



801 Gateway Boulevard, Suite 100  
South San Francisco, CA 94080

tel 650.616.0050  
fax 650.616.0060  
tty 800.735.2929 or dial 7-1-1

[www.hpsm.org](http://www.hpsm.org)

**THE SAN MATEO HEALTH COMMISSION**  
**Regular Meeting**  
**June 11, 2025 - 12:30 p.m.**  
**Health Plan of San Mateo**  
**801 Gateway Blvd., Boardroom**  
**South San Francisco, CA 94080**

This meeting of the San Mateo Health Commission will be held in the Boardroom at 801 Gateway Blvd., South San Francisco. Members of the public wishing to view this meeting remotely may access the meeting via YouTube Live Stream using this link: [https://youtube.com/live/TFyI3yZiU\\_M?feature=share](https://youtube.com/live/TFyI3yZiU_M?feature=share) Please note that while there will be an opportunity to provide public comment in person, there is no means for doing so via the Live Stream link.

**AGENDA**

- 1. Call to Order/Roll Call**
- 2. Public Comment/Communication**
- 3. Approval of Agenda\***
- 4. Consent Agenda\***
  - 4.1 Finance/Compliance Report – May 5, 2025
  - 4.2 Community Advisory Committee Minutes (draft) – April 16, 2025
  - 4.3 Approval of San Mateo Health Commission Retreat Meeting Minutes from April 23, 2025
  - 4.4 Approval of Agreement with Trace3 for HPSM Data Center Equipment Procurement
- 5. Specific Discussion/Action Items**
  - 5.1 Approval of Moss-Adams Audit Results\*
  - 5.2 SMHC Retreat Update
  - 5.3 Approval of PACE Organization to Operate in San Mateo County\*
- 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.



**AGENDA ITEM: 4.**

**DATE: , 2025**

**MEMORANDUM**

Date: June 4, 2025  
To: Finance/Compliance Committee  
From: Trent Ehrgood, Chief Financial Officer

Subject: **Financial report for the three-month period ending March 31, 2025**

---

**Preliminary 2025 Financial Results All Lines of Business**

Q1 2025 preliminary financial results for all lines of business is a surplus of \$17.0M, compared to the Q1 budget surplus of \$20.4M.

About \$168M in prior year directed payments were recorded in Q1, which is normal for this time of year. This created budget variances in revenue and healthcare cost, but minimal impact to the bottom line.

DHCS reinstated the UIS Risk Corridor for 2025, which was not included in the budget. No premium refund was accrued in Q1, which means actual results for Q1 will likely be lower once we are able to calculate estimates for this potential return of premiums.

Attached is presentation material to guide the discussion for our committee meeting on May 5<sup>th</sup>. Detailed Statements of Revenue and Expense on a consolidated basis, as well as for each line of business, are provided after the presentation slides.

**Agenda Item: 4.**

**Date:** \_\_\_\_\_, 2025

# Financial Update

Q1 2025 preliminary pre-audit

Presentation to Finance/Compliance Committee

May 5, 2025

# 2025 Budget by Quarter



	Q1	Q2	Q3	Q4	Total
Capitation revenue	297,848,358	297,240,699	296,639,372	296,043,829	<b>1,187,772,259</b>
Healthcare cost	246,006,414	245,911,232	245,499,269	245,250,859	<b>982,667,775</b>
Administrative expenses	21,363,748	19,963,903	20,705,950	21,089,017	<b>83,122,618</b>
MCO Tax	20,008,040	20,008,040	20,008,040	20,008,040	<b>80,032,159</b>
Income/(loss) from operations	10,470,156	11,357,524	10,426,114	9,695,913	<b>41,949,706</b>
Non-operating revenue	9,972,279	9,681,972	9,381,972	9,081,972	<b>38,118,194</b>
Net income/(loss)	20,442,435	21,039,495	19,808,085	18,777,885	<b>80,067,900</b>

# Q1 2025 Preliminary Financial Results



	YTD Total	YTD Budget	Budget Variance
Operating Revenue:			
Capitation	467,129,448	297,848,358	169,281,090
UIS Risk Corridor	-	-	-
Total Operating Revenue	467,129,448	297,848,358	169,281,090
Healthcare cost	421,376,041	246,006,414	(175,369,627)
Administrative expenses	17,731,830	21,363,748	3,631,918
MCO Tax	20,555,697	20,008,040	(547,657)
Income/(loss) from operations	7,465,880	10,470,156	(3,004,276)
Non-operating revenue	9,545,895	9,972,279	(426,384)
Net income/(loss)	17,011,775	20,442,435	(3,430,660)

# YTD March 2025 – PY/CY



	YTD by PY/CY			Current Year YTD		
	Prior Year	Current Year	Total	Current Year	Budget	CY Variance
Operating Revenue:						
Capitation	166,187,206	300,942,242	467,129,448	300,942,242	297,848,358	3,093,884
UIS Risk Corridor		-	-	-	-	-
Total Operating Revenue	166,187,206	300,942,242	467,129,448	300,942,242	297,848,358	3,093,884
Healthcare cost	166,997,880	254,378,161	421,376,041	254,378,161	246,006,414	(8,371,747)
Administrative expenses	-	17,731,830	17,731,830	17,731,830	21,363,748	3,631,918
MCO Tax	-	20,555,697	20,555,697	20,555,697	20,008,040	(547,657)
Income/(loss) from operations	(810,674)	8,276,554	7,465,880	8,276,554	10,470,156	(2,193,602)
Non-operating revenue	168	9,545,727	9,545,895	9,545,727	9,972,279	(426,552)
Net income/(loss)	(810,506)	17,822,281	17,011,775	17,822,281	20,442,435	(2,620,154)

# Average Membership

## Variance to Budget

LOB	Avg. Actual	Avg. Budget	Variance	% Var
Medi-Cal	75,485	74,697	788	1.1%
Medi-Cal Expansion	55,391	53,250	2,141	4.0%
Whole Child Model	1,103	1,075	28	2.6%
Medi-Cal Full Duals	8,622	7,632	990	13.0%
Sub-total Medi-Cal	140,601	136,654	3,947	2.9%
Medicare D-SNP	8,198	8,356	(157)	-1.9%
HealthWorx	1,316	1,286	30	2.3%
Total at Risk	150,115	146,296	3,820	2.6%
+ ACE	1,002	1,237	(235)	-19.0%
Grand Total	151,117	147,533	3,585	2.4%

# Budget Variance by Major Drivers

favorable/(unfavorable)



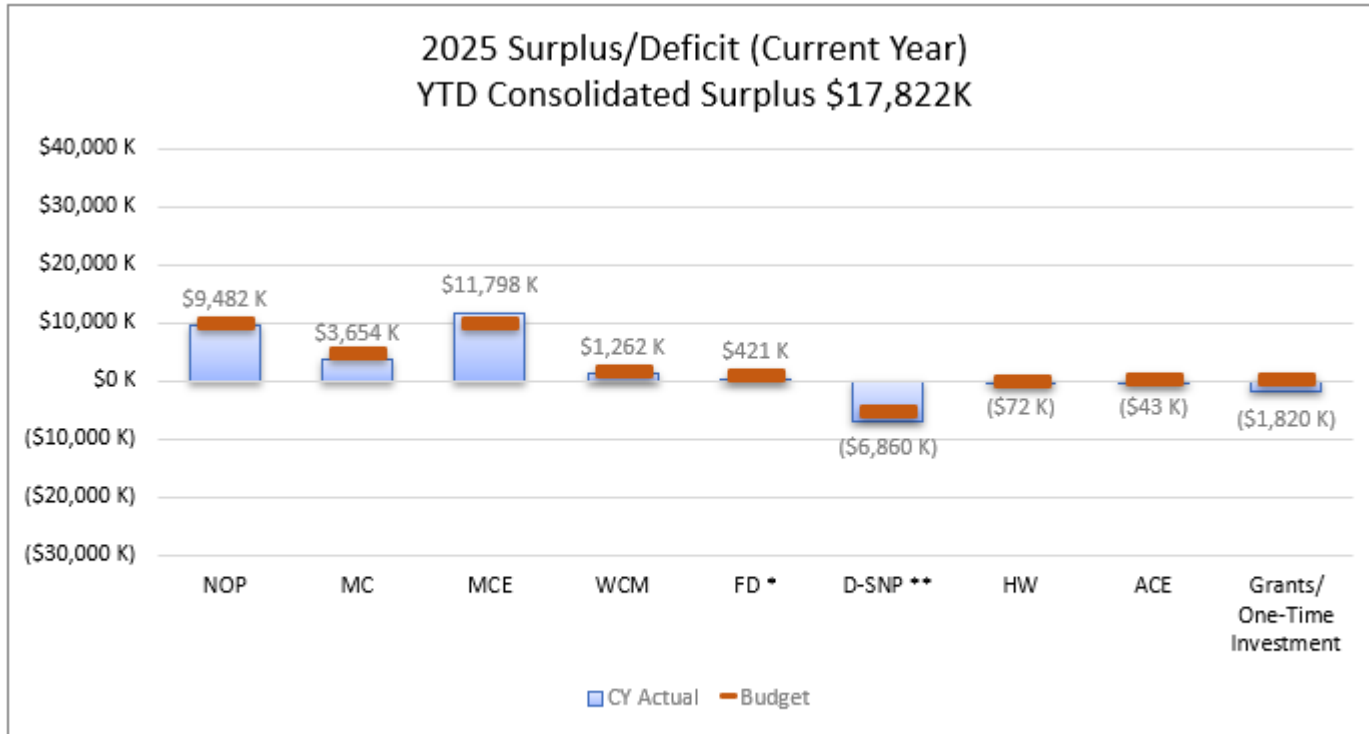
	<u>YTD Mar</u>		<u>Revenue</u>	<u>Expense</u>
1 Prior year adjustments not in the budget	(810,510)			
<b><u>Current year variances:</u></b>				
2 Membership higher than budget	1,321,547	<<	5,443,289	(4,121,742)
3 Revenue: Yield PMPM variance to budget	(4,188,327)			
4 Revenue: Maternity supplemental payment	298,759			
5 Healthcare cost: CY PMPM variance to budget	(1,793,469)			
6 Healthcare cost: directed payments	(1,057,344)			
7 Healthcare cost: strategic investments	(1,820,000)			
8 ECM (rev-exp variance)	1,415,457	<<	994,648	420,809
9 Administrative cost variance to budget	3,631,918			
10 MCO Tax variance (rev-exp variance)	(2,142)	<<	545,515	(547,657)
11 Non-op revenue (CY portion) variance to budget	(426,548)			
Total current year	(2,620,150)			
<b>Total consolidated budget variance</b>	<b>(3,430,660)</b>			

