



**CenCal** HEALTH™  
The Regional Health Authority

## Fiscal Year 2009-10 Budget

June 2009

# Acknowledgments

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# Introduction

This document sets forth the 2009-10 operating and capital budgets for CenCal Health, and presents the utilization rate and unit cost assumptions used in developing the budget.

The operating budget consists of individual budgets developed for each of CenCal Health's health care programs and then combining these budgets into a consolidated operating budget.

CenCal Health will administer and operate the following health care programs during 2009-10:

## Medi-Cal

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

## PreNatal PLUS 2

CenCal Health is contracted with the California Managed Risk Medical Insurance Board (MRMIB) to provide health coverage to women residing in Santa Barbara County who qualify for the state-sponsored AIM program (Access to Infants and Mothers). CenCal Health uses the acronym PP2.

## Healthy Families

CenCal Health is contracted with the MRMIB to provide health coverage to children residing in Santa Barbara or San Luis Obispo counties who qualify for the state-sponsored Healthy Families Program (HFP).

## IHSS Healthcare

CenCal Health administers its In-Home Supportive Services (IHSS) health care product which provides health coverage to qualifying employees of the IHSS Public Authority of Santa Barbara County.

## Healthy Kids

CenCal Health administers the Healthy Kids program (HK) which provides health coverage to eligible children through age 18 for residents of Santa Barbara and San Luis Obispo counties.

## Multipurpose Senior Services Program (MSSP)

CenCal began administering the MSSP program in Santa Barbara County in October 2008 which functions to foster and maintain independence and dignity in community settings for frail seniors by preventing or delaying their inappropriate

placement in a nursing facility. MSSP provides services to eligible clients and their families that enable clients to remain in their home.

Each health care program will include projections for membership, revenue, and medical or program expenses. Revenue and expenses in the budget are presented and projected on the “accrual basis” of accounting in accordance with Generally Accepted Accounting Principles.

Capitation and premium revenue, reinsurance and related recoveries, and the medical expense budgets are presented on a per member per month (PMPM) basis and are considered flexible budgets whose aggregate dollar amounts vary with changes in a program’s actual member enrollment. Administrative costs, interest income and other revenues are considered fixed budgets.

# CenCal Health Consolidated Budget Summary

## Operating Budget

The 2009-10 consolidated operating budget is a combination of each health care program and activity into a single reporting unit and is summarized in Figure 1.

CenCal Health 2009-10 Operating Budgets								
	Medi-Cal	PP2	Healthy Families	IHSS	Healthy Kids	MSSP	CenCal Health	PMPM \$
<b>Program Revenue</b>								
Capitation	\$ 241,560,000	\$ 722,000	\$ 8,436,000			\$ 771,000	<b>\$ 251,489,000</b>	\$ 224.14
Premiums				<u>\$ 1,648,000</u>	<u>\$ 1,350,000</u>		<b>2,998,000</b>	2.67
Total Revenue	<u>241,560,000</u>	<u>722,000</u>	<u>8,436,000</u>	<u>1,648,000</u>	<u>1,350,000</u>	<u>771,000</u>	<b>254,487,000</b>	226.82
<b>Medical Expenses</b>	<u>236,969,000</u>	<u>747,000</u>	<u>9,090,000</u>	<u>1,221,000</u>	<u>1,186,000</u>	<u>245,000</u>	<b>249,458,000</b>	222.33
Gross Margin	\$ 4,591,000	\$ (25,000)	\$ (654,000)	\$ 427,000	\$ 164,000	\$ 526,000	<b>\$ 5,029,000</b>	4.48
<b>General &amp; Administrative:</b>								
Administrative							<b>15,870,000</b>	14.14
Medical & Care Mgmt							<b>4,262,000</b>	3.80
							<b>20,132,000</b>	17.94
<b>Other Revenue</b>								
Interest Income							<b>770,000</b>	0.69
Other							<b>45,000</b>	0.04
						<b>Surplus (Loss)</b>	<b>\$ (14,288,000)</b>	<b>\$ (12.73)</b>
Member months	1,008,000	600	88,800	4,920	17,640	2,040	<b>1,122,000</b>	
Avg. covered lives	84,000	50	7,400	410	1,470	170	<b>93,500</b>	
Medical loss ratio	98%	103%	108%	74%	88%	32%	<b>98%</b>	

**Figure 1**

Note: The operating budget does not reflect an actuarial analysis indicating our Medi-Cal revenue should increase effective as of July 1, 2009. Presently the magnitude of a possible increase in Medi-Cal revenue is unknown.

## CenCal Health Member Information

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

CenCal Health Member Months					
	FY 05/06	FY 06/07	FY 07/08	Projected FY 08/09	Budget
Medi-Cal	647,610	650,642	763,301	994,000	<b>1,008,000</b>
PP2	1,638	762	851	660	<b>600</b>
Healthy Families	22,148	23,148	28,413	55,400	<b>88,800</b>
IHSS	3,255	3,828	4,223	4,800	<b>4,920</b>
Healthy Kids	5,718	13,185	18,884	19,300	<b>17,640</b>
MSSP	0	0	0	1,400	<b>2,040</b>
	680,369	691,565	815,672	1,075,560	<b>1,122,000</b>
Annual Pct. Growth		1.6%	17.9%	31.9%	<b>4.3%</b>
Avg. Covered Lives	56,697	57,630	67,973	89,630	<b>93,500</b>

**Figure 2**

Overall, CenCal Health's covered lives are projected to average 93,500 resulting in 1,122,000 member months for 2009-10. The member growth into 2008-09 is primarily a function of the SLOHI program beginning March 1, 2008 with approximately 25,000 members.

## **CenCal Health Revenue:**

### Capitation Revenue:

CenCal Health will receive capitation revenue on each of its state-sponsored health care programs: Medi-Cal, Healthy Families, PP2, and MSSP.

#### *Medi-Cal:*

Capitation payments are received from the DHCS for qualifying residents in Santa Barbara and San Luis Obispo counties. Capitation is received monthly on a PMPM basis. Medi-Cal capitation revenue is budgeted at \$241.6 million based on projected member months of 1,008,000 resulting in a weighted average capitation rate of \$240 per Medi-Cal member per month.

#### *Healthy Families:*

Capitation payments are received monthly from the MRMIB for qualifying children in Santa Barbara and San Luis Obispo counties on a PMPM basis. HFP capitation revenue is budgeted at \$8.4 million based on projected member months of 88,800 resulting in a weighted average capitation rate of \$95 per HFP member per month.

#### *PP2:*

Capitation payments are received monthly from the MRMIB for qualifying women in Santa Barbara County. The capitation consists of two-parts: (1) a per member per month capitation and (2) a case-rate per delivery. For 2009-10, PP2 capitation revenue is budgeted at \$722,000 assuming 8 new enrollees per month during the budget year. We project having an average caseload of 50 enrollees (600 member months) resulting in an average capitation rate of \$1,203 per PP2 member per month.

#### *MSSP:*

Capitation payments are received monthly from the California Department of Aging for qualifying members in Santa Barbara County on a per client basis. MSSP capitation revenue is budgeted at \$0.8 million based on a projected client caseload of 170 (2,040 member months) resulting in an average capitation rate of \$378 per client per month.

The CenCal Health consolidated capitation revenue for 2009-10 is:

Medi-Cal	\$241,560,000
HFP	8,436,000
PP2	722,000
MSSP	771,000
	<hr/>
	<b>\$251,489,000</b>

More detailed capitation revenue information is located in Appendix B.

Premium Revenue:

CenCal Health receives health insurance premiums for providing health care coverage to qualifying children of Santa Barbara and San Luis Obispo counties under its HK program, and to qualifying employees of an employer group located in Santa Barbara County under the IHSS program.

*HK:* Premium payments are received monthly from the Children’s Health Initiative of San Luis Obispo and the Doorway to Health Foundation, respectively for San Luis Obispo County and Santa Barbara County members. HK premium revenue is budgeted at \$1.4 million based on member months of 17,640 resulting in a weighted average premium rate of \$77 per HK member per month.

*IHSS:* Premium payments are received monthly for qualifying employees of an employer under a group contract. IHSS premium revenue is budgeted at \$1.6 million based on 4,920 member months resulting in an average premium rate of \$335 per IHSS member per month.

