

ANNUAL REPORT



2010



CenCalHEALTH[®]
The Regional Health Authority

From the CEO



R. Lyle Luman, MBA, FACHE
Chief Executive Officer

Mission

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

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

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

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

Sincerely,

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

R. Lyle Luman, C.E.O.

& Deputy CEO

Issue of the Year: Health Care Reform

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

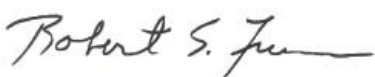
Depending upon who one spoke with, what article they read, radio program they listened to, or television show they watched, federal healthcare reform is either breakthrough or a travesty – rarely something in between. CenCal Health as an organization has followed the evolution of federal health care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

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

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

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

Sincerely,



Robert Freeman, Deputy C.E.O.



Robert Freeman,
Deputy Chief Executive Officer

Vision

To be a national model for health care delivery.

Values

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

Health

Utilization Management Care Management MSSP



*Patricia Sabella, RN
Director of Health Services*

Quality Improvement Committee

Rene Bravo, MD
Robert Freeman (Chair)
Irwin Harris, MD, MBA
Peter Hasler, MD
Carlos Hernandez (interim)
Lyle Luman, MBA, FACHE
Richard Ripple, MD
David Strumpf, MD

UTILIZATION MANAGEMENT (UM)

Health Services is committed to ensuring medically necessary quality care in appropriate settings. UM nurses and physicians, working closely with hospital staff and attending physicians, perform pre-service review, concurrent review and post-service review, utilizing nationally recognized, evidence-based criteria adopted by our network physicians to ensure that services being performed and medical equipment being ordered are appropriate. In 2009, UM staff increased on-site hospital reviews on a concurrent basis with resulting improvement in decision timeliness. Working directly with hospital discharge planners, authorizations for post-hospital services for members are identified and approved earlier and at the time when services are needed most.

CARE MANAGEMENT

Care Management empowers members to exercise their options and make informed choices, to access the services appropriate to meet their individual health needs and promotes optimal outcomes. It is a collaborative process whereby registered nurses work directly with members/ families by telephone , and sometimes by visits to the home or hospital, in order to educate members about their chronic diseases and to coach them toward healthy lifestyle changes. Thousands of members have been touched by this staff with positive results such as reduced re- hospitalizations and reduced emergency room visits. A recent initiative with additional documented success has been with our diabetic members where previously elevated HbA1C levels have been lowered to within safe levels. The nurses work with the parents of asthmatic children with recent ER visits, promoting proper medication usage and Primary Care Physician (PCP) visits.



*Corina Easley, Ann Sly,
Armando Rivera, Becky Jones,
Laurie Oldham, Diana Lewis,
Elena Bisquera, Blanca Pinedo,
Melanie Frampton*

MSSP

Cencal Health was awarded a federal grant , effective October, 2008, for MSSP. The primary objective of the Multipurpose Senior Services Program (MSSP) is to foster and maintain independence and dignity in community settings for frail seniors by preventing or delaying their inappropriate placement in a nursing facility. MSSP care management provides for client assessment, care planning, service arrangement and client monitoring. A team of health and social service professionals provides each client with a complete health and psychosocial assessment to determine services needed. The team then works with the client and family to develop an individualized care plan. To arrange for services, site care management staff first explores informal support that might be available through family, friends and the voluntary community. Staff then reviews existing publicly funded services and make direct referrals whenever possible. If needed services are not available through friends, family and other programs, the care management team can authorize the purchase of waiver specified services from program funds.

Services

Health Education Quality Management Program

Demonstrated results through a very positive 2009 Annual Member Survey, ongoing recruitment, a dedicated team of professional care managers, and CenCal Health's commitment to the elderly population has resulted in a successful year for MSSP.

HEALTH EDUCATION

Health Education strives to provide our CenCal Health members with health guidance and information, and to support our provider network with up-to-date resources for clear health communication. The member newsletter, "Your Health" is sent to over 40,000 member households in Santa Barbara and San Luis Obispo counties providing information on good health practices, preventive care, disease management, and community resources.

