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

Finance Committee

Meeting Agenda

Wednesday, October 22, 2025

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:
    Join the meeting now
    b. Or by telephone at:
    United States: +1 (872) 242-9041
    Phone Conference ID: 314 132 173#

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 Monday, October 20, 2025, to Dulcie San Paolo, Finance Administrative Specialist, at dsanpaolo@thealliance.health
        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 the Finance Committee meeting minutes of August 27, 2025. 1:40 p.m.**

4. **Annual Election of Officers of the Finance Committee. 1:45 p.m.**

5. **2025 Forecast #3 Based on YTD August Performance. 1:50 p.m.**

6. **2026 Preliminary Budget. 2:20 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.

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

Meeting Minutes

Wednesday, August 27, 2025

Commissioners Present:

Ralph Armstrong, DO,	At Large Health Care Provider Representative
Ms. Elsa Jiménez,	County Health Director
Mr. Michael Molesky,	Public Representative
Allen Radner, MD,	At Large Health Care Provider Representative

Commissioners Absent:

Ms. Anita Aguirre,	At Large Health Care Provider Representative
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. (1:30 p.m.)

Chairperson Molesky called the meeting to order at 1:30 p.m. Roll call was taken. A quorum was not yet present, and approval of the June 25, 2025, minutes was postponed.

2. Oral Communications. (1:31 p.m.)

Chairperson Molesky 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.

Ms. Lisa Ba, Chief Financial Officer (CFO), welcomed Commissioner Kristynn Sullivan, who was attending the meeting from the Merced Alliance location as a guest. Ms. Ba noted that Commissioner Sullivan's appointment to the Finance Committee is still pending Board approval and is listed on the Board consent agenda for consideration later today. With no additional public comments, Chairperson Molesky closed the comment period and moved on to the regular agenda, starting with the 2025 Forecast #2, which is based on June's year-to-date performance.

Consent Agenda Items:

3. Approval of the Minutes of the June 25, 2025 Finance Committee Meeting. (1:32 p.m)

Since a quorum was not yet present, Chairperson Molesky announced that a vote for the approval of the June 25, 2025, Finance Committee meeting minutes could not be held. It was agreed that this consent agenda item would be postponed until later in the meeting once a quorum was established.

Regular Agenda Items:

4. 2025 Forecast #2 Based on YTD June Performance. (1:32 – 2:14 p.m.)

Ms. Lisa Ba, Chief Financial Officer (CFO), presented the Alliance's latest financial results for the six months ending June 30, 2025. She reported a Year-to-Date (YTD) Operating Loss of $15M, which is slightly better than the budgeted loss of $17M. The year-to-date Medical Loss Ratio (MLR) was 96.2%, slightly above budget.

[Commissioner Jimenez arrived at this time: 1:34 p.m.]

Administrative expenses are $435K above budget, and Ms. Ba informed the committee that staff have implemented cost-saving measures to address the unfavorable variance, and the administrative target is expected to be met by the end of the year.

Next, Ms. Ba went on to present the forecast based on the YTD June results. She explained that the full-year projection assumes a $87.5M loss, or an MLR of 98.6%, compared to the original budget of $75.2M. Enhanced Care Management (ECM) and Community Supports (CS) together account for nearly half of the projected loss. The second half of the year is anticipated to result in higher losses due to the absence of prior year adjustments and expected increased utilization in the fourth quarter.

In a review of enrollment assumptions and trends, Ms. Ba reported that enrollment peaked in January 2024 following expansion into new counties and the addition of newly eligible Unsatisfactory Immigration Status (UIS) members. Subsequently, enrollment declined, particularly among Satisfactory Immigration Status (SIS) members after post-COVID redetermination. UIS membership numbers increased until August before starting to decline. As a result, enrollment is now projected to be slightly lower than previously forecast, with the average enrollment for 2025 estimated at 441,000, compared to the budgeted 439,000.

Regarding revenue and medical cost assumptions, Ms. Ba reported that revenue exceeds the budget, mainly due to increased enrollment and a 5.2% rate adjustment from Draft to

Prospective rates, amounting to $104.8M. This increase was offset by $60.7M in core medical service categories, including Inpatient and Outpatient, driven by higher enrollment and increased utilization. An additional offset of $35.3M was attributable to increased costs associated with Community Supports, with revenue insufficient to fully cover these services, resulting in a forecasted loss of $31.5M. ECM Enrollment increased from 16,000 to 20,000 members, contributing to a year-to-date loss of $55.6M through June and an anticipated year-end loss of $117.3M prior to risk corridor reconciliation. The risk corridor is projected to mitigate $109.9M, yielding a net loss of $7.4M.

Overall, the 2025 forecast projects that 98.6% of revenue will be allocated to medical expenses, an increase from the budgeted allocation of 97.9%. Staff remain committed to maintaining operational efficiency and expect to adhere to the budgeted amount of $119.6M, which equates to a 5.4% Administrative Loss Ratio (ALR) and includes $9M designated for D-SNP initiatives. The forecast also anticipates a negative operating reserve by year-end. Furthermore, Tangible Net Equity (TNE) multiples are expected to decrease to 8.7 times, down from the peak of 13 times recorded in 2023.

Staff will provide the third 2025 forecast and the preliminary 2026 budget for this committee at the next meeting in October.

5. Use of Reserves. (2:14 – 2:40 p.m.)

Ms. Ba presented an analysis of the Alliance's reserve use options, considering projected declines in fund balances, legal investment restrictions, and the practicality of pursuing equity or real estate ventures.

