



CenCal HEALTH[®]
Local. Quality. Healthcare.

Operating Budget Document
July 2022 – December 2022

June 2022

Acknowledgments

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Introduction

This document sets forth a six (6) month July 2022 – December 2022 operating for CenCal Health, and presents the utilization rate and unit cost assumptions used in developing the medical expense budget. The operating budget consists of individual budgets by program and county, which consolidate into an overall operating budget. This budget period is a transitional period as the health plan transitions towards a calendar year budget cycle in the future. The next budget cycle will be for calendar year 2023.

CenCal Health will solely administer and operate its core health care program Medi-Cal during the period July 2022 – December 2022.

Medi-Cal

Through a contract with the State of California Department of Health Care Services (DHCS), CenCal Health administers a Medi-Cal program in both Santa Barbara and San Luis Obispo counties, and the programs are named the Santa Barbara Health Initiative (SBHI) and the San Luis Obispo Health Initiative (SLOHI), respectively.

Medi-Cal Capitation, reinsurance and related recoveries, and the medical expense budgets are presented on a per member per month (PMPM) basis and are considered flexible budgets whose aggregate dollar amounts vary with changes in the program's actual member enrollment. Administrative costs, interest income and other revenues are primarily considered fixed budgets, though certain administrative items (e.g. certain vendor costs) are priced on a per member per month basis and do fluctuate with actual membership levels.

CenCal Health

Consolidated Operating Budget

The July 2022 – December 2022 consolidated operating budget is summarized in **Figure 1**.

	Medi-Cal	Other	TOTAL
Gross Medi-Cal Revenue	\$542,150,000		\$542,150,000
Medical Expenses	\$467,423,000		\$467,423,000
Gross Margin	\$74,727,000		\$74,727,000
Administrative Expenses			
Administrative & Medical Mgmt	\$34,100,000		\$34,100,000
Managed Care Organization (MCO) Tax	\$40,293,000		\$40,293,000
Interest Income		\$300,000	\$300,000
Other Revenue		\$20,000	\$20,000
Operating Gain (Loss)			\$654,000
Operating Margin			0.1%
Member Months	1,332,341		1,332,341
Average Number of Covered Lives	222,057		222,057

Figure 1

Member Information

The projected member months are shown in **Figure 2**, including a comparison to member months for the past several fiscal years.

Member Months	FY 19-20	FY 20-21	FY 21-22*	Budget
Santa Barbara County	1,495,566	1,642,121	1,764,901	932,781
San Luis Obispo County	618,358	688,750	754,432	399,560
	2,113,924	2,330,871	2,519,333	1,332,341
Avg. # Covered Lives	176,160	194,239	209,944	222,057
Annual Growth Rate		10.3%	8.1%	5.8%

Figure 2

- FY 21-22 is an estimate.

Overall, CenCal Health’s covered lives are projected to average 222,057 resulting in 1,332,341 member months for the period July 2022 – December 2022. The budget period forecast is derived from information within the Governor’s May Revise 22/23 Budget and assumes Medi-Cal eligibility redeterminations will commence beginning in early 2023 due to the assumed expiration of the federal Public Health Emergency (PHE) declaration on October 15, 2022.

Refer to **Appendix A** for further discussion on program enrollment projections.

Revenue

Capitation Revenue

CenCal Health will receive capitation revenue for administering the Medi-Cal program in Santa Barbara County and San Luis Obispo County.

Medi-Cal:

Capitation payments are received from the DHCS for qualifying residents in Santa Barbara and San Luis Obispo counties primarily on a monthly PMPM basis. The DHCS also has capitation revenue streams to the health plan based on the volume of medical care services incurred. Medi-Cal capitation revenue is budgeted at \$541.5 million based on projected member months of 1,332,341 resulting in a weighted average capitation rate of \$406 per member per month.

More detailed capitation revenue information is located in **Appendix B**.

Other Revenue

CenCal Health performs certain administrative functions for the Public Health Department of Santa Barbara County. Administrative fees are projected at \$20,000.

Interest Income

\$300,000 of interest income is anticipated to be earned during the budget period.

Summary of Revenue:

Gross Capitation	\$542,150,000	
Interest Income	300,000	
Other	<u>20,000</u>	
	\$542,470,000	\$407.16 PMPM

Medical Care Expenses

Budget Development Methodology

The July 2022 – December 2022 medical expense budget is developed using CenCal Health’s internal medical claim database which consists of unit cost and utilization experience within each of its health care programs. The development of the budget includes incorporating anticipated growth in unit costs as a result of market trends and changes in provider reimbursement rates forecasted to occur during the budget year.

CenCal Health’s health information system segregates, tracks, and reports medical claim expenditures into classifications based on the type of provider and in some certain instances based on the type of medical specialty. For non-physician medical providers, the classification is segregated by the type of provider based on nationally-uniform provider type codes, for example laboratory and home health.

The medical expense budget presented in this report is the consolidation of developing a medical expense projection separately for each category of medical expenditure. The result is a budget year assumption regarding the (i) utilization rate of medical care (identified as the percentage of utilizing members to total membership) and (ii) unit cost rate of the medical care (identified as the average cost per utilizing member per year). The medical budget development begins by utilizing a base year of actual expenditures and utilization of medical care services.

The base period for this medical expense budget is calendar year 2021. Adjustments to the base year are applied to account for known, assumed, and projected changes between the base year and the budget year for differences in unit costs and utilization rates of medical care. The budget year’s forecasted utilization rates and unit costs are then applied to anticipated membership to derive a projection of medical expense dollars applicable for the period July 2022 – December 2022.

In alignment with CenCal Health’s financial statements, the major medical expense categories (the consolidation of medical provider types) presented in this budget report are:

- PCP capitation and incentives
- Physician specialty and FQHC specialty services
- Hospital inpatient
- Hospital outpatient
- Skilled nursing and Long term care facilities
- Other medical services
- Community support services and enhanced care management
- Reinsurance - net

Primary Care Provider Capitation & Incentives

Capitation costs represent expenditures paid on a PMPM basis to primary care providers (PCPs) in return for the PCP providing basic preventive health care medical services and case management functions to their respective assigned CenCal Health members.

The capitation rates paid to SBHI and SLOHI PCPs vary depending on a member's Medi-Cal aid category, sex, and age. Approximately 85 percent of our total Medi-Cal members are projected to be assigned to a PCP for any given month. The remaining members not assigned to a capitated PCP are primarily those residing in long term care facilities, members who obtained eligibility retroactively for a specific month, or who are dual-eligibles (also known as Medi-Medi's).

PCP capitation is paid monthly to PCPs either at 60 and 80 percent of the full capitation rate, dependent on a choice selected by the PCP. The remaining 20 and 40 percent is withheld and is applied towards the PCP incentive pools. Incentives are earned by PCPs through the PCP Incentive Program which provides financial incentives to providers who meet minimum quality and utilization parameters. The total incentive dollars to be paid out fluctuate with any change in the number of members assigned to PCPs and the amount consists of both the withhold and a contribution from CenCal Health into the incentive pools.

Capitation and incentive payments combined are budgeted at \$22.4 million and at \$16.78 PMPM.

CenCal Health's contribution to the PCP incentive pools is based on actual membership and is budgeted at \$2.30 per member per month. With enrollment projected at 1,332,341 member months, the health plan's contribution equates to \$3.1 million.

The CenCal Health consolidated PCP capitation and incentive budget is summarized in **Figure 3**.

