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**CenCal Health
Board of Directors
Meeting Packet**

**October 18, 2023
6:00 pm**

CenCal Health Office
4050 Calle Real
Santa Barbara, CA
Hart Auditorium

Notice of Regular Meeting CenCal Health Board of Directors

October 18, 2023, at 6:00 p.m.

CenCal Health Office
4050 Calle Real
Santa Barbara, CA 93110
Hart Auditorium

Members of the public wishing to provide public comment on items within the jurisdiction of the Board of Directors may do so during the public comment period or by emailing comments before 10:00 am, October 18, 2023 to the Clerk of the Board at pbottiani@cencalhealth.org with "Public Comment" in the subject line. Comments received will be read during the meeting.

If you require any special disability-related accommodations, please contact the CenCal Health Board Clerk's Office at (805) 562-1020 or via email at pbottiani@cencalhealth.org at least twenty-four (24) hours prior to the scheduled board meeting to request disability related accommodations.

Agenda

Action/Information

1. Public Comment (*Dr. Bravo*)
2. **Consent Agenda** (*Action to accept reports*) (*Dr. Bravo*) Action
 - 2.1 Approve Minutes of September 20, 2023, Board of Directors Meeting
 - 2.2 Accept Administrative Reports
 - 2.2.1 Executive Summary
 - 2.2.2 Quality Report
 - 2.2.3 Health Services Report
 - 2.2.4 Performance Division Report
 - 2.2.5 Government and Administrative Report
 - 2.2.6 Customer Experience Report
 - 2.2.7 Operations Report
 - 2.2.8 Information Technology Report
 - 2.3 Accept Program Reports
 - 2.3.1 Community Benefit Funding Report: Meals that Connect
 - 2.3.2 CalAIM Program Implementation Report
 - 2.3.3 Population Health Management Report
 - 2.4 Accept Advisory Committee Reports
 - 2.4.1 Pediatric Clinical Advisory Committee (PCAC) Report
 - 2.4.2 Pediatric Clinical Advisory Committee (PCAC) Meeting Minutes of June 28, 2023
3. **Regular Agenda**
 1. Report from Chief Executive Officer (*Ms. Owen*) Information

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|---|-------------|
| 2. Review and Accept Independent Financial Audit and FY 22-23 Audited Financial Statements
(Bartlett Pringle & Wolf, Mr. Britton, and Ms. Schmoller) | Action |
| 3. Report from Chief Financial Officer/Treasurer (Ms. Bishop) | Information |
| 3.1 Review and Accept Financial Statements ending 09/30/23 | Action |
| 3.2 Adopt 2024 Investment Policy | Action |
| 3.3 Accept Recruitment and Retention Benefit Recommendations | Action |
| 4. Present Student Behavioral Health Program Update (Dr. Do-Reynoso and Dr. Wageneck) | Information |
| 5. Present 2023 – 2025 Strategic Plan Progress Update (Ms. Owen) | Information |
| 6. Present Performance Division Update (Mr. Morris) | Information |
| 6.1 Consider Adopting 2024 Salary Structure and CalPERS | Action |
| 7. Present Medicare Program Report and Consider Approving Development of Dual Special Needs Program (DSNP) in 2026
(Ms. Owen, Ms. Turetsky, and Mr. Engelhard) | Action |
| 8. Items for Immediate Action | Action |

Items for which the need to take immediate action arose subsequent to the posting of the agenda (requires determination of this fact by vote of two-thirds of the Directors present or, if fewer than nine Directors are present, unanimous vote)

Note: The meeting room is accessible to the disabled. Additional information can be found at the CenCal Health website: www.cencalhealth.org

Draft

MINUTES CenCal Health BOARD OF DIRECTORS REGULAR MEETING September 20, 2023

The regular meeting of the Board of Directors of CenCal Health was called to order by René Bravo, Chair, on September 20, 2023, at 6:04 PM at the Santa Maria Inn, Santa Maria, CA.

MEMBERS PRESENT: Antonette “Toni” Navarro, Daniel Herlinger, Supervisor Dawn Ortiz-Legg, Edward “Ned” Bentley, MD, Supervisor Joan Hartmann, Kieran Shah, Mark Lisa, Mouhanad Hammami, Nicolas Drews, René Bravo, MD, and Sara Macdonald

MEMBERS EXCUSED: Sue Andersen

STAFF PRESENT: Bill Cioffi, Carlos Hernandez, Chris Morris, Emily Fonda, MD, Hon Chan, Jai Raisinghani, Jordan Turetsky, Karen Kim, Kashina Bishop, Lauren Geeb, Marina Owen, Michael Harris, Nicole Wilson, Tommy Curran, Van Do-Reynoso, and Paula M. Bottiani (Clerk)

GUESTS PRESENT: None

1. Public Comment: There was no public comment.

2. **Consent Agenda** (*Action to accept reports*) (*Dr. Bravo*)
 - 2.1 Approve Minutes of June 21, 2023, Board of Directors Meeting
 - 2.2 Approve Minutes of August 28, 2023, Board Development Committee Meeting
 - 2.3 Accept Administrative Reports
 - 2.3.1 Executive Summary
 - 2.3.2 Quality Report
 - 2.3.3 Performance Report
 - 2.3.4 Health Services Report
 - 2.3.5 Government and Administrative Report
 - 2.3.6 Customer Experience and Communications Report
 - 2.3.7 Compliance Report
 - 2.3.8 Information Technology Report
 - 2.4 Accept Program Reports
 - 2.4.1 Community Benefit Program Report
 - 2.4.2 CalAIM Program Implementation Report
 - 2.5 Accept Advisory Committee Reports
 - 2.5.1 Family Advisory Committee (FAC) Report and Minutes of February 16, 2023

ACTION: On motion of Ms. Macdonald the Board of Directors unanimously Accepted the Consent Agenda Reports without objection.

Ms. Macdonald shared her experience as a Medi-Cal member related to the redetermination efforts. She received her Notice of Action/Medi-Cal Approval recently and stated that she would not have been able to receive the RSV vaccine without coverage due to its high cost. She has been “auto renewed” for one calendar year and is grateful for the coverage along with CalFresh benefits.

Dr. Bravo thanked Ms. Macdonald for sharing her experience of the redetermination process.

4. Regular Agenda

1. Report from Chief Executive Officer

Ms. Owen reported the following:

- Thanked Ms. Macdonald for sharing her story with the Board of Directors.
- Ms. Owen received a report from DHCS regarding the redetermination efforts and shared that the counties are doing quite well.
- **40th Anniversary Celebration:**
 - CenCal Health will be celebrating our 40th anniversary in Santa Barbara County and our 15th anniversary in San Luis Obispo County
 - The celebration will take place on Wednesday, December 6th; 5:30 pm – 7:30 pm at the Hilton Santa Barbara Beachfront Resort
 - Shared the draft program agenda and welcomed input from the Board.
 - CenCal Health will celebrate the collective impact of local Medi-Cal Program while staff and Board of Directors recognize the accomplishments of providers and community partners
 - Several categories of awards will be distributed at the event
 - Save the Date cards and a formal invitation are forthcoming
 - Ms. Owen thanked Ms. Bottiani for her help with planning the event and securing the date and availability of board members
- **Engagement:**
 - Continue state advocacy as Board Member and Vice Chair, Local Health Plans of California, and Membership Council of Association for Community Affiliated Plans
 - Serves as Chair, CommUnify, Santa Barbara Community Action Commission, and engaged with Board Executive Committee in the Center for Non-Profit Leadership (CNL) Board Leadership Institute (Cohort 2) at California Lutheran University
 - Board of Directors sponsored attendance at the Wharton Executive Decision-Making Program at the University of Pennsylvania, last Fall, and engaged in the Public Leadership Credential at Harvard Kennedy School of Government over the next nine (9) months
- **Highlights:**
 - On September 1, 2023, CenCal Health secured DHCS 2024 Medi-Cal go live approval without on-site review.
 - Organizational performance is strong, with Executive Dashboard demonstrating CenCal Health meeting 92.2% of target in Q123 and 96.7% of target for all measures in Q223
 - Increasing number of members using new Community Supports and Enhanced Care Management benefit, with new Fact Sheets available for

Board members to review

- Ms. Owen shared requested follow-up from June Board of Directors meeting, including a Member Redetermination Guide and South Santa Barbara County Access Report with Board members

2. Report from the Board Development Committee and Consider Adopting Recommendation to Amend and Restate CenCal Health Bylaws and Board Guidance Policies

- **Mr. Herlinger** reported the following:
- **Background:**
 - Board Development Committee established in June 2022 as Ad Hoc Committee to review CenCal Health Bylaws and Policy
 - Convened in March 2023 to guide staff in document review and support the effective and efficient administration of CenCal Health
 - Staff evaluated highest priority documents against *legal statute, best practices, industry standard, financial controls, and company precedent*
 - Contributors include Hon Chan, Esq., Senior Associate Counsel, Kashina Bishop, Chief Financial Officer-Treasurer, and Michael Harris, Government Affairs & Administrative Officer and consult with Public Policy Law Firm
- **Purpose:**
 - Over past two years, staff identified opportunity to thoroughly review and update policies and procedures
 - Purpose to update outdated documents to reflect legal statute and contemporary responsibilities, given increasing complexity
 - Intention is to align with enabling State statute
 - Opportunity is to ensure administrative P&Ps are maintained in a manner consistent with Board and management's responsibility to support clear articulation and consistent implementation of Board policy
- **Bylaws:**
 - Bylaws last adopted by the Board of Directors in 2009
 - Administrative updates made if language was unclear and out of date or to improve and align with best practice including:
 - Administrative updates (e.g., *updated references, CenCal Health's name*)
 - Revisions to align with current state (e.g., *Central Coast Medical Assoc.*)
 - Incorporated best practice (e.g., *Brown Act, Board Guidance*)
 - Updated Board stipend (*from \$100 to \$150*) to align with statutory language
 - Revisions to promote clarity (e.g., *Board member transitions, vacancies*)
- **Board Guidance and Administrative Decisions:**
 - Retire 2014 Board Guidance Policy and *replace with the 2023 Board Guidance and Administrative Decision-Making Policy*
 - Incorporates best practices and industry standard language, and aligned fully with original intention with following proposed changes:
 - Limit CEO authority to approve vendor agreements \$250,000 or below
 - Board of Directors is appraised of legal matters and approves legal settlements
 - Identify line of succession, should CEO be unavailable due to illness or incapacitation
 - Clarify the role of subcommittees*, aligned with their charters, meeting

- frequency and reporting relationships
- **Board Subcommittees include Finance, Compliance, Nominating, etc.*
- **Approval and Signature Authority Policy:**
 - CenCal Health has in place a 2019 *Authorized Approval Levels Policy*, which was not approved by Board of Directors.
 - Committee is recommending *retiring* and *replacing* with updated 2023 *Signature Authority Policy*, drafted by CFO/Treasurer, reviewed by counsel, and incorporating best practices with following changes:
 - Establish Clear Financial Controls at all levels of the organization that are aligned with each leader's organizational responsibility
 - Clarify delegation of signatory authority, aligned with the Administrative Decision-Making Policy, in the event of the CEO's absence, including vacation
 - Clarify use of legal counsel in review of contractual documents, aligned with CenCal Health's current practice
- **Recommendation:**
 - Board Development Committee convened on August 28, 2023, to review first phase of document updates.
 - Committee recommends the CenCal Health Board of Directors consider and formally adopt the following:
 - Amended and Restated Bylaws of CenCal Health Board of Directors
 - Board Guidance and Administrative Decision-Making Policy
 - Signature Authority Policy

Discussion:

Dr. Bentley posed a question (referenced in Article 8 of the Bylaws) regarding voting. This section states: *All official acts of the Board shall require the affirmative vote of a majority of the Directors of the Board.* He asked if it is assumed that it is a majority of the quorum that is voting.

Mr. Herlinger stated that Dr. Bentley is correct.

Dr. Bravo added that you cannot ratify or approve an action item without an established quorum present which is a majority of the board. The existence of a quorum has established the majority.

Mr. Shah asked about email voting. He stated that you need a majority of the Members to approve the use of email for the vote and then you need a unanimous Vote for the motion to carry.

Dr. Bravo reminded the board that we are subject to the Brown Act..

Mr. Shah asked what the procedure is if the CEO needs to act prior to the next In-person meeting.

Mr. Herlinger stated that Ms. Owen and the Board would call a Special Board Meeting.

Dr. Bravo added that we could meet via teleconference if necessary.

Dr. Bravo commended the committee members, staff, and legal team for their work in bringing these policies up to date.

ACTION: On motion of Director Hammami and seconded by Dr. Bentley, the Board of Directors unanimously accepted the report from the Board Development Committee and Adopted the Amended and Restated CenCal Health Bylaws, Board Guidance Policies, and Signature Authority Policy without objection.

3. Report from Treasurer and CFO and Accept Financial Report

Ms. Bishop gave a detailed PowerPoint presentation and reported the following highlights:

- **Finance-Focus Areas**

- FY 22-23 Financial Audit – Report at the October Board Meeting
- CY 2024 Budget and Forecasts
- Rate Development – CY 2022 Submission for CY 2025 Rate Setting
- Implementation of Accounting System – Align Reporting to RDT
- Assessment of Financial Impacts of State Requirements

- **State Requirements**

- **MCO Tax**

- Federally allowable Medicaid funding mechanism used to generate new State funds that can be used to match with Federal funds
- \$11.7B available statewide to augment provider rates, referred to as “Targeted Rate Increases” (TRI)

- **Office of Health Care Affordability**

- Developing spending growth targets, initially statewide and eventually sector-specific (e.g. geography, types of entities)
- Progressive enforcement of targets: technical assistance, public testimony, performance improvement plans, and escalating financial penalties

- **Membership Trends**

- January 2020 membership was at 173K members
- June 2023 membership at 236K
- As of August 2023, 234K (less than 1% decrease) (early estimate)
- Budgeted for a 13% decrease

- **Medical Expenses- PMPM Trends**

- Sept 2021 to August 2023
- Dip in February 2022 due to pharmacy carve-out
- Slight increases in LTC, and some provider types, but overall stable

- **Financial Statements as of August 31, 2023**

- Net operating gain of \$2.4 million
- Fiscal YTD gain of \$51.8 million
- Medical Loss Ratio (MLR) is 87% (budgeted 91%)
- Administrative Costs are \$45.8 million (well under budget)
- Tangible Net Equity (TNE) is \$264.6 million
 - 93% of Board TNE target
 - 800% of State required

Discussion:

Ms. Macdonald asked what IBNR is.

Ms. Bishop explained that it stands for Incurred but Not Reported. This is an important estimate of medical expenses. There is a lag between the time the member receives care and when the health plan pays the claim. Finance estimates what is outstanding.

Dr. Bentley stated that for the MLR, the information provided shows a difference between Santa Barbara and San Luis Obispo. He asked if the State looks at CenCal Health as a whole or separate counties.

Ms. Bishop explained that the state has always viewed by county; however, it is now

reporting by health plan region. When staff submit our rate development template, staff will submit for one region and will receive rates for one region. It does not add value to our statements to report by county, so Finance will discontinue. This will be a significant efficiency for Finance staff.

Dr. Bentley asked if the TNE is a set number or several months' worth of income.

Ms. Bishop stated that the requirement is based on a percent of annualized medical expense and changes because medical expenses fluctuate. Ms. Bishop will be bringing this policy to the Finance committee next month.

Dr. Bravo stated there is a mandated requirement for minimum TNE.

Ms. Bishop said that the Board's policy exceeds the state mandated requirement, as this minimum is not sufficient reserve from a business perspective and CenCal Health therefore sets the board required TNE amount higher.

Ms. Owen added that having a higher reserve is helpful from a business perspective and in prior years having sufficient reserves allowed staff to continue to pay providers absent funding from the state in the case of delayed payment or allocations.

Ms. Bishop said that we would not advise the health plan fall below two months of cash on hand.

ACTION: On motion of Mr. Lisa and seconded by Mr. Herlinger, the Board Accepted the Finance Report and the Unaudited Financial Statements Ended on August 31, 2023, without objection.

4. Accept Quality Improvement and Health Equity Committee (QIHEC) Report, QIHETP and Population Health Policies, QIHEC Minutes of May 25, 2023, and QIHEC Agenda of August 24, 2023

Mr. Hernandez gave a detailed PowerPoint Presentation. He stated that this is the quarterly report from the QIHEC as required by the Department of Health Care Services. These are the highlights of the report:

Board's Role

- **QIHETP governance to optimize effectiveness**
 - Approval of the overall QIHETP & the QIHETP annual plan
 - Appointing the QIHEC as an accountable entity responsible for oversight of the QIHETP
 - Receiving written QIHEC progress reports that describe actions taken, progress in meeting QIHETP objectives, & improvements made
 - Directing necessary modifications to QIHETP policies & procedures to ensure DHCS compliance with Quality Improvement & Health Equity standards

Primary QIHETP Policy Responsibility

- **"Provide direction, including but not limited to necessary modifications to QIHETP policies & procedures, to ensure compliance with QI & Health Equity standards of the DHCS Contract & the DHCS Comprehensive Quality Strategy"**
 - Staff & DHCS have confirmed that all policies are compliant with DHCS standards
 - Future P&Ps will be brought for your review in advance of DHCS submission, when feasible
- **Policies & Procedures Approved by QIHEC**
 - **QIHETP & Population Health Management Policies and Procedures for QIHEC Approval & Adoption and (Effective Date)**

- Basic Population Health Management: Identifying & Addressing Members' Needs due to Social Drivers of Health (January 1, 2023)
- Basic Population Health Management: Identifying Members Needing Preventive Services & Increasing Appropriate Preventive Services Utilization (January 1, 2023)
- Comprehensive Wellness and Prevention Programs for All Members (January 1, 2023)
- Oversight of Subcontractors and Downstream Subcontractors for Delegated Utilization Management (UM) and Quality Improvement and Health Equity Transformation Program (QIHETP) Activities (January 1, 2024)
- Member & Family Engagement Strategy (January 1, 2024)

Policy Highlight

- **Comprehensive Wellness & Prevention Program for All Members**
 - A core PHM program element required by CalAIM
 - Meets NCQA PHM standards, including evidence-based self-management of specific health behaviors & risks
 - Includes NCQA-compliant programs that address diabetes, cardiovascular disease, asthma & depression
 - Must align with the DHCS "Comprehensive Quality Strategy"
- **Key Next Steps**
 - Subject to Board's approval, staff will complete implementation of the approved policies
 - QIHETP policies & those for NCQA accreditation, will be presented to your Board at least annually, on a quarterly schedule subsequent to the QIHEC meetings
- **Recommendation**
 - The written QIHEC report to your Board & its attached policies are presented for your feedback, acceptance & approval.

ACTION: On motion of Ms. Macdonald seconded by Dr. Bentley, the Board Accepted the Quality Improvement and Health Equity Committee (QIHEC) Report, QIHETP and Population Health Policies, QIHEC Minutes of May 25, 2023, and QIHEC Agenda of August 24, 2023, without objection.

5. Present Health Equity Program Update

Dr. Do-Reynoso gave a detailed PowerPoint presentation. Following are the highlights of the report:

- **CenCal Health Vision:**
 - As a local health plan, CenCal Health seeks to advocate for what is best for our counties so that the voices of partners, stakeholders and members are heard on issues that are important in our communities.
 - Health Equity is the attainment of the highest level of health for all people, where everyone has a fair and just opportunity to attain their optimal health regardless of race, ethnicity, disability, sexual orientation, gender identity, socioeconomic status, geography, preferred language, and other factors that affect access to care and health outcomes.

- CenCal Health's vision is to be a trusted leader in advancing health equity so that our communities thrive and achieve optimal health together.
- **ACAP Health Equity Collaborative**
 - ACAP is a national trade association whose mission is to strengthen not-for-profit safety-net plans to improve the health & wellbeing of members.
 - **Provides 1:1 technical expertise** to guide the design & implementation of a strategic plan to address health equity
 - **Emphasizes strategy** based on local community resources, disparities, member needs, & DHCS priorities
 - Duration: July 2022 - April 2024
- **August Townhall**
 - Defined Health Equity
 - Explored how Health Inequities affect our communities, our children
 - Described actions CenCal Health is taking to address health equity
 - Guest Speaker: Wendy Sims-Moten, Executive Director, First 5 Santa Barbara County
- **August Town Hall Feedback**
 - Do you have an understanding of Health Equity and CenCal Health's role in advancing Health Equity?
 - Before Town Hall, 60% of attendees said they knew the answer to this question
 - After the Town Hall, 99% of attendees said they knew the answer to this question
- **August Townhall Takeaways**
 - Supports achievement of 2024 DHCS Contract Requirements and Plan Strategic Priorities & Objectives
 - Is a journey of alignment and cultivating collaborative partnerships
 - Results in a focused workforce, healthier members, and thriving & just communities
- **Spotlight Initiative: DHCS Equity & Practice Transformation (EPT) Payments Program**
 - **Funding:**
 - One-time, \$700 million, multi-year initiative
 - State-wide learning collaborative (\$25 million)
 - Initial Planning Incentive Payments (\$25 million)
 - Provider Directed Payment Program (\$650 million)
 - **Goals:**
 - Improve primary care for Medi-Cal recipients
 - Advance equity
 - Reduce COVID-19-driven care disparities
 - Invest in up-stream care models/partnerships to address health/wellness
 - **Alignment:**
 - DHCS Comprehensive Quality Strategy
 - DHCS Equity Roadmap
 - DHCS 50 by 2025: Bold Goal
- **Participation in EPT Payments Program**
 - **CenCal Health's Role:**
 - To engage small and medium practices in the Initial Planning Incentive Payments

- To encourage network providers to participate in the Provider Directed Payment Program
- To support practice transformation work with participating practices
- **Next Steps in Health Equity Work**
 - **Health Equity Steering Committee**
 - To develop strategic actions for opportunities identified in the ACAP Gap Analysis
 - To coordinate health equity efforts across CenCal Health
 - **Launch Health Equity Champions**
 - To engage staff in ad-hoc workgroups formed by Health Equity Steering Committee
 - **Develop Health Equity Roadmap**
 - To achieve DHCS 2024 contract requirements, NCQA Health Equity Accreditation, and CenCal Health Strategic Plan
 - **Support initiatives that result in better health for our members and better value for our community**

Discussion:

Mr. Drews asked if we were planning any future Town Halls and how the board could support the effort.

Dr. Do-Reynoso thanked Mr. Drews for this offer and stated she would bring back to the board future opportunities for support.

Ms. Owen added that she welcomes the opportunity for board participation.

Supervisor Hartmann asked Dr. Do-Reynoso to give a few examples of how the Incentive Program would increase infrastructure capacity and enhance data collection.

Dr. Do-Reynoso explained that this program is very prescriptive. The state has a list of expected milestones. Participating providers will have to earn the incentive dollars. It is a program that encourages providers to invest in their infrastructure in staffing and technology. As staff roll out the program, we will offer webinars and additional communications to participants.

Director Hammami stated there are opportunities to assist with practice management to increase access for members. He thanked Dr. Do-Reynoso for the presentation. He added that there is a current philosophy in healthcare where the goal is to get away from large government institutions and move towards smaller clinics.

Ms. Owen explained that the goal of the program is to assist both large organizations and smaller clinics, and even solo practitioners. The funding that CenCal Health is receiving and that Dr. Do-Reynoso highlighted in her report is specifically apportioned for solo practitioners.

Mr. Lisa asked if we have an inventory of our PCPs and how far out, they are booked. Are there access issues? We can only work towards true equity if we solve access issues. Are there sub-goals under the main goals?

Dr. Do-Reynoso stated that the goals are clearly spelled out by DHCS. Our responsibility to support the medium and small practices is defined by less than fifty providers. Our goal is to take a portion of the funds and use it to support these providers in conducting a population health assessment and their readiness to be competitive or to apply for the provider directed payment program, of which there is a measure of metrics and milestones, and populations that the providers would need to subscribe to in order to draw down funding.

Mr. Lisa is interested in knowing how we will incentivize members towards healthier behaviors that will improve their health and disincentivize them for unhealthy behaviors. Incentivizing the providers towards health equity is only half or less of the equation.

Dr. Do-Reynoso explained that part of the strategy is to provide members access to case managers and health navigators who can do motivational interviewing of members within their same culture and language and make those connections to services like transportation which has been identified as a barrier to care.

Ms. Owen stated that she would like to address Mr. Lisa's questions about provider access and member engagement by bringing these topics back to the Board, confirming that member engagement is a priority to understand and address. Staff do see access issues in certain geographic areas, for certain types of providers, in certain specialties, and in length of time to get an appointment. She highlighted the Tenet Central Coast Foundation's emphasis to recruit physicians from out of state to our area. This is not hiring a local physician from a smaller organization but enhancing access by recruiting physicians from Arizona or New Mexico for example. Ms. Owen said that she recently spoke with a local pediatrician who grew up in Santa Barbara and is fully bi-lingual and asked her how he could see more CenCal Health patients. Many times, staff hear of difficulties of living and working in Santa Barbara County and SLO County because of the high cost of living. At their annual meeting, the head of the Medical Association highlighted how the MCO Tax will support access by increasing rates. This will assist organizations who are recruiting physicians to work in our service area.

Mr. Lisa agreed that the issue of access should be placed on the agenda for a future meeting. In terms of the MCO tax, he had a conversation involving the Children's Hospital Association advocating for higher rates for CCS patients. Organizations see the MCO Tax as a windfall. The Coalition will need to be mindful of the intended purpose of these funds to support increases in access and care for members.

Mr. Shah requested to receive a copy of the Town Hall slide deck.

Ms. Owen responded that staff would be happy to share the slides with the Board.

6. Present Information Technology Roadmap and Consider Approval of Vendor Contract for Medical Management Software

Mr. Cioffi and Mr. Raisinghani gave a detailed PowerPoint presentation.

Highlights:

- **IT Strategy and Roadmap Guiding Principles**
- **IT as a Strategic Partner**
 - Prioritize IT initiatives based on enterprise priorities and needs. Align IT roadmap with business strategic goals
- **Progression Towards Vendor Solutions**
 - Guide future system selection to emphasize core vendor-integrated applications
- **Account for Operational Readiness**
 - Keep the Lights On
 - Regulatory/ Financial
 - Training and Education
- **Alignment to CalAIM**
 - CalAIM Initiatives coincide with CenCal Health IT's mission to provide the best service, tools and innovation

- **Alignment with 2023 – 2025 Strategic Plan**
 - **Priority:** Organize for Impact and Effectiveness
 - **Objective:** Leverage and adapt technology and analytics to enable transformation
 - **Strategies:**
 - Evolve technology strategy to emphasize external partnerships that meet business needs
 - Develop advanced analytics capabilities to support member care and health outcomes
 - Champion health data exchange and interoperability solutions
- **Digital Transformation**
- **Advanced analytics as a strategic differentiator to compete in the duals market**
 - **Data and Systems Integration + Information Exchange encompasses:**
 - Clinical analytics
 - Quality Analytics
 - Network Analytics
 - Risk & Financial Analytics
 - Reports & Dashboards
 - Predictive Modeling & Action Driven Workflows
 - Artificial Intelligence/NLP/RPA
- **Core Administrative Processing System Approach**
 - 2023 to 2025 Medi-Cal Legacy Core System
 - 2023 to mid-2024 Medical Management System Planning and Implementation
 - 2024 to mid-2025 D-SNP Core System Selection and Implementation
 - Mid-2025 to 2026 D-SNP Analytics and Reporting
 - 2026 Medi-Cal and D-SNP core System Integration and Migration
- **Key Next Steps:** To update the Board for action and approval
 - 2023
 - Recommendation for Health Information Exchange and Medical Management
 - Initiation of Digital Transformation Roadmap
 - 2024
 - Enter into procurement of a Pharmacy Benefit Manager (PBM) for D-SNP
 - Enter into procurement for D-SNP Core Administration
 - Enter into procurement with Customer Relationship Management (CRM)
- **Recommendation**
 - CenCal Health Board of Directors accept the 3-Year IT Roadmap.
 - CenCal Health Board of Directors approve Staff's recommendation to contract with MHK as the selected medical management system vendor, not to exceed \$545,000 in annual licensing fees and \$695,000 in implementation costs.

ACTION: On motion of Mr. Shah and seconded by Supervisor Ortiz-Legg, the Board of Directors Accepted the 3-Year IT Roadmap and Approved Staff's Recommendation to Contract with MHK as the Selected Medical Management System Vendor, not to Exceed \$545,000 in Annual Licensing Fees and \$695,000 in Implementation Costs without objection.

Discussion:

Mr. Herlinger asked if there any other COHS plans using the MHK system?

Mr. Cioffi stated that MHK is currently being used by HPSM, IEHP and Santa Clara. They are D-SNP plans. This will allow staff to learn as CenCal Health engages in D-SNP.

Mr. Shah asked why we need a new system for D-SNP?

Mr. Raisinghani explained that our current in-house program is well suited for only one line of business. It is heavily customized for the Medi-Cal product. Staff need a product to support the Medicare line of business while preserving functionality for Medi-Cal.

Mr. Lisa asked how we are maintaining security within the system?

Mr. Cioffi responded that security is the number one priority. Staff had a security team vet their processes and also reached out to our sister plans and they have had no security concerns with MHK.

Director Hammami asked how AI may help us?

Mr. Cioffi explained that the use of AI is aspirational and would be further down the line.

Ms. Owen appreciated IT staff for their diligence in preparing the 3-Year Roadmap. This process is very diligent and involved end users in the process.

7. Report from Chief Compliance Officer and Consider Granting Authority to CEO to Execute 2024 DHCS Contract

Ms. Kim gave a detailed PowerPoint presentation. These are the highlights of the report:

- **2024 Contract Go Live Approval**

- September 1, 2023, CenCal Health received DHCS approval to Go Live with the 2024 Contract on 1/1/24.
- No on-site readiness review required.
- Over 13 months and countless of hours of document drafting, cross-departmental review and editing, quality reviews, and submissions
- Over 260 artifacts and over 600 deliverables including policies and procedures, attestations, IT diagrams, narratives, program documents, organizational charts, job descriptions, EOC, model of care, cover sheets, MOUs, etc.
- Remaining deliverable due date: December 2023.

- **Request for Approval**

- Request Board of Directors approval for CEO to execute the new 2024 *Managed Care Plan Contract* with the Department of Health Care Services.

Discussion:

Ms. Owen shared with the board that the last full State contract that issued to health plans in 2008 and highlighted the significance of this effort.

ACTION: *On motion of Supervisor Hartmann and seconded by Supervisor Ortiz-Legg, the Board of Directors Authorized the CEO to Execute the 2024 DHCS Contract without objection.*

Ms. Kim continued to share highlights of the following:

- **2023 DHCS Medical Audit**

- **2023 DHCS Medical Audit Scope**

- Medical Audit Scope – Six (6) Categories of Performance
 - Utilization management

- Case management and coordination of care
 - Access and availability
 - Member's rights
 - Administrative and organizational capacity
 - State supported services
- Focused Audit Scope
 - Behavioral Health
 - Transportation
- **2023 DHCS Medical Audit Timeline**
 - Audit will be conducted: October 9-20, 2023
 - Pre-Audit Document Requests submitted 8/25/23
 - Focused Audit files submitted 9/1/23
 - Medical Audit files submitted 9/11/23 and 9/14/23
 - Mock audits and interview preparation: September 2023
 - Audit readiness efforts being led by the Audits and Monitoring Unit of the Compliance Division
- **Corporate Integrity Agreement (CIA) Overview**
 - Purpose: Provide an overview of the CIA requirements and timeline
 - Timeline
 - 90-Day Requirements (10/24/23)
 - Implementation Report (11/17/23)
 - Annual Report (8/19/24)
 - Board Compliance and Oversight Committee role in overseeing CIA implementation
- **90-Day Requirements**
 - Appoint a Compliance Officer
 - Appoint a Compliance Committee
 - Establish Quarterly Board Compliance and Oversight Meetings (Board Development)
 - Develop and implement a management certification policy and procedure and statement that applies to all leaders Associate Director and above
 - Develop and implement risk assessment and internal review process
 - Establish disclosure program or hotline
 - Select IRO (Finance, Legal) - Affiliated Monitors, Inc.
 - Develop and implement written standards for Compliance Program, Anti-Kickback Statute, Arrangements, Overpayments
 - Develop a Training Plan
 - Develop and conduct BOD Training
 - Screen all current Covered Persons against exclusion lists
- **Independent Review Organization (IRO)**
 - The IRO shall review a Medical Loss Ratio (MLR) Numerator Element to determine whether:
 - CenCal Health's calculation and reporting of the selected element was accurate
 - Supported by underlying documentation
 - Consistent with generally accepted accounting principles
 - In compliance with our contract with DHCS

- A copy of the IRO's Review Report will be provided to the California Department of Health Care Services and the Office of Inspector General on an annual basis.
- **Next Steps**
 - Compliance leading implementation of 90-day requirements and development of Implementation Report
 - Initiation of Board-specific and General Compliance Training in September 2023, following Board Meeting
 - Scheduling the Board Compliance and Oversight Committee, to support role in overseeing CIA implementation

8. Items for Immediate Action

Items for which the need to take immediate action arose subsequent to the posting of the agenda (requires determination of this fact by vote of two-thirds of the Directors present or, if fewer than nine Directors are present, unanimous vote)

As there was no further business to come before the Board, Dr. Bravo adjourned the meeting at 7:50 pm.

Respectfully submitted,

Paula M. Michal

Paula Marie Bottiani, Clerk of the Board

CEO Executive Summary

Date: October 18th, 2023
To: CenCal Health Board of Directors
From: Marina Owen, Chief Executive Officer

Independent Financial Audit

Bartlett, Pringle, and Wolf (BPW) have completed CenCal Health's independent financial audit for the year ending June 30, 2023. The auditor's report reflects an “*unmodified opinion*” that the FY22-23 financial statements present fairly, in all material respects, the financial position of CenCal Health as of June 30, 2023, in accordance with generally accepted accounting principles.

A secondary and important purpose of the audit is to test and comment on design and operation of the internal controls that have a relationship with financial reporting. There are three levels of internal control deficiencies that auditors will report, which include control deficiencies, significant deficiencies, and material weaknesses. Staff are pleased to report that BPW did not identify any reportable internal control deficiencies and BPW will be reporting their audit findings at your Board's October Meeting.

Additional detail can be found in the *Financial Audit Report* and *FY22-23 Financial Statements* provided by Kashina Bishop, CPA, Chief Financial Officer, and Treasurer.

Federal and State Government Update

In Washington DC, the House of Representatives Speaker Kevin McCarthy (R-CA) was removed in a historic vote and the next speaker is unclear. The threat of a government shutdown was averted temporarily through a last-minute agreement by bipartisan majorities in the House and Senate. President Biden signed a 45-day continuing resolution to ensure federal agencies remain open through November 17th. In the event of a shutdown, Medicaid funding would continue for Federal Quarter 1 of 2024 or through the end of the calendar year.

In Sacramento, the California Legislature wrapped its 2023 session, which concludes year one of a two-year legislative effort. Among the items that will go before Governor Newsom are several healthcare-related items. CenCal Health's legislative advocates and health plan associations are closely following these developments.

Additional details can be found in the *Government Affairs and Administrative Report* provided by Michael Harris, Government and Administrative Officer, and through reports from *Legislative Advocates PPA and Paul Beddoe*.

Quality-Based Practice Transformation Highlight

CenCal Health's Population Health Management (PHM) program was created to ensure all members have access to inclusive, equitable health services across the continuum of care. One significant PHM focus is practice transformation to advance health equity by engaging in Quality Collaboratives with Primary Care Providers (PCPs). Launched in March 2022, CenCal Health's Quality Care Incentive Program (QCIP) fulfills a strategically important PHM requirement to use value-based reimbursement to promote care delivery system transformation.

CenCal Health's partnership with Community Health Centers of the Central Coast (CHCCC) is a model for recent practice transformation success. Using the QCIP system to improve compliance with key American Academy of Pediatrics (AAP) preventive care guidelines, CHCCC achieved extraordinary improvement in overall compliance. At QCIP inception CHCCC's compliance with key guidelines in March 2022 was 45.55%. In August 2023, CHCCC's performance was 65.10%, an increase in compliance by 19.55 percentage points.

Additional details can be found in the *Population Health Report* provided by Dr. Emily Fonda, MD, MMM, CHCQM Chief Medical Officer, Carlos Hernandez, Quality Officer, and Lauren Geeb, MBA, Quality Director.

Medi-Cal Expansion and Eligibility Renewal

Effective January 1, 2024, full-scope Medi-Cal will cover income qualified members ages of 26-49 regardless of immigration status. The Department of Healthcare Services (DHCS) estimates 2,550 newly eligible members in San Luis Obispo and 14,057 for Santa Barbara County. Staff initiated a team to focus on outreach in partnership with counties, community partners and providers.

CenCal Health's aggregate membership as of October 4th is 229,709, representing a 1,910 decrease from September 2023. The 90-day cure period allows members who lose eligibility to be reinstated should they meet eligibility criteria after renewal packets are processed. As seen in the previous three months, substantial re-instatement is occurring.

Additional details can be found in the *Customer Experience Report* provided by Van Do-Reynoso, MPH, PHD, Chief Health Equity Officer, and *Communications Report* by Nicolette Worley Marselian, MBA, Communications Director.

Human Resources Recruitment and Retention Update

Recruiting capacity was increased this year and staff vacancy is currently 12.5%, on track for a 9.0% goal by end of year. Recruitment recently completed for the Directors of Data Analytics, Program Development and Provider Services, with announcements forthcoming. Voluntary turnover remains healthy at an annualized year-to-date

and 12-month rolling average of 9.8% and 9.9%, respectively, two-points below the CY22 average, and greater than 20 points below the industry average and Bureau of Labor Statistics. Staff are committed to remaining an employer of choice for mission-driven professionals, with a thoughtful and competitive hybrid workforce strategy that meets the needs of members, providers, and community partners.

Responsive to these principles, CenCal utilizes CBIZ Talent and Compensation Solutions (CBIZ) for compensation benchmarking. In preparation for 2024, CBIZ's market analysis indicates a 3.6% increase in staff compensation ranges and a 5.0% compensation increase budget. Given your Board's investment in the CY 2023 Budget and the modestly stabilizing cost of labor, staff anticipates recommending a 2024 compensation increase budget at or below 2023 levels.

Additional detail can be found in the *Performance Report* provided by Chris Morris, MSOD, Chief Performance Officer.

Community Leadership

Further supporting CenCal Health's local community leadership and engagement, Jordan Turetsky, MPH, Chief Operating Officer, joined the Board of Directors of Santa Barbara Street Medicine - Doctor's Without Walls (DWW) in October 2023. DWW is a contracted provider of Enhanced Care Management services and serves as a national leader in the provision of street medicine. CenCal Health is pleased to support the community through leadership participation on Boards such as these.

Additional detail can be found in the *Operations Report* provided by Jordan Turetsky, MPH, Chief Operating Officer.

2023 DHCS Medical and Focused Audit

CenCal Health is currently engaged in the 2023 DHCS Medical Audit and Focused Audits occurring October 9th – 20th 2023. Through the Medical Audit, CenCal Health is being evaluated in six (6) categories of performance: utilization management, case management and coordination of care, access and availability, member's rights, administrative and organizational capacity, and state supported services. The Focused Audits are evaluating the areas of transportation and behavioral health (BH).

The Compliance Division's Auditing and Monitoring Department is supporting staff in organizing and responding to pre-audit requests, verification files, and interviews. CenCal Health's closing conference is scheduled for October 19th, 2023, and your Board will be appraised of audit results thereafter.

Additional detail can be found in the *Compliance Report* provided by Karen Kim, JD, Chief Compliance Officer, and Puja Shah, Esq., Auditing and Monitoring Director.

Quality Report

Date: October 18, 2023

From: Emily Fonda, MD, MMM, CHCQM, Chief Medical Officer
Carlos Hernandez, Quality & Population Health Officer

Executive Summary

This report provides an overview of recent developments in managed care quality program operations, implications of significance for CenCal Health, and next steps to assure continuous improvement and CenCal Health's compliance with regulatory requirements.

A current Quality Division focus is compliance readiness for the National Committee for Quality Assurance (NCQA) Health Plan and Health Equity accreditation surveys. NCQA accreditation is a CalAIM requirement for all Medi-Cal Managed Care health plans, which must achieve accreditation before January 2026. CenCal Health anticipates that its NCQA surveys will begin in October 2024, and that an accreditation decision will be issued by NCQA by the end of 2024.

To independently assess and validate CenCal Health's readiness to achieve NCQA Health Plan and Health Equity accreditation, CenCal Health contracted with The Mihalik Group, LLC., a respected consulting organization, to conduct independent mock NCQA surveys of CenCal Health's compliance with NCQA standards.

The Mihalik Group's mock surveys began in early September with an all-stakeholder kick-off meeting to orient relevant CenCal Health leadership to the readiness assessment process. The mock survey results will inform CenCal Health prioritization of operational refinements to close accreditation requirement gaps. CenCal Health's work products, including policies and reports, are being collected and provided to The Mihalik Group for review. The assessment will continue through March 2024, with the option for further support based on CenCal Health's state of readiness.

Background

The Mihalik Group is conducting the mock NCQA surveys to quantitatively and qualitatively evaluate CenCal Health's accreditation readiness. The mock surveys began with an orientation in early September to initiate the partnership with The Mihalik Group and orient staff to the mock survey engagement. Staff interviews and collaboration with The Mihalik Group consultants will continue through March 2024. The mock survey results will inform CenCal Health prioritization of readiness refinements to

demonstrate and confirm compliance with accreditation standards. With CenCal Health's leadership, the Mihalik Group consultants will guide staffs' closure of identified gaps in compliance.

The return on CenCal Health's NCQA accreditation readiness investment will be greatly increased operational reliability, increased process monitoring and oversight reporting, and more robust systems to continuously manage exceptional service to members and quality of care.

Next Steps

CenCal Health aims to implement all operational refinements to achieve NCQA accreditation compliance by mid-2024 before the period of performance relevant to NCQA's accreditation surveys. Significant readiness work is in progress, and staff are optimistic about CenCal Health's state of readiness. All preparations are on schedule.

Recommendation

This Quality Division Report is presented for your Board's acceptance.

Health Services Report

Date: October 18, 2023

From: Christopher Hill, RN, MBA, Health Services Officer

Contributors: Sue Fischer RN, MA, Director medical Management
Jeff Januska, PharmD, Director of Pharmacy Services
Seleste Bowers, DHA, LCSW, Director of Behavioral Health
Blanca Zuniga, Associate Director, Care Management
Ana Stenersen, Associate Director, Utilization Management

Through: Marina Owen, Chief Executive Officer

Medical Management

The overall rolling 12-month prior authorization approval rate is 96.4% for adults and 98% for pediatric utilization management requests. Medical Management prior authorization turnaround time has been improving; however, it did not achieve its monthly turnaround time goal of 95% in one of the six areas. The Department focused on hiring key positions to support operations and open positions have been filled within the pediatric team. It is anticipated that with the additional staffing, turnaround times will be met across all metrics.

Enhanced Care Management and Community Supports

Enrollment in *Enhanced Care Management (ECM)* services has been steadily increasing each month. The ECM team has successfully implemented a series of provider drop-in sessions. These sessions aim to create an additional form for ECM providers to build connections and share best practices in serving CenCal Health members. They also provide an opportunity to address programmatic and operational questions, as well as receive additional training and support on key aspects such as authorizations, assessments, care plans and reporting.

The Community Supports and Provider Relations teams conducted two virtual engagement sessions for potential Community Supports (CS) providers in September. The objective was to actively involve prospective CS providers by providing information on program eligibility, core services, and the referral process for Personal Care and Respite Services, helping providers better understand the role of a CS provider. Additionally, Medical Management is in the process of creating essential materials for both members and providers to aid in understanding of how to access all new Community Supports going live on 1/1/24, including *Short-Term Post Hospitalization*, *Day Rehabilitation*, *Respite*, and *Personal Care and Home Maker* services.

The Enhanced Care Management and Community Support teams remain dedicated to assisting providers with authorization submissions, member consultations, and providing technical support through both scheduled meetings and ad hoc requests. Additional detail on CenCal Health ECM and Community Supports are provided in Fact Sheets and CalAIM implementation is outlined within the CalAIM Program Memo.

Behavioral Health

Prior authorization continues to maintain service levels at 100% compliance for post-service and pre-service authorizations. Care Coordination teams are showing 96.1% (County Care Coordination) and 99.6% (Call Center) for service levels. The number of referrals to the county are trending upwards from the previous month. The overall rolling 12-month approval rate is 93.7% for all behavioral health requests.

The Behavioral Health Call Center monthly call volume decreased in September and the call center is compliant with their performance of average speed to answer, abandonment rate, and calls waiting. The department is working closely with both counties to support care coordination. CenCal Health has presented a standard operating procedure to both counties for maintaining the referral log, which includes turnaround time for providing updates on care coordination efforts.

Behavioral Health is working with Human Resources to recruit for the following open positions: Behavioral Health Representative (3), Business Data Analyst, Behavioral Health Community Integration Specialist (2) and Regulatory Liaison.

Pharmacy

In closing out the summer and moving into the Fall, the physician administered drugs (PADs) authorization volume in 2023 continues the upward trend experienced throughout 2022 and experienced double-digit growth since September 2022. Greater than half of the activity volume has come from the oncology space as a combination of chemo-therapeutic and chemo-supportive followed by the immunology. CenCal Health continues to follow this trend closely and support determinations through like-specialty match review. CenCal Health's biosimilar preferred benefit design across several oncology products and immunology now represents an ~80% market share. All cases were processed within regulatory time standards.

Medi-Cal Rx Update

The new commercial COVID-19 vaccines for the Omicron XBB1.5 variant are now a covered Medi-Cal Rx benefit. For members 6 months through 18 years of age, coverage of the vaccine will be available only through the Vaccines for Children (VFC) program. For members over 18 years of age the vaccine is available through the Medi-Cal Rx Program. The products remain federally funded.

Performance Division Report

Date: October 18, 2023

From: Chris Morris, MSOD, Chief Performance Officer

Contributors: Andrew Hansen, MBA, Operational Excellence Director
Joanna Hayes, Human Resources Director

Through: Marina Owen, Chief Executive Officer

Executive Summary

The following report provides updates surrounding the development and execution of Performance Division functions where applicable, including human resources, organizational development, strategic development, and operational excellence.

Human Resources

Talent Acquisition and Retention Update

As a result of Board approval of new FTE through the CY23 budget, total vacancy peaked at 22.3% in January 2023. Recruiting capacity was subsequently increased and vacancy currently sits at 12.5%, on track for staff's 9.0% goal by end of year.

Recruitment for the following senior leadership positions is underway:

- Data Analytics and Business Intelligence Director
- Program Development Director
- Provider Services Director

Voluntary turnover remains healthy at an annualized year-to-date average and 12-month rolling average of 9.8% and 9.9%, respectively, two-points below the CY22 average, and greater than 20 points below the industry average (Bureau of Labor Statistics). CenCal Health is committed to remaining an employer of choice for mission-driven professionals, through a thoughtful and competitive hybrid workforce strategy that meets the needs of our members, providers and community partners, and supports the collaboration and belonging needs of our team members.

Operational Excellence Update

Organizational Dashboard

Departmental submissions of Q323 Organizational Dashboard metric results are currently in process. Following receipt of all results, the Q323 Organizational Dashboard will be produced for your Board's consideration in January 2024.

2024 Strategy Execution Planning

The CEO and CPO have initiated 2024 strategy execution planning, including the selection of relevant working strategies from the 2023 – 2025 CenCal Health Strategic Plan for pursuit in 2024, and staff development of cross-functional teams will begin the 2024 CenCal Health Operating Plan development process. The 2024 Operating Plan will be shared for Board awareness in Q1 2024.

2023 Operating Plan Update

The 2023 Operating Plan is comprised of forty-two (42) tactics. To date, six (6) tactics have completed, one (1) has been deferred for reassessment at a later date, and the remaining thirty-five (35) are active. Of the active tactics, progress is as follows: 13 (37%) are between 0-25% complete, 10 (29%) are between 25-50% complete, 4 (11%) are between 50-75% complete, and 8 (23%) are between 75-100%. Additionally, 97% (n=34) of active tactics are in good health, and one (1) is at-risk of becoming off-track with planned mitigations as follow:

- Implement Population Health Management Capabilities – This tactic is intended to *reduce health disparities in our populations* by establishing a cohesive, multidisciplinary approach to case management, integrated across CenCal Health's business operations, to provide quality care all Medi-Cal members, regardless of their demographic or social circumstances. The development of dashboards to support additional health equity and utilization management insights is risk of not meeting scheduled timelines. This item is being actively monitored, and key progress has been made recently with the Population Health Management Dashboard being made available for user testing.

Next Steps

In Q1 2024, staff will provide the 2024 Operating Plan to the Board for acceptance.

Recommendation

This material is informational with no action being requested at this time.