Ms. Ba provided the commissioners with an overview of the Alliance's investment and reserve policies. She stated that the Alliance's investment policy closely aligns with those adopted by all governmental organizations, as well as the Alliance's sister plans. Furthermore, Ms. Ba noted that, as a public agency, the Alliance must adhere to the investment requirements outlined in the California Government Code and cannot deviate from those provisions when managing public funds. The Alliance's investment priorities include safety of the principal as the top priority, followed by liquidity, social responsibility, and return.

She pointed out that the Board has allocated reserves for specific purposes, including Medi-Cal capacity grants, D-SNP losses, and provider payments. With the Alliance's projected fund balance expected to decrease from 13 times operating expenses in 2023 to 8.7 times by the end of 2025, and further to 4.7 times by 2027, due to anticipated ongoing losses, there are no uncommitted reserves available for new venture opportunities.

Ms. Ba explained that, when a positive operating reserve is available again, the Board may consider allocating a portion of the reserve to support clinical facility expansion through the annual strategic reserve allocation process. However, such decisions would require a thorough evaluation of operational risks, liquidity impact, and possible conflicts of interest regarding the facility location.

6. Reconsideration of the Consent Agenda Item for the Approval of the Minutes of the June 25, 2025 Finance Committee Meeting. (2:40 – 2:42)

FINANCE COMMITTEE ACTION: With a quorum now present Chairperson Molesky opened the floor for the approval of the minutes of the June 25, 2025 meeting.

MOTION: Commissioner Jiménez moved to approve the minutes, seconded by Commissioner Radner

ACTION: The motion passed with the following vote:

Ayes: Commissioners Armstrong, Jiménez, Molesky, Radner

Noes: None

Absent: Commissioners Aguirre and Pedrozo

Abstain: None

7. Q2 2025 Investment Update. (2:42 – 2:50 p.m.)

Ms. Ba introduced Mr. Jimmy Ho, the Accounting Director, who provided a mid-year update on the investment portfolio. Mr. Ho advised that investments are managed according to the Board-approved policy, focusing on safety, liquidity, and market-rate returns. The portfolio avoids low-rated bonds, and staff ensure prudent investment practices aligned with public agency requirements.

The Finance Committee adjourned its meeting of August 27, 2025, at 2:50 p.m.

Respectfully submitted,

Ms. Dulcie San Paolo
Finance Administrative Specialist

Minutes were supported by AI-generated content.

DATE: October 22, 2025

TO: The Finance Committee of the Santa Cruz – Monterey – Merced – San Benito – Mariposa Managed Medical Care Commission

FROM: Lisa Ba, Chief Financial Officer

SUBJECT: Election of Officers of the Finance Committee

Recommendation. Staff recommend the Finance Committee nominate one member of the Santa Cruz – Monterey – Merced – San Benito – Mariposa Managed Medical Care Commission's Finance Committee to serve as Chairperson and one member to serve as Vice Chairperson.

Background. The Commission must elect a Chairperson and Vice Chairperson annually, pursuant to section 3.1 of the bylaws.

Discussion. As a committee of the Alliance's Board, the Finance Committee follows the rules of the Commission as outlined in the Commission's bylaws. As such, the Finance Committee shall elect officers for one-year terms at the first meeting in October of each year. Officers shall serve a term which begins on the day of the election and ends at the first meeting in October of the following calendar year.

Commissioners may be nominated by other commissioners or may nominate themselves for offices.

Fiscal Impact. There is no fiscal impact associated with this agenda item.

Attachments. N/A

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DATE: October 22, 2025

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

FROM: Lisa Ba, Chief Financial Officer

SUBJECT: Financial Highlights for the Eighth Month Ending August 31, 2025

For the month ending August 31, 2025, the Alliance reported an Operating Loss of $9.2M. The Year-to-Date (YTD) Operating Loss is $30.6M with a Medical Loss Ratio (MLR) of 97.0% and an Administrative Loss Ratio (ALR) of 5.0%. The Net Loss is $2.5M after accounting for Non-Operating Income/Expenses.

The budget expected an Operating Loss of $32.9M for August YTD. The actual result is favorable to the budget by $2.3M or 7.1%, driven by rate variances.

	Aug-25 MTD ($ In 000s)			
Key Indicators	Current Actual	Current Budget	Current Variance	% Variance to Budget
Membership	*440,440*	*438,792*	*1,648*	*0.4%*
Revenue	$189,773	$173,831	$15,942	9.2%
Medical Expenses	191,623	177,270	(14,354)	-8.1%
Administrative Expenses	7,375	9,650	2,275	23.6%
Operating Income	(9,225)	(13,089)	3,864	29.5%
Net Income	($2,518)	($12,347)	$9,829	79.6%
MLR %	101.0%	102.0%	1.0%	
ALR %	3.9%	5.6%	1.7%	
Operating Income %	-4.9%	-7.5%	2.7%	
Net Income %	-1.3%	-7.1%	5.8%	

