HealthPlan OF SAN MATEO
Healthy is for everyone

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THE SAN MATEO HEALTH COMMISSION
Regular Meeting
April 10, 2024 - 12:30 p.m.
Health Plan of San Mateo
801 Gateway Blvd., Boardroom
South San Francisco, CA 94080

This meeting of the San Mateo Health Commission will be held in the Boardroom at 801 Gateway Blvd., South San Francisco. Members of the public wishing to view this meeting remotely may access the meeting via YouTube Live Stream using this link https://youtube.com/live/gITwfjS2TBQ?feature=share Please note that while there will be an opportunity to provide public comment in person, there is no means of doing so via the Live Stream link.

AGENDA

1. **Call to Order/Roll Call**
2. **Public Comment/Communication**
3. **Approval of Agenda**
4. **Consent Agenda***
   - 4.1 Finance/Compliance Committee Minutes, March 2024
   - 4.2 Community Advisory Committee Minutes, January 2024
   - 4.3 Approval of Agreements with Waterfield Technologies and Microsoft
   - 4.4 Approval of San Mateo Health Commission Meeting Minutes from March 13, 2024
5. **Specific Discussion/Action Items**
   - 5.1 Approval of Audited Financial Statements for the Twelve-Month Period Ending December 31, 2023*
   - 5.2 Cyber Security Update Presentation
   - 5.3 Investment Fund Update Presentation
   - 5.4 Ravenswood Dental Proposal*
   - 5.5 Compliance Audit Update
6. **Report from Chief Executive Officer**
7. **Other Business**
8. **Adjournment**

**Items for which Commission action is requested.*

Government Code §54957.5 requires that public records related to items on the open session agenda for a regular commission meeting be made available for public inspection. Records distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Commission. The Commission has designated the Clerk of the San Mateo Health Commission located at 801 Gateway Boulevard, Suite 100, South San Francisco, CA 94080, for the purpose of making those public records available for inspection. Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation (including auxiliary aids or services) to participate in this meeting, or who have a disability and wish to request an alternative format for the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting, should contact the Clerk of the Commission at least two (2) working days before the meeting at (650) 616-0050. Notification in advance of the meeting will enable the Commission to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it.

Draft

AGENDA ITEM: 4.1

DATE: April 10, 2024

FINANCE/COMPLIANCE COMMITTEE MEETING

Meeting Summary

March 25, 2024, 12:30 pm

Criminal Justice Training Center, 400 County Center, Redwood City, CA 94064

-or-

Health Plan of San Mateo -Boardroom 801 Gateway Blvd, South San Francisco, CA 94080

Member's present: Mike Callagy, Bill Graham, George Pon, Barbara Miao, Si France, M.D.

Members absent:

Staff present: Trent Ehrgood, Pat Curran, Francine Lester, Katie-Elyse Turner, Corinne Burgess, Michelle Heryford

1.0 Call to Order – The meeting was called to order by Commissioner Graham at 12:30 pm. A quorum was met.

2.0 Public Comment – There was no public comment.

3.0 Approval of Meeting Summary for February 26, 2024 – The meeting summary for February 26, 2024, was approved as presented. **Pon/France M/S/P**

4.0 Audited Financial Statements for the 12-month period ending December 31, 2023 – Moss-Adams Representatives Rianne Suico, CPA MHA and Christopher Pritchard, CPA MHA provided a presentation of HPSMs audited financial statements for 2023. The audit objectives are to provide an opinion on whether the financial statements of the Health Plan of San Mateo (HPSM) are reasonably stated and free of material misstatement in accordance with generally accepted accounting principles (GAAP). They also consider internal controls. Audits are required by the California Department of Managed Health Care (DHMC). Ms. Suico reviewed the required communications to those charged with governance, which is the responsibility of the auditor. It is the responsibility of the audit team to:

- Express their opinion on whether the financial statements prepared by management are fairly presented, in all material respects and in accordance with GAAP. However, the audit does not relieve HPSM of responsibilities.
- Perform an audit in accordance with generally accepted auditing standards issued by the American Institute of Certified Public Accountants (AICPA) and design the

audit to obtain reasonable, rather than absolute assurance about whether the financials statements are free of material misstatement.

- Consider internal control over financial reporting as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.
- Communicate findings that are relevant to HPSMs responsibilities in overseeing the financial reporting process. They are not required to design procedures for the purpose of identifying other matters to communicate to HPSM.

The audit process includes planning with management. As part of that they look at internal controls related to financial reporting, including information technology. They also tested year end balances, performed analytical procedures for revenue and expenses, and other standard procedures such as confirming balances with banks and other financial institutions holding assets for HPSM. The significant risks identified are areas that are inherently riskier because it requires a lot of estimates and management assumption. Areas of emphasis are:

- Internal controls and the design and implementation of key internal controls.
- Revenue recognition – capitation revenues
- Incurred but not reported claims payable.
- Fair value of investments, including fair value of pension plan assets.
- Reasonableness of pension-related assumptions.

They are set to issue an unmodified audit opinion which is the highest opinion level they can give as a CPA firm. She reviewed the composition of assets and compared 2023 with the two years prior. She went over the composition of liabilities and net position, comparing 2023 with 2021 and 2022. Income statements show an increase in revenue of around 20% compared to the prior year, mostly due to increased membership and favorable rates from the State. Expenses are otherwise fairly consistent as a percentage of revenue. The largest expenses are related to medical and hospital inpatient as expected. Mr. Pritchard went through a depiction of the revenue sources for the last three years. He highlighted that there was a changeover in contracts and programs between 2022 and 2023 for the Medicare product, otherwise there is nothing unusual. He explained the historic estimated claims liability versus the actual claims paid. The two lines on the graph correlate very well indicating there isn't a big deviation from what management estimates and what is actually paid through. He noted that tangible net equity (TNE) is at the highest levels ever seen. Ms. Suico closed by stating that all accounting estimates are reasonable, no audit adjustments are necessary. There were no issues discussed prior to their retention as auditors. There were no disagreements with management and there was no awareness of any material instances of fraud or noncompliance with applicable laws and regulations.

HPSM Controller Francine Lester went over the CY2023 preliminary versus audited numbers. Preliminary numbers were $119,208,868, audit numbers are $151,155,469, the differences is $31,946,601. She went over the numbers for capitation revenue, healthcare expenses, administrative expenses and MCO and non-operating revenue, highlighting that the bulk of the favorable adjustments are related to prior year (2021, 2022) hospital directed payments – adjusting estimates to final amounts. The presentation was approved for submission to the San Mateo Health Commission at their meeting in April. **Callagy/France MSP**

5.0 **HPSM Investment Fund Discussion**: HPSM CEO, Pat Curran updated the group on the proposed programs for the investment fund program. He opened by noting how this investment ties in with HPSMs Strategic Plan Goal 6: Investing for the Future. The goal is to ensure HPSMs long-term sustainability to advance the mission, by evaluating and pursuing opportunities to expand or invest differently. He went over example initiatives and metrics. He reviewed proposed framework for investing in HPSMs community and its provider network through two proposed investments funds and introduced the concept of forming an Innovation Center and presented short-term areas of focus and timeline for Health Commission discussion/approvals in 2024. He walked the group through the three proposed fund categories.

The first is the **Provider Investment Fund** – HPSM will develop criteria to invest in their network with:

- Financially sustainable provider rate increases
- One-time investments
- Investments are in addition to the PCP Investment already approved.
- Dedicate up to 50% of strategic reserves above the Contingency Reserve level (approximately $80M based on 12/31/2023 financials).

The second is the **Community Investment Fund** – HPSM will leverage their unique role in the San Mateo County health ecosystem and meet state requirements by developing a community investment fund.

- Dedicate up to 25% of strategic reserves above the Contingency Reserve level (approximately $40M based on 12/31/2023 financials).

The third proposal is for an **Innovation Center –** HPSM can build on its long tradition of implementing innovative new programs by developing a center with dedicated funding to test new ideas in collaboration with their providers, their members, and the community.

- Funding to be determined

Mr. Curran went into detail for each proposal, providing areas of focus, a timeline, and a time horizon. Mr. Curran also spoke about some of the organizations they are considering working with on the Innovation Center. He received positive feedback from the Committee on the well-thought-out plans. This topic will be part on an on-going discussion, with updates scheduled for future meetings with both this Committee and the San Mateo Health Commission (SMHC).

6.0 Other Business – There was no other business.

7.0 Adjournment – The meeting was adjourned at 1:44 pm by Commissioner Graham.

Respectfully submitted:

M. Heryford

M. Heryford

Assistant Clerk to the Commission

DRAFT

HEALTH PLAN OF SAN MATEO
COMMUNITY ADVISORY COMMITTEE MEETING
Meeting Minutes
Wednesday, January 17, 2024
801 Gateway Blvd. – 1st Floor Boardroom
South San Francisco, CA 94080

Agenda Item: 4.2
Date: April 10, 2024

Committee Members Present: Ricky Kot, Hazel Carrillo, Marmi Bermudez, Robert Fucilla, Cynthia Pascual, Ana Avendano, Ed.D, Ligia Andrade-Zuniga.

Committee Members Absent: Amira Elbeshbeshy, Mary Pappas, Angela Valdez

Staff Present: Megan Noe, Amy Scribner, Keisha Williams, Charlene Barairo, Luarnie Bermudo, Scott Foley, Julian Aldana, Cecille Mortel, Rustica Magat-Escandor, Corinne Burgess, Michelle Heryford

1.0 Call to Order/Introductions: The meeting was called to order by Ms. Scribner at 12:02 pm, a quorum was met.

1.1 Ms. Scribner took this time to introduce the newest Committee member, SMHC Commissioner Ligia Andrade-Zuniga. Ms. Zuniga is also an active consumer advocate and brings a wealth of information and experience to the committee.

2.0 Public Comment: There was no public comment.

3.0 Approval of Meeting Minutes for October 17, 2023: The minutes from the October 17, 2023, meeting were approved as presented. **Fucilla/Kot MSP**

4.0 Consent Agenda: The consent agenda was approved as presented. **Bermudez/Williams MSP**

5.0 HPSM Operational Reports and Updates:

5.1 Provider Communication & Delivery System Reforms: Senior Provider Learning Specialist, Julian Aldana, provided an overview of how HSPM communicates with Providers, their communication methods and where to find these resources online. HPSM has about 10,000 contracted providers in their network. There are dozens of provider types ranging from primary care, dental, behavioral health providers, housing navigators and much more. HPSM adds new providers to the network each year. One of HPSMs goals is to provide proactive communication. They do that in a few different ways. There are five buckets on the website, where all pertinent content live. Regardless of how it is distributed it will always exist on the HPSM website. They also

reach out to providers via email and fax. Notifications are sent out weekly to providers. There is also a quarterly newsletter as well as a provider manual which contains the policies and procedures for providers, which is sent out once a year. They also send other documents and communications. He noted that many are targeted for specific audiences so as not to inundate providers unnecessarily. They also use email for more urgent updates. He shared a visual of some of their publications, the provider manual, and newsletters. These items now exist in blog form. Individual articles can be read on the blog.

Strategic Network Investment Manager, Scott Fogel reviewed some of the many projects across the organization designed to improve health outcomes for members. HPSM has multiple teams engaged in improving the network at all times. As a managed care organization, HPSM typically considers health outcomes at the aggregate or population level, where they measure rates of cancer screenings, or controlled hemoglobin A1C for those with diabetes, track the rate of immunizations for children and adolescents, etc., they all have a relationship with process metrics where there's a clear and studied association between the delivery of certain services, screening or treatment and the impacts to the health of the population. He shared a snapshot of some of the improvement projects, all of which are at different stages of development. The first step is in line with the organization's strategic initiatives regarding access and experience and that is primary care investment. In September of 2023, the San Mateo Health Commission (SMHC) approved a proposal to use $30M of HPSMs reserve funds for an infusion in primary care over the next five years. Primary care because it tends to be the most upstream and appropriate care setting to engage members in a stable routine of healthcare. Healthcare systems with strong levels of primary care investment see higher quality of care with better and more equitable outcomes. The objective is to address 4 key problems corresponding to four systems. The first is financial neglect, the second is workforce shortages, bandwidth constraint and provider burnout. The third is a suboptimal care experience. Four addresses an underdeveloped population health with initiatives for better health.
He also spoke about a new project under the better population health system, it's a partnership with an organization called Stellar Health. It's a population health management application and incentive program they're offering to primary care

practices at no cost. The Stellar partnership will help primary care teams to log in to view a list of all assigned patients with information about their care gap status, where they're missing or due for critical services that influence health outcomes. It's also a value payment tool. Clinics will be paid for pursuing the closure of care gaps with discrete per action payments, it is predominantly a point of tool attestation where primary care teams are presented with very simple checklists describing what patients need. This program will be rolled out in a matter of weeks. He also spoke briefly about the at home colorectal screening option with Cologuard now available to members.

5.2 **CEO Update:** Chief Health Officer Amy Scribner provided an update on behalf of Chief Executive Officer, Pat Curran. HPSM had several transitions and go live events in January. HPSM launched Enhanced Care Management (ECM) for the justice transitioning population, those coming out of jail are now eligible for ECM if they have Medi-Cal. There was a transition from the ACE population, many of those members became eligible for Medi-Cal and many transitioned to Kaiser for full managed care, as Kaiser became one of two Medi-Cal managed care plans in the County on January 1, 2024. Redeterminations continue, they are at about 20% which is similar to the state average and what they were seeing prior to the pandemic. They started the process of de-delegation from Independent Living Systems (ILS), they had been doing health risk assessments and care planning for CA members as well as some D-SNP kids. The de-delegation process will continue until the end of March. The are now planning for de-delegation of the Behavior Health Therapy (BHT) benefit for Medi-Cal for kids. This is typically for those with an autism diagnosis or those in need of Applied Behavioral Analysis (ABA) services. This process will continue until the end of June of this year.

5.3 **CMO Update:** There was no update.

5.4 **Provider Services (PS**): Provider Services Director, Luarnie Bermudo updated the Committee on their efforts on network building in the last couple of months. There are currently 345 dental providers in the network. They recently onboarded their first tele dentistry provider, Dentistry One. HPSM is also expanding dental services to home bound members. They are in negotiations with a provider right now called Enable. Ms. Bermudo reminded the Committee that last year the SMHC approved a capacity grant for a behavioral health provider to expand services for members, in particular children and youth. The capacity grant would essentially increase recruitment and retention for specialty mental health providers in San Mateo and provide actual clinical space in

Burlingame. She also reports on finalizing negotiations with Seton Hospital, one highlight is that they've been able to expand dental OR time. Seton is one of the only hospitals in the county where dental providers can provide dental OR services for HPSMs special needs members. Specifically, members connected to GRC. There are also three new behavioral health providers offering non-specialty mental health services. They've also added have two new ECM providers. She reminded them of the new doula benefit as well. They've also expanded their transportation network and have added other service providers which includes home health agencies, a pathology group, and an ophthalmology group.

5.5 Member Services (MS) Report: Member Services Director, Kiesha Williams, went over the Member Services report. Membership numbers are changing every day. At current, HPSM is reporting 163K+ members. Over $14K+ members from the ACE program were transitioned to Medi-Cal. All members were successfully reassigned with their original PCP that they had under ACE. Some ACE participants are still waiting to be transitioned. HPSM continues to work with the County to get those processed. There were a total of 13,000 members that were de-delegated to Kaiser, effective January 1, 2024. They have received calls from Kaiser members who are confused. They are doing a lot of member education and redirecting to remedy this. She went over the numbers for the Medi-Cal redetermination for December. They are continuing robo-calls. In December they outreached to over 2K members, mainly to remind them to renew their Medi-Cal, this is for both lines of business (LOB). They are in the final stages of the Request for Proposal (RFP) process for the Call Center and hope to have a final decision at the end of Q1 with implementation in Q2 and Q3. There has been a lot of staff movement at the Call Center. They have lost staff and are asking for patience while they continue their recruiting efforts.

5.6 CareAdvantage (CA) Enrollment and Call Center Report: CareAdvantage Manager Charlene Barairo reported that enrollment in CA has decreased. They continue their efforts to enroll more people into the CA-DSNP program and to improve awareness of this program. They provided a lot of training in the Call Centers in Q4 in preparation for 2024. There is a new fitness benefit and free prescription delivery for CA members. They ended Q4 with 8,398 members, this number will go up as there was heavy enrollment between October 15th and December 7, 2023. However, they did get into negative territory in Q4, disenrolling more members than they had enrolled. The

number one reason for disenrollment is death. She briefly went over ethnicity and language data and listed some of the Health plans that HPSM members have left for, there were not as many as Q3, and some have actually returned. There are many challenges in their transition to D-SNP as well as confusion with members regarding the over the counter and grocery benefit from Nations. She went over the Call Center numbers; exact metrics will come once they implement the new vendor. She briefly explained the new fitness benefit. HPSM is collaborating with YMCA locations throughout San Mateo, Santa Clara, and San Francisco counties. CA members need to show their CA membership card and complete the YMCA's intake form to sign up for the YMCA membership. The no-cost prescription delivery benefit allows members to get their medications sent to their home. Members simply need to ask Postal Prescription Services (PPS) to transfer the prescription. CA members are still responsible for their prescription co-pays, and the amount changes every year. They have a new unit, called the Member Assessment Unit (MAU), they are responsible for calling members and ensuring they get a health risk assessment.

5.7 **Grievance and Appeals (G&A) Report:** Chief Health Officer, Amy Scribner went over the G&A report for both Q3 and Q4 of 2023. In Q3, as a result of redeterminations, membership decreased to 173,348. Volume for all G&A increased in Q3, which has been the trend year over year for several years now. Rates of complaints per 1,000 member months were within goal for CCS. CA was outside of goal as it's been for over a year. MC, Healthworx (HWx), and ACE were all slightly above goal, but within less than a tenth of a percentage point. Timeliness is above goal at 97.7%. BHT grievances continue to be high in Q3 2023, action steps continue and include improved oversight, monitoring, transparency, and additional care coordination (CC). PCP change requests were higher due to a provider retiring from the network but were otherwise attributed to larger clinics. Ms. Scribner is requesting adjusting the CA rate from 6.18 to 7 to be a little closer to actual. She also wants to do something similar on the NCQA side. She explained that HPSM measures Medi-Cal for both behavioral and non-behavioral health. BHT grievances were high in three out of four quarters in 2023, for that reason she would like to increase the rate from .22 per 1,000 to .55 per 1,000. HPSMs contract with Magellan ended December 31st. They just resigned an amendment for a six-month extension to help through the transition. She briefly reviewed the charts,

graphs and data and went over the types of grievances and appeals for both Medi-Cal and CA.

In Q4, membership decreased to 166, 330. Volume for all G&A decreased, which is consistent with 2023 trends as well. Rates of complaints per 1,000 member months were within goal for CCS, MC, and ACE. CA was outside of goal as it has been for over a year. HWx was slightly above goal, this can be attributed to a small increase in volume given the low number of members in the LOB. Timeliness is above goal at 98.6%. BHT access grievances decreased in Q4 2023. Additional CC, tracking logs and oversight has improved access for members slightly. HPSM is in the de-delegation process with Magellan. This should be completed by July 1, 2024. Charts and graphs are very similar for Q4 as they were in Q3. All reports were sent to CAC members prior to this meeting.

6.0 New Business: There was no new business.

7.0 Adjournment: The meeting was adjourned at 1:30 pm by Amy Scribner.

Respectfully submitted:

M. Heryford

M. Heryford

Assistant Clerk to the Commission

MEMORANDUM

AGENDA ITEM: 4.3

DATE: April 10, 2024

DATE: March 26, 2024

TO: San Mateo Health Commission

FROM: Pat Curran, Chief Executive Officer
Eben Yong, Chief Information Officer

RE: Approval of Agreements with Waterfield Technologies and Microsoft

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Recommendation:

Approve agreements with Waterfield Technologies and Microsoft to implement a new phone system to meet business and regulatory needs. Agreements represent total contract value of $3,476,000 and a five-year term that ends April 30, 2029.