Enclosure

1. September 2023 CenCal Health Operating Plan

2023 Operating Plan

September 2023

Organizational Tactics

Objectives

Priorities



Mission

To improve the health and well-being of the communities we serve by providing access to high quality health services, along with education and outreach, for our membership

Vision

To be a trusted leader in advancing health equity so that our communities thrive and achieve optimal health together

Advance the Organization

Maintain the Organization



Administrative and Government Affairs Report

Date: October 18, 2023

From: Michael Harris, Government Affairs and Administrative Officer

Contributors: Hon Chan, Senior Associate Counsel
Kaleb Madrid, Director, Administrative Services Department
Citlaly Santos, Director, Strategic Engagement Department

Through: Marina Owen, Chief Executive Officer

Executive Summary

In Washington, DC, the House of Representatives Speaker Kevin McCarthy (R-CA) was ousted in a historic vote. It is unclear who will be the new speaker. Also in Washington, the threat of a government shutdown was averted on the last day of September with only hours to spare. In Sacramento, the California Legislature has wrapped up its 2023 session, which concludes year one of a two-year legislative effort. Among the items that will go to Governor Gavin Newsom's desk are several healthcare-related items. Governor Newsom had until October 14 to sign the bills, veto them, or allow them to become law without signature.

The Administrative Services Department (ASD) continues to provide an emphasis on improving CenCal Health's contracting processes. The strategic emphasis is to develop a system that supports CenCal Health's departments and their vendors and does not create unnecessary bureaucracies and bottlenecks.

In other news, the Strategic Engagement Department continues with planning efforts for the 40th Anniversary Celebration/Provider Service Awards. Following a query to our Board of Directors regarding the event date and program, the event date is confirmed to be December 6, from 5:30 p.m. to 7:30 p.m. at the Hilton Santa Barbara Beachfront Resort. The next steps will be distributing Save the Dates and formal invitations and finalizing the program.

Background

Strategic Engagement Department (SED)

As mentioned above, following a last-minute agreement by bipartisan majorities in the House and Senate, President Joe Biden signed a 45-day continuing resolution (budget measure) to keep federal agencies open. The measure, pushed by the now ousted McCarthy, includes disaster relief funds and funding for some expiring federal health programs. Congress has until November 17 to resolve matters and potentially avoid

another shutdown, but the outlook for full fiscal year annual appropriations is uncertain. With the continuing resolution signed, Federally Qualified Health Centers, the National Health Service Corps program, teaching health centers, and graduate medical education were funded for the life of the bill. Several implications existed if a government shutdown had occurred.

Please refer to the attached report from CenCal Health's legislative advocate in Washington, DC, Paul Beddoe. Mr. Beddoe also discusses actions taken by CMS towards several states who, CMS believes, have not been judicious in their redetermination and subsequent disenrollments of Medicaid members.

With leadership and facilitation from Marina Owen, CEO, and the support of the Communications Department, the SED participated in a "visioning" meeting series to establish the vision for strategic communication, clarify roles and responsibilities of each department, and inventory core department work to align with current responsibilities and emerging functions. In addition, the sessions allowed the SED to set forth its mission and vision for the department. Following the visioning meeting series, several key responsibilities previously led by Communications were transitioned to SED, such as sponsorships and grants, the development of the annual Community Report, social media content management, and community outreach.

Administrative Services Department (ASD)

Working closely with the Legal Department, the ASD has been reviewing proposed template contracts and technological systems that can be used to improve CenCal Health's non-medical contracting function. Once implemented, these templates will enable CenCal Health to establish a standardized and more efficient procurement and contract workflow. These enhancements will drive efficiencies, reduce workload, expedite turnaround times, and mitigate potential risks for the company. CenCal Health currently contracts for just under 500 independent contractors. Again, this does not include medical contracts that are administrated through Provider Services.

Previously, CenCal Health staff had been working with Southern California Edison to implement electric car charging stations in CenCal Health parking lot. Unfortunately, not all of the required electrical infrastructure are in place which can allow that to move forward at this time. However, in line with CenCal Health's commitment to environmental and business responsibilities, the ASD is continuing a focus on reducing the company's carbon footprint. We've enlisted the expertise of a consulting firm to guide us in crafting a comprehensive plan in this domain. Staff anticipates further insights and progress on our sustainability initiative in the subsequent quarter.

Recommendation

There are no recommended actions being requested as part of this report.



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To: Marina Owen, Chief Executive Officer
Michael Harris, Government Affairs and Administrative Officer
CenCal Health

From: Russ Noack, Public Policy Advocates, Partner
Armand Feliciano, Public Policy Advocates, Partner

Subject: Legislative Update –October 2023

State Legislative Update

After a dash to the final drop of the gavel, the California Legislature finished the 2023 session late in the night on September 14. Many health care related items were taken up during the last phase of the session and have moved on to Governor Newsom's desk for further action. The Governor has until October 14 to either sign the bills into law, veto them or allow them to become law without signature.

As reported all year, improvements to the state's mental health system have been a top priority to Governor Newsom. After intense negotiations, the Legislature passed on a bipartisan basis two bills to realize the Governor's objectives of adding beds, housing, and increased drug addiction treatment options to address the homeless and drug crisis. [Senate Bill 326](#) by Susan Eggman would transform the existing system into the Behavioral Health Services Act, allocating an existing tax on the wealthy to treat the seriously mentally ill patients and to significantly increase programs to treat substance disorders. [Assembly Bill 531](#) by Jacqui Irwin would authorize the issuance of \$6.38 billion in bonds to construct affordable housing for the homeless and add beds for those with exigent severe mental health needs. Governor Newsom has announced he will sign these two bills and he is expected to be the active spokesperson for the bond measure which will be placed on the March 2024 Ballot.

The bill to increase the minimum wage of health care workers to \$25 an hour passed after the parties negotiated a last-minute compromise. [Senate Bill 525](#) by Maria Elena Durazo remains applicable to both direct patient care providers and to workers in support positions. However, the insertion of the late amendment of a four-year ban on ballot initiatives and referendums brought by unions or the health care industry against each other cleared the way for final passage.

Several other relevant health care measures that passed during the last days of the legislative process and have been sent to the Governor are set forth below.

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October 2023
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[Senate Bill 770 \(Wiener\)](#) is the single-payer “precursor” bill intended to require the State to seek a waiver from the federal government as an initial step to establishing such a program. Some of the health care plans are waging an aggressive effort to have this measure vetoed by Governor Newsom.

[Senate Bill 90 \(Wiener\)](#) would cap co-pays to a maximum of \$35 for a 30-day supply of insulin and prohibit health plans from placing a deductible on insulin prescriptions.

[Assembly Bill 719 \(Boerner\)](#) would authorize DHCS to require Medi-Cal plans to contract with public transport operators to establish reimbursement rates for nonmedical and nonemergency transportation to appointments when provided by these public operators.

[Assembly Bill 931 \(Irwin\)](#) would prevent a health plan or insurer from imposing a prior authorization requirement for the initial 12 physical therapy treatments.

Early In September, a collection of groups who supported the successful \$36 billion tax provision to add funds to Medi-Cal that passed in June in the context of the State Budget, announced a plan to make sure those monies will be restricted for the Medi-Cal program. The Coalition to Protect Access to Care has been created by the CMA, health plan organizations and other interested groups to place on the November 2024 Ballot an Initiative to make the tax permanent and to ensure it be used for various parts within the Medi-Cal safety net. The coalition must collect nearly 550,000 signatures by April 2024 to qualify for the November 2024 Ballot.

Paul V. Beddoe Government Affairs, LLC

811 4TH ST NW UNIT 911
WASHINGTON DC 20001-4925

To: Marina Owen, Chief Executive Officer
Michael Harris, Government Affairs and Administrative Officer
Citlaly Santos, Strategic Engagement Director
CenCal Health

From: Paul V. Beddoe, Principal
Paul V. Beddoe Government Affairs, LLC

Subject: Federal Report, October 2023

Situational Awareness

The House of Representatives approved a Motion to Vacate the Chair on October 3, removing Kevin McCarthy (R-CA) from the Office of Speaker of the House. The path forward is unclear.

Congress passed and the President signed a bipartisan Continuing Resolution (CR) which will fund the federal government through Nov. 17, including extensions of some critical health programs, but the path to full FY 2024 annual appropriations is also unclear at this point.

Impact of the CR on Federal Health Programs

Late on Sept. 30, the last day of the fiscal year, Congress enacted a 45 day CR, funding federal programs at current levels and without the deep cuts demanded by the most conservative members of the House majority. The CR also addressed funding for some expiring federal health programs, while leaving others in limbo.

Federally Qualified Health Centers, the National Health Service Corps program, teaching health centers and graduate medical education were funded for the life of the bill. The statutory cuts which were scheduled to apply to Medicaid disproportionate share hospital (DSH) allotments on Oct. 1, were also delayed for the duration of the CR.

Expiring programs that were not extended, pending full reauthorization, include the SUPPORT Act, the 2018 bipartisan opioid/substance use disorder package, and the Pandemic and All-Hazards Preparedness Act (PAHPA).

Had there been a lapse in appropriations, Medicare payments to providers would continue to flow, since they are not subject to appropriation, and federal Medicaid payments would continue to be made, at least for the first quarter. Having said that nearly half of the Centers for Medicare and Medicaid Services (CMS) staff would have been furloughed and this would doubtless slow rulemaking, waiver negotiations with states, and other business processes.

Congressional Scrutiny of Medicaid Managed Care

Congress continues to scrutinize managed care organizations. On Sept. 28, the top Democrats on the Senate and House committees overseeing Medicaid wrote to several of the largest commercial MCOs, with questions about their prior authorization practices. Senate Finance Committee Chair Ron Wyden (D-OR) and Energy and Commerce Committee Ranking Member Frank Pallone (D-NJ) sent the letters as part of an investigation in response to reports of high rates of denials. A recent HHS Inspector General report found that MCOs denied about one in eight prior authorization requests, a rate of 12.5 percent. This is more than double the Medicare Advantage denial rate.

Biden Harris Administration Actions

In late August, the HHS Office of Inspector General (OIG) released an updated report on Medicaid and Medicare managed care. Noting that the growth of managed care has significantly changed how the federal government pays for and covers health care for 100 million beneficiaries, OIG indicates that oversight of managed care will be a priority going forward. The strategy report outlines OIG plans to align audits, evaluations, investigations, and enforcement of managed care.

On Sept. 21, HHS announced it ordered thirty states, not including California, to pause removing beneficiaries from their Medicaid rolls for procedural reasons. HHS estimates that 500,000 people lost Medicaid or CHIP coverage due to faulty redetermination processes and would regain coverage under this new requirement. This followed an Aug. 30 CMS letter to all 50 states directing them to determine if their eligibility system was disenrolling people, especially children, from Medicaid or the Children's Health Insurance Program (CHIP) while still eligible.

Strategic Engagement Department (SED) Supplemental Report September Look-Back



Date: October 18, 2023

From: Citaly Santos, Strategic Engagement Director

Through: Michael Harris, Government Affairs & Administrative Officer

COMMUNITY OUTREACH

Sponsorship & Donation Program Report

CenCal Health's Sponsorship and Donation program aims to foster long-term collaborative partnerships with local nonprofits and other community partners whose mission is to serve vulnerable and low-income populations in our communities. These organizations provide a service that complements or enhances CenCal Health's services, or provides a secondary benefit to our membership.

CenCal Health committed funds to the following organization in September:

Organization Name	Event Name	Event Date
Big Brother Big Sisters of San Luis Obispo County	Dodge For a Cause	10/20/2023

Community Engagement Spotlight

Through community engagement and event participation, the SED seeks to:

- Position CenCal Health as an inclusive and trusted partner within the business and healthcare communities.
- Fulfill CenCal Health's vision and commitment to advance health equity so that our communities thrive and achieve optimal health together.
- Outreach to members and prospective Medi-Cal beneficiaries within our service areas.
- Promote health education.

The following image highlights a sponsored event supported by CenCal Health.

CenCal Health Ambassador Paula Bottiani and CenCal Health Board Member Supervisor Dawn Ortiz-Legg at the 5Cities Homeless Coalition's Empty Bowls Community Luncheon in Arroyo Grande. Supervisor Ortiz-Legg was a Celebrity Volunteer serving Lemony Chicken & Rice from The Greek restaurant.



SOCIAL MEDIA

CenCal Health uses social media platforms to communicate with our members, providers, staff, and communities. Platforms currently used include Facebook, Instagram, and LinkedIn.

September samples



CenCal Health Member Services' Health Navigators support a senior event

On September 13, CenCal Health Member Services' Health Navigators took their outstanding knowledge and support to the 2023 Young at Health Senior Fair in Santa Barbara. The event was hosted by the Housing Authority of the City of Santa Barbara and 2nd Story Associates. The Ambassadors distributed information related to CenCal Health as well as items such as oximeters to senior attendees.

Recognizing National Hispanic Heritage Month

September 15 to October 15 is recognized as National Hispanic Heritage Month! The heritage month begins on September 15 to align with the independence days of five Latin American Countries (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua). The month is a time to recognize and celebrate the influence and culture of the Hispanic communities.



PUBLIC RELATIONS

Multiple public relations tactics are currently in development, including press releases, nominations for special reports in local publications, and editorial pieces. The goals of these pieces include promoting and advancing our partnerships, the quality care rendered by our providers and stakeholders, the collective impact of our local safety net partners, and important Medi-Cal updates for our members and prospects.

Earned Media

In September, CenCal Health's 2023-2025 Strategic Plan earned a media mention in the Central Coast Medical Association (CCMA) monthly e-newsletter *The Pulse*.



San Luis Obispo Community Health Assessment. Members of the SLO Health Counts collaborative conduct a community health assessment for SLO County every five years. These findings are intended to inform a broader audience about the top health issues facing our community. In this report, many readers will find information significant to their areas of interest or concern. Among the findings, several stand out as especially notable. Click [Here](#) to read the report.



CenCal Health Shares its 2023-2025 Strategic Plan. The Strategic Plan for 2023-2025 is organized around CenCal Health's four main priorities - cultivate community partnerships; advance quality and health equity for all; expand its service role and reach; organize for impact and effectiveness. Tied to each priority are key objectives and multiple strategies to meet those objectives. One set of objectives and strategies is specifically directed to reducing health disparities in the local population.

Customer Experience Division Report

Date: October 18, 2023

From: Van Do-Reynoso, MPH, PhD, Chief Customer Experience Officer and Chief Health Equity Officer

Contributors: Eric Buben, Member Services Director
Nicolette Worley Marselian, Communications Director

Through: Marina Owen, Chief Executive Officer

The October 2023 report from the Customer Experience Division provides operational trends and initiatives in the Member Services and Program Developments. This report highlights a key update: CenCal Health received full incentive payment for the Jan - June Student Behavioral Health Incentive Program (SBHIP) Bi-Quarterly Report since our Local Education Agencies are on target with the stated targeted intervention.

Medi-Cal Expansion

Full-scope Medi-Cal will cover county residents of all ages effective January 1, 2024. County residents between the ages of 26-49 who were previously ineligible for Medi-Cal due to immigration status can now apply. Per the Department of Healthcare Services (DHCS), the estimated number of new members initially eligible and transitioning to Medi-Cal Managed Care for San Luis Obispo County is 2,550 and 14,057 for Santa Barbara County. In total, CenCal Health has the opportunity to cover 16,607 new members between the ages of 26-49.

CenCal Health has launched an internal team to focus on outreach efforts with external partners and our provider network. We will also focus efforts to maintain existing provider and patient relationships through passive enrollment of newly eligible members. Staff have been attending webinars to gain insights and tools on how to effectively engage with partners in outreaching to the eligible community members.

Membership and Medi-Cal Renewals

CenCal Health's aggregate membership as of October 4th is 229,709, which is a 1,910 decrease from September. As seen in the previous three months, substantial re-instatement is occurring from the beginning to end of each month during the renewal process, so this initial loss of membership as of October 1, 2023 is highly likely to reduce when reviewing final October enrollment. For example, a net loss from June to July finalized at 633 members but began as a 1,939 loss at the beginning of July. The 90-day

cure period allows members who lose eligibility to be reinstated upon meeting eligibility after the renewal packets are processed. Final October counts will be ready on November 3, 2023.

Renewal Packets are mailed to members 45-60 days prior to their renewal date. Member Services received 194 calls from members with questions about the renewal process in September 2023 and we provide guidance to advise members on next steps.

Communications and Member Services are using the scripts provided by DHCS in member discussions, social media posts, and website materials. CenCal Health is also implementing a focused outreach campaign to member based on when their redetermination is set to occur. CenCal Health continues to work closely with the Department of Social Services in both counties to ensure messaging is timed with renewal dates for each member and forwarding National Change of Address logs to both Counties through secure channels.

Member Services Performance

The call volume for August was 8,653, which is higher than 2022's monthly average of 7,939. The increase in calls is mostly due to members needing more information about the Medi-Cal renewal process. Calls requesting assistance with the Member Portal, including assistance with password reset and troubleshooting, have averaged 10+ minutes per call. Combined with the call center being short-staffed by two MSRs (1 in training, 1 leave), and scheduled and unscheduled PTO, the Average Speed to Answer (ASA) goal to answer 85% of calls within 30 seconds was not met at 82% in September. There was a significant improvement experienced in ASA due to the lower call volume. Member Services is looking at increasing call center staffing to address the higher average call volume being experienced.

The abandon rate still exceeded the goal of 5% or less at 2.9%. The call center successfully met the goal of tracking 95% of queue calls answered with a September score of 95%. Grievance and appeal volume remained in control with usual volume and all turnaround times for grievances and appeals were all met.

Customer Service week is the first full week of October each year. On September 28th, the CenCal Health Member Services Team were acknowledged through the department's Employee Recognition Program for their empathy, compassion, and dedication to our customers both, internally and externally. The team shared an onsite team lunch for the great customer service they provide every day.

Program Development

Student Behavioral Health Incentive Program (SBHIP)

CenCal Health received the full incentive payment for the Jan - June Bi-Quarterly Report since Local Education Agencies are on target with the stated and planned interventions. CenCal Health earned \$221,901 for San Luis Obispo County and \$542,807 for Santa Barbara County, for a combined total of \$764,708. Additional information about the SBHIP program is detailed in a separate memo.

Housing and Homelessness Incentive Program (HHIP)

Staff are working on awarding \$3.26M to seven providers serving San Luis Obispo County and \$2.0M to four providers serving Santa Barbara County. CenCal Health continues to collaborate with partners to monitor progress made towards metrics and measurements outlined in the first funding agreement, as this data will be used to report to DHCS, resulting in the final round of funding for HHIP from DHCS.

Health Equity

September efforts in our health equity program included assembling the team to discuss implementation of APL 23 - 025, which details diversity, equity, and inclusion training requirements and presenting at community forums on Medi-Cal expansion to remaining eligible community residents.

Recommendation

The Customer Experience Division report is informational, and no action is requested.

Communications September 2023 Look Back



To: CenCal Health's Board of Directors
From: Nicolette Worley Marselian, Director, Communications & Community Relations
Date: October 6, 2023

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Medi-Cal Renewal Retention Campaign in Full Swing

As of September, all planned Redetermination (renewal) retention efforts have begun. These tactics include:

- Text and voice messages to members in their renewal period, newly disenrolled, and those with undeliverable mailing addresses or forwarding orders.
- Reminders in existing, recurring member mailings and member-focused newsletters.
- Dedicated microsites KeepCenCal.org and MantengaCenCal.org.
- Distributing informing materials to community-based organizations and providers.
- Speaking at multiple community meetings, provider meetings, and more.
- Collaboration ongoing with local DSS officials.

As a reminder, DHCS has set up a dashboard with monthly renewal results here.



California Expands Medi-Cal to Cover All Residents Regardless of Immigration Status

Uncovered can apply now for Jan. 1 full-scope coverage

On January 1, 2024, California will become the first state in the nation to expand Medicaid (Medi-Cal) to all residents who meet eligibility requirements, regardless of immigration status.

The Department of Social Services is already accepting applications for a January 1 effective date. In December, the state will also send letters to those newly qualifying who are currently on restricted (emergency services) Medi-Cal, informing them they are being automatically enrolled in full-scope or Share of Cost Medi-Cal. Those enrolled in full-scope Medi-Cal will become CenCal Health members.

The Communications department is outreaching to providers and CBOs, informing them on how they can help their patients without health coverage apply now! A new FAQ document and website revisions are ready now.

Medi-Cal Expansion FAQs

- 1 How is Medi-Cal being expanded?**
As of January 1, 2024 all county residents, regardless of immigration status, will be eligible for Medi-Cal.
- 2 Does enrollment in full-scope Medi-Cal affect residence in a nursing home or mental health facility?**
Using Medi-Cal benefits (except for nursing home or mental health services) does not affect someone's eligibility for state-funded benefits, their information, or their ability to receive services.
- 3 Is there a special application for this expansion?**
No. The normal Medi-Cal application and process is used.
- 4 When can this population begin applying to full-scope Medi-Cal?**
Immediately! The Department of Social Services (DSS) is ready to accept applications.
- 5 How can residents living in Santa Barbara County apply?**
There are several ways:
 - Online by creating a user account on www.BenefitsCal.ca.gov
 - Sending a request to the DSS at DSSoctopus.com
 - Calling the Santa Barbara County DSS toll-free at 844-288-2888
 - Visiting the DSS office nearest the applicant:

Lompoc:
1100 W. Laurel Ave

Santa Barbara:
234 Camino Del Remedio,
Santa Barbara, CA 93101

Communications September 2023 Look Back



CenCal HEALTH
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To: CenCal Health's Board of Directors
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MATERIALS

Communications created a variety of collateral materials, focused on members and providers to fulfill the 2024 Contract or NCQA requirements. Samples are included below.

Member-focused

Please note that all member-focused materials are bilingual in English and Spanish.

Member Rights & Responsibilities

Member Services requested a letter that would be implemented in the New Member Packet for the 2024 Contract and NCQA requirements. This piece educates members on the Rights and Responsibilities they have to ensure a good relationship between them, their providers, and their health plan.

Our Member Rights & Responsibilities

Good health care starts with having a good relationship with your doctor, their staff and your health plan.

As a CenCal Health member, you have many rights that we want you to know about. You also have responsibilities and both are very important for you to know and understand. Below we have outlined your responsibilities.

CenCal Health member rights are as follows:

1. To be treated with respect and recognition of their dignity giving due consideration to the Member's right to privacy and the need to maintain confidentiality of the Member's protected health information (PHI) and privacy authorization (PI).
2. To be provided with information about CenCal Health's organization, its practitioners and providers. Member rights and responsibilities, and all services available to Members. PCP is unavailable or is not accepting new patients.
3. To be able to choose their Primary Care Provider (PCP) within CenCal Health's network unless the PCP is unavailable or is not accepting new patients.
4. To participate in decision making regarding their health care, including the right to refuse treatment.
5. To submit grievances, either verbally or in writing, about CenCal Health, providers, care received, and any other expression of dissatisfaction that related to an Adverse Benefit Determination.
6. To request an appeal of an Adverse Benefit Determination within the calendar days from the date of the notice of Adverse Benefit Determination (NABD) and how to continue benefits during the appeal process through the State Fair Hearing, when applicable.
7. To request a State Fair Hearing, including information on the circumstances under which an expedited State Fair Hearing is available.
8. To receive interpretation services and written translation of critical informing materials in their preferred threshold language including oral interpretation and American Sign Language.
9. To have a valid Advance Directive in place, and an explanation to Members of what an Advance Directive is.
10. To have access to family planning services, sexually transmitted disease services, from a provider of their choice, without referral or prior authorization, either in or outside of CenCal Health's network. To have emergency services provided in or outside of CenCal Health's network, as required pursuant to federal law.
11. To have access to Federally Qualified Health Centers (FQHC), Rural Health Clinics (RHIC) and Indian Health Service Facility (IHS) Program outside of CenCal Health's network, pursuant to federal law.
12. To have access to and receive a copy of their medical records, and request that they be amended or corrected as specified in 45 CFR sections 164.524 and 164.526.

Finally!

Access you need, when you need it!

CenCal Health now offers personal Member Accounts so that you can view and manage your Medi-Cal membership benefits securely anytime from the comfort and privacy of your home or while on the go.

• Update your address & phone number
• View important health appointments you should schedule
• View your PCP's information
• And more!

Create your free account today, open your mobile phone's camera & point it to this QR code, then click the link.

You can also visit www.cencalhealth.org and click on Member Login to learn more about the benefits of having an account and to sign up.

Member Portal Info Card

Earlier in 2023, Member Services requested a Member Portal self-mailer to inform members on the Member Portal and how they can create a free account. These self-mailers have been stuffed in the New Member Packets, but we are sunsetting the mailer for a less expensive piece.

The Communications Department re-laid out the self-mailer so that it is an information card, and will be included in New Member Packets.

Welcome Letter SPD NO

Several pieces of the New Member Packet need revising for 2024.

Welcome to CenCal Health

Why am I getting this?
You were recently enrolled in Medi-Cal. CenCal Health is the Medi-Cal health plan in Santa Barbara and San Luis Obispo counties. Once your local Department of Social Services determined you were eligible for Medi-Cal, you became a member of CenCal Health. It is our job to make sure you get access to the health care you need.

What is a Primary Care Provider (PCP)?
This is the doctor who will provide most of your care. They check your shots, and provide prescriptions. Your PCP will also send you the right kind of specialist to our network when you need one.

You will need to choose a PCP within 30 days, or we will choose one for you.

When you join CenCal Health, we want you to see your PCP at least the first three months of membership.

If you have Part B Medicare you can go to any doctor with your Medicare as long as they accept Medicare and you are receiving a Medicare benefit. You can also choose a PCP that accepts both Medi-Cal and Medicare... this will make getting care easier and more affordable.

What if I need help?
You can call CenCal Health's Member Services Department at our toll-free telephone number: 1.877.834.1861 (CA only) at 7:00 AM to 7:00 PM, Monday through Friday 8 a.m. - 5 p.m. We can answer any questions you have about your new CenCal Health plan.

Communications September 2023 Look Back



CenCal HEALTH
Local. Quality. Healthcare.

To: CenCal Health's Board of Directors
From: Nicolette Worley Marselian, Director, Communications & Community Relations
Date: October 6, 2023

Member-focused (cont.)

Welcome Letter SPD YES

Several pieces of the New Member Packet need revising for 2024.



Welcome to CenCal Health

This packet is for new members and includes the following items:

- A Fax Start Guide to getting the care and benefits you need.
- A notice on how to view, download, or request a paper copy of our Member Handbook, Provider Directory, or Formulary.
- A Primary Care Provider (PCP) Selection Form and a return postage paid envelope.
- Please choose a doctor from our network of providers, write the doctor's name on that form, and mail it back to us in the postage paid envelope.
- A Provider Directory that lists PCPs and specialists in the CenCal Health network.
- A Health Survey Tool that helps our case management nurses help you with your health care needs. Please fill it out and return it, along with your completed PCP Selection Form, in the same postage paid envelope.
- A brochure that tells you where you can get urgent care when your PCP's office is closed.

A temporary CenCal Health ID card for this month was already mailed to you. When you choose a PCP, a new ID card with your new doctor's name will be sent to you. Please carry the new card and your Medi-Cal card (BC) at all times and show them when you get care or prescription drugs. You can call CenCal Health's Member Services departments at our toll-free telephone number, 1-877-814-1861 (CA Relay at 711 or TTY at 1-833-556-5660) Monday through Friday 8 a.m. to 5 p.m. We can help you choose a PCP and answer any other questions you may have about this packet or about your new CenCal Health plan. If you have Part B Medicare, you can go to any doctor with your Medicare coverage as long as the doctor accepts Medi-Cal and Medicare—this will make it easier and more affordable for you to receive your medical care. Sincerely,

IMPORTANT NOTICE

- Please read this. It tells you how to:
- View important documents on our website
- Download these documents
- Request to receive these documents in print through the mail

Dear member:

CenCal Health offers the newest versions of the documents listed below online. You can view or download these documents anytime on our website at www.cencalhealth.org.

Member Handbook/Evidence of Coverage
This book lists all of the Medi-Cal benefits offered to you and/or your child. It explains the benefits and services covered by CenCal Health. You can find it here: www.cencalhealth.org/mh.

Provider Directory
CenCal Health contracts with many primary care providers, specialists, pharmacists, and hospitals near you. The Provider Directory lists these providers, their addresses, and contact information. You can find it here: www.cencalhealth.org/providerdirectory.

Medi-Cal Rx's Contracted Drug List (CDL)
This is a list of medications that the Medi-Cal Rx Program covers when your doctor prescribes it. You can only request a copy of the CDL document through Medi-Cal Rx. You can find it here: www.cencalhealth.org/mh/medrx or you can call 1-800-977-2273.

Medi-Cal for Kids & Teens: Your Medi-Cal Rights
You can also ask us to mail you printed versions of the Member Handbook/EOC and the Provider Directory at any time. Just print off the card below fill out both sides, and drop it in the mail. No postage stamp is needed. We will mail you printed copies within five business days of when we get your request.

You can also call our Member Services departments Monday - Friday 8 a.m. - 5 p.m. at 1-877-814-1861 (TTY 1-833-556-5660 or 711) to ask us to send you printed versions.

Clearly fill and then mail this envelope to our address:

Please mail the following items:
Por favor envíe los siguientes documentos/ Por favor envíe los siguientes documentos:

First & Last Name/Nombre y Apellido: _____

Mailing Address/Dirección de Correo: _____ ZIP/Código Postal: _____

City & State/Ciudad y Estado: _____

Member Handbook/Evidence of Coverage/Manual para Miembros/Evidencia de Cobertura

Provider Directory/Directorio de Proveedores

11-24-23 10-10-23

Important Notice Document

The Important Notice Document that is included in New Member Packets was revised. It also reflects an increased emphasis on Initial Health Appointments (formerly Assessments) happening for all new members within the first four months of enrollment.

QR codes are increasingly used on pieces, and focus groups held recently by the California Health Care Foundation found a high degree of familiarity of QR codes among both English and Spanish speakers.

Fall Member Newsletter

The Health Promotion department requested an additional issue of the Member Newsletter. The fall edition topics included vaccinations, keeping Medi-Cal and CenCal Health coverage, family planning methods, mental health services, and much more.



It's vaccination time: Stay protected!

With the fall season around the corner, it is important that everyone age six months or older receive their COVID-19 vaccination and yearly influenza (flu) shot. Let's work together to keep our communities healthy! Getting vaccinated against the flu and COVID-19 is the best way to protect our communities from severe illness, hospitalization, and death. Flu and COVID-19 vaccinations are very important for people who are at higher risk for serious complications such as:

- Children younger than 5
- Pregnant individuals
- Adults 65 and older
- People with certain chronic health conditions, such as diabetes, heart disease, and asthma

You can safely get a COVID-19 and flu vaccine at the same time. Getting multiple vaccines at the same time also means fewer appointments and periods of pain and less discomfort. Remember to take care of yourself!

Call and make an appointment to meet your new doctor!

Call your Primary Care Provider (PCP) right away and schedule an appointment for some time in the next four months.

This new patient exam, also called initial health appointment, will include:

- A free examination
- Information about when to have tests or immunizations
- Some questions about health problems you may be at risk for at your age.
- A chance to meet your new doctor and medical staff.

Everyone should have a health check-up once a year!

1. Call your PCP today. The phone number is on your ID card.

2. Tell the office you are a CenCal Health member and need an initial exam.

3. If you have children that are new to the doctor, and have not had their check-ups in the past 12 months, make an appointment for them, too!

Bring this information with you to your first visit:

- Names of medications you are taking
- Immunization record for you or your children
- Names of doctors or clinics where you have received care

Need Help?

Meet Your New Doctor insert

As part of the 2024 Contract, verbiage on the Meet Your Doctor was revised. It also reflects an increased emphasis on Initial Health Appointments (formerly Assessments) happening for all new members within the first four months of enrollment.

Communications September 2023 Look Back



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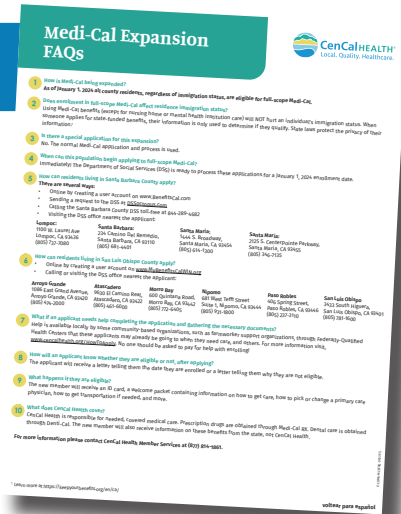
To: CenCal Health's Board of Directors
From: Nicolette Worley Marselian, Director, Communications & Community Relations
Date: October 6, 2023

Provider-focused

Please note that most of the provider-focused materials are in English; the exception is the Medi-Cal Expansion FAQ that is bilingual in English and Spanish.

Medi-Cal Expansion FAQ

The Communications Department created a Medi-Cal Expansion FAQ to inform providers and CBOs that as of January 1, 2024, county residents can be eligible for full-scope Medi-Cal regardless of immigration status. The FAQ helps guide those assisting with Medi-Cal applications on the details of the expansion, how applicants can apply, and more.

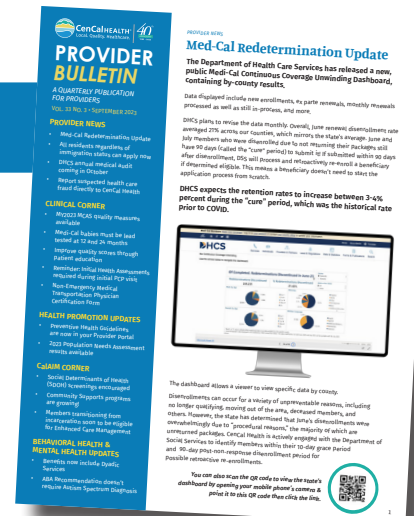


SAVE THE DATE

We developed a variety of materials to support an upcoming anniversary event.

PROVIDER BULLETIN - Q3

Also produced this month were the print and digital versions of the quarterly Provider Bulletin, which informed the network on Medi-Cal Redetermination, Medi-Cal expansion, Non-Emergency Medical Transportation benefits to members, upcoming Community Supports programs, and many more topics!



CENCAL HEALTH CALENDAR 2022 - 2023 MEMBER SERVICE TELEPHONE STATISTICS

AGGREGATE CALL VOLUME FOR HEALTH PLAN (CHART #1) AGGREGATE AVERAGE SPEED TO ANSWER (CHART#2)

Reporting period:

September 2023 - Calendar 2023 Chart #1

Monthly Call Volume

- In Control
 Not In Control

September's call volume PTMPY is in of control with 2022's Mean.

September 2023:

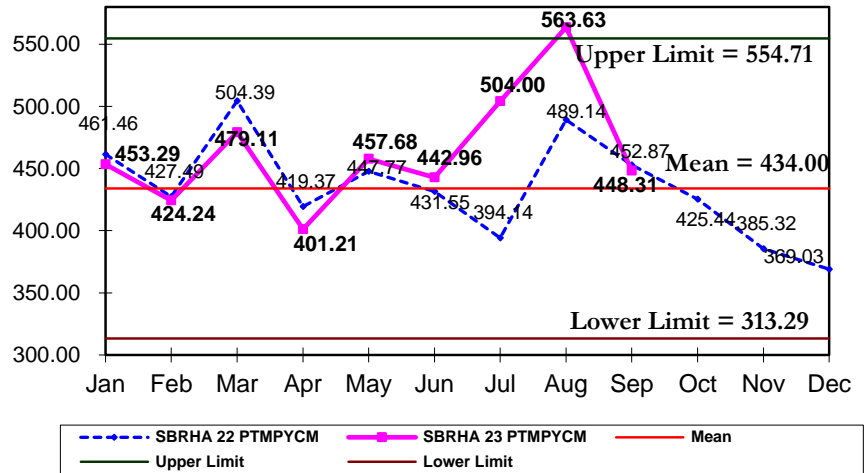
Member Queue = **7,191**
Provider Queue = **1,162**
Non ACD = **300**
Aggregate Call Volume = **8,653**

Calls per 1,000/month (PTMPM) = **37.36**
Calls per 1,000/year (PTMPY) = **448.31**

Analysis:

The HRA survey mailings and calls have become more consistent, resulting in a decrease in September call volume that aligns with the 2022 mean.

CenCal Health Member/Provider Aggregate Call Volume -
2022-2023 Calendar Current Month



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
22 Members	211,466	212,410	213,193	214,434	218,712	219,425	220,370	222,637	224,038	225,310	227,342	227,9915
Call Volume	8,132	7,567	8,961	7,494	8,161	7,891	7,238	9,075	8,455	7,988	7,300	7,009
PTMPYCM	461.46	427.49	504.39	419.37	447.77	431.55	394.14	489.14	452.87	425.44	385.32	6,722
23 Members	229,679	231,154	231,832	233,532	235,109	235,685	234,379	234,132	231,619			
Call Volume	8,676	8,172	9,256	7,808	8,967	8,700	9,844	10,997	8,653			
PTMPYCM	453.29	424.24	479.11	401.21	457.68	442.96	504.00	563.63	448.31			

September 2023 - Chart #2

Monthly Average Speed to Answer

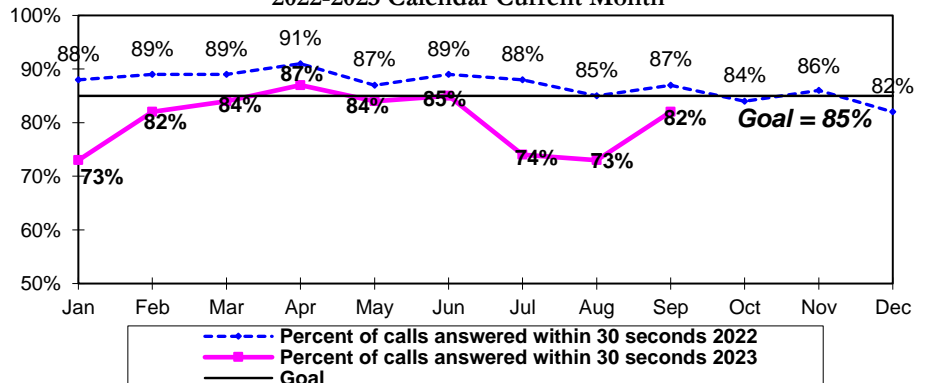
- Exceeding Goal
 Meets Goal
 Not Meeting Goal

Average Speed to Answer Goal = 85% of Calls Answered Within 30 Seconds

September's score = **82%**
MS queue calls handled: **8,018**
MS queue calls abandoned: **236**
MS queue calls answered within 30 seconds: **6,664**
*ASA excludes 30sec short abandoned (116); to VM (97)

The call center averaged 433 daily calls in September 2023. Member services at full-staff answers 425-450 calls/day. Had 1 MSR in training and 1 LOA, thus impacting ASA significantly.

CenCal Health Aggregate Average Speed to Answer -
2022-2023 Calendar Current Month



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Answered in 30 seconds or less 2022	88%	89%	89%	91%	87%	89%	88%	85%	87%	84%	86%	82%
Answered in 30 seconds or less 2023	73%	82%	84%	87%	84%	85%	74%	73%	82%			

September Analysis: The call center experienced 11 calls in queue over 10 minutes. This can be attributed to automated (Intrado) new member welcome calls and HRA calls to members for health survey reminders which allows a larger volume of member calls to connect directly to the call center creating a backlog of calls at one.

Additionally, Member Portal calls to assist with password reset and troubleshooting have averaged 10+ minutes making agents unavailable to assist the backlog of calls in queue. Combined with the call center being short-staffed by 2 MSRs (1 in training, 1 Leave), scheduled and unscheduled PTO, the average speed to answer goal of 85% was not achieved with an average speed to answer of 82% in September 2023, a significant improvement experienced with less call volume.

CENCAL HEALTH CALENDAR 2022 - 2023 MEMBER SERVICE TELEPHONE STATISTICS

AGGREGATE MONTHLY ABANDON RATE (CHART #3) AGGREGATE MONTHLY CALL CODING PERCENTAGE (CHART#4)

September 2023 - Chart #3

Monthly Aggregate Abandon Rate

- Exceeding Goal
- Meets Goal
- Not Meeting Goal

CenCal Health Goal = 5% or less

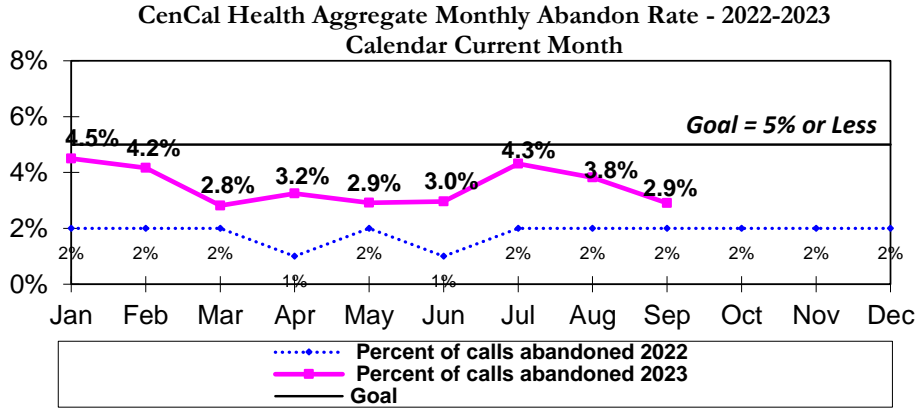
- Goal changed from 3% to reflect organizational goal that more closely aligns with industry standards for abandon rate and definition for abandon rate across all Plan phone queues.

MS Aggregate queue calls: **8,254**

Abandoned Calls: **236**

*Excludes calls to VM (97)

Percent of calls abandoned in September 2023 = **2.9%**



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
% of Abandoned Calls 2022	2%	2%	2%	1%	2%	1%	2%	2%	2%	2%	2%	2%
% of Abandoned Calls 2023	4.5%	4.2%	2.8%	3.2%	2.9%	3.0%	4.3%	3.8%	2.9%			

September 2023 - Chart #4

Monthly Aggregate Calls Coded

- Exceeding Goal
- Meets Goal
- Not Meeting Goal

Goal for Percentage of Coded Calls = 95%

Queue Calls Handled: **8,018**

Queue Calls Coded: **7,636**

Percentage of calls coded in September 2023 = **95%**

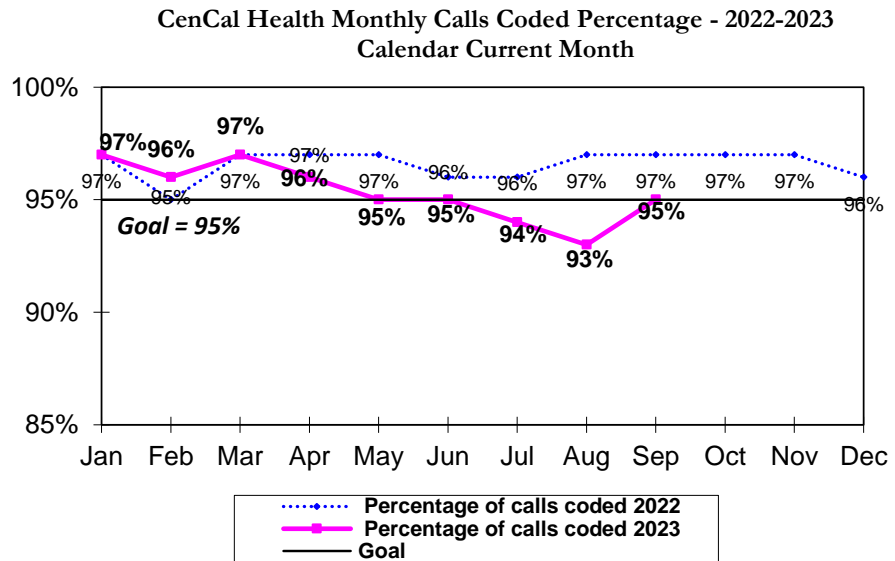
Total Issues Coded: **9,722**

*Calls may have more than one category.

Top 5 Call Categories:

Category	Calls	% of Total
Eligibility	3,112	32%
PCP Selection	1,496	15%
Member Request	982	10%
Benefits	874	9%
Transfer	859	9%

*Miscellaneous = calls dropped/disconnect or N/A to a preset category.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Percentage of Calls Coded 2022	97%	95%	97%	97%	97%	96%	96%	97%	97%	97%	97%	96%
Percentage of Calls Coded 2023	97%	96%	97%	96%	95%	95%	94%	93%	95%			

September Analysis:

- Eligibility Calls – 51% Eligibility verification, 35% Referred to DSS/SSA, 8% Coordination of Benefits (OHC) Verification.
 - **194 Calls from members with questions about the DHCS Re-Determination process.** An increase from 65 calls in August.
- Member Requests – 46% Demographic update, 37% **Survey/Mailing Response (366 HRA-related calls).**
- Benefits – 34% Dental, 13% Specialists (Mostly asking for list of/contact information for OBGYNs and Neurologists), 9% Vision.
- Transferred Calls – 43% to the Medical Management Department, 22% Ventura Transit (Transportation), 14% to the Behavioral Health Department.
- Member Portal – There were 61 calls for assistance with the member portal, mostly creating a new account or resetting a password.
- **Provider Calls Coded (1,345) = 14% of all calls tracked.** 70% were for Eligibility, 13% were transferred out of Member Services (Mostly to Claims & Medical Management) and 8% for PCP selections.

CENCAL HEALTH - CALENDAR 2023
CENCAL HEALTH MONTHLY ENROLLMENT BY PROGRAM

MEMBER ENROLLMENT BY MONTH: SEPTEMBER 2023 – SBHI & SLOHI

Reporting period:

September 2023 – Calendar 2023

SBHI Monthly Enrollment 2023

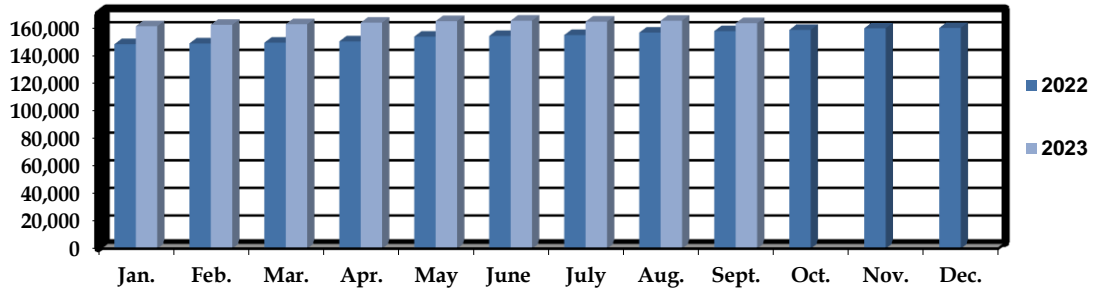
September 2023 = 163,312

Membership decreased by a net 1,785 members when compared to last month.

New members for September = 1,572

Medi-Cal Annual Redeterminations for all beneficiaries with the end of the PHE are underway. Monthly mailings are sent 60 days prior to the member's redetermination date. DHCS is mailing renewal packets or auto-approval letters to beneficiaries.

SBHI Member Enrollment by Month



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022 Members	148,119	148,657	149,203	150,143	153,555	154,077	154,717	156,487	157,558	158,413	159,679	159,913
2023 Members	161,132	162,167	162,579	163,706	164,805	165,143	164,464	165,097	163,312			

SLOHI Monthly Enrollment 2023

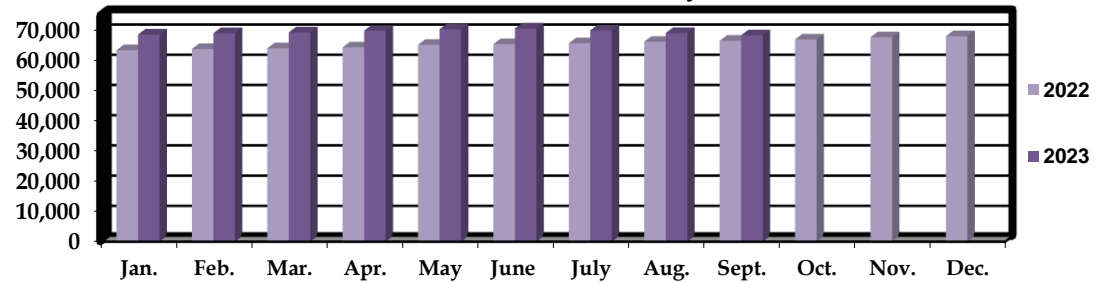
September 2023 = 68,307

Membership decreased by a net 728 members when compared to last month.

New members for September = 844

Medi-Cal Annual Redeterminations for all beneficiaries with the end of the PHE are underway. Monthly mailings are sent 60 days prior to the member's redetermination date. DHCS is mailing renewal packets or auto-approval letters to beneficiaries.

