

**THE SAN MATEO HEALTH COMMISSION
Regular Meeting
June 10, 2026 - 12:30 p.m. Pacific Time
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/zpik-XK2c1g?feature=share>

Please note that while there is 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 Request to Approve Three-Month Amendment Extension to Agreement with American Logistics Company (NMT vendor)
 - 4.2 Draft Finance/Compliance Committee Minutes – May 4, 2026
 - 4.3 Approval of San Mateo Health Commission Meeting Minutes from May 13, 2026
- 5. Specific Discussion/Action Items**
 - 5.1 Compliance Program Annual Report
 - 5.2 Health Policy Update
 - 5.3 Scenario Planning Update
 - 5.4 CEO Search 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.

MEMORANDUM

AGENDA ITEM: 4.1

DATE: June 10, 2026

DATE: June 03, 2026

TO: San Mateo Health Commission

FROM: Pat Curran, Chief Executive Officer
Amy Scribner, Chief Health Officer
Gale Carino, Director of Integrated Care
Erica Han, Program Manager, Transportation

RE: Approve Three-Month Amendment Extension to Agreement with American Logistics

Recommendation

To avoid disruption in services to members, we seek approval to authorize the CEO to extend the current NMT vendor agreement with NMT vendor, American Logistics (AL), for three months. Following the completion of HPSM's competitive RFP process, AL was selected as the awarded proposer and incumbent NMT vendor for the next three-year contract term. This amendment request would extend services for three additional months from July 1, 2026, through September 30, 2026, to support operational readiness, implementation activities and a seamless transition in the new contracted term without interruption of services to our members.

Background

NMT involves member transportation necessary to access any Medi-Cal covered service. AL has been HPSM's NMT vendor since the firm was selected through an RFP process in 2009:

- 2009: Selected through RFP process to administer the CareAdvantage (CA) ride benefit.
- 2015: Selected through a subsequent RFP to continue offering the CA ride benefit.
- 2017: Commission approved a contract amendment to expand ALC's scope to cover all Medi-Cal members to comply with DHCS' mandated benefit expansion. An RFP was not conducted in 2017 given the two-month turn-around time DHCS provided to Plans to implement the expanded benefit. In July 2017, ALC initiated alternative transportation services through a partnership with the rideshare company Lyft, which increased the capacity of the AL network beyond ALC-contracted drivers.

- 2018: HPSM issued an RFP for transportation management services, receiving proposals from three vendors. The RFP review committee selected ALC based on pricing, proposal content, willingness to comply with HPSM’s performance standards, and experience administering the transportation benefit for HPSM and other California Medi-Cal managed care plans.
- 2021: AL agreement set to expire on December 31, 2024.
- 2025: January Commission approved request to waive RFP process and approval amendment of agreement with AL for an additional 12 months through December 31, 2025.
- 2025: October Commission approved request to amend agreement with AL for an additional 6 months; AL agreement is set to expire on June 30, 2026.

Discussion

Staff recommend extending the AL agreement for the following reasons:

1. Ensure operational readiness, implementation activities and a seamless transition in the new contracted term.
2. Ensuring uninterrupted services for members while maintaining continuity of services.
3. AL’s performance has consistently met contract standards.

Fiscal Impact

The proposed amendment extends the agreement with AL through September 30th, 2026. AL’s current rates will remain in effect and carry forward into the extended agreement period.

Interventions to be applied in the extended agreement are as follows:

1. Additional controls to be implemented to mitigate FWA/misuse of the ride benefit; this includes system enhancement, workflow revisions, staff training and monitoring.

This amendment will memorialize changes and predicted spending is approximately \$2.25 million. This represents a month over month average cost spending.

As approved by the Commission in October 2025, this agreement will continue without a contract maximum amount. NMT is a mandatory benefit for Medi-Cal members, so HPSM is required to provide rides regardless of member demand. As such, these costs are eventually reflected in HPSM’s rates from the CA Department of Health Care Services.

DRAFT

**RESOLUTION OF THE
SAN MATEO HEALTH COMMISSION**

**IN THE MATTER OF APPROVING A THREE-MONTH AMENDMENT EXTENSION
TO THE AGREEMENT WITH AMERICAN LOGISTICS**

RESOLUTION 2026 -

RECITAL: WHEREAS,

- A. The San Mateo Health Commission executed its most recent agreement with American Logistics Company for non-medical transportation services in 2018;
- B. Non-Medical Transportation is a health-care expense, and its costs are reflected in HPSM's capitation rates received from the Department of Health Care Services; and
- C. American Logistics (AL) has offered a favorable proposal to continue providing Non-Medical Transportation, including assumption of additional services and contract negotiation has begun.

NOW, THEREFORE, IT IS HEREBY RESOLVED AS FOLLOWS:

- 1. The San Mateo Health Commission authorizes the Chief Executive Officer to execute an amendment to the agreement with American Logistics to extend Non-Medical Transportation services through September 30, 2026.

PASSED, APPROVED, AND ADOPTED by the San Mateo Health Commission this 10th day of June 2026 by the following votes:

AYES:

NOES:

ABSTAINED:

ABSENT:

Bill Graham, Chairperson

ATTEST:

APPROVED AS TO FORM:

BY: _____
M.Heryford, Clerk

Kristina Paszek
DEPUTY COUNTY ATTORNEY

MEMORANDUM

Date: April 27, 2026
To: Finance/Compliance Committee
From: Trent Ehrgood, Chief Financial Officer

Subject: **Financial report for the three-month period ending March 31, 2026**

Preliminary 2026 Financial Results All Lines of Business

Q1 2026 preliminary financial results for all lines of business is a loss of \$1.4M, compared to the YTD budget loss of 4.7M. Favorable prior year transactions were recorded in the first quarter of 2026 totaling \$11.8M mostly due to timing with normal lag in maternity revenue and benefits from reinsurance recoveries. Without these prior year adjustments, the true current-year Q1 results is an estimated 13.2M loss.

The larger loss compared to budget is with the Medi-Cal line-of-business, where we are observing larger membership decline than originally assumed in the budget. Although healthcare cost for Q1 still has significant estimates due to normal claim lag, early indications suggest that the disenrolled members were lower utilizers and the remaining members are higher utilizers. This theory will be monitored as the claim lag becomes more complete.

Cost related to provider rate increases in Q1 is around \$8M, which is also included in the budget. This cost contributes to the loss, but not the budget variance. This is planned spend related to the \$100M approved strategic use of reserves for provider rate increases.

Cost related to capacity building grants and practice transformation is around \$826K in Q1, which is not included in the budget, and does contribute to the budget variance. This is planned spend related to the \$30M approved strategic use of reserves for primary care capacity building.

Attached is presentation material to guide the discussion for our committee meeting on May 4th. Detailed Statements of Revenue and Expense on a consolidated basis, as well as for each line of business, are provided after the presentation slides.

Supplemental Report by Line-of-Business (LOB):

Medi-Cal

Below is a summary report for the Medi-Cal LOB. After removing prior-year transactions, the Medi-Cal LOB is under-performing compared to budget by \$10.5M. Medi-Cal enrollment was expected to decrease, but the decrease during Q1 was higher than assumed in the budget. As a result, both revenue and healthcare cost should be lower, however, healthcare cost is higher than budget, which suggests the leaving population were low utilizers and the remaining population had higher than normal utilization. This will be evaluated further after claim runout is more complete. Medical Loss Ratio (MLR) is currently 101%.

	YTD by PY/CY			Current Year YTD		
	Prior Year	Current Year	Total	Current Year	Budget	CY Variance
Operating Revenue:						
Capitation	5,150,046	226,082,942	231,232,988	226,082,942	235,471,839	(9,388,896)
Total Operating Revenue	5,150,046	226,082,942	231,232,988	226,082,942	235,471,839	(9,388,896)
Healthcare cost	(2,909,927)	208,984,830	206,074,903	208,984,830	204,440,700	(4,544,130)
Administrative expenses	-	12,346,482	12,346,482	12,346,482	15,424,485	3,078,003
MCO Tax	(2,881,663)	19,738,549	16,856,886	19,738,549	20,124,411	385,862
Income/(loss) from operations	10,941,636	(14,986,919)	(4,045,283)	(14,986,919)	(4,517,758)	(10,469,161)

CareAdvantage

Below is a summary report for the CareAdvantage (D-SNP) LOB. After removing prior-year transactions, this LOB is performing better than budget by \$3.2M. The main contributor to this favorable variance is lower pharmacy cost, and lower admin cost. CareAdvantage admin cost is an allocation of total admin cost, which is running lower than budget organizationally for now, but will likely catch-up later in the year. Medicare revenue is lower than budget for now (unfavorable variance) but should improve after the mid-year true-up later this year. Medical Loss Ratio (MLR) is currently 102%.

	YTD by PY/CY			Current Year YTD		
	Prior Year	Current Year	Total	Current Year	Budget	CY Variance
Operating Revenue:						
Capitation	(350,586)	59,584,986	59,234,400	59,584,986	61,317,285	(1,732,299)
Total Operating Revenue	(350,586)	59,584,986	59,234,400	59,584,986	61,317,285	(1,732,299)
Healthcare cost	(1,151,074)	60,599,915	59,448,841	60,599,915	63,483,111	2,883,196
Administrative expenses	-	4,202,704	4,202,704	4,202,704	6,289,631	2,086,927
MCO Tax	-	-	-	-	-	-
Income/(loss) from operations	800,488	(5,217,633)	(4,417,145)	(5,217,633)	(8,455,457)	3,237,824

Financial Update

Presentation to Finance/Compliance Committee

May 4, 2026



2026 Budget by Quarter



	Q1	Q2	Q3	Q4	Total
Operating revenue	299,573,148	296,443,328	288,448,766	285,595,419	1,170,060,662
Healthcare cost	270,677,271	268,980,101	259,955,637	258,070,259	1,057,683,268
Administrative expenses	22,497,497	21,770,436	22,113,235	22,176,211	88,557,379
MCO Tax	20,124,411	20,124,411	20,124,411	20,124,411	80,497,644
Income/(loss) from operations	(13,726,031)	(14,431,619)	(13,744,517)	(14,775,462)	(56,677,629)
Non-operating revenue	9,018,222	8,728,205	8,428,205	8,128,205	34,302,837
Net income/(loss)	(4,707,809)	(5,703,414)	(5,316,312)	(6,647,257)	(22,374,792)