Background:

Waterfield Tech, previously Vox Network Solutions, has provided phone system integration and support to HPSM for many years. Waterfield provided implementation support for HPSM's new phone system in the 2015 move to 801 Gateway, and served as HPSM's partner with its current cloud-based phone system which was implemented in 2021.

HPSM's current phone system is based on telecommunications vendors Avaya and RingCentral and has been in operations since 2021. An RFP was conducted to address regulatory and reporting gaps which included several vendor proposals. From this RFP, Waterfield Tech provided a complete proposal which included features to serve HPSM's continued needs of a hybrid workforce and regulatory and reporting requirements as mandated by state and federal agencies. The Waterfield proposal includes systems from established contact center solution partner Five9, and industry leading phone system partner Microsoft (phone functions integrated with Microsoft Teams). Waterfield will continue to support the equipment and software for the phone system infrastructure, including call accounting, call recording, and reporting systems. The phone system features call center functions, supports mobile, desktop and on-site users, and has standard unified communication options that are now common in modern telecommunications services, including future-based integration with improvements based on artificial intelligence and natural language voice processing.

Fiscal Impact:

This is a five-year agreement with a combined contract maximum of $3,476,000. The term is May 1, 2024 through April 30, 2029. The cost structure includes 1) contact center software license, $483,000 per year; 2) upgrade to Microsoft E5 licenses (including cybersecurity and telephony features), $105,000 per year; 3) one-time equipment charge (phones), $21,000; 4) one-time telco switching credit, $175,000; 5) estimated monthly per-minute call fees, $6000; and 6) implementation and support fees, $66,000 per year.

DRAFT

RESOLUTION OF THE
SAN MATEO HEALTH COMMISSION

IN THE MATTER OF APPROVAL OF AGREEMENTS
WITH WATERFIELD TECHNOLOGIES AND MICROSOFT

RESOLUTION 2024 -

RECITAL: WHEREAS,

A. Health Plan of San Mateo operates as a Medi-Cal managed care health plan; and
B. HPSM staff completed a Request for Proposal in February 2024 to cover a wide range of telecommunications vendors with the capability to provide contact center and phone system solution; and
C. Waterfield Technologies and Microsoft were selected to provide such software and services.

NOW, THEREFORE, IT IS HEREBY RESOLVED AS FOLLOWS:

1. The San Mateo Health Commission approves five-year agreements with Waterfield Technologies and Microsoft; and
2. Authorizes the Chief Executive Officer to execute said agreements with combined contract maximum of $3,476,000 and a term that ends April 30, 2029.

PASSED, APPROVED, AND ADOPTED by the San Mateo Health Commission this 10th day of April, 2024 by the following votes:

AYES:

NOES:

ABSTAINED:

ABSENT:

_____
George Pon, Chairperson

ATTEST:

BY: _____
C. Burgess, Clerk

APPROVED AS TO FORM:

_____
Kristina Paszek
DEPUTY COUNTY ATTORNEY

DRAFT

SAN MATEO HEALTH COMMISSION
Meeting Minutes
March 13, 2024 – 12:30 a.m.
Health Plan of San Mateo
801 Gateway Blvd., 1st Floor Boardroom
South San Francisco, CA 94080

AGENDA ITEM: 4. 4

DATE: April 10. 2024

Commissioners Present:	Michael Callagy	Manuel Santamaria
	Barbara Miao	Kenneth Tai, M.D.
	Raymond Mueller	Ligia Andrade Zuniga
	George Pon, R. Ph., Chair	
Commissioners Absent:	Jeanette Aviles, M.D., David J. Canepa Si France, M.D., Bill Graham, Vice-Chair.	
Counsel:	Kristina Paszek	
Staff Presenting:	Pat Curran, Trent Ehrgood, Ian Johansson, Amy Scribner.	

1. **Call to order/roll call**
   The meeting was called to order at 12:30 a.m. by Commissioner Pon, Chair. A quorum was present.

2. **Public Comment**
   There were no public comments.

3. **Approval of Agenda**
   Commissioner Tai moved to approve the agenda as presented (Second: Callagy) **M/S/P.**

4. **Consent Agenda**
   Commissioner Tai moved to approve the consent agenda as presented (Second: Callagy) **M/S/P.**

5. **Specific Discussion/Action Items:**

5.1 Approval of 2024 HPSM Budget

Mr. Trent Ehrgood, HPSM Chief Financial Officer, reviewed the Financial Summary and Outlook for 2024. This presentation was first made at the Finance/Compliance Committee on February 26, 2024 and was recommended for approval by the full commission. A copy of the presentation is attached to these minutes.

Mr. Ehrgood touched on the following highlights:

- At the year end of 2022 and 2023 there were significant surpluses, but this is not expected to continue throughout 2024.

- Main drivers of these surpluses are lower than expected health care costs and an increased number of members who had obtained other health coverage. Due to the pause on the redetermination process during this period, some people continued to keep their Medi-Cal eligibility while having other coverage.
- Another driver is the methodology of the rate determination process relating to earlier experience such as 2019 data driving the rates for 2022.
- For 2024, rates will align more with our cost experience and there is pressure pushing rates back to a break-even level. Another adjustment that will be made mid-year is around how the state is funding fee schedule changes, and they are in the process of fine tuning which could result in a slight decrease in our final rates.
- Another driver of the projected surplus is the continued higher than usual interest rates.
- Membership changes impacting 2024 include Kaiser's direct contract with the State, changes to Medi-Cal eligibility criteria, and Medi-Cal redeterminations.
- The proposed budget forecast and projection is a $30M surplus. Mr. Ehrgood reviewed the breakdown of operating revenues, health care and other expenses and the factors to get to this figure.
- Mr. Ehrgood reviewed the restated 10-year financial trend and historical net income/loss showing projected surplus in 2024 of $30M.
- Mr. Ehrgood reviewed membership trends and impacts on the budget assumptions with changes in membership enrollment/disenrollment due to Medi-Cal redetermination process starting in July 2023; Kaiser direct contract beginning 1/1/24; elimination of immigration status for Medi-Cal enrollment (shift from ACE), CareAdvantage increase and HealthWorx remaining steady.
- Mr. Ehrgood reviewed the budget summary by lines of business and the variances of surplus and loss between them. CareAdvantage has the largest deficit. He noted that there are delayed adjustments with Medicare revenue in terms of the risk scores. Over time, we may end up with retro-revenue corrections.
- Other categories reviewed were the membership and revenue sources and health care costs by expense.
- The Administrative budget, before UMQA allocations, shows 2023 was $83M and 2024 is $99M. Increased administrative costs include increased staffing by 14%, with the growth of budgeted FTE's going from 354 to 405 in 2024. He explained that previously some expenses were classified as health care costs which are now categorized as administrative costs due to the reduction in capitated delegated arrangements. The continued growth of CalAIM programs will require additional staff to accomplish.
- Lastly, Mr. Ehrgood reviewed the projected Tangible Net Equity history looking back from 2008 through 2024.

Commissioner Miao asked when the adjustment for the Medicare Advantage Plan would take place and what this is based upon. Mr. Ehrgood explained that the adjustment is based on member diagnosis and Part D reconciliations, which causes a delayed reaction to our revenue and can be retroactive adjustments going back a couple of years.

Commissioner Santamaria asked how the MCO tax is calculated. Mr. Ehrgood stated that this tax had recently been reinstated and was retroactively applied to 2023, and we are now implementing for 2024. This is a tax on Managed Care plans based on the population size and is used to draw down federal funds and provide additional reimbursement to plans and providers. Commissioner Pon added that there are adjustments that are used partially for provider rate increases. Mr. Ehrgood explained that the Medicaid fee schedule is discounted, which is finally being recognized by DHCS. In 2024, funds from this tax will target increases for primary care, behavioral health, and maternity as part of phase 1 of more phases in the future where these MCO tax dollars will impact to increase fee schedules, including hospitals.

Commissioner Tai moved approval of the HPSM Budget for 2024 as presented. (Second: Santamaria) **M/S/P.**

5.2 Annual Compliance Report for 2023

Mr. Ian Johansson, Government Affairs and Compliance Officer, reviewed the annual Compliance Report for 2023. His presentation is attached to these minutes. Highlights of his report:

- This report is given annually in compliance with the San Mateo Health Commission's oversight responsibility of the compliance program.
- The goal of the compliance program is to do the right thing for our members, providers and community and to align this with our culture and mission, identifying and resolving issues, understanding risks and providing opportunities to educate and engage staff.
- Major Activities in 2023:
    - NCQA resurvey – As an NCQA Accredited program we re-certify every three years. This resurvey took place in 2023 and we passed 100% of the elements.
    - DHCS Annual Audit – 2023 year audit took place; this happens every year.
    - DMHC (Department of Managed Health Care) Survey report for 2021 was finally received. Usually, you would receive this in the same year in which the audit is conducted. Staff have begun their corrective action plan work for the findings.
    - Received approval of our work done on the new 2024 contract implemented across the State. All plans were required to demonstrate readiness to comply with this through the "Operational Readiness Project". Review of 240 areas including policies, procedures, and reports were included in this process.
    - Staff performed a comprehensive look at compliance within our CareAdvantage program. CMS is the governing body for this program, and we have not been audited since 2016. We anticipate an audit in the future and are preparing for that.
    - Mr. Johansson reviewed a slide on the DHCS audit results over the past five years and talked about repeat findings. Staff are looking internally to find a process to put in place to address these findings.

- 2024 Forecasting:
  - A CareAdvantage gap analysis is being performed with the assistance of subject-matter expertise from the consulting firm Compliance Strategies. We are working on a mock audit, reviewing prior authorization decisions, and considering cases to make sure we are in compliance. This work will continue throughout this year.
  - NCQA Full Survey – We will submit our evidence by the end of this year and will continue the re-survey will take place in 2025.
  - 2021 DMHC Audit Corrective Action Plan execution – This is related to audit findings from 2021 audit results.
  - 2023 DHCS Audit Correction Action Plan execution – We are working on an action plan related to 2023 audit.
  - 2024 DHCS Annual Medical Audit – This is expected to take place mid-year 2024.
  - CMS Compliance Program Effectiveness audit– This is like DHCS and DMHC audits, looking at the plans operations to confirm plans are following requirements. These audits were paused during COVID.
  - Another new audit focus is Utilization Management. The state conducted a targeted audit partly due to broader use of Artificial Intelligence (AI) in utilization management.
  - Commission Reporting – Staff are looking at how we are currently reporting the broad array of compliance activities to the commission and revisiting this to provide the commission with an opportunity for input. Finance/Compliance Committee will develop a framework to present to the full commission by the end of 2024. This will include the topic of government affairs, looking at bills and the legislature's budget or other things that may be of interest.
  - Lastly, Mr. Johansson touched on the Compliance Survey sent to staff each year regarding their perspective on how the Compliance Program is functioning. This year's survey will include more opportunities for staff feedback to determine if there are ways for leadership to improve ratings and participation. These results will be reported in Q2 of 2024.

Commissioner Zuniga asked how repeat findings are handled. Mr. Johansson explained the CAP (Corrective Action Plan) process from receiving the report from DHCS to resolution. The plan is required to provide six months' evidence showing the changes were effective. Sometimes, this is difficult to achieve in one calendar year. Examples including different policy and procedure challenges were discussed.

Commissioner Zuniga asked how AI is being used and how we are addressing problems being encountered. Dr. Chris Esguerra, Chief Medical Officer, gave an example of AI being used to deny payment and authorizations for services, and to generate appeals to these determinations by other plans. CMS is surveying plans about their use of AI and that it should not be used in processes involving providers or

payments. HPSM does not use AI in any of its processes involving provider payments or authorizations.

Commissioner Santamaria asked how many areas the NCQA survey includes and is there a rating following this. Mr. Johansson stated that there are six. The previous survey noted areas in which we were deficient, and we received a provisional accreditation, which means we maintained our accreditation but had to address our deficiencies. Once these were corrected, we received our full accreditation. The NCQA Star Rating is related to quality measures and is separate from our accreditation, though we do report our quality metrics to NCQA. HPSM is rated as 4 Stars out of 5.

Commissioner Mueller ask about the number in audit denominator to give perspective on the number of findings. Mr. Johannson explained there are six categories. However, denominator is unknown because the state does not use a standard audit tool. They audit against the contract and typically look at areas such as prior authorizations, denials, appeals, and case records. As they explore these areas, they identify anything that needs correction against the requirements of the contract. Discussion ensued around the previous years' audits and the comparison of findings and scope. Mr. Johansson added that while we do communicate with other similar plans on how they prepare for these audits, the State does not audit the plans in the same way and deploys different audit teams across the state. Commissioner Mueller was interested in how we would compare with other plans even if the denominators were not the same, to try to assess whether it's an issue over a five-year or seven-year time period compared to other health plans. Mr. Johansson will bring this information into a future report.

5.3 Introduction to Baby Bonus Project

Mr. Curran introduced Amy Scribner, Chief Health Officer for HPSM, who reviewed her presentation on the Baby Bonus Project. This presentation is attached to these minutes.

Mr. Curran noted that this is an introduction to the topic and the commission will have more in-depth conversation at future meetings and likely a formal funding request. Mr. Curran explained that the state is requiring all health plans beginning in 2024 to have a Community Investment Fund. Ms. Scribner and her team have focused on having a program in place by the end of this year. Discussions will focus on ways to leverage our unique strengths and role in the community. Mr. Curran and Ms. Scribner attended a session with former representative Jackie Speier in August 2023 on child poverty where there was discussion around basic income and nationwide studies about the impact on infants and birth parents. They have since participated in a steering committee to evaluate how a guaranteed income pilot could potentially help our members and result in better health outcomes, particularly well-child visits.

Ms. Scribner stated that the Baby Bonus Program is slated to begin in January 2025 with two experimental groups. One group (parent or caregiver) will receive a monthly stipend

of $300 and will be offered several supportive services, including home visiting services and enhanced services to get connected with primary care. The second group will be offered enhanced supportive services only for 36 months but not the stipend. Each of these groups could have 200-400 members participating. Another group will be a control group of 200-400 who will receive the same services as they are currently receiving with no enhanced income or services. The groups will be randomized based on the number of births. Stanford will perform the evaluation for the program. First 5 is serving as the administrative hub for this program and funding will flow through them.

Ms. Scribner explained the rationale for this program, beginning with the alignment of this program with HPSM's strategic plan:

- Improved Health Outcomes related to early well child visits;
- Access to care for pre- and post-natal care;
- Health and birth equity, which is a main priority for HPSM;
- Demonstrate the benefits of guaranteed income to further the policy objective of reinstating the child tax credit, which was implemented during the pandemic and has been discontinued.
- This program will leverage HPSM's already existing programs to support newborns and their families with enhanced services, and provide data to determine health outcome measures.
- This program will align with the multi-year Community Investment requirement for our new state contract.
- Our focus is on improving well-child visits. By the time a child turns three years of age, they should have had 13 visits with their pediatrician in addition to blood lead screening and several immunizations.
- The potential funding request coming to the commission would be to fund the $300 compensation for families in the income group, as well as a small amount(approximately 10%) for administrative support.

In terms of next steps, the Jackie Speier Foundation will continue to conduct fundraising throughout the community. Some funds have already been committed and some are still in process with more data requests happening. Stanford is applying for a $2.5 million National Institute of Health (NIH) grant to cover the cost of the program evaluation and some qualitative interviews and surveys, and we will hear about whether they were approved for the grant in June.

The Baby Bonus steering group is meeting in April to consider program design. The group will look at what services are available, where the gaps exist, and how can we enhance some of those services. There is still an outstanding question of whether there will be two groups or three groups, and tentatively we will come back in with a more detailed proposal and program design sometime between June and September as we prepare a possible launch in January 2025.

Commissioner Pon asked how the $300 would be used by the families. Ms. Scribner noted

that studies have shown that the increased income has been used for enrichment activities, such as buying books, food, etc. that families would otherwise not afford. Commissioner Mueller added that the guaranteed income studies already in place have shown that the family really knows best what it needs, and when they are able to use these funds, it reduces the stress on moms and the families and enhances the home environment and subsequent brain development of the child.

Commissioner Zuniga stated that people who have received guaranteed income have used it for rent and other necessities. Additionally, this 0-3 age group will present an opportunity to increase support educationally, such as eventually graduating from high school, having a positive effect on them throughout their lives.

Commissioner Callagy talked about the evaluation process and his thought that it is essential for Stanford to be involved because evaluation is crucial in helping the path toward policy changes taken in the future. Commissioner Santamaria stated that there are over 1,200 guaranteed income projects in California, and it is important to understand what the evaluation will evaluate and how will the program be sustained going forward. Ms. Scribner noted that we are in the early stages, but we know we are interested in looking at the health outcomes and ensuring we improve those preventive visits. Commissioner Santamaria asked why we need the third group since we already know that enhanced services will be beneficial. Commissioner Mueller stated that having this control group will be important to the study design so demonstrate that the additional funds and services have an impact above and beyond the usual benefits the family is receiving.

Commissioner Miao asked if the $300 would be considered income for the families. Ms. Scribner stated that as an incentive program it would not be considered income to the member, so they would not risk losing their Medi-Cal benefits due to income.

Commissioner Zuniga asked about parents of the disabled or those incarcerated and how that would work and how would they be included. Ms. Scribner stated this is a question that will have to be researched through the steering group.

6. Report from Chief Executive Officer

Mr. Curran had nothing to add to his written report.

7. Other Business

There was no other business discussed at this time.

8. Adjournment

The meeting was adjourned at 2:00 pm

Submitted by:
C. Burgess

C. Burgess, Clerk of the Commission

2024 Operating Budget

HPSM Commission

March 13, 2024

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Financial Summary and Outlook for 2024

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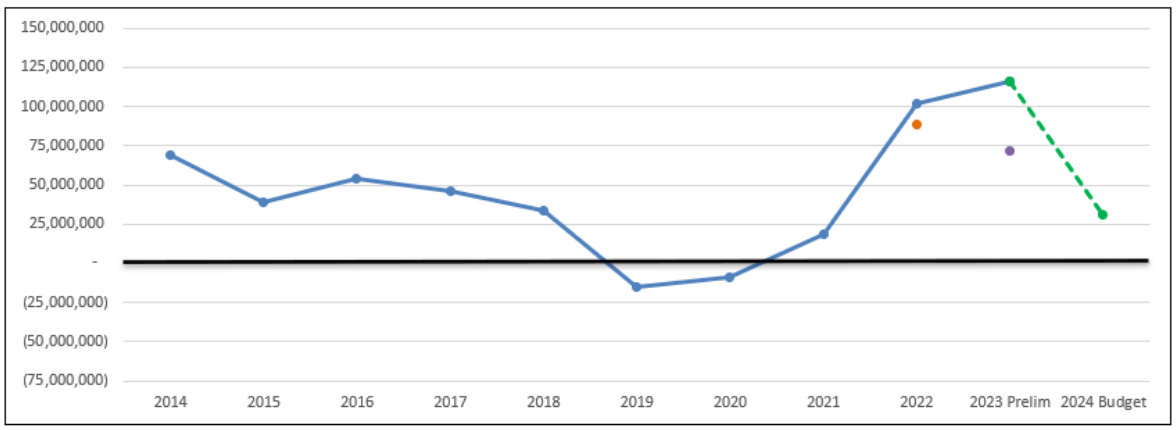
- HPSM has benefited from two years in a row with larger than normal surpluses of over $100M each. The main driver of these surpluses is lower than expected healthcare cost, and increased number of members with other health coverage. 2022 and 2023 Medi-Cal rates that did not anticipate either of these.
- Medi-Cal rates for 2024 are more in alignment with this lower cost experience, which is driving a much lower projected surplus in 2024. Medi-Cal rates are not final, and we expect adjusted rates later in 2024 – likely a slight decrease.
- Interest income on HPSM's cash reserves is contributing to the projected surplus, both from increased reserve levels and continued higher interest rates.
- Membership changes impacting 2024 include the Kaiser direct contract with DHCS, changes to Medi-Cal eligibility criteria, and the Medi-Cal redetermination process.