PCP Capitation	Gross Capitation	CenCal's Incentive Contribution	Total Dollars	PMPM \$
SBHI	\$13,261,000	\$2,145,000	\$15,406,000	\$16.52
SLOHI	\$6,029,000	\$919,000	\$6,948,000	\$17.39
Total Medi-Cal	\$19,290,000	\$3,064,000	\$22,354,000	\$16.78
CenCal Health	\$19,290,000	\$3,064,000	\$22,354,000	\$16.78

Figure 3

Physician Specialty

Physician Specialty cost represents expenditures paid primarily on a fee-for-service basis for medical care provided to members usually by referral from a member's primary care physician to a specialist at negotiated reimbursement rates. The majority of physician costs result from the adjudication of medical claims, while a small portion represents fixed dollar contractual arrangements (e.g. capitation and other non fee-for-service).

A good portion of the health plan's physician network is reimbursed at a percentage of the Medicare Fee Schedule, which incurs annual rate changes effective as of each January 1st.

The CenCal Health consolidated physician specialty expense budget is \$82.9 million and is summarized in **Figure 4**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	5,506	\$138.54	\$59,294,000	\$63.57
SLOHI	5,025	\$130.78	\$21,883,000	\$54.77
Sub-Total	5,361	\$136.35	\$81,177,000	\$60.93
Other contractual arrangements			\$1,705,000	\$1.28
CenCal Health	5,361	\$136.35	\$82,882,000	\$62.21

Figure 4

Claims per 1,000 = Paid Claims per 1,000 Members per Year.

Other contractual arrangements = capitation and other non medical claim adjudication reimbursement.

FQHC Specialty Services

FQHC Specialty cost represents expenditures paid primarily on a fee-for-service basis to FQHCs for non primary care services.

The CenCal Health consolidated FQHC specialty expense budget is \$10.2 million and is summarized in **Figure 5**.

FQHCs	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM\$
SBHI	2,321	\$34.34	\$6,196,000	\$6.64
SLOHI	3,286	\$26.58	\$2,908,000	\$7.28
Sub-Total	2,611	\$31.40	\$9,104,000	\$6.83
Other contractual arrangements			\$1,126,000	\$0.85
CenCal Health	2,611	\$31.40	\$10,230,000	\$7.68

Figure 5

Hospital Inpatient [in service area]

In-area hospitals are generally contracted at negotiated reimbursement rates unique to each facility. The health plan has transitioned most in-area hospitals to the APR-DRG reimbursement methodology, which is a reimbursement amount per discharge (or admission) which varies based on the diagnosis of the patient. One hospital entity is under a capitated arrangement.

The CenCal Health consolidated hospital inpatient in-area expense budget is \$71.8 million and is summarized in **Figure 6**.

In-Area	Admits per 1,000	Avg. Cost per Admit	Total Dollars	PMPM\$
SBHI	65.4	\$9,331	\$47,433,000	\$50.85
SLOHI	73.0	\$10,049	\$24,413,000	\$61.10
CenCal Health	67.7	\$9,563	\$71,846,000	\$53.92

Figure 6

Hospital Inpatient [out-of-area]

Out-of-area hospitals, such as tertiary facilities, are reimbursed at negotiated reimbursement rates, which dependent on the facility, will consist of per diem reimbursement, a payment based on a percentage of billed charges, or a case rate covering the entire duration of the admission.

The CenCal Health consolidated hospital inpatient out-of-area expense budget is \$35.8 million and is summarized in **Figure 7**.

Out-of-Area	Admits per 1,000	Avg. Cost Per Admit	Total Dollars	PMPM \$
SBHI	7.6	\$43,546	\$25,640,000	\$27.49
SLOHI	11.2	\$27,183	\$10,151,000	\$25.41
CenCal Health	8.7	\$37,180	\$35,791,000	\$26.86

Figure 7

The three most frequently utilized out-of-area facilities are UCLA Medical Center, Stanford University Medical Center, and Children’s Hospital of Los Angeles.

Hospital Outpatient [in service area]

Hospitals are reimbursed at negotiated rates unique to each facility, generally paid on a fee-for-service basis by medical procedure, a case rate per visit, a percentage of allowable billed charges, or on a capitated arrangement. One hospital entity is under a capitated arrangement.

The CenCal Health consolidated hospital outpatient in-area expense budget is \$30.1 million and is summarized in **Figure 8**.

In-Area	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	1,119	\$271.91	\$23,640,000	\$25.34
SLOHI	1,058	\$184.15	\$6,489,000	\$16.24
CenCal Health	1,100	\$246.53	\$30,129,000	\$22.61

Figure 8

Hospital Outpatient [out-of-area]

Hospitals are reimbursed at negotiated rates unique to each facility, generally paid on a fee-for-service basis by medical procedure, a case rate per visit, or a percentage of allowable billed charges.

The CenCal Health consolidated hospital outpatient out-of-area expense budget is \$6.8 million and is summarized in **Figure 9**.

Out-of-Area	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	85	\$742.40	\$4,927,000	\$5.28
SLOHI	120	\$466.81	\$1,862,000	\$4.66
CenCal Health	96	\$638.68	\$6,789,000	\$5.10

Figure 9

Non-PBM Pharmacy

CenCal Health adjudicates a small percentage of claims comprising of pharmaceuticals which are not processed through the PBM and are excluded from the Medi-Cal Rx carve-out, such as infusion drugs and certain medical supplies. The non-PBM pharmacy budget at \$935,000 is summarized in **Figure 11**.

Non-PBM Rx	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	101	\$73.38	\$578,000	\$0.62
SLOHI	113	\$95.24	\$357,000	\$0.89
CenCal Health	105	\$80.44	\$935,000	\$0.70

Figure 11

Skilled Nursing and Long Term Care Facilities

The long term care (LTC) expense category includes intermediate care facilities and skilled nursing facilities. The temporary Public Health Emergency (PHE) increase in Medi-Cal LTC Facility reimbursement rates is assumed to be remain in effect through December 2022.

The budget projects \$64.3 million in LTC expenditures and is summarized in **Figure 12**.

	Bed Days per 1,000	Avg. Cost per Bed Day	Total Dollars	PMPM \$
SBHI	1,698	\$320.86	\$42,355,000	\$45.41
SLOHI	2,943	\$223.82	\$21,929,000	\$54.88
CenCal Health	2,072	\$279.43	\$64,284,000	\$48.25

Figure 12

Acupuncture

The budget projects \$52,000 in acupuncture costs and is summarized in **Figure 13**.

	Claims per 10,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	15	\$30.46	\$37,000	\$0.04
SLOHI	17	\$24.39	\$15,000	\$0.04
CenCal Health	16	\$28.81	\$52,000	\$0.04

Figure 13

Adult Day Care Center

The budget projects \$548,000 in adult day care center costs and is summarized in **Figure 14**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	7	\$934.10	\$493,000	\$0.53
SLOHI	2	\$950.68	\$55,000	\$0.14
CenCal Health	5	\$935.74	\$548,000	\$0.41

Figure 14

Audiology

The budget projects \$598,000 in audiology costs and is summarized in **Figure 15**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	10	\$556.86	\$441,000	\$0.47
SLOHI	9	\$516.41	\$157,000	\$0.39
CenCal Health	10	\$545.62	\$598,000	\$0.45

Figure 15

Chiropractic

The budget projects \$19,000 in chiropractic costs and is summarized in **Figure 16**.

