517,421,674	517,491,108	507,895,691	520,768,067	518,706,967	759,253,557					4,363,736,601	545,467,075
Total Healthcare Costs	455,570,291	455,587,935	449,203,390	445,671,531	422,571,150	440,227,707	443,280,032	430,197,038					3,542,309,070	442,788,634
Total Administrative Costs	17,164,116	20,965,109	20,303,694	22,663,983	19,787,655	21,565,508	23,537,967	22,868,410					168,856,445	21,107,055
Medi-Cal Hospital & Managed Care Taxes	46,566,563	46,437,851	46,436,856	46,083,262	46,460,193	46,509,845	46,696,106	298,302,026					623,492,702	77,936,588
Total Current Year Surplus (Deficit)	(2,833,707)	(17,258,621)	1,477,734	3,072,332	19,076,693	12,465,007	5,192,862	7,886,083					29,078,384	3,634,798
Total Claims Payable	884,509,979	911,448,691	890,651,592	852,864,933	830,533,762	775,002,932	770,859,204	759,273,827					759,273,827	834,393,115
Total Fund Balance	1,244,769,003	1,227,510,382	1,228,988,116	1,232,060,447	1,251,137,140	1,263,602,149	1,268,795,012	1,276,681,095					1,276,681,095	1,249,192,918
Reserved Funds														
State Financial Performance Guarantee	1,092,899,000	1,093,798,000	1,096,923,000	1,100,211,000	1,102,840,000	1,046,032,000	1,049,745,000	1,091,605,000					1,091,605,000	1,084,256,625
Board Approved Capital and Infrastructure Purchases	79,941,518	79,360,193	77,250,794	76,202,434	75,447,816	73,742,888	72,667,651	71,478,836					71,478,836	75,761,516
Capital Assets	134,500,819	148,731,129	150,227,245	152,420,562	152,556,243	152,888,655	154,088,260	154,631,556					154,631,556	150,005,559
Strategic Use of Reserve-Board Approved	71,002,668	71,002,668	71,002,668	71,002,668	71,002,668	71,002,668	71,002,668	71,002,668					71,002,668	71,002,668
Unrestricted Fund Balance	(133,575,002)	(165,381,608)	(166,415,591)	(167,776,217)	(150,709,587)	(80,064,063)	(78,708,568)	(112,036,965)					(112,036,965)	(131,833,450)
Fund Balance as % of Reserved Funds	90.31%	88.13%	88.07%	88.01%	89.25%	94.04%	94.16%	91.93%					91.93%	90.45%
Current Ratio (including Required Reserves)	1.45:1	1.41:1	1.40:1	1.40:1	1.40:1	1.39:1	1.41:1	1.37:1					1.37:1	1.40:1
Medical Loss Ratio w/o Tax	96.95%	99.19%	95.38%	94.54%	91.58%	92.82%	93.91%	93.33%					94.71%	94.71%
Admin Ratio w/o Tax	3.65%	4.56%	4.31%	4.81%	4.29%	4.55%	4.99%	4.96%					4.51%	4.51%
Profit Margin Ratio	-0.60%	-3.76%	0.31%	0.65%	4.13%	2.63%	1.10%	1.71%					0.78%	0.78%

FINANCIAL INDICATORS	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	YTD	Avg / Month As of Jun-24
Total Enrollment	697,169	694,364	689,096	674,680	670,710	660,101	918,590	916,349	921,546	912,331	906,971	900,691	9,562,598	796,883
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	544,442,127	729,388,400	5,732,802,666	477,733,555
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	449,448,163	476,657,036	383,635,425	4,552,038,550	379,336,546
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	16,678,381	18,392,413	19,471,144	180,211,837	15,017,653
Medi-Cal Hospital & Managed Care Taxes	-	-	-	-	-	376,406,250	46,790,714	48,056,922	47,537,225	47,123,221	46,858,980	46,582,645	659,355,957	54,946,330
Total Current Year Surplus (Deficit)	7,946,514	(1,008,857)	12,453,281	14,243,584	5,245,126	2,152,343	4,676,307	12,988,694	(10,860,967)	11,127,412	2,533,699	279,699,187	341,196,322	28,433,027
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	838,350,235	886,017,427	886,017,427	620,968,458
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	967,903,523	1,247,602,710	1,247,602,710	969,883,011
Reserved Funds														
State Financial Performance Guarantee	946,269,906	964,438,886	980,910,354	994,265,111	1,009,422,758	1,026,741,282	1,074,004,763	1,076,192,481	1,092,267,035	1,098,614,311	1,102,328,343	1,135,207,631	1,135,207,631	1,041,721,905
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	27,812,009	26,342,225	26,342,225	37,747,142
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	135,105,115	133,498,833	133,498,833	126,768,607
Strategic Use of Reserve-Board Approved	70,659,883	70,318,568	70,455,056	71,514,836	72,116,668	72,116,668	72,116,668	72,116,668	72,116,668	72,116,668	71,786,668	71,002,668	71,002,668	71,536,474
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)	(369,128,612)	(118,448,647)	(118,448,647)	(307,891,117)
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%	72.39%	91.33%	91.33%	75.90%
Current Ratio (including Required Reserves)	1.69:1	1.63:1	1.49:1	1.59:1	1.56:1	1.43:1	1.38:1	1.34:1	1.33:1	1.33:1	1.35:1	1.45:1	1.45:1	1.43:1
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%	95.79%	56.19%	89.72%	89.72%
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%	3.70%	2.85%	3.55%	3.55%
Profit Margin Ratio	2.29%	-0.30%	3.65%	4.23%	1.57%	0.66%	1.04%	2.83%	-2.26%	2.33%	0.51%	40.96%	6.73%	6.73%

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Membership and Financial Summary
For The Period Ending February 28, 2025

CURRENT MONTH	PRIOR MONTH	INC / DEC	MEMBERSHIP SUMMARY	CURRENT YTD AVG	PRIOR YTD AVG	VARIANCE
904,947	901,907	3,040	**Total Membership**	899,661	740,132	159,529

