COUNTY ORGANIZED HEALTH SYSTEMS:

A Tested Model Promoting Quality and Cost Effectiveness Locally

WHO WE ARE

A Tested Model: First established 30 years ago, the County Organized Health System (COHS) plans were pioneers in managed care that specialize in serving Medicaid (Medi-Cal) populations. The COHS model has proven a high quality, innovative, culturally competent, locally responsive and cost-effective model for providing care to California's most vulnerable residents. A COHS is a Medi-Cal managed care health plan model that exists in 22 California counties. COHS allow for enrollment in a single, local public health plan, making entry into the health care system and managing care for members more effective and efficient. COHS plans operate efficiently ensuring taxpayer savings in the Medi-Cal program.

Locally Responsive: Each of the COHS plans emerged from local movements to establish more cost-effective, coordinated and culturally responsive services for low-income residents. Commitment to low-income residents in specific communities has allowed the COHS plans to develop unique expertise in member outreach and follow-up, cultural competency, health promotion and disease management to serve low-income members effectively. COHS plans re-invest resources back into their communities and regularly outperform health plans in other counties. COHS plans are governed by local Boards of Directors established by state statute and County ordinances.

Member Plans: Collectively known as the California Association of Health Insuring Organizations (CAHIO), COHS plans include CalOptima, CenCal Health, Central California Alliance for Health, Gold Coast Health Plan, Health Plan of San Mateo and Partnership HealthPlan of California.

COST EFFECTIVENESS

Plan	Counties Served	Started Operations
CalOptima	Orange	1995
CenCal Health	Santa Barbara, San Luis Obispo	1983
Central California Alliance for Health	Santa Cruz, Monterey, Merced	1996
Gold Coast Health Plan	Ventura	2011
Health Plan of San Mateo	San Mateo	1987
Partnership Health Plan of California	Marin, Mendocino, Sonoma, Solano, Napa, Yolo, Lake, Humboldt, Del Norte, Lassen, Modoc, Shasta, Siskiyou, Trinity	1994

An important measure of value and efficiency is the degree to which funding goes to patient care as opposed to non-care expenses, such as administrative overhead, profits or other expenditures. As demonstrated by standard industry measures, COHS plans invest nearly all of their resources directly into patient care.

Medical Loss Ratio

Compared to standards defined by the Affordable Care Act and overall industry standards, COHS plans invest an extremely high percentage of health care premiums directly into patient care. The *Medical Loss Ratio* (MLR) is a common measure used to evaluate the degree to which health insurance companies are investing resources in patient care. Simply stated, the MLR is

defined as the percent of health insurance premium dollars spent on medical services.

In 2012, the average MLR for the six COHS plans was 91.1% compared to an ACA standard of 85% for large group plans and an average of 88.6% across all full service plans as reported by the California Department of Managed Health Care. *This means that ninety-one cents out of every dollar in premiums is spent directly on patient care.*

Administrative Expenses

Another important measure of efficiency and value is administrative expenses. COHS plans have been successful in maintaining extremely low administrative expenses while still delivering high quality care and improved access for members. According to California Department of Managed Health Care financial reports, COHS plans averaged administrative costs of 5.0% in 2012, compared to 9.5% for the two main commercial Medi-Cal plans and 7.0% for all full service plans (including Kaiser Permanente who administrative costs are partially passed onto their medical groups and hospitals) in California.

WHO WE SERVE

Our Communities: Six COHS plans serve over 1.25 million patients across 22 counties throughout California's very urban and very rural areas (from Orange County to Modoc County). The COHS plans have enrolled more Medicaid eligibles than 31 states including New Jersey and Illinois. Within the next 5 years, it is anticipated that COHS will extend services to more than a quarter million additional members through Medi-Cal expansion under the Affordable Care Act.

