NOTICE OF A REGULAR MEETING OF THE CALOPTIMA BOARD OF DIRECTORS

THURSDAY, MAY 5, 2016
2:00 P.M.

505 CITY PARKWAY WEST, SUITES 108-109
ORANGE, CALIFORNIA 92868

REVISED AGENDA

BOARD OF DIRECTORS

Mark Refowitz, Chair	Lee Penrose, Vice Chair
Supervisor Lisa Bartlett	Supervisor Andrew Do
Peter Agarwal	Ellen Ahn
Theresa Boyd	Samara Cardenas, M.D.
Viet Van Dang, M.D.	Tricia Nguyen
Mike Ryan	(Vacant)

Supervisor Todd Spitzer, Alternate

CHIEF EXECUTIVE OFFICER	CHIEF COUNSEL	CLERK OF THE BOARD
Michael Schrader	Gary Crockett	Suzanne Turf

This agenda contains a brief description of each item to be considered. Except as provided by law, no action shall be taken on any item not appearing on the agenda. To speak on an item, complete a Public Comment Request Form(s) identifying the item(s) and submit to the Clerk of the Board. To speak on a matter not appearing on the agenda, but within the subject matter jurisdiction of the Board of Directors, you may do so during Public Comments. Public Comment Request Forms must be submitted prior to the beginning of the Consent Calendar, the reading of the individual agenda items, and/or the beginning of Public Comments. When addressing the Board, it is requested that you state your name for the record. Address the Board as a whole through the Chair. Comments to individual Board Members or staff are not permitted. Speakers are limited to three (3) minutes per item.

In compliance with the Americans with Disabilities Act, those requiring accommodations for this meeting should notify the Clerk of the Board's Office at (714) 246-8806, at least 72 hours prior to the meeting.

The Board Meeting Agenda and supporting documentation is available for review 8:00 a.m. – 5:00 p.m., Monday-Friday, at CalOptima, 505 City Parkway West, Orange, CA 92868 and online at www.caloptima.org.

CALL TO ORDER
Pledge of Allegiance
Establish Quorum

PRESENTATIONS/INTRODUCTIONS

REVISED AGENDA

MANAGEMENT REPORTS

1. Health Homes Program and Whole Person Care

2. Chief Executive Officer Report
   a. CalOptima Legacy Awards
   b. Coordinated Care Initiative
   c. Quality Assurance Fee Distribution
   d. Medi-Cal Expansion Rates
   e. Whole-Person Care
   f. Regulatory Audits
   g. Medicaid Managed Care Final Rule
   h. Key Meetings

PUBLIC COMMENTS

At this time, members of the public may address the Board of Directors on matters not appearing on the agenda, but within the subject matter jurisdiction of the Board of Directors. Speakers will be limited to three (3) minutes.

CONSENT CALENDAR

3. Minutes
   a. Approve Minutes of the April 7, 2016 Regular Meeting of the CalOptima Board of Directors
   b. Receive and File Minutes of the March 10, 2016 Meeting of the CalOptima Board of Directors' Provider Advisory Committee

REPORTS

4. Authorize Revisions to CalOptima Provider Rates for the Medi-Cal ~~Expansion~~ Population Effective July 1, 2016 for Health Networks, Hospitals, and Specialist Physicians; Authorize Modifications to Health Network Financial Security and Capitation Withhold Requirements

5. Ratify Contract Extension Amendments and Authorize Amendment of the CalOptima Medi-Cal Physician Hospital Consortium (PHC) Health Network Contracts for AMVI Care Health Network and Fountain Valley Regional Hospital and Medical Center

6. Ratify Contract Extension Amendments and Authorize Amendment of the CalOptima Medi-Cal Physician Hospital Consortium (PHC) Health Network Contracts for CHOC Physician's Network and Children's Hospital of Orange County

7. Ratify Contract Extension Amendments and Authorize Amendment of the CalOptima Medi-Cal Physician Hospital Consortium (PHC) Health Network Contracts for Family Choice Medical Group, Inc. and Fountain Valley Regional Hospital and Medical Center

8. Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for Heritage Provider Network, Inc.

REVISED AGENDA

9. Authorize Amendment of the CalOptima Medi-Cal Physician Hospital Consortium (PHC) Health Network Contracts for Orange County Advantage Medical Group, Inc. and Fountain Valley Regional Hospital and Medical Center

10. Ratify Contract Extension Amendment and Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for AltaMed Health Services Corporation

11. Ratify Contract Extension Amendment and Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for Arta Western Medical Group, Inc.

12. Ratify Contract Extension Amendment and Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for Kaiser Foundation Health Plan, Inc.

13. Ratify Contract Extension Amendment and Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for Monarch HealthCare, A Medical Group, Inc.

14. Ratify Contract Extension Amendment and Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for Noble Community Medical Associates, Inc. of Mid-Orange County

15. Ratify Contract Extension Amendment and Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for Prospect Medical Group, Inc.

16. Ratify Contract Extension Amendment and Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for Talbert Medical Group, Inc.

17. Ratify Contract Extension Amendment and Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for United Care Medical Group, Inc.

18. Subject to Full Completion of all Applicable Readiness Assessment Requirements, Authorize CalOptima Medi-Cal Health Network Contract for St. Joseph Heritage Healthcare

19. Authorize Contract Amendments and Revisions of the Current Specialist Medi-Cal Expansion (MCE) Member Rates and Revise Contract Terms to Align with Fiscal Year

20. Authorize Contract Amendments and the Revision of the Current Fee-For-Service Hospital Medi-Cal Expansion Member Rates

21. Consider Authorization of Expenditures in Support of CalOptima's Participation in Community Events

22. Authorize the Purchase and Installation of the Water Softener System at the Program of All-Inclusive Care for the Elderly (PACE) Center

23. Consider Election of Officers of the Board of Directors for Fiscal Year 2016-17

REVISED AGENDA

24. Authorize the Chief Executive Officer (CEO) to Submit OneCare Bid for Calendar Year 2017 and Execute Contract with the Centers for Medicare & Medicaid Services (CMS); Authorize the CEO to Amend/Execute OneCare Health Network Contracts and Take Other Actions as Necessary to Implement (*to follow closed session*)

ADVISORY COMMITTEE UPDATES

25. OneCare Connect Cal MediConnect (Medicare and Medicaid Plan) Member Advisory Committee Update

26. Provider Advisory Committee Update

27. Member Advisory Committee Update

INFORMATION ITEMS

28. A Primer to the FY 2016-17 CalOptima Budget

29. March 2016 Financial Summary

30. Compliance Report

31. Federal and State Legislative Advocates Reports

32. CalOptima Community Outreach and Program Summary

BOARD MEMBER COMMENTS AND BOARD COMMITTEE REPORTS

ADJOURN TO CLOSED SESSION

CS 1 Pursuant to Government Code Section 54956.87, subdivision (b), Health Plan Trade Secrets – OneCare

ADJOURNMENT

NEXT REGULAR MEETING: Thursday, June 2, 2016 at 2:00 p.m.

Medi-Cal

CalOptima

A Public Agency

Better. Together.

Health Homes Program and Whole- Person Care

Board of Directors Meeting

May 5, 2016

Candice Gomez, Executive Director, Program Implementation

Arif Shaikh, Director, Government Affairs

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Background

- Two separate initiatives
  - Health Homes Program
  - Whole-Person Care Pilot

- CalOptima is the lead agency for Health Homes Program

- Orange County Health Care Agency is the lead agency for Whole-Person Care Pilot

- Both focus on similar populations, so services can be complimentary but cannot overlap

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Health Homes Program (HHP)

- Authorized by Section 2703 of the Affordable Care Act
  - California's participation allowed under Assembly Bill 361 (2013)
- 90/10 federal match for two years
  - California Endowment is covering the remaining 10 percent
- Intensive care management for the highest risk 3 percent to 5 percent of the Medi-Cal population
  - Goal: Coordination of physical health, behavioral health and social support services
- Medi-Cal and Cal MediConnect managed care plan to be administrative lead entity
- Services may be provided through Community-Based Care Management Entity (CB-CME)

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HHP Requirements

Core Services	Technology Tools	New Requirements
• Provide comprehensive care management • Conduct health assessments and develop action plans • Provide comprehensive transitional care • Offer care coordination and health promotion • Offer individual and family support • Make referrals to community and social support services	• Use electronic health records (EHR), health information technology (HIT) and health information exchanges (HIE) when feasible • Enhance and link core services through technology	• Follow up on referrals to ensure services are offered and accessed • Accompany participants to appointments • Assist homeless members with housing navigation • Manage transitions from non-hospital or nursing facility settings, such as jail and residential treatment programs • Assess family/caregiver support • Develop trauma informed care standards

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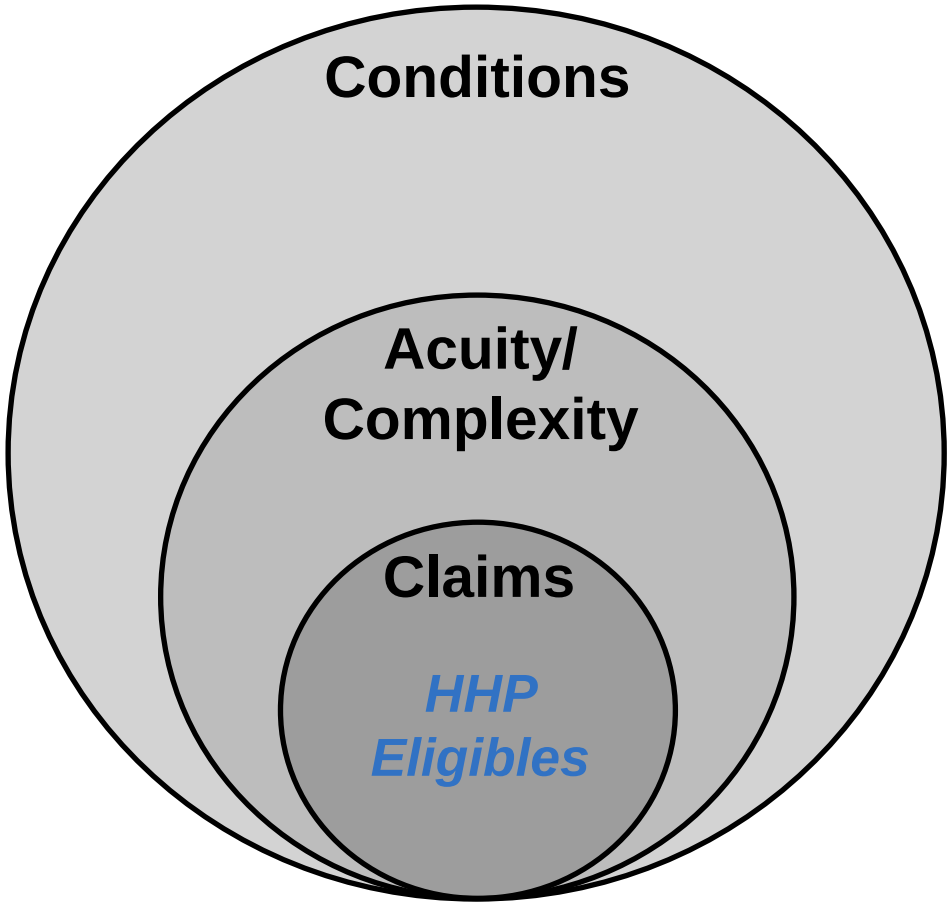
HHP Eligibility

- Medi-Cal and OneCare Connect members
  - With Chronic Physical Conditions/ Substance Use Disorder and Serious Mental Illness (SMI) for specified Dx codes
    - 2 specific chronic physical conditions;
    - Hypertension and 1 of specified chronic physical conditions;
    - Asthma and risk of 1 of specified chronic conditions; or,
    - 1 of specific SMI conditions
  - With Acuity/ Complexity
    - Chronic condition predictive level over 3;
    - At least 1 inpatient stay in year;
    - 3 or more ED visits in year; or,
    - Chronic homelessness
  - With at least 2 separate claims for eligible condition



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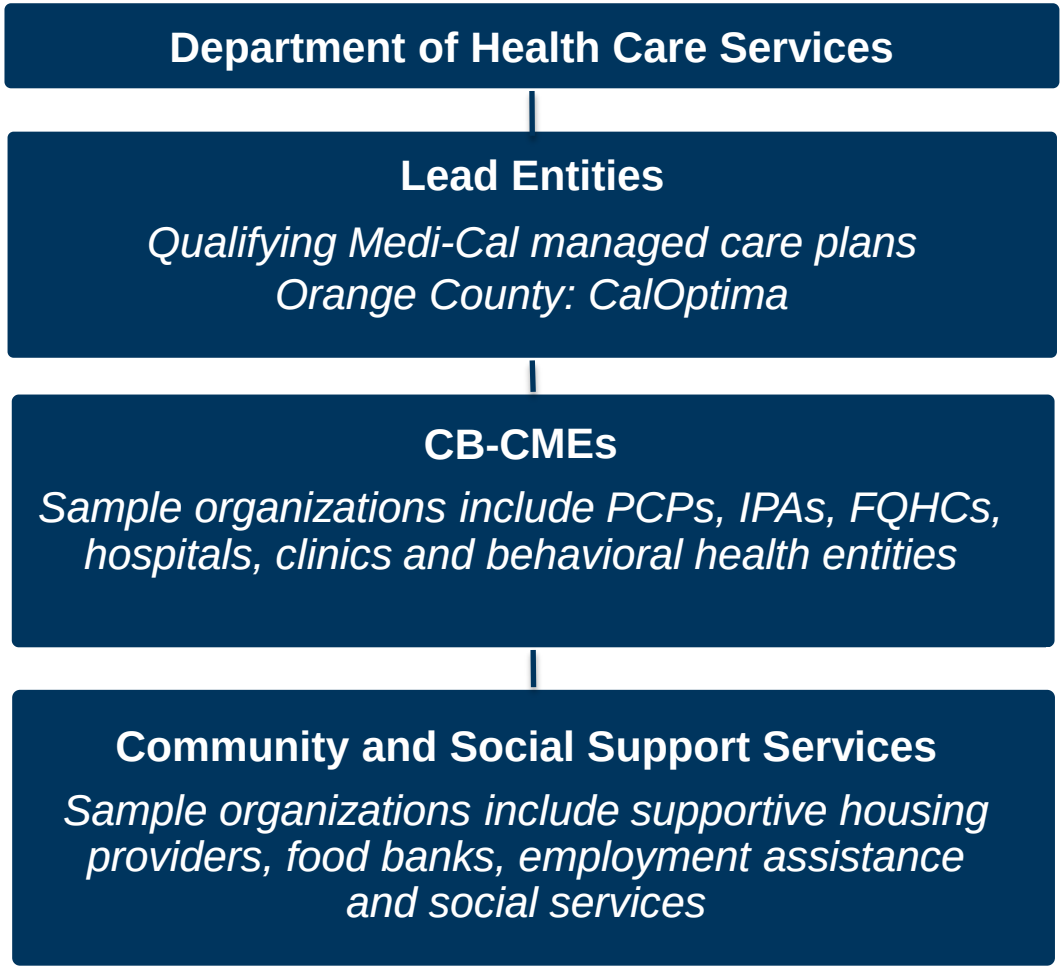
California Model



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Community-Based Care Management Entity (CB-CME)

"It is DHCS's intent that CB-CMEs serve as the single community-based entity with responsibility, in conjunction with the MCP, for ensuring that an assigned HHP member receives access to HHP services." [1]

1. CB-CMEs are the primary health care provider, and plans will need to build a CB-CME network to ensure access to HHP services.
2. DHCS expects that most CB-CMEs will be community primary care providers.
3. Plans may act as CB-CMEs only upon DHCS approval following demonstration that there are insufficient entities in the community willing to and/or capable of providing HHP services.

[1] DHCS Final Concept Paper (March 2016)

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Whole Person Care Pilot

- Section 1115 of the Social Security Act
  - Authorizes states to test new, innovative and efficient ways to deliver health care in the Medicaid program
  - Waivers are typically authorized for a five-year timeframe
    - "Bridge to Reform" (2010–15)
    - "Medi-Cal 2020" (2015–20)
- Four new initiatives in Medi-Cal 2020
  - **Whole Person Care (WPC)**
  - Public Hospital Redesign and Incentives in Medi-Cal (PRIME)
  - Global Payment Program (GPP)
  - Dental Transformation Initiative

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Whole-Person Care Pilot (Cont.)

- County-based pilots to coordinate behavioral health and social services to improve health and well-being for high users of multiple systems
- Program Goals:
  - Identify target populations of chronic utilizers
  - Facilitate data-sharing among systems
  - Create infrastructure for real-time care coordination
  - Evaluate progress among individuals in the target population
- Program funded at $300 million per year for five years
  - Matched with local intergovernmental transfers (IGTs)

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Whole-Person Care Pilot (Cont.)

- Orange County Health Care Agency (HCA) is the lead entity for WPC pilot
  - HCA will submit application to DHCS and act as point of contact with the department
  - HCA will provide the non-federal share of WPC pilot funding
    - Federal share will be provided via county intergovernmental transfer

- HCA will need to execute a contract with CalOptima, as the county's Medi-Cal managed care plan, with regard to data sharing, systems integration, etc.

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Next Steps

- Whole-Person Care Pilot
  - Collaborate with HCA on their July 2016 WPC application submission
    - DHCS will release the WPC application on May 16, 2016

- Health Homes
  - Evaluate available resources in the community to provide health home services
  - November 2016 application submission

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MEMORANDUM

DATE:	May 5, 2016
TO:	CalOptima Board of Directors
FROM:	Michael Schrader, CEO
SUBJECT:	CEO Report
COPY:	Suzanne Turf, Clerk of the Board; Member Advisory Committee; Provider Advisory Committee; OneCare Connect Member Advisory Committee

CalOptima Legacy Awards
Held at Bowers Museum on April 21, the CalOptima Legacy Awards event was a wonderful way to draw the community together to celebrate our 20th anniversary and our collective commitment to improving the lives of Orange County's vulnerable residents. Our 10 Legacy Award honorees were thrilled with the recognition, and more than 225 leaders representing health networks, hospitals, community-based organizations and government agencies attended. The robust turnout reflected our partners' interest in CalOptima and our key role in the community. The feedback about the event and the awards program was very positive. Thank you to your Board for supporting CalOptima in expressing appreciation to our health care partners past and present.

Coordinated Care Initiative (CCI)
CalOptima recently submitted a letter of support to the Department of Health Care Services (DHCS) for the proposed CCI program improvements related to annual passive enrollment for Cal MediConnect plans, including OneCare Connect. For 2017, DHCS proposes a process whereby all plans would passively enroll the previous year's newly eligible population. The goal is to automatically enroll Medi-Cal members who age into Medicare. CalOptima requested that the annual passive enrollment process in Orange County begin as early as possible, so member enrollments are effective in January 2017. We think that if dual eligibles spend less time in fee-for-service Medicare, they may be more willing to join managed care via OneCare Connect. The state plans to hold stakeholder meetings to gather additional feedback about CCI improvements, after which it will seek federal approval for the changes. Separately, DHCS has conducted extensive analysis of opt-out data, concluding that providers play an extremely important role in members' health plan choices. Provider misconceptions regarding CCI can have a significant negative impact on access to care. Therefore, DHCS is also recommending a targeted and intensive outreach program to physicians, clinics, medical groups, hospitals and other providers associated with high opt-out rates. CalOptima will work closely with DHCS regarding implementation of these strategies in Orange County.

Quality Assurance Fee (QAF) Distribution
In early May, CalOptima will pass on $42 million in QAF program funds to Orange County hospitals. The QAF program uses fees assessed by the state on hospitals to draw down federal matching funds, which are then returned as supplemental payments back to the hospitals. Widely supported by the hospital community, the legislation (SB 239) creating the fee is effective for a

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three-year period, January 1, 2014, through December 31, 2016. Twenty-four local hospitals will receive payments in amounts ranging from $6.4 million to $51,500, based on the fees they paid for the period January 1–June 30, 2014.

Medi-Cal Expansion (MCE) Rates
To plan ahead for the upcoming MCE rate reduction, staff is requesting your Board's authorization in May to extend and amend our expiring contracts with health networks, hospitals and specialists. Going forward, the proposed rates for the MCE population, about one-fourth of our overall Medi-Cal membership, will be at the Temporary Assistance for Needy Families adult rate. While these rates are lower than the current MCE rates, they are based on input from the state. CalOptima will continue to advocate for appropriate MCE and Medi-Cal Classic rates through our associations and our ongoing communications with DHCS. If we are successful in obtaining higher rates, our plan is to pass these along to our provider partners. To ensure that CalOptima's provider network is in place for the start of FY 2016–17 on July 1, it is important that we send contract amendments now and not wait for final rates. Executing the amendments can take several weeks, and the final rates require federal approval, which could be delayed past July 1. There has been ample communication with providers about this upcoming rate change.

Whole-Person Care (WPC)
WPC pilot programs are part of the new five-year 1115 Medicaid Waiver. These pilots will be funded by county dollars, which are matched with federal funds through an intergovernmental transfer process. As such, county agencies serve as lead entities, and they contract with local Medi-Cal managed care plans. On April 8, the Orange County Health Care Agency (HCA) submitted a letter of intent to DHCS to participate. HCA's initial focus is on housing and integration of services for people with serious mental health conditions. Thus far, CalOptima has had two calls with HCA regarding the WPC pilot. HCA plans on convening weekly meetings with CalOptima and other organizations involved in the pilot. The purpose of the meetings is to gather input for the WPC application, which is expected to be released May 16. It is a competitive application process, with a total of $300 million in federal funds available statewide for each year of the five-year waiver.

Regulatory Audits
CalOptima is working to maintain audit-ready programs at all times. To that end, CalOptima recently engaged a consultant to conduct a mock audit of our newest program, OneCare Connect. We anticipate that the Centers for Medicare & Medicaid Services (CMS) will select OneCare Connect for a full-scope program audit some time in 2016. Therefore, to prepare, mock audit activities began in late April and will continue through July. Separately, CalOptima is also awaiting the outcome from other regulatory audit activities, including the CMS validation audit of OneCare and the DHCS Medical Audit of Medi-Cal. The OneCare validation audit took place March 29–30, 2016, to ensure the findings issued the year prior have been fully remediated. Auditors left open the date for CMS' final report. The Medi-Cal audit took place February 8–19, 2016, and DHCS issued a draft report last month with preliminary findings in four areas: Initial Health Assessment, Appointment Procedures and Waiting Times, Confidentiality Rights, and Fraud and Abuse. A final report is expected this month.

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Medicaid Managed Care Final Rule
On April 25, CMS released the long-awaited final Medicaid managed care regulations, contained in a document of more than 1,400 pages. These new regulations will govern the activities of states and health plans participating in Medicaid and be implemented in phases over the next three years, beginning July 1, 2017. CalOptima worked closely with our federal association, Association for Community Affiliated Plans, and our state associations, California Association of Health Plans and Local Health Plans of California, to understand the proposed regulations and provide feedback to CMS in advance of the final rule. Now that the final regulations are in place, we expect DHCS to provide guidance on how California will implement the provisions. The new regulations will have far-reaching impact on Medi-Cal, including in the areas of rate setting, intergovernmental transfers, provider incentives, oversight of health plans' provider networks, quality reporting and more. Working with our associations and DHCS, CalOptima will gain a clear understanding of the new regulations and then implement them in a way that is responsive to our regulators and provider partners. I will update your Board at a future meeting with more information.

Key Meetings
Below are brief summaries of three key meetings during the past month:

- **UCI CEO Meeting**
  CalOptima's executive team meet with Howard Federoff, M.D., the new CEO of UCI Health System, and three members of his new executive team, representing both the hospital and physician group. We discussed the important partnership between CalOptima and UCI, and our mutual interest in maintaining the existing positive relationship. We also addressed current initiatives, including the transition of the California Children's Services program and intergovernmental transfers. It was a productive meeting that we agreed should occur on a quarterly basis.
- **Local Health Plans of California (LHPC) Board Meeting**
  On April 18, I attended the monthly LHPC Board meeting in Sacramento. LHPC's membership consists of all 16 public Medi-Cal managed care plans in California. We covered several regulatory and legislative policy issues, including two upcoming initiatives that will impact CalOptima: the Health Homes Program and the 1115 Medicaid Waiver's WPC pilot. Additionally, health plan leaders had a robust discussion about DHCS' planned reduction to MCE rates. The information shared by the other health plans was consistent with the prior conversations CalOptima has had with the DHCS rate team.
- **Senate Health Committee Leadership Meeting**
  CalOptima was part of group meetings between county organized health system (COHS) CEOs and Sen. Ed Hernandez, chair of the Senate Health Committee, and Sen. Richard Pan, a member of the Senate Health Committee and former chair of the Assembly Health Committee. At my request, the meetings were arranged by our lobbyists, Edelstein, Gilbert, Robson & Smith, and included Health Plan of San Mateo, Central California Alliance and Partnership HealthPlan. These introductory meetings provided the senators with an overview of the COHS model and highlights of other key topics. Overall, the meetings were positive, and we will continue to engage the legislators regarding policy issues that impact CalOptima and our members.

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MINUTES

REGULAR MEETING
OF THE
CALOPTIMA BOARD OF DIRECTORS

April 7, 2016

A Regular Meeting of the CalOptima Board of Directors was held on April 7, 2016, at CalOptima, 505 City Parkway West, Orange, California. Chair Mark Refowitz called the meeting to order at 2:06 p.m. Supervisor Do led the Pledge of Allegiance.

ROLL CALL

Members Present:	Mark Refowitz, Chair; Ellen Ahn; Samara Cardenas, M.D.; Viet Van Dang, M.D.; Supervisor Andrew Do; Tricia Nguyen; Mike Ryan (non-voting)
Members Absent:	Lee Penrose, Vice Chair; Peter Agarwal; Supervisor Lisa Bartlett; Theresa Boyd
Others Present:	Michael Schrader, Chief Executive Officer; Gary Crockett, Chief Counsel; Richard Helmer, Chief Medical Officer; Ladan Khamseh, Chief Operating Officer; Len Rosignoli, Chief Information Officer; Javier Sanchez, Chief Network Officer; Chet Uma, Chief Financial Officer; Suzanne Turf, Clerk of the Board

MANAGEMENT REPORTS

1. CEO Report

Chief Executive Officer Michael Schrader announced the appointment of Ladan Khamseh as CalOptima Chief Operating Officer. Mr. Schrader provided an update on the state's reduction of Medi-Cal Expansion rates effective July 1, 2016, and CalOptima's extensive communications to contracted providers, health networks, and hospitals about these upcoming rate reductions. A stakeholder meeting was held on March 25, 2016 regarding the California Children's Services (CCS) program transition. Department of Health Care Services (DHCS) Director Jennifer Kent was a featured speaker and reported that the DHCS is pursuing the CCS program transition to Medi-Cal managed care in order to integrate CCS services with a child's other medical and social needs, and provide a streamlined, quality health care experience. A series of stakeholder meetings are planned over the next 16 months to ensure a smooth transition.

PUBLIC COMMENT

There were no requests for public comment.

CONSENT CALENDAR

2. Minutes

a. Approve Minutes of the March 3, 2016 Regular Meeting of the CalOptima Board of Directors; and
b. Receive and File Minutes of the November 18, 2015 Regular Meeting of the CalOptima Board of Directors' Quality Assurance Committee, the Minutes of the December 22, 2015 and February 25, 2016 Meetings of the CalOptima Board of Directors' OneCare Connect Cal MediConnect Plan (Medicare-Medicaid Plan) Member Advisory Committee; and the February 11, 2016 Meeting of the CalOptima Board of Directors' Provider Advisory Committee

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3. Approve CalOptima 2016 Quality Improvement Program and 2016 Work Plan

4. Approve CalOptima 2016 Utilization Management Program and 2016 Work Plan

5. Approve CalOptima 2016 Program of All-Inclusive Care for the Elderly (PACE) Quality Assessment and Performance Improvement Plan

6. Approve and Reinstate Updated Policy GG.1643, Minimum Physician Standards

7. Approve Measurement Year CY 2016 Pay for Value Programs for Medi-Cal and OneCare Connect

8. Authorize a Mock Audit of the OneCare Connect Program; Authorize a Budget Reallocation to Fund This Mock Audit

9. Ratify Amendment A-06 to the Secondary Agreement with the California Department of Health Care Services

Action: ***On motion of Supervisor Do, seconded and carried, the Board of Directors approved the Consent Calendar as presented. (Motion carried 6-0-0; Vice Chair Penrose, Supervisor Bartlett, and Directors Agarwal and Boyd absent)***

REPORTS

10. Consider Selection of Taxi Vendor and Authorize Contract for Taxi Services Effective July 1, 2016

Javier Sanchez, Chief Network Officer, presented the recommended action to authorize the Chief Executive Officer (CEO), with the assistance of legal counsel, to enter into an agreement with American Logistics to serve as CalOptima's taxi vendor for OneCare Connect, OneCare, and Medi-Cal Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) members effective July 1, 2016, for a two-year term with three additional one-year extension options, each exercisable at CalOptima's sole discretion.

Supervisor Do suggested considering the synergy between the Orange County Transportation Authority and CalOptima, and the use of resources in Orange County for transportation services going forward.

Action: ***On motion of Supervisor Do, seconded and carried, the Board of Directors authorized the CEO, with the assistance of legal counsel, to enter into an agreement with American Logistics to serve as CalOptima's taxi vendor for OneCare Connect, OneCare, and Medi-Cal Early EPSDT members effective July 1, 2016, for a two-year term with three additional one-year extension options, each exercisable at CalOptima's sole discretion. (Motion carried 6-0-0; Vice Chair Penrose, Supervisor Bartlett, and Directors Agarwal and Boyd absent)***

11. Consider Selection of Vision Vendor and Authorize Contract for Vision Services Effective July 1, 2016

Action: ***On motion of Supervisor Do, seconded and carried, the Board of Directors authorized the CEO, with the assistance of legal counsel, to enter into an agreement with VSP to serve as CalOptima's vision vendor for Medi-Cal, OneCare***

Connect, OneCare and PACE members effective July 1, 2016 through June 30, 2019, with two additional one-year extension options, each exercisable at CalOptima's sole discretion. (Motion carried 6-0-0; Vice Chair Penrose, Supervisor Bartlett, and Directors Agarwal and Boyd absent)

12. Consider Recommended Expenditure Categories for Intergovernmental Transfer (IGT) 5 and Recommended Expenditure Plan for IGT 4

Cheryl Meronk, Strategic Development Director, presented the following recommended actions: 1) Approve recommended expenditure categories for IGT 5; and 2) Approve recommended expenditure plan for IGT 4, including investments in Personal Care Coordinators and provider incentives to support Adult Mental Health and Children's Mental Health services and support for IGT program administration, authorizing $6,111,087 in IGT 4 funds to support these projects.

Based on additional information recently received, staff requested continuing the recommendations pertaining to IGT 4 to a future Board meeting. Supervisor Do suggested that the Board have additional discussion on the policy and process to prioritize IGT categories. Chair Refowitz added that an ad hoc will be appointed to review the IGT process and provide input to staff.

After discussion of the matter, the Board took the following action.

Action: ***On motion of Supervisor Do, seconded and carried, the Board of Directors approved the recommended expenditure categories for IGT 5, and moved to continue the consideration of the recommendations for IGT 4 to a future Board meeting. (Motion carried 6-0-0; Vice Chair Penrose, Supervisor Bartlett, and Directors Agarwal and Boyd absent)***

13. Adopt Resolution Approving CalOptima's Updated Human Resources Policies and Employee Handbook

Action: ***On motion of Chair Refowitz, seconded and carried, the Board of Directors adopted Resolution No. 16-0407, approving CalOptima's updated Human Resources Policies and Employee Handbook. (Motion carried 6-0-0; Vice Chair Penrose, Supervisor Bartlett, and Directors Agarwal and Boyd absent)***

14. Consider Adoption of Position on Senate Bill (SB) 1273, Legislation that Clarifies Counties' Ability to use Mental Health Services Act (MHSA) Funds to Provide Crisis Stabilization Services, and on SB 1308, that Imposes New Restrictions on County Organized Health System (COHS) Plans Including CalOptima

Phil Tsunoda, Public Policy and Public Affairs Executive Director, presented the recommended action to adopt a CalOptima 'support' position for SB 1273, that would clarify that counties may use Mental Health Services Fund monies to provide outpatient crisis stabilization services. Mr. Tsunoda suggested pulling the recommended action regarding SB 1308, as it has been removed from the Senate Health Committee hearing calendar.

Action: ***On motion of Chair Refowitz, seconded and carried, the Board of Directors adopted a CalOptima support position for SB 1273, Crisis stabilization services funding. (Motion carried 6-0-0; Vice Chair Penrose, Supervisor Bartlett, and Directors Agarwal and Boyd absent)***

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ADVISORY COMMITTEE UPDATES

15. Member Advisory Committee (MAC) Update

MAC Chair Mallory Vega provided an update on the completed strategies for outreach to the autism population, including a comprehensive list of autism resources posted on CalOptima's website, placement of autism articles in CalOptima newsletters in February and March, and inviting advocates, community professionals, and parents to MAC meetings to increase awareness and understanding of this population.

16. Provider Advisory Committee (PAC) Update

PAC Chair Jenna Jensen reported that a staff presentation regarding the Medi-Cal Expansion rate reduction was provided at the March 10, 2016 meeting. The PAC also received information on the pay for performance program, Pay for Value 2016 (P4V:2016), including the goals and methodology of the program for 2016. Ms. Jensen reported that the CAHPS Survey Ad Hoc will reconvene as a result of the information provided in the P4V:2016 presentation.

17. OneCare Connect Cal MediConnect Plan (Medicare-Medicaid Plan) Member Advisory Committee (OCC MAC) Update

Patty Mouton, OCC MAC Chair, provided a report on the activities at the February 25 and March 24, 2016 OCC MAC meetings. The Committee received an update on the role of the Ombudsman in assisting OCC clients, a presentation on CalOptima's homeless membership, and an overview of SeniorServ programs.

INFORMATION ITEMS

The following Information Items were accepted as presented:

18. February 2016 Financial Summary
19. Compliance Report
20. Federal and State Legislative Advocates Report
21. CalOptima Community Outreach and Program Summary

BOARD MEMBER COMMENTS AND BOARD COMMITTEE REPORTS

Supervisor Do reported that the deadline to submit applications for the CalOptima Board of Directors is April 15, 2016, and invited current Board members and practitioners to apply.

Director Ryan announced that April is Child Abuse Prevention Month. The Raise Foundation will have various community events throughout the month to raise awareness, and the Working Together to End Child Abuse and Neglect (WE CAN) coalition is working with stakeholders and the medical community to focus on early identification of child abuse and neglect.

Chair Refowitz thanked Jon Gilwee and the University of California, Irvine, for their partnership in obtaining Intergovernmental Transfer (IGT) funding. On behalf of the Board, Mr. Refowitz congratulated Chief Information Officer Len Rosignoli and his team for achieving the goal of assisting 1,000 providers in implementing electronic health records. Mr. Refowitz announced that performance evaluations for the Chief Executive Officer and Chief Counsel are coming up, and an ad hoc composed of the Chair and Vice Chair will perform a preliminary review, will coordinate to seek input from all Board members over the next few weeks, and return to the Board with recommendations in June.

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Director Ahn commented that the Orange County Health Care Agency is leading a stakeholder process regarding Medi-Cal carve out dollars for alcohol and drug abuse programs in the county, and encouraged the public to get involved in the process.

Director Cardenas commented that she would be concluding her service on the Board.

ADJOURN TO CLOSED SESSION

The Board of Directors adjourned to closed session at 3:47 p.m. pursuant to Government Code Section 54956.9, subdivision (d)(2) CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION (one case).

The Board reconvened to open session at 4:30 p.m. with no reportable actions taken.