With childhood obesity as a major focus, staff provides a toolkit called "Live Better, Make a Change" to families with a child who has been identified as overweight. Over 500 families have joined the program and committed to making positive health changes in the past two years. CenCal Health hosted our 3rd annual Childhood Obesity Summit for health care providers and community partners this year, to promote best practices and programs addressing childhood obesity on the Central Coast.

QUALITY MANAGEMENT PROGRAM

CenCal Health received the "Gold Quality Award" for best compliance for 2009 facility site and medical record review from the California Department of Health Care Services, and in so doing surpassed all other Medi-Cal managed care plans in California.

The Health Services quality program:

- Assists new provider offices in preparing for initial audits in order to meet the necessary certification to treat CenCal Health members;
- Performs audits and medical record reviews every three years in network provider offices as part of the recertification process;
- Investigates and follows up on all member clinical grievances with the Chief Medical Officer and the Member Services department;
- Develops, implements, evaluates and monitors Quality Improvement Plans (QIP'S) with the State
- Researches best practices to improve clinical performance measures

In conjunction with our Public Health partners, staff has helped train over 150 network Medical Assistants to properly measure and graph Body Mass Index (BMI) to improve screening for childhood obesity.



Irwin Harris, MD
Chief Medical Officer

Medical Advisory Committee

Gilbert Andersen, MD
Julio Bordas, MD
Irwin Harris, MD, MBA (Chair)
Peter Hasler, MD
Albert Hawkins, Jr., MD
Jeff Januska, PharmD
Lawrence Li, MD
George Robertson, MD
Patricia Sabella, RN
Michele Saunders, MD

Medical Management Committee

Philip Borgardt, MD
Irwin Harris, MD, MBA (Chair)
Peter Hasler, MD
Jeff Kaplan, MD
David Lennon, MD
Cecilia Ramos, MD
Patricia Sabella, RN
Manuel Salmeron, MD
Neil Sullivan, MD



Provider



*Marina Gordon,
Director of Provider Services*

First and foremost, we continued to build and strengthen relationships with providers over the course of the year. A milestone was reached in March 2010, marking the second anniversary of the Medi-Cal managed care expansion into San Luis Obispo County.

STRENGTHENING THE PROVIDER NETWORK

The Provider Services Department continued contracting and recruitment efforts to improve access to physicians for our membership. Over 260 primary care providers and 1360 specialists are currently contracted with CenCal Health. In our healthcare programs, one physician is contracted for every 52 members, nearly 25 times superior to the State requirement for physician availability.

ENSURING THAT PROVIDERS ARE SATISFIED

Over the past year, Provider Services staff strongly advocated on behalf of providers and addressed concerns in a timely manner. CenCal Health's annual provider survey revealed a 95% overall satisfaction rate with the quality of service delivered by the health plan. Providers ranked electronic authorizations, timely claims processing, member services responsiveness, and provider workshop effectiveness especially high. Most notably, providers responded that they 'agreed' or 'strongly agreed' that the service of CenCal Health surpassed other health plans.

COLLABORATING WITH THE PROVIDER COMMUNITY

So much of what we do is related to provider training and education. Staff visited over 320 medical offices throughout the year to offer assistance with authorizations and payment, clarify program benefits, give website demonstrations, and educate providers on incentive programs. With the 3rd annual adolescent well care campaign, CenCal Health continued to encourage physician participation to improve the care and well-being of our adolescent population. Five provider champions were acknowledged for their outreach to and care for the adolescent population that can often times be difficult to reach. We also take this opportunity to thank the Provider Advisory Board for continuing to provide sound guidance into healthcare operations and input into quality campaigns such as the one dedicated to adolescent well care.

Provider Advisory Board

Pamela Challis
Paula Curran, RN
Jack Doria
Justin Hedrick
Leslie Kearney
Robert Nichols (Board Liaison)
Lisa Reich
Cynder Sinclair
Elizabeth Snyder
Kathleen Sullivan, RN, MSN
Lynda Tanner
Heidi Williams

Provider Credentials Committee

Sabrina Carter, MD
Luis Diaz, DC
Farooq Husayn, MD
W. Blake Jamison, MD
N. Birrell Smith, MD
Neil Sullivan, MD
Himat Tank, MD (chair)

Services

PROVIDING ACCESS TO ONLINE TOOLS

CenCal Health continuously looks for ways to enhance care and prevention. The design of the internet based portal for primary care providers was completed this past year, which provides access to member health information shared by community providers including pharmacies, laboratories, and community hospitals. The purpose of this portal is to assist physicians in coordinating care for their assigned members by providing access to real-time emergency room data, including presenting diagnosis and time of visit. The tool also provides preventive care reminders including cervical cancer and breast cancer screenings and annual well child visits.