The CenCal Health consolidated premium revenue for 2009-10 is:

HK	\$1,350,000
IHSS	<u>1,648,000</u>
	<b>\$2,998,000</b>

More detailed premium revenue information is located in Appendix C.

Other Revenue:

CenCal Health will receive \$45,000 for performing various administrative functions for Doorway to Health related to HK eligibility in Santa Barbara County.

Interest Income:

CenCal Health anticipates having an average monthly cash balance of \$35 million during the budget year, earning an average annual rate of return of 2.2 percent. This translates into \$0.8 million in projected interest income for 2009-10.

Summary of Revenue:

Capitation	\$251,489,000	
Premiums	2,998,000	
Interest	770,000	
Other	<u>45,000</u>	
	<b>\$255,302,000</b>	\$227.54 PMPM

## **CenCal Health Medical Care Expenses**

### Budget Development Methodology:

The 2009-10 medical expense budget is developed using CenCal Health's own medical claim database which consists of unit cost and utilization experience within each of its health care programs. The development of the budget includes incorporating anticipated growth in unit costs as a result of market trends and changes in provider reimbursement rates forecasted to occur during the budget year.

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

The medical expense budget presented in this report is the consolidation of developing a medical expense projection separately for each physician specialty and each type of provider. The result is a budget year assumption regarding the (i) utilization rate of medical care (identified as visits per member per year, bed days per 1,000 members per year, or prescriptions or fills per member per year) and (ii) unit cost rate of the medical care (identified as cost per visit, cost per bed day, or cost per prescription or fill). The assumed utilization rate and unit cost are applied to anticipated membership to derive the projection of medical expense dollars for 2009-10.

The major medical expense categories (the consolidation of the physician specialties and type of providers) reported on CenCal Health's financial statements are:

- PCP capitation & incentives
- Physician
- Hospital inpatient
- Hospital outpatient
- Pharmacy
- Long term care
- Other medical services
- Medical cost recoveries

These same categories are presented here in this budget report.

Primary Care Provider Capitation & Incentives:

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

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

PCP capitation is paid monthly to PCPs either at 60 and 80 percent of the full capitation rate, dependent on a choice selected by the PCP. The remaining 20 and 40 percent is withheld and is applied towards the PCP incentive pools. Incentives are earned by PCPs through the PCP Incentive Program which provides financial incentives to providers who meet minimum quality and utilization parameters. The total incentive dollars to be paid out fluctuate with any change in the number of members assigned to PCPs and the amount consists of both the withhold and a contribution from CenCal Health. For 2009-10, capitation and incentive payments combined are budgeted at \$10.3 million.

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

CenCal Health Primary Care Provider Capitation & Incentives 2009-10				
	Guaranteed Capitation	Incentives	Total	PMPM \$
SBHI	\$ 4,902,000	\$ 2,109,000	\$7,011,000	\$ 10.07
SLOHI	2,279,000	985,000	3,264,000	10.46
Total Medi-Cal	\$ 7,181,000	\$ 3,094,000	\$ 10,275,000	\$ 10.19
<b>CenCal Health</b>	<b>\$ 7,181,000</b>	<b>\$ 3,094,000</b>	<b>\$ 10,275,000</b>	<b>\$ 9.16</b>

**Figure 3**

Physician:

Physician cost represents expenditures paid primarily on a fee-for-service basis for medical care provided to members usually by referral from a member's primary care physician to a specialist at negotiated reimbursement rates. The majority of physician cost results from the adjudication of medical claims, while a small portion represents fixed dollar contractual arrangements.

The CenCal Health's consolidated physician expense budget is \$43.8 million and is summarized in Figure 4.

CenCal Health Physician Expense 2009-10					
	Visits PMPY	No. of Visits	Cost per Visit	Total Dollars	PMPM \$
SBHI	7.0	404,000	\$ 62.65	\$ 25,309,000	\$ 36.36
SLOHI	7.2	188,000	57.83	10,872,000	34.85
PP2	16.0	800	280.00	224,000	373.33
HFP-SB	5.3	39,000	120.03	4,681,000	53.44
HFP-SLO	4.3	400	115.00	46,000	38.33
HK-SB	3.2	3,100	119.03	369,000	33.06
HK-SLO	3.1	1,700	94.71	161,000	24.85
IHSS	7.0	2,800	139.29	390,000	79.27
Sub-Total	6.8	639,800	\$ 65.73	\$ 42,052,000	\$ 37.48
Other contractual arrangements - Medi-Cal				1,769,000	
<b>CenCal Health</b>				<b>\$ 43,821,000</b>	<b>\$ 39.06</b>

Figure 4

*Note: The number of visits and the unit cost for both SBHI and SLOHI include primary care provider visits for which the primary care provider is capitated under the PCP Incentive Program or the medical provider is reimbursed under a fixed contractual arrangement. In 2008 approximately 37 percent of total physician visits (for SBHI and SLOHI) were visits covered under a capitated or other fixed contractual arrangement.*

*Such visits are adjudicated at \$0 and as a result the cost per visit figures are lower than if one excludes these type of visits from the average cost per visit calculation. If one excludes these type of visits, the budgeted utilization and unit cost would be:*

	<u>Visits PMPY</u>	<u>Cost per Visit</u>
SBHI	4.4	\$99.25
SLOHI	4.5	\$92.14

Hospital Inpatient:

In-area hospitals are contracted at negotiated reimbursement rates unique to each facility, generally at varying per diem reimbursement rates dependent on the type of accommodation and level of care.

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

The CenCal Health consolidated hospital inpatient expense budget is \$45.7 million and is summarized in Figure 5.

CenCal Health Hospital Inpatient 2009-10					
***** non dual-eligibles *****					
	Days/ 1,000/Yr	No. of Bed Days	Cost per Bed Day	Total Dollars	PMPM \$
SBHI	362	17,800	\$ 1,849	\$ 30,918,000	\$ 44.42
SLOHI	353	7,300	1,746	12,565,000	40.27
PP2	4,300	220	1,955	430,000	716.67
HFP-SB	30	220	3,041	669,000	7.64
HFP-SLO	30	3	2,667	8,000	6.67
HK-SB	30	28	2,786	78,000	6.99
HK-SLO	20	11	1,909	21,000	3.24
IHSS	166	68	2,853	194,000	39.43
<b>CenCal Health</b>	<b>323</b>	<b>25,650</b>	<b>\$ 1,750</b>	<b>\$ 44,883,000</b>	<b>\$ 40.00</b>
Dual-Eligible Cost				\$ 825,000	
				<b>\$ 45,708,000</b>	<b>\$ 40.74</b>

Figure 5

Dual-eligible cost refers to a Medi-Cal member who is covered by Medicare Part A as their primary insurance for hospitalizations. In such instances, CenCal Health is considered the secondary payer and is only financially responsible up to the member's Medicare deductible for the admission, regardless of the length of stay. In 2009, the Medicare deductible per admission is \$1,068.

Of the \$45.7 million for hospital inpatient services, approximately \$10.8 million applies to out-of-area hospital facilities. The three most frequently utilized out-of-area facilities by members are UCLA Medical Center, Stanford University Medical Center, and Children's Hospital of Los Angeles.

Hospital Outpatient:

Hospitals are reimbursed at negotiated rates unique to each facility, generally paid on a fee-for-service basis by medical procedure or a percentage of allowable billed charges. In certain circumstances an outpatient surgery may be reimbursed at a case rate.

The CenCal Health consolidated hospital outpatient expense budget is \$13.4 million and is summarized in Figure 6.

CenCal Health Hospital Outpatient 2009-10						
	Visits PMPY	No. of Visits	Cost per Visit	Total Dollars	PMPM \$	
SBHI	1.2	72,100	\$ 99.85	\$ 7,199,000	\$ 10.34	
SLOHI	1.4	35,700	92.72	3,310,000	10.61	
PP2	2.0	100	480.00	48,000	80.00	
HFP-SB	0.6	4,100	498.54	2,044,000	23.33	
HFP-SLO	0.7	70	357.14	25,000	20.83	
HK-SB	0.3	320	500.00	160,000	14.34	
HK-SLO	0.4	200	1,095.00	219,000	33.80	
IHSS	1.1	460	810.87	373,000	75.81	
<b>CenCal Health</b>	<b>1.2</b>	<b>113,050</b>	<b>\$ 118.34</b>	<b>\$ 13,378,000</b>	<b>\$ 11.92</b>	

**Figure 6**

The type of medical care services provided within the hospital outpatient category vary, including but not limited to services provided within an emergency department, laboratory services, radiology services, outpatient surgeries, and physical therapies.