Our Members: COHS members are the most vulnerable in our community suffering from poverty, disproportionate rates of chronic health conditions, and severe social, cultural and linguistic barriers. Despite these challenges, COHS plans seek to provide members with the highest quality care and improved access, superior customer service and meaningful improvement in health status. Each COHS plan is committed and experienced in providing culturally and linguistically appropriate services to members both by supporting cultural competence within provider networks and by ensuring that our staff reflect the communities and members served.

Coverage Programs: While the core business of COHS plans is Medi-Cal, historically, we have brought our experience and efficient management to operate other coverage programs for low-income residents. COHS plans have adopted new programs in response to community requests based on our mission to serve the most vulnerable residents and proven track record in providing cost effective, high quality and culturally competent care locally. Our efforts seek to keep members living independently as possible at home, encouraging community stakeholders to participate in development of new programs, and enhancing benefits like rides to doctor's appointments to improve access. In addition to Medi-Cal, other programs supported by COHS plans have included:

- Five COHS plans participated in the Healthy Families Program;
- Three COHS plans have Special Needs (SNP) Plans for community residents who are dually eligible for Medi-Cal and Medicare;
- Five COHS plans provide managed care services for Healthy Kids, a program for low-income children who do not qualify for Medi-Cal or Healthy Families;
- Two COHS plans served as the third party administrator for the Low Income Health Program (LIHP), an initiative to identify and link to care patients who will become eligible for Medi-Cal under ACA expansion come low income health programs serving the uninsured.

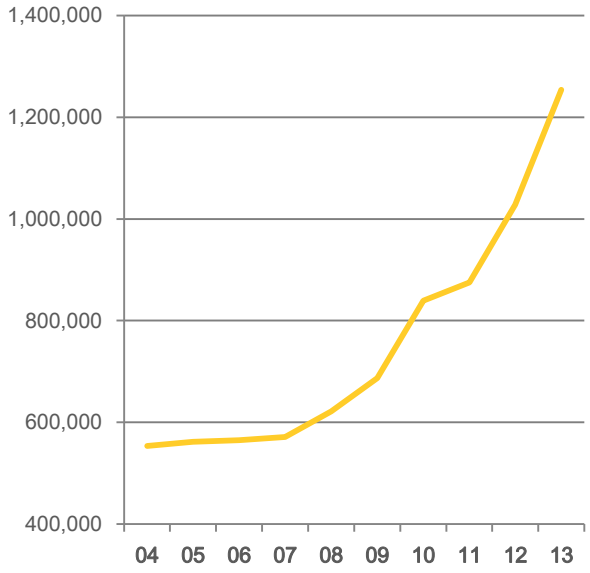
MEMBERSHIP TRENDS AND PROJECTED GROWTH

COHS plans have played an integral role in managing care and costs for Medi-Cal and other vulnerable patient populations for many years. With major expansions in Medi-Cal planned under the Affordable Care Act, the number of Californians served by COHS plans is expected to grow significantly over the next 5 years.

Historic Membership Trends

COHS plans currently care for over 1.25 million Medi-Cal members in California and another 64,000 individuals in other coverage programs. Between 2004 and September 2013, COHS Medi-Cal membership grew by more than 700,000 patients – a 127% growth rate. During this period, COHS plans expanded into six new counties and added seven new counties in the last three months alone, welcomed a new plan into service (Gold Coast Health Plan) and supported the transition of Healthy Families members into the Medi-Cal program.