Proposed 2024 Budget

OPERATING REVENUES:	
Capitation & Premium Revenue	$ 1,083,587,950
HEALTH CARE EXPENSE:	
Inpatient Services	216,487,987
Outpatient/Professional	341,203,069
SNF/LTC	174,399,371
Pharmacy	64,012,525
Directed Payments	45,001,564
ECM, CS, CBAS, Dental	48,321,188
UMQA/Transportation/Other	42,030,393
Provider Incentives	17,914,000
Total Health Care Expenses	**949,370,097**
ADMINISTRATIVE EXPENSES	**76,887,449**
MCO Tax	**52,588,105**
Net Gain from Operations	**4,742,299**
NON-OPERATING REVENUES:	
Interest	**24,000,000**
Rental Income	**1,263,105**
TPA Fees/Other	**214,336**
Total Non-Operating Revenue	**25,477,441**
PROJECTED SURPLUS	**$ 30,219,740**

Historical Net Income/(Loss)

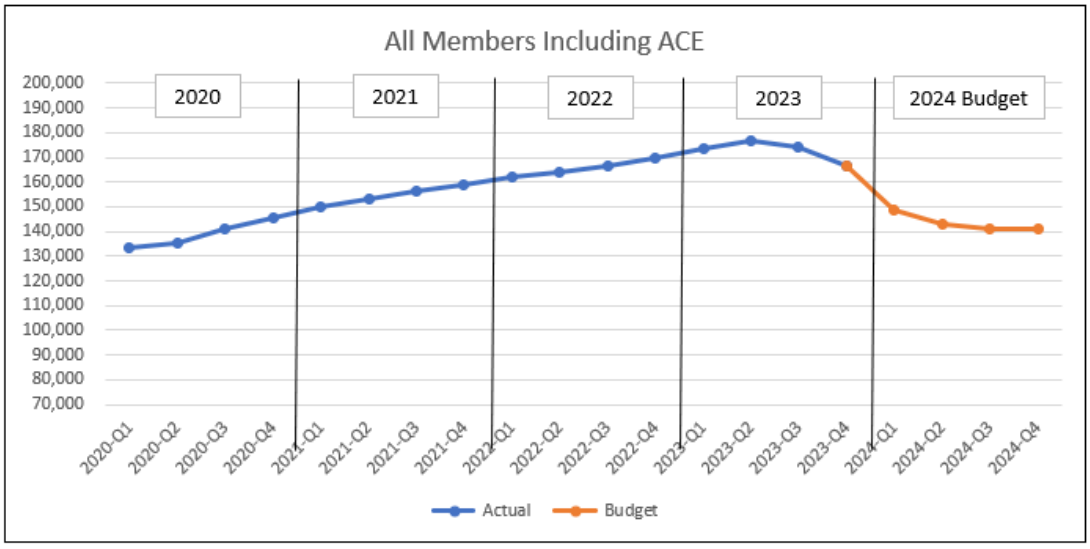
Ten-year trend – **Restated** w/ 2024 budget



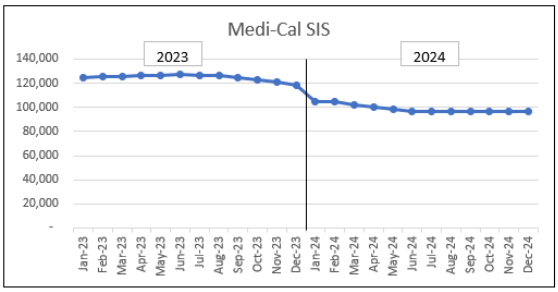
Budget Assumptions - Membership

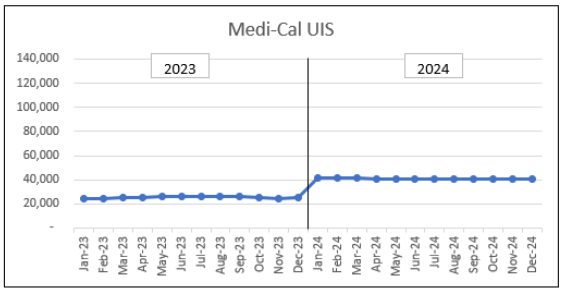
- Disenrollment from the Medi-Cal redetermination process started in July 2023. HPSM is observing approximately 2,100 disenrollments per month. The budget assumes this rate of decline through June 2024, then flattens out.
- Kaiser's direct contract with DHCS resulted in approximately 14,000-member loss from HPSM effective 1/1/24.
- The elimination of immigration status as a criterion for Medi-Cal enrollment, resulted in approximately 18,000 new Medi-Cal members effective 1/1/24, mostly a shift from the ACE program.
- CareAdvantage membership has had a slight decrease over 2023, but due to successful marketing and outreach, the CareAdvantage membership observed a net increase in enrollment effective 1/1/24.
- HealthWorx membership is expected to remain steady at approximately 1,200 members.

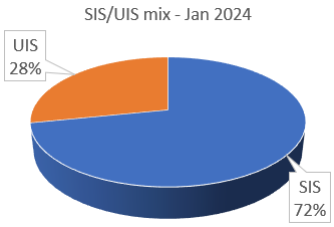
Membership Trends 2020-2024

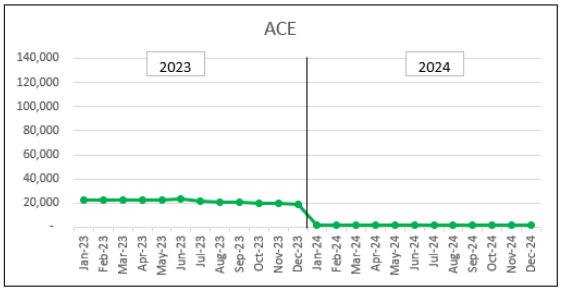


Medi-Cal Membership – SIS/UIS









2024 Budget Summary by LOB

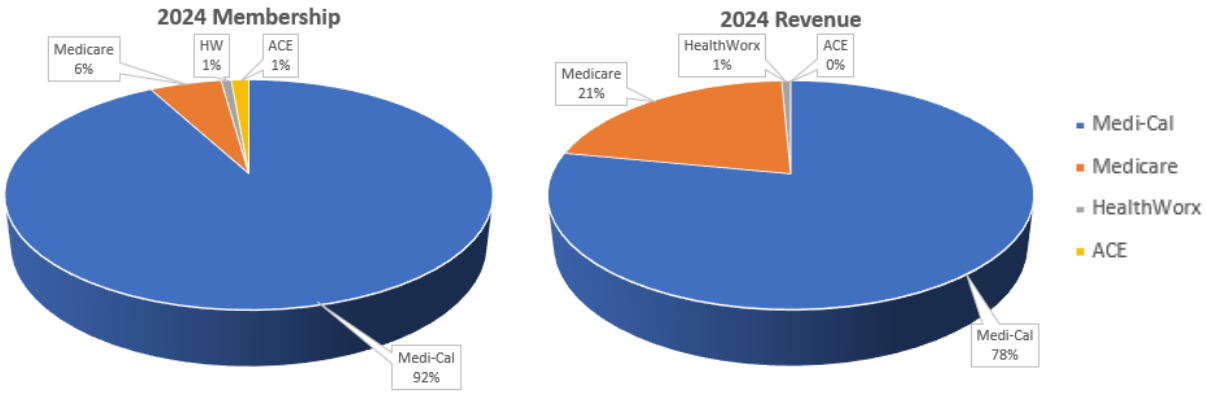
	Medi-Cal (non-duals)	Medi-Cal Duals (MC+DSNP)	MCE	CareAdvantage WCM	CareAdvantage D-SNP	HealthWorx	ACE	HPSM *	Total
Operating Revenue	$352,097 K	$190,540 K	$276,432 K	$26,867 K	$230,052 K	$7,601 K			$1,083,588 K
Health Care Expense	$299,572 K	$163,060 K	$226,995 K	$26,434 K	$225,858 K	$7,451 K			$949,370 K
Admin	$23,978 K	$8,552 K	$19,239 K	$2,111 K	$21,897 K	$900 K	$210 K		$76,887 K
MCO Tax	$27,678 K	$5,682 K	$18,797 K	$431 K	$0 K	$0 K	$0 K		$52,588 K
Other Income	$0 K	$0 K	$0 K	$0 K	$0 K	$0 K	$214 K	$25,263 K	$25,477 K
Net Profit/(Loss)	$870 K	$13,245 K	$11,401 K	($2,109 K)	($17,704 K)	($750 K)	$4 K	$25,263 K	$30,220 K
MLR	92.3%	88.2%	88.1%	100.0%	98.2%	98.0%			92.1%
Average Membership	73,443	15,078	49,877	1,142	8,624	1,215	2,101		143,370
Revenue PMPM	$ 399.51	$ 1,053.06	$ 461.86	$ 1,959.78	$ 2,222.98	$ 521.40	$ 8.50		

* *Interest Income & Rent Income*

Profit Margin Summary:

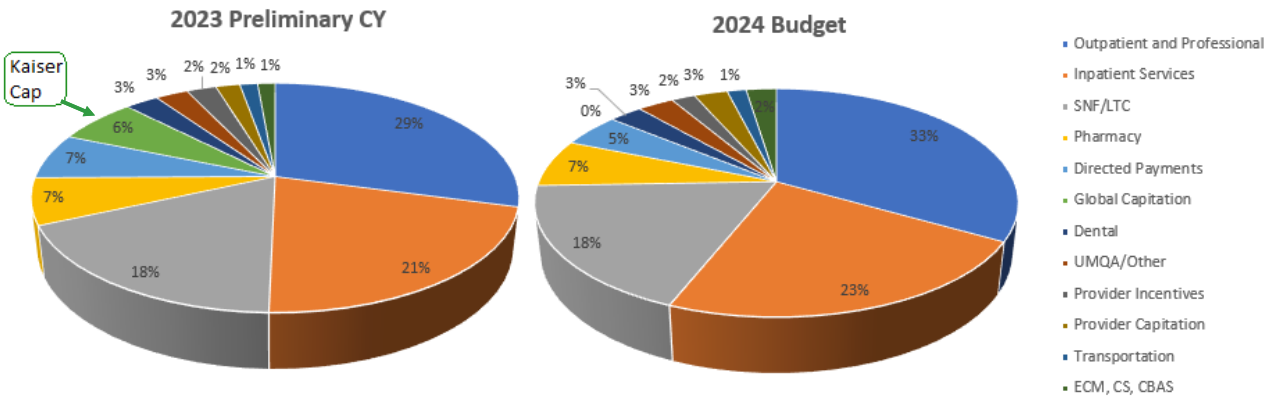
Medi-Cal	2.8%
Medicare	-7.7%
HealthWorx	-9.9%
Consolidated	2.8%

Membership and Revenue by Source



2024 Total Operating Revenue: $1,084M

Healthcare Cost by Expense Category



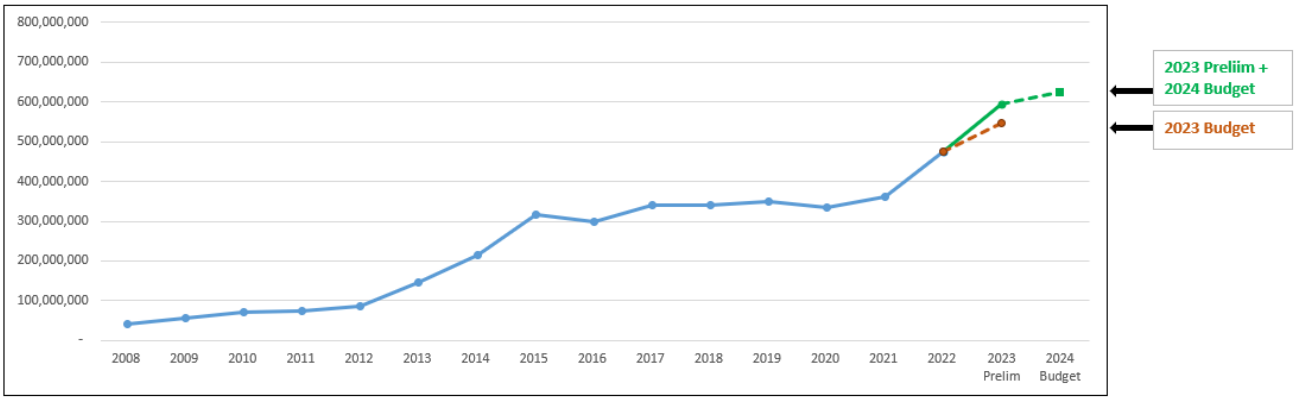
2024 Total Medical Expenses: $949M including UM/QA

Administrative Budget

2023 to 2024 Budget Change

Expense Category	2023 Budget	2024 Budget	Change	% Chng.	2024 % of Total
Salaries, Benefits, Training, Travel	50,264,420	60,481,530	10,217,110	20%	61%
Consulting & Outside Services	17,537,400	19,134,100	1,596,700	9%	19%
Computer Maintenance & Support	5,434,000	7,020,000	1,586,000	29%	7%
Occupancy, Deprec. & Amort.	3,930,000	4,503,300	573,300	15%	5%
Postage, Delivery & Printing	2,745,900	2,300,000	(445,900)	-16%	2%
Office Expenses	1,477,300	2,273,670	796,370	54%	2%
Other Admin Expenses	1,864,700	3,699,925	1,835,225	98%	4%
Sub-Total	83,253,720	99,412,525	16,158,805	19%	100%
UM/QA Allocation (to HC Cost)	(22,020,606)	(22,525,076)	(504,470)	2%	
Total Admin Expense	61,233,114	76,887,449	15,654,335	26%	
FTE's	354	405	51	14%	

Projected Tangible Net Equity (TNE)



- This illustration is prior to any investments from strategic use of reserves.

Thank you

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2023 Annual Compliance Report

Ian Johansson
Chief Government Affairs & Compliance Officer
March 13, 2024

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Background

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- Status & Activities
  - Report provides a summary of HPSM's Compliance efforts
  - Enables you to:
    - To be knowledgeable about the Compliance Program
    - To exercise reasonable oversight

Our Goal

- To establish a culture of compliance at HPSM that helps the organization and its employees "do the right thing" *for our members, providers, and community*
- Achieved through *maintaining a compliance program, that*:
  - Educates our employees
  - Identifies and resolves compliance issues and risks
  - Provides opportunities to engage our staff, *our Commission,* and stakeholders

Agenda

- 2023 - Year in review
  - Major activities & status
- 2024 – Outlook
  - Known major activities
  - Opportunity to give input to Commission reporting

2023 Year in Review

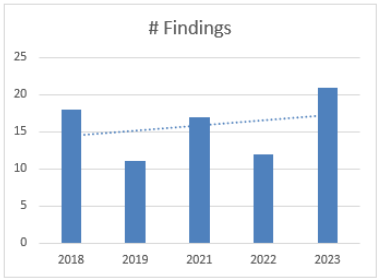
- External review activity
  - Two (2) external reviews
    - NCQA Resurvey
    - Department of Health Care Services (DHCS) Medical Audit
- Other Major Activity
  - Received 2021 DMHC Routine Medical Survey report
  - Received approval of 2024 DHCS Contract Operational Readiness
  - CareAdvantage gap analysis kick-off

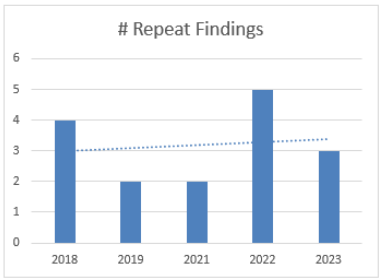
2023 DHCS Audit

DHCS Audit Results Summary - Last Five Audits

Summary

Year	# Findings	# Repeat Findings
2018	18	4
2019	11	2
2021	17	2
2022	12	5
2023	21	3
5-year average	16	3





2023 DHCS Audit

- Repeat findings:
  - Written consent from the member for appeals filed by a provider
  - Ownership and Control Disclosure reviews
  - Delegation of Provider Training

2024 Forecasting

- CareAdvantage gap analysis & mock audit work
- NCQA Full Survey
- 2021 DMHC Audit Corrective Action Plan execution (CAP)
- 2023 DHCS Audit Corrective Action Plan execution (CAP)
- 2024 DHCS Annual Medical Audit
- CMS Compliance Program Effectiveness (CPE) audit OR Utilization Management Targeted audit

Commission Reporting

- Project kick-off to revisit compliance reporting to the Finance/Compliance Committee and Commission
  - First discussion held at February Finance/Compliance Committee meeting
- Goals
  - Provide the Commission with an opportunity for input into the design of compliance and government affairs reporting and discussions
  - Develop a framework with the Finance/Compliance Committee for presentation to the full Commission by Q4 2024

MY2023 Compliance Survey

- Survey completion expected by end of Q1 2024
- Survey re-tooled to provide additional opportunities for input
  - No modification to questions asked
- Presentation to Commission in Q2 2024 of results and trends

Questions?

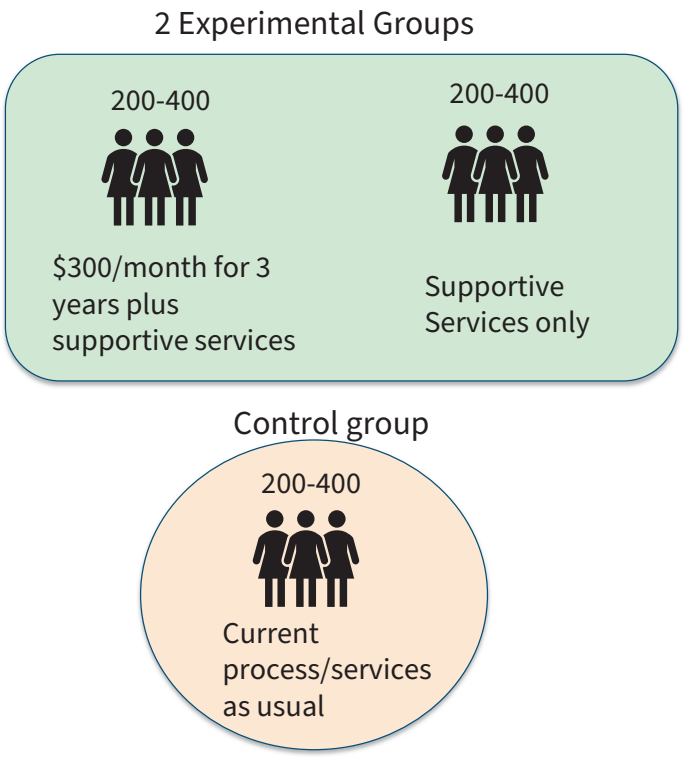
- Contact me
  - ian.johansson@hpsm.org
- Hotline available 24/7
  - 844-965-1241

Thank You

Background

- In August 2023, former Representative Jackie Speier held a summit on child poverty and introduced the concept of the Baby Bonus Program.
- The Program builds on work already underway nationwide to determine if providing basic income assistance to low-income families has an impact on child development.
- Organizations involved in the Steering Group include: Lucille Packard Children's Hospital, San Mateo County Health, First Five San Mateo County, Jackie Speier Foundation, and San Mateo County Human Services Agency.

Project Framework



Rationale

Why are we doing this?

- **Health Outcomes improvement (**early well child visits), **access to care** (services and pre- and post-natal care), and **health equity** (birth equity a main priority for HPSM). P
- Potential **policy implications** beyond San Mateo County to demonstrate the benefits of guaranteed income, such as the **child tax credit** implemented during the pandemic but now discontinued.
- Leverages **HPSM's unique role** in having programs already in place to **support** newborns and their families and **data** to determine health outcome measures.
- Opportunity for multi-year **community investment** that aligns with the **state's bold goals** through its community investment requirement beginning 2024.