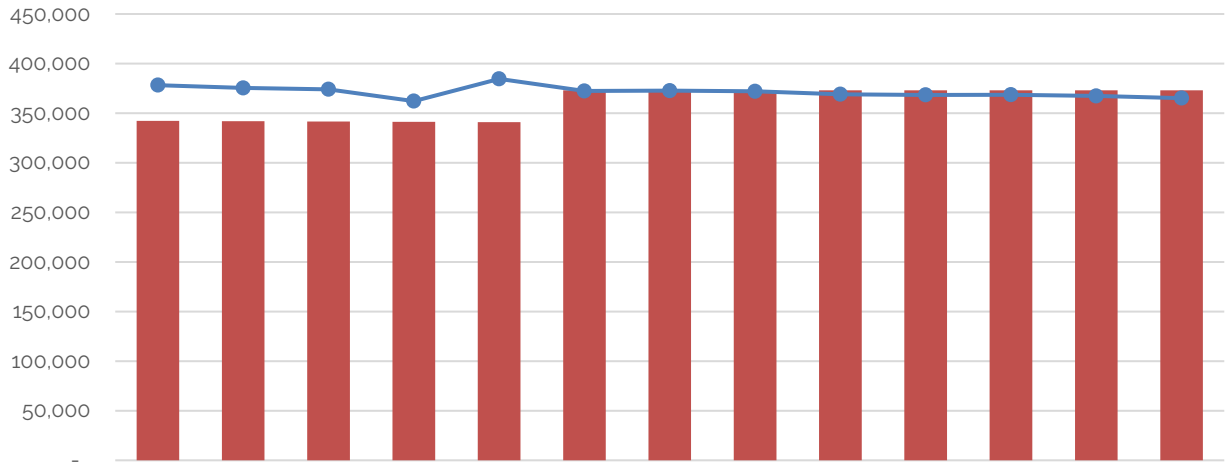
Aug-25 YTD (In $000s)				
Key Indicators	YTD Actual	YTD Budget	YTD Variance	% Variance to Budget
Member Months	*3,556,091*	*3,510,498*	*45,593*	*1.3%*
Revenue	$1,517,115	$1,390,647	$126,468	9.1%
Medical Expenses	1,472,167	1,345,891	(126,276)	-9.4%
Administrative Expenses	75,539	77,696	2,157	2.8%
Operating Income/(Loss)	(30,591)	(32,940)	2,349	7.1%
Net Income/(Loss)	($2,497)	($19,964)	$17,468	87.5%
PMPM				
Revenue	$426.62	$396.14	$30.48	7.7%
Medical Expenses	413.98	383.39	(30.59)	-8.0%
Administrative Expenses	21.24	22.13	0.89	4.0%
Operating Income/(Loss)	($8.60)	($9.38)	$0.78	8.3%
MLR %	97.0%	96.8%	0.3%	
ALR %	5.0%	5.6%	-0.6%	
Operating Income %	-2.0%	-2.4%	0.4%	
Net Income %	-0.2%	-1.4%	1.3%	

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, revenue is $426.62, which is favorable to the budget by $30.48 or 7.7%. Medical cost PMPM is $413.98, which is unfavorable by $30.59 or 8.0%. This results in an unfavorable gross margin of $0.11 or 0.9% compared to the budget. The operating loss PMPM is ($8.60), compared to the budget of ($9.38).

Membership: August 2025 membership is favorable to the budget by 0.4%. The 2025 budget assumed a flat budget with 438k members per month for all of 2025. As of recent trends, Satisfactory Immigration Status (SIS) membership continues to decline as the redetermination process progresses. While Unsatisfactory Immigrant Status (UIS) enrollment had demonstrated consistent growth earlier in the year, that trajectory began to soften in June, with a slight decline in July and a further decrease observed in August.

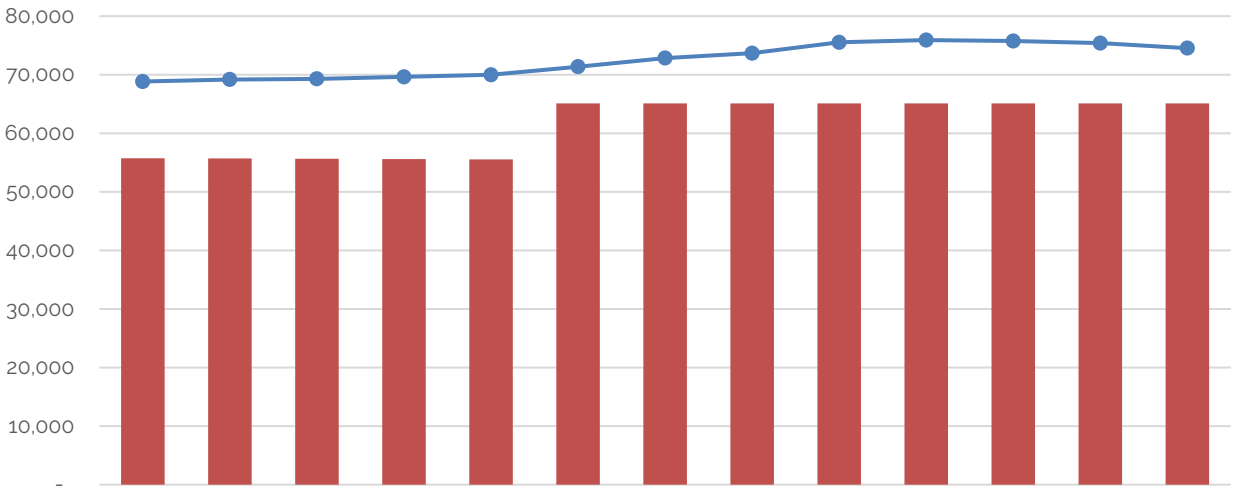
SIS Membership



	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Budget	342,293	341,952	341,610	341,268	340,927	373,030	373,030	373,030	373,030	373,030	373,030	373,030	373,030
Actual	378,241	375,458	374,061	362,135	384,572	372,395	372,699	372,081	369,053	368,416	368,576	367,345	365,221
Var	35,948	33,506	32,451	20,867	43,645	(635)	(331)	(949)	(3,977)	(4,614)	(4,454)	(5,685)	(7,809)
Var %	10.5%	9.8%	9.5%	6.1%	12.8%	-0.2%	-0.1%	-0.3%	-1.1%	-1.2%	-1.2%	-1.5%	-2.1%