	Claims per 1,000	Avg. Cost Per Claim	Total Dollars	PMPM \$
SBHI	23	\$6.41	\$11,000	\$0.01
SLOHI	34	\$7.41	\$8,000	\$0.02
CenCal Health	26	\$6.80	\$19,000	\$0.01

Figure 16

Dialysis

The budget projects \$3.8 million in dialysis costs and is summarized in **Figure 17**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	46	\$856.60	\$3,071,000	\$3.29
SLOHI	30	\$739.37	\$739,000	\$1.85
CenCal Health	41	\$830.95	\$3,810,000	\$2.86

Figure 17

Durable Medical Equipment (DME)

The budget projects \$4.7 million in DME costs and is summarized in **Figure 18**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	288	\$135.88	\$3,046,000	\$3.27
SLOHI	379	\$131.58	\$1,662,000	\$4.16
CenCal Health	316	\$134.32	\$4,708,000	\$3.53

Figure 18

Home Health Care

The budget projects \$1.9 million in home health care costs and is summarized in **Figure 19**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	64	\$222.97	\$1,109,000	\$1.19
SLOHI	96	\$240.69	\$769,000	\$1.92
CenCal Health	74	\$229.92	\$1,878,000	\$1.41

Figure 19

Hospice

The budget projects \$4.4 million in home health care costs and is summarized in **Figure 20**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	16	\$2,649.37	\$3,317,000	\$3.56
SLOHI	12	\$2,769.08	\$1,080,000	\$2.70
CenCal Health	15	\$2,677.89	\$4,397,000	\$3.30

Figure 20

Laboratory

The budget projects \$9.7 million in laboratory costs and is summarized in **Figure 21**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	1,559	\$53.74	\$6,512,000	\$6.98
SLOHI	1,616	\$59.40	\$3,196,000	\$8.00
CenCal Health	1,576	\$55.48	\$9,708,000	\$7.29

Figure 21

Transportation

The budget projects \$5.8 million in transportation costs and is summarized in **Figure 22**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	146	\$161.25	\$1,833,000	\$1.97
SLOHI	170	\$142.35	\$805,000	\$2.01
Capitation			3,210,000	\$2.41
CenCal Health	153	\$154.95	\$5,848,000	\$4.39

Figure 22

Optician

The budget projects \$27,000 in optician costs and is summarized in **Figure 23**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	2	\$74.68	\$11,000	\$0.01
SLOHI	9	\$56.52	\$16,000	\$0.04
CenCal Health	4	\$62.53	\$27,000	\$0.02

Figure 23

Optometry

The budget projects \$906,000 in optometry costs and is summarized in **Figure 24**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	177	\$49.62	\$681,000	\$0.73
SLOHI	142	\$47.65	\$225,000	\$0.56
CenCal Health	166	\$49.11	\$906,000	\$0.68

Figure 24

Physical Therapy

The budget projects \$1.5 million in physical therapy costs and is summarized in **Figure 25**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	186	\$50.57	\$730,000	\$0.78
SLOHI	439	\$52.18	\$763,000	\$1.91
CenCal Health	262	\$51.38	\$1,493,000	\$1.12

Figure 25

Podiatry

The budget projects \$741,000 in podiatry costs and is summarized in **Figure 26**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	74	\$74.11	\$428,000	\$0.46
SLOHI	88	\$107.25	\$313,000	\$0.78
CenCal Health	78	\$85.25	\$741,000	\$0.56

Figure 26

Prosthetic / Orthotics

The budget projects \$1.1 million in prosthetics & orthotics cost and is summarized in **Figure 27**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	16	\$624.79	\$785,000	\$0.84
SLOHI	483	\$17.29	\$278,000	\$0.70
CenCal Health	157	\$61.11	\$1,063,000	\$0.80

Figure 27

Mental Health Services

The budget projects \$11.8 million in mental health services and is summarized in **Figure 28**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	609	\$156.68	\$7,411,000	\$7.95
SLOHI	921	\$143.59	\$4,403,000	\$11.02
CenCal Health	702	\$151.52	\$11,814,000	\$8.87

Figure 28

Behavioral Health Therapy Services

The budget projects \$8.2 million in behavioral health services and is summarized in **Figure 28**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	243	\$299.45	\$5,659,000	\$6.07
SLOHI	184	\$415.51	\$2,547,000	\$6.37
CenCal Health	225	\$327.97	\$8,206,000	\$6.16

Figure 28

Speech Therapy

The budget projects \$3,000 in speech therapy and is summarized in **Figure 29**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	0.2	\$95.03	\$2,000	\$0.002
SLOHI	0.7	\$20.15	\$1,000	\$0.003
CenCal Health	0.4	\$48.67	\$3,000	\$0.002

Figure 29

Other Medical Care Services

The budget projects \$1.0 million in other medical care services and is summarized in **Figure 30**.

	Claims per 1,000	Avg. Cost per Claim	Total Dollars	PMPM \$
SBHI	72	\$117.75	\$663,000	\$0.71
SLOHI	129	\$85.33	\$370,000	\$0.93
CenCal Health	89	\$103.63	\$1,033,000	\$0.78

Figure 30

Enhanced Care Management (ECM)

ECM is a new covered benefit to be administered by CenCal Health beginning on July 1, 2022. The DHCS developed an ECM capitation rate component specific to ECM services and the health plan is utilizing the assumptions within the DHCS ECM capitation rate component to estimate the cost of ECM services. This methodology essentially assumes a budget-neutral position ----- ECM revenue equals ECM expenses.

ECM costs are estimated as follows at:

- SBHI \$0.52 PMPM \$483,000
- SLOHI \$0.59 PMPM \$237,000

Community Program Support

\$426,000 or \$0.32 PMPM is set aside for community program support grants to assist funding pilot programs and initiatives administered by community partner entities around endeavors and other social-medical type assistance that may be beneficial to our members.

Community Support Services (CSS)

CSS is a new covered benefit effective July 1, 2022 administered by CenCal Health. These services are also known as in-lieu-of-services (ILOS) and are designed to offer care in alternative type settings, such a recuperative care in-lieu-of an admission or visit to a hospital facility.

CSS costs are estimated as follows at:

- SBHI \$1.30 PMPM \$1,213,000
- SLOHI \$1.30 PMPM \$519,000

Reinsurance Cost – net

CenCal Health has reinsurance (stop-loss) through a commercial vendor for high-cost hospital admissions and high-cost drugs incurred by members. The reinsurance premium in effect during 2022-23 is \$1.45 PMPM. The reinsurance deductible per beneficiary claimed as reinsurance and premium costs are summarized below:

Program	Deductible	Premium PMPM
SBHI	\$2,100,000	\$1.45
SLOHI	\$2,100,000	\$1.45

The budget assumes reinsurance recoveries will equate to 40% of premiums, resulting in a net cost of reinsurance coverage at \$1.50 PMPM and at \$2.0 million.

3rd Party and Other Recoveries

The health plan also receives medical cost recoveries from Medicare and other third party payers through the work performed by primarily by an outside vendor, estimated at \$0.07 PMPM and at \$93,000. This primarily occurs when we identify members who have other health insurance coverage or share of cost.

Rate Range Intergovernmental Transfers

Qualifying entities (e.g. those which have local taxing authority) may enter into a contractual arrangement with the DHCS to draw down federal matching funds known as an Intergovernmental Transfer (IGT). These IGT dollars must be utilized for pay for medical care services provided to Medi-Cal beneficiaries. For the last two years two entities within Santa Barbara County and one entity within San Luis Obispo County initiated an IGT through the DHCS. The IGT funds, inclusive of the federal match, are incorporated into the health plan’s capitation rates. Upon receipt of the IGT dollars from DHCS, the health plan makes a payment to the IGT entity towards the cost of care of services provided to health plan members (i.e. Medi-Cal beneficiaries). For calendar year 2022 the budget assumes an IGT within Santa Barbara County and San Luis Obispo County will occur and estimates the IGT payment at the PMPM dollar value of the IGT associated with 2019-20 as a placeholder value, the most recent IGT processed by DHCS and the health plan. The budget amount is established at \$22.8 million and mirrors the associated capitation revenue component, also established at \$22.8 million, resulting in a budget-neutral position for budget purposes.