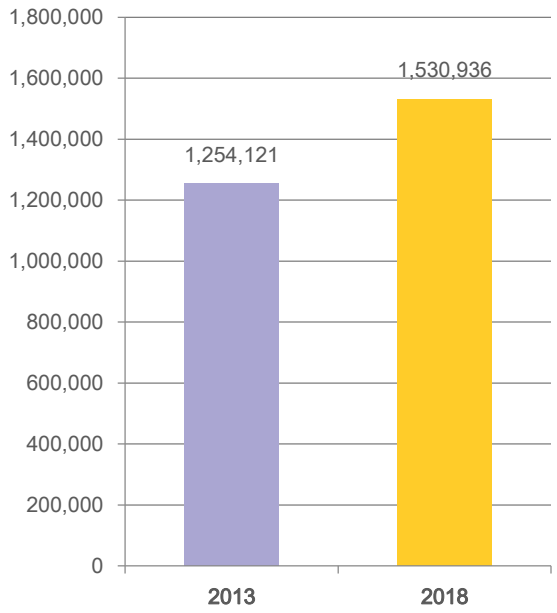
COHS Medi-Cal Membership: 2004 - 2013



Future Growth Projections

Due to the Affordable Care Act, a major increase in the number of Medi-Cal enrollees is anticipated to begin in January 2014. COHS plans stand to play a significant role in serving the new and current Medi-Cal enrollees during health care reform. Between September 2013 and 2018 Medi-Cal membership within COHS plans is projected to increase by another 275,000 to over 1.53 million members.

Projected Growth in COHS Medi-Cal Membership: 2013 - 2018



CLINICAL QUALITY AND INNOVATION

COHS plans achieve population health improvements, positive member response and lower costs both by investing in coordinated, locally responsive and culturally appropriate patient care and limiting administrative costs. COHS plans have a history of and ongoing commitment to investing in innovative care models and partnerships to identify new opportunities to improve care and reduce costs.

As an example of one plan's approach to lower costs and improving access, Central California Alliance for Health - with its implementation in Merced County in 2009 - has seen an overall decrease in Emergency Department visits and an increase in Physician office visits as follows:

Emergency Room Visits

- 2008 (pre Alliance implementation) - 1,075 emergency room visits per 1000 members per year
- 2012 (post Alliance implementation) - 700 emergency room visits per 1000 members per year

Physician Office Visits

- 2008 (pre Alliance implementation) - 4,281 physician office visits per 1000 members per year
- 2012 (post Alliance implementation) - 5,900 physician office visits per 1000 members per year.

Health Effectiveness Data and Information Set (HEDIS)

COHS plans have a demonstrated record of service and quality outcomes as highlighted by standard measures of health plan quality. COHS plans have consistently achieved the highest scores of all the Medi-Cal managed care models in California.

The Healthcare Effectiveness Data and Information Set (HEDIS) is a standard industry tool used by nearly all health plans and state payors to measure clinical quality and service. HEDIS enables comparison of quality performance between health plans. COHS plans as a group have consistently had the highest HEDIS scores among all of the Medi-Cal plans, especially when compared to the commercial plans. HEDIS performance levels and statewide recognition/awards highlight COHS plan clinical quality:

- In 2012, all 5* participating plans scored above the 75th percentile among health plans in HEDIS for controlling blood sugar levels among diabetics (HbA1c <8.0) and 50th percentile for managing blood pressure control among diabetics (<140/90)
- All 5 participating plans scored above the 50th percentile, including three above the 75th percentile, in a standard measure of childhood immunizations (Combination 3)
- All 5 participating plans scored above the 75th percentile two important weight assessment and counseling requirements for children (Body Mass Index, Counseling for Nutrition)
- Since 2010, all 5 participating health plans received statewide quality awards, including the Best Plan Award for Medi-Cal Managed Care and several Health Plan Quality Awards for HEDIS performance