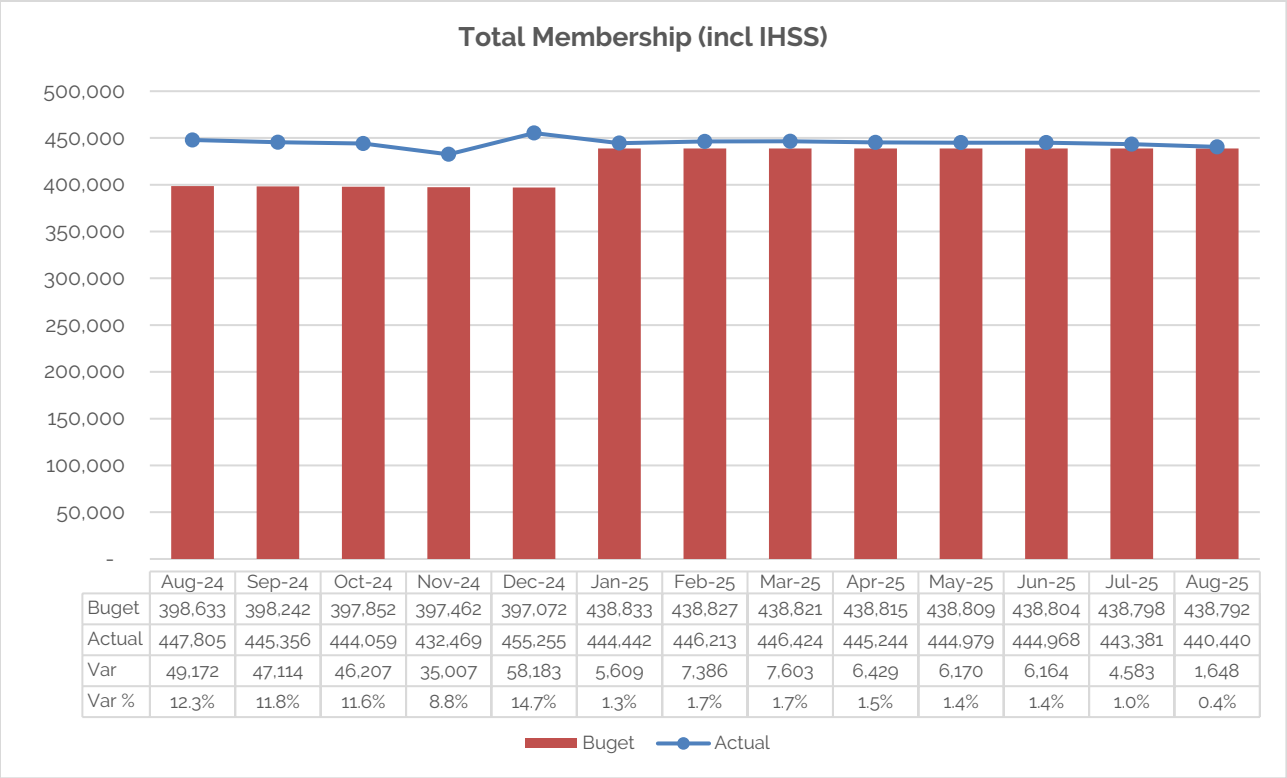
Budget Actual

UIS Membership



	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Buget	55,739	55,691	55,642	55,594	55,545	65,096	65,096	65,096	65,096	65,096	65,096	65,096	65,096
Actual	68,841	69,181	69,289	69,632	69,990	71,363	72,834	73,668	75,528	75,909	75,742	75,388	74,539
Var	13,102	13,490	13,647	14,038	14,445	6,267	7,738	8,572	10,432	10,813	10,646	10,292	9,443
Var %	23.5%	24.2%	24.5%	25.3%	26.0%	9.6%	11.9%	13.2%	16.0%	16.6%	16.4%	15.8%	14.5%

Buget Actual



	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Buget	398,633	398,242	397,852	397,462	397,072	438,833	438,827	438,821	438,815	438,809	438,804	438,798	438,792
Actual	447,805	445,356	444,059	432,469	455,255	444,442	446,213	446,424	445,244	444,979	444,968	443,381	440,440
Var	49,172	47,114	46,207	35,007	58,183	5,609	7,386	7,603	6,429	6,170	6,164	4,583	1,648
Var %	12.3%	11.8%	11.6%	8.8%	14.7%	1.3%	1.7%	1.7%	1.5%	1.4%	1.4%	1.0%	0.4%

Revenue: The 2025 revenue budget was based on the Department of Health Care Services (DHCS) 2025 draft rate package (dated 10/21/24), which reflected a –0.1% rate decrease over the CY 24 Final Amended rates (dated 12/30/24), not including the Targeted Rate Increase (TRI) and Enhanced Care Management (ECM). Furthermore, the budget assumed breakeven performances for the San Benito Region and for our Unsatisfactory Immigrant Status (UIS) population. The CY 2025 Prospective rates from DHCS (dated 1/27/2025, including Maternity) represented a 5.0.% increase over CY 2024 Final Amended Rates, excluding TRI and ECM.