# Healthcare Cost

## Detail by Category of Service

	YTD Actual			YTD Budget	Variance	% Var.
	Total	Prior Year	Current Year			
1 Provider Capitation	7,625,230	922,813	6,702,417	6,613,349	(89,068)	-1.3%
2 Hospital Inpatient	50,079,814	(118)	50,079,931	49,035,092	(1,044,839)	-2.1%
3 LTC/SNF	42,790,855	-	42,790,855	42,359,686	(431,170)	-1.0%
4 Pharmacy	16,949,595	(124,703)	17,074,298	18,009,409	935,111	5.2%
5 Physician FFS	27,357,700	37,564	27,320,136	25,489,447	(1,830,688)	-7.2%
6 Hospital Outpatient	30,317,258	(5,488)	30,322,747	28,941,674	(1,381,073)	-4.8%
7 Other Medical Claims (incl. Other HC Serv)	30,258,833	38,343	30,220,491	29,568,250	(652,240)	-2.2%
8 Directed Payments	181,229,744	167,893,302	13,336,442	12,279,098	(1,057,344)	-8.6%
9 Long Term Support Services	608,080	20,610	587,470	433,927	(153,543)	-35.4%
10 CPO/In-lieu of Services	3,130,125	-	3,130,125	3,049,245	(80,879)	-2.7%
11 Dental	13,182,984	-	13,182,984	12,510,133	(672,850)	-5.4%
12 ECM	758,853	(55,138)	813,991	1,234,800	420,809	34.1%
13 Provider Incentives	4,535,306	-	4,535,306	3,974,375	(560,931)	-14.1%
14 Supplemental Benefits (D-SNP)	675,342	-	675,342	784,713	109,371	13.9%
15 Transportation	4,135,616	-	4,135,616	4,729,342	593,726	12.6%
16 Strategic Investments (one-time grants)	1,820,000	-	1,820,000	-	(1,820,000)	
17 Indirect Health Care Benefits	(524,245)	(1,736,188)	1,211,943	398,710	(813,234)	-204.0%
18 UMQA	6,444,952	6,884	6,438,068	6,595,165	157,096	2.4%
<b>Total Healthcare Cost</b>	<b>421,376,041</b>	<b>166,997,880</b>	<b>254,378,161</b>	<b>246,006,414</b>	<b>(8,371,747)</b>	<b>-3.4%</b>

# CY YTD Surplus/Deficit by LOB



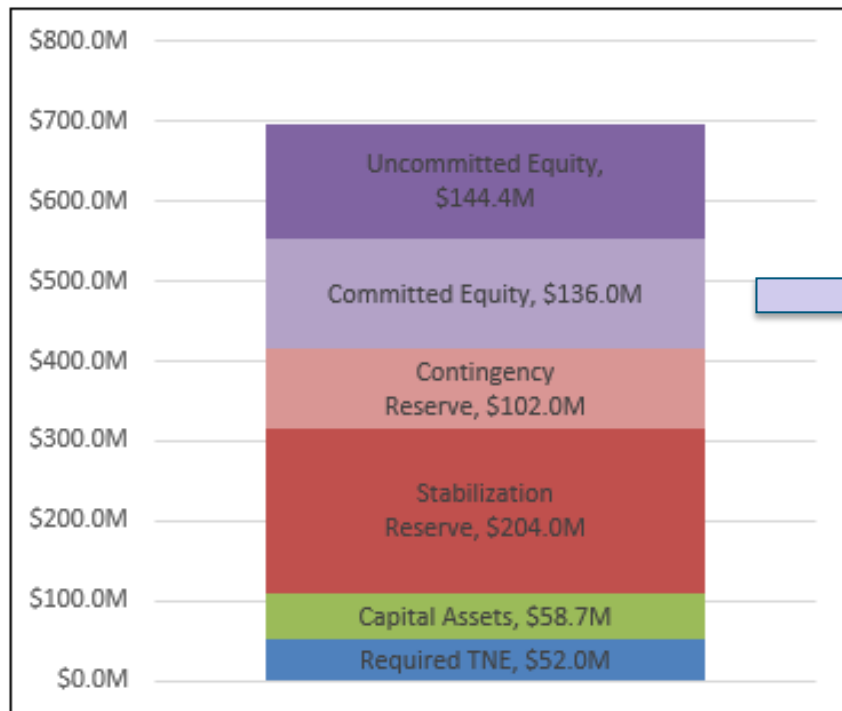
\* FD includes M-Cal portion of D-SNP

\*\* D-SNP includes Medicare portion only

# Tangible Net Equity (TNE)

Balance at 12/31/2025 = \$697.0M

Uncommitted portion = \$144.4M



## Committed Equity:

	Funding	Spend	Balance
Provider	\$100.0M	\$0.4M	\$99.6M
Primary Care	\$30.0M	\$0.6M	\$29.4M
Baby Bonus	\$7.0M	\$0.0M	\$7.0M
	<u>\$137.0M</u>	<u>\$1.0M</u>	<u>\$136.0M</u>

\* Required TNE adjusted for PY directed payments paid in Q1 2025

# Q1 2025 Summary

- On a consolidated basis, Q1 is largely on budget after subtracting the \$1.8M one-time grant funding paid in Q1. Variances still exist between lines-of-business.
- Membership is running about 2.6% higher than budget, and as a result revenue and healthcare cost are both higher for the same reason.
- About \$168M in prior year directed payments were recorded in Q1, which is normal for this time of year. This created budget variances in revenue and healthcare cost, but minimal impact to bottom line.
- DHCS reinstated the UIS Risk Corridor for 2025, which was not included in the budget. No premium refund was accrued in Q1, which means actual results for Q1 will likely be lower once we are able to calculate estimates for this potential return of premiums.

Questions?

Health Plan of San Mateo  
 Consolidated Balance Sheet  
 March 31, 2025 and February 28, 2025

	Current Month	Prior Month	PY 12/31
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Equivalents	\$ 643,945,837	\$ 670,790,223	\$ 680,831,174
Investments	190,058,582	190,058,582	188,123,682
Capitation Receivable from the State	171,192,849	308,301,603	123,514,831
Capitation Receivable from CMS	58,652,342	58,652,342	58,652,342
Other Receivables	60,342,489	21,760,150	23,047,898
Prepays and Other Assets	10,892,225	11,825,174	11,732,301
Total Current Assets	1,135,084,323	1,261,388,074	1,085,902,228
<b>Capital Assets, Net</b>	58,692,248	58,683,191	58,729,818
<b>Assets Restricted As To Use</b>	300,000	300,000	300,000
<b>Other Assets &amp; Outflows</b>	16,486,062	16,486,062	16,486,062
Total Assets & Deferred Outflows	\$ 1,210,562,634	\$ 1,336,857,327	\$ 1,161,418,109
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Medical Claims Payable	98,872,409	92,421,808	88,948,893
Provider Incentives	15,036,302	13,793,631	11,243,576
Amounts Due to the State	199,665,913	198,861,613	202,037,523
Accounts Payable and Accrued Liabilities	184,204,366	326,500,826	163,416,247
SBITA Liability	4,378,929	4,378,929	4,378,929
Total Current Liabilities	502,157,919	635,956,806	470,025,168
<b>Other Liabilities &amp; Inflows</b>	11,391,997	11,391,997	11,391,997
Total Liabilities & Deferred Inflows	\$ 513,549,916	\$ 647,348,803	\$ 481,417,165
<b>NET POSITION</b>			
Invested in Capital Assets	58,692,248	58,683,191	58,729,818
Restricted By Legislative Authority	300,000	300,000	300,000
Unrestricted			
Stabilization/Contingency Reserve	305,977,900	305,977,900	305,977,900
Committed/Uncommitted Reserve	332,042,570	324,547,433	314,993,225
<b>Net Position</b>	697,012,718	689,508,524	680,000,944
Total Liabilities & Net Position	\$ 1,210,562,634	\$ 1,336,857,327	1,161,418,109
Change in Net Position	\$ 17,011,774	\$ 9,507,580	-

**Health Plan of San Mateo**  
**Consolidated Statement of Revenue & Expense**  
**for the Period Ending March 31, 2025**