Q1 2026 Preliminary Financial Results



	YTD Total	YTD Budget	Budget Variance
Operating Revenue:			
Capitation	293,191,466	299,509,398	(6,317,932)
TPA Fees	63,750	63,750	-
Total Operating Revenue	293,255,216	299,573,148	(6,317,932)
Healthcare cost	268,462,889	270,677,271	2,214,382
Administrative expenses	17,551,563	22,497,497	4,945,934
MCO Tax	16,856,886	20,124,411	3,267,525
Income/(loss) from operations	(9,616,122)	(13,726,031)	4,109,909
Non-operating revenue	8,185,451	9,018,222	(832,771)
Net income/(loss)	(1,430,671)	(4,707,809)	3,277,138

YTD March 2026 – PY/CY



	YTD by PY/CY			Current Year YTD		
	Prior Year	Current Year	Total	Current Year	Budget	CY Variance
Operating Revenue:						
Capitation	4,803,058	288,388,408	293,191,466	288,388,408	299,509,398	(11,120,990)
TPA Fees	-	63,750	63,750	63,750	63,750	-
Total Operating Revenue	4,803,058	288,452,158	293,255,216	288,452,158	299,573,148	(11,120,990)
Healthcare cost	(4,166,721)	272,629,610	268,462,889	272,629,610	270,677,271	(1,952,339)
Administrative expenses	-	17,551,563	17,551,563	17,551,563	22,497,497	4,945,934
MCO Tax	(2,881,663)	19,738,549	16,856,886	19,738,549	20,124,411	385,862
Income/(loss) from operations	11,851,442	(21,467,564)	(9,616,122)	(21,467,564)	(13,726,031)	(7,741,533)
Non-operating revenue	168	8,185,283	8,185,451	8,185,283	9,018,222	(832,939)
Net income/(loss)	11,851,610	(13,282,281)	(1,430,671)	(13,282,281)	(4,707,809)	(8,574,472)

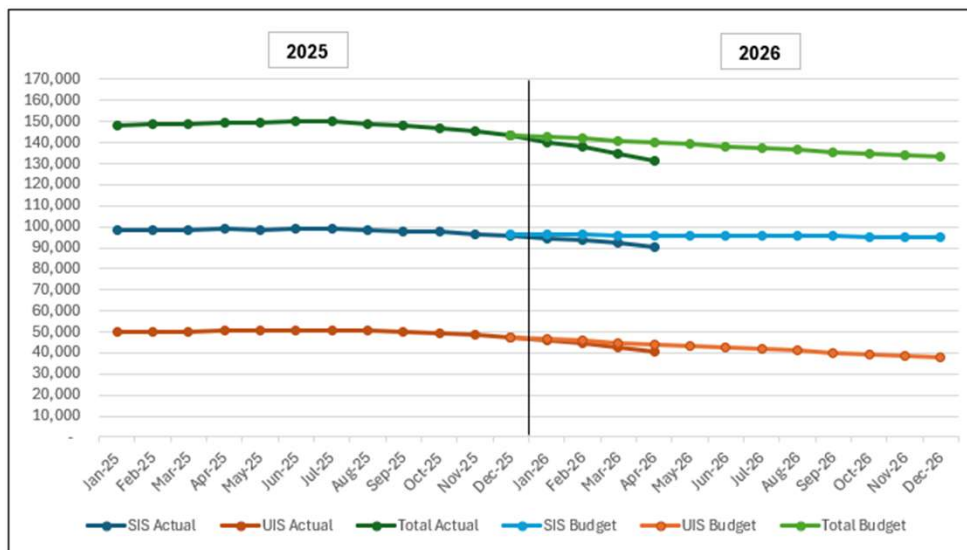


Average Membership Variance to Budget



LOB	Avg. Actual	Avg. Budget	Variance	% Var
Medi-Cal	68,823	71,227	(2,404)	-3.4%
Medi-Cal Expansion	50,821	52,242	(1,421)	-2.7%
Whole Child Model	1,038	1,057	(19)	-1.8%
Medi-Cal Full Duals	8,750	9,043	(293)	-3.2%
Sub-total Medi-Cal	129,432	133,569	(4,137)	-3.1%
Medicare D-SNP	8,349	8,460	(111)	-1.3%
HealthWorx	1,315	1,315	-	0.0%
Total at Risk	139,096	143,344	(4,247)	-3.0%
+ ACE	915	1,902	(987)	-51.9%
Grand Total	140,012	145,246	(5,234)	-3.6%

Medi-Cal Membership by Month



Budget Variance by Major Drivers

favorable/(unfavorable)



	YTD Mar	Change	Revenue	Expense
1 Prior year adjustments not in the budget	11,851,609			
Current year variances:				
2 Membership lower than budget (<i>budget reset</i>)	(626,840)		<< (6,737,833)	6,110,993
3 Revenue: Yield PMPM variance to budget	(481,940)			
4 Revenue: Maternity supplemental payment	(2,979,207)			
5 Healthcare cost: CY PMPM variance to budget	(8,266,774)			
6 Healthcare cost: CY directed payments	565,331			
7 Healthcare cost: strategic investments	(300,000)			
8 ECM (rev-exp variance)	(363,154)		<< (301,266)	(61,888)
9 Administrative cost variance to budget	5,273,177			
10 Administrative cost: strategic investments	(327,243)			
11 MCO Tax variance (rev-exp variance)	(234,882)		<< (620,744)	385,862
12 Non-op revenue (<i>CY portion</i>) variance to budget	(832,939)			
Total current year	(8,574,471)	-		
Total consolidated budget variance	3,277,138	-		

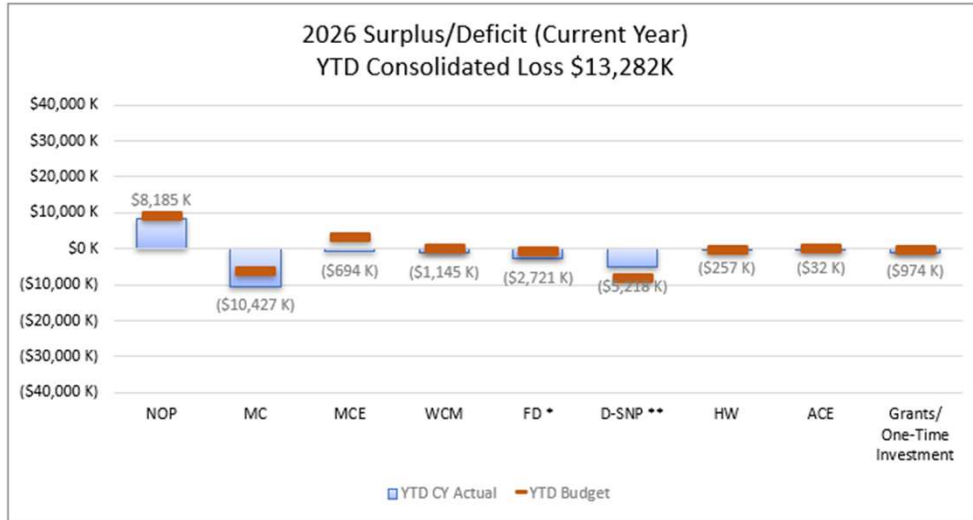
Healthcare Cost Detail by Category of Service



	YTD Actual			YTD Budget	Variance	% Var.
	Total	Prior Year	Current Year			
1 Provider Capitation	8,060,407	959,980	7,100,427	7,393,232	292,805	4.0%
2 Hospital Inpatient	53,308,392	(205)	53,308,596	52,018,982	(1,289,614)	-2.5%
3 LTC/SNF	46,410,281	-	46,410,281	47,180,610	770,329	1.6%
4 Pharmacy	15,295,192	(143,207)	15,438,399	18,564,427	3,126,028	16.8%
5 Physician FFS	29,574,857	-	29,574,857	29,656,076	81,219	0.3%
6 Hospital Outpatient	32,610,960	(212)	32,611,172	33,161,440	550,269	1.7%
7 Other Medical Claims (incl. Other HC Serv)	36,629,064	(270)	36,629,334	33,076,240	(3,553,094)	-10.7%
8 Directed Payments	15,377,595	3,734,860	11,642,735	12,208,066	565,331	4.6%
9 Long Term Support Services	608,211	-	608,211	641,687	33,477	5.2%
10 CPO/in-lieu of Services	5,462,826	(4)	5,462,830	3,832,643	(1,630,187)	-42.5%
11 Dental	15,738,025	-	15,738,025	16,972,762	1,234,737	7.3%
12 ECM	1,756,629	585,910	1,170,720	1,108,831	(61,888)	-5.6%
13 Provider Incentives	4,078,797	21,132	4,057,664	4,222,000	164,336	3.9%
14 Supplemental Benefits (D-SNP)	518,947	-	518,947	898,956	380,009	42.3%
15 Transportation	1,916,674	(11,845)	1,928,519	2,344,903	416,384	17.8%
16 Strategic Investments (one-time grants)	300,000	-	300,000	-	(300,000)	100.0%
17 Indirect Health Care Benefits	(7,666,098)	(9,308,575)	1,642,478	534,097	(1,108,381)	-207.5%
18 UMQA	8,482,130	(4,285)	8,486,414	6,862,318	(1,624,096)	-23.7%
Total Healthcare Cost	268,462,889	(4,166,721)	272,629,609	270,677,271	(1,952,339)	-0.7%

} provider rate increase

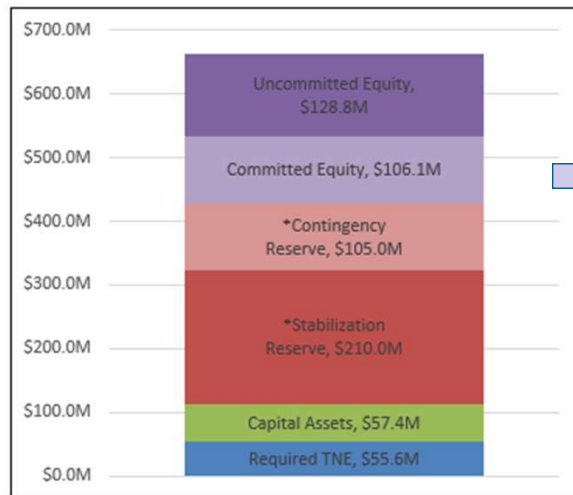
CY YTD Surplus/Deficit by LOB



* FD includes M-Cal portion of D-SNP
** D-SNP includes Medicare portion only

Tangible Net Equity (TNE)

Balance at 3/31/2026 = \$662.8M
Uncommitted portion = \$128.8M



Committed Equity:

	Funding	Spend	Balance
Provider	\$100.0M	\$25.7M	\$74.3M
Primary Care	\$30.0M	\$4.5M	\$25.5M
Baby Bonus	\$7.0M	\$0.7M	\$6.3M
Total	\$137.0M	\$30.9M	\$106.1M

* Contingency and Stabilization Reserve amounts are fixed based on historical operating cost.