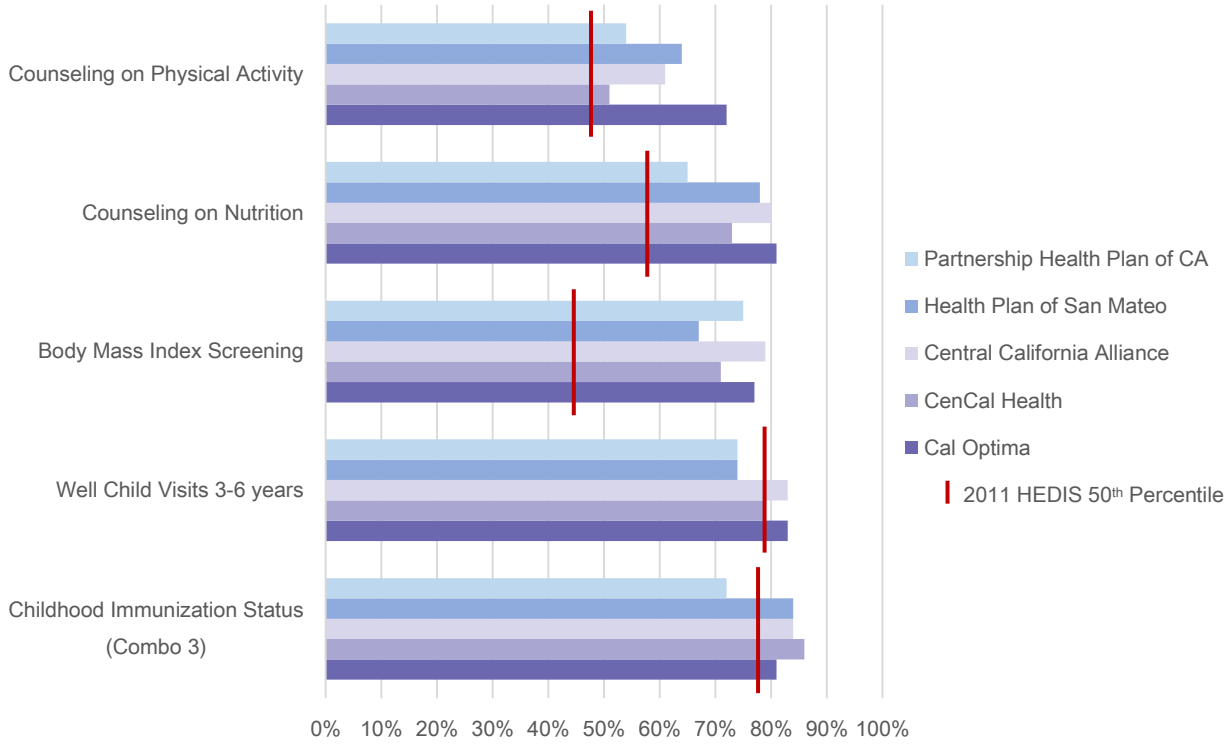
** Gold Coast Health Plan was a new plan during this period.*

COHS Plan Quality Awards

(awarded in competition with 36 other plans)

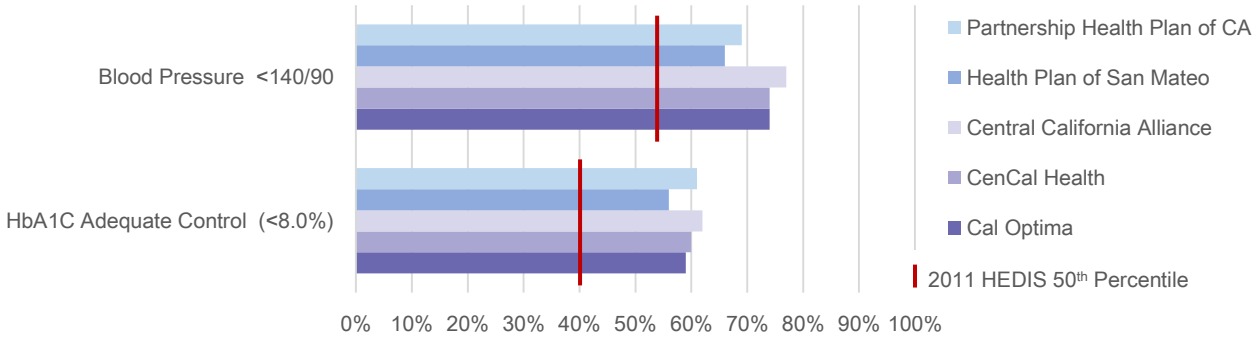
- **2012 Best Plan Award** for outstanding service and support to Medi-Cal Managed Care Plan Members in partnership with the Medi-Cal Managed Care Office of the Ombudsman (Partnership Health Plan of California)
- **2012 Honorable Mention Quality Award** for Outstanding Performance in the California Department of Health Care Services HEDIS Measures for Medi-Cal Managed Care (CalOptima)
- **2012 DHCS Bronze Quality Award** for outstanding performance in the State's HEDIS measures for Medi-Cal managed care (Central California Alliance for Health)
- **2012 MRMIB Health Plan Quality Award** for superior performance as a result of the quality of care provided to members of its Healthy Families program (Health Plan of San Mateo and CalOptima who has won this award four years in a row 2009-2012)
- **2011 Silver Quality Award** for outstanding performance in the State's HEDIS measures for Medi-Cal managed care (Central California Alliance for Health)
- **2010 Bronze Quality Award** from Department of Health Care Services (CenCal Health)