	Current Qtr Actual	Current Qtr Budget	Current Qtr Variance	YTD Actual	YTD Budget	YTD Variance	% Var
<b>OPERATING REVENUE</b>							
Capitation and Premiums							
Medi-cal (includes Offsets)	\$ 409,166,094	\$ 235,908,410	\$ 173,257,684	\$ 409,166,094	\$ 235,908,410	\$ 173,257,684	73.4%
HealthWorx	2,366,668	2,313,295	53,373	2,366,668	2,313,295	53,373	2.3%
Medicare (includes CA-CMC)	55,596,685	59,626,653	(4,029,967)	55,596,685	59,626,653	(4,029,967)	-6.8%
<b>Total Operating Revenue</b>	<b>467,129,448</b>	<b>297,848,358</b>	<b>169,281,089</b>	<b>467,129,448</b>	<b>297,848,358</b>	<b>169,281,089</b>	<b>56.8%</b>
<b>OPERATING EXPENSE</b>							
Healthcare Expense							
Provder Capitation	7,625,230	6,613,349	(1,011,881)	7,625,230	6,613,349	(1,011,881)	-15.3%
Hospital Inpatient	50,079,814	49,035,092	(1,044,722)	50,079,814	49,035,092	(1,044,722)	-2.1%
LTC/SNF	42,790,855	42,359,686	(431,170)	42,790,855	42,359,686	(431,170)	-1.0%
Pharmacy	16,949,595	18,009,409	1,059,814	16,949,595	18,009,409	1,059,814	5.9%
Medical	269,163,535	96,278,469	(172,885,066)	269,163,535	96,278,469	(172,885,066)	-179.6%
Long Term Support Services	608,080	433,927	(174,153)	608,080	433,927	(174,153)	-40.1%
CPO/In-lieu of Services	3,130,125	3,049,245	(80,879)	3,130,125	3,049,245	(80,879)	-2.7%
Dental Expense	13,182,984	12,510,133	(672,850)	13,182,984	12,510,133	(672,850)	-5.4%
Enhanced Care Management	758,853	1,234,800	475,947	758,853	1,234,800	475,947	38.5%
Provider Incentives	4,535,306	3,974,375	(560,931)	4,535,306	3,974,375	(560,931)	-14.1%
Supplemental Benefits	675,342	784,713	-	675,342	784,713	-	-
Transportation	4,135,616	4,729,342	593,726	4,135,616	4,729,342	593,726	12.6%
Other Provider HC	1,820,000	-	-	1,820,000	-	-	-
Indirect Health Care Expenses	(524,245)	398,710	922,955	(524,245)	398,710	922,955	231.5%
UMQA, Delegated and Allocation	6,444,952	6,595,165	150,212	6,444,952	6,595,165	150,212	2.3%
<b>Total Healthcare Expense</b>	<b>421,376,041</b>	<b>246,006,414</b>	<b>(175,369,627)</b>	<b>421,376,041</b>	<b>246,006,414</b>	<b>(175,369,627)</b>	<b>-71.3%</b>
Administrative Expense							
Salaries and Benefits	16,319,688	16,112,985	(206,703)	16,319,688	16,112,985	(206,703)	-1.3%
Staff Training and Travel	71,930	152,100	80,170	71,930	152,100	80,170	52.7%
Contract Services	3,621,700	4,827,125	1,205,425	3,621,700	4,827,125	1,205,425	25.0%
Office Supplies and Equipment	1,969,994	2,808,633	838,640	1,969,994	2,808,633	838,640	29.9%
Occupancy and Depreciation	827,506	997,800	170,294	827,506	997,800	170,294	17.1%
Postage and Printing	553,003	674,825	121,822	553,003	674,825	121,822	18.1%
Other Administrative Expense	595,619	2,176,837	1,581,219	595,619	2,176,837	1,581,219	72.6%
UM/QA Allocation	(6,227,609)	(6,386,558)	(158,949)	(6,227,609)	(6,386,558)	(158,949)	-2.5%
<b>Total Admin Expense</b>	<b>17,731,831</b>	<b>21,363,748</b>	<b>3,631,918</b>	<b>17,731,831</b>	<b>21,363,748</b>	<b>3,631,918</b>	<b>17.0%</b>
Premium Taxes	20,555,697	20,008,040	(547,657)	20,555,697	20,008,040	(547,657)	-2.7%
<b>Total Operating Expense</b>	<b>459,663,568</b>	<b>287,378,202</b>	<b>(172,285,366)</b>	<b>459,663,568</b>	<b>287,378,202</b>	<b>(172,285,366)</b>	<b>-60.0%</b>
<b>Net Income/Loss from Operations</b>	<b>7,465,879</b>	<b>10,470,156</b>	<b>3,004,277</b>	<b>7,465,879</b>	<b>10,470,156</b>	<b>3,004,277</b>	<b>28.7%</b>
<b>NONOPERATING REV AND (EXP)</b>							
Interest Income, Net	9,156,801	9,600,000	(443,199)	9,156,801	9,600,000	(443,199)	-4.6%
Rental Income, Net	325,344	308,529	16,815	325,344	308,529	16,815	5.5%
Third Party Administrator Revenue	63,750	63,750	-	63,750	63,750	-	-
<b>Net Nonoperating Rev and (Exp)</b>	<b>9,545,895</b>	<b>9,972,279</b>	<b>(426,384)</b>	<b>9,545,895</b>	<b>9,972,279</b>	<b>(426,384)</b>	<b>-4.3%</b>
<b>Net Income/(Loss)</b>	<b>\$ 17,011,774</b>	<b>20,442,435</b>	<b>(3,430,661)</b>	<b>\$ 17,011,774</b>	<b>\$ 20,442,435</b>	<b>\$ (3,430,661)</b>	<b>-16.8%</b>
<i>Admin exp as % of Net Rev (adj for Tax)</i>	<i>3.97%</i>	<i>7.69%</i>		<i>3.97%</i>	<i>7.69%</i>		
<i>Medical Loss Ratio (adj for Tax)</i>	<i>94.36%</i>	<i>88.54%</i>		<i>94.36%</i>	<i>88.54%</i>		

**Health Plan of San Mateo**  
**ALL LOB UNITS Statement of Revenue & Expense**  
 for the Period Ending March 31, 2025

	Current Qtr Actual	Current Qtr Budget	Current Qtr Variance	% Var	YTD Actual	YTD Budget	YTD Var Fav/(Unfav)	% Var
<b>OPERATING REVENUE</b>								
Medi-Cal Capitation	\$ 411,106,606	\$ 238,310,699	\$ 172,795,907	72.5%	\$ 411,106,606	\$ 238,310,699	\$ 172,795,907	72.5%
MC Supplemental Cap	4,697,779	3,407,967	1,289,812	37.8%	4,697,779	3,407,967	1,289,812	37.8%
HealthWorx Premium	2,366,668	2,313,295	53,373	2.3%	2,366,668	2,313,295	53,373	2.3%
CareAdvantage Premiums	55,596,685	59,626,653	(4,029,967)	-6.8%	55,596,685	59,626,653	(4,029,967)	-6.8%
MC Cap Offset	(6,638,291)	(5,810,256)	(828,035)	14.3%	(6,638,291)	(5,810,256)	(828,035)	14.3%
Total Operating Revenue	<u>467,129,448</u>	<u>297,848,358</u>	<u>169,281,089</u>	<u>56.8%</u>	<u>467,129,448</u>	<u>297,848,358</u>	<u>169,281,089</u>	<u>56.8%</u>
<b>OPERATING EXPENSE</b>								
Provider Capitation	7,625,230	6,613,349	(1,011,881)	15.3%	7,625,230	6,613,349	(1,011,881)	-15.3%
Hospital Inpatient	50,079,814	49,035,092	(1,044,722)	2.1%	50,079,814	49,035,092	(1,044,722)	-2.1%
LTC/SNF	42,790,855	42,359,686	(431,170)	1.0%	42,790,855	42,359,686	(431,170)	-1.0%
Pharmacy	16,949,595	18,009,409	1,059,814	-5.9%	16,949,595	18,009,409	1,059,814	5.9%
Physician Fee for Service	27,357,700	25,489,447	(1,868,253)	7.3%	27,357,700	25,489,447	(1,868,253)	-7.3%
Hospital Outpatient	30,317,258	28,941,674	(1,375,585)	4.8%	30,317,258	28,941,674	(1,375,585)	-4.8%
Other Medical Claims	30,220,426	27,151,698	(3,068,729)	11.3%	30,220,426	27,151,698	(3,068,729)	-11.3%
Other HC Services	38,407	2,416,553	2,378,145	-98.4%	38,407	2,416,553	2,378,145	98.4%
Directed Payments	181,229,744	12,279,098	(168,950,646)	1375.9%	181,229,744	12,279,098	(168,950,646)	-1375.9%
Long Term Support Services	608,080	433,927	(174,153)	40.1%	608,080	433,927	(174,153)	-40.1%
CPO/In-lieu of Services	3,130,125	3,049,245	(80,879)	2.7%	3,130,125	3,049,245	(80,879)	-2.7%
Dental Expense	13,182,984	12,510,133	(672,850)	5.4%	13,182,984	12,510,133	(672,850)	-5.4%
Enhanced Care Management	758,853	1,234,800	475,947	-38.5%	758,853	1,234,800	475,947	38.5%
Provider Incentives	4,535,306	3,974,375	(560,931)	14.1%	4,535,306	3,974,375	(560,931)	-14.1%
Supplemental Benefits	675,342	784,713	109,371	-13.9%	675,342	784,713	109,371	13.9%
Transportation	4,135,616	4,729,342	593,726	-12.6%	4,135,616	4,729,342	593,726	12.6%
Other Provider HC	1,820,000	-	-	-	1,820,000	-	1,820,000	-
Indirect Health Care Expenses	(524,245)	398,710	922,955	-231.5%	(524,245)	398,710	922,955	231.5%
UMQA (Allocation & Delegated)	6,444,952	6,595,165	150,212	-2.3%	6,444,952	6,595,165	150,212	2.3%
Total Health Care Expense	<u>421,376,041</u>	<u>246,006,414</u>	<u>(175,369,627)</u>	<u>71.3%</u>	<u>421,376,041</u>	<u>246,006,414</u>	<u>(175,369,627)</u>	<u>-71.3%</u>
G&A Allocation	17,731,830	21,363,748	3,631,918	-17.0%	17,731,830	21,363,748	3,631,918	17.0%
Premium Tax	20,555,697	20,008,040	(547,657)	2.7%	20,555,697	20,008,040	(547,657)	-2.7%
Total Operating Expense	<u>459,663,568</u>	<u>287,378,202</u>	<u>(172,285,366)</u>	<u>60.0%</u>	<u>459,663,568</u>	<u>287,378,202</u>	<u>(172,285,366)</u>	<u>-60.0%</u>
<b>NONOPERATING REVENUE AND EXPENSE</b>								
Interest Income, Net	9,156,801	9,600,000	(443,199)	-4.6%	9,156,801	9,600,000	(443,199)	-4.6%
Rental Income, Net	325,344	308,529	16,815	5.5%	325,344	308,529	16,815	5.5%
Third Party Administrator Revenue	63,750	63,750	-	-	63,750	63,750	-	-
Total Nonoperating Revenue and Expenses	<u>9,545,895</u>	<u>9,972,279</u>	<u>(426,384)</u>	<u>-4.3%</u>	<u>9,545,895</u>	<u>9,972,279</u>	<u>(426,384)</u>	<u>-4.3%</u>
<b>Net Income/(Loss)</b>	<u>\$ 17,011,775</u>	<u>\$ 20,442,435</u>	<u>(3,430,660)</u>	<u>-16.8%</u>	<u>\$ 17,011,775</u>	<u>\$ 20,442,435</u>	<u>\$ (3,430,660)</u>	<u>-16.8%</u>
Medical Loss Ratio (adj MCO)	94.36%	88.54%			94.36%	88.54%		
Member Counts	477,947	467,664	10,283	2.2%	477,947	467,664	10,283	2.2%