ADJOURNMENT

Hearing no further business, the meeting adjourned at 4:31 p.m.

/s/ Suzanne Turf
Suzanne Turf
Clerk of the Board

Approved: May 5, 2016

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MINUTES

REGULAR MEETING OF THE CALOPTIMA BOARD OF DIRECTORS' PROVIDER ADVISORY COMMITTEE

March 10, 2016

A Regular Meeting of the CalOptima Board of Directors' Provider Advisory Committee (PAC) was held on Thursday, March 10, 2016 at the CalOptima offices located at 505 City Parkway West, Orange, California.

CALL TO ORDER

Jena Jensen, PAC Chair, called the meeting to order at 8:04 a.m., and Member Caliendo led the Pledge of Allegiance.

ESTABLISH QUORUM

Members Present: Theodore Caliendo, M.D.; Alan Edwards, M.D.; Stephen N. Flood; Jena Jensen; Pamela Kahn, R.N.; Teri Miranti; Mary Pham, Pharm.D, CHC; Pamela Pimentel, R.N.; Suzanne Richards, RN, MBA, FACHE; Joseph M. Ruggio, M.D., FACP, FACC, FSCAI

Members Absent: Camille Fitzpatrick, MSN, ANP-BC, GNP-BC; George Orras, Ph.D.; Cheryl Petterson; Barry Ross, R.N., MPH, MBA; Jacob Sweidan, M.D., FAAP

Others Present: Michael Schrader, Chief Executive Officer' Chet Uma, Chief Financial Officer; Richard Bock, M.D., Deputy Chief Medical Officer; Javier Sanchez, Chief Network Officer; Ladan Khamseh, Interim Chief Operating Officer; Phil Tsunoda, Executive Director, Public Affairs; Donald Sharps, M.D., Medical Director; Behavioral Health Integration; Cheryl Meronk, Director, Strategic Development; Cheryl Simmons, Executive Assistant

MINUTES

Approve the Minutes of the February 11, 2016 Regular Meeting of the CalOptima Board of Directors' Provider Advisory Committee

Action: ***On motion of Member Flood seconded and carried, the Committee approved the minutes of the February 11, 2016 meeting as presented. (Motion carried 10-0; Members Fitzpatrick, Orras, Petterson, Ross and Sweidan absent)***

PUBLIC COMMENTS

No requests for public comments were received.

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CEO AND MANAGEMENT REPORTS

Chief Executive Officer (CEO) Report

Michael Schrader spoke to the PAC about the Medi-Cal Expansion (MCE) Population and provided a brief history on its background for both Classic and Expansion rates. He noted that initially, the Department of Health Care Services (DHCS) paid plans almost twice as much for a MCE member than for a Medi-Cal Classic member. Last year, the DHCS reduced the Expansion rate to half the difference between the higher expansion rate and the lower Classic Rate. Mr. Schrader noted that this year it appears that the DHCS will eliminate the other half of the Expansion rate effective July 1, 2016. This decision makes the Expansion rate equal to that of the Classic rate. Mr. Schrader reminded the PAC that the CalOptima Board of Directors in fiscal year 2015/2016 buffered providers by passing along a 20% reduction instead of the full 45% that CalOptima experienced. He noted that the 20% reduction for providers corresponded to a consolidated breakeven budget for CalOptima for the fiscal year 2015-2016.

Mr. Schrader also noted that the DHCS is now informing the Plans well in advance of its intent to eliminate the other half of the difference between the higher Expansion rates and pay at the lower Classic rate. The DHCS is telling Plans to anticipate rate reductions of approximately 40% for the upcoming fiscal year starting July 1, 2016. This would bring down the rates based on similar acuity and utilization of the Classic and MCE populations. He noted that DHCS is targeting an April 2016 timeframe to deliver preliminary Expansion rates to the plans, and that these preliminary rates were subject to Centers for Medicare & Medicaid Services (CMS) approval in order to become final. The Plans have also asked the DHCS for a glide path, but since CMS is footing the bill for the Expansion population, the DHCS has given no indication of any willingness to do so. The CalOptima Board will consider the proposed FY 2016-17 Budget at the June 2, 2016 meeting and the budget will be effective July 1, 2016.

Mr. Schrader also noted that even with the full reduction to the Classic rate that CalOptima would continue to pay specialists a higher rate than what they receive from the DHCS under the Fee-for-Service program.

CalOptima has been proactively communicating these anticipated reductions with our provider partners including hospitals, health networks and specialists as well as the Hospital Association of Southern California and the Orange County Medical Association so that everyone can plan accordingly. Javier Sanchez clarified that the MCE rates expiring have been made very clear to all providers as there are contract amendments expiring on June 30, 2016. Mr. Sanchez noted that staff would be sending letters to all the health networks, hospitals and specialists that contract with CalOptima directly to let them know that the rate they are currently receiving for MCE members would be expiring as per their contract

Mr. Schrader provided an update regarding the Managed Care Organization (MCO) Tax and noted that the Legislature had passed the MCO tax and that the Governor had already signed the bill into law. The next step in the process will be CMS approval. CalOptima will continue to advocate on behalf of the agency to ensure that the MCO tax revenue for the Medi-Cal program

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and the ~~Critical~~ Coordinated Care Initiative remains in the State budget during the State budget process. | Rev 4-14-2016

Mr. Schrader also updated the PAC members on the proposed DHCS plan to transition the California Children's Services (CCS) program from counties to the county organized health system plans including CalOptima. Approximately 13,000 CCS children in Orange County will transition to CalOptima on July 1, 2017. CalOptima staff has begun discussions with the Orange County Health Care Agency and preparations are underway for a kick-off meeting to be held at the CalOptima building for Stakeholders on March 25, 2016 at 11:30 AM. The keynote speaker will be DHCS Director, Jennifer Kent.

Mr. Schrader reminded the PAC that the upcoming 20th Anniversary CalOptima's Legacy Awards at the Bowers Museum is on Thursday, April 21, 2016 at 6 PM.

Chief Financial Officer Update

Chet Uma, Chief Financial Officer, presented the January 2016 financial summary showing overall enrollment at 779,162 which is lower than budget by 7,652 or 1% for the month. This translates into lower revenues for the month compared to budget by 4.7%. The MLR for the month was at 95.6% actual to a budget of 98.2%, lower due mainly to lower OneCare Connect enrollment. General and administrative expenses remain lower than budget for the month and year-to-date basis by 1.2% and 1.6%, respectively. Mr. Uma discussed the balance sheet in detail, explaining that the cash represented on the balance sheet has encumbrances against it, which is reflected in the liabilities and as such the tangible net equity which is the difference between total assets and total liabilities, is approximately $639M, which includes fixed assets. Mr. Uma also reviewed the Health Network Enrollment Summary for Medi-Cal, OneCare and OneCare Connect.

Member Miranti asked Mr. Uma if he knew what the Medical Loss Ratio (MLR) was for Temporary Assistance for Needy Families (TANF) and Seniors and Persons with Disabilities (SPD) and the MCE populations. Mr. Uma agreed to bring that information back to the PAC at the April meeting.

Chief Medical Officer Update

Richard Bock, M.D., Deputy Chief Medical Officer presented the proposed changes for the Pay For Value 2016 Program (P4V:2016). Dr. Bock discussed the goals of the new program and its methodology. He reviewed the differences between the Medi-Cal Pay for Performance (P4P) Clinical Measures for 2016 and the new Medi-Cal P4V:2016 CAHPS Measures. After much discussion, Member Miranti asked for details behind the core measures. Dr. Bock agreed to bring them back to the PAC along with the medication adherence specifications requested by Member Pham. Member Pham noted that the PAC had a CAHPs Survey Ad Hoc Subcommittee and requested that the ad hoc reconvene to discuss these measures.

Chief Network Officer Update

Javier Sanchez, Chief Network Officer, spoke about the Risk Adjustment Data Validation (RADV) audit for OneCare that is on going. He noted that some progress has been made to date and that the chart retrieval stood at 78%. Goal is to have 100% of chart retrieval and also to

insure the accuracy of the actual medical chart supports the diagnosis and the Hierarchical Condition Code (HCC) that was used to pay CalOptima the higher capitation rate, which was also passed on to the networks. Most health plan retrieval rates are anywhere from 80% to 100% and staff is working hard to reach that 100%. On the network side, Mr. Sanchez updated the members on the new networks. The goal is to start St. Joseph Hoag health network on July 1, 2016. CalOptima is still having Medi-Cal discussions with Seoul Medical Group. Mr. Sanchez noted that at the last meeting, Member Miranti raised a concern about the new networks and their ability to meet the 5,000 minimum enrollment requirement by their first year. Mr. Sanchez assured Member Miranti that CalOptima was reviewing this and that it most likely would require a Board action. He agreed to bring this matter back to the PAC to pursue internal discussions.

Member Dr. Ruggio asked Mr. Sanchez if there were any updates on the Memorial Care Medi-Cal contract as patients were being admitted to Memorial Care Saddleback and would then need to be transferred to another hospital that was contracted with CalOptima. Mr. Sanchez noted that this should only be happening at the Memorial Care Saddleback facility as they remained non-contracted, but CalOptima staff has been proactive in trying to pursue a contract for Medi-Cal. He noted that Saddleback is contracted for Medicare, OneCare and OneCare Connect. Mr. Sanchez also noted that Memorial Care also has a contract for its Orange Coast facility with CalOptima and that the San Clemente facility would be closing.

Chief Operating Officer Update

Ladan Khamseh, Interim Chief Operating Officer, reported on CalOptima's goal to improve member satisfaction. Discussion among the members centered around the fact that the Primary Care Physician (PCP) might tell the member that they would be referred to a certain specialist, only to have the networks send them to someone different. Ms. Khamseh noted that many of the customer satisfaction issues were a result of the referral process. Customer service is working on ways to communicate the referral process to the member so that their expectation at the beginning of the referral process is not different. Educating the member is a priority and CalOptima will work with the networks so that the members are educated on what to expect during the referral process.

Ms. Khamseh also notified the PAC that in February, CalOptima began assigning approximately 400 members who have Medicare Part A to PCPs as part of the ~~Critical~~ Coordinated Care Initiative (CCI). Now members who have Medi-Cal and are eligible for Medicare Part A will have a dedicated PCP for their care. CalOptima is also conducting an outreach to members who have Medicare Part B to determine whether they qualify for Medicare Part A. Since most members are low-income, they could qualify to have that premium paid through social services under the Qualified Medicare Beneficiary (QMB) guidelines. Ms. Khamseh also described the process being used to qualify members. | Rev 4-14-2016

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INFORMATION ITEMS

Federal State and Budget Update

Phil Tsunoda, Executive Director, Public Policy and Public Affairs, presented the highlights from his State Budget Update in the member packets and noted that more information could be found on the MCO tax issue that was covered by Michael Schrader in his report. Mr. Tsunoda's report also covered topics such as the Governor's 2016-2017 Budget Proposal, Medi-Cal Expansion, Medi-Cal for Children, and the 1115 Waiver Renewal.

Member Miranti requested a status update on the Whole Person Care Pilot Program and where CalOptima was in the discussions with the County. Mr. Tsunoda noted that CalOptima will begin discussions with the County and is currently scheduling meetings on the implementation of this program. Michael Schrader also noted that this meeting has been scheduled. He noted that the County was the lead agency in this program and both the County and CalOptima are awaiting specific guidance from DHCS on the application process.

Chair Jensen referred to Mr. Tsunoda's report, specifically on the Medi-Cal for All Children section. Chair Jensen requested information on how the process would work in bringing these children into CalOptima and how they would be assigned to Networks. Ms. Khamseh noted that this was the SB-75 Medi-Cal program and that it was for those children who are currently ineligible for full scope Medi-Cal as they are undocumented. Beginning May 2016, they will be eligible for full scope Medi-Cal benefits and as they become eligible with CalOptima, they will be treated like any other new member and either choose a PCP or they will get auto-assigned.

PAC Follow Up on Utilization Data

At the request of the PAC, Dr Donald Sharps, Behavioral Health Medical Director, presented a series of charts that covered 2015 Managed Care Plan/Behavioral Health Outpatient Utilization Information, 2015 Applied Behavior Analysis Utilization broken down by age, 2015 OneCare Behavioral Health Outpatient Utilization, and 2015 OneCare Behavioral Health Bed Days.

Dr. Sharps also reported that there were 438 credentialed providers with Beacon and noted that 23 providers were in the credentialing phase with an approximate turn-around time of 30-50 days, which is less than their corporate standard of 90 days and less than the National Committee for Quality Assurance (NCQA) standard of 180 days.

IGT Update

Cheryl Meronk, Director, Strategic Development, reviewed the Intergovernmental Transfer (IGT) funds status to date. IGT 4 funds were approved by the Board for use in five general priority funding areas in Adult Mental Health, Children's Mental Health, Reducing Childhood Obesity, Strengthening the Safety Net and Improving Children's Health, as well as approving and implementing programs that are required under the Health Homes and the 1115 Waiver Initiatives. Ms. Meronk also noted that the Board also authorized IGT partnerships to secure Medi-Cal funds through the Rate Year 2014-15 Voluntary Intergovernmental Transfer Rate Range Program (IGT 5) at their March 3, 2016 meeting.

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Member Miranti thanked staff for working with all the various agencies to obtain these funds. She asked about the spending categories and noted how PAC has been involved in providing input into the use of these funds. She asked if this would be the process this year. Ms. Meronk noted that these broad spending categories will be presented to the Board for consideration in May. Ms. Meronk will bring updates to the next PAC meeting on IGT 4 and the proposed categories for IGT 5.

PAC Member Updates

Chair Jensen reminded the members to provide input on the PAC Report to the Board to staff for inclusion in the next report. She also reminded the members that nominations were open from March 1, 2016 through April 1, 2016 for open PAC seats and the Chair position. Chair Jensen asked staff to email all the members to solicit their interest in becoming PAC Chair for the 2016-2017 term. Chair Jensen requested three PAC members volunteer for the Nomination Ad Hoc Subcommittee. Members Miranti, Pimentel and Edwards agreed to serve on this ad hoc.

Member Miranti inquired about adding a Vice Chair position on the PAC. Chair Jensen requested that staff add this item to the April PAC agenda so discussion could be heard on what process would be needed to establish this new position.

Chair Jensen also reminded the members to review the PAC Goals and Objectives as well the PAC accomplishments and to provide feedback to staff.

ADJOURNMENT

There being no further business before the Committee, the Chair adjourned the meeting at 9:45 a.m.

/s/ Cheryl Simmons
Cheryl Simmons
Interim Staff to the PAC

Approved as corrected: April 14, 2016

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken May 5, 2016
Regular Meeting of the CalOptima Board of Directors

Report Item

4. Authorize Revisions to CalOptima Provider Rates for the Medi-Cal ~~Expansion~~ Population Effective July 1, 2016 for Health Networks, Hospitals, and Specialist Physicians~~; Authorize Modifications to Health Network Financial Security and Capitation Withhold Requirements~~

Contacts

Chet Uma, Chief Financial Officer, (714) 246-8400
Javier Sanchez, Chief Network Officer, (714) 246-8400

Recommended Actions

1. Implement CalOptima FY 2016-17 Medi-Cal Expansion (MCE) Preliminary Rates by applying a 15% reduction to current MCE rates to health networks, hospitals, and specialist physicians.
2. Rates for health networks will be effective July 1, 2016 through December 31, 2016; hospitals and specialist physicians July 1, 2016 through June 30, 2017; and are subject to any upward or downward adjustments from the rates' effective date to bring them into alignment with the final rates from DHCS should the final rates be higher or lower than the preliminary rates; and
3. The Chair will appoint a Board ad hoc to work on a solution for health network contracts, and return to the Board with recommendations.

Rev. 5/5/16

~~Approve parameters for revisions to CalOptima's Fiscal Year (FY) 2016-17 Health Network, Hospital and Specialist physician rates related to the Medi-Cal Expansion Population, including a commitment to make upward or downward adjustments to provider rates from the rates' effective date to bring them into alignment with final rates from the Department of Health Care Services (DHCS), should the final rates be higher or lower than currently anticipated; and~~

~~1. Authorize amendments to the Health Network financial security and withhold requirements for Health Networks participating as a Shared Risk Group (SRG) or Physician Hospital Consortium (PHC) and incorporate the changes into CalOptima Policy FF.3002, Financial Risk Arrangement.~~

Continued 5/5/16

Background

On November 7, 2013, the Board approved revisions to CalOptima's FY 2013-14 Operating Budget and took other actions associated with the implementation of Medi-Cal Expansion effective January 1, 2014. Health Network contracts were first amended January 1, 2014, to include increased capitation for Medi-Cal Expansion members.

After six months of serving Medi-Cal Expansion members, providers expressed concerns regarding the inadequacy of rates based on the costs associated with the acuity levels and medical needs of certain Medi-Cal Expansion populations, such as the former Low Income Health Program (LIHP) beneficiaries. With the advantage of six months of experience, staff was able to more accurately align the cost of medical services provided to the Medi-Cal Expansion populations and the capitation payments received from the California Department of Health Care Services (DHCS).

On August 7, 2014, the Board approved a 35.1% increase to provider rates for services to the Medi-Cal

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Expansion population. Health Network contracts were amended effective August 1, 2014, to include this second increase for Medi-Cal Expansion members.

On June 4, 2015, the Board approved an extension of the increased Health Network capitation rates from the August 7, 2014, meeting for PHCs and SRGs for Medi-Cal Expansion members through June 30, 2016.

On September 3, 2015, the Board authorized reductions to Health Network capitation rates, Hospital Fee-for-service (FFS) rates and Specialist physician FFS rates. Due to DHCS' reduction to Medi-Cal Expansion rates by approximately 57%, staff recommended discontinuing the previously approved 35.1% upward adjustment for Medi-Cal Expansion Health Network capitation rates for Health Networks, Hospitals and Specialist physicians effective August 31, 2015. However, in order to provide some level of enhanced payment, the Board approved implementing a 15% upward adjustment for Medi-Cal Expansion Health Network capitation rates for Health Networks, and significantly enhanced fee-for-service (FFS) payments to Hospitals and Specialist physicians effective September 1, 2015, through June 30, 2016. The 15% upward adjustment was applied to the rates in effect immediately prior to the August 1, 2014, implementation of the referenced 35.1% upward adjustment.

Discussion

Medi-Cal Expansion Rates. Based on guidance from DHCS, further reductions to the Medi-Cal Expansion capitation rates are expected to go into effect on July 1, 2016. The new Medi-Cal Expansion capitation rates are expected to be similar to the non-disabled, Medi-Cal Adult rate. DHCS has notified CalOptima that it will release preliminary rates at or near the end of April 2016, though these rates will not be finalized until approved by the Centers for Medicare & Medicaid Services (CMS) and amendments to CalOptima's contract with DHCS are executed. Management proposes to maintain contracted provider network for FY 2016-17 by using the rates in line with the Medi-Cal Classic rates (Temporary Assistance for Needy Families (TANF) rates, specifically for the Family, Poverty, and Child aid categories) to renew Health Network, Hospitals and Specialist physicians contracts, but with the understanding that if final rates are higher, CalOptima staff proposes to pass on the upward or downward actuarial equivalents of these rates from their effective date. Management proposes to use Medi-Cal Classic rates for the following:

- Health Networks. Proposed Health Network capitation rates for the Medi-Cal Expansion population would equate to the Temporary Assistance for Needy Families (TANF) rates, specifically for the Family, Poverty, and Child aid categories;
- FFS Hospitals. Proposed FFS rates for Hospitals would equate to the Medi-Cal All Patient Refined Diagnosis Related Groups (APR-DRG) or blended per-diem rates that currently apply to the Medi-Cal Classic population; and
- Specialists. Proposed Specialist physician rates for CalOptima Care Network (CCN) specialists would be at 133% of the CalOptima Medi-Cal FFS rates, which is CalOptima's base rate for all contracted Specialist physicians.

If final Medi-Cal Expansion capitation rates provided by DHCS are higher or lower than expected,

CalOptima will adjust the rates to bring them into alignment for Health Networks, Hospitals, and Specialist Physicians from the final rates' effective date.

Financial Security, Capitation Withhold Requirements, and Policy Updates. CalOptima staff also requests authority to amend the Health Network financial security reserve and capitation withhold requirements for SRG and PHC networks only. The current requirements include a financial security reserve equal to fifty-thousand dollars ($50,000) plus twenty-five percent (25%) of one month's capitation payment must be established and maintained by each Health Network in the form of time certificates of deposit, irrevocable standby letters of credit, and/or surety bonds, naming CalOptima as the beneficiary. The financial security reserve must be increased at the end of each quarter that the calculation results in a deficiency in the current reserve. The financial security reserve would be released to the Health Network no less than six (6) months upon termination of the Contract, except for Health Network insolvency in which case the reserve would be released no less than twelve (12) months following termination.

Also under current policy, CalOptima withholds twenty-five percent (25%) of one month's capitation payment at the end of each quarter. The capitation withhold is to be released to the Health Network upon the latter of nine (9) months following the termination of the Contract or CalOptima's validation of completion by the Health Network of all post-termination requirements contained in the Contract and CalOptima Policy. Together, the financial security reserve and the capitation withhold comprise the financial solvency reserves.

Going forward, staff proposes to simplify the administration of the financial solvency reserves for both the SRG and PHC Health Networks and CalOptima, and to apply the withhold requirements consistently across multiple product lines. To meet this objective, staff proposes that, effective no sooner than July 1, 2016, the financial security reserve requirement will be removed, and the capitation withhold will increase to forty-five percent (45%) of one month's Capitation Payment for Medi-Cal and OneCare Connect. This amount would be equivalent to the total financial solvency reserves if the requirements are applied to both product lines. The withhold will occur on a monthly basis, with the previous month's withhold amount payable to the Health Network the following month (except in cases of contract termination). Because the withhold is payable the following month, the Department of Managed Health Care regulations for Risk Bearing Organizations will allow the entire capitation withhold amount to be counted as cash equivalents in the Health Network's cash-to-claims ratio.

For SRGs, the capitation withhold, less fifty-thousand dollars ($50,000), would be released to the Health Network upon the latter of twelve (12) months following the termination of the network contract or CalOptima's validation of completion by the Health Network of all post-termination requirements contained in the contract and CalOptima policy. The final fifty-thousand dollars ($50,000) would be released to the Health Network upon completion of all Shared Risk Pool calculations and payments for the latest fiscal year in which the Health Network participated. For PHCs, the capitation withhold would be released to the Health Network upon the latter of twelve (12) months following the termination of the network contract or CalOptima's validation of completion by the Health Network of all post-termination requirements. These changes will have no financial impact. If approved, these changes will be incorporated into CalOptima Policy FF.3002.

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Fiscal Impact
The anticipated Medi-Cal revenue for FY 2016-17 is projected to be sufficient to cover the costs of the recommended actions. Management plans to include expenses associated with the extended contracts in the proposed CalOptima FY 2016-17 Operating Budget.

Rationale for Recommendation
The recommended action will allow CalOptima to continue to maintain financial stability for Health Network, Hospitals, and Specialist physicians while remaining fiscally responsible as the State makes adjustments to CalOptima's capitation rates based on actual utilization data for the Medi-Cal expansion population.

Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — *04/28/2016*
Authorized Signature — **Date**

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Medi-Cal Expansion Rate Revision Fiscal Impact

Board of Directors Meeting

May 5, 2016

Chet Uma, Chief Financial Officer

Javier Sanchez, Chief Network Officer

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Background

- State's rate methodology matches payments to actual risk
  - Rates are submitted and certified by CMS
- Medical Loss Ratio (MLR) risk corridor to mitigate risk
  - Less than 85% MLR: State recoups overpayment
  - Greater than 95% MLR: State gives additional funding due to underpayment
  - June 2016: Reconciliation for incurred period 1/1/14 – 6/30/15

Initial Rates	Actual MCE Utilization	FY 2016-17 MCE Rates	Future Rates
• DHCS used Medi-Cal Classic expense as proxy • Estimated population blend of 50% TANF and 50% SPD	• Actual experience resembles Adult TANF population • Current actual blend is 94.4% Adult TANF and 5.6% SPD	• 50% proxy method (75% TANF/25% SPD) • 50% actual experience data	• DHCS will likely use 100% of actual experience data (RDT data)

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MCE Rate Adjustments

MCE Rate Adjustments from State - CalOptima

Period	Rate	% Change
Jan 2014 – Jun 2014	$871.01	
Jul 2014 – Dec 2014	$831.27	-4.56%
Jan 2015 – Jun 2015	$640.26	-22.98%
Jul 2015 – Jun 2016	$493.33	-22.95%
Jul 2015 – Jun 2016	$475.74	-3.57%
Jul 2016 – Jun 2017	$458.86	-3.55%

- 47.3%

Statewide MCE Rate Adjustments

Jul 2016 – Jun 2017	% Reduction
Largest Reduction	-17.80%
Lowest Reduction	-2.50%
Average Reduction	-10.64%

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MCE Rate Adjustments

CalOptima Rate Adjustments to Providers

- Health Networks
- Hospitals
- Specialist (Direct Network)

Dates	Provider Rate Adjustments	Cumulative
Jan 2014 – Jun 2015	+20% (INCREASE)	+20%
Sep 2014 – Jun 2015	+35.1% (INCREASE)	+62.1%
Jul 2015 – Sep 2015	Maintained Higher Rates	+62.1%
Sep 2015 – Jul 2016	- 15% (DECREASE)	+38.0%

- Through July 2016, CalOptima has received rate cuts totaling 47.3%, yet has sustained increased rates for providers

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MCE Rate Adjustments

CalOptima Rate Adjustments to Providers

- Original Plan:
  - July 2016: Anticipated 40% MCE revenue reduction for CalOptima
  - Align MCE reimbursement rates to Medi-Cal Classic rates
  - Adult Classic rate is $272
- Revised Plan:
  - July 2016: FY 2016-17 preliminary MCE rates shows 3.55% reduction
  - Apply 15% reduction to current MCE reimbursement rates
  - Align MCE reimbursement rates to sustainable levels
    - Revised rates result in a projected MLR of 95%
    - Prior rate cuts not passed to providers

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MCE Rate Adjustments

Historical MCE Rates:

Service Type	Base	January 2014	September 2014	September 2015
Prof Cap[1]	$123.31	$147.97	$199.91	$170.17
Hospital Cap	$223.05	$267.66	$361.61	$307.81
Specialists[2]	133%	160%	215%	185%

Proposed MCE Rates:

Service Type	Current (Sep 2015)	Proposed	PMPM Change	% Change
Prof Cap[1]	$170.17	$144.64	-$25.53	-15%
Hospital Cap	$307.81	$261.64	-$46.17	-15%
Specialists[2]	185%	156%	N/A	-15%

[1] Professional capitation funding assumes specialist reimbursement at FFS equivalent rates

[2] Specialist rates are based on % of the Medi-Cal fee schedule

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Health Network Rates: Additional Reimbursements

Value of shared risk – Medi-Cal Expansion:

	Total	Paid	Balance
FY 2014	$22 million	$22 million	$0 million
FY 2015	$196 million	$40 million	$156 million
FY 2016 (Annualized/ Projected)	$202 million	$24 million	$178 million

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Health Network Rates: Policy Requirements

- 85% MLR requirement – Capitated Entities
  - Requirement ensures 85% of dollars paid to capitated entities goes to actual healthcare and paid to providers
  - Currently self-reported
    - Perform audits to verify

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Recommended Action

Recommended Action:

- Implement CalOptima FY2016-17 MCE Preliminary Rates by applying a 15% reduction to current MCE rates to:
  - Health Networks
  - Hospitals
  - Physician Specialists
- Rates will be effective July 1, 2016 – June 30, 2017, and are subject to any upward or downward adjustments from the rates' effective date to bring them into alignment with final rates from DHCS should the final rates be higher or lower than the preliminary rates

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Report Item 5 – AMVI Care

Recommended Action 1:

Ratify the Contract amendment extending the AMVI Care Health Network and Fountain Valley Regional Hospital and Medical Center Medi-Cal PHC Health Network contracts through June 30, 2016; and

Recommended Action 2:

Authorize the CEO to enter into a Contract Amendment, with the assistance of Legal Counsel, for AMVI Care Health Network and Fountain Valley Regional Hospital and Medical Center Medi-Cal PHC Health Network Contracts which:

a. Extends the Contract through June 30, 2017;
b. Revises the capitation rate for the MCE members effective July 1, 2016 as authorized by the Board; and
c. Provides clarifying revisions to the Division of Responsibility (DOFR).

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Report Item 6 – CHOC Health Alliance

Recommended Action 1:

Ratify the Contract amendment extending the CHOC Physicians Network and Children's Hospital of Orange County Medi-Cal PHC Health Network contracts through June 30, 2016; and

Recommended Action 2:

Authorize the CEO to enter into a Contract Amendment, with the assistance of Legal Counsel, for CHOC Physicians Network and Children's Hospital of Orange County Medi-Cal PHC Health Network Contracts which:

a. Extends the Contract through June 30, 2017;
b. Revises the capitation rate for the MCE members effective July 1, 2016 as authorized by the Board; and
c. Provides clarifying revisions to the Division of Responsibility (DOFR).

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Report Item 7 – Family Choice

Recommended Action 1:

Ratify the Contract amendment extending the Family Choice Medical Group, Inc. and Fountain Valley Regional Hospital and Medical Center Medi-Cal PHC Health Network contracts through June 30, 2016; and

Recommended Action 2:

Authorize the CEO to enter into a Contract Amendment, with the assistance of Legal Counsel, for Family Choice Medical Group, Inc. and Fountain Valley Regional Hospital and Medical Center Medi-Cal PHC Health Network Contracts which:

a. Extends the Contract through June 30, 2017;
b. Revises the capitation rate for the MCE members effective July 1, 2016 as authorized by the Board; and
c. Provides clarifying revisions to the Division of Responsibility (DOFR).

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Report Item 8 – Heritage Provider Network, Inc.

Recommended Action

Authorize the CEO to enter into a Contract Amendment, with the assistance of Legal Counsel, for Heritage Provider Network, Inc. Medi-Cal Health Network Contract which:

a. Extends the Contract through June 30, 2017;

b. Revises the capitation rate for the MCE members effective July 1, 2016 as authorized by the Board; and

c. Provides clarifying revisions to the Division of Responsibility (DOFR).

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Report Item 9 – Orange County Advantage Medical Group, Inc.

Recommended Action 1:

Ratify the Contract amendment extending the Orange County Advantage Medical Group, Inc. and Fountain Valley Regional Hospital and Medical Center Medi-Cal PHC Health Network contracts through June 30, 2016; and

Recommended Action 2:

Authorize the CEO to enter into a Contract Amendment, with the assistance of Legal Counsel, for Orange County Advantage Medical Group, Inc. and Fountain Valley Regional Hospital and Medical Center Medi-Cal PHC Health Network Contracts which:

a. Extends the Contract through June 30, 2017;
b. Revises the capitation rate for the MCE members effective July 1, 2016 as authorized by the Board; and
c. Provides clarifying revisions to the Division of Responsibility (DOFR).

Report Item 10 – AltaMed Health Services Corporation (SRG)

Recommended Action 1:

Ratify the Contract amendment extending the AltaMed Health Services Corporation Health Network contracts through June 30, 2016; and

Recommended Action 2:

Authorize the CEO to enter into a Contract Amendment, with the assistance of Legal Counsel, for AltaMed Health Services Corporation Medi-Cal Health Network Contracts which:

a. Extends the Contract through June 30, 2017;
b. Revises the capitation rate for the MCE members effective July 1, 2016 as authorized by the Board; and
c. Provides clarifying revisions to the Division of Responsibility (DOFR).

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Report Item 11 – Arta Western Medical Group, Inc. (SRG)

Recommended Action 1:

Ratify the Contract amendment extending the Arta Western Medical Group, Inc. Health Network contracts through June 30, 2016; and

Recommended Action 2:

Authorize the CEO to enter into a Contract Amendment, with the assistance of Legal Counsel, for Arta Western Medical Group, Inc. Medi-Cal Health Network Contracts which:

a. Extends the Contract through June 30, 2017;
b. Revises the capitation rate for the MCE members effective July 1, 2016 as authorized by the Board; and
c. Provides clarifying revisions to the Division of Responsibility (DOFR).

Report Item 12 – Kaiser Foundation Health Plan, Inc.

Recommended Action 1:

Ratify the Contract amendment extending the Kaiser Foundation Health Plan, Inc. Health Network contracts through June 30, 2016; and

Recommended Action 2:

Authorize the CEO to enter into a Contract Amendment, with the assistance of Legal Counsel, for Kaiser Foundation Health Plan, Inc. Medi-Cal Health Network Contracts which extends the Contract for one additional term through June 30, 2017.

Report Item 13 – Monarch HealthCare

Recommended Action 1:

Ratify the Contract amendment extending the Monarch HealthCare, A Medical Group, Inc. Health Network contracts through June 30, 2016; and

Recommended Action 2:

Authorize the CEO to enter into a Contract Amendment, with the assistance of Legal Counsel, for Monarch HealthCare, A Medical Group, Inc. Medi-Cal Health Network Contracts which:

a. Extends the Contract through June 30, 2017;
b. Revises the capitation rate for the MCE members effective July 1, 2016 as authorized by the Board; and
c. Provides clarifying revisions to the Division of Responsibility (DOFR).

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Report Item 14 – Noble Community Medical Associates, Inc. of Mid-Orange County

Recommended Action 1:

Ratify the Contract amendment extending the Noble Community Medical Associates, Inc. of Mid-Orange County Health Network contracts through June 30, 2016; and

Recommended Action 2:

Authorize the CEO to enter into a Contract Amendment, with the assistance of Legal Counsel, for Noble Community Medical Associates, Inc. of Mid-Orange County Medi-Cal Network Contracts which:

a. Extends the Contract through June 30, 2017;
b. Revises the capitation rate for the MCE members effective July 1, 2016 as authorized by the Board; and
c. Provides clarifying revisions to the Division of Responsibility (DOFR).

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Report Item 15 – Prospect Medical Group, Inc.

Recommended Action 1:

Ratify the Contract amendment extending the Prospect Medical Group, Inc. Health Network contracts through June 30, 2016; and

Recommended Action 2:

Authorize the CEO to enter into a Contract Amendment, with the assistance of Legal Counsel, for Prospect Medical Group, Inc. Medi-Cal Network Contracts which:

a. Extends the Contract through June 30, 2017;
b. Revises the capitation rate for the MCE members effective July 1, 2016 as authorized by the Board; and
c. Provides clarifying revisions to the Division of Responsibility (DOFR).

Report Item 16 – Talbert Medical Group, Inc.

Recommended Action 1:

Ratify the Contract amendment extending the Talbert Medical Group, Inc. Health Network contracts through June 30, 2016; and

Recommended Action 2:

Authorize the CEO to enter into a Contract Amendment, with the assistance of Legal Counsel, for Talbert Medical Group, Inc. Medi-Cal Network Contracts which:

a. Extends the Contract through June 30, 2017;
b. Revises the capitation rate for the MCE members effective July 1, 2016 as authorized by the Board; and
c. Provides clarifying revisions to the Division of Responsibility (DOFR).

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Report Item 17 – United Care Medical Group, Inc.

Recommended Action 1:

Ratify the Contract amendment extending the United Care Medical Group, Inc. Health Network contracts through June 30, 2016; and

Recommended Action 2:

Authorize the CEO to enter into a Contract Amendment, with the assistance of Legal Counsel, for United Care Medical Group, Inc. Medi-Cal Network Contracts which:

a. Extends the Contract through June 30, 2017;
b. Revises the capitation rate for the MCE members effective July 1, 2016 as authorized by the Board; and
c. Provides clarifying revisions to the Division of Responsibility (DOFR).