HQAF Directed Payments

DHCS along with the California Hospital Associated (CHA) devised an IGT funding mechanism for California hospitals. Hospitals pay a fee which DHCS uses to obtain federal matching funds. These IGT dollars are incorporated into health plan capitation rates and the IGT dollars, once received by the health plan, are paid out to several hospitals based on a schedule generated by the CHA. The health plan assumes Hospital Quality Assurance Fee (HQAF) Directed Payments will occur during the budget period and estimates the value of the payments at the HQAF PMPM dollar value of the IGT associated with 2019-20 as a placeholder value. The budget amount is established at \$19.2 million and mirrors the associated capitation revenue component, also established at \$19.2 million, resulting in a budget-neutral position for budget purposes.

Hospital Directed Payments

DHCS created a hospital quality pool whose mechanism flows through the Medi-Cal managed care health plans similar to HQAF Directed Payments. The health plan estimates the value of the payments at the Pooled Directed Payments PMPM dollar value associated with 2019-20 as a placeholder value. The budget amount is established at \$38.5 million and mirrors the associated capitation revenue components, also established at \$38.5 million, resulting in a budget-neutral position for budget purposes.

Summary of Medical Expenditures by County

Figure 31 shows the budgeted medical expenditures by county.

	Santa Barbara	San Luis Obispo	Total
Primary care capitation + incentives	\$15,406,000	\$6,948,000	\$22,354,000
Physician specialty	\$60,998,000	\$21,884,000	\$82,882,000
FQHC specialty	\$7,316,000	\$2,914,000	\$10,230,000
Hospital inpatient services	\$73,073,000	\$34,564,000	\$107,637,000
Hospital outpatient services	\$28,567,000	\$8,351,000	\$36,918,000
Non-PBM pharmacy	\$578,000	\$357,000	\$935,000
SNF / LTC	\$42,355,000	\$21,929,000	\$64,284,000
Acupuncture	\$37,000	\$15,000	\$52,000
Adult day care center	\$493,000	\$55,000	\$548,000
Audiology	\$441,000	\$157,000	\$598,000
Chiropractic	\$11,000	\$8,000	\$19,000
Dialysis	\$3,071,000	\$739,000	\$3,810,000
DME	\$3,046,000	\$1,662,000	\$4,708,000
Home health care	\$1,109,000	\$769,000	\$1,878,000
Hospice	\$3,317,000	\$1,080,000	\$4,397,000
Laboratory	\$6,512,000	\$3,196,000	\$9,708,000
Transportation	\$4,079,000	\$1,769,000	\$5,848,000
Optician	\$11,000	\$16,000	\$27,000
Optometry	\$681,000	\$225,000	\$906,000
Physical therapy	\$730,000	\$763,000	\$1,493,000
Podiatry	\$428,000	\$313,000	\$741,000
Prosthetic / orthotics	\$785,000	\$278,000	\$1,063,000
Speech therapy	\$2,000	\$1,000	\$3,000
Mental health services	\$7,411,000	\$4,403,000	\$11,814,000
Behavioral health therapy (BHT)	\$5,659,000	\$2,547,000	\$8,206,000
Other medical services	\$663,000	\$370,000	\$1,033,000
Enhanced care management (ECM)	\$483,000	\$237,000	\$720,000
Community support services (CSS)	\$1,213,000	\$519,000	\$1,732,000
Community program support	\$298,000	\$128,000	\$426,000
Reinsurance/recoveries – net	\$1,464,000	\$627,000	\$2,091,000
Rate range IGTs	\$15,470,000	\$7,354,000	\$22,824,000
HQAF directed payments	\$13,017,000	\$6,191,000	\$19,208,000
Hospital directed payments	\$26,313,000	\$12,203,000	\$38,516,000
Total Medical Costs	\$324,907,000	\$142,516,000	\$467,423,000
PMPM\$	\$348.32	\$356.68	\$350.83

Figure 31

Total medical care expenditures of \$467.4 million at \$350.83 PMPM is projected based on an average member caseload of 222,057 covered lives. Medical expense by per member per month is located in **Appendix C**.

Administrative Expenses

Budget Development Methodology

The administrative budget starts with the base of actual expenditures incurred for the current fiscal year, with additions and deletions as appropriate. This includes a review of the continued appropriateness of all previous and current expense items.

Each department Director is required to submit departmental budgets which reflect the resources they believe are necessary to adequately carry out their responsibilities to support CenCal Health's strategic plan.

Administrative costs are allocated to each county using the common statistical basis of member months. Total administrative costs will be converted into a PMPM figure based on total CenCal Health member months. This PMPM figure will then be multiplied by the member months applicable to each county health care program to derive the administrative expense allocated to each county.

Administrative Budget

Figure 32 shows the condensed administrative budget and includes a comparison to the budget (adopted in October 2021) for 2021-22.

Expense Type	Jul 22-Dec 22 Budget	2021-22 Budget
Salaries & benefits	\$22,989,000	\$38,844,000
Contract services	\$5,152,000	\$10,368,000
Travel expenses	\$264,000	\$274,000
Rent & occupancy	\$669,000	\$1,255,000
Office supplies & equipment	\$701,000	\$1,266,000
Insurance	\$835,000	\$671,000
Depreciation expense	\$793,000	\$1,614,000
Equip/Software maintenance	\$52,000	\$100,000
Communications	\$380,000	\$765,000
Publications	\$47,000	\$79,000
Software licensing fees	\$1,474,000	\$2,017,000
Professional association dues	\$152,000	\$264,000
Community Sponsorships	\$171,000	\$550,000
Marketing	\$33,000	\$35,000
Community health promotion	\$56,000	\$270,000
Member/Provider materials	\$61,000	\$112,000
Provider relations/recruitment	\$32,000	\$64,000
Credentialing fees	\$14,000	\$27,000
Admin for QI/Clinical Interventions	\$36,000	\$134,000
Director/Advisory board fees	\$18,000	\$35,000
Business meeting costs	\$108,000	\$207,000
Other expenses	\$69,000	\$621,000
Total	\$34,100,000	\$59,572,000
	PMPM\$	
	\$25.59	\$24.05

Figure 32

The administrative budget is \$34.1 million and at \$25.59 PMPM. The administrative budget of \$34.1 million correlates to an Admin Ratio of 6.3%, where the denominator is total capitation of \$542.2 million.

The July – December administrative budget of \$34.1 million is below the level of administrative funding the DHCS incorporated into the health plan’s capitation rates.

Appendix D presents explanations for material budget increases and decreases.

The administrative budget is comprised of two components: (i) Administrative and (ii) Medical & Care Management. The administrative component represents expenditures towards the general overhead costs associated with operating CenCal Health, while the medical and care management component represents expenditures which are clinical in nature and are directly or indirectly associated with medical care to members.

The Medical and Care Management costs are within the health plan's overall administrative budget. However, many components and the associated costs of medical and care management are considered 'medical related costs' for purposes of our capitation rate development with the DHCS. As a result, the majority of these expenditures are included in our annual calendar year rate base period for the development of our Medi-Cal capitation rates.