**Health Plan of San Mateo**  
**Medi-Cal UNITS Statement of Revenue & Expense**  
 for the Period Ending March 31, 2025

	Current Qtr Actual	Current Qtr Budget	Current Qtr Variance	% Var	YTD Actual	YTD Budget	YTD Var Fav/(Unfav)	% Var
<b>OPERATING REVENUE</b>								
Medi-Cal Capitation	\$ 411,106,606	\$ 238,310,699	\$ 172,795,907	72.5%	\$ 411,106,606	\$ 238,310,699	\$ 172,795,907	72.5%
MC Supplemental Cap	4,697,779	3,407,967	1,289,812	37.8%	4,697,779	3,407,967	1,289,812	37.8%
HealthWorx Premium	-	-	-	-	-	-	-	-
CareAdvantage Premiums	-	-	-	-	-	-	-	-
MC Cap Offset	(6,638,291)	(5,810,256)	(828,035)	14.3%	(6,638,291)	(5,810,256)	(828,035)	14.3%
Total Operating Revenue	<u>409,166,094</u>	<u>235,908,410</u>	<u>173,257,684</u>	<u>73.4%</u>	<u>409,166,094</u>	<u>235,908,410</u>	<u>173,257,684</u>	<u>73.4%</u>
<b>OPERATING EXPENSE</b>								
Provider Capitation	5,618,447	5,367,949	(250,498)	4.7%	5,618,447	5,367,949	(250,498)	-4.7%
Hospital Inpatient	33,855,004	33,080,814	(774,190)	2.3%	33,855,004	33,080,814	(774,190)	-2.3%
LTC/SNF	38,997,761	38,591,603	(406,158)	1.1%	38,997,761	38,591,603	(406,158)	-1.1%
Physician Fee for Service	21,870,219	19,803,423	(2,066,796)	10.4%	21,870,219	19,803,423	(2,066,796)	-10.4%
Hospital Outpatient	22,750,379	21,292,029	(1,458,350)	6.8%	22,750,379	21,292,029	(1,458,350)	-6.8%
Other Medical Claims	24,408,867	20,964,408	(3,444,459)	16.4%	24,408,867	20,964,408	(3,444,459)	-16.4%
Other HC Services	38,415	2,416,553	2,378,138	-98.4%	38,415	2,416,553	2,378,138	98.4%
Directed Payments	181,229,744	12,279,098	(168,950,646)	1375.9%	181,229,744	12,279,098	(168,950,646)	-1375.9%
Long Term Support Services	608,080	433,927	(174,153)	40.1%	608,080	433,927	(174,153)	-40.1%
CPO/In-lieu of Services	3,044,457	2,973,757	(70,699)	2.4%	3,044,457	2,973,757	(70,699)	-2.4%
Dental Expense	13,182,984	12,510,133	(672,850)	5.4%	13,182,984	12,510,133	(672,850)	-5.4%
Enhanced Care Management	1,059,931	1,234,800	174,869	-14.2%	1,059,931	1,234,800	174,869	14.2%
Provider Incentives	4,240,559	3,679,628	(560,931)	15.2%	4,240,559	3,679,628	(560,931)	-15.2%
Transportation	4,133,569	4,714,134	580,565	-12.3%	4,133,569	4,714,134	580,565	12.3%
Indirect Health Care Expenses	(193,986)	323,823	517,809	-159.9%	(193,986)	323,823	517,809	159.9%
UMQA (Allocation & Delegated)	4,994,812	4,950,970	(43,842)	0.9%	4,994,812	4,950,970	(43,842)	-0.9%
Total Health Care Expense	<u>359,839,241</u>	<u>184,617,050</u>	<u>(175,222,191)</u>	<u>94.9%</u>	<u>359,839,241</u>	<u>184,617,050</u>	<u>(175,222,191)</u>	<u>-94.9%</u>
G&A Allocation	12,406,102	15,003,443	2,597,341	-17.3%	12,406,102	15,003,443	2,597,341	17.3%
Premium Tax	20,555,697	20,008,040	(547,657)	2.7%	20,555,697	20,008,040	(547,657)	-2.7%
Total Operating Expense	<u>392,801,040</u>	<u>219,628,533</u>	<u>(173,172,507)</u>	<u>78.8%</u>	<u>392,801,040</u>	<u>219,628,533</u>	<u>(173,172,507)</u>	<u>-78.8%</u>
<b>NONOPERATING REVENUE AND EXPENSE</b>								
<b>Net Income/(Loss)</b>	<u>\$ 16,365,054</u>	<u>\$ 16,279,877</u>	<u>85,177</u>	<u>0.5%</u>	<u>\$ 16,365,054</u>	<u>\$ 16,279,877</u>	<u>\$ 85,177</u>	<u>0.5%</u>
Medical Loss Ratio (adj MCO)	92.60%	85.51%			92.60%	85.51%		
Member Counts	446,182	434,748	11,434	2.6%	446,182	434,748	11,434	2.6%

**Health Plan of San Mateo**  
**CareAdvantage Units Statement of Revenue & Expense**  
 for the Period Ending March 31, 2025

	Current Qtr Actual	Current Qtr Budget	Current Qtr Variance	% Var	YTD Actual	YTD Budget	YTD Var Fav/(Unfav)	% Var
<b>OPERATING REVENUE</b>								
Medi-Cal Capitation	-	-	-	-	-	-	-	-
MC Supplemental Cap	-	-	-	-	-	-	-	-
HealthWorx Premium	-	-	-	-	-	-	-	-
CareAdvantage Premiums	55,596,685	59,626,653	(4,029,967)	-6.8%	55,596,685	59,626,653	(4,029,967)	-6.8%
MC Cap Offset	-	-	-	-	-	-	-	-
<b>Total Operating Revenue</b>	<b>55,596,685</b>	<b>59,626,653</b>	<b>(4,029,967)</b>	<b>-6.8%</b>	<b>55,596,685</b>	<b>59,626,653</b>	<b>(4,029,967)</b>	<b>-6.8%</b>
<b>OPERATING EXPENSE</b>								
Provider Capitation	2,006,783	1,245,400	(761,383)	61.1%	2,006,783	1,245,400	(761,383)	-61.1%
Hospital Inpatient	15,826,222	15,586,766	(239,457)	1.5%	15,826,222	15,586,766	(239,457)	-1.5%
LTC/SNF	3,793,095	3,768,082	(25,012)	0.7%	3,793,095	3,768,082	(25,012)	-0.7%
Pharmacy	16,113,617	17,203,678	1,090,061	-6.3%	16,113,617	17,203,678	1,090,061	6.3%
Physician Fee for Service	5,186,740	5,253,227	66,488	-1.3%	5,186,740	5,253,227	66,488	1.3%
Hospital Outpatient	7,271,552	7,274,429	2,877	0.0%	7,271,552	7,274,429	2,877	0.0%
Other Medical Claims	5,671,595	6,020,604	349,010	-5.8%	5,671,595	6,020,604	349,010	5.8%
Other HC Services	(8)	-	8	-	(8)	-	8	-
CPO/In-lieu of Services	85,668	75,488	(10,180)	13.5%	85,668	75,488	(10,180)	-13.5%
Enhanced Care Management	(301,078)	-	301,078	-	(301,078)	-	301,078	-
Provider Incentives	290,622	290,622	0	0.0%	290,622	290,622	0	0.0%
Supplemental Benefits	675,342	784,713	109,371	-13.9%	675,342	784,713	109,371	13.9%
Transportation	2,047	15,208	13,161	-86.5%	2,047	15,208	13,161	86.5%
Indirect Health Care Expenses	(344,664)	67,134	411,798	-613.4%	(344,664)	67,134	411,798	613.4%
UMQA (Allocation & Delegated)	1,347,895	1,578,158	230,263	-14.6%	1,347,895	1,578,158	230,263	14.6%
<b>Total Health Care Expense</b>	<b>57,625,427</b>	<b>59,163,509</b>	<b>1,538,082</b>	<b>-2.6%</b>	<b>57,625,427</b>	<b>59,163,509</b>	<b>1,538,082</b>	<b>2.6%</b>
G&A Allocation	4,971,446	6,016,832	1,045,386	-17.4%	4,971,446	6,016,832	1,045,386	17.4%
<b>Total Operating Expense</b>	<b>62,596,873</b>	<b>65,180,340</b>	<b>2,583,468</b>	<b>-4.0%</b>	<b>62,596,873</b>	<b>65,180,340</b>	<b>2,583,468</b>	<b>4.0%</b>
<b>NONOPERATING REVENUE AND EXPENSE</b>								
<b>Net Income/(Loss)</b>	<b>\$ (7,000,187)</b>	<b>\$ (5,553,688)</b>	<b>(1,446,499)</b>	<b>26.0%</b>	<b>\$ (7,000,187)</b>	<b>\$ (5,553,688)</b>	<b>\$ (1,446,499)</b>	<b>26.0%</b>
Medical Loss Ratio (adj MCO)	103.65%	99.22%			103.65%	99.22%		
Member Counts	24,811	25,347	(536)	-2.1%	24,811	25,347	(536)	-2.1%