Of the \$13.4 million for hospital outpatient services, approximately \$0.9 million applies to out-of-area facilities.

Pharmacy:

For 2009-10, reimbursement for brand name drugs is assumed to average wholesale price (AWP) less 15%, while generic drugs will generally be reimbursed off a maximum allowable cost (MAC) schedule developed and maintained by CenCal Health's pharmacy benefit management (PBM) vendor. Both AWP and MAC are dynamic pricing mechanisms that fluctuate by ever-changing market conditions. Every prescription is also paid a fill fee of \$2.00, \$2.50, or \$3.75 depending on whether the drug is brand or generic and if filled by a chain or independent pharmacy. The budget incorporates a drug ingredient cost growth rate of 5 percent from the first quarter 2009 average cost per fill experience.

The PBM adjudicates the majority of pharmacy claims, while CenCal Health adjudicates a small percentage of claims comprising of pharmaceuticals which cannot be processed through the PBM, such as infusion drugs and certain medical supplies.

The CenCal Health consolidated pharmacy expense budget is \$38.0 million and is summarized in Figure 7.

CenCal Health Pharmacy 2009-10					
	Fills PMPY	No. of Fills	Cost per Fill	Total Dollars	PMPM \$
SBHI	8.2	476,000	\$ 52.28	\$ 24,884,000	\$ 35.75
SLOHI	8.1	211,000	56.45	11,912,000	38.18
PP2	6.8	340	17.65	6,000	10.00
HFP-SB	2.7	19,700	48.93	964,000	11.00
HFP-SLO	3.4	340	50.00	17,000	14.17
HK-SB	0.9	840	39.29	33,000	2.96
HK-SLO	1.1	620	43.55	27,000	4.17
IHSS	6.6	2,700	73.70	199,000	40.45
<b>CenCal Health</b>	<b>7.6</b>	<b>711,540</b>	<b>\$ 53.46</b>	<b>\$ 38,042,000</b>	<b>\$ 33.91</b>

**Figure 7**

Long Term Care:

The long term care (LTC) expense category includes intermediate care facilities and skilled nursing facilities. For 2009-10, these costs are anticipated to be incurred solely within our Medi-Cal programs. The budget incorporates an average facility reimbursement rate increase of 4 percent effective August 1, 2009 as a result of the DHCS's annual change to LTC facility reimbursement rates.

The budget projects \$80.2 million in LTC expenditures with costs averaging at \$164 per LTC bed day and is summarized in Figure 8.

CenCal Health Long Term Care 2009-10					
	Days/1,000	No. of Days	Cost per Day	Total Dollars	PMPM \$
SBHI	4,948	287,000	\$ 179.54	\$ 51,528,000	\$ 74.03
SLOHI	7,769	202,000	141.71	28,625,000	91.75
Total Medi-Cal	5,821	489,000	163.91	\$ 80,153,000	\$ 78.61
<b>CenCal Health</b>	<b>5,230</b>	<b>489,000</b>	<b>\$ 163.91</b>	<b>\$ 80,153,000</b>	<b>\$ 71.44</b>

**Figure 8**

LTC costs represent the largest expense component within the CenCal Health budget, representing 32 percent of the total medical expense budget and LTC services are utilized by roughly 2 percent of CenCal Health's membership.

Other Services:

This medical expense category encompasses all other types of medical services not already discussed and includes services such as home health, laboratory, medical transportation, durable medical equipment, and physical therapies.

The CenCal Health consolidated other services expense budget is \$17.7 million and is summarized in Figure 9.

CenCal Health Other Services 2009-10						
	Visits PMPY	No. of Visits	Cost per Visit	Total Dollars	PMPM \$	
SBHI	1.7	100,900	\$ 118.03	\$ 11,909,000	\$	17.11
SLOHI	1.6	42,400	113.80	4,825,000		5.46
PP2	6.0	300	86.67	26,000		43.33
HFP-SB	0.4	3,100	60.00	186,000		2.12
HFP-SLO	0.4	40	50.00	2,000		1.67
HK-SB	0.3	300	96.67	29,000		2.60
HK-SLO	0.2	120	75.00	9,000		1.39
IHSS	2.1	880	53.41	47,000		9.55
Sub-Total	1.6	148,040	\$ 115.06	\$ 17,033,000	\$	15.18
Member incentives - PP2				10,000		
Mental health capitated agreement				387,000		
MSSP services				245,000		
<b>CenCal Health</b>				<b>\$ 17,675,000</b>	<b>\$</b>	<b>15.75</b>

Figure 9

Medical Recoveries Cost – net:

CenCal Health has reinsurance (stop-loss) through a commercial vendor for high-cost hospital admissions incurred by members. The reinsurance deductibles and premium costs are summarized below:

<b>Program</b>	<b>Deductible</b>	<b>Premium PMPM</b>
SBHI	\$125,000	\$1.66
SLOHI	\$125,000	\$0.46
PP2	\$75,000	\$2.62
HFP	\$75,000	\$1.41
HK	\$75,000	\$1.39
IHSS	\$75,000	\$1.81

The deductible reflects hospital inpatient cost per member per year which must be incurred before the reinsurance is applicable on a particular member. We also obtain medical cost recoveries from Medicare and other third party payers through the work performed by our Recoveries Team. This primarily occurs when we identify members who have other health insurance coverage.

For 2009-10, our net medical recovery cost (actual recoveries less premium cost) projections are:

SBHI	\$	200,000
SLOHI		44,000
PP2		2,000
HFP		125,000
HK		26,000
IHSS		9,000
		<hr/>
	\$	406,000

Summary of Medical Expenditures by Program:

Figure 10 shows the budgeted medical expenditures by health care program.

<b>CenCal Health</b>							
<b>Budgeted Medical Expenditures by Program</b>							
<b>2009-10</b>							
	Medi-Cal	PP2	Healthy Families	Healthy Kids	IHSS	MSSP	Total CenCal Health
Primary care	\$ 10,275,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,275,000
Physician	37,950,000	224,000	4,727,000	530,000	390,000		43,821,000
Hosp inpatient	44,308,000	430,000	677,000	99,000	194,000		45,708,000
Hosp outpatient	10,509,000	48,000	2,069,000	379,000	373,000		13,378,000
Pharmacy	36,796,000	6,000	981,000	60,000	199,000		38,042,000
Long term care	80,153,000						80,153,000
Other services	16,734,000	37,000	511,000	92,000	56,000	245,000	17,675,000
Recoveries - net	244,000	2,000	125,000	26,000	9,000		406,000
	<b>\$ 236,969,000</b>	<b>\$ 747,000</b>	<b>\$ 9,090,000</b>	<b>\$ 1,186,000</b>	<b>\$ 1,221,000</b>	<b>\$ 245,000</b>	<b>\$ 249,458,000</b>
No. of members	84,000	50	7,400	1,470	410	170	93,500
Member months	1,008,000	600	88,800	17,640	4,920	2,040	1,122,000
PMPM \$	235.09	\$ 1,245.00	\$ 102.36	\$ 67.23	\$ 248.17	\$ 120.10	\$ 222.33

**Figure 10**

For 2009-10, total medical care expenditures of \$249.5 million and at \$222.33 PMPM is projected based on an average member caseload of 93,500 covered lives. Medical expense by per member per month is located in Appendix D. Detailed program medical expense by expense category is located in Appendices G, H, I, J, and K.

## **CenCal Health General and Administrative Expenses**

### Budget Development Methodology:

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

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

General and administrative (G&A) costs will be allocated to each health care program using the common statistical basis of member months. Total G&A costs will be converted into a PMPM figure based on total CenCal Health member months. This PMPM figure will then be multiplied by the member months applicable to each health care program to derive the G&A expense for the specific health care program.

### CenCal Health General and Administrative Budget:

Figure 11 shows the condensed general and administrative budget and includes a comparison to the budget adopted for 2008-09, as well as a projection on the actual expenditures to be incurred during the current fiscal year 2008-09.