ACTUAL MONTH	BUDGET MONTH	$ VARIANCE MONTH	FINANCIAL SUMMARY	ACTUAL YTD	BUDGET YTD	$ VARIANCE YTD
759,253,557	518,078,915	241,174,642	**Total Revenue**	4,363,736,601	4,165,151,051	198,585,550
430,197,038	428,688,172	(1,508,866)	**Total Healthcare Costs**	3,542,309,070	3,676,618,014	134,308,944
22,868,410	25,703,258	2,834,848	**Total Administrative Costs**	168,856,445	202,325,643	33,469,198
298,302,026	44,809,868	(253,492,158)	**Medi-Cal Managed Care Tax**	623,492,702	365,122,147	(258,370,555)
7,886,083	**18,877,617**	**(10,991,534)**	**Total Current Year Surplus (Deficit)**	**29,078,384**	**(78,914,753)**	**107,993,137**
93.33%	90.58%		**Medical Loss Ratio (HC Costs as a % of Rev, excluding Managed Care Tax)**	94.71%	96.75%	
4.96%	5.43%		**Admin Ratio (Admin Costs as a % of Rev, excluding Managed Care Tax)**	4.51%	5.32%	

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Balance Sheet
As Of February 28, 2025

	February 2025	January 2025
A S S E T S		
Current Assets		
Cash & Cash Equivalents	**1,085,962,788**	**1,091,749,200**
Receivables		
Accrued Interest	862,900	432,200
State DHS - Cap Rec	1,817,012,660	1,497,527,171
Other Healthcare Receivable	52,471,490	51,244,376
Miscellaneous Receivable	7,690,236	7,702,232
Total Receivables	**1,878,037,286**	**1,556,905,979**
Other Current Assets		
Payroll Clearing	8,330	13,962
Prepaid Expenses	10,916,592	12,608,929
Total Other Current Assets	**10,924,922**	**12,622,891**
Total Current Assets	**2,974,924,996**	**2,661,278,070**
Non-Current Assets		
Fixed Assets		
Motor Vehicles	515,462	515,462
Furniture & Fixtures	7,028,251	7,028,251
Computer Equipment	19,746,994	19,168,910
Computer Software	8,997,689	8,997,689
Leasehold Improvements	124,288	124,288
Land	7,619,204	7,619,204
Building	83,185,784	83,185,784
Building Improvements	39,688,760	39,688,760
Accum Depr - Motor Vehicles	(297,578)	(286,815)
Accum Depr - Furniture	(6,614,613)	(6,606,523)
Accum Depr - Comp Equipment	(16,701,543)	(16,504,134)
Accum Depr - Comp Software	(8,701,768)	(8,655,144)
Accum Depr - Leasehold Improvements	(124,288)	(124,288)
Accum Depr - Building	(13,586,392)	(13,408,644)
Accum Depr - Bldg Improvements	(15,437,327)	(15,232,442)
Construction Work-In-Progress	49,188,634	48,577,902
Total Fixed Assets	**154,631,557**	**154,088,260**
Other Non-Current Assets		
Deposits	87,968	84,075
Board-Designated Reserves	1,162,783,836	1,122,112,651
Knox-Keene Reserves	300,000	300,000
Prepaid - Other Non-Current	14,267,684	14,212,839
Net Pension Asset	4,919,453	4,919,453
Deferred Outflows Of Resources	1,620,052	1,620,052
Net Subscription Asset	2,790,269	2,790,269
Total Other Non-Current Assets	**1,186,769,262**	**1,146,039,339**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Balance Sheet
As Of February 28, 2025

	February 2025	January 2025
Total Non-Current Assets	**1,341,400,819**	**1,300,127,599**
Total Assets	**4,316,325,815**	**3,961,405,669**
L I A B I L I T I E S & F U N D B A L A N C E		
Liabilities		
Current Liabilities		
Accounts Payable	473,461,028	190,242,979
Unearned Income	109,464,493	109,464,493
Suspense Account	14,587,394	13,762,222
Capitation Payable	40,296,544	40,296,544
State DHS - Cap Payable	32,633,113	32,633,113
Accrued Healthcare Costs	1,462,731,304	1,395,905,633
Claims Payable	245,166,222	297,723,085
Incurred But Not Reported-IBNR	514,107,605	473,136,119
Quality Improvement Programs	137,231,029	129,480,481
Total Current Liabilities	**3,029,678,732**	**2,682,644,669**
Non-Current Liabilities		
Deferred Inflows Of Resources	7,617,910	7,617,910
Net Subscription Liability	2,348,078	2,348,078
Total Non-Current Liabilities	**9,965,988**	**9,965,988**
Total Liabilities	**3,039,644,720**	**2,692,610,657**
Fund Balance		
Unrestricted Fund Balance	**(112,036,965)**	**(78,708,568)**
Reserved Funds		
State Financial Performance Guarantee	1,091,605,000	1,049,745,000
Board Approved Capital and Infrastructure Purchases	71,478,836	72,667,651
Capital Assets	154,631,556	154,088,260
Strategic Use of Reserve-Board Approved	71,002,668	71,002,668
Total Reserved Funds	**1,388,718,060**	**1,347,503,579**
Total Fund Balance	**1,276,681,095**	**1,268,795,012**
Total Liabilities And Fund Balance	**4,316,325,815**	**3,961,405,669**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
Statement of Cash Flow
For The Period Ending February 28, 2025