Capital Budget

Capital assets (office furniture and fixtures, computer equipment, software, and leasehold improvements) whose acquisition costs exceed \$5,000 are accounted for in the capital budget. The table below presents the planned capital acquisitions for the budget period.

Description	Dollars	Type Of Asset
4050 Calle Real Improvements	\$55,500	B
Computer Equip-various	\$1,150,000	C
Remote Infrastructure Enhancement	\$232,000	C
TOTAL	\$1,437,500	

Capital assets acquired during the budget period will be recorded at acquisition cost and depreciated on a straight-line basis over their estimated useful lives as follows:

Office furniture and fixtures (O)	5 years
Computer equipment and software (C)	3 years
Leasehold improvements (L)	5 years or lease term, if less
Building and Building Capital Improvements (B)	40 years

APPENDICES

Appendix A	Member Months
Appendix B	Capitation Revenue
Appendix C	Medical Care Expenses
Appendix D	Administrative Expenses
Appendix E	Medi-Cal Operating Budgets
Appendix F	Glossary of Terms

Appendix A - Member Months

Medi-Cal

Our membership with the Medi-Cal program is segregated into six major aid categories consistent with the methodology the DHCS uses to establish and reimburse CenCal Health on a per member per month basis in the form of capitation rates.

The major aid categories are: (1) Seniors and Persons with Disabilities (SPD) (2) Long Term Care (LTC), (3) Child less than 19 yrs, (4) Adult over 18 yrs, (5) Medicaid Expansion Adult (MCE Adult), and (6) Whole Child Model (WCM).

The Medi-Cal member months are summarized below by aid category.

Aid Category	Santa Barbara	San Luis Obispo	Pct. to Total
SPD	34,307	16,919	3.8%
LTC	108	36	0.1%
Child < 19 yrs	395,865	137,716	40.0%
Adult > 18 yrs	145,352	60,767	15.5%
MCE Adult	264,264	133,614	29.9%
WCM	15,485	8,466	1.8%
SPD - dual	75,066	40,112	8.6%
LTC-dual	2,334	1,930	0.3%
Total	932,781	399,560	100%

Dual = members with Medicare as primary coverage and Medi-Cal as secondary coverage.

Medi-Cal membership is projected to average 155,464 and 66,593 covered lives, respectively for Santa Barbara County and San Luis Obispo County.

Dual-eligibles are forecasted to represent 9.0% of our total member population.

Appendix B - Capitation Revenue

Medi-Cal

To derive the Medi-Cal capitation revenue, the member months by aid category (refer to **Appendix A**) were multiplied by the applicable capitation rate associated with the aid category. There are differences in the capitation rate dependent on whether a member has dual coverage (covered by both Medicare and Medi-Cal in which Medicare is the primary payer). There also exists supplemental revenue based on volume of services performed rather than on a per member per month capitation rate.

The July – December 2022 components of revenue are as follows:

1. Base Capitation revenue is derived utilizing the calendar year 2022 Medi-Cal capitation rates applied to the projected member months yielding \$404.6 million. The budget assumes an additional revenue (e.g. capitation rate adjustment by DHCS) change of \$4.2 million will occur during the budget period to account for the extension of the federal Public Health Emergency (PHE).
2. MCO Tax revenue component is derived by utilizing the PMPM component associated with the MCO Tax during calendar year 2022, yielding \$40.3 million.
3. Behavioral Health Therapy (BHT) supplemental revenue is estimated using the current BHT case rate revenue component applied to an estimate on the number of BHT visits yielding \$8.5 million.
4. American Indian Health (AIH) supplemental revenue is estimated using the current AIH federal OMB per visit rates applied to an estimated number of visits to AIH clinics, yielding \$1.2 million.
5. Maternity supplemental revenue is estimated using the current maternity case rate revenue component applied to an estimated number of deliveries, yielding \$7.0 million.
6. Rate Range Intergovernmental Transfer (Rate Range IGT) revenue is estimated using the current Rate Range IGT capitation revenue component applied to the projected member months yielding \$22.8 million.
7. Hospital Quality Assurance Fee (HQAF) Directed Payment revenue is estimated using the current HQAF capitation revenue component applied to the projected member months yielding \$19.2 million.
8. Hospital Directed Payment revenue is estimated using the current capitation rate revenue component applied to the projected member months yielding \$38.5 million.

The following table summarizes the Medi-Cal capitation revenue components:

Components of Revenue	<i>In Millions of Dollars</i>	SBHI	SLOHI	Combined
Base Capitation		\$271.3	\$133.3	\$404.6
MCO Tax revenue component		\$28.2	\$12.1	\$40.3
Behavioral Health Therapy (BHT)		\$6.1	\$2.4	\$8.5
American Indian Health (AIH)		\$1.3	\$0.0	\$1.3
Maternity		\$4.5	\$2.5	\$7.0
Rate Range IGT		\$15.5	\$7.3	\$22.8
HQAF Directed Payments		\$13.0	\$6.2	\$19.2
Pooled Directed Payments		\$26.3	\$12.2	\$38.5
Total		\$366.1	\$176.1	\$542.2

Total CenCal Health Medi-Cal capitation revenue is projected at \$542.2 million and \$406.92 PMPM.

SBHI	Santa Barbara County	\$366,126,000 ; \$392.51 PMPM
SLOHI	San Luis Obispo County	\$176,024,000 ; \$440.54 PMPM
	CenCal Health	\$542,150,000 ; \$406.92 PMPM

Appendix C - Medical Care Expenses

The CenCal Health consolidated medical care expense budget is comprised of medical expenditures applicable to each county health care program. The budgeted medical expenses are summarized in per member per month figures below. These PMPM figures represent the basis of the budget figures which will be reported within the financial statements during the months of July 2022 – December 2022.

Expense Category	Santa Barbara	San Luis Obispo	CenCal Health
Primary care capitation + Incentives	\$16.52	\$17.39	\$16.78
Physician specialty	\$65.39	\$54.77	\$62.21
FQHC specialty	\$7.84	\$7.29	\$7.68
Hospital inpatient services	\$78.34	\$86.51	\$80.79
Hospital outpatient services	\$30.63	\$20.90	\$27.71
Non-PBM pharmacy	\$0.62	\$0.89	\$0.70
SNF / LTC	\$45.41	\$54.88	\$48.25
Acupuncture	\$0.04	\$0.04	\$0.04
Adult day care center	\$0.53	\$0.14	\$0.41
Audiology	\$0.47	\$0.39	\$0.45
Chiropractic	\$0.01	\$0.02	\$0.01
Dialysis	\$3.29	\$1.85	\$2.86
DME	\$3.27	\$4.16	\$3.53
Home health care	\$1.19	\$1.92	\$1.41
Hospice	\$3.56	\$2.70	\$3.30
Laboratory	\$6.98	\$8.00	\$7.29
Transportation	\$4.37	\$4.43	\$4.39
Optician	\$0.01	\$0.04	\$0.02
Optometry	\$0.73	\$0.56	\$0.68
Physical therapy	\$0.78	\$1.91	\$1.12
Podiatry	\$0.46	\$0.78	\$0.56
Prosthetic /orthotics	\$0.84	\$0.70	\$0.80
Speech therapy	\$0.002	\$0.003	\$0.002
Mental health services	\$7.95	\$11.02	\$8.87
Behavioral health therapy (BHT)	\$6.07	\$6.37	\$6.16
Other medical services	\$0.71	\$0.93	\$0.78
Enhanced care management (ECM)	\$0.52	\$0.59	\$0.54
Community support services (CSS)	\$1.30	\$1.30	\$1.30
Community program support	\$0.32	\$0.32	\$0.32
Reinsurance/recoveries – net	\$1.43	\$1.43	\$1.43
Rate range IGTs	\$16.58	\$18.41	\$17.13
HQAF directed payments	\$13.96	\$15.49	\$14.42
Hospital directed payments	\$28.21	\$30.54	\$28.91
Total	\$348.32	\$356.68	\$350.83

Appendix D – Administrative Expenses

This appendix reports and provides information on the changes and differences between 2021-22 and July 2022 - December 2022 staffing changes.