Report Item 18 – St. Joseph Heritage Healthcare

Recommended Action

Subject to full completion of all applicable readiness assessment requirements, authorize the CEO to enter into a Contract, with the assistance of Legal Counsel, for the St. Joseph Heritage Healthcare Medi-Cal Network Contracts which:

a. Revises the capitation rate for the MCE members effective July 1, 2016 as authorized by the Board; and

b. Provides clarifying revisions to the Division of Responsibility (DOFR).

Report Item 19 – Specialist Physician

Recommended Action 1:

Authorize the CEO to revise the CalOptima Specialist Medical Expansion member rates that expire June 30, 2016 and amend Specialist contract to reflect the new rates authorized by the Board; and

Recommended Action 2:

Authorize the CEO to revise the contract term for all new and existing Community Network Specialist Physicians to align with the fiscal year.

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Report Item 20 – Hospitals

Recommended Action

Authorize CEO to revise the CalOptima Fee-For-Service (FFS) Hospital Medi-Cal Expansion member rates that expire June 30, 2016, and amend FFS hospital contracts to reflect the new rates authorized by the Board.

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

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Report Item

5. Ratify Contract Extension Amendments and Authorize Amendment of the CalOptima Medi-Cal Physician Hospital Consortium (PHC) Health Network Contracts for AMVI Care Health Network and Fountain Valley Regional Hospital and Medical Center

Contact

Javier Sanchez, Chief Network Officer, (714) 246-8400
Chet Uma, Chief Network Officer, (714) 246-8400

Recommended Actions

1. Ratify the Contract amendment extending the AMVI Care Health Network and Fountain Valley Regional Hospital and Medical Center Medi-Cal PHC Health Network contracts through June 30, 2016; and

2. Authorize the Chief Executive Officer (CEO) to enter into a Contract Amendment, with the assistance of Legal Counsel, for AMVI Care Health Network and Fountain Valley Regional Hospital and Medical Center Medi-Cal PHC Health Network Contracts which:
   a. extends the Contract through ~~June 30, 2017~~ December 31, 2016;
   b. revises the capitation rate for the Medi-Cal Expansion (MCE) members effective July 1, 2016 as authorized by the Board; and
   ~~c. amends the Health Network (HN) financial security and withhold requirements as authorized by the Board;~~
   c. provides clarifying revisions to the Division of Financial Responsibility (DOFR).

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Background

CalOptima's current AMVI Care Health Network and Fountain Valley Regional Hospital and Medical Center Medi-Cal PHC Health Network Contracts were amended July 1, 2015 to extend the Contracts through June 30, 2016 and included, at CalOptima's option, two additional one year extensions.

Based on two separate CalOptima Board actions, taken on June 4, 2015 and September 3, 2015, revised rates for the Medi-Cal Expansion members referencing that the Health Network contracts were in place and effective through June 30, 2016. However, the staff recommendation omitted the specific request for the extension of the health network contracts themselves. The contract amendments contain provisions allowing CalOptima to exercise the option to extend the contracts under the same terms and conditions for two one year periods.

In support of Medi-Cal Expansion, the Board on November 7, 2013 approved the distribution of enhanced federal funding received from the Department of Health Care Services (DHCS), to the Health Networks (HN). CalOptima, in order to maintain the higher funding level for Medi-Cal Expansion (MCE) members, had to demonstrate a Medical Loss Ratio (MLR) of eighty-five percent (85%) or higher. CalOptima's MLR did not support the continued level of funding established in 2014 and

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DHCS gradually reduced the level of MCE funding to CalOptima. The Board subsequently approved a reduction in Health Network capitation rates in a Board action on September 3, 2015.

Discussion

CalOptima staff is requesting authority to enter into an Amendment of the Health Network Contract that would extend the term and incorporate other changes if and as approved by your Board in another Board item.

Extension of the Contract Term: CalOptima staff is requesting Board ratification of the Medi-Cal PHC AMVI Care Health Network and Fountain Valley Regional Hospital and Medical Center Health Network Contracts amendment that extended the Contracts through June 30, 2016.

CalOptima staff is also requesting authority to amend the AMVI Care Health Network and Fountain Valley Regional Hospital and Medical Center Medi-Cal PHC Health Network Contracts to further extend the Contracts through June 30, 2017.

MCE Rates: In anticipation of further MCE capitation reductions as described by DHCS, staff is separately requesting authority to update the Health Network capitation rates for MCE members to reflect the same level as the rates for the non-disabled "Classic" Medi-Cal Temporary Assistance for Needy Families (TANF) (Family/Poverty/Child Aid Code Category) population effective July 1, 2016. This change will be reflected in the CalOptima Fiscal Year (FY) 2016-17 Operating Budget to be presented to the Finance and Audit Committee on May 19, 2016, , but subject to adjustment should final rates be higher or lower than the Classic rates. If approved by your Board, these rates would be included in the Health Network Contract Amendment.

Financial Security Reserve and Capitation Withhold Requirements: CalOptima staff is also separately requesting authority to amend the Health Network Contract financial security reserve and capitation withhold requirements to reflect the new requirements which will be included in revisions to CalOptima Policy FF.3002, Financial Risk Arrangement. If approved by your Board, the changes would be included in CalOptima Policy FF.3002 and in the Health Network Contract Amendment.

Fiscal Impact

The anticipated Medi-Cal revenue for FY 2016-17 is projected to be sufficient to cover the costs of the recommended actions. Management plans to include expenses associated with the extended contracts in the proposed CalOptima FY 2016-17 Operating Budget.

Rationale for Recommendation

CalOptima staff recommends this action to maintain and continue the contractual relationship with the provider network and to fulfill regulatory and CalOptima policy requirements.

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Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — **Authorized Signature**

04/28/2016 — **Date**

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken May 5, 2016
Regular Meeting of the CalOptima Board of Directors

Report Item

6. Ratify Contract Extension Amendments and Authorize Amendment of the CalOptima Medi-Cal Physician Hospital Consortium (PHC) Health Network Contracts for CHOC Physician's Network and Children's Hospital of Orange County

Contact

Javier Sanchez, Chief Network Officer, (714) 246-8400
Chet Uma, Chief Network Officer, (714) 246-8400

Recommended Actions

1. Ratify the Contract amendment extending the CHOC Physician's Network and Children's Hospital of Orange County Medi-Cal PHC Health Network contracts through June 30, 2016; and

2. Authorize the Chief Executive Officer (CEO) to enter into a Contract Amendment, with the assistance of Legal Counsel, for CHOC Physician's Network and Children's Hospital of Orange County Medi-Cal PHC Health Network Contracts which:
    a. extends the Contract through ~~June 30, 2017~~ December 31, 2016;
    b. revises the capitation rate for the Medi-Cal Expansion (MCE) members effective July 1, 2016 as authorized by the Board; and
    ~~c. amends the Health Network (HN) financial security and withhold requirements as authorized by the Board;~~
    c. provides clarifying revisions to the Division of Financial Responsibility (DOFR).

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Background

CalOptima's current CHOC Physician's Network and Children's Hospital of Orange County Medi-Cal PHC Health Network Contracts were amended July 1, 2015 to extend the Contracts through June 30, 2016 and included, at CalOptima's option, two additional one year extensions.

Based on two separate CalOptima Board actions, taken on June 4, 2015 and September 3, 2015, revised rates for the Medi-Cal Expansion members referencing that the Health Network contracts were in place and effective through June 30, 2016. However, the staff recommendation omitted the specific request for the extension of the health network contracts themselves. The contract amendments contain provisions allowing CalOptima to exercise the option to extend the contracts under the same terms and conditions for two one year periods.

In support of Medi-Cal Expansion, the Board on November 7, 2013 approved the distribution of enhanced federal funding received from the Department of Health Care Services (DHCS), to the Health Networks (HN). CalOptima, in order to maintain the higher funding level for Medi-Cal Expansion (MCE) members, had to demonstrate a Medical Loss Ratio (MLR) of eighty-five percent (85%) or higher. CalOptima's MLR did not support the continued level of funding established in 2014 and DHCS gradually reduced the level of MCE funding to CalOptima. The Board subsequently approved a reduction in Health Network capitation rates in a Board action on September 3, 2015.

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Discussion
CalOptima staff is requesting authority to enter into an Amendment of the Health Network Contract that would extend the term and incorporate other changes if and as approved by your Board in another Board item.

Extension of the Contract Term: CalOptima staff is requesting Board ratification of the Medi-Cal PHC CHOC Physician's Network and Children's Hospital of Orange County Health Network Contracts amendment that extended the Contracts through June 30, 2016.

CalOptima staff is also requesting authority to amend the CHOC Physician's Network and Children's Hospital of Orange County Medi-Cal PHC Health Network Contracts to further extend the Contracts through June 30, 2017.

MCE Rates: In anticipation of further MCE capitation reductions as described by DHCS, staff is separately requesting authority to update the Health Network capitation rates for MCE members to reflect the same level as the rates for the non-disabled "Classic" Medi-Cal Temporary Assistance for Needy Families (TANF) (Family/Poverty/Child Aid Code Category) population effective July 1, 2016. This change will be reflected in the CalOptima Fiscal Year (FY) 2016-17 Operating Budget to be presented to the Finance and Audit Committee on May 19, 2016, , but subject to adjustment should final rates be higher or lower than the Classic rates. If approved by your Board, these rates would be included in the Health Network Contract Amendment.

Financial Security Reserve and Capitation Withhold Requirements: CalOptima staff is also separately requesting authority to amend the Health Network Contract financial security reserve and capitation withhold requirements to reflect the new requirements which will be included in revisions to CalOptima Policy FF.3002, Financial Risk Arrangement. If approved by your Board, the changes would be included in CalOptima Policy FF.3002 and in the Health Network Contract Amendment.

Fiscal Impact
The anticipated Medi-Cal revenue for FY 2016-17 is projected to be sufficient to cover the costs of the recommended actions. Management plans to include expenses associated with the extended contracts in the proposed CalOptima FY 2016-17 Operating Budget.

Rationale for Recommendation
CalOptima staff recommends this action to maintain and continue the contractual relationship with the provider network and to fulfill regulatory and CalOptima policy requirements.

Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — *04/28/2016*
Authorized Signature — **Date**

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken May 5, 2016
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Report Item

7. Ratify Contract Extension Amendments and Authorize Amendment of the CalOptima Medi-Cal Physician Hospital Consortium (PHC) Health Network Contracts for Family Choice Medical Group, Inc. and Fountain Valley Regional Hospital and Medical Center

Contact

Javier Sanchez, Chief Network Officer, (714) 246-8400
Chet Uma, Chief Network Officer, (714) 246-8400

Recommended Actions

1. Ratify the Contract amendment extending the Family Choice Medical Group, Inc. and Fountain Valley Regional Hospital and Medical Center Medi-Cal PHC Health Network contracts through June 30, 2016; and

2. Authorize the Chief Executive Officer (CEO) to enter into a Contract Amendment, with the assistance of Legal Counsel, for Family Choice Medical Group, Inc. and Fountain Valley Regional Hospital and Medical Center Medi-Cal PHC Health Network Contracts which:
    a. extends the Contract through ~~June 30, 2017~~ December 31, 2016;
    b. revises the capitation rate for the Medi-Cal Expansion (MCE) members effective July 1, 2016 as authorized by the Board; and
    ~~c. amends the Health Network (HN) financial security and withhold requirements as authorized by the Board;~~
    c. provides clarifying revisions to the Division of Financial Responsibility (DOFR).

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Background

CalOptima's current Family Choice Medical Group, Inc. and Fountain Valley Regional Hospital and Medical Center Medi-Cal PHC Health Network Contracts were amended July 1, 2015 to extend the Contracts through June 30, 2016 and included, at CalOptima's option, two additional one year extensions.

Based on two separate CalOptima Board actions, taken on June 4, 2015 and September 3, 2015, revised rates for the Medi-Cal Expansion members referencing that the Health Network contracts were in place and effective through June 30, 2016. However, the staff recommendation omitted the specific request for the extension of the health network contracts themselves. The contract amendments contain provisions allowing CalOptima to exercise the option to extend the contracts under the same terms and conditions for two one year periods.

In support of Medi-Cal Expansion, the Board on November 7, 2013 approved the distribution of enhanced federal funding received from the Department of Health Care Services (DHCS), to the Health Networks (HN). CalOptima, in order to maintain the higher funding level for Medi-Cal Expansion (MCE) members, had to demonstrate a Medical Loss Ratio (MLR) of eighty-five percent (85%) or higher. CalOptima's MLR did not support the continued level of funding established in 2014 and

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DHCS gradually reduced the level of MCE funding to CalOptima. The Board subsequently approved a reduction in Health Network capitation rates in a Board action on September 3, 2015.

Discussion

CalOptima staff is requesting authority to enter into an Amendment of the Health Network Contract that would extend the term and incorporate other changes if and as approved by your Board in another Board item.

Extension of the Contract Term: CalOptima staff is requesting Board ratification of the Medi-Cal PHC Family Choice Medical Group, Inc. and Fountain Valley Regional Hospital and Medical Center Health Network Contracts amendment that extended the Contracts through June 30, 2016.

CalOptima staff is also requesting authority to amend the Family Choice Medical Group, Inc. and Fountain Valley Regional Hospital and Medical Center Medi-Cal PHC Health Network Contracts to further extend the Contracts through June 30, 2017.

MCE Rates: In anticipation of further MCE capitation reductions as described by DHCS, staff is separately requesting authority to update the Health Network capitation rates for MCE members to reflect the same level as the rates for the non-disabled "Classic" Medi-Cal Temporary Assistance for Needy Families (TANF) (Family/Poverty/Child Aid Code Category) population effective July 1, 2016. This change will be reflected in the CalOptima Fiscal Year (FY) 2016-17 Operating Budget to be presented to the Finance and Audit Committee on May 19, 2016, , but subject to adjustment should final rates be higher or lower than the Classic rates. If approved by your Board, these rates would be included in the Health Network Contract Amendment.

Financial Security Reserve and Capitation Withhold Requirements: CalOptima staff is also separately requesting authority to amend the Health Network Contract financial security reserve and capitation withhold requirements to reflect the new requirements which will be included in revisions to CalOptima Policy FF.3002, Financial Risk Arrangement. If approved by your Board, the changes would be included in CalOptima Policy FF.3002 and in the Health Network Contract Amendment.

Fiscal Impact

The anticipated Medi-Cal revenue for FY 2016-17 is projected to be sufficient to cover the costs of the recommended actions. Management plans to include expenses associated with the extended contracts in the proposed CalOptima FY 2016-17 Operating Budget.

Rationale for Recommendation

CalOptima staff recommends this action to maintain and continue the contractual relationship with the provider network and to fulfill regulatory and CalOptima policy requirements.

Concurrence

Gary Crockett, Chief Counsel

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Attachments
None

/s/ Michael Schrader — *04/28/2016*
Authorized Signature — **Date**

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken May 5, 2016
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Report Item
8. Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for Heritage Provider Network, Inc.

Contact
Javier Sanchez, Chief Network Officer, (714) 246-8400
Chet Uma, Chief Network Officer, (714) 246-8400

Recommended Actions
Authorize the Chief Executive Officer (CEO) to enter into a Contract Amendment, with the assistance of Legal Counsel, for the Heritage Provider Network, Inc. Medi-Cal Health Network Contract which:

a. extends the Contract for one year through ~~June 30, 2017~~ December 31, 2016;
b. revises the capitation rate for the Medi-Cal Expansion (MCE) members effective July 1, 2016 as authorized by the Board; and
c. provides clarifying revisions to the Division of Financial Responsibility (DOFR).

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Background
The contract between Heritage Provider Network, Inc and CalOptima became effective on October 1, 2015. In support of Medi-Cal Expansion, the Board on November 7, 2013 approved the distribution of enhanced federal funding received from the Department of Health Care Services (DHCS), to the Health Networks (HN). CalOptima, in order to maintain the higher funding level for Medi-Cal Expansion (MCE) members, had to demonstrate a Medical Loss Ratio (MLR) of eighty-five percent (85%) or higher. CalOptima's MLR did not support the continued level of funding established in 2014 and DHCS gradually reduced the level of MCE funding to CalOptima. The contract with Heritage Provider Network reflects the MCE rates approved by the Board action on September 3, 2015.

Discussion
CalOptima staff is requesting authority to enter into an Amendment of the Health Network Contract that would extend the term and incorporate other changes if and as approved by your Board in another Board item.

Extension of Contract Term: CalOptima staff is requesting authority to amend the Heritage Provider Network, Inc. Medi-Cal Health Network Contract to extend the Contract through June 30, 2017.

MCE Rates: In anticipation of further MCE capitation reductions as described by DHCS, staff is separately requesting authority to update the Health Network capitation rates for MCE members to reflect the same level as the rates for the non-disabled "Classic" Medi-Cal Temporary Assistance for Needy Families (TANF) (Family/Poverty/Child Aid Code Category) population effective July 1, 2016. This change will be reflected in the CalOptima Fiscal Year (FY) 2016-17 Operating Budget to be presented to the Finance and Audit Committee on May 19, 2016, but subject to adjustment should final rates be higher or lower than the Classic Rates. If approved by your Board, these rates would be included in the Health Network Contract Amendment.

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Fiscal Impact
The anticipated Medi-Cal revenue for FY 2016-17 is projected to be sufficient to cover the costs of the recommended actions. Management plans to include expenses associated with the extended contracts in the proposed CalOptima FY 2016-17 Operating Budget.

Rationale for Recommendation
CalOptima staff recommends this action to maintain and continue the contractual relationship with the provider network and to fulfill regulatory and CalOptima policy requirements.

Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — *04/28/2016*
Authorized Signature — **Date**

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

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Report Item
9. Authorize Amendment of the CalOptima Medi-Cal Physician Hospital Consortium (PHC) Health Network Contracts for Orange County Advantage Medical Group, Inc. and Fountain Valley Regional Hospital and Medical Center

Contact
Javier Sanchez, Chief Network Officer, (714) 246-8400
Chet Uma, Chief Network Officer, (714) 246-8400

Recommended Actions
Authorize the Chief Executive Officer (CEO) to ~~amend the~~ enter into a Contract Amendment, with the assistance of Legal Counsel, for the Orange County Advantage Medical Group, Inc., and Fountain Valley Regional Hospital and Medical Center Medi-Cal PHC Health Network Contracts which:

a. extends the Contract through ~~June 30, 2017~~ December 31, 2016;
b. revises the capitation rate for the Medi-Cal Expansion (MCE) members effective July 1, 2016 as authorized by the Board; and
~~c. amends the Health Network (HN) financial security and withhold requirements as authorized by the Board;~~
c. provides clarifying revisions to the Division of Financial Responsibility (DOFR).

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Background
The contracts between Orange County Advantage Medical Group, Inc. (OCAMG), and Fountain Valley Regional Hospital and Medical Center (FVRGMC) and CalOptima became effective on September 1, 2015. In support of Medi-Cal Expansion, the Board on November 7, 2013 approved the distribution of enhanced federal funding received from the Department of Health Care Services (DHCS), to the Health Networks (HN). CalOptima, in order to maintain the higher funding level for Medi-Cal Expansion (MCE) members, had to demonstrate a Medical Loss Ratio (MLR) of eighty-five percent (85%) or higher. CalOptima's MLR did not support the continued level of funding established in 2014 and DHCS gradually reduced the level of MCE funding to CalOptima. The contracts with OCAMG and reflects the MCE rates approved by the Board action on September 3, 2015.

Discussion
CalOptima staff is requesting authority to enter into an Amendment of the Health Network Contracts that would extend the term and incorporate other changes if and as approved by your Board in another Board item

Extension of Contract Term: CalOptima staff is requesting authority to amend the OCAMG and FVRHMC Medi-Cal PHC Health Network Contracts to extend the Contracts through June 30, 2017.

MCE Rates: In anticipation of further MCE capitation reductions as described by DHCS, staff is separately requesting authority to update the Health Network capitation rates for MCE members to reflect the same level as the rates for the non-disabled "Classic" Medi-Cal Temporary Assistance for

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Needy Families (TANF) (Family/Poverty/Child Aid code Category) population effective July 1, 2016. This change will be reflected in the CalOptima Fiscal Year (FY) 2016-17 Operating Budget to be presented to the Finance and Audit Committee on May 19, 2016, but subject to adjustment should final rates be higher or lower than the Classic rates. If approved by your Board, these rates would be included in the Health Network Contract Amendment.

Financial Security Reserve and Capitation Withhold Requirements: CalOptima staff is also separately requesting authority to amend the Health Network Contract financial security reserve and capitation withhold requirements to reflect the new requirements which will be included in revisions to CalOptima Policy FF.3002, Financial Risk Arrangement. If approved by your Board, the changes would be included in CalOptima Policy FF.3002 and in the Health Network Contract Amendment.

Fiscal Impact
The anticipated Medi-Cal revenue for FY 2016-17 is projected to be sufficient to cover the costs of the recommended actions. Management plans to include expenses associated with the extended contracts in the proposed CalOptima FY 2016-17 Operating Budget.

Rationale for Recommendation
CalOptima staff recommends this action to maintain and continue the contractual relationship with the Provider Network and to fulfill regulatory and CalOptima policy requirements.

Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — *04/28/2016*
Authorized Signature — **Date**

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

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Report Item
10. Ratify Contract Extension Amendment and Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for AltaMed Health Services Corporation

Contact
Javier Sanchez, Chief Network Officer, (714) 246-8400
Chet Uma, Chief Network Officer, (714) 246-8400

Recommended Actions
1. Ratify the Contract amendment extending the AltaMed Health Services Corporation Medi-Cal Health Network contract through June 30, 2016; and

2. Authorize the Chief Executive Officer (CEO) to enter into a Contract Amendment, with the assistance of Legal Counsel, for the AltaMed Health Services Corporation Medi-Cal Health Network Contract which:
    a. extends the Contract through ~~June 30, 2017~~ December 31, 2016;
    b. revises the capitation rate for the Medi-Cal Expansion (MCE) members effective July 1, 2016 as authorized by the Board; and
    ~~c. amends the Health Network (HN) financial security and withhold requirements as authorized by the Board;~~
    c. provides clarifying revisions to the Division of Financial Responsibility (DOFR).

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Background
CalOptima's current AltaMed Health Services Corporation Medi-Cal Health Network Contract (Contract) was amended July 1, 2015 to extend the contract through June 30, 2016 and included, at CalOptima's option, two additional one year extensions.

Based on two separate CalOptima Board actions, taken on June 4, 2015, and September 3, 2015, revised rates for the Medi-Cal Expansion members referencing that the Health Network contracts were in place and effective through June 30, 2016. However, the staff recommendation omitted the specific request for the extension of the health network contracts themselves. The contract amendments contain provisions allowing CalOptima to exercise the option to extend the contracts under the same terms and conditions for two one year periods.

In support of Medi-Cal Expansion, the Board on November 7, 2013 approved the distribution of enhanced federal funding received from the Department of Health Care Services (DHCS), to the Health Networks (HN). CalOptima, in order to maintain the higher funding level for Medi-Cal Expansion (MCE) members, had to demonstrate a Medical Loss Ratio (MLR) of eighty-five percent (85%) or higher. CalOptima's MLR did not support the continued level of funding established in 2014 and DHCS gradually reduced the level of MCE funding to CalOptima. The Board subsequently approved a reduction in HN capitation rates in a Board action on September 3, 2015.

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Discussion
CalOptima staff is requesting authority to enter into an Amendment of the Health Network Contract that would extend the term and incorporate other changes if and as approved by your Board in another Board item.

Extension of Contract Term: CalOptima staff is requesting Board ratification of the Medi-Cal AltaMed Health Services Corporation Health Network Contract amendment that extended the Contract through June 30, 2016.

CalOptima staff is also requesting authority to amend the AltaMed Health Services Corporation Medi-Cal Health Network Contract to further extend the Contract through June 30, 2017.

MCE Rates: In anticipation of further MCE capitation reductions as described by DHCS, staff is separately requesting authority to update the Health Network capitation rates for MCE members to reflect the same level as the rates for the non-disabled "Classic" Medi-Cal Temporary Assistance for Needy Families (TANF), (Family/Poverty/Child Aid Code Category) population effective July 1, 2016. This change will be reflected in the CalOptima Fiscal Year (FY) 2016-17 Operating Budget to be presented to the Finance and Audit Committee on May 19, 2016, but subject to adjustment should final rates be higher or lower than the Classic rates. If approved by your Board, these rates would be included in the Health Network Contract Amendment.

Financial Security Reserve and Capitation Withhold Requirements: CalOptima staff is also separately requesting authority to amend the Health Network Contract financial security reserve and capitation withhold requirements to reflect the new requirements which will be included in revisions to CalOptima Policy FF.3002, Financial Risk Arrangement. If approved by your Board, the changes would be included in CalOptima Policy FF.3002 and in the Health Network Contract Amendment.

Fiscal Impact
The anticipated Medi-Cal revenue for FY 2016-17 is projected to be sufficient to cover the costs of the recommended actions. Management plans to include expenses associated with the extended contracts in the proposed CalOptima FY 2016-17 Operating Budget.

Rationale for Recommendation
CalOptima staff recommends this action to maintain and continue the contractual relationship with the provider network and to fulfill regulatory and CalOptima policy requirements.

Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — *04/28/2016*
Authorized Signature — **Date**

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken May 5, 2016
Regular Meeting of the CalOptima Board of Directors

Report Item
11. Ratify Contract Extension Amendment and Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for Arta Western Medical Group, Inc.

Contact
Javier Sanchez, Chief Network Officer, (714) 246-8400
Chet Uma, Chief Network Officer, (714) 246-8400

Recommended Actions
1. Ratify the Contract amendment extending the Arta Western Medical Group, Inc. Medi-Cal Health Network contract through June 30, 2016; and

2. Authorize the Chief Executive Officer (CEO) to enter into a Contract Amendment, with the assistance of Legal Counsel, for the Arta Western Medical Group, Inc. Medi-Cal Health Network Contract which:
    a. extends the Contract through ~~June 30, 2017~~ December 31, 2016;
    b. revises the capitation rate for the Medi-Cal Expansion (MCE) members effective July 1, 2016 as authorized by the Board; and
    ~~c. amends the Health Network (HN) financial security and withhold requirements as authorized by the Board;~~
    c. provides clarifying revisions to the Division of Financial Responsibility (DOFR).

Rev. 5/5/16

Background
CalOptima's current Arta Western Medical Group, Inc. Medi-Cal Health Network Contract (Contract) was amended July 1, 2015 to extend the contract through June 30, 2016 and included, at CalOptima's option, two additional one year extensions.

Based on two separate CalOptima Board actions, taken on June 4, 2015, and September 3, 2015, revised rates for the Medi-Cal Expansion members referencing that the Health Network contracts were in place and effective through June 30, 2016. However, the staff recommendation omitted the specific request for the extension of the health network contracts themselves. The contract amendments contain provisions allowing CalOptima to exercise the option to extend the contracts under the same terms and conditions for two one year periods.

In support of Medi-Cal Expansion, the Board on November 7, 2013 approved the distribution of enhanced federal funding received from the Department of Health Care Services (DHCS), to the Health Networks (HN). CalOptima, in order to maintain the higher funding level for Medi-Cal Expansion (MCE) members, had to demonstrate a Medical Loss Ratio (MLR) of eighty-five percent (85%) or higher. CalOptima's MLR did not support the continued level of funding established in 2014 and DHCS gradually reduced the level of MCE funding to CalOptima. The Board subsequently approved a reduction in HN capitation rates in a Board action on September 3, 2015.

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Discussion
CalOptima staff is requesting authority to enter into an Amendment of the Health Network Contract that would extend the term and incorporate other changes if and as approved by your Board in another Board item.

Extension of Contract Term: CalOptima staff is requesting Board ratification of the Medi-Cal Arta Western Medical Group, Inc. Health Network Contract amendment that extended the Contract through June 30, 2016.

CalOptima staff is also requesting authority to amend the Arta Western Medical Group, Inc. Medi-Cal Health Network Contract to further extend the Contract through June 30, 2017.

MCE Rates: In anticipation of further MCE capitation reductions as described by DHCS, staff is separately requesting authority to update the Health Network capitation rates for MCE members to reflect the same level as the rates for the non-disabled "Classic" Medi-Cal Temporary Assistance for Needy Families (TANF), (Family/Poverty/Child Aid Code Category) population effective July 1, 2016. This change will be reflected in the CalOptima Fiscal Year (FY) 2016-17 Operating Budget to be presented to the Finance and Audit Committee on May 19, 2016, but subject to adjustment should final rates be higher or lower than the Classic rates. If approved by your Board, these rates would be included in the Health Network Contract Amendment.

Financial Security Reserve and Capitation Withhold Requirements: CalOptima staff is also separately requesting authority to amend the Health Network Contract financial security reserve and capitation withhold requirements to reflect the new requirements which will be included in revisions to CalOptima Policy FF.3002, Financial Risk Arrangement. If approved by your Board, the changes would be included in CalOptima Policy FF.3002 and in the Health Network Contract Amendment.

Fiscal Impact
The anticipated Medi-Cal revenue for FY 2016-17 is projected to be sufficient to cover the costs of the recommended actions. Management plans to include expenses associated with the extended contracts in the proposed CalOptima FY 2016-17 Operating Budget.

Rationale for Recommendation
CalOptima staff recommends this action to maintain and continue the contractual relationship with the provider network and to fulfill regulatory and CalOptima policy requirements.

Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — *04/28/2016*
Authorized Signature — **Date**

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken May 5, 2016
Regular Meeting of the CalOptima Board of Directors

Report Item
12. Ratify Contract Extension Amendment and Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for Kaiser Foundation Health Plan, Inc.

Contact
Javier Sanchez, Chief Network Officer, (714) 246-8400
Chet Uma, Chief Network Officer, (714) 246-8400

Recommended Actions
1. Ratify the Contract amendment extending the Kaiser Foundation Health Plan, Inc. Medi-Cal Health Network contract through June 30, 2016; and

2. Authorize the Chief Executive Officer (CEO) to enter into a Contract Amendment, with the assistance of Legal Counsel, for the Kaiser Foundation Health Plan, Inc. Medi-Cal Health Network Contract which extends the Contract through ~~June 30, 2017~~ December 31, 2016.

Rev. 5/5/16

Background
CalOptima's current Kaiser Foundation Health Plan, Inc. Medi-Cal Health Network Contract (Contract) was amended July 1, 2015 to extend the contract through June 30, 2016 and included, at CalOptima's option, two additional one year extensions.

Based on two separate CalOptima Board actions, taken on June 4, 2015 and September 3, 2015, revised rates for the Medi-Cal Expansion members referencing that the Health Network contracts were in place and effective through June 30, 2016. However, the staff recommendation omitted the specific request for the extension of the health network contracts themselves. The contract amendments contain provisions allowing CalOptima to exercise the option to extend the contracts under the same terms and conditions for two one year periods.

Discussion
CalOptima staff is requesting authority to enter into an Amendment of the Health Network Contract that would extend the term and incorporate other changes if and as approved by your Board in another Board item.

Extension of Contract Term: CalOptima staff is requesting Board ratification of the Medi-Cal Kaiser Foundation Health Plan, Inc. Health Network Contract amendment that extended the Contract through June 30, 2016.

CalOptima staff is also requesting authority to amend the Kaiser Foundation Health Plan, Inc. Medi-Cal Health Network Contract to further extend the Contract through June 30, 2017.

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Fiscal Impact
The anticipated Medi-Cal revenue for FY 2016-17 is projected to be sufficient to cover the costs of the recommended actions. Management plans to include expenses associated with the extended contracts in the proposed CalOptima FY 2016-17 Operating Budget.

Rationale for Recommendation
CalOptima staff recommends this action to maintain and continue the contractual relationship with the provider network and to fulfill regulatory and CalOptima policy requirements.

Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — *04/28/2016*
Authorized Signature — **Date**

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken May 5, 2016
Regular Meeting of the CalOptima Board of Directors

Report Item
13. Ratify Contract Extension Amendment and Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for Monarch HealthCare, A Medical Group, Inc.

Contact
Javier Sanchez, Chief Network Officer, (714) 246-8400
Chet Uma, Chief Network Officer, (714) 246-8400

Recommended Actions
1. Ratify the Contract amendment extending the Monarch HealthCare, A Medical Group, Inc. Medi-Cal Health Network contract through June 30, 2016; and

2. Authorize the Chief Executive Officer (CEO) to enter into a Contract Amendment, with the assistance of Legal Counsel, for the Monarch HealthCare, A Medical Group, Inc. Medi-Cal Health Network Contract which:
    a. extends the Contract through ~~June 30, 2017~~ December 31, 2016;
    b. revises the capitation rate for the Medi-Cal Expansion (MCE) members effective July 1, 2016 as authorized by the Board; and
    ~~c. amends the Health Network (HN) financial security and withhold requirements as authorized by the Board;~~
    c. provides clarifying revisions to the Division of Financial Responsibility (DOFR).

Rev. 5/5/16

Background
CalOptima's current Monarch HealthCare, A Medical Group, Inc. Medi-Cal Health Network Contract (Contract) was amended July 1, 2015 to extend the contract through June 30, 2016 and included, at CalOptima's option, two additional one year extensions.

Based on two separate CalOptima Board actions, taken on June 4, 2015, and September 3, 2015, revised rates for the Medi-Cal Expansion members referencing that the Health Network contracts were in place and effective through June 30, 2016. However, the staff recommendation omitted the specific request for the extension of the health network contracts themselves. The contract amendments contain provisions allowing CalOptima to exercise the option to extend the contracts under the same terms and conditions for two one year periods.

In support of Medi-Cal Expansion, the Board on November 7, 2013 approved the distribution of enhanced federal funding received from the Department of Health Care Services (DHCS), to the Health Networks (HN). CalOptima, in order to maintain the higher funding level for Medi-Cal Expansion (MCE) members, had to demonstrate a Medical Loss Ratio (MLR) of eighty-five percent (85%) or higher. CalOptima's MLR did not support the continued level of funding established in 2014 and DHCS gradually reduced the level of MCE funding to CalOptima. The Board subsequently approved a reduction in HN capitation rates in a Board action on September 3, 2015.

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Discussion
CalOptima staff is requesting authority to enter into an Amendment of the Health Network Contract that would extend the term and incorporate other changes if and as approved by your Board in another Board item.

Extension of Contract Term: CalOptima staff is requesting Board ratification of the Medi-Cal Monarch HealthCare, A Medical Group, Inc. Health Network Contract amendment that extended the Contract through June 30, 2016.

CalOptima staff is also requesting authority to amend the Monarch HealthCare, A Medical Group, Inc. Medi-Cal Health Network Contract to further extend the Contract through June 30, 2017.

MCE Rates: In anticipation of further MCE capitation reductions as described by DHCS, staff is separately requesting authority to update the Health Network capitation rates for MCE members to reflect the same level as the rates for the non-disabled "Classic" Medi-Cal Temporary Assistance for Needy Families (TANF), (Family/Poverty/Child Aid Code Category) population effective July 1, 2016. This change will be reflected in the CalOptima Fiscal Year (FY) 2016-17 Operating Budget to be presented to the Finance and Audit Committee on May 19, 2016, but subject to adjustment should final rates be higher or lower than the Classic rates. If approved by your Board, these rates would be included in the Health Network Contract Amendment.

Financial Security Reserve and Capitation Withhold Requirements: CalOptima staff is also separately requesting authority to amend the Health Network Contract financial security reserve and capitation withhold requirements to reflect the new requirements which will be included in revisions to CalOptima Policy FF.3002, Financial Risk Arrangement. If approved by your Board, the changes would be included in CalOptima Policy FF.3002 and in the Health Network Contract Amendment.

Fiscal Impact
The anticipated Medi-Cal revenue for FY 2016-17 is projected to be sufficient to cover the costs of the recommended actions. Management plans to include expenses associated with the extended contracts in the proposed CalOptima FY 2016-17 Operating Budget.