CenCal Health Condensed General and Administrative Budget 2009-10					
	Projected 2008-09 Actual	Adopted 2008-09 Budget	<b>Budget</b>	Budget Increase (Decrease)	Budget Pct. Change
Salaries and benefits	\$ 12,181,000	\$ 13,291,000	<b>\$ 13,838,000</b>	\$ 547,000	4.1%
Contract services	2,025,000	1,924,000	<b>2,006,000</b>	82,000	4.3%
Travel expenses	56,000	225,000	<b>162,000</b>	(63,000)	-28.0%
Rent / utilities / occupancy	1,085,000	1,053,000	<b>1,156,000</b>	103,000	9.8%
Office supplies & equip	739,000	783,000	<b>811,000</b>	28,000	3.6%
Insurance	163,000	194,000	<b>165,000</b>	(29,000)	-14.9%
Depreciation	352,000	367,000	<b>444,000</b>	77,000	21.0%
Equip / software maint.	256,000	338,000	<b>403,000</b>	65,000	19.2%
Communications	185,000	196,000	<b>203,000</b>	7,000	3.6%
Prof association dues	42,000	32,000	<b>50,000</b>	18,000	56.3%
Community relations	54,000	68,000	<b>43,000</b>	(25,000)	-36.8%
Member / provider materials	85,000	95,000	<b>98,000</b>	3,000	3.2%
Clinical / QI interventions	337,000	427,000	<b>179,000</b>	(248,000)	-58.1%
Other expenses	435,000	491,000	<b>574,000</b>	83,000	16.9%
Total G&A	<b>\$ 17,995,000</b>	<b>\$ 19,484,000</b>	<b>\$ 20,132,000</b>	<b>\$ 648,000</b>	<b>3.3%</b>
Summary:					
Administrative	14,529,000	15,269,000	<b>15,870,000</b>	601,000	3.9%
Medical & care mgmt	3,466,000	4,215,000	<b>4,262,000</b>	47,000	1.1%
	<b>\$ 17,995,000</b>	<b>\$ 19,484,000</b>	<b>\$ 20,132,000</b>	<b>\$ 648,000</b>	<b>3.3%</b>
PMPM \$	\$16.72	\$18.10	\$17.94		

**Figure 11**

The 2009-10 general and administrative budget is \$20.1 million and 3.3 percent great than the budget adopted for 2008-09.

		<u>Pct. of Program Revenues</u>
Administrative	\$15.9 million	6.2%
Medical & care mgmt	4.3 million	1.7%
Total G&A	\$20.1 million	7.9%

Appendix F presents explanations for material budget increases and decreases.

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

CenCal Health Medical and Care Management:

Classified under medical and care management are expenditures in four distinct areas:

- Medical and Care Management  
CenCal Health's medical management activities encompass the resources of our Health Services Department. This department primarily performs various clinical functions geared towards ensuring access and delivery of quality medical care services. The department also operates several health intervention type programs, such as disease management programs. These are components of a multi-disciplinary, continuum-based health management system that improve quality of care for populations with chronic medical conditions and are developed to benefit CenCal Health's member population.

Care management, performed by registered nurses in conjunction with primary care physicians, is a patient centric collaborative process that assesses, develops, implements, coordinates, monitors and evaluates care plans designed to optimize individual members' health care across the care continuum. It includes empowering members, particularly members with chronic disease and medically complex conditions, to exercise their options and access the services appropriate to meet their individual health and psych-social needs. It is conducted mostly telephonically with members but can also include hospital and home visits. Care Management Nurses use communication, education, coaching, behavior modification and advocacy, as well as utilizing all available resources, in the Plan and in the community, to promote quality outcomes, optimize health care benefits for the member, and reduce health care costs through reduction of emergency department visits and avoidable hospitalizations and re-hospitalizations.

- Disease Management Programs  
CenCal Health's disease management programs are designed to achieve the following goals:
  - Improve patient outcomes through use of cost-effective and evidence based strategies;
  - prevent unnecessary hospitalizations and complications;
  - improve access to care; and
  - build organizational capacity to improve managed care services.

The disease management programs anticipated for 2009-10 are:

*Diabetes SMART Program:*

Diabetic members are automatically enrolled in this program and receive a series of mailings on various topics dealing with the management of diabetes. In addition, their physicians are actively engaged in case management, and each receive a variety of support material. Annual bonus or incentive payments are made to physicians who document completion of clinical services and/or clinical improvement in specific laboratory tests which are vital to assess the effectiveness of diabetes management. Since the program's inception, a significant increase has been achieved in the percentage of members who receive a set of four essential clinical services, and there have been documented clinical improvement in measures of blood sugar control and low-density cholesterol. On these important clinical measures, CenCal Health ranks among the top Medicaid plans nationwide. For 2009-10 the budget includes \$63,000 towards provider bonus payments.

*Asthma SMART Medication Management Program:*

This program includes all members with persistent asthma and is part of a statewide collaborative of managed care plans. For 2009-10 the budget includes \$34,000 towards physician incentives.

- Health Promotion  
The health promotion and health education objectives are to provide members with information on good health practices towards reducing their health risks and on the use of preventive services and community resources. A health promotion educator oversees the plan's activities and is responsible for planning, organizing, implementing, and providing health education to members through direct mailings of CenCal Health's quarterly newsletter, *Your Health*. Member materials are provided in both English and Spanish and at appropriate reading levels as part of the effort to promote health literacy.
- Health Insurance Premium Payments (HIPP)  
This program pays existing private or group health insurance premiums for members with existing high-cost medical conditions. Purchasing health coverage for these members shifts the cost of their medical care to the private insurance carrier, allowing CenCal Health to limit its financial exposure to only the monthly insurance premiums. The budget projects premium payments of \$191,000 during 2009-10.

## CenCal Health Capital Budget

Capital assets (office furniture and fixtures, computer equipment, software, and leasehold improvements) whose acquisition costs exceed \$1,000 are accounted for in the capital budget. Figure 12 presents the planned capital acquisitions for 2009-10.

<b>Capital Budget FY 2009-10</b>		
Description	Type	Cost
Server (2)	C	\$100,000
New Computers (50)	C	60,000
EMC Email Xtender MS Exchange	C	25,000
Computer Storage Disk Drive	O	25,000
Cactus Software Credentialing Modules	C	24,000
Terminal Server	C	20,000
Network Instrument Probes	C	15,000
Cisco Phone Equipment	C	15,000
Fax Server Software	C	10,000
Wireless Upgrade	C	10,000
Video Conferencing System (Montecito Room)	C	10,000
Laptops (5)	C	10,000
Wallboard for Member Services	O	9,000
UPS Replacement Batteries	C	5,000
Rack Console, LCD Monitor and KVM Switch	C	3,000
Hardware to Increase Internet Speed	C	2,000
<b>Total Capital Expenditures</b>		<b>\$343,000</b>

Figure 12

Prior adopted capital budgets were \$451,500 and \$284,300 for 2008-09 and 2007-08, respectively.

Capital assets acquired during 2009-10 will be recorded at acquisition cost and depreciated on a straight-line basis over their estimated useful lives as follows:

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

## APPENDICES

Appendix A	Member Months
Appendix B	Capitation Revenue
Appendix C	Premium Revenue
Appendix D	Medical Care Expenses
Appendix E	Historical Medical Trends
Appendix F	General and Administrative Expenses
Appendix G	Medi-Cal Operating Budgets
Appendix H	Healthy Families Operating Budgets
Appendix I	Healthy Kids Operating Budgets
Appendix J	PP2 Operating Budget
Appendix K	IHSS Operating Budget

## Appendix A - Member Months

### Medi-Cal:

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

The major aid categories are: 1) Aged, 2) Disabled, 3) Family, 4) Adult, 5) Long Term Care (LTC), and 6) Breast & Cervical Cancer (BCCTP).

The Medi-Cal member months are shown in Figure A1.