Staffing Level:

- Staffing level for the July 2022 – December 2022 period is at 339.4 FTE’s compared to 311.1 FTE’s for the adopted 2021-22 budget.

FTE’s by Department:

Department or Unit	FY 21-22 FTE’s	Budget Period FTE’s
Administration	9.0	11.6
Finance	13.0	15.0
Communications/Marketing	5.0	7.0
Human Resources	8.0	9.0
Administrative Services	7.0	7.0
Provider Services	31.8	38.8
Health Services	10.3	7.0
Medical Management	58.5	72.0
Pharmacy	6.0	6.0
Member Services	30.0	31.5
Claims	38.0	42.0
Information Technology	36.0	35.0
Quality Mgmt & Improv/Population Health	18.0	17.5
Compliance	6.0	7.0
Behavioral Health/Mental Health	34.5	22.0
Operational Excellence/EPMO	-	11.0
Total	311.1	339.4

Appendix D – Administrative Expenses

Employee Benefits and Other Fringes:

Account	Budget FY 2021-22	Budget Period Jul 2022-Dec 2022
CalPERS Defined Benefit Pension Plan	\$4,209,000	\$2,379,000
457F	-	\$99,000
Paid Time Off (PTO)	\$2,922,000	\$1,799,000
FICA/SSI/SUI	\$470,000	\$300,000
Worker’s Compensation Insurance	\$162,000	\$96,000
Health Insurance	\$2,963,000	\$2,014,000
Dental Insurance	\$169,000	\$158,000
Vision Insurance	\$28,000	\$19,000
Life Insurance	\$26,000	\$15,000
Long Term Disability Insurance	\$56,000	\$34,000
Personnel Recruitment	\$426,000	\$163,000
Inservice Training	\$44,000	\$24,000
Educational Reimbursement	\$30,000	\$15,000
Carpool/Commuter Incentives	\$9,000	\$5,000
Employee Wellness Program	\$60,000	\$30,000
Company Functions	\$67,000	\$39,000
Lunchroom Supplies	\$10,000	\$5,000
WageWorks 125 Plan	\$5,000	\$5,000
Referral Bonuses	\$5,000	\$3,000
Employee Assistance	\$6,000	\$3,000
Flu Shots/COVID Vaccinations	\$1,000	\$3,000
Anniversary Awards	\$6,000	\$4,000
Auto Allowance - CEO	\$8,000	-
Other Post-Employment Benefit (OPEB)	-	\$81,000
Recruitment & Retention Program	\$339,000	\$40,000
Other Misc	\$61,000	\$39,000
Assumed Vacancy Rate	(\$521,000)	(261,000)
Merit Pool for Employee Performance	\$213,000	\$161,000
Total	\$11,774,000	\$7,272,000

Appendix D – Administrative Expenses

CalPERS Defined Benefit Pension Plan

CenCal Health contributes to the Miscellaneous 2% at 60 Risk Pool, a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS).

For Budget Period:

The minimum employer contribution rate is 8.63% of qualifying wages for those hired before 1/1/2013. For those hired on or after 1/1/2013, the minimum rate is 7.47%. The health plan will also contribute an additional \$100,000 per month towards the employer contribution amount in order mitigate the growth of or to actually begin to reduce the health plan's unfunded pension liability.

The most recent CalPERS Actuarial Valuation Report, dated July 2021, covering through the period ending June 30, 2020 reports the health plan's unfunded pension liability at \$9.4 million.

For 2021-22:

The minimum employer contribution rate was 8.65% for those hired before 1/1/2013 and 7.59% for those hired on or after 1/1/2013.

Paid Time Off

Paid time off (PTO) encompasses vacation and sick leave. Employees earn PTO under a formula which takes into account both years of service and job position level. The budget assumes employees on average will take 19 days of PTO per year. The maximum accrual ceiling allowed is 320 hours, upon which time no further PTO is earned.

FICA/SSI/SUI

Payroll taxes for FICA (Federal Insurance Contributions Act), Medicare, and SUI (State Unemployment Insurance) are budgeted at the most current Federal and State rates which may fluctuate from year to year.

Worker's Compensation Insurance

The rates for worker's compensation insurance are based on the classification of the health plan's staff positions. Rates may increase or decrease based on staff utilizing worker's compensation benefits throughout the year.

Health Insurance

The health plan offers employees and their dependents health insurance coverage through a nationally known commercial payer offering both HMO and PPO products. Employees are generally financially responsible for approximately 35% of health

Appendix D – Administrative Expenses

insurance premiums with the health plan contributing the difference.

Dental Insurance

The health plan offers employees and their dependents dental insurance coverage through a nationally known commercial payer offering both HMO and PPO products. Employees are generally financially responsible for approximately 40% of the dental insurance premiums with the health plan contributing the difference.

Vision Insurance

The health plan offers employees and their dependents vision insurance coverage through a nationally known commercial payer. Employees are generally financially responsible for approximately 40% of the vision insurance premiums with the health plan contributing the difference.

Life Insurance

The health plan provides employee life insurance coverage through a nationally known commercial payer. The health plan provides 1 x salary of coverage at no cost to the employee.

Long Term Disability Insurance

The health plan provides employees with long term disability insurance coverage through a nationally known commercial payer. The health plan provides a monthly benefit maximum up to \$10,000 of coverage at no cost to the employee.

Personnel Recruitment

Personnel recruitment costs consists of normal recruitment costs, such as media advertisement and employment brokers and recruiters. It also includes other related costs such as reimbursing travel expenses to prospective candidates for onsite interviews. The budget accounts for the number of new positions anticipated to be hired as well as factoring for employee turnover.

Staff Development

The health plan encourages the professional development of staff to enhance the required skills of their position. The budget amount is for conference or training registration fees.

Appendix D – Administrative Expenses

Inservice Training

Human Resources regularly accesses the health plan's training needs, and will at times bring training in house to allow for increased participation.

Educational Reimbursement

The health plan offers employees a \$1,500 maximum annual educational assistance benefit which may be applied towards tuition, books, and fees for classes that enhances the employee's job performance and knowledge. Employees may also apply a portion of this benefit towards nutrition counseling, as part of the employee wellness program. The budget assumes 6% of employees will utilize this benefit.

Carpool / Commuter Incentives

The health plan incentivizes employees to utilize alternative transportation rather than driving a vehicle solo to/from home and office. The benefit is \$2.50 per day for a confirmed use of alternative transportation. The budget assumes 4% of employees will utilize this benefit.

Employee Wellness Program

The wellness program is focused on promoting the benefits of fitness and good nutrition with a goal of improving the health status of our employees. The program covers participation in fitness activities as well as certain nutritional educational opportunities. The benefit is a maximum of \$500 per employee per year. The budget assumes 36% of employees will utilize this benefit.

Company Functions

The health plan provides several company-wide functions to promote camaraderie among staff and to reward and acknowledge staff for their service and commitment to the health plan's mission statement. These functions consist of quarterly all-staff lunches/BBQs, and a seasonal holiday luncheon.