SLOHI Member Enrollment by Month



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022 Members	63,347	63,753	63,990	64,291	65,157	65,348	65,653	66,150	66,480	66,897	67,663	68,002
2023 Members	68,547	68,987	69,253	69,826	70,304	70,542	69,915	69,035	68,307			

CENCAL HEALTH - CALENDAR 2023 CENCAL HEALTH MONTHLY ENROLLMENT BY PROGRAM

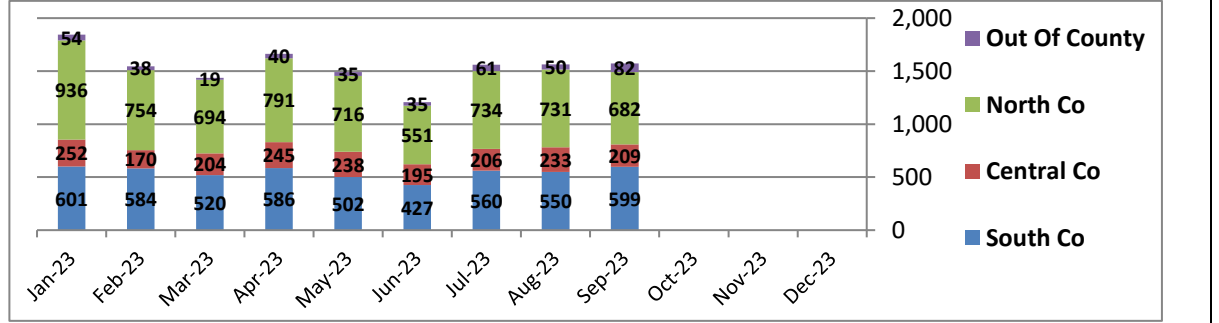
SANTA BARBARA NEW MEMBER ENROLLMENT BY MONTH: SEPTEMBER 2023

Reporting period:

September 2023 – Calendar 2023

Santa Barbara County New Member Enrollment by Area

September 2023 = 1,572



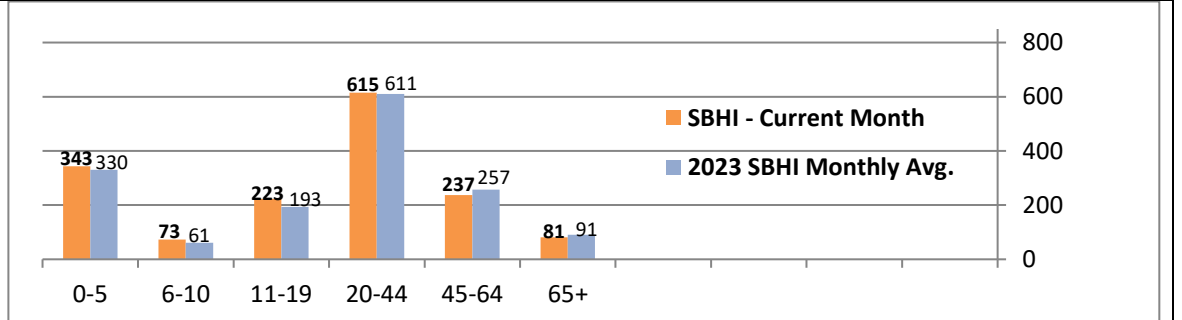
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022 New Members	1,611	1,318	1,494	1,599	3,825	1,245	1,362	2,293	1,895	1,648	1,706	1,271
2023 New Members	1,843	1,546	1,437	1,662	1,491	1,208	1,561	1,564	1,572			

SANTA BARBARA NEW MEMBER ENROLLMENT BY AGE: SEPTEMBER 2023

Santa Barbara County New Members by Age

September 2023 = 1,572

Most growth came from the age group of 20-44 with 615.



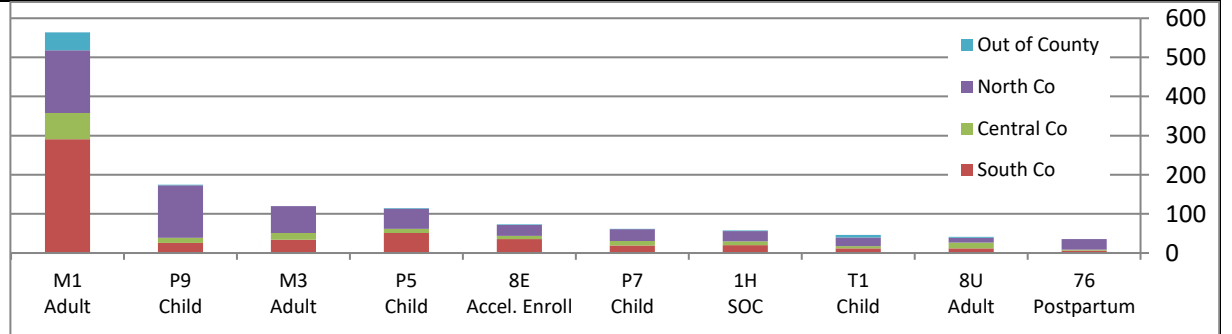
New Members by Age	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0-5	341	311	339	352	312	276	327	367	343			
6-10	52	50	47	73	66	50	70	70	73			
11-19	200	203	185	249	165	157	157	202	223			
20-44	795	677	569	634	585	455	615	551	615			
45-64	346	229	241	261	261	187	276	273	237			
65+	109	76	56	93	102	83	116	101	81			

SANTA BARBARA NEW MEMBER ENROLLMENT BY TOP 10 AID CODES: SEPTEMBER 2023

Santa Barbara County New Members by Top 10 Aid Codes

September 2023

M1 – Most common at 564 new members.



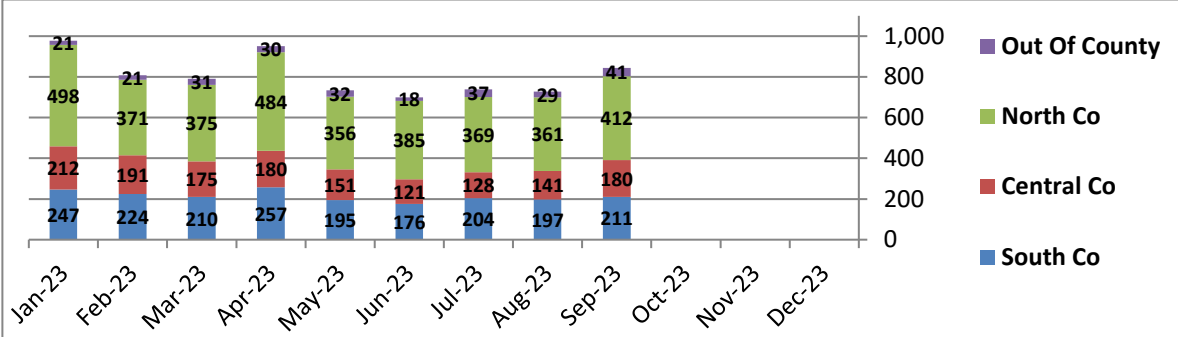
Aid Code	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
M1	522	515	539	587	519	428	614	583	564				4,871
P9	208	189	204	211	162	159	170	231	175				1,709
M3	155	118	129	171	167	102	128	93	120				1,183
P5	117	99	97	137	128	87	120	137	115				1,037
8E	39	47	44	40	29	17	32	29	73				350
P7	39	37	43	58	51	47	47	47	62				431
1H	95	51	40	67	81	65	91	81	58				629
T1	39	40	34	39	17	34	30	40	46				319
8U	31	24	40	29	35	33	38	37	41				308
76	281	169	43	37	60	36	32	42	36				736

CENCAL HEALTH - CALENDAR 2023 CENCAL HEALTH MONTHLY ENROLLMENT BY PROGRAM

SAN LUIS OBISPO NEW MEMBER ENROLLMENT BY MONTH: SEPTEMBER 2023

**San Luis Obispo County
New Member Enrollment by
Area**

September 2023 = 844



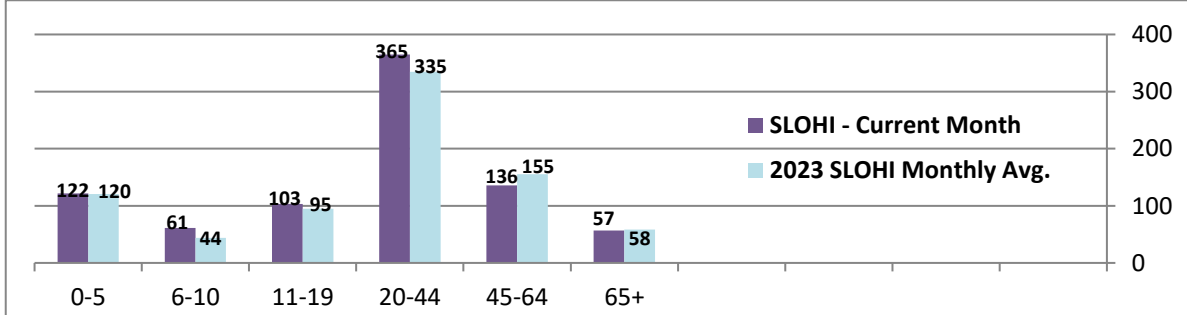
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022 New Members	893	762	797	764	1,172	608	659	852	793	819	939	796
2023 New Members	978	807	791	951	734	700	738	728	844			

SAN LUIS OBISPO NEW MEMBER ENROLLMENT BY MONTH: SEPTEMBER 2023

**San Luis Obispo County
New Members by Age**

September 2023 = 844

Most growth came from the age group of 20-44 with 365.

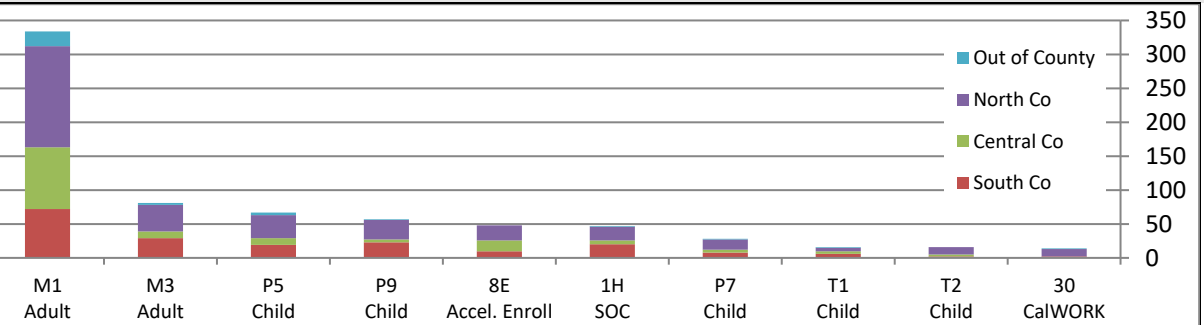


New Members by Age	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0-5	128	117	102	141	118	114	112	130	122			
6-10	51	41	36	52	39	41	34	39	61			
11-19	92	93	85	138	75	79	96	95	103			
20-44	428	353	338	368	282	296	295	287	365			
45-64	202	150	176	185	158	127	142	123	136			
65+	77	53	54	67	62	43	59	54	57			

SAN LUIS OBISPO NEW MEMBER ENROLLMENT BY TOP 10 AID CODES: SEPTEMBER 2023

**San Luis Obispo County
New Members by Top 10
Aid Codes**

September 2023
M1 – Most common at 334 new members.



Aid Code	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
M1	424	380	360	397	310	278	288	275	334				3,046
M3	77	50	66	93	60	70	66	72	81				635
P5	67	52	45	74	53	52	56	52	67				518
P9	51	55	47	66	52	55	50	56	57				489
8E	41	24	37	23	13	19	29	34	48				268
1H	62	40	38	48	46	32	47	42	47				402
P7	24	20	15	28	21	13	16	30	28				195
T1	21	38	35	33	21	20	29	30	16				243
T2	10	11	7	27	6	7	4	3	16				91
30	12	8	10	12	10	16	16	17	14				115

CENCAL HEALTH

2023 MEMBER GRIEVANCE SYSTEM GRIEVANCE & APPEAL RECEIPTS

MEMBER GRIEVANCES & APPEALS

Reporting period:

September 2023 - Calendar 2023

- In Control
- Not in Control

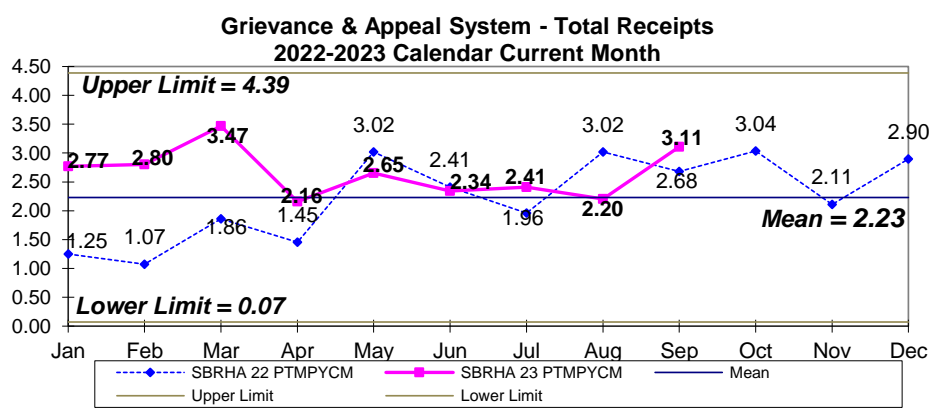
September's PTMPY for grievance and appeals was **3.11**, slightly above 2022's Mean of 2.23 and in control.

September Grievance/Appeals = 43

- Quality of Care – 19
- Appeals – 14
- Access – 8
- Administrative – 8
- Interpersonal – 6
- Benefits – 5

Of the **60** grievances/appeals filed:

- 51 = SBHI 85% of the aggregate volume (PTMPM: 0.31)
- 9 = SLOHI 15% of the aggregate volume (PTMPM: 0.13)

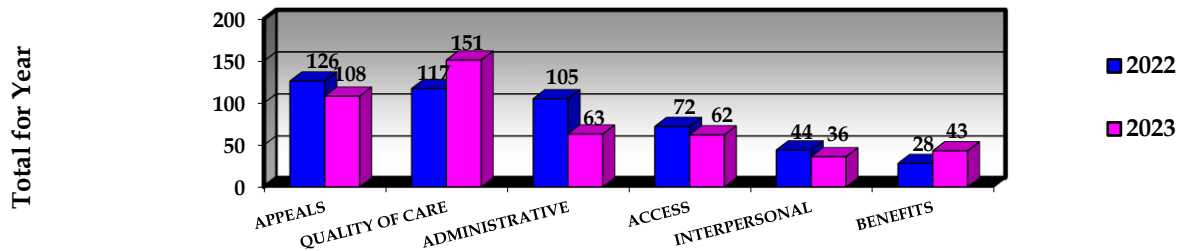


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
CenCal 22 Mbrshp	211,466	212,410	213,193	214,434	218,712	219,425	220,370	222,637	224,038	225,310	227,342	227,915
CenCal G&A Issues	22	19	33	26	55	44	36	56	50	57	40	55
CenCal PTMPYCM	1.25	1.07	1.86	1.45	3.02	2.41	1.96	3.02	2.68	3.04	2.11	2.90
CenCal 23 Mbrshp	229,679	231,154	231,832	233,532	235,109	235,685	234,379	234,132	231,619			
CenCal G&A Issues	53	54	67	42	52	46	47	43	60			
CenCal PTMPYCM	2.77	2.80	3.47	2.16	2.65	2.34	2.41	2.20	3.11			

September Analysis and Trends:

- * **QOC Grievances:** 9 PCP, 9 Specialists, 1 Behavioral Health. Various perceived quality of care concerns/reasons with most issues stemming from member concerns that the provider inadequately addressed their concerns/conditions. There were 6 QOC issues regarding a change in medication and 2 for delays in authorization. No trends.
- * **Appeals:** 10 TAR appeals: 4 Various outpatient services including with no trends; 2 RMB, 1 DME for a CPAP machine, 1 Physical therapy, 1 Private duty nurse, 1 BH for psychological testing with no trends. 4 RAF appeals: 3 to out of area providers (1 BH) and 1 DME for a specialized wheelchair.
- * **Access:** Most access issues were due to providers not having available appointments within the members expected timeframe or the timeliness of authorization submission (3 Specialists, 2 PCP, 2 CCH, 1 BH). 2 filed against CenCal Health for ECM and MRI requirements.
- * **Administrative:** Mostly centered around the member's dissatisfaction with scheduling, timely communication, etc. There were 3 Administrative grievances against CenCal Health, for communication during the grievance process, member coverage change and timely information. No Provider had more than one access grievance.
- * **Interpersonal:** Main cause of overall interpersonal issues was the member's perception of rude demeanor or comments made by office staff/provider during interactions. There were 3 filed against PCPs, 2 Specialists, 1 Ventura Transit with no provider having more than one & no trends.
- * **Benefits:** 2 were for members being billed by providers, 2 transportation for scheduling issues and transportation requirements, 1 against CCH for not covering cosmetic surgery.
- * **Transportation:** There were 2 Benefit & 1 Interpersonal grievances filed against transportation vendor (VTS) as noted above, resulting in zero missed appointments. 3 in SBHI (100%), 0 in SLOHI (0%).
- * **Total Mental Health/BHT Services:** 5 (2 Appeals, 1 QOC, 1 Access, 1 Administrative). Commonly dissatisfied with appointment availability, being dismissed by provider, delays in call back/poor communication or not being prescribed medications of choice/preference. No BH provider had more than one grievance filed against in September.

Member Grievance & Appeal System Receipts by Reasons



Type	Calendar 2022	Calendar 2023
Appeals	126	108
Quality of Care	117	151
Administrative	105	63
Access	72	62
Interpersonal	44	36
Benefit	28	43

Analysis: Grievances and appeal volume average of 51 per month in 2023 is above the 2022 averages of 41 per month and related to an increase in Behavioral Health grievances and appeals.

Operations Division Report

Date: October 18, 2023

From: Jordan Turetsky, MPH, Chief Operating Officer

Contributors: Gary Ashburn, Claims Director
Cathy Slaughter, Provider Relations Director
Provider Services Department

Through: Marina Owen, Chief Executive Officer

Executive Summary

This Operations Report provides an overview of September activities specific to the Claims, Provider Services, and Provider Relations teams, inclusive of department operational metrics. Additional information on the CenCal Health Incentive Payment Program and the Equity and Practice Transformation Payment Program is also included.

Incentive Payment Program

The Incentive Payment Program (IPP) is an opportunity offered by the Department of Health Care Services (DHCS) to health plans to support the initiation and uptake of Enhanced Care Management (ECM) and Community Supports (CS). In a May 2023 report to your Board, staff shared details regarding the status of CenCal Health's IPP deployment, including the initial funding allocation received from DHCS and awards issued to date.

CenCal Health earned and received a second installment of IPP funds totaling \$6.4M in July 2023, allowing the IPP application process to reopen. In August, staff adopted an award strategy which considers unmet member need, service expansion opportunities, geographically underserved areas, and support of upcoming services. The revised funding strategy was used by the IPP Application Review Committee to support their review of pending IPP applications on September 28th. Staff are in the process of following up with applicants to issue awards and/or obtain additional information in support of finalizing award decisions.

Equity and Practice Transformation Payments Program

In support of achieving the goals of CalAIM, the Department of Health Care Services (DHCS) launched the Equity and Practice Transformation (EPT) Payments Program, an initiative with a commitment of \$700 million state-wide over five years. This program seeks to bridge gaps in care by bolstering up-stream care models and fostering

partnerships dedicated to health and wellness. Through strategic investments in practice transformation via directed payments, DHCS aims to strengthen the capacity of Medi-Cal providers to better serve the diverse Medi-Cal population.

The EPT Payments Program is available for primary care practices and is structured into three distinct pathways:

1. Medi-Cal Managed Care Plan (MCP) Initial Provider Planning Incentive Payments: Funding for Medi-Cal Managed Care Plans (\$25M in total) to support collaboration with small-to medium-sized independent Practices during the first year of the program (2024) to prepare practices for participation in the multi-year EPT Program.
2. EPT Directed Payment Program: \$650M over 5 years to support the practice transformation efforts of primary care practices.
3. Statewide Learning Collaborative: \$25M to support a multiyear collaborative to share and disseminate best practices among participating provider organizations.

Applications for interested primary care organizations are due to DHCS on October 23, 2023. CenCal Health sent informational materials to our contracted primary care practices, and hosted a webinar on October 5, 2023, to further engage those practices interested in applying. As DHCS continues to evolve the specifics of the EPT Program, CenCal Health remains committed to supporting those practices pursuing this multi-year effort.

Claims

The Claims Department monitors core service metrics across all operational and customer service functions. The included Claims Dashboard includes a suite of key operational metrics ranging from Claims Volume to Provider Call Center performance. For the September 2023 reporting period, all operational metrics were at or above goal and are within normal range, with no notable trends identified.

Provider Services and Provider Relations

Further supporting CenCal Health's providers and engagement with the local health care system, Jordan Turetsky, CenCal Health Chief Operating Officer, joined the Board of Directors of Santa Barbara Street Medicine - Doctor's Without Walls (DWW) in October 2023. DWW is a contracted provider of Enhanced Care Management services and serves as a national leader in the provision of street medicine. CenCal Health is pleased to support our community through staff involvement in Board engagements such as these.

The Provider Relations and Provider Services teams continue to partner with subject matter experts across CenCal Health to educate and inform our providers about current and upcoming opportunities. In September, staff hosted an engagement session for providers interested in participating in upcoming Community Supports, specifically Respite Services and Personal Care and Homemaker Services. Over 40 attendees were present to learn more about these new Community Supports and to explore participation with CenCal Health.

Also in September, staff partnered to host a Lead Screening Webinar for primary care providers. The learning event provided an opportunity for best practice sharing in support of ensuring that pediatric patients receive appropriate services to detect and prevent the adverse effects of lead exposure. Lastly, CenCal Health participated in a county-wide Street Medicine Convening which brought together multiple agencies within San Luis Obispo to discuss services offered to individuals experiencing homelessness. Topics included how to partner together to strengthen Street Medicine services available to members in the community, and the next steps which partner agencies can take together.

Regarding departmental operations, sustained improvement in the processing of re-credentialing files was noted month-over-month. Average speed to answer provider calls within 30 seconds improved to above goal at 87.4%. Efforts to improve and sustain performance in the area of phone call management, including the implementation of best practices learned from other CenCal Health call centers, continues.

Recommendation

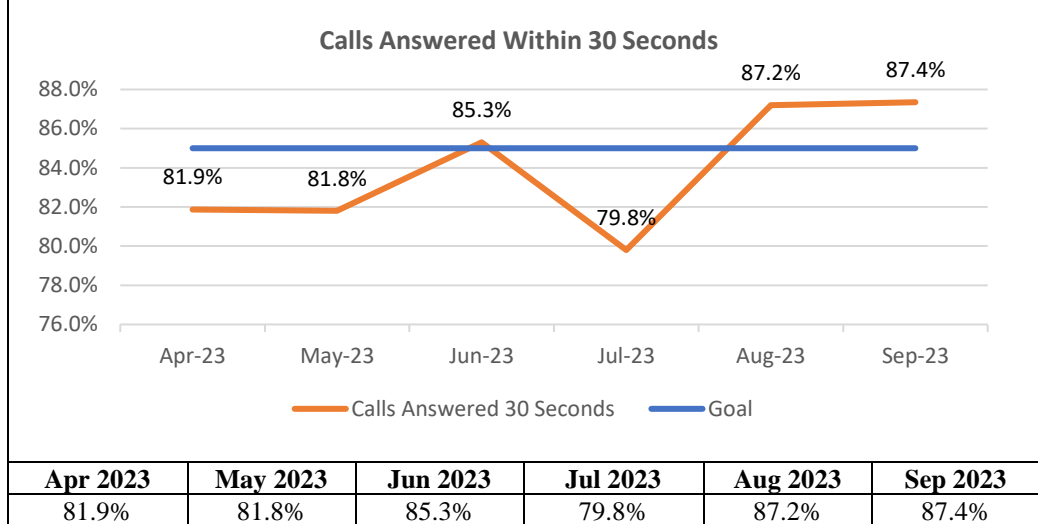
This Operations Division Report is informational only and no action is required.

CENCAL HEALTH

2023 PROVIDER SERVICES STATISTICS

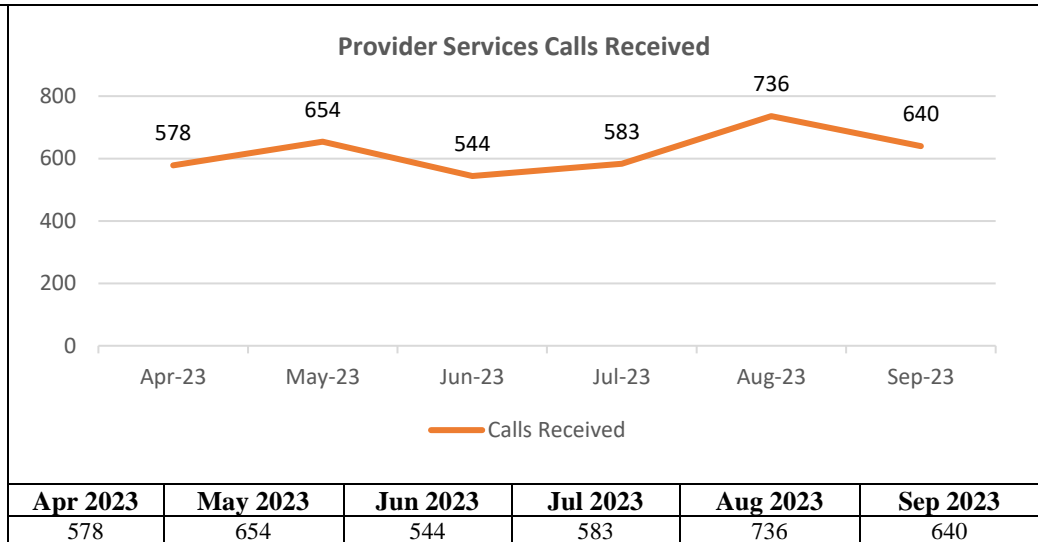
Analysis:
 Goal: 85%
 Result: 87.4%

Average speed to answer was above goal for the second consecutive month, representing improvement in staffing the provider call queue.



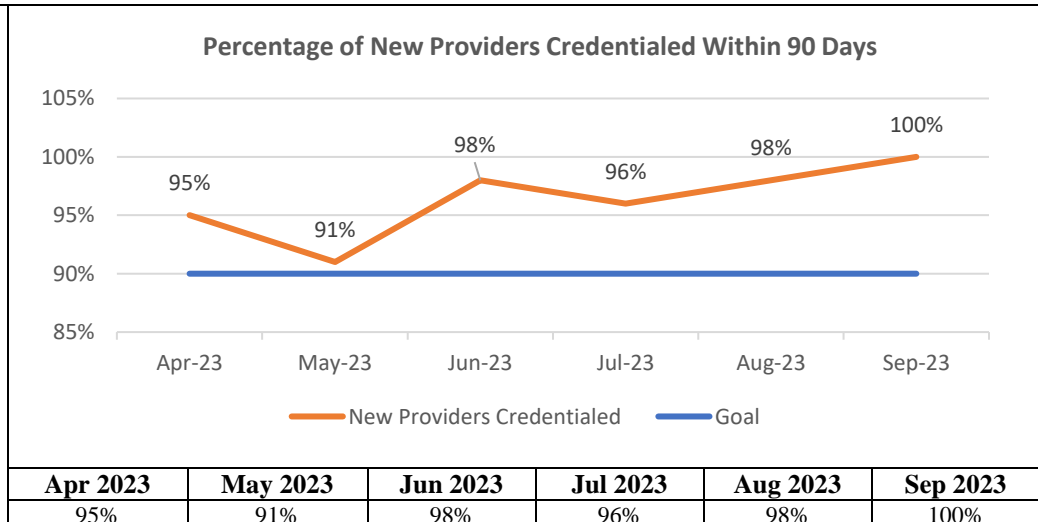
Analysis:
 September 2023 Calls Received: 640
 Trend to compare volume per month.

Total calls received remain somewhat consistent with prior months.



Analysis:
 Goal: 90%
 Results: 100%

23 new providers were approved for credentialing in September. All were completed within 90 days.

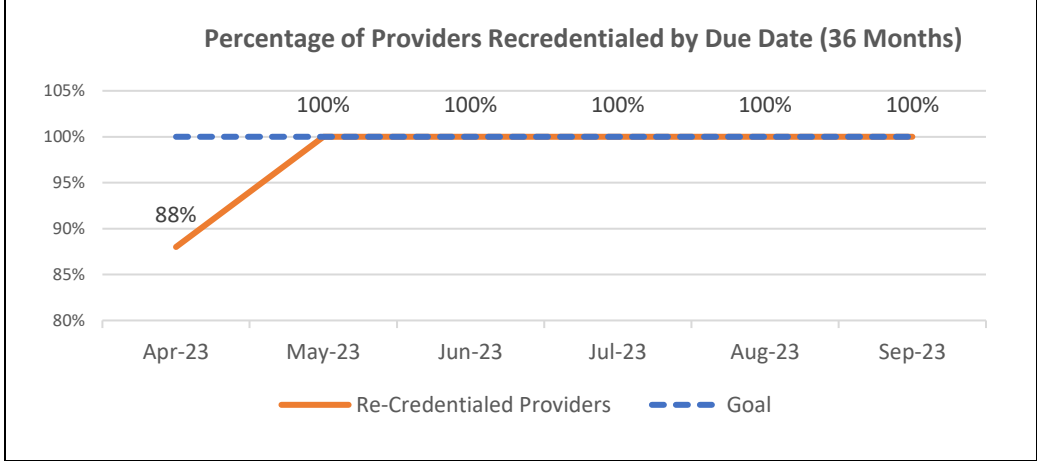


CENCAL HEALTH

2023 PROVIDER SERVICES STATISTICS

Analysis:
 Goal: 100%
 Results: 100%

All providers due to recredentialing during the month of September were recredentialed on or before their due date.



Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023
88%	100%	100%	100%	100%	100%

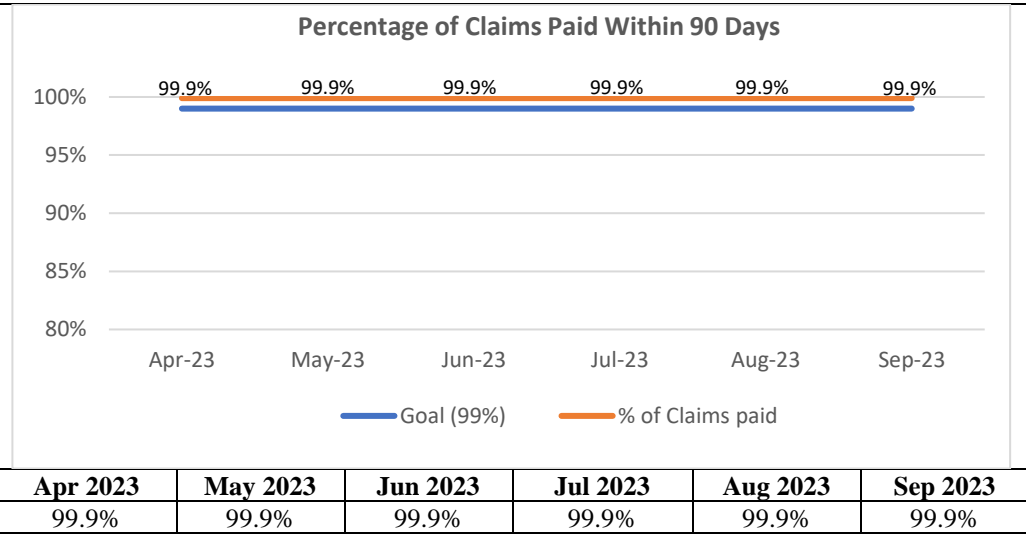
CENCAL HEALTH

2023 CLAIMS OPERATIONS STATISTICS

Analysis:
 Goal: 99%
 Result: 99.9%

The Turn-around-Time (Percentage of Claims Paid) is a regulatory requirement with a standard of 99%.

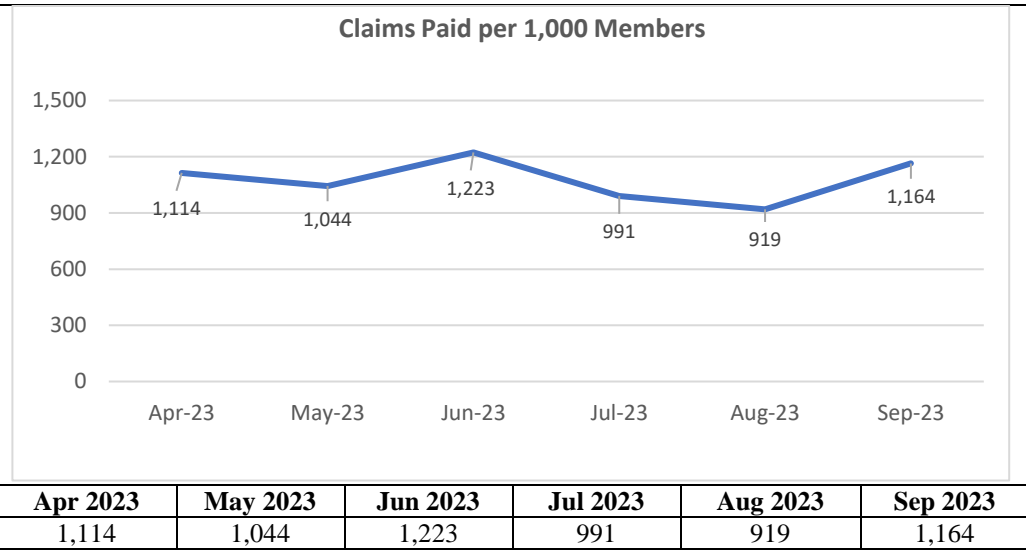
Results are consistently above this level at 99.9%.



Analysis:
 Trend to compare payments per month normalized with the total membership to account for membership fluctuations.

Result: 1,164 claims paid per 1,000 members

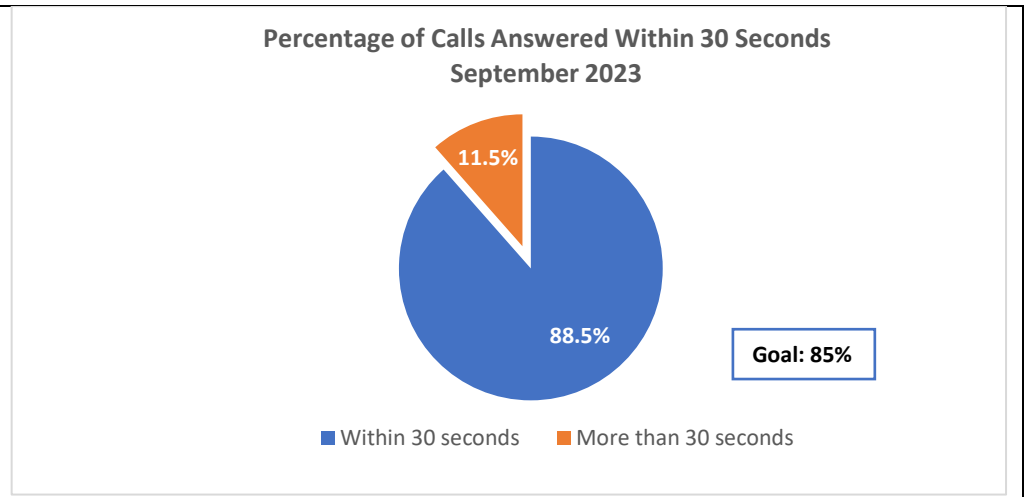
Claims Paid per 1,000 members varies and is within a normal range.



Analysis:
 Goal: 85%
 Result: 88.5%

The percentage of calls answered within 30 seconds is above goal.

The calls not answered in 30 seconds were isolated during peak call times. Abandonment Rates remain under 1%.



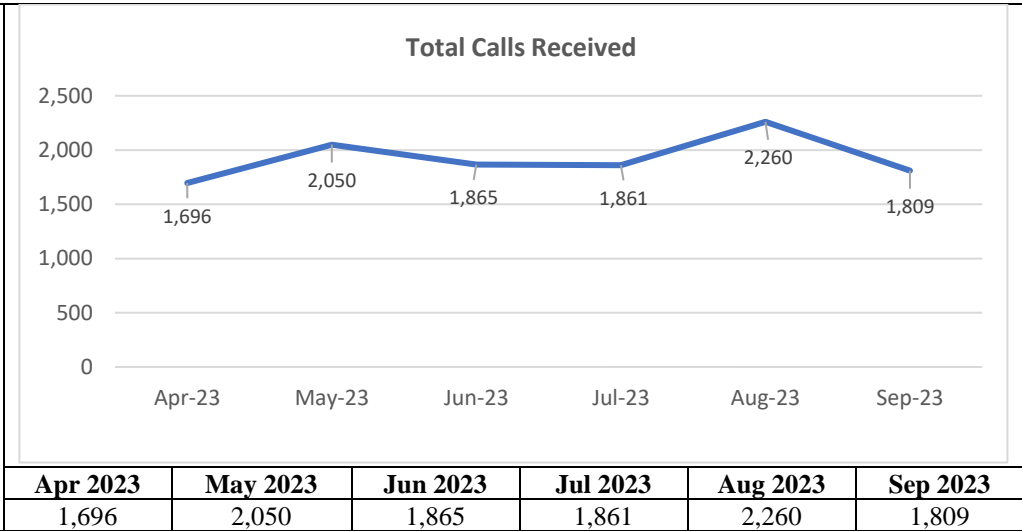
CENCAL HEALTH CLAIMS OPERATIONS STATISTICS

Analysis:
Calls Received: 1,809

Total Calls received remain at an elevated level.

Despite the increased volume metrics remain above standards.

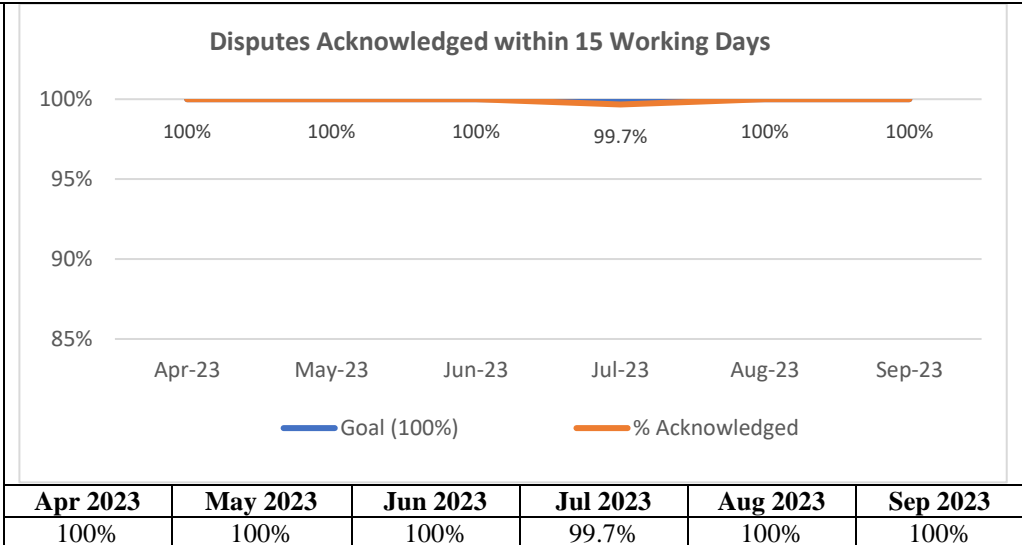
Claim status remains the top reason for calls. New self-service options on the website have been deployed for 3rd party callers and the provider portal is being offered as an option to obtain information.



Analysis:
Goal: 100%
Results: 100%

The Disputes Acknowledged in 15 Working Days is a regulatory requirement with a standard of 100%.

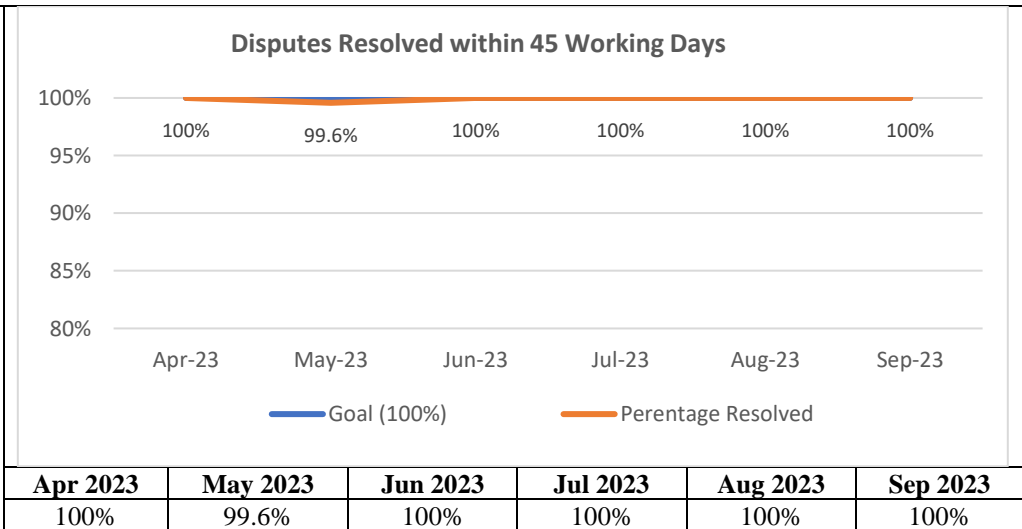
The percentage of disputes acknowledged in 15 days met goal.



Analysis:
Goal: 100%
Result: 100%

The Disputes Resolved in 45 Working Days is a regulatory requirement with a standard of 100%.

The percentage of disputes resolved in 45 days met goal.



Information Technology (IT) Board Memo

Date: October 18th, 2023

From: Bill Cioffi, Chief Information Officer

Contributors: Jai Raisinghani, Deputy Chief Information Officer

Through: Marina Owen, Chief Executive Officer

Executive Summary

The following information is provided as an update to the board on ongoing operational and project-oriented priorities of the IT functions within the plan.

Operational Statistics

Claims

During the month of September 2023, the Health Plan received 256,383 claims in total. HIPAA Compliant 837I/837P was the source of 92% of total claims and CenCal Health's Provider Portal was used for 5% of claim submissions. In total 97% of total claims were received via electronic method (HIPAA 837I/ 837P/ Proprietary files). Auto-adjudication rates for the month were at 95%.

Authorizations

During the month of September 2023, the Health Plan received 21,242 authorization requests in total. 82% of total authorizations were entered using CenCal Health's Provider Portal and 6% of total requests were part of data transmission from that Plan's Radiology Benefit Manager (RBM). 13% of total authorization requests were received via Fax.

IT Help Desk

The Service Desk received a total of 1,150 requests during the month of September via the IT Service Desk system related to various systems and services supported by the IT department. During these months, 1,154 total requests were closed at the time of reporting.

IT Network Monitoring

For the month of August 2023, IT Network uptime and connectivity recorded an average availability of 99% or higher.

Customer Service Week 2023:

The IT Department celebrated Customer Service Week and provided an opportunity to recognize and celebrate the dedication and commitment of our service team. During Customer Service Week, IT expressed appreciation for colleagues and the IT Department's role in enhancing operational efficiency and productivity.

Key highlights of our Customer Service Week celebration included:

- Employee Appreciation: Highlighting key accomplishments and milestones achieved by the IT Department the past year.
- Satisfaction Rate: Sharing the impressive satisfaction rate of 99.37% that we have achieved based on valuable feedback from our colleagues.
- Communication: Encouraging communication and collaboration with our colleagues, emphasizing the importance of feedback in shaping our services.
- Continuous Support: Reiterating our commitment to providing support, solving technical challenges, and assisting our colleagues in their IT-related needs.

Recommendation

This information is informational are no recommendations required for the Board's consideration for this month.

Community Benefit Funding: Meals that Connect

Date: October 18th, 2023

From: Citlaly Santos, Strategic Engagement Director

Through: Michael Harris, Government Affairs & Administrative Officer
Marina Owen, Chief Executive Officer

Executive Summary

With a pressing need among seniors facing food insecurity for daily nutritious meals, the nonprofit organization Meals That Connect provides free lunches via its senior nutrition program to older adults in San Luis Obispo County and, more recently, expanded to support the senior nutrition program of Santa Barbara County. The meals are served at 15 congregate settings across the two counties and also dispatched for home delivery to homebound seniors in San Luis Obispo County, offering nutritional security and social connections to approximately 10,000 clients a year, including CenCal Health members.

Since 2016, CenCal Health has maintained a longstanding partnership with Meals That Connect to address the Social Determinants of Health associated with senior nutrition and healthy aging for our communities.

Annually, CenCal Health provides, through its board-approved budget, \$200,000 to the program over two installments. In May 2023, CenCal Health provided the second installment of the 2023 calendar year, fulfilling the provision of its funding for 2023. In the coming months, CenCal Health will partner with Meals that Connect as the organization expands into Santa Barbara County to support the Senior Nutrition Program.

Background

Obtaining nutrition can pose significant challenges for seniors, including transportation to grocery stores, increasing food costs, and safe cooking. These challenges are often exacerbated by medical issues ranging from dietary restrictions to dental problems and decreased mobility, significantly impacting seniors' capacity to manage and safeguard their daily nourishment adequately.

According to the [National Council on Aging](#), roughly 5.2 million older Americans faced food insecurity in 2020. However, since the COVID-19 pandemic, the problem has increased. In San Luis Obispo County, the University of California Cooperative Extension

reports that over 54% face food insecurity. An estimated 28% of clients served by Meals That Connect are Medi-Cal beneficiaries.

Meals That Connect strives to support this vulnerable population with its mission of enhancing health, restoring dignity, supporting independence, and reducing isolation for every San Luis Obispo County (and now Santa Barbara County) resident in need who is at least 60 years old by providing them a daily meal.

To sign up, clients must complete a simple application and be at least 60. Among the program's clients, 60% are women, and approximately half live alone. Most clients are living at or below the poverty level.

Since 2016, CenCal Health has been an ongoing funder of Meals That Connect (formerly known as the Senior Nutrition Program of San Luis Obispo County). To date, CenCal Health has provided the organization with \$1.5 million.

Services

Meals are provided Monday through Friday at noontime to anyone who needs them, regardless of income. Frozen meals are supplied for weekends and holidays. While the meals are free, clients can donate if they wish, with the suggested donation being \$3 per meal. Contributions are purely voluntary, anonymous, and confidential.

In 2022, Meals That Connect reopened its ten San Luis Obispo County dining sites following the COVID-19 shutdowns. Over the summer of 2023, the dining sites were consolidated from ten to eight for efficiency and budgetary reasons. There, over 213 seniors dine in, experience much-needed interaction with their peers, and develop friendships with fellow seniors, giving clients a sense of solidarity and belonging.

In addition to dining in, Meals That Connect counts on over 400 volunteer drivers to deliver meals to seniors who cannot leave their homes due to medical reasons. The delivery service is vital from a nutritional perspective and serves as a daily safety and wellness check for over 8,000 San Luis Obispo County homebound clients.

Funding Use and Reporting

Meals That Connect works closely with CenCal Health and annually reports and documents the program's services and impact. The data below highlights outcomes of CenCal Health's funding support from January to May 2023:

- In 2023, Meals That Connect initiated a partnership with Santa Barbara County's inaugural senior nutrition program administered by the Area Agency on Aging. Meals That Connect prepares the food and delivers it in bulk to Santa Maria for distribution to the congregate sites for dine-in clients. The meals support over 221



seniors – and new dining sites are being added monthly. Please note that Meals That Connect currently supports Santa Barbara County's program with meals for dine-in sites only. Meals for homebound Santa Barbara County seniors are administered through a different vendor that works with the Area Agency on Aging.

- A supersize van was purchased to support delivering twice the amount of food in one trip than Meals That Connect was previously able to do in a smaller van.
- 112,000 senior meals were provided in San Luis Obispo County and Santa Maria, including both congregate and home-delivered meals.
- 98,000 senior meals were provided for homebound seniors in San Luis Obispo County.
- 94 quarterly wellness assessment visits were conducted for homebound seniors in San Luis Obispo County.
- 94 senior clients sponsored to have daily meals for one year each.

Recommendation

This Community Benefit Report serves to provide the Board of Directors with an annual report of support to Meals that Connect for senior nutrition and is presented for acceptance. The \$200,000 provided to Meals That Connect is contained in your Board's approved 2023 budget.

CalAIM Program Implementation Update

Date: October 18, 2023

From: Jennifer Fraser, PMP, EPMO Program Manager,
Lead, CalAIM Program

Jordan Turetsky, Chief Operating Officer,
Chair, Executive CalAIM Steering Committee

Through: Marina Owen, Chief Executive Officer

Executive Summary

This report provides information regarding CenCal Health's efforts to achieve the goals of California Advancing and Innovating Medi-Cal (CalAIM) as defined by the Department of Healthcare Services (DHCS). To achieve these goals over the next several years, CalAIM initiatives are managed collectively with oversight through an internal Steering Committee comprised of Executive and Senior Leaders to support aligning CalAIM goals with CenCal Health's strategic objectives. The purpose of this memo is to provide information and highlights on CalAIM implementation activities to include DHCS policy updates and plan decisions.

CalAIM Program Update

The internal CalAIM Steering Committee meets regularly to set the strategy for and guide the work required to implement CalAIM to include oversight and monitoring to support the work in progress. This includes regular inputs on current and evolving regulatory guidance as well as updates on local and community guidance from the Community Steering Committees (CSCs) in both counties. Based on feedback received from the CSCs in October, there is interest in collaborating on the completion of a landscape analysis in each County towards understanding the current needs of those served through the justice system as well as the current resource landscape in preparation for the expansion of the Enhanced Care Management benefit to the Individuals Transitioning from Incarceration Population of Focus in January 2024. CenCal Health has engaged an outside consultant, Scott Coffin of Serrano Advisors, LLC, who brings significant expertise regarding the Justice Involved population, including how to plan, coordinate, and execute for these services given his role in having led the Justice Involved pilot in Alameda County.