**Health Plan of San Mateo**  
**HealthWorx Statement of Revenue & Expense**  
 for the Period Ending March 31, 2025

	Current Qtr Actual	Current Qtr Budget	Current Qtr Variance	% Var	YTD Actual	YTD Budget	YTD Var Fav/(Unfav)	% Var
<b>OPERATING REVENUE</b>								
Medi-Cal Capitation	-	-	-	-	-	-	-	-
MC Supplemental Cap	-	-	-	-	-	-	-	-
HealthWorx Premium	2,366,668	2,313,295	53,373	2.3%	2,366,668	2,313,295	53,373	2.3%
CareAdvantage Premiums	-	-	-	-	-	-	-	-
MC Cap Offset	-	-	-	-	-	-	-	-
<b>Total Operating Revenue</b>	<b>2,366,668</b>	<b>2,313,295</b>	<b>53,373</b>	<b>2.3%</b>	<b>2,366,668</b>	<b>2,313,295</b>	<b>53,373</b>	<b>2.3%</b>
<b>OPERATING EXPENSE</b>								
Hospital Inpatient	398,588	367,513	(31,075)	8.5%	398,588	367,513	(31,075)	-8.5%
Pharmacy	835,978	805,731	(30,247)	3.8%	835,978	805,731	(30,247)	-3.8%
Physician Fee for Service	300,741	432,797	132,056	-30.5%	300,741	432,797	132,056	30.5%
Hospital Outpatient	295,327	375,216	79,888	-21.3%	295,327	375,216	79,888	21.3%
Other Medical Claims	139,965	166,685	26,720	-16.0%	139,965	166,685	26,720	16.0%
Other HC Services	0	-	0	-	0	-	0	-
Provider Incentives	4,125	4,125	-	-	4,125	4,125	-	-
Indirect Health Care Expenses	14,405	7,753	(6,652)	85.8%	14,405	7,753	(6,652)	-85.8%
UMQA (Allocation & Delegated)	102,245	66,036	(36,209)	54.8%	102,245	66,036	(36,209)	-54.8%
<b>Total Health Care Expense</b>	<b>2,091,373</b>	<b>2,225,856</b>	<b>134,482</b>	<b>-6.0%</b>	<b>2,091,373</b>	<b>2,225,856</b>	<b>134,482</b>	<b>6.0%</b>
G&A Allocation	247,840	279,245	31,405	-11.2%	247,840	279,245	31,405	11.2%
<b>Total Operating Expense</b>	<b>2,339,213</b>	<b>2,505,101</b>	<b>165,887</b>	<b>-6.6%</b>	<b>2,339,213</b>	<b>2,505,101</b>	<b>165,887</b>	<b>6.6%</b>
<b>NONOPERATING REVENUE AND EXPENSE</b>								
<b>Net Income/(Loss)</b>	<b>\$ 27,455</b>	<b>\$ (191,805)</b>	<b>219,260</b>	<b>-114.3%</b>	<b>\$ 27,455</b>	<b>\$ (191,805)</b>	<b>\$ 219,260</b>	<b>-114.3%</b>
Medical Loss Ratio (adj MCO)	88.37%	96.22%			88.37%	96.22%		
Member Counts	3,947	3,858	89	2.3%	3,947	3,858	89	2.3%

**Health Plan of San Mateo**  
**ACE Statement of Revenue & Expense**  
 for the Period Ending March 31, 2025

	Current Qtr Actual	Current Qtr Budget	Current Qtr Variance	% Var	YTD Actual	YTD Budget	YTD Var Fav/(Unfav)	% Var
<b>OPERATING REVENUE</b>								
Medi-Cal Capitation	-	-	-	-	-	-	-	-
MC Supplemental Cap	-	-	-	-	-	-	-	-
HealthWorx Premium	-	-	-	-	-	-	-	-
CareAdvantage Premiums	-	-	-	-	-	-	-	-
MC Cap Offset	-	-	-	-	-	-	-	-
Total Operating Revenue	-	-	-	-	-	-	-	-
<b>OPERATING EXPENSE</b>								
Total Health Care Expense	-	-	-	-	-	-	-	-
G&A Allocation	106,442	64,228	(42,214)	65.7%	106,442	64,228	(42,214)	-65.7%
Total Operating Expense	106,442	64,228	(42,214)	65.7%	106,442	64,228	(42,214)	-65.7%
<b>NONOPERATING REVENUE AND EXPENSE</b>								
Third Party Administrator Revenue	63,750	63,750	-	-	63,750	63,750	-	-
Total Nonoperating Revenue and Expenses	63,750	63,750	-	-	63,750	63,750	-	-
<b>Net Income/(Loss)</b>	<b>\$ (42,692)</b>	<b>\$ (478)</b>	<b>(42,214)</b>	<b>8831.2%</b>	<b>\$ (42,692)</b>	<b>\$ (478)</b>	<b>\$ (42,214)</b>	<b>8831.2%</b>
Medical Loss Ratio (adj MCO)	-	-	-	-	-	-	-	-
Member Counts	3,007	3,711	(704)	-19.0%	3,007	3,711	(704)	-19.0%

DRAFT

**FINANCE/COMPLIANCE COMMITTEE MEETING**  
**Meeting Summary**

A I

**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**

: Bill Graham, Manuel Santamaria, Mike Callagy, Si France, M.D.

: Trent Ehrgood, Pat Curran, Chris Esguerra, M.D., Colleen Murphey, Francine Lester,  
Ian Johansson, Cheryl Serafino, Michelle Heryford

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

**Public Comment** – There was no public comment.

**A March** – The meeting summary for March 24, 2025, was approved as presented. **Santamaria/France M/S/P**

**F** – HPSM CFO, Trent Ehrgood, started by reminding the group of the budget that was approved with an \$80M surplus for the year. He also reminded them that HPSM was informed in 2024 by the State that the risk corridor imposed for the undocumented population would only occur in 2024. However, they were recently advised that it will be enforced in 2025 as well. When the budget was developed it did not include return of premiums for that, so it was not added to the budget. While they are still unsure what it means to the surplus, they do know it will be less than the \$80M noted in the approved budget. He hopes to have more information next quarter. Mr. Ehrgood also noted that the budget does not reflect the one-time grants for capacity building or the provider rate increases. These are purposely not included in the budget because at the time they were unsure how much they would be and when they would commence. Going forward, they are working on a way to reflect

these additional expenses, so it doesn't get buried in the financials appearing as bigger expenses every quarter and giving the impression that the budget is doing worse than it really is. They consulted with HPSMs audit vendor Moss-Adams about how to classify these as they are technically not healthcare costs or administrative costs. Historically they have been listed as administrative costs, a pattern practiced by sister plans as well. They now understand that they can count this as health care costs from a general accepted accounting practice (GAAP) perspective. The Department of Health Care Services (DHCS) will still remove it for rate-setting purposes. Mr. Ehrgood also spoke about the rate increases negotiated with Seton Hospital for long-term care. Originally HPSM did not want to break their network wide consistency of using the DHCS published rates and decided instead to provide a lump sum to be spread over 2 years as opposed to an increase. The first half was recorded in Q1 of 2024, and the second half is recorded in Q1 2025. When they did the budget, they placed this in administrative costs. But now have decided to include this in healthcare costs per the new accounting methodology.

There was a question about how much of the one-time grants will be included in the healthcare costs line item. Mr. Ehrgood informed the group that next quarter there will be provider rate increases totaling \$100M that will be dispersed over the course of three years. The first phase of that hit in April 2025. There is also \$30M worth of capacity building grants specific to primary care that will also occur over the next three years, these will start in Q2 of 2025, but specific amounts are not yet known.