	Current Month Activity	Year-To-Date Activity
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From:		
Capitation from California Department of Health Care Services	447,971,168	3,838,215,143
Other Revenues	182,648	35,592,033
Cash Payments to Providers for Medi-Cal Members		
Capitation Payments	(25,884,317)	(191,963,439)
Medical Claims Payments	(347,313,252)	(3,146,002,971)
Drug Medi-Cal		
DMC Receipts from Counties	3,413,587	31,378,317
DMC Payments to Providers	(4,911,009)	(40,378,115)
Cash Payments to Vendors	(24,151,203)	(487,497,345)
Cash Payments to Employees	(18,829,186)	(131,664,436)
Net Cash (Used) Provided by Operating Activities	**30,478,436**	**(92,320,813)**
CASH FLOWS FROM CAPITAL FINANCING & RELATED ACTIVITIES:		
Purchases of Capital Assets	(2,242,375)	(23,878,124)
Net Cash (Used) by Capital Financial & Related Activities	**(2,242,375)**	**(23,878,124)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Board-Designated Reserve Transfers	(40,671,185)	(1,533,980)
Interest and Dividends on Investments	6,648,712	69,804,614
Net Cash (Used) Provided by Investing Activities	**(34,022,473)**	**68,270,634**
NET (DECREASE) IN CASH & CASH EQUIVALENTS	**(5,786,412)**	**(47,928,303)**
CASH & CASH EQUIVALENTS, BEGINNING	**1,091,749,200**	**1,133,891,091**
CASH & CASH EQUIVALENTS, ENDING	**1,085,962,788**	**1,085,962,788**
RECONCILIATION OF TOTAL OPERATING (LOSS) INCOME TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
TOTAL OPERATING (LOSS) INCOME	**806,671**	**(40,726,435)**
DEPRECIATION	**645,520**	**5,012,809**
CHANGES IN ASSETS AND LIABILITIES:		
Other Receivables	(1,215,118)	(20,110,330)
California Department of Health Services Receivable	(319,485,489)	(624,858,562)
Other Assets	2,692,790	(2,523,956)
Accounts Payable and Accrued Expenses	350,868,891	669,648,311
Accrued Claims Payable	(11,585,377)	(126,743,599)
Quality Improvement Programs	7,750,548	47,980,949
Net Cash (Used) Provided by Operating Activities	**30,478,436**	**(92,320,813)**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Statement of Revenues and Expenses

For The Period Ending February 28, 2025

****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
904,947	**904,947**	**-**			**TOTAL MEMBERSHIP**	**7,197,288**	**7,197,288**	**-**		
					REVENUE					
752,003,493	512,347,315	239,656,178	830.99	566.16	State Capitation Revenue	4,290,744,048	4,116,719,051	174,024,997	596.16	571.98
7,079,412	5,548,500	1,530,912	7.82	6.13	Interest Income	69,804,821	46,884,500	22,920,321	9.70	6.51
170,652	183,100	(12,448)	0.19	0.20	Other Revenue	3,187,732	1,547,500	1,640,232	0.44	0.22
759,253,557	**518,078,915**	**241,174,642**	**839.00**	**572.49**	**TOTAL REVENUE**	**4,363,736,601**	**4,165,151,051**	**198,585,550**	**606.30**	**578.71**
					HEALTHCARE COSTS					
					Physician Services					
7,790,323	9,071,153	1,280,830	8.61	10.02	Pcp Capitation	59,712,146	71,921,466	12,209,320	8.30	9.99
214,981	228,115	13,134	0.24	0.25	Specialty Capitation	1,708,141	1,781,277	73,136	0.24	0.25
73,521,084	71,442,858	(2,078,226)	81.24	78.95	Non-Capitated Physician Services	625,164,287	571,320,363	(53,843,924)	86.86	##### ##
81,526,388	**80,742,126**	**(784,262)**	**90.09**	**89.22**	**Total Physician Services**	**686,584,574**	**645,023,106**	**(41,561,468)**	**95.40**	**89.62**
					Inpatient Hospital					
16,473,274	17,609,927	1,136,653	18.20	19.46	Hospital Capitation	130,012,723	143,824,423	13,811,700	18.06	19.98
110,135,406	104,001,506	(6,133,900)	121.70	114.93	Inpatient Hospital - Ffs	819,016,285	959,344,815	140,328,530	113.80	133.29
1,536,839	1,536,838	(1)	1.70	1.70	Hospital Stoploss	12,729,459	12,729,458	(1)	1.77	1.77
128,145,519	**123,148,271**	**(4,997,248)**	**141.60**	**136.09**	**Total Inpatient Hospital**	**961,758,467**	**1,115,898,696**	**154,140,229**	**133.63**	**155.04**
53,696,475	43,821,176	(9,875,299)	59.34	48.42	Long Term Care	436,374,940	425,743,478	(10,631,462)	60.63	59.15
					Ancillary Services					
1,176,926	1,269,334	92,408	1.30	1.40	Ancillary Services - Capitated	9,378,865	9,919,470	540,605	1.30	1.38
71,407,526	74,276,983	2,869,457	78.91	82.08	Ancillary Services - Non-Capitated	667,742,643	613,285,448	(54,457,195)	92.78	85.21
72,584,452	**75,546,317**	**2,961,865**	**80.21**	**83.48**	**Total Ancillary Services**	**677,121,508**	**623,204,918**	**(53,916,590)**	**94.08**	**86.59**
					Other Medical					
4,717,205	6,919,602	2,202,397	5.21	7.65	Quality Assurance	35,211,098	57,851,667	22,640,569	4.89	8.04
69,712,487	79,881,213	10,168,726	77.03	88.27	Healthcare Investment Funds	572,091,734	649,019,025	76,927,291	79.49	90.18
128,900	135,600	6,700	0.14	0.15	Advice Nurse	990,400	1,146,000	155,600	0.14	0.16
641	7,100	6,459	-	0.01	Hipp Payments	6,064	59,800	53,736	-	0.01
11,934,423	10,736,219	(1,198,204)	13.19	11.86	Transportation	97,282,196	87,120,141	(10,162,055)	13.52	12.10
86,493,656	**97,679,734**	**11,186,078**	**95.57**	**107.94**	**Total Other Medical**	**705,581,492**	**795,196,633**	**89,615,141**	**98.04**	**110.49**
7,750,548	7,750,548	-	8.56	8.56	Quality Improvement Programs	74,888,089	71,551,183	(3,336,906)	10.41	9.94
430,197,038	**428,688,172**	**(1,508,866)**	**475.37**	**473.71**	**TOTAL HEALTHCARE COSTS**	**3,542,309,070**	**3,676,618,014**	**134,308,944**	**492.19**	**510.83**
					ADMINISTRATIVE COSTS					
13,828,026	15,506,994	1,678,968	15.28	17.14	Employee	106,820,484	126,902,149	20,081,665	14.84	17.63
87,752	156,294	68,542	0.10	0.17	Travel And Meals	644,516	1,320,592	676,076	0.09	0.18
1,500,126	4,054,153	2,554,027	1.66	4.48	Occupancy	10,488,206	21,272,516	10,784,310	1.46	2.96
589,370	826,291	236,921	0.65	0.91	Operational	4,421,367	7,171,884	2,750,517	0.61	1.00
3,288,342	2,917,370	(370,972)	3.63	3.22	Professional Services	21,284,515	23,999,593	2,715,078	2.96	3.33
3,574,794	2,242,156	(1,332,638)	3.95	2.48	Computer And Data	25,197,357	21,658,909	(3,538,448)	3.50	3.01
22,868,410	**25,703,258**	**2,834,848**	**25.27**	**28.40**	**TOTAL ADMINISTRATIVE COSTS**	**168,856,445**	**202,325,643**	**33,469,198**	**23.46**	**28.11**
298,302,026	44,809,868	(253,492,158)	329.63	49.52	**Medi-Cal Managed Care Tax**	623,492,702	365,122,147	(258,370,555)	86.63	50.73
7,886,083	**18,877,617**	**(10,991,534)**	**8.73**	**20.86**	**TOTAL CURRENT YEAR SURPLUS (DEFICIT)**	**29,078,384**	**(78,914,753)**	**107,993,137**	**4.02**	**(10.96)**