Last, but not least, an online credentialing application will soon be available. Providers new to the health plan will be able to complete initial credentialing applications without the need for paper and current providers will be able to submit recredentialing applications, required every three years, electronically. Provider Services staff hopes to 'go green' this year while making the credentialing process more 'provider friendly'. I would like to thank members of the Provider Credentialing Committee for giving of their time, experience and expertise.

APPRECIATING THE COMMITMENT OF THE PROVIDER COMMUNITY

It comes as no surprise to the healthcare community that CenCal Health faces significant challenges in light of increased healthcare costs and decreasing revenues. Our contracted providers continue to display an unvarying commitment to look at the more favorable side of events and toward our future partnership. We are sincerely grateful that our providers continue to champion our mission of ensuring quality health care for all residents of Santa Barbara and San Luis Obispo Counties. Central to this accomplishment are committed, enthusiastic, and bright people, like those at CenCal Health, who live our mission every day.

*Over 260 primary care physicians
and 1360 specialists are currently
contracted with CenCal Health*



Ashley Erickson, Faith Reeves



*Sheila Thompson, RN,
Theresa Merkle*

Member Services

Improving Satisfaction ER Visit Reduction



*Donna Slimak,
Director of Member Services*

Community Advisory Boards

SANTA BARBARA

Donna Slimak (Chair)
Caro Stinson
Dana Gamble
Georgene Lowe
Walker Dearth
Karen Johnson
Lou Ellen Scott
Louis Cassano
Petra Lowen
Rene Garcia
Karen Moyes, MD
Lauren Mejia

SAN LUIS OBISPO

Donna Slimak (Chair)
Audra Henson
Jonathan E. Nibbio
Karen Moyes, MD
Donna Claiton
Kena Burke
Linda McClure
Marsha Bollinger
Mary Gallegos
Paula Curran

The Member Services Department had two main initiatives for the 2009-2010 fiscal year: (1) satisfaction and (2) improvement toward reducing emergency room use for routine care. An automated survey to measure satisfaction with the Call Center was implemented in January 2010 (16% of all incoming calls were surveyed with a 47% completion rate). Two questions are contained within this automated survey that provide the ability to leave a message for a supervisor call back. The first question inquires if the caller is satisfied with the service they received from the Member Services Representative and the second question inquires if the caller felt their issue(s) were resolved. The first 2 quarters of data revealed an aggregate score of 100% satisfaction rate with question number one and 98% for question number two. These scores were well above the anticipated 95% tentative goal.

The second initiative is related to the Statewide Emergency Room Reduction Collaborative for which the Member Services Department is the lead for CenCal Health. This effort also involved numerous activities. One such effort is the direct collaboration with Cottage Hospital Goleta and Santa Barbara emergency room staff in coaching targeted members using the emergency room for routine care. This effort along with Provider Services Department's continued expansion of the after-hours availability of PCPs within the South County of Santa Barbara appears to have had a positive impact and early results indicate the decrease of overall emergency room use for the Santa Barbara South County hospitals. Both initiatives and interventions have proven very successful for the Member Services Department and CenCal Health.



Member Services Staff

Pharmacy

Partnership

Outreach

Oversight

The Pharmacy Department is very proud to have rolled out a 340B program in collaboration with Community Health Centers of the Central coast (CHCCC) in San Luis Obispo, and with our Pharmacy Benefit Managers MedImpact and SUNRx. As part of the Veterans Health Act of 1992, section 340B includes a provision for a Federal drug discount program allowing certain safety-net providers such as FQHCs and Public Health Departments to purchase drugs significantly below market rates. The intent of the discount is to assist in funding of indigent care. Through our collaboration we have created a revenue opportunity for CHCCC and an expense offset for CenCal Health. This opportunity assists both agencies in maintaining and expanding services to our members. We hope to roll this program out to other plan partners in Santa Barbara County next year.