<b>CenCal Health</b>				
<b>Medi-Cal Member Months by Aid Category</b>				
SBHI Santa Barbara County	FY 06/07	FY 07/08	Projected FY 08/09	<b>Budget</b>
AGED	49,324	50,183	50,500	<b>52,000</b>
DISABLED	113,798	116,129	118,800	<b>119,000</b>
FAMILY	478,259	486,673	507,600	<b>516,000</b>
ADULT	254	252	200	<b>200</b>
LTC	7,582	7,834	7,400	<b>7,400</b>
BCCTP	1,425	1,393	1,500	<b>1,400</b>
Total Member Months	650,642	662,464	686,000	<b>696,000</b>
Annual Pct. Growth		1.8%	3.6%	1.5%
Avg. Member Caseload	54,220	55,205	57,167	<b>58,000</b>
<b>SLOHI</b>				
San Luis Obispo County				
AGED		7,829	23,600	<b>24,000</b>
DISABLED		23,987	72,200	<b>72,600</b>
FAMILY		66,834	206,000	<b>209,000</b>
ADULT		57	100	<b>100</b>
LTC		1,903	5,400	<b>5,500</b>
BCCTP		227	700	<b>800</b>
Total Member Months		100,837	308,000	<b>312,000</b>
Annual Pct. Growth			205.4%	1.3%
Avg. Member Caseload		25,209	25,667	<b>26,000</b>
<b>Total Medi-Cal Member Months</b>			<b>994,000</b>	<b>1,008,000</b>

**Figure A1**

Only marginal Medi-Cal member growth is projected for 2009-10. Overall, Medi-Cal membership is projected to average 58,000 and 26,000 covered lives, respectively for Santa Barbara County and San Luis Obispo County.

**PP2:**

Membership in the PreNatal Plus 2 program consists of pregnant women who have no health insurance for their pregnancy or who have health insurance coverage, but their member deductible or coinsurance amount for maternity services is greater than \$500, are not eligible for Medi-Cal, and whose family income is between 200 and 300 percent of federal income guidelines. These women are covered during pregnancy and for the first sixty days after delivery. The infants born to these mothers are then eligible for Healthy Families.

The PP2 member months are shown in Figure A2.

<b>CenCal Health PP2 Member Months</b>						
	FY 04/05	FY 05/06	FY 06/07	FY 07/08	Projected FY 08/09	<b>Budget</b>
No. of New Enrollees	117	107	114	112	91	<b>96</b>
Avg. Member Caseload	75	63	64	72	55	<b>50</b>
Annual Pct. Growth		-16.0%	1.6%	12.5%	-23.6%	<b>-9.1%</b>
Total Member Months	900	756	762	864	660	<b>600</b>

**Figure A2**

We are projecting an average of 8 new enrollees per month and an average caseload of 50 covered lives during 2009-10.

**Healthy Families:**

Membership in the HFP consists of persons under the age of 19 who are not eligible for Medi-Cal, have no other health insurance coverage, and whose annual family income is below 250 percent of federal income guidelines. Members pay nominal monthly insurance premiums to MRMIB and are responsible for \$5 copayments on certain medical services, such as emergency department visits and prescription drugs.

The HFP member months are shown in Figure A3.

CenCal Health Healthy Families Member Months					
	FY 05/06	FY 06/07	FY 07/08	Projected FY 08/09	Budget
Santa Barbara County	21,939	22,641	27,717	54,400	<b>87,600</b>
San Luis Obispo County	209	507	696	1,000	<b>1,200</b>
<b>Total Member Months</b>	<b>22,148</b>	<b>23,148</b>	<b>28,413</b>	<b>55,400</b>	<b>88,800</b>
Annual Pct. Growth		4.5%	22.7%	95.0%	<b>60.3%</b>
Avg. SB Caseload	1,828	1,887	2,310	4,533	<b>7,300</b>
Avg. SLO Caseload	17	42	58	83	<b>100</b>
<b>Total Avg. Monthly Caseload</b>	<b>1,846</b>	<b>1,929</b>	<b>2,368</b>	<b>4,617</b>	<b>7,400</b>

**Figure A3**

HFP member growth into 2009-10 for an average caseload of 7,400 covered lives is a result of an additional 4,600 lives added to the program in February 2009.

**IHSS:**

Membership in the IHSS program consists of qualifying employees of the employer group known as the In-Home Supportive Services Public Authority of Santa Barbara County. Members are responsible for certain copayments and coinsurance when seeking medical services under this health care product.

The IHSS member months are shown in Figure A4.

CenCal Health IHSS Member Months				
	FY 06/07	FY 07/08	Projected FY 08/09	Budget
Member Months	3,828	4,223	4,800	<b>4,920</b>
Avg. Member Caseload	319	352	400	<b>410</b>
Annual Pct. Growth		10.3%	13.7%	<b>2.5%</b>

**Figure A4**

IHSS member growth is projected at 2.5 percent for an average caseload of 410 covered lives during 2009-10.

**Healthy Kids:**

Membership in the HK program consists of persons under the age of 19 who are not eligible for Medi-Cal or Healthy Families, have no other health insurance

coverage, and whose annual family income is below 300 percent of federal income guidelines. Members pay nominal monthly insurance premiums to the Children’s Health Initiative of San Luis Obispo or the Doorway to Health foundation, respectively for members residing in San Luis Obispo and Santa Barbara counties, and are responsible for \$5 copayments for certain medical services, such as emergency department visits and prescription drugs.

CenCal Health began administering the Healthy Kids health insurance product on September 1, 2005 and December 1, 2005, respectively for San Luis Obispo and Santa Barbara counties.

The HK member months are shown in Figure A5.

CenCal Health Healthy Kids Member Months				
	FY 06/07	FY 07/08	Projected FY 07/08	<b>Budget FY 08/09</b>
Santa Barbara County	6,195	11,983	12,700	<b>11,160</b>
San Luis Obispo County	6,990	6,901	6,600	<b>6,480</b>
Total Member Months	13,185	18,884	19,300	<b>17,640</b>
Annual Pct. Growth		43.2%	2.2%	<b>-8.6%</b>
Avg. SB Caseload	885	999	1,058	<b>930</b>
Avg. SLO Caseload	699	575	550	<b>540</b>
Total Avg. Monthly Caseload	1,584	1,574	1,608	<b>1,470</b>

**Figure A5**

HK member growth is projected to decline 8.6 percent for an average caseload of 1,470 covered lives during 2009-10. The decline is primarily a result of less funding available to finance health insurance for the Healthy Kids population.

## Appendix B - Capitation Revenue

**Medi-Cal:**

To derive the Medi-Cal capitation revenue, the member months by aid category (refer to Appendix A) were multiplied by the applicable capitation rate, as shown in Figure B1. Due to the Medicare Part D drug carve-out, there are differences in the capitation rate dependent on whether a member has dual coverage (covered by both Medicare and Medi-Cal).

CenCal Health 2009-10 Medi-Cal Capitation Revenue			
Aid Category	Weighted Average Capitation Rate	Member Months	Budget
<b>Santa Barbara County:</b>			
AGED	\$ 466	6,000	\$ 2,796,000
AGED - dual	174	46,000	8,004,000
DISABLED	730	60,000	43,800,000
DISABLED - dual	159	59,000	9,381,000
FAMILY	120	516,000	61,920,000
ADULT	606	200	121,200
LTC	7,064	400	2,825,600
LTC - dual	4,719	7,000	33,033,000
BCCTP	1,147	1,400	1,605,800
AIDS supplemental capitation			73,400
		Sub-Total	163,560,000
<b>San Luis Obispo County:</b>			
AGED	472	2,000	944,000
AGED - dual	167	22,000	3,674,000
DISABLED	719	36,000	25,884,000
DISABLED - dual	137	36,600	5,014,200
FAMILY	104	209,000	21,736,000
ADULT	595	100	59,500
LTC	5,555	300	1,666,500
LTC - dual	3,476	5,200	18,075,200
BCCTP	1,133	800	906,400
AIDS supplemental capitation			40,200
		Sub-Total	78,000,000
<b>Total Medi-Cal Capitation Revenue</b>			<b>\$ 241,560,000</b>

**Figure B1**

Total CenCal Health Medi-Cal capitation revenue for 2009-10 is projected at \$241.6 million and \$240 PMPM.

SBHI	Santa Barbara County	\$163.6 million ; \$235 PMPM
SLOHI	San Luis Obispo County	\$ 78.0 million ; \$250 PMPM

Note: The operating budget does not reflect an actuarial analysis indicating our Medi-Cal revenue should increase effective as of July 1, 2009. Presently the magnitude of a possible increase in Medi-Cal revenue is unknown.

**PP2:**

The program’s revenue is in the form of capitation payments received from the State of California through its Managed Risk Medical Insurance Board (MRMIB).

The capitation for pregnant women consists of two components:

- (1) a per member per month payment effective from the month of enrollment to the month of delivery.
- (2) a delivery case rate which covers the month of delivery and for the 60 days following the delivery date.