The surplus for Q1 is \$17M compared to the \$20M anticipated in the budget. The budget variance shows that both revenue and healthcare costs are higher than budgeted by a significant amount. This is due to the fact that Q1 is when the State pushes through hospital directive payments for the previous year. These can't be budgeted because HPSM is not sure what they are going to be, and they are not specific to the year they are budgeting for. He broke down revenue expenses related to prior year versus current year. Administrative costs are running favorable by \$3.6M. The \$1.8M allocated for Seton is included in the administrative budget but the actual expense is recorded in healthcare

costs due to our new accounting method. There was a request to add detail notes on variances and one-time grant information in the memo that accompanies the financial report. Mr. Ehrgood agreed to do this going forward.

There typically is not a big difference in what was anticipated for membership in Q1 compared to what actually occurred. However, the Medi-Cal population is almost 4K (or 3%) higher than budgeted. Most of this increase is higher than budgeted UIS enrollees. It's also likely that some members that were formerly in ACE continue to move into Medi-Cal.

Mr. Ehrgood highlighted the major drivers impacting budget variances. The total budget variance for the quarter is unfavorable by \$3.4M. Membership being higher by almost 3% is creating a budget variance of about \$1.3M positive. The increased membership is creating an extra \$5.4M in revenue and another \$4.1M in expenses because of the positive margin per member. This is the net effect of having more members. The negative \$4M revenue PMPM variance is split between the Care Advantage (CA) line of business and Medi-Cal. The -\$2M for CA is likely due to timing. HPSM gets paid interim rates for the first half of the year and then there's a mid-year true up based on risk scores and they usually get a lift from that. The other -\$2M for Medi-Cal is not really a rate difference because the rates used in the budget and the rates from the State are the same because the State hasn't changed them yet. What's causing the difference is the mix of more children and fewer seniors and persons with disabilities (SPD). The children have a lower premium at \$150.00, and the SPD population has a higher premium at \$1K. Because they are getting more of the low and less of the high it is making revenue lower. Theoretically health care costs should follow. There should be lower healthcare costs, though it's likely that the dust hasn't settled yet because there's such a large amount of estimates built into HPSM claims. Mr. Ehrgood also pointed out that health care cost directed payments were over budget by about \$1M. It's likely they may have over accrued some of the Prop 56 payments that will probably become a smaller variance later. They have also added a line where they are now putting these one-time capacity building grants. Right now, it is showing the

monies given to Seton which is offset by the administrative costs variance to budget which is favorable by \$3M. Half of that is because it was moved into healthcare costs.

He delved into healthcare costs with more granularity and advised the committee that they added a line for strategic investments; these are the one-time grants. This is where they will be posted for greater visibility. The total healthcare variance is unfavorable by \$8.3M. If you removed the \$1.8M in strategic investments it comes to \$6.5M. As a percentage of the budget this comes to 2.7%, which correlates with the membership overage which is almost 3%.

Using a graph, he went over paid versus estimated claims cost, explaining the natural lag in claim payments. He also reviewed the current year, year-to-date (YTD) surplus and deficits by LOB. He added a column for the one-time grants. While there is no budget for that, you will start to see expenses showing up there. Lastly, he reviewed HPSMs tangible net equity (TNE) or reserves. This will be another area that illustrates how committed equity is being used. The \$137M in committed equity breaks down to \$100M for provider rate increases, \$30M for primary care capacity building and \$7M for the baby bonus program. At the end of Q1, there is already \$1M spent, so the balance is now \$136M. There was a brief discussion on the potential impact the State budget and the Federal budget may have on Medi-Cal funding. Mr. Curran shared that some of HPSMs sibling plans that are on a July through June fiscal year, are assuming the UIS population will be removed from Medi-Cal coverage starting in 2026.

The financial report was approved as presented. **Callagy/France MSP**

**Other Business** – There was no other business.

**Adjournment** – The meeting was adjourned at 1:14 pm by Commissioner Graham.

Respectfully submitted:

*M. Heryford*

M. Heryford

Clerk to the Commission



801 Gateway Boulevard, Suite 100  
South San Francisco, CA 94080

tel 650.616.0050  
fax 650.616.0060  
tty 800.735.2929 or dial 7-1-1

[www.hpsm.org](http://www.hpsm.org)

DRAFT

**HEALTH PLAN OF SAN MATEO  
COMMUNITY ADVISORY COMMITTEE MEETING  
Meeting Minutes  
Wednesday, April 16, 2025  
801 Gateway Blvd. – 1<sup>st</sup> Floor Boardroom  
South San Francisco, CA 94080**

Agenda I

**Committee Members Present:** Amira Elbeshbeshy, Rob Fucilla, Marmi Bermudez, Ligia Andrade-Zuniga

**Committee Members Absent:** Angela Valdez, Hazel Carillo, Ana Avendano Ed.D., Kathryn Greis

Megan Noe, Amy Scribner, Kiesha Williams, Luarnie Bermudo, Gale Carino, Nicole Ford, Rustica Magat-Escandor, Mackenzie Munoz, Michelle Heryford, Veronica Alvarez

**Call to Order/Introductions:** The meeting was called to order by Amira Elbeshbeshy at 12:09 pm, a quorum was met.

**Public Comment:** There was no public comment.

**Approval of Meeting Minutes for January** : The minutes for January 15, 2025, were approved as presented. **Andrade-Zuniga/Fucilla MSP**

**Consent Agenda:** The consent agenda was approved as presented. **Andrade-Zuniga/Fucilla MSP**

**HPSM Operational Reports and Updates:**

- **CEO Update:** Chief Health Officer Amy Scribner, reported on behalf of CEO Pat Curran. Amy reported ongoing monitoring of federal and state updates, collaboration with Local Health Plans of California and lobbyists to prepare for potential changes. No concrete plans yet.
- **CAC Recruitment:** Update on expanding CAC recruitment to diversify voices. Specific vacancies identified based on state requirements (e.g., foster parent representation). Recruitment efforts include flyers, website interest form, call center integration, digital promotions, and updated compensation policy to reduce barriers (transportation, childcare).
- **Quality Improvement:**
  - **Clinical Quality Review:** Ensuring provider adherence to clinical practice guidelines (including AMB graded guidelines and others focused on specific populations/services). Review process involves quality department, medical directors, and the quality improvement and health equity committee. Posted guidelines available on website.

- **Quality of Care Review:** Investigation of potential quality issues arising from grievances and other sources. Severity levels assigned, corrective action plans developed as needed, and trends tracked.
  - **Facility Site Reviews:** Reviews of primary care providers' offices focusing on health and safety, staff training, medication storage, etc. Includes medical record reviews for documentation and appropriate care services.
  - **Physical Accessibility Reviews:** Assessments of accessibility for primary care and other high-volume provider offices serving seniors or disabled members. Results noted in provider directory.
  - **Measurement Analysis and Reporting:** Annual HEDIS reporting, including MCAS and HEQM sets, focusing on preventive care and chronic disease management. Reporting to NCQA and regulators. Tracking initial health appointments within 120 days for new Medi-Cal members.
  - **Quality Improvement Program Management:** Overseeing the overall quality improvement program, including internal and external governance (committees, EQRO reporting). Currently focusing on two performance improvement projects: well-care visits for Hispanic/Latino members and timely follow-up after ED visits for substance use/mental health issues.
- **Integrated Care Management:** Director of Integrated Care Management Gale Carino provided update.
- ICM is a member-facing team comprised of care management specialists (non-clinicians) and clinical care managers.
    - **Core Service Functions:**
      - **Care Coordination:** The team coordinates complex care needs using a population health approach, assessing medical, social, and behavioral needs. They facilitate optimal clinical and functional outcomes.
      - **Benefit Knowledge:** ICM staff are knowledgeable about member benefits and work to optimize benefit utilization.
      - **Multidisciplinary Team Collaboration:** They work with members' PCPs, specialists, and other care management providers.
      - **Care Navigation:** They assist members in navigating their care needs, both within and outside their benefits (e.g., connecting members with transportation, food banks, housing services).
      - **Problem Solving:** They support members in overcoming barriers to care access.



- **Provider Services Report:** Director of Provider Services, Luarnie Bermudo provided an update.
  - 5 Doula, 5 Behavioral Health, 1 skilled nursing facility (Milpitas Care Center).
  - Dental
    - Locations for new **General Dentist** in HPSM Dental network:
      - Belmont, San Mateo, South San Francisco, Redwood City
    - Locations for new **Pediatric Dentist** in HPSM Dental Network:
      - San Francisco, Pacifica
    - Locations for new **Oral Surgeon** in HPSM Dental Network:
      - Redwood City, Pacifica, San Jose based provider that has privileges at hospitals in SM county for special needs members that need OS
      - Connected more dentists with UCSF Pathology team to have kits sent to office for learning collab: Over 120 members that reside in Sequoia Healthcare District and had no dental history have been matched with participating providers. 9 total participating providers
  - Our Primary Care Grants were launched yesterday
    - Here's a sneak peek at the four grants we'll be offering:
      - **Primary Care Team Expansion Grant:** This funding will help practices hire and integrate new interprofessional team members, enhancing capacity and operational effectiveness.
      - **Core Team Stabilization Grant:** Designed to recruit and retain primary care providers and medical assistants, this grant provides competitive sign-on bonuses to strengthen our teams.
      - **Provider Sabbatical Grant:** Aimed at rewarding long-term providers, this grant offers paid time off to enhance resilience and well-being.
      - **Custom Pilot Grant:** This opportunity supports innovative pilots and programs that improve the capacity, bandwidth, and joy of primary care teams.
  - Onetime Capacity Funding to SMMC for Dental and an Engagement Pilot
    - Expand Dental Capacity-1.6 million, 6 operatories in SSF
    - Innovation Center Pilot-\$300K, Understand lack of engagement, specifically with Spanish speaking population. Ethnographic research.
  - We rolled out our first phase of provider rate increases April 1st
    - Increased CA rates to 100% of Medicare
    - Increased professional codes to 175% of Medi-Cal and a subset of E&M codes increased to 350% of Medicare
    - Phase II is in June- Hospital outpatient rate increases
- **Member Services Report:** Director of Member Services, Keisha Williams reviewed the Member Services report for Q1 of 2025. Q1 membership totaled 160,637 across all lines of business, with a

6.5% increase in Medi-Cal members (9,780 new members). Medi-Cal redeterminations are ongoing, but enrollment is expected to remain stable until Q3. New member welcome calls have been reinitiated, reaching 953 members in February. The team is recruiting new customer service representatives and a quality analyst to increase call quality monitoring (from 6 calls per representative to 10). The implementation of a new phone system is underway, including workforce management modules. 94 pediatric health risk assessments (HRAs) were completed in Q1. Outreach for HRAs is lower than the Care Advantage teams. Community engagement activities are increasing, with requests for more outreach.