CenCal Health has been able to mitigate the National pharmaceutical growth trends running in the 8-9% range down to approximately 2%.

We continue to enjoy a very successful partnership with a Specialty Pharmacy vendor for the provision of certain complex and costly therapies and injectable medications that are frequently self administered by our members. Through this partnership CenCal Health and our members enjoy enhanced clinical services in terms of member outreach, counseling and therapy oversight. Additionally, improved quality is seen in greater adherence rates, improved outcomes and side effect management.

CenCal Health's Pharmacy Department continues to be supported by the hard work, efforts and collaboration of a very active and engaged Pharmacy and Therapeutics Committee comprised of dedicated network physicians and pharmacists.

*Dawn Funé-Seward, Rita Washington,
Stephanie Muñoz, Jeff Januska*



*Jeff Januska, PharmD
Director of Pharmacy Services*

Pharmacy and Therapeutics Committee

Sandeep Anantani, RPh, MBA
Julio Bordas, MD
Irwin Harris, MD, MBA
Albert Hawkins, MD
Jeff Januska, PharmD (Chair)
Francis Lagattuta, MD
Chris Mitsuoka, PharmD
Manuel Salmeron, MD
Buck Sharp, RPh
Chad Signorelli, PharmD

Decision Support

Quality of Care

Public Accountability



Carlos Hernandez,
Director of Decision Support

Quality of Care: CenCal Health earned the California Department of Health Care Services (DHCS) *Silver Award for Quality*. As measured by indicators that comprise the Healthcare Effectiveness Data and Information Set (HEDIS 2009), CenCal Health was the top performer among the five CAHIO plans that comprise the California Association of Health Insuring Organizations (CAHIO).¹ We also ranked 2nd statewide among all Medi-Cal Managed Care plan contractors, regardless of plan model. These rankings and our recent DHCS commendation validate the exceptional quality of care delivered by our providers.

Public Accountability: CenCal Health again successfully reported independently-audited performance data to the National Committee for Quality Assurance (NCQA), a private, non-profit organization dedicated to improving health care quality. In aggregate, we continued our year-over-year trend of overall performance improvement. Based on exceptional HEDIS 2010 results, we are expected to maintain a top ranking among Medi-Cal plans for our Santa Barbara Health Initiative product. For the San Luis Obispo Health Initiative product, CenCal Health for the first time measured baseline performance for the full set of DHCS performance indicators. Based on these measurements, staff is implementing innovative changes to improve quality for the San Luis Obispo membership.

Pediatric Immunizations: In 2010 CenCal Health maintained immunization completeness at 82% for Medi-Cal members who turned 2 years of age and who received timely immunizations to protect against diphtheria, tetanus, pertussis, polio, measles, mumps, rubella, haemophilus influenzae type b, hepatitis B, chicken pox, and pneumococcal disease. In 2009 this level of immunization completeness was the best achieved statewide by any Medi-Cal plan, a performance that ranked solidly among the best tenth percentile of Medicaid plans nationally.

Superior Diabetes Management: Among Medicaid plans nationally, CenCal Health ranked among the best tenth percentile in 2010 for five of nine measurements that indicate quality of diabetes care. Nearly 71% of Medi-Cal members with diabetes had an eye exam to screen for diabetic retinopathy, fewer than 30% of members had an uncontrolled A1c level -- a vitally important measure of blood sugar control; 62% of members had an A1c level of control less than 8%; 46% of members met the clinical goal for LDL cholesterol control; and 86% of members were screened for nephropathy.

Access to Primary Care: In 2010 CenCal Health proudly reported that 94% of children enrolled in our Healthy Families Program accessed primary care services during recommended timeframes. We strongly encourage appropriate utilization of services in a primary care setting to promote the *Medical Home* concept.

¹ Since its introduction in 1993, the Healthcare Effectiveness Data and Information Set (HEDIS) evolved to become the gold standard in managed care performance measurement. HEDIS is a set of standardized performance measures designed to help purchasers and consumers make reliable comparison of organization performance.