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
February 28, 2025

1. ORGANIZATION

The Partnership HealthPlan of California (the HealthPlan) 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. The HealthPlan has quasi-independent political jurisdiction to contract with the State for managing Medi-Cal beneficiaries who reside in various Northern California counties. The HealthPlan is a combined public and private effort engaged principally in providing a more cost-effective method of healthcare. The HealthPlan 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), The HealthPlan consolidated its reporting from these fourteen counties into two regions, which are in alignment with the two DHCS rating regions. Beginning January 2024, The HealthPlan 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 the HealthPlan 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:
The HealthPlan investments can consist of U.S. Treasury Securities, Certificates of Deposits, Money Market and Mutual Funds, Government Pooled Funds, Agency Notes, Repurchase

Agreements, Shares of Beneficial Interest and Commercial Paper and are carried at fair value.

RESERVED FUNDS:
As of February 2025, the HealthPlan has Total Reserved Funds of $1.4 billion. This includes $71.0 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

The HealthPlan 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

The HealthPlan maintains quality incentive contracts with acute care hospitals and primary care physicians. As of February 2025, the HealthPlan has accrued a Quality Incentive Program payout of $137.2 million.

PARTNERSHIP HEALTHPLAN OF CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
February 28, 2025

6. **ESTIMATES**

Due to the nature of the operations of the 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, the HealthPlan management is of the opinion any liability that may ultimately be incurred as a result of claims or legal actions will not have a material effect on the financial position or results of the operations of the HealthPlan.

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

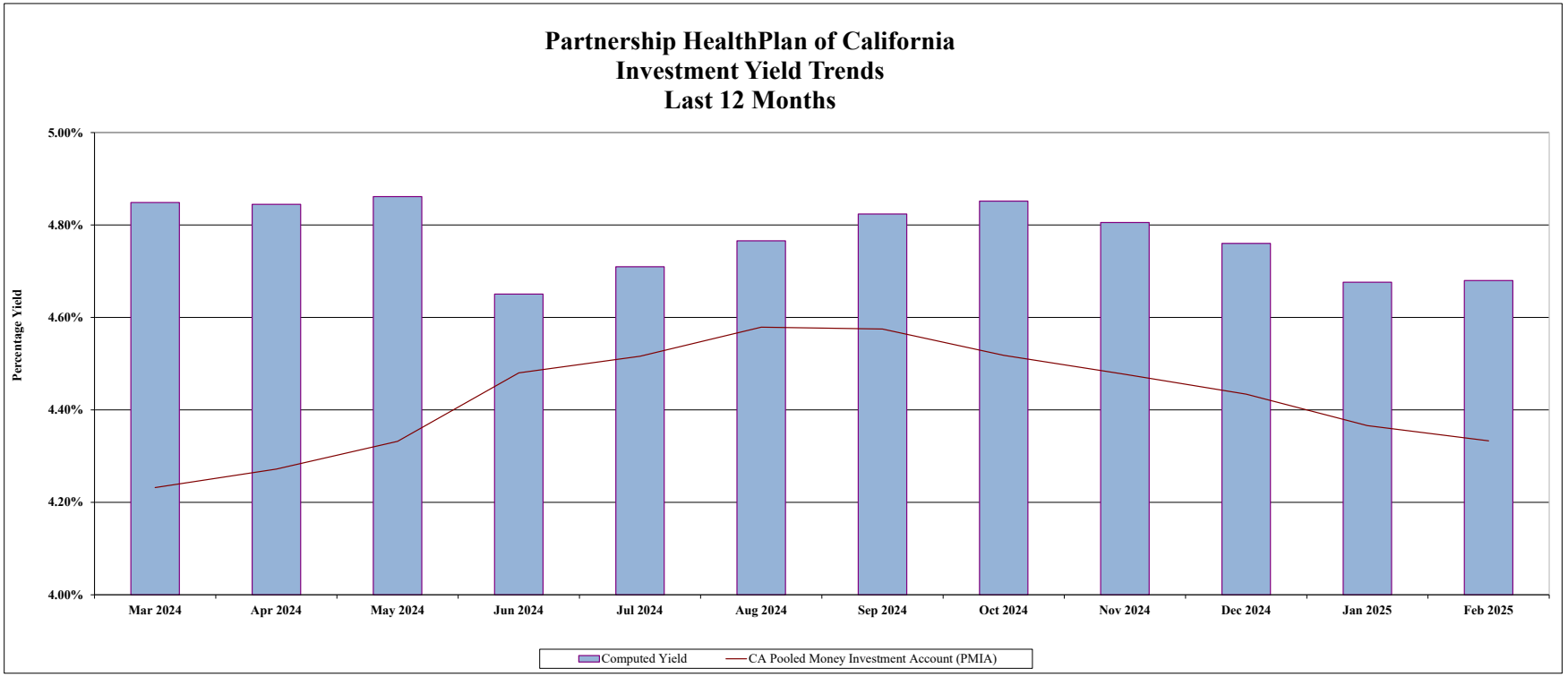
None noted.