CalAIM Initiatives Update

Below is a list of updates for in flight CalAIM initiatives:

- **Enhanced Care Management (ECM)** – Staff continue to identify new providers for all active POFs as well as continue to support the seventeen (17) providers contracted to provide ECM services. Approximately 2,500 members have been assigned to these providers for outreach, and 884 members are enrolled and receiving ECM services representing a 30% increase in member assignment in the last quarter ending September 30th. The Model of Care (MOC) Addendum IV detailing the network and implementation strategy for the Birth Equity POF effective January 1, 2024, has been submitted to DHCS. The corresponding MOC for the Justice Involved POF has been delayed by DHCS for submission on October 16th.
- **Community Supports** – Staff continue to support the Community Supports services that are currently live by expanding the provider network as well as increasing utilization by educating the provider network and the community on the availability and eligibility requirements to increase the uptake for these supportive services which continues to be a specific focus for DHCS. Staff is actively engaging providers in contracting and onboarding efforts as well as implementing system updates needed to support the new services being offered on January 1, 2024: Short Term Post-Hospitalization Housing, Personal Care and Homemaker Services, Day Habilitation Services, and Respite Service. Additionally, expanding the options for Medically Tailored Meals (MTM) is in progress to offer members more variety in achieving their nutritional goals at critical times to help them regain and maintain their health.
- **NCQA Accreditation & Population Health Management (PHM)** - Workgroups for six (6) Plan Standards and one (1) Health Equity Standard continue to address the work needed to meet the requirement that all managed care plans need to be NCQA accredited by 2026. Staff are currently conducting file reviews in preparation for the mock audit process which will occur early next year to assess the plan's readiness for the actual survey with NCQA in 2024. Quarterly reporting to DHCS of PHM Program Key Performance Indicators (KPIs) has been implemented with the next reporting due November 15th. Additionally, the inaugural PHM Strategy Deliverable addressing NCQA and local health department (LHD) collaboration requirements is due in October.
- **Incentives** – DHCS has established a variety of funding streams to support plans and providers in achieving the goals of CalAIM, i.e., Incentive Payment Program (IPP), Providing Access and Transforming Health (PATH) Incentives, Student Behavioral Health Incentive Program (SBHIP), and Homeless Housing Incentive Program (HHIP). CenCal Health staff is currently participating in and/or implementing these different incentive programs to include timely submissions to DHCS as applicable. To earn additional program funding, the next submissions for HHIP and SBHIP are due at the end of the year with the next submission for IPP due in March 2024.
- **Transition to Statewide Managed LTSS & D-SNP** – DHCS is requiring beneficiaries to enroll in a Medi-Cal managed care plan and D-SNP operated by the same



organization to allow for greater integration and coordination of their care. Planning with Health Management Associates (HMA) is underway to identify and staff the tactics needed to build the health plan's operational readiness for long term program sustainability. Please see the *Medicare Dual Special Needs Program Report* for more information.

- **Community Health Worker (CHW) / Doula Benefits** – Staff have completed implementing internal system updates to provide these preventive services to our membership and support CenCal Health's Population Health Management strategy. To date, staff has executed two (2) contracts with CHW organizations and three (3) contracts with individual Doulas. The first CHW claims for these services were paid on October 6, 2023. Next steps include the expansion of CHW services as well as development of an electronic system for accepting and processing member recommendations for authorizing services under either benefit.

Recommendation

Staff recommends acceptance of this informational report describing current CalAIM implementation activities, and no action is requested at this time.

Enclosure(s)

1. CalAIM Reference
 - a) Table 1: CalAIM Goals
 - b) Table 2: CenCal Health Objectives
 - c) Table 3: ECM Populations of Focus (POFs)
 - d) Table 4: Implementation of Community Support (CS) Services
 - e) Table 5: ECM and Community Supports Model of Care (MOC) Submission Status
 - f) Table 6: Incentive Programs

CalAIM Reference

Table 1 – CalAIM Goals

CalAIM has three (3) primary goals as defined by DHCS in the table below:

DHCS CalAIM Goals	
1	Identify and manage comprehensive needs through whole person care approaches and social drivers of health
2	Improve quality outcomes, reduce health disparities, and transform the delivery system through value-based initiatives, modernization, and payment reform
3	Make Medi-Cal a more consistent and seamless system for enrollees to navigate by reducing complexity and increasing flexibility

Table 2 – CenCal Health Objectives

CenCal Health's strategic objectives are noted in the table below:

CCH Objective	Objective Description
Adapt Operations to Meet Customer Needs	Anticipate and respond to the existing and emerging needs of our members, providers, community, and regulatory partners
Enhance Organizational Readiness	Enable organizational advancement by pursuing targeted improvements in operational excellence, compliance strength, technology readiness and financial position
Prepare for Strategic Advancement	Execute a collaborative planning process that positions CenCal Health to strategically focus in the coming years on efforts that advance our mission and emerging vision

Table 3 – ECM Populations of Focus (POFs)

DHCS is implementing the ECM benefit over four (4) phases with each phase targeted for specific Populations of Focus as noted in the table below.

Phase	Populations of Focus (POFs)	Effective Dates
1	<ul style="list-style-type: none"> Adults and their Families Experiencing Homelessness Adults At Risk for Avoidable Hospital or ED Utilization Adults with Serious Mental Health and/or SUD Needs 	7/1/2022 Live
2	<ul style="list-style-type: none"> Adults Living in the Community and At Risk for Long Term Care (LTC) Institutionalization Adult Nursing Facility Residents Transitioning to the Community 	1/1/2023 Live

3	<ul style="list-style-type: none"> <u>Children & Youth Populations of Focus:</u> <ul style="list-style-type: none"> Homeless Families or Unaccompanied Children/Youth Experiencing Homelessness Children and Youth At Risk for Avoidable Hospital or ED Utilization Children and Youth with Serious Mental Health and/or SUD Needs Children and Youth Enrolled in California Children's Services (CCS) or CCS Whole Child Model (WCM) with Additional Needs Beyond the CCS Condition Children and Youth Involved in Child Welfare 	7/1/2023 Live
4	<ul style="list-style-type: none"> Birth Equity Individuals Transitioning from Incarceration 	1/1/2024

Table 4 – Implementation of Community Supports (CS) Services

CenCal Health's implementation of the pre-approved Community Supports services is noted in the table below.

Community Supports	Effective Date
<ul style="list-style-type: none"> Medically Tailored Meals (MTM) 	7/1/2022 Live
<ul style="list-style-type: none"> Recuperative Care (RC) 	10/1/2022 Live
<ul style="list-style-type: none"> Housing Transition Navigation Services Housing Deposits Housing Tenancy & Sustaining Services Sobering Centers 	1/1/2023 Live
<ul style="list-style-type: none"> No Community Supports Offerings 	7/1/2023
<ul style="list-style-type: none"> Short Term Post-Hospitalization Housing Personal Care and Homemaker Services Day Habilitation Services Respite Services 	1/1/2024

Table 5 – ECM and Community Supports Model of Care (MOC) Submission Status

The Model of Care (MOC) contains documentation to be submitted to DHCS to determine the plan's readiness to meet the regulatory requirements for ECM and Community Supports. The timeframes and status for submissions are noted in the table below.

Phase	ECM	Community Supports	MOC Parts	Deadline	Status
1 7/1/22	POFs 1, 2, 3	<u>Initial Offerings</u>	Parts 1 & 2	2/15/22	Approved
		<ul style="list-style-type: none"> Medically Tailored Meals Recuperative Care 	Part 3	4/15/22	Approved

<u>2</u> 1/1/23	POFs 5, 6	<u>Subsequent Offerings</u> • Housing Transition Services • Housing Deposits • Housing Tenancy & Sustaining Services • Sobering Centers	Parts 1 & 2	7/1/22	Approved
			Part 3	9/1/22	Approved
<u>3</u> 7/1/23	POF 7, 8, 9, 10	<u>Subsequent Offerings</u> • None	Parts 1 & 2	2/15/23	Approved
			Part 3	4/15/23	Approved
<u>4</u> 1/1/24	<u>CS Subsequent Offerings</u> • Short Term Post-Hospitalization Housing • Personal Care and Homemaker Services • Day Habilitation Services • Respite Services		Parts 1, 2, 3	7/1/23	<i>Pending Approval</i>
	• ECM POF 10 (Birth Equity)		Addendum IV	10/2/23	<i>Submitted</i>
	• ECM POF 4 (Justice Involved)		Addendum III	10/15/23	<i>In Progress</i>

Table 6 – Incentive Programs

The timeframes and status of submissions to DHCS for each Incentive Program are noted in the table below.

Incentive Program	Submission	Deadline	Status
Incentive Payment Program (IPP) <i>Program Years 1, 2 & 3</i>	Submission 1	3/1/22	Approved
	Submission 2A	9/1/22	Approved
	Submission 2B	3/15/23	Approved
	Submission 3	9/1/2023	<i>Submitted</i>
	Submission 4	3/2024	Not Started
	Submission 5	9/2024	Not Started
Homelessness & Housing Incentive Program (HHIP) <i>Program Years 1 & 2</i>	LHP* Submission	6/2022	Approved
	Investment Plan	9/2022	Approved
	PY 2 1st Submission	3/10/23	Approved
	PY 2 2nd Submission	2/2024	Not Started
School Based Behavioral Health Incentive Program <i>Program Years 1, 2 & 3</i>	Assessment Submission	12/2022	Approved
	Submission 1	6/2023	<i>Submitted</i>
	Submission 2	12/2023	Not Started
	Submission 3	6/2024	Not Started
	Submission 4	12/2024	Not Started

*Local Homelessness Plan (LHP)

Population Health Management Report

Date: October 18, 2023

From: Lauren Geeb, MBA, Director, Quality

Through: Carlos Hernandez, Quality & Population Health Officer
Emily Fonda, MD, MMM, CHCQM, Chief Medical Officer

Executive Summary

This report highlights recent developments in relation to CenCal Health's Population Health Management (PHM) Program and efforts underway to improve clinical quality of care for CenCal Health's members. CenCal Health's PHM program was created to guarantee that all members have access to inclusive, equitable health services across the continuum of care. An ongoing Quality Division focus is practice transformation to advance health equity and reduce healthcare disparities by engaging in quality collaboratives with CenCal Health's Primary Care Providers (PCPs). These efforts align with the goals of California Advancing and Innovating Medi-Cal (CalAIM) as defined by the Department of Healthcare Services (DHCS), including the shift toward value-based care.

Launched in March 2022, CenCal Health's Quality Care Incentive Program (QCIP) fulfills a strategically important CalAIM requirement within its PHM initiative. QCIP meets these demands and is CenCal Health's primary operational system to ensure the provision of clinically recommended services in accordance with well-established, evidence-based, clinical guidelines. An exemplary example of engagement through Quality Collaboratives with CenCal Health's Quality Department staff are achievements that have been realized by the Community Health Centers of the Central Coast (CHCCC).

Background

CenCal Health must maintain a comprehensive strategy for PHM that is reviewed and updated annually to ensure program goals are being met and in compliance with National Committee Quality Assurance (NCQA) and emerging DHCS requirements. This strategy demonstrates how CenCal Health is meaningfully responding to member and community needs. As part of DHCS requirements, managed care plans must meet Minimum Performance Levels (MPL) for a select set of quality measures. Failure to meet these annually, in any of CenCal Health's Medi-Cal product lines, may lead to consequences including but not limited to corrective actions and/or financial sanctions.

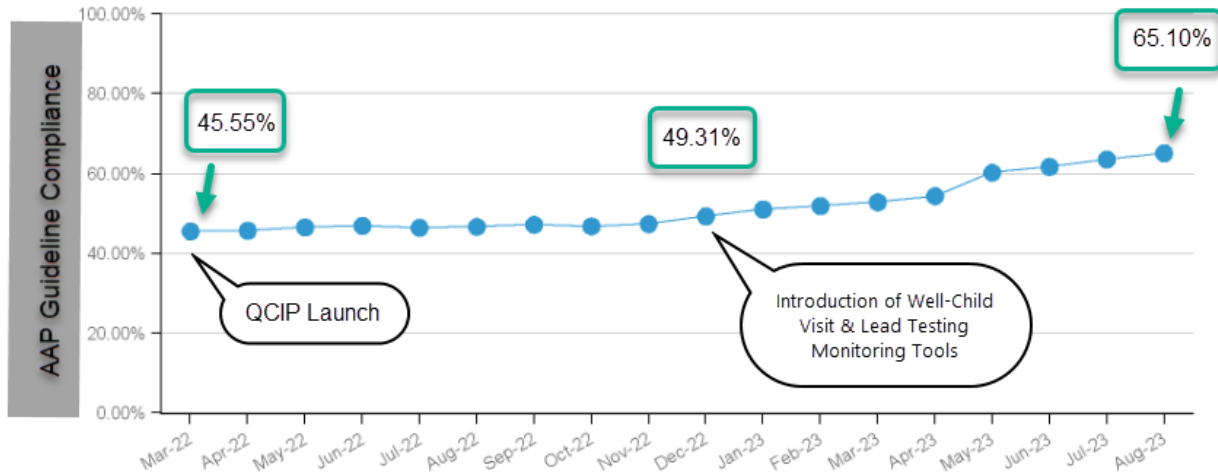
CenCal Health's strategy to meet higher standards and fulfill expanded responsibilities as outlined in its 2023-2025 Strategic Plan is to partner with its provider network to support targeted quality improvements. Over the last several years, CenCal Health has been successful in establishing a program that provides useful and actionable data, information, and tools to ensure members receive high quality care.

To motivate continuous improvement through practice transformation, early in 2022, CenCal Health launched a new pay-for-performance program, QCIP. Through optimization of primary care case management systems, the QCIP program encourages increased utilization of timely evidence-based treatment, screening, and preventive health services. It encompasses five clinical categories of care – *Women's Health, Pediatric Care, Behavioral Health, Respiratory Care, and Diabetes Care*. QCIP engagement is encouraged through recurring meetings (Quality Collaboratives) with CenCal Health's largest PCPs to explore strategies to maximize clinical performance, and consequently earn incentives. Assistance is also available to any PCP upon request to orient them to QCIP, and how to best utilize its analytical tools and informative data to realize sustainable improvement.

An exemplary example of engagement through Quality Collaboratives with CenCal Health's Quality Department staff are achievements that have been realized by CHCCC in the category of Pediatric Care. In partnership with CHCCC's Quality leadership team, CenCal Health developed additional tools to identify children at risk of falling behind the recommended number of preventive visits according to the American Academy of Pediatrics (AAP) periodicity schedule and children due for lead testing based on federal guidelines. QCIP priority measures assessed to monitor progress were Well Child Visits in the First 15 Months of Life and Pediatric Lead Testing.

Overall performance for CHCCC in March 2022 was 45.55% (n = 2,663). By December 2022, when the availability of the tools was implemented and operational, the rate had increased to 49.31% (n = 2,754). For the period ending August 31, 2023, CHCCC's combined rate increased an additional 15.79 percentage points to 65.1% (n = 2,765). In total since the launch of QCIP, CHCCC increased performance to ensure compliance with AAP guidelines by 19.55 percentage points.

**CHCCC Combined Rate:
Well Child Visits in the First 15 Months of Life and
Pediatric Lead Testing**



Recently, CenCal Health shared the outcomes of this collaboration with CHCCC and internal leaders during a September Joint Operations Committee meeting.

Next Steps

Quality department staff will continue monthly monitoring of quality performance to track outcomes of focused interventions that support CenCal Health's PHM strategy. Staff will continue providing practice transformation support and share practice-specific quality of care results to guide delivery system clinical improvement. Non-judgmental reporting of each PCPs alignment with well-accepted and evidence-based clinical practice recommendations, is a longstanding part of CenCal Health's PHM strategy.

Recommendation

This Population Health Management Report is presented for your Board's acceptance.

**Whole Child Model (WCM) Program
Pediatric Clinical Advisory Committee (PCAC)**

Date: October 18th, 2023
From: Rea Goumas, MD, Medical Director, CCS Whole Child Model
Through: Emily Fonda, MD, MMM, CHCQM, Chief Medical Officer

Executive Summary

The purpose of this memo is to summarize the highlights of the PCAC meeting that occurred on September 27, 2023. This memo contains topics discussed at this meeting including CCS paneling status for the PICU at Cottage Hospital, a report on the latest CCS WCM Advisory Group Meeting, updates from the county CCS Medical Consultants and an update from CenCal Health's Provider Services Department. This memo is informational and presented for the Board of Directors acceptance.

Background

PCAC was formed as part of WCM implementation in July 2018. (SB 586, Section 14094.17(a)). It provides a forum for CenCal Health, SB and SLO County CCS Medical Directors and community CCS-paneled physicians to discuss issues of interest and importance. The purpose of PCAC is to advise the Health Plan on clinical issues relating to CCS conditions. PCAC reports to the Quality Improvement Committee and ultimately to the Board of Directors. The committee meets on a quarterly basis.

Meeting Highlights

Cottage PICU and CCS paneling

Dr. Miriam Parsa, Chief Pediatric Medical Officer at Cottage, discussed DHCS findings from the PICU site visit earlier this year. Cottage sent follow-up information to DHCS in mid-August and is awaiting their response. She is confident that the CCS PICU paneling will be approved and is using this as an opportunity to create better services and quality. Cottage is on track to hire additional PICU attending physicians and have appropriate Neurosurgical coverage. CenCal Health continues to meet with Cottage staff weekly, receive daily reports of any CenCal Health patients requiring PICU services and provide Case Management support to any impacted families.

CCS WCM Advisory Group Meeting

Dr. Rea Goumas, Whole Child Medical Director, provided a summary of topics presented at the July 12, 2023 AG meeting. These included:

DHCS Policy Initiatives

CCS County Monitoring and Oversight Workgroup had a capstone meeting on 6/26/23. Their work has resulted in a monitoring and oversight plan, MOU template for County CCS and related Numbered Letters and compliance activities.

Child Health Disability Prevention (CHDP) Program Transition Workgroup is to create a post-transition oversight and monitoring plan, determine how Childhood Lead Poisoning Prevention (CLPP) activities will be delivered through existing health plan delivery systems and create a plan to fund administrative and service cost for the Health Care Program for Children in Foster Care (HCPCFC) as a stand-alone program prior to the CHDP sunset on July 1, 2024.

Hearing Aid Coverage for Children Program (HACCP) This State funded program for families with household income under 600% of the federal poverty level covers hearing aids, accessories, and audiology services for patients under 21-years of age who are uninsured or underinsured for these services and are not eligible for either Medi-Cal nor CCS.

WCM Expansion AB 118 delays the implementation of WCM in new COHS expansion counties until 1/1/24, authorizes Kaiser to implement as a WCM plan in the 4 COHS expansion counties where it currently operates and adds new WCM requirements for DHCS, Managed Care Plans and Counties.

Kaiser WCM Readiness Kaiser staff provided an update on Kaiser's readiness to implement as a managed care plan in current WCM counties. Effective 1/1/24, WCM members in 8 existing WCM counties (Marin, Napa, Orange, Santa Cruz, San Mateo, Solano, Sonoma, and Yolo) will have the option to select either Kaiser Permanente or their local Managed Care Plan as their WCM health plan, subject to meeting eligibility criteria. Kaiser will be required to coordinate with County CCS to determine eligibility, and provide WCM care coordination, case management, and access for CCS eligible care.

Title V Needs Assessment Brief update on the Title V program and the federal legislative requirement to conduct a needs assessment of the program was provided.

Due to time constraints several CCS Program Updates were not presented.

CCS Medical Consultants Update

Dr. Rhonda Gordon (SB) and Dr. Kathleen Long (SLO) reported there had been no regional or statewide meetings of the county CCS Medical Directors since PCAC last met.

Dr. Gordon reported that CHDP staff is awaiting information on the stand-alone Foster Care program as staffing is currently split between DSS and CHDP.

Several new Numbered Letters (NL) have been released including NL: 03-0723 on Telehealth Services which may continue in the MTUs, NL: 04-0723 on CCS Training Requirements, including training for new Medical Directors, which is currently lacking, and NL: 05-0823 on Serial Casting in the Medical Therapy Units. This service is not provided locally.

Dr. Long stressed the importance of pediatricians reading the upcoming NL and APL on Whole Child Model.

Dr. Gordon again discussed the difficulty counties are having with recruiting MDs to cover the Medical Therapy Clinics (MTC). After October, Pediatric Orthopedists Dr. Early and Dr. Maguire will no longer attend the MTC but will instead see patients in their SB or Pismo offices. CenCal Health is approving administrative authorizations for these providers to preemptively eliminate any barriers to Orthopedic services.

Provider Services/Relations Update

Cathy Slaughter, Director of Provider Relations, updated the group regarding recent recruitment efforts. CenCal Health is contracting with several ABA and Speech Therapy (ST) providers, two therapists, and Dr. Iona Tripathia, Child & Adolescent Psychiatrist, as well as additional ECM Providers, a DME vendor, and Homecare company for the upcoming Community Supports requirements. The STs will initially treat children with language delays, but Cathy is hopeful they will eventually become CCS-paneled and also cover CCS eligible speech conditions in the future.

Next Steps

The next PCAC meeting is on December 13, 2023. Anticipated topics for discussion include Medi-Cal Rx update and possible discussion of new gene therapies, update on the CCS paneling status of the Cottage Hospital PICU, a summary of most recent CCS WCM Advisory Group meeting scheduled for October 11, 2023, updates from the County CCS Medical Directors and update from Provider Services regarding contracting with new providers and further discussion on ECM for the CCS population.

Recommendation

The PCAC report is informational, and no action is requested at this time.

Enclosures

- 1) PCAC 6/28/23 approved minutes
- 2) PCAC 9/27/23 agenda



Pediatric Clinical Advisory Committee (PCAC) Meeting Minutes

Date: June 28, 2023

Time: 6:00 – 8:00 p.m.

Location: *Teams Virtual Meeting*

Chairperson: Rea Goumas, MD, Whole Child Model Director

Members: Cindy Blifeld, MD; Carl Owada, MD; Jillian Davenport, MD; Miriam Parsa, MD; Tami Taketani, MD; Kristen Hughes, MD; Rea Goumas, MD; Ana Stenersen, RN; Kathleen Long, MD; Gowthamy Balakumaran, MD; Rhonda Gordon, MD; Emily Fonda, MD, CHCQM; Robert Janeway, Director of Provider Services

Absent: Carl Owada, MD, Jillian Davenport, MD; Kristen Hughes, MD; Ana Stenersen, RN, PHN

Staff Attendees: Jeff Januska, PharmD; Shelby Stockdale, MSN, RN, PHN; Sue Fischer, RN, MA

Secretary: Mimi Hall, Executive Assistant

<i>Topic</i>	<i>Discussion</i>	<i>Action</i>
1. Welcome and Introductions <i>Dr. Rea Goumas</i>	Dr. Goumas began the meeting at 6:16 p.m. A quorum was confirmed, and the Committee continued with business at hand. Next, Dr. Goumas introduced Sue Fischer, RN, CenCal Health's new Director of Medical Management. Ms. Fischer gave a brief introduction of herself to the Committee. Next, Dr. Goumas introduced Shelby Stockdale, RN, CenCal Health's new Pediatric Health Services Manager. Ms. Stockdale gave a brief introduction of herself to the Committee. That concluded <i>Welcome and Introductions</i> .	No
2. Approval of Minutes of November 30, 2022	Dr. Goumas asked the Committee for a motion to approve the November 30, 2022 meeting minutes, with corrections.	Yes

<p>and March 8, 2023 meetings</p> <p>Dr. Goumas</p>	<p>Motion made by Dr. Parsa to approve the November 30, 2022 meeting minutes; seconded by Dr. Blifeld. Motion passed.</p> <p>Next, Dr. Goumas asked the Committee for a motion to approve the March 8, 2023 minutes, as presented.</p> <p>Motion made by Dr. Blifeld to approve the March 8, 2023 meeting minutes, as presented; seconded by Dr. Gordon. Motion passed.</p>	
<p>3. Medi-Cal Rx Update</p> <p>Jeff Januska, PharmD, Director of Pharmacy</p>	<p>Dr. Januska provided an update on Medi-Cal Rx.</p> <p>Noteworthy highlights include:</p> <ul style="list-style-type: none"> ➤ In July of 2022, Medi-Cal Rx began a reinstatement plan which is currently in phase three. Phase III is set to run through 6/23/23 (4th Lift). ➤ Phase III Overview: ➤ Medi-Cal Rx initiated a series of transition policy lifts for beneficiaries 22 years of age and older. ➤ A transition lift is the retirement or phasing out of the Transition Policy for identified Standard Therapeutic Classes (STCs) ➤ Members who were receiving medication under the Transition Policy will now be subject to Medi-Cal Rx PA requirements. ➤ There are Medi-Cal RX Reinstatement plan resources available. <ul style="list-style-type: none"> ○ Medi-Cal Rx Reinstatement Page: https://medi-calrx.dhcs.ca.gov/home/education/ ○ Medi-Cal RX covered drug list (CDL) = Medi-Cal Rx Formulary: https://medi-calrx.dhcs.ca.gov/home/cdl/ <p>Dr. Januska indicated that the CenCal Health Pharmacy department is always happy to assist to help providers navigate through the Medi-Cal Rx processes of authorizations and general understanding of how Med-Cal Rx works.</p> <p>Next, Dr. Januska spoke about RSV (Respiratory Syncytial Virus) for the upcoming season.</p> <p>Noteworthy highlights include:</p> <ul style="list-style-type: none"> ➤ Globally, there are an estimated 64 million people affected with approximately 160,000 deaths per year. ➤ Annually, in the United States, RSV leads to an average of 2.1M outpatients visits among children under five years of age. ➤ Approximately, 58K hospitalizations among children under five years of age ➤ Approximately, 177K hospitalizations among adult over 65 years of age. 	

- Approximately, 14K deaths among adults over 65 years of age.
- Approximately, 100-500 deaths among children under five years of age, each year.

Currently, there is no direct cure for RSV infection, and the prevention of the disease remains the only solution at hand. There are two antibody medications available; Synagis and Nirsevimab. There are several vaccines in development and expected to enter the market sometime in 2023. They are being developed mainly for two population groups; the elderly (60 years and older) and infants (direct immunization or via maternal immunity). There is also Arexvy that has US FDA approval as the first vaccine for older adults (60 years and older) and is expected to launch in the US before the 2023-24 RSV season. And Abrysvo, which has FDA approval (May 2023) for use in older adults, as well. It is also due to be available for the 2023-24 RSV season. A maternal vaccine, PFE.N (Pfizer) is due to be available for the 2023-24 season. This is to be given to women in their second or third trimesters of pregnancy to prevent lower respiratory tract infection and severe disease in infants up to 6 months of age.

Of note, in February 2023, the ACIP Working Group provided draft recommendation on the use of Nirsevimab for consideration of:

- All infants less than 8 months of age entering their first RSV season.
- All infants born during the RSV season.
- Children less than 20 months old entering their second RSV season and who are eligible for Palivizumab.

It is important to note that these vaccines are rather expensive; roughly \$300-\$500 per shot, on up. And there are a series of shots required, so, it adds up quickly.

Discussion:

Dr. Blifeld commented that she understands that there is a lot of controversy regarding the cost of Synagis and its efficacy in terms of preventing serious RSV disease. This medication costs a lot of money for not so much efficacy. She continued, the incidence of RSV in older people has been going on now for about three or four years and we noticed that when so many more grandparents were taking care of their grandchildren, we started getting a huge amount of RSV disease in older people and a lot of ICU hospitalization. A vaccine aimed at older people probably could have accuracy, especially high-risk older people. And, the maternal vaccine is a great way to go because it is those infants in that first six months that are probably the most vulnerable. Dr. Blifeld continued that Australia is having a horrible

	<p>flu season for the kids this year. It is likely that the United States will also have a horrible flu season this year, as well. It is possible that the strains that are in the current flu vaccine cover those strains, however, there has been an increasing refusal to get the flu shot after the last couple of years of COVID.</p> <p>Dr. Goumas indicated that she is aware that a new gene therapy was just released and approved for boys ages 4-5 years, who are still ambulatory with a diagnosis of Duchenne Muscular Dystrophy. Possibly, at a future meeting, Dr. Januska can talk to us about that and other new gene therapies that are coming that CCS kids would be candidates for.</p> <p>Dr. Goumas thanked Dr. Januska for his presentation.</p>	
<p>4. Updates:</p> <p>CCS Whole Child Model Advisory Group Meeting Report</p> <p><i>Dr. Miriam Parsa, Pediatric Clinical Advisory Committee member</i></p>	<p>Dr. Parsa spoke to the Committee about the last Whole Child Model Advisory Group meeting at the State level. Dr. Parsa supplemented her update with a PowerPoint Presentation.</p> <p>Summary highlights include:</p> <p>The State meeting started with questions about what the plan is for ongoing auditing and oversight in these Whole Child Model (WCM) counties. It was stated that there would be quarterly surveys that would go out to those counties that have established Whole Child Model, as well as those counties that will be newly transitioned to Whole Child Model. The State wants to be aware of any grievances and appeals and they want information that is actionable.</p> <p>As this Committee knows, Kaiser will begin the WCM as of January 1, 2024, in eight different counties and there were many questions and discussions about the appropriateness of Kaiser to be included in these meetings. Kaiser was on the call, and they indicated that they felt that they can provide what is needed in terms of an effective managed care model and referring out to CCS counties when appropriate. There was much discussion on this topic at the meeting and whether to include Kaiser. What has been determined thus far, is that the WCM counties is the most complex needs patients had the most grievances and they felt like this was likely related to contracts with large centers and problems that are inherent within managed care plans. This is a point that will be followed up on in terms of further research and education to determine exactly why this is occurring in this particular population.</p> <p>There was also some discussion about the push for the transition to adulthood, and feedback was due last week regarding transition care. There was a follow-up meeting where Dr. Parsa asked additional questions because there was a lot of data that was published and not enough time for follow-up questions,</p>	<p>No</p>

however, one of the questions was what the impact of the WCM and access to CCS and what was found was that overall, enrollment decreased over CCS Classic Model versus WCM even though a little bit more with WCM in hospitalizations increased in WCM. There was a trend of lower length of stay hospitalizations and readmissions and the WCM cases travel-distance. There was no difference to maybe slightly increased overall access to care which was maintained with continuity of primary care and specialty care. Additionally, there was reportedly high rates of approval, with lower grievances and the CCS Classic Model has higher unmet specialist needs versus the WCM needs.

Question two on their list was the impact of WCM and patient satisfaction. They were all were satisfied; remarkably similar. There is not a big difference between Classic CCS and WCM. Question four was impact on quality, and again as mentioned, more dissatisfaction for the more medically complex patients and again that was a future point of analysis to look more closely in the subpopulation. However, overall, no difference or even a positive impact compared to classic areas. Another question was that slight difference with a decrease in enrollments in WCM versus Classis Model significant UM, but they felt like CCS maintained WCM services and provided CCS level quality of care for the majority. Little differences between the two on outcomes and satisfaction, and ultimately the question is, could the WCM improve the whole child approach while maintaining specialty services and per doctor care? The data and analysis say that the answer is yes, and especially given the initial problem identified, it was really coordination of care with the primary care doctors.

There are a lot of strong opinions in terms of the benefits, and again our model was highlighted as far as being a success and the fact that we have one managed care plan within our county is definitely part of the reason. However, Dr. Parsa think it is what you all are doing that is making it easier for our patients and our providers, as well. This summarizes that meeting, and she is again interested in the transition care, as Dr. Parsa thinks that it is relevant to all of us because of all the hard work we Pediatricians do and when they are pediatric patients, how could we transition them successfully?

Dr. Parsa is pleased that that CCS is taking this on as well. Another challenge will be finding adult providers in that transition of care. Dr. Goumas stated that CenCal Health currently has an entire transition plan in place and are trying to follow the Numbered Letters as best as we can, and the largest issue has been that it is not just affecting this, it is affecting other things, as well. The resources needed to reach-out to the families to begin the

	<p>transition process is large. There is a new CCS Numbered Letter coming out soon, as well.</p> <p>Dr. Fonda wanted to add that in her capacity as Chief Medical Officer, she sees all of the grievances for CenCal Health and there are no grievances for the CCS panel, and she thinks that is incredibly significant and it reads a reflection of the good work that is being done.</p> <p>This concluded Dr. Parsa's update.</p>	
<p>5. CCS Medical Consultant Update</p> <p><i>Dr. Rhonda Gordon</i> <i>Dr. Kathleen Long</i></p>	<p>Dr. Gordon and Dr. Long gave an update to the Committee regarding Medical Advisory Committee (MAC) statewide meeting and the Southern Region Pediatric Action Coalition (SRPAC) meeting, respectively.</p> <p>Highlights from Dr. Long include:</p> <ul style="list-style-type: none"> • A number of new Numbered Letters coming out soon. • A New intercounty transfer is forthcoming. • Gait analysis forthcoming, along with possible policy. • Trailer Bill 424 has many changes to it. WCM expansion has been removed from it. <p>Highlights from Dr. Gordon include:</p> <ul style="list-style-type: none"> • CalAIM Oversight Group • ECM providers: there are a few counties that have applied to become ECM providers, however, only for a specific group of CCS patients. • MTP telehealth visits can continue, however, in-person meeting is required at the 12-month check-up. • MTP audits have begun. • The State restarted NICU recertification, however, less so due to State data gathering difficulties. • Santa Barbara County is having difficulties with recruiting physicians for MTC as travel time is not reimbursed. Dr. Cheryl Walker has been asked to address this with DHCS. • Dr. Doyle in Los Angeles and Dr. Siddiqui in Riverside are both retiring, which means there is historical and institutional knowledge are being lost. <p>This concluded the updates from Dr. Long and Dr. Gordon.</p>	No
<p>6. Provider Services Update</p> <p><i>Robert Janeway,</i> <i>Director of Provider Services</i></p>	<p>Mr. Janeway gave an update to the Committee.</p> <p>Highlights include:</p> <p>Mr. Janeway began with a brief update on the Populations of Focus (POF) and recruitment efforts of Provider Services.</p> <p>As a brief recap on the new populations of focus (POF) that go live in July:</p>	No

- POF seven, which is related to children and youth enrolled in California Children's services, WCM or WCM with additional needs beyond the CCS condition.
- POF eight is for children and youth involved in child welfare.
- POF nine is for children and youth with intellectual or developmental disabilities, and
- POF ten for pregnant or postpartum individuals.

Provider Services have worked to recruit several new providers into the network who would be serving these POFs in particular for this group, for those serving the CCS and WCM members we are glad to be bringing aboard Children's Hospital, Los Angeles, effective July 1st, to serve that POF. And, Provider Services are working to bring aboard Valley Children's Hospital as well, to be a dedicated tertiary partner for that POF, likely starting in August. And, Provider Services also have identified several existing providers who are already in our ECM network, who will expand their existing services to include children and youth populations of focus, and that includes healthcare access, TLC, Path Point and Santa Barbara Neighborhood Clinics. Provider Services also has a handful of new ECM providers who are serving the non-CCS POFs eight and nine for the children and youth involved in child welfare, those with intellectual or developmental disabilities, or pregnant and postpartum individuals. That includes Saint Vincent's nonprofit and the Father Virgil Cordano Center.

That is certainly not the end of the recruitment efforts, but that is the latest in terms of those who have confirmed their capacity and ability to serve these new children and youth populations of focus (POFs).

Dr. Goumas asked Mr. Janeway if she were correct in assuming that for CHLA and Valley Children's, the each would become a potential ECM for kids that are already receiving services there with their specialists, or would any child potentially be treated. Mr. Janeway responded that he has not been involved in their recruitment directly, but he believes that would be their primary focus.

Dr. Goumas mentioned to the Committee that Ms. Cathy Slaughter, Director of Provider Relations, would be happy to field any questions from the Committee about recruitment efforts, at any time.

This concluded Mr. Janeway's update to the Committee. Dr. Goumas thanked Mr. Janeway for his time in updating the Committee.

7. Member Portal	<p>Dr. Goumas spoke to the Committee about the Member Portal on the CenCal Health website.</p> <p>Background A member can access their CenCal Health account, provide updates to their demographic information, request ID cards, request a change in their PCP, complete health risk assessments instead of having to complete them on paper and mail them back to us. The feedback that Member Services is gaining tends to be rather positive and more members are signing up for that. Dr. Goumas wanted the Committee that this is something new that CenCal Health is making a dedicated effort in order to reach more of our members and get their information updated. If the Committee would like more details, Mr. Buben, Director of Member Services, is happy to come to a future meeting to give a presentation and answer any questions from the Committee.</p> <p>The Committee had no questions. This concluded Dr. Goumas' discussion of the Member Portal.</p>	
7. Open Forum	<p>At the last PCAC meeting, Dr. Goumas mentioned the possibility of changing the start time of PCAC meetings to 6:30 p.m. in an effort to ensure that committee members are able to be present for the meetings once they begin. It appears that most of the Committee members indicated that they would prefer to maintain the 6:00 p.m. start time and try to finish-up early so that if there is physician work left to complete, it would be preferable to accomplish that after the meeting. However, if after more thought is given between now and the next meeting, and if any of the Committee members would prefer to begin at a later time, please let me (Dr. Goumas) know. It is an open topic until such time that the Committee all agree on how to proceed. For now, the sense is that most members would like to keep the meeting time as it is at 6:00 p.m.</p> <p>Dr. Parsa indicated that although a 6:00 p.m. time is a challenge for her, she respects everyone else's time, and she is OK with the 6:00 p.m. start time, and will do her best to attend the meetings on time.</p> <p>Dr. Goumas thanked Dr. Parsa for her input, and the Committee for their input, as well. In summary, and currently, the PCAC meetings will continue to commence at 6:00 p.m. on the respective Wednesdays.</p>	No
8. Questions & Comments	There were no additional questions or comments.	No

9. Next Meeting Date	Dr. Goumas indicated that the next meeting date could be December 6, 2023 and asked the committee members to contact her with their preference.	No
10. Adjournment	The meeting was adjourned at 7:32 p.m.	No

*CCS Advisory Group - <https://www.dhcs.ca.gov/services/ccs/Pages/PastMeetingMaterials.aspx>

Respectfully submitted,

Mimi M. Hall

Mimi M. Hall
Executive Assistant

Approved,

Rea Goumas, MD

Rea Goumas, MD
Whole Child Model Director



Health Services Department

Whole Child Model Program Pediatric Clinical Advisory Committee (PCAC) Meeting Agenda

Date: September 27, 2023

Time: 6:00 – 8:00 p.m.

Location: Microsoft Teams Virtual Meeting

Chairperson: Rea Goumas, MD, Whole Child Model Director

Committee Members: Carl Owada, MD, FACC, FSCAI; Cindy Blifeld, MD; Jillian Davenport, MD; Miriam Parsa, MD; Tami Taketani, MD; Kristen Hughes, MD; Rea Goumas, MD; Ana Stenersen, RN; Kathleen Long, MD; Gowthamy Balakumaran, MD; Rhonda Gordon, MD; Emily Fonda, MD, CHCQM, MMM; Robert Janeway

Staff Attendees: Cathy Slaughter, Provider Relations Director

Excused: Cindy Blifeld, MD, Ana Stenerson, RN

Secretary: Mimi Hall, Executive Assistant

Agenda Item	Facilitator	Time
1. Welcome, Announcements, and Introductions	Dr. Rea Goumas	10
2. Approval of Minutes of June 28, 2023 Meeting	Committee	5
3. CCS Paneling Status Update Cottage Hospital PICU	Dr. Miriam Parsa	15
4. CCS Advisory Group Meeting Update	Dr. Rea Goumas	10
5. CCS Medical Consultants Update	Dr. Rhonda Gordon Dr. Kathleen Long	10
6. Provider Services Update <ul style="list-style-type: none">• New Provider Contracting• ECM for CCS Population	Cathy Slaughter, Provider Relations Director	20

7. Future Meeting Date/Time <ul style="list-style-type: none">• December 6, 2023• Starting Time of Meetings	Dr. Goumas	5
8. Adjournment	Dr. Goumas	5

*CCS Advisory Group - <https://www.dhcs.ca.gov/services/ccs/Pages/AdvisoryGroup.aspx>

FY 22-23 Audited Financial Statements

Date: October 18th, 2023
From: Kashina Bishop, Chief Financial Officer/Treasurer
Through: Marina Owen, Chief Executive Officer

Executive Summary

Bartlett, Pringle, and Wolf (BPW) have completed the financial audit as of and for the year ended June 30, 2023. The auditor's report reflects an "**unmodified opinion**" which means that it is their opinion that the financial statements for the audit period present fairly, in all material respects, the financial position of CenCal Health as of June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

For the month of June 2023, staff made one significant adjustment to the FY 22-23 statements for the net pension liability associated with the CalPERS defined benefit plan. This adjustment must occur after year end due to its dependency on an actuarial analysis provided by CalPERS. The net impact was an increase of \$ 6 million to pension expense. There was a significant decrease of \$10 million in pension expense in FY 21-22 because of favorable market conditions and a swing was anticipated for FY 22-23 due to the market volatility.

A secondary and important purpose of the audit is to test and comment on design and operation of the internal controls that have a relationship with financial reporting. There are three levels of internal control deficiencies that auditors will report, which include:

1. **Control deficiencies** – exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.
2. **Significant deficiencies** – a deficiency, or a combination of deficiencies, in internal control that is less material than a material weakness, yet important enough to merit attention by those charged with governance.
3. **Material weakness** – a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

We are happy to report that BPW did not identify any reportable internal control deficiencies.

Financial Summary as of June 30, 2023

Presented in Millions	June	FYTD thru June
Capitation Revenue	\$103.3	\$1,200.8
Medical Costs	\$98.5	\$1,017.5
Medical Loss Ratio (MLR)	95%	85%
Administrative Costs	\$12.0	\$135.0
Non-Operating Income (Expense)	\$1.8	\$11.3
Operating Gain (Loss)	\$(5.4)	\$59.6
Cash + Investments		\$336.0
Receivables		\$444.6
Medical Expense Liability (IBNP)		\$105.2
Tangible Net Equity		\$254.9
Pct. of Board TNE Target		95%
Pct. of Required		811%

Recommendation

Staff recommends the Board of Directors approve the audited Financial Statements as of and for the year ended June 30, 2023.

DRAFT

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JUNE 30, 2023 AND 2022

FINANCIAL STATEMENTS



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
CenCal Health**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CenCal Health as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise CenCal Health's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of CenCal Health, as of June 30, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CenCal Health and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CenCal Health's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CenCal Health's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CenCal Health's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9, the California Public Employees' Retirement System - Schedule of CenCal Health's Proportionate Share of the Net Pension Liability on page 34 and the California Public Employees' Retirement System - Schedule of CenCal Health's Contributions on page 35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information included on pages 36 through 38 does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023 on our consideration of CenCal Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CenCal Health 's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CenCal Health's internal control over financial reporting and compliance.

Santa Barbara, California
October 13, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management discussion and analysis of CenCal Health is intended to provide readers and interested parties with an overview of the organization's financial activities for the fiscal years ended June 30, 2023 and 2022. It should be reviewed in conjunction with CenCal Health's financial statements and accompanying notes to enhance the reader's understanding of CenCal Health's financial performance.

ORGANIZATION

CenCal Health is an independent public agency organized by the County of Santa Barbara and the County of San Luis Obispo to operate a capitated, or prepaid, health care system for residents of both counties. CenCal Health was originally established in Santa Barbara County and expanded services into San Luis Obispo County in March of 2008.

CenCal Health currently administers and operates the following health care programs: Medi-Cal (Santa Barbara Health Initiative "SBHI" and San Luis Obispo Health Initiative "SLOHI").

Since beginning operations in 1983, CenCal Health has created access to high quality health care for its members through contracts with local providers (physicians, clinics, hospitals, pharmacies, etc.); and coordinated care for its members through a primary care provider case management system, aided by numerous plan programs and activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, basic financial statements, and supplementary information. The basic financial statements include notes that explain in more detail some of the information presented in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of CenCal Health report financial information about CenCal Health using accounting methods in accordance with accounting principles generally accepted (GAAP) in the United States of America and governmental accounting and financial reporting standards.

The balance sheets include CenCal Health's assets and liabilities, and provide information about the nature and amounts of investments in resources (assets) and the obligations to CenCal Health's creditors (liabilities). It also provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of CenCal Health. The balance sheets also include deferred inflows and outflows of resources. A deferred outflow of resources represents a consumption of net position by CenCal Health that is applicable to a future reporting period. Conversely, a deferred inflow of resources is an acquisition of net position by CenCal Health that is applicable to a future reporting period.

Revenues and expenses are accounted for in the statements of revenues, expenses and changes in net position. These statements measure the success of CenCal Health's operations over the past year and can be used to determine whether CenCal Health has successfully recovered all its costs through its capitation from the State of California, insurance premiums, other revenue sources, and the investment of funds.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The final required financial statements are the statements of cash flows. The primary purpose of these statements is to provide information about CenCal Health's cash receipts and cash payments during the reporting period. These statements report cash receipts, cash payments, and net changes in cash resulting from operations, capital and related financing and investing activities, and provide answers to questions such as, where did the cash come from, what was the cash used for, and what was the change in the cash balance during the year?

FINANCIAL ANALYSIS OF CENCAL HEALTH

Financial Highlights

The following are the significant highlights of CenCal Health's financial performance for the fiscal year ended June 30, 2023, representing fluctuations from June 30, 2022 to June 30, 2023:

- Combined financial results from all programs and activities show a year-to-date operating gain of \$59.6 million.
- Net asset position increased by \$59.6 million or 30.5%.
- Total revenues increased 2.3% from \$1,184.4 million to \$1,212.1 million.
- Total expenses decreased 0.6% from \$1,159.3 million to \$1,152.5 million. Within this amount, administrative expenses increased 121.5% from \$43.7 million to \$96.8 million.
- Available cash and cash equivalents increased 22.9% from \$273.3 million to \$335.9 million.
- Member enrollment increased from 219,233 to 235,218 covered lives as of June 30, 2022 and 2023, respectively.

Net Position

Over time, increases or decreases in CenCal Health's net position are indicators of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation should also be considered for such analysis.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

A summary of CenCal Health's balance sheets are presented in **Table A-1**.

TABLE A-1
Condensed Balance Sheets
(In millions)

	FY 2023	FY 2022	FY 2021	2023-2022 Variance		2022-2021 Variance	
				Dollar Change	Percent Change	Dollar Change	Percent Change
ASSETS:							
Current and other assets	\$ 795.7	\$641.6	\$ 496.5	\$ 154.1	24.0%	\$ 145.1	29.2%
Capital assets	28.4	29.6	30.4	(1.2)	-4.1%	(0.8)	-2.6%
Deferred outflow of resources	10.7	6.7	6.3	4.0	59.7%	0.4	6.3%
Total assets	834.8	677.9	533.2	156.9	23.1%	144.7	27.1%
LIABILITIES:							
Medical claims payable	105.2	95.5	82.5	9.7	10.2%	13.0	15.8%
Other liabilities	474.5	386.9	279.8	87.6	22.6%	107.1	38.3%
Deferred inflow of resources	0.2	0.2	0.7	0.0	0.0%	(0.5)	-71.4%
Total liabilities	579.9	482.6	363.0	97.3	20.2%	119.6	32.9%
NET POSITION:							
Invested in capital assets	28.4	29.6	30.4	(1.2)	-4.1%	(0.8)	-2.6%
Unrestricted	226.2	165.4	139.5	60.8	36.8%	25.9	18.6%
Restricted	0.3	0.3	0.3	0.0	0.0%	0.0	0.0%
Total net position	254.9	195.3	170.2	59.6	30.5%	25.1	14.7%
Total liabilities and net position	\$ 834.8	\$677.9	\$ 533.2	\$ 156.9	23.1%	\$ 144.7	27.1%

Current and other assets increased by \$154.1 million primarily due to an increase within accounts receivable due from the DHCS. Receivables due from the DHCS increased by \$84.9 million as a result of membership and revenue for programs under the CalAIM initiative.

Capital assets decreased by a net amount of \$1.2 million due to \$1.1 million in fully depreciated assets that were disposed this year. Depreciation expense on the capital assets is \$1.6 million.

Medical claims liabilities as of June 30, 2023 are at \$105.2 million, an increase of \$9.7 million. The primary drivers of the increase are increased membership due to PHE moratorium on re-determinations, provider reimbursement rate increases, the WCM population and increased long-term care costs.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Other liabilities increased by \$87.6 million due to several events: (a) a rise in accrued expenses related to anticipated legal liabilities, (b) a reduction in MCO tax for the year 2023, (c) an uptick in directed payments from DHCS due to timing factors, (d) growth in CalAIM initiatives-incentive programs, and (e) an increase in the CalPERS pension liability.

While the balance sheets show the change in net position, the statements of revenues, expenses and changes in net position provide answers as to the nature and scope of these changes.

Table A-2 indicates the increase in net position during 2023 is attributable to an operating income of \$59.6 million.