The budget projects PP2 capitation revenue of \$722,000 based on an average of eight new enrollees per month and an average enrollment period of six months, resulting in an average monthly capitation revenue rate of \$1,203 PMPM.

**Healthy Families:**

The program’s revenue is in the form of capitation payments received from the MRMIB. There exists one capitation rate for children under age one and older and another capitation rate for infants up to age one.

The projected member months for 2009-10 were multiplied by the weighted average capitation rate resulting in \$8.4 million. Figure B2 summarizes the HFP capitation revenue by county:

CenCal Health Healthy Families Capitation Revenue 2009-10	
Santa Barbara County	\$ 8,322,000
San Luis Obispo County	114,000
	<b>\$ 8,436,000</b>

**Figure B2**

## Appendix C - Premium Revenue

**Healthy Kids:**

The monthly insurance premium per eligible member is dependent on the county of eligibility. Figure C1 summarizes the Healthy Kids premium revenue.

CenCal Health Healthy Kids Premium Revenue 2009-10			
	Member Months	Monthly Premium	Premium Revenue
Santa Barbara County	11,160	78.00	\$ 870,480
San Luis Obispo County	6,480	74.00	479,520
<b>Total / Average</b>	<b>17,640</b>	<b>\$76.53</b>	<b>\$ 1,350,000</b>

**Figure C1**

**IHSS:**

The monthly insurance premium per eligible member is \$335. This rate is subject to renewal and possible change effective January 1, 2010. For 2009-10 it is anticipated the premium rate will not change. IHSS premium revenue is budgeted at \$1.6 million dollars based on 410 covered lives.

## Appendix D - Medical Care Expenses

The CenCal Health consolidated medical care expense budget is comprised of medical expenditures applicable to each health care program. In Figure D1 the budgeted medical expenses are summarized in per member per month figures.

<b>CenCal Health</b>							
<b>Medical Expenses PMPM by Program</b>							
<b>2009-10</b>							
	Medi-Cal	PP2	Healthy Families	Healthy Kids	IHSS	MSSP	CenCal Health
Primary care	\$ 10.19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9.16
Physician	37.649	373.333	53.232	30.045	79.268		39.06
Hospital inpatient	43.956	716.667	7.624	5.612	39.431		40.74
Hospital outpatient	10.426	80.000	23.300	21.485	75.813		11.92
Pharmacy	36.504	10.000	11.047	3.401	40.447		33.91
SNF	70.606						63.43
ICF	8.911						8.01
Acupuncture	0.046		0.034	0.023	0.122		0.04
Audiology	0.435		0.068	0.062			0.40
Chiropractic	0.090	1.167	0.068	0.085	0.163		0.09
Dialysis	2.902						2.61
DME	3.896	0.500	0.126	0.034	0.244		3.51
Home health	2.585	14.500	0.023	0.040	0.244		2.33
Laboratory	2.107	22.333	1.006	0.822	6.809		2.03
Transportation	2.124	4.500	0.225	0.368	0.163		1.93
Mental health		1.667	3.637	3.061	1.829		0.34
Occupational therapy	0.020		0.023	0.023	0.041		0.02
Optician	0.146		0.079	0.023			0.14
Optometry	1.063		0.091	0.142	0.224		0.97
Podiatry	0.210		0.102	0.153	0.142		0.20
Physical therapy	0.223		0.136	0.164	1.321		0.22
Prosthetic/orthotic	0.455	0.333	0.034	0.204	0.061		0.42
Speech therapy	0.038		0.102	0.011	0.020		0.04
Other services	0.261	16.667				120.098	0.46
Recoveries-net	0.242	3.333	1.408	1.474	1.829		0.36
<b>Total</b>	<b>\$235.09</b>	<b>\$1,245.00</b>	<b>\$102.36</b>	<b>\$67.23</b>	<b>\$248.17</b>	<b>\$120.10</b>	<b>\$222.33</b>
Member Months	1,008,000	600	88,800	17,640	4,920	2,040	1,122,000
Aggregate Dollars	\$ 236,969,000	\$ 747,000	\$ 9,090,000	\$ 1,186,000	\$ 1,221,000	\$ 245,000	\$ 249,458,000

**Figure D1**

Refer to Appendices G, H, and I for segregation of medical expenses between Santa Barbara and San Luis Obispo county services areas for Medi-Cal, HFP, and HK, respectively.

## Appendix E – Medical Expense Trends

### Physician

#### *Avg. Number of Visits per Member per Year*

	2005	2006	2007	2008	Budget
SBHI	6.2	6.4	6.7	6.8	7.0
SLOHI				7.1	7.2
PP2	12.7	11.6	12.7	15.6	16.0
HFP-SB	3.4	3.4	3.9	5.3	5.3
HFP-SLO	3.1	3.6	3.6	4.2	4.3
HK-SB	3.7	2.8	3.1	3.2	3.2
HK-SLO	2.9	2.6	2.4	3.1	3.1
IHSS	4.0	5.5	5.1	6.7	7.0
CenCal Health	6.1	6.2	6.5	6.7	6.8

#### *Avg. Cost per Visit*

	2005	2006	2007	2008	Budget
SBHI	\$66	\$61	\$60	\$63	\$63
SLOHI				\$60	\$58
PP2	\$191	\$281	\$330	\$273	\$280
HFP-SB	\$91	\$106	\$119	\$120	\$120
HFP-SLO	\$78	\$108	\$101	\$110	\$115
HK-SB	\$66	\$114	\$119	\$122	\$119
HK-SLO	\$90	\$86	\$88	\$90	\$95
IHSS	\$127	\$119	\$127	\$134	\$139
CenCal Health	\$68	\$63	\$62	\$64	\$66

## Appendix E – Medical Expense Trends

### Hospital inpatient

#### *Bed Days per 1,000 Members per Year (non dual-eligibles)*

	2005	2006	2007	2008	Budget
SBHI	445	405	376	362	362
SLOHI				354	353
PP2	1,400	2,651	3,720	4,353	4,300
HFP-SB	22	23	35	21	30
HFP-SLO	0	0	0	0	30
HK-SB	0	8	42	28	30
HK-SLO	0	2	9	13	20
IHSS	154	121	75	165	166
CenCal Health	429	386	355	346	323

#### *Avg. Cost per Bed Day (non dual-eligibles)*

	2005	2006	2007	2008	Budget
SBHI	\$1,325	\$1,435	\$1,689	\$1,901	\$1,849
SLOHI				\$1,530	\$1,746
PP2	\$1,271	\$1,469	\$1,853	\$1,834	\$1,955
HFP-SB	\$2,269	\$3,039	\$2,351	\$7,641	\$3,041
HFP-SLO					\$2,667
HK-SB		\$2,295	\$2,546	\$2,810	\$2,786
HK-SLO		\$1,900	\$1,900	\$1,900	\$1,909
IHSS	\$3,050	\$2,846	\$3,318	\$3,612	\$2,853
CenCal Health	\$1,469	\$1,607	\$1,859	\$1,838	\$1,750

## Appendix E – Medical Expense Trends

### Hospital outpatient

#### *Avg. Number of Visits per Member per Year*

	2005	2006	2007	2008	Budget
SBHI	1.2	1.1	1.1	1.2	1.2
SLOHI				1.4	1.4
PP2	1.4	1.3	2.2	2.0	2.0
HFP-SB	0.4	0.4	0.4	0.5	0.6
HFP-SLO	0.3	0.1	0.5	0.7	0.7
HK-SB	0	0.3	0.3	0.3	0.3
HK-SLO	0.1	0.3	0.2	0.4	0.4
IHSS	0.8	0.8	0.8	1.1	1.1
CenCal Health	1.2	1.0	1.1	1.2	1.2

#### *Avg. Cost per Visit*

	2005	2006	2007	2008	Budget
SBHI	\$126	\$133	\$115	\$100	\$100
SLOHI				\$92	\$93
PP2	\$151	\$417	\$367	\$485	\$480
HFP-SB	\$309	\$428	\$537	\$472	\$499
HFP-SLO	\$243	\$334	\$329	\$865	\$357
HK-SB		\$384	\$410	\$792	\$500
HK-SLO	\$174	\$1,340	\$831	\$784	\$1,095
IHSS	\$575	\$537	\$655	\$811	\$811
CenCal Health	\$129	\$143	\$126	\$108	\$118