- **Decisions Made:** To add simple questions to the new member welcome call script to better identify high-needs members (e.g., "Is anyone in your household disabled?").
  - **Action Items:** Refine the new member welcome call script to include questions that identify high-need members without placing it only on the member responses
- **CareAdvantage CA Enrollment and Call Center Report:** Call Center Supervisor, Rustica Magat-Escandor provided a report on behalf of CareAdvantage (CA) Manager Charlene Barairo. Q1 enrollment: 8,300 members (1.4% increase). 412 new/re-enrolled members; 290 disenrollments (top reasons: death, enrollment in another plan, moving out of area). The top five reasons for member calls remain consistent (billing, education, benefits, demographics, provider network). 197 personal emergency response system orders (169 pendants, 28 smartwatches). A Care Advantage Navigator was promoted, and a replacement is being hired. Two new care plan coordinators joined the MAU team.
- **Employee Transportation Benefits Discussion:** The discussion centered around transportation benefit options for employees. Two options were considered: 12 one-way rides or 6 round trips. Further clarification of the specific details of these options is needed.
  - **Increased Employee Benefits** An increase in over the counter (OTC) medication and grocery benefits was announced. OTC benefit increased to \$95 per quarter. Grocery benefit increased to \$70 per quarter. Rollovers of unused OTC and healthy grocery benefit card allowances will be permitted.
- **Grievance and Appeals A Report:** Chief Health Officer, Amy Scribner reviewed the G&A report for Q1 of 2025. Overall grievance and appeal volume increased in 2025 for Care Advantage but decreased for other lines of business. The most common grievance reasons are customer service, billing, and quality of care. PCP changes decreased significantly (47 in Q1). Prescription drug appeals make up more than half of Care Advantage appeals, with a high overturn rate, mostly due to additional information gathered during the appeal process.
- **Decisions Made:** To improve the prescription drug appeal form by adding clarifying language and guidance on necessary information.

- **Action Items: Amira & Amy:** Collaborate on improving the prescription drug appeal form.

**New Business:** There was no new business.

**Adjournment:** The meeting was adjourned at 1:31 pm by Amira Elbeshbeshy.

**DRAFT**

**SAN MATEO HEALTH COMMISSION**  
**April Retreat**  
**Meeting Minutes**  
**April 23, 2025 – 9:30 a.m.**  
**Health Plan of San Mateo**  
**801 Gateway Blvd., 1<sup>st</sup> Floor Boardroom**  
**South San Francisco, CA 94080**

**AGENDA ITEM: 4.3**

**DATE: June 11, 2025**

Commissioners Present: Bill Graham, Chair  
Raymond Mueller  
Jackie Speier  
Amira Elbeshbeshy  
Ligia Andrade Zuniga  
Manuel Santamaria  
Kenneth Tai, M.D.

Commissioners Absent: Michael Callagy  
Si France, M.D.  
Jeanette Aviles, M.D.  
Shabnam Gaskari

Guests: Michelle Baass, Director of the California Department of Healthcare Services (DHCS)  
Tyler Sadwith, State Medicaid Director, DHCS  
Colleen Chawla, San Mateo County Health Chief  
Shireen Malekafzali Taidi, Chief Equity Officer, San Mateo County

Counsel: Kristina Paszek

Staff Present: Pat Curran, Colleen Murphey, Chris Esguerra, M.D., Amy Scribner, Ian Johansson, Trent Ehrgood, Eben Yong, April Watson, Cheryl Serafino, Michelle Heryford.

**1. Call to order/roll call**

The meeting was called to order at 9:43 a.m. by Commissioner Graham, Chair. A quorum was not present.

Commissioner Andrade-Zuniga joined at 9:51 am. A quorum was present at this time.

Commissioner Mueller joined at 11:03 am

**2. Public Comment**

There were no public comments.

**3. Consent Agenda**

Item 3.0 was approved as presented. Motion: Andrade-Zuniga (Second: Speier) **M/S/P.**

**4. Moss-Adams Audit Results**

Due to time constraints, item 4 will be added to the Commission agenda for June.

**5. Strategic Investment Discussion:** Colleen Murphey, HPSM Chief Operating Officer, along with

April Watson, HPSM Director of Learning welcomed the group and went over the agenda and process to gather ideas and input regarding the Strategic Investment Discussion.

**6. Next Steps:** HPSM leadership team members will process the input received by the SMHC

Commissioners and guests. An update on the retreat will be on the San Mateo Health Commission agenda meeting for June .

**7. Adjournment:** The meeting adjourned at 3:00 pm.

Submitted by:

*M. Heryford*

M. Heryford, Clerk of the Commission

**MEMORANDUM**

**AGENDA ITEM:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

**DATE:** June 04, 2025

**TO:** San Mateo Health Commission

**FROM:** Eben Yong, Chief Information Officer

**RE:** Approval of Agreement with Trace3 for HPSM Data Center Equipment Procurement

---

**Recommendation:**

Approve agreements with the vendor Trace3 to implement a new Cisco Unified Computing System (“UCS”) to meet critical business needs. The agreements represent a total contract value not to exceed \$550,000.

**Background:**

HPSM’s current Cisco UCS infrastructure, which underpins critical production workloads, has reached end-of-support status from the manufacturer. This poses significant operational risks, including the inability to receive firmware updates, security patches, or hardware replacement support—factors that are essential for maintaining a secure and resilient production environment.

To address these risks and modernize the computing environment, HPSM initiated a competitive procurement process to evaluate next-generation infrastructure solutions. The goal was to identify a platform capable of supporting hybrid cloud adoption, improving automation for deployment and operations, and ensuring high availability with minimal business disruption.

After evaluating four vendor proposals, HPSM selected Trace3’s bid for the Cisco UCS-X platform. Trace3’s solution offered the best alignment with HPSM’s technical requirements and strategic goals, including seamless integration with Microsoft Azure, support for future scalability, and a comprehensive services package that includes installation services and ongoing support.

This upgrade is a foundational step in HPSM’s broader infrastructure and security transformation program, ensuring that the organization remains agile, secure, and capable of meeting evolving business demands. This procurement is the first step in a multi-year process to modernize and ensure the security of HPSM data infrastructure.

**Discussion:**

Between March and May, 2025, HPSM conducted a Request for Quote (RFQ) process, inviting four vendors to participate. All four vendors submitted proposals which HPSM evaluated. Trace3 was selected as the finalist upon conclusion of the RFQ. HPSM staff evaluated vendors based upon selection criteria including:

- Ability to meet all minimum business requirements, including solution efficiency, security, ability to support automation, and those capabilities mentioned under Background above;
- Competitive cost to implement the proposed work.
- Ability to implement systems in alignment with HPSM IT resources and schedules.

**Fiscal Impact:**

The fiscal impact of this purchase amounts to a total contract value not to exceed \$550,000 which will be allocated to implement the Cisco Unified Computing System upgrade.

**DRAFT**

**RESOLUTION OF THE  
SAN MATEO HEALTH COMMISSION**

**IN THE MATTER OF APPROVAL OF AGREEMENT  
WITH TRACE3 FOR HPSM DATA CENTER  
EQUIPMENT PROCUREMENT**

**RESOLUTION 2025 -**

**RECITAL: WHEREAS,**

- A. Health Plan of San Mateo operates as a Medi-Cal managed care health plan.
- B. HPSM staff released a Request for Quote to IT vendors with the capability to provide data center equipment and services to maintain critical HPSM operations; and
- C. HPSM received four responses to this RFQ and has selected TRACE3 for this equipment procurement.

**NOW, THEREFORE, IT IS HEREBY RESOLVED AS FOLLOWS:**

1. The San Mateo Health Commission authorizes the Chief Executive Officer to execute an Agreement with TRACE3 for the procurement and implementation of critical data center equipment for a total amount not to exceed \$550,000.

PASSED, APPROVED, AND ADOPTED by the San Mateo Health Commission this \_\_\_\_th day of \_\_\_\_\_, 2025 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**

**AGENDA ITEM:** \_\_\_\_\_

**DATE:** \_\_\_\_\_, 2025

**DATE:** June 4, 2025

**TO:** San Mateo Health Commission

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

**RE:** Approval of Audited Financial Statements for Period Ending December 31, 2024

---

**Recommendation**

Approve HPSM's 2024 final audited financial statements.