TABLE A-2
Condensed Statements of Revenues,
Expenses and Changes in Net Position
(In millions)

	FY 2023	FY 2022	FY 2021	2023-2022 Variance		2022-2021 Variance	
				Dollar Change	Percent Change	Dollar Change	Percent Change
REVENUES:							
Capitation	\$ 1,177.8	\$ 1,179.8	\$ 1,047.6	\$ (2.0)	-0.2%	\$ 132.2	12.6%
Other revenue	29.5	5.9	0.5	23.6	400.0%	5.4	1080.00%
Interest and unrealized loss	4.8	(1.3)	1.0	6.1	-469.2%	(2.3)	-230.0%
Total revenues	1,212.1	1,184.4	1,049.1	27.7	2.3%	135.3	12.9%
EXPENSES:							
Medical	1,017.5	1,038.3	957.8	(20.8)	-2.0%	80.5	8.4%
Administrative	96.8	43.7	50.8	53.1	121.5%	(7.1)	-14.0%
MCO tax	37.9	77.3	66.0	(39.4)	-51.0%	11.3	17.1%
Strategic Investment	0.3	0.0	0.0	0.3	0.0%	0.0	0.0%
Total expenses	1,152.5	1,159.3	1,074.6	(6.8)	-0.6%	84.7	7.9%
Operating gain (loss)	59.6	25.1	(25.5)	34.5	137.5%	50.6	-198.4%
Beginning - net position	195.3	170.2	195.7	25.1	14.7%	(25.5)	-13.0%
Ending - net position	\$ 254.9	\$ 195.3	\$ 170.2	\$ 59.6	30.5%	\$ 25.1	14.7%

Capitation revenue decreased \$2.0 million mainly due to the combination of changes in estimate for prior-year revenue, reduction in revenue associated with a legal settlement accrual, and supplemental capitation changes driven by utilization. In addition, there was a reduction in revenue attributed to risk corridor calculations.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Medical expenses decreased by \$20.8 million, a 2.0% decrease. The primary medical expense category that decreased was pharmaceuticals. Pharmacy costs were carved out by the State in January 2022 and the final claims for pharmacy items were paid in fiscal year 2022.

Administrative expenses increased \$53.1 million. The health plan incurred an increase in legal fees compared to 2022, including \$49.5 million settlement. In addition, the CalPERS retirement pension cost resulted in salary and benefit costs increasing by \$6 million compared to 2022 mainly due to an increase in the unfunded pension liability.

MCO Tax expense decreased by \$39.4 million from 2022. The DHCS established the health plan's tax, specific for the period covering July through December 2022, at \$40.2 million, with no MCO tax expense assigned for 2023.

SUMMARY OF CASH FLOW ACTIVITIES

Table A-3 below shows a summary of the major sources and uses of cash and cash equivalents for the current and prior fiscal year. Cash and cash equivalents are considered highly liquid investments.

TABLE A-3
Summary of Cash Flow Activities
(In millions)

	FY 2023	FY 2022	FY 2021	2023-22 Change	2022-21 Change
Cash flow from operating activities	\$ 57.0	\$ 56.0	\$ (2.3)	\$ 1.0	\$ 58.3
Cash flow from capital and related financing activities	(0.0)	(0.5)	(0.7)	0.5	0.2
Cash flow from investing activities	5.6	0.9	(9.0)	4.7	9.9
Net increase (decrease) in cash and cash equivalents	62.6	56.4	(12.0)	6.2	68.4
Cash and cash equivalents					
Beginning of year	273.3	216.9	229.0	56.4	(12.1)
End of year	\$ 335.9	\$ 273.3	\$217.0	\$ 62.6	\$ 56.3

Cash provided by operating activities increased by \$1.0 million primarily due to the combination of these three items: (i) \$17.8 million less in payments for medical costs and (ii) \$9.2 million less in expenditures for administrative costs and (iii) \$15.6 million greater cash received associated with other revenue arrangements, such as Hospital Quality Assurance Fees (HQAF), directed payments and CalAIM initiatives during 2023 compared to 2022.

CenCal Health's excess cash funds (the amount above which is needed to meet immediate operational needs) are invested in the State of California's Local Agency Investment Fund ("LAIF") and California Investment Trust ("CalTRUST"), which offer competitive market interest rate returns with minimal risk.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FORECAST FOR JULY 2023-DECEMBER 2023

For July 2023 to December 2023, CenCal Health is projecting its Medi-Cal population with a target of 230,237 members as of December 31, 2023.

The July 2023 – December 2023 budget is as follows (in millions of dollars):

Total revenues	\$ 561.9
Medical expenses	507.1
Administrative expenses	37.9
Strategic investments	<u>4.6</u>
Operating income	<u>\$ 12.3</u>

Anticipated revenue reduction from July 2023 through December 2023 is attributed to a forecasted decline in membership. The precise financial impact will remain unclear for several more months.

CENCAL HEALTH
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BALANCE SHEETS
JUNE 30, 2023 and 2022

ASSETS	2023	2022
CURRENT ASSETS:		
Cash and cash equivalents (Notes 2 and 3)	\$ 335,950,201	\$ 273,278,992
Accounts receivable (Note 2):		
State of California:		
Capitation	434,243,300	349,388,921
Reinsurance	3,023,913	2,372,000
Other	7,375,913	559,717
Total accounts receivable	444,643,126	352,320,638
Prepaid expenses and other assets	2,776,448	1,911,642
Net pension asset (Note 8)	-	1,346,155
Total current assets	783,369,775	628,857,427
CAPITAL ASSETS - Net (Note 4)	28,391,438	29,574,524
LEASE ASSETS (Note 7)	1,173,502	1,601,607
SHARE APPRECIATION LOAN	-	300,000
RESTRICTED CERTIFICATE OF DEPOSIT (Notes 3 and 10)	300,000	300,000
RESTRICTED CORPORATE OWNED LIFE INSURANCE (Note 17)	10,764,812	10,516,786
DEPOSITS	65,566	88,386
DEFERRED OUTFLOW OF RESOURCES:		
Deferred pensions (Note 8)	10,722,992	6,712,692
TOTAL	\$ 834,788,085	\$ 677,951,422
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 62,413,247	\$ 7,629,868
Accrued salaries and related benefits	4,114,685	4,487,626
Accrued MCO tax (Note 13)	-	23,315,088
Accrued Pooled directed payment (Note 16)	232,117,521	198,415,850
Accrued pass-thru IGT and HQAF (Notes 12 and 15)	117,137,860	78,310,265
Accrued BHI and VRP	(336,124)	1,016,827
Accrued risk corridor	5,898,139	-
Accrued HHIP	8,754,350	-
Accrued CalAIM IPP	7,359,187	-
Medical claims payable (Note 5)	105,185,830	95,547,000
Distributions payable (Note 6)	3,921,190	11,247,000
Accrued DHCS Revenue Recoup - (Note 14)	19,768,770	54,408,482
Lease liability, current portion (Note 7)	426,344	406,052
Other unearned revenue	3,388,836	6,412,173
Net pension liability (Note 8)	8,729,343	-
Total current liabilities	578,879,178	481,196,231
OTHER LIABILITIES		
Lease Liability, net of current portion (Note 7)	845,336	1,272,578
TOTAL LIABILITIES	579,724,514	482,468,809
COMMITMENTS AND CONTINGENCIES (Note 7)		
DEFERRED INFLOW OF RESOURCES:		
Deferred pensions (Note 8)	187,190	217,489
NET ASSETS:		
Invested in capital assets, net of related debt (Note 2)	28,391,438	29,574,524
Restricted (Notes 2 and 10)	300,000	300,000
Unrestricted (Note 2)	226,184,943	165,390,600
Total net assets	254,876,381	195,265,124
TOTAL	\$ 834,788,085	\$ 677,951,422

See accompanying notes

CENCAL HEALTH
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES:		
Capitation	\$ 1,177,806,481	\$ 1,179,783,621
Other	29,525,229	5,930,286
Total operating revenues	<u>1,207,331,710</u>	<u>1,185,713,907</u>
OPERATING EXPENSES:		
Medical Expenses:		
PCP capitation, incentives and other	36,508,099	35,185,564
Physician services	182,968,574	167,766,661
Pharmaceuticals	-	84,283,858
Hospital services	307,030,647	277,797,515
Long-term care services	148,673,144	128,573,151
Mental and behavioral health	45,295,895	45,188,203
Other medical care	293,490,732	301,821,727
Medical cost recoveries - net (Note 2)	3,521,359	(2,307,272)
Total medical related	<u>1,017,488,450</u>	<u>1,038,309,407</u>
Administrative expenses:		
Salaries and fringe benefits	50,005,883	26,916,481
Contract services	8,798,779	8,353,448
Travel and transportation	108,325	65,853
Rent and occupancy	847,692	773,189
Office supplies and minor equipment	293,029	438,362
Data communications	644,609	641,323
Postage and printing	1,179,756	758,487
Equipment and software maintenance	33,264	85,609
Depreciation and amortization	1,624,740	1,706,881
Other	33,308,262	3,971,705
Total administrative expenses	<u>96,844,339</u>	<u>43,711,338</u>
MCO tax expense (Note 13)	37,897,740	77,260,350
Strategic investment	277,504	-
Total operating expenses	<u>1,152,508,033</u>	<u>1,159,281,095</u>
OPERATING INCOME	54,823,677	26,432,812
NON-OPERATING REVENUES		
Interest income	5,341,153	900,960
Unrealized gain (loss)	(553,573)	(2,231,808)
Total non-operating revenue	<u>4,787,580</u>	<u>(1,330,848)</u>
TOTAL REVENUES GREATER THAN EXPENSES	<u>59,611,257</u>	<u>25,101,964</u>
NET POSITION, BEGINNING OF YEAR	195,265,124	170,209,883
Cumulative effect of change in accounting principle (Note 7)		(46,723)
NET POSITION, END OF YEAR	<u>\$ 254,876,381</u>	<u>\$ 195,265,124</u>

See accompanying notes

CENCAL HEALTH
Local. Quality. Healthcare.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from capitation and premium arrangements	\$ 1,028,085,695	\$ 1,025,840,115
Cash received from other revenue arrangements	101,357,630	85,732,536
Cash paid for medical related expenses	(935,233,702)	(917,425,994)
Cash paid for MCO tax expense	(61,212,828)	(71,428,841)
Cash paid for general and administrative expenses	(75,953,190)	(66,757,548)
Net cash provided by operating activities	<u>57,043,605</u>	<u>55,960,268</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of property and equipment	(13,549)	(489,928)
Net cash used in capital and related financing activities	<u>(13,549)</u>	<u>(489,928)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received for interest	5,341,153	900,960
Cash received for shared appreciation loan	300,000	-
Net cash provided by investing activities	<u>5,641,153</u>	<u>900,960</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	62,671,209	56,371,300
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>273,278,992</u>	<u>216,907,692</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 335,950,201</u>	<u>\$ 273,278,992</u>
RECONCILIATION OF OPERATING PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 54,823,677	\$ 26,432,812
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	1,624,740	1,706,881
Interest income for company owned life insurance	(248,026)	(278,230)
Realized and unrealized gain (loss) on investments, net	(553,573)	(2,231,808)
Changes in assets and liabilities:		
Accounts receivable - net	(92,322,488)	(85,045,514)
Prepaid expenses and other assets	(864,806)	(497,370)
Deposits	22,820	17,277
Net pension asset	1,346,155	(1,346,155)
Deferred outflow of resources	(4,010,300)	(438,536)
Accounts payable and accrued expenses	54,783,379	(610,584)
Accrued salaries and related benefits	(372,941)	504,739
Accrued MCO tax	(23,315,088)	5,831,509
Accrued pass-thru for IGT and HQAF	38,827,595	21,905,319
Accrued BHI and VRP	(1,352,951)	1,016,827
Accrued risk corridor	5,898,139	-
Accrued CalAIM and HHIP	16,113,537	-
Accrued Pooled Directed Payment	33,701,671	74,624,850
Medical claims payable	9,638,830	13,010,026
Distributions payable	(7,325,810)	1,032,000
Accrued DHCS Revenue Recoup - 85% MLR	(34,639,712)	2,857,436
Net pension liability	8,729,343	(8,125,247)
Lease assets	-	(2,063,237)
Lease liability	(406,950)	1,678,630
Other unearned revenue	(3,023,337)	6,412,173
Deferred inflow of resources	(30,299)	(433,530)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 57,043,605</u>	<u>\$ 55,960,268</u>

See accompanying notes

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NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Organization

Santa Barbara San Luis Obispo Regional Health Authority dba CenCal Health, formerly Santa Barbara Regional Health Authority, is an independent public agency organized by the County of Santa Barbara and the County of San Luis Obispo to operate a Medi-Cal program on a capitated, or prepaid, health care system for residents of Santa Barbara County and San Luis Obispo County. CenCal Health receives approximately 99% of its revenue from this program.

The prepaid system was authorized by legislation in March 1982, and CenCal Health subsequently entered into a contract with the Department of Health Services of the State of California (the "State") that was to expire on June 30, 1986. The contract with the State is routinely extended with the current contract expiring on December 31, 2023.

Note 2 - Summary of Significant Accounting PoliciesA) Basis of Accounting

CenCal Health is a governmental health insuring organization and, accordingly, follows principles as prescribed by the Governmental Accounting Standards Board ("GASB") and the provisions of the American Institute of Certified Public Accountants Audit and Accounting Guide, *Health Care Organizations*. CenCal Health uses the accrual basis of accounting in accordance with provisions for proprietary fund types.

B) Net Position

Net position is classified into three components:

Invested in capital assets, net of related debt

This component of net position consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings, if any, that are attributable to the acquisition, construction, or improvement of those assets.

Restricted

This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted

This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

C) Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, investments in the State Treasurer’s Local Agency Investment Fund (“LAIF”), investments in Investment Trust of California (“CalTRUST”) and other short-term, highly liquid securities with original maturities of three months or less. The LAIF is a voluntary program created by statute as an investment alternative for California’s local governments and special districts. The carrying value of cash and cash equivalents approximates the fair value due to their short-term nature. CalTRUST is a California joint powers authority established to consolidate investment activities for public agencies.

D) Basis of Accounting for Receivables

Accounts receivable are carried at their estimated collectible amount. Management evaluates receivables for collectability and records an allowance for any amounts estimated to be uncollectible.

E) Capital Assets

Capital assets are recorded at historical cost less accumulated depreciation (see Note 4). Depreciation is computed on the straight-line method over the estimated useful lives of the various classes of assets or the lease term, whichever is less, as follows:

Building	30 years
Office furniture and fixtures	5 years
Computer equipment and software	3 years
Leasehold improvements	5 years or lease term, if less

F) Revenue Recognition

Under the contract with the State, Medi-Cal revenues are recognized based on the estimated number of eligible enrollees per month, times the contracted monthly capitation rate. Capitation revenues are paid monthly in arrears. Membership adjustments are paid by the State in the month that a member was retroactively eligible for any previous months. Adjustments to revenue due to changes in estimated membership by CenCal Health are recognized currently. Revenue is recorded in the month in which eligible enrollees are entitled to health care services.

G) Medical Related Claims Payable and Expenses

CenCal Health pays certain contracting health care providers, mostly primary care physicians, pursuant to capitation arrangements under which a provider agrees to supply all covered services for a monthly fixed fee. Capitation arrangements represent full payment for services and are not subject to retroactive adjustment of claims. CenCal Health withholds 20% to 40% of the monthly capitation payments for an incentive pool. (See Note 5.) For certain services not covered by the capitation fees, providers bill CenCal Health as services are provided to enrollees pursuant to fee-for-service arrangements. Fee-for-service

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NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)G) Medical Related Claims Payable and Expenses (Continued)

arrangements result in claims by providers that are billed subsequent to services being rendered. Medical claims payable include the liability for claims received and unpaid and a provision for claims incurred but not reported.

The provision for claims incurred but not reported is established using a historical analysis of the claims volume and the average time lag between the date the claim is incurred and the date that is reported to CenCal Health.

Medical cost recoveries consist of reinsurance recoveries and recoveries from third parties and Medicare. CenCal Health is contracted with a private reinsurance carrier to mitigate risk associated with high-cost hospital admissions incurred within its Medi-Cal programs. Reinsurance recovery amounts are based on amounts paid by CenCal Health in excess of a \$2,750,00 deductible for Santa Barbara County Medi-Cal hospital admissions and \$1,167,000 deductible for San Luis Obispo County Medi-Cal hospital admissions for the year ended June 30, 2023, and \$1,250,00 deductible for Medi-Cal hospital admissions for the year ended June 30, 2022. Reinsurance recoveries, the reinsurance premium cost, and recoveries from third parties and Medicare are reported as reductions of medical expenses.

CenCal Health reassesses the profitability of the Medi-Cal contract for providing health insurance coverage to the members when current operating results or forecasts indicate probable future losses. CenCal Health establishes a premium deficiency reserve in current operations to the extent that the sum of expected future medical costs, claim adjustment expenses, and maintenance costs exceeds related future premiums under contract without consideration of investment income. Losses recognized as a premium deficiency result in a beneficial effect in subsequent periods as operating losses under these contracts are charged to the liability previously established. There were no premium deficiency liabilities recorded at June 30, 2023 and 2022.

H) Restricted Certificates of Deposit

Restricted certificates of deposit of \$300,000 at June 30, 2023 and 2022, are maintained under terms and conditions of CenCal Health's Knox-Keene license.

I) Income Taxes

Taxes on income are not required, as CenCal Health is a special purpose organization created by an act of the California State Legislature.

J) Concentrations of Credit Risk

CenCal Health contracts with the State of California to provide health care services to Medi-Cal eligible recipients under the Santa Barbara Health Initiative ("SBHI") and San Luis Obispo Health Initiative ("SLOHI"). Revenues generated from these contracts accounted for approximately 99% of total revenues in the years ended June 30, 2023 and 2022.

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NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)**K) Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. CenCal Health's principal areas that include estimates are depreciation, receivables including reinsurance and retroactive capitation receivables, DHCS revenue recoup, PCP incentive pool, medical claims payable, and net pension liability. Actual results could differ from those estimates.

L) Statements of Revenues, Expenses and Changes in Net Position

All revenues and expenses directly related to the delivery of health care services are included in operating revenues and expenses in the statements of revenues, expenses and changes in net position. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from exchange transactions, if any, or investment income.

M) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of CenCal Health's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N) Governmental Accounting Standards Board (GASB) Statements – Recent Updates

Statement No. 96, *Subscription-Based Information Technology Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This accounting guidance is effective for fiscal years beginning after June 15, 2022. The adoption of this standard did not have a material impact on the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

O) Governmental Accounting Standards Board (GASB) Statements – Future Updates

Statement No. 100 *"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"* The requirements of this statement are effective for periods beginning after June 15, 2023. (FY 23/24)

Statement No. 101 *"Compensated Absences"* The requirements of this statement are effective for periods beginning after December 15, 2023. (FY 24/25)

Note 3 - Cash and Investments

At June 30, 2023 and 2022, CenCal Health had the following cash and investments on hand:

	<u>2023</u>	<u>2022</u>
Cash in banks and on hand	\$196,878,555	\$137,368,557
Local Agency Investment Fund	26,988,940	26,528,835
California Investment Trust	112,082,706	109,381,600
Total cash and cash equivalents	<u>\$335,950,201</u>	<u>\$273,278,992</u>
Restricted certificate of deposit	<u>300,000</u>	<u>300,000</u>
Total cash and investments	<u>\$336,250,201</u>	<u>\$273,578,992</u>

Investments Authorized by CenCal Health's Investment Policy

CenCal Health's investment policy authorizes surplus funds to be invested as specified in Government Code Sections 53601 and 53609. In addition, the investment policy stipulates that funds be held through the Local Agency Investment Fund (LAIF) or deposited for safekeeping in State or National banks or State or Federal savings and loan associations. CenCal Health's policy does not contain any specific provisions intended to limit exposure to interest rate risk, credit risk and concentration of credit risk.

Investment in Local Agency Investment Fund (LAIF)

LAIF is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of CenCal Health's investment in this pool is reported in the accompanying financial statements at amounts based on CenCal Health's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on the amortized cost basis. LAIF invests some of its portfolio in derivatives. Detailed information on derivative investments held by this pool is not readily available.

California Investment Trust (CalTRUST)

CalTrust is a California joint powers authority and public agency established under the provisions of Title 1, Division 7, Chapter 5 of the California Government Code (the "Joint Exercise of Powers

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NOTES TO THE FINANCIAL STATEMENTS

Note 3 - Cash and Investments (Continued)California Investment Trust (CalTRUST) (Continued)

Act”), to provide public agencies with consolidated investment activities. CalTrust has four pools, money market account, short-term, medium-term, and long-term. CenCal Health has deposits in the Short-Term Fund and the Medium-Term Fund for the years ended June 30, 2023 and 2022. CenCal Health’s investment in these pools are reported in the accompanying financial statements using net asset value as a practical expedient as reported by CalTrust.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, CenCal Health will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized.

The California Government Code requires California banks and savings and loans associations to secure CenCal Health's deposits by pledging government securities, which equal at least 110% of CenCal Health's deposits. California law also permits financial institutions to secure CenCal Health's deposits by the pledging of first trust deed mortgage notes in excess of 150% of CenCal Health's deposits. CenCal Health may waive collateral requirements for deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC).

None of CenCal Health's cash deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for investments is the risk that, in the event of the failure of the issuer of an investment, CenCal Health will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The California Government Code and CenCal Health's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities and does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools. Investments in LAIF are not rated by a national rating agency.

For the years ended June 30, 2023 and 2022, the CalTrust Short-Term Fund was rated AAf/S1+. The CalTrust Medium Term Fund was rated AA-f/S1 for the years ended June 30, 2023 and 2022, respectively.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. CenCal Health did not have any investments that are considered highly sensitive to changes in interest rates at June 30, 2023 and 2022.

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NOTES TO THE FINANCIAL STATEMENTS

Note 3 - Cash and Investments (Continued)

As of June 30, 2023 and 2022, CenCal Health had the following investments:

<u>Investment Type</u>	June 30, 2023				
	Carrying Amount	12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Local Agency Investment Fund	\$ 26,988,940	\$ 26,988,940	\$ -	\$ -	\$ -
CalTrust - Short - Term Fund	75,631,573	75,631,573	-	-	-
CalTrust - Medium - Term Fund	36,451,133	-	36,451,133	-	-
Total Investments	<u>\$ 139,071,646</u>	<u>\$ 102,620,513</u>	<u>\$ 36,451,133</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Investment Type</u>	June 30, 2022				
	Carrying Amount	12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Local Agency Investment Fund	\$ 26,528,835	\$ 26,528,835	\$ -	\$ -	\$ -
CalTrust - Short - Term Fund	73,221,872	73,221,872	-	-	-
CalTrust - Medium - Term Fund	36,159,728	-	36,159,728	-	-
Total Investments	<u>\$ 135,910,435</u>	<u>\$ 99,750,707</u>	<u>\$ 36,159,728</u>	<u>\$ -</u>	<u>\$ -</u>

At June 30, 2023 and 2022, no investments were measured at fair value. Investments and related valuation methodology are included below at June 30, 2023 and 2022, respectively.

	June 30, 2023		
	Total	Amortized Cost	Net Asset Value
L A I F	\$ 26,988,940	\$ 26,988,940	\$ -
CalTrust - Short - Term Fund	75,631,573	-	75,631,573
CalTrust - Medium - Term Fund	36,451,133	-	36,451,133
Total Investments	<u>\$ 139,071,646</u>	<u>\$ 26,988,940</u>	<u>\$ 112,082,706</u>

	June 30, 2022		
	Total	Amortized Cost	Net Asset Value
L A I F	\$ 26,528,835	\$ 26,528,835	\$ -
CalTrust - Short - Term Fund	73,221,872	-	73,221,872
CalTrust - Medium - Term Fund	36,159,728	-	36,159,728
Total Investments	<u>\$ 135,910,435</u>	<u>\$ 26,528,835</u>	<u>\$ 109,381,600</u>

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NOTES TO THE FINANCIAL STATEMENTS

Note 3 - Cash and Investments (Continued)Disclosures Relating to Interest Rate Risk (Continued)

The following table presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for CenCal Health's investments measured at NAV:

Investments Measured at NAV	June 30, 2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Short - Term Fund	\$ 75,631,573	-	Daily	None
Medium - Term Fund	36,451,133	-	Monthly	None
Total	<u>\$ 112,082,706</u>	<u>-</u>	<u>-</u>	<u>-</u>

Investments Measured at NAV	June 30, 2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Short - Term Fund	\$ 73,221,872	-	Daily	None
Medium - Term Fund	36,159,728	-	Monthly	None
Total	<u>\$ 109,381,600</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Short-Term portfolio provides liquidity on an overnight basis and is designed to have relatively low Net Asset Value (NAV) volatility while providing returns higher than are available in money market funds. The duration is longer than the money market fund and is targeted closer to one year. The Short-Term Fund invests in all sectors allowed by the California Investment code.

The Medium-Term portfolio is targeted toward local municipal assets with a longer time horizon than those in the Short-Term Account. The fund offers monthly liquidity due to the nature of the fund and the participants. The duration is longer than the short term portfolio and is targeted closer to two years. This provides the ability to achieve higher returns but does increase the interest rate risk to participants. The Medium-Term Fund invests in all sectors allowed by the California Investment code.

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NOTES TO THE FINANCIAL STATEMENTS

Note 4 - Capital Assets

A summary of changes in capital assets during 2023 and 2022 is as follows:

	Beginning Balance 2023	Additions	Deletions	Ending Balance 2023
Office furniture and fixtures	\$ 3,106,345	\$ -	\$ (1,647)	\$ 3,104,698
Computer equipment and software	5,390,679	-	(561,390)	4,829,289
Building	20,463,094	-	-	20,463,094
Land	10,100,418	-	-	10,100,418
Leasehold improvements	1,726,470	13,549	(548,114)	1,191,905
Total capital assets	40,787,006	13,549	(1,111,151)	39,689,404
Less accumulated depreciation and amortization	(11,212,482)	(1,196,635)	1,111,151	(11,297,966)
Net capital assets	<u>\$ 29,574,524</u>	<u>\$ (1,183,086)</u>	<u>\$ -</u>	<u>\$ 28,391,438</u>

	Beginning Balance 2022	Additions	Deletions	Ending Balance 2022
Office furniture and fixtures	\$ 3,106,345	\$ -	\$ -	\$ 3,106,345
Computer equipment and software	5,374,199	16,480	-	5,390,679
Building	20,463,094	-	-	20,463,094
Land	10,100,418	-	-	10,100,418
Leasehold improvements	1,253,020	473,450	-	1,726,470
Total capital assets	40,297,076	489,930	-	40,787,006
Less accumulated depreciation and amortization	(9,920,508)	(1,291,974)	-	(11,212,482)
Net capital assets	<u>\$ 30,376,568</u>	<u>\$ (802,044)</u>	<u>\$ -</u>	<u>\$ 29,574,524</u>

Note 5 - Medical Claims Payable

Medical claims payable at June 30, 2023 and 2022 are comprised of the following:

	2023	2022
Claims payable or pending approval	\$ 35,105,060	\$ 32,981,270
Provisions for claims incurred but not yet reported	70,080,770	62,565,730
	<u>\$ 105,185,830</u>	<u>\$ 95,547,000</u>

The cost of health care services is recognized in the period in which they are provided and includes an estimate of the cost of services that have been incurred but not yet reported. CenCal Health estimates accrued claims payable based on historical claims payments and other relevant information. Estimates are continually monitored and reviewed, and as settlements are made or estimates adjusted, differences are reflected in current operations.

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NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Medical Claims Payable (Continued)

Such estimates are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate amount of claims paid is dependent on future developments, management is of the opinion that the accrued claims payable is adequate.

The following is a reconciliation of medical claims payable for the years ended June 30, 2023 and 2022:

	2023	2022
Beginning balance	\$ 95,547,000	\$ 82,536,974
Incurred:		
Current Year	646,894,826	675,897,202
Prior Year	(314,641)	(10,273,312)
Total	<u>646,580,185</u>	<u>665,623,890</u>
Paid:		
Current Year	(552,253,433)	(584,529,231)
Prior Year	(84,687,922)	(68,084,633)
Total	<u>(636,941,355)</u>	<u>(652,613,864)</u>
Ending balance	<u>\$ 105,185,830</u>	<u>\$ 95,547,000</u>

Note 6 - Distributions Payable

CenCal Health contracts with certain primary care physicians who agree to case manage all medical services provided to members assigned to them. For physicians thus contracted, CenCal Health withholds 20% to 40% of the fixed monthly capitation payment otherwise due to the physicians.

The withheld portion plus other amounts included by CenCal Health represent the physician's incentive pool, which is paid out to the physicians based on their ability to meet certain predetermined utilization and quality measures. In addition, effective January 1, 2015, CenCal offered additional capitation payments to various provider groups under the Access Coordination and Expansion program.

In accordance with those physician agreements, CenCal Health has accrued distributions payable of \$3,921,190 and \$11,247,000 as of June 30, 2023 and 2022, respectively.

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NOTES TO THE FINANCIAL STATEMENTS

Note 7 - Commitments and Contingencies

CenCal Health rents various office space in the communities it serves which are non-cancelable and expire in 2025 and 2026. At the lease commencement date, lease right-of-use (ROU) assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term, which includes all fixed obligations arising from the lease contract. If an interest rate is not implicit in a lease, the CenCal Health utilizes its incremental borrowing rate for a period closely matching the lease term.

CenCal Health implemented GASB 87 as of July 1, 2021 and elected to use the practical expedient to not restate prior year financial statements due to impracticability. A \$46,723 adjustment was recorded to beginning net position to reflect the cumulative effect of this change in accounting principle for the year ended June 30, 2022.

Lease right-of-use assets and liabilities as of June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Right-of-use asset, net of amortization	<u>\$ 1,173,502</u>	<u>\$ 1,601,607</u>
Lease liabilities:		
Current lease liability	\$ 426,344	406,052
Noncurrent lease liability	<u>845,336</u>	<u>1,272,578</u>
Total lease liabilities	<u>\$ 1,271,680</u>	<u>\$ 1,678,630</u>

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for leases as of June 30, 2023, and a reconciliation to lease liabilities reported on the financial statements.

2024	\$ 442,516
2025	457,061
2026	<u>401,163</u>
Total lease payments	1,300,740
Less: interest	<u>(29,060)</u>
Present value of lease liability	<u>\$ 1,271,680</u>

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NOTES TO THE FINANCIAL STATEMENTS

Note 7 - Commitments and Contingencies (Continued)

CenCal Health has reached a settlement agreement with the Department of Justice (DOJ) and other regulators regarding the disbursement of Medicaid funding through the Affordable Care Act (ACA) between 2014 and 2016. This settlement marks the conclusion of the government's eight-year-old payment dispute with CenCal and the settling providers. CenCal Health agreed to pay the DOJ \$49,500,000 of which \$22,795,000 was recorded as prior period revenue and \$26,705,000 was recorded as other expense.

Legal proceedings may arise from the normal conduct of business, but in the opinion of management and legal counsel, the ultimate dispositions of these matters will not have a materially adverse effect on the financial position or results of operations of CenCal Health.

Note 8 - Defined Benefit Pension Plan**General Information about the Pension Plans**

Plan Description – All qualified employees are eligible to participate in the Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Eligible employees hired after January 1, 2013 that are considered new members as defined by the Public Employees' Pension Reform Act (PEPRA) participate in the PEPRA Miscellaneous Plan.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, as discussed above. Members with five years of total service are eligible to retire at age 50 or 52 if in the PEPRA Miscellaneous Plan with statutorily reduced benefits. An optional benefit regarding sick leave was adopted. Any unused sick leave accumulates at the time of retirement will be converted to credited service at a rate of 0.004 years of service for each day of sick leave. All members are eligible for non-duty disability benefits after 10 years of service. The system also provides for the Optional Settlement 2W Death Benefit, as well as the 1959 Survivor Benefit. The cost of living adjustments for all plans are applied as specified by the Public Employees' Retirement Law.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. CenCal Health is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Defined Benefit Pension Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2023 and 2022 are summarized as follows:

	For the Year Ended June 30, 2023		For the Year Ended June 30, 2022	
	Miscellaneous		Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date	January 1, 2013	January 1, 2013	January 1, 2013	January 1, 2013
Benefit formula	2% @ 55	2% @ 62	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - minimum	52 - minimum	50 - minimum	52 - minimum
Monthly benefits, as a % of eligible compensation	1.1% to 2.4%	1.0% to 2.5%	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	6.93%	6.75%	6.92%	6.75%
Required employer contribution rates	8.63%	7.47%	8.65%	7.59%

For the years ended June 30, 2023 and 2022, the contributions recognized as part of pension expense for all Plans was \$4,304,255 and \$8,817,682, respectively.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

CenCal Health's net pension liability for all Plans is measured as the proportionate share of the net pension liability. As of June 30, 2023 and 2022, CenCal Health reported net pension liabilities for its proportionate shares of the net pension liability of all Plans as follows:

	Proportionate Share of Net Pension Liability (Asset)	
	For the Year Ended June 30, 2023	For the Year Ended June 30, 2022
	Miscellaneous	\$ 8,729,343

For the year ended June 30, 2022, the net pension liability of all of the Plans is measured as of June 30, 2021, and the total pension liability for all Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures.

For the year ended June 30, 2023, the net pension liability of all of the Plans is measured as of June 30, 2022, and the total pension liability for all Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures.

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NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Defined Benefit Pension Plan (Continued)

CenCal Health's proportion of the net pension liability was based on a projection of their long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. CenCal Health's proportionate share of the net pension liability for all Plans with an actuarial valuation date of June 30, 2023 and 2022 was as follows:

For the Year Ended June 30, 2023		For the Year Ended June 30, 2022	
	Miscellaneous		Miscellaneous
Proportion - June 30, 2020	-0.07089%	Proportion - June 30, 2019	0.19263%
Proportion - June 30, 2021	0.18656%	Proportion - June 30, 2020	-0.07089%
Change – Decrease	0.25745%	Change – Decrease	-0.26352%

For the years ended June 30, 2023 and 2022, CenCal Health recognized pension expense of \$10,935,068 and pension credit of (\$6,541,939), respectively. At June 30, 2023 and 2022, CenCal Health reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2023		June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,304,255	\$ -	\$ 3,817,682	\$ -
Differences between expected and actual experience	175,302	117,410	(150,957)	-
Changes in assumptions	894,504	-	-	-
Changes in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	942,051	-	1,470,379	(217,489)
Change in Employer's Proportion	2,741,256	59,054	-	-
Net differences between projected and actual earnings on plan investments	1,598,984	-	1,575,588	-
Total	\$ 10,656,352	\$ 176,464	\$ 6,712,692	\$ (217,489)

During the fiscal year ended June 30, 2023, \$3,817,682 in deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability. During the fiscal year ended June 30, 2022, \$3,684,286 in deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability. The current pension contribution to be recognized in the next fiscal year is \$4,304,255.

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NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Defined Benefit Pension Plan (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2024	\$ 2,265,962
2025	1,894,365
2026	1,037,313
2027	977,993
Thereafter	-
	\$ 6,175,633

Actuarial Assumptions – The total pension liabilities in the June 30, 2023 and 2022 actuarial valuations were determined using the following actuarial assumptions:

	For the Year Ended June 30, 2023	For the Year Ended June 30, 2022
	Miscellaneous	Miscellaneous
Valuation Date	30-Jun-21	30-Jun-20
Measurement Date	30-Jun-22	30-Jun-21
Actual Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:		
Discount Rate	6.90%	7.15%
Inflation	2.30%	2.50%
Projected Salary Increase	Varies by entry age and service (1)	Varies by entry age and service (1)
Investment Rate of Return	6.90%	7.15%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Changes in Benefit Terms - Public agencies can make changes to their plan provisions and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

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NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Defined Benefit Pension Plan (Continued)

Change of Assumptions and Methods ***Change of Assumptions and Methods*** - In November 2021, the CalPERS Board of Administration adopted new investment portfolios as well as several changes to actuarial assumptions. For PERF B, these changes were implemented in the June 30, 2021 actuarial valuation for funding purposes. Included in these changes were assumptions for inflation, the discount rate, and administrative expenses, as well as demographic assumptions including changes to mortality rates. The inflation assumption was reduced from 2.50 percent to 2.30 percent, the administrative expense assumption was reduced from 0.15 percent to 0.10 percent, and the discount rate was reduced from 7.00 percent to 6.80 percent. As a result, for financial reporting purposes, the discount rate for the PERF C was lowered from 7.15 percent to 6.90 percent in Fiscal Year 2021-22

Discount Rate – The discount rate used to measure the total pension liability was 6.9% and 7.15% for the measurement periods ending June 30, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Defined Benefit Pension Plan (Continued)

The expected real rates of return by asset class are as follows:

June 30, 2023			June 30, 2022			
Asset Class	Net Strategic Allocation	Real Return Years 1 - 10(a)	Asset Class	Net Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global equity - cap-weighted	30.00%	4.45%	Global Equity	50.00%	4.80%	5.98%
Global equity non-cap-weighted	12.00%	3.84%	Global Fixed Income	28.00%	1.00%	2.62%
Private Equity	13.00%	7.28%	Inflation Sensitive	0.00%	0.77%	1.81%
Treasury	5.00%	0.27%	Private Equity	8.00%	6.30%	7.23%
Mortgage-backed Securities	5.00%	0.50%	Real Estate	13.00%	3.75%	4.93%
Investment Grade Corporates	10.00%	1.56%	Liquidity	1.00%	0.00%	-0.92%
High Yield	5.00%	2.27%				
Emerging Market Debt	5.00%	2.48%				
Private Debt	5.00%	3.57%				
Real Estates	15.00%	3.21%				
Leverage	-5.00%	-0.59%				

(a) An expected inflation of 2.30% used for this period.
 Figures are based on the 2021-22 Asset Liability Management study.

(b) An expected inflation of 2.00% used for this period.
 (c) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents CenCal Health’s proportionate share of the net pension liability for all Plans for the years ended June 30, 2023 and 2022, calculated using the discount rate for all Plans, as well as what CenCal Health’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

For the Year Ended June 30, 2023			For the Year Ended June 30, 2022		
Miscellaneous			Miscellaneous		
1% Decrease		5.90%	1% Decrease		6.15%
Net Pension Liability	\$	19,020,681	Net Pension Liability	\$	7,476,348
Current Discount Rate		6.90%	Current Discount Rate		7.15%
Net Pension Liability	\$	8,729,343	Net Pension Asset	\$	(1,346,155)
1% Increase		7.90%	1% Increase		8.15%
Net Pension Liability	\$	262,125	Net Pension Asset	\$	(8,639,591)

Pension Plan Fiduciary Net Position – Detailed information about all pension plan fiduciary net positions is available in the separately issued CalPERS financial reports.

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NOTES TO THE FINANCIAL STATEMENTS

Note 9 - Deferred Compensation Plan

CenCal Health offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are maintained (until paid or made available to the participant or beneficiary) in a trust account administered by State Street Bank and Trust. Participants have sole rights under the plan in an amount equal to the fair market value of the deferred account for each participant.

Note 10 - Regulatory Requirements

Under the California Knox-Keene Health Care Service Plan Act of 1975, as amended, CenCal Health must comply with certain minimum capital or tangible net equity requirements. CenCal Health's net worth exceeded the minimum requirement at June 30, 2023 and 2022. Additionally, CenCal Health must maintain minimum investment amounts for the restricted use of the regulators, which totaled \$300,000 at June 30, 2023 and 2022.

Note 11 - Related Party Transactions

CenCal Health's Board of Directors consists primarily of medical care providers for whom CenCal Health has executed reimbursement contracts for providing medical services to CenCal Health members.

The following represents provider contracts whom directly or indirectly through assigned representative are or were members of CenCal Health's Board of Directors during the fiscal years ending June 30, 2023 and 2022, respectively:

- A member of the Board of Directors is the Public Health Officer for the Public Health Department of Santa Barbara County. Payments to the Public Health Department of Santa Barbara County for medical services incurred during the years ended June 30, 2023 and 2022 in the amount of \$10,180,979 and \$9,381,262, respectively.
- The Chief Executive Officer of Twin Cities Community Hospital became a member of the Board of Directors during the fiscal year ending June 30, 2017. Payments to Twin Cities Community Hospital incurred during the fiscal years ended June 30, 2023 and 2022 were \$19,103,977 and \$20,307,829, respectively.
- The President & Chief Executive Officer of Marian Regional Medical Center (Dignity Health) became a member of the Board of Directors January 2020. Payments to Marian Regional Medical Center (Dignity Health) for medical services incurred during the fiscal years ended June 30, 2023 and 2022 were \$139,418,745 and \$135,894,024, respectively.

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NOTES TO THE FINANCIAL STATEMENTS

Note 11 - Related Party Transactions (Continued)

- A member of the Board of Directors is a physician contracted with CenCal Health to provide medical care services to CenCal Health members. Payments to the physician for medical services incurred during the fiscal years ended June 30, 2023 and 2022 were \$148,347 and \$141,778, respectively.
- A physician became a member of the Board of Directors in January 2020. He is a member of a provider contracted with CenCal Health. Payments to these providers for medical services incurred during the fiscal years ended June 30, 2023 and 2022 were \$199,374 and \$182,922 , respectively.
- A member of the Board of Directors is a representative to the Santa Barbara County Department of Behavioral Wellness. Payments to Santa Barbara County Department of Behavioral Wellness for medical services incurred during the fiscal year ended June 30, 2023, were \$7,852.
- The Health Agency Director for the San Luis Obispo Health Agency became a member of the Board of Directors August 2018. Payment to San Luis Obispo Health Agency for medical services incurred during the years ended June 30, 2023 and 2022 were \$1,596,020 and \$661,096, respectively.
- The Chief Executive Officer of VNA Health became a member of the Board of Directors during the fiscal year ending June 30, 2017 (reappointed) and retired from VNA Health in February 2022. Payments to VNA Health for medical services incurred during the year ended June 30, 2023 and 2022 were \$0 and \$2,612,239, respectively.

Note 12 - Hospital Quality Assurance Fee (HQAF)

During the year ending June 30, 2013, the state of California established a hospital fee through Senate Bill 335, authorizing the State to assess a fee on California hospitals to generate new matching federal funds for the Medi-Cal program which are then reinvested into hospital payments via the Medi-Cal managed care health plans. The health plan acts solely as a temporary intermediary pass-thru entity and recognizes no associated revenue and expense. At June 30, 2023 and 2022 CenCal Health had a total of \$53,260,504 and \$19,124,379 , respectively, recorded as a payable to qualifying hospitals.

Note 13 - Managed Care Organization Taxes

In September 2009, the state of California approved a health plan tax, or intergovernmental transfer, on Managed Care Organizations (MCO). The health plan tax was assessed at 2.35% of capitation revenue on all Medi-Cal managed care plans through June 30, 2013 and was effective retroactively to January 1, 2009. Effective July 1, 2013 through June 30, 2016 the health plan tax was assessed at 3.9375% of capitation revenue. Beginning July 1, 2020 the health plan tax was assessed at a fixed amount of \$16,483,579 per calendar quarter. The state of California uses the

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NOTES TO THE FINANCIAL STATEMENTS

Note 13 - Managed Care Organization Taxes (Continued)

proceeds from the tax to draw down the corresponding federal match on Medicaid related dollars. The Department of Health Care Services/Medical Managed Care Division adjusted capitation rates retroactively to January 1, 2009 in order to offset the health plan tax. On April 3, 2020 the federal Centers for Medicine approved the modified MCO tax under Assembly Bill 115. The modified MCO tax was approved with a later effective date of January 2020, contrary to July 1, 2019. The MCO tax for the years ended June 30, 2023 and 2022 was \$37,897,740 and \$77,260,350, respectively.

Note 14 - Payable to the State of California

The liability at June 30, 2023 and 2022 was approximately \$19,768,770 and \$54,408,482, respectively, due to State of California funding programs that have minimum Medical Loss Ratio (“MLR”) requirements and potential amounts due back to the State. The balance as of June 30, 2023, represents an estimate due back to the State of California for the Proposition 56 programs in effect for July 2019 thru December 2020 and calendar years 2021 through 2023. The liability may vary depending on actual claims experience and final reconciliation and audit results. This liability is presented in the payable account for accrued DHCS revenue recoup.

Note 15 - Intergovernmental Transfers (IGT)

The state of California and qualifying provider entities contract together to arrange new matching federal funds for the Medi-Cal program, which are then reinvested into the applicable IGT provider entity towards covering their cost of care to Medi-Cal beneficiaries via the Medi-Cal managed care health plans. The health plan acts solely as a temporary intermediary pass-thru entity and recognizes no associated revenue and expense, other than a nominal administrative fee charged to the qualify IGT provider. At June 30, 2023 and 2022 CenCal Health had a total of \$63,877,356 and \$59,185,886 recorded as a payable to qualifying IGT providers, respectively.

Note 16 - Pooled Directed Payments

Beginning with the July 1, 2017, rating period, the DHCS will direct MCPs to reimburse private hospitals as defined in WIC 14169.51, based on actual utilization of contracted services. The enhanced payments are contingent upon hospitals providing adequate access to service, including primary, specialty, and inpatient (both tertiary and quaternary) care. The state will evaluate the extent to which enhanced payments are achieving the goals identified. These may only apply to certain managed care categories of aid. The payments will be enhanced by either a uniform percentage or dollar increment. The total funding available for the enhanced contracted payments will be limited to a predetermined amount (pool). At June 30, 2023 and 2022 CenCal Health had a total of \$232,117,521 and \$198,415,850 recorded as a liability, respectively.

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NOTES TO THE FINANCIAL STATEMENTS

Note 17 - Company Owned Life Insurance

In July 2020, CenCal Health purchased a group life insurance policy on executives and directors of CenCal Health naming CenCal Health as sole beneficiary. The insurance company issued an individual certificate for each executive and director when the policy was purchased. The entire policy was funded with an initial single premium of \$10,000,000. The maximum surrender charge of the policy value on the date of surrender is as follows:

<u>Policy Year</u>	<u>% of Policy Value</u>
1-6	3%
7-9	2%
10-12	1%
13+	0%

Note 18 – Reclassifications

Certain immaterial reclassifications have been made to prior year amounts, in order to conform with current year presentation.

