SANTA CRUZ – MONTEREY – MERCED – SAN BENITO – MARIPOSA MANAGED MEDICAL CARE COMMISSION

Finance Committee

Meeting Agenda

Wednesday, June 26, 2024

1:30 p.m. – 2:45 p.m.

Location: **In Santa Cruz County**:
Central California Alliance for Health Board Room
1600 Green Hills Road, Suite 101, Scotts Valley, CA
In Monterey County:
Central California Alliance for Health Board Room
950 East Blanco Road, Suite 101, Salinas, CA
In Merced County:
Central California Alliance for Health Board Room
530 West 16th Street, Suite B, Merced, CA
In San Benito County:
Community Services & Workforce Development (CSWD)
CSWD Conference Room
1161 San Felipe Road, Building B, Hollister, CA
In Mariposa County:
Mariposa County Health and Human Services Agency
Catheys Valley Conference Room
5362 Lemee Lane, Mariposa, CA

1. Members of the public wishing to observe the meeting remotely via online livestreaming may do so as follows. Note: Livestreaming for the public is listening/viewing only.
    a. Computer, tablet, or smartphone via Microsoft Teams:
    Click here to join the meeting
    b. Or by telephone at:
    United States: +1 (323) 705-3950
    Phone Conference ID: 561 958 75#

2. Members of the public wishing to provide public comment on items not listed on the agenda that are within jurisdiction of the commission or to address an item that is listed on the agenda may do so in one of the following ways.
    a. Email comments by 5:00 p.m. on Tuesday, June 25, 2024, to Dulcie San Paolo, Finance Administrative Specialist, at dsanpaolo@ccah-alliance.org.
        i. Indicate in the subject line "Public Comment". Include your name, organization, agenda item number, and title of the item in the body of the e-mail along with your comments.
        ii. Comments will be read during the meeting and are limited to three minutes.
    b. In person, from an Alliance County office, during the meeting when that item is announced.
        i. State your name and organization prior to providing comment.
        ii. Comments are limited to three minutes.

1. **Call to Order by Chairperson Molesky. 1:30 p.m.**
   A. Roll call; establish quorum.

2. **Oral Communications. 1:35 p.m.**
   A. Members of the public may address the Commission on items not listed on today's agenda that are within the jurisdiction of the Commission. Presentations must not exceed three minutes in length, and any individuals may speak only once during Oral Communications.
   B. If any member of the public wishes to address the Commission on any item that is listed on today's agenda, they may do so when that item is called. Speakers are limited to three minutes per item.

3. **Approve Finance Committee meeting minutes of September 27, 2023. 1:40 p.m.**

4. **April YTD financial results. 1:45 p.m.**

5. **Provider Supplemental Payment. 1:55 p.m.**

6. **2025 Provider Incentives (HQIP, SCI, RA). 2:10 p.m.**

7. **Investment Update. 2:35 p.m.**

The complete agenda packet is available for review on the Alliance website at www.thealliance.health/about-the-alliance/public-meetings/. The Commission complies with the Americans with Disabilities Act (ADA). Individuals who need special assistance or a disability-related accommodation to participate in this meeting should contact the Clerk of the Board at least 72 hours prior to the meeting at (831) 430-5523. Board meeting locations in Salinas and Merced are directly accessible by bus. As a courtesy to persons affected, please attend the meeting smoke and scent free.

Meeting Minutes

Wednesday, September 27, 2023

Members Present:

Ms. Elsa Jiménez	County Health Director
Ms. Shebreh Kalantari-Johnson	Public Representative
Mr. Michael Molesky	Public Representative
Allen Radner, MD	Provider Representative

Members Absent:

Supervisor Josh Pedrozo	County Board of Supervisors

Staff Present:

Ms. Lisa Ba	Chief Financial Officer
Mr. Michael Schrader	Chief Executive Officer
Ms. Dulcie San Paolo	Finance Administrative Specialist

1. Call to Order. (1:40 - 1:41 p.m.)

Commissioner Radner called the meeting to order at 1:40 p.m. Roll call was taken. A quorum was present.

2. Oral Communications. (1:41 – 1:42 p.m.)

Commissioner Radner opened the floor for any members of the public to address the Committee on items not listed on the agenda.

No members of the public addressed the Committee.

Consent Agenda Items:

3. Approve minutes of the August 23, 2023 meeting of the Finance Committee. (1:42 – 1:43 p.m.)

FINANCE COMMITTEE ACTION: Commissioner Radner opened the floor for approval of the minutes of the August 23, 2023 meeting.

MOTION:	Commissioner Jiménez moved to approve the minutes, seconded by Commissioner Kalantari-Johnson
ACTION:	The motion passed with the following vote:
Ayes:	Commissioners Jiménez, Kalantari-Johnson, Radner
Noes:	None
Absent:	Commissioners Molesky, Pedrozo
Abstain:	None

Regular Agenda Items:

4. YTD July Financials. (1:43 - 1:57 p.m.)

Ms. Lisa Ba, Chief Financial Officer (CFO), updated the commissioners on the Alliance's most recent financial performance for the seven months ending on July 31, 2023. Year-to-Date (YTD) Operating Income was $75.7M, with a Medical Loss Ratio (MLR) of 87.3% and an Administrative Loss Ratio (ALR) of 5.2%.

Revenue was favorable YTD, as compared to the budget, due mainly to the boosted enrollment because of the Public Health Emergency (PHE) extension.

Medical cost was unfavorable YTD, compared to the budget, mainly attributable to increased utilization in Inpatient, Allied Health, Behavioral Health, and Transportation services.

The Commissioners discussed concerns around network adequacy, particularly relative to access to specialist services. Ms. Ba acknowledged the importance of strategic network development and the need to identify opportunities to help to close care gaps.

The Commissioners commented on the increased utilization in Inpatient Services and noted the importance of partnering to help keep members in our communities healthy and avert the need for hospitalizations when possible. Ms. Ba advised that efforts through the Value Based Payment programs, and the Alliance's Grant Program are some examples of ways that the plan and providers can work together towards the shared goal of improved health for our members.

5. 2023 Forecast. (1:57 - 2:09 p.m.)

Next, Ms. Ba presented an updated 2023 forecast.

The CFO explained that the forecast presented at the June meeting was based on YTD May actuals, while the updated forecast presented today is based on YTD July actuals. The updated forecast expects a $90.8M or 5.5% Operating Income, with 88.7% MLR and 5.8% ALR.

Next, Ms. Ba went on to review the enrollment, revenue, and medical cost assumptions.

The enrollment assumptions were higher than the previous forecast. The updated forecast aligned the Alliance's enrollment assumptions with the revised DHCS disenrollment projection. This reduced the disenrollment percentage from 22% to 17% from the peak membership in June 2023.