2009
and
2010



Lauren Geeb, Teri Lee,
Kat Werbelow, Carlos Hernandez,
Jonathan Evans

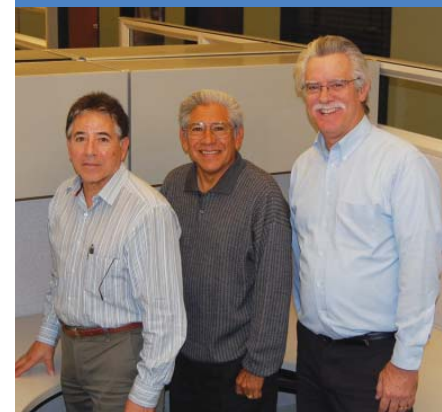
Technology

Information Technology (IT)

- IT continued its efforts by ensuring CenCal Health operates on current and the most efficient systems. The IT production systems were upgraded to HP Itanium servers with significant increases in memory, storage, and CPU power. This should visibly improve backend processing and response time for the end-user Oracle screens. The Oracle database was also upgraded to the most recent version of 11g. This offers additional configuration, efficiency, and tuning features to improve performance as well.
- In collaboration with Claims, Provider Services, and Health Services Departments, IT implemented a new institutional pricing methodology based on DRG (Diagnosis Related Groupings). Medicare reimburses in this manner, and we have established a similar reimbursement methodology for several contracted hospitals. Work to date by staff on this project allows for possible expansion of DRG reimbursement to additional contracted hospitals in the future. Data analysts projected that the expenditures would be cost-neutral, and that billing in this manner would ease administrative burden on both the hospitals and health plan staff.
- The Pharmacy 340B program was established for Community Health Centers of Central Coast (CHCCC) in January 2010 for San Luis Obispo assigned members. In October the membership was expanded to include CHCCC members within Santa Barbara County. IT staff worked with the Pharmacy Department, Decision Support, and our Pharmacy Benefit Manager (PBM) MedImpact, to ensure information was submitted to MedImpact in support of the expansion.
- IT contracted with Legacy Consulting Services to establish contracts with new/existing clearinghouses for electronic claim submissions rather than having them submit paper claims to Future Vision. The clearinghouses were attempting to contract with a clause that forces CenCal Health to pay for the claims submitted to them by the clearinghouses. By contracting with Legacy, this ensures that the contracting, as well as the testing and oversight of file submission is performed by Legacy, rather than internal staff.



Dave Siebel, Director of IT



*Jose Dominguez, John Sanchez,
Greg Brown*



*Setsuko Kobayashi, Viji Pakala,
Dmitri Panfilov*

Helping the



CenCal Health employees, *Mouline Chiourn and Paula Marie Michal*, at the *Miracle Mile for Kids*



HEALTH PROMOTIONS

Our Senior Health Promotion Educator, Suzanne Michaud, works with a number of community coalitions, such as Partners for Fit Youth (Santa Barbara County) and Healthy Eating Active Living –San Luis Obispo, to plan and promote health education and resources for our health plan members. She also visits provider sites to speak on health education and health literacy in order to make it easier for providers and members to communicate clearly about health information and recommendations. Here she is shown speaking on the topic of health literacy at the Best Practices in Health Promotion seminar sponsored by the Santa Barbara County Public Health Department in April 2010.

PROMOTING HEALTHY WEIGHT

This year, CenCal Health worked with other dedicated organizations in Santa Barbara County to develop a guide containing *Resources to Promote Healthy Weight for Children & Families*. This handy tool will be used by physicians, clinics, and community service providers to encourage families to access physical activity, nutrition education, or counseling and clinical services in their communities. CenCal Health sponsored its third successful annual Childhood Obesity Summit in February which was attended by over 100 health professionals and community advocates.

*Live Better
Make a Change*



Members win! A mom and her son from Orcutt won a Family Gift pack, as part of our Live Better, Make a Change program for members.

Over 500 families have enrolled in the program and committed to eating healthy and being more active since our program began in April 2008. All participants receive a family toolkit and free recipe book for joining.



Teens at C-PaTH

CenCal Health supported a new Santa Maria area program for teens called Community Partnership for Teens to be Healthier by providing nutrition classes with a Registered Dietitian and incentives for teens who participated.