Note 19 - Subsequent Events

Subsequent events have been evaluated through October 13, 2023, the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CENCAL HEALTH
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A COST SHARE PLAN DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2023
LAST 10 YEARS*
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CENCAL HEALTH'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.07557%	-0.00330%	0.02476%	0.07816%	0.08311%	0.09405%	0.08824%	0.07550%	0.09677%
Proportionate share of the net pension liability (asset)	\$ 8,729,343	\$ (1,346,155)	\$ 8,125,247	\$ 8,008,982	\$ 8,004,438	\$ 9,326,844	\$ 7,635,532	\$ 5,182,243	\$ 6,021,638
Covered payroll	\$ 25,712,404	\$ 24,941,656	\$ 23,076,730	\$ 20,459,019	\$ 18,322,685	\$ 16,233,594	\$ 14,054,665	\$ 11,372,225	\$ 11,194,258
Proportionate Share of the net pension liability (asset) as percentage of covered payroll	33.95%	-5.40%	35.21%	39.15%	43.69%	57.45%	54.33%	45.57%	53.79%
Plan's fiduciary net position	\$ 66,765,720	\$ 68,167,651	\$ 53,176,970	\$ 47,792,357	\$ 42,586,255	\$ 36,908,123	\$ 32,475,495	\$ 31,827,321	\$ 28,412,413
Plan fiduciary net position as a percentage of the plan total pension liability (asset)	88.44%	1036.69%	86.75%	85.65%	84.18%	79.83%	80.96%	86.00%	82.51%
Measurement date	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14
Valuation date	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14	06/30/13

Notes to Schedule:

* - Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

CENCAL HEALTH
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A COST SHARE PLAN DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2023
LAST 10 YEARS*
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CENCAL HEALTH'S CONTRIBUTIONS

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 3,817,682	\$ 3,684,286	\$ 3,432,630	\$ 3,109,928	\$ 2,410,216	\$ 1,348,647	\$ 1,092,682	\$ 957,141	\$ 879,898
Contributions in related to the actuarially determined contributions	\$ 3,817,682	\$ 3,684,286	\$ 3,432,630	\$ 3,109,928	\$ 2,410,216	\$ 1,348,647	\$ 1,092,682	\$ 957,141	\$ 879,898
Contribution deficiency (excess)			-	-	-	-	-	-	-
Covered payroll	\$ 30,752,788	\$ 25,712,404	\$ 24,941,656	\$ 23,076,730	\$ 20,459,019	\$ 18,322,685	\$ 16,233,594	\$ 14,054,665	\$ 11,372,225
Contributions as a percentage of covered	12.41%	14.33%	13.76%	13.48%	11.78%	7.36%	6.73%	6.81%	7.74%

Notes to Schedule:

* - Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

ADDITIONAL INFORMATION

CENCAL HEALTH
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SCHEDULE OF REVENUES AND EXPENSES PER MEMBER PER MONTH
YEARS ENDED JUNE 30, 2023 AND 2022

	2023		2022	
	Per Member Per Month *	As a Percentage of Total Revenue	Per Member Per Month **	As a Percentage of Total Revenue
REVENUES:				
Capitation/Premiums	\$ 429.35	97.13%	\$ 466.57	99.42%
Other	10.76	2.43%	2.35	0.50%
Interest income	1.95	0.44%	0.36	0.08%
Total revenues	442.06	100.00%	469.28	100.00%
EXPENSES:				
Medical expenses:				
PCP capitation, incentives and other	13.31	3.01%	13.91	2.96%
Physician services	66.70	15.09%	66.35	14.14%
Pharmaceuticals	0.00	0.00%	33.33	7.10%
Hospital inpatient services	82.46	18.65%	84.92	18.10%
Hospital outpatient services	29.46	6.66%	24.94	5.31%
Long-term care services	54.20	12.26%	50.85	10.84%
Optometric services	0.73	0.17%	0.71	0.15%
Home health care	1.21	0.27%	1.24	0.26%
Laboratory services	5.11	1.16%	6.63	1.41%
Audiology services	0.44	0.10%	0.43	0.09%
Physical and speech therapies	1.17	0.26%	1.27	0.27%
Medical transportation	4.19	0.95%	4.36	0.93%
Durable medical equipment and prosthetics	3.98	0.90%	4.28	0.91%
Mental and behavioral health	16.51	3.73%	17.87	3.81%
Other health care services	91.68	20.74%	98.83	21.06%
Quality improvement incentives	(1.51)	-0.34%	1.61	0.34%
Medical cost recoveries - net	1.28	0.29%	(0.91)	-0.19%
Total medical expenses	370.91	83.90%	410.62	87.50%
Administrative expenses:				
Salaries and fringe benefits	18.23	4.12%	10.64	2.27%
Contract services	3.21	0.73%	3.30	0.70%
Travel and transportation	0.04	0.01%	0.03	0.01%
Rent and occupancy	0.31	0.07%	0.31	0.07%
Office supplies and minor equipment	0.11	0.02%	0.17	0.04%
Data communications	0.23	0.05%	0.25	0.05%
Postage and printing	0.43	0.10%	0.30	0.06%
Equipment and software maintenance	0.01	0.00%	0.03	0.01%
Depreciation and amortization	0.59	0.13%	0.68	0.14%
Other	12.14	2.75%	1.57	0.33%
Total administrative expenses	35.30	7.99%	17.28	3.68%
MCO tax expense	13.82	3.13%	30.55	6.51%
Total operating expenses	420.03	95.02%	458.45	97.69%
REALIZED and UNREALIZED GAINS (LOSSES)	(0.20)	-0.05%	(0.88)	-0.19%
OPERATING GAIN	\$ 21.83	4.94%	\$ 9.95	2.12%

* 2,743,201 member months for 2022-23

** 2,528,630 member months for 2021-22

See accompanying notes

CENCAL HEALTH
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SCHEDULE OF MEDICAL EXPENSES - ACTUAL AND BUDGET
Years Ending June 30, 2023 and 2022

	2023			2022
	Actual	Budgeted	Over (Under) Budget	Actual
MEDICAL EXPENSES:				
PCP capitation, incentives and other	\$ 36,508,099	\$ 43,148,000	\$ (6,639,901)	\$ 35,185,564
Physician services	182,968,574	199,442,000	(16,473,426)	167,766,661
Pharmaceuticals	-	-	-	84,283,858
Hospital inpatient services	226,212,511	221,529,000	4,683,511	214,733,945
Hospital outpatient services	80,818,136	79,876,000	942,136	63,063,570
Long-term care services	148,673,144	136,974,000	11,699,144	128,573,151
Optometric services	1,995,279	1,993,000	2,279	1,802,625
Home health care	3,313,188	3,759,000	(445,812)	3,134,695
Laboratory services	14,024,930	18,835,000	(4,810,070)	16,772,485
Audiology services	1,205,102	1,512,000	(306,898)	1,094,108
Physical and speech therapies	3,208,060	3,171,000	37,060	3,202,527
Medical transportation	11,484,107	12,938,000	(1,453,893)	11,016,341
Durable medical equipment and prosthetics	10,917,569	12,115,000	(1,197,431)	10,829,617
Mental and behavioral health	45,295,895	46,229,000	(933,105)	45,188,203
Other health care services	251,492,497	222,152,000	29,340,497	249,908,479
Quality improvement incentives	(4,150,000)	-	(4,150,000)	4,060,850
Medical cost recoveries - net	3,521,359	3,140,000	381,359	(2,307,272)
TOTAL MEDICAL EXPENSES	<u>\$ 1,017,488,450</u>	<u>\$ 1,006,813,000</u>	<u>\$ 10,675,450</u>	<u>\$ 1,038,309,407</u>

See accompanying notes

CENCAL HEALTH
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SCHEDULE OF ADMINISTRATIVE EXPENSES - ACTUAL AND BUDGET
Years Ending June 30, 2023 and 2022

	2023			2022
	Actual	Budgeted	Variance (Under) Budget	Over Budget
				Actual
ADMINISTRATIVE EXPENSES:				
Salaries and wages	\$ 30,040,612	\$ 33,326,000	\$ (3,285,388)	\$ 25,393,905
Health, dental, and other employee benefits	9,570,204	10,605,000	(1,034,796)	8,064,516
CalPERS retirement costs	10,395,067	4,890,000	5,505,067	(6,541,940)
Outside services / consultants	6,144,070	9,392,000	(3,247,930)	7,913,642
Legal services	2,529,411	1,350,000	1,179,411	355,526
Auditing services	125,298	84,000	41,298	84,280
Travel and transportation	108,325	534,000	(425,675)	65,853
Rent	-	214,000	(214,000)	1,932
Utilities	313,575	336,000	(22,425)	299,305
Repairs and maintenance	243,429	230,000	13,429	255,619
Other occupancy costs	233,497	350,000	(116,503)	216,333
Equipment leases	66,228	75,000	(8,772)	65,246
Office supplies and minor equipment	226,801	344,000	(117,199)	373,116
Postage	434,562	352,000	82,562	344,569
Printing	745,194	834,000	(88,806)	413,918
Depreciation and amortization	1,624,740	1,651,000	(26,260)	1,706,881
Insurance	1,416,953	1,860,000	(443,047)	942,024
Equipment and software maintenance	33,264	101,000	(67,736)	85,609
Data Communications	644,609	734,000	(89,391)	641,323
Credentialing fees	41,662	28,000	13,662	33,045
Subscriptions and publications	3,447,914	3,138,000	309,914	2,284,328
Professional association fees	323,970	309,000	14,970	235,631
Community relations / marketing	184,778	241,000	(56,222)	495,765
Member / provider materials	66,355	121,000	(54,645)	68,099
Community health promotion	-	101,000	(101,000)	89,237
Provider relations and recruitment	4,700	64,000	(59,300)	-
Board of director / advisory board stipends	20,750	36,000	(15,250)	20,947
Business meeting expenses	86,469	213,000	(126,531)	52,305
Other expenses	27,771,902	268,000	27,503,902	(249,676)
TOTAL ADMINISTRATIVE EXPENSES	\$ 96,844,339	\$ 71,781,000	\$ 25,063,339	\$ 43,711,338

See accompanying notes

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**To the Board of Directors of
CenCal Health:**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of CenCal Health, which comprise CenCal Health’s balance sheets as June 30, 2023, the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 13, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CenCal Health’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CenCal Health’s internal control. Accordingly, we do not express an opinion on the effectiveness of the CenCal Health’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CenCal Health’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CenCal Health's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Santa Barbara, California
October 13, 2023



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FY 22-23 Financial Audit

Kashina Bishop
Chief Financial Officer
October 18, 2023

Pension Liability Adjustment

1. Accounting standards require an annual adjustment to the net pension liability for the CalPers defined benefit plan
2. It occurs after the year end due to its dependency on an actuarial analysis provided by CalPers
3. Resulted in an increase of \$6 million to pension expense
4. Volatile in the past couple of years due to market conditions



Financial Statements as of June 30, 2023

Presented in Millions	June	FYTD thru June
Capitation Revenue	\$103.3	\$1,200.8
Medical Costs	\$98.5	\$1,017.5
Medical Loss Ratio (MLR)	95%	85%
Administrative Costs	\$12.0	\$135.0
Non-Operating Income (Expense)	\$1.8	\$11.3
Operating Gain (Loss)	\$(5.4)	\$59.6
Cash + Investments		\$336.0
Receivables		\$444.6
Medical Expense Liability (IBNP)		\$105.2
Tangible Net Equity		\$254.9
Pct. of Board TNE Target		95%
Pct. of Required		811%

Questions?





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Financial Report for the Nine (9) Month Period Ending September 30, 2023

Date: October 18th, 2023

From: Kashina Bishop, Chief Financial Officer/Treasurer

Contributors: Amy Sim, Accounting Director

Executive Summary

This memo summarizes the health plan's financial performance calendar year-to-date (CYTD) through September 30, 2023, and provides insight on how the health plan is operating against budget forecast expectations.

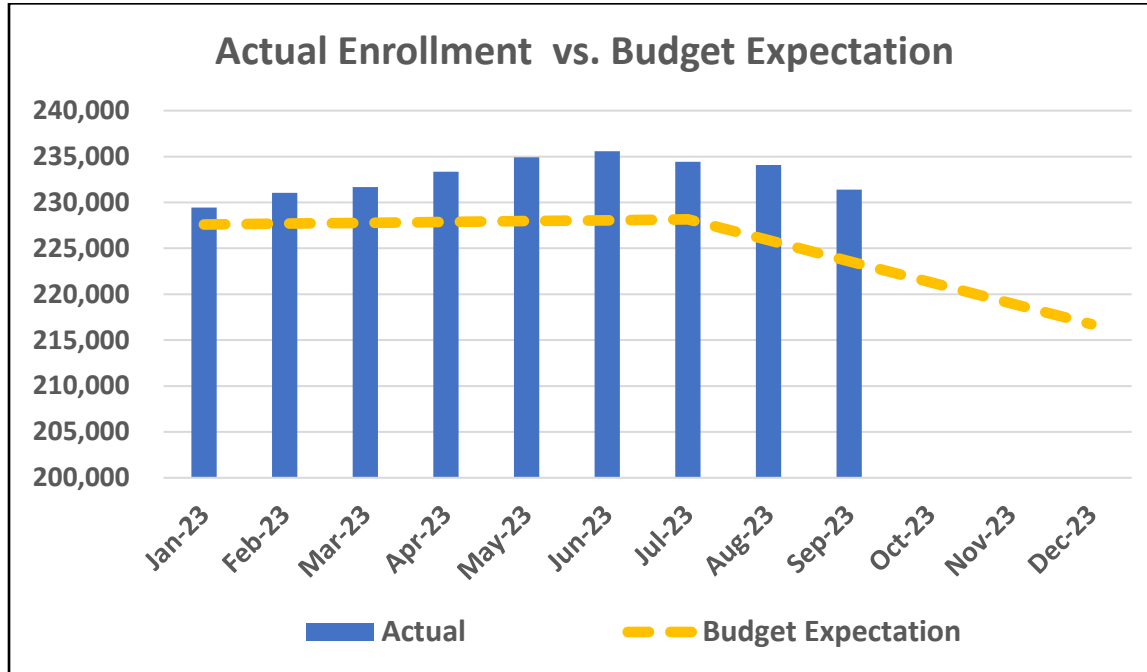
In addition to monitoring current performance, staff is beginning work on the CY 2024 budget which will incorporate the financial forecast for 2024 and beyond to reflect more current information. This will involve an assessment of the potential financial risk associated with the resumption of redeterminations, D-SNP start-up costs and increasing financial pressures from the provider network.

Staff is also in the process implementing improvements to the financial reporting beginning in 2024 which will align the reporting methodologies used for the budget, monthly statements, and State submissions. This will allow staff to identify cost variances more effectively and implement strategies to reduce risk or maximize revenue.

Financial Highlights (CYTD: Jan-Aug)

- **Operating Gain (Loss):** Through nine (9) months of the calendar year we are reporting an operating gain of \$54.2 million.
- **Capitation Revenue** is at \$940.6 million; over budget by \$65.8 million and 7.5%.
- **Medical Expenses** are at \$816.5 million; over budget by \$18.3 million and 2.3%.
- **Administrative Expenses** are at \$55.4 million; under budget by \$1.3 million and 2.4%. Strategic Investments are under budget by \$6.3 million and 91.5%.
- **Tangible Net Equity (TNE)** is at \$267.0 million; representing 824% of the minimum regulatory requirement and 92.5% of the minimum Board of Directors desired TNE target.
- **Total Cash and Short-Term Investments** are at \$403.2 million. Cash and Short-Term Investments available for operating the health plan is at \$280.9 million, representing 110 Days Cash on Hand.
- **Member Enrollment** is at 231,377 for the month of Sep 2023.

Enrollment Trend YTD



The health plan's enrollment count as of September 2023 is at 231,377 compared to a budget forecast of 223,594. January 1st –September 30th total member months are at 2,095,875 compared to budget expectations of 2,044,582; over budget 2.5%.

Capitation Revenue

Revenue Type	YTD Actual Dollars	FYTD Budget	YTD Variance	% Variance
Base Capitation Revenue	\$901,223,145	\$862,643,000	\$38,580,145	4.5%
Supplemental Revenue	\$27,979,526	\$12,123,000	\$15,856,526	130.8%
Budgeted Revenue Items	\$929,202,671	\$874,766,000	\$54,436,671	6.2%
Prior Year Revenue Adjustments: Prior Year Retroactive Items Recorded in Current Fiscal Year	\$11,360,074	-	\$11,360,074	
TOTAL CAPITATION REVENUE	\$940,562,745	\$874,766,000	\$65,796,745	7.5%

Base Capitation Revenue is over budget with a variance of 4.5% due to revised capitation rates from DHCS for Hospital Directed Payments (HDP) and Proposition 56, subsequent to the budget development.

Supplemental Revenue [Maternity Deliveries, and visits to American Indian Health Clinics] is over budget by 130.8% mainly due to maternity submission and updated rates for CY 2023. Recent additional submission for maternity included claims from the prior 12 months based on technical data review. Maternity rates were also updated effective January 2023 with adjustments from Jan 23-Mar 23.

Overall, actual budgeted revenue is exceeding budget expectations by 7.5%.

Interest Income

Calendar YTD Interest Income is exceeding budget expectations primarily due to current market interest rates being earned are greater than budget assumption.

Medical Expenses

Medical Expense Type	YTD Actual Dollars	FYTD Budget	YTD Variance	% Variance
Medical Costs + Incentives	\$817,379,165	\$796,270,000	\$21,109,165	2.7%
Reinsurance – net	\$1,347,703	\$2,010,000	(\$662,297)	-33.0%
Budgeted Medical Items	\$818,726,868	\$798,280,000	\$20,446,868	2.6%
Prior Year Expense Adjustments: Prior Year Retroactive Items Recorded in Current Year	(\$2,189,423)	-	(\$2,189,423)	
TOTAL MEDICAL COSTS	\$816,537,445	\$798,280,000	\$18,257,445	2.3%

Medical Costs & Incentives are trending over budget with a variance of 2.7%. Excluding DHCS directed payments which are budget neutral, the medical expenses in aggregate are in line with budget expectations. We are noting some upward trends in hospital inpatient costs due to high dollars cases and some increasing costs to LTC expenses which are assessing the overall impact.

Administrative Expenses

Administrative Expenses are at \$55.4 million and under budget by \$1.3 million and 2.4% primarily driven by:

- Staffing Vacancies: 56 budgeted positions are currently vacant. The Administrative budget incorporated a 9% assumed vacancy rate.
- Salaries and Fringes are over budget primarily due to CalPERS unfunded liability adjustment and offset with cost savings of open positions.
- Contract Services are under budget due to the timing of services needed and write off of legal accrual.
- Rent and Occupancy is lower than budget expectations mainly due to janitorial costs and other occupancy costs. Janitorial costs should increase as staff are reintroduced into the CenCal offices over the duration of the calendar year. Utilities also vary from month to month.
- Travel Costs are under budget due to the timing of actual conferences and seminars.
- Office Supplies & Equipment are over budget primarily due to postage and printing costs for additional State requirements of member materials.
- Other Expenses are over budget due to the timing of software subscriptions.

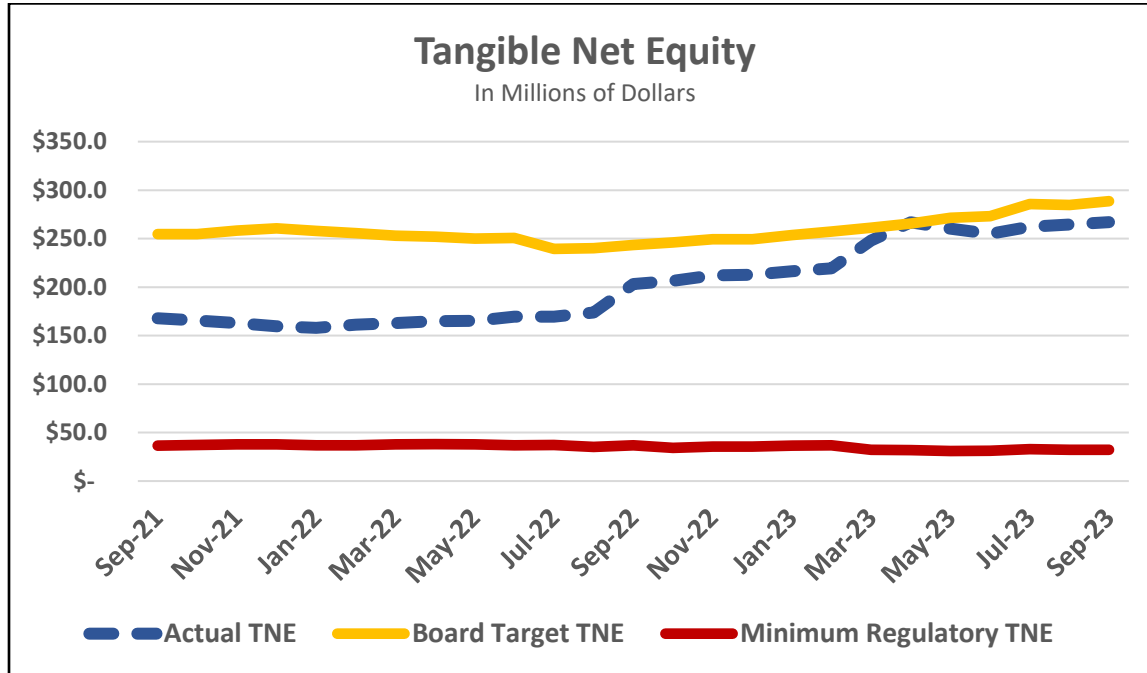
Strategic Investments

Calendar year-to-date Strategic Investments, which include expenditures associated with start-up costs for launching a Medicare Dual Special Needs Program (D-SNP) and investments in technology infrastructure solutions, as of September 30, 2023, YTD actual is at \$579,170 compared to the budget forecast of \$6,832,700. The budget variance is primary due timing of consulting fees and project sequencing occurring later than had been anticipated during the budget process.

Tangible Net Equity (TNE)

As of September 2023, actual TNE is at \$267.0 million. This level represents 824% of the Regulatory Minimum TNE level (\$32.4 million) and 92.5% of the Board of Director's minimum TNE target currently at \$288.6 million.

The following chart provides a visual representation of the health plan's TNE trend over the past two (2) years.



Treasury Activities for the Month of September 2023

Total Cash Received is at \$167.4 million

Due to an upgrade in the State's capitation software, two months of capitation were received by the plan in September 2023.

Total Cash Disbursements is at \$81.4 million.

Accrued and Earned Interest Income is at \$500,755.

CenCal Health

Finance Statements and Other Information

For the nine (9) month period ending September 30, 2023

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CenCal Health

Balance Sheet

As of September 30, 2023

Assets

Cash and cash equivalents	\$	403,198,866
Accounts receivable:		
DHCS capitation and other		417,374,054
Reinsurance and other recoveries		2,926,418
Interest and other		466,029
Total accounts receivable		420,766,501
Prepaid expenses		2,712,047
Capital assets-net		28,076,939
Certificate of deposit - DMHC assigned		300,000
Corporate owned life insurance (COLI)		10,821,234
Deposits and other assets		11,800,918
Total Assets	\$	877,676,504

Liabilities and Net Assets

Medical claims payable and incentives	\$	120,998,837
Accounts payable, accrued salaries and expense		32,101,796
Accrued DHCS revenue recoups-MLRs		27,820,599
Accrued DHCS directed payments		416,328,521
Unfunded pension liability - CalPERS		8,729,343
Other accrued liabilities		4,715,675
Net Assets - Tangible Net Equity		266,981,733
Total Liabilities and Net Assets	\$	877,676,504

CenCal Health

Income Statement

For the nine (9) month period ending September 30, 2023

	Actual \$	Budget \$	Variance \$	%
Operating Revenues:				
Capitation	\$ 940,562,745	\$ 874,766,000	\$ 65,796,745	7.5%
Medical Expenses:				
PCP capitation	\$ 26,890,010	\$ 30,850,000	\$ (3,959,990)	-12.8%
Physician services	135,441,192	156,860,000	(21,418,808)	-13.7%
Hospital inpatient	181,969,560	167,543,000	14,426,560	8.6%
Hospital outpatient	64,098,364	63,526,000	572,364	0.9%
LTC facilities	123,839,520	108,620,000	15,219,520	14.0%
All other services	286,488,222	270,881,000	15,607,222	5.8%
PY estimate change	(2,189,423)	-	(2,189,423)	0.0%
	<u>\$ 816,537,445</u>	<u>\$ 798,280,000</u>	<u>\$ 18,257,445</u>	<u>2.3%</u>
Operating Expenses:				
Administrative expenses	\$ 55,435,713	\$ 56,776,329	\$ (1,340,616)	-2.4%
Strategic investments	579,170	6,832,700	(6,253,530)	-91.5%
	<u>\$ 56,014,883</u>	<u>\$ 63,609,029</u>	<u>\$ (7,594,146)</u>	<u>-11.9%</u>
MCO Tax Expense	(3,195,452)	-	(3,195,452)	0.0%
Interest income	5,488,181	450,000	5,038,181	1119.6%
Non-Operating expense	(22,474,310)	-	(22,474,310)	0.0%
Unrealized gain (loss)	(38,832)	-	(38,832)	0.0%
Operating Gain (Loss)	\$ 54,180,908	\$ 13,326,971	\$ 40,853,937	306.6%

CenCal Health

Income Statement

For the month of September 2023

	<u>Actual \$</u>
Operating Revenues:	
Capitation	\$ 100,735,728
Medical Expenses:	
PCP capitation	\$ 3,649,206
Physician services	14,205,233
Hospital inpatient	18,910,142
Hospital outpatient	8,793,928
LTC facilities	14,042,904
All other services	29,209,527
PY estimate change	1,377,758
	<u>\$ 90,188,698</u>
Operating Expenses:	
Administrative expenses	\$ 4,007,260
Strategic investments	161,082
	<u>\$ 4,168,342</u>
MCO Tax Expense	-
Interest income	736,331
Non-Operating Income (expense)	210
Unrealized gain (loss)	(305,664)
Operating Gain (Loss)	\$ 6,809,565

CenCal Health

Medical Expense by Category

For the nine (9) month period ending September 30, 2023

	Actual \$	Budget \$	Variance \$	%
PCP capitation	\$ 26,890,010	\$ 30,850,000	\$ (3,959,990)	-12.8%
Physician services	135,441,192	156,860,000	(21,418,808)	-13.7%
Hospital inpatient in-area	66,799,830	76,674,000	(9,874,170)	-12.9%
Hospital inpatient out-of-area	72,291,471	48,513,000	23,778,471	49.0%
Hospital capitation inpatient	42,878,259	42,356,000	522,259	1.2%
Hospital outpatient in-area	19,077,062	18,494,000	583,062	3.2%
Hospital outpatient out-of-area	11,187,428	13,971,000	(2,783,572)	-19.9%
Hospital capitation outpatient	33,833,874	31,061,000	2,772,874	8.9%
Long term care facilities	123,839,520	108,620,000	15,219,520	14.0%
Mental health services	22,050,439	24,769,000	(2,718,561)	-11.0%
Behavioral health therapy	14,230,924	14,296,000	(65,076)	-0.5%
Transportation	8,180,185	10,755,000	(2,574,815)	-23.9%
Durable medical equip.	6,793,317	7,854,000	(1,060,683)	-13.5%
Laboratory	10,406,074	13,386,000	(2,979,926)	-22.3%
Dialysis	6,920,489	6,114,000	806,489	13.2%
Hospice	4,297,406	6,137,000	(1,839,594)	-30.0%
Home health	2,346,222	2,724,000	(377,778)	-13.9%
Enhanced care mgmt.	2,562,966	8,952,000	(6,389,034)	-71.4%
Prop 56	12,569,141	-	12,569,141	
Community supports	1,308,784	1,001,000	307,784	30.7%
DHCS directed payments	175,644,661	151,465,000	24,179,661	16.0%
All other medical services	17,829,911	21,418,000	(3,588,089)	-16.8%
Reinsurance & recoveries	1,347,703	2,010,000	(662,297)	-33.0%
Prior year change in estimate	(2,189,423)	-	(2,189,423)	0.0%
Total Medical Expenses	\$ 816,537,445	\$ 798,280,000	\$ 18,257,445	2.3%

CenCal Health

Administrative Expenses by Category

For the nine (9) month period ending September 30, 2023

	Actual \$	Budget \$	Variance \$	%
Salaries & wages	\$ 24,358,193	\$ 26,856,210	\$ (2,498,017)	-9.3%
Fringe benefits	16,430,745	12,142,499	4,288,246	35.3%
Contract services	5,299,419	8,513,975	(3,214,556)	-37.8%
Travel expenses	86,407	405,905	(319,498)	-78.7%
Rent & occupancy	647,358	692,125	(44,767)	-6.5%
Supplies & equipment	1,627,021	1,355,334	271,687	20.0%
Insurance	1,216,041	1,537,900	(321,859)	-20.9%
Depreciation expense	1,182,488	1,286,500	(104,012)	-8.1%
Software maintenance	27,159	74,220	(47,061)	-63.4%
Software licensing	2,647,935	2,357,625	290,310	12.3%
Communications	375,703	413,300	(37,597)	-9.1%
Professional dues	269,415	236,235	33,180	14.0%
Marketing	60,572	55,400	5,172	9.3%
Member/Provider materials	73,255	86,250	(12,995)	-15.1%
Credentialing fees	33,146	20,250	12,896	63.7%
Provider relations	8,123	47,800	(39,677)	-83.0%
Board committee fees	16,775	27,540	(10,765)	-39.1%
Meeting room expenses	98,349	160,220	(61,871)	-38.6%
All other expenses	977,611	507,041	470,570	92.8%
Total Admin Expenses	\$ 55,435,715	\$ 56,776,329	\$ (1,340,614)	-2.4%

CenCal Health

Santa Barbara County Operating Statement

For the nine (9) month period ending September 30, 2023

YTD:	<u>Actual \$</u>	<u>Budget \$</u>	<u>Variance \$</u>	<u>%</u>
Capitation Revenue	\$ 647,012,412	\$ 599,866,000	\$ 47,146,412	7.9%
Medical Expenses	575,027,142	564,642,000	10,385,142	1.8%
Administrative Expenses	39,146,333	39,821,570	(675,237)	-1.7%
MCO Tax	(2,236,816)	-	(2,236,816)	
Operating Gain (Loss)	\$ 35,075,753	\$ (4,597,570)	\$ 39,673,323	-862.9%

Medical Loss Ratio (MLR)	89%
Admin Loss Ratio (ALR)	5.4%
YTD Member Months	1,471,087
Avg. Member Count	163,454

CenCal Health

San Luis Obispo County Operating Statement

For the nine (9) month period ending September 30, 2023

YTD:	<u>Actual \$</u>	<u>Budget \$</u>	<u>Variance \$</u>	<u>%</u>
Capitation Revenue	\$ 293,550,334	\$ 274,900,000	\$ 18,650,334	6.8%
Medical Expenses	236,467,833	233,638,000	2,829,833	1.2%
Administrative Expenses	16,289,700	16,953,000	(663,300)	-3.9%
MCO Tax	(958,635)	-	(958,635)	
Operating Gain (Loss)	\$ 41,751,436	\$ 24,309,000	\$ 17,442,436	71.8%

Medical Loss Ratio (MLR)	81%
Admin Loss Ratio (ALR)	5.0%
YTD Member Months	624,788
Avg. Member Count	69,421

CenCal Health

Tangible Net Equity (TNE)

As of September 30, 2023

Actual TNE (from the Balance Sheet)	\$ 266,981,733
Tangible Net Equity - DMHC minimum regulatory	32,386,070
TNE - excess (deficiency)	\$ 234,595,663
Pct. Actual TNE of the Regulatory Minimum	824%

Tangible Net Equity calculation is based upon:
Title 10, CCR, Section 1300.76

CenCal Health

Notes to the Financials Statements

As of September 30, 2023

USE OF ESTIMATES The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. CenCal Health's principal areas of estimates include reinsurance, third-party recoveries, retroactive capitation receivables, and claims incurred but not yet reported. Actual results could differ from these estimates.

REVENUE RECOGNITION Under contracts with the State of California, Medi-Cal is based on the estimated number of eligible enrollees per month, times the contracted monthly capitation rate. Revenue is recorded in the month in which eligible enrollees are entitled to health care services. Revenue projections for Medi-Cal are based on draft capitation rates issued by the DHCS effective as of January 1, 2023, as well as prior year any retroactive rate adjustments issued by the DHCS.

GASB 68 requires the health plan to record the magnitude of the unfunded pension liability. Accrued CalPERS Pension Liability is reserved on the balance sheet in the amount of \$8,729,342 based on current estimates.

CenCal Health

FYTD Operating Statement

For the three (3) month period ending September 30, 2023

Capitation Revenue	\$ 298,830,425
Medical Expenses	273,292,895
Administrative Expenses	14,861,542
Strategic Investments	301,666
MCO Tax	-
Interest Income	1,985,859
Unrealized gain (loss)	(272,376)
Non-Operating Income (expense)	4,183
Operating Gain (Loss)	\$ 12,091,988

Medical Loss Ratio (MLR)	91%
Admin Loss Ratio (ALR)	5.0%
YTD Member Months	699,882
Avg. Member Count	233,294

Note: This Operating Statement corresponds to the health plan's accounting cycle which is on a fiscal year cycle (July 1 - June 30). The health plan's budget cycle is on a calendar year cycle and is reflected in the prior operating statements within this financial statement packet.



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Finance Report

As of September 30, 2023

Kashina Bishop, Chief Financial Officer
October 18, 2023

Financial Position
for the period covering January 1
through September 30, 2023.



Discussion Topic

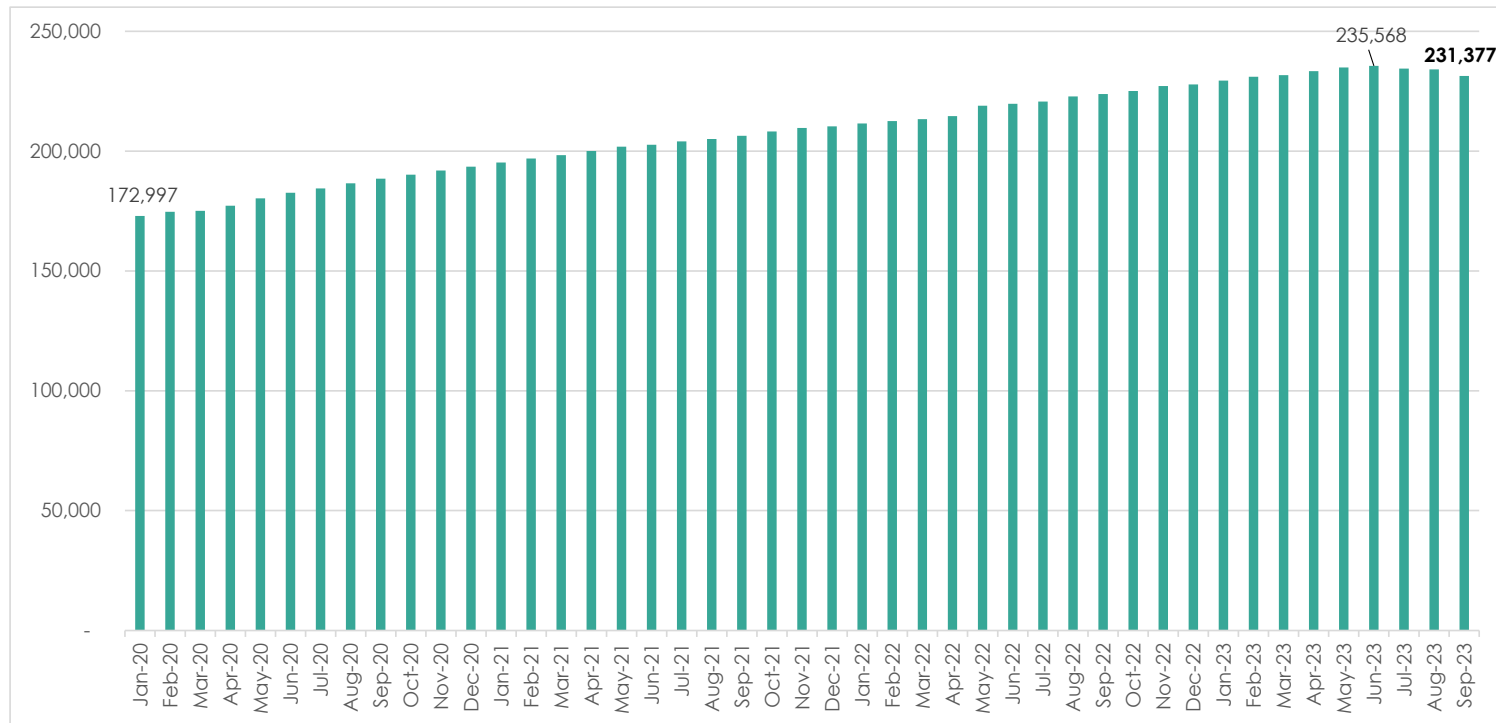
Membership

Medical Expense Trends

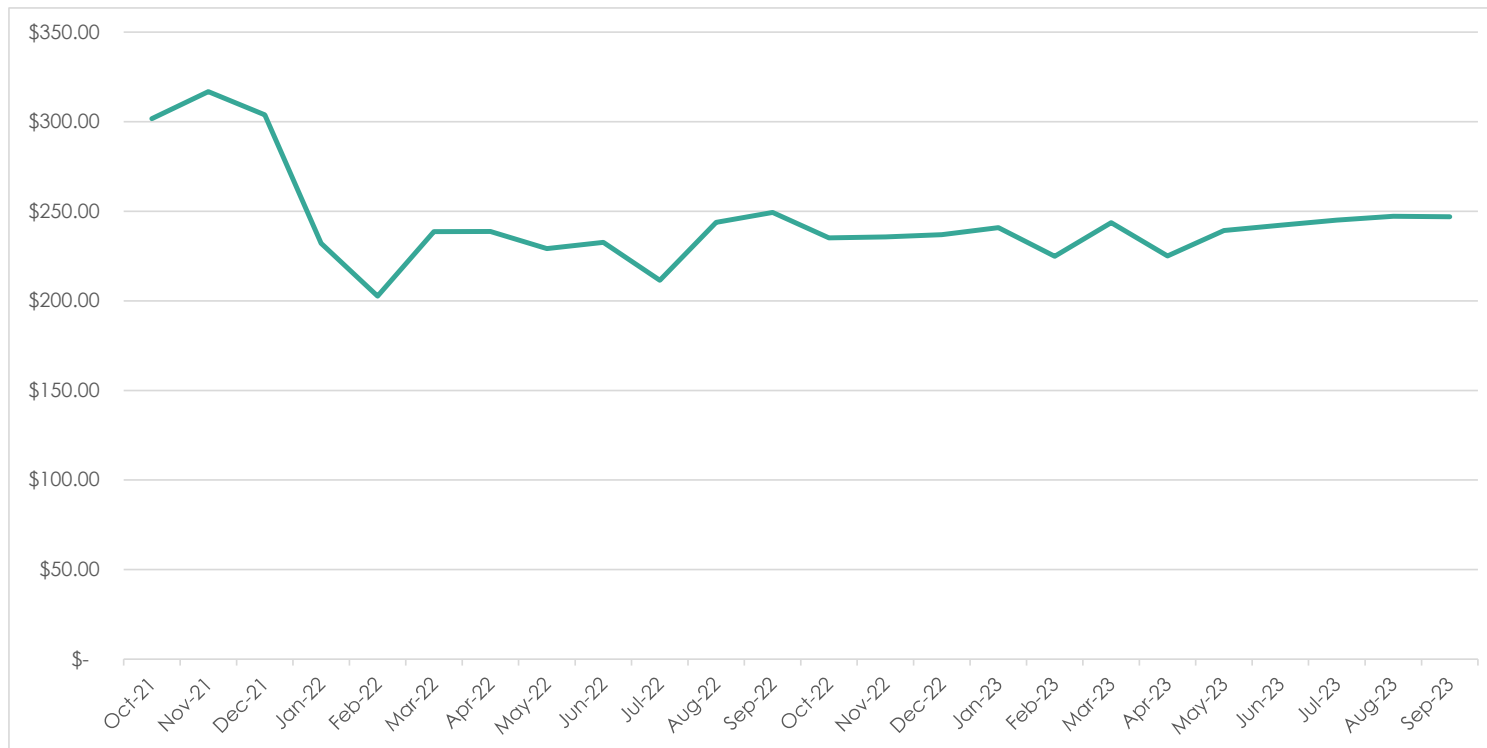
September 2023 Financial Statements



Membership Trends



Medical Expenses – PMPM Trends



Financial Statements as of September 30, 2023

Presented in Millions	Sept	YTD thru Sep	YTD Budget
Capitation Revenue	\$100.7	\$940.6	\$874.8
Medical Costs	\$90.2	\$816.5	\$798.3
Medical Loss Ratio (MLR)	90%	87%	91%
Administrative/Strategic Costs	\$4.2	\$56.2	\$63.6
Non-Operating Income (Expense)	\$.5	\$(13.7)	\$.4
Operating Gain (Loss)	\$6.8	\$54.2	\$13.3
Cash + Investments		\$403.2	
Receivables		\$420.8	
Medical Expense Liability (IBNP)		\$121.0	
Tangible Net Equity		\$267.0	
Pct. of Board TNE Target		93%	
Pct. of Required		824%	

Questions?

Staff recommends the Board of Directors approve the unaudited financial statements as of September 30, 2023





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Annual Investment Policy

Date: October 18th, 2023

From: Kashina Bishop, Chief Financial Officer/Treasurer

Through: Marina Owen, Chief Executive Officer

Executive Summary

California Government Code requires the Board of Directors adopt the Investment Policy on an annual basis. The contents of the policy must also adhere to specific requirements outlined in sections 53601-53609 of the government code which defines allowable investments. It is my responsibility, as Treasurer, to ensure that investment decisions are within the framework of the Board approved investment policy.

Background

The three primary objectives of the policy are:

1. Safety of Principal
2. Liquidity
3. Total Return

The overall rate of return on invested funds must come secondary to safety of principal and liquidity. The list of allowable investments under government code evolves to ensure the objectives are met, however, the investment policy specifically prohibits funds being invested in equity securities even when permitted by State law without specific Board approval.

The investment policy remains unchanged from the policy adopted by the Board of Directors in October 2022.

Recommendation

Staff recommends adoption of the 2024 Annual Investment Policy.

CENCAL HEALTH POLICY AND PROCEDURE	
Title: Investment Policy	Policy No. : FIN-05
Department: Finance	
Effective Date: 3/18/2019	Revised Date: 11/20/2020
Cross Reference:	Annual Review Date: December 2020
Director: Leanne Bauer, Director of Finance	Director Signature and Date: <i>Leanne Bauer</i> 2/8/2021
Executive: David Ambrose, Chief Financial Officer	Executive Signature and Date: David Ambrose 7/21/2021

I. Purpose

The objective of the investment strategy is to obtain a rate of return on the entire investment portfolio of at least equal to the rate of return on money market securities as measured by large well-capitalized money market funds.

II. Policy

The investment policy of the CenCal Health's Board of Directors (Board) is to invest funds, which are not required to finance the current operational needs of CenCal Health in such a manner as to provide maximum return consistent with adequate protection of the funds. Return on invested funds is secondary to safety of principal and liquidity. Investments made by CenCal Health shall be consistent with State laws and regulations covering investments by local public agencies.

III. Procedure

1. PERFORMANCE CRITERIA

These performance criteria are designed to provide a measure of managerial performance:

- Restrict investments to those authorized by State laws and regulations governing local public agencies;
- Restrict investments to undervalued securities;
- Control risk through diversification
- Deal with cash analysis and other timing problems.

2. INVESTMENT AUTHORITY

California government code Sections 53601-53609, Investment of Surplus, authorize the Board of Directors of CenCal Health to invest and reinvest surplus funds. Code Section 53607 further empowers the Board to delegate this investment authority to CenCal Health's Treasurer for a one-year period. By its Resolutions, the Board has appointed the Chief Financial Officer as Treasurer, the Director of Finance as First Acting Treasurer and the Chief Executive Officer as Second Acting Treasurer. Investment decisions are the responsibility of the Treasurer within the framework and policies established by the Board of Directors. Although the Treasurer may maintain with CenCal Health's depository a fiduciary relationship, the Treasurer shall assume full responsibility for such investments or reinvestments.

3. GENERAL

CenCal Health may invest and reinvest surplus funds as specified in Government Code Sections 53601 and 53609.

- CenCal Health funds shall not be invested in equity securities even when permitted by State law without specific prior Board approval.
- Funds shall be deposited for safekeeping in State or National banks or State or Federal savings and loan associations recommended by the Treasurer in consultation with the Executive Director and approved by the Board of Directors.

4. LOCAL AGENCY INVESTMENT FUND (LAIF)

Since June 1998, the Board by Resolution has authorized investment of monies in the Local Agency Investment Fund. The LAIF is a voluntary program created by statute in 1976 as an investment alternative for California's local governments and special districts. This program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars using the investment expertise of the State Treasurer's Office investment staff and advisory boards.

All securities are purchased under the authority of Government Code Sections 16430 and 16480.2, 1680.3 and 16480.4. The State Treasurer's Office takes delivery of all securities purchased on a delivery versus payment basis, using a third party custodian. All investments are purchased at market, and market valuation is conducted monthly.

The State Treasurer's Office is audited by the Bureau of State Audits on an annual basis. All investment and LAIF claims are audited on a daily basis by the State Controller's Office as well as an in-house audit process involving three separate divisions.

Government Code Section 16429.3 states that money placed with the state Treasurer for deposit in the LAIF shall not be subject to either of the following: (a) Transfer or loan pursuant to Sections 16310, 16312, or 16313, or (b) Impound-ment or seizure by any state official or state agency."

IV. Monitoring

CenCal Health’s Treasurer shall provide a monthly report to the Board of Directors detailing the month’s investment activities, and the results of those activities as specified in Government Code Section 53607.

V. References

California Government Code Sections 53601-53609

Government Code Sections 16430 and 16480.2, 16480.3, and 16480.4



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Annual Investment Policy

Kashina Bishop, Chief Financial Officer
October 18, 2023

Investment Policy

1. Delegates investment authority to CenCal's Treasurer for a one-year period
2. Requires that investment of funds must be specified in Government Code Sections 53601-53609
3. Requires that funds are not invested in equity securities without specific Board approval
4. Indicates the primary objectives are (1) safety of principal (2) liquidity and (3) return on invested funds
5. Policy remains unchanged from approved for 2023



Questions?

Staff recommends the Board of Directors approve the 2024 Annual Investment Policy





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Executive Recruitment and Retention Program

Date: October 18, 2023

From: Kashina Bishop, Chief Financial Officer/Treasurer

Through: Marina Owen, Chief Executive Officer

Contributors: Chris Morris, Chief Performance Officer

Background

A distinct benefit package, the Recruitment and Retention Program, was approved by the Board in May 2020 with the goal of addressing the recruitment and retention challenges of senior-level employees. At this time, prior to and at the start of the pandemic, the primary factors contributing to the recruiting challenges were (1) the regions high cost of housing, (2) increasing demand for senior level leaders well-versed in the highly specialized Medi-Cal program, and (3) retirement plans and/or bonus structures that exist with other plans.

The program consists of the following elements:

1. Housing Assistance Program – available to Executive and Director level employees and offered a down payment loan and Shared Appreciation loan.
2. 457(f) Supplemental Employee Retirement Plan – provided a tax deferred employer contribution of 6% of annual salary for Executive employees and a 3% for Director level employees.
3. Supplemental Individual Disability Income Benefit – provided a supplemental benefit to participating Directors and Executives a disability income benefit equal to 75% of their pre-disability gross income.
4. Medical Continuation Benefit Plan – provided an option to continue coverage under CenCal Health's Medical Plan for C-Suite only staff up to age 65 who retired after the age of 60 and had at least 10-years of service.
5. Long Term Care Insurance – provided a long-term care insurance policy that would pay out \$200 per day for up to a three-year period, paid for by CenCal for Executive employees and allowed Directors to buy in.

The program was approved to be funded by purchasing Corporate Owned Life Insurance (COLI) with an initial investment of \$10 million. This offered covered individuals an additional life insurance benefit of 1.5 times gross salary.

Assessment

Since the program was approved in 2020, CenCal Health has adopted a new vision and refined our organizational values, adopted a multiyear Strategic Plan, and focused on ensuring financial best practices. Staff has evaluated the program considering these factors and is recommending termination of the Recruitment and Retention Program and integration of some improvements into the benefit package offerings to all CenCal Health team members, with the objectives of:

1. Aligning the benefit approach with financial best practices.
2. Expanding eligibility to ensure an equitable approach.
3. Integrating all benefits with the current administrator to improve administrative efficiencies.
4. Enhancing the reward structure from tenure based to goal achievement, in alignment with the Strategic Plan.

Terminating the program includes terminating the CenCal Health 457(f) Ineligible Supplemental Executive Retirement Plan (the “457(f) Plan”) and CenCal Health’s obligation to make further Employer Contributions (as defined in the 457(f) Plan) thereunder in accordance with Section 8.2 of the 457(f) Plan effective on October 31, 2023, at which point each Account (as defined in the 457(f) Plan) shall become fully vested and all applicable amounts shall be paid to the applicable Participant or Beneficiary (both as defined in the 457(f) Plan) in a single lump sum (less applicable withholdings) within 60 days of the effective date of the termination of the 457(f) Plan.

To enhance benefits, considering the above objectives, the following changes will be offered through the 2024 Open Enrollment process:

Benefit	2024 Benefit Updates
Basic Life	<ul style="list-style-type: none"> • Increase from 1x annual compensation to 1.5x annual compensation. • Increase maximum benefit to \$500,000. • Eligibility: Full time CenCal Health team members. • Premium: Covered by CenCal Health.
Supplemental Life	<ul style="list-style-type: none"> • Increase maximum from \$500,000 to \$800,000 • Eligibility: Full-time CenCal Health team members. • Premium: Covered by CenCal Health team member.
Disability	<ul style="list-style-type: none"> • Increase max salary and monthly benefit to \$400,000 and \$20,000, respectively. • Eligibility: Full-time CenCal Health team members. • Premium: Covered by CenCal Health team member.
Long Term Care	<ul style="list-style-type: none"> • Coverage of \$3,000 per month with additional death benefit • Eligibility: Full-time CenCal Health team members. • Premium: Covered by CenCal Health team member.
Incentive Program	<ul style="list-style-type: none"> • Discontinuing and paying out 457f tenure-based incentive program. • Replacing with goal-based incentive program to be developed and adopted in 2024. • Eligibility: Expanded to all full-time CenCal Health team members.

Please note: Modifications or termination of the program is at the Plan's sole discretion, subject to Board approval.

Financial Impact

Estimated one time cost of \$675,000 to unwind the program which includes \$350,000 for the close out of the 457(f) plan and \$325,000 for the COLI surrender fees. The cost will be fully offset by a release of \$200,000 for an associated liability for the medical continuance program and receipt of \$1.4 million for a COLI death benefit claim. Any other replacement costs will be included and approved through the 2024 Budget.

Recommendation

Staff recommend termination of the Recruitment and Retention Program approved by the Board of Directors in May 2020 and approval of the associated unwinding plan with commensurate replacement offering being included in the 2024 Budget.
Exhibit

1. Leadership Communication

To: Senior Leadership Team
From: Chris Morris, Chief Performance Officer
Channel: Email
Subject: 2024 CenCal Health Team Member Benefit Updates
Body:

Good afternoon Senior Leadership Team:

It's hard to believe it's quarter four already and 2024 planning activities are well underway!

Many of you have been working diligently with our Finance team to prepare our 2024 budget (thank you), and simultaneously the Human Resources team has been preparing for our 2024 benefits Open Enrollment process. These are two of more than a dozen processes we engage in every year to make sure we're planning well for the future together, and this year these teams have been collaborating on some [updates to our Recruitment and Retention Program](#).

The Recruitment and Retention Program was approved by the CenCal Health Board in May 2020 with the goal of addressing recruitment and retention challenges of senior-level employees. In the ensuing three years, CenCal Health has adopted a new vision, refined our organizational values, adopted a multiyear strategic plan, and seen significant evolution in our Senior Leadership Team. These changes provide the opportunity for us to [align our benefits approach to our updated vision, values, and needs](#), guided by the following objectives:

- Aligning benefit approach with financial best practices
- Expanding eligibility to ensure equitable access
- Integrating with our medical benefit administrator to simplify
- Enhancing our reward system from a tenure to a goal-based system

On behalf of the Finance and HR teams, I'm pleased to share our updated 2024 benefit programs which align with financial best practices, provide equitable access to *all* full-time CenCal Health team members, simplify administration and enhance focus on organizational performance. In addition to the existing health and financial benefits offered to CenCal Health team members (e.g., medical, dental, vision, FSA, CalPERS and CalPERS 457 Supplemental), [the following benefits will replace the Recruitment and Retention Program and be available to all full-time CenCal Health team members](#) through this year's Open Enrollment process:

Benefit	2024 Benefit Updates
Basic Life	<ul style="list-style-type: none">• Increase from 1x annual compensation to 1.5x annual compensation.• Increase maximum benefit to \$500,000.• Eligibility: Full time CenCal Health team members.• Premium: Covered by CenCal Health.
Supplemental Life	<ul style="list-style-type: none">• Increase maximum from \$500,000 to \$800,000.• Eligibility: Full-time CenCal Health team members.• Premium: Covered by CenCal Health team member.
Disability	<ul style="list-style-type: none">• Increase max salary and monthly benefit to \$400,000 and \$20,000, respectively.• Eligibility: Full-time CenCal Health team members.• Premium: Covered by CenCal Health team member.
Long Term Care	<ul style="list-style-type: none">• Coverage of \$3,000 per month with additional death benefit.• Eligibility: Full-time CenCal Health team members.• Premium: Covered by CenCal Health team member.