Q1 2026 Summary



- On a consolidated basis, Q1 is better than budget, but after removing prior year favorable transactions recorded in Q1, current-year results are worse than budget with an estimated loss of \$13.2M for the quarter compared to the budget loss of 4.7M for the same period.
- So far, Medi-Cal membership is declining at a faster rate than assumed in the budget, with a proportional decrease in capitation revenue. However, healthcare cost is not declining proportionally, which implies the lower utilizers are leaving, and the higher utilizers are staying. More analysis on this theory will be done once the claim lag is more complete.
- Cost related to provider rate increases implemented in 2025 are not impacting financial results compared to budget, as these expenses are included in the budget.

Q1 2026 Summary

continued . . .



- Cost related to capacity building grants and practice transformation is around \$826K in Q1, which is not included in the budget, and does contribute to the budget variance.
- The large prior year favorable adjustments are mostly due to timing with normal lag in maternity revenue and benefits from reinsurance recoveries.

Questions?



Health Plan of San Mateo
 Consolidated Balance Sheet
 March 31, 2026 and February 28, 2026

	Current Month	Prior Month	PY 12/31
ASSETS			
Current Assets			
Cash and Equivalents	\$ 768,707,670	\$ 661,774,244	\$ 701,567,502
Investments	190,326,390	190,326,390	188,433,422
Capitation Receivable from the State	200,805,703	298,805,468	297,404,828
Capitation Receivable from CMS	62,514,089	59,518,905	59,518,905
Other Receivables	19,372,437	17,110,730	11,508,105
Prepays and Other Assets	13,725,485	14,012,277	16,721,322
Total Current Assets	1,255,451,775	1,241,548,013	1,275,154,085
Capital Assets, Net	57,372,699	57,461,024	57,617,587
Assets Restricted As To Use	300,000	300,000	300,000
Other Assets & Outflows	17,382,504	17,382,504	17,382,504
Total Assets & Deferred Outflows	\$ 1,330,506,978	\$ 1,316,691,541	\$ 1,350,454,176
LIABILITIES			
Current Liabilities			
Medical Claims Payable	99,381,946	95,939,129	94,383,660
Provider Incentives	15,826,788	14,654,952	18,489,882
Amounts Due to the State	236,128,075	235,713,174	235,240,774
Accounts Payable and Accrued Liabilities	300,186,917	296,591,923	321,925,936
SBITA Liability	1,645,058	1,645,058	1,645,058
Total Current Liabilities	653,168,784	644,544,235	671,685,310
Other Liabilities & Inflows	14,464,495	14,464,495	14,464,495
Total Liabilities & Deferred Inflows	\$ 667,633,279	\$ 659,008,731	\$ 686,149,805
NET POSITION			
Invested in Capital Assets	57,372,699	57,461,024	57,617,587
Restricted By Legislative Authority	300,000	300,000	300,000
Unrestricted			
Stabilization/Contingency Reserve	398,947,600	398,947,600	398,947,600
Committed/Uncommitted Reserve	206,253,400	200,974,186	207,439,184
Net Position	662,873,699	657,682,810	664,304,370
Total Liabilities & Net Position	\$ 1,330,506,978	\$ 1,316,691,541	1,350,454,176
Change in Net Position	\$ (1,430,671)	\$ (6,621,560)	-

Health Plan of San Mateo
 Consolidated Statement of Revenue Expense
 for the Period Ending March 31, 2026

	Current Qtr Actual	Current Qtr Budget	Current Qtr Variance	YTD Actual	YTD Budget	YTD Variance	% Var
OPERATING REVENUE							
Capitation and Premiums							
Medi-cal (includes Offsets)	\$ 231,232,988	\$ 235,471,839	\$ (4,238,850)	\$ 231,232,988	\$ 235,471,839	\$ (4,238,850)	-1.8%
HealthWorx	2,724,078	2,720,275	3,803	2,724,078	2,720,275	3,803	0.1%
Medicare (includes CA-CMC)	59,234,400	61,317,285	(2,082,885)	59,234,400	61,317,285	(2,082,885)	-3.4%
Third Party Administrator Fees	63,750	63,750		63,750	63,750	0	0.0%
Total Operating Revenue	<u>293,255,216</u>	<u>299,573,148</u>	<u>(6,317,932)</u>	<u>293,255,216</u>	<u>299,573,148</u>	<u>(6,317,932)</u>	<u>-2.1%</u>
OPERATING EXPENSE							
Healthcare Expense							
Provider Capitation	8,060,407	7,393,232	(667,175)	8,060,407	7,393,232	(667,175)	-9.0%
Hospital Inpatient	53,308,392	52,018,982	(1,289,409)	53,308,392	52,018,982	(1,289,409)	-2.5%
LTC/SNF	46,410,281	47,180,610	770,329	46,410,281	47,180,610	770,329	1.6%
Pharmacy	15,295,192	18,564,427	3,269,236	15,295,192	18,564,427	3,269,236	17.6%
Medical	114,192,476	108,101,822	(6,090,654)	114,192,476	108,101,822	(6,090,654)	-5.6%
Long Term Support Services	608,211	641,687	33,477	608,211	641,687	33,477	5.2%
CPO/In-lieu of Services	5,462,826	3,832,643	(1,630,183)	5,462,826	3,832,643	(1,630,183)	-42.5%
Dental Expense	15,738,025	16,972,762	1,234,737	15,738,025	16,972,762	1,234,737	7.3%
Enhanced Care Management	1,756,629	1,108,831	(647,798)	1,756,629	1,108,831	(647,798)	-58.4%
Provider Incentives	4,078,797	4,222,000	143,204	4,078,797	4,222,000	143,204	3.4%
Supplemental Benefits	518,947	898,956	380,009	518,947	898,956	380,009	42.3%
Transportation	1,916,674	2,344,903	428,229	1,916,674	2,344,903	428,229	18.3%
Other Provider HC	300,000	0	(300,000)	300,000	0	(300,000)	0.0%
Indirect Health Care Expenses	(7,666,098)	534,097	8,200,194	(7,666,098)	534,097	8,200,194	1535.3%
UMQA, Delegated and Allocation	8,482,130	6,862,318	(1,619,812)	8,482,130	6,862,318	(1,619,812)	-23.6%
Total Healthcare Expense	<u>268,462,889</u>	<u>270,677,271</u>	<u>2,214,382</u>	<u>268,462,889</u>	<u>270,677,271</u>	<u>2,214,382</u>	<u>0.8%</u>
Administrative Expense							
Salaries and Benefits	16,942,846	17,373,410	430,564	16,942,846	17,373,410	430,564	2.5%
Staff Training and Travel	112,824	155,573	42,749	112,824	155,573	42,749	27.5%
Contract Services	4,163,802	4,994,233	830,431	4,163,802	4,994,233	830,431	16.6%
Office Supplies and Equipment	2,240,491	2,957,222	716,731	2,240,491	2,957,222	716,731	24.2%
Occupancy and Depreciation	924,163	997,800	73,637	924,163	997,800	73,637	7.4%
Postage and Printing	488,924	664,500	175,576	488,924	664,500	175,576	26.4%
Other Administrative Expense	931,296	1,978,338	1,047,042	931,296	1,978,338	1,047,042	52.9%
UM/QA Allocation	(8,275,212)	(6,623,578)	1,651,634	(8,275,212)	(6,623,578)	1,651,634	-24.9%
Total Admin Expense	<u>17,529,133</u>	<u>22,497,497</u>	<u>4,968,365</u>	<u>17,529,133</u>	<u>22,497,497</u>	<u>4,968,365</u>	<u>22.1%</u>
Premium Taxes	16,856,886	20,124,411	3,267,524	16,856,886	20,124,411	3,267,524	16.2%
Total Operating Expense	<u>302,848,908</u>	<u>313,299,179</u>	<u>10,450,271</u>	<u>302,848,908</u>	<u>313,299,179</u>	<u>10,450,271</u>	<u>3.3%</u>
Net Income/Loss from Operations	<u>(9,593,692)</u>	<u>(13,726,031)</u>	<u>(4,132,339)</u>	<u>(9,593,692)</u>	<u>(13,726,031)</u>	<u>(4,132,339)</u>	<u>30.1%</u>
NONOPERATING REV AND (EXP)							
Interest Income, Net	7,853,503	8,700,000	(846,497)	7,853,503	8,700,000	(846,497)	-9.7%
Rental Income, Net	309,518	318,222	(8,703)	309,518	318,222	(8,703)	-2.7%
Net Nonoperating Rev and (Exp)	<u>8,163,021</u>	<u>9,018,222</u>	<u>(855,201)</u>	<u>8,163,021</u>	<u>9,018,222</u>	<u>(855,201)</u>	<u>-9.5%</u>
Net Income/(Loss)	<u>\$ (1,430,671)</u>	<u>(4,707,809)</u>	<u>3,277,138</u>	<u>\$ (1,430,671)</u>	<u>\$ (4,707,809)</u>	<u>\$ 3,277,138</u>	<u>-69.6%</u>
Admin exp as % of Net Rev (adj for Tax)	6.34%	8.05%		6.34%	8.05%		
Medical Loss Ratio (adj for Tax)	97.13%	96.86%		97.13%	96.86%		

Health Plan of San Mateo
ALL LOB UNITS Statement of Revenue & Expense
 for the Period Ending March 31, 2026