Rationale for Recommendation
CalOptima staff recommends this action to maintain and continue the contractual relationship with the provider network and to fulfill regulatory and CalOptima policy requirements.

Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — *04/28/2016*
Authorized Signature — **Date**

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken May 5, 2016
Regular Meeting of the CalOptima Board of Directors

Report Item
14. Ratify Contract Extension Amendment and Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for Noble Community Medical Associates, Inc. of Mid-Orange County

Contact
Javier Sanchez, Chief Network Officer, (714) 246-8400
Chet Uma, Chief Network Officer, (714) 246-8400

Recommended Actions
1. Ratify the Contract amendment extending the Noble Community Medical Associates, Inc. of Mid-Orange County Medi-Cal Health Network contract through June 30, 2016; and

2. Authorize the Chief Executive Officer (CEO) to enter into a Contract Amendment, with the assistance of Legal Counsel, for the Noble Community Medical Associates, Inc. of Mid-Orange County Medi-Cal Health Network Contract which:
    a. extends the Contract through ~~June 30, 2017~~ December 31, 2016;
    b. revises the capitation rate for the Medi-Cal Expansion (MCE) members effective July 1, 2016 as authorized by the Board; and
    ~~c. amends the Health Network (HN) financial security and withhold requirements as authorized by the Board;~~
    c. provides clarifying revisions to the Division of Financial Responsibility (DOFR).

Rev. 5/5/16

Background
CalOptima's current Noble Community Medical Associates, Inc. of Mid-Orange County Medi-Cal Health Network Contract (Contract) was amended July 1, 2015 to extend the contract through June 30, 2016 and included, at CalOptima's option, two additional one year extensions.

Based on two separate CalOptima Board actions taken on June 4, 2015, and September 3, 2015, revised rates for the Medi-Cal Expansion members referencing that the Health Network contracts were in place and effective through June 30, 2016. However, the staff recommendation omitted the specific request for the extension of the health network contracts themselves. The contract amendments contain provisions allowing CalOptima to exercise the option to extend the contracts under the same terms and conditions for two one year periods.

In support of Medi-Cal Expansion, the Board on November 7, 2013 approved the distribution of enhanced federal funding received from the Department of Health Care Services (DHCS), to the Health Networks (HN). CalOptima, in order to maintain the higher funding level for Medi-Cal Expansion (MCE) members, had to demonstrate a Medical Loss Ratio (MLR) of eighty-five percent (85%) or higher. CalOptima's MLR did not support the continued level of funding established in 2014 and DHCS gradually reduced the level of MCE funding to CalOptima. The Board subsequently approved a reduction in HN capitation rates in a Board action on September 3, 2015.

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Discussion
CalOptima staff is requesting authority to enter into an Amendment of the Health Network Contract that would extend the term and incorporate other changes if and as approved by your Board in another Board item.

Extension of Contract Term: CalOptima staff is requesting Board ratification of the Medi-Cal Noble Community Medical Associates, Inc. of Mid-Orange County Health Network Contract amendment that extended the Contract through June 30, 2016.

CalOptima staff is also requesting authority to amend the Noble Community Medical Associates, Inc. of Mid-Orange County Medi-Cal Health Network Contract to further extend the Contract through June 30, 2017.

MCE Rates: In anticipation of further MCE capitation reductions as described by DHCS, staff is separately requesting authority to update the Health Network capitation rates for MCE members to reflect the same level as the rates for the non-disabled "Classic" Medi-Cal Temporary Assistance for Needy Families (TANF), (Family/Poverty/Child Aid Code Category) population effective July 1, 2016. This change will be reflected in the CalOptima Fiscal Year (FY) 2016-17 Operating Budget to be presented to the Finance and Audit Committee on May 19, 2016, but subject to adjustment should final rates be higher or lower than the Classic rates. If approved by your Board, these rates would be included in the Health Network Contract Amendment.

Financial Security Reserve and Capitation Withhold Requirements: CalOptima staff is also separately requesting authority to amend the Health Network Contract financial security reserve and capitation withhold requirements to reflect the new requirements which will be included in revisions to CalOptima Policy FF.3002, Financial Risk Arrangement. If approved by your Board, the changes would be included in CalOptima Policy FF.3002 and in the Health Network Contract Amendment.

Fiscal Impact
The anticipated Medi-Cal revenue for FY 2016-17 is projected to be sufficient to cover the costs of the recommended actions. Management plans to include expenses associated with the extended contracts in the proposed CalOptima FY 2016-17 Operating Budget.

Rationale for Recommendation
CalOptima staff recommends this action to maintain and continue the contractual relationship with the provider network and to fulfill regulatory and CalOptima policy requirements.

Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — *04/28/2016*
Authorized Signature — **Date**

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken May 5, 2016
Regular Meeting of the CalOptima Board of Directors

Report Item
15. Ratify Contract Extension Amendment and Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for Prospect Medical Group, Inc.

Contact
Javier Sanchez, Chief Network Officer, (714) 246-8400
Chet Uma, Chief Network Officer, (714) 246-8400

Recommended Actions
1. Ratify the Contract amendment extending the Prospect Medical Group, Inc. Medi-Cal Health Network contract through June 30, 2016; and

2. Authorize the Chief Executive Officer (CEO) to enter into a Contract Amendment, with the assistance of Legal Counsel, for the Prospect Medical Group, Inc. Medi-Cal Health Network Contract which:
    a. extends the Contract through ~~June 30, 2017~~ December 31, 2016;
    b. revises the capitation rate for the Medi-Cal Expansion (MCE) members effective July 1, 2016 as authorized by the Board; and
    ~~c. amends the Health Network (HN) financial security and withhold requirements as authorized by the Board;~~
    c. provides clarifying revisions to the Division of Financial Responsibility (DOFR).

Rev. 5/5/16

Background
CalOptima's current Prospect Medical Group, Inc. Medi-Cal Health Network Contract (Contract) was amended July 1, 2015 to extend the contract through June 30, 2016 and included, at CalOptima's option, two additional one year extensions.

Based on two separate CalOptima Board actions taken on June 4, 2015, and September 3, 2015, revised rates for the Medi-Cal Expansion members referencing that the Health Network contracts were in place and effective through June 30, 2016. However, the staff recommendation omitted the specific request for the extension of the health network contracts themselves. The contract amendments contain provisions allowing CalOptima to exercise the option to extend the contracts under the same terms and conditions for two one year periods.

In support of Medi-Cal Expansion, the Board on November 7, 2013 approved the distribution of enhanced federal funding received from the Department of Health Care Services (DHCS), to the Health Networks (HN). CalOptima, in order to maintain the higher funding level for Medi-Cal Expansion (MCE) members, had to demonstrate a Medical Loss Ratio (MLR) of eighty-five percent (85%) or higher. CalOptima's MLR did not support the continued level of funding established in 2014 and DHCS gradually reduced the level of MCE funding to CalOptima. The Board subsequently approved a reduction in HN capitation rates in a Board action on September 3, 2015.

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Discussion
CalOptima staff is requesting authority to enter into an Amendment of the Health Network Contract that would extend the term and incorporate other changes if and as approved by your Board in another Board item.

Extension of Contract Term: CalOptima staff is requesting Board ratification of the Medi-Cal Prospect Medical Group, Inc. Health Network Contract amendment that extended the Contract through June 30, 2016.

CalOptima staff is also requesting authority to amend the Prospect Medical Group, Inc. Medi-Cal Health Network Contract to further extend the Contract through June 30, 2017.

MCE Rates: In anticipation of further MCE capitation reductions as described by DHCS, staff is separately requesting authority to update the Health Network capitation rates for MCE members to reflect the same level as the rates for the non-disabled "Classic" Medi-Cal Temporary Assistance for Needy Families (TANF), (Family/Poverty/Child Aid Code Category) population effective July 1, 2016. This change will be reflected in the CalOptima Fiscal Year (FY) 2016-17 Operating Budget to be presented to the Finance and Audit Committee on May 19, 2016, but subject to adjustment should final rates be higher or lower than the Classic rates. If approved by your Board, these rates would be included in the Health Network Contract Amendment.

Financial Security Reserve and Capitation Withhold Requirements: CalOptima staff is also separately requesting authority to amend the Health Network Contract financial security reserve and capitation withhold requirements to reflect the new requirements which will be included in revisions to CalOptima Policy FF.3002, Financial Risk Arrangement. If approved by your Board, the changes would be included in CalOptima Policy FF.3002 and in the Health Network Contract Amendment.

Fiscal Impact
The anticipated Medi-Cal revenue for FY 2016-17 is projected to be sufficient to cover the costs of the recommended actions. Management plans to include expenses associated with the extended contracts in the proposed CalOptima FY 2016-17 Operating Budget.

Rationale for Recommendation
CalOptima staff recommends this action to maintain and continue the contractual relationship with the provider network and to fulfill regulatory and CalOptima policy requirements.

Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — *04/28/2016*
Authorized Signature — **Date**

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken May 5, 2016
Regular Meeting of the CalOptima Board of Directors

Report Item
16. Ratify Contract Extension Amendment and Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for Talbert Medical Group, Inc.

Contact
Javier Sanchez, Chief Network Officer, (714) 246-8400
Chet Uma, Chief Network Officer, (714) 246-8400

Recommended Actions
1. Ratify the Contract amendment extending the Talbert Medical Group, Inc. Medi-Cal Health Network contract through June 30, 2016; and

2. Authorize the Chief Executive Officer (CEO) to enter into a Contract Amendment, with the assistance of Legal Counsel, for the Talbert Medical Group, Inc. Medi-Cal Health Network Contract which:
    a. extends the Contract through ~~June 30, 2017~~ December 31, 2016;
    b. revises the capitation rate for the Medi-Cal Expansion (MCE) members effective July 1, 2016 as authorized by the Board; and
    ~~c. amends the Health Network (HN) financial security and withhold requirements as authorized by the Board;~~
    c. provides clarifying revisions to the Division of Financial Responsibility (DOFR).

Rev. 5/5/16

Background
CalOptima's current Talbert Medical Group, Inc. Medi-Cal Health Network Contract (Contract) was amended July 1, 2015 to extend the contract through June 30, 2016 and included, at CalOptima's option, two additional one year extensions.

Based on two separate CalOptima Board actions taken on June 4, 2015, and September 3, 2015, revised rates for the Medi-Cal Expansion members referencing that the Health Network contracts were in place and effective through June 30, 2016. However, the staff recommendation omitted the specific request for the extension of the health network contracts themselves. The contract amendments contain provisions allowing CalOptima to exercise the option to extend the contracts under the same terms and conditions for two one year periods.

In support of Medi-Cal Expansion, the Board on November 7, 2013 approved the distribution of enhanced federal funding received from the Department of Health Care Services (DHCS), to the Health Networks (HN). CalOptima, in order to maintain the higher funding level for Medi-Cal Expansion (MCE) members, had to demonstrate a Medical Loss Ratio (MLR) of eighty-five percent (85%) or higher. CalOptima's MLR did not support the continued level of funding established in 2014 and DHCS gradually reduced the level of MCE funding to CalOptima. The Board subsequently approved a reduction in HN capitation rates in a Board action on September 3, 2015.

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Discussion
CalOptima staff is requesting authority to enter into an Amendment of the Health Network Contract that would extend the term and incorporate other changes if and as approved by your Board in another Board item.

Extension of Contract Term: CalOptima staff is requesting Board ratification of the Medi-Cal Talbert Medical Group, Inc. Health Network Contract amendment that extended the Contract through June 30, 2016.

CalOptima staff is also requesting authority to amend the Talbert Medical Group, Inc. Medi-Cal Health Network Contract to further extend the Contract through June 30, 2017.

MCE Rates: In anticipation of further MCE capitation reductions as described by DHCS, staff is separately requesting authority to update the Health Network capitation rates for MCE members to reflect the same level as the rates for the non-disabled "Classic" Medi-Cal Temporary Assistance for Needy Families (TANF), (Family/Poverty/Child Aid Code Category) population effective July 1, 2016. This change will be reflected in the CalOptima Fiscal Year (FY) 2016-17 Operating Budget to be presented to the Finance and Audit Committee on May 19, 2016, but subject to adjustment should final rates be higher or lower than the Classic rates. If approved by your Board, these rates would be included in the Health Network Contract Amendment.

Financial Security Reserve and Capitation Withhold Requirements: CalOptima staff is also separately requesting authority to amend the Health Network Contract financial security reserve and capitation withhold requirements to reflect the new requirements which will be included in revisions to CalOptima Policy FF.3002, Financial Risk Arrangement. If approved by your Board, the changes would be included in CalOptima Policy FF.3002 and in the Health Network Contract Amendment.

Fiscal Impact
The anticipated Medi-Cal revenue for FY 2016-17 is projected to be sufficient to cover the costs of the recommended actions. Management plans to include expenses associated with the extended contracts in the proposed CalOptima FY 2016-17 Operating Budget.

Rationale for Recommendation
CalOptima staff recommends this action to maintain and continue the contractual relationship with the provider network and to fulfill regulatory and CalOptima policy requirements.

Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — *04/28/2016*
Authorized Signature — **Date**

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken May 5, 2016
Regular Meeting of the CalOptima Board of Directors

Report Item
17. Ratify Contract Extension Amendment and Authorize Amendment of the CalOptima Medi-Cal Health Network Contract for United Care Medical Group, Inc.

Contact
Javier Sanchez, Chief Network Officer, (714) 246-8400
Chet Uma, Chief Network Officer, (714) 246-8400

Recommended Actions
1. Ratify the Contract amendment extending the United Care Medical Group, Inc. Medi-Cal Health Network contract through June 30, 2016; and

2. Authorize the Chief Executive Officer (CEO) to enter into a Contract Amendment, with the assistance of Legal Counsel, for the United Care Medical Group, Inc. Medi-Cal Health Network Contract which:
    a. extends the Contract through ~~June 30, 2017~~ December 31, 2016;
    b. revises the capitation rate for the Medi-Cal Expansion (MCE) members effective July 1, 2016 as authorized by the Board; and
    ~~c. amends the Health Network (HN) financial security and withhold requirements as authorized by the Board;~~
    c. provides clarifying revisions to the Division of Financial Responsibility (DOFR).

Rev. 5/5/16

Background
CalOptima's current United Care Medical Group, Inc. Medi-Cal Health Network Contract (Contract) was amended July 1, 2015 to extend the contract through June 30, 2016 and included, at CalOptima's option, two additional one year extensions.

Based on two separate CalOptima Board actions taken on June 4, 2015, and September 3, 2015, revised rates for the Medi-Cal Expansion members referencing that the Health Network contracts were in place and effective through June 30, 2016. However, the staff recommendation omitted the specific request for the extension of the health network contracts themselves. The contract amendments contain provisions allowing CalOptima to exercise the option to extend the contracts under the same terms and conditions for two one year periods.

In support of Medi-Cal Expansion, the Board on November 7, 2013 approved the distribution of enhanced federal funding received from the Department of Health Care Services (DHCS), to the Health Networks (HN). CalOptima, in order to maintain the higher funding level for Medi-Cal Expansion (MCE) members, had to demonstrate a Medical Loss Ratio (MLR) of eighty-five percent (85%) or higher. CalOptima's MLR did not support the continued level of funding established in 2014 and DHCS gradually reduced the level of MCE funding to CalOptima. The Board subsequently approved a reduction in HN capitation rates in a Board action on September 3, 2015.

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Discussion
CalOptima staff is requesting authority to enter into an Amendment of the Health Network Contract that would extend the term and incorporate other changes if and as approved by your Board in another Board item.

Extension of Contract Term: CalOptima staff is requesting Board ratification of the Medi-Cal United Care Medical Group, Inc. Health Network Contract amendment that extended the Contract through June 30, 2016.

CalOptima staff is also requesting authority to amend the United Care Medical Group, Inc. Medi-Cal Health Network Contract to further extend the Contract through June 30, 2017.

MCE Rates: In anticipation of further MCE capitation reductions as described by DHCS, staff is separately requesting authority to update the Health Network capitation rates for MCE members to reflect the same level as the rates for the non-disabled "Classic" Medi-Cal Temporary Assistance for Needy Families (TANF), (Family/Poverty/Child Aid Code Category) population effective July 1, 2016. This change will be reflected in the CalOptima Fiscal Year (FY) 2016-17 Operating Budget to be presented to the Finance and Audit Committee on May 19, 2016, but subject to adjustment should final rates be higher or lower than the Classic rates. If approved by your Board, these rates would be included in the Health Network Contract Amendment.

Financial Security Reserve and Capitation Withhold Requirements: CalOptima staff is also separately requesting authority to amend the Health Network Contract financial security reserve and capitation withhold requirements to reflect the new requirements which will be included in revisions to CalOptima Policy FF.3002, Financial Risk Arrangement. If approved by your Board, the changes would be included in CalOptima Policy FF.3002 and in the Health Network Contract Amendment.

Fiscal Impact
The anticipated Medi-Cal revenue for FY 2016-17 is projected to be sufficient to cover the costs of the recommended actions. Management plans to include expenses associated with the extended contracts in the proposed CalOptima FY 2016-17 Operating Budget.

Rationale for Recommendation
CalOptima staff recommends this action to maintain and continue the contractual relationship with the provider network and to fulfill regulatory and CalOptima policy requirements.

Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — *04/28/2016*
Authorized Signature — **Date**

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken May 5, 2016
Regular Meeting of the CalOptima Board of Directors

Report Item

18. Subject to Full Completion of all Applicable Readiness Assessment Requirements, Authorize CalOptima Medi-Cal Health Network Contract for St. Joseph Heritage Healthcare

Contact

Javier Sanchez, Chief Network Officer, (714) 246-8400
Chet Uma, Chief Network Officer, (714) 246-8400

Recommended Actions

Subject to full completion of all applicable readiness assessment requirements, authorize the Chief Executive Officer (CEO) to enter into a Contract, with the assistance of Legal Counsel, for the St. Joseph Heritage Healthcare Medi-Cal Health Network Contract which:

~~a. extends the Contract through June 30, 2017~~;

a. ~~revises~~ includes the capitation rate for the Medi-Cal Expansion (MCE) members effective July 1, 2016 through December 31, 2016 as authorized by the Board;

~~b. amends the Health Network (HN) financial security and withhold requirements as authorized by the Board;~~ and

b. provides clarifying ~~revisions~~ provisions to the Division of Financial Responsibility (DOFR).

Rev. 5/5/16

Background

Based on two separate CalOptima Board actions, taken on June 4, 2015 and September 3, 2015, revised rates for the Medi-Cal Expansion members referencing that the Health Network contracts were in place and effective through June 30, 2016. However, the staff recommendation omitted the specific request for the extension of the health network contracts themselves. The contract amendments contain provisions allowing CalOptima to exercise the option to extend the contracts under the same terms and conditions for two one year periods.

In support of Medi-Cal Expansion, the Board on November 7, 2013 approved the distribution of enhanced federal funding received from the Department of Health Care Services (DHCS), to the Health Networks (HN). CalOptima, in order to maintain the higher funding level for Medi-Cal Expansion (MCE) members, had to demonstrate a Medical Loss Ratio (MLR) of eighty-five percent (85%) or higher. CalOptima's MLR did not support the continued level of funding established in 2014 and DHCS gradually reduced the level of MCE funding to CalOptima. The Board subsequently approved a reduction in HN capitation rates in a Board action on September 3, 2015.

Discussion

CalOptima staff is requesting authority to enter into a Health Network Contract that would extend the term and incorporate other changes if and as approved by your Board in another Board item.

MCE Rates: In anticipation of further MCE capitation reductions as described by DHCS, staff is separately requesting authority to update the Health Network capitation rates for MCE members to reflect the same level as the rates for the non-disabled "Classic" Medi-Cal Temporary Assistance for

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Needy Families (TANF) (Family/Poverty/Child Aid Code Category), population effective July 1, 2016. This change will be reflected in the CalOptima Fiscal Year (FY) 2016-17 Operating Budget to be presented to the Finance and Audit Committee on May 19, 2016, but subject to adjustment should final rates be higher or lower than the Classic rates. If approved by your Board, these rates would be included in the Health Network Contract Amendment.

Financial Security Reserve and Capitation Withhold Requirements: CalOptima staff is also separately requesting authority to amend the Health Network Contract financial security reserve and capitation withhold requirements to reflect the new requirements which will be included in revisions to CalOptima Policy FF.3002, Financial Risk Arrangement. If approved by your Board, the changes would be included in CalOptima Policy FF.3002 and in the Health Network Contract Amendment.

Fiscal Impact
The anticipated Medi-Cal revenue for FY 2016-17 is projected to be sufficient to cover the costs of the recommended actions. Management plans to include expenses associated with the extended contracts in the proposed CalOptima FY 2016-17 Operating Budget.

Rationale for Recommendation
CalOptima staff recommends this action to maintain and continue the contractual relationship with the provider network and to fulfill regulatory and CalOptima policy requirements.

Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — *04/28/2016*
Authorized Signature — **Date**

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CONTINUED TO A FUTURE BOARD OF DIRECTORS MEETING

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken May 5, 2016
Regular Meeting of the CalOptima Board of Directors

Report Item

19. Authorize Contract Amendments and Revisions of the Current Specialist Medi-Cal Expansion (MCE) Member Rates and Revise Contract Terms to Align with Fiscal Year

Contact

Chet Uma, Chief Financial Officer, (714) 246 8400
Javier Sanchez, Chief Network Officer, (714) 246-8400

Recommended Actions

1. Authorize the Chief Executive Officer (CEO) to revise the CalOptima Specialist Medi-Cal Expansion (MCE) member rates that expire June 30, 2016, and amend Specialist contracts to reflect the new rates authorized by the Board; and
2. Authorize the CEO to revise the contract term for all new and existing Community Network Specialist Physicians to align with the fiscal year.

Background and Discussion

In support of MCE, the Board on November 7, 2013, approved the distribution of enhanced federal funding received from the California Department of Health Care Services (DHCS), to the contracted Specialists. CalOptima, in order to maintain the higher funding level for Expansion Members, had to demonstrate a Medical Loss Ratio (MLR) of eighty-five percent (85%) or higher. CalOptima's MLR did not support the continued level of funding established in 2014, and DHCS gradually reduced the level of MCE monies to CalOptima. The Board subsequently approved a reduction in Specialist rates in a Board action on September 3, 2015.

Currently for MCE members, contracted specialists are reimbursed a 15% upward adjustment of the Medi-Cal physician contracted FFS rates and will now be reimbursed at the CalOptima contracted base rates in place for non-MCE members. In anticipation of further MCE revenue reductions as described by DHCS, staff is requesting authority to amend specialist contracted rates for MCE members to reflect the rates approved by your Board in another Board item. The proposed rates are at the same level as those for Medi-Cal (non MCE) members. If approved, this change will be reflected in the proposed Fiscal Year (FY) 2016-17 Operating Budget to be presented to the Finance and Audit Committee on May 19, 2016.

The current Contracts with Specialists specify that contracts become effective on the effective date and shall remain in effect for a one year term and will be renewed for additional one year terms upon approval by the CalOptima Board of Directors. This results in having variable timeframes under which providers Contracts are effective variable terms under which amendments may become effective.

Staff also requests authorization to standardize the terms of the Contracts based on CalOptima's fiscal year. The initial term of up to one year for a newly contracted provider will be from the effective date until June 30. Renewals will then be effective based on Board approval, from the period July 1 through

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CONTINUED TO A FUTURE BOARD OF DIRECTORS MEETING

June 30. Existing contracts will be amended to include the revised term language when they are amended for other contractual revisions.

Fiscal Impact
The anticipated Medi-Cal revenue for FY 2016-17 is projected to be sufficient to cover the costs of the recommended actions. Management plans to include expenses associated with the revised contracts in the proposed CalOptima FY 2016-17 Operating Budget.

Rationale for Recommendation
The proposed amendment to the Specialist contracts will support the stability of CalOptima's contracted provider delivery system that continues to grow significantly. Contract language allows CalOptima and the providers to terminate the contracts with or without cause.

Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — **Authorized Signature**

04/28/2016 — **Date**

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken May 5, 2016
Regular Meeting of the CalOptima Board of Directors

Report Item
20. Authorize Contract Amendments and the Revision of the Current Fee-For-Service Hospital Medi-Cal Expansion Member Rates

Contact
Chet Uma, Chief Financial Officer, (714) 246 8400
Javier Sanchez, Chief Network Officer, (714) 246-8400

Recommended Actions
Authorize the Chief Executive Officer (CEO) to revise the CalOptima Fee-For-Service (FFS) hospital Medi-Cal Expansion (MCE) member rates that expire June 30, 2016, and amend FFS hospital contracts to reflect the new rates authorized by the Board.

Background and Discussion
On November 7, 2013, the Board approved revisions to CalOptima's FY 2013-14 Operating Budget and took other actions associated with the implementation of Medi-Cal expansion effective January 1, 2014. Hospital contracts were first amended effective January 1, 2014, to include increased reimbursement rates for Medi-Cal expansion members.

After six months of serving Medi-Cal expansion members, providers expressed concerns regarding the inadequacy of rates based on the costs associated with the acuity levels and medical needs of certain Medi-Cal expansion populations, such as the former Low Income Health Program (LIHP) beneficiaries. With the advantage of six months worth of experience, staff was able to more accurately align the cost of medical services provided to the Medi-Cal expansion populations and the capitation payments received from DHCS.

On August 7, 2014, the Board approved a 35.1% increase to hospital FFS rates for services to the Medi-Cal expansion population. Hospital contracts were amended effective September 1, 2014, to include this second increase for Medi-Cal expansion members.

On June 4, 2015, the Board approved an extension of the increased hospital FFS contracted rates from the August 7, 2014 meeting for Medi-Cal expansion members through June 30, 2016.

On September 3, 2015, the Board approved the discontinuation of the previously approved 35.1% upward adjustment for Medi-Cal expansion hospital FFS contracted rates effective September 1, 2015. However, in order to provide some level of enhanced payment, a 15% upward adjustment for Medi-Cal expansion hospital FFS contracted rates for the period September 1, 2015 through June 30, 2016 was approved. The 15% upward adjustment was applied to the rates in effect immediately prior to the September 1, 2014 implementation of the referenced 35.1% upward adjustment.

In anticipation of further MCE revenue reductions as described by DHCS, staff is requesting authority to amend hospital contracts to reflect the Hospital rates for MCE members to reflect the rates approved by

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your Board in another Board item. The proposed rates are at the same level as the contracted rates for the non-disabled adult Medi-Cal (non MCE) members. If approved, the proposed change will be reflected in the proposed Fiscal Year (FY) 2016-17 Operating Budget to be presented to the Finance and Audit Committee on May 19, 2016.

Fiscal Impact
The anticipated Medi-Cal revenue for FY 2016-17 is projected to be sufficient to cover the costs of the recommended actions. Management plans to include expenses associated with the revised contracts in the proposed CalOptima FY 2016-17 Operating Budget.

Rationale for Recommendation
The proposed amendment to the hospital contracts will support the stability of CalOptima's contracted provider delivery system that continues to grow significantly. Contract language allows CalOptima and the providers to terminate the contracts with or without cause.

Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — **Authorized Signature**

04/28/2016 — **Date**

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken May 5, 2016
Regular Meeting of the CalOptima Board of Directors

Report Item

21. Consider Authorization of Expenditures in Support of CalOptima's Participation in Community Events

Contact

Phil Tsunoda, Executive Director Public Policy and Public Affairs, (714) 246-8400

Recommended Actions

1. Authorize expenditures for CalOptima's participation in the following community events:
    a. Up to $1,500 and staff participation in the World Refugee Day on June 4, 2016 in Anaheim;
    b. Up to $1,000 and staff participation in the 2016 World Elder Abuse Awareness Day on June 18, 2016 in Buena Park;
    c. Up to $1,000 and staff participation in the 22nd Annual Mental Health Conference Meeting of the Minds on June 23, 2016 in Anaheim;
    d. Up to $1,000 and staff participation in the Eleventh Annual Senior Expo 2016 on June 16, 2016 in Fountain Valley;
2. Make a finding that such expenditures are for a public purpose and in furtherance of CalOptima's mission and statutory purpose; and
3. Authorize the Chief Executive Officer to execute agreements as necessary for the events and expenditures.

Background

CalOptima has a long history of participating in community events, health and resource fairs, town halls, workshops, and other public activities in furtherance of the organization's statutory purpose. Consistent with these activities, CalOptima has offered financial participation in public activities from time to time when such participation is in the public good, in furtherance of CalOptima's mission and statutory purpose, and encourages broader participation in CalOptima's programs and services, or promotes health and wellness among the populations CalOptima serves. As a result, CalOptima has developed and cultivated a strong reputation in Orange County with community partners and key stakeholders.

Requests for participation are considered based on several factors, including: the number of current and potential CalOptima members and others the activity/event will reach, the marketing benefits accrued to CalOptima, the strength of the partnership or level of involvement with the requesting entity in serving CalOptima members, past participation, staff availability, and available budget.

Discussion

Staff recommends the authorization of expenditures for participation in the community events due in part to highlight the OneCare Connect program in the community and potentially increase enrollment for the program, promote access to mental health services and increase access to health care services in the community.

a. For the World Refugee Day 2016 in Anaheim, a $1,500 financial commitment includes an opportunity for CalOptima's Chief Executive Officer to accept a "Distinguished Refugee Forum of Orange County Award of Excellence" which will be presented by elected officials

and the executive board on the day of the event and an opportunity to address attendees. Additional benefits include Facebook recognition, one exhibit space, name and logo on stage banner and program. Employee time will be used to participate in the event. The event will raise awareness about issues refugees face while resettling in Orange County and provide resources to get connected to support services. More than 1,000 guests are expected to attend this event. Guests will be comprised of current and potential CalOptima members, elected officials, executive board members and community members throughout Orange County. Employees will be able to interact with current and potential CalOptima members and share information, potentially increasing enrollment. Participation in this event will create positive visibility for CalOptima in the community and provide continued support to strengthen our existing relationship with the Refugee Forum of Orange County, which include community-based organizations such as the American Red Cross of Orange County, County of Orange Social Services Agency, California State University, Fullerton, Orange County Health Care Agency and the Salvation Army

b. For the 2016 World Elder Abuse Day in Buena Park, a $1,000 financial commitment includes name and logo on North Orange County Senior Collaborative and Ageless Alliance's websites, recognition in event program advertising, special recognition at the event, reserved front row seating at the event, one exhibit space, and name and logo on banner display. Employee time will be used to participate in the event. Employees will have an opportunity to interact with current and potential CalOptima members and highlight the One Care Connect program with senior members in the community, potentially increasing enrollment. This event will feature guest speakers to address the topic of intergenerational aspects of elder abuse and will provide information and resources for attendees. This is an opportunity for CalOptima to provide outreach and education for our senior members and strengthen our relationships with community-based organizations who are members of the North Orange County Senior Collaborative and Ageless Alliance, Inc.

c. For the 22nd Annual Mental Health Conference, "Meeting of the Minds," in Anaheim, a $1,000 financial commitment includes one exhibit space, recognition as a supporting sponsor in the event program and all media outlets for the event, ,acknowledgement on the day of the event, a mention on the Mental Health Association (MHA) website through 2016 and admission for six staff Employee time will be used to participate in the event as an exhibitor and conference attendee. Employees will have an opportunity to interact with current and potential CalOptima members and community-based organizations to provide education about mental health services available to CalOptima members. In addition, employees will be able to attend the event and learn about additional resources that will benefit CalOptima members. This is an educational event in Orange County designed to address a variety of mental health issues. Conference attendees include, but are not limited to, CalOptima members, mental health professionals, educators, students, law enforcement, providers, social workers, hospital executives, family members, and community leaders. Participation in this event will provide an opportunity for positive visibility for CalOptima and strengthen our existing relationship with the Mental Health Association of Orange County.

d. For the Eleventh Annual Senior Expo 2016 in Fountain Valley, a $1,000 financial commitment includes one exhibit space, name and logo display on the "2016 Senior Expo"

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street banners, Facebook recognition, event flyers, all printed materials,, Channel 3 TV slide, press release and sponsorship announcement during the event. Employee time will be used to participate in the event. Employees will have an opportunity to interface with current and potential members and provide education about the OneCare Connect program, potentially increasing enrollment. There are many current and potential Vietnamese members residing in the city of Fountain Valley. The Vietnamese population has had high opt-out rates for the OneCare Connect program. Attending this event may help address this issue by providing outreach and education to our Vietnamese seniors.

CalOptima staff has reviewed each request and determined that they each meet the considerations for participation including the following:

1. The number of current and potential CalOptima members and others the activity/event will reach;
2. The marketing benefits accrued to CalOptima;
3. The strength of the partnership or level of involvement with the requesting entity in serving CalOptima members;
4. Past participation;
5. Staff availability; and
6. Available budget.

As part of its consideration of the recommended actions, approval of this item would be based on the Board making a finding that the proposed activities and expenditures are in the public interest and in furtherance of CalOptima's statutory purpose.

Fiscal Impact

Funding for the recommended action of $4,500 is included as part of the Community Events budget under the CalOptima Fiscal Year 2015-16 Operating Budget approved by the CalOptima Board of Directors on June 4, 2015.

Rationale for Recommendation

Staff recommends approval of the recommended actions in order to support community activities that provide opportunities that reflect CalOptima's mission, encourage broader participation in CalOptima's programs and services, or promote health and wellness. CalOptima's participation in the events will provide an opportunity to highlight the OneCare Connect program in the community and potentially increase enrollment for the program and increase access to health care services in the community.

Concurrence

Gary Crockett, Chief Counsel

Attachments

None

/s/ Michael Schrader — *04/28/2016*

Authorized Signature — **Date**

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken May 5, 2016
Regular Meeting of the CalOptima Board of Directors

Report Item
22. Authorize the Purchase and Installation of the Water Softener System at the Program of All-Inclusive Care for the Elderly (PACE) Center

Contact
Javier Sanchez, Chief Network Officer, (714) 246-8400

Recommended Action
Authorize expenditure of $42,000 of unbudgeted funds for the purchase and installation of a water softener system at the CalOptima PACE center

Background/Discussion
In November 2015, the California Department of Health Care Services (DHCS) and the Centers for Medicare & Medicaid (CMS) conducted a routine annual audit of PACE. The audit resulted in minor corrective actions including remediation of inconsistent hot water temperature in the center's kitchen, which is utilized for meal processing and clean up. The PACE center is required to have available a consistent flow of hot water at 120 degrees (F). The 2014 audit of the PACE center had similar findings related to the consistent flow of hot water at the required temperature.

CalOptima Facilities staff consulted with plumbing experts who determined that the low pressure in the plumbing system is caused by mineral deposits from the hard city water supply. Hard water mineral deposits in the water circulation valves cause ongoing fluctuations in hot water temperature as well as damage to the PACE dishwasher and ice machine. These mineral deposits have resulted in on-going expense to CalOptima PACE over the past two years as it has been necessary to replace several plumbing fixtures and 20 water circulation valves at an average cost of $2,000 to $4,000 per valve, depending on the valves' location in the building.

The recommended solution to the hard water problem at PACE is to install a water softener. CalOptima staff conducted an informal bid process for the purchase of the water softener and installation. Two bids were received, with the lowest bid of approximately $125,000. Based on the lowest bid, the total cost of the project is $135,000, which includes $125,000 for the purchase and installation of the water softener system and $10,000 in architectural fees.

Pursuant to Resolution No. 12-0301-01, delegating the Chief Executive Officer to make budget allocations changes within certain parameters, the Chief Executive Officer previously repurposed unused capital budget of $93,000 to fund this project. Due to the results of the informal bid process and architectural fees, the remaining $42,000 to complete the project totaling $135,000 is unfunded.

Fiscal Impact
The fiscal impact for this recommended action is unbudgeted. Management requests $42,000 from reserves to fund the recommended action.