Aug-25 YTD Capitation Revenue Summary (In $000s)

Region	Actual	Budget	Variance	Variance Due to Enrollment	Variance Due to Rate
CEC SIS	$1,116,098	$1,048,774	$67,324	13,822	53,502
CEC UIS	319,067	279,379	39,688	4,843	34,845
SBN SIS	63,313	45,928	17,386	999	16,387
SBN UIS	12,651	13,257	(607)	(1,709)	1,102
Total*	**$1,511,128**	**$1,387,338**	**$123,790**	**$17,955**	**$105,835**

*Excludes Aug-25 In-Home Supportive Services (IHSS) premiums revenue of $3.7M and State Incentive Revenue of $2.3M.

As of August, actuals exceeded the budget by $15.9M, representing a 9.2% positive variance. This is driven by favorable enrollment, which contributes $0.7M, and rate variances totaling $15.2M resulting from increases in prospective rates compared to the budget. Additionally, a portion of the favorable rate variance is attributed to the ECM Risk Corridor, which was already

budgeted at $7.0M and contributed $2.5M in favorable impact this month, resulting in a total ECM Risk Corridor of $9.5M for August. This was slightly offset by the UIS Risk Corridor of -$0.8M. Please note that the ECM expenses exceed the budget, and the net loss is limited to 5% of the ECM revenue.

As of August 2025 YTD, operating revenue stands at $1,517.1M, surpassing the budget by $126.5M or 9.1%. This favorable variance includes $17.9M from increased enrollment and $108.6M from favorable rate variances.

Medical Expenses: The 2025 budget assumed a 3.3% increase in utilization over the 2024 forecast, based on data from 2022 through September 2024, and a 4.2% increase in unit cost driven by changes in case mix and fee schedule adjustments. The 2025 incentives include a $20M for the Hospital Quality Incentive Program (HQIP), $15M the Care-Based Incentive (CBI), $12.5M for the Specialist Care Incentive (SCI), $4M Data Sharing Incentives, $3.7M Behavioral Health Value-Based Program (BH VBP), and $1M Risk Adjustment Incentives.

Aug-25 YTD Medical Expense Summary ($ In 000s)

Category	Actual	Budget	Variance	Variance Due to Enrollment	Variance Due to Rate
Inpatient Hospital	$396,563	$382,796	($13,767)	($4,964)	($8,803)
Inpatient Services - LTC	148,247	137,963	(10,284)	(1,761)	(8,523)
Physician Services	321,334	343,569	22,235	(4,484)	26,720
Outpatient Facility	169,038	148,231	(20,808)	(1,920)	(18,888)
ECM	112,429	73,653	(38,776)	(961)	(37,815)
Community Supports	54,297	27,183	(27,114)	(355)	(26,759)
Behavioral Health	58,733	58,850	117	(768)	885
Other Medical*	209,216	173,647	(35,569)	(2,218)	(33,351)
State Incentives	2,310	-	(2,310)	-	(2,310)
TOTAL COST	$1,472,167	$1,345,891	($126,276)	($17,431)	($108,846)

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

August 2025 Medical Expenses of $191.6M are $14.4M or 8.1% unfavorable to the budget. August 2025 YTD Medical Expenses of $1,472.2M are above budget by $126.3M or 9.4%. Of this amount, $17.4M is due to higher enrollment, and $108.8M is due to rate variances. The unfavorability is primarily driven by ECM, and Community Supports (CS) from the higher-than-budget enrollment, followed by the Other Medical category, specifically from transportation and Hospice.

At a PMPM level, YTD Medical Expenses are $413.98, unfavorable by $30.59 or 8.0% compared to the budget.

Aug-25 YTD Medical Expense by Category of Service (In PMPM)				
Category	Actual	Budget	Variance	Variance %
Inpatient Services - Hospital	$111.52	$109.04	($2.47)	-2.3%
Inpatient Services - LTC	41.69	39.30	(2.39)	-6.1%
Physician Services	90.36	97.87	7.51	7.7%
Outpatient Facility	47.53	42.22	(5.31)	-12.6%
ECM	31.62	20.98	(10.64)	-50.7%
Community Supports	15.27	7.74	(7.53)	-97.2%
Behavioral Health	16.52	16.76	0.25	1.5%
Other Medical	58.83	49.46	(9.37)	-18.9%
State Incentives	0.65	-	(0.65)	-100.0%
TOTAL MEDICAL COST	**$413.98**	**$383.39**	**($30.59)**	**-8.0%**

Inpatient Services: Inpatient Services remain slightly unfavorable to the budget due to the prior period adjustments, which include high-dollar claims. However, in August, there was a release of $3.1M in reserves set aside for earlier 2025 claims, which helped lower the month-to-date and year-to-date Inpatient PMPM. On an incurred basis, the 2025 YTD PMPM is now $108.91, which is slightly below the budgeted amount of $109.4 through August.

Inpatient Services—Long Term Care (LTC): LTC utilization is consistent with the budget; this is offset by increases in 2025 rates, which came in slightly higher than budgeted.

Physician Services: Favorability is influenced by lower utilization of the Targeted Rate Increase (TRI) and Provider Supplemental Payment (PSP) budgets. DHCS will add new provider types to TRI eligibility in 2025, which is expected to improve budget alignment as more TRI-eligible payments are processed. Currently, just over half of the TRI budget is utilized for Primary Care. Please note that the Specialty Physicians category includes a $52M supplemental payment in 2025, funded by Board-approved reserves, with an estimated $19.3M to be utilized as of Aug YTD.