	Current Qtr Actual	Current Qtr Budget	Current Qtr Variance	% Var	YTD Actual	YTD Budget	YTD Var Fav/(Unfav)	% Var
OPERATING REVENUE								
Medi-Cal Capitation	\$ 230,776,716	\$ 233,738,366	\$ (2,961,650)	-1.3%	\$ 230,776,716	\$ 233,738,366	\$ (2,961,650)	-1.3%
MC Supplemental Cap	4,104,813	4,901,171	(796,358)	-16.2%	4,104,813	4,901,171	(796,358)	-16.2%
HealthWorx Premium	2,724,078	2,720,275	3,803	0.1%	2,724,078	2,720,275	3,803	0.1%
CareAdvantage Premiums	59,234,400	61,317,285	(2,082,885)	-3.4%	59,234,400	61,317,285	(2,082,885)	-3.4%
MC Cap Offset	(3,648,541)	(3,167,699)	(480,842)	-15.2%	(3,648,541)	(3,167,699)	(480,842)	-15.2%
Third Party Administrator Fees	63,750	63,750	-	-	63,750	63,750	-	-
Total Operating Revenue	<u>293,255,216</u>	<u>299,573,148</u>	<u>(6,317,932)</u>	<u>-2.1%</u>	<u>293,255,216</u>	<u>299,573,148</u>	<u>(6,317,932)</u>	<u>-2.1%</u>
OPERATING EXPENSE								
Provider Capitation	8,060,407	7,393,232	(667,175)	-9.0%	8,060,407	7,393,232	(667,175)	-9.0%
Hospital Inpatient	53,308,392	52,018,982	(1,289,409)	-2.5%	53,308,392	52,018,982	(1,289,409)	-2.5%
LTC/SNF	46,410,281	47,180,610	770,329	1.6%	46,410,281	47,180,610	770,329	1.6%
Pharmacy	15,295,192	18,564,427	3,269,236	17.6%	15,295,192	18,564,427	3,269,236	17.6%
Physician Fee for Service	29,574,857	29,656,076	81,219	0.3%	29,574,857	29,656,076	81,219	0.3%
Hospital Outpatient	32,610,960	33,161,440	550,481	1.7%	32,610,960	33,161,440	550,481	1.7%
Other Medical Claims	36,585,765	33,076,240	(3,509,525)	-10.6%	36,585,765	33,076,240	(3,509,525)	-10.6%
Other HC Services	43,299	-	(43,299)	-	43,299	-	(43,299)	-
Directed Payments	15,377,595	12,208,066	(3,169,529)	-26.0%	15,377,595	12,208,066	(3,169,529)	-26.0%
Long Term Support Services	608,211	641,687	33,477	5.2%	608,211	641,687	33,477	5.2%
CPO/In-lieu of Services	5,462,826	3,832,643	(1,630,183)	-42.5%	5,462,826	3,832,643	(1,630,183)	-42.5%
Dental Expense	15,738,025	16,972,762	1,234,737	7.3%	15,738,025	16,972,762	1,234,737	7.3%
Enhanced Care Management	1,756,629	1,108,831	(647,798)	-58.4%	1,756,629	1,108,831	(647,798)	-58.4%
Provider Incentives	4,078,797	4,222,000	143,204	3.4%	4,078,797	4,222,000	143,204	3.4%
Supplemental Benefits	518,947	898,956	380,009	42.3%	518,947	898,956	380,009	42.3%
Transportation	1,916,674	2,344,903	428,229	18.3%	1,916,674	2,344,903	428,229	18.3%
Other Provider HC	300,000	-	(300,000)	-	300,000	-	300,000	-
Indirect Health Care Expenses	(7,666,098)	534,097	8,200,194	1535.3%	(7,666,098)	534,097	8,200,194	1535.3%
UMQA (Allocation & Delegated)	8,482,130	6,862,318	1,619,812	23.6%	8,482,130	6,862,318	1,619,812	23.6%
Total Health Care Expense	<u>268,462,889</u>	<u>270,677,271</u>	<u>2,214,382</u>	<u>0.8%</u>	<u>268,462,889</u>	<u>270,677,271</u>	<u>2,214,382</u>	<u>0.8%</u>
G&A Allocation	17,551,563	22,497,497	4,945,934	22.0%	17,551,563	22,497,497	4,945,934	22.0%
Premium Tax	16,856,886	20,124,411	3,267,524	16.2%	16,856,886	20,124,411	3,267,524	16.2%
Total Operating Expense	<u>302,871,338</u>	<u>313,299,179</u>	<u>10,427,841</u>	<u>3.3%</u>	<u>302,871,338</u>	<u>313,299,179</u>	<u>10,427,841</u>	<u>3.3%</u>
NONOPERATING REVENUE AND EXPENSE								
Interest Income, Net	7,853,503	8,700,000	(846,497)	-9.7%	7,853,503	8,700,000	(846,497)	-9.7%
Rental Income, Net	331,948	318,222	13,727	4.3%	331,948	318,222	13,727	4.3%
Total Nonoperating Revenue and Expenses	<u>8,185,451</u>	<u>9,018,222</u>	<u>(832,771)</u>	<u>-9.2%</u>	<u>8,185,451</u>	<u>9,018,222</u>	<u>(832,771)</u>	<u>-9.2%</u>
Net Income/(Loss)	<u>\$ (1,430,671)</u>	<u>\$ (4,707,809)</u>	<u>3,277,138</u>	<u>-69.6%</u>	<u>\$ (1,430,671)</u>	<u>\$ (4,707,809)</u>	<u>\$ 3,277,138</u>	<u>-69.6%</u>
Medical Loss Ratio (adj MCO)	97.13%	96.86%			97.13%	96.86%		
Member Counts	445,082	461,117	(16,035)	-3.5%	445,082	461,117	(16,035)	-3.5%

Health Plan of San Mateo
Medi-Cal UNITS Statement of Revenue & Expense
 for the Period Ending March 31, 2026

	Current Qtr Actual	Current Qtr Budget	Current Qtr Variance	% Var	YTD Actual	YTD Budget	YTD Var Fav/(Unfav)	% Var
OPERATING REVENUE								
Medi-Cal Capitation	\$ 230,776,716	\$ 233,738,366	\$ (2,961,650)	-1.3%	\$ 230,776,716	\$ 233,738,366	\$ (2,961,650)	-1.3%
MC Supplemental Cap	4,104,813	4,901,171	(796,358)	-16.2%	4,104,813	4,901,171	(796,358)	-16.2%
HealthWorx Premium	-	-	-	-	-	-	-	-
CareAdvantage Premiums	-	-	-	-	-	-	-	-
MC Cap Offset	(3,648,541)	(3,167,699)	(480,842)	-15.2%	(3,648,541)	(3,167,699)	(480,842)	-15.2%
Total Operating Revenue	<u>231,232,988</u>	<u>235,471,839</u>	<u>(4,238,850)</u>	<u>-1.8%</u>	<u>231,232,988</u>	<u>235,471,839</u>	<u>(4,238,850)</u>	<u>-1.8%</u>
OPERATING EXPENSE								
Provider Capitation	6,396,221	5,810,060	(586,162)	-10.1%	6,396,221	5,810,060	(586,162)	-10.1%
Hospital Inpatient	34,502,833	35,024,629	521,795	1.5%	34,502,833	35,024,629	521,795	1.5%
LTC/SNF	42,393,641	43,305,233	911,592	2.1%	42,393,641	43,305,233	911,592	2.1%
Physician Fee for Service	23,984,109	23,361,522	(622,588)	-2.7%	23,984,109	23,361,522	(622,588)	-2.7%
Hospital Outpatient	24,353,805	24,083,052	(270,752)	-1.1%	24,353,805	24,083,052	(270,752)	-1.1%
Other Medical Claims	30,213,377	26,437,767	(3,775,610)	-14.3%	30,213,377	26,437,767	(3,775,610)	-14.3%
Other HC Services	43,299	-	(43,299)	-	43,299	-	(43,299)	-
Directed Payments	15,377,595	12,208,066	(3,169,529)	-26.0%	15,377,595	12,208,066	(3,169,529)	-26.0%
Long Term Support Services	608,211	641,687	33,477	5.2%	608,211	641,687	33,477	5.2%
CPO/In-lieu of Services	5,403,430	3,752,145	(1,651,284)	-44.0%	5,403,430	3,752,145	(1,651,284)	-44.0%
Dental Expense	15,738,025	16,972,762	1,234,737	7.3%	15,738,025	16,972,762	1,234,737	7.3%
Enhanced Care Management	1,615,909	1,108,831	(507,078)	-45.7%	1,615,909	1,108,831	(507,078)	-45.7%
Provider Incentives	3,704,925	3,855,389	150,464	3.9%	3,704,925	3,855,389	150,464	3.9%
Transportation	1,903,121	2,329,495	426,373	18.3%	1,903,121	2,329,495	426,373	18.3%
Indirect Health Care Expenses	(6,499,861)	445,614	6,945,474	1558.6%	(6,499,861)	445,614	6,945,474	1558.6%
UMQA (Allocation & Delegated)	6,336,261	5,104,449	1,231,812	24.1%	6,336,261	5,104,449	1,231,812	24.1%
Total Health Care Expense	<u>206,074,903</u>	<u>204,440,700</u>	<u>(1,634,202)</u>	<u>-0.8%</u>	<u>206,074,903</u>	<u>204,440,700</u>	<u>(1,634,202)</u>	<u>-0.8%</u>
G&A Allocation	12,346,482	15,424,485	3,078,003	20.0%	12,346,482	15,424,485	3,078,003	20.0%
Premium Tax	16,856,886	20,124,411	3,267,524	16.2%	16,856,886	20,124,411	3,267,524	16.2%
Total Operating Expense	<u>235,278,271</u>	<u>239,989,596</u>	<u>4,711,325</u>	<u>2.0%</u>	<u>235,278,271</u>	<u>239,989,596</u>	<u>4,711,325</u>	<u>2.0%</u>
NONOPERATING REVENUE AND EXPENSE								
Net Income/(Loss)	<u>\$ (4,045,283)</u>	<u>\$ (4,517,758)</u>	<u>472,475</u>	<u>-10.5%</u>	<u>\$ (4,045,283)</u>	<u>\$ (4,517,758)</u>	<u>\$ 472,475</u>	<u>-10.5%</u>
Medical Loss Ratio (adj MCO)	96.13%	94.94%			96.13%	94.94%		
Member Counts	413,024	425,786	(12,762)	-3.0%	413,024	425,786	(12,762)	-3.0%

Health Plan of San Mateo
CareAdvantage Units Statement of Revenue & Expense
 for the Period Ending March 31, 2026