HPSM

- Potential funding request up to $3,564,000
  - Up to 300 families in compensation plus services group (90%)
  - Services or administrative overhead support (10%)



Next Steps

- The Jackie Speier Foundation continues to conduct fundraising throughout the community.
- Stanford is applying for an NIH grant to cover the cost of the program evaluation.
- The Steering Group will continue to develop the program design.
- Health Commission Tentative Timeline
  - Review more detailed proposal and program design: June-July 2024
  - Formal request for program funding: June-September 2024

Considerations Discussion

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- Current research study design is based upon all births taking place at Lucille Packard Children's Hospital, which provides up to 80% of HPSM annual births.
  - Is it important to include all hospitals to participate and enroll children?
- HPSM currently has 1,200 births each year to birth parents who are HPSM members.
  - The study would enroll at least 300 participants each in the study group and control group (600 total). Is it important that all HPSM members in a calendar year have the study available to them?
- Participants in the study may move out of the area or lose HPSM health coverage for one of many reasons during the three-year study period.
  - Is it important that HPSM provide payments only to current HPSM members?

AGENDA ITEM: 5.1

DATE: April 10, 2024

MEMORANDUM

DATE: April 3, 2024

TO: San Mateo Health Commission

FROM: Patrick Curran, Chief Executive Officer
Trent Ehrgood, Chief Financial Officer

RE: Approval of Audited Financial Statements for Period Ending December 31, 2023

Recommendation

Approve HPSM's 2023 final audited financial statements.

Background information

HPSM's auditors, Moss Adams, completed their annual audit of HPSM's 2023 financial statements in March 2024. Moss Adams presented reports to the Finance/Compliance Committee on March 25th, including details of their audit process, and results of their findings. Two separate reports, described below, are included in this packet for Commission review.

Communication to Commissioners

The first report is the required communication to the Commission and includes a description of the audit scope and any findings resulting from the audit.

Report of Independent Auditors and Financial Statements with Supplementary Information

The second report is the full set of audited financial statements with footnotes. The auditors issued an unmodified opinion (which is good). There were no audit adjustments, but management included some proposed adjustments to refine estimates based on more recent information. The final audited financial result is a surplus of $151M for the year.

DRAFT

RESOLUTION OF THE
SAN MATEO HEALTH COMMISSION

IN THE MATTER OF ACCEPTANCE OF THE AUDIT REPORT FOR FISCAL YEAR ENDING DECEMBER 31, 2023

RESOLUTION 2024 -

RECITAL: WHEREAS,

A. Moss-Adams, LLP, a firm of certified public accountants, has conducted an audit of the San Mateo Health Commission financial statements for the fiscal year ending December 31, 2023; and

B. The San Mateo Health Commission's Finance/Compliance Committee has reviewed the resulting report submitted by Moss-Adams, LLP.

NOW, THEREFORE, IT IS HEREBY RESOLVED AS FOLLOWS:

1. The San Mateo Health Commission formally accepts the audit report for the fiscal year ended December 31, 2023 as prepared by Moss-Adams, LLP.

PASSED, APPROVED, AND ADOPTED by the San Mateo Health Commission this 10th day of April 2024 by the following votes:

AYES:

NOES:

ABSTAINED:

ABSENT:

_____
George Pon, Chair

ATTEST:

BY: _____
C. Burgess, Clerk

APPROVED AS TO FORM:

_____
Kristina Paszek
CHIEF DEPUTY COUNTY ATTORNEY

COMMUNICATIONS WITH THE COMMISSIONERS

San Mateo Health Commission

(d.b.a. Health Plan of San Mateo)

December 31, 2023

Communications with the Commissioners

To the Commissioners
San Mateo Health Commission
(d.b.a. Health Plan of San Mateo)

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of San Mateo Health Commission d.b.a. Health Plan of San Mateo (a stand-alone government entity appointed by the San Mateo County Board of Supervisors) as of and for the year ended December 31, 2023 and have issued our report thereon dated _____, 2024. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated December 13, 2019, and amendment dated December 2, 2021, we are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). As part of an audit conducted in accordance with U.S. GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of San Mateo Health Commission d.b.a. Health Plan of San Mateo's internal control over financial reporting. Accordingly, we considered San Mateo Health Commission d.b.a. Health Plan of San Mateo's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

The supplementary information was subject to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you on December 11, 2023.

Significant Audit Findings and Issues

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Mateo Health Commission d.b.a. Health Plan of San Mateo are described in Note 1 to the financial statements. During fiscal year 2023, San Mateo Health Commission d.b.a. Health Plan of San Mateo adopted Government Accounting Standards Board No.96, *Subscription-Based Information Technology Arrangements*, under the retrospective approach. No other new accounting policies were adopted and there were no changes in the application of existing policies during 2023. We noted no transactions entered into by San Mateo Health Commission d.b.a. Health Plan of San Mateo during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the liability for incurred but unreported claims expense is based on historical claims experience and known activity subsequent to year end. We evaluated the key factors and assumptions used to develop the incurred but unreported claims expense in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the capitation receivable and revenue for eligible program beneficiaries is based upon a historical experience methodology using contracted rates and member counts. We evaluated the key factors and assumptions used to develop the capitation receivable in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management recorded an estimated amount due to the State of California. The estimated payable for eligible Medi-Cal program beneficiaries is based upon estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. We evaluated the key factors and assumptions used to develop the estimated net realizable amounts. We found management's basis to be reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the fair market values of investments in the absence of readily-determinable fair values is based on information provided by the fund managers. We have gained an understanding of management's estimate methodology and examined the documentation supporting this methodology. We found management's process to be reasonable.

- Management's estimate of the net pension asset is actuarially determined using assumptions on the long-term rate of return on pension plan liability, the discount rate used to determine the present value of benefit obligations, and the rate of compensation increases. These assumptions are provided by management. We have evaluated the key factors and assumptions used to develop the estimate. We found management's basis to be reasonable in relation to the financial statements taken as a whole.
- Management's estimates of the discount rate, useful lives, lease terms related to the lease assets and deferred inflow of resources. We have gained an understanding of management's key factors and assumptions and examined the documentation supporting the estimates. We found management's basis to be reasonable in relation to the financial statements taken as a whole.
- Management's estimates of the discount rate, useful lives, subscription terms related to the subscription assets and subscription liabilities. We have gained an understanding of management's key factors and assumptions and examined the documentation supporting the estimates. We found management's basis to be reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were medical claims payable and capitation revenue.

Significant Unusual Transactions

We encountered no significant unusual transactions during our audit of San Mateo Health Commission d.b.a. Health Plan of San Mateo's financial statements.

Significant Difficulties Encountered in Performing the Audit

Professional standards require us to inform you of any significant difficulties encountered in performing the audit. No significant difficulties were encountered during our audit of San Mateo Health Commission d.b.a. Health Plan of San Mateo's financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Circumstances that Affect the Form and Content of the Auditor's Report

There may be circumstances in which we would consider it necessary to include additional information in the auditor's report in accordance with U.S. GAAS. There were no circumstances that affected the form and content of the auditor's report.

Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements, whose effects, as determined by management were material, both individually or in the aggregate, to the financial statements taken as a whole.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____, 2024.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to San Mateo Health Commission d.b.a. Health Plan of San Mateo's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We are required to communicate to you other findings or issues arising from the audit that are, in our professional judgment, significant and relevant to your oversight of the financial reporting process. There were no such items identified.

This information is intended solely for the use the Commissioners and management of San Mateo Health Commission d.b.a. Health Plan of San Mateo, and is not intended to be, and should not be, used by anyone other than these specified parties.

San Francisco, California
_____, 2024

Report of Independent Auditors and
Financial Statements with Supplementary Information

San Mateo Health Commission
(d.b.a. Health Plan of San Mateo)

December 31, 2023 and 2022

Table of Contents

Management's Discussion and Analysis

San Mateo Health Commission
(d.b.a. Health Plan of San Mateo)
Management's Discussion and Analysis
December 31, 2023, 2022, and 2021

Our discussion and analysis of the San Mateo Health Commission, (d.b.a. Health Plan of San Mateo) (HPSM or the Commission), provides an overview of the Commission's financial activities for the years ended December 31, 2023, 2022, and 2021. Please read it in conjunction with the Commission's audited financial statements and accompanying notes, which begin on page 11.

FINANCIAL HIGHLIGHTS – PROPRIETARY FUND

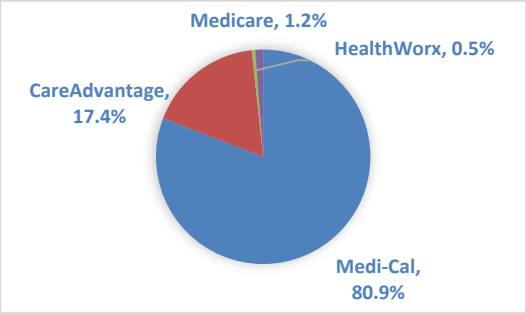
Overview of Financial Results

- Net surplus of $151,155,470 in 2023, surplus of $115,124,416 in 2022, and net surplus of $27,108,819 in 2021.

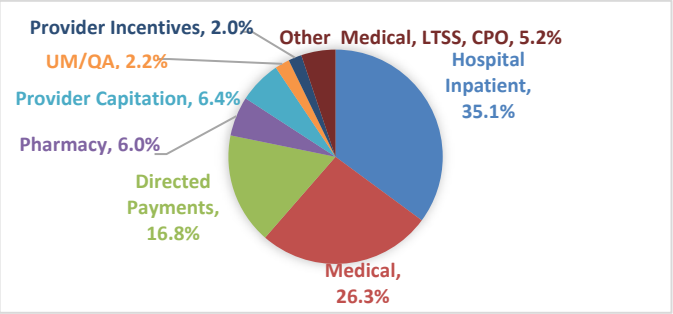
- Net operating revenues increased by $245,565,369 (23.82%) in 2023, decreased by $61,430,504 (5.62%) in 2022, and increased by $123,505,694 (15.29%) in 2021.

- Health care expenses increased by $197,608,077 (23.68%) in 2023, decreased by $149,195,780 (15.17%) in 2022, and increased by $72,731,595 (9.70%) in 2021.

2023 Percentage of Revenue by LOB



2023 Health care Dollar Spent



- Member months increased by 6.40% in 2023, increased by 9.96% in 2022, and increased by 11.02% in 2021.

- In 2023, membership for Medi-Cal increased by 7.26%, HealthWorx by 0.94%, Whole Child Model decreased by 1.98%, and CareAdvange (formerly under Cal MediConnect) decreased by 4.24%. Increases are due to changes in the Medi-Cal program whereby the documentation requirement for certain members of the population were lifted. Thus, making more people eligible under the program.

- In 2022, membership for Medi-Cal increased by 10.88%, HealthWorx by 0.54%, Whole Child Model by 3.48%, and Cal MediConnect by 0.05%. Increases are due to a continuation of the Governor's executive order to suspend disenrollment during the public health emergency.

- In 2021, membership for Medi-Cal increased by 11.96%, HealthWorx by 5.01%, Whole Child Model by 4.43%, and Cal MediConnect by 1.49%. Increases are due to the Governor's executive order to suspend disenrollment during the pandemic.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statements of net position, the statements of revenues, expenses, and changes in net position, and the statements of cash flows provide information about the activities of the Commission as a whole. Additionally, certain required supplemental information contains information regarding the Commission's budget and how actual operating results compare to the budget adopted by the Commission.

THE STATEMENTS OF NET POSITION AND THE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

HPSM'S NET POSITION

HPSM's net position is the difference between its assets and liabilities as reported in the statements of net position on page 15. HPSM's net position increased by $151,155,470 in 2023, increased by $115,124,416 in 2022, and increased by $27,108,819 in 2021.

	2023	2022 (As restated)	2021
CURRENT ASSETS	$ 1,026,234,982	$ 812,288,000	$ 691,859,336
CAPITAL ASSETS, NET	59,364,274	60,977,607	62,881,892
NET PENSION ASSET	-	-	2,373,317
LEASE RECEIVABLE - NONCURRENT	1,630,263	2,858,362	4,019,229
SUBSCRIPTION ASSETS, NET OF ACCUMULATED AMORTIZATION	3,693,823	5,601,389	-
ASSETS RESTRICTED AS TO USE	300,000	300,000	300,000
DEFERRED OUTFLOWS OF RESOURCES	5,701,361	7,337,774	2,351,463
Total assets and deferred outflows of resources	$ 1,096,924,703	$ 889,363,132	$ 763,785,237
CURRENT LIABILITIES			
Medical claims payable	$ 110,157,421	$ 100,748,474	$ 101,141,724
Providers incentives payable	11,255,574	12,737,495	9,095,674
Amounts due to the State of California	161,788,284	174,363,272	153,300,138
Accounts payable and accrued liabilities	175,229,835	109,569,830	131,731,595
Subscription liabilities, current portion	1,216,580	2,268,867	-
Total liabilities	459,647,694	399,687,938	395,269,131
NET PENSION LIABILITY	2,982,121	5,069,872	-
SUBSCRIPTION LIABILITIES, NET OF CURRENT PORTION	2,142,820	3,255,430	-
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - leases	2,755,456	3,935,529	5,115,602
Deferred inflows of resources - pension	2,738,643	1,911,864	3,022,421
Total deferred inflows of resources	5,494,099	5,847,393	8,138,023
Total liabilities and deferred inflows of resources	$ 470,266,734	$ 413,860,633	$ 403,407,154
NET POSITION			
Invested in capital assets	$ 59,364,274	$ 60,977,607	$ 62,881,892
Restricted by legislative authority	300,000	300,000	300,000
Unrestricted	566,993,695	414,224,892	297,196,191
Total net position	$ 626,657,969	$ 475,502,499	$ 360,378,083

CURRENT ASSETS

Current assets increased $213,946,982 (26.34%) from 2022 to 2023, which includes an increase of $147,780,934 (25.02%) in cash and investments, due to increased membership resulting in higher capitation received as compared to health care expenses paid. HPSM intentionally holds a greater cash position due to the uncertainty of rate increases/cuts and cash flow from the State of California; an increase of $58,838,764 (29.16%) in Medi-Cal and Medicare capitation receivables due primarily to the final reconciliation and close-out payment for the Cal MediConnect program that closed at the end of 2022. Payment is not expected until at least 18 months after the program closure; and an increase of $7,327,284 (36.90%) in other accounts receivable, prepaids and other assets, and lease receivable - current due primarily to close-out of the Kaiser sub-capitation contract at the end of 2023, as Kaiser has a direct contract with the State's Department of Health Care Services (DHCS) starting January 1, 2024.

Current assets increased $120,428,664 (17.41%) from 2021 to 2022, which includes an increase of $153,560,342 (35.13%) in cash and investments, due to more timely payment of final rates from DHCS along with increased membership resulting in higher capitation received as compared to health care expenses paid. HPSM intentionally holds a greater cash position due to the uncertainty of rate increases/cuts and cash flow from the State of California (the State), a decrease of $37,935,062 (15.82%) in Medi-Cal and CareAdvantage capitation receivables due to more timely payment of capitation from DHCS including payment on retro rates and an increase of $4,803,384 (31.91%) in other accounts receivable, prepaids and other assets, and lease receivable – current due in part to an increase in interest receivable as related to higher interest rates coupled with an increase in other health care receivables for expected pharmacy rebates.

CAPITAL ASSETS, NET

Capital assets decreased by $1,613,333 (2.65%) in 2023, Capital assets decreased by $1,904,285 (3.03%) in 2022, and by $2,079,277 (3.20%) in 2021 due to continued depreciation expense combined with no substantial capital expenditures within the years.

ADOPTION OF GASB NO. 96

The Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 96 *Subscription-Based Information Technology Arrangements* (GASB 96), as of January 1, 2022. The Commission evaluated contracts that were formerly accounted for as software expense and prepaid software expense to determine whether they meet the definition of a Subscription-Based Information Technology Arrangements asset as defined in GASB 96. The Commission adopted GASB 96 as of January 1, 2023, applied retrospectively. The Commission calculated and recognized subscription assets, net of accumulated amortization, of $3,693,823, subscription liabilities, current portion of $1,216,580 and subscription liabilities, net of current portion of $2,142,820 as of December 31, 2023. There was no material impact to beginning net position from the adoption of GASB 96.

SUBSCRIPTION ASSETS

Subscription assets represents net present value of subscription payments scheduled to be made under GASB 96. It also includes necessary costs needed to implement the subscriptions. Subscription assets is valued at $3,693,823 at December 31, 2023 and $5,601,389 at December 31, 2022. The decrease reflects additional subscription assets during the year and netted by the amortization of the subscription assets over the term of the subscription assets.

NET PENSION LIABILITY (ASSET)

Net pension liability (asset) represents the (deficit) excess value of pension assets above the projected liability, under GASB No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). Net pension liability was $2,982,121 at December 31, 2023, a decrease of $2,087,751 (41.18%) from 2022, Net pension liability was $5,069,872 at December 31, 2022, a decrease of $7,443,189 (313.62%) from a net pension asset of $2,373,317 at December 31, 2021.

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources represent the difference between projected and actual retirement investment earnings that are deferred under GASB 68. Deferred outflows of resources decreased to $5,701,361 as of December 31, 2023, increased to $7,337,774 as of December 31, 2022, and decreased to $2,351,463 as of December 31, 2021.

PROVIDERS INCENTIVES PAYABLE

Incentives payable to providers decreased by $1,481,921 (11.63%) in 2023, increased by $3,641,821 (40.04%) in 2022, and increased by $4,225,674 (86.77%) in 2021. HPSM uses a pay for performance-based incentive model for primary care physicians (PCP). The change in year-end balances each year is a function of timing differences between the expense accrual during the performance year, and payments made in the subsequent year. See Note 6 for more information on the Provider Incentive Program.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities increased by $65,660,005 (59.93%) from 2022 to 2023, decreased by $22,161,765 (16.82%) from 2021 to 2022, and increased by $64,874,198 (97.03%) from 2020 to 2021. The 2023 increase is due primarily to the timing difference (of payment to DHCS) on the reinstated Managed Care Organization (MCO) tax, which is effective back to April 1, 2023. The 2022 decrease was due primarily to timely receipt and distribution of directed payments to providers and hospitals. The 2021 increase was due primarily to the delay in Directed Payments to hospitals bringing that account liability to $87,554,465. This increase was slightly offset by a payout of the Managed Care Organization (MCO) liability from the prior year bringing the balance to $0.

AMOUNTS DUE TO THE STATE OF CALIFORNIA

Amounts due to the State of California decreased by $12,574,988 (7.21%) in 2023, increased by $21,063,134 (13.74%) in 2022, and increased by $36,855,979 (31.65%) in 2021. The 2023 decrease is due primarily to the reconciliation (and payment to DHCS) of the In-Home Support Services (IHSS) program back to 2014. The 2022 increase is due to continued overpayments by the State for long-term care and risk-based programs such as Enhanced Care Management (ECM). The 2021 increase is due to overpayments by the State related to long-term care.

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent changes in assumptions and the difference between expected and actual experience in 2023, 2022, and 2021 that are deferred under GASB 68, as well as deferred inflow resulting from adoption of GASB 87. Deferred inflows of resources decreased $353,294 (6.04%) to $5,494,099 as of December 31, 2023, decreased $2,290,630 (28.15%) to $5,847,393 as of December 31, 2022, and increased $4,717,276 (138%) to $8,138,023 as of December 31, 2021.

SUBSCRIPTION LIABILITIES

Subscription liabilities represents net present value of subscription payments scheduled to be made under GASB 96. Subscription liabilities are valued at $3,359,400 at December 31, 2023 and $5,524,297 at December 31, 2022. The decrease reflects additional subscription liabilities during the year and the payments according to subscription terms.