Outpatient Facility: The Outpatient Facility category consists of both Outpatient and Emergency Room (ER) services. ER continues to show an upward trend in both utilization per 1k and unit cost, as expected. Outpatient continues to come in above budget due to higher utilization for all of 2025, including significantly higher utilization in January. Combined on an incurred basis, YTD PMPM actuals are $44.52 vs budgeted at $42.22, with outpatient being underbudgeted so far in 2025.

ECM: The ECM budget for 2025 was based on a cautious enrollment growth projection with an anticipated 15.4k enrollments by year-end, as the program is on its path toward stabilization. However, ECM enrollments started the year at 16k and have increased to 22k by Aug. Before adjusting for the risk corridor, ECM's YTD loss through August is $72.8M. It is projected to total

approximately $117.5M for the whole year based on our revised enrollment growth assumptions. The risk corridor will mitigate $109.9M, resulting in a net loss of $7.6M.

Community Supports: Enrollments for the Community Support (CS) program were modestly budgeted due to its newness and limited history. Since the budget preparation, there has been a significant increase in CS enrollments. The YTD 2025 PMPM expense is trending at $18.27 or 142% higher than the budget and 123% higher than the revenue PMPM of $8.51. CS enrollment in August increased by 48% vs. July, but is consistent with current year trends, PMPM costs slightly increased due to rising member costs, particularly in housing deposits, recuperative care, and short-term post-hospitalization housing. As a result, our monthly losses increased from $1.9M in January to $4.3M in Aug, resulting in a YTD loss of $26.4M. Based on current trends, full-year losses may surpass the initially projected $26M to $34M. We expect the unfavorable variance in ECM and CS to continue throughout the year.

Behavioral Health: Behavioral Health is tracking closely to budget, as the Targeted Rate Increase (TRI) dollars have been appropriately incorporated starting in March and for all subsequent months. The budget also accounts for anticipated growth in utilization and unit cost in the second half of the year, in preparation for the planned transition to bring Behavioral Health services in-house.

Other Medical: The Other Medical category is over budget primarily due to increased utilization and higher unit costs. Transportation is the largest contributor, which accounts for a $17.1M unfavorable variance. This is driven by higher utilization in Non-Medical Transportation from ECM/CS members and increased unit costs in both Air Transportation and Non-Emergency Medical Transportation (NEMT). The higher NEMT costs reflect add-on payments associated with bariatric transport, which require specialized equipment and support. Hospice services contributed a $5.5M variance driven by higher-than-expected utilization due to the increase in palliative care within Monterey and hospice services within San Benito, as well as under-budgeted unit costs. Additionally, Allied Health accounted for a $6.9M variance, primarily due to increased utilization of physical therapy services and increased unit cost in Home Health. These factors account for the majority of unfavorable variance in the Other Medical category.

Administrative Expenses: August YTD Administrative Expenses are favorable to the budget by $2.2M or 2.8% with 5.0% ALR. Salaries are favorable by $1.5M driven by savings from vacant positions, benefits, employment taxes, and PTO. Non-salary administrative expenses are favorable by $0.7M, or 2.8%, due to savings and the timing of actuals versus budget.

Non-Operating Revenue/Expenses: August YTD Net Non-Operating Income is $28.1M, which is favorable to the budget by $15.1M. The favorability is derived from the YTD Investment Income of $44.5M, which is $11.6M favorable to the budget due to higher interest rates. The YTD Other Revenue is $1.8M and is above budget by $0.4M. The YTD Non-Operating Expense is $18.2M, mainly from the grant distribution. This is favorable to the budget by $3.1M.

Summary of Results: Overall, the Alliance generated a YTD Net Loss of $2.5M, with an MLR of 97.0% and an ALR of 5.0%.

CENTRAL CALIFORNIA ALLIANCE FOR HEALTH
Balance Sheet
For The Eighth Month Ending August 31, 2025
(In $000s)

Assets	
Cash	$165,628
Restricted Cash	300
Short Term Investments	905,447
Receivables	196,877
Prepaid Expenses	3,039
Other Current Assets	5,007
Total Current Assets	**$1,276,298**
Building, Land, Furniture & Equipment	
Capital Assets	$82,118
Accumulated Depreciation	(47,690)
CIP	2,293
Lease Receivable	4,133
Subscription Asset net Accum Depr	13,214
Total Non-Current Assets	**54,067**
Total Assets	**$1,330,366**
Liabilities	
Accounts Payable	$75,162
IBNR/Claims Payable	354,743
Provider Incentives Payable	31,498
Other Current Liabilities	8,444
Due to State	(42,652)
Total Current Liabilities	**$427,195**
Subscription Liabilities	10,590
Deferred Inflow of Resources	3,899
Total Long-Term Liabilities	**$14,489**
Fund Balance	
Fund Balance - Prior	$891,178
Retained Earnings - CY	(2,497)
Total Fund Balance	**888,681**
Total Liabilities & Fund Balance	**$1,330,366**
Additional Information	
Total Fund Balance	**$888,681**
Board Designated Reserves Target	546,962
Strategic Reserve (DSNP)	56,700
Medi-Cal Capacity Grant Program (MCGP)*	134,496
Value Based Payments	46,100
Provider Supplemental Payments	134,696
Total Reserves	**918,954**
Total Operating Reserve	**($30,273)**

CENTRAL CALIFORNIA ALLIANCE FOR HEALTH
Income Statement - Actual vs. Budget
For The Eighth Month Ending August 31, 2025
(In $000s)