## Appendix E – Medical Expense Trends

### Pharmacy

#### *Avg. Number of Fills per Member per Year*

	2005	2006	2007	2008	Budget
SBHI	15.4	8.0	8.1	8.2	8.2
SLOHI				8.0	8.1
PP2	5.8	7.4	8.6	6.8	6.8
HFP-SB	1.9	1.8	2.1	2.7	2.7
HFP-SLO	2.8	2.9	1.9	3.4	3.4
HK-SB	0.9	0.6	0.7	0.8	0.9
HK-SLO	1.2	1.1	0.9	1.1	1.1
IHSS	5.1	5.7	5.4	6.6	6.6
CenCal Health	14.8	7.7	7.7	7.8	7.6

#### *Avg. Cost per Visit*

	2005	2006	2007	2008	Budget
SBHI	\$49	\$50	\$50	\$52	\$52
SLOHI				\$64	\$56
PP2	\$23	\$18	\$23	\$19	\$18
HFP-SB	\$30	\$39	\$45	\$53	\$49
HFP-SLO	\$29	\$43	\$33	\$58	\$50
HK-SB	\$38	\$41	\$40	\$38	\$39
HK-SLO	\$24	\$27	\$30	\$37	\$44
IHSS	\$46	\$51	\$57	\$67	\$74
CenCal Health	\$49	\$50	\$50	\$55	\$53

## Appendix E – Medical Expense Trends

### Other services

#### *Avg. Number of Visits per Member per Year*

	2005	2006	2007	2008	Budget
SBHI	1.7	1.6	1.7	1.7	1.7
SLOHI				1.6	1.6
PP2	3.0	4.2	5.6	6.0	6.0
HFP-SB	0.2	0.2	0.2	0.4	0.4
HFP-SLO	0	0.1	0.1	0.3	0.4
HK-SB	0	0.1	0.1	0.2	0.3
HK-SLO	0.2	0.1	0.1	0.2	0.2
IHSS	1.4	1.5	1.0	2.1	2.1
CenCal Health	1.7	1.5	1.6	1.6	1.6

#### *Avg. Cost per Visit*

	2005	2006	2007	2008	Budget
SBHI	\$100	\$107	\$111	\$115	\$118
SLOHI				\$112	\$114
PP2	\$64	\$88	\$82	\$85	\$87
HFP-SB	\$69	\$68	\$86	\$58	\$60
HFP-SLO		\$84	\$18	\$138	\$50
HK-SB		\$133	\$67	\$81	\$97
HK-SLO	\$69	\$77	\$201	\$66	\$75
IHSS	\$51	\$61	\$71	\$50	\$53
CenCal Health	\$100	\$107	\$111	\$113	\$115

## Appendix F – General and Administrative Expenses

The following are line item explanations where proposed 2009-10 G&A budget expenditures materially differ from the adopted 2008-09 G&A budget, as well as other relevant information.

### Salaries and benefits

- Staffing level for 2009-10 is at 152 FTE's and represents no change from 2008-09.
- No merit pool or other wage increases have been budgeted for 2009-10.
- CalPERS retirement employer contribution rate decreased from 6.9% to 6.5% .
- Health and dental insurance premiums projected to increase 7% effective January 1, 2010.
- Increased budget by \$19,000 for employee incentives related to commuter bus/carpool utilization, referral bonuses for open positions, and lunch 'n learn programs.

### Contract services

- Budget increase of \$69,000 for the utilization of a medical care professional consultant to act as Assistant Medical Director to handle issues arising in San Luis Obispo County, as well as providing coverage in the absence of the Medical Director.
- Budget increase of \$34,000 for the utilization of a grant writer to research and apply for funding opportunities as well as for the utilization of a consultant to assist with the development of a robust compliance program.
- Termination of a vendor contract, as of September 2009, which provides post-adjudication analysis of medical claims and the edits applied to the adjudication of the medical claim.

### Travel expenses

- Staff attendance in seminars and conferences have been scaled back due to budgetary constraints.
- The annual CAHIO conference in 2009 is located in Southern California which will require no airline travel and staff attendance is scaled back.

### Rent / utilities / occupancy

- Budget increase of \$75,000 for leasing office space at 110 Castilian Drive and 50 Castilian Drive as a result of scheduled annual cost of living increase in the lease payment and for the cost associated with common area maintenance.
- Budget increase of \$24,000 for utilities associated with office space located at 50 Castilian Drive. Previously, lessor mistakenly failed to bill CenCal Health for its prorated share of utilities.

## Appendix F – General and Administrative Expenses

### Office supplies & equip.

- Budget increase of \$28,000 for postage primarily as a result of the large increase in Healthy Families members, mailings associated with child and adult access measures, and mailings associated with the emergency department quality improvement activity.
- Budget increase of \$24,000 for the printing cost associated with member handbooks and explanation of coverage manuals.
- Budget decrease of \$16,000 for copy machine leases as a result of changing vendors.

### Insurance

- Budget decrease of \$29,000 to account for anticipated premium decrease for professional liability coverage.

### Depreciation

- Budget increase of \$77,000 reflects full-year depreciation of assets purchased during 2008-09 as well as half-year depreciation for assets anticipated to be purchased in 2009-10.

### Equipment / software maintenance

- Budget increase of \$65,000 reflects maintenance and software support associated with computer servers and other hardware and software. The increase also accounts for software support associated with the new credentialing Cactus software and for renewal of Microsoft licenses.

### Communications

- Budget increase of \$7,000 reflects increase in user fees associated with telephone system, long distance carrier, and cell phones.

### Professional association dues

- Budget increase of \$18,000 primarily associated with membership in the Association of Community Affiliated Plans (ACAP).

### Community relations

- Budget decrease of \$25,000 due to an anticipated smaller focus on expanding the plan's Healthy Families enrollment level.

### Member / provider materials

- Budget increase of \$3,000 primarily as a result of the increase in the plan's Healthy Families membership.

## Appendix F – General and Administrative Expenses

### Clinical / quality improvement interventions

- Budget increase of \$39,000 due to participation in the State of California's emergency department reduction collaborative quality improvement activity.
- Budget decrease of \$25,000 to reflect the decreased focus associated with the plan's Heart SMART program.
- Budget decrease of \$262,000 to reflect more accurate assessment of costs and incentives associated with the plan's asthma and diabetes programs.

### Other expenses

- Budget increase of \$29,000 in *subscriptions and publications* associated with the licensing fees for the McKesson care management software and the Interqual medical guidelines used to determine medical necessity.
- Budget decrease of \$9,000 in *provider relations and recruitment* due to a decrease in the use of provider surveys.
- Budget increase of \$67,000 in the plan's Health Insurance Premium Payments (HIPP) program as a result of increased member participation due to the San Luis Obispo service area.

## Appendix G - Medi-Cal Operating Budgets

<b>CenCal Health</b>					
<b>2009-10 Medi-Cal Operating Budgets</b>					
	Santa Barbara County		San Luis Obispo County		Combined Dollars
	SBHI Dollars	PMPM	SLOHI Dollars	PMPM	
<b>Capitation Revenue</b>	\$ 163,560,000	\$ 235.000	\$ 78,000,000	\$ 250.000	\$ 241,560,000
<b>Medical Related Expense:</b>					
PCP capitation & incentives	7,011,000	10.073	3,264,000	10.462	10,275,000
Physician fee-for-service	27,078,000	38.905	10,872,000	34.846	37,950,000
Hospital inpatient	31,358,000	45.055	12,950,000	41.506	44,308,000
Hospital outpatient	7,199,000	10.343	3,310,000	10.609	10,509,000
Pharmacy	24,884,000	35.753	11,912,000	38.179	36,796,000
Long term Care					
skilled nursing care	46,619,000	66.981	24,552,000	78.692	71,171,000
intermediate care	4,909,000	7.053	4,073,000	13.054	8,982,000
Other medical services					
acupuncture	44,000	0.063	2,000	0.006	46,000
audiology	343,000	0.493	95,000	0.304	438,000
chiropractic	73,000	0.105	18,000	0.058	91,000
dialysis	2,211,000	3.177	714,000	2.288	2,925,000
durable medical equip	3,004,000	4.316	923,000	2.958	3,927,000
home health	1,547,000	2.223	1,059,000	3.394	2,606,000
laboratory	1,626,000	2.336	498,000	1.596	2,124,000
transportation	1,460,000	2.098	681,000	2.183	2,141,000
occupational therapy	18,000	0.026	2,000	0.006	20,000
optician	124,000	0.178	23,000	0.074	147,000
optometry	625,000	0.898	447,000	1.433	1,072,000
physical therapy	143,000	0.205	82,000	0.263	225,000
podiatry	161,000	0.231	51,000	0.163	212,000
prosthetic/orthotic	403,000	0.579	56,000	0.179	459,000
speech therapy	31,000	0.045	7,000	0.022	38,000
other services	96,000	0.138	167,000	0.535	263,000
Medical cost recoveries - net	200,000	0.287	44,000	0.141	244,000
<b>Total medical expenses</b>	<b>161,167,000</b>	<b>231.562</b>	<b>75,802,000</b>	<b>242.955</b>	<b>236,969,000</b>
<b>Gross Margin</b>	<b>\$ 2,393,000</b>	<b>\$ 3.44</b>	<b>\$ 2,198,000</b>	<b>\$ 7.04</b>	<b>\$ 4,591,000</b>
Member months	696,000		312,000		1,008,000
Avg. covered lives	58,000		26,000		84,000
Medical loss ratio	99%		97%		98%