	2023	2022 (As restated)	2021
OPERATING REVENUES			
Capitation and premiums			
Medi-Cal	$ 983,423,084	$ 693,021,094	$ 759,100,243
HealthWorx	6,957,387	6,318,612	6,288,171
Whole Child Model	48,758,065	41,307,302	41,807,003
CareAdvantage (including Cal MediConnect)	237,320,721	290,246,880	285,128,975
Net operating revenues	1,276,459,257	1,030,893,888	1,092,324,392
OPERATING EXPENSES			
Health care expenses			
Hospital inpatient	362,373,928	317,978,754	325,930,565
Medical	444,541,839	336,972,094	410,300,855
Pharmacy	61,532,745	54,571,077	145,372,661
Primary care physician capitation	66,488,291	48,979,266	50,974,992
Utilization management and quality assessment allocation	22,755,060	18,613,364	17,833,608
Provider incentives	20,678,110	18,884,786	14,456,891
Long-term support services	2,400,207	2,140,621	8,014,071
Dental	24,679,736	16,064,027	-
Transportation	13,073,721	9,285,746	5,592,959
Care Plan Options/In-lieu of Services	8,757,949	6,062,328	2,533,725
Enhanced care management	3,038,857	2,385,391	-
Other medical - reinsurance, etc. - net of reinsurance recoveries	1,619,481	2,394,393	2,517,300
Total health care expenses	1,031,939,924	834,331,847	983,527,627
General and administrative	70,779,795	54,383,580	51,474,667
MCO tax	57,570,721	38,472,420	34,808,380
Total operating expenses	1,160,290,440	927,187,847	1,069,810,674
Income from operations	116,168,817	103,706,041	22,513,718
NONOPERATING REVENUE			
Net interest and investment income	31,642,544	7,750,108	1,090,668
Other revenue	8,889	154,821	6,060
Rental income, net	1,166,164	1,169,852	1,194,644
Third-party administrator fees	2,169,056	2,343,594	2,303,729
Total nonoperating revenue	34,986,653	11,418,375	4,595,101
Changes in net position	151,155,470	115,124,416	27,108,819
NET POSITION, beginning of year	475,502,499	360,378,083	333,269,264
NET POSITION, end of year	$ 626,657,969	$ 475,502,499	$ 360,378,083

OPERATING REVENUES

During 2023, operating revenue increased by $245,565,369 (23.8%), from $1,030,893,888 in 2022 to $1,276,459,257 in 2023. The increase is predominately due to increased Medi-Cal membership, increased rates per member per month, increased funding for the MCO tax, increased funding for DHCS incentive programs, and increased revenue recognition for hospital directed payments.

Effective January 1, 2023, HPSM transitioned the CareAdvantage product from the Cal MediConnect demonstration program, which ended December 31, 2022, to an exclusively aligned Medicare Duals Special Needs Plan (D-SNP).

During 2022 operating revenue decreased by $61,430,504 (-5.6%), from $1,092,324,392 in 2021 to $1,030,893,888 in 2022. The decrease is predominately due to the Medi-Cal pharmacy carveout, and decreased revenue recognition for hospital directed payments. This is partially offset by increased revenue from Medi-Cal membership growth, increased rates per member per month, and the addition of the dental benefit and Enhanced Care Management benefit.

INTEREST AND INVESTMENT INCOME

Net interest and investment income was $31,642,544 in 2023, $7,750,108 in 2022, and $1,090,668 in 2021. The average rate of return for the investments was 4.67% in 2023, 2.8% in 2022, and 0.31% in 2021.

OPERATING EXPENSES

Health care Expenses

During 2023, health care expenses increased by $197,608,077 (23.7%), from $834,331,847 in 2022 to $1,031,939,924 in 2023. The increase is predominantly due to increased Medi-Cal membership, increased cost per member per month, and increased expense for hospital directed payments.

During 2022, health care expenses decreased by $149,195,780 (15.2%), from $983,527,627 in 2021 to $834,331,847 in 2022. The decrease is predominantly due to reduced cost from the Medi-Cal pharmacy carveout and reduced expense for hospital directed payments. This is partially offset by increased expenses due to Medi-Cal membership growth, increased cost per member per month, and the addition of the dental benefit and Enhanced Care Management benefit.

General and Administrative (G&A) Expenses

Total G&A expenses were $70,779,795 in 2023, $54,383,580 in 2022, and $51,474,667 in 2021. The increase from 2022 to 2023 includes increased staffing costs as we ramped-up recruiting efforts to fill open positions needed for the new programs required under the updated Medi-Cal contract for 2024 and a $10 million strategic investment to a local hospital partner for seismic upgrades and enhanced care access. The increase from 2021 to 2022 is due primarily to an increase in staffing costs. Specifically a $3.3 million increase in employee benefits expense. The increase from 2020 to 2021 is due to an increase in salary and employee benefit costs along with an increase in printing and mailing costs to members as a result of the State taking over pharmacy benefits for MediCal members (originally effective April 1, 2021, but delayed until January 1, 2022).

MCO Tax

On April 3, 2020, CMS approved a waiver for the broad-based and uniformity requirements related to the State of California's MCO tax, effectively renewing the program effective January 1, 2020. The effective date range for this approval is January 1, 2020 through December 31, 2022. The tax was assessed by the DHCS on licensed health care service plans, managed care plans contracted with DHCS to provide Medi-Cal services, and alternate health care service plans (AHCSP), as defined, except as excluded by the bill. In late 2023, CMS approved a renewal of the MCO tax effective April 2023. HPSM paid $10,076,110 in 2023, $38,472,420 in 2022, and $34,808,380 in 2021 for MCO taxes. HPSM's tax liability of $57,570,721 as of December 31, 2023, $10,076,110 as of December 31, 2022, and $0 as of December 31, 2021 is included in accounts payable and accrued liabilities in the statements of net position.

	2023 Actual	2023 Budgeted	Variance
REVENUES			
Medi-Cal	$ 983,423,084	$815,418,780	$ 168,004,304
HealthWorx	6,957,387	6,883,884	73,503
Whole Child Model	48,758,065	-	48,758,065
CareAdvantage (including Cal MediConnect)	237,320,721	222,397,976	14,922,745
Total revenues	1,276,459,257	1,044,700,640	231,758,617
HEALTH CARE EXPENSES			
Hospital inpatient	362,373,928	369,481,115	(7,107,187)
Medical	444,541,839	333,926,987	110,614,852
Pharmacy	61,532,745	62,332,504	(799,759)
Primary care physician capitation	66,488,291	71,900,483	(5,412,192)
Utilization management (UM) and quality assessment (QA) allocation	22,755,060	22,279,416	475,644
Provider incentives	20,678,110	10,830,250	9,847,860
Long-term support services	2,400,207	2,364,059	36,148
Dental	24,679,736	20,984,583	3,695,153
Transportation	13,073,721	10,552,800	2,520,921
Care Plan Options/In-lieu of Services	8,757,949	6,630,100	2,127,849
Enhanced Care Management	3,038,857	7,864,854	(4,825,997)
Other medical - dental, reinsurance, etc. - net of reinsurance recoveries	1,619,481	5,072,643	(3,453,162)
Total health care expenses	1,031,939,924	924,219,794	107,720,130
ADMINISTRATIVE EXPENSES			
Salaries and fringe benefits	51,145,287	50,264,420	880,867
Contract services	15,913,871	17,537,400	(1,623,529)
Office supplies and maintenance	6,779,929	6,911,300	(131,371)
Occupancy, equipment, and depreciation expense	3,453,722	3,930,000	(476,278)
Postage and printing	1,943,334	2,745,900	(802,566)
Other administrative expenses	11,911,970	1,864,700	10,047,270
UMQA health care allocation	(20,368,318)	(22,020,606)	1,652,288
Total administrative expenses	70,779,795	61,233,114	9,546,681
MCO tax	57,570,721	-	57,570,721
Total expenses	1,160,290,440	985,452,908	174,837,532
Income from operations	116,168,817	59,247,732	56,921,085
NONOPERATING INCOME (LOSS)			
Net interest and investment income	31,642,544	9,000,000	22,642,544
Other revenue and rental income	1,175,053	1,187,337	(12,284)
Third-party administrator fees	2,169,056	2,341,512	(172,456)
Total nonoperating income	34,986,653	12,528,849	22,457,804
Net income	151,155,470	71,776,581	79,378,889
Net position at beginning of year	475,502,499	475,502,499	-
Net position at end of year	$ 626,657,969	$ 547,279,080	$ 79,378,889

FINANCIAL HIGHLIGHTS – FIDUCIARY FUND

The table below is a summarized comparison of the assets, liabilities, and fiduciary net position of the Health Plan of San Mateo Retirement Plan Fund as of December 31, and the changes in fiduciary net position for the years ended December 31:

	2023	2022	2021
TOTAL ASSETS	$ 35,396,257	$ 29,280,931	$ 33,150,125
TOTAL LIABILITIES	-	-	-
TOTAL FIDUCIARY NET POSITION	35,396,257	29,280,931	33,150,125
TOTAL ADDITIONS, NET	7,325,442	(2,860,008)	5,160,572
TOTAL DEDUCTIONS	1,210,116	1,009,186	744,699
INCREASE (DECREASE) IN FIDUCIARY NET POSITION	6,115,326	(3,869,194)	4,415,873
FIDUCIARY NET POSITION - BEGINNING OF YEAR	29,280,931	33,150,125	28,734,252
FIDUCIARY NET POSITION - END OF YEAR	$ 35,396,257	$ 29,280,931	$ 33,150,125

Total fiduciary fund net position as of December 31, 2023, increased by $6,115,326 from December 31, 2022, due to an increase in fair value of investments.

Total fiduciary fund net position as of December 31, 2022, decreased by $3,869,194 from December 31, 2021, due to a decrease in fair value of investments.

Total fiduciary fund net position as of December 31, 2021, increased by $4,415,873 from December 31, 2020, due to an increase in fair value of investments.

Report of Independent Auditors

The Commissioners
San Mateo Health Commission
(d.b.a. Health Plan of San Mateo)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of San Mateo Health Commission d.b.a. Health Plan of San Mateo (a stand-alone government entity appointed by the San Mateo County Board of Supervisors), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise San Mateo Health Commission d.b.a. Health Plan of San Mateo's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of San Mateo Health Commission d.b.a. Health Plan of San Mateo as of December 31, 2023 and 2022, and the respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Mateo Health Commission d.b.a. Health Plan of San Mateo and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Mateo Health Commission d.b.a. Health Plan of San Mateo's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of San Mateo Health Commission d.b.a. Health Plan of San Mateo's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Mateo Health Commission d.b.a. Health Plan of San Mateo's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Emphasis of Matter - New Accounting Standard

As discussed in Note 1 to the financial statements, the San Mateo Health Commission d.b.a Health Plan of San Mateo adopted Government Accounting Standards Board No. 96, *Subscription-Based Information Technology Arrangements*, as of January 1, 2023. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 10 and the supplementary schedule of changes in the net pension asset liability and related ratios, supplementary schedule of contributions, and supplementary schedule of investment returns – Health Plan of San Mateo Retirement Plan on pages 47 through 49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

San Francisco, California
_____, 2024

Financial Statements

San Mateo Health Commission
(d.b.a. Health Plan of San Mateo) – Proprietary Fund
Statements of Net Position
December 31, 2023 and 2022

	2023	2022 (As restated)
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	$ 552,675,606	$ 409,879,878
Investments	185,724,686	180,739,480
Capitation receivable from the State of California	185,457,467	157,581,748
CareAdvantage receivable	75,192,823	44,229,778
Other accounts receivable	13,061,045	8,378,505
Prepaids and other assets	12,895,256	10,317,744
Lease receivable - current	1,228,099	1,160,867
Total current assets	1,026,234,982	812,288,000
CAPITAL ASSETS, NET		
Nondepreciable	15,667,814	15,667,814
Depreciable, net of accumulated depreciation and amortization	43,696,460	45,309,793
Total capital assets, net	59,364,274	60,977,607
LEASE RECEIVABLE - NONCURRENT	1,630,263	2,858,362
SUBSCRIPTION ASSETS, NET OF ACCUMULATED AMORTIZATION	3,693,823	5,601,389
ASSETS RESTRICTED AS TO USE	300,000	300,000
Total assets	1,091,223,342	882,025,358
DEFERRED OUTFLOWS OF RESOURCES	5,701,361	7,337,774
Total assets and deferred outflows of resources	$ 1,096,924,703	$ 889,363,132
LIABILITIES AND DEFERRED INFLOWS		
CURRENT LIABILITIES		
Medical claims payable	$ 110,157,421	$ 100,748,474
Providers incentives payable	11,255,574	12,737,495
Amounts due to the State of California	161,788,284	174,363,272
Accounts payable and accrued liabilities	175,229,835	109,569,830
Subscription liabilities, current portion	1,216,580	2,268,867
Total current liabilities	459,647,694	399,687,938
NET PENSION LIABILITY	2,982,121	5,069,872
SUBSCRIPTION LIABILITIES, NET OF CURRENT PORTION	2,142,820	3,255,430
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - leases	2,755,456	3,935,529
Deferred inflows of resources - pension	2,738,643	1,911,864
Total deferred inflows of resources	5,494,099	5,847,393
Total liabilities and deferred inflow of resources	$ 470,266,734	$ 413,860,633
NET POSITION		
Invested in capital assets	$ 59,364,274	$ 60,977,607
Restricted by legislative authority	300,000	300,000
Unrestricted	566,993,695	414,224,892
Total net position	$ 626,657,969	$ 475,502,499

See accompanying notes.

San Mateo Health Commission
(d.b.a. Health Plan of San Mateo) – Proprietary Fund
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022 (As restated)
OPERATING REVENUES		
Capitation and premiums		
Medi-Cal	$ 983,423,084	$ 693,021,094
HealthWorx	6,957,387	6,318,612
Whole Child Model ("WCM")	48,758,065	41,307,302
CareAdvantage (including Cal MediConnect)	237,320,721	290,246,880
Net operating revenues	1,276,459,257	1,030,893,888
OPERATING EXPENSES		
Health care expenses		
Hospital inpatient	362,373,928	317,978,754
Medical	444,541,839	336,972,094
Pharmacy	61,532,745	54,571,077
Primary care physician capitation	66,488,291	48,979,266
Utilization management (UM) and quality assessment (QA) allocation	22,755,060	18,613,364
Provider incentives	20,678,110	18,884,786
Long-term support services	2,400,207	2,140,621
Dental	24,679,736	16,064,027
Transportation	13,073,721	9,285,746
Care plan options/In-lieu of Services	8,757,949	6,062,328
Enhanced care management	3,038,857	2,385,391
Other medical - reinsurance, etc. - net of reinsurance recoveries	1,619,481	2,394,393
Total health care expenses	1,031,939,924	834,331,847
General and administrative		
Salaries and fringe benefits	51,145,287	44,664,653
Contract services	15,913,871	14,171,491
Office supplies and maintenance	6,779,929	6,303,678
Occupancy, equipment, and depreciation expense	3,453,722	4,035,227
Postage and printing	1,943,334	2,124,811
Other administrative expenses	11,911,970	1,435,478
UMQA health care allocation	(20,368,318)	(18,351,758)
Total general and administrative expenses	70,779,795	54,383,580
MCO tax	57,570,721	38,472,420
Total operating expenses	1,160,290,440	927,187,847
Income from operations	116,168,817	103,706,041
NONOPERATING REVENUE		
Net interest and investment income	31,642,544	7,750,108
Other revenue	8,889	154,821
Rental income	1,166,164	1,169,852
Third-party administrator fees	2,169,056	2,343,594
Total nonoperating revenue	34,986,653	11,418,375
Changes in net position	151,155,470	115,124,416
NET POSITION, beginning of year	475,502,499	360,378,083
NET POSITION, end of year	$ 626,657,969	$ 475,502,499

See accompanying notes.

San Mateo Health Commission
(d.b.a. Health Plan of San Mateo) – Proprietary Fund
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Capitation and premium revenues	$ 1,203,747,090	$ 988,481,448
Health care expenses	(1,028,592,812)	(773,982,336)
General and administrative expenses	(60,084,325)	(69,833,455)
Other	2,240,170	1,512,776
Net cash provided by operating activities	117,310,123	146,178,433
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	27,809,247	8,124,029
Payments for purchase of capital assets	-	(302,128)
Net cash provided by investing activities	27,809,247	7,821,901
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on subscription liabilities	(2,323,642)	(2,031,305)
Net cash (used in) financing activities	(2,323,642)	(2,031,305)
Net increase in cash and cash equivalents	142,795,728	151,969,029
CASH AND CASH EQUIVALENTS, beginning of year	409,879,878	257,910,849
CASH AND CASH EQUIVALENTS, end of year	$ 552,675,606	$ 409,879,878
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income from operations	$ 116,168,817	$ 103,706,041
Adjustment to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization	3,679,645	4,115,626
Loss on disposal of assets	-	45,000
Changes in operating assets and liabilities:		
Capitation receivable from the State of California	(27,875,719)	33,682,075
CareAdvantage receivable	(30,963,045)	4,252,987
Other accounts receivable	(3,521,675)	(569,102)
Prepaids and other assets	(1,565,385)	(2,550,455)
Net pension liability	375,441	1,346,321
Medical claims payable	9,408,947	(393,250)
Providers incentives payable	(1,481,921)	3,641,821
Amounts due to the State of California	(12,574,988)	21,063,134
Accounts payable and accrued liabilities	65,660,006	(22,161,765)
Net cash provided by operating activities	$ 117,310,123	$ 146,178,433

See accompanying notes.

San Mateo Health Commission
(d.b.a. Health Plan of San Mateo) – Health Plan of San Mateo Retirement Plan
Statements of Fiduciary Net Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 1,235,492	$ 971,764
Investments, at fair value		
Mutual funds	6,253,506	5,187,975
Pooled, common, and collective trusts	27,901,282	23,122,460
Total investments, at fair value	34,154,788	28,310,435
Net pending trades	(11,985)	(10,313)
Interest and dividends receivable	17,962	9,045
Total assets	$ 35,396,257	$ 29,280,931
NET POSITION RESTRICTED FOR PENSION	$ 35,396,257	$ 29,280,931

See accompanying notes.

San Mateo Health Commission
(d.b.a. Health Plan of San Mateo) –
Health Plan of San Mateo Retirement Plan
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
ADDITIONS		
Employer contributions	$ 2,654,597	$ 2,095,537
Investment income		
Net appreciation (depreciation) in fair value of investments	4,425,849	(5,120,881)
Dividends	179,473	140,504
Interest	65,523	24,832
Total investment income (loss)	4,670,845	(4,955,545)
Total additions, net	7,325,442	(2,860,008)
DEDUCTIONS		
Benefits paid to participants	1,210,116	1,009,186
INCREASE (DECREASE) IN NET POSITION	6,115,326	(3,869,194)
NET POSITION RESTRICTED FOR PENSION		
Beginning of year	29,280,931	33,150,125
End of year	$ 35,396,257	$ 29,280,931

See accompanying notes.

Note 1 – Description of Operations and Summary of Significant Accounting Policies

Basis of organization – The San Mateo Health Commission (the Commission) (d.b.a. Health Plan of San Mateo) (HPSM) was formed and organized by the Board of Supervisors of San Mateo County (the County) under an ordinance pursuant to Section 14087.51 of the Welfare and Institutional Code as a Health Insuring Organization (HIO). The majority of HPSM's revenues are generated from a contract with the State of California Medi-Cal Program and the Centers for Medicare & Medicaid Services (CMS) for Medicare. HPSM is included in the County of San Mateo's basic financial statements as a discretely presented component unit.

HPSM is responsible for managing a capitated prepaid health care system for residents of the County who are eligible for services under the Medi-Cal Program. The California Legislature authorized the prepaid system in March 1986 and HPSM began operations on December 1, 1987, under a contract with the State of California (the State). HPSM has an executed contract with the State for the period of January 1, 2009 through December 31, 2025.

CMS originally approved the State's request for HPSM to operate under a federal Medicaid freedom of choice waiver in November of 1987. The 1915(b) waiver allows for mandatory participation by Medi-Cal eligible San Mateo County residents in HPSM. Effective November 1, 2010, CMS transitioned all existing California 1915(b) waivers, including HPSM's, into the State's 1115(a) waiver. CMS renewed the State's 1115(a) waiver and 1915(b) waiver for November 1, 2010 through December 31, 2026.

The eleven commissioners of HPSM (Commissioners) are appointed by the County Board of Supervisors. The current Commissioners include two members of the San Mateo County Board of Supervisors, the County Manager or his designee, a physician, four public members (a beneficiary or representative of a beneficiary served by the Commission, a representative of the senior and/or minority communities in San Mateo County, a representative of the business community in San Mateo County, and a public member at large), a representative of the San Mateo Medical Center physicians that serve members of HPSM, a representative of a hospital located in San Mateo County that serves members of HPSM, and a pharmacist.