Incentive Program	<ul style="list-style-type: none">• Discontinuing and paying out 457f tenure-based incentive program.• Replacing with goal-based incentive program to be developed and adopted in 2024.• Eligibility: Expanded to all full-time CenCal Health team members.
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Following our Board of Directors meeting in October, this information will be included in our Open Enrollment process occurring in November. Finally, prior to the end of the year, Finance will process 457f payouts for each applicable SLT member, with additional details to follow.

This email is intended to provide a high-level update and I recognize some may have the need for more detailed information. **I welcome any inquiries by direct reply here, or to meet and discuss any questions you might have.** Please let me know what would be supportive.

Finally, and on reflection, we are on a journey *To be a trusted leader in advancing health equity so that our communities thrive and achieve optimal health together.* Equity starts within, and I am so proud we are evolving our benefit program to include everyone working towards this ambitious vision!

Warmly,

Chris Morris, MSOD, Chief Performance Officer
CenCal Health



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Retention and Recruitment Program

Kashina Bishop
Chief Financial Officer
October 18, 2023

Program Summary

**Approved
by the
Board in
May 2020**

- Housing Assistance Program
- 457(f) Supplemental Retirement Plan
- Supplemental Disability Income Benefit
- Medical Continuation Benefit Plan
- Long Term Care Insurance
- Funded by Investment in Corporate Owned Life Insurance

Program Evaluation

Since being approved in 2020, CenCal Health has:

1. Adopted a new vision and refined our organizational values
2. Adopted a multiyear Strategic Plan
3. Focused on ensuring financial best practices



New Objectives

- 1. Benefits approach aligned with financial best practices**
- 2. Expanded eligibility to ensure an equitable approach**
- 3. Integrated benefits with current administrator to improve administrative efficiencies**
- 4. Enhancing the reward structure from tenure based to goal achievement in alignment with the Strategic Plan**

Recommended Plan

Termination of the existing program and enhancing the benefits offered in the 2024 Open Enrollment Process.

Benefit	2024 Benefit Updates
Basic Life	<ul style="list-style-type: none"> • Increase from 1x annual compensation to 1.5x annual compensation. • Increase maximum benefit to \$500,000. • Eligibility: Full time CenCal Health team members. • Premium: Covered by CenCal Health.
Supplemental Life	<ul style="list-style-type: none"> • Increase maximum from \$500,000 to \$800,000 • Eligibility: Full-time CenCal Health team members. • Premium: Covered by CenCal Health team member.
Disability	<ul style="list-style-type: none"> • Increase max salary and monthly benefit to \$400,000 and \$20,000, respectively. • Eligibility: Full-time CenCal Health team members. • Premium: Covered by CenCal Health team member.
Long Term Care	<ul style="list-style-type: none"> • Coverage of \$3,000 per month with additional death benefit • Eligibility: Full-time CenCal Health team members. • Premium: Covered by CenCal Health team member.
Incentive Program	<ul style="list-style-type: none"> • Discontinuing and paying out 457f tenure-based incentive program. • Replacing with goal-based incentive program to be developed and adopted in 2024. • Eligibility: Expanded to all full-time CenCal Health team members.



Questions?

Staff recommend termination of the Recruitment and Retention Program approved by the Board of Directors in May 2020 and approval of the associated unwinding plan with commensurate replacement offering being included in the 2024 Budget.



Financial Impact of Unwinding Plan: \$675,000



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Student Behavioral Health Incentive Program (SBHIP) Report

Date: October 18th, 2023

From: Van Do-Reynoso, MPH, PhD, Chief Customer Experience Officer & Chief Health Equity Officer

Contributor: Stefanie Hernandez, Program Development Administrative Analyst

Through: Marina Owen, Chief Executive Officer

The Student Behavioral Health Incentive Plan (SBHIP) is a CalAIM initiative designed to improve student mental health. SBHIP provides financial incentives for school districts to implement best practices in supporting student behavioral health. Through these incentives, the Department of Healthcare Services (DHCS) aims to create an environment where all students have access to the resources they need to succeed.

DHCS has accepted CenCal Health's needs assessments and intervention plans, and recently issued an allocation approval of \$3,058,836.00. This amount is 50% of the total possible allocation; the remaining 50% will be approved/distributed based upon bi-quarterly report submissions.

Background

As a CalAIM incentive program, SBHIP encourages integrated and comprehensive mental health services for students in public schools. SBHIP provides financial incentives to schools that are successful in identifying and addressing the mental health needs of their student population. This includes increasing access to behavioral health services, developing proactive mental health awareness campaigns, and enhancing school-based behavioral health programs. SBHIP also provides additional resources to support educational initiatives related to mental health promotion and prevention.

With SBHIP, schools can create an environment where all students feel safe and supported, and one where mental health needs are addressed in a timely manner. Mental health services include counseling, screening, and the treatment of mental and emotional disorders. SBHIP also seeks to increase collaboration between schools and their local managed care plans and mental health agencies. Schools must demonstrate that they are taking steps to promote mental health awareness among their students and staff. With these goals in mind, SBHIP aims to create an integrated approach to mental health for students. Through SBHIP, schools will have the resources to develop and implement strategies that address both mental health awareness and support.

Update on SBHIP Initiative

CenCal Health recently received full incentive payment for the Jan - June Bi-Quarterly Report since our Local Education Agencies (LEAs) are on target with the stated targeted intervention. CenCal Health earned \$221,901 for San Luis Obispo County and \$542,807 for Santa Barbara County, for a combined total of \$764,708.

On October 5th, CenCal Health convened all participating LEAs for a midpoint review. Noteworthy accomplishments include:

- LEAs hired 25 FTE staff, with 11.5 FTE positions in recruitment
- Newly hired staff are dedicated to supporting behavioral health needs
- New trainings for staff and teachers
- Increased confidence and capacity of teachers to support students using trauma-informed strategies
- Fewer students being sent to the office for behavior

Participating LEAs also notes several common challenges in implementing the SBHIP Program, including:

- Not having sufficient bandwidth to support interventions
- Difficulties in hiring licensed staff
- Confusion over upcoming Medi-Cal billing
- Concerns about sustainability of interventions

Next Steps

Our program evaluation team, Carsel Consulting, has created a logic model and evaluation plan to guide CenCal Health in learning how to best support LEAs in sustaining successful practices. We are working with the evaluation team and LEAs to develop additional data collection tools that will help inform whether the interventions were successful. Through a logic model, CenCal Health has established benchmarks and targets needed to further our evaluation of the SBHIP program.

In order to sustain the achievements in SBHIP, DHCS is establishing a statewide multi-payer school linked fee schedule that reimburses school-linked providers for mental health and substance use disorder services, effective January 1, 2024. Seven out of nine LEAs have applied to participate in Cohort 1.

The LEAs and SBHIP team will finalize scope of work with FindHelp, a close-loop platform by end of October. Implementation, training, and integration will begin in November. We expect to launch the system in January of 2024.

Recommendation

The SBHIP Report is informational, and no action is requested at this time.



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Student Behavioral Health Incentive Program: an update

Van Do-Reynoso, MPH, PhD, Chief Customer Experience, Chief Health Equity Officer
Frann Wageneck, ED, Flux Consulting and Coaching
Shannon Cottam, SEL Program Specialist, Lompoc Unified School District

SBHIP Objectives

1

Improve coordination of child and adolescent behavioral health services

2

Increase the # of students enrolled in Medi-Cal who are receiving behavioral health services

3

Increase non-specialty services on or near school campuses

4

Address health equity gaps, inequalities, and disparities



Available Incentive Funding

Total Potential Incentive : \$6,777,671

County	Plan Name	Assessment Funding Allocation	Targeted Intervention Funding Allocation	Total Funding Allocation
San Luis Obispo	CenCal	\$ 225,000	\$ 1,775,210	2,000,210
Santa Barbara	CenCal	\$ 435,000	\$ 4,342,461	4,777,461



Participating Local Educational Agencies (LEAs)

Santa
Barbara
County
Educat-
ion Office

Carpin-
teria
Unified
School
District

Cuyama
Unified
School
District

Guada-
lupe
Unified
School
District

Lompoc
Unified
School
District

Santa
Maria
Bonita
School
District

San Luis
Obispo
County
Office of
Educat-
ion

Lucia Mar
Unified
School
District

San Luis
Coast
Unified
School
District

Santa Barbara County

San Luis
County



Midpoint Reflections: Celebrations

- 25 FTE staff hired, with 11.5 FTE positions open
- Staff dedicated to supporting behavioral health needs
- New trainings for staff and teachers
- Increased confidence and capacity of teachers to support students using trauma-informed strategies



Midpoint Reflections: Opportunities for improvement

- Sufficient bandwidth among LEAs to support interventions
- Difficulties in hiring licensed staff
- Confusion over upcoming Medi-Cal billing
- Sustainability concerns



Lompoc Unified School District: Reflections

Celebrations:

- Social Emotional Learning Program Specialist hired
- Universal Screening Plan established
- New trainings being offered by Dr. Victor Rios

Challenges:

- Difficulties in hiring qualified staff
- Moving the entire system forward



Lucia Mar Unified School District: Reflections

Celebrations:

- Fewer students being sent to the office for behavior.
- New Youth Mental Health First Aid trainings
- Telehealth intakes
- Additional staff hired

Challenges:

- Maintaining staffing for next school year



School-linked referral system



Program Evaluation



Logic Model and Evaluation Plan



Development of additional data collection tools



Establish benchmarks and targets



Provide district-level evaluation support



Facilitate learning sessions with districts



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Sustainability beyond SBHIP

- DHCS is establishing, by January 1, 2024, a statewide multi-payer school linked fee schedule that reimburses school-linked providers for mental health and substance use disorder services
- Fee Schedule will be rolled out in three phases
- Cohort 1 will bill through a third-party administrator
 - 7 out of 9 LEAs have applied to participate in Cohort 1





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Strategic Plan Progress: 2023-2025

Board of Directors | October 18, 2023

Marina Owen, Chief Execution Officer

OBJECTIVES

- Discuss progress against 2023-2025 Strategic Plan priorities and objectives
- Share themes from Board of Directors Retreat and consider feedback from key stakeholders in the coming year, including state and local partners
- Orient to priorities, objectives and 2024 working strategies

Key Themes

Expand role to convener and facilitator as opposed to administrator

Lead in quality and focus on equity

Expand role past Medi-Cal, towards coordinating more services for additional members

Integrate well internally and strengthen operations for the future

Community Stakeholder Feedback

Hospitals

Counties

Clinics

Specialists

Facilitate community collaboration, convening and engagement

- *“Take a more active role in community health to improve outcomes and equity”*

Proactively prepare for change (e.g., CalAIM)

- *“I am optimistic for leadership changes and going forward, we are looking for CenCal Health to be strategic partners who will be proactive, engaged and creative in their approach to addressing challenges.”*
- *“It is important for CenCal Health to re-establish itself as a leader and teacher in the local community.”*

Educate stakeholders

- *“Overall, CenCal Health has performed well, including accessibility, willingness to assist providers with new initiatives, and openness to resolving challenges. I think we have a new opportunity to really partner better with CenCal from both sides.”*

Retain the local model

- *“I have been a real believer in this model for a long time. I think we have always been grateful to have the local authority to have a plan like this.”*

Strategic Plan Framework

2023 – 2025

Objectives

Priorities

Vision

Facilitate community collaboration to strengthen the health system

Engage locally on health equity

Exceed quality standards and expectations

Reduce health disparities in our populations

Prepare to serve new members

Develop new Medi-Cal programs and benefits

Advance organizational readiness to support strategy

Foster employee growth and inclusion towards a diverse culture

Leverage and adapt technology and analytics to enable transformation

Ensure financial performance to support sustainability

Cultivate
Community
Partnerships

Advance
Quality
and Health
Equity for All

Expand our
Service Role
and Reach

Organize for
Impact and
Effectiveness

To be a trusted leader in advancing health equity so that our communities thrive and achieve optimal health together.



Year one transformation

- Community partners welcome CenCal Health's increased engagement, including through the CalAIM Community Steering Committee and DHCS Listening Tour.
- CenCal Health's focus on organizing for impact and effectiveness is transforming the internal environment, with a substantial number of new capabilities being developed.
- Competition for talent is considerable, with a flexible working environment being a competitive advantage, and recruitment for talent being key to achieving our goals.
- CenCal Health's financial position remains strong; however, member redetermination is in process and efforts will need to continue to ensure members retain their insurance.
- Building a new product line, like DSNP (Medicare), will require significant investment and dedicated focus, resources, and support.
- It required considerable time and effort to develop community supports services (10 of 14 in 2024), substantial support for providers and time to build capacity.

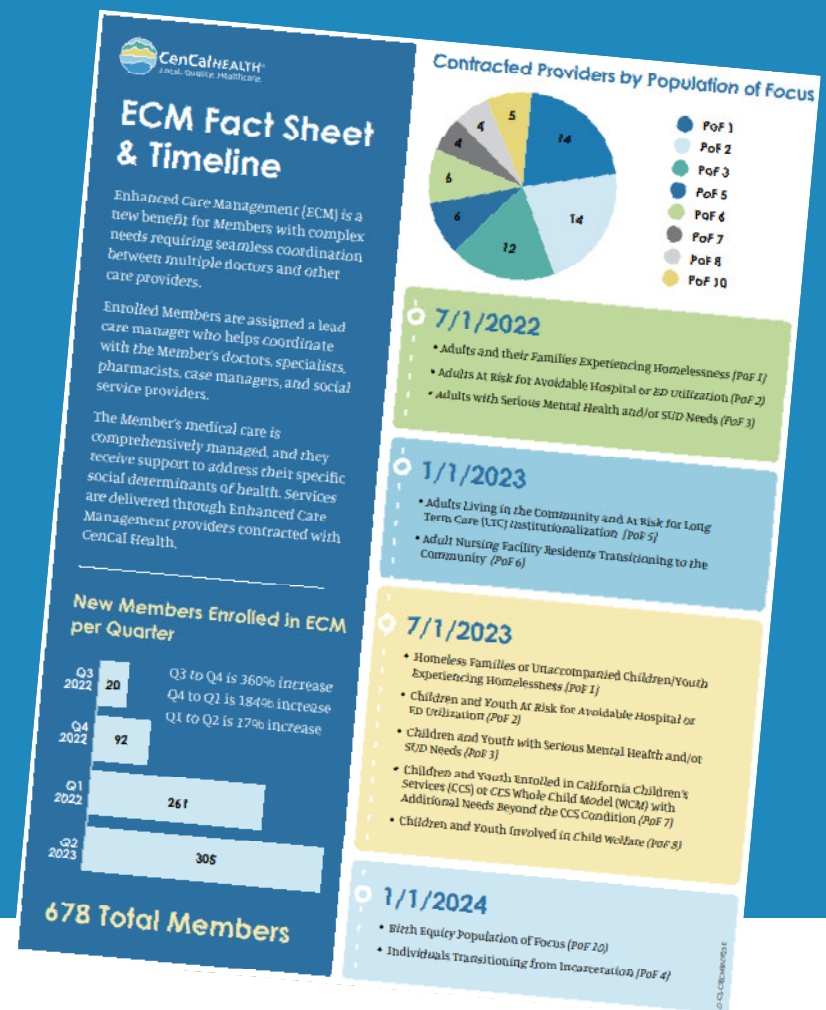
Enhanced Care Management

Members enrolled:

- As of 12/31/2022 = 143
- As of 6/30/2023 = 678

374% increase

in ECM enrollment over a six (6) month period

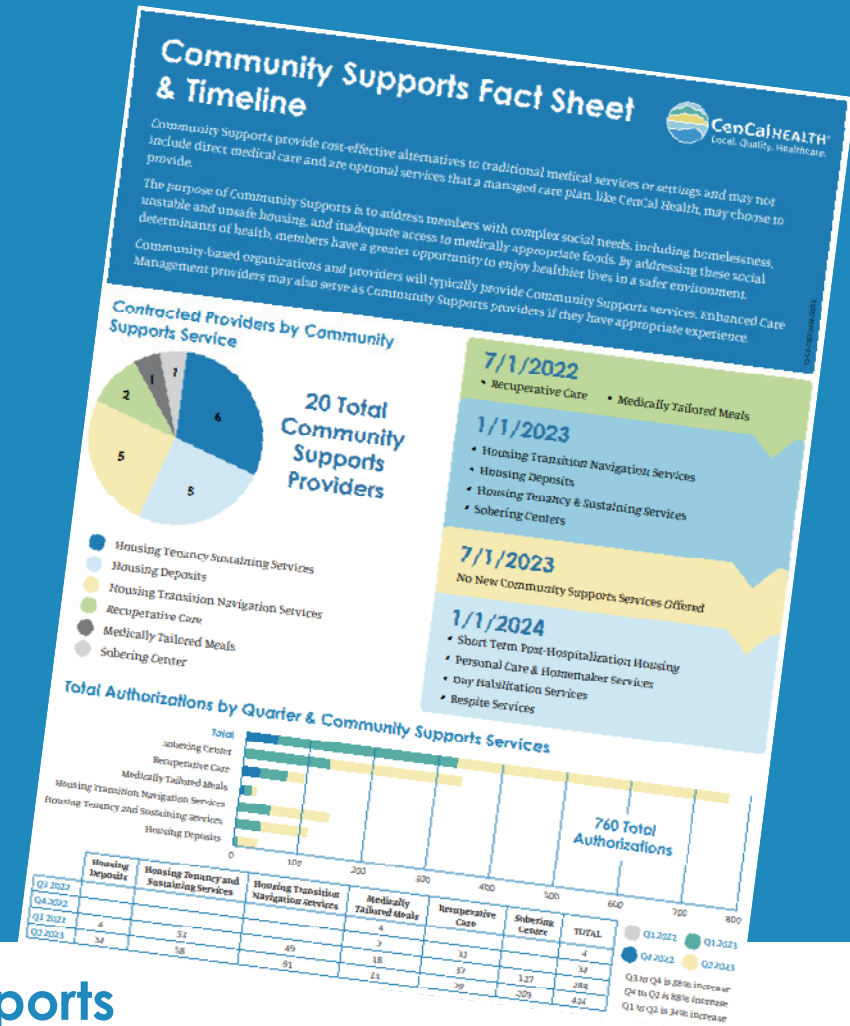


Community Supports

Members receiving services:

- As of 12/31/2022 (2 services) = 33
- As of 6/30/2023 (6 services) = 722

2,088% increase
in services received over
a six (6) month period



CCH Community Supports Fact Sheet >

July Retreat – Reflections for the future

Board Members

Continue building cooperative partnerships and convening role

- *“CenCal Health can invest to support workforce issues” “Don’t forget provider base”*

Shape policy, lead advocacy and planning, and support local needs

- *“With our propensity to be regional, need to be attentive to local”*

Communication is the foundation

- *“You’ve opened the doors of trust and participation. Next year is critical”*

Ensure we are an effective, proactive and accountable organization

- *“The Board is kept appraised of progress and performance” “Emphasize quality”*

Support transformation and multiple health related priorities

- *“Health system strengthening” “How to do it all?” “Healthcare is not slowing down”*

Priority 2024 Working Strategies

Enhance local
community
engagement

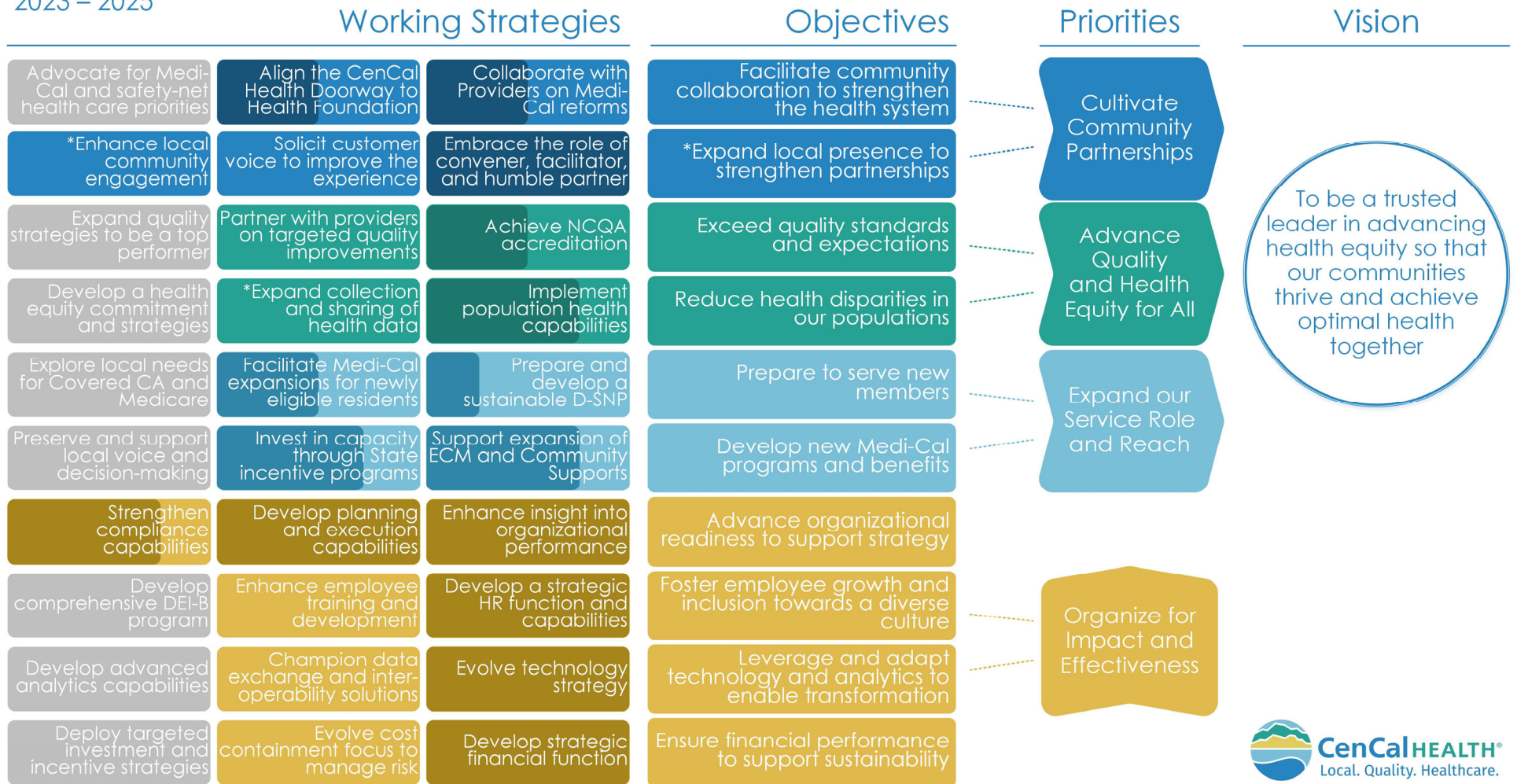
Solicit customer
voice to
improve
experience

Partner with
providers on
targeted
quality
improvements

Invest in
capacity to
strengthen
health system

Strategic Plan Framework

2023 – 2025



KEY TAKEAWAYS

- CenCal Health's leadership team is strategic, purposeful and engaged in what the future holds.
- The 3-year strategic plan is being executed with intention, staff have solicited feedback and will develop outcome measures for review and adoption.
- Considerable progress has been made with 10 working strategies (of 30) complete in year one.
- We considered what is needed to foster a culture that supports our people and enables our performance.
- Development of 2024 working strategies is complete to support planning for next year.



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Performance Division Update

Date: October 18th, 2023
From: Chris Morris, MSOD, Chief Performance Officer
Through: Marina Owen, Chief Executive Officer

Executive Summary

In 2022 CenCal Health (CenCal) established an effort to *align organizational structure with business need* to enhance organizational readiness for the future. In the ensuing 18 months, responsive to administrative capacity needs, enhanced regulatory requirements for CalAIM and the 2024 state contract, and strategic plan ambitions, staff established 37 new business functions (58% increase) and added 103 FTE (34% increase).

As a result of Board FTE investment, total vacancy peaked at 22.3% in February 2023. Vacancy has steadily decreased throughout the year, on track for staff's 2023 goal of 9.0% by end of year. Supporting staff's vacancy reduction efforts is a relatively low and stable turnover rate; the most recent 12-month voluntary turnover trend reveals a rate of 9.9%, approximately one-third the Bureau of Labor Statistics industry standard average. CenCal is committed to remaining an employer of choice for mission-driven professionals, through a thoughtful and competitive compensation philosophy and principles. Responsive to these principles, CenCal uses CBIZ Talent and Compensation Solutions (CBIZ) for compensation benchmarking. In 2023, informed by CBIZ's market analysis your Board adopted a 5.0% increase in staff compensation ranges and budget, following which staff developed and successfully implemented a compensation increase approach which promoted compensation equity among CenCal staff. In preparation for 2024, CBIZ's market analysis indicates a 3.6% increase in staff compensation ranges and a 5.0% compensation increase budget. Given your Board's investment in 2023 and the modestly stabilizing cost of labor, staff anticipates recommending a 2024 compensation increase budget below 2023 levels.

Effective organizations continuously adapt and integrate to take advantage of new opportunities, and CenCal has adopted an Organizational Performance Model to support focus and adaptation. The inaugural CenCal Organizational Performance Model was developed in May 2022 and in the ensuing 16 months, all the identified performance capabilities have been initiated. Organizational advancement is well underway through execution of the 2023 – 2025 Strategic Plan, with one-third of working strategies projected to be complete by year-end 2023. Additionally operational performance is now comprehensively measurable and visible through the quarterly

CenCal Executive View Dashboard, reflecting top-line incremental improvement over the past three quarters, at 96.7% of target in Q2 2023.

CenCal Health is now demonstrably ready for what the future holds and can largely hold steady with existing functions, structure and workforce in 2024.

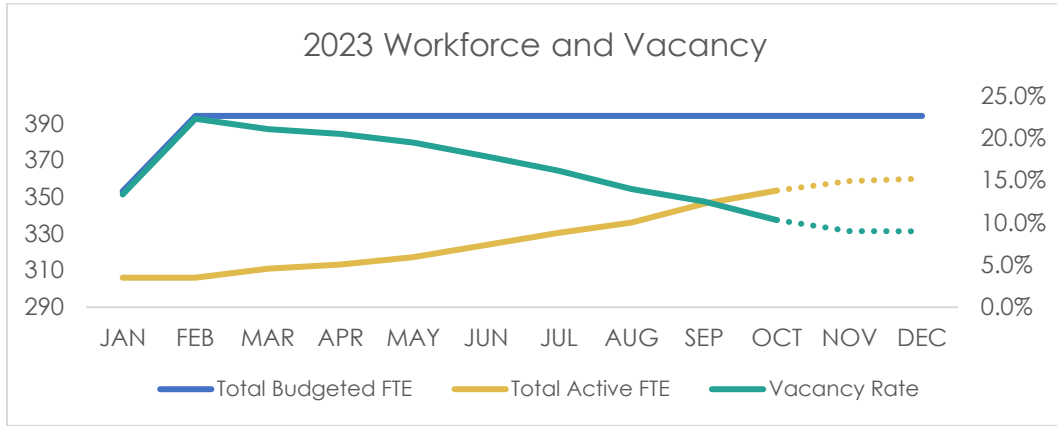
Organizational Development

In 2022 CenCal Health (CenCal) established an effort to *align organizational structure with business need* to enhance organizational readiness for the future. Organizational readiness is observed in the ability of an organization to adapt to various environmental conditions, and an organization's readiness is proportional to its effectiveness despite its external environment. A secondary benefit of aligning organizational structure to business need is improved strategic execution. For this reason, efforts to align organizational structure to existing and emerging business needs has been prioritized over the past 18 months pursuant to evidence-based design principles adopted by staff.

At baseline in 2022, CenCal was structured around 64 business functions across 14 departments and a workforce of 302 FTE, approximately 91% of the normalized peer FTE average. In the ensuing 18 months, responsive to administrative capacity needs, enhanced regulatory requirements for CalAIM and 2024 contract requirements, and strategic plan ambitions, staff established 37 new business functions (58% increase), 6 new departments (43% increase), and added 103 FTE (34% increase) for a total of 405 FTE, approximately 106% of the normalized peer average while not exceeding the state administrative revenue provided to operate the health plan.

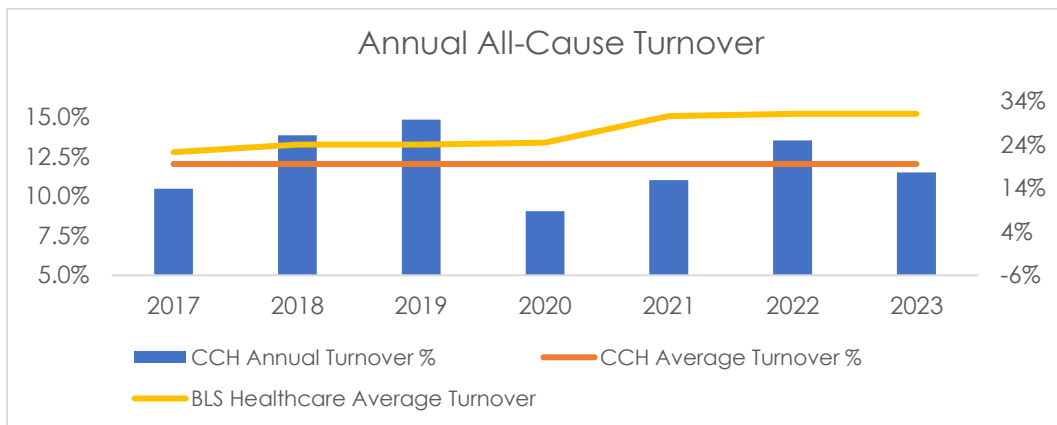
Talent Acquisition and Retention

As a result of Board investment in new FTE through the 2022 and 2023 budgets, total vacancy peaked at 22.3% in February 2023. Recruiting capacity was subsequently increased and vacancy has steadily decreased throughout the year, on track for staff's 2023 goal of 9.0% by end of year, as depicted below. Additional vacancy rate reduction to an ultimate target of 8.0% will be pursued in 2024. Existing talent acquisition capabilities and low employee turnover rates support this ambition.



Between 2013 – 2020, the Bureau of Labor Statistics (BLS) industry standard reported an annual voluntary turnover rate in California-based health care and social assistance organizations of 23.6%, increasing 4.5% annually on average during that same period. These same rates jumped to 33.7% in 2022, increasing 25% over the prior seven years. One-third of all employees now choose to leave organizations every year.

Between 2020 – 2022, CenCal experienced an average voluntary turnover rate of 9.2%, which is 29.5% of the BLS industry average during that same period. The most recent 12-month trend (through September 2023) reveals a stable voluntary turnover rate of 9.9%, which is 33.5% of the BLS industry standard average during the same period. More broadly, the below graph shows CenCal's seven year (2017 – 2023) all-cause turnover average is 12.0% (left y axis), where the BLS industry average ranged 22% - 31% (right y axis). During this period, CenCal's highest all-cause turnover years, in absolute terms, are 2018 and 2019 at 13.8% and 14.8%, respectively. Proportional to BLS data, CenCal's highest turnover years are 2019 (62% of BLS), 2018 (58% of BLS) and 2017 (47% of BLS). While turnover remains low relative to industry, staff is looking forward to resuming annual employee experience surveys and ongoing surveying, beginning this November, to additionally understand our team members' experience and perspective as we pursue our value of continuous *improvement*.



2024 Compensation Structure and CalPERS Resolution

CenCal is committed to remaining an employer of choice for mission-driven professionals, through a thoughtful and competitive compensation philosophy and approach. CenCal's compensation philosophy is to align compensation practice with our values, including *integrity*, and to enable our strategic objective to foster employee *growth* and *inclusion* towards a diverse culture. Staff have adopted a set of compensation principles to drive application of this philosophy, as follows:

- Compensation structure is independently assessed to be *competitive* and adopted by the Board and leadership as a public agency.
- Compensation budget is developed to enable *strategic objectives* and increases are based on *financial position*.
- Compensation process is *fair*, communication *transparent* and decisions guided by philosophy and policies.
- Compensation increases are *equitable* to encourage and reward employees while recognizing tenure, qualifications, role, and performance.
- Pay Transparency ensures current and prospective team members are provided compensation information by the organization to demonstrate that pay is competitive and equitable.

Responsive to these principles, CenCal uses CBIZ Talent and Compensation Solutions (CBIZ), a third-party consultancy, for ad-hoc position benchmarking, annual salary grade benchmarking updates, and periodic full scope compensation studies. This benchmarking is a critical and routine practice and in the prior two years, uniquely prudent given the variable and rising cost of labor.

In 2023, market analysis supported a 5.0% increase in staff compensation ranges and a 6.2% - 7.9% compensation increase budget. Your Board adopted the 5.0% increase in staff compensation ranges in October 2022 and following staff analysis and recommendation, also adopted a 5.0% increase in the staff compensation budget in January 2023. Following budgetary approval staff developed and adopted an approach to administer compensation increases which promotes market competitiveness and compensation equity among CenCal staff. Our CY23 compensation increase approach resulted in 93% of eligible CenCal staff receiving a 4% or greater compensation adjustment, and 76% of all compensation increase dollars allocated to non-leadership positions. In February 2023 the CenCal director team reviewed and validated application of the compensation increase methodology for every staff member, and compensation increases were successfully implemented in March 2023.

In preparation for 2024, staff engaged CBIZ to conduct a full scope compensation study to review and assesses the existing benchmark for every position relative to

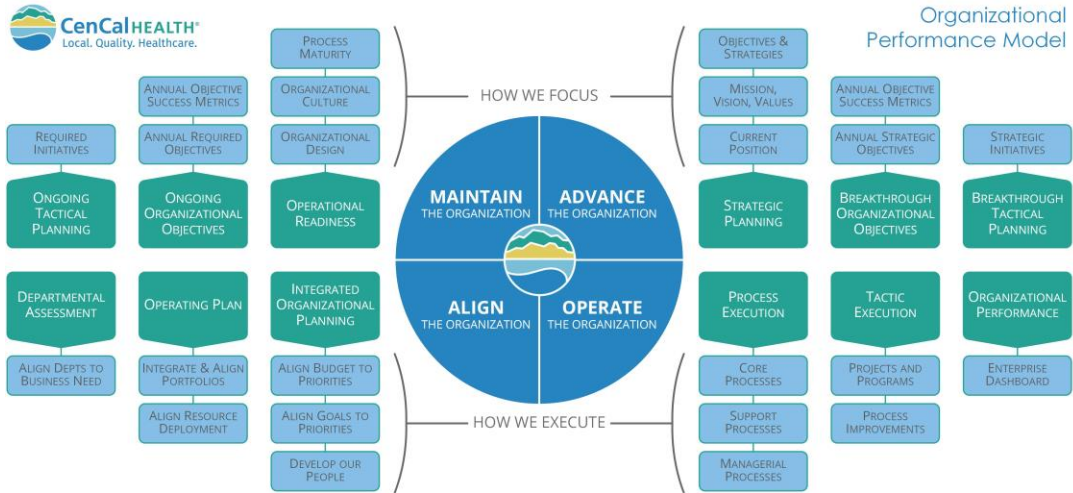
market. For 2024, market analysis supports a 3.6% increase in staff compensation ranges and a 5.0% compensation increase budget. Your Board's adoption through the ensuing annual CalPERS resolution of the 3.6% increase in staff compensation ranges is requested at this time. CalPERS retirement calculations are based on "compensation earnable" and pay rates are derived from the annual pay schedule that has been duly approved and adopted by your Board. Informed by CBIZ's compensation budget recommendation, staff will prepare a compensation budget recommendation as part of the CY2024 budget recommendation for Board consideration in January 2024 and subsequent implementation in March 2024. Given your Board's investment in 2023 and the modestly stabilizing cost of labor identified in CBIZ's compensation budget recommendation, staff anticipates recommending a 2024 compensation increase budget below 2023 levels.

Healthy Organizational Performance

External factors (e.g., labor, health policy, delivery system transformation and technological evolutions) have considerable implications for our organizational planning and execution, and organizational alignment with these factors is significantly predictive of our short-term success and longevity. Effective organizations continuously adapt, integrate, and reconfigure existing assets to take advantage of new opportunities responsive to changes in the environment. This has been referred to as "ambidexterity in action" (O'Reilly & Tushman, 2011) – the capacity to both exploit operational effectiveness necessary for present success and explore new opportunities necessary for future success. An organization's capacity to balance the tension between these two abilities is critical to sustained organizational performance.

An Organizational Performance Model (below) aims to support focus, balance, and adaptation. The inaugural CenCal Organizational Performance Model was developed in May 2022 and defines 12 primary performance capabilities. At the time of development, staff identified five (5) capabilities which had been initiated to date. In the ensuing 16 months, some, or all of the elements of the remaining seven (7) organizational performance capabilities have been initiated. Organizational advancement is well underway through execution of the CenCal 2023 – 2025 Strategic Plan. In 2023 staff selected 13 of the identified 30 working strategies from the 2023 – 2025 Strategic Plan to guide our 2023 Operating Plan build. As we approach the one-third mark of our strategic plan duration, 10 of 30 working strategies are projected to be complete by year-end 2023. Additionally operational performance is now comprehensively measurable and visible through the quarterly CenCal Executive View Dashboard, reflecting top-line incremental improvement over the past three quarters, from 94.6% of target in Q4 2022 to 96.7% of target through Q2 2023.

CenCal is now demonstrably ready for what the future holds and can largely hold steady with existing functions, structure, and workforce in 2024, with the exception of strategic investment relative to the D-SNP product line development.



Next Steps

1. Share outcomes from the 2023 employee experience survey with your Board in Q1 2024.
2. Prepare a compensation budget recommendation as part of the CY2024 budget recommendation for Board consideration in January 2024 and subsequent implementation in March 2024.

Recommendation

Staff recommend adopting CBIZ's recommendation to increase staff compensation ranges 3.6%, effective January 1, 2024.

Enclosure

1. CBIZ Salary Structure Letter, CalPERS Resolution



September 29, 2023

Ms. Dina Miranda
Manager, Human Resources - Total Rewards
CenCal Health
4050 Calle Real
Santa Barbara, CA 93105

Dear Dina:

This letter documents our annual recommendations regarding salary structure updates and salary increase budgets. The below table outlines our recommendations. The remaining letter provides the rationale and data behind the updates as well as an exploration of broader trends to consider and keep in mind.

Recommendations	
Structure Update:	3.6%
Salary Increase Budget:	5.0%

Structure Update

Adjusting your salary structure annually will help ensure that your salary range minimums remain competitive to the market and that your salary range maximums remain appropriate. This is an annual best practice but is only a short-term fix as jobs move in the labor market independently from the overall labor market trend. Some jobs might be considered “hot jobs” and see pay escalate quickly while other jobs may stagnate in the labor market. For this reason, it’s important to reassess market-competitive pay every three to five years.

Our sources for structure update data include the U.S. Bureau of Labor Statistics *Employment Cost Index* (ECI), which measures wage growth over the prior 12-months. ECI is a valuable in understanding broad wage movement in the labor market, making it a good metric to consider when evaluating pay structure adjustments should be based. The relevant data in our recommendation comes from the reported wages and salaries data for civilian workers (i.e., all private and state and local government), which is 4.6% from the June 2023 report¹. We also consider the WorldatWork 2023-2024 Salary Budget Survey, which is a historically trusted survey source for structure update forecasts. The current survey reports an overall average of 2.6%.

Salary Increase Budget


Matching market trends for annual salary adjustments ensures that wages remain competitive to the market. Meritorious employees should be recognized with increases that advance their pay through the pay range, not simply match the market movement.

Data sources considered when determining our salary increase budget recommendation include the WorldatWork 2023-2024 Salary Budget Survey, which reported average planned overall increases of 4.1%. The Atlanta Fed Wage Growth Tracker², which tracks the median percent change in hourly wages of the same U.S. workers year-over-year, reported 5.4% in their report for job stayers. Job stayers is a category in the report that refers to the subset of workers who have remained in the same job over the observed year. By focusing on this

¹ Employment Cost Index Summary; June. [Employment Cost Index Summary \(bls.gov\)](https://www.bls.gov/news.release/nci.t01.htm)

² Wage Growth Tracker, June. [Federal Reserve Bank of Atlanta](https://www.federalreservebankofatlanta.com/wage-growth-tracker)





group, the tracker provides a more stable and controlled measure of wage growth, as it eliminates the variability introduced by job changes, promotions, or transitions between industries.

Pay Equity and Transparency

In recent years we have seen a growing emphasis on pay equity, fair pay, pay transparency, and job architecture as interconnected elements aimed at fostering a more equitable and transparent work environment. Driven by regulatory changes, social justice movements, and heightened public awareness, pay equity ensures that employees are compensated fairly for equivalent work, irrespective of gender, race, or other characteristics. Pay transparency initiatives aim to remove the shroud of secrecy around compensation, encouraging honest dialogue and making inequities more visible. Job architecture provides the structural backbone for all these elements, creating a well-defined framework of roles and levels, which helps in making accurate, equitable pay decisions.

Organizations considering these forward-thinking compensation strategies need to proceed with a well-thought-out implementation plan. Transparency and equity are commendable goals but achieving them requires a nuanced understanding of both internal organizational dynamics and external market factors to create a successful implementation plan.

Proposed FLSA Overtime Changes

In August, the U.S. Department of Labor has released a Proposed Rule that could significantly impact the overtime stipulations under the Fair Labor Standards Act. The most impactful change in the proposal is an increase in the minimum salary threshold for overtime eligibility. The new proposal aims to raise the minimum threshold to \$55,068—a substantial 54% increase. While the Final Rule may not be published for approximately another year, and will include a timeline for its effective date, it's advisable to start considering the potential effects on your workforce and compensation strategy in advance.

I trust you will find this information helpful. Feel free to call or schedule a time for us to meet to discuss any questions about the data, recommendation, or trends mentioned in the letter.

Sincerely,



Ryan Blackwell, CCP
Director, Compensation Consulting
(314) 692-5801
rblackwell@cbiz.com

CBIZ is a business and financial advisory firm providing a vast array of services, including compensation consulting. Our professionals perform compensation valuations on a regular basis and are qualified to provide such.

RESOLUTION OF THE BOARD OF DIRECTORS
OF
CENCAL HEALTH

Resolution No. 2023-03
Approval of CenCal Health Salary Structure

WHEREAS, CenCal Health participates in a CalPERS retirement plan; and;
WHEREAS, only "compensation earnable" pursuant to Government Code Section 20636
and Title 2 California Code of Regulations Section 570.5 can be reported to CalPERS for
purposes of calculating CalPERS retirement benefits; and

WHEREAS, Section 570.5 requires that "compensation earnable" that meets the
applicable requirements must be based on a salary structure duly approved and
adopted by the Board of Directors;

WHEREAS, CenCal Health has retained an outside compensation consultant to
assist in the development of an industry standard salary structure, which has been
presented to the Board of Directors;

NOW, IT IS RESOLVED THAT:

1. The above recitals are true and correct and are incorporated herein by
this reference.
2. The 2024 CenCal Health Salary Structure is hereby adopted and
approved effective January 1, 2024.

PASSED, APPROVED AND ADOPTED by the CenCal Health Board of Directors
this 18th day of October 2023, by the following vote:

Ayes:

Nays:

Abstain:

Absent:

René Bravo, MD
Chair, Board of Directors

ATTEST:

PAULA MARIE BOTTIANI
Clerk of the Board of Directors

APPROVED AS TO FORM:

Hon Chan
Sr. Associate Counsel

* * * * *

CERTIFICATION

I, Paula Marie Bottiani, Clerk of the Board of Directors of CenCal Health, certify that the foregoing is a true, correct, and complete copy of Resolution No. 2023-03, adopted October 18, 2023, by the Board of Directors, at which meeting a quorum was present.