**Background information**

HPSM's auditors, Moss Adams, completed their annual audit of HPSM's 2024 financial statements in March 2025. Moss Adams presented reports to the Finance/Compliance Committee on March 24<sup>th</sup>, including details of their audit process, and results of their findings. Two separate reports, described below, are included in this packet for Commission review. Also included are slides summarizing the audit outcome.

**Communication to Commissioners**

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

**Report of Independent Auditors and Financial Statements with Supplementary Information**

The second report is the full set of audited financial statements with footnotes. The auditors issued an unmodified opinion (which is good). There were no audit adjustments, but management included some proposed adjustments to refine estimates based on more recent information. The final audited financial result is a surplus of \$53.3M for the year.

**DRAFT**

**RESOLUTION OF THE  
SAN MATEO HEALTH COMMISSION**

**IN THE MATTER OF APPROVAL OF THE  
FINANCIAL AUDIT REPORT FOR FISCAL  
YEAR ENDING DECEMBER 31, 2024**

**RESOLUTION 2025 -**

**RECITAL: WHEREAS,**

- A. Moss-Adams, LLP, a firm of certified public accountants has conducted an audit of the San Mateo Health Commission financial statements for the fiscal year ending December 31, 2024, and issued an unmodified opinion; and
- B. The San Mateo Health Commission has reviewed the resulting report submitted by Moss-Adams, LLP.

**NOW, THEREFORE, IT IS HEREBY RESOLVED AS FOLLOWS:**

- 1. The San Mateo Health Commission formally accepts the audit report for the fiscal year ended December 31, 2024 as prepared by Moss-Adams, LLP.

PASSED, APPROVED, AND ADOPTED by the San Mateo Health Commission this 23<sup>rd</sup> day of April 2025 by the following votes:

AYES:

NOES:

ABSTAINED:

ABSENT:

\_\_\_\_\_  
Bill Graham, Chair

ATTEST:

APPROVED AS TO FORM:

BY: \_\_\_\_\_  
M. Heryford, Clerk

\_\_\_\_\_  
Kristina Paszek  
CHIEF DEPUTY COUNTY COUNSEL

A I

# 2024 Financial Audit Results Presentation to Commission

April 23, 2025



# 2024 Financial Audit Summary



- Moss Adams performed interim audit procedures in October 2024, final field work in February 2025, and finalized adjustments and prepared financial statements and footnotes in early March 2025.
- Moss Adams presented details of their audit procedures and their findings to Finance/Compliance Committee on March 24<sup>th</sup>.
- 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, April 23, 2025.
- Approved audited financials are due to DMHC by April 30, 2025.

# 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>2024</u>	<u>2023</u>
Capitation revenue	1,239,683,958	1,276,459,257
Healthcare cost	1,076,146,610	1,031,939,924
Administrative expenses	69,038,855	60,779,795
MCO Tax	78,726,161	57,570,721
Income/(loss) from operations	<u>15,772,332</u>	<u>126,168,817</u>
Non-operating revenue	40,920,645	34,986,653
Non-operating expense	(3,350,000)	(10,000,000)
Net income/(loss)	<u>53,342,977</u>	<u>151,155,470</u>

# Balance Sheet – Final Audited

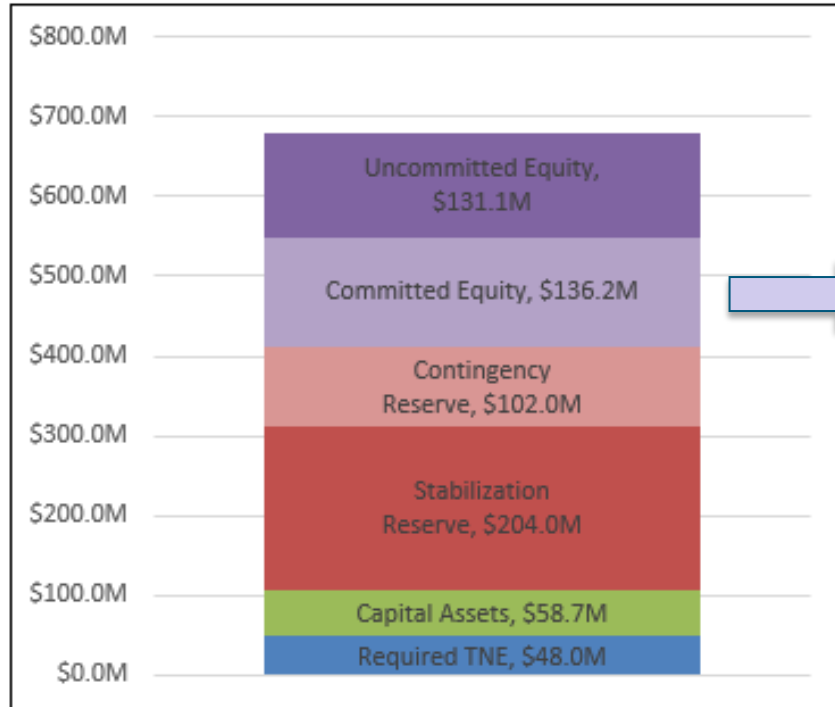


	<u>12/31/2024</u>	<u>12/31/2023</u>
<b>Assets:</b>		
Cash and Investments	868,954,857	738,400,292
Capitation and other receivables	200,751,470	273,711,335
Other current assets	16,195,906	14,123,355
Capital assets	58,729,820	59,364,274
Other LT assets and deferred outflows	16,786,062	11,325,447
Total assets and deferred outflows	<u>1,161,418,115</u>	<u>1,096,924,703</u>
<b>Liabilities:</b>		
Medical claims payable	101,806,272	110,157,421
Provider incentives payable	11,243,578	11,255,574
Amounts due to the State of California	202,037,524	161,788,284
Accounts payable, accrued liabilities, other	154,937,799	176,446,415
Net LT pension liability, deferred outflows, other	11,391,996	10,619,040
Total liabilities and deferred inflows	<u>481,417,169</u>	<u>470,266,734</u>
<b>Net Position (Reserves)</b>	<u>680,000,946</u>	<u>626,657,969</u>

# Tangible Net Equity (TNE)

Final Audited 12/31/2024 = \$680.0M

Uncommitted portion = \$131.1M



## Committed Equity:

	Funding	Spend	Balance
Provider	\$100.0M	\$0.4M	\$99.6M
Primary Care	\$30.0M	\$0.5M	\$29.6M
Baby Bonus	\$7.0M	\$0.0M	\$7.0M
	<u>\$137.0M</u>	<u>\$0.8M</u>	<u>\$136.2M</u>

# Commission Action Item



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

Thank you



**DRAFT**  
Not to be reproduced or relied  
upon for any purpose

**A I**

Communications with the Commissioners

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

December 31, 2024

## **Communications with the Commissioners**

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

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of San Mateo Health Commission d.b.a. Health Plan of San Mateo (a stand-alone government entity appointed by the San Mateo County Board of Supervisors) as of and for the year ended December 31, 2024, and have issued our report thereon dated [REDACTED], 2025. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated August 28, 2024, we are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

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

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

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you on November 1, 2024.

## **Significant Audit Findings and Issues**

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Mateo Health Commission d.b.a. Health Plan of San Mateo are described in Note 1 to the financial statements. During fiscal year 2024, San Mateo Health Commission d.b.a. Health Plan of San Mateo adopted Government Accounting Standards Board No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* and No. 101, *Compensated Absences*. No other new accounting policies were adopted and there were no changes in the application of existing policies during 2024. We noted no transactions entered into by San Mateo Health Commission d.b.a. Health Plan of San Mateo during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### ***Significant Accounting Estimates***

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

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

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

#### ***Financial Statement Disclosures***

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

#### ***Significant Unusual Transactions***

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

#### ***Significant Difficulties Encountered in Performing the Audit***

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

#### ***Disagreements with Management***

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

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

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

***Uncorrected Misstatements***

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

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated [REDACTED], 2025.

***Management Consultation with Other Independent Accountants***

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

***Other Significant Audit Findings or Issues***

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

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

San Francisco, California  
[REDACTED], 2025

**DRAFT**  
Not to be reproduced or relied  
upon for any purpose

**A I**

Report of Independent Auditors and  
Financial Statements with Supplementary Information

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

December 31, 2024 and 2023

# Table of Contents

---

	<b>Page</b>
<b>Management's Discussion and Analysis</b>	
Management's Discussion and Analysis	2
<b>Report of Independent Auditors</b>	9
<b>Financial Statements</b>	
Statements of Net Position	14
Statements of Revenues, Expenses, and Changes in Net Position	15
Statements of Cash Flows	16
Statements of Fiduciary Net Position	17
Statements of Changes in Fiduciary Net Position	18
Notes to Financial Statements	19
<b>Supplementary Information</b>	
Supplementary Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios	45
Supplementary Schedule of Contributions	46
Supplementary Schedule of Investment Returns – Health Plan of San Mateo Retirement Plan Fund	47

**DRAFT**  
Not to be reproduced or relied  
upon for any purpose

## **Management's Discussion and Analysis**

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Management’s Discussion and Analysis  
December 31, 2024, 2023, and 2022**

---

In accordance with the Governmental Accounting Standards Board Codification Section 2200, *Annual Comprehensive Financial Report*, the management of the San Mateo Health Commission (d.b.a. Health Plan of San Mateo) (HPSM or the Commission), provides an overview of the Commission’s financial activities for the years ended December 31, 2024, 2023, and 2022. Please read it in conjunction with the Commission’s audited financial statements and accompanying notes, which begin on page 9.