Community



CenCal Health's newest health promotion effort targets pregnant women and new mothers. CenCal Health has become an Outreach Partner for "text4baby," a free, mobile information service designed to promote maternal and child health. This is an example of the innovative ways that CenCal Health is reaching out to provide health education and support to our members. www.text4baby.org



Text4baby event with Congresswoman Lois Capps, in August 2010.



Donna Slimak, Director of Member Services, far left, received the Mayor's Award for her extraordinary work in the deaf community.

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COMMUNITY PARTICIPATION

CenCal Health employees donated money and time in support of these organizations and events:

American Heart Association Heartwalk

Alzheimer's Memory Walk

Family Care Network's Miracle Mile for kids

March for Babies (March of Dimes)

United Way's Day of Caring

Healthcare Heroes - Neighborhood Clinics

CHISLO - Champions for Children

Senior Health Fairs and Expos



CenCal Health's 2010 Heart Walk team members

Claims

Accessibility Accuracy Timeliness



*Lulu Von Alvensleben,
Director of Claims Operations*



*Roxanne Euglow, Michelle
Meinhold, Kelli Fishbach,
Debbie Richardson, Martha
Salazar*



*Lucy Renteria, Cody Matthews,
Christy Creighton, Lulu Von
Alvensleben*

The Claims department focus for this past year included high quality service, accessibility, accurate and timely claims payment, and a close professional relationship with our Providers.

- The Document Control staff is responsible for opening, sorting, scanning and linking all claim documents received within the department. During the past fiscal year, they received and were responsible for handling a total of 72,715 claim documents - an average of 6,060 per month.
- The Reimbursement staff worked hard at researching and responding to a total of 81,334 claim corrections received from our provider community on denied claims and are currently averaging an eleven day turnaround time with these documents.
- The department as a whole has orchestrated many processes to eliminate time consuming reviews, and this has resulted in more streamlined claim processing, leaving our staff more time to concentrate on quality improvement and provider assistance.
- During the past fiscal year, improved processes have reduced the percentage of claims that require manual review from 39% to 24%.
- The Claims staff, working with Provider Services, has devoted considerable time and resources to facilitate electronic billing for as many of our providers as possible. Accurate electronic billing translates directly to a faster turnaround for claims processing, resulting in faster payments.
- Each Claims Customer Service Representative (Claim Representative) was given a monthly goal for Provider visits. Provider outreach is now at its highest with over 80 visits for the first half of 2010, including both on-site visits and conference calls.
- Six Provider Billing Workshops, for both beginning and advanced billing staff, were held in the first half of 2010, concentrating on the most recent billing and regulatory changes relating to claims billing for all CenCal Health programs.

We will continue to strive for improvement in all areas of the Claims Department and look forward to providing the most efficient and accurate claims payment for our provider community.

*Melinda Austin, Angel Vargas,
Amy Mendoza, Cindy Hansen,
Gretchen Schroeder*



Finance

Financial Outlook

CenCal Health experienced a net loss of \$6.3 million for fiscal year 2009-2010. At year end, the fund balance was \$14.2 million and the Tangible Net Equity (TNE) was at 86% of the minimum required by the Department of Managed Health Care.

CenCal Health's operating revenue increased this year from \$234 per member per month (PMPM) to \$248; however, this increase only restored the decrease to revenue in the prior year and was not sufficient to cover rising medical expenses. The medical expense increased minimally by 1.7% this year from \$230 to \$234 PMPM. The medical loss ratio decreased from 100% to 96%.