Partnership HealthPlan of California
Investment Schedule
February 28, 2025

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	$ 1,734,395	$ 1,734,395	NA	NR
Certificate of Deposit for Knox Keene	Cash & Cash Equiv	0.0405	1/31/2025	1/30/2030	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	$ 74,678,363		
Merrill Lynch MMA - Checking	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 2,571,324		
US Bank - General, MMA, and Sweeps	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 2,050,327,793		
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	$ 44,282,879		
West America Payroll	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 148,570		
Petty Cash	Cash for Operations	NA	NA	NA	NA	NA	NA	$ 3,300		
GRAND TOTAL:								$ 2,249,046,624		

Partnership HealthPlan of California
Investment Yield Trends

PERIOD		Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan 2025	Feb 2025
Interest Income		9,509,112	8,768,057	9,436,106	9,367,229	9,655,722	9,298,928	9,343,307	10,427,933	7,842,623	8,546,229	7,610,667	7,079,412
Cash & Investments at Historical Cost	(1)	2,404,353,123	2,306,818,656	2,186,519,113	2,295,440,947	2,234,052,950	2,273,253,498	2,415,112,928	2,185,207,714	2,223,891,960	2,419,126,236	2,214,161,851	2,249,046,624
Computed Yield	(2)	4.85%	4.84%	4.86%	4.65%	4.71%	4.77%	4.82%	4.85%	4.81%	4.76%	4.68%	4.68%
CA Pooled Money Investment Account (PMIA)	(3)	4.23%	4.27%	4.33%	4.48%	4.52%	4.58%	4.58%	4.52%	4.48%	4.43%	4.37%	4.33%



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.

REGULAR AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Finance Committee Meeting Date: April 16, 2025
Board Meeting Date: April 23, 2025

Agenda Item Number:
2.3

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

Recommendation by:
Partnership Staff

Topic Description:
The Partnership budget approval process is a three-step process, in which, budget assumptions are presented to the Finance Committee and full Board in April, a preliminary health care budget is presented to the Finance Committee in May and the final budget (health care, administrative, capital and operations) is presented to the Finance Committee and full Board for approval in June.

Reason for Resolution:
To provide the Board with the attached budget assumptions for fiscal year 2025-2026, and to direct staff to prepare a full operational budget.

Financial Impact:
The financial impact is significant.

Requested Action of the Board:
Based on the recommendation of Partnership staff, the Board is asked to approve budget assumptions for fiscal year 2025-2026.

REGULAR AGENDA REQUEST
for
PARTNERSHIP HEALTHPLAN OF CALIFORNIA

Board / Finance Committee (when applicable)
Finance Committee Meeting Date: April 16, 2025
Board Meeting Date: April 23, 2025

Agenda Item Number:
2.3

Resolution Number:
25-

IN THE MATTER OF: APPROVING BUDGET ASSUMPTIONS FOR FY 2025-2026

Recital: Whereas,

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

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

Now, Therefore, It Is Hereby Resolved As Follows:

1. To approve budget assumptions for FY 2025-2026.

2. To direct staff to prepare a full operational budget for FY 2025-2026

PASSED, APPROVED, AND ADOPTED by the Partnership HealthPlan of California this 23rd day of April 2025, by motion of Commissioner, seconded by Commissioner, and by the following votes:

AYES: Commissioners:

NOES: Commissioners:

ABSTAINED: Commissioners:

ABSENT: Commissioners:

EXCUSED: Commissioners:

_____
Kim Tangermann, Chair

_____
Date

ATTEST:

BY: _____
Ashlyn Scott, Clerk

Partnership HealthPlan of California

2025-26 Budget Assumptions

April 2025

Introduction

Each year, starting in January, Partnership HealthPlan of California (Partnership) begins building the annual budget for Board of Commissioner review and approval in June. Currently Partnership is developing its fiscal year (FY) 2025-26 budget for the period of July 1, 2025 through June 30, 2026. As part of this process, Partnership presents to the Finance Committee and the Board key components of the budget development for review and approval. Specifically, in April the draft budget assumptions are presented, followed by the draft health care expense budget in May. In June, the final budget including previously reviewed component parts and a fully developed administrative budget are presented to the Board for final review and approval. This document outlines the Plan's draft budget assumptions that inform Partnership's revenue and cost projections as impacted by estimated changes in enrollment, health care costs, administrative costs, as well as disposition of reserves.