DATED: _____

Paula Marie Bottiani
Clerk of the Board of Directors



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Performance Division Update

Chris Morris, Chief Performance Officer
October 18, 2023

OBJECTIVES

1. Review **organizational growth** to meet business needs over the past 18 months
2. Update on the effort to **drive down vacancy** to enable the organization
3. Orient to **staff turnover trends** as a key indicator of employee experience
4. Consider adoption of the **2023 compensation study** and associated CalPERS Resolution
5. Evaluate **organizational effectiveness** through strategic and operational performance



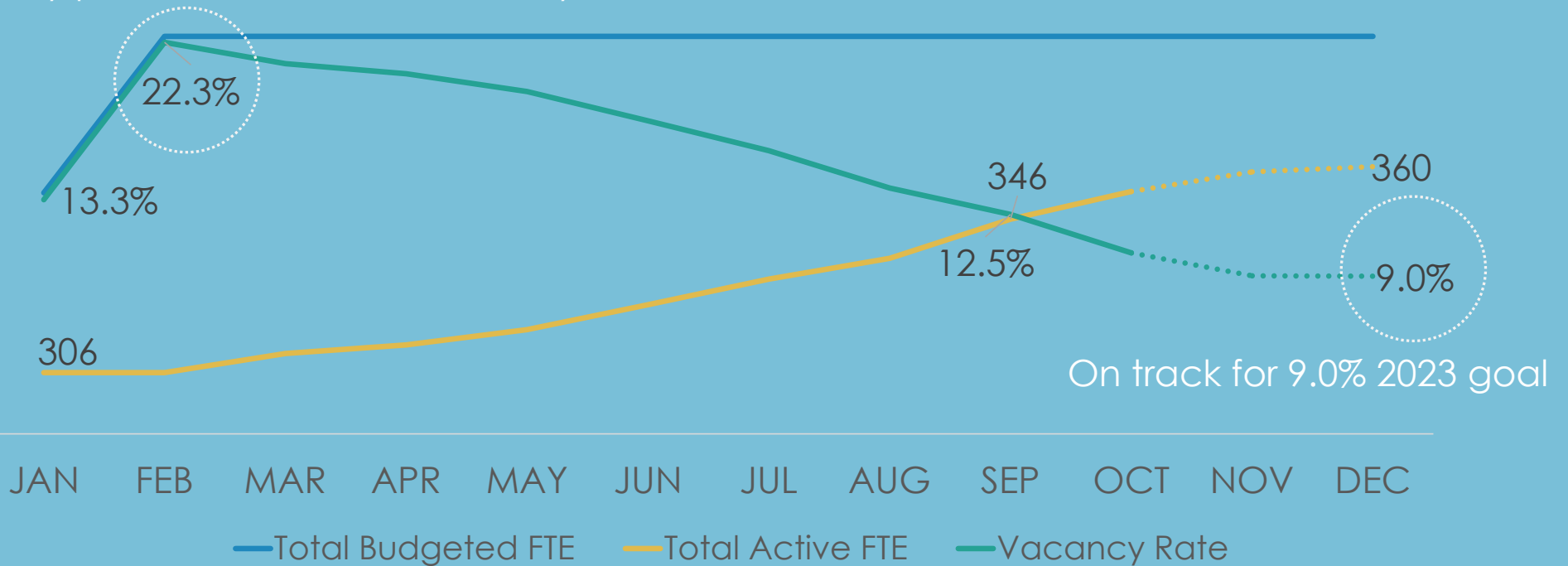
Organizational Growth...to meet business needs

- Effective organizations continuously adapt to their environment
- In 2022 staff established an effort to *align organizational structure with business need* to enhance readiness for the future

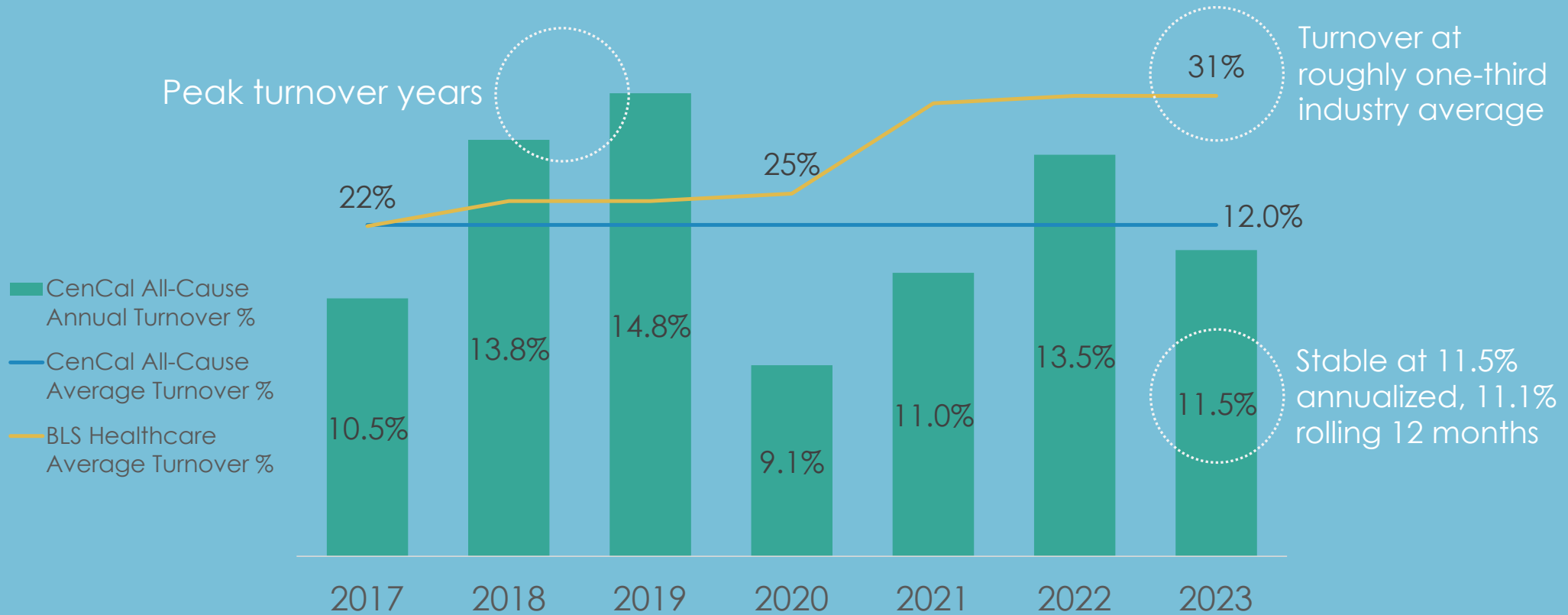
	2022	2023	Growth
Business Functions	64	101	58%
Departments	14	20	43%
People	302	405	34%
% of Peer FTE Average	91%	106%	15%

Driving down vacancy ...to enable the organization

Vacancy peaked at 22.3% in February 2023



Staff turnover...a key indicator of employee experience



Additional insight coming through the **Employee Experience Survey in November 2023!**

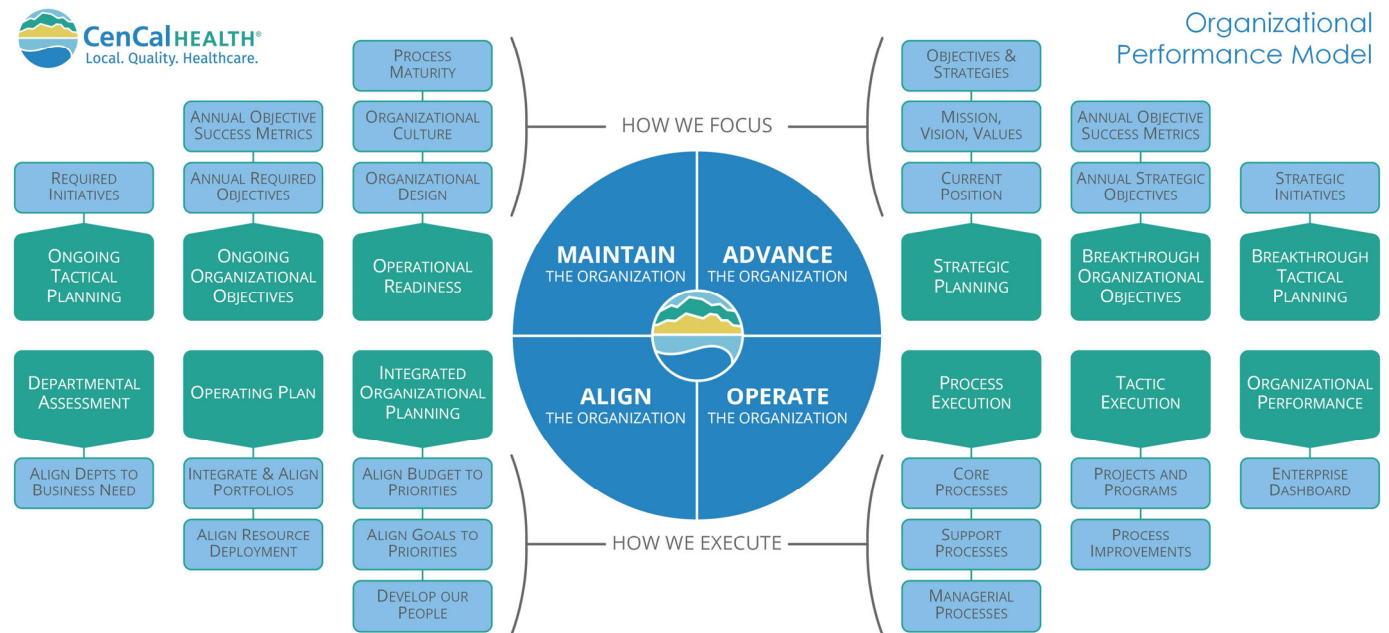
Compensation Study

- Thoughtful and competitive compensation philosophy and approach
- Third-party consultancy provides market-based compensation guidance
- Board adopts compensation ranges and budget as a public agency

	2023	2024
Analysis Type	Grade Update	Full Study
Compensation <u>Range</u> Adjustment		
Recommended	5.0%	3.6%
Adopted	5.0%	Decision Today
Compensation <u>Budget</u> Adjustment		
Recommended	6.2% - 7.9%	5.0%
Adopted	5.0%	Decision January

Organizational Effectiveness

- Effective organizations are ambidextrous...maintain and advance at the same time
- *Organizational Performance Model* provides intention and focus to CenCal Health be ambidextrous
- Strategy execution and enterprise dashboard capabilities provide insight into our effectiveness

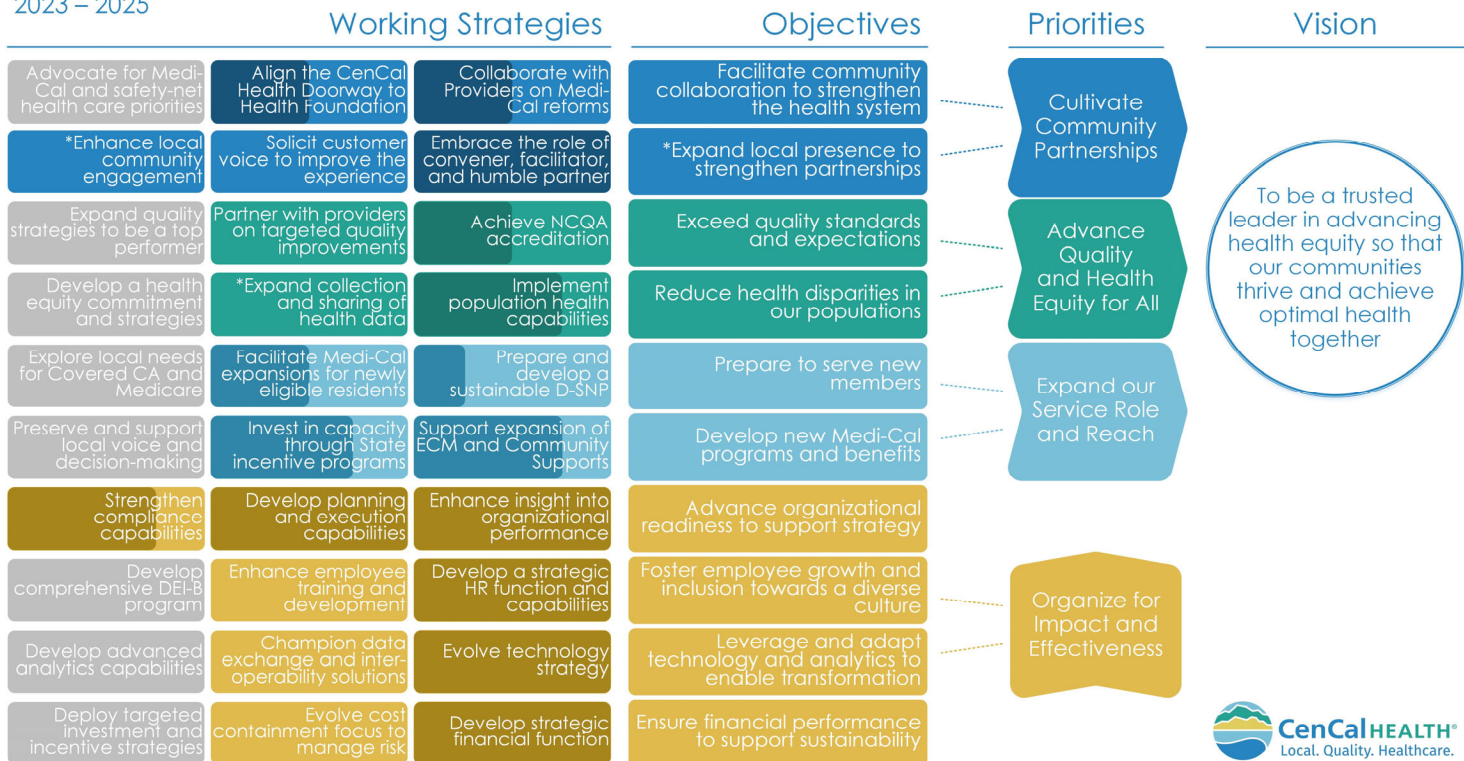


Strategic Effectiveness

- Approximately 1/3 of Working Strategies complete
- Another 1/3 of Working Strategies planned for 2024
- Strategically **right on track...**

Strategic Plan Framework

2023 – 2025



Operational Effectiveness

- Now comprehensively measurable and visible through the Executive View Dashboard
- Top-line improvement over the past three quarters, from 94.6% of target in Q422 to 96.7% of target through Q223
- Operationally **right on track...**



Conclusion

CenCal is now ready for what the future holds and can largely hold steady with existing functions, structure and workforce in 2024

Recommendation

Staff recommend adopting the third-party consultant recommendation to increase staff compensation ranges 3.6%, effective January 1, 2024.

Next Steps

Share outcomes from the 2023 Employee Experience survey with your Board in Q1 2024.

Prepare a compensation recommendation as part of the CY2024 budget for Board consideration in January 2024.



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Medicare Dual Special Needs Plan (D-SNP) Development and Implementation

Date: October 18th, 2023

From: Jordan Turetsky MPH, Chief Operating Officer
Marina Owen, Chief Executive Officer

Contributors: Margaret Tatar, Michael Engelhard, Eileen Moscaritolo,
Julie Faulhaber, Health Management Associates (HMA)

Executive Summary

The Department of Health Care Services (DHCS) CalAIM waiver aims to transform Medi-Cal to create a more coordinated, person-centered, and equitable health care system. Key to this transformation is the ability of Medi-Cal members, who are also eligible for Medicare, to have the option to be supported by one health plan, rather than having services managed through a bifurcated system. Accordingly, and beginning in 2026, CenCal Health must offer a Medicare Advantage Dual Special Needs Plan (D-SNP) for CenCal Health members dually eligible for Medi-Cal and Medicare.

Through previous reports and presentations, staff have shared the analysis and preparation CenCal Health has developed for this future program requirement. The purpose of this Medicare D-SNP Report is to summarize the opportunity to offer a D-SNP, to detail CenCal Health's two-year implementation plan and activities, and to request approval from the Board of Directors to develop a local D-SNP in Santa Barbara and San Luis Obispo Counties in 2026. Immediate next steps include engaging the Department of Managed Healthcare (DMHC) on a material modification of CenCal Health's licensure in pursuit of program development among other foundational planning activities.

Background

CenCal Health developed a 2023-2026 Strategic Plan, adopted by the Board of Directors in September 2022, which includes expanding our role and reach to support improved integration, align with the DHCS CalAIM goals and objectives, and to develop a D-SNP by 2026. Development of a program for seniors is a key organizational strategic objective with the aim of promoting alignment between Medi-Cal and Medicare to support members in achieving improved health outcomes.


County Organized Health Plans like CenCal Health have always served all members in our respective service areas, including providing Medi-Cal services for the dually eligible – those members eligible for both Medi-Cal and Medicare. Duals are among the most

medically complex members and the most adversely impacted by the fragmentation in our health care system. At a time in their lives when they most need coordinated and integrated care, duals often face material barriers due to unnecessary silos and system fragmentation.

Through a multi-year engagement with Health Management Associates (HMA), the implementation consultant selected by staff through a competitive Request for Proposal (RFP) process and whose engagement was subsequently approved by the Board of Directors, CenCal Health launched D-SNP implementation planning. CenCal Health developed a detailed D-SNP Implementation Timeline (*Table 1*), including key milestones, and has made assumptions for enrollment, medical management, provider reimbursement, risk adjustment, and STARS outcomes.

The launch of the internal D-SNP Steering Committee in August 2023 served to formally kick-off the two-year activities which need to be advanced in order to successfully launch a D-SNP in 2026.

Table 1: D-SNP Implementation Timeline

D-SNP Implementation Timeline						
Activities	2023	2024	2025	2026		
Project Governance: D-SNP Steering, Board of Directors						
Project launch: develop tactical structure, produce project plan, evaluate gap assessment						
Foundational Planning: Build v buy, Operating Model, Network Approach						
Kick off tactics						
Begin: Knox-Keene licensure application, Focus Group Study and Engagement Program Review: 2025 CMS MA D-SNP application						
Finalize: Marketing and Sales program, Model of Care Begin: CMS Application, State Medicaid Agency Contract process Checkpoint: Ensure Part D vendor and provider network are contracted						
Finalize: CMS Application, Product Development, CMS Benefit and Bid Process Begin: Work with Actuaries on Bid Development Process Mid-February: submit CMS application June 2: submit CMS Bid						
Finalize: Regulatory Approvals and Submissions Begin: Marketing and Sales – Member enrollment , System Readiness						
Prepare for go-live						
Go-live and post-implementation performance monitoring						

CenCal Health, along with HMA, is now in the process of developing the D-SNP operating model, provider network design, licensing and finalizing the 2024-2026 D-SNP Budget, including system and infrastructure costs.

D-SNP Value Proposition

CenCal Health's vision is to be a trusted leader in advancing health equity so that our communities thrive and achieve optimal health together. Importantly, the D-SNP for which CenCal Health is preparing is an Exclusively Aligned Enrollment (EAE) model, meaning that only those community residents eligible for Medicare and also receiving Medi-Cal through CenCal Health would be eligible for our D-SNP and only health plans offering Medi-Cal may enroll new dual members after 2026. The EAE D-SNP model provides a unique opportunity to coordinate and manage care for our most medically complex members, supporting the achievement of optimal community health.

While implementation of a D-SNP is an expectation under CalAIM, CenCal Health strongly believes that such implementation is also an imperative to best serve our dually eligible members. Within CenCal Health's service area of San Luis Obispo and Santa Barbara Counties, there are approximately 23,000 residents eligible for both Medi-Cal and Medicare, nearly 88% of whom are receiving Medicare through a Fee-for-Service plan. Additionally, we know that roughly 1,700 CenCal Health members age into Medicare on an annual basis. Together, CenCal Health has an opportunity to positively impact the lives of thousands of our existing members through the provision of a D-SNP which, if selected by our members as their Medicare Advantage plan, would afford an unparalleled opportunity for enhanced coordination and care management.

In addition to the benefits described for CenCal Health members, an EAE D-SNP would provide impactful benefits to those CenCal Health providers who would serve the dually eligible population. These benefits include:

1. Improved payment coordination. Coordination of benefits from multiple payors can be burdensome, however for a CenCal Health D-SNP member, providers would submit one claim for health plan payment which would be fully processed and coordinated by CenCal Health.
2. Enhanced access to services. Obtaining services such as mental health care can be challenging for Medicare members. CenCal Health will be able to leverage our local partnerships to ensure access to care which meets the needs of members.
3. Accessible care management and care coordination. Care management is crucial for Medicare and Medi-Cal programs, including with and among social and support services. CenCal Health nurses and navigators will be there to assist providers and their patients to best navigate the health care system.

4. Patient-centered care. CenCal Health follows a model where members are assigned to a primary care provider who coordinates and manages the care of their patients. This model will support D-SNP members, as well, allowing primary care providers to be more in the driver's seat for their Medicare members, and for specialists to receive more appropriate referrals.
5. Local resource assistance. In general, patients struggling with chronic illnesses need a lot of assistance. In traditional Fee-for-Service Medicare, local resources are limited. CenCal Health is confident that we can fill this gap, as we have done for Medi-Cal members.

Based on our 40-year track record of serving as a local plan, CenCal Health will continue to excel for our community when we expand our offerings to include a D-SNP in 2026. We value and have earned the trust of our provider community, have collaboratively achieved top ratings for quality among California Medi-Cal plans, and support our network by delivering over \$0.90 of every dollar to health care services.

Medicare Advantage plans promote quality by tying plan revenue to quality performance in the STARS program. As one of the highest performing plans in the state, CenCal Health is poised to deliver on the quality imperative in Medicare, like we have delivered in Medi-Cal. The ultimate goal to achieve a 4 STAR D-SNP in time is key to CenCal Health's decision-making, along with fostering local provider partnerships, ensuring compliant medical management protocols, and promoting responsive customer service to improve the experience of our members and providers.

Importantly, the start-up of a Medicare D-SNP requires a significant multi-year investment, both during the implementation phase and in the early years of operations, as membership increases, and performance improves and stabilizes. The Milliman financial feasibility analysis estimates a multi-year loss with the potential to break even in year 3 or 4 of a D-SNP. If executed strategically, the D-SNP could improve CenCal Health's long term financial viability by diversifying revenue streams. In this regard, the benefit proposition of a D-SNP extends beyond CenCal Health's members and providers to the overall longevity of CenCal Health as a Managed Care Organization.

In short, CenCal Health is fully committed to developing, funding, and implementing a high-quality D-SNP by 2026. The benefits to members, providers and community partners are numerous, and that we are well positioned to implement a D-SNP successfully.

Foundational D-SNP Planning Activities

As reported to the Board in August 2023, the CenCal Health D-SNP Steering Committee, is engaged in three foundational areas of D-SNP preparation:

1. Vendor and Product Acquisition: The discussion and recommendation to either buy a new solution (e.g., software or technology), or to develop (build) such

- solution in house. These are referred to as “buy versus build” decision points, and include CenCal Health’s approach to securing a Pharmacy Benefits Manager.
2. Operational Planning and Staffing Models: CenCal Health’s functional organization of the D-SNP work, either aligned with or separate from existing Medi-Cal work, inclusive of the staffing resources required.
 3. Network Strategy: The way in which CenCal Health will approach provider engagement and contracting in support of building a robust D-SNP provider network.

The vendor and product acquisition, or **buy versus build** area of foundational planning, includes three primary decision points and activities, as follows: procurement of a Pharmacy Benefits Manager (PBM); procurement of a core operating system to manage the D-SNP line of business; and onboarding of a Customer Relationship Management (CRM) platform, the latter of which is critical for marketing and member communication management. As presented to the Board in September 2023, CenCal Health will deploy a hybrid model for core system management, retaining our legacy product for Medi-Cal and procuring a vended solution for D-SNP.

CenCal Health seeks to engage in a competitive RFP process in each of these three areas, initiating sequentially the PBM, core system, and then CRM RFP processes. Regarding a PBM, CenCal Health may explore a partnership with one or more Medi-Cal plans through the procurement process in order to best leverage health plan resources and expertise. Preparation and launch of these RFPs between October 2023 and March 2024 is crucial to ensure vendor selection in advance of application and bid submission, as well as open enrollment in 2025. CenCal Health’s Chief Information Officer, Pharmacy Director, and member engagement and marketing teams will serve as the lead on these three core areas of development, bringing to the Board key decisions and informational updates throughout the course of procurement activities.

The operational planning and staffing model development, or **operating model**, collectively, describes the way in which CenCal Health will manage the D-SNP line of business within health plan operations, including the type and level of staffing support required. Generally, there are two models which health plans may leverage to operate a new line of business: a model where Medicare staff and teams operate within the health plan but are not integrated into existing operational teams; or an integrated model where Medicare governance and operations are fully integrated into the existing health plan structure. CenCal Health seeks to forge a novel approach, marrying the siloed and integrated models to produce a largely integrated model which builds Medicare expertise within existing teams, while also establishing unique units necessary to manage those Medicare activities which differ greatly from their Medi-Cal counterparts (e.g. Grievance and Appeals). As seen in other best practice health plans, such a structure will position CenCal Health for optimal integration, customer service, and regulatory compliance.

An accompaniment to this operating model design is understanding the staff resources and expertise needed to accomplish the implementation work in 2024 and 2025, as well as to operate a D-SNP in 2026. The operating model work is led by CenCal Health's Chief Performance Officer, and will include considerations for the Board related to staffing and resource needs in 2024 and beyond.

The **provider network strategy** includes all aspects of building and managing a provider network for a D-SNP, including network development and contracting, provider payment structures, and provider engagement strategies. CenCal Health has a strong and diverse provider network for Medi-Cal members which will serve as a foundation from which to build a robust D-SNP network. The financial viability of CenCal Health's D-SNP is primarily dependent on three factors: the rates which providers are paid, the quality of care and STARS ratings achieved, and the number of members enrolled. All three of these areas are directly impacted and influenced by CenCal Health's provider community.

Accordingly, the development and implementation of a comprehensive plan to assess and remediate current network gaps, develop and deploy fiscally responsible and quality-driven provider reimbursement models, and ensure timely and ongoing provider awareness and engagement throughout D-SNP preparation is critical foundational work which staff must begin. Development and deployment of a D-SNP network strategy is led by CenCal Health's Chief Operating Officer, and will include informational updates to be delivered to the Board of Directors on an ongoing basis.

Not contemplated in the core foundational areas described above but carrying equal and time-sensitive importance is the process to obtain **regulatory licensure** and specifically, a **Knox Keene license** through the Department of Managed Health Care (DMHC) which is required to operate a Medicare line of business. CenCal Health has a Knox Keene license with the DMHC which was in place for historic lines of business (Healthy Families and Healthy Kids). This existing license will need to be materially modified to operate a D-SNP, and this modification process requires approximately 16-months of iterative work with the DMHC including an assessment of organizational structure and financial solvency, as well as network sufficiency to serve the D-SNP population. Knox Keene licensure work is led by CenCal Health's Chief Compliance Officer and will commence prior to the end of 2023.

The D-SNP Implementation Plan referenced previously details additional milestones throughout 2024 and 2025. Those activities described above are the most time-sensitive, and where staff will dedicate focus in the coming months.

Board of Directors Engagement

Staff recognize the importance of advanced planning in keeping the Board of Directors apprised of relevant D-SNP activities, as well as codifying the timeline for key decision

points which the Board will need to consider. Accordingly, a D-SNP Board Engagement Schedule (*Enclosure*) has been drafted and contemplates the following for the Board's awareness:

1. Decision points related to development of a D-SNP; staff resourcing; contracting with selected vendors; application submission to CMS, and bid submission.
2. Informational items related to model of care and medical management; quality and STARS; financial management and risk adjustment; marketing and sales; network and provider engagement; compliance activities; and behavioral health.

The Chief Executive Officer will lead engagement, raise decision-points and identify ongoing informational items to support the Board of Directors throughout D-SNP implementation over the coming two years.

Next Steps

Subsequent to the Board of Director's consideration of CenCal Health's pursuit of a D-SNP, staff will engage in the foundational activities described herein, including launching internal workgroups specific to vendor and product acquisition, operational planning and staffing models, designing a network strategy, and preparing for Knox Keene licensure.

Recommendation

Staff request that the Board of Directors consider and approve the development of a local D-SNP to serve Medicare and Medi-Cal dually eligible members in Santa Barbara and San Luis Obispo Counties and acceptance of the Board Engagement calendar to support future program development.

Enclosure

1. Board of Directors Engagement Calendar, aligned with Regular Board Meetings from 2023-2025

Dual Special Needs Program (D-SNP) Board of Directors Engagement Calendar

CenCal Health Board Meetings	Proposed D-SNP Board Agenda Items	
	Action Items	Informational Items
October 18, 2023	<ul style="list-style-type: none"> ○ Approve development of a CenCal Health D-SNP Plan ○ Accept D-SNP Board Engagement Schedule 	<ul style="list-style-type: none"> ○ Operational Planning and Staffing Models ○ Network Strategy ○ Regulatory Licensure
January 17, 2024	<ul style="list-style-type: none"> ○ Approve resources for D-SNP in 2024 Budget 	<ul style="list-style-type: none"> ○ Model of Care ○ Medical Management D-SNP
June 2024	<ul style="list-style-type: none"> ○ Approve contract with systems vendor(s) 	
July 2024 (retreat)	<ul style="list-style-type: none"> ○ <i>Centers for Medicare and Medicaid Services (CMS) Duals Integration Office (attendance)</i> 	<ul style="list-style-type: none"> ○ Progress toward D-SNP implementation, including CMS Application ○ Status of Focus Groups and Outreach ○ Update on STARS and Quality, Marketing and Sales, Compliance
October 2024	<ul style="list-style-type: none"> ○ Authority to submit CMS Application 	<ul style="list-style-type: none"> ○ Financial management and risk adjustment ○ Description of D-SNP Bid
January 2025	<ul style="list-style-type: none"> ○ Approve resources for D-SNP in 2025 Budget 	<ul style="list-style-type: none"> ○ CMS Application Submission
March 2025	<ul style="list-style-type: none"> ○ D-SNP Bid Submission 	<ul style="list-style-type: none"> ○ Behavioral Health
July 2025 (retreat)		<ul style="list-style-type: none"> ○ Progress toward D-SNP implementation ○ Report on Bid submission and status of CMS Application review ○ Update on systems/vendor integration, marketing and sales, and provider engagement
October 2025		<ul style="list-style-type: none"> ○ Day-one and go-live plan
January 2026		<ul style="list-style-type: none"> ○ D-SNP Program Launch Report
March 2026		<ul style="list-style-type: none"> ○ D-SNP Month Two Report



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Medicare Dual Special Needs Plan Program Report

Marina Owen, CEO
Jordan Turetsky, COO
Michael Engelhard, HMA

October 18, 2023

D-SNP OVERVIEW



PRESENTATION OBJECTIVES

1. Summarize the opportunity to offer a D-SNP.
2. Detail CenCal Health's two-year implementation plan and immediate next step activities.
3. Request approval from the Board to develop a D-SNP in Santa Barbara and San Luis Obispo Counties.



BACKGROUND

- Dual-eligible members are among the most vulnerable, and the most likely to be impacted by fragmented services.
- Local Medi-Cal Plans currently serve dual-eligible members; most plans only provide the Medi-Cal portion of coverage.
- CenCal Health's Strategic Plan includes *expanding our role and reach* in alignment with the goals of CalAIM, inclusive of improved integration of health care services.



BENEFITS TO MEMBERS

Care Coordination and Navigation

- **Exclusively-Aligned Enrollment (EAE):** only members receiving Medi-Cal through CenCal Health will also be eligible for D-SNP; provides unique opportunity for care coordination for our most complex members
- **23,000 residents eligible for Medicare** in Santa Barbara and San Luis Obispo; 88% receiving FFS Medicare
- **1,700 Members age-in to Medicare** eligibility annually



Opportunity to positively impact the lives of thousands of existing CenCal Health Members

D-SNP PLANNING

PLANNED

RFP for implementation consulting vendor; selected Health Management Associates

DEVELOPED

Developed D-SNP Program Structure and multi-year Roadmap from 2023 through 2026

INITIATED

Launched D-SNP Steering Committee and foundational planning work, including operating model, network strategy, and regulatory licensing

IMPLEMENTATION TIMELINE



D-SNP Implementation Timeline



Activities	2023	2024	2025	2026
Project Governance: D-SNP Steering, Board of Directors				
Project launch: develop tactical structure, produce project plan, evaluate gap assessment				
Foundational Planning: Build v buy, Operating Model, Network Approach				
Kick off tactics				
Begin: Knox-Keene licensure application, Focus Group Study and Engagement Program Review: 2025 CMS MA D-SNP application				
Finalize: Marketing and Sales program, Model of Care Begin: CMS Application, State Medicaid Agency Contract process Checkpoint: Ensure Part D vendor and provider network are contracted				
Finalize: CMS Application, Product Development, CMS Benefit and Bid Process Begin: Work with Actuaries on Bid Development Process Mid-February: submit CMS application June 2: submit CMS Bid				
Finalize: Regulatory Approvals and Submissions Begin: Marketing and Sales – Member enrollment , System Readiness				
Prepare for go-live				
Go-live and post-implementation performance monitoring				

BENEFITS TO PROVIDERS

Local Assistance and Benefit Streamlining

1. Improved Payment Coordination
2. Enhanced Access to Services
3. Accessible Care Management and Care Coordination
4. Patient-Centered Care
5. Local Resource Assistance



Opportunity for CenCal Health providers serving the dual population to experience significant benefits under a D-SNP



BENEFIT TO THE COMMUNITY:

Quality Improvement

- Medicare Advantage Plans promote quality by tying revenue to STARS performance.
- Achievement of a 4-STAR D-SNP through strong partnerships with community and provider stakeholders is key to CenCal Health's D-SNP success.
- CenCal Health is one of the highest-performing plans in the state for quality, positioning us well to meet this imperative.



FOUNDATIONAL PLANNING: Knox Keene Licensure

Regulatory licensure required:

- D-SNP will require licensure through the DMHC.
- CenCal Health currently holds a Knox Keene license for previous lines of business, which will be materially modified for D-SNP.
- 16-month iterative work with the DMHC, including organizational structure and financial solvency, as well as network composition.



FOUNDATIONAL PLANNING: Operational Planning and Staffing

Includes two primary components:

- The model that CenCal Health will use to manage D-SNP Operations (operating model); and
- The staffing support and expertise required (staffing model).

CenCal Health will utilize a largely integrated operating model, with Medicare expertise being added to existing teams, and select functions standing alone where needed.



FOUNDATIONAL PLANNING: Network Strategy

Represents all aspects of building and managing a D-SNP network, including:

- Provider payment models, including value-based
- Contracting and network development
- Provider engagement and training



FINANCIAL CONSIDERATIONS

1. Estimated startup investment is \$17 million.
2. Estimated multi-year initial loss of approximately \$20 million.
3. Full commitment to these investments is needed to ensure success, even if CenCal Health experiences financially challenging times.
4. Forecasts indicate CenCal Health's tangible net equity will remain above regulatory requirements.
5. Success in the program can improve CenCal Health's long term financially sustainability.



FINANCIAL CONSIDERATIONS

Minimum Enrollment
Target = 1,700 at go live.
Greater enrollment
improves feasibility
forecast. Grow
enrollment each year.

Avg. 1.9% or greater
Risk Adjustment
improvement each
year.

15%-18% or greater
Medical
Management
Savings off the
Medicare Fee-for-
Service benchmark.

Achieve and
maintain at least a
4.0 Star rating in
2029 and thereafter.

Network
Contracting
averaging 100%-
101% Medicare.



BOARD ENGAGEMENT

1. **Decision points** related to development of a D-SNP; D-SNP resourcing; contracting with selected vendors; application submission to CMS and bid submission.
2. **Informational items** related to model of care and medical management; quality and STARS; financial management and risk adjustment; marketing and sales; network and provider engagement; compliance activities; and behavioral health.



BOARD ENGAGEMENT



D-SNP Board Engagement Schedule

October 18, 2023 Board of Directors Meeting

CenCal Health Board Meetings	Proposed D-SNP Board Topics	
	Action Items	Informational Items
October 18, 2023	<ol style="list-style-type: none"> To develop a CenCal Health D-SNP plan. To approve D-SNP Board engagement Strategy 	<ol style="list-style-type: none"> Vendor and Product Procurement Operational Planning and Staffing Models Network Strategy Regulatory Licensure
January 17, 2024	<ol style="list-style-type: none"> To approve resources for D-SNP (2023-24) 	<ol style="list-style-type: none"> Model of Care Medical Management D-SNP
June 2024	<ol style="list-style-type: none"> To contract with systems vendor(s) 	None
July 2024 (retreat)	None	D-SNP session during Retreat <ol style="list-style-type: none"> Progress toward D-SNP implementation, including CMS Application Status of Focus Groups and Outreach Update on STARS and Quality, Marketing and Sales, Compliance
October 2024	<ol style="list-style-type: none"> Authority to submit CMS Application 	<ol style="list-style-type: none"> Financial management and risk adjustment Description of Bid
January 2025	<ol style="list-style-type: none"> To approve resources for D-SNP (2025-2026) 	<ol style="list-style-type: none"> Application submission
March 2025	<ol style="list-style-type: none"> D-SNP Bid Submission 	<ol style="list-style-type: none"> Behavioral Health
July 2025 (retreat)		D-SNP session during Retreat: <ol style="list-style-type: none"> Progress toward D-SNP implementation Report on Bid submission and status of CMS Application review Update on systems/vendor integration, marketing and sales, network and provider engagement
October 2025	None	Day-one and go-live plan presentation
January 2026	None	Launch Report
March 2026	None	Month Two Report



RECOMMENDATION

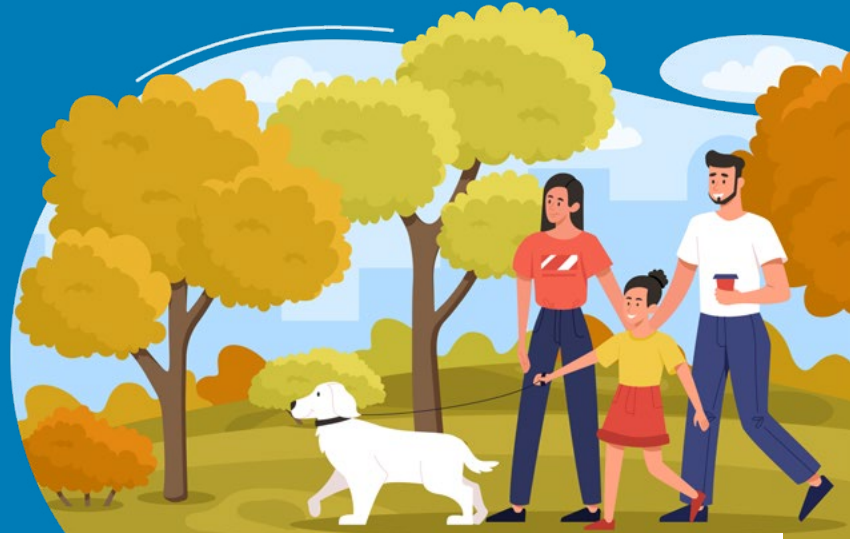
- Staff request that the Board consider and approve the development of a D-SNP to serve Medicare and Medi-Cal dually eligible members in Santa Barbara and San Luis Obispo Counties.
- Further, staff request approval and adoption of the draft D-SNP Board Engagement Schedule.





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Local. Quality. Healthcare.





HEALTH matters

Helpful information from CenCal Health



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Santa Barbara, CA 93110

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La versión en español, Temas de salud, está adentro.

It's vaccination time: Stay protected!

With the fall season around the corner, it is important that everyone age six months or older receive their COVID-19 vaccination and yearly influenza (flu) shot.

Let's work together to keep our communities healthy! Getting vaccinated against the flu and COVID-19 is the safest way to protect our communities from severe illness, hospitalization, and death.

Flu and COVID vaccinations are very important for people who are at higher risk for serious complications such as:

- Children younger than 5
- Pregnant individuals
- Adults 65 and older
- People with certain chronic health conditions, such as diabetes, heart disease, and asthma

You can safely get a COVID-19 and flu vaccine at the same time. Getting multiple vaccines at the same time also means fewer appointments and periods of pain and less discomfort.



Remember to take care of yourself so you can take care of people you love. Call your doctor today to schedule your vaccine appointment for yourself and your family.

Article offered in collaboration with the Santa Barbara County Public Health Department

Keeping your Medi-Cal & CenCal Health coverage: Fast Facts for You!

Once each year, Medi-Cal makes most members prove that they still meet the requirements for coverage. During the COVID-19 pandemic, Medi-Cal stopped this annual renewal process. Now, renewals have started again.

Here are **Fast Facts** to stay informed and not panic!

1. **Not everyone has to fill out paperwork to keep Medi-Cal.** Some members will be automatically renewed due to their specific situation. These members get a letter in the mail telling them that they are renewed.
2. **Not everyone who has to renew will get their renewal packet at the same time.** You will receive yours sometime in the next 12 months, usually the month before you were enrolled. For example, if you were enrolled in October 2020, you will probably receive your renewal packet in September.
3. **If you have moved addresses in the last three years, tell Medi-Cal so they can send your renewal packet to your new address when it's your turn.**

HAVE YOU MOVED?

If you live in **Santa Barbara County**, message Medi-Cal telling them your new address. To send them a message from your phone or computer, open your internet browser and go to [DSSoctopus.com](https://www.dssocalifornia.com) (Do not type **www.** in front of the address.) Fill out the form and hit "Submit"!

If you live in **San Luis Obispo County**, call the nearest DSS office:

- **Arroyo Grande:** (805) 474-2000
 - **Atascadero:** (805) 461-6000
 - **Morro Bay:** (805) 772-6405
 - **Nipomo:** (805) 931-1800
 - **Paso Robles:** (805) 237-3110
 - **San Luis Obispo:** (805) 781-1600
4. **The renewal envelope is large — you can't miss it!**
It may be yellow or white.
 5. **The renewal forms are easy to fill out.** But there is also help available. Go to our website, www.KeepCenCal.org for a list of organizations in your county that can help you in person or over the phone.
 6. **Return your completed forms to Medi-Cal by mail, fax, or even online.** Go to www.keepmedicalcoverage.org and click "I Got a Renewal Form." Then view the video on how to complete and return your paperwork OR renew online!

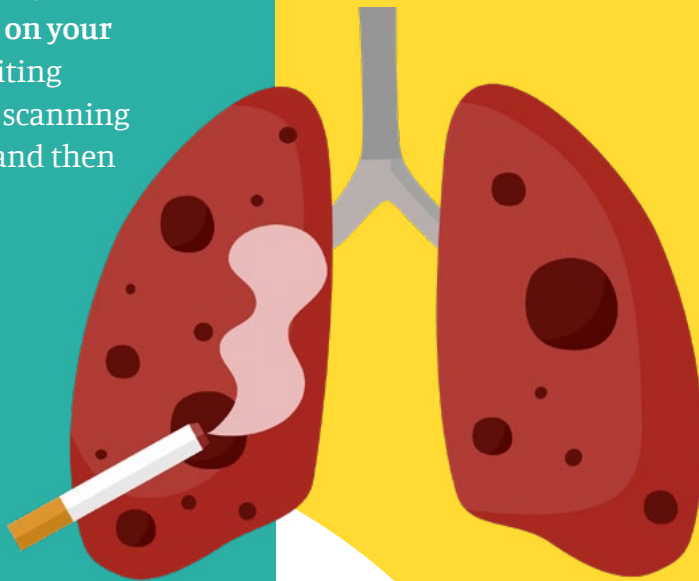


Do you use Tobacco? Take this quick survey!

Do you...

- Currently use a tobacco/vape product
- Used a tobacco product in the past OR
- Have used a quit-tobacco medication

CenCal Health wants to learn from you! Take a short survey about tobacco use, quitting tobacco, and medications. **This survey has no impact on your health benefits.** Access the survey by visiting www.surveymonkey.com/r/8LOR3CX or scanning this QR code with your phone's camera and then tapping the link that appears.



Tobacco Cessation programs

- Free counseling through Kick It CA at <https://kickitca.org/>
- Online smoking cessation programs at www.smokefree.gov
- National Tobacco hotline: 1-800-QUIT NOW (1-800-784-8669)
- Text QUIT to 47848 to join the texting program called SmokefreeTXT

If you are thinking about quitting or trying to quit, we know the cravings for nicotine can be strong at first. But it will get better with time!

Here are some tips on how to cope:

- Ask your Primary Care Provider for help.
- Use nicotine gum, lozenges, or an inhaler.
- Distract yourself.
- Try to stay away from other smokers, at least in the beginning.
- Stay away from cigarettes, or better yet, get rid of them.
- Remind yourself why you stopped smoking.
- Remember that most cravings do go away after 20 minutes.
- Chew on a toothpick or a piece of gum.
- Relax! Try deep-breathing exercises, yoga, or a bath.

COVID Testing and Treatment

To find out about your benefits for COVID-19 testing and treatment, open your mobile phone's camera & point it to this QR code then click the link.



Practice Safe Sex to Prevent Infection!

Human immunodeficiency virus (HIV) is a virus that attacks the immune system, the body's natural defense system. HIV infection is caused by the human immunodeficiency virus.

People can get HIV when they come in contact with infected blood, semen, or vaginal fluids. This is usually through sexual contact or sharing needles. If you have HIV while you're pregnant, the virus can be passed to your baby during birth.

Here are some ways to avoid getting or giving someone HIV:

- Completely avoiding sexual contact (abstinence) is the only certain way to prevent an infection.
- Use a condom every time you have sex. A condom is the best way to protect yourself from HIV.
- Discuss HIV before you have sex with someone. Even though a sex partner doesn't have symptoms of HIV, they may still be infected.
- Take a medicine that reduces your chances of getting HIV, such as PrEP (pre-exposure prophylaxis) or PEP (post-exposure prophylaxis). When taken as prescribed, both PrEP and PEP are highly effective for preventing HIV. Contact Medi-Cal Rx for more information, at [medi-calrx.dhcs.ca.gov](https://www.medi-calrx.dhcs.ca.gov) or 1-800-977-2273.
- If you inject drugs, don't share needles or other injection supplies.



Watch for symptoms of HIV!

HIV may not cause symptoms early on. If it does, symptoms include fatigue, muscle aches, skin rash, and headache. These usually go away within two to three weeks.

Symptoms may not come back for years. If HIV isn't treated, it will usually get worse over time and cause AIDS.

Tell your sex partner or partners if you have symptoms of an infection or if you're being treated for HIV/AIDS. Go to www.cencalhealth.org, Health & Wellness, and search "Safe Sex."



Family Planning Methods

An unintended pregnancy is a pregnancy that is either unwanted or unplanned. CenCal Health members have benefits to help prevent or manage an unintended pregnancy.

Birth Control

There are several types of birth control you can use to prevent pregnancy:

- Implant
- Intrauterine Device (IUD)
- Hormonal methods
- Barrier methods
- Emergency birth control after unprotected sex



To learn more about each type of birth control and what works for you, talk with your doctor, or visit <https://medi-calrx.dhcs.ca.gov/>

Abortion

Abortion is an ending of a pregnancy by getting surgery or taking medicine. The safest time for an abortion is in the first trimester, when there is low risk for complications. It's not easy to decide to end a pregnancy. You may need some time to think about your choices.

Family planning clinics also offer counseling to help you decide what is best for you. You may also want to talk with someone close to you who understands how pregnancy and raising a child would affect your life.

CenCal Health members do not pay for abortions. Abortion law in California gives women the right to end their pregnancy up until 24-28 weeks. For more information on your abortion benefits, contact your doctor or Member Services at 1-877-814-1861.

Need a translator? We got you covered!

CenCal Health offers interpreter services at no cost to our members.

If you need an interpreter for a medical appointment, you can request:

- An over-the-phone interpreter 24 hours a day, 7 days a week.
- A video interpreter in the doctor's office.
- An in-person interpreter for certain services.



CenCal Health and your doctor will always work with you to provide an interpreter. You do not need to bring your own interpreter or family member to help you talk with your doctor. Please call Member Services to request interpreter services at 1-877-814-1861 (TTY 1-833-556-2560) or call the California Relay Line at 711.

Prevent falls at home!

Every year, thousands of older adults fall and hurt themselves. Falls are one of the main causes of injury and loss of independence in people ages 65 and older.

- **Keep your bones strong.** Talk to your doctor to be sure you are getting enough vitamin D and calcium.
- **Have your vision and hearing checked each year.** If you have trouble seeing and hearing, you might not be able to avoid objects that make you lose your balance.
- **Remove or fix things you could trip over,** such as raised doorway thresholds or throw rugs. Installing grab handles and nonskid mats in the shower can prevent falls.
- **Keep your house well lit.** Use night-lights (or keep the overhead light on at night) in hallways and bathrooms.
- **Know the side effects of the medicines that you take.** Ask your doctor if the medicines you take can affect your balance. For example, sleeping pills and some medicines for anxiety can affect your balance.

To learn more about ways to prevent falls at home, visit www.cencalhealth.org/health-and-wellness, and search “prevent falls”.

Mental Health Services are available for you

Members do not require a referral to see any contracted Mental Health Specialist for an initial mental health assessment or treatment.

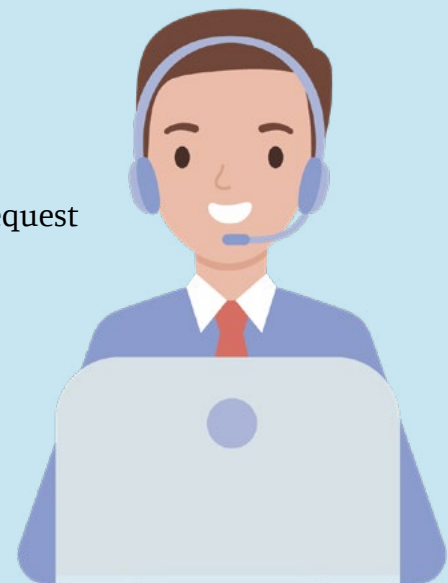
Members can find a Mental Health Specialist by:

1. Searching providers on www.cencalhealth.org.
2. Calling the Behavioral Health Call Center at (877) 814-1861.

If you need assistance, please contact our Behavioral Health Call Center and request a Behavioral Health Navigator referral.

Behavioral Health Navigators can assist by:

1. Contacting providers with you or on your behalf.
2. Helping you to make an appointment with a mental health specialist.



Your Privacy Rights

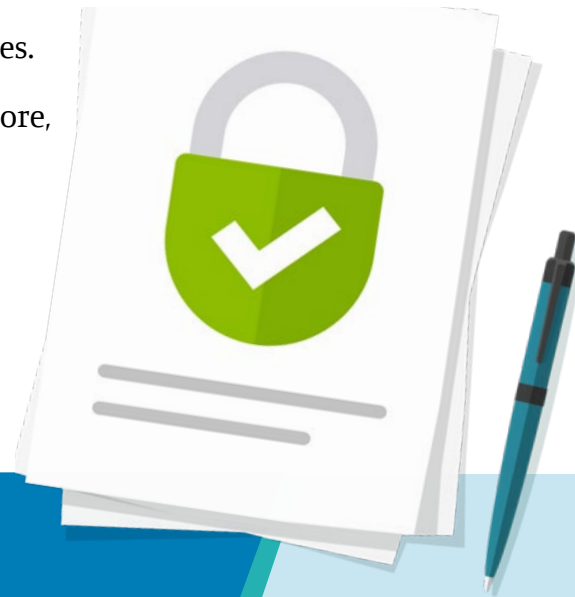
Protected Health Information (PHI) is health information that has your name, Social Security number, or other information that can let others know who you are. Your PHI can be spoken, written, or electronic. CenCal Health must protect your PHI. Additionally, you have certain rights regarding your PHI such as:

- Right to see and get a copy of your health records.
- Right to ask that your health information not be shared with certain people, groups, or companies.
- Right to change any wrong information or add information that may be missing or incomplete.
- Right to an Accounting (Listing) of Disclosures.
- Right to ask for confidential communication.
- Right to a Paper Copy of CenCal Health's Notice of Privacy Practices.

If you have questions about your PHI, privacy rights, or want to learn more, please contact CenCal Health's Privacy Office at:

CenCal Health
Attn: Privacy Office
4050 Calle Real
Santa Barbara, CA 93110

Phone: (877) 814-1861
Fax: (805) 681-8279
Email: privacy@cencalhealth.org



Behavioral Health Treatment: Applied Behavioral Analysis (ABA)

CenCal Health Members have benefits for Behavioral Health Treatment (ABA). Members may qualify if they have the following:

1. Are under 21 years of age.
2. Are medically stable.
3. Do not require 24-hour nursing.
4. Have a recommendation from a Physician (Psychiatrist or PCP), Psychologist, or Surgeon that ABA is medically necessary.

If you believe that your child may benefit from ABA, please contact your PCP or a qualified physician (listed above) to start the referral process.

Members have the right to choose their ABA Provider, your PCP can assist you with this.

Behavioral Health Treatment Providers are listed on www.cencalhealth.org. If you have questions or need more information, please contact the Behavioral Health Call Center at (877) 814-1861.

What to know: Substance Use Disorder

Some people who drink alcohol, use cannabis or other drugs, or misuse prescription or over-the-counter medicines may develop substance use disorder.

This means that a person uses these substances even though it causes harm to themselves or others.

A person who has substance use disorder will have two or more of these symptoms:

- Having a strong need, or craving, for the substance.
- Continuing to use, even though the substance use hurts your relationships.
- Not being able to do your main jobs at work, school, or home.
- Having uncomfortable symptoms when you stop or use less (withdrawal).
- Using the substance even though you know it's causing health problems.
- Using substances in conditions where doing so is dangerous, such as driving.

What can you do if you think you have a problem with drugs or alcohol?

If you are worried about your substance use, get help.

- Call and talk with your Primary Care Provider (PCP). Your PCP can provide services or refer you to an expert who can help.
- You can also call your local county Drug and Alcohol Services Program.
 - » Santa Barbara County: 1-888-868-1649
 - » San Luis Obispo County: 1-800-838-1381

If you feel that you are in a crisis, call 911 or go to the nearest Emergency Room.

Sign up for your Member Portal account today!

CenCal Health now offers personal Member Accounts for members 18 years and older! You can view and manage your Medi-Cal benefits securely from the comfort of your home, or on the go.

To create your free account today, open your mobile phone's camera & point it to this QR code then click the link.