2012 HEDIS Child Preventive Care



Note: Central California Alliance for Health includes data from Santa Cruz and Monterey County only. CenCal Health includes data from Santa Barbara County only as San Luis Obispo County joined CenCal during a later reporting period.

2012 HEDIS Comprehensive Diabetes Care



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Innovative Projects

With a firm belief in innovation as a catalyst for improvement, COHS plans frequently invest in innovative partnerships to improve access to patient care, strengthen quality and lower costs. COHS innovations are bolstered by a firm foundation in local communities, strong relationships with the provider community and a commitment to evidence-based practice.

During the previous five years, COHS plans have participated in a number of local, regional and national of innovations addressing topics such as payment models, care coordination, inappropriate utilization reduction and improved quality, among others. Examples of COHS plan projects include:

- **Hospital Readmission Initiative:** To reduce the 30-day hospital readmission rate and related costs through post-discharge case management and active coordination with the primary care provider (CenCal Health and Partnership HealthPlan of California)
- **Covered Orange County:** To develop a coordinated approach among a coalition of nearly 40 community organizations to assist low-income Orange County residents gain access to the new coverage options that will be available under the Affordable Care Act (CalOptima)
- **Care Based Incentives:** Primary care provider incentive program to link payment to outcomes and generate improved health outcomes and increased patient access to services (Central California Alliance for Health and Partnership HealthPlan of California)
- **Geriatric Resources for Assessment and Care of Elders (GRACE):** Model of primary care for low-income seniors and their primary care physicians to improve the quality of geriatric care and increase functional status, decrease excess healthcare use, and prevent long-term nursing home placement (Health Plan of San Mateo)
- **Patient Centered Medical Home (PCMH):** Initiative in coordination with regional community health centers to generate discussion of payment reform options, pilot intensive case management models and support achievement of PCMH status by primary care providers (Partnership HealthPlan of California).

The Hospital Readmission Initiative (CenCal Health)

Both nationally and at the state level, 30-day readmissions have drawn significant attention as a measure for quality of care. In 2010, there were approximately, 3,700 CenCal Health hospital admissions and nearly 500 readmissions for non-OB, non-Medicare Part A patients. At a cost of about $10,000 per readmission, the financial impact is significant and represents an important opportunity to improve patient care.

CenCal Health's primary intervention is facilitating a timely visit to the member's PCP post-discharge with an emphasis on reviewing and validating the member's medication list - a process called medication reconciliation--followed by intensive individual case management for those members deemed to be at high risk for readmission, coordinated between the member's PCP and CenCal Health.