HPSM acquired a license under the Knox-Keene Health Care Services Plan Act of 1975, as amended (the Act) on July 31, 1998, and is regulated by the State's Department of Health Care Services (DHCS) and California Department of Managed Health Care (DMHC). For the HealthWorx program, HPSM contracted with the San Mateo Public Authority for coverage of the In-Home Support Services (IHSS) employees as of August 1, 2001, and the City of San Mateo for Non-Merit Part-Time and Library Per Diem employees as of January 1, 2009. The current HealthWorx contracts are for the following periods: (1) IHSS – July 1, 2014 to December 31, 2023, and (2) the City of San Mateo – January 1, 2009 to December 31, 2023. The renewal is currently in process.

Effective September 1, 2007, HPSM entered into an agreement with the County of San Mateo to provide third-party administrator (TPA) services to administer the benefits of their indigent care program (ACE). The current agreement ends September 30, 2024.

Effective April 1, 2014, HPSM entered into a three-way contract with CMS and the State of California for Cal MediConnect. The Cal MediConnect demonstration program promotes coordination of care to seniors and people with disabilities who are dually eligible for both Medi-Cal and Medicare. The agreement results in a third Medi-Cal contract and a second Medicare contract. The contract period was through December 31, 2022, at which time the demonstration program ended.

In September 2022, HPSM entered into a direct contract with CMS and became a Medicare Advantage Organization (MAO) under the commercial name CareAdvantage. As an MAO, HPSM provides medical services to its dual eligible members, known as a D-SNP program. The service contract for fiscal year 2023 became effective on January 1, 2023 through December 31, 2023, and was renewed for successive one-year periods.

Health Plan of San Mateo Retirement Plan Fund accounts for the assets of the employee benefit plan held by HPSM in a trustee capacity. See Note 11.

Accounting standards – Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, HPSM's proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as codified pronouncements issued on or before November 30, 1989.

Proprietary fund accounting – HPSM utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis and financial statements are prepared using the economic resources measurement focus.

Cash and cash equivalents – Cash and cash equivalents are stated at cost which approximates current market value due to their short-term nature. All highly liquid investments with original maturities of three months or less when purchased are considered cash equivalents.

Investments – Investments include mutual funds, pooled, common and collective trusts, debt obligations of the U.S. Government and its agencies, certificates of deposits, and money markets as permitted by the California Government Code for Investments. All short-term investments with a maturity of three months or less at the date of purchase are considered to be cash equivalents. These investments are carried at fair market value. The fair values of investments are based on quoted market prices. Changes in fair value of investments are included in net interest and investment income in the statements of revenues, expenses, and changes in net position.

Lease receivable – The Commission's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Commission may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is recorded at the initiation of each lease in an amount equal to the initial recording of the lease receivable. The deferred inflows of resources are amortized on an effective interest method basis over the term of each lease.

Capital assets – Capital assets include property and equipment which are stated at cost. Depreciation is provided on the straight-line basis over the asset's estimated useful lives which are as follows:

Leasehold improvements	5 years
Building and improvements	39 years
Furniture and equipment	3 to 7 years

Leasehold improvements are amortized over the life of the improvement or the lease term, whichever is shorter. Upon retirement or disposal of capital assets, any gain or loss is included in results of operations in the period disposed.

Capital assets of $9,000 or more are depreciated over their useful lives. Leasehold improvements of $9,000 or more are amortized over the term of the related lease or their estimated useful lives.

HPSM evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset.

Assets restricted as to use – HPSM is required by the California DMHC to restrict cash of $300,000 as of December 31, 2023 and 2022, for the payment of member claims in the event of its insolvency.

Medical claims payable – HPSM contracts with various providers, including physicians and hospitals, to provide certain health care products and services to enrolled Medi-Cal, CareAdvantage, HealthWorx, Whole Child Model, and Cal MediConnect beneficiaries. The cost of the health care products and services provided or contracted for is accrued in the period in which it is provided to a member and includes an estimate of the cost of services that have been incurred but not yet reported. The estimate for reserves for claims is based on projections of hospital and other costs using historical studies of claims paid. Estimates are monitored and reviewed and, as settlements are made or estimates adjusted, differences are reflected in current operations. Such estimates are subject to the impact of changes in the regulatory environment and economic conditions.

Amounts due to the State of California – When HPSM is made aware of changes to the State rate structure, such as rate decreases, risk corridors or program reconciliations, that significantly impact the financial outlook, an accrual for the estimated change is recorded. Such estimates are subject to the impact of changes in the regulatory environment and are subject to third party review. At the end of December 31, 2023 and 2022, HPSM had the following included in Amounts due to the State of California in the accompanying statements of net position:

	2023	2022
Risk corridor	$ 56,310,224	$ 50,836,024
Medi-Cal Expansion (MCE) medical loss ratio (MLR) reserve	3,666,077	3,666,077
Overpayments	101,811,983	119,861,171
Total	$ 161,788,284	$ 174,363,272

Risk corridor – HPSM's contract with DHCS is subject to various risk corridors. The Coordinated Care Initiative (CCI) demonstration program for full-dual members has multiple risk corridors that triggered liabilities. A medical loss ratio (MLR) risk corridor for the first two years (July 2014 through June 2016) resulted in an estimated return of premiums (payable to DHCS) of $19,789,224 as of December 31, 2023 and 2022. Settlement of these liabilities is pending final reconciliation with DHCS.

A separate member mix risk corridor triggered an additional return of premiums of $0 and $8,720,000 for calendar years 2023 and 2022, respectively, recorded as a reduction to capitation and premium revenue as of December 31, 2023.

CalAIM risk corridor reserve – Effective January 1, 2022, California launched a multi-year initiative called California Advancing and Innovating Medi-Cal (CalAIM) to improve the quality of life and health outcomes of the Medi-Cal managed care population through the implementation of broad delivery system, program, and payment reforms across the Medi-Cal program. CalAIM initiatives include the delivery of new Enhanced Care Management (ECM) benefits. DHCS has implemented two-sided risk corridors on ECM services as of January 1, 2022, under which managed care plans are fully at risk for losses up to 95% and gains over 105% on applicable ECM services. Managed care plans will owe a remittance to the State or be owed a payment from the State if gains or losses exceed 5 percent of the applicable ECM rates received. The CalAIM risk corridor reflects the potential amount due to the State for ECM gains in excess of the 105% risk corridor. During the years ended December 31, 2023 and 2022, the reduction of premium revenue related to CalAIM risk corridors was $5,474,200 and $13,596,800, respectively.

Medi-Cal Expansion (MCE) medical loss ratio (MLR) reserve – Effective with the enrollment of the Adult Expansion Population per the Affordable Care Act on January 1, 2014, HPSM is subject to DHCS requirements to meet a minimum of 85% medical loss ratio for this population. Specifically, HPSM will be required to expend at least 85% of the Medi-Cal capitation revenue received for this population on allowable medical expenses as defined by DHCS. In the event HPSM expends less than the 85% requirement, HPSM will be required to return to DHCS the difference between the minimum threshold and the actual allowed medical expenses. The original 85% MLR requirement was for January 2014 through June 2016, a 30-month period. In 2018, HPSM made a payment to the State of $109 million related to the original reporting periods of January 2014 – June 2016. In 2019, HPSM made a payment to DHCS in the amount of $15 million related to July 1, 2016 – June 30, 2017. As of December 31, 2023 and 2022, HPSM estimated a remainder liability of $3,666,077, relating to reporting period July 1, 2016 – June 30, 2017. There are no estimated liabilities for DHCS between the minimum threshold and the actual allowed medical expenses for the reporting period July 2017 to June 2022.

Overpayments – DHCS pays HPSM based on the most recent CMS approved rates for the various Medi-Cal programs. HPSM records revenue using the anticipated final rates and records a liability for the excess payment received.

Accounts payable and accrued liabilities – Included in accounts payable and accrued liabilities on the statements of net position are the following:

	2023	2022
Intergovernmental (IGT) and Directed Payments payable	$ 47,066,317	$ 44,769,137
MCO tax payable	57,570,720	10,076,110
Hospital Quality Assurance Fee (HQAF) payable	24,071,292	27,635,926
Other program payable	27,850,976	16,377,363
Accounts payable and accrued expenses	15,105,408	7,760,809
Other health care liabilities	3,565,122	2,950,485
Total	$ 175,229,835	$ 109,569,830

IGT payable – Welfare and Institutions Code provides for an IGT program relating to the Medi-Cal managed care capitation rates and the capitation rate ranges. Governmental funding agencies, defined as counties, cities, special purpose districts, state university teaching hospitals, and other political subdivisions of the state, are eligible to transfer the non-federal share of the available IGT amounts. The IGT is used to fund the non-federal share of increases in Medi-Cal managed care actuarially sound capitation rates.

Directed payments payable – Beginning with the July 1, 2017, rating period, the DHCS has implement managed care Directed Payments: 1) Private Hospital Directed Payment (PHDP); 2) Designated Public Hospital Enhanced Payment Program (EPP-FFS and EPP-CAP); and 3) Designated Public Hospital Quality Incentive Pool (QIP). (1) For PHDP, the Department will direct Managed Care Plans (MCP) to reimburse private hospitals as defined in WIC 14169.51, based on actual utilization of contracted services. The enhanced payment is contingent upon hospitals providing adequate access to service, including primary, specialty, and inpatient (both tertiary and quaternary) care. The total funding available for the enhanced contracted payments are limited to a predetermined amount (pool). (2) For EPP-FFS and EPP–Capitated Pools, the Department has directed MCPs to reimburse California's 21 Designated Public Hospitals (DPH) for network contracted services delivered by DPH systems, enhanced by either a uniform percentage or dollar increment based on actual utilization of network contracted services. (3) For QIP, the Department has directed the MCPs to make QIP payments tied to performance on designated performance metrics in four strategic categories: primary care, specialty care, inpatient care, and resource utilization. The payments are linked to the delivery of services under the MCP contracts and increase the amount of funding tied to quality outcomes. To receive QIP payments the DPH and University of California hospitals must achieve specified improvement targets, which grow more difficult through year-over-year improvement or sustained high performance requirements.

HQAF payable – Established by Assembly Bill (AB) 1653 (AB1653), the HQAF program allows additional draw down of federal funding to be used for increased payments to general acute care hospitals for inpatient services rendered to Medi-Cal beneficiaries. DHCS provides increased capitation payments to Medi-Cal managed health care plans who in turn expend 100 percent of any increased capitation payments on hospital services. In April 2011, SB90 was signed into law, which extended the HQAF through June 30, 2011. SB335, signed into law in September 2011, extended the HQAF portion of Senate Bill (SB) SB90 for an additional 30 months through December 31, 2013. The payments were received and distributed in a manner prescribed as a pass through to revenue. SB239, signed into law October 8, 2013, extended the program for an additional 36 months from January 1, 2014 through December 31, 2016. In November of 2016, California approved Proposition 52, which made SB239 permanent and also created HQAF V. The program period for HQAF V is from January 1, 2017 through June 30, 2019. An extension of the program known as HQAF VI, covering July 1, 2019 – December 31, 2021 was approved by the CMS in February 2020. An additional extension known as HQAF VII was approved in September 2022 covering calendar year 2022. At December 15, 2023, an extension of the program known as HQAF VIII, covering January 1, 2023 – December 31, 2024 was approved by the CMS.

Other program payable – HPSM holds and administers funds to certain other entities who partner on programs to enhance the Community Care Settings Pilot (CCSP) and further HPSM's mission to ensure access to high-quality, affordable health care for San Mateo County's underserved residents.

Starting 2021, DHCS implemented several State-sponsored incentive programs related to behavior health integration, COVID vaccines, student behavior health, enhanced care management, community supports, and housing and homelessness. In 2023, $18,356,050 in revenue and $8,109,055 in incentive expense was recognized. In 2022, $2,532,934 in revenue and $1,594,932 in incentive expense was recognized. Unearned incentives included within other program payable include $3,249,603 and $4,368,881 in funds received but not yet earned as of December 31, 2023 and 2022, respectively, related to these programs.

Lease receivable and deferred inflow of resources – Pursuant to GASB Statement No. 87, *Leases*, HPSM as a lessor recognized a lease receivable and a deferred inflow of resources in the statements of net position. A lease receivable represents the present value of future lease payments expected to be received by HPSM during the lease term. A deferred inflow of resources is recognized corresponding to the lease receivable amount and is defined as an acquisition of net position by HPSM that is applicable to future reporting periods. Amortization of the deferred inflow of resources is based on the straight-line method over the terms of the leases.

HPSM recognizes lease contracts or equivalents that have a term exceeding one year that meet the definition of an other than short-term lease. HPSM uses the same interest rate it charges to lessee as the discount rate or that is implicit in the contract to the lessee. Short-term lease receipts and variable lease receipts not included in the measurement of the lease receivable are recognized as income when earned.

Subscription assets and liabilities – HPSM has recorded subscription assets as a result of implementing GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). The subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any contract payments made to the subscription-based information technology arrangement (SBITA) vendor at the commencement of the subscription term, capitalizable initial implementation cost, less any incentive payments received from the SBITA vendor at the commencement of the subscription term. The subscription assets are amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying assets.

HPSM recognizes contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceeding $100,000 that meet the definition of an other than short-term subscription. HPSM uses risk-free rate as the discount rate. Short-term subscription payments are expensed when incurred.

The adoption of GASB 96 resulted in adjustments to the prior-period financial statements as follows at December 31, 2022:

	As previously presented	Adjustment	As restated
Statements of net position			
Assets and deferred outflows of resources:			
Subscription assets, net of accumulated amortization	$ -	$ 5,601,389	$ 5,601,389
Liabilities, deferred inflows of resources, and net position:			
Accounts payable and accrued expenses	109,492,738	77,092	109,569,830
Subscription liabilities, current portion	-	2,268,867	2,268,867
Subscription liabilities, net of current portion	-	3,255,430	3,255,430
Statements of cash flows			
Cash flows from operating activities:			
General and administrative expenses	(71,864,760)	2,031,305	(69,833,455)
Net cash provided by operating activities	144,147,128	2,031,305	146,178,433
Cash flows from financing activities:			
Payments on subscription liabilities	-	(2,031,305)	(2,031,305)
Net cash (used in) financing activities	-	(2,031,305)	(2,031,305)

Net position – Net position is classified as invested in capital assets, restricted by legislative authority or unrestricted. Invested in capital assets represents investments in building, furniture, and equipment, net of depreciation. Restricted net position consists of noncapital net position that must be used for a particular purpose, as specified by state regulatory agency, grantors, or contributors external to HPSM. Unrestricted net position consists of net position that does not meet the definition of restricted or invested in capital assets. The Commission, at its discretion, from time-to-time designates portions of unrestricted net position for the establishment of a stabilization reserve.

Capitation and premium revenues – The State of California pays HPSM capitation revenue retrospectively on an estimated basis each month. Capitation revenue is recognized as revenue in the month the beneficiary is eligible for Medi-Cal services. These estimates are continually reviewed, and adjustments to the estimates are reflected currently in the Statements of revenues, expenses, and changes in net position. Eligibility of beneficiaries is determined by the County of San Mateo Department of Human Services and validated by the State of California. The State of California provides HPSM the validated monthly eligibility file of program beneficiaries who are continuing, newly added, or terminated from the program in support of capitation revenue for the respective month.

CMS pays HPSM capitation revenue each month. Capitation revenue is recognized in the month the beneficiary is eligible for Medicare services. Eligibility of members is determined by CMS.

The County of San Mateo and the City of San Mateo each pay HPSM HealthWorx premiums by the first of the month of coverage. Subsequent to the end of the quarter, HPSM submits an adjustment invoice for the difference between the actual versus the estimated quarterly membership. Eligibility of members is determined by the San Mateo County Public Authority and the City of San Mateo.

Premium deficiencies – HPSM performs periodic analyses of its expected future medical expenses and maintenance costs to determine whether such costs will exceed anticipated future revenues under its contracts. Should expected costs exceed anticipated revenues, a premium deficiency is recorded. Management determined that no premium deficiency reserves were needed at December 31, 2023 and 2022.

Health care expenses – The cost of health care rendered to eligible beneficiaries is estimated and recognized as expense in the month in which the services are rendered. These estimates are continually reviewed, and adjustments to the estimates are reflected currently in the Statements of revenues, expenses, and changes in net position.

MCO tax – In November 2009, DHCS implemented AB1422 or MCO premium tax. This program imposes an assessment on HPSM's revenue. DHCS uses this assessment to obtain matching federal funds, which is used to sustain enrollment in the Healthy Families program. Effective with California SB78 and beginning July 1, 2012, HPSM was required to pay a gross premium tax on Medi-Cal revenue. For July 1, 2013 through June 30, 2016, the tax rate increased to 3.9375%. On March 1, 2016, Senate Bill (SB) X2-2 established a new managed care organization provider tax, to be administered by DHCS, effective July 1, 2016 through June 30, 2019. The tax is assessed by the DHCS on licensed health care service plans, managed care plans contracted with the DHCS to provide Medi-Cal services, and alternate health care service plans (AHCSP), as defined, except as excluded by the bill. This bill established applicable taxing tiers and per enrollee amounts for the 2016–2017, 2017–2018, and 2018–2019 fiscal years, respectively, for Medi-Cal enrollees, AHCSP enrollees, and all other enrollees, as defined. Effective January 1, 2020, Assembly Bill (AB)115 (Chapter 348, Statutes 2019) authorizes the DHCS to implement a Managed Care Organization (MCO) tax on specified health plans subject to approval by the Centers for Medicare and Medicaid Services (CMS). The tax effective date range under CMS approval is January 1, 2020 through December 31, 2022. On June 29, 2023, AB 119 (Chapter 13, Statues of 2023) reimposed the MCO premium tax effective April 1, 2023 through December 31, 2026. MCO tax expense was $57,570,721 and $38,472,420 for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, $57,570,720 and $10,076,110, respectively, was accrued. These amounts are included in accounts payable and accrued liabilities on the statements of net position.

Operating revenues and expenses – HPSM's primary operating revenue is derived from capitation. As defined by GASB Codification Section P80, *Proprietary Fund Accounting and Financial Reporting*, all operating revenues are considered program revenues since they are charges for services provided and program-specific operating grants. The primary operating revenue is derived from capitation and other sources in support of providing health care services to its members. Operating expenses are all expenses incurred to provide such health care services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities, result from net investment income, changes in the fair value of investments, and administrative fees relating to providing Third Party Administrator claims processing services for the County of San Mateo's Section 17,000 participants.

Income taxes – HPSM operates under the purview of Internal Revenue Code (IRC) Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to federal income or state franchise taxes.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Management also discloses contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period based on these estimates and assumptions such as medical claims payable including incurred but not reported liability, capitation receivable from the State of California and CareAdvantage receivable, amounts due to the State of California including MLR and risk corridor, fair market value of investments, and net pension liability. Ultimate results may differ from those estimates.

Concentrations of risk – Financial instruments potentially subjecting HPSM to concentrations of risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance thresholds. HPSM maintains its cash in bank deposit accounts, which, at times, may exceed FDIC insurance thresholds. If the financial institutions with which HPSM does business with were to be placed into receivership, HPSM may be unable to access the cash HPSM has on deposit with such institutions. If HPSM was unable to access its cash and cash equivalents as needed, HPSM's combined financial position and ability to operate its business could be adversely affected. HPSM believes no significant concentration of credit risk exists with these cash accounts.

HPSM's business could be impacted by external price pressure on new and renewal business, additional competitors entering HPSM's markets, federal and state legislation, and governmental licensing regulations of HMOs and insurance companies. External influences in these areas could have the potential to adversely impact HPSM's operations in the future.

HPSM is highly dependent upon the State of California for its revenues. A significant portion of accounts receivable and revenue are from the State of California. Loss of the contracts with the State of California due to nonrenewal or legislative decisions that impact program funding or result in discontinuation could materially affect the financial position of HPSM.