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Rationale for Recommendation
CalOptima must address this on-going issue of damage caused the hard water of the PACE center to comply with regulatory requirements and to ensure the health and safety of PACE center participants.

Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — *04/28/2016*
Authorized Signature — **Date**

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken May 5, 2016
Regular Meeting of the CalOptima Board of Directors

Report Item
23. Election of Officers of the Board of Directors for Fiscal Year 2016-17

Contact
Michael Schrader, Chief Executive Officer, (714) 246-8400

Recommended Action
Elect the current Board Chair and Vice Chair for terms effective July 1, 2016 through June 30, 2017, or until the election of a successor(s), unless the Board Chair or Vice Chair shall sooner resign or be removed from office.

Background/Discussion
In accordance with Article VIII, Section 8.1 of CalOptima's Bylaws, the Board shall elect one of its Directors as Chair at an organizational meeting. The Chair shall be the principal officer of the Board and shall preside at all meetings of the Board, shall appoint all members of the Ad Hoc Committees, as well as the chair of the Ad Hoc Committees and all Committees other than the Member and Provider Advisory Committees. The Chair shall perform all duties incident to the office and such other duties as may be prescribed by the Board from time to time.

Section 8.2 of the CalOptima Bylaws states that the Board shall elect one of its Directors to serve as Vice Chair at an organizational meeting. The Vice Chair shall perform the duties of the Chair if the Chair is absent from the meeting or is otherwise unable to act.

The Chair and Vice Chair terms shall commence on the first day of the month after the organizational meeting at which they are elected to their respective positions.

Fiscal Impact
None

Rationale for Recommendation
The recommended actions are in accordance with Article VIII of the CalOptima Bylaws.

Concurrence
Gary Crockett, Chief Counsel

Attachments
None

/s/ Michael Schrader — *04/28/2016*
Authorized Signature — **Date**

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AGENDA ITEM 24 TO FOLLOW CLOSED SESSION

Authorize the Chief Executive Officer (CEO) to Submit OneCare Bid for Calendar Year 2017 and Execute Contract with the Centers for Medicare & Medicaid Services (CMS); Authorize the CEO to Amend/Execute OneCare Health Network Contracts and Take Other Actions as Necessary to Implement

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Board of Directors Meeting
May 5, 2016

OneCare Connect Cal MediConnect Plan (Medicare-Medicaid Plan)
Member Advisory Committee Update

The OneCare Connect Member Advisory Committee (OCC MAC) convened two subcommittees in April.

The OCC MAC Nominations Ad Hoc Subcommittee met on April 12, 2016, to review applications and select a proposed slate of candidates and Chairperson for four OCC MAC seats expiring on June 30, 2016, and one vacant seat. The subcommittee was composed of Members Lena Berlove, Erin Ulibarri and Sandy Finestone. The subcommittee reviewed applications for the following seats: 1) Community-Based Adult Services provider representative; 2) Home and Community-Based Services (HCBS) representative serving seniors; 3) Long-Term Care facility representative; 4) Member advocate representative; and 5) OneCare Connect member/family member representative. OCC MAC will consider the proposed slate of candidates at the April 28, 2016 meeting and forward the recommendation for the Board's consideration.

On April 12, 2016, the OCC MAC Goals & Objectives Ad Hoc Subcommittee met to develop the FY 2016-17 Goals and Objectives based on the State's goals for Cal MediConnect and CalOptima's strategic direction. Subcommittee members included Josefina Diaz, Sandy Finestone and Chair Patty Mouton. The OCC MAC will consider the recommendations at the April 28, 2016 meeting.

The OCC MAC appreciates the opportunity to provide the CalOptima Board with input and updates on the OCC MAC activities.

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Board of Directors Meeting
May 5, 2016

Provider Advisory Committee (PAC) Update

April 14, 2016 PAC Meeting

Eleven (11) PAC members were in attendance at the April 14, 2016 meeting.

Upon the request of the PAC, Staff presented information on the process to add a Vice Chair position to the PAC. After discussion, PAC members unanimously approved a recommendation for the Board of Directors to consider the addition of a PAC Vice-Chair. Members also unanimously approved opening nominations and directed staff to prepare a recommendation for consideration at a future Board meeting.

PAC members were updated on the Health Network Minimum and Maximum Enrollment Policy at the request of Member Miranti who represents the health networks. PAC requested that this item be brought back to a future PAC meeting with more information and benchmarking standards for a possible recommendation to the Board to change the minimum Medi-Cal enrollment requirements.

In his CMO report, Dr. Richard Bock, Deputy Chief Medical Officer raised concerns on the current prescription opioid epidemic being experienced throughout the country. Several PAC members agreed to assist Dr. Bock in providing information to their constituents after hearing that Orange County was one of the top counties in California impacted by this epidemic.

PAC Members received an update on Intergovernmental Transfer (IGT) 5 funding entities. PAC members have requested an update at a future meeting on IGT 1 through 4 funds that have been used to date and any remaining funds that may be pending distribution.

PAC Nominations closed on April 1, 2016. Fifteen (15) PAC applications were received for six of the current 15 seats with three PAC members applying for the open Chair position. The Nominations Ad Hoc committee met on April 28, 2016 to review and recommend a slate of candidates for the open seats. The recommended candidates will be reviewed at the May 12, 2016 PAC meeting before final recommendations are forwarded to your Board.

In addition to the highlights above, PAC members received the following updates from CalOptima's executive staff at the April 14, 2016 PAC meeting: CEO Update, CFO Update, CNO Update, COO Update, and State Budget Update.

Once again, the PAC appreciates and thanks the CalOptima Board for the opportunity to present input and updates on the PAC's activities.

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Board of Directors Meeting
May 5, 2016

Member Advisory Committee Update

There was no Regular Meeting of the Member Advisory Committee (MAC) scheduled in April; however, the MAC convened two Ad Hoc Subcommittees.

On April 20, 2016, the MAC Nominations Ad Hoc Subcommittee met to review applications and select a proposed slate of candidates and Chairperson for the seats expiring on June 30, 2016. The subcommittee was composed of Members Suzanne Butler, Sandy Finestone and Connie Gonzalez. The subcommittee reviewed applications for the following seats: 1) Children; 2) Consumer; 3) Foster Children; 4) Long-Term Care; 5) Medically Indigent Persons; 6) Persons with Mental Illness; and 7) Persons with Special Needs. MAC will consider the proposed slate of candidates at the May 12, 2016 meeting.

On April 20, 2016, the MAC Goals & Objectives Ad Hoc Subcommittee met to develop the Goals and Objectives for FY 2016-17. The subcommittee was composed of Members Gene Howard, Connie Gonzalez and Gregory Mathes. The subcommittee recommended goals and objectives that align with CalOptima's strategic direction. MAC will consider the proposed Goals & Objectives at the May 12, 2016 meeting.

MAC appreciates the opportunity to provide the CalOptima Board with input and updates on the MAC's activities.

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A Primer to the FY 2016-17 CalOptima Budget

Board of Directors Meeting
May 5, 2016

Chet Uma
Chief Financial Officer

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Overview

- Lines of Business
- Operating Budget Assumptions
  - Enrollment
    - Medi-Cal Classic & Expansion
    - OneCare & OneCare Connect
    - PACE
  - Revenue Assumptions
  - Provider Reimbursement Types
  - Provider Reimbursement: CalOptima
  - Medical Expense Assumptions
  - Administrative Expense Assumptions
  - Capital Budget Assumptions
- Timeline

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Lines of Business

	Start Date	Program Type	Contractor/ Regulator
Medi-Cal CalOptima Better. Together.	October 1995	California's Medicaid program	California Department of Health Care Services (DHCS)
OneCare (HMO SNP) CalOptima Better. Together.	October 2005	Medicare Advantage Special Needs Plan (SNP)	Centers for Medicare & Medicaid Services (CMS)
PACE CalOptima Better. Together.	October 2013	Medicare and Medicaid Program	Three-way contract: CMS, DHCS and CalOptima
OneCare Connect CalOptima Better. Together.	July 2015	Medicare and Medicaid Duals Demonstration	Three-way contract: CMS, DHCS and CalOptima

- Medi-Cal program includes: (1) Classic and (2) Medi-Cal Expansion

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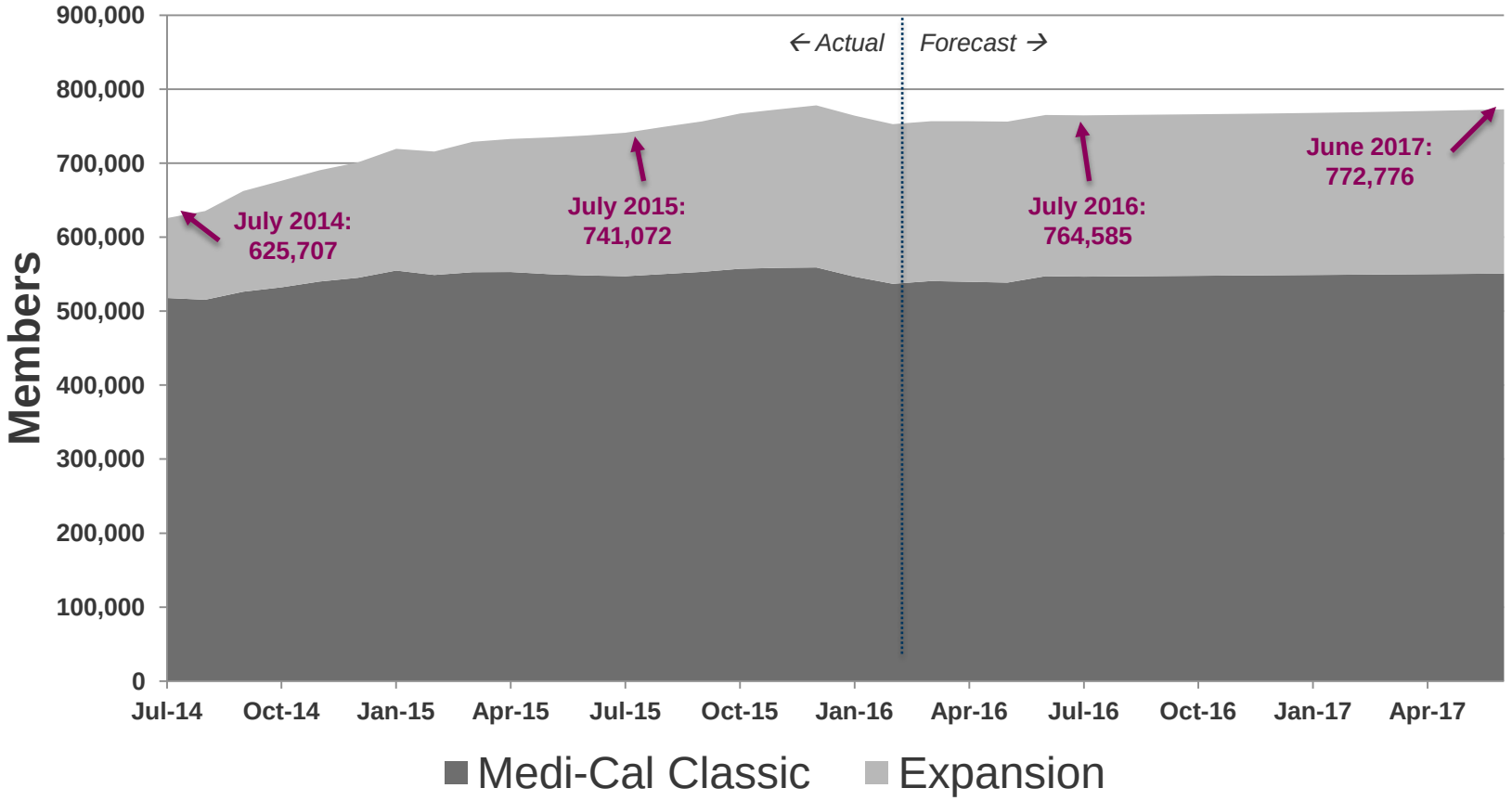
Enrollment: Medi-Cal Classic & Expansion



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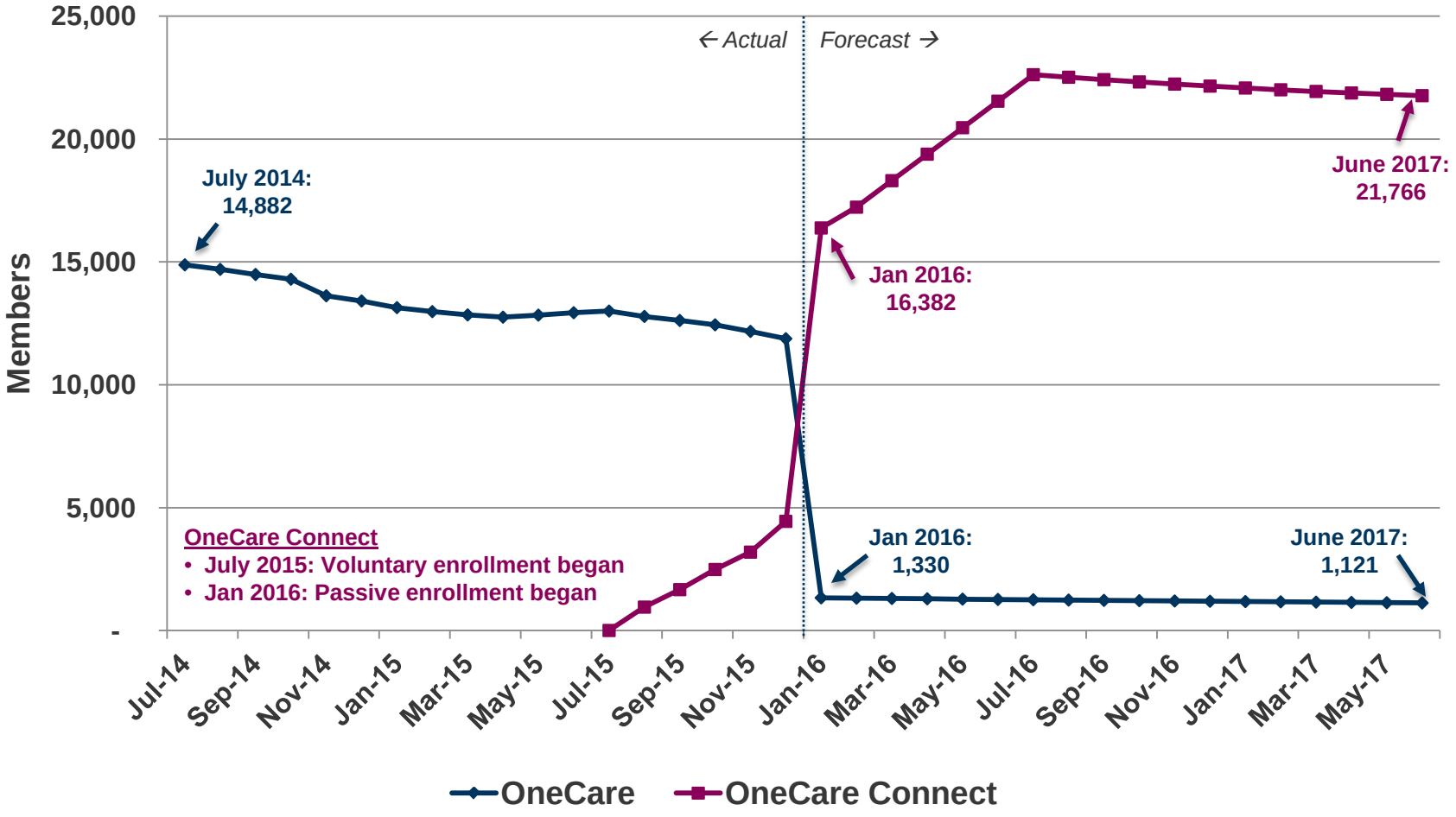
Enrollment: OneCare & OneCare Connect



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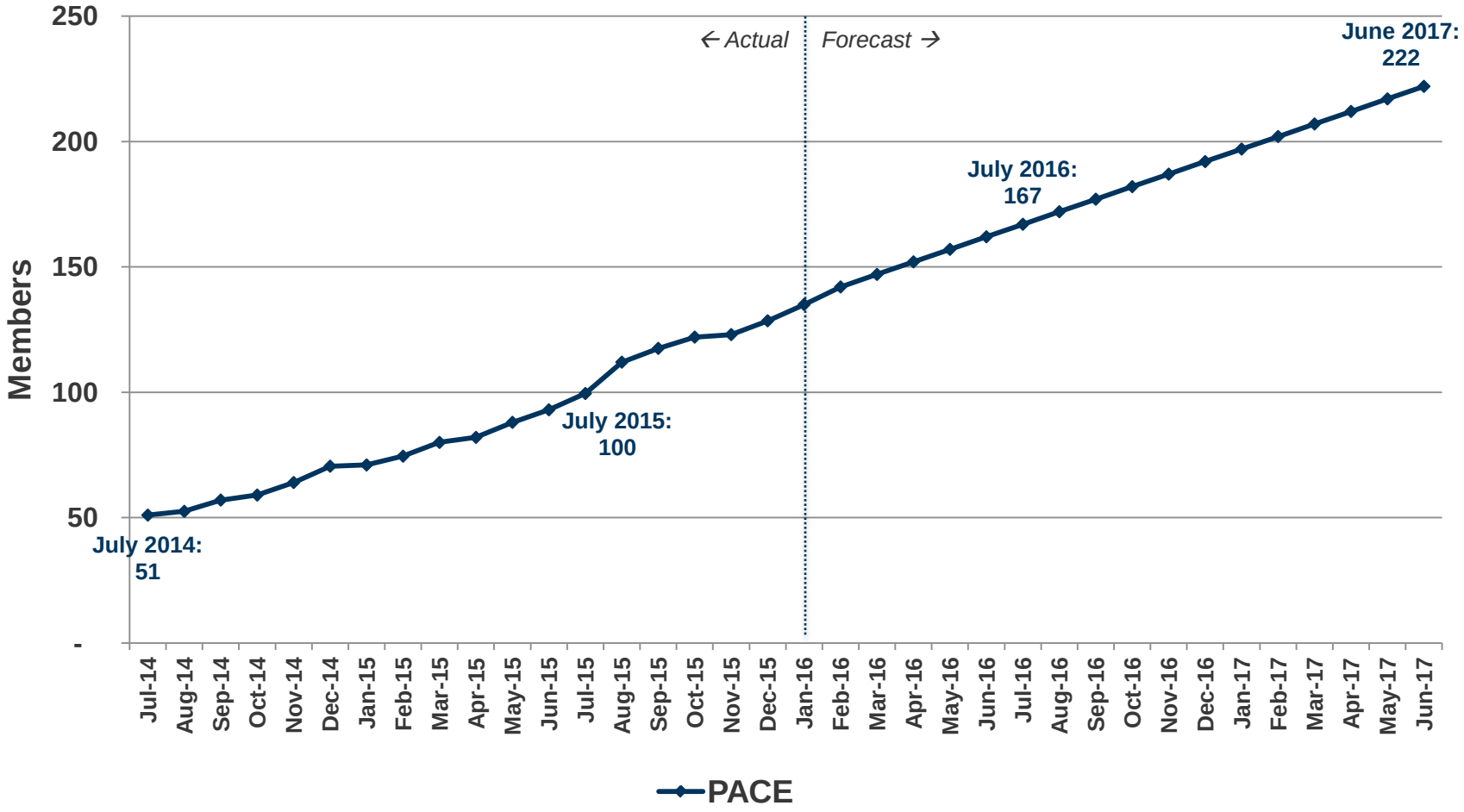
Enrollment: PACE



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Revenue Assumptions

Program	Assumption	
Medi-Cal	• Uses FY 2015-16 rates for Classic population • Uses FY 2015-16 Classic Adult rate for MCE population.	
OneCare	• Uses current Part C and Part D base rates for CY 2016 with 3% trend in CY 2017 • Adjusts RAF for remaining OneCare enrollment	
OneCare Connect	Medicare • Uses CY 2016 Part C and Part base rates from Jan 2016 rate report • Projects RAF based on current enrollment mix	Medi-Cal • Uses CY 2014 rates applied to current enrollment mix
PACE	Medicare • Uses CY 2016 actuals for Part C and Part D base rates	Medi-Cal • Uses current invoice with 4.6% trend

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Provider Reimbursement Types

- Capitation
  - Provider paid a per member per month payment for each enrolled member
  - Receives payment regardless of whether or not a member seeks care
  - At-risk arrangement
- Fee-for-Service
  - Provider paid a fee for each particular service rendered
  - Receives payment for each visit
  - No risk arrangement
- Shared Risk
  - Capitation and Fee-for Service arrangement

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Provider Reimbursement: CalOptima

Model	Professional	Hospital	Pharmacy	Other Medical
HMO	Capitation	Capitation	Capitation	Capitation
PHC	Capitation	Capitation	Fee-For-Service	Fee-For-Service
SRG	Capitation	Fee-For-Service	Fee-For-Service	Fee-For-Service
Direct	Fee-For-Service	Fee-For-Service	Fee-For-Service	Fee-For-Service

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Medical Expense Assumptions

Program	Assumption
Medi-Cal	• Uses historical data to project FFS and capitation expenses • MCE expenses based on Classic Adult population
OneCare	• Professional capitation paid at percent of premium • Uses historical data to project FFS expenses • Bases supplemental benefit medical expenses on existing provider reimbursement rates
OneCare Connect	Medicare • Assumes percent of premium for professional and facility rates • Medical expenses based on blend of OCC and OC utilization adjusted for acuity differences for this population Medi-Cal • Bases capitation expense on contracted PMPM rates • Bases MLTSS expenses on Medi-Cal rates data
PACE	• Bases projection on FY 2014-15 actuals and industry benchmarks

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Administrative Expense Assumptions

- Zero-based budgeting
  - Departments identify resource requirements based on:
    - Enrollment
    - Regulatory changes
    - Organizational needs
  - Major Categories
    - Labor
    - Non-labor

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Capital Budget Assumptions

- Major Components:
  - Information Systems
    - Departments submit requests for capital projects based on strategic and operational needs
  - 505 Facility
  - PACE Center

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Timeline

Date	Meeting
May 19, 2016	Present FY 2016-17 budgets to Finance and Audit Committee
June 2, 2016	Present FY 2016-17 budgets to CalOptima Board of Directors
July 1, 2016	Beginning of Fiscal Year 2016-17

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Financial Summary

March 2016

Board of Directors Meeting

May 5, 2016

Chet Uma

Chief Financial Officer

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FY 2015-16: Consolidated Enrollment

- March 2016 MTD:
  - Overall enrollment reached 793,328 member months
    - Actual higher than budget by 1,706 or 0.2%
      - Medi-Cal: favorable variance of 10,589 members
        - Medi-Cal Expansion growth higher than budget
        - SPD enrollment higher than budget due to less than anticipated dual eligible members transferring to OneCare Connect
        - Offset by lower than budget TANF enrollment
      - OneCare Connect: unfavorable variance of 8,813 members
    - 1.4% increase from prior month
      - Medi-Cal: increase of 10,531
    - 6.6% or 49,200 increase in enrollment from prior year

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FY 2015-16: Consolidated Enrollment (Cont.)

- March 2016 YTD:
  - Overall enrollment reached 7,013,692 member months
    - Actual lower than budget by 71,959 or 1.0%
      - Medi-Cal: unfavorable variance of 25,492
        - TANF enrollment lower than budget
        - Offset by higher than budget enrollment in Medi-Cal Expansion and SPD categories
      - OneCare Connect: unfavorable variance of 43,856
      - OneCare: unfavorable variance of 2,667

FY 2015-16: Consolidated Revenues

- March 2016 MTD:
  - ➢ Actual lower than budget by $12.6 million or 4.5%
    - OneCare Connect: unfavorable variance of $13.2 million due to lower enrollment
    - Medi-Cal: in line with budget
      - Favorable volume variance due to higher enrollment
      - Offset by YTD Dual member revenue adjustment of $7.3 million due to revenue recognition methodology change

- March 2016 YTD:
  - ➢ Actual lower than budget by $97.7 million, or 4.1%
    - OneCare Connect: unfavorable variance of $84.3 million due to lower actual enrollment than budget
    - Medi-Cal: lower than budget by $7.7 million
      - Mainly due to lower actual enrollment in TANF population

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FY 2015-16: Consolidated Medical Expenses

- March 2016 MTD:
  - Actual lower than budget by $18.3 million or 6.8%
    - OneCare Connect: favorable variance of $16.6 million due to lower actual enrollment than budget
    - Medi-Cal: favorable variance of $1.6 million
      - Prior period claims adjustment due to releasing of Medi-Cal Expansion reserve
      - Offset by unfavorable variance in Pharmacy and LTC categories

- March 2016 YTD:
  - Actual lower than budget by $99.1 million or 4.4%
    - OneCare Connect: favorable variance of $81.8 million due to lower actual enrollment than budget
    - Medi-Cal: favorable variance of $12.6 million due to actual utilization and cost variances than budget

- Medical Loss Ratio (MLR):
  - March 2016 MTD: Actual: 94.7% Budget: 97.0%
  - March 2016 YTD: Actual: 95.9% Budget: 96.1%

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FY 2015-16: Consolidated Administrative Expenses

- March 2016 MTD:
  - Actual lower than budget by $3.5 million or 26.5%
    - Salaries and Benefits: favorable variance of $1.8 million driven by lower than budgeted FTE of 188
    - Other categories: favorable variance of $1.7 million

- March 2016 YTD:
  - Actual lower than budget by $36.0 million or 31.4%
    - Salaries and Benefits: favorable variance of $15.9 million due to under budgeted FTE of 1,943
    - Professional Fees and Purchased services: favorable variance of $7.5 million ($3.1 million and $4.4 million, respectively)
    - Printing and Postage: favorable variance of $4.2 million

- Administrative Loss Ratio (ALR):
  - March 2016 MTD: Actual: 3.7% Budget: 4.8%
  - March 2016 YTD: Actual: 3.5% Budget: 4.8%

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FY 2015-16: Change in Net Assets

- March 2016 MTD:
  - $7.2 million surplus
  - $12.0 million favorable to budget
    - Attributable to:
      - Savings in medical expenses of $18.3 million
      - Savings in administrative expenses of $3.5 million
      - Investment income of $2.7 million
      - Offset by lower than budgeted revenue of $12.6 million

- March 2016 YTD:
  - $23.1 million surplus
  - $43.5 million favorable to budget
    - Attributable to:
      - Savings in medical expenses of $99.1 million
      - Savings in administrative expenses of $36.0 million
      - Investment income of $5.9 million
      - Offset by lower than budgeted revenue of $97.7 million

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FY 2015-16: Change in Net Assets (cont.)

- March 2016 YTD variance attributable to:
  - Medi-Cal: $17.7 million surplus; $30.5 million favorable to budget
    - Savings in medical expenses of $12.6 million
    - Savings in administrative expenses of $25.5 million
    - Offset by lower than budgeted revenue of $7.7 million
  - OneCare Connect: $2.0 million deficit; $7.0 million favorable to budget
    - Favorable medical expenses of $81.8 million
    - Favorable administrative expenses of $9.6 million
    - Offset by lower than budgeted revenue of $84.3 million
  - PACE: $1.8 million deficit; $0.1 million favorable to budget
    - Unfavorable medical expenses of $457,145
    - Favorable administrative expenses of $192,404
    - Favorable revenue of $398,953
  - OneCare: $1.5 million surplus; $0.3 million unfavorable to budget
    - Favorable medical expenses of $5.1 million
    - Favorable administrative expenses of $0.7 million
    - Offset by lower than budgeted revenue of $6.1 million

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Enrollment Summary: March 2016

Month-to-Date					Year-to-Date			
Actual	Budget	Variance	%	Enrollment (By Aid Category)	Actual	Budget	Variance	%
56,305	49,573	6,732	13.6%	Aged	548,990	516,022	32,968	6.4%
663	737	(74)	(10.0%)	BCCTP	6,100	6,629	(529)	(8.0%)
49,212	50,431	(1,219)	(2.4%)	Disabled	474,385	482,086	(7,701)	(1.6%)
3,286	2,580	706	27.4%	LTC	32,287	29,939	2,348	7.8%
226,459	201,069	25,390	12.6%	MCE	1,902,221	1,788,258	113,963	6.4%
439,581	460,507	(20,926)	(4.5%)	TANF	3,909,201	4,075,580	(166,379)	(4.1%)
775,506	764,897	10,609	1.4%	Medi-Cal	6,873,181	6,898,514	(25,333)	(0.4%)
459	479	(20)	(4.2%)	MSSP	4,152	4,311	(159)	(3.7%)
775,965	**765,376**	**10,589**	**1.4%**	**Total Medi-Cal**	**6,877,333**	**6,902,825**	**(25,492)**	**(0.4%)**
15,936	**24,749**	**(8,813)**	**(35.6%)**	**OneCare Connect**	**56,320**	**100,176**	**(43,856)**	**(43.8%)**
142	**139**	**3**	**2.2%**	**PACE**	**1,127**	**1,071**	**56**	**5.2%**
1,285	**1,358**	**(73)**	**(5.4%)**	**OneCare**	**78,912**	**81,579**	**(2,667)**	**(3.3%)**
793,328	**791,622**	**1,706**	**0.2%**	**CalOptima Total**	**7,013,692**	**7,085,651**	**(71,959)**	**(1.0%)**

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Financial Highlights: March 2016

Month-to-Date					Year-to-Date			
Actual	Budget	$ Variance	% Variance		Actual	Budget	$ Variance	% Variance
793,328	791,622	1,706	0.2%	Member Months	7,013,692	7,085,651	(71,959)	(1.0%)
265,271,537	277,852,156	(12,580,619)	(4.5%)	Revenues	2,272,706,860	2,370,375,129	(97,668,269)	(4.1%)
251,317,350	269,629,668	18,312,317	6.8%	Medical Expenses	2,178,735,401	2,277,859,281	99,123,880	4.4%
9,742,935	13,247,805	3,504,870	26.5%	Administrative Expenses	78,516,255	114,474,501	35,958,247	31.4%
4,211,252	**(5,025,317)**	**9,236,569**	**2**	**Operating Margin**	**15,455,204**	**(21,958,653)**	**37,413,857**	**2**
2,976,191	202,596	2,773,595	1369.0%	Non Operating Income (Loss)	7,680,600	1,559,077	6,121,522	392.6%
7,187,443	**(4,822,721)**	**12,010,164**	**249.0%**	**Change in Net Assets**	**23,135,804**	**(20,399,575)**	**43,535,379**	**213.4%**
94.7%	97.0%	2.3%		Medical Loss Ratio	95.9%	96.1%	0.2%	
3.7%	4.8%	1.1%		Administrative Loss Ratio	3.5%	4.8%	1.4%	
1.6%	(1.8%)	3.4%		Operating Margin Ratio	0.7%	(0.9%)	1.6%	
100.0%	100.0%	0.0%		Total Operating	100.0%	100.0%	0.0%	

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Consolidated Performance Actual vs. Budget: March 2016 (in millions)

MONTH-TO-DATE				YEAR-TO-DATE		
Actual	Budget	Variance		Actual	Budget	Variance
0.5	(4.3)	4.8	Medi-Cal	17.7	(12.8)	30.5
(0.4)	(0.4)	0.1	OneCare	1.5	1.8	(0.3)
4.4	(0.1)	4.5	OCC	(2.0)	(9.0)	7.0
0.0	0.0	0.0	ASO	0.1	0.0	0.1
(0.3)	(0.2)	(0.2)	PACE	(1.8)	(1.9)	0.1
4.2	**(5.0)**	**9.2**	**Operating**	**15.5**	**(22.0)**	**37.4**
3.0	0.2	2.8	Inv./Rental Inc, MCO tax	7.7	1.6	6.1
3.0	**0.2**	**2.8**	**Non-Operating**	**7.7**	**1.6**	**6.1**
7.2	**(4.8)**	**12.0**	**TOTAL**	**23.1**	**(20.4)**	**43.5**

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Consolidated Revenue & Expense: March 2016 MTD

	Medi-Cal	OneCare	OneCare Connect	PACE	Behavioral Health ASO	Consolidated
Member Months	775,965	1,285	15,936	142	-	793,328
REVENUES						
Capitation revenue	$ 229,922,757	$ 1,338,191	$ 33,275,871	$ 734,719	$ -	$ 265,271,537
Other Income	-	-	-	-	-	-
Total Operating Revenues	229,922,757	1,338,191	33,275,871	734,719	-	265,271,537
MEDICAL EXPENSES						
Provider capitation	79,206,010	461,940	8,685,258	-	-	88,353,208
Facility inpatient	35,070,239	608,518	985,957	-	-	36,664,713
Ancillary		98,676	3,210,950	-	-	3,309,626
Skilled Nursing		50,493	9,965,882	-	-	10,016,375
Facility outpatient	6,204,058	-	-	41,848	-	6,245,906
Professional Claims	16,406,847	-	-	280,444	-	16,687,291
Prescription drugs	35,640,099	223,807	3,241,807	78,968	-	39,184,681
Long-term care facility payments	39,997,496	-	-	-	-	39,997,496
Contingencies	5,098,399	-	-	-	-	5,098,399
Medical management	3,468,559	89,494	1,118,573	-	-	4,676,626
Reinsurance & other	546,428	1,175	(17,440)	555,328	(2,460)	1,083,030
Total Medical Expenses	221,638,133	1,534,103	27,190,987	956,588	(2,460)	251,317,350
GROSS MARGIN	8,284,624	(195,912)	6,084,884	(221,869)	2,460	13,954,187
ADMINISTRATIVE EXPENSES						
Salaries, wages & employee benefits	4,757,579	38,144	931,872	92,210	-	5,819,804
Professional fees	253,656	26,450	-	1,938	-	282,044
Purchased Services	1,350,380	24,149	119,904	339	-	1,494,772
Printing and Postage	307,541	13,836	137,358	15,691	0	474,426
Depreciation and Amortization	279,324		(1,377)	2,138	-	280,084
Other Expenses	1,021,262	33,822	2,221	4,937	-	1,062,241
Indirect cost allocation, Occupancy Expense	(183,331)	29,212	481,199	2,482	-	329,563
Total Administrative Expenses	7,786,411	165,612	1,671,176	119,736	0	9,742,935
INCOME (LOSS) FROM OPERATIONS	498,213	(361,524)	4,413,709	(341,605)	2,460	4,211,252
INVESTMENT INCOME	-	-	-	-	-	2,945,581
NET RENTAL INCOME	-	-	-	-	-	30,510
NET GRANT INCOME	-	-	-	-	-	-
OTHER INCOME	100	-	-	-	-	100
CHANGE IN NET ASSETS	**$ 498,313**	**$ (361,524)**	**$ 4,413,709**	**$ (341,605)**	**$ 2,460**	**$ 7,187,443**
BUDGETED CHANGE IN ASSETS	(4,340,978)	(416,869)	(76,898)	(190,571)	-	(4,822,721)
VARIANCE TO BUDGET - FAV (UNFAV)	4,839,291	55,345	4,490,607	(151,034)	2,460	12,010,164

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Consolidated Revenue & Expense: March 2016 YTD

	Medi-Cal	OneCare	OneCare Connect	PACE	Behavioral Health ASO	Consolidated
Member Months	6,877,333	78,912	56,320	1,127	-	7,013,692
REVENUES						
Capitation revenue	$ 2,079,724,064	$ 82,293,324	$ 103,818,439	$ 6,871,033	$ -	$ 2,272,706,860
Other Income	-	-	-	-	-	-
Total Operating Revenues	2,079,724,064	82,293,324	103,818,439	6,871,033	-	2,272,706,860
MEDICAL EXPENSES						
Provider capitation	700,784,958	29,246,221	28,314,245	-	-	758,345,423
Facility inpatient	426,653,912	29,370,047	22,033,815	-	-	478,057,774
Ancillary		2,384,849	10,291,477	-	-	12,676,326
Skilled Nursing		2,262,837	13,468,474	-	-	15,731,311
Facility outpatient	69,738,367	-	-	1,593,692	-	71,332,059
Professional Claims	108,043,255	-	-	1,722,819	-	109,766,074
Prescription drugs	292,869,047	6,698,813	17,963,910	675,755	-	318,207,525
Quality Incentives		899,979	-	3,763,296	-	4,663,275
Long-term care facility payments	383,266,531	-	-	-	-	383,266,531
Contingencies	(11,619,524)	-	-	-	-	(11,619,524)
Medical management	24,045,557	3,212,286	5,275,755	-	-	32,533,599
Reinsurance & other	4,959,701	607,345	284,689	-	(76,705)	5,775,029
Total Medical Expenses	1,998,741,803	74,682,377	97,632,364	7,755,562	(76,705)	2,178,735,401
GROSS MARGIN	80,982,261	7,610,947	6,186,075	(884,529)	76,705	93,971,459
ADMINISTRATIVE EXPENSES						
Salaries, wages & employee benefits	40,709,651	3,298,760	4,478,624	750,184	-	49,237,218
Professional fees	2,249,869	194,378	-	27,893	-	2,472,140
Purchased Services	6,684,751	410,013	686,625	7,683	-	7,789,072
Printing and Postage	2,742,465	102,698	1,105,165	33,944	(405)	3,983,868
Depreciation and Amortization	2,269,891		(1,377)	21,762	-	2,290,276
Other Expenses	9,493,829	331,070	16,861	60,775	13	9,902,548
Indirect cost allocation, Occupancy Expense	(840,344)	1,765,627	1,895,442	20,408	-	2,841,133
Total Administrative Expenses	63,310,112	6,102,544	8,181,340	922,649	(392)	78,516,255
INCOME (LOSS) FROM OPERATIONS	17,672,148	1,508,402	(1,995,265)	(1,807,178)	77,097	15,455,204
INVESTMENT INCOME	-	-	-	-	-	7,784,671
NET RENTAL INCOME	-	-	-	-	-	(104,878)
NET GRANT INCOME	(154)	-	-	-	-	(154)
OTHER INCOME	961	-	-	-	-	961
CHANGE IN NET ASSETS	**$ 17,672,956**	**$ 1,508,402**	**$ (1,995,265)**	**$ (1,807,178)**	**$ 77,097**	**$ 23,135,804**
BUDGETED CHANGE IN ASSETS	(12,806,203)	1,816,456	(9,027,515)	(1,941,391)	-	(20,399,575)
VARIANCE TO BUDGET - FAV (UNFAV)	30,479,159	(308,053)	7,032,250	134,213	77,097	43,535,379

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CalOptima A Public Agency Better. Together.