Revenue assumptions remain the same as the earlier forecast, which is better than the budget because of the delay in redetermination and the unchanged application of the draft 2023 rate. Additionally, a $14.4M prior-year revenue settlement is included in the updated assumptions.

[Chair Molesky arrived at this time and presided over the remainder of the meeting: 2:03 p.m.]

Medical expenses are higher than budget and the earlier forecast due to continued increases in Inpatient, Allied Health, Behavioral Health, and Transportation. However, despite the higher PMPM medical cost, the MLR is better than the budget at 88/7% due to the favorable revenue.

Overall, the forecast expects an Operating Income of $90.8M or 5.5.%, with an MLR of 88.7% and an ALR of 5.8% to end the year.

6. 2024 Preliminary Budget and Five-Year Projection. (2:09 – 2:37 p.m.)

Ms. Ba oriented the commissioners to the preliminary 2023 budget. She provided a breakdown of assumptions related to enrollment, revenue, and medical costs.

With regard to enrollment, it is expected that member months will decrease slightly in 2024. The impact of redetermination is expected to be offset by the increased enrollment from the expansion counties and newly eligible undocumented members ages 26-49.

It is expected that revenue increases will be minimal due to the implementation of the quality withhold, as well as unfavorable changes in the population demographic mix next year due to redetermination. It is expected that DHCS will release the 2024 draft rates in October, which will be incorporated into the final budget.

Medical cost is expected to increase by approximately 3% due to the continued increase in utilization of Inpatient, Behavioral Health, Transportation, and other Allied Services, combined with a 3.5% increase in unit cost.

The administrative budget target is $108.8M, or 6.7% ALR. This represents a $12.3M or 12.8% increase from the 2023 Budget. Ms. Ba explained that administrative efforts around the 2024 Medi-Cal contract, new services from the CalAIM initiatives, and D-SNP preparation contributes to this increase.

In summary, the preliminary budget has an Operating Income of $3.0M or 0.2%, with 93.2% MLR and 6.7% ALR. Staff will present the final budget to the Board in December.

Lastly, the CFO guided the Commissioners through a five-year outlook through 2027. She explained that the uncertainty around the regional rate, set to begin in 2025, could significantly threaten the Alliance's finances. Under the regional rate, the Alliance revenue will be risk- and quality-adjusted, competing funding with other local and commercial Medi-Cal managed care plans.

Additionally, Ms. Ba explained that an expected increase in medical utilization and unit costs, in conjunction with limited revenue increases, are likely to result in operating losses from 2025 through 2027. However, the CFO pointed out that the Alliance's reserve is healthy and can help to weather such losses. If the regional rate is implemented, the reserve is projected to decrease from twelve to eight times the Tangible Net Equity (TNE) requirement and remain healthy.

The Commission adjourned its meeting of September 27, 2023, at 2:37 p.m.

Respectfully submitted,

Ms. Dulcie San Paolo
Finance Administrative Specialist

DATE: June 26, 2024

TO: Santa Cruz-Monterey-Merced-San Benito-Mariposa Managed Medical Care Commission

FROM: Lisa Ba, Chief Financial Officer

SUBJECT: Financial Highlights for the Fourth Month Ending April 30, 2024

For the month ending April 30, 2024, the Alliance reported an Operating Income of $27.1M. The Year-to-Date (YTD) Operating Income is $79.7M, with a Medical Loss Ratio (MLR) of 83.9% and an Administrative Loss Ratio (ALR) of 4.7%. The Net Income is $80.8M after accounting for Non-Operating Income/Expenses.

The budget expected a $36.4M Operating Income for YTD April. The actual result is favorable to budget by $43.3M or 100.0%, driven primarily by rate variance and membership favorability.

Apr-24 MTD ($ In 000s)				
Key Indicators	Current Actual	Current Budget	Current Variance	% Variance to Budget
Membership	*455,001*	*415,884*	*39,117*	*9.4%*
Revenue	$196,058	$140,898	$55,160	39.1%
Medical Expenses	160,617	122,910	(37,706)	-30.7%
Administrative Expenses	8,374	8,766	391	4.5%
Operating Income	27,067	9,222	17,845	100.0%
Net Income	$21,613	$10,646	$10,967	100.0%
MLR %	81.9%	87.2%	5.3%	
ALR %	4.3%	6.2%	1.9%	
Operating Income %	13.8%	6.5%	7.3%	
Net Income %	11.0%	7.6%	3.5%	

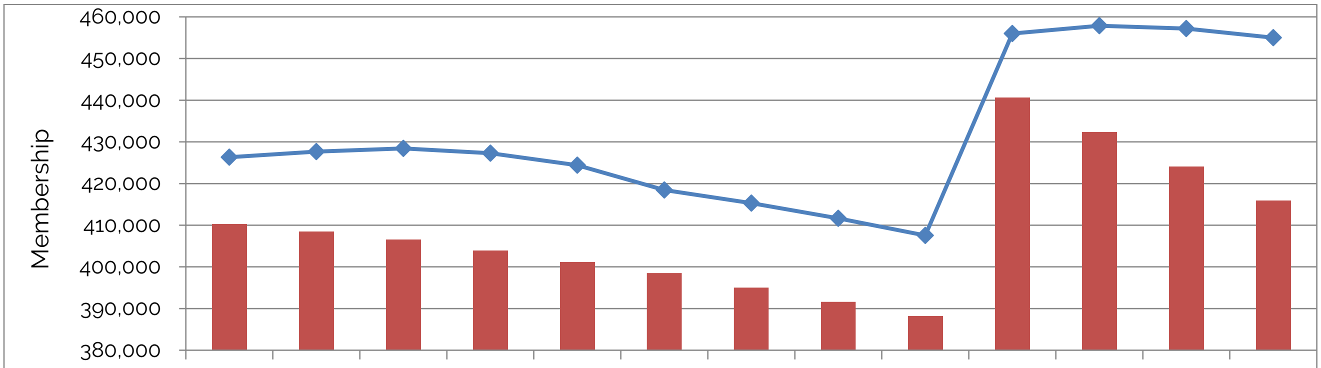
Apr-24 (In $000s)				
Key Indicators	YTD Actual	YTD Budget	YTD Variance	% Variance to Budget
Member Months	*1,826,071*	*1,712,947*	*113,124*	*6.6%*
Revenue	$700,937	$580,466	$120,472	20.8%
Medical Expenses	588,085	509,671	(78,414)	-15.4%
Administrative Expenses	33,148	34,434	1,286	3.7%
Operating Income/(Loss)	79,704	36,361	(43,343)	-100.0%
Net Income/(Loss)	$80,784	$42,417	$(38,367)	-90.5%
PMPM				
Revenue	$383.85	$338.87	$44.98	13.3%
Medical Expenses	322.05	297.54	(24.51)	-8.2%
Administrative Expenses	18.15	20.10	1.95	9.7%
Operating Income/(Loss)	$43.65	$21.23	$22.42	100.0%
MLR %	83.9%	87.8%	3.9%	
ALR %	4.7%	5.9%	1.2%	
Operating Income %	11.4%	6.3%	5.1%	
Net Income %	11.5%	7.3%	4.2%	

Per Member Per Month: Capitation revenue and medical expenses are variables based on enrollment fluctuations; therefore, the PMPM view offers more clarity than the total dollar amount. Conversely, administrative expenses do not usually correspond with enrollment and should be evaluated at the dollar amount.