**Figure G1**

Note: The Medi-Cal operating budgets do not reflect an actuarial analysis indicating our Medi-Cal revenue should increase effective as of July 1, 2009. Presently the magnitude of a possible increase in Medi-Cal revenue is unknown.

## Appendix H - Healthy Families Operating Budgets

<b>CenCal Health</b>						
<b>2009-10 HFP Operating Budgets</b>						
	Santa Barbara County		San Luis Obispo County		Combined	
	HFP-SB		HFP-SLO			
	Dollars	PMPM	Dollars	PMPM	Dollars	
<b>Capitation Revenue</b>	\$ 8,322,000	\$ 95.000	\$ 114,000	\$ 95.000	\$ 8,436,000	
<b>Medical Related Expense:</b>						
Physician fee-for-service	4,681,000	53.436	46,000	38.333	4,727,000	
Hospital inpatient	669,000	7.637	8,000	6.667	677,000	
Hospital outpatient	2,044,000	23.333	25,000	20.833	2,069,000	
Pharmacy	964,000	11.005	17,000	14.167	981,000	
Other medical services						
acupuncture	3,000	0.034	50	0.042	3,050	
audiology	6,000	0.068	50	0.042	6,050	
chiropractic	6,000	0.068	50	0.042	6,050	
durable medical equip	11,000	0.126	200	0.167	11,200	
home health	2,000	0.023	50	0.042	2,050	
laboratory	89,000	1.016	300	0.250	89,300	
transportation	19,000	0.217	950	0.792	19,950	
mental health	319,000	3.642	4,000	3.333	323,000	
occupational therapy	2,000	0.023	50	0.042	2,050	
optician	7,000	0.080	50	0.042	7,050	
optometry	8,000	0.091	50	0.042	8,050	
podiatry	9,000	0.103	50	0.042	9,050	
physical therapy	12,000	0.137	50	0.042	12,050	
prosthetic/orthotic	3,000	0.034	50	0.042	3,050	
speech therapy	9,000	0.103	50	0.042	9,050	
Medical cost recoveries - net	123,000	1.404	2,000	1.667	125,000	
<b>Total medical expenses</b>	<b>8,986,000</b>	<b>102.580</b>	<b>104,000</b>	<b>86.667</b>	<b>9,090,000</b>	
<b>Gross Margin</b>	<b>\$ (664,000)</b>	<b>\$ (7.58)</b>	<b>\$ 10,000</b>	<b>\$ 8.33</b>	<b>\$ (654,000)</b>	
Member month	87,600		1,200		88,800	
Avg. covered lives	7,300		100		7,400	
Medical loss ratio	108%		91%		108%	

**Figure H1**

## Appendix I - Healthy Kids Operating Budgets

<b>CenCal Health</b>						
<b>2009-10 HK Operating Budgets</b>						
	Santa Barbara County		San Luis Obispo County		Combined	
	HK-SB		HK-SLO			
	Dollars	PMPM	Dollars	PMPM	Dollars	
<b>Premium Revenue</b>	\$ 870,480	\$ 78.000	\$ 479,520	\$ 74.000	\$ 1,350,000	
<b>Medical Related Expense:</b>						0
Physician fee-for-service	369,000	33.065	161,000	24.846	530,000	
Hospital inpatient	78,000	6.989	21,000	3.241	99,000	
Hospital outpatient	160,000	14.337	219,000	33.796	379,000	
Pharmacy	33,000	2.957	27,000	4.167	60,000	
Other medical services						
acupuncture	300	0.027	100	0.015	400	
audiology	600	0.054	500	0.077	1,100	
chiropractic	1,200	0.108	300	0.046	1,500	
durable medical equip	300	0.027	300	0.046	600	
home health	600	0.054	100	0.015	700	
laboratory	10,500	0.941	4,000	0.617	14,500	
transportation	5,200	0.466	1,300	0.201	6,500	
mental health	34,000	3.047	20,000	3.086	54,000	
occupational therapy	100	0.009	300	0.046	400	
optician	100	0.009	300	0.046	400	
optometry	2,000	0.179	500	0.077	2,500	
podiatry	2,100	0.188	600	0.093	2,700	
physical therapy	2,600	0.233	300	0.046	2,900	
prosthetic/orthotic	3,300	0.296	300	0.046	3,600	
speech therapy	100	0.009	100	0.015	200	
Medical cost recoveries - net	17,000	1.523	9,000	1.389	26,000	
<b>Total medical expenses</b>	<b>720,000</b>	<b>64.516</b>	<b>466,000</b>	<b>71.914</b>	<b>1,186,000</b>	
<b>Gross Margin</b>	<b>\$ 150,480</b>	<b>\$ 13.48</b>	<b>\$ 13,520</b>	<b>\$ 2.09</b>	<b>\$ 164,000</b>	
Member months	11,160		6,480		17,640	
Avg. covered lives	930		540		1,470	
Medical loss ratio	83%		97%		88%	

**Figure I1**

## Appendix J - PP2 Operating Budget

CenCal Health 2009-10 PP2 Operating Budget		
	Dollars	PMPM
<b>Capitation Revenue</b>	\$ 722,000	\$ 1,203.333
<b>Medical Related Expense:</b>		
Physician fee-for-service	224,000	373.333
Hospital inpatient	430,000	716.667
Hospital outpatient	48,000	80.000
Pharmacy	6,000	10.000
Other medical services		
chiropractic	700	1.167
durable medical equip	300	0.500
home health	8,700	14.500
laboratory	13,400	22.333
transportation	2,700	4.500
mental health	1,000	1.667
prosthetic / orthotic	200	0.333
other services	10,000	16.667
Medical cost recoveries - net	2,000	3.333
Total medical expenses	747,000	1,245.000
<b>Gross Margin</b>	<b>\$ (25,000)</b>	<b>\$ (41.67)</b>
Member month	600	
Avg. covered lives	50	
Medical loss ratio	103%	

**Figure J1**

## Appendix K - IHSS Operating Budget

CenCal Health 2009-10 IHSS Operating Budget		
	Dollars	PMPM
<b>Premium Revenue</b>	\$ 1,648,000	\$ 335.000
<b>Medical Related Expense:</b>		
Physician fee-for-service	390,000	79.268
Hospital inpatient	194,000	39.431
Hospital outpatient	373,000	75.813
Pharmacy	199,000	40.447
Other medical services		
acupuncture	600	0.122
chiropractic	800	0.163
durable medical equip	1,200	0.244
home health	1,200	0.244
laboratory	33,500	6.809
transportation	800	0.163
mental health	9,000	1.829
occupational therapy	200	0.041
optometry	1,100	0.224
podiatry	700	0.142
physical therapy	6,500	1.321
prosthetic/orthotic	300	0.061
speech therapy	100	0.020
Medical cost recoveries - net	9,000	1.829
Total medical expenses	1,221,000	248.171
<b>Gross Margin</b>	<b>\$ 427,000</b>	<b>\$ 86.79</b>
Member months	4,920	
Avg. covered lives	410	
Medical loss ratio	74%	

**Figure K1**