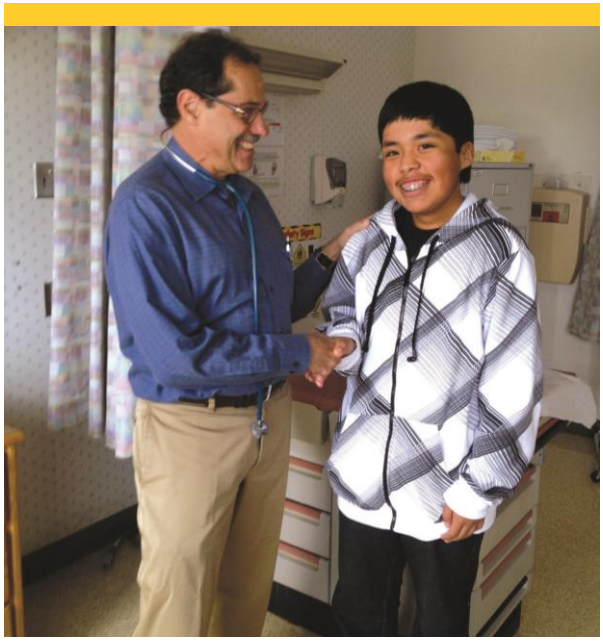
Results for the first 12-month pilot show enhanced quality, and reduced readmission rates and costs. In addition to enhancing the quality of care, the readmission rate dropped by 10.3% in the first year and resulted in fiscal savings of more than $600,000.

CONCLUSION

The COHS model represents a unique and successful approach that ensures Medi-Cal beneficiaries access to comprehensive and cost-effective care that improves the health of the low-income residents in 22 California counties.

While a number of key features differentiate COHS plans from other managed care models, the underlying force behind the success of California's six COHS plans is their emphasis on arranging access to appropriate, quality health care services that, collectively, improve the health and well-being of the communities served.

Serving the needs of low-income, disabled beneficiaries, each COHS plan strives toward 100% quality care by providing easy access to health services, strong partnerships with the local medical community, local control of funds and policy, as well as ongoing advocacy and commitment to community needs and values. COHS plans are saving hundreds of millions of dollars for the State and Federal governments and have returned hundreds of millions of dollars over the years to their communities in shared savings and low administrative costs.



California Association of Health Insuring Organizations

Member Story: Maria Gotianun

Maria Gotianun, 60, has a simple measure of the quality of the CalOptima OneCare Medication Therapy Management program: Has she gone to the hospital this past year or not. Not, she says. And that's a big improvement from before when she would end up hospitalized two or three times each year.

Gotianun uses an electronic pill box to keep her 20+ medications meticulously arranged and scheduled. "The MedMinder is fantastic," she says. "Before, I used to forget to take my medicines." Now, four times a day, she gets a blinking light reminder to take care of herself. Because she lives with her two sons, they get involved as well. "It has become a family affair, putting medications in the pill box for the week. It's almost fun.

Managing multiple chronic conditions, including diabetes, diabetic neuropathy, kidney problems, high blood pressure, high cholesterol and gout, isn't easy, Gotianun says. But she now feels more in control. "I have prevented myself from going to the hospital. The program has really helped me a lot."

Gotianun is not alone, says Nicki Ghazanfarpour, Pharm.D., clinical pharmacist at CalOptima. Since its inception in 2006, the Medication Therapy Management program has helped hundreds of members, who come to CalOptima for medicine reviews once a year or more often. To participate, members must have complex conditions that require eight or more prescriptions. "When patients have a high pill burden, they are less likely to be adherent to the medications, so we try to help them in whatever capacity we can," she says. "We often make recommendations to members' physicians about ways to simplify and optimize medication regimens. We work with the member to improve adherence and understanding of how to take medication properly."

Gotianun has gained confidence about what she can do now that her health conditions are well managed. "I have a son who works in Northern California," she says. "When he visits me in Irvine, sometimes he will drive me back to his home so I can get out of the house. I can go out of town and bring my MedMinder. It's such a good feeling."

The good feelings are all around, Ghazanfarpour says. "The program really gives us a personal connection with our members. Often they don't expect to get this type of one-on-one service from their health plan."