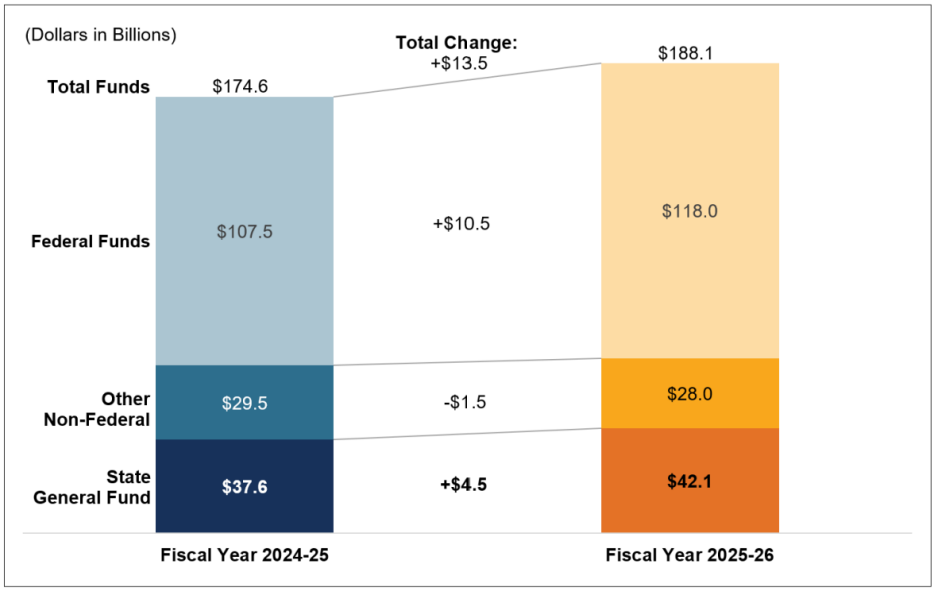
Outlook for 2025-26

As of the Governor's FY 2025-26 proposed January Budget the State anticipated a net surplus of $16.5 billion compared to the FY 2024-25 budget and presented a total budget of $322.3 billion total fund ($228.9 billion State General Fund) for FY 2025-26. The budget proposed reserve deposits of $17 billion that would be allocated into the following accounts:

- $10.9 billion in Budget Stabilization Account
- $4.5 billion in the Special Fund for Economic Uncertainties
- $1.5 billion in the Public School System Stabilization Account

While reserve deposits were dedicated in the budget, so was a withdraw of $7.1 billion from the Budget Stabilization Account. The below Department of Health Care Services (DHCS) budget chart[1], outlines the year-over-year Medi-Cal program spend that was assumed in the January budget. As displayed below, of the State's total budget, $188.1 billion ($42.1 billion General) in funding was requested to operate the Medi-Cal program. The budget further assumed 14.5 million individuals would receive health care coverage through the Medi-Cal program, which is a 3.09% decrease from the prior year.

Year-over-Year Change from 2024-25 to 2025-26



[1]https://www.dhcs.ca.gov/dataandstats/reports/mcestimates/Documents/2024_November_Estimate/N24-Medi-Cal-Local-Assistance-Estimate.pdf

DHCS cited the following key factors for driving the $13.5 billion year-over-year cost increase:

- $3.6 billion increase in costs due to changes in the use of available MCO tax revenues.
- $215.2 million increase due to the projected growth in Medi-Cal pharmacy expenditures.
- $268.5 million increase in costs, tied to the growth in managed care and corresponding revenue, changes in projected enrollment, growth in Medicare premium and Part D costs, and projected fee-for-service program increases.

Although the Governor presented a balanced budget in January, he noted there were several risk factors that could negatively affect states revenues, including the stated policy changes by the incoming federal administration. The Governor also cautioned that although the budget anticipates reserves, the budget anticipates shortfalls in subsequent fiscal years that are being driven by expenditures that are outpacing revenues.

Subsequent to the release of the proposed Governors budget:

- A new federal administration took office. The federal government is looking to curb overall spending and $880 billion in federal Medicaid program cuts over a 10-year period are under consideration.
- The Medi-Cal program is in need of an additional $6.2 billion dollars to pay for their current obligations for FY 2024-25.
- Devasting wildfires ripped through southern California.
- Many economists are predicting a recession sometime in 2025 given the recent tariff assessments and performance of our stock market.

In previous times of budgetary hardship, the State has implemented a variety of cost cutting measures in the Medi-Cal program and specifically in Medi-Cal managed care. Based on this history, we expect:

- The DHCS will continue to focus on cost-effective spending in managed care and expect pressures to be amplified.
- As noted in our prior budget, Partnership has faced increased scrutiny from DHCS on contracted heath care cost levels, some of which resulted in prior year downward rate adjustments.

While all of the above noted factors are expected to affect California's economic picture, it is unclear whether Medi-Cal program cuts will be included in the upcoming Governor's May Revision for FY 2025-26 and how the State will react to any federal Medicaid changes. Given the assumed timing of any federal Medicaid cuts it is expected that proposed budget solutions will more than likely be proposed by the Governor sometime after July 2025.

While there is looming uncertainty, Partnership is dedicated to continue providing care to our members based on the current set of Medi-Cal benefits and services. The Partnership FY 2025-26 budget will assume costs and membership for these members and services. Partnership staff expect to complete an off-cycle budget to account for any Medi-Cal program changes that may occur subsequent to the finalization and approval of Partnership's budget in June of 2025.

DHCS remains focused on California Advancing and Innovating Medi-Cal (CalAIM) and transforming Medi-Cal, key initiatives are noted below.

- Transitional Rent – DHCS received federal waiver authority approval to implement up to 6-months of transitional rent as a permanent Medi-Cal benefit for a defined population. The new benefit is expected to be implemented on January 1, 2026. DHCS anticipates releasing a final policy guide by the end of April. This new benefit will require Partnership to expand our network to housing providers and to strengthen our relationship with County Behavioral Health Departments. Administering and standing up this new benefit will require additional staffing resources.
- Proposition 35 – California voters approved Proposition 35 on November 5, 2024, making permanent the Managed Care Organization (MCO) Tax and dedicating MCO tax revenues to further increase provider payment levels for contracted Medi-Cal providers for CY 2025 and beyond. Currently, MCO tax revenue proceeds fund the State's CY 2024 Targeted Rate Increase (TRI)

program which provided rate increases to providers for 761 CPT codes. With the passage of Proposition 35 MCO tax revenues will continue to fund these increases. Proposition 35 requires DHCS to consult with a stakeholder advisory committee, to be appointed by the Governor and Legislative leaders, prior to proposing or implementing any new provider payments or changes to existing provider payments supported by the MCO Tax. The first stakeholder meeting will be held on April 14, 2025. Given the robust stakeholder process, details surrounding CY 2025 and CY 2026 provider investments are not expected to be finalized until the end of 2025.