	Current Qtr Actual	Current Qtr Budget	Current Qtr Variance	% Var	YTD Actual	YTD Budget	YTD Var Fav/(Unfav)	% Var
OPERATING REVENUE								
Medi-Cal Capitation	-	-	-	-	-	-	-	-
MC Supplemental Cap	-	-	-	-	-	-	-	-
HealthWorx Premium	-	-	-	-	-	-	-	-
CareAdvantage Premiums	59,234,400	61,317,285	(2,082,885)	-3.4%	59,234,400	61,317,285	(2,082,885)	-3.4%
MC Cap Offset	-	-	-	-	-	-	-	-
Total Operating Revenue	<u>59,234,400</u>	<u>61,317,285</u>	<u>(2,082,885)</u>	<u>-3.4%</u>	<u>59,234,400</u>	<u>61,317,285</u>	<u>(2,082,885)</u>	<u>-3.4%</u>
OPERATING EXPENSE								
Provider Capitation	1,664,186	1,583,172	(81,014)	-5.1%	1,664,186	1,583,172	(81,014)	-5.1%
Hospital Inpatient	18,528,898	16,666,885	(1,862,013)	-11.2%	18,528,898	16,666,885	(1,862,013)	-11.2%
LTC/SNF	4,016,640	3,875,377	(141,263)	-3.6%	4,016,640	3,875,377	(141,263)	-3.6%
Pharmacy	14,361,462	17,537,802	3,176,339	18.1%	14,361,462	17,537,802	3,176,339	18.1%
Physician Fee for Service	5,092,301	5,703,608	611,307	10.7%	5,092,301	5,703,608	611,307	10.7%
Hospital Outpatient	7,792,118	8,546,498	754,380	8.8%	7,792,118	8,546,498	754,380	8.8%
Other Medical Claims	6,196,693	6,468,447	271,754	4.2%	6,196,693	6,468,447	271,754	4.2%
Other HC Services	0	-	0	-	0	-	0	-
CPO/In-lieu of Services	59,396	80,497	21,101	26.2%	59,396	80,497	21,101	26.2%
Enhanced Care Management	140,720	-	(140,720)	-	140,720	-	(140,720)	-
Provider Incentives	211,872	349,111	137,239	39.3%	211,872	349,111	137,239	39.3%
Supplemental Benefits	518,947	898,956	380,009	42.3%	518,947	898,956	380,009	42.3%
Transportation	13,553	15,408	1,855	12.0%	13,553	15,408	1,855	12.0%
Indirect Health Care Expenses	(1,186,778)	78,710	1,265,487	1607.8%	(1,186,778)	78,710	1,265,487	1607.8%
UMQA (Allocation & Delegated)	2,038,832	1,678,639	360,193	21.5%	2,038,832	1,678,639	360,193	21.5%
Total Health Care Expense	<u>59,448,841</u>	<u>63,483,111</u>	<u>4,034,270</u>	<u>6.4%</u>	<u>59,448,841</u>	<u>63,483,111</u>	<u>4,034,270</u>	<u>6.4%</u>
G&A Allocation	4,202,704	6,289,631	2,086,927	33.2%	4,202,704	6,289,631	2,086,927	33.2%
Total Operating Expense	<u>63,651,545</u>	<u>69,772,742</u>	<u>6,121,197</u>	<u>8.8%</u>	<u>63,651,545</u>	<u>69,772,742</u>	<u>6,121,197</u>	<u>8.8%</u>
NONOPERATING REVENUE AND EXPENSE								
Net Income/(Loss)	<u>\$ (4,417,145)</u>	<u>\$ (8,455,457)</u>	<u>4,038,312</u>	<u>-47.8%</u>	<u>\$ (4,417,145)</u>	<u>\$ (8,455,457)</u>	<u>\$ 4,038,312</u>	<u>-47.8%</u>
Medical Loss Ratio (adj MCO)	100.36%	103.53%			100.36%	103.53%		
Member Counts	25,367	25,680	(313)	-1.2%	25,367	25,680	(313)	-1.2%

Health Plan of San Mateo
HealthWorx Statement of Revenue & Expense
 for the Period Ending March 31, 2026

	Current Qtr Actual	Current Qtr Budget	Current Qtr Variance	% Var	YTD Actual	YTD Budget	YTD Var Fav/(Unfav)	% Var
OPERATING REVENUE								
Medi-Cal Capitation	-	-	-	-	-	-	-	-
MC Supplemental Cap	-	-	-	-	-	-	-	-
HealthWorx Premium	2,724,078	2,720,275	3,803	0.1%	2,724,078	2,720,275	3,803	0.1%
CareAdvantage Premiums	-	-	-	-	-	-	-	-
MC Cap Offset	-	-	-	-	-	-	-	-
Total Operating Revenue	<u>2,724,078</u>	<u>2,720,275</u>	<u>3,803</u>	<u>0.1%</u>	<u>2,724,078</u>	<u>2,720,275</u>	<u>3,803</u>	<u>0.1%</u>
OPERATING EXPENSE								
Hospital Inpatient	276,660	327,469	50,808	15.5%	276,660	327,469	50,808	15.5%
Pharmacy	933,729	1,026,626	92,896	9.0%	933,729	1,026,626	92,896	9.0%
Physician Fee for Service	498,447	590,947	92,500	15.7%	498,447	590,947	92,500	15.7%
Hospital Outpatient	465,037	531,890	66,853	12.6%	465,037	531,890	66,853	12.6%
Other Medical Claims	175,695	170,026	(5,669)	-3.3%	175,695	170,026	(5,669)	-3.3%
Provider Incentives	162,000	17,500	(144,500)	-825.7%	162,000	17,500	(144,500)	-825.7%
Indirect Health Care Expenses	20,541	9,773	10,767	110.2%	20,541	9,773	10,767	110.2%
UMQA (Allocation & Delegated)	107,036	79,229	27,807	35.1%	107,036	79,229	27,807	35.1%
Total Health Care Expense	<u>2,639,145</u>	<u>2,753,460</u>	<u>114,315</u>	<u>4.2%</u>	<u>2,639,145</u>	<u>2,753,460</u>	<u>114,315</u>	<u>4.2%</u>
G&A Allocation	232,121	323,409	91,288	28.2%	232,121	323,409	91,288	28.2%
Total Operating Expense	<u>2,871,266</u>	<u>3,076,869</u>	<u>205,603</u>	<u>6.7%</u>	<u>2,871,266</u>	<u>3,076,869</u>	<u>205,603</u>	<u>6.7%</u>
NONOPERATING REVENUE AND EXPENSE								
Net Income/(Loss)	<u>\$ (147,188)</u>	<u>\$ (356,594)</u>	<u>209,406</u>	<u>-58.7%</u>	<u>\$ (147,188)</u>	<u>\$ (356,594)</u>	<u>\$ 209,406</u>	<u>-58.7%</u>
Medical Loss Ratio (adj MCO)	96.88%	101.22%			96.88%	101.22%		
Member Counts	3,945	3,945	-	-	3,945	3,945	-	-

Health Plan of San Mateo
ACE Statement of Revenue & Expense
 for the Period Ending March 31, 2026

	Current Qtr Actual	Current Qtr Budget	Current Qtr Variance	% Var	YTD Actual	YTD Budget	YTD Var Fav/(Unfav)	% Var
OPERATING REVENUE								
Medi-Cal Capitation	-	-	-	-	-	-	-	-
MC Supplemental Cap	-	-	-	-	-	-	-	-
HealthWorx Premium	-	-	-	-	-	-	-	-
CareAdvantage Premiums	-	-	-	-	-	-	-	-
MC Cap Offset	-	-	-	-	-	-	-	-
Third Party Administrator Fees	63,750	63,750	-	-	63,750	63,750	-	-
Total Operating Revenue	<u>63,750</u>	<u>63,750</u>	<u>-</u>	<u>-</u>	<u>63,750</u>	<u>63,750</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSE								
Total Health Care Expense	-	-	-	-	-	-	-	-
G&A Allocation	95,988	112,948	16,960	15.0%	95,988	112,948	16,960	15.0%
Total Operating Expense	<u>95,988</u>	<u>112,948</u>	<u>16,960</u>	<u>15.0%</u>	<u>95,988</u>	<u>112,948</u>	<u>16,960</u>	<u>15.0%</u>
NONOPERATING REVENUE AND EXPENSE								
Net Income/(Loss)	<u>\$ (32,238)</u>	<u>\$ (49,198)</u>	<u>16,960</u>	<u>-34.5%</u>	<u>\$ (32,238)</u>	<u>\$ (49,198)</u>	<u>\$ 16,960</u>	<u>-34.5%</u>
Medical Loss Ratio (adj MCO)	-	-	-	-	-	-	-	-
Member Counts	2,746	5,706	(2,960)	-51.9%	2,746	5,706	(2,960)	-51.9%

DRAFT

**FINANCE/COMPLIANCE COMMITTEE
MEETING**

Meeting Summary

May 04, 2026, 12:30 pm

Agenda Item: 4.2

Date: June 10, 2026

County Executive Conference Room, 500 County Center, Redwood City, CA 94064

-or-

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

Members: Bill Graham, Mike Callagy, Shabnam Gaskari

Members absent: Manuel Santamaria

Staff present: Pat Curran, Trent Ehrgood, Colleen Murphy, Ian Johansson, Amy Scribner, Katie-Elyse Turner, Cheryl Serafino, Michelle Heryford

1.0 Call to Order: The meeting was called to order by Commissioner Graham at 12:31 pm. A quorum was met.

2.0 Public Comment: There was no public comment.

3.0 Approval of Consent Agenda:

3.1 Compliance Regulatory Report for Q2

The consent agenda was approved as presented. **Callagy/Graham M/S/P**

4.0 Approval of Meeting Summary for March 30, 2026: The meeting summary for March 30, 2026 was approved as presented. **Callagy/Gaskari M/S/P**

The Committee chose to make a change to the agenda, moving Item 6.0 – Compliance Report ahead of item 5.0 - Preliminary Financial Results for the 3-month period ending March 31, 2026 .

5.0 Compliance Report: Ian Johansson, Chief Government Affairs and Compliance Officer, discussed the Quarterly Compliance Report in the consent agenda. It reflects activity in calendar year 2025 and Q1 of 2026 regarding regulatory reporting and submissions, fraud, waste and abuse (FWA) program, HIPAA privacy and security programs, non-compliance incidents (NONC), the internal audit program, external audit program, and corrective actions. Going forward this will be a presentation on the regular agenda.

Mr. Johansson spoke about a burden in ad hoc reporting. HPSM submitted 516 reports in 2025, 40% were ad hoc, which creates significant administrative burden as internal teams must identify, validate, and submit data on short notice. The compliance department is engaged in discussions with the Department of Health Care Services (DHCS) about administrative simplification to reduce unnecessary reporting.

Amy Scribner, Chief Health Officer, described new controls for non-medical transportation, including requiring members to request rides two days in advance and verifying appointment addresses, resulting in over \$8 million in savings and ongoing potential recoveries of \$50,000. These measures targeted misuse of transportation benefits, such as members requesting rides for non-medical purposes. They will continue to monitor and validate non-medical transportation requests to ensure appointment verification and assess for potential misuse and will report on any unusual billing patterns or findings.

Mr. Johansson highlighted the IT Security Steering Committee's role in managing breach responses, including disconnecting third-party systems, and ensuring proper documentation before reconnecting, which has strengthened internal controls and breach response processes.

Mr. Johansson went over Compliance Cases and their results. He reported on three Department of Managed Health Care (DMHC) letters, including two admonishments for past data issues and one enforcement action with a \$40,000 penalty for untimely

grievance responses. These incidents are now disclosed in quarterly reports. DMHC penalties over the past decade totaled \$250,000.

Mr. Johansson also spoke about internal audits with vendors like Nations Benefits and non-emergency medical transportation (NEMT) providers, which led to improved customer service and compliance. External audits by DHCS and DMHC were conducted jointly for the first time since 2018, with overlapping look-back periods likely resulting in more findings, to be discussed in future meetings. He will review and discuss the forthcoming DHCS and DMHC audit reports at a future Finance/Compliance Committee meeting, including findings and implications.