New accounting pronouncements – GASB 96 provides guidance on the accounting and financial reporting for SBITAs for government end users (governments). GASB 96 (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. HPSM adopted GASB 96 as of January 1, 2023, applied retrospectively. HPSM calculated and recognized subscription assets, net of accumulated amortization, of $5,601,389, subscription liabilities, current portion of $2,268,867 and subscription liabilities, net of current portion of $3,255,430 as of December 31, 2022. There was no material impact to beginning net position from the adoption of GASB 96. See Note 9.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* (GASB 100). This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections. It defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity. This Statement requires that (1) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (2) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (3) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Statement is effective for fiscal years beginning after June 15, 2023. HPSM is currently evaluating the impact of the adoption of GASB 100 on its financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* (GASB 101). This Statement updates the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used, and (2) leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government entity should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. This Statement amends the existing requirements to disclose only the net change in the liability instead of the gross additions and deductions to the liability. This Statement is effective for fiscal years beginning after December 15, 2023. HPSM is currently evaluating the impact of the adoption of GASB 101 on its financial statements.

Reclassifications – Certain reclassifications of prior years' balances have been made to conform with the current year presentations. Such reclassifications did not affect the total increase in net position or total current or noncurrent assets or liabilities.

Note 2 – Cash and Cash Equivalents, Investments, and Assets Restricted as to Use

Cash and cash equivalents investments – Cash and cash equivalents and investments as of December 31, 2023 and 2022 consist of the following:

	2023	2022
Cash on hand	$ 500	$ 500
Cash deposits	336,693,867	204,039,217
Cash equivalents	215,981,239	205,840,161
Investments	185,724,686	180,739,480
Total cash and cash equivalents and investments	$ 738,400,292	$ 590,619,358

Assets restricted as to use – Assets restricted as to use consist of $300,000 of certificates of deposits as of December 31, 2023 and 2022.

The current investment policy of HPSM states the chief financial officer/treasurer has the authority to invest or reinvest HPSM's surplus funds not required for immediate necessities in such a manner as to provide maximum return with adequate protection of the funds. Return on invested funds is secondary to safety of principal and liquidity. The Commission may invest in obligations of the U.S. Treasury and other U.S. agencies, bankers' acceptances, commercial paper from issuing corporations of $500 million and of the highest letter, and numerical rating as provided by Moody's Investors Service, Inc., or Standard & Poor's Corporation, certificates of deposits, repurchase agreements, and the State Treasurer's Local Agency Investment Fund. No more than 10% of funds invested can be instruments of any single institution other than securities issued by the U.S. Government and its affiliated agencies. Additional restrictions are placed on the concentration of investments and the days until maturity. The following table also identifies certain provisions that address interest rate risk, credit risk, and concentration risk.

Authorized Investment Type	Maximum Maturity	Maximum Specified Percentage Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agencies	None	None	None
Bankers' Acceptances	270 days	40%	30%
Commercial Paper	180 days	10%	None
Negotiable Certificates of Deposits	2 years	30%	None
Repurchase Agreements	10 days	None	None
State Operating Funds and Reserves	75% of holdings - 4.5 years with no single purchase greater than 6 years 25% of holdings - month to month	None	None

State Treasurer's Local Agency Investment Fund – HPSM has an investment in the State Treasurer's Local Agency Investment Fund (LAIF). The investment in LAIF is carried at fair value, which approximates amortized cost. Generally, the investments in LAIF are available for withdrawal on demand. The investment in LAIF does not meet the criteria for risk categorization.

LAIF has an equity interest in the State of California Pooled Money Investment Account (PMIA). PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code (the Code) according to a statement of investment policy that sets forth permitted investment vehicles, liquidity parameters, and maximum maturity of investments. These investments consist of U.S. government securities, securities of federally sponsored agencies, U.S. corporate bonds, interest-bearing time deposits in California banks, prime-rated commercial paper, bankers' acceptances, negotiable certificates of deposit, and repurchase and reverse repurchase agreements. The PMIA policy limits the use of reverse repurchase agreements subject to limits of no more than 10% of PMIA. The PMIA does not invest in leveraged products or inverse floating rate securities. The PMIA cash and investments are recorded at amortized cost, which approximates fair value.

County of San Mateo Pooled Fund – HPSM also has an investment in the County of San Mateo Pooled Fund (CSMPF). The investment in CSMPF is carried at fair value, which approximates amortized cost.

CSMPF funds are on deposit with the County's Treasurer and are managed in compliance with the Code, according to a statement of investment policy, developed by the Treasurer, reviewed and approved annually by the County Treasury Oversight Committee and the County Board of Supervisors.

The investment policies of the CSMPF are similar to those of the PMIA.

The amounts invested in LAIF and CSMPF are considered investments in an external investment pool and earn interest based on the blended rate of return earned by the entire portfolio in the pool. As HPSM does not own identifiable investment securities of the pool but participates as a shareholder of the pool, these investments are not individually identifiable and were not required to be categorized under GASB Statement No. 62 Section C20, *Cash Deposits with Financial Institutions*.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

HPSM's equity in the investment pool is determined by the dollar amount of HPSM's deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums, and realized gains and losses, net of administrative fees, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains or losses are not apportioned to pool participants.

Per CSMPF's investment policy, any request to withdraw funds shall be subject to the consent of the Treasurer and shall be released at no more than 12.5% per month, based on the month-end balance of the prior month. In accordance with California Government Code 27136 et seq, and 27133(h) et seq, these requests are subject to the Treasurer's consideration of the stability and predictability of the pooled investment fund, or the adverse effect on the interests of the other depositors in the pooled investment fund.

Investments and assets restricted as to use not subject to fair value hierarchy as of December 31:

	2023	2022
Certificate of deposits	$ 300,000	$ 300,000
San Mateo County Pooled Fund	110,805,263	107,941,540
Local Agency Investment Fund	74,919,423	72,797,940
Total investments and assets restricted as to use	$ 186,024,686	$ 181,039,480

There were no investments subject to fair value hierarchy as of December 31, 2023 and 2022.

The custodial credit risk, interest rate, credit risk, and concentration of credit risk under GASB Statement No. 62 Section C20, *Cash Deposits with Financial Institutions*, at December 31, 2023 and 2022 were as follows:

Custodial credit risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, HPSM will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Code requires financial institutions to secure deposits made by public agencies by pledging securities in an undivided collateral pool held by a depository regulated under State Law. As of December 31, 2023 and 2022, deposits exposed to custodial credit risk as they were uninsured, and the collateral held by the pledging bank not in HPSM's name were $552,675,607 and $409,879,878, respectively.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, HPSM will not be able to recover the value of its investments or collateral securities that are in the possession of another party. As of December 31, 2023 and 2022, HPSM did not hold investments exposed to custodial credit risk.

Interest rate risk – Changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, HPSM manages the risk of market value fluctuations due to overall changes in the general level of interest rates by limiting the weighted average maturity of its portfolio to no more than five years.

The weighted average maturity in years for the $300,000 certificates of deposit included in assets restricted as to use was 0.31 and 0.47 as of December 31, 2023 and 2022, respectively. The weighted average maturity in years for the portfolio was 0.31 and 0.47 as of December 31, 2023 and 2022, respectively.

Credit risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Per GASB Statement No. 62 Section C20, *Cash Deposits with Financial Institutions*, unless there is information to the contrary, obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. Presented below is the minimum rating required by (where applicable) the California Government Code or HPSM's investment policy and the actual rating as of year-end for each investment type.

Ratings as of December 31, 2023 and 2022 for the certificates of deposit were A-1.

Concentration of credit risk – The investment policy of HPSM contains certain limitations on the amount that can be invested in any one issuer and is listed in the table above. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total HPSM's investments at December 31, 2023 and 2022.

Note 3 – Capitation Receivable from the State of California

HPSM receives capitation from the State based upon the monthly capitation rate of each aid code (Medi-Cal category of eligibility). The State makes monthly payments based on actual members for the current month and changes for the prior 12 months.

HPSM estimates the current and prior years' capitation receivable based on the State's most current actual member counts by aid code. Currently, HPSM records the current year capitation receivable based on the most current actual member counts by aid code. The amounts are trued up on a monthly basis.

Note 4 – Capital Assets

Capital asset activity for the fiscal year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Furniture and equipment	$ 14,361,631	$ -	$ (115,144)	$ 14,246,487
Building improvements	23,239,438	-	-	23,239,438
Building	31,810,055	-	-	31,810,055
Land	15,667,814	-	-	15,667,814
Total capital assets	85,078,938	-	(115,144)	84,963,794
Less: accumulated depreciation and amortization	24,101,331	1,613,333	(115,144)	25,599,520
Capital assets, net	$ 60,977,607	$ (1,613,333)	$ -	$ 59,364,274

Capital asset activity for the fiscal year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Furniture and equipment	$ 14,395,875	$ 149,951	$ (184,195)	$ 14,361,631
Building improvements	23,087,261	152,177	-	23,239,438
Building	31,810,055	-	-	31,810,055
Land	15,667,814	-	-	15,667,814
Total capital assets	84,961,005	302,128	(184,195)	85,078,938
Less: accumulated depreciation and amortization	22,079,113	2,161,413	(139,195)	24,101,331
Capital assets, net	$ 62,881,892	$ (1,859,285)	$ (45,000)	$ 60,977,607

Depreciation and amortization expense for capital assets for the years ended December 31, 2023 and 2022 was $1,613,333 and $2,161,413, respectively.

Note 5 – Medical Claims Payable

The cost of health care services is recognized in the period in which it is provided and includes an estimate of the cost of services that have been incurred but not yet reported.

HPSM contracts with various providers, including physicians and hospitals, to provide certain health care products and services to enrolled Medi-Cal, Health Worx, WCM, IHSS, Cal MediConnect, and CareAdvantage beneficiaries. The cost of the health care products and services provided or contracted for is accrued in the period in which it is provided to a member and includes an estimate of the cost of services that have been incurred but not yet reported. The estimate for reserves for claims is based on projections of hospital and other costs using historical studies of claims paid. Estimates are monitored and reviewed and, as settlements are made or estimates adjusted, differences are reflected in current operations. Such estimates are subject to the impact of changes in the regulatory environment and economic conditions.

Activity for medical claims payable for the years ended December 31 is summarized as follows:

	2023	2022
Balance at beginning of period	$ 100,748,474	$ 101,141,724
Incurred		
Current year	761,768,068	695,379,487
Prior year	352,618	(13,240,375)
	762,120,686	682,139,112
Paid related to		
Current year	669,481,735	606,139,862
Prior year	83,230,004	76,392,500
Total paid	752,711,739	682,532,362
Balance at end of period	$ 110,157,421	$ 100,748,474

Medical claims payable increased by $9.4 million in comparison to the previous year. $6.7 million of this increase is in the general medical claims payable reserves and is due to the increase in member counts. $3.0 million is from the accruals and payments of State directed Proposition 56 supplemental payments. They are offset by a $0.3 million of accruals and payments of State directed Fee-For-Service ground emergency medical transport payments.

Amounts incurred related to prior years represent changes from previously estimated liabilities. Liabilities at any year-end are continuously reviewed and re-estimated as information regarding actual claims payments and expected payment trends become known. Negative amounts reported for incurred related to prior years result from claims being adjudicated and paid for amounts less than originally estimated.

Note 6 – Incentives Payable to Provider

In October 2019, HPSM implemented a new quality incentive program with nursing facilities that provide skilled and/or long-term care services to HPSM members for meeting targeted quality measures. The program is designed to improve outcomes by incentivizing member access and high-quality care. As of December 31, 2023 and 2022, the Providers incentives payable was $11,255,574 and $12,737,495, respectively.

Note 7 – Reserve for Stabilization and Minimum Tangible Net Equity

The Commission, at its discretion, from time to time designates portions of net position for the establishment of certain reserves. These reserves are Board designated and unrestricted. They are available to satisfy the unreserved net position.

As a limited license plan under the Act, HPSM is required to maintain a minimum level of tangible net equity. On November 9, 2016, the San Mateo Health Commission approved a change to the stabilization reserve from 250% of the minimum tangible net equity (TNE) as defined by the DMHC regulation to two (2) months of operating expenses. During 2023 the Commission approved the addition of a contingency reserve equal to one (1) month's operating expenses. As of December 31, 2023, the combined stabilization and contingency reserve was $292,356,697. As of December 31, 2022, the stabilization reserve (alone) was $154,531,300.

As of December 31, 2023, the minimum TNE was $44,983,519. Total net position as of December 31, 2023, was $626,657,969, which exceeds the minimum tangible net equity by $581,674,450 and is 1,393% of TNE.

As of December 31, 2022, the minimum TNE was $37,414,103. Total net position as of December 31, 2022, was $475,502,499, which exceeds the minimum tangible net equity by $438,088,396 and is 1,271% of TNE.

Note 8 – Leases

HPSM is a lessor for noncancellable leases of office space with lease terms through March 31, 2026. For the years ended December 31, 2023 and 2022, HPSM recognized $1,166,164 and $1,169,852, respectively, included in lease revenue released from the deferred inflows of resources related to the office lease included in rental income on the statements of revenues, expenses, and changes in net position. No inflows of resources were recognized in the year related to termination penalties or residual value guarantees during fiscal years ended December 31, 2023 and 2022.

Note 9 – Subscription Based Information Technology Arrangements

HPSM entered into various agreements for information technology (IT) subscriptions. These agreements range in terms up to year 2027. In fiscal year 2023, the total lease payments were $2,515,345. Variable payments based upon the use of the underlying IT asset are not included in the subscription liability because they are not fixed in substance—therefore, these payments are not included in subscription assets or subscription liabilities. HPSM did not enter into any additional subscription agreements that have yet to commence as of December 31, 2023.

HPSM has the following subscription assets activities for the years ended December 31, 2023 and 2022:

	Balance January 1, 2023	Increase	Decrease	Balance December 31, 2023
Subscription assets	$ 7,555,602	$ 158,746	$ -	$ 7,714,348
Less accumulated amoritzation	1,954,213	2,066,312		4,020,525
Subscription assets, net	$ 5,601,389	$ (1,907,566)	$ -	$ 3,693,823

	Balance January 1, 2022	Increase	Decrease	Balance December 31, 2022
Subscription assets	$ 7,555,602	$ -	$ -	$ 7,555,602
Less accumulated amoritzation	-	1,954,213	-	1,954,213
Subscription assets, net	$ 7,555,602	$ (1,954,213)	$ -	$ 5,601,389

For the year ended December 31, 2023 and 2022, HPSM recognized $2,066,312 and $1,954,213, respectively, in amortization expense.

The following is a summary of changes in subscription liabilities, net, for the years ended December 31:

	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion
2023	$ 5,524,297	$ 103,971	$ 2,268,868	$ 3,359,400	$ 1,216,580
	Beginning Balance	**Increase**	**Decrease**	**Ending Balance**	**Current Portion**
2022	$ 7,555,602	$ -	$ 2,031,305	$ 5,524,297	$ 2,268,867

The future principal and interest subscription payments as of December 31, 2023, were as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ 1,216,580	$ 95,288	$ 1,311,868
2025	1,058,288	58,662	1,116,950
2026	523,186	26,754	549,940
2027	561,346	10,591	571,937
	$ 3,359,400	$ 191,295	$ 3,550,695

HPSM evaluated the subscription assets for impairment and determined there was no impairment for the years ended December 31, 2023 and 2022.

Note 10 – Deferred Compensation Fund

HPSM contributes an amount equal to 7.5% of gross salary on behalf of the employee to an IRC Section 457 deferred compensation plan per Internal Revenue Service (IRS) regulations in lieu of social security. In July 2016, HPSM held a vote of its employees to determine for themselves whether or not to participate in social security effective October 1, 2016. Employees who voted to participate in social security would no longer receive the 7.5% of gross salary contribution. Those voting not to participate would continue to receive the contributions in lieu of social security.

All HPSM employees may participate in this deferred compensation plan under which employees are permitted to defer a portion of their annual salary until future years. For the years ended December 31, 2023 and 2022, HPSM contributed $721,039 and $713,894, respectively. The deferred compensation plan is administered by the International City Managers Association and the funds are invested under the terms of a trust agreement. The amounts are not available to employees until termination, retirement, death, or unforeseeable emergency.

The market value of the investments held equals the liability to plan participants under the deferred compensation plan. The deferred compensation investments consisted of various participant directed uninsured investments.

The assets in the plan are not available to pay the liabilities of HPSM. Therefore, the respective assets and liabilities are not reflected in the statements of net position of HPSM.

Note 11 – Health Plan of San Mateo Retirement Plan – Fiduciary Fund

Effective January 1, 1994, HPSM established the Health Plan of San Mateo Employee Retirement Plan (the Plan). The Plan is a single-employer defined benefit pension (cash balance) plan administered by HPSM. Eligible HPSM employees become members of the Plan on the first day of employment. HPSM has the authority to amend or terminate the Plan at any time and for any reason by action of its Commission. The Plan does not issue a stand-alone financial report.

Under the Plan, participants' account balances are credited with contributions equal to 10% of their annual compensation, plus interest of 5% on an annual basis effective January 1, 2005. Benefits are payable in the form of a single-sum payment upon termination or can be deferred through optional payment forms. Participants earn a vested right to accrued benefits upon completion of three years of service and upon death, permanent disability, or employer termination of the Plan. Contributions to the Plan are made by HPSM as no contributions are permitted by participants.

Summary of Significant Accounting Policies

Basis of accounting – The Plan fiduciary financial statements are prepared using the accrual basis of accounting. HPSM's contributions are recognized in the period in which contributions are made. Benefits are recognized when due and payable in accordance with the terms of the Plan.

Investments – The Plan's investments are reported at fair value, including certain investments held in pooled, common, and collective trusts which are maintained for the collective investments are reinvestments of monies contributed to the funds.

Mutual funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Pooled, common, and collective trusts – Units held in pooled investment accounts are valued using the NAV practical expedient of the pooled investment account as reported by the account managers. The NAV is based on the fair value of the underlying assets owned by the pooled investment account, minus its liabilities, and then divided by the number of units outstanding. The NAV of a pooled investment account is calculated based on a compilation of primarily observable market information. The funds invested in the Wells Fargo collective trusts are discretionary accounts managed by Wells Fargo; as a participant of those collective trusts, the Plan purchases and redemption of units from each fund are based on unit values as of the valuation date. Purchases and redemption of units may occur on a daily basis with no redemption fees or other restrictions. Further, the funds do not distribute their investment income to participants, but rather reinvest their investment income back into their respective funds.

Investments by fair value level include the following as of December 31:

Description	Level 1	Level 2	Level 3	2023
Investments by fair value level				
Mutual funds	$ 6,253,506	$ -	$ -	$ 6,253,506
Total investments subject to fair value hierarchy	$ 6,253,506	$ -	$ -	6,253,506
Investments not subject to fair value hierarchy				
Pooled, common, and collective trusts - at NAV				27,901,282
Total investments				$ 34,154,788

Description	Level 1	Level 2	Level 3	2022
Investments by fair value level				
Mutual funds	$ 5,187,975	$ -	$ -	$ 5,187,975
Total investments subject to fair value hierarchy	$ 5,187,975	$ -	$ -	5,187,975
Investments not subject to fair value hierarchy				
Pooled, common, and collective trusts - at NAV				23,122,460
Total investments				$ 28,310,435

Plan description – Participant data for the Plan, as of the measurement date for the year indicated, is as follows:

	2023	2022
Retired and beneficiaries	12	13
Inactive	65	59
Active	338	304
Total participants	415	376

All employees are eligible to participate, except for the following: leased employees, nonresident aliens, temporary employees, and individuals designated by the employer as ineligible to participate in the Plan.

Retirement dates are either – Normal – first of the month following or coincident with attainment of age 65. Deferred – first of any month following actual retirement after age 65. Early – any age prior to age 65 following completion of at least 3 years of vesting service.