	MTD Actual	MTD Budget	Variance	%	YTD Actual	YTD Budget	Variance	%
Member Months	*440,440*	*438,792*	*1,648*	*0.4%*	*3,556,091*	*3,510,498*	*45,593*	*1.3%*
Capitation Revenue								
Capitation Revenue Medi-Cal	$189,300	$173,428	$15,871	9.2%	$1,511,128	$1,387,338	$123,790	8.9%
State Incentive Programs	(0)	-	(0)	0.0%	2,310	-	$2,310	100.0%
Prior Year Revenue*	-	-	-	0.0%	-	-	$0	0.0%
Premiums Commercial	473	402	71	17.6%	3,676	3,309	367	11.1%
Total Operating Revenue	**$189,773**	**$173,831**	**$15,942**	**9.2%**	**$1,517,115**	**$1,390,647**	**$126,468**	**9.1%**
Medical Expenses								
Inpatient Services (Hospital)	$45,991	$50,420	$4,429	8.8%	$396,563	$382,796	($13,767)	-3.6%
Inpatient Services (LTC)	22,740	18,165	(4,575)	-25.2%	148,247	137,963	(10,284)	-7.5%
Physician Services	41,889	45,141	3,252	7.2%	321,334	343,569	22,235	6.5%
Outpatient Facility	21,167	19,524	(1,643)	-8.4%	169,038	148,231	(20,808)	-14.0%
ECM	15,251	9,703	(5,548)	-57.2%	112,429	73,653	(38,776)	-52.6%
Community Supports	7,872	3,581	(4,291)	-100.0%	54,297	27,183	(27,114)	-99.7%
Behavioral Health	7,817	7,872	55	0.7%	58,733	58,850	117	0.2%
Other Medical**	28,896	22,864	(6,032)	-26.4%	209,216	173,647	(35,569)	-20.5%
State Incentive Programs	(0)	-	0	0.0%	2,310	-	(2,310)	-100.0%
Total Medical Expenses	**$191,623**	**$177,270**	**($14,354)**	**-8.1%**	**$1,472,167**	**$1,345,891**	**($126,276)**	**-9.4%**
Gross Margin	**($1,851)**	**($3,439)**	**$1,589**	**46.2%**	**$44,948**	**$44,756**	**$192**	**0.4%**
Administrative Expenses								
Salaries	$5,296	$6,678	$1,382	20.7%	$51,429	$52,880	$1,451	2.7%
Professional Fees	217	390	173	44.3%	3,418	3,440	21	0.6%
Purchased Services	295	940	644	68.6%	8,028	8,719	691	7.9%
Supplies & Other	722	693	(28)	-4.1%	6,526	6,088	(438)	-7.2%
Occupancy	128	143	15	10.5%	909	1,024	115	11.2%
Depreciation/Amortization	717	806	90	11.1%	5,229	5,545	317	5.7%
Total Administrative Expenses	**$7,375**	**$9,650**	**$2,275**	**23.6%**	**$75,539**	**$77,696**	**$2,157**	**2.8%**
Operating Income	**($9,225)**	**($13,089)**	**$3,864**	**29.5%**	**($30,591)**	**($32,940)**	**$2,349**	**7.1%**
Non-Op Income/(Expense)								
Interest	$3,368	$3,017	$351	11.6%	$31,574	$29,083	$2,491	8.6%
Gain/(Loss) on Investments	5,524	250	5,274	100.0%	13,194	4,250	8,944	100.0%
Bank & Investment Fees	(31)	(62)	30	49.0%	(300)	(493)	193	39.2%
Other Revenues	275	204	71	34.8%	1,832	1,469	363	24.7%
Grants	(2,428)	(2,667)	239	9.0%	(18,204)	(21,333)	3,129	14.7%
Community Reinvestment	-	-	-	0.0%	(1)	-	(1)	-100.0%
Total Non-Op Income/(Expense)	**6,707**	**743**	**5,965**	**100.0%**	**28,094**	**12,976**	**$15,118**	**100.0%**
Net Income/(Loss)	**($2,518)**	**($12,347)**	**$9,829**	**79.6%**	**($2,497)**	**($19,964)**	**$17,468**	**87.5%**
MLR	*101.0%*	*102.0%*			*97.0%*	*96.8%*		
ALR	*3.9%*	*5.6%*			*5.0%*	*5.6%*		
Operating Income	*-4.9%*	*-7.5%*			*-2.0%*	*-2.4%*		
Net Income %	*-1.3%*	*-7.1%*			*-0.2%*	*-1.4%*		

**Other Medical includes Pharmacy and IHSS.

CENTRAL CALIFORNIA ALLIANCE FOR HEALTH
Income Statement - Actual vs. Budget
For The Eighth Month Ending August 31, 2025
(In PMPM)