6.0 Preliminary Financial Results for the 3-month period ending March 31, 2026: Trent Ehrgood, CFO, reviewed the financial results for Q1. He described a change in accounting for third-party administrator fees, specifically the money the County pays to HPSM to administer the ACE program. They have moved it from non-operating revenue to operating revenue to better reflect their role in health plan operations, aligning with auditor recommendations.

The approved 2026 budget anticipated a \$4.7M loss for the quarter. However, Q1 actual results is a net loss of \$1.4M, which includes \$11.8M in favorable prior year adjustments. After removing the prior year adjustments, actual losses are \$13M for the current year.

The financial reporting includes both current and prior year estimates, which can obscure true performance due to timing differences. Mr. Ehrgood explained that \$11.8 million in favorable prior year adjustments are mainly from supplemental maternity revenue and reinsurance recoveries. These adjustments often lag due to the timing of claims and state reimbursements, affecting year-to-year comparisons.

Membership has declined more than budgeted, resulting in lower revenue, but healthcare costs did not decrease proportionally. Remaining members appear to be higher acuity, leading to increased average costs per member and unfavorable budget variances. Mr. Ehrgood will implement a report to monitor whether higher-acuity members are remaining enrolled while lower-acuity members are leaving, to validate the current theory on cost trends.

Mr. Ehrgood provided a look at Medi-Cal membership by month for the unsatisfactory immigrant status (UIS) and the satisfactory immigrant status (SIS) populations. There is a larger decline in both populations compared to what was assumed in the budget. If this trend continues, HPSM could see a 14% decrease in SIS and a 40% decrease in UIS by year-end, which is double what was assumed in the budget.

Mr. Ehrgood went over budget variances by major drivers. The two biggest drivers in terms of negative impact are the maternity supplemental payment and healthcare costs. He reminded the group that maternity revenue is short \$2.9M compared to what was budgeted, but that is due to timing and will catch up later. Healthcare costs show the average cost per member per month is higher than budget by around \$8.2M, which is likely due to higher acuity of remaining members. He also highlighted administrative costs, there are \$5.2M in savings so far but he warned it is not likely to continue for the rest of the year.

Hospital inpatient, behavioral health, dialysis, and other categories are trending above budget, especially due to higher acuity among remaining members. Pharmacy costs for CareAdvantage are lower than expected, but other service categories like behavioral health and hospice are increasing. They will investigate newer hospice providers for unusual billing patterns and potential fraud, given the observed uptick in hospice costs.

Year to date (YTD) surplus/deficit by line of business (LOB) graph shows the actual bottom-line compared to budget. Medi-Cal and the Medi-Cal Expansion (MCE) are worse than budget, the adult population is driving that for both. They are happy to see that the dual special needs plan (D-SNP) is doing better than expected.

He ended the financial report by reviewing tangible net equity (TNE) or reserves. The TNE level is at \$662M. Of that \$128M is uncommitted. The committed portion started out at \$137M, it is now down to \$106M because of the planned expenditure on provider rate increases, primary care investments, and the baby bonus program.

Mr. Ehrgood used this time to discuss scenario planning. He started by presenting worst-case scenarios with projected losses of \$50M, \$60M, and \$61M over three years, showing the impact to reserve levels and that even with these losses, stabilization and contingency reserves would remain intact, and uncommitted equity would still be available for future

commitments. He emphasized maintaining commitments to provider rate increases and capacity-building grants, noting that these investments are essential for provider stability and may be recognized in future rate setting, potentially offsetting future losses.

Next, he illustrated how a significant drop in enrollment would increase the admin load as a percentage of revenue, moving from 7.3% to 9.8% for the Medi-Cal line-of-business. DHCS factors in fixed and variable costs when setting rates, so the admin load should rise but not excessively. The message was that a combination of reductions to admin cost and DHCS increases to admin funding (on a per member per month basis) would not entirely cover the gap in cost versus funding in a scenario with a significant and sudden drop in enrollment.

The group also discussed the importance of transparent communication with the board about reserve usage, potential future commitments, and the need for careful calibration of investments, especially as provider pressures and network vulnerabilities increase. An overview of this scenario planning will be presented to the Commission at the May 13th meeting.

The financial report was approved as presented. **Gaskari/Callagy M/S/P**

7.0 Other Business – There was no other business.

8.0 Adjournment – The meeting was adjourned at 2:00 pm by Commissioner Graham.

Respectfully submitted:

M. Heryford

M. Heryford

Clerk to the Commission

models, including the CEO appointing a majority of board members and the commission's ability to approve bylaw changes. The auditors and attorneys advised that such control would classify the entity as a component unit, impacting financial independence. The entity would still be a separate organization but would be considered from a financial aspect, a part of HPSM. It would have a different tax ID number and be a different corporation, but financially it will look like a subsidiary, even though it is not. It does not provide the full independence the group talked about at the March Commission meeting. But there are tools they can use if they choose this route. Such as limiting the compensation of the CEO, setting up a one-time commitment of funding or ongoing commitment of funding. HPSM could also use the grant agreement, not the bylaws, to specify and delineate both the timing of the funding and the criteria of the funding. Mr. Curran asked the group to consider a couple of options.

Option One: **Review documents for 501(c)(3)**

- HPSM CEO appoints 4 of 9 board members with ability to remove those 4 members.
- Foundation board appoints 5 of 9 members.
- Include super-majority (7 of 9) vote for Foundation board to change by-laws.
- Use HPSM Grant Agreement to structure criteria for ongoing funding.

Option Two: **Revisit proceeding with 501c3 versus funding community activities through HPSM.**

- Discuss pros and cons of new entity, considering the updated information.

He also noted that there can be other options if they so choose, what he is seeking now is guidance on which direction to take. There was discussion about the possibility of collaborating with the San Mateo County Health Foundation (SMCHF), which besides raising money for the San Mateo Medical Center (SMMC) also provides goods such as diaper and food giveaways to anyone in the community. However, the main intent of SMCHF is to raise money to support the needs of the SMMC, whereas a 501(c)(3) formed by HPSM would provide support to the entire community. There was also concern about entering a partnership with an existing foundation and how that may restrict how HPSM funding can be used.

After further discussion, they agreed to gather more information on existing foundations and health care districts, compare their charters and activities, and revisit the decision with a clearer understanding of gaps and opportunities. Dialogue will continue at the next

Commission meeting.

5.1 Approval of Audited Financial results for 2025: HPSM CFO, Trent Ehrgood, went over the results of the 2025 financial audit by Baker-Tilly, formerly Moss-Adams. Baker Tilly began interim audit work in October 2025, completed final fieldwork in February, and finalized adjustments and financial statements in March. The audit findings were presented to the Finance/Compliance Committee prior to commission approval. The audit resulted in an unmodified opinion, indicating that the financial statements fairly present HPSM's financial position in accordance with generally accepted accounting principles (GAAP), with no auditor-proposed adjustments and only client-initiated estimate refinements.

2025 financials showed a net loss of \$15.6 million, primarily driven by intentional provider rate increases funded from reserves, and included adjustments for prior years' estimates and a significant liability due to the State of California for overpayments. Mr. Ehrgood addressed questions about auditor rotation, noting the long-standing relationship with Baker Tilly (formerly Moss Adams), the value of continuity, and the role of the Finance/Compliance Committee in periodically evaluating the auditor relationship.

Following the presentation and discussion, the commission unanimously approved the audited financial statements, with acknowledgment of the finance team's role in maintaining strong controls and accurate reporting.

Commissioner Andrade-Zuniga moved to approve the financial audit for 2025 (Second: Corzo) **M/S/P**

5.3 Scenario Planning – HPSM COO, Colleen Murphey and Mr. Ehrgood walked the commission thru scenario planning considering the uncertainty surrounding the State and Federal budgets. Mr. Ehrgood reported a faster-than-expected decline in Medi-Cal enrollment, with a higher proportion of high-utilization members remaining, leading to increased average healthcare costs, and contributing to higher-than-budgeted losses. His team modeled hypothetical multi-year losses to evaluate the adequacy of reserves, demonstrating that even under adverse scenarios, committed and uncommitted reserves would cover losses without depleting contingency funds, maintaining financial stability.

Administrative costs were analyzed as a percentage of revenue, with projections showing

that a significant drop in membership would increase the admin cost ratio, prompting the need for cost management and potential adjustments in response to reduced funding. DHCS may adjust rates retroactively to account for increased member acuity, and ongoing reforecasting for 2026 and 2027 will inform future budget proposals and reserve strategies.

The Commission agreed to revisit scenario planning after the release of the May budget revise, with plans to update projections, review administrative costs in more detail, and continue discussions on financial stewardship.

- 6. Report from Chief Executive Officer:** There was no verbal report, a written report was included in the packet.
- 7. Other Business:** Commissioner Santamaria provided a brief update on the CEO search process. The search committee met recently with Morgan Consulting to discuss key priorities, timeline, outreach, and marketing strategies. An update on the process will remain a standing agenda item in upcoming Commission meetings until a decision is made.
- 8. Adjournment:** The meeting was adjourned at 2:01 pm by Commissioner Santamaria.

Submitted by:

M. Heryford

M. Heryford, Clerk of the Commission

2025 Financial Audit Results

Presentation to Commission

May 13, 2026



2025 Financial Audit Summary



- Baker Tilly (formerly Moss Adams) completed their annual financial audit for 2025. The timeline started in October 2025 to perform interim audit procedures, returned in February 2026 to perform final field work, and then finalized adjustments and prepared financial statements and footnotes in early March 2026.
- Baker Tilly presented details of their audit procedures and their findings to Finance/Compliance Committee on March 30th.
- No audit adjustments were made by the auditors, but HPSM accounting staff proposed some adjustments based on updated information, which were incorporated into the financials.
- Final approval by HPSM Commission today, May 13, 2026.
- Audited financials were submitted to DMHC (due April 30, 2026).

Audit Deliverables



- Communication to the Commissioners
- Financial statements with audit report and footnotes to the financial statements

Report of Independent Auditors



Unmodified Opinion

Financial statements are fairly presented in accordance with generally accepted accounting principles.