Lunchroom Supplies

The health plan provides for employee the use of general lunchroom supplies, such as napkins, paper cups, and similar items.

WageWorks 125 Plan

The health plan offers employees an Internal Revenue Service approved Section 125 plan whereby employees may contribute pre-tax dollars from their paychecks towards future qualifying medical-related and childcare expenses. The health plan utilizes a vendor to administer the plan. The cost to the health plan is \$3.90 per employee per month.

Appendix D – Administrative Expenses

Referral Bonuses

The health plan provides referral bonuses in recognition that employee referral of job candidates is a proven cost-effective method of obtaining new employees. The benefit pays either \$500 or \$1,000 for a non-exempt and exempt position, respectively. The benefit is payable only upon a referral being hired and after they successfully complete their introduction period of 90 days.

Employee Assistance

The health plan offers employees and their immediate family access to free counseling services, up to a maximum of five counseling visits per year. The health plan utilizes a third-party vendor as administrator. The cost to the health plan during 2022 is \$3.90 per employee per month.

Flu Shots/COVID-19 Vaccinations

To encourage employees to obtain annual influenza and COVID-19 vaccinations, the health plan offers reimbursement for influenza and COVID-19 vaccinations purchased.

Anniversary Awards

The health plan acknowledges employees with plaques and gift cards in recognition for those whom obtain milestone length of service with the organization.

Other Misc

The budget allows for some other benefits designed to increase staff morale. Some examples include fruit, retirement celebrations and spot awards to staff.

Assumed Vacancy Rate

Due to employee turnover anticipated in the normal course of business, and the time it takes to recruit and hire, the health plan assumes 8% of job positions will be open (unfilled) at any given time. For budget purposes, the dollars associated with an assumed vacancy rate are segregated between the actual wages and the corresponding impact on fringe benefits.

Appendix D – Administrative Expenses

Merit Pool for Employee Performance Reviews

The health plan incorporates a merit/benchmarking pool into the budget to recognize and reward employees whose job performance meets and exceeds expectations. A merit pool equating to 4% of qualifying employees (wages + benefits) is incorporated into the budget to account for staff merits based on performance and wage adjustments which align with the Board of Director’s adopted salary ranges for the health plan.

The magnitude of an increase in employee pay will correlate to their annual performance review, which occurs each June. For budget purposes, the dollars associated with the merit/benchmark pool are segregated between the actual wages and the corresponding impact on fringe benefits.

Contract Services by Department or Unit

Department	Budget FY 2021-22	Budget Period Jul 2022 – Dec 2022
Administration	\$2,266,000	\$883,000
Finance	\$123,000	\$117,000
Human Resources	\$334,000	\$222,000
Administrative Services	\$70,000	\$35,000
Provider Services	\$520,000	\$529,000
Health Services	\$2,398,000	\$259,000
Pharmacy	\$1,328,000	\$405,000
Medical Management	-	\$385,000
Claims	\$788,000	\$202,000
Member Services	\$117,000	\$154,000
Quality/Population Health	\$27,000	\$82,000
Information Technology	\$2,250,000	\$1,406,000
Communications	\$147,000	\$103,000
Compliance	-	-
Operational Excellence	-	\$330,000
Mental Health/Behavioral Health	-	\$40,000
Total	\$10,368,000	\$5,152,000

Appendix D – Administrative Expenses

Travel Expenses:

Travel Expenses by Category

Category	Budget FY 2021-22	Budget Period Jul 2022 – Dec 2022
Mileage Reimbursement	\$49,000	\$40,000
Meals and Lodging	\$129,000	\$120,000
Airline Fares	\$52,000	\$66,000
Automobile Rentals	\$9,000	\$16,000
Other Travel Costs	\$18,000	\$12,000
Gasoline, Oil, Other	\$6,000	\$4,000
Auto Repair/Maintenance	\$8,000	\$5,000
Automobile Licenses	\$2,000	\$1,000
Staff Development	\$260,000	\$165,000
Total	\$533,000	\$429,000

Rent / Utilities / Occupancy:

Rent / Occupancy by Category

Category	Budget FY 2021-22	Budget Period Jul 2022 – Dec 2022
Building Rent/Lease	\$414,000	\$214,000
Building Repairs & Maintenance	\$224,000	\$118,000
Utilities	\$270,000	\$146,000
Janitorial Services	\$85,000	\$46,000
Housekeeping Supplies	\$35,000	\$18,000
Offsite Storage	\$6,000	\$3,000
Other Occupancy Costs	\$221,000	\$124,000
Total	\$1,255,000	\$669,000

Appendix D – Administrative Expenses

Building Rent/Lease

Ekwill Street, Santa Barbara Office – +/-20,000 sq. ft. assumed

Jul 2022 – Dec 2022 \$1.53 per sq. ft. = \$30,600/mo; \$184,000

FY 2021-22 \$1.49 per sq. ft. = \$29,700/mo; \$356,000

1035 Peach Street, San Luis Obispo Office-2,690 sq. ft

Jul 2022 – Dec 2022 \$1.87 per sq. ft. = \$5,042/mo; \$30,000

FY 2021-22 \$1.71 per sq. ft. = \$4,610/mo; \$55,500

Building Repairs & Maintenance

Represents direct expenditures incurred by the health plan as well as our prorated share of common area maintenance costs associated with the two buildings.

Utilities

Represents costs for electricity, natural gas, water, and trash disposal.

Janitorial Services

Represents costs for janitorial services for the San Luis Obispo office and to fill in for staff vacations that occurred with Santa Barbara office.

Housekeeping Supplies

Represents costs to maintain staff areas such as break rooms and restrooms.

Offsite Storage

The budget includes costs for offsite storage.

Other Occupancy Costs

The budget includes costs for security for the SB office, floor mat cleaning, HVAC maintenance, and landscaping services.

Appendix D – Administrative Expenses

Office Supplies & Equipment:

Office Supplies and Equipment by Category

Category	Budget FY 2021-22	Budget Period Jul 2022 – Dec 2022
Office Equip < \$5,000	\$240,000	\$123,000
Copy Machine Leases	\$72,000	\$36,000
Other Equip Leases	\$7,000	\$4,000
Computer Supplies	\$60,000	\$30,000
Office Supplies	\$49,000	\$29,000
Postage	\$240,000	\$150,000
Printing	\$598,000	\$329,000
Total	\$1,266,000	\$701,000

Office Equipment less than \$5,000

Represents items such as chairs, monitors, ergonomic equipment, etc.

Copy Machine Leases

The health plan leases office copy machines. The budget amount reflects actual cost of leasing plus anticipated costs for usage exceeding a tiered level of copies.

Other Equipment Leases

The health plan leases a postage machine. The budget amount reflects the actual cost of leasing.

Computer Supplies

Represents items such as printer toner, server tapes, keyboards, etc.

Office Supplies

Represents standard supplies such as envelopes, paper, pens, staples, etc.

Postage

Postage costs are primarily associated with bi-monthly medical claim adjudication payment cycles, new member packet mailings, and member and provider newsletter mailings.

Appendix D – Administrative Expenses

Printing

Printing costs are incurred for the new member packets, newsletters, and other health plan publications.

Insurance:

Represents the cost associated with professional liability insurance, cyber insurance, auto insurance, earthquake insurance, etc.

Depreciation:

Depreciation expense is computed on a straight-line method over the estimated useful life of an asset.

Equipment/ Software Maintenance:

Represents costs associated with the health plan's health information system, its computer servers, and software programs utilized by the organization.