- Community Health Workers, Community Supports, and Enhanced Care Management – There continues to be emphasis on expanding Community Health Workers, Community Supports, and Enhanced Care Management use across the Medi-Cal program. Partnership continues to embark on strategies to expand utilization in our service area.
- Dual Special Needs Plan (D-SNP) Implementation – 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. To comply with this requirement, the plan has undertaken significant efforts to operationalize a D-SNP by January 2026. Partnership anticipates increased staffing costs, consulting costs, and capital costs associated with D-SNP systems and infrastructure needs in the upcoming FY 2025-26 period.
- Quality Monitoring – DHCS continues to emphasize quality monitoring. As discussed in our prior budget in January 2024, DHCS implemented a 0.5% quality withhold on Partnership's revenue rates. In January 2025, DHCS increased the withhold percentage to 1% and has indicated they intend to increase the quality withhold percentage and the associated quality benchmarks in subsequent years. Partnership has the ability to earn back withheld funds so long as we meet State defined quality benchmarks and metrics. However, given much of our footprint is rural with poor prior quality performance, the quality withhold poses financial risk to Partnership's overall revenue levels. In addition, DHCS continues to sanction Medi-Cal managed care plans who do not meet defined quality targets. Over the last two fiscal years Partnership has received monetary sanctions for not meeting state quality requirements tied to CY 2022 and CY 2023.
- Community Reinvestments – DHCS finalize their Community Reinvestment policy that was included in the CY 2024 DHCS contract. This new policy requires plans with a net profit to (1) invest 5% to 7.5% of calendar year net profit in base community reinvestments targeted toward a defined set of categories tailored to specific needs of the community and (2) invest an additional 7.5% of calendar year net profit as a mechanism of quality enforcement in counties with quality performance levels that fall below DHCS designated benchmarks. By December 31, 2025, Partnership will know whether we have achieved a net profit or a net loss for CY 2024. Pursuant to State policy Partnership will engage with stakeholders to inform investment decisions and to develop and submit an investment plan to DHCS in July 2026. We expect investments to flow in late 2026. Partnership will not receive funding or additional revenue from DHCS for this new requirement which requires plans to invest their own resources.

Enrollment

Partnership's membership increased by 318,914 in January 2024 due to our planned expansion into our 10-new counties. Partnership experienced further membership growth tied to the State's expansion of Medi-Cal coverage to adults ages 26 through 49 regardless of immigration status. As of April 1, 2025, Partnership is currently serving 904,513 members. The charts below illustrate, by county, the enrollment trends along with the various point in time comparisons. The trailing 10-month average (T10M) of 0.0%, trailing 6-month average (T6M) of 0.2%, and the trailing 4-month average (T4M) of -0.1% reflect relatively flat membership trends. This is further supported in the April 2025 to April 2024 membership comparison that reflects an average membership net decrease of -1.2% across all counties.

In alignment with the proposed Governor's January budget, Partnership is currently assuming membership will slightly decline in the current fiscal year resulting in 899,094 members as of June of 2025. For the budget period, we anticipate a 3.16% further enrollment decline through June of 2026, resulting in 870,686 members. However, with the recent predictions of an upcoming recession Partnership will revisit our membership assumptions prior to budget finalization as typically during a recession Medi-Cal plans total membership increases.

Partnership Membership as of 04/01/2025

County	T4M	T6M	T10M	Apr '25 vs Apr '24	# of MM
Solano	-0.3%	0.1%	0.0%	-1.5%	(1,505)
Sonoma	0.0%	0.4%	0.2%	1.6%	1,725
Napa	0.4%	0.7%	0.2%	0.2%	49
Yolo	0.1%	0.4%	-0.1%	-3.0%	(1,658)
Marin	0.1%	0.2%	0.0%	-1.3%	(593)
Humboldt	-0.2%	-0.1%	-0.1%	-2.0%	(1,195)
Shasta	-0.7%	-0.5%	-0.5%	-7.0%	(4,885)
Mendocino	-0.2%	-0.2%	-0.2%	-2.4%	(977)
Lake	-0.1%	0.1%	-0.1%	-1.9%	(667)
Siskiyou	-0.5%	-0.3%	-0.3%	-3.6%	(656)
Lassen	0.1%	0.0%	0.1%	1.5%	133
Del Norte	-0.3%	-0.2%	0.0%	-1.3%	(164)
Trinity	-0.4%	-0.4%	-0.4%	-5.9%	(335)
Modoc	0.4%	0.4%	0.2%	0.7%	29
Butte	0.0%	0.1%	0.2%	0.1%	103
Colusa	0.2%	0.2%	0.1%	-1.7%	(182)
Glenn	0.1%	0.2%	0.1%	-1.1%	(153)
Nevada	0.0%	0.1%	0.1%	-0.2%	(53)
Placer	0.2%	0.7%	0.3%	1.8%	1,063
Plumas	0.1%	0.1%	0.0%	-0.9%	(51)
Sierra	-0.6%	-0.2%	0.3%	-0.7%	(6)
Sutter	0.2%	0.5%	0.0%	-0.8%	(332)
Tehama	-0.3%	-0.2%	0.0%	-3.3%	(1,020)
Yuba	0.3%	0.8%	0.4%	1.5%	558
Total	-0.1%	0.2%	0.0%	-1.2%	(10,772)
	Trailing # Month average month-to-month increase			Point-in-time comparison, % △ and # of members	

Revenue

Major anticipated revenue impacts are noted below:

- **Medi-Cal Rates:** Partnership CY 2024 and draft CY 2025 revenue levels will be reviewed to determine the most appropriate basis for budgeting. Partnership staff will make revenue assumptions specific to enrollment, member acuity, and other emerging factors for the upcoming fiscal year. Further revenue assumptions will be applied to the second 6 months of the fiscal to account for prior year trends as they will not be released until later this calendar year. Staff will also account for known and estimable program updates and efficiency factors that have been applied to prior cycles.

  In January of 2025, the California Children's Services (CCS) program transitioned from the state's fee-for-service program in our 10-county expansion to Medi-Cal managed care. With this implementation Partnership is now responsible for the provision of care to CCS eligible children in all of our counties. The anticipated revenue and health care costs associated with this transition will be reflected in our revenue and expense assumptions.

  With Partnership's recent expansion into our 10 new counties in January 2024, there continues to be unknowns surrounding anticipated expense levels and future revenue rate levels for this new region. The trends seen in this region do not fully align with trends seen in our other rural counties, Partnership is continuing to evaluate emerging data and will incorporate our assumptions in the final budget.