Benefits at normal retirement – Each participant will receive an accumulated credit account determined as the sum of the following:

a) Effective January 1, 1994, 10% of compensation received as an employee prior to the effective date;

b) Effective January 1, 1994, investment credits that would have been credited to the account prior to the effective date if it had been in place;

c) For each year starting on or after January 1, 1994, 10% of compensation earned during the plan year; and

d) For each year starting on or after January 1, 1994, an investment credit determined as the Investment Crediting Rate applied to the Accumulated Credit Account at the start of the year, plus the Investment Crediting Rate applied for half a year to the compensation credit for the year.

Investment credits under d) will be pro-rated for the length of participation in the year of payment.

Contribution – HPSM agrees to maintain and contribute funds to the Plan in an amount sufficient to pay the vested accrued benefits of participating members and the beneficiaries when the benefits become due. Members do not make contributions. The Finance Committee makes contributions based on the established funding policy.

Rate of return – For the years ended December 31, 2023 and 2022, the actual rate of return on the Plan's investments, net of investment expenses, was 10.22% and 0.31%, respectively.

The following table summarizes changes in pension asset for the year ended December 31, 2023:

	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension (Asset) Liability
Balance at December 31, 2022	$ 34,350,803	$ 29,280,931	$ 5,069,872
Changes during the year			
Service cost at beginning of year:	2,125,684	-	2,125,684
Interest	2,691,178	-	2,691,178
Differences between expected and actual experience	420,829	-	420,829
Benefit payments	(1,210,116)	(1,210,116)	-
Contributions	-	2,654,597	(2,654,597)
Net investment income	-	4,670,845	(4,670,845)
Net change in total pension liability (asset)	4,027,575	6,115,326	(2,087,751)
Balance at December 31, 2023	$ 38,378,378	$ 35,396,257	$ 2,982,121
Total pension liability			$ 38,378,378
Plan fiduciary net position			35,396,257
Net pension liability			$ 2,982,121
Plan fiduciary net position as a percentage of the total pension liability			92.23%
Covered payroll as of December 31, 2023, actuarial valuation			$ 32,334,540
Net pension liability as a percentage of covered payroll			9.22%

The following table summarizes changes in pension asset for the year ended December 31, 2022:

	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension (Asset) Liability
Balance at December 31, 2021	$ 30,776,808	$ 33,150,125	$ (2,373,317)
Changes during the year:			
Service cost at beginning of year	2,014,298	-	2,014,298
Interest	2,422,173	-	2,422,173
Differences between expected and actual experience	146,710	-	146,710
Changes in assumptions	-	-	-
Benefit payments	(1,009,186)	(1,009,186)	-
Contributions	-	2,095,537	(2,095,537)
Net investment income	-	(4,955,545)	4,955,545
Net change in total pension liability (asset)	3,573,995	(3,869,194)	7,443,189
Balance at December 31, 2022	$ 34,350,803	$ 29,280,931	$ 5,069,872
Total pension liability			$ 34,350,803
Plan fiduciary net position			29,280,931
Net pension liability			$ 5,069,872
Plan fiduciary net position as a percentage of the total pension liability			85.24%
Covered payroll as of December 31, 2022, actuarial valuation			$ 28,063,764
Net pension liability as a percentage of covered payroll			18.07%

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of December 31, 2023 and 2022:

	Contributions related to the actuarially determined contributions made for the plan year
Valuation date:	January 1 to December 31
Actuarial cost method:	Entry age normal actuarial cost method
Amortization method:	Level dollar, closed amortization
Asset valuation method:	Market value
Actuarial assumptions:	
Projected salary increases	5%
Mortality	Pri-2012 total dataset table for males and females, with future mortality improvements projected on a fully generational basis using projection scale MP-2021.
Discount rate	7.50%

The following table summarizes the sensitivity of net pension asset to changes in the discount rates as of December 31:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability as of December 31, 2023	$ 5,379,698	$ 2,982,121	$ 838,102

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability as of December 31, 2022	$ 7,237,919	$ 5,069,872	$ 3,134,492

Components of pension cost included in salaries and fringe benefits and deferred outflows and deferred inflows of resources, as calculated under the requirements of Accounting and Financial Reporting for Pensions (GASB 68), are as follows:

	2023	2022
Service cost	$ 2,125,684	$ 2,014,298
Interest cost	2,691,178	2,422,173
Projected earnings on plan investments	(2,249,259)	(2,526,261)
Current period difference between expected and actual experience	70,847	24,824
Current period difference between projected and actual investment earnings	(484,317)	1,496,361
Current period recognition of prior years' deferred outflows of resources	1,986,395	1,121,020
Current period recognition of prior years' deferred inflows of resources	(1,110,490)	(1,110,557)
Total pension cost	$ 3,030,038	$ 3,441,858

	2023	2022
Deferred outflows of resources as of December 31		
Difference between expected and actual experience	$ 1,205,364	$ 1,339,314
Actual earnings on Defined Benefit Plan investments	1,755,752	4,081,656
Changes in assumptions	6,913	13,015
Total	$ 2,968,029	$ 5,433,985

	2023	2022
Deferred inflows of resources as of December 31		
Changes in assumptions	$ 5,311	$ 8,075
	$ 5,311	$ 8,075

Deferred outflows of resources as of December 31, 2023 and 2022 consist of $2,733,332 and $1,903,789, respectively, of deferred inflows from difference between projected and actual investment earnings, presented in a consolidated format per GASB 68.

Amount reported as deferred outflows of resources and deferred inflows of resources to pension will be recognized in pension expense are as follows:

Years Ending December 31,	
2024	$ 895,223
2025	1,201,271
2026	1,186,527
2027	(386,897)
2028	66,594
	$ 2,962,718

Note 12 – Medical Reinsurance (Stop-Loss Insurance)

HPSM has entered into certain reinsurance (stop-loss) agreements with third parties to limit its losses on individual claims. Under the terms of these agreements, the third parties will reimburse HPSM certain proportions of the cost of each member's annual health care services in excess of specified deductibles ($425,000 for all lines of business for all health care expenses excluding pharmacy), limited to $2,000,000 in aggregate over all contract years per member.

Stop-loss insurance premiums of $3,089,553 and $9,036,238 are included in other medical expense in 2023 and 2022, respectively.

In 2023 and 2022, there is a total of $1,729,281 and $6,952,941, respectively, included in recoveries.

Note 13 – Professional Liability Insurance

HPSM maintains insurance coverage for professional liability and errors and omissions insurance. The policy is an occurrence-based policy and designed specifically for health maintenance organizations to provide comprehensive professional liability insurance and errors and omissions insurance for HPSM employees and certain covered physicians. There have been no reductions in coverage or any claims that have exceeded coverage in any of the past three years.

Note 14 – Commitments and Contingencies

In the ordinary course of business, HPSM is a party to claims and legal actions by enrollees, providers, and others. After consulting with legal counsel, HPSM's management is of the opinion that any liability that may ultimately be incurred as a result of claims or legal actions will not have a material effect on the financial position or results of operations of HPSM.

Note 15 – Health Care Reform

There are various proposals at the federal and state levels that could, among other things, significantly change member eligibility, payment rates, or benefits. The ultimate outcome of these proposals, including the potential effects of or changes to health care reform that will be enacted cannot presently be determined.

Supplementary Information

San Mateo Health Commission
(d.b.a. Health Plan of San Mateo)
Supplementary Schedule of Changes in the
Net Pension Liability (Asset) and Related Ratios

	2023	2022	2021	2020	2019
Total pension liability					
Service cost at beginning of year	$ 2,125,684	$ 2,014,298	$ 1,850,939	$ 1,760,865	$ 1,555,503
Interest	2,691,178	2,422,173	2,156,704	1,841,604	1,654,496
Differences between expected and actual experience	420,829	146,710	243,072	1,514,965	561,651
Changes in assumptions	-	-	54	(15,143)	37,351
Benefit payments	(1,210,116)	(1,009,186)	(744,699)	(1,228,597)	(1,800,659)
Net change in total pension liability	4,027,575	3,573,995	3,506,070	3,873,694	2,008,342
Total pension liability beginning of fiscal year	34,350,803	30,776,808	27,270,738	23,397,044	21,388,502
Total pension liability end of fiscal year (a)	$ 38,378,378	$ 34,350,803	$ 30,776,808	$ 27,270,738	$ 23,396,844
Plan fiduciary net pension					
Contributions	$ 2,654,597	$ 2,095,537	$ 1,948,733	$ 1,772,346	$ 1,613,011
Net investment income	4,670,845	(4,955,545)	3,211,839	3,804,419	4,099,419
Benefit payments	(1,210,116)	(1,009,186)	(744,699)	(1,228,597)	(1,800,659)
Net change in Plan fiduciary net position	6,115,326	(3,869,194)	4,415,873	4,348,168	3,911,771
Plan fiduciary net position beginning of year	29,280,931	33,150,125	28,734,252	24,386,084	20,474,313
Plan fiduciary net position end of fiscal year (b)	$ 35,396,257	$ 29,280,931	$ 33,150,125	$ 28,734,252	$ 24,386,084
Net pension liability (asset) end of fiscal year					
Plan's net pension liability (asset) (a) - (b)	$ 2,982,121	$ 5,069,872	$ (2,373,317)	$ (1,463,514)	$ (989,240)
Plan fiduciary net position					
as a percentage of the total pension liability	92.23%	85.24%	107.71%	105.37%	104.23%
Covered employee payroll	$ 32,334,540	$ 28,063,764	$ 27,278,649	$ 26,690,439	$ 23,367,767
Net pension liability (asset)					
as a percentage of covered payroll	9.22%	18.07%	-8.70%	-5.48%	-4.23%

	2018	2017	2016	2015	2014
Total pension liability					
Service cost at beginning of year	$ 1,409,343	$ 1,343,189	$ 1,187,234	$ 1,253,303	N/A
Interest	1,493,432	1,369,003	1,265,064	1,283,904	|
Changes of benefit terms	-	-	-	-	|
Differences between expected and actual experience	579,658	641,930	365,418	(460,027)	|
Changes in assumptions	(2,171)	977	4,080	(1,471,505)	|
Benefit payments	(1,168,557)	(2,334,774)	(875,405)	(709,190)	|
					|
Net change in total pension liability	2,311,705	1,020,325	1,946,391	(103,515)	|
					|
Total pension liability beginning of fiscal year	19,076,797	18,056,472	16,110,081	16,213,596	|
Total pension liability end of fiscal year (a)	$ 21,388,502	$ 19,076,797	$ 18,056,472	$ 16,110,081	$ 16,213,596
Plan fiduciary net pension					
Contributions	$ 1,396,529	$ 1,313,247	$ 1,164,095	$ 1,459,445	N/A
Net investment income	(1,086,108)	2,920,884	1,401,293	(70,676)	|
Benefit payments	(1,168,557)	(2,334,774)	(875,405)	(709,190)	|
					|
Net change in Plan fiduciary net position	(858,136)	1,899,357	1,689,983	679,579	|
					|
Plan fiduciary net position beginning of year	21,332,449	19,433,092	17,743,109	17,063,530	|
Plan fiduciary net position end of fiscal year (b)	$ 20,474,313	$ 21,332,449	$ 19,433,092	$ 17,743,109	$ 17,063,530
Net pension liability (asset) end of fiscal year					
Plan's net pension liability (asset) (a) - (b)	$ 914,189	$ (2,255,652)	$ (1,376,620)	$ (1,633,028)	$ (849,934)
Plan fiduciary net position					
as a percentage of the total pension liability	95.73%	111.82%	107.62%	110.14%	105.24%
Covered employee payroll	$ 22,218,355	$ 20,084,266	$ 18,167,831	$ 16,553,874	$ 15,898,836
Net pension liability (asset)					
as a percentage of covered payroll	4.11%	-11.23%	-7.58%	-9.86%	-5.35%

San Mateo Health Commission
(d.b.a. Health Plan of San Mateo)
Supplementary Schedule of Contributions

	2023	2022	2021	2020	2019
Actuarial determined contribution	$ 2,654,597	$ 2,095,537	$ 1,948,733	$ 1,772,346	$ 1,613,011
Contributions related to actuarially determined contribution	$ 2,654,597	$ 2,095,537	$ 1,948,733	$ 1,772,346	$ 1,613,011
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 32,334,540	$ 28,063,784	$ 27,278,649	$ 26,690,439	$ 23,367,767
Contribution as % of covered payroll	8.21%	7.47%	7.14%	6.64%	6.90%
Contributions made during the fiscal year	$ 2,654,597	$ 2,095,537	$ 1,948,733	$ 1,772,346	$ 1,613,011

	2018	2017	2016	2015	2014
Actuarial determined contribution	$ 1,396,529	$ 1,313,247	$ 1,164,095	$ 1,437,466	$ 1,367,854
Contributions related to actuarially determined contribution	$ 1,396,529	$ 1,313,247	$ 1,164,095	$ 1,459,445	$ 1,333,194
Contribution deficiency (excess)	$ -	$ -	$ -	$ (21,979)	$ 34,660
Covered payroll	$ 23,367,767	$ 20,084,266	$ 18,167,831	$ 16,535,874	$ 15,989,836
Contribution as % of covered payroll	5.98%	6.54%	6.41%	8.83%	8.34%
Contributions made during the fiscal year	$ 1,396,529	$ 1,313,247	$ 1,164,095	$ 1,459,445	$ 1,333,194

San Mateo Health Commission
(d.b.a. Health Plan of San Mateo)
Supplementary Schedule of Investment Returns –
Health Plan of San Mateo Retirement Plan Fund

Years Ended December 31,	Rate of return
2023	15.57%
2022	-14.71%
2021	10.95%
2020	15.43%
2019	22.21%

AGENDA ITEM: 5.2

DATE: April 10, 2024

Meeting materials are not included

for Item 5.2 – Cyber Security Update Presentation

AGENDA ITEM: 5.3

DATE: April 10, 2024

Meeting materials are not included

for Item 5.3 – Investment Fund Update Presentation

MEMORANDUM

AGENDA ITEM: 5.4

DATE: April 10, 2024

DATE: April 3, 2024

TO: San Mateo Health Commission

FROM: Patrick Curran, Chief Executive Officer

RE: Dental Capacity Investment for Ravenswood Family Health Network

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Recommendation:

Provide $431,042 in funding to Ravenswood to support two new dental operatories in a new Redwood City location, which will provide access to new patients who are HPSM members, as well as develop and implement a program to train new dental assistants to serve patients.

Background:

HPSM implemented the dental integration program in January 2022. We are now in our third year of fully administering the Medi-Cal Dental benefit for our members through HPSM Dental. We have increased access for both children and adults and expanded our network of dental providers. However, access continues to be a challenge, especially for adults. This dental access challenge is heightened due to the more than 15,000 new HPSM Medi-Cal members who participated in the county's ACE program, which did not provide dental coverage.

Ravenswood Family Health Network is one of the largest clinics providing dental care to HPSM members. They have expanded capacity at their East Palo Alto location and have a proven track record of expanding access through prior capacity funding through the Children's Health Initiative (CHI) program.

Ravenswood is now partnering with Sequoia Healthcare District (SHD) to open a new location for dental services in Redwood City. SHD is providing a significant amount of funding and support, such as the building in which the clinic will be located. This funding from HPSM is important to assist Ravenswood in expanding the clinic from 9 dental operatories to 11 dental operatories, as well as develop a critical workforce to serve new members at this location.

Discussion:

Our FQHC partners, including Ravenswood, are a critical access point for members, as well as offering a unique opportunity to integrate medical and dental services. In addition, this proposal would increase access to dental care. Ravenswood anticipates that in Year 1 of the clinic they will see 1,079 HPSM members who are not existing Ravenswood patients (new access); By Year 3, Ravenswood anticipates serving 2,828 HPSM members who are not existing Ravenswood patients. For the dental assistant training program, Ravenswood anticipates that 5-10 new dental assistants will be trained and deployed into clinics during the two years of funding.

Fiscal Impact:

This proposal is a key component of our broader strategy to increase access to dental care and to better integrate services. We believe this proposal will not require additional contributions after this capacity funding, since Ravenswood has significant experience providing dental care to Medi-Cal members in a financially sustainable manner. As an FQHC, Ravenswood also has a long-term commitment to serving HPSM members. In addition to the increased access to care for HPSM members, Ravenswood is taking a leadership role in developing a dental assistant training program, which could serve as a model for other clinics and the broader community.

DRAFT

RESOLUTION OF THE
SAN MATEO HEALTH COMMISSION

IN THE MATTER OF APPROVL OF
DENTAL CAPACITY FUNDING FOR RAVENSWOOD
FAMILY HEALTH NETWORK

RESOLUTION 2024 -

RECITAL: WHEREAS,

A. The San Mateo Health Commission is responsible for oversight of HPSM and its important role as a community health plan and steward of public dollars;

B. HPSM has a strategic imperative to improve health outcomes and reduce health disparities for our members; and

C. HPSM seeks to increase access to dental care for HPSM members through its dental integration program.

NOW, THEREFORE, IT IS HEREBY RESOLVED AS FOLLOWS:

1. The San Mateo Health Commission approves one-time funding in the amount of $431,042 to Ravenswood Family Health Network to increase access to care for HPSM members and to enhance workforce development by implementing a dental assistant training program.

PASSED, APPROVED, AND ADOPTED by the San Mateo Health Commission this 10th day of April 2024 by the following votes:

AYES:

NOES:

ABSTAINED:

ABSENT:

_____
George Pon, Chairperson

ATTEST:

BY: _____
C. Burgess, Clerk

APPROVED AS TO FORM:

_____
Kristina Paszek
DEPUTY COUNTY ATTORNEY

AGENDA ITEM: 5.5

DATE: April 10, 2024

Meeting materials are not included

for Item 5.5 – Compliance Audit Update

MEMORANDUM

AGENDA ITEM: 6.0

DATE: April 10, 2024

DATE: April 3, 2024

TO: San Mateo Health Commission

FROM: Patrick Curran

RE: CEO Report – April 2024

Default Enrollment Pilot with DHCS and CMS

HPSM was one of three plans selected by the Department of Health Care Services (DHCS) to participate in a default enrollment pilot. The other two health plans are Kaiser Permanente in San Mateo County and Community Health Group in San Diego County.

Default enrollment is a process through which current HPSM Medi-Cal members who newly qualify for Medicare can automatically enroll in CareAdvantage, our Medicare plan, and receive all their services through HPSM. We would give the members 60- and 30-day notices and each member can opt out and choose another arrangement for their Medicare services. In the current state, HPSM Medi-Cal members who newly qualify for Medicare need to complete the enrollment process for our Medicare plan.

We will engage local stakeholders in the implementation, as well as discuss at the upcoming CareAdvantage Advisory Committee meeting on April 26th. We will submit an application to CMS, the federal agency that oversees Medicare, in the next month. Our tentative go-live date for this pilot is September 2024.

Dental Partnership with Sequoia Healthcare District

HPSM is working with the Sequoia Healthcare District (SHD) to implement an innovative pilot program to increase access to dental care for our members. SHD is providing funding to HPSM which will be used to work with the San Mateo Dental Society to recruit community dentists to see new patients. Most of the patients will be HPSM members who are on waiting lists at other existing dental clinics. In addition to providing enhanced access, dentists will participate in a learning collaborative and discuss how we can continue to improve our program and increase our dental provider network.

HPSM Investment Funds

We reviewed a framework for both a provider and community investment fund at the Finance/Compliance Committee on March 25th and will give a brief overview and outline next steps at the April Health Commission meeting. We also plan to devote a large part of our May Health Commission meeting to our provider network investment strategy.

State Budget

As discussed previously, the upcoming state budget for July 2024 through June 2025 includes substantial deficits. Despite that, the upcoming state budget does not include any reductions to either who is covered by Medi-Cal or what services are covered by Medi-Cal. The next major announcement will be in May, when the state announces an updated economic projection for the coming year, known as the “May Revise”. We will learn more at that time about potential changes, including any funding reductions or delays in program implementation.

Baby Bonus Project

As a follow-up to our discussion at the March Health Commission meeting, we continue to participate in the design of this innovative new program initiated by the Jackie Speier Foundation. The steering group meets on April 10th to discuss program design and timeline in more detail and Amy Scribner of HPSM participates in that group. We are tentatively planning to bring the program design, including a funding proposal, for consideration at the June Health Commission meeting.