At a PMPM level, YTD revenue is $383.85, which is favorable to budget by $44.98 or 13.3%. Medical cost PMPM is $322.05, which is unfavorable by $24.51 or 8.2%. Overall, this results in a favorable gross margin of $20.47, or 49.5%, compared to the budget. The operating income PMPM is $43.65, which is favorable to the budget by $22.42 or 100.0%.

Membership: April 2024 membership is favorable to budget by 9.4%. The 2024 budget assumed a 17% decrease over the course of redetermination (July 2023 to June 2024) based on Mercer projections. Mercer later updated their projections to be less impactful than originally estimated and now only assumes an 11% decrease. The actual decrease from July 2023 to June 2024, is approximately 5.9%, excluding the new counties / new Unsatisfactory Immigration Status (UIS) members.

Membership. Actual vs. Budget (based on actual enrollment trend for Apr-24 rolling 13 months)



	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Budget	410,347	408,481	406,635	403,892	401,191	398,530	395,036	391,611	388,255	440,590	432,354	424,119	415,884
Actual	426,328	427,656	428,448	427,275	424,399	418,442	415,304	411,670	407,542	456,002	457,871	457,197	455,001
Variance	15,981	19,175	21,813	23,383	23,208	19,912	20,268	20,059	19,287	15,412	25,517	33,078	39,117
Variance %	3.9%	4.7%	5.4%	5.8%	5.8%	5.0%	5.1%	5.1%	5.0%	3.5%	5.9%	7.8%	9.4%

Revenue: The 2024 revenue budget was based on the Department of Health Care Services (DHCS) 2024 draft rate package (dated 10/13/2023), which reflected a 0.4% rate increase, not including the Targeted Rate Increase (TRI). Furthermore, the budget assumed breakeven performances for the San Benito Region. The CY 2024 Prospective rates from DHCS (dated 12/5/2023, including Maternity) represented a 2.1% increase over CY 2023 Rates excluding TRI.

April 2024 operating revenue of $196.1M is favorable to budget by $55.2M or 39.1%. Of this amount, $13.5M is from boosted enrollment, and $41.6M is due to rate variances and State Incentives.

The rate variance of $41.6M is due to $17.8M from rate adjustments and $23.8M from State Incentives Programs. The incentives are broken down as follows: $21.5M the Housing and Homeless Incentive Program (HHIP), $1.4M for Student Behavioral Health Incentive Program (SBHIP), and $0.8M for Equity and Practice Transformation Incentive Payment Program (EPT) and offset the State Incentive Programs expense. These incentives are assumed to be budget neutral.

April 2024 YTD operating revenue of $700.9M is favorable to budget by $120.5M or 20.8%. Of this amount, $37.6M is from boosted enrollment and $82.9M is due to rate variances and State Incentives. The rate variance of $82.9M is due to $59.1M from rate adjustments and $23.8M from State Incentives Programs.

The State Incentive Programs consist of $21.5M for HHIP, $1.4M for SBHIP, and $0.8M for EPT and are offset by the State Incentive Programs expense. These incentives are assumed to be budget neutral.

Beginning January 2024, the new general ledger structure is reported by region and immigration status. Central California (CEC) includes the counties of Santa Cruz, Monterey, Merced, and Mariposa, and San Benito (SBN) includes San Benito. Immigration status is reported as UIS (Unsatisfactory Immigration Status) or SIS (Satisfactory Immigration Status).

Apr-24 YTD Capitation Revenue Summary (In $000s)

Region	Actual	Budget	Variance	Variance Due to Enrollment	Variance Due to Rate
CEC SIS	506,940	434,562	72,378	28,489	43,889
CEC UIS	138,872	123,616	15,256	6,400	8,856
SBN SIS	25,467	17,301	8,166	2,083	6,084
SBN UIS	4,240	3,611	629	377	252
Total*	**675,519**	**579,089**	**96,429**	**37,348**	**59,081**

*Excludes Apr-24 In-Home Supportive Services (IHSS) premiums revenue of $1.6M and State Incentive Programs revenue of $23.8M.

Medical Expenses: The 2024 budget assumed a 3.7% increase in utilization over the base data that spanned from 2018 through June 2023 and 2.9% unit cost increase that included case mix and changes in fee schedules. 2024 incentives include a $15M Care-Based Incentive (CBI), $4M Data Sharing Incentives, $18M for the Hospital Quality Incentive Program (HQIP), and $10M for the Specialist Care Incentive (SCI).

April 2024 Medical Expenses of $160.6M are $37.7M or 30.7% unfavorable to budget. April 2024 YTD Medical Expenses of $588.1M are above budget by $78.4M or 15.4%. Of this amount, $33.6M is due to higher enrollment and $44.8M due to rate variances which include $23.8M for State Incentive Programs. YTD, we are seeing increases in spending on LTC, Physician Services and Outpatient Facility.

The State Incentive Programs consist of $21.5M for HHIP, $1.4M for SBHIP, and $0.8M for EPT. These are also included under revenue and assumed to be budget neutral.

Apr-24 YTD Medical Expense Summary ($ In 000s)

Category	Actual	Budget	Variance	Variance Due to Enrollment	Variance Due to Rate
Inpatient Services - Hospital	192,058	186,725	(5,333)	(12,297)	6,964
Inpatient Services - LTC	66,013	43,819	(22,195)	(2,878)	(19,316)
Physician Services	128,134	108,549	(19,585)	(7,170)	(12,414)
Outpatient Facility	79,669	63,354	(16,315)	(4,175)	(12,140)
Other Medical*	98,405	107,224	8,819	(7,091)	15,910
State Incentive Programs	23,806	-	(23,806)	-	(23,806)
TOTAL COST	**588,085**	**509,671**	**(78,414)**	**(33,610)**	**(44,803)**

*Other Medical actuals include Allied Health, Non-Claims HC Cost, Transportation, Behavioral Health, and Lab.

At a PMPM level, YTD Medical Expenses are $322.05, unfavorable by $24.51 or 8.2% compared to the budget. More than half of this negative variance is due to budget neutral State Incentive Programs.

<u>Inpatient Services – LTC</u>: LTC's unfavorability is primarily driven by unit cost. The budget underestimated the baseline cost and did not consider the continuation of the 10% COVID add-on for certain codes or the 3% annual fee schedule increase. Furthermore, in San Benito, LTC utilization primarily occurs in hospital-based subacute facilities compared to CC counties, primarily accessing freestanding nursing facilities. While costs in hospital-based facilities are twice those of freestanding facilities, the financial risk, if any, will be mitigated through the risk corridor provision for San Benito. And possibly leverage redirection to freestanding nursing facilities if it is feasible. We expect the unfavorable variance to budget will continue.

<u>Physician Services</u>: The budget assumed utilization would increase by 3% compared to 2023. However, it has increased by 14%, driven by the new UIS 26-49 age group at Federally Qualified Health Center (FQHC) clinics.

<u>Outpatient Facility</u>: High ER utilization continues to drive the outpatient category, offset by lower outpatient costs. A shift in the methodology of our Incurred But Not Paid (IBNP) process caused dollars to move from other medical into OP that were not budgeted for.

Apr-24 YTD Medical Expense by Category of Service (In PMPM)

Category	Actual	Budget	Variance	Variance %
Inpatient Services - Hospital	105.18	109.01	3.83	3.5%
Inpatient Services - LTC	36.15	25.58	(10.57)	-41.3%
Physician Services	70.17	63.37	(6.80)	-10.7%
Outpatient Facility	43.63	36.99	(6.64)	-18.0%
Other Medical	53.89	62.60	8.71	13.9%
State Incentive Programs	13.04	-	(13.04)	-100.0%
TOTAL MEDICAL COST	**322.05**	**297.54**	**(24.51)**	**-8.2%**

<u>Administrative Expenses</u>: April YTD Administrative Expenses are favorable to budget by $1.3M or 3.7% with a 4.7% ALR. Salaries are slightly favorable by $0.7M, driven by savings from vacant positions, benefits, and PTO. Non-Salary Administrative Expenses are favorable by $0.6M or 5.7% due to the timing of the actual spending versus the budget.

<u>Non-Operating Revenue/Expenses</u>: April YTD Net Non-Operating income is $1.1M, which is unfavorable to the budget. Total Non-Operating Revenue is unfavorable to budget by $4.2M, attributed to a $9.2M unrealized investment loss offsetting $5.1M in interest income. Non-Operating Expenses are unfavorable by $0.8M due to higher grant expenses.

<u>Summary of Results:</u> Overall, the Alliance generated a YTD Net Income of $80.8M, with an MLR of 83.9% and an ALR of 4.7%.

CENTRAL CALIFORNIA ALLIANCE FOR HEALTH
Balance Sheet
For The Fourth Month Ending April 30, 2024
(In $000s)

Assets	
Cash	$448,865
Restricted Cash	300
Short Term Investments	788,076
Receivables	347,015
Prepaid Expenses	3,286
Other Current Assets	4,998
Total Current Assets	**$1,592,540**
Building, Land, Furniture & Equipment	
Capital Assets	$79,417
Accumulated Depreciation	(45,240)
CIP	2,989
Lease Receivable	3,084
Subscription Asset net Accum Depr	10,510
Total Non-Current Assets	**50,761**
Total Assets	**$1,643,301**
Liabilities	
Accounts Payable	$193,626
IBNR/Claims Payable	464,755
Provider Incentives Payable	41,347
Other Current Liabilities	9,941
Due to State	6,456
Total Current Liabilities	**$716,125**
Subscription Liabilities	8,687
Deferred Inflow of Resources	2,933
Total Long-Term Liabilities	**$11,620**
Fund Balance	
Fund Balance - Prior	$834,772
Retained Earnings - CY	80,784
Total Fund Balance	**915,556**
Total Liabilities & Fund Balance	**$1,643,301**
Additional Information	
Total Fund Balance	**$915,556**
Board Designated Reserves Target	447,056
Strategic Reserve (DSNP)	56,700
Medi-Cal Capacity Grant Program (MCGP)*	159,856
Value Based Payments	46,100
Total Reserves	**709,713**
Total Operating Reserve	**$205,843**

CENTRAL CALIFORNIA ALLIANCE FOR HEALTH
Income Statement - Actual vs. Budget
For The Fourth Month Ending April 30, 2024
(In $000s)

	MTD Actual	MTD Budget	Variance	%	YTD Actual	YTD Budget	Variance	%
Member Months	*455,001*	*415,884*	*39,117*	*9.4%*	*1,826,071*	*1,712,947*	*113,124*	*6.6%*
Capitation Revenue								
Capitation Revenue Medi-Cal	$171,836	$140,554	$31,282	22.3%	$675,519	$579,089	$96,429	16.7%
State Incentive Programs	23,806	-	23,806	100.0%	23,806	-	$23,806	100.0%
Prior Year Revenue*	-	-	-	0.0%	-	-	$0	0.0%
Premiums Commercial	415	344	71	20.6%	1,612	1,376	236	17.1%
Total Operating Revenue	**$196,058**	**$140,898**	**$55,160**	**39.1%**	**$700,937**	**$580,466**	**$120,472**	**20.8%**
Medical Expenses								
Inpatient Services (Hospital)	$46,832	$44,955	($1,878)	-4.2%	$192,058	$186,725	($5,333)	-2.9%
Inpatient Services (LTC)	15,170	10,549	(4,622)	-43.8%	66,013	43,819	(22,195)	-50.7%
Physician Services	28,537	26,135	(2,402)	-9.2%	128,134	108,549	(19,585)	-18.0%
Outpatient Facility	18,677	15,253	(3,424)	-22.4%	79,669	63,354	(16,315)	-25.8%
Other Medical**	27,593	26,019	(1,575)	-6.1%	98,405	107,224	8,819	8.2%
State Incentive Programs	23,806	-	(23,806)	-100.0%	23,806	-	(23,806)	-100.0%
Total Medical Expenses	**$160,617**	**$122,910**	**($37,706)**	**-30.7%**	**$588,085**	**$509,671**	**($78,414)**	**-15.4%**
Gross Margin	**$35,441**	**$17,988**	**$17,453**	**97.0%**	**$112,852**	**$70,795**	**$42,058**	**59.4%**
Administrative Expenses								
Salaries	$5,620	$6,068	$447	7.4%	$22,986	$23,661	$675	2.9%
Professional Fees	336	276	(60)	-21.8%	895	1,140	245	21.5%
Purchased Services	1,065	1,021	(44)	-4.4%	4,206	4,198	(8)	-0.2%
Supplies & Other	994	959	(35)	-3.6%	3,549	3,769	220	5.8%
Occupancy	101	120	19	15.7%	480	515	36	6.9%
Depreciation/Amortization	258	323	65	20.1%	1,031	1,150	118	10.3%
Total Administrative Expenses	**$8,374**	**$8,766**	**$391**	**4.5%**	**$33,148**	**$34,434**	**$1,286**	**3.7%**
Operating Income	**$27,067**	**$9,222**	**$17,845**	**100.0%**	**$79,704**	**$36,361**	**$43,343**	**100.0%**
Non-Op Income/(Expense)								
Interest	$4,675	$2,576	$2,099	81.5%	$16,064	$10,966	$5,098	46.5%
Gain/(Loss) on Investments	(5,648)	150	(5,798)	-100.0%	(8,874)	300	(9,174)	-100.0%
Bank & Investment Fees	(73)	(36)	(37)	-100.0%	(205)	(145)	(60)	-41.0%
Other Revenues	207	197	10	5.3%	679	787	(107)	-13.7%
Grants	(4,616)	(1,463)	(3,153)	-100.0%	(6,586)	(5,851)	(734)	-12.5%
Total Non-Op Income/(Expense)	**(5,454)**	**1,424**	**(6,878)**	**-100.0%**	**$1,079**	**$6,056**	**($4,977)**	**-82.2%**
Net Income/(Loss)	**$21,613**	**$10,646**	**$10,967**	**100.0%**	**$80,784**	**$42,417**	**$38,367**	**90.5%**
MLR	*81.9%*	*87.2%*			*83.9%*	*87.8%*		
ALR	*4.3%*	*6.2%*			*4.7%*	*5.9%*		
Operating Income	*13.8%*	*6.5%*			*11.4%*	*6.3%*		
Net Income %	*11.0%*	*7.6%*			*11.5%*	*7.3%*		

*Prior Year Revenue consist of revenue booked in the current calendar year for services rendered in prior years.

**Other Medical includes Pharmacy and IHSS.

CENTRAL CALIFORNIA ALLIANCE FOR HEALTH
Income Statement - Actual vs. Budget
For The Fourth Month Ending April 30, 2024
(In PMPM)

	MTD Actual	MTD Budget	Variance	%	YTD Actual	YTD Budget	Variance	%
Member Months	*455,001*	*415,884*	*39,117*	*9.4%*	*1,826,071*	*1,712,947*	*113,124*	*6.6%*
Capitation Revenue								
Capitation Revenue Medi-Cal	$377.66	$337.97	$39.70	11.7%	$369.93	$338.07	$31.86	9.4%
State Incentive Programs	52.32	-	52.32	100.0%	13.04	-	13.04	100.0%
Prior Year Revenue*	-	-	-	0.0%	-	-	-	0.0%
Premiums Commercial	0.91	0.83	0.08	10.2%	0.88	0.80	0.08	9.9%
Total Operating Revenue	**$430.90**	**$338.79**	**$92.10**	**27.2%**	**$383.85**	**$338.87**	**$44.98**	**13.3%**
Medical Expenses								
Inpatient Services (Hospital)	$102.93	$108.09	$5.17	4.8%	$105.18	$109.01	$3.83	3.5%
Inpatient Services (LTC)	33.34	25.36	(7.98)	-31.4%	36.15	25.58	(10.57)	-41.3%
Physician Services	62.72	62.84	0.12	0.2%	70.17	63.37	(6.80)	-10.7%
Outpatient Facility	41.05	36.68	(4.37)	-11.9%	43.63	36.99	(6.64)	-18.0%
Other Medical**	60.64	62.56	1.92	3.1%	53.89	62.60	8.71	13.9%
State Incentive Programs	52.32	-	(52.32)	-100.0%	13.04	-	(13.04)	-100.0%
Total Medical Expenses	**$353.00**	**$295.54**	**($57.46)**	**-19.4%**	**$322.05**	**$297.54**	**($24.51)**	**-8.2%**
Gross Margin	**$77.89**	**$43.25**	**$34.64**	**80.1%**	**$61.80**	**$41.33**	**$20.47**	**49.5%**
Administrative Expenses								
Salaries	$12.35	$14.59	$2.24	15.3%	$12.59	$13.81	$1.23	8.9%
Professional Fees	0.74	0.66	(0.08)	-11.3%	0.49	0.67	0.18	26.4%
Purchased Services	2.34	2.45	0.11	4.6%	2.30	2.45	0.15	6.0%
Supplies & Other	2.18	2.31	0.12	5.3%	1.94	2.20	0.26	11.7%
Occupancy	0.22	0.29	0.07	22.9%	0.26	0.30	0.04	12.7%
Depreciation/Amortization	0.57	0.78	0.21	27.0%	0.56	0.67	0.11	15.9%
Total Administrative Expenses	**$18.40**	**$21.08**	**$2.67**	**12.7%**	**$18.15**	**$20.10**	**$1.95**	**9.7%**
Operating Income	**$59.49**	**$22.18**	**$37.31**	**100.0%**	**$43.65**	**$21.23**	**$22.42**	**100.0%**

*Prior Year Revenue consist of revenue booked in the current calendar year for services rendered in prior years.

**Other Medical includes Pharmacy and IHSS.

CENTRAL CALIFORNIA ALLIANCE FOR HEALTH
Statement of Cash Flow
For The Fourth Month Ending April 30, 2024
(In $000s)

	MTD	YTD
Net Income	$21,613	$80,784
Items not requiring the use of cash: Depreciation	258	1,031
Adjustments to reconcile Net Income to Net Cash provided by operating activities:		
Changes to Assets:		
Restricted Cash	0	0
Receivables	(51,414)	144,573
Prepaid Expenses	(269)	(1,058)
Current Assets	(182)	608
Subscription Asset net Accum Depr	0	0
Net Changes to Assets	**(51,865)**	**144,123**
Changes to Payables:		
Accounts Payable	(84,322)	(212,249)
Other Current Liabilities	677	749
Incurred But Not Reported Claims/Claims Payable	(48,388)	176,382
Provider Incentives Payable	(11,034)	1,347
Due to State	(1,582)	(4,246)
Subscription Liabilities	0	0
Net Changes to Payables	**(144,648)**	**(38,016)**
Net Cash Provided by (Used in) Operating Activities	**(174,643)**	**187,921**
Change in Investments	2,560	57,756
Other Equipment Acquisitions	(1,022)	(1,895)
Net Cash Provided by (Used in) Investing Activities	**1,538**	**55,861**
Deferred Inflow of Resources	0	0
Net Cash Provided by (Used in) Financing Activities	**0**	**0**
Net Increase (Decrease) in Cash & Cash Equivalents	**(173,105)**	**243,782**
Cash & Cash Equivalents at Beginning of Period	**621,971**	**205,083**
Cash & Cash Equivalents at April 30, 2024	**$448,865**	**$448,865**

	POLICIES AND PROCEDURES
Policy #: 700-1000	**Lead Department:** Finance
Title: Investments	
Original Date: 10/27/2004	**Date Published:** 06/12/2024
Approved by: Lisa Ba, Chief Financial Officer	

Purpose:

This Investment Policy sets forth the investment guidelines for all Operating Funds and Board-Designated Reserve Funds of the Central California Alliance for Health (the Alliance). The objective of this Investment Policy is to ensure the Alliance's funds are prudently invested according to the Board of Commissioners' objectives to preserve capital, provide necessary liquidity and to achieve a market-average rate of return through economic cycles.

Policy:

Investments may only be made as authorized by this Investment Policy. The Alliance Investment Policy conforms to the California Government Code section 53600 et seq. (the Code) as well as customary standards of prudent investment management. Irrespective of these policy provisions, should the provisions of the Code be or become more restrictive than those contained herein, such provisions will be considered immediately incorporated into the Investment Policy and adhered to. It is also the Alliance's intent to comply with investment requirements contained within contracts that the Alliance may have with any government funding agencies and will not invest in anything that is inconsistent with its direct mission.

The Alliance's investment objectives, in order of priority, are as follows:

A. Safety of Principal – Safety of principal is the foremost objective of the Alliance. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of securities.

B. Liquidity – Liquidity is the second most important objective of the Alliance. It is important that the portfolio contain investments for which there is a secondary market and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.

C. Social Responsibility – Investment decisions will be screened based on SRI heavy criteria outlined in Exhibit A.

D. Total Return – The Alliance's portfolio shall be designed to attain a market-average rate of return through economic cycles given an acceptable level of risk.

	POLICIES AND PROCEDURES
Policy #: 700-1000	**Lead Department:** Finance
Title: Investments	
Original Date: 10/27/2004	**Date Published:** 06/12/2024
Approved by: Lisa Ba, Chief Financial Officer	

Procedures:

I. OBJECTIVES

Safety of principal is the primary objective of the Alliance. Each investment transaction shall seek to ensure that large capital losses are avoided from securities or broker-dealer default. The Alliance shall seek to ensure that capital losses are minimized from the erosion of market value. The Alliance shall seek to preserve principal by mitigating the two types of risk, credit risk and market risk.

Credit risk, the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in only permitted investments and by diversifying the investment portfolio according to this Investment Policy.

Market risk, the risk of market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by matching maturity dates, to the extent possible, with the Alliance's expected cash flow draws. It is explicitly recognized herein, however, that in a diversified portfolio, occasional losses are inevitable and must be considered within the context of the overall investment return.

II. PRUDENCE

The Alliance’s Board of Commissioners or persons authorized to make investment decisions on behalf of the Alliance are trustees and fiduciaries subject to the prudent investor standard.

The standard of prudence to be used by investment officials shall be the "prudent person" standard as defined in Code Section 53600.3 and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control developments.

THE PRUDENT PERSON STANDARD: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of the Alliance, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

III. ETHICS AND CONFLICTS OF INTEREST

The Alliance's officers and employees involved in the investment process shall refrain from personal and professional business activities that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. The Alliance's officers and employees involved in the investment process are not permitted to have any material financial interests in financial institutions, including state or federal credit unions, that conduct business with the Alliance, and they are not permitted to have any personal financial or investment holdings that could be materially related to the performance of the Alliance's investments.

IV. DELEGATION OF AUTHORITY

Authority to manage the Alliance's investment program is derived from an order of the Board of Commissioners. Management responsibility for the investment program is hereby delegated to the Alliance's Chief Financial Officer (CFO).

The CFO shall be responsible for all actions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

A. Financial Benchmarks

The Alliance's portfolio shall be designed to attain a market-average rate of return through economic cycles given an acceptable level of risk. The performance benchmark for the investment portfolio will be based upon the market indices for short-term investments of comparable risk and duration. These performance benchmarks will be determined by the Alliance's CFO and will be reviewed by the Finance Committee semi-annually.

B. Safekeeping

The investments purchased by the Alliance shall be held by a Board approved bank or trust company acting as the agent of the Alliance under the terms of a custody agreement in compliance with Code Section 53608.

C. Periodic Review of the Investment Policy

The CFO is responsible for providing the Finance Committee with a recommended Investment Policy. The Finance Committee is responsible for recommending the Investment Policy to the Board of Commissioners for final approval. This Investment Policy shall be reviewed by the Board of Commissioners at a public meeting pursuant to Section 53646 (a) of the California Government Code

The CFO is responsible for directing the Alliance's investment program and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities. The CFO shall make a semi-annual report to the Finance Committee.

D. Procedures

The following procedures will be performed by the CFO:

1. The Operating Funds and Board-Designated Reserve Funds targeted average maturities will be established and reviewed periodically.

2. Investment diversification and portfolio performance will be reviewed semi-annually to ensure that risk levels and returns are reasonable and that investments are diversified in accordance with this policy.

E. Duties and Responsibilities of the Finance Committee:

The CFO and staff are responsible for the day-to-day management of the Alliance's investment portfolio. The Board of Commissioners is responsible for the Alliance's Investment Policy. The Finance Committee shall not make or direct the Alliance staff to make any particular investment, purchase any particular investment product, or do business with any particular investment companies or brokers. It shall not be the purpose of the Finance Committee to advise on particular investment decisions of the Alliance.

The duties and responsibilities of the Finance Committee shall consist of the following:

1. Review any changes to the Alliance's Investment Policy before its consideration by the Board of Commissioners and recommend revisions, as necessary.

2. To review semi-annually the Alliance's investment portfolio for conformance to the Alliance's Investment Policy diversification and maturity guidelines, and make recommendations as appropriate.

3. Perform such additional duties and responsibilities as may be required from time to time by specific action and direction of the Board of Commissioners.

V. PERMITTED INVESTMENTS

Alliance policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Annual Investment Policy.

A. U.S. Treasuries

These investments are direct obligations of the United States of America and securities which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States of America.

U.S. Government securities include:

1. Treasury Bills: Securities issued and traded at a discount.

2. Treasury Notes and Bonds: interest bearing instruments issued with maturities of 2 to 30 years.

3. Treasury STRIPS: U. S. Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book-entry record-keeping system.

U. S. Treasury coupon and principal STRIPS are not considered to be derivatives for the purpose of this Annual Investment Policy and are, therefore, permitted investments pursuant to the Annual Investment Policy.

Maximum Term: Operating Funds – five years (Code 5 years)
Board Designated Reserve Funds – five years (Code 5 years)

B. Federal Agencies and U.S. Government Sponsored Enterprises

These investments represent obligations, participations, or other instruments of, or issued by, a federal agency or a United States government sponsored enterprise, including those issued by, or fully guaranteed as to principal and interest by, the issuers. These are U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). Often simply referred to as "Agencies", they include:

1. Federal Home Loan Banks (FHLB)
2. Federal Home Loan Mortgage Corporation (FHLMC)
3. Federal National Mortgage Association (FNMA)
4. Federal Farm Credit Banks (FFCB)
5. Student Loan Marketing Association (SLMA)
6. Government National Mortgage Association (GNMA)
7. Small Business Administration (SBA)
8. Export-Import Bank of the United States
9. U.S. Maritime Administration
10. Washington Metro Area Transit
11. U.S. Department of Housing & Urban Development
12. Tennessee Valley Authority

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

Maximum Term: Operating Funds – five years (Code 5 years)
Board Designated Reserve Funds – five years (Code 5 years)

C. State of California and Local Agency Obligations

Registered state warrants, treasury notes or bonds of the State of California and bonds, notes, warrants or other evidences of indebtedness of any local agency of the State, including bonds payable solely out of revenues from a revenue producing property owned, controlled, or operated by the state or local agency or by a department, board, agency or authority of the State or local agency. Such obligations must be issued by an entity whose general obligation debt is rated P-1 by Moody's and A-1 by Standard & Poor's or equivalent or better for short-term obligations, or A by Moody's or A by Standard & Poor's or better for long-term debt. Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as allowable investments.

Maximum Term: Operating Funds – five years (Code 5 years)
Board Designated Reserve Funds – five years (Code 5 years)

D. Bankers Acceptances

Time drafts which a bank "accepts" as its financial responsibility as part of a trade finance process. These short-term notes are sold at a discount, and are obligations of the drawer (the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the bankers acceptance (BA) upon maturity if the drawer does not. Eligible bankers acceptances:

1. are eligible for purchase by the Federal Reserve System, and are drawn on and accepted by a bank rated C or better by Thomson BankWatch or IBCA, or are rated A-I for short-term deposits by Standard & Poor's and P-1 for short-term deposits by Moody's, or are comparably rated by a nationally recognized rating agency.

2. may not exceed the five percent (5%) limit of any one commercial bank and may not exceed the five percent limit for any security of any bank.

Maximum Term: Operating Funds – 180 days (Code)
Board Designated Reserve Funds – 180 days (Code)

E. Commercial Paper

Commercial paper (CP) is unsecured promissory notes issued by companies and government entities at a discount. Commercial paper is negotiable (marketable or transferable), although it is typically held to maturity. The maximum maturity is 270 days, with most CP issued for terms of less than 30 days. Commercial paper must be:

1. rated P-1 by Moody's and A-1 or better by Standard & Poor's, and
2. have an A or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by Moody's and Standard & Poor's, and
3. issued by corporations organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000), and
4. may not represent more than ten percent (10%) of the outstanding commercial paper of the issuing corporation.

Maximum Term: Operating Funds – 270 days (Code)

Board Designated Reserve Funds – 270 days (Code)

F. Negotiable Certificates of Deposit

A negotiable (marketable or transferable) receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate. Negotiable Certificates of Deposit must be issued by a nationally or state-chartered bank or state or federal association or by a state licensed branch of a foreign bank, which have been rated as C or better by Thomson BankWatch or IBCA, or are rated A-l for short-term or long-term deposits by Standard & Poor's and P-1 for short-term or long-term deposits by Moody's, or are comparably rated by a nationally recognized rating agency.

Maximum Term: Operating Funds – 5 years (Code)
Board Designated Reserve Funds – 5 years (Code)

G. Repurchase Agreements

A purchase of securities under a simultaneous agreement to sell these securities back at a fixed price on some future date.

Repurchase agreements collateralized by U. S. Treasuries, GNMAs, FNMAs or FHLMCs with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the FDIC so long as at the time of the investment such primary dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated P-1 short-term or A-2 long-term or better by Moody's, and A-1 short-term or A long-term or better by Standard & Poor's, provided:

1. a Public Securities Association (PSA) master repurchase agreement signed by CCAH which governs the transaction and a subcustodial undertaking in connection with a master repurchase agreement signed by CCAH, when applicable; and

2. the securities are held free and clear of any lien by CCAH's custodian or an independent third party acting as agent ("Agent") for the custodian, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian shall have received written confirmation from such third party that it holds such securities, free and clear

of any lien, as agent for CCAH's custodian; and

3. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of CCAH's custodian and CCAH; and

4. the Agent provides CCAH's custodian and CCAH with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

Maximum Term: Operating Funds – 1 year (Code 1 year)
Board Designated Reserve Funds – 1 year (Code 1 year)

Reverse repurchase agreements are not allowed.

H. Medium Term Maturity Corporate Securities

Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

Medium term maturity corporate securities:

1. For the purpose of this Annual Investment Policy, corporate securities that are rated A, or better by Moody's or Standard & Poor's or a comparable rating by a nationally recognized rating service on longer term debt, and

2. Issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States and have total assets in excess of five hundred million dollars ($500,000,000), and

3. May not represent more than ten percent (10%) of the issue in the case of a specific public offering. This limitation does not apply to debt that is "continuously offered" in a mode similar to commercial paper, i.e. medium term notes ("MTNs"). Under no circumstance can the MTNs or any other corporate security of any one corporate issuer represent more than 5% of the portfolio.

Maximum Term: Operating Funds – five years (Code 5 years)
Board Designated Reserve Funds – five years (Code 5 years)

I. Money Market Funds

Shares of beneficial interest issued by diversified management companies (commonly called money market funds):

1. Which are rated AAA (or equivalent highest ranking) by two of the three largest nationally recognized rating services, and have an investment adviser registered with the Securities and Exchange Commission with not less than five years' experience investing in fixed income securities and the money market fund shall have assets under management in excess of five hundred million dollars ($500,000,000) and

2. Such investment may not represent more than ten percent (10%) of the money market fund's assets.

J. Mortgage or Asset-backed Securities

Pass-through securities are instruments by which the cash flow from the mortgages, receivables or other assets underlying the security is passed-through as principal and interest payments to the investor.

Though these securities may contain a third party guarantee, they are a package of assets being sold by a trust, not a debt obligation of the sponsor. Other types of "backed" debt instruments have assets (such as leases or consumer receivables) pledged to support the debt service.

Any mortgage pass-through security, collateralized mortgage obligations, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond which

1. Rated AAA (Code AA) by a nationally recognized rating service, and

2. Issued by an issuer having an A (Code) or better rating by a nationally recognized rating service for its long-term debt.

Maximum Term: Operating Funds – one year (Code 5 years)
Board Designated Reserve Funds – five years stated final maturity with a maximum average life of three years (Code 5 years)

K. Variable and Floating Rate Securities

Variable and floating rate securities are appropriate investments when used to enhance yield and reduce risk. They should have the same stability, liquidity and quality as traditional money market securities. A variable rate security provides for the automatic establishment of a new interest rate on set dates. For the purposes of this Annual Investment Policy, a Variable Rate Security where the variable rate of interest is readjusted no less frequently than every 762 calendar days shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest. A Floating Rate Security shall be deemed to have a remaining maturity of one day.

Variable and floating rate securities, which are restricted to investments in permitted Federal Agencies and U.S. Government Sponsored Enterprises securities, with a final maturity of not to exceed one year as described above, must utilize traditional money market reset indices such as U. S. Treasury bills, Federal Funds, commercial paper or LIBOR. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes.

Maximum Term: Operating Funds – five years (Code 5 years)
Board Designated Reserve Funds – five years (Code 5 years)

L. The Local Agency Investment Fund (LAIF)

LAIF, is a voluntary program created by statute, began in 1977 as an investment alternative for California's local governments and special districts. This program offers local agencies the opportunity to participate in a major portfolio which invests hundreds of millions of dollars, using the investment expertise of the Treasurer's Office investment staff. The LAIF is part of the Pooled Money Investment Account (PMIA). The PMIA has oversight provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB members are the State Treasurer, Director of Finance, and State Controller.

The LAIF has oversight by the Local Agency Investment Advisory Board. The board consists of five members as designated by statute. The Chairman is the State Treasurer or his designated representative. Two members qualified by training and experience in the field of investment or finance, and two members who are Treasurers, finance or fiscal officers or business managers employed by any County, City or local district or municipal corporation of this state, are appointed by the State Treasurer. The term of each appointment is two years or at the pleasure of the appointing authority.

The State Treasurer's Office takes deliver of all securities purchased on a delivery versus payment basis using a third party custodian. All investments are purchased at market, and market valuation is conducted monthly.

Maximum Term: NA

M. Investment Trust of California (CalTRUST)

The Alliance also invests in a CalTRUST, which is a Joint Powers Authority created by public agencies to provide convenient consolidation method for public agencies to pool their assets for investment activities. The purpose of the organization is to reduce duplication, achieve economies of scale and carry out coherent investment strategies that are beneficial for their participants.

CalTRUST is governed by a board of seven Trustees, at least seventy-five percent of whom are members of the governing body, officers, or personnel of its Members. The CalTRUST Board sets overall policies for the program, selects, and supervises the activities of the Investment Administrators, Custodians, and Investment Advisors.

VI. POLICIES

A. Securities Lending

Investment securities shall not be lent to an Investment Manager or broker.

B. Leverage

The investment portfolio, or investment portfolios, cannot be used as collateral to obtain additional investable funds.

C. Other Investments

Any investment not specifically referred to herein will be considered a prohibited investment.

D. Underlying Nature of Investments

The Alliance shall not make investments in organizations which have a line of business that is visibly in conflict with the interests of public health (which shall be defined by the Alliance Board of Commissioners). Furthermore, the Alliance shall not make investments in organizations with which it has a business relationship through contracting, purchasing or other arrangements.

E. Derivatives

Investments in derivative securities are not allowed, except as to U.S. Treasury STRIPS.

F. Rating Downgrades

The Alliance may from time to time be invested in a security whose rating is downgraded below the quality criteria permitted by this investment policy. A decision to retain a downgraded security shall be approved by the CFO or designee within five (5) business days of becoming aware of the downgrade.

References:
Alliance Policies:
Impacted Departments:
Regulatory:
Legislative:
Contractual (Previous):
Contractual (2024 Contract):
MMCD Policy Letter:
NCQA:
Supersedes:
Other References:
Investment of Surplus: California Government Code Section §§53600-53610
Deposit of Funds: California Government Code Section §§53630-53686
Attachments:
Exhibit A – Socially Responsible Investing Screens

	POLICIES AND PROCEDURES
Policy #: 700-1000	**Lead Department:** Finance
Title: Investments	
Original Date: 10/27/2004	**Date Published:** 06/12/2024
Approved by: Lisa Ba, Chief Financial Officer	

Lines of Business This Policy Applies To | **LOB Effective Dates**

☐ DSNP (01/01/2026 – present)
☒ Medi-Cal (01/01/1996 – present)
☐ Alliance Care IHSS (07/01/2005 – present)

Revision History:

Reviewed Date	**Revised Date**	**Changes Made By**	**Approved By**
05/11/2017	05/11/20/17	Eugenia Tsuei, Finance Policy & Process Analyst	Barry Staton, Chief Financial Officer
10/01/2018	10/01/2018	Eugenia Tsuei, Finance Policy & Process Analyst	Lisa Ba, Chief Financial Officer
10/02/2019	10/02/2019	Eugenia Tsuei, Finance Policy & Process Analyst	Lisa Ba, Chief Financial Officer
09/27/2021	09/28/2021	Jimmy Ho, Finance Manager	Lisa Ba, Chief Financial Officer
06/12/2024	06/12/2024	Stephanie Vue, Regulatory Affairs Specialist II	Jimmy Ho, Accounting Director

Exhibit A

Socially Responsible Investing Screens

Socially Responsible Investing (SRI) is an investment style that uses both positive and negative screens to include or exclude companies in a portfolio based on social, moral and ethical criteria.

Negative screening is the simplest method used in SRI and excludes companies and industries known collectively as "sin" screens.

Negative Screens	
Category 1	Category 2
Alcohol Tobacco Gambling Firearm Manufacturers Animal Testing Genetically Modified Organisms Adult Entertainment Predatory Lending	Oil/gas Mining Nuclear Power

Category 1 – Includes industries banned on moral or ethical grounds and those whose products are directly harmful to human beings or the environment.

Category 2 – Lists industries whose business practices are either controversial or indirectly harm consumers or the environment.

Positive screening, rather than merely excluding companies with objectionable products, seeks to actively support companies that set positive examples of environmentally friendly products or production methods and socially responsible business practices. Unlike negative screens, which are generally more black and white, positive screens require individual analysis of most companies on issues such as pollution, workplace practices, diversity, and product safety.

Positive Screens
Environment Conservation Human Rights Labor Relations Employment Equality Community Investing

SRI Levels

Light: Avoiding Category 1 negative screens.

Heavy: Avoiding all negative screens – Category 1 and 2.

Exhibit A

Heavy Plus: Applying positive screens in addition to avoiding all negative screens.