  The budget will account for the CY 2024 Medi-Cal TRI program revenue and expense levels, as noted above full details surrounding the CY 2025 and CY 2026 TRI (allocated through Proposition 35) are unknown at this time and will not be included in the June budget. Additionally, transitional rent final program details have not been released by DHCS. Partnership will continue to assess whether we

have enough details to estimate the associated revenue and costs of the new transitional rent benefit for inclusion in our final June budget. If not, Partnership will include transitional rent revenue and expenses along with CY 2025 and CY 2026 TRI in our off-cycle budget review.

- **Supplemental Revenue:** The MCO Tax paid by Partnership to DHCS, is designed to be an "at-risk" program, meaning there is a fixed liability and the revenue is subject to membership experience. This becomes a challenge in times of volatile membership trends, causing plans to move between gain and loss positions over time, though, the program tends to be zero-sum. Noting the new MCO tax liability Partnership is required to pay has significantly increased in comparison to prior year's liabilities. As noted above Proposition 35 earmarked a portion of these MCO tax proceeds to be used to fund provider rate increases through the TRI program. While Proposition 56 Physician supplemental payments sunset and were incorporated into the TRI program, Partnership will continue to receive Proposition 56 supplemental payments for Development Screening, Family Planning, and Adverse Childhood Experience Screening programs. Additional supplemental revenue sources specific to hospital or facility directed payments include the following: Private Hospital Directed Payment Program (PHDP); Designated Public Hospital Enhanced Payment Program (DPH-EPP); Designated Public Hospital Quality Improvement Program (DPH-QIP); District Hospital Directed Payment (DHDP); and the skilled nursing facility Workforce and Quality Incentive Program (W-QIP). Supplemental revenue for directed payments are also anticipated for Children's Hospital services and for the Federally Qualified Health Center 340b replacement program, full details on these new programs are unknown at this time.

- **Interest Income:** During the March 2025 Federal Open Market Committee (FOMC) meeting, the committee maintained its targeted federal funds rate range of 4.25% to 4.5%. According to the Federal Reserve, the FOMC is prepared to adjust the stance of monetary policy as appropriate if risks emerge which would impede the attainment of its goals of achieving maximum employment while returning inflation to its 2 percent objective. During the March meeting, the Federal Reserve acknowledged the growing uncertainty around the economic outlook and stated rate reductions would be considered if supported by the data. While there is not a direct correlation between the federal funds rate and the interest rate earned on deposits or investments, Partnership's overall yield tends to follow a similar direction. The Plan expects to assume an annual rate of return of 3.75% for FY 2025-26. Partnership will revise the rate accordingly based on any future actions taken by the Federal Reserve and/or best available information prior to finalizing our budget.

- **Rental Income:** Currently, Partnership leases space to 11 tenants in Fairfield, four in Auburn, two in Eureka, and one in each in Redding, Napa and Chico. 10 additional spaces are available for tenant leases, with two of those spaces currently pending. Total Rental income will be estimated based on existing and anticipated lease agreements. For anticipated leases, rental income will be projected using lease rates that are approximately 90% of current market rates. Building maintenance costs associated with the leased space will be included in administrative costs.

Health Care Costs

Health care cost projections for FY 2025-26 will be based on the Plan's historical claims experience for currently covered Medi-Cal members and benefits. At this time, Partnership anticipates utilizing cost experience from January 2023 through December 2024 for our respective counties which serve as the base data for budget development. Health care cost projections for the expansion counties will be further augmented based on actuarial analysis, draft rate projections, and actual claims experience received prior to budget finalization. Completion factors will be incorporated where appropriate to account for incurred but not yet reported claims. Partnership continues to closely monitor health care costs and membership changes and will adjust our budget methodology based on emerging information.

The base period costs will be adjusted for:

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

- Changes in provider contracting such as new payment amendments.

As noted in the budget revenue section, Partnership will continue to assess whether we have enough details to estimate the associated revenue and costs of the new transitional rent benefit for inclusion in our final June budget. If not, Partnership will include transitional rent revenue and expenses along with CY 2025 and CY 2026 TRI in our off-cycle budget review.

Administrative Costs

- **Staff:** As Partnership continues our infrastructure building related to expansion activities and prepares for the upcoming Medicare D-SNP launch, Partnership will propose staffing augmentations commensurate with meeting these responsibilities. Further, the DHCS contractual requirements and Medi-Cal programmatic changes will require further increased staffing levels. Staffing changes are currently being reviewed, and final proposed staffing levels will be presented in June.

- **Benefits:** Partnership is currently researching employer benefit trends and will present the estimated percentage change for employee medical, dental and vision benefits during the final budget presentation in June. All other benefits impacted by IRS limits will be projected accordingly. Any proposed benefit changes, to be approved by the Board, will also be incorporated.

- **Salaries:** According to the January 2025 Economic News Release from the U.S. Bureau of Labor Statistics, the Western Region of the U.S. employment cost index (ECI) for the 12 months ending December 2024 ranged from 2.8 percent to 6.6 percent. Partnership will wait for the March release to obtain a better gauge on annual merit increase.

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

Reserves

Board designated reserves are calculated to satisfy the Performance Guarantee requirements in the current State Contract: up to two months of State Capitation Revenue averaged over the past twelve months. Additional amounts are set aside for Capital and Infrastructure purchases as well as for Strategic Use of Reserves (SUR); these are amounts for projects that have already received Board approval but have yet to be incurred. Given the current economic conditions and uncertainty surrounding federal changes to Medicaid, changes to the board designated reserve policy may be proposed in the coming months. The total fund balance, including the projected Board designated amount for the year ending June 30, 2026, will be presented with the final budget.

Off-Cycle Budget

Due to the uncertainty regarding potential federal Medicaid program changes, the corresponding State's Budgetary reaction, the unknowns on the CY 2025 and CY 2026 TRI final rate augmentation, and the timing of our Medicare D-SNP bid submission and federal approval – Partnership staff expect to complete an off-cycle budget to account for material programmatic changes and cost changes that occur subsequent to the finalization of Partnership's budget in June.