Statement of Revenue and Expenses Final Audited



	<u>2025</u>	<u>2024</u>
Capitation revenue	1,543,339,814	1,239,683,958
Healthcare cost	1,438,215,663	1,076,146,610
Administrative expenses	75,738,890	69,038,855
MCO Tax	81,835,846	78,726,161
Income/(loss) from operations	<u>(52,450,585)</u>	<u>15,772,332</u>
Non-operating revenue	37,194,010	40,920,645
Non-operating (expense)	(440,000)	(3,350,000)
Net income/(loss)	<u>(15,696,575)</u>	<u>53,342,977</u>

Balance Sheet – Final Audited



	<u>12/31/2025</u>	<u>12/31/2024</u>
Assets:		
Cash and Investments	890,000,924	868,954,857
Capitation and other receivables	364,365,491	200,751,470
Other current assets	20,787,671	16,195,906
Capital assets	57,617,588	58,729,820
Other LT assets and deferred outflows	17,682,504	16,786,062
Total assets and deferred outflows	<u>1,350,454,178</u>	<u>1,161,418,115</u>
Liabilities:		
Medical claims payable	100,718,035	101,806,272
Provider incentives payable	18,489,882	11,243,578
Amounts due to the State of California	235,240,774	202,037,524
Accounts payable, accrued liabilities, other	317,236,621	154,937,799
Net LT pension liability, deferred outflows, other	14,464,495	11,391,996
Total liabilities and deferred inflows	<u>686,149,807</u>	<u>481,417,169</u>
Net Position (Reserves)	<u>664,304,371</u>	<u>680,000,946</u>

Commission Action Item



- Questions?
- Action item to accept/approve audited financial statements.

Thank you



Invest for the Future
HPSM Strategic Goal 6
Update on our 501(c)(3) Formation Effort

San Mateo Health Commission
May 13, 2026



Agenda

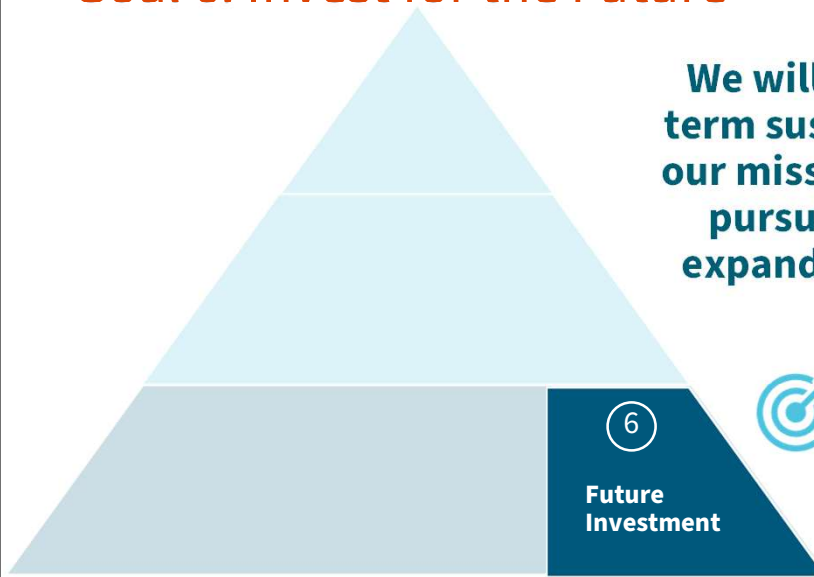


- Provide a brief recap of our journey and discussions for the new entity
- Update on the work towards the 501(c)(3)
- Guidance on direction for June discussion

Goal 6: Invest for the Future



We will ensure HPSM's long-term sustainability to advance our mission, by evaluating and pursuing opportunities to expand or invest differently.



All investments of HPSM reserves were made applying our impact criteria.

Grounding: approaching uncertainty with clear high-level priorities



1

- **Core operations** to uphold our mandate as a local, community-organized Medi-Cal and Duals plan

2

- **Long-standing precedents** aligned with our Mission, Vision, and local priorities

3

- **New opportunities** to consider to advance our strategic goals, including long-term sustainability

Top priorities in brief



What

- **Employment** (incl. CHWs)*
- Supporting **Housing** Access*
- Service & System **Navigation***
- **Childcare**
- **Behavioral Health** ecosystem*
- **Food as Health***
- Preserving **Healthcare Coverage**

How

- Strong support for HPSM leveraging our strengths as a **convener** and **data hub**
- Endorsement to continue our precedent of **piloting integration efforts**

Emerging priority

* Early exploration and/or piloting underway in these areas

Timeline



Why a New Entity?



New Capabilities, Community Impact

- Focuses on the community broadly
- Anchor funder
 - Receiving and distributing
- Organizer and convener
- Entity as operator
- Testing and learning
 - Supporting and/or deploying pilots

Address HPSM's Limitations

- Focus on core operations as defined by regulations and longstanding precedents
- Efforts limited to HPSM members

Current Progress



- Engaged with firm Delfino Madden to assist with 501(c)(3) formation
- Gathered information from IEHP Foundation
- Learning process, key decisions, and key boundaries
- Feedback and discussions with Commission
- ***Met with Baker Tilly to discuss criteria for financial independence of Foundation***

Guidance from March meeting



501(c)(3) Board appointment

HPSM CEO appoints 5 of 9. Appointee can be a HPSM Commissioner or former Commissioner

501(c)(3) bylaws and articles changes

HPSM Commission has the right to approve substantial changes to 501(c)(3) bylaws and articles after 7/9 approval vote from foundation board

Learnings since March meeting



- Discussion with Baker Tilly (auditors) regarding “Component Unit” criteria
- Summary of discussion
 - HPSM appointing a majority (5 of 9) board members would trigger a Component Unit categorization
 - Health Commission ability to approve by-law change would also trigger a Component Unit categorization
- Grant Agreement as vehicle to assert priorities
 - Potential to provide funding in installments
 - Each installment could have associated criteria that must be met

Direction for June Meeting



- Option 1: Review documents for 501c3
 - HPSM CEO appoints 4 of 9 board members, with ability to remove those 4 members
 - Foundation board appoints 5 of 9 board members
 - Include super-majority (7 of 9) vote for Foundation board to change by-laws
 - Use HPSM Grant Agreement to structure criteria for ongoing funding
- Option 2: Revisit proceeding with 501c3 versus funding community activities through HPSM
 - Discuss pros and cons of new entity in light of updated information

Why a New Entity?



New Capabilities, Community Impact

- Focuses on the community broadly
- Anchor funder
 - Receiving and distributing
- Organizer and convener
- Entity as operator
- Testing and learning
 - Supporting and/or deploying pilots

Address HPSM's Limitations

- Focus on core operations as defined by regulations and longstanding precedents
- Efforts limited to HPSM members

Discussion



5.3 Scenario Planning

San Mateo Health Commission

5/13/2026



Objectives



Provide transparency into:

- The financial scenarios we are planning within
- Our approach for addressing and managing through evolving threats
- Our next steps

Scenarios that we are modeling



- Significant reductions to HPSM membership
- Increased healthcare utilization of members we retain
- Significant financial pressures impacting the safety net

What is certain vs. unknown?

- All three factors are observed as trends today. We have reasonable confidence these will continue in the near term.
- The scale (**how much**) timeline (**how soon**) and permanency (**how lasting**) of each are still uncertain.

Three questions for us to address



As we consider possible scenarios, we are seeking to answer:

1. What is the potential impact to HPSM's financial position, should we have sustained, significant financial losses?
2. Are we meeting our mandate of effective financial stewardship?
3. Are we appropriately responding to the external environment, as an interconnected member of the safety net community?

Three questions for us to address

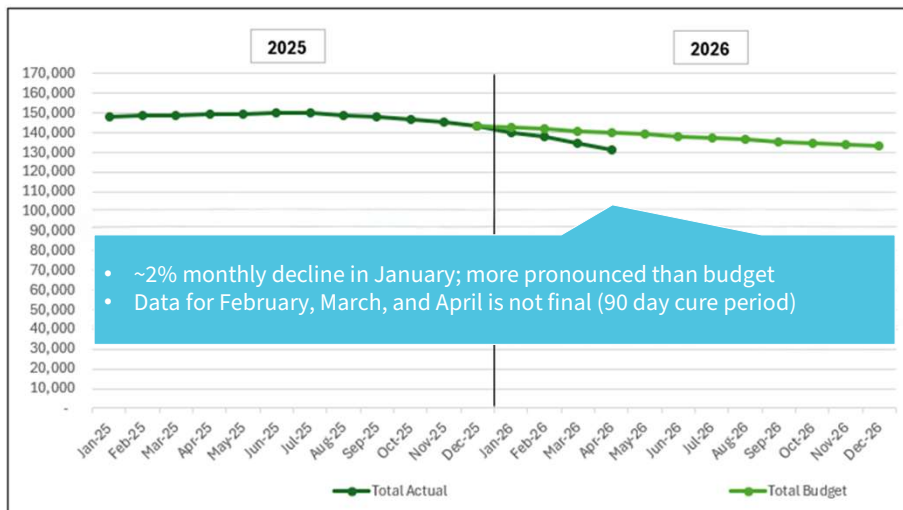


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3. Are we appropriately responding to the external environment, as an interconnected member of the safety net community?

Q1: Potential impact on net financial position

Medi-Cal Membership by Month Recent trends



- The trend is material
- How representative these declines are is still uncertain

Q1: Potential impact on net financial position

Defining a hypothetical “worst case scenario”



	A	B	C	D
	<u>2026 Budget</u>	<u>Revised 2026</u>	<u>2027</u>	<u>2028</u>
Medi-Cal	(20,000,000)	➔ (40,000,000)	(40,000,000)	(40,000,000)
CareAdvantage	(30,000,000)	(30,000,000)	(30,000,000)	(30,000,000)
Loss on operations	(50,000,000)	(70,000,000)	(70,000,000)	(70,000,000)
Non-op revenue	30,000,000	30,000,000	➔ 20,000,000	20,000,000
Sub-total	(20,000,000)	(40,000,000)	(50,000,000)	(50,000,000)
PCP Grant and Baby Bonus spend	-	➔ (10,250,000)	(10,500,000)	(11,235,223)
Net operating loss	(20,000,000)	(50,250,000)	(60,500,000)	(61,235,223)

Note

These figures are hypothetical, to illustrate a relatively conservative “worst case scenario” we used to pressure-test our financial reserves

Q1: Potential impact on net financial position

Impact on Financial Reserves of hypothetical losses



	A	B	C	D	E	F	G
	<u>2025 Audit</u>	<u>2026</u>		<u>2027</u>		<u>2028</u>	
	<u>Balance at 12/31/25</u>	<u>2026 Net Loss</u>	<u>Balance at 12/31/26</u>	<u>2027 Net Loss</u>	<u>Balance at 12/31/27</u>	<u>2028 Net Loss</u>	<u>Balance at 12/31/28</u>
1 Uncommitted Equity	\$121.6M	(\$9.5M)	\$112.1M	(\$16.6M)	\$95.6M	(\$31.6M)	\$64.0M
2 Committed Equity	\$114.3M	(\$40.8M)	\$73.5M	(\$43.9M)	\$29.6M	(\$29.6M)	(\$0.0M)
3 Contingency Reserve	\$105.0M		\$105.0M		\$105.0M		\$105.0M
4 Stabilization Reserve	\$210.0M		\$210.0M		\$210.0M		\$210.0M
5 Capital Assets	\$57.6M		\$57.6M		\$57.6M		\$57.6M
6 Required TNE	\$55.7M		\$55.7M		\$55.7M		\$55.7M
7 Net Equity	\$664.3M	(\$50.3M)	\$614.1M	(\$60.5M)	\$553.6M	(\$61.2M)	\$492.3M

Note

These figures are hypothetical, to illustrate a relatively conservative “worst case scenario” we used to pressure-test our financial reserves

CM1

Three questions for us to address



As we consider possible scenarios, we are seeking to answer:

1. What is the potential impact to HPSM's financial position, should we have sustained, significant financial losses?
2. Are we meeting our mandate of effective financial stewardship?
3. Are we appropriately responding to the external environment, as an interconnected member of the safety net community?