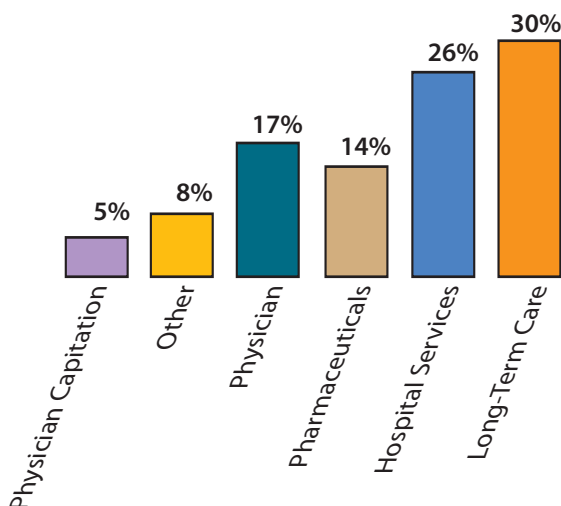
Administrative costs were decreased on a PMPM basis by 5.3%; thereby reducing the administrative cost ratio from 5.9% to 5.5% and staying under budget by \$340,231. CenCal Health was conservative in establishing the 09-10 budget last year, and the staff made a tremendous effort to keep administrative costs even lower than budgeted.

The draft capitation rates from the State for Medi-Cal effective July 1, 2010 indicate a potential increase of 3.5%. Assuming the final budget approved by the State implements the draft rates, CenCal Health will hopefully be able to avoid further losses, but does not foresee being able to restore the minimum TNE level required by the Department of Managed Health Care. CenCal Health continues to work with the State, and hopes to obtain some revenue relief in the upcoming year. In the meantime, staff will work internally to minimize rising medical expenses and maintain a low administrative ratio.



*David Ambrose, CPA
Chief Financial Officer*

David Ambrose,
Chief Financial Officer



Statement of Revenue and Expense*

(Rounded in Millions of Dollars)

	2010	2009
REVENUES:	\$292.8	\$255.1
MEDICAL EXPENSES:		
Physician Capitation	14.3	11.7
Physician Fee for Service	47.7	42.2
Pharmaceuticals	39.2	37.9
Hospital Services	73.3	60.5
Long Term Care Services	82.5	76.5
Other Medical Care	21.7	21.0
Reinsurance/Recoveries - net	(2.5)	(1.6)
TOTAL MEDICAL EXPENSES	276.6	248.2
ADMINISTRATIVE EXPENSES:	15.5	17.8
MCO TAX EXPENSE:	7.0	3.0
TOTAL EXPENSES	299.1	266.0
TOTAL REVENUES GREATER (LESS) THAN EXPENSES	\$(6.3)	\$(10.9)

Board of Directors

Board of Directors

Katcho Achadjian
County Supervisor (SLO)

Rene Bravo, MD
Physician Representative (SLO)

Chuck Cova
Hospital Administrator

Kathy Gallagher
County Representative (SB)

Jeff Hamm, Chair
Director of SLO County Public Health Department

Dan Herlinger
Business Representative (SB)

Karen Johnson
Consumer Representative (SB)

Mark Juretic, MD, Vice Chair
Physician Representative (Santa Maria)

Richard Lyons
Hospital Administrator (SLO)

Robert Nichols
Consumer Representative (SLO)

Takashi Michael Wada, MD, MPH
County Representative

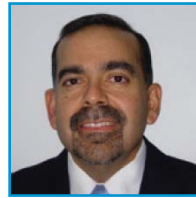
Janet Wolf
County Supervisor (SB)

Laurie A. Yttri
Provider Classification - Other

CenCal Health would like to thank the members of the Board of Directors and all the Advisory Boards and Committees for their diligence and the time they generously donate on behalf of the underserved populations of Santa Barbara and San Luis Obispo counties.



Katcho Achadjian



Rene Bravo, MD



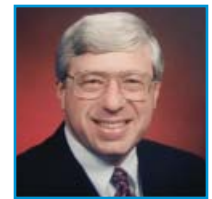
Chuck Cova



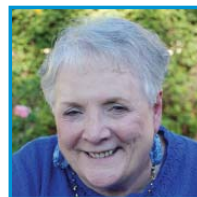
Kathy Gallagher



Jeff Hamm



Dan Herlinger



Karen Johnson



Mark Juretic, MD



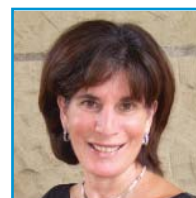
Richard Lyons



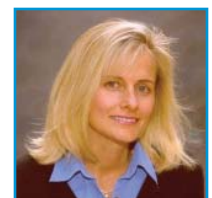
Robert Nichols



Takashi Michael Wada, MD, MPH



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