Communications:

The budget amount reflects costs associated with MiFi cards, various telephone/cable fees, and a connection to the Health & Human Services Data Center.

Publications:

Represents costs membership to various newspaper & media outlets, medical data books, and human resource tools.

Software Licensing Fees:

Represents costs to license various software (e.g. Microsoft) used within the organization.

Professional Association Dues:

Represents costs for membership to various organizations to maintain staff certifications/license fees and local community memberships.

Marketing:

The budget includes costs to promote the health plan's mission and objectives. Costs include promotional items, banners and advertising.

Appendix D – Administrative Expenses

Community Sponsorships:

The health plan is actively involved in supporting community programs which are aligned with our mission statement.

Category	Budget FY 2021-22	Budget Period Jul 2022–Dec 2022
SLO Sponsorship (Meals that Connect)	\$200,000	\$0
SB Sponsorship (Senior Meals)	\$200,000	\$0
Sponsorship Program - various	\$70,000	\$35,000
Community Meeting Lunches	\$0	\$1,000
Sponsorship (Speech Therapy Camp)	\$70,000	\$35,000
Non-ABA Services: Peer Buddies	\$0	\$100,000
Member Engagement Events	\$10,000	\$0
Total	\$550,000	\$171,000

For the Jul 2022-Dec 2022 budget period, the sponsorship for meal delivery has been moved to the medical section of the budget.

The healthcare improvement projects are preliminary concept ideas associated with: (a) wrap-around services for the Housing First collaborative effort around the homeless population, (b) using non-traditional partners to conduct post-hospital home visits, (c) cloud messaging software to mitigate patient no-shows to scheduled appointments, and (d) other to be determined concepts that may warrant exploration.

Community Health Promotion:

Represents costs associated with materials and members incentives to participate in focus groups & disease management programs, and to increase our completion rate of initial health assessments. This also includes participation in health fairs and similar health-related events.

Member / Provider Materials:

Represents costs for materials created including the member newsletter and the provider bulletin.

Provider Relations & Recruitment:

The budget includes costs for the health plan to provide training sessions for providers with various workshops relating to current changes in healthcare.

Appendix D – Administrative Expenses

Credentialing Fees:

Represents costs for researching credentials of the health plan's provider network.

Admin for Quality Initiative (QI) & Clinical Interventions:

Represents administrative costs associated various health plan initiatives targeted to occur during the budget period. Each campaign is selected based on demonstrated clinical needs of CenCal Health's membership. Those needs are quantified by measurement of industry-standard measures of clinical quality, access, or utilization.

Director / Advisory Board Stipends:

The budget includes costs for attendance to members of the health plan's committees including QIC, MAC, PAB, P&T and board meetings.

Meeting Expenses:

Represents costs for organizational and department meetings and food/room rentals for board committees and the board of directors meetings.

Other Expenses:

Represents costs such as property/rental taxes on the health plan's copiers, chart copying and board clerk payments.

Appendix E - Medi-Cal Operating Budgets

	Santa Barbara		San Luis Obispo	
	Dollars	PMPM\$	Dollars	PMPM\$
Capitation Revenue	\$366,126,000	\$392.51	\$176,024,000	\$440.54
Medical Expenses:				
PCP capitation + incentives	\$15,406,000	\$16.52	\$6,948,000	\$17.39
Physician specialty	\$60,998,000	\$65.39	\$21,884,000	\$54.77
FQHC specialty	\$7,316,000	\$7.84	\$2,914,000	\$7.29
Hospital inpatient services	\$73,073,000	\$78.34	\$34,564,000	\$86.51
Hospital outpatient services	\$28,567,000	\$30.63	\$8,351,000	\$20.90
Non-PBM pharmacy	\$578,000	\$0.62	\$357,000	\$0.89
SNF / LTC	\$42,355,000	\$45.41	\$21,929,000	\$54.88
Acupuncture	\$37,000	\$0.04	\$15,000	\$0.04
Adult day care center	\$493,000	\$0.53	\$55,000	\$0.14
Audiology	\$441,000	\$0.47	\$157,000	\$0.39
Chiropractic	\$11,000	\$0.01	\$8,000	\$0.02
Dialysis	\$3,071,000	\$3.29	\$739,000	\$1.85
Durable medical equip	\$3,046,000	\$3.27	\$1,662,000	\$4.16
Home health care	\$1,109,000	\$1.19	\$769,000	\$1.92
Hospice	\$3,317,000	\$3.56	\$1,080,000	\$2.70
Laboratory	\$6,512,000	\$6.98	\$3,196,000	\$8.00
Transportation	\$4,079,000	\$4.37	\$1,769,000	\$4.43
Optician	\$11,000	\$0.01	\$16,000	\$0.04
Optometry	\$681,000	\$0.73	\$225,000	\$0.56
Physical therapy	\$730,000	\$0.78	\$763,000	\$1.91
Podiatry	\$428,000	\$0.46	\$313,000	\$0.78
Prosthetic/orthotics	\$785,000	\$0.84	\$278,000	\$0.70
Speech therapy	\$2,000	\$0.002	\$1,000	\$0.002
Other medical services	\$663,000	\$0.71	\$370,000	\$0.93
Mental health services	\$7,411,000	\$7.95	\$4,403,000	\$11.02
Behavioral health therapy	\$5,659,000	\$6.07	\$2,547,000	\$6.37
Enhanced care management	\$483,000	\$0.52	\$237,000	\$0.59
Community support services	\$1,213,000	\$1.30	\$519,000	\$1.30
Community program support	\$298,000	\$0.32	\$128,000	\$0.32
Reinsurance/recoveries – net	\$1,334,000	\$1.43	\$571,000	\$1.43
Rate range IGTs	\$15,470,000	\$16.58	\$7,354,000	\$18.41
HQAF directed payments	\$13,017,000	\$13.96	\$6,191,000	\$15.49
Hospital directed payments	\$26,313,000	\$28.21	\$12,203,000	\$30.54
Total Medical Expenses	\$324,907,000	\$348.32	\$142,516,000	\$356.68
MLR	89%		81%	
Gross Margin [before Admin & MCO Tax]	\$41,219,000		\$33,508,000	

Appendix F - Glossary of Terms

- AIH – American Indian Health
- BHT – Behavioral Health Therapy
- CCS – California Children Services
- CSS – Community Support Services
- DHCS – California Department of HealthCare Services
- DMHC – California Department of Managed Health Care
- ECM – Enhanced Care Management
- EOP – Explanation of Payment
- FFS – Fee for Service
- FQHC – Federally Qualified Health Clinic
- G&A – General and Administrative
- GEMT – Ground Emergency Medical Transportation
- HQAF – Hospital Quality Assurance Fee
- IGT – Intergovernmental Transfer
- LTC – Long Term Care
- MCO – Managed Care Organization
- MLR – Medical Loss Ratio ; medical costs divided by program revenue stated as a percentage value.
- NEMT – Non Emergency Medical Transportation
- NMT – Non Medical Transportation
- PBM – Pharmacy Benefit Manager
- PCP – Primary Care Provider
- PHE – Public Health Emergency
- PMPM – Per Member Per Month
- PMPY – Per Unique Member Per Year
- P4P – Pay for Performance
- QI – Quality Initiative
- SBHI – Santa Barbara County’s Medi-Cal Program
- SLOHI – San Luis Obispo County’s Medi-Cal Program
- SPD – Seniors and Persons with Disabilities
- SNF – Skilled Nursing Facility
- Utilization/1,000 – A statistics measuring utilization of services per 1,000 members per year.
- WCM – Whole Child Model
- TBD – To Be Determined