Q2: Potential impact on operational efficiency

Admin Cost as Percent of Revenue 2026 Budget



	A	B
	CareAdvantage (2026 Budget)	Total Medi-Cal (2026 Budget)
1 Operating Revenue*	247,847,904	830,380,344
2 Admin Cost	24,758,009	60,715,729
3 Admin % of Revenue	10.0%	7.3%
4 Average Membership	8,650	137,914

* Operating revenue excludes MCO tax funding

Admin Cost as Percent of Revenue with Reduced Enrollment



	A	B	C	D
	CareAdvantage (2026 Budget)	Total Medi-Cal (2026 Budget)	→	Medi-Cal w/ Reduced Enrollment
1 Operating Revenue*	247,847,904	830,380,344	(213,819,887)	616,560,457
2 Admin Cost	24,758,009	60,715,729		60,715,729
3 Admin % of Revenue	10.0%	7.3%		9.8%
4 Average Membership	8,650	137,914	(42,239)	95,676

* Operating revenue excludes MCO tax funding

Three questions for us to address



As we consider possible scenarios, we are seeking to answer:

1. What is the potential impact to HPSM's financial position, should we have sustained, significant financial losses?
2. Are we meeting our mandate of effective financial stewardship?
3. Are we appropriately responding to the external environment, as an interconnected member of the safety net community?



Potential scenarios we are modeling

- Significant reductions to HPSM membership
- Increased healthcare utilization of members we retain
- Significant financial pressures impacting the safety net

What is certain vs. unknown?

- All three factors are observed as trends today. We have reasonable confidence these will continue in the near term.
- The scale (**how much**) timeline (**how soon**) and permanency (**how lasting**) of each are still uncertain.



Threats facing our broader community

- Providers across our network face varying degrees of risks:
 - **Revenue declines:** state and federal regulatory and tax changes, changing payer mix tied to unemployment trends
 - **Eligibility changes** reducing healthcare coverage result in increased acuity, increased ER utilization, increased “charity care”
 - **FQHCs¹ and hospitals** face significant, nearer-term risks
- Safety-net services, CBOs facing increased demand and revenue reductions

- Structural financial gaps are not addressable by HPSM alone
- HPSM will face increasing rate pressure from our network and additional funding requests to support the safety net

¹ “Federally Qualified Health Centers.” 55-60% of HPSM members are typically assigned to an FQHC for primary care

Objectives



Provide transparency into:

- The financial scenarios we are planning within
- Our approach for addressing and managing through evolving threats
- Our next steps

Our approach



- Avoiding over- or under-reaction:
 - Our relatively resilient financial position allows us to be strategic in how we plan for potential changes to our organization’s scale; and:
 - Our mandates of financial stewardship, and the threats facing the safety net as a whole, dictate that we do not squander the time we have to make intentional changes to cost drivers – including healthcare and administrative costs.
- While some cost reduction will occur organically when membership decreases, we are working now to intentionally address cost management opportunities, in ways that do not shortchange our level of service to members and providers or our Strategic Plan

Objectives



Provide transparency into:

- The financial scenarios we are planning within
- Our approach for addressing and managing through evolving threats
- Our next steps

Next steps



- Reforecasting 2026 budget projections based on new inputs, in collaboration with the Finance Committee
- Working with HPSM department leaders to conduct additional review and planning for 2027 budget
- Continuing to monitor:
 - Internal progress on cost management
 - External budgetary, policy, and membership changes
- We will return with an update to this Commission in September/October prior to our submission of a proposed 2027 budget

Agenda Item 5.1
Date: June 10, 2026

2025 Compliance Annual Report June 10, 2026



Annual Compliance Report



- **Status & Activities - Background**
 - 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

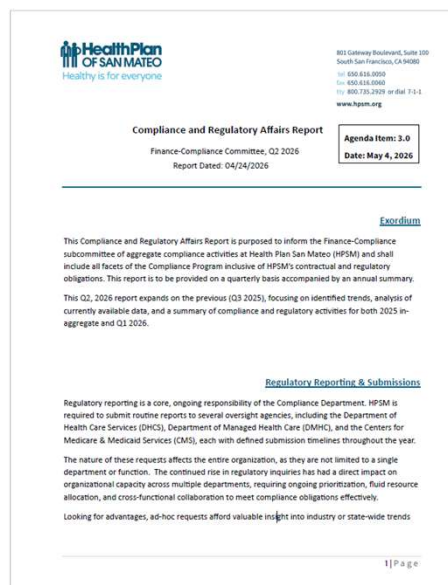


- To establish a culture of compliance at HPSM that helps the organization and its employees “do the right thing” *for our members, providers, and community*
- Achieved through *maintaining a compliance program, that:*
 - Educates our employees
 - Identifies and resolves compliance issues and risks
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

2025 Year in Review



- Introduced new reporting format to Finance & Compliance Committee
 - Reports produced quarterly
 - Annual report summarizes all prior year activity and trends



Report Content



- Each report covers Compliance Program activity in:
 - Regulatory Reporting & Submissions
 - Fraud, Waste, and Abuse (FWA) Program
 - HIPAA Privacy & Security Programs
 - Non-Compliance Incidents
 - Internal Audit Program and Corrective Action
 - Delegation Oversight and Corrective Action
 - External Audit Program and Corrective Action

2025 Highlights



- Increased focus on fraud, waste, and abuse (FWA), ahead of moves by the federal government
 - New controls and investigations into FWA in our non-medical transportation benefit have been very effective
 - HPSM is participating in new workgroups with the California Association of Health Plans and the California Department of Health Care Services
 - Created a new internal workgroup to focus on trends in claims data

2025 Highlights



- Internal collaboration with HPSM's IT Security team and IT Security Steering Committee have increased responsiveness
 - Breach incidents are responded to immediately to mitigate threats to HPSM data and systems
 - Inclusion of IT security experts have allowed for better support of affected partners
 - Improved systems and training at HPSM help ensure our workforce is able to respond to emerging threats

2025 Highlights



- Internal and External Audits
 - Internal Audits have helped mitigate findings in external audits, and supported our partners
 - Examples being Non-Emergency Medical Transportation (NEMT) providers and NationsBenefits, a supplemental benefit vendor with CareAdvantage
 - HPSM underwent a dual Department of Health Care Services and Department of Managed Health Care audit in early 2026
 - Audit report detail expected later this year

A thank you...



- ...to our operations teams and the Compliance Team
 - Our teams do tremendous work to serve our members, and to ensure that work meets our internal standards and those of our regulators
- ...to the Finance & Compliance Committee, and the Commission
 - Who continue to guide the focus of our Compliance Program, and the organization as a whole

Next Report Preview



- Report out on the Annual Compliance Program Effectiveness Survey
 - For Calendar Year 2025

AGENDA ITEM: 5.2

DATE: June 10, 2026

Item 5.2 – Health Policy Update

A presentation will be provided at the meeting.

AGENDA ITEM: 5.3

DATE: June 10, 2026

Item 5.3 – Scenario Planning

A presentation will be provided at the meeting.

AGENDA ITEM: 5.4

DATE: June 10, 2026

Item 5.4 – CEO Search Update

A report will be provided at the meeting.

MEMORANDUM

AGENDA ITEM: 6.0

DATE: June 10, 2026

DATE: June 3, 2026
TO: San Mateo Health Commission
FROM: Patrick Curran
RE: CEO Report – June 2026

State Budget Update

The Governor released his updated budget (known as the “May Revise”) on May 14th. It included one item which I mentioned as a possibility in last month’s CEO Report. The state proposes to carve out all members in the eligibility category known as UIS (Unsatisfactory Immigration Status) from managed care plans and serve those members through Medi-Cal FFS effective January 1, 2027.

1. Background

The federal government, through CMS, has released State Medicaid Director Letters that address ongoing concerns they have regarding the coverage of undocumented residents through Medicaid. Even though these programs are 100% funded by states, such as California, there are federal matching programs and rule interpretations that complicate the administration of these state-only programs. There are restrictions in how the state can pay for and report to CMS for so-called Emergency Medi-Cal services, which include emergency room and pregnancy-related care, to receive federal funding.

2. State Proposal

In the May Revise, DHCS (the Department of Health Care Services) proposed to move all members with UIS status to the Medi-Cal FFS program effective January 1, 2027. This means that those members would not have an HPSM ID card and access medical and dental care** through HPSM. They would retain coverage with an ID card distributed by the state, but would need to find access on their own, as the state has no mechanism to assign members to PCPs or to coordinate care. We anticipate that it will be very difficult for members to access care in this manner.

3. Status

Our statewide association, Local Health Plans of California (LHPC), has developed a proposal that would comply with federal requirements and preserve access for members. Members

would remain with HPSM and access most physician and dental services through HPSM. Hospital services, ER services, and pregnancy-related services would be administered directly by the state. In this proposal, member access and local coordination is retained while meeting federal requirements. As I write this note, LHPC is advocating with both the administration and the legislature, urging them to adopt this proposal in the final state budget.

We will present an update with the latest information at the June 10th Health Commission meeting.

*** The state budget also proposes to eliminate dental coverage for UIS members over age 18 effective July 1, 2026. We are planning to implement that change, though there are also legislative proposals to delay.*

501c3 Update

At the May Health Commission meeting, we discussed options to proceed with creating a 501c3 foundation. As a result of that discussion, HPSM leadership will reach out to existing foundations that focus on health and well-being and serve San Mateo County residents. The goal of those discussions will be to understand their current programs, their funding priorities, how they leverage funding, their perception of gaps that exist, and how our proposed areas of emphasis align with their work. The initial list of meetings will include the San Mateo County Health Foundation, the Peninsula Healthcare District, the Sequoia Healthcare District, and the Silicon Valley Foundation. We plan to report back to the Health Commission at the July or August Health Commission meeting, dependent upon the timing of these meetings.