Balance Sheet: As of March 2016

ASSETS		
Current Assets		
	Operating Cash	$517,385,834
	Catastrophic Reserves	11,308,179
	Investments	993,303,657
	Capitation receivable	95,758,129
	Receivables - Other	19,544,834
	Prepaid Expenses	5,014,032
	Total Current Assets	**1,642,314,666**
Capital Assets	Furniture and equipment	27,720,290
	Leasehold improvements	9,726,940
	505 City Parkway West	46,682,460
		84,129,690
	Less: accumulated depreciation	(30,590,245)
	Capital assets, net	**53,539,445**
Other Assets	Restricted deposit & Other	270,959
	Board-designated assets	
	Cash and cash equivalents	24,638,095
	Short term investments	-
	Long term investments	448,206,574
	Total Board-designated Assets	472,844,669
	Total Other Assets	**473,115,628**
	Deferred outflows of Resources	**3,787,544**
TOTAL ASSETS & OUTFLOWS		**2,172,757,283**

LIABILITIES & FUND BALANCES		
Current Liabilities		
	Accounts payable	$3,414,435
	Medical claims liability	567,700,157
	Accrued payroll liabilities	9,720,310
	Deferred revenue	504,927,408
	Deferred revenue - CMS	0
	Deferred lease obligations	298,864
	Capitation and withholds	401,608,289
	Accrued insurance costs	0
	Total Current Liabilities	**1,487,669,463**
Other (than pensions) post employment benefits liability		27,773,191
Net Pension Liabilities		1,405,452
Long Term Liabilities		150,000
TOTAL LIABILITIES		**1,516,998,106**
Deferred inflows of Resources		**5,580,552**
	Tangible net equity (TNE)	86,466,782
	Funds in excess of TNE	563,711,843
Net Assets		**650,178,625**
TOTAL LIABILITIES, INFLOWS & FUND BALANCES		**2,172,757,283**

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CalOptima A Public Agency Better. Together.

UNAUDITED FINANCIAL STATEMENTS

March 2016

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CalOptima - Consolidated
Financial Highlights
For the NIne Months Ended March 31, 2016

Month-to-Date					Year-to-Date			
Actual	Budget	$ Variance	% Variance		Actual	Budget	$ Variance	% Variance
793,328	791,622	1,706	0.2%	Member Months	7,013,692	7,085,651	(71,959)	(1.0%)
265,271,537	277,852,156	(12,580,619)	(4.5%)	Revenues	2,272,706,860	2,370,375,129	(97,668,269)	(4.1%)
251,317,350	269,629,668	18,312,317	6.8%	Medical Expenses	2,178,735,401	2,277,859,281	99,123,880	4.4%
9,742,935	13,247,805	3,504,870	26.5%	Administrative Expenses	78,516,255	114,474,501	35,958,247	31.4%
4,211,252	**(5,025,317)**	**9,236,569**	**183.8%**	**Operating Margin**	**15,455,204**	**(21,958,653)**	**37,413,857**	**170.4%**
2,976,191	202,596	2,773,595	1369.0%	Non Operating Income (Loss)	7,680,600	1,559,077	6,121,522	392.6%
7,187,443	**(4,822,721)**	**12,010,164**	**249.0%**	**Change in Net Assets**	**23,135,804**	**(20,399,575)**	**43,535,379**	**213.4%**
94.7%	97.0%	2.3%		Medical Loss Ratio	95.9%	96.1%	0.2%	
3.7%	4.8%	1.1%		Administrative Loss Ratio	3.5%	4.8%	1.4%	
1.6%	(1.8%)	3.4%		Operating Margin Ratio	0.7%	(0.9%)	1.6%	
100.0%	100.0%	0.0%		Total Operating	100.0%	100.0%	0.0%	

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CalOptima
Financial Dashboard
For the NIne Months Ended March 31, 2016

MONTH

Enrollment	Actual	Budget	Fav / (Unfav)	
Medi-Cal	775,506	764,897	10,609	1.4%
OneCare	1,285	1,358	(73)	(5.4%)
OneCare Connect	15,936	24,749	(8,813)	(35.6%)
PACE	142	139	3	2.2%
MSSP	459	479	(20)	(4.2%)
Total	793,328	791,622	1,706	0.2%

Change in Net Assets ($000)	Actual	Budget	Fav / (Unfav)	
Medi-Cal (w/ MSSP)	$ 498	$ (4,341)	$ 4,839	111.5%
OneCare	(362)	(417)	55	13.3%
OneCare Connect	4,414	(77)	4,491	5839.7%
PACE	(342)	(191)	(151)	(79.3%)
ASO	2	-	2	100.0%
505 Bldg.	31	(6)	36	631.8%
Investment Income & Other	2,946	208	2,737	1313.9%
Total	$ 7,188	$ (4,823)	$ 12,010	249.0%

MLR	Actual	Budget	% Point Var
Medi-Cal (w/ MSSP)	96.4%	97.4%	1.0
OneCare	114.6%	117.8%	3.2
OneCare Connect	81.7%	94.3%	12.5

Administrative Cost ($000)	Actual	Budget	Fav / (Unfav)	
Medi-Cal (w/ MSSP)	$ 7,786	$ 10,219	$ 2,433	23.8%
OneCare	166	159	(7)	(4.4%)
OneCare Connect	1,671	2,744	1,073	39.1%
PACE	120	126	6	5.0%
Total	$ 9,743	$ 13,248	$ 3,505	26.5%

Total FTE's Month	Actual	Budget	Fav / (Unfav)
Medi-Cal	752	881	130
OneCare	4	-	(4)
OneCare Connect	238	291	53
PACE	36	44	8
MSSP	15	18	2
Total	1,045	1,233	188

MM per FTE	Actual	Budget	Fav / (Unfav)
Medi-Cal	1,032	868	164
OneCare	304	-	-
OneCare Connect	67	85	(18)
PACE	4	3	1
MSSP	30	27	3
Total	1,436	983	149

YEAR - TO - DATE

Year To Date Enrollment	Actual	Budget	Fav / (Unfav)	
Medi-Cal	6,873,181	6,898,514	(25,333)	(0.4%)
OneCare	78,912	81,579	(2,667)	(3.3%)
OneCare Connect	56,320	100,176	(43,856)	(43.8%)
PACE	1,127	1,071	56	5.2%
MSSP	4,152	4,311	(159)	(3.7%)
Total	7,013,692	7,085,651	(71,959)	(1.0%)

Change in Net Assets ($000)	Actual	Budget	Fav / (Unfav)	
Medi-Cal (w/ MSSP)	$ 17,673	$ (12,806)	$ 30,479	238.0%
OneCare	1,508	1,816	(308)	(17.0%)
OneCare Connect	(1,995)	(9,028)	7,032	77.9%
PACE	(1,807)	(1,941)	134	6.9%
ASO	77	-	77	100.0%
505 Bldg.	(105)	(316)	211	66.8%
Investment Income &	7,785	1,875	5,910	315.2%
Total	$ 23,137	$ (20,400)	$ 43,536	213.4%

MLR	Actual	Budget	% Point Var
Medi-Cal (w/ MSSP)	96.1%	96.4%	0.3
OneCare	90.8%	90.3%	(0.5)
OneCare Connect	94.0%	95.4%	1.3

Administrative Cost ($000)	Actual	Budget	Fav / (Unfav)	
Medi-Cal (w/ MSSP)	$ 63,310	$ 88,836	$ 25,526	28.7%
OneCare	6,103	6,776	673	9.9%
OneCare Connect	8,181	17,748	9,567	53.9%
PACE	923	1,115	192	17.3%
Total	$ 78,517	$ 114,475	$ 35,958	31.4%

Total FTE's YTD	Actual	Budget	Fav / (Unfav)
Medi-Cal	6,577	7,850	1,273
OneCare	805	947	141
OneCare Connect	1,203	1,658	455
PACE	311	383	72
MSSP	157	160	3
Total	9,054	10,997	1,943

MM per FTE	Actual	Budget	Fav / (Unfav)
Medi-Cal	1,045	879	166
OneCare	98	86	12
OneCare Connect	47	60	(14)
PACE	4	3	1
MSSP	26	27	(1)
Total	1,220	1,055	165

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CalOptima - Consolidated
Statement of Revenue and Expenses
For the One Month Ended March 31, 2016

	Actual		Month Budget		Variance	
	$	PMPM*	$	PMPM*	$	PMPM
Member Months**	793,328		791,622		1,706	
Revenues						
Medi-Cal	$ 229,922,757	$ 296.31	$ 229,080,747	$ 299.30	$ 842,010	$ (3.00)
OneCare	1,338,191	1,041.39	1,448,626	1,066.73	(110,435)	(25.34)
OneCare Connect	33,275,871	2,088.09	46,481,918	1,878.13	(13,206,047)	209.96
PACE	734,719	5,174.08	840,865	6,049.39	(106,146)	(875.31)
Total Operating Revenue	265,271,537	334.38	277,852,156	350.99	(12,580,619)	(16.61)
Medical Expenses						
Medi-Cal	221,638,133	285.63	223,202,595	291.62	1,564,462	6.00
OneCare	1,534,103	1,193.85	1,706,829	1,256.87	172,726	63.02
OneCare Connect	27,190,987	1,706.26	43,814,873	1,770.37	16,623,886	64.11
PACE	956,588	6,736.53	905,371	6,513.46	(51,217)	(223.07)
ASO for Specialty Mental Health Srvcs	(2,460)	-	-	-	2,460	-
Total Medical Expenses	251,317,350	316.79	269,629,668	340.60	18,312,317	23.82
Gross Margin	13,954,187	17.59	8,222,488	10.39	5,731,699	7.20
Administrative Expenses						
Salaries and benefits	5,819,804	7.34	7,580,492	9.58	1,760,688	2.24
Professional fees	282,044	0.36	608,659	0.77	326,614	0.41
Purchased services	1,494,772	1.88	1,583,488	2.00	88,716	0.12
Printing and Postage	474,426	0.60	906,100	1.14	431,674	0.55
Depreciation and amortization	280,084	0.35	460,712	0.58	180,628	0.23
Other	1,062,241	1.34	1,706,714	2.16	644,472	0.82
Indirect Cost Allocation, Occupancy Expense	329,563	0.42	401,640	0.51	72,077	0.09
Total Administrative Expenses	9,742,935	12.28	13,247,805	16.74	3,504,870	4.45
Income (Loss) From Operations	4,211,252	5.31	(5,025,317)	(6.35)	9,236,569	11.66
Investment income						
Interest income	1,023,295	1.29	208,333	0.26	814,963	1.03
Realized gain/(loss) on investments	(3,318)	(0.00)	-	-	(3,318)	(0.00)
Unrealized gain/(loss) on investments	1,925,603	2.43	-	-	1,925,603	2.43
Total Investment Income	2,945,581	3.71	208,333	0.26	2,737,248	3.45
Net Rental Income	30,510	0.04	(5,737)	(0.01)	36,246	0.05
Total Net Operating Tax	0	0.00	-	-	0	0
Total Net Grant Income	-	-	-	-	-	-
QAF/IGT	-	-	-	-	-	-
Other Income	100	0.00	-	-	100	0.00
Change In Net Assets	**7,187,443**	**9.06**	**(4,822,721)**	**(6.09)**	**12,010,164**	**15.15**
Medical Loss Ratio	**94.7%**		**97.0%**		**2.3%**	
Administrative Loss Ratio	**3.7%**		**4.8%**		**1.1%**	

* PMPMs for Revenues and Medical Expenses are calculated using line of business enrollment
** Includes MSSP

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CalOptima - Consolidated - Year to Date
Statement of Revenue and Expenses
For the NIne Months Ended March 31, 2016

	Year to Date					
	Actual		Budget		Variance	
	$	PMPM*	$	PMPM*	$	PMPM
Member Months**	7,013,692		7,085,651		(71,959)	
Revenues						
Medi-Cal	$ 2,079,724,064	$ 302.40	$ 2,087,375,072	$ 302.39	$ (7,651,008)	$ 0.01
OneCare	82,293,324	1,042.85	88,380,805	1,083.38	(6,087,481)	(40.53)
OneCare Connect	103,818,439	1,843.37	188,147,172	1,878.17	(84,328,733)	(34.80)
PACE	6,871,033	6,096.75	6,472,080	6,043.03	398,953	53.72
Total Operating Revenue	2,272,706,860	324.04	2,370,375,129	334.53	(97,668,269)	(10.49)
Medical Expenses						
Medi-Cal	1,998,741,803	290.63	2,011,345,581	291.38	12,603,778	0.75
OneCare	74,682,377	946.40	79,788,443	978.05	5,106,066	31.65
OneCare Connect	97,632,364	1,733.53	179,426,839	1,791.12	81,794,476	57.59
PACE	7,755,562	6,881.60	7,298,417	6,814.58	(457,145)	(67.02)
ASO for Specialty Mental Health Srvcs	(76,705)	-	-	-	76,705	-
Total Medical Expenses	2,178,735,401	310.64	2,277,859,281	321.47	99,123,880	10.83
Gross Margin	93,971,459	13.40	92,515,849	13.06	1,455,610	0.34
Administrative Expenses						
Salaries and benefits	49,237,218	7.02	65,186,160	9.20	15,948,942	2.18
Professional fees	2,472,140	0.35	5,562,390	0.79	3,090,250	0.43
Purchased services	7,789,072	1.11	12,183,169	1.72	4,394,097	0.61
Printing and Postage	3,983,868	0.57	8,224,403	1.16	4,240,536	0.59
Depreciation and amortization	2,290,276	0.33	4,146,410	0.59	1,856,134	0.26
Other	9,902,548	1.41	15,555,292	2.20	5,652,744	0.78
Indirect cost allocation, Occupancy Expense	2,841,133	0.41	3,616,677	0.51	775,544	0.11
Total Administrative Expenses	78,516,255	11.19	114,474,501	16.16	35,958,247	4.96
Income (Loss) From Operations	15,455,204	2.20	(21,958,653)	(3.10)	37,413,857	5.30
Investment income						
Interest income	6,843,238	0.98	1,874,993	0.26	4,968,244	0.71
Realized gain/(loss) on investments	208,997	0.03	-	-	208,997	0.03
Unrealized gain/(loss) on investments	732,436	0.10	-	-	732,436	0.10
Total Investment Income	7,784,671	1.11	1,874,993	0.26	5,909,677	0.85
Net Rental Income	(104,878)	(0.01)	(315,916)	(0.04)	211,038	0.03
Total Net Operating Tax	0	0	-	-	0	0
Total Net Grant Income	(154)	(0)	-	-	(154)	(0)
QAF/IGT	-	-	-	-	-	-
Other Income	961	0	-	-	961	0
Change In Net Assets	**23,135,804**	**3.30**	**(20,399,576)**	**(2.88)**	**43,535,379**	**6.18**
Medical Loss Ratio	**95.9%**		**96.1%**		**0.2%**	
Administrative Loss Ratio	**3.5%**		**4.8%**		**1.4%**	

* PMPMs for Revenues and Medical Expenses are calculated using line of business enrollment

** Includes MSSP

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CalOptima - Consolidated - Month to Date
Statement of Revenues and Expenses by LOB
For the One Month Ended March 31, 2016

	Medi-Cal	OneCare	OneCare Connect	PACE	Behavioral Health ASO	Consolidated
Member Months	775,965	1,285	15,936	142	-	793,328
REVENUES						
Capitation revenue	$ 229,922,757	$ 1,338,191	$ 33,275,871	$ 734,719	$ -	$ 265,271,537
Other Income	-	-	-	-	-	-
Total Operating Revenues	229,922,757	1,338,191	33,275,871	734,719	-	265,271,537
MEDICAL EXPENSES						
Provider capitation	79,206,010	461,940	8,685,258	-	-	88,353,208
Facility inpatient	35,070,239	608,518	985,957	-	-	36,664,713
Ancillary		98,676	3,210,950	-	-	3,309,626
Skilled Nursing		50,493	9,965,882	-	-	10,016,375
Facility outpatient	6,204,058	-	-	41,848	-	6,245,906
Professional Claims	16,406,847	-	-	280,444	-	16,687,291
Prescription drugs	35,640,099	223,807	3,241,807	78,968	-	39,184,681
Long-term care facility payments	39,997,496	-	-	555,328	-	40,552,824
Contingencies	5,098,399	-	-	-	-	5,098,399
Medical management	3,468,559	89,494	1,118,573	-	-	4,676,626
Reinsurance & other	546,428	1,175	(17,440)	-	(2,460)	527,702
Total Medical Expenses	221,638,133	1,534,103	27,190,987	956,588	(2,460)	251,317,350
GROSS MARGIN	8,284,624	(195,912)	6,084,884	(221,869)	2,460	13,954,187
ADMINISTRATIVE EXPENSES						
Salaries, wages & employee benefits	4,757,579	38,144	931,872	92,210	-	5,819,804
Professional fees	253,656	26,450	-	1,938	-	282,044
Purchased Services	1,350,380	24,149	119,904	339	-	1,494,772
Printing and Postage	307,541	13,836	137,358	15,691	0	474,426
Depreciation and Amortization	279,324		(1,377)	2,138	-	280,084
Other Expenses	1,021,262	33,822	2,221	4,937	-	1,062,241
Indirect cost allocation, Occupancy Expense	(183,331)	29,212	481,199	2,482	-	329,563
Total Administrative Expenses	7,786,411	165,612	1,671,176	119,736	0	9,742,935
INCOME (LOSS) FROM OPERATIONS	498,213	(361,524)	4,413,709	(341,605)	2,460	4,211,252
INVESTMENT INCOME	-	-	-	-	-	2,945,581
NET RENTAL INCOME	-	-	-	-	-	30,510
NET GRANT INCOME	-	-	-	-	-	-
OTHER INCOME	100	-	-	-	-	100
CHANGE IN NET ASSETS	**$ 498,313**	**$ (361,524)**	**$ 4,413,709**	**$ (341,605)**	**$ 2,460**	**$ 7,187,443**
BUDGETED CHANGE IN ASSETS	(4,340,978)	(416,869)	(76,898)	(190,571)	-	(4,822,721)
VARIANCE TO BUDGET - FAV (UNFAV)	4,839,291	55,345	4,490,607	(151,034)	2,460	12,010,164

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CalOptima - Consolidated - Year to Date
Statement of Revenues and Expenses by LOB
For the NIne Months Ended March 31, 2016

	Medi-Cal	OneCare	OneCare Connect	PACE	Behavioral Health ASO	Consolidated
Member Months	6,877,333	78,912	56,320	1,127	-	7,013,692
REVENUES						
Capitation revenue	$ 2,079,724,064	$ 82,293,324	$103,818,439	$ 6,871,033	$ -	$ 2,272,706,860
Other Income	-	-	-	-	-	-
Total Operating Revenues	2,079,724,064	82,293,324	103,818,439	6,871,033	-	2,272,706,860
MEDICAL EXPENSES						
Provider capitation	700,784,958	29,246,221	28,314,245	-	-	758,345,423
Facility inpatient	426,653,912	29,370,047	22,033,815	-	-	478,057,774
Ancillary		2,384,849	10,291,477	-	-	12,676,326
Skilled Nursing		2,262,837	13,468,474	-	-	15,731,311
Facility outpatient	69,738,367	-	-	1,593,692	-	71,332,059
Professional Claims	108,043,255	-	-	1,722,819	-	109,766,074
Prescription drugs	292,869,047	6,698,813	17,963,910	675,755	-	318,207,525
Quality Incentives		899,979	-	3,763,296	-	4,663,275
Long-term care facility payments	383,266,531	-	-	-	-	383,266,531
Contingencies	(11,619,524)	-	-	-	-	(11,619,524)
Medical management	24,045,557	3,212,286	5,275,755	-	-	32,533,599
Reinsurance & other	4,959,701	607,345	284,689	-	(76,705)	5,775,029
Total Medical Expenses	1,998,741,803	74,682,377	97,632,364	7,755,562	(76,705)	2,178,735,401
GROSS MARGIN	80,982,261	7,610,947	6,186,075	(884,529)	76,705	93,971,459
ADMINISTRATIVE EXPENSES						
Salaries, wages & employee benefits	40,709,651	3,298,760	4,478,624	750,184	-	49,237,218
Professional fees	2,249,869	194,378	-	27,893	-	2,472,140
Purchased Services	6,684,751	410,013	686,625	7,683	-	7,789,072
Printing and Postage	2,742,465	102,698	1,105,165	33,944	(405)	3,983,868
Depreciation and Amortization	2,269,891		(1,377)	21,762	-	2,290,276
Other Expenses	9,493,829	331,070	16,861	60,775	13	9,902,548
Indirect cost allocation, Occupancy Expense	(840,344)	1,765,627	1,895,442	20,408	-	2,841,133
Total Administrative Expenses	63,310,112	6,102,544	8,181,340	922,649	(392)	78,516,255
INCOME (LOSS) FROM OPERATIONS	17,672,148	1,508,402	(1,995,265)	(1,807,178)	77,097	15,455,204
INVESTMENT INCOME	-	-	-	-	-	7,784,671
NET RENTAL INCOME	-	-	-	-	-	(104,878)
NET GRANT INCOME	(154)	-	-	-	-	(154)
OTHER INCOME	961	-	-	-	-	961
CHANGE IN NET ASSETS	**$ 17,672,956**	**$ 1,508,402**	**$ (1,995,265)**	**$ (1,807,178)**	**$ 77,097**	**$ 23,135,804**
BUDGETED CHANGE IN ASSETS	(12,806,203)	1,816,456	(9,027,515)	(1,941,391)	-	(20,399,575)
VARIANCE TO BUDGET - FAV (UNFAV)	30,479,159	(308,053)	7,032,250	134,213	77,097	43,535,379

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SUMMARY

MONTHLY RESULTS:

- Change in Net Assets is $7.2 million, $12.0 million favorable to budget
- Operating surplus is $4.2 million with a surplus in non-operating of $3.0 million

YTD RESULTS:

- Change in Net Assets is $23.1 million, $43.5 million favorable to budget
- Operating surplus is $15.5 million, and non-operating surplus is $7.7 million

Change in Net Assets by LOB ($millions)

MONTH-TO-DATE				YEAR-TO-DATE		
Actual	Budget	Variance		Actual	Budget	Variance
0.5	(4.3)	4.8	Medi-Cal	17.7	(12.8)	30.5
(0.4)	(0.4)	0.1	OneCare	1.5	1.8	(0.3)
4.4	(0.1)	4.5	OCC	(2.0)	(9.0)	7.0
0.0	0.0	0.0	ASO	0.1	0.0	0.1
(0.3)	(0.2)	(0.2)	PACE	(1.8)	(1.9)	0.1
4.2	**(5.0)**	**9.2**	**Operating**	**15.5**	**(22.0)**	**37.4**
3.0	0.2	2.8	Inv./Rental Inc, MCO tax	7.7	1.6	6.1
3.0	**0.2**	**2.8**	**Non-Operating**	**7.7**	**1.6**	**6.1**
7.2	**(4.8)**	**12.0**	**TOTAL**	**23.1**	**(20.4)**	**43.5**

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CalOptima

Enrollment Summary

For the NIne Months Ended March 31, 2016

Month-to-Date					Year-to-Date			
Actual	**Budget**	**Variance**	**%**	**Enrollment (By Aid Category)**	**Actual**	**Budget**	**Variance**	**%**
56,305	49,573	6,732	13.6%	Aged	548,990	516,022	32,968	6.4%
663	737	(74)	(10.0%)	BCCTP	6,100	6,629	(529)	(8.0%)
49,212	50,431	(1,219)	(2.4%)	Disabled	474,385	482,086	(7,701)	(1.6%)
3,286	2,580	706	27.4%	LTC	32,287	29,939	2,348	7.8%
226,459	201,069	25,390	12.6%	MCE	1,902,221	1,788,258	113,963	6.4%
439,581	460,507	(20,926)	(4.5%)	TANF	3,909,201	4,075,580	(166,379)	(4.1%)
775,506	764,897	10,609	1.4%	Medi-Cal	6,873,181	6,898,514	(25,333)	(0.4%)
459	479	(20)	(4.2%)	MSSP	4,152	4,311	(159)	(3.7%)
775,965	**765,376**	**10,589**	**1.4%**	**Total Medi-Cal**	**6,877,333**	**6,902,825**	**(25,492)**	**(0.4%)**
15,936	**24,749**	**(8,813)**	**(35.6%)**	**OneCare Connect**	**56,320**	**100,176**	**(43,856)**	**(43.8%)**
142	**139**	**3**	**2.2%**	**PACE**	**1,127**	**1,071**	**56**	**5.2%**
1,285	**1,358**	**(73)**	**(5.4%)**	**OneCare**	**78,912**	**81,579**	**(2,667)**	**(3.3%)**
793,328	**791,622**	**1,706**	**0.2%**	**CalOptima Total**	**7,013,692**	**7,085,651**	**(71,959)**	**(1.0%)**
				Enrollment (By Network)				
45,175	44,302	873	2.0%	HMO	388,615	390,862	(2,247)	(0.6%)
229,194	237,115	(7,921)	(3.3%)	PHC	2,028,114	2,103,167	(75,053)	(3.6%)
346,354	356,627	(10,273)	(2.9%)	Shared Risk Group	3,080,853	3,165,105	(84,252)	(2.7%)
154,783	126,853	27,930	22.0%	Fee for Service	1,375,599	1,239,380	136,219	11.0%
775,506	764,897	10,609	1.4%	Medi-Cal	6,873,181	6,898,514	(25,333)	(0.4%)
459	479	(20)	(4.2%)	MSSP	4,152	4,311	(159)	(3.7%)
775,965	**765,376**	**10,589**	**1.4%**	**Total Medi-Cal**	**6,877,333**	**6,902,825**	**(25,492)**	**(0.4%)**
15,936	**24,749**	**(8,813)**	**(35.6%)**	**OneCare Connect**	**56,320**	**100,176**	**(43,856)**	**(43.8%)**
142	**139**	**3**	**2.2%**	**PACE**	**1,127**	**1,071**	**56**	**5.2%**
1,285	**1,358**	**(73)**	**(5.4%)**	**OneCare**	**78,912**	**81,579**	**(2,667)**	**(3.3%)**
793,328	**791,622**	**1,706**	**0.2%**	**CalOptima Total**	**7,013,692**	**7,085,651**	**(71,959)**	**(1.0%)**

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CalOptima
Enrollment Trend by Network Type
Fiscal Year 2016

Network Type	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	MMs
HMO													
Aged	275	274	276	268	271	266	278	279	292	-	-	-	2,479
BCCTP	-	-	-	-	2	4	3	8	3	-	-	-	20
Disabled	1,705	1,709	1,719	1,715	1,731	1,719	1,730	1,762	1,772	-	-	-	15,562
MCX	9,194	9,431	9,678	9,990	10,203	10,411	10,388	10,966	11,395	-	-	-	91,656
TANF	30,496	30,681	30,806	31,011	30,829	31,059	30,898	31,405	31,713	-	-	-	278,898
	41,670	42,095	42,479	42,984	43,036	43,459	43,297	44,420	45,175	-	-	-	388,615
PHC													
Aged	1,209	1,265	1,286	1,264	1,316	1,355	1,342	1,368	1,395	-	-	-	11,800
BCCTP	-	-	-	-	-	-	-	-	-	-	-	-	-
Disabled	8,147	8,148	8,139	8,080	8,141	8,031	7,995	7,989	7,982	-	-	-	72,652
MCX	31,591	32,558	33,426	34,638	35,529	36,352	35,625	35,756	36,915	-	-	-	312,390
TANF	179,126	179,848	180,626	181,957	182,035	182,975	180,992	180,811	182,902	-	-	-	1,631,272
	220,073	221,819	223,477	225,939	227,021	228,713	225,954	225,924	229,194	-	-	-	2,028,114
Shared Risk Group													
Aged	7,127	7,221	7,326	7,156	7,377	7,406	7,401	7,456	7,523	-	-	-	65,993
BCCTP	-	-	-	-	-	-	-	-	-	-	-	-	-
Disabled	15,565	15,485	15,439	15,178	15,245	15,067	14,906	14,838	14,833	-	-	-	136,556
MCX	125,793	127,941	130,404	133,133	135,550	138,081	133,138	133,838	137,814	-	-	-	1,195,692
TANF	186,142	186,379	186,841	188,949	188,873	189,378	185,442	184,420	186,187	-	-	-	1,682,611
	334,627	337,026	340,010	344,416	347,045	349,932	340,887	340,552	346,357	-	-	-	3,080,852
Fee for Service (Dual)													
Aged	52,530	52,110	51,992	51,739	51,522	51,041	43,625	43,676	43,398	-	-	-	441,633
BCCTP	35	35	34	33	36	47	35	32	34	-	-	-	321
Disabled	25,713	25,495	25,271	25,063	24,900	24,467	20,344	20,231	20,109	-	-	-	211,593
LTC	3,391	3,395	3,337	3,347	3,311	3,228	3,089	2,993	2,928	-	-	-	29,019
MCX	2,904	2,965	2,934	3,034	3,007	3,152	3,023	3,084	3,031	-	-	-	27,134
TANF	1,358	1,383	1,381	1,361	1,346	1,387	1,169	1,195	1,181	-	-	-	11,761
	85,931	85,383	84,949	84,577	84,122	83,322	71,285	71,211	70,681	-	-	-	721,461
Fee for Service (Non-Dual)													
Aged	2,401	2,671	1,925	3,122	3,136	3,318	3,581	3,234	3,697	-	-	-	27,085
BCCTP	629	620	594	693	683	652	648	614	626	-	-	-	5,759
Disabled	3,962	4,076	3,598	4,454	4,222	4,283	4,473	4,438	4,516	-	-	-	38,022
LTC	406	389	255	388	380	371	367	354	358	-	-	-	3,268
MCX	25,032	26,395	24,324	29,312	30,062	31,335	35,646	35,939	37,304	-	-	-	275,349
TANF	28,959	29,852	31,084	32,224	33,662	34,021	38,963	38,289	37,601	-	-	-	304,655
	61,389	64,003	61,780	70,193	72,145	73,980	83,678	82,868	84,102	-	-	-	654,138
MEDI-CAL TOTAL													
Aged	63,542	63,541	62,805	63,549	63,622	63,386	56,227	56,013	56,305	-	-	-	548,990
BCCTP	664	655	628	726	721	703	686	654	663	-	-	-	6,100
Disabled	55,092	54,913	54,166	54,490	54,239	53,567	49,448	49,258	49,212	-	-	-	474,385
LTC	3,797	3,784	3,592	3,735	3,691	3,599	3,456	3,347	3,286	-	-	-	32,287
MCX	194,514	199,290	200,766	210,107	214,351	219,331	217,820	219,583	226,459	-	-	-	1,902,221
TANF	426,081	428,143	430,738	435,502	436,745	438,824	437,464	436,120	439,584	-	-	-	3,909,201
	743,690	750,326	752,695	768,109	773,369	779,410	765,101	764,975	775,506	-	-	-	6,873,181
PACE	101	114	119	123	124	129	135	140	142	-	-	-	1,127
OneCare	13,021	12,803	12,628	12,455	12,166	11,891	1,375	1,288	1,285	-	-	-	78,912
OneCare Connect	2	954	1,666	2,496	3,189	4,437	12,090	15,550	15,936	-	-	-	56,320
MSSP	455	458	466	466	465	464	461	459	459	-	-	-	4,153
TOTAL	757,269	764,655	767,574	783,649	789,313	796,331	779,162	782,412	793,328	-	-	-	7,013,692

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ENROLLMENT

Overall MTD enrollment was 793,328
- Increased 10,917 or 1.4% from prior month
- Increased 49,200 or 6.6% from prior year (March 2015)
- Favorable to budget by 1,706

Medi-Cal enrollment was 775,965
- Increased 10,532 from prior month
- Favorable to budget by 10,589 primarily driven by:
    - TANF unfavorable by (20,926)
    - Offset with Medi-Cal Expansion favorable by 25,390 and aged by 6,732

OneCare enrollment was 1,285
- Decreased (3) from prior month
- Unfavorable to budget by (73)

OneCare Connect enrollment was 15,936
- Increased 386 from prior month
- Unfavorable to budget by (8,813)

PACE enrollment was 142
- Increased 2 from prior month
- Favorable to budget by 3

Overall YTD enrollment was 7,013,692
- Increased 793,328 or 12.8% from prior month
- Increased 715,097 or 11.4% from prior year (March 2015)
- Unfavorable to budget by 71,959

CalOptima - MediCal Total
Statement of Revenues and Expenses
For the NIne Months Ended March 31, 2016

Month					Year - To - Date			
Actual	Budget	$ Variance	% Variance		Actual	Budget	$ Variance	% Variance
775,965	765,376	10,589	1.38%	Member Months	6,877,333	6,902,825	(25,492)	-0.37%
				Revenues				
229,922,757	229,080,747	842,010	0.37%	Capitation revenue	2,079,724,064	2,087,375,072	(7,651,008)	-0.37%
0	0	0	0.00%	Grant & other income	0	0	0	0.00%
229,922,757	229,080,747	842,010	0.37%	Total Operating Revenues	2,079,724,064	2,087,375,072	(7,651,008)	-0.37%
				Medical Expenses				
79,206,010	82,477,304	3,271,295	3.97%	Provider capitation	700,784,958	750,391,625	49,606,668	6.61%
35,070,239	44,584,378	9,514,139	21.34%	Facility inpatient	426,653,912	383,462,856	(43,191,056)	-11.26%
6,204,058	10,375,613	4,171,555	40.21%	Facility outpatient	69,738,367	93,290,638	23,552,271	25.25%
16,406,847	19,741,999	3,335,152	16.89%	Professional Claims	108,043,255	163,848,619	55,805,364	34.06%
35,640,099	32,771,620	(2,868,479)	-8.75%	Prescription drugs	292,869,047	280,453,159	(12,415,887)	-4.43%
39,997,496	33,248,842	(6,748,654)	-20.30%	Long-term care facility payments	383,266,531	343,748,398	(39,518,133)	-11.50%
5,098,399	(4,729,014)	(9,827,413)	-207.81%	Contingencies	(11,619,524)	(42,561,127)	(30,941,603)	-72.70%
3,468,559	4,184,647	716,088	17.11%	Medical Management	24,045,557	33,796,974	9,751,417	28.85%
546,428	547,205	778	0.14%	Reinsurance & other	4,959,701	4,914,438	(45,263)	-0.92%
221,638,133	223,202,595	1,564,462	0.70%	Total Medical Expenses	1,998,741,803	2,011,345,581	12,603,778	0.63%
8,284,624	5,878,152	2,406,471	40.94%	Gross Margin	80,982,261	76,029,491	4,952,769	6.51%
				Administrative Expenses				
4,757,579	6,185,998	1,428,420	23.09%	Salaries, wages & employee benefits	40,709,651	53,144,914	12,435,263	23.40%
253,656	552,458	298,802	54.09%	Professional fees	2,249,869	5,048,493	2,798,624	55.43%
1,350,380	1,118,238	(232,142)	-20.76%	Purchased services	6,684,751	9,362,013	2,677,262	28.60%
307,541	660,833	353,292	53.46%	Printing and postage	2,742,465	5,963,566	3,221,101	54.01%
0	0	0	0.00%	Occupancy expenses	0	0	0	0.00%
279,324	458,456	179,132	39.07%	Depreciation & amortization	2,269,891	4,126,106	1,856,214	44.99%
1,021,262	1,649,700	628,438	38.09%	Other operating expenses	9,493,829	14,846,862	5,353,033	36.05%
(183,331)	(406,553)	(223,222)	-54.91%	Indirect cost allocation	(840,344)	(3,656,260)	(2,815,917)	-77.02%
7,786,411	10,219,130	2,432,719	23.81%	Total Administrative Expenses	63,310,112	88,835,694	25,525,582	28.73%
				Operating Tax				
10,767,705	11,434,515	666,810	5.83%	Tax Revenue	83,914,528	103,764,706	19,850,178	19.13%
0	11,434,515	11,434,515	100.00%	Premium tax expense	0	103,764,706	103,764,706	100.00%
10,767,705	0	(10,767,705)	0.00%	Sales tax expense	83,914,528	0	(83,914,528)	0.00%
0	0	0	0.00%	Total Net Operating Tax	0	0	0	0.00%
				Grant Income				
0	617,857	(617,857)	-100.00%	Grant Revenue	0	2,471,429	(2,471,429)	-100.00%
0	525,179	525,179	100.00%	Grant expense - Service Partner	0	2,100,714	2,100,714	100.00%
0	92,679	92,679	100.00%	Grant expense - Adminsitrative	154	370,714	370,560	99.96%
0	0	0	0.00%	Total Net Grant Income	(154)	0	(154)	0.00%
0	0	0	0.00%	QAF and IGT - Net	0	0	0	0.00%
100	0	100	0.00%	Other income	961	0	961	0.00%
498,313	(4,340,978)	4,839,291	111.48%	Change in Net Assets	17,672,956	(12,806,203)	30,479,159	238.00%
96.4%	97.4%	1.0%	1.1%	Medical Loss Ratio	96.1%	96.4%	0.3%	0.3%
3.4%	4.5%	1.1%	24.1%	Admin Loss Ratio	3.0%	4.3%	1.2%	28.5%

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MEDI-CAL INCOME STATEMENT – MARCH MONTH

REVENUES of $229.9 million are favorable to budget by $0.8 million, driven by:

- Price related variance of: ($2.3) million related to aid code mix
- Volume related variance of: $3.2 million due to the higher enrollment

MEDICAL EXPENSES: Overall $221.6 million, favorable to budget by $1.6 million due to:

- **Capitation** is favorable to budget $3.3 million due to:
  - Price related variance of: $4.4 million
  - Volume related variance of: ($1.1) million
- **Total Claim Payments** are favorable to budget $7.4 million due to:
  - Price related variance of: $9.3 million
  - Volume related variance of: ($1.9) million
- **Contingencies** are unfavorable to budget ($9.8) million driven by:
  - Expense due to risk corridor recovery to bring FY16 MLR to 95% and prior years to 85% per DHCS contract

ADMINISTRATION EXPENSES are $7.8 million, favorable to budget $2.4 million, driven by:

- Salary & Benefits: $1.4 million favorable to budget
- Non-Salary: $1.0 million favorable to budget across most categories

CHANGE IN NET ASSETS is $0.5 million for the month, favorable to budget by $4.8 million

CalOptima - OneCare Connect
Statement of Revenues and Expenses
For the NIne Months Ended March 31, 2016

Month					Year - To - Date			
Actual	Budget	$ Variance	% Variance		Actual	Budget	$ Variance	% Variance
15,936	24,749	(8,813)	-35.61%	Member Months	56,320	100,176	(43,856)	-43.78%
				Revenues				
33,275,871	46,481,918	(13,206,047)	-28.41%	Capitation revenue	103,818,439	188,147,172	(84,328,733)	-44.82%
33,275,871	46,481,918	(13,206,047)	-28.41%	Total Operating Revenue	103,818,439	188,147,172	(84,328,733)	-44.82%
				Medical Expenses				
8,685,258	13,528,247	4,842,989	35.80%	Provider capitation	28,314,245	54,758,960	26,444,716	48.29%
985,957	5,419,591	4,433,635	81.81%	Inpatient	22,033,815	21,902,406	(131,409)	-0.60%
3,210,950	4,030,522	819,572	20.33%	Ancillary	10,291,477	15,978,720	5,687,244	35.59%
9,965,882	13,411,587	3,445,705	25.69%	Skilled nursing facilities	13,468,474	54,229,109	40,760,635	75.16%
3,241,807	4,854,824	1,613,016	33.23%	Prescription drugs	17,963,910	20,212,997	2,249,088	11.13%
0	411,819	411,819	100.00%	Quality incentives	0	1,666,939	1,666,939	100.00%
1,118,573	1,354,815	236,242	17.44%	Medical management	5,275,755	7,425,467	2,149,712	28.95%
(17,440)	803,469	820,909	102.17%	Other medical expenses	284,689	3,252,241	2,967,552	91.25%
27,190,987	43,814,873	16,623,886	37.94%	Total Medical Expenses	97,632,364	179,426,839	81,794,476	45.59%
6,084,884	2,667,045	3,417,839	128.15%	Gross Margin	6,186,075	8,720,333	(2,534,258)	-29.06%
				Administrative Expenses				
931,872	1,303,036	371,164	28.48%	Salaries, wages & employee benefits	4,478,624	7,276,424	2,797,800	38.45%
0	8,367	8,367	100.00%	Professional fees	0	74,397	74,397	100.00%
119,904	417,847	297,943	71.30%	Purchased services	686,625	2,055,520	1,368,895	66.60%
137,358	198,598	61,240	30.84%	Printing and postage	1,105,165	1,841,560	736,394	39.99%
(1,377)	0	1,377	0.00%	Depreciation & amortization	(1,377)	0	1,377	0.00%
2,221	9,895	7,675	77.56%	Other operating expenses	16,861	261,323	244,463	93.55%
481,199	806,201	325,002	40.31%	Indirect cost allocation, Occupancy Expense	1,895,442	6,238,623	4,343,181	69.62%
1,671,176	2,743,943	1,072,768	39.10%	Total Administrative Expenses	8,181,340	17,747,847	9,566,507	53.90%
				Operating Tax				
415,229	0	415,229	0.00%	Tax Revenue	844,376	0	844,376	0.00%
415,229	0	(415,229)	0.00%	Sales tax expense	844,376	0	(844,376)	0.00%
0	0	0	0.00%	Total Net Operating Tax	0	0	0	0.00%
4,413,709	(76,898)	4,490,607	5839.69%	Change in Net Assets	(1,995,265)	(9,027,515)	7,032,250	77.90%
81.7%	94.3%	12.5%	13.3%	Medical Loss Ratio	94.0%	95.4%	1.3%	1.4%

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ONECARE CONNECT INCOME STATEMENT – MARCH MONTH

REVENUES of $33.3 million are unfavorable to budget by ($13.2) million due to lower enrollment

MEDICAL EXPENSES are favorable to budget $16.6 million due to:

- Across most categories due to lower enrollment

ADMINISTRATIVE EXPENSES are favorable to budget by $1.1 million

CHANGE IN NET ASSETS is $4.4 million, favorable to budget by $4.5 million

CalOptima - OneCare
Statement of Revenues and Expenses
For the NIne Months Ended March 31, 2016

Month					Year - To - Date			
Actual	Budget	$ Variance	% Variance		Actual	Budget	$ Variance	% Variance
1,285	1,358	(73)	-5.38%	Member Months	78,912	81,579	(2,667)	-3.27%
				Revenues				
1,338,191	1,448,626	(110,435)	-7.62%	Capitation revenue	82,293,324	88,380,805	(6,087,481)	-6.89%
1,338,191	1,448,626	(110,435)	-7.62%	Total Operating Revenue	82,293,324	88,380,805	(6,087,481)	-6.89%
				Medical Expenses				
461,940	488,540	26,600	5.44%	Provider capitation	29,246,221	29,780,072	533,851	1.79%
608,518	540,013	(68,505)	-12.69%	Inpatient	29,370,047	31,651,415	2,281,368	7.21%
98,676	57,894	(40,782)	-70.44%	Ancillary	2,384,849	3,355,132	970,283	28.92%
50,493	51,075	582	1.14%	Skilled nursing facilities	2,262,837	3,027,042	764,205	25.25%
223,807	241,053	17,246	7.15%	Prescription drugs	6,698,813	4,309,476	(2,389,337)	-55.44%
0	18,106	18,106	100.00%	Quality incentives	899,979	1,087,441	187,462	17.24%
89,494	875	(88,619)	-10127.89%	Medical management	3,212,286	4,121,758	909,472	22.07%
1,175	309,273	308,099	99.62%	Other medical expenses	607,345	2,456,107	1,848,762	75.27%
1,534,103	1,706,829	172,726	10.12%	Total Medical Expenses	74,682,377	79,788,443	5,106,066	6.40%
(195,912)	(258,203)	62,291	24.12%	Gross Margin	7,610,947	8,592,362	(981,415)	-11.42%
				Administrative Expenses				
38,144	(108)	(38,252)	-35365.94%	Salaries, wages & employee benefits	3,298,760	3,975,947	677,187	17.03%
26,450	36,833	10,383	28.19%	Professional fees	194,378	340,500	146,122	42.91%
24,149	37,865	13,716	36.22%	Purchased services	410,013	679,848	269,836	39.69%
13,836	42,503	28,667	67.45%	Printing and postage	102,698	381,778	279,080	73.10%
33,822	41,573	7,751	18.64%	Other operating expenses	331,070	380,648	49,578	13.02%
29,212	0	(29,212)	0.00%	Indirect cost allocation, Occupancy Expense	1,765,627	1,017,186	(748,441)	-73.58%
165,612	158,666	(6,946)	-4.38%	Total Administrative Expenses	6,102,544	6,775,906	673,362	9.94%
(361,524)	(416,869)	55,345	13.28%	Change in Net Assets	1,508,402	1,816,456	(308,053)	-16.96%
114.6%	117.8%	3.2%	2.7%	Medical Loss Ratio	90.8%	90.3%	-0.5%	-0.5%
12.4%	11.0%	-1.4%	-13.0%	Admin Loss Ratio	7.4%	7.7%	0.3%	3.3%

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CalOptima - PACE
Statement of Revenues and Expenses
For the NIne Months Ended March 31, 2016

Month					Year - To - Date			
Actual	Budget	$ Variance	% Variance		Actual	Budget	$ Variance	% Variance
142	139	3	2.16%	Member Months	1,127	1,071	56	5.23%
				Revenues				
483,578	555,986	(72,409)	-13.02%	Medi-Cal capitation revenue	4,670,279	4,285,257	385,022	8.98%
251,141	284,879	(33,738)	-11.84%	MediCare capitation revenue	2,191,101	2,186,823	4,278	0.20%
0	0	0	0.00%	MediCare Part D Revenue	9,654	0	9,654	0.00%
734,719	840,865	(106,146)	-12.62%	Total Operating Revenues	6,871,033	6,472,080	398,953	6.16%
				Medical Expenses				
250,401	257,970	7,570	2.93%	Clinical salaries & benefits	1,965,466	2,158,940	193,474	8.96%
0	0	0	0.00%	Pace Center Support salaries & benefits	0	0	0	0.00%
0	0	0	0.00%	Provider capitation	0	0	0	0.00%
41,848	116,204	74,356	63.99%	Claims payments to hospitals	1,593,692	895,356	(698,336)	-78.00%
280,444	222,587	(57,857)	-25.99%	Professional Claims	1,722,819	1,715,040	(7,779)	-0.45%
78,968	75,060	(3,908)	-5.21%	Prescription drugs	675,755	578,340	(97,415)	-16.84%
104,831	6,846	(97,985)	-1431.27%	Long-term care facility payments	104,831	19,799	(85,032)	-429.48%
54,073	90,350	36,278	40.15%	Patient Transportation	445,489	696,150	250,661	36.01%
51,305	54,141	2,837	5.24%	Depreciation & amortization	522,290	487,272	(35,018)	-7.19%
37,655	38,370	715	1.86%	Occupancy expenses	338,894	338,520	(374)	-0.11%
23,971	14,183	(9,788)	-69.01%	Utilities & Facilities Expense	132,921	135,154	2,233	1.65%
90	2,521	2,431	96.43%	Purchased Services	1,449	21,343	19,894	93.21%
21,925	9,425	(12,500)	-132.62%	Indirect Allocation	150,905	72,619	(78,286)	-107.80%
0	0	0	0.00%	Reinsurance	0	0	0	0.00%
11,078	17,713	6,635	37.46%	Other Expenses	101,050	179,884	78,834	43.82%
956,588	905,371	(51,217)	-5.66%	Total Medical Expenses	7,755,562	7,298,417	(457,145)	-6.26%
(221,869)	(64,506)	(157,363)	-243.95%	Gross Margin	(884,529)	(826,337)	(58,191)	-7.04%
				Administrative Expenses				
92,210	91,566	(644)	-0.70%	Salaries, wages & employee benefits	750,184	788,875	38,691	4.90%
1,938	11,000	9,062	82.38%	Professional fees	27,893	99,000	71,107	71.82%
339	9,538	9,199	96.44%	Purchased services	7,683	85,787	78,104	91.04%
15,691	4,167	(11,524)	-276.58%	Printing and postage	33,944	37,500	3,556	9.48%
2,138	2,256	118	5.24%	Depreciation & amortization	21,762	20,304	(1,458)	-7.18%
4,937	5,546	609	10.99%	Other operating expenses	60,775	66,459	5,683	8.55%
2,482	1,992	(491)	-24.64%	Indirect cost allocation, Occupancy Expense	20,408	17,129	(3,279)	-19.14%
119,736	126,065	6,329	5.02%	Total Administrative Expenses	922,649	1,115,053	192,404	17.26%
(341,605)	(190,571)	(151,034)	-79.25%	Change in Net Assets	(1,807,178)	(1,941,391)	134,213	6.91%
130.2%	107.7%	-22.5%	-20.9%	Medical Loss Ratio	112.9%	112.8%	-0.1%	-0.1%
16.3%	15.0%	-1.3%	-8.7%	Admin Loss Ratio	13.4%	17.2%	3.8%	22.1%

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CalOptima - Behavioral Health ASO
Statement of Revenues and Expenses
For the NIne Months Ended March 31, 2016

Month								
Actual	Budget	$ Variance	% Variance		Actual	Budget	$ Variance	% Variance
				Revenues				
0	0	0	0.00%	Other Income	0	0	0	0.00%
0	0	0	0.00%	Total Operating Revenues	0	0	0	0.00%
				Medical Expenses				
(2,460)	0	2,460	0.00%	Other Medical	(76,705)	0	76,705	0.00%
0	0	0	0.00%	Medical management	0	0	0	0.00%
(2,460)	0	2,460	0.00%	Total Medical Expenses	(76,705)	0	76,705	0.00%
2,460	0	2,460	0.00%	Gross Margin	76,705	0	76,705	0.00%
				Administrative Expenses				
0	0	0	0.00%	Salaries, wages & employee benefits	0	0	0	0.00%
0	0	0	0.00%	Professional fees	0	0	0	0.00%
0	0	0	0.00%	Purchased services	0	0	0	0.00%
0	0	0	0.00%	Printing and postage	(405)	0	405	0.00%
0	0	0	0.00%	Depreciation & amortization	0	0	0	0.00%
0	0	0	0.00%	Other operating expenses	13	0	(13)	0.00%
0	0	0	0.00%	Indirect cost allocation, Occupancy Expense	0	0	0	0.00%
0	0	0	0.00%	Total Administrative Expenses	(392)	0	392	0.00%
2,460	0	2,460	0.00%	Change in Net Assets	77,097	0	77,097	0.00%
0.0%	0.0%	0.0%	0.0%	Medical Loss Ratio	0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%	Admin Loss Ratio	0.0%	0.0%	0.0%	0.0%

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CalOptima - Building 505 City Parkway
Statement of Revenues and Expenses
For the NIne Months Ended March 31, 2016

Month					Year - To - Date			
Actual	Budget	$ Variance	% Variance		Actual	Budget	$ Variance	% Variance
				Revenues				
24,056	20,473	3,583	17.50%	Rental income	303,579	184,259	119,320	64.76%
24,056	20,473	3,583	17.50%	Total Operating Revenue	303,579	184,259	119,320	64.76%
				Administrative Expenses				
1,235	2,085	850	40.79%	Professional fees	11,038	18,765	7,727	41.18%
26,454	22,912	(3,541)	-15.46%	Purchase services	224,316	206,212	(18,104)	-8.78%
149,057	136,086	(12,971)	-9.53%	Depreciation & amortization	1,297,217	1,224,777	(72,440)	-5.91%
14,549	15,110	561	3.72%	Insurance expense	130,940	135,993	5,053	3.72%
90,442	161,923	71,481	44.15%	Repair and maintenance	967,218	1,457,308	490,090	33.63%
46,660	0	(46,660)	0.00%	Other Operating Expense	493,514	0	(493,514)	0.00%
(334,850)	(311,907)	22,943	7.36%	Indirect allocation, Occupancy Expense	(2,715,785)	(2,542,879)	172,906	6.80%
(6,453)	26,210	32,663	124.62%	Total Administrative Expenses	408,458	500,175	91,718	18.34%
30,510	(5,737)	36,246	631.83%	Change in Net Assets	(104,878)	(315,916)	211,038	66.80%

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OTHER STATEMENTS – MARCH MONTH:

ONECARE INCOME STATEMENT

- **Change in Net Assets** is ($361.5) thousand, $55.3 thousand favorable to budget
- **Medical Expenses** are $172.7 thousand favorable to budget
- **Administration Expenses** are $165.6 thousand, $6.9 thousand unfavorable to budget

PACE INCOME STATEMENT

- **Change in Net Assets** for the month is ($341.6) thousand, which is operating unfavorable to budget by ($151.0) thousand

505 CITY PARKWAY BUILDING INCOME STATEMENT

- **Change in Net Assets** for the month is $30.5 thousand which is favorable to budget $36.2 thousand

CalOptima
BALANCE SHEET
March 31, 2016

ASSETS			LIABILITIES & FUND BALANCES	
Current Assets			Current Liabilities	
	Operating Cash	$517,385,834	Accounts payable	$3,414,435
	Catastrophic Reserves	11,308,179	Medical claims liability	567,700,157
	Investments	993,303,657	Accrued payroll liabilities	9,720,310
	Capitation receivable	95,758,129	Deferred revenue	504,927,408
	Receivables - Other	19,544,834	Deferred revenue - CMS	0
	Prepaid Expenses	5,014,032	Deferred lease obligations	298,864
			Capitation and withholds	401,608,289
			Accrued insurance costs	0
	Total Current Assets	**1,642,314,666**	**Total Current Liabilities**	**1,487,669,463**
Capital Assets	Furniture and equipment	27,720,290		
	Leasehold improvements	9,726,940		
	505 City Parkway West	46,682,460	Other (than pensions) post	
		84,129,690	employment benefits liability	27,773,191
	Less: accumulated depreciation	(30,590,245)	Net Pension Liabilities	1,405,452
	Capital assets, net	**53,539,445**	Long Term Liabilities	150,000
			TOTAL LIABILITIES	**1,516,998,106**
Other Assets	Restricted deposit & Other	270,959		
			Deferred inflows of Resources	**5,580,552**
	Board-designated assets			
	Cash and cash equivalents	24,638,095		
	Short term investments	-	Tangible net equity (TNE)	86,466,782
	Long term investments	448,206,574	Funds in excess of TNE	563,711,843
	Total Board-designated Assets	472,844,669		
			Net Assets	**650,178,625**
	Total Other Assets	**473,115,628**		
	Deferred outflows of Resources	**3,787,544**		
TOTAL ASSETS & OUTFLOWS		**2,172,757,283**	**TOTAL LIABILITIES, INFLOWS & FUND BALANCES**	**2,172,757,283**

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CalOptima
Statement of Cash Flows
March 31, 2016

	Month Ended	Year-To-Date
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	7,187,443	23,135,804
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	429,142	3,587,493
Changes in assets and liabilities:		
Prepaid expenses and other	654,790	(5,014,032)
Catastrophic reserves		
Capitation receivable	30,293,094	464,062,647
Medical claims liability	33,042,117	(102,633,143)
Deferred revenue	(59,749,385)	293,916,362
Payable to providers	13,417,776	110,975,377
Accounts payable	4,256,443	(20,427,244)
Other accrued liabilities	604,913	1,259,427
Net cash provided by/(used in) operating activities	30,136,333	768,862,692
GASB 68 CalPERS Adjustments	-	1,163,367
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	11,623,093	(247,511,049)
Purchase of property and equipment	(178,855)	(3,777,550)
Change in Board designated reserves	(1,414,536)	(12,561,502)
Net cash provided by/(used in) investing activities	10,029,701	(263,850,100)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	40,166,035	506,175,959
CASH AND CASH EQUIVALENTS, beginning of period	$488,527,979	22,518,055
CASH AND CASH EQUIVALENTS, end of period	**$ 528,694,013**	**$ 528,694,013**

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BALANCE SHEET

ASSETS decreased ($1.2) million from February

- **Cash and Cash Equivalents** increased by $40.2 million from February based upon month-end cut-off and cash funding requirements and includes temporary QAF inflows of $42.1M and IGT of $1.8M

- **Capitation Receivables** decreased ($38.1) million and reflects a fiscal 2016 year-to-date change in Medi-Cal dual revenue booking from a blended rate to contract rate

- **Investments** decreased ($11.6) million due to month-end cut-off and cash funding requirements

- **Receivables - Other** increased $7.7 million due to OneCare Connect Part D Medicare receivables and month-end cut-off and cash funding requirements

LIABILITIES decreased ($8.4) million from February

- **Deferred Revenue** decreased by ($59.7) million from February due to:
    - Medi-Cal Expansion: $32.8 million related to adjustments for actual claims paid run out
    - Long Term Care: $25.5 million related to the dual revenue booking change mentioned in **Capitation Receivables** above

- **Medical Claim Liability** increased by $33.0 million from February due to temporary $42.1M QAF liability paid in April, along with decreases for Medi-Cal Expansion claims liability

- **Incentives and Risk Pool** increased $13.6 million based upon timing of pool estimates, recalculations and payouts

NET ASSETS are $650.2 million

CalOptima Foundation
Statement of Revenues and Expenses
For the NIne Months Ended March 31, 2016
Consolidated

Month					Year - To - Date			
Actual	Budget	$ Variance	% Variance		Actual	Budget	$ Variance	% Variance
				Revenues				
27,305	0	27,305	0.00%	Income - Grant	186,154	331,766	(145,612)	-43.89%
40,996	0	40,996	0.00%	In Kind Revenue - HITEC Grant	246,731	0	246,731	0.00%
0	0	0	0.00%	In Kind Revenue - Foundation Corporate	123	0	123	0.00%
68,301	0	68,301	0.00%	Total Operating Revenue	433,009	331,766	101,243	30.52%
				Operating Expenditures				
30,710	7,373	(23,336)	-316.50%	Personnel	177,916	66,361	(111,555)	-168.10%
14,502	3,559	(10,943)	-307.47%	Taxes and Benefits	84,768	32,031	(52,737)	-164.64%
1,768	0	(1,768)	0.00%	Travel	2,113	0	(2,113)	0.00%
228	0	(228)	0.00%	Supplies	1,507	0	(1,507)	0.00%
18,000	0	(18,000)	0.00%	Contractual	158,698	310,766	152,068	48.93%
6,863	231,282	224,419	97.03%	Other	19,035	2,102,537	2,083,502	99.09%
72,070	242,214	170,144	70.25%	Total Operating Expenditures	444,037	2,511,695	2,067,657	82.32%
0	0	0	0.00%	Investment Income	0	0	0	0.00%
(3,770)	(242,214)	(238,445)	-98.44%	Program Income	(11,029)	(2,179,929)	(2,168,900)	-99.49%

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CalOptima Foundation
Balance Sheet
March 31, 2016

ASSETS		**LIABILITIES & NET ASSETS**	
Operating cash	2,893,807	Accounts payable-Current	40,040
Grants receivable	41,808	Deferred Revenue	0
Prepaid expenses	0	Payable to CalOptima	0
Total Current Assets	**2,935,614**	Grants-Foundation	0
		Total Current Liabilities	**40,040**
		Total Liabilities	**40,040**
		Net Assets	**2,895,575**
TOTAL ASSETS	**2,935,614**	**TOTAL LIABILITIES & NET ASSETS**	**2,935,614**

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CALOPTIMA FOUNDATION INCOME STATEMENT

- For March, expenses are unfavorable to revenue by ($3.8) thousand
- YTD expenses are $11.0 thousand higher than revenue due to non-grant expenses from the Foundation reserve

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Budget Allocation Changes
Reporting changes for March 2016

Transfer Mo	Line of Business	From	To	Amount	Expense Description	Fiscal Year
July	MediCal	Human Resources Professional Fees	Human Resources Professional Fees	$19,428	Re-purpose funds for CareerBuilder Professional Searches & Software	2016
July	Capital	Facilities - Car Charging Station	PACE - Blinds	$13,000	Re-purpose FY15 unspent Board approved budget to purchase blinds for PACE	2016
July	Capital	Facilities - Board Breakout Room 104 & 105	PACE - Water Softener	$40,000	Re-purpose FY15 unspent Board approved budget to purchase water softener for PACE	2016
July	Capital	Facilities - Car Charging Station	Facilities - Beacon Space Re-Wiring	$26,000	Re-purpose FY15 unspent Board approved budget to re-wire the 7th floor space previously occupied by Beacon	2016
August	MediCal	Executive - Other Pay	Compliance - Professional	$99,000	Funds needed for Susan Miller Consulting for DHCS/DHMC	2016
August	OneCare	Compliance - Professional	Executive - Other Pay	$99,000	Re-allocate funds from department for DHCS/DMHC consulting services	2016
August	OneCare Connect	Community Relations - Public Activities; Printing	Community Relations - Professional Fees	$10,000	Consulting services to address opt-out rate for OneCare Connect specifically in the Vietnamese community	2016
September	MediCal	IGT - Security Audit Remediation	IGT - Case Management	$99,000	Re-allocate funds from IGT Security Audit Remediation to fund services done by Altruista	2016
September	MediCal	Human Resources - Professional Fees - Sal & Comp Research; Executive Coaching	Human Resources - Professional Fees	$29,000	Re-purpose additional funds needed to cover SageView, CalOptima's 457b Plan Reviewer	2016
September	MediCal	Government/Legislative Affairs - Membership	Government/Legislative Affairs - Professional Fees	$42,612	Re-allocate funds from Membership for consultation services that strengthen relationship between CalOptima & local Vietnamese providers	2016
September	MediCal	IS Application Development -Professional Fees	IS Application Development - Maintenance HW/SW	$18,400	Re-allocate funds for add-on service by Ceridian for ACA reporting requirement, which is annual filing of ACA forms required by the Taxing Authority	2016
October	MediCal	IS Application Mgmt - Professional Fees	Quality Analytics - Purchased Services - Member Satisfaction Surveys	$75,000	Transfer of funds budgeted in IS Application Mgmt to Quality Analytics for Member Experience Survey	2016
October	MediCal	Quality Analytics - Incentives	Quality Analytics - Purchased Services - Access & Avail Study	$80,000	Funds needed for the Timely Access Survey for 2016	2016
October	OneCare	Health Network Provider Relations - In Home Assessments	Health Network Provider Relations - RADV Plan Audit	$25,000	Additional funds needed for the RADV Plan Audit	2016
October	MediCal	Human Resources - Purchased Services	Human Resources - Professional Fees - Sal & Comp Research	$18,500	Funds needed for Pearl Meyer Salary Structure review and Senior Management benchmarking	2016
November	MediCal	Cultural & Linguistic - Member Communications	Grievances & Appeals Resolution Office - Purchased Services & Office Supplies	$40,000	Funds needed to cover office supplies & services from ImageNet	2016
November	MediCal	eBusiness - Purchased Services	eBusiness - Purchased Services	$11,648	Re-purpose funds from FY16 AMA Royalty to pay for SAAS License Fee	2016
November	OneCare	Quality Analytics - Member Communications - QIP Activities	Quality Analytics - Purchased Services - Member Satisfaction Surveys	$20,000	Funds needed to cover OC Group Level CAHPS (member experience) survey	2016
November	MediCal	Process Excellence - Professional Fees	Executive - Other Pay	$50,000	Funds needed to cover RADV Plan Audit Chart Administrative Fee	2016
November	OneCare	Executive Office - Other Pay	Health Network Provider Relations - RADV Plan Audit	$50,000	Funds needed to cover RADV Plan Audit Chart Administrative Fee	2016
December	PACE	PACE - DME	PACE - Recreation Therapy Supplies	$10,000	Funds needed for member recreation therapy supplies	2016
December	MediCal	Compliance - Professional Fees	Audit & Oversight - Professional Fees	$12,500	Re-allocate funds from Compliance to Audit & Oversight for review of audit tools and protocols for A&O audit processes	2016
December	MediCal	IS-Infrastructure - Minor Equipment & Supplies	IS-Infrastructure - Software Maintenance	$29,000	Funds needed for maintenance expense relating to the HPCA e-mail archiving system	2016
January	MediCal	Facilities - Repairs & Maintenance - Building	Facilities - Comp Supply/Minor Equipment	$75,000	Funds needed for signage, furniture, adds move and change and other additional FF&E	2016
January	Capital	Facilities - 10th Floor Renovation - Common Corridor	Facilities - 505 Building Tiles	$11,500	Funds needed for purchased of floor tiles as part of upcoming remodel of common area restroom throughout the building	2016
January	MediCal	Executive Office - Professional Fees	Executive Office - Purchased Services	$15,000	Re-purpose $15,000 specified for Prof Fees - Legal to be used for an armed security officer at all board of directors meeting	2016
January	Capital	Facilities - Board Dias/Table	PACE - Water Softener	$36,000	Re-purposed unspent board approved budget of $36,000 specified for Board Dias/Table to be used for PACE Water Softener	2016
January	Capital	Facilities - Board Dias/Table	Facilities - Sound Recording System	$46,000	Re-purposed unspent board approved budget of $46,000 specified for Board Dias/Table to be used for Sound Recording System	2016
February	MediCal	Community Relations - Public Activities	Community Relations - Professional Fees	$17,000	Re-allocate funds from Public Activities to Professional Fees to cover community liaison consultants to assist with community relation functions.	2016
February	Capital	IS-Applications Management - Altruista Provider Portal Network	IS-Applications Management - Claims Editor	$31,700	Re-allocate capital funds to cover full cost of the claim editor program	2016
February	OneCare	Audit & Oversight - Professional Fees	Compliance - Professional Fees	$75,000	Re-allocate professional fees funds from Audit & Oversight to Compliance to cover Deloitte audit expenses	2016
March	OneCare Connect	Communications - Public Activities, Printing	Communications - Advertising	$75,182	Re-allocate funds from Public Activities and Printing to Advertising	2016

This report summarizes budget transfers between general ledger classes that are greater than $10,000 and less than $100,000.
This is the result of Board Resolution No. 12-0301-01 which permits the CEO to make budget allocation changes within certain parameters.

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Board of Directors' Meeting
May 5, 2016

Monthly Compliance Report

The purpose of this report is to provide compliance updates to CalOptima's Board of Directors, including but may not be limited to, updates on internal and external audits, regulatory audits, privacy updates, fraud, waste, and abuse (FWA) updates, and any notices of non-compliance received from a regulator.

A. Updates on Regulatory Audits

1. OneCare

- OneCare Validation Audit: CMS' re-audit of CalOptima's OneCare program took place from January 12 - 26, 2015. CalOptima received the final audit report from CMS on March 10, 2015, which identified four (4) corrective actions required (CARs) and two (2) immediate corrective actions required (ICARs). The validation audit took place from March 29 -30, 2016. CalOptima is currently working through additional documentation requests from CMS. CalOptima expects results from the validation audit in the coming weeks.

- Medicare Part C Contract-Level Risk Adjustment Data Validation (RADV) Audit: On September 14, 2015, CalOptima received notification from CMS of CalOptima's selection for the CY2012 Medicare Part C Contract-Level Risk Adjustment Data Validation (RADV) audit. CMS will be conducting a medical records review to validate the accuracy of the CY 2012 Medicare Part C risk adjustment data and payments. CalOptima has contracted with Optum to retrieve the medical records requested by CMS. CalOptima must submit all requested medical records to the CMS contractor by May 10, 2016.

- Medicare Part C National Risk Adjustment Data Validation (RADV) Audit: On January 27, 2016, CMS notified CalOptima that it was selected for the CY 2014 Medicare Part C National Risk Adjustment Data Validation (RADV) audit. CalOptima must submit all requested medical records to the CMS contractor by June 20, 2016.

- Medicare Parts C & D Data Validation Audit: As required by CMS on an annual basis, CalOptima has contracted with Advent Advisory Group, LLC (Advent) to conduct a review of reporting processes, including policies and procedures, source codes, and data files for Part C and D reports submitted during contract year (CY) 2015 for both One Care and One Care Connect programs. On April 13, 2016, Advent conducted a virtual audit on reporting processes for all Parts C and D reporting requirements. Advent will finalize their sample sections by the end of April 2016.

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2. OneCare Connect

- CY 2016 Quality Withhold Performance Measure Validation: On November 12, 2015, CalOptima received notice that CMS' contractor, Health Services Advisory Group (HSAG), would be conducting a Quality Withhold Performance Measure Validation (PMV) for OneCare Connect for CY 2016. CalOptima submitted a pre-audit questionnaire to HSAG on January 20, 2016. The validation was performed via webex on April 5, 2016. At the conclusion of the validation audit, HSAG auditor complimented CalOptima for its thorough preparation, organization, and documentation of its policies and processes. The HSAG auditor also stated that there was no concerns with CalOptima's processes and oversight. HSAG is expected to release a draft report in mid-June with a final report expected by the end of June 2016.

- One Care Connect Mock Audit: CalOptima anticipates that CMS will select its OneCare Connect program for a full-scope program audit some time in 2016. As such, CalOptima has recently engaged a consultant to conduct a mock audit on its OneCare Connect program using the 2016 CMS audit protocols. CalOptima expects to receive an audit engagement letter from its consultant by the week of May 2, 2016. Universes are expected to be due three (3) weeks thereafter, and mock audit activities are expected to begin the week of June 6, 2016.

3. PACE

- The CMS/DHCS onsite audit took place from November 2-5, 2015. CMS/DHCS reviewed nineteen (19) audit elements. On December 5, 2015, CMS/DHCS issued a final audit report. On December 31, 2015, CalOptima submitted a corrective action plan (CAP) for the findings cited in the final audit report. Subsequently, CMS/DHCS auditors requested additional information from CalOptima prior to accepting its CAP responses. CMS will provide a response as to its final acceptance once all CAP activities are completed. CalOptima submitted its CAP responses to CMS and DHCS on April 14, 2016.

4. Medi-Cal

- 2015 DHCS Medical Audit: Up to thirteen (13) auditors from DHCS were onsite from February 8 – 19, 2016 conducting an annual audit of CalOptima's Medi-Cal program. The review period was from February 1, 2015 through November 30, 2015. The DHCS Medi-Cal audit consisted of an evaluation of CalOptima's compliance with its contract and regulations in the areas of utilization management, case management and care coordination, access and availability, member rights and responsibilities, quality improvement system, organization and administration of CalOptima, facility site reviews, and medical records review.

- On April 7, 2016, DHCS held an exit conference to discuss the preliminary findings outlined in the draft report provided to CalOptima on April 5, 2016. The DHCS draft report identified 4 (four) preliminary findings in the following areas --- Initial Health Assessment, Appointment Procedures and Waiting Times, Confidentiality Rights, and Fraud and Abuse. DHCS is expected to issue a final report by May 9, 2016.

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B. Updates on Internal /External Audits

1. Pharmacy Audits – OneCare (February 2016)

- Formulary Rejected Claims Review

Month	% Claims Rejected in Error (Member Impact)
February 2016	0%

  - ➢ No claims were rejected in error due to formulary restrictions.

- Coverage Determination Timeliness Review

Month	Non-Compliant Cases	% of Timeliness
February 2016	0	100%

  - ➢ Timeliness for coverage determinations has been 100% compliant for February 2016.

- Monthly Direct Member Reimbursement (DMR) Review

Month	% of DMR Case Compliance
February 2016	No Reimbursement Requests

  - ➢ For the past two (2) months, pharmaceutical direct member reimbursement (DMR) has been 100% compliant, with the month of February having zero (0) direct member reimbursement requests.

- Coverage Determination Clinical Decision Making (CDM) Review

Week	Protected Drug Cases	Unprotected Drug Cases	Overall Compliance
February 2016	0	15	100%

  - ➢ For the past two (2) months, coverage determination clinical decision making (CDM) has been 100% compliant.

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2. Delegation Oversight: Utilization Management (UM) and Claims

- Medi-Cal Utilization Management (UM) – Summary of Findings (February 2016)

	Timeliness for Urgents	CDM for Urgents	Letter Score for Urgents	Timeliness For Routine	Timeliness For Denials	CDM For Denials	Letter Score for Denials	Timeliness For Modifieds	CDM for Modifieds	Letter Score for Modifieds	Timeliness for Deferrals	CDM for Deferrals	Letter Score for Deferrals
February 2016	88%	90%	87%	90%	85%	96%	89%	78%	98%	97%	100%	100%	100%

- The lower scores for timeliness, clinical decision making (CDM), and letters were due to the following reasons:

  - Timeliness:
    - Failure to meet timeframe for provider initial notification
    - Failure to meet timeframe for provider written notification

  - Clinical Decision Making (CDM):
    - Failure to cite the criteria utilized to make the decision

  - Letters:
    - Failure to provide language assistance program (LAP) insert with approved threshold languages

- Medi-Cal Claims – Summary of Findings: Misclassified Claims (February 2016)

	Misclassified Paid Claims	Misclassified Denied Claims
February 2016	99%	100%

  - The compliance rate for misclassified paid claims has remained above 95% for the past seven (7) months.

  - The compliance rate for misclassified denied claims has remained above 95% for the past two (2) months.

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- Medi-Cal Claims – Summary of Findings: Professional Claims (February 2016)

	Paid Claims Timeliness	Paid Claims Accuracy	Denied Claims Timeliness	Denied Claims Accuracy
February 2016	95%	99%	98%	98%

  - For the past nine (9) months, the compliance rate for paid and denied claims accuracy and timeliness remains stable at or above 95%.

- Medi-Cal Claims – Summary of Findings: Misclassified Hospital Claims (February 2016)

	Misclassified Paid Claims	Misclassified Denied Claims
February 2016	100%	100%

  - The compliance rate for misclassified paid and denied hospital claims has remained at 100% for the past three (3) months.

- Medi-Cal Claims – Summary of Findings: Hospital Claims (February 2016)

	Paid Claims Timeliness	Paid Claims Accuracy	Denied Claims Timeliness	Denied Claims Accuracy
February 2016	100%	100%	100%	100%

  - The compliance rate for paid claims timeliness and accuracy has increased to 100% from the previous month.

  - The compliance rate for denied claims timeliness and accuracy has remained at 100% for the past three (3) months.

- OneCare Utilization Management (UM) – Summary of Findings (February 2016)

	Timeliness for EIOD [a]	CDM for EIOD [c]	Letter Score for EIOD	Timeliness for SOD [b]	Letter Score for SOD	Timelines for Denials	CDM for Denials [c]	Letter Score for Denials
February 2016	100%	100%	100%	95%	100%	100%	100%	100%

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- The compliance rates for EIOD timeliness and letter scores have increased to 100% from previous month.
- The compliance rate for EIOD CDM is at 100%.
- The compliance rate for SOD letter score has remained at or above 95% for the past five (5) months.
- The compliance rate for SOD timeliness decreased from 100% the previous month to 95% this month.
- The compliance rates for denial timeliness and letter scores have remained stable at 100% for the past two (2) months.
- The compliance rate for CDM denials has remained stable at or above 95% for the past three (3) months, with 100% compliance this month.

[a\] EIOD = expedited initial organization determination
[b\] SOD = standard organization determination
[c\] CDM = clinical decision making

- OneCare Claims – Summary of Findings: Misclassified Claims (February 2016)

	Misclassified Paid Claims	Misclassified Denied Claims
February 2016	100%	100%

- The compliance rate for misclassified paid claims has been above 95% during the last eight (8) months, with 100% compliance this month.
- The compliance rate for misclassified denied claims has been above 96% for the past four (4) months, with 100% compliance this month.

- OneCare Claims (Professional) – Summary of Findings (February 2016)

	Paid Claims Timeliness	Paid Claims Accuracy	Denied Claims Timeliness	Denied Claims Accuracy
February 2016	99%	99%	99%	85%

- The compliance rates for paid claims timeliness and accuracy have remained steady at or above 99% for the past two (2) months.
- The compliance rate for denied claims timeliness has been at or above 99% for the past three (3) months.
- The compliance rate for denied claims accuracy has increased from 78% the previous month to 85% this month.

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- OneCare Connect Utilization Management (UM) – Summary of Findings (February 2016)

	Timeliness for Urgents	CDM for Urgents	Letter Score for Urgents	Timeliness For Routine	Letter Score for Routine	Timeliness For Denials	CDM for Denials	Letter Score for Denials	Timeliness for Modifieds	CDM for Modifieds	Letter Score for Modifieds	Timeliness for Deferrals	CDM for Deferrals	Letter Score for Deferrals
February 2016	87%	NA	58%	98%	71%	80%	96%	88%	100%	100%	67%	NA	NA	NA

  - The compliance rate for urgent timeliness decreased from 100% the previous month to 87% this month due to the following reasons:
    - Failure to meet timeframe for decision
    - Failure to meet timeframe for member oral notification
    - Failure to meet timeframe for member written notification
    - Failure to meet timeframe for provider initial notification

  - The compliance rate for urgent letter score decreased from 81% the previous month to 58% this month due to the following reasons:
    - Failure to provide CMS approved letter template
    - Failure to provide letter with CalOptima logo
    - Failure to provide letter with description of services in lay language
    - Failure to provide language assistance program (LAP) insert with approved threshold languages

  - The compliance rate for routine timeliness score has increased from 85% the previous month to 98% this month.

  - The compliance rate for routine letter score has decreased from 77% the previous month to 71% this month due to the following reasons:
    - Failure to meet timeframe for provider initial notification
    - Failure to meet timeframe for provider written notification

  - The compliance rate for the denial timeliness score has increased from 72% the previous month to 80% this month.

  - The compliance rates for the denial CDM decreased from 100% the previous month to 96% this month and denial letter scores decreased from 91% the previous month to 88% this month due to the following reasons:
    - Failure to provide CMS approved letter template
    - Failure to provide letter with CalOptima logo
    - Failure to provide letter with description of services in lay language
    - Failure to provide language assistance program (LAP) insert with approved threshold languages

  - The compliance rate for modified timeliness and CDM remained at 100% for the past two (2) months.

  - The compliance rate for the modified letter score decreased from 89% the previous month to 67% this month due to the following reasons:

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- Failure to provide information on how to file a grievance
- Failure to provide LAP insert with approved threshold language
- Failure to provide referral back to PCP regarding any denial

- OneCare Connect Claims – Misclassified Claims (February 2016)

	Misclassified Paid Claims	Misclassified Denied Claims
February 2016	100%	100%

➢ The compliance rate for misclassified paid claims has been above 95% for the past seven (7) months, with 100% compliance this month.

➢ The compliance rate for misclassified denied claims has been at 100% for the past three (3) months.

- OneCare Connect Claims– Summary of Findings: Professional Claims (February 2016)

	Paid Claims Timeliness	Paid Claims Accuracy	Denied Claims Timeliness	Denied Claims Accuracy
February 2016	97%	98%	100%	97%

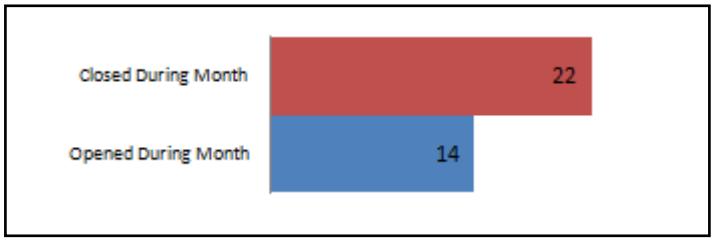
➢ The compliance rates for paid claims accuracy and timeliness have been at or above 90% for the past seven (7) months.

➢ The compliance rate for denied claims timeliness has increased from 90% the previous month to 100% this month.

➢ The compliance rate for denied claims accuracy has increased from 72% the previous month to 97% this month.

3. Special Investigations Unit (SIU) / Fraud, Waste & Abuse (FWA) Investigations (March 2016)

Case Status
Case status at the end of March 2016



Note: Cases that are referred to DHCS or the MEDIC are not "closed" until CalOptima receives notification of case closure from the applicable government agency.

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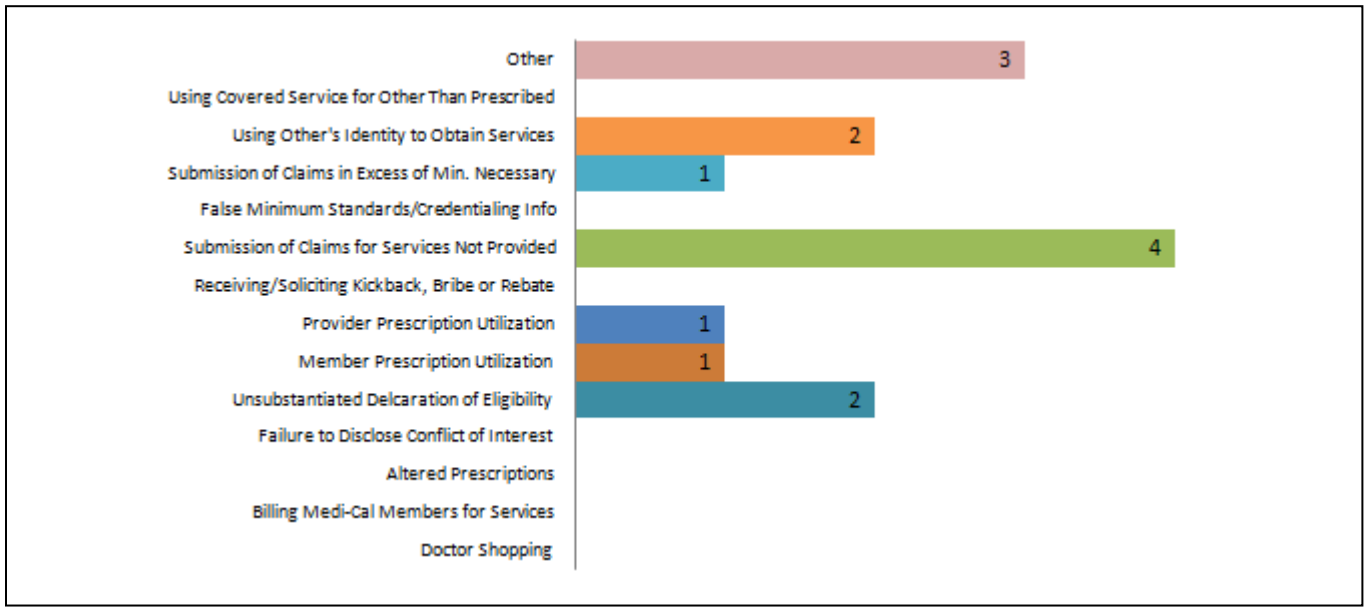
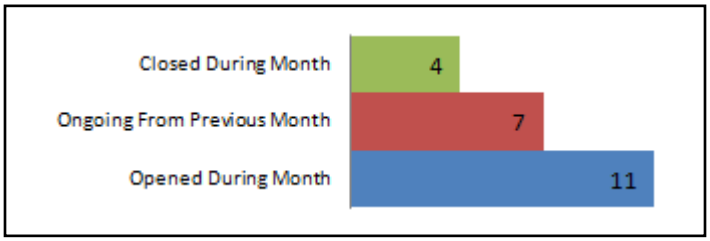
Types of FWA Cases:
(Received in March 2016)

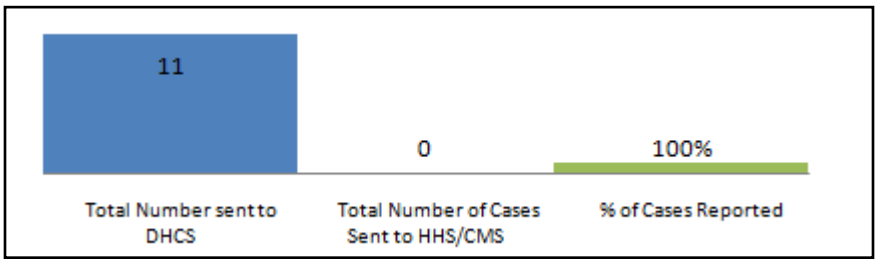


4. Privacy Cases (March 2016)

Case Status
Case status at the end of March 2016
(Case status may change throughout the month)



Privacy Statistics
(March 2016)



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Federal & State Legislative Advocate Reports

Board of Directors Meeting

May 5, 2016

James McConnell / Edelstein Gilbert Robson & Smith

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CalOptima
Washington Report
April 25, 2016

April in Washington has been dominated by trying to move forward with finalizing the Fiscal Year 2017 budget so as to allow the House and Senate Appropriations Committees to move forward with preparing their 2017 spending bills before the start of the new federal fiscal year on October 1. The process has moved forward a bit more smoothly in the Senate than in the House of Representatives.

The conservative Freedom Caucus in the House is pushing to reduce overall discretionary spending from the $1.07 trillion total agreed to in last year's Bipartisan Budget Act (P.L. 114-74) by $30 billion to a new total of $1.04 trillion. Discretionary spending represents about 25 percent of overall federal expenditures. Discretionary spending is divided between defense and national security programs (about 55 percent) and domestic programs (about 45 percent).

The 75 percent of the budget outside of discretionary spending is made up on mandatory spending, including Social Security, Medicare, Medicaid, veterans' programs, interest on the National Debt, and federal welfare programs. Mandatory spending can only be reduced if Congress changes the underlying legislation which created the program in the first place.

The continuing impasse in the House over adoption of a budget resolution for FY 2017 led the Senate Appropriations Committee to move ahead on 2017 appropriations work regardless of budget deliberations. The Republican leadership of the Appropriations Committee used FY 2016 House-passed spending bills that had not been acted upon last year by the Senate as "shells" for new FY 2017 spending measures, in order to get around the constitutional requirement that spending bills originate in the lower House.

Nonetheless as April comes to a close, Senate Republican conservatives are objecting to moving FY 17 spending bills which adhere to the $1.07 trillion discretionary cap. This will create further uncertainty as how the 2017 process moves forward.

As always, the appropriations legislation funding the Department of Health and Human Services will be one of the final measures addressed. Controversial spending

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decisions perennially affect this bill, and it is likely to be wrapped into a larger year-end Omnibus spending package rather than being passed separately by Congress.

After opposition from Congress, the Centers for Medicare and Medicaid Services (CMS) decided in April to delay the planned rollout of overall quality star ratings on its Hospital Compare website by several months. Overall hospital quality star ratings will appear on the Hospital Compare website in July, according to CMS.

The current Hospital Compare website has separate ratings for different quality measures, such as patient experience, outcomes and safety. Under the proposed overhaul of the system, Hospital Compare would use a five-star rating system for consistency and alignment with existing CMS star rating efforts for other health-care providers. For example, the Nursing Home Compare website currently uses star ratings to portray overall facility quality, while the current Hospital Compare website does not.

Some Members of Congress have expressed concern that a hospital star rating system may be misleading to consumers due to methodological flaws. Many prominent hospitals that are in the top echelon of other quality rating reports, but handle the most complex procedures and patients, may receive one or two stars out of a possible five, indicating that they have the poorest quality in comparison with all other hospitals.

In September 2015, hospital industry groups raised similar warnings about the data the CMS planned to use for the overall quality star ratings. The delay will allow institutions more time to better understand the impact of the ratings and address the flaws in the measures and methodology.

Over the next 60 days, CMS plans to "listen to stakeholders" and will provide further guidance about the star ratings, the notification said. In addition, CMS will host a National Provider Call May 12 to answer questions about the planned star ratings. "The call is intended to be informative, helping hospitals understand their hospital specific reports and to explain the methodology in detail," the agency notification said.

Meanwhile, the Office of Management and Budget (OMB) is reviewing a proposed regulation that will change the way doctors are reimbursed for services to Medicare beneficiaries. The proposed rule (RIN 0938-AS69) will establish the details for the new value-based payment system.

Starting January 1, 2019, the new system would implement a two-track payment method. One track, the Merit-Based Incentive Payment System (MIPS), would score medical professionals based on performance. MIPS will consolidate the current performance-based payment programs known as the Physician Quality Reporting System, the Value-Based Modifier and the Electronic Health Records Incentive Program into one. Under MIPS, doctors and other Part B clinicians would receive a performance score that would lead to cuts or increases to Medicare reimbursements of up to 4 percent in 2019, 5 percent in 2020, 7 percent in 2021 and 9 percent in 2022.

For the second track, the rule would establish criteria for alternative payment models (APMs) that would allow providers to avoid the scoring and receive a 5 percent bonus if they join an eligible entity. APMs are provider payment structures that are expected to take the form of accountable care organizations, bundled payments and advanced primary care medical homes. Qualifying APM participants must have a specified amount of their Medicare expenditures or patients through an eligible APM.

The two new tracks were called for in the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) (P.L. 114-10), which replaced the sustainable growth rate, a formula that led to yearly cuts in Part B provider payments that were subsequently overridden by Congress. A final rule is expected to be out by November 1.

EDELSTEIN GILBERT ROBSON & SMITH LLC

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CALOPTIMA
LEGISLATIVE REPORT
By Don Gilbert and Trent Smith
April 25, 2016

Shortly after providing our last CalOptima Legislative Report a new bill targeting County Organized Health Systems (COHS) emerged. SB 1308 by Senator Nguyen was originally introduced as a spot bill, meaning it proposed a minor technical change in law but didn't make any major changes that were of concern. However, on March 28, SB 1308 was amended to prohibit COHS from spending money on promotional giveaways, staff retreats, excessive executive compensation, and promoting changes to federal or state regulatory or legislative matters. SB 1308 also prohibited a COHS from paying for a media campaign or advertising while using the image or voice of an elected official or candidate for public office.

The COHS were very concerned with SB 1308 and several of the systems quickly adopted an oppose position. SB 1308 was scheduled for a hearing in the Senate Health Committee approximately one week from the day the bill was amended. Therefore, our firm had to go to work immediately lobbying against the bill. After meeting with the author's office we were informed that the bill would be further amended to remove the prohibition against lobbying state and federal regulations and legislation.

However, many of the COHS were still very concerned with the remaining provisions of the bill. We started by meeting with Senator Hernandez, Chairman of the Senate Health Committee. He is familiar with COHS and their many accomplishments based on our previous lobbying efforts. We outlined our concerns and arguments against SB 1308. It was a very positive meeting. We continued our lobbying efforts by meeting with the rest of the committee members or their staffs. We also briefed the committee consultants.

As the hearing date moved closer, we felt confident in our position. We had received good feedback in our meetings, but the outcome is never certain until the votes are cast. The author, Senator Nguyen, is Vice Chair of the Senate Health Committee and is well respected among her colleagues. Thus, despite our optimism, we were prepared for a lengthy and hard fought lobbying effort if the bill passed out of the Senate Health Committee. However, Senator Nguyen ultimately decided to drop SB 1308 rather than take it up for a committee vote. The bill is dead for the year.

Meanwhile, we continue to monitor the legislative and budget process on developments related to the California Children's Services (CCS) program. The Legislature does not appear willing to adopt any changes to the program as part of the budget process. Any changes, specifically allowing CCS services to become part of the Medi-Cal program under COHS, will have to be pursued in legislation debated in policy committees. Senator Hernandez would be the most likely author as he has a pending bill from last year on the subject.

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Earlier this month, we arranged for the COHS CEOs and other staff to meet with Senator Hernandez and Senator Pan. Both of these Senators will be key players in the CCS debate. Senator Pan is a practicing pediatrician and has voiced some very strong concerns with placing the CCS program under Medi-Cal managed care. Michael Schrader and Arif Shaikh attended these meeting on behalf of CalOptima.

The intent of the meetings was to highlight some of the key differences between COHS and other Medi-Cal managed care systems. We also wanted some of the COHS who have already been serving CCS children under a state pilot program to share their experiences and successes. The meetings would also allow us to gain some better insight on the specific concerns that these legislators may have with placing CCS under the oversight of the COHS.

From our perspective, the meetings went very well. Senator Pan was complimentary of the COHS. He was concerned about rates being adequate to serve very complex and often very expensive CCS patients. He also wants to make sure adequate specialty services are available. The COHS CEOs provided very good answers and evidence that they are ready and capable of assuming responsibility for CCS.

Senator Hernandez seemed confident that COHS could provide CCS services. His concerns were more focused on the mechanics of transitioning CCS from fee-for-service to managed care. He is particularly concerned about how the transition could impact county employees currently working in the CCS program.

In both meetings, Mr. Schrader shared that CalOptima had hosted a large stakeholder meeting in Orange County. Both Senators were pleased to learn that local outreach and input was taking place. Overall, we were very pleased with the outcomes of the meetings. We feel confident that the Senators will call on the COHS for more information as the CCS debate continues to evolve.

A few weeks ago we testified on CalOptima's behalf in support of SB 1273 by Senator Moorlach. This bill allows a county to use its Mental Health Services Fund moneys for outpatient crisis stabilization services. The bill passed out of the Senate Health Committee that day and has since passed off the Senate Floor on a unanimous vote.

The Governor will release his May Revise Budget Proposal in the coming weeks. This is always an important day as the budget process will kick into high gear once the Governor releases his new spending plan. We will review the May Revise upon its release and report on any matters of interest to CalOptima.

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Board of Directors Meeting
May 5, 2016

CalOptima Community Outreach Summary – April 2016

Background

CalOptima participates in public activities that meet at least one of the following criteria:

- Member interaction/enrollment – The event/activity attracts a significant number of CalOptima members and/or potential members who could be enrolled in any of CalOptima's programs.
- Branding – The event/activity promotes awareness of CalOptima in the general community.
- Partnerships – The event/activity has the potential to create positive visibility for CalOptima and create a long-term collaborative partnership between CalOptima and the requesting entity.

Requests for sponsorship are considered based on several factors, including: the number of people the activity/event will reach; the marketing benefits accrued to CalOptima; the strength of the partnership or level of involvement with the requesting entity; past participation; staff availability; and available budget.

In addition to participating in community events, CalOptima is active on several committees/coalitions focused on community health, with an emphasis on improving health care access, reducing health disparities, strengthening the safety net system and promoting a healthier Orange County.

CalOptima Community Events Update

CalOptima participated in nearly 80 community events in the first three quarters of the fiscal year. We collaborated with a variety of community-based organizations to provide outreach and education to current and potential members while strengthening relationships with our community partners. The Community Relations Department worked closely with the Provider Relations department, the OneCare Connect and PACE programs to provide accurate information to the community about CalOptima programs.

Events attended ranged from health, literacy, housing and community resource fairs, to back-to-school events, conferences and community celebrations throughout Orange County. CalOptima interacted with current and potential members of all ages and ethnic backgrounds. Some of the community events CalOptima attended include, but are not limited to the 25th Anniversary of American with Disabilities Act (ADA) Festival, 8th Annual South County Senior Summit, 8th Annual Pacific Islander Festival, Anaheim Family, Health and Resource Fair, Tet Festivals, and Jumpstart Literacy Fair. Participation in community events provides an opportunity to create positive visibility for CalOptima in the community while serving our members.

For additional information or questions, you can contact Tiffany Kaaiakamanu, Manager of Community Relations at 657-235-6872 or via e-mail at tkaaiakamanu@caloptima.org.

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Summary of Public Activities
CalOptima participated in 25 community events and coalition and committee meetings:

Date	Events/Meetings	Audience Reached
4/01	Covered Orange County General Meeting	Health and Human Service Provider
	Orange County Leadership Forum on Aging: Election 2016: Hot Topics for Seniors hosted by Orange County Aging Services Collaborative	Health and Human Service Provider
4/02 – 03	Anaheim Health Fair hosted by City of Anaheim and partners GBS Linens, and Inc., Anekant Community Center (*2 day event Sponsorship, $1,000, includes a 10x10 exhibit space, a table, two chairs, agency's name and link on event host's Health Fair webpage, agency's name and logo on Health Fair banner, and agency's name displayed on Health Fair press releases)*	Member/Potential Member
4/04	Spring Health and Safety Fair hosted by Fullerton College	Member/Potential Member
4/05	Collaborative to Assist Motel Families	Health and Human Service Provider
4/06	Anaheim Human Services Meeting	Health and Human Service Provider
	Orange County Aging Services Collaborative General Meeting	Health and Human Service Provider
	Orange County Developmental Screening Network	Health and Human Service Provider
	Orange County Healthy Aging Initiative Meeting	Health and Human Service Provider
	Buena Park Collaborative	Health and Human Service Provider
4/08	Senior Citizens Advisory Council Meeting	Health and Human Service Provider
4/09	14th Annual Faces of Fullerton hosted by Fullerton Collaborative (*Registration Fee: $100, includes a 10x10 exhibit space, two tables and six folding chairs)*	Member/Potential Member
4/11	Fullerton Collaborative	Health and Human Service Provider
4/12	Buena Clinton Coalition	Health and Human Service Provider
4/14	FOCUS Collaborative	Health and Human Service Provider
	Orange County Women's Health Project Advisory Meeting	Health and Human Service Provider
	Orange County Developmental Screening Network	Health and Human Service Provider
4/16	9th Annual Family Festival hosted by Orange County Head Start, Inc. and its partners	Member/Potential Member

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4/19	Placentia Community Collaborative	Health and Human Service Provider
4/20	Ageless Alliance Community Advisory Council Meeting	Health and Human Service Provider
	La Habra Collaborative	Health and Human Service Provider
	Covered Orange County Steering Committee	Health and Human Service Provider
	Continuum of Care Healthcare and Housing Integration Working Group	Health and Human Service Provider
4/23	2nd Annual Anaheim Community Information and Resource Fair hosted by Anaheim Human Services Network	Member/Potential Member
4/25	Stanton Collaborative	Health and Human Service Provider
4/30	8th Annual Community Resource Fair hosted by Families Forward	Member/Potential Member

CalOptima organized/convened 3 community stakeholder events, meetings and presentations:

Date	Event/Meetings	Audience Reached
4/05	OneCare Connect Community Forum hosted by Santa Ana Senior Center in partnership with CalOptima OneCare Connect Cal MediConnect Plan (Medicare-Medicaid Plan) — Spanish	Member/Potential Member
4/26	OneCare Connect Community Forum hosted by Santa Ana Senior Center in partnership with CalOptima OneCare Connect Cal MediConnect Plan (Medicare-Medicaid Plan) — Mandarin	Member/Potential Member
4/29	Monthly Health Education Seminar at the County Community Service Center hosted by CalOptima with the assistance of Supervisor Andrew Do — Understanding Social Security Programs and Benefits	Member/Potential Member

There are two (2) items during this reporting period (letters of support, program/public activity event with support, or use of name/logo).

1. Anaheim Health Fair hosted by City of Anaheim and partners GBS Linens, and Inc., Anekant Community Center (Listed in Public Activities)

2. 14th Annual Faces of Fullerton hosted by Fullerton Collaborative (Listed in Public Activities)

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CalOptima Board of Directors
Community Activities

For more information on the listed items, contact Tiffany Kaaiakamanu, Manager of Community Relations, at 657-235-6872 or by email at tkaaiakamanu@caloptima.org.

Day/Date/Time	Name of Activity/Event	Type of Activity/Event	Location
April 2016			
Friday, 4/29, 10-11am and 11:30am-12:30pm	*Orange County Community Service Center Education Seminar: Understanding Social Security Programs and Benefits *(Vietnamese)*	**Presentation to seniors, caregivers and community members**	Orange County Community Service Center 5460 Magnolia Ave. Westminster
Saturday, 4/30 10am-1pm	+Families Forward 8th Annual Community Resource Fair	**Health/Resource Fair: Open to the Public**	Irvine Valley College 5500 Irvine Center Dr. Irvine
May 2016			
Monday, 5/2 1-4pm	++OCHCA Mental Health Services Act Steering Committee	**Steering Committee Meeting: Open to Collaborative Members**	Delhi Center 505 E. Central Ave. Santa Ana
Monday, 5/2 6-8pm	+Garden Grove Unified School District: Community Outreach Meeting and Resource Fair	**Health/Resource Fair: Open to the Public**	Santiago High School 12342 Trask Ave. Garden Grove
Tuesday, 5/3 9:30am-11am	++Collaborative to Assist Motel Families	**Steering Committee Meeting: Open to Collaborative Members**	Anaheim Downtown Community Center 250 East Center St. Anaheim
Wednesday, 5/4 10-11:30am	++Buena Park Collaborative	**Steering Committee Meeting: Open to Collaborative Members**	Buena Park Library 7150 La Palma Ave. Buena Park

Day/Date/Time	Name of Activity/Event	Type of Activity/Event	Location
Thursday, 5/5 9-11am	++Homeless Provider Forum	**Steering Committee Meeting: Open to Collaborative Members**	Covenant Presbyterian Church, St. Andrew's Hall 1855 N. Orange Olive Rd. Orange
Thursday, 5/5 3-5pm	++OC Women's Health Project Advisory Board	**Steering Committee Meeting: Open to Collaborative Members**	The Village Conference Center 1505 E. 17th St. Santa Ana
Friday, 5/6 10-12pm	++Covered OC General Meeting	**Steering Committee Meeting: Open to Collaborative Members**	The Village 1505 E. 17th St. Casa Training Rm, 2nd floor Santa Ana
Monday, 5/9 2:30-3:30pm	++Fullerton Collaborative	**Steering Committee Meeting: Open to Collaborative Members**	Fullerton Library 353 West Commonwealth Ave., Fullerton
Monday, 5/9 6:30-7:30pm	++State Council on Developmental Disabilities OC Advisory Committee	**Steering Committee Meeting: Open to Collaborative Members**	State Council on Developmental Disabilities 2000 E. Fourth St. Santa Ana
Thursday, 5/12 11:30am-1pm	+CarePossible Lunch and Learn	**Conference: Open to conference attendees**	Chuck Jones 3321 Hyland Ave. Costa Mesa
Thursday, 5/12 1-4pm	+Pacific Clinics Recovery 3rd Annual Cultural Diversity and Resource Fair	**Health/Resource Fair: Open to the Public**	Pacific Recovery Clinics 401 S. Tustin Ave. Orange
Saturday, 5/14 10am-4pm	+West Anaheim Neighborhood Development Council 20th Annual Western BBQ	**Health/Resource Fair: Open to the Public**	Twila Reid Park 3100 W. Orange Ave. Anaheim
Friday, 5/20 1-4pm	+Families and Communities Together (FaCT OC)	**Conference: Open to conference attendees** ***Registration Required***	Delhi Center 505 E. Central Ave. Santa Ana
Friday, 5/20 8am-1pm	+2016 South County Senior Summit with Supervisor Lisa Bartlett and OC Office on Aging	**Presentation: Open to the CBO's, Health Advocates and Senior Services Providers and Health/Resource Fair: Public**	Laguna Woods Village Club House 3 Laguna Woods

Day/Date/Time	Name of Activity/Event	Type of Activity/Event	Location
Friday, 5/27 10-11am and 11:30am-12:30pm	*Orange County Community Service Center Education Seminar: Topic TBD	**Presentation to seniors, caregivers and community members**	Orange County Community Service Center 5460 Magnolia Ave., Westminster
June 2016			
Thursday, 6/2 8:30am-12noon	+Orange County Wraparound Resource Fair	**Health/Resource Fair: Open to the Public**	Mariners Church Community Center 5001 Newport Center Dr., Irvine
Wednesday, 6/8 9-11am	*CalOptima Community Alliances Forum	**Networking Session and Presentation: Open to the CBO's, Health Advocates and Services Providers** ***Registration recommended***	Delhi Community Center 505 E. Central Ave. Santa Ana
Friday, 6/10 9am-12pm	+Cypress Senior Center Resource Fair 2016	**Health/Resource Fair: Open to the Public**	Cypress Senior Center 9031 Grindlay Street Cypress
Saturday, 6/18 10am-2pm	+North OC Senior Collaborative and Ageless Alliance 2016 World Elder Abuse Awareness Day	**Health/Resource Fair: Open to the Public**	Buena Park Senior Center 8150 Knott Ave. Buena Park
Thursday, 6/23 8am-4:30pm	+Mental Health Association of OC Meeting of the Minds Collaboration Forum	**Networking Session and Presentation: Open to the CBO's, Health Advocates and Services Providers** ***Registration recommended***	Anaheim Marriott 700 W. Convention Way, Anaheim
Friday, 6/24 10-11am and 11:30am-12:30pm	*Orange County Community Service Center Education Seminar: Topic TBD	**Presentation to senior, caregivers and community members**	Orange County Community Service Center 15460 Magnolia Ave., Westminster