

From the CEO



R. Lyle Luman, MBA, FACHE
Chief Executive Officer

Mission

*To improve
the health and
well-being of
the people of
the central coast
by providing
access to high
quality medical
services.*

Looking back on our 27 years of service to the community, CenCal Health enjoys a fine reputation of caring for the health, wellness, and medical needs of our members. As California continues to meet difficult financial challenges, so goes the fiscal challenges for CenCal Health. Only due to the cooperation and compromise of our provider network partners has the plan been able to sustain its mission. Aside from the economic difficulties, CenCal Health continues on its ongoing quest for performance improvement.

In 2010, CenCal Health celebrated receipt of the California Department of Health Care Services (DHCS) Silver Quality Award. This respected commendation was one of four awards by DHCS for outstanding performance as measured by the Healthcare Effectiveness Data and Information Set (HEDIS). CenCal Health's performance ranked 2nd statewide among all Medi-Cal Managed Care plans. DHCS's commendation validates the exceptional care delivered by CenCal Health's providers and the commitment of CenCal Health's staff to assure access to high quality medical services for the people of the Central Coast. Looking forward, CenCal Health's recent quality evaluation indicates the high likelihood of another excellent statewide quality ranking next year.

I wish to thank the CenCal Health Board of Directors for their continued vision and leadership that has supported the success of our business, and likewise, my sincere appreciation and thank you to our provider network partners for the compassion and excellent health care services delivered to our members throughout the year.

Sincerely,

A handwritten signature in black ink that reads "R. Lyle Luman". The signature is fluid and cursive, with a long horizontal stroke at the end.

R. Lyle Luman, C.E.O.

& Deputy CEO

Issue of the Year: Health Care Reform

If there was one overriding theme for 2010 in relation to health care, it has been the potential impact, positive and/or negative, of the federal Patient Protection Act and Affordable Healthcare Act, collectively referred to as federal health care reform.

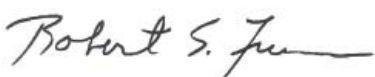
Depending upon who one spoke with, what article they read, radio program they listened to, or television show they watched, federal healthcare reform is either breakthrough or a travesty – rarely something in between. CenCal Health as an organization has followed the evolution of federal health care reform as it progressed through Congress, provided input to policy makers as to CenCal Health's experience as a publicly-sponsored health plan, and have analyzed the implications of the final legislation -- at least as it relates to Medicaid and providing care for the uninsured. After all of this information gathering, input and analysis, we at CenCal Health have taken the controversial stand of approaching federal health care reform with an open mind.

One reason we are doing so is that several years ago, the inclusion of a pharmacy benefit for the Medicare program (Part D) brought out similar opposition, concerns and anxiety as to the potential negative impact of that program. Now several years later, the pharmacy benefit of the Medicare program is more or less taken as a given, and there is little discussion of it -- although it has contributed to the federal deficit. Even with the deficit concerns, most would concede Medicare Part D represented a net gain for health care delivery.

Many of federal health care reform's provisions such as Medicaid (Medi-Cal) expansion, the creation of health exchanges, individual mandates, etc. may be controversial requirements, and people may oppose them for a variety of reasons. But they do have a reasonable expectation of accomplishing what Congress has intended – reducing the amount of uncompensated care while keeping medical costs within manageable limits. If that does occur then, as with Medicare Part D, we could see a similar evaporation of opposition and debate. Only time will tell.

Further, as time does move on and the components of federal health care reform transition from theory to practice, policy makers should be able to identify and promote what has proven to work; as well as identify and (hopefully) discard what doesn't. In relation to CenCal Health, we will work diligently to implement and administer those aspects of federal health care reform that directly impact us – especially Medi-Cal expansion. We will also work closely with our providers, our members and the community at large; as they all will be vitally important to CenCal Health in successfully accomplishing our small piece of federal health care reform on the Central Coast.

Sincerely,



Robert Freeman, Deputy C.E.O.



Robert Freeman,
Deputy Chief Executive Officer

Vision

To be a national model for health care delivery.

Values

- *Excellence*
- *Integrity*
- *Respect*
- *Honesty*
- *Responsible stewardship*
- *Commitment to community*
- *Dedicated staff*
- *Professionalism*