	MTD Actual	MTD Budget	Variance	%	YTD Actual	YTD Budget	Variance	%
Member Months	*440,440*	*438,792*	*1,648*	*0.4%*	*3,556,091*	*3,510,498*	*45,593*	*1.3%*
Capitation Revenue								
Capitation Revenue Medi-Cal	$429.80	$395.24	$34.56	8.7%	$424.94	$395.20	$29.74	7.5%
State Incentive Programs	(0.00)	-	(0.00)	0.0%	0.65	-	0.65	100.0%
Prior Year Revenue*	-	-	-	0.0%	-	-	-	0.0%
Premiums Commercial	1.07	0.92	0.16	17.2%	1.03	0.94	0.09	9.7%
Total Operating Revenue	**$430.87**	**$396.16**	**$34.71**	**8.8%**	**$426.62**	**$396.14**	**$30.48**	**7.7%**
Medical Expenses								
Inpatient Services (Hospital)	$104.42	$114.91	$10.49	9.1%	$111.52	$109.04	($2.47)	-2.3%
Inpatient Services (LTC)	51.63	41.40	(10.23)	-24.7%	41.69	39.30	(2.39)	-6.1%
Physician Services	95.11	102.88	7.77	7.6%	90.36	97.87	7.51	7.7%
Outpatient Facility	48.06	44.49	(3.56)	-8.0%	47.53	42.22	(5.31)	-12.6%
ECM	34.63	22.11	(12.51)	-56.6%	31.62	20.98	(10.64)	-50.7%
Community Supports	17.87	8.16	(9.71)	-100.0%	15.27	7.74	(7.53)	-97.2%
Behavioral Health	17.75	17.94	0.19	1.1%	16.52	16.76	0.25	1.5%
Other Medical**	65.61	52.11	(13.50)	-25.9%	58.83	49.46	(9.37)	-18.9%
State Incentive Programs	(0.00)	-	0.00	0.0%	0.65	-	(0.65)	-100.0%
Total Medical Expenses	**$435.07**	**$403.99**	**($31.08)**	**-7.7%**	**$413.98**	**$383.39**	**($30.59)**	**-8.0%**
Gross Margin	**($4.20)**	**($7.84)**	**$3.64**	**46.4%**	**$12.64**	**$12.75**	**($0.11)**	**-0.9%**
Administrative Expenses								
Salaries	$12.02	$15.22	$3.19	21.0%	$14.46	$15.06	$0.60	4.0%
Professional Fees	0.49	0.89	0.40	44.5%	0.96	0.98	0.02	1.9%
Purchased Services	0.67	2.14	1.47	68.7%	2.26	2.48	0.23	9.1%
Supplies & Other	1.64	1.58	(0.06)	-3.7%	1.84	1.73	(0.10)	-5.8%
Occupancy	0.29	0.33	0.04	10.8%	0.26	0.29	0.04	12.4%
Depreciation/Amortization	1.63	1.84	0.21	11.4%	1.47	1.58	0.11	6.9%
Total Administrative Expenses	**$16.74**	**$21.99**	**$5.25**	**23.9%**	**$21.24**	**$22.13**	**$0.89**	**4.0%**
Operating Income	**($20.95)**	**($29.83)**	**$8.88**	**29.8%**	**($8.60)**	**($9.38)**	**$0.78**	**8.3%**
Non-Op Income/(Expense)								
Interest	$7.65	$6.88	$0.77	11.2%	$8.88	$8.28	$0.59	7.2%
Gain/(Loss) on Investments	12.54	$0.57	11.97	100.0%	3.71	1.21	2.50	100.0%
Bank & Investment Fees	(0.07)	(0.14)	0.07	49.2%	(0.08)	(0.14)	0.06	39.9%
Other Revenues	0.62	0.46	0.16	34.3%	0.52	0.42	0.10	23.1%
Grants	(5.51)	(6.08)	0.56	9.3%	(5.12)	(6.08)	0.96	15.8%
Community Reinvestment	-	$0.00	-	0.0%	(0.00)	-	(0.00)	-100.0%
Total Non-Op Income/(Expense)	**$15.23**	**$1.69**	**$13.54**	**100.0%**	**$7.90**	**$3.70**	**$4.20**	**100.0%**
Net Income/(Loss)	**($5.72)**	**($28.14)**	**$22.42**	**79.7%**	**($0.70)**	**($5.69)**	**$4.98**	**87.7%**
MLR	*101.0%*	*102.0%*			*97.0%*	96.8%		
ALR	*3.9%*	*5.6%*			*5.0%*	5.6%		
Operating Income	*-4.9%*	*-7.5%*			*-2.0%*	-2.4%		
Net Income %	*-1.3%*	*-7.1%*			*-0.2%*	-1.4%		

*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 Eighth Month Ending August 31, 2025
(In $000s)

	MTD	YTD
Net Income	($2,518)	($2,497)
Items not requiring the use of cash: Depreciation	186	198
Adjustments to reconcile Net Income to Net Cash provided by operating activities:		
Changes to Assets:		
Restricted Cash	0	4
Receivables	65,705	227,366
Prepaid Expenses	522	(2,203)
Current Assets	(601)	(1,148)
Subscription Asset net Accum Depr	0	0
Net Changes to Assets	**65,627**	**224,015**
Changes to Payables:		
Accounts Payable	(2,747)	(308,272)
Other Current Liabilities	412	(3,077)
Incurred But Not Reported Claims/Claims Payable	4,973	(122,450)
Provider Incentives Payable	136	(11,961)
Due to State	(8,731)	(59,322)
Subscription Liabilities	0	0
Net Changes to Payables	**(5,957)**	**(505,082)**
Net Cash Provided by (Used in) Operating Activities	**57,338**	**(283,366)**
Change in Investments	(8,299)	133,228
Other Equipment Acquisitions	(180)	(477)
Net Cash Provided by (Used in) Investing Activities	**(8,478)**	**132,752**
Deferred Inflow of Resources	0	0
Net Cash Provided by (Used in) Financing Activities	**0**	**0**
Net Increase (Decrease) in Cash & Cash Equivalents	**48,859**	**(150,614)**
Cash & Cash Equivalents at Beginning of Period	**116,769**	**316,238**
Cash & Cash Equivalents at August 31, 2025	**$165,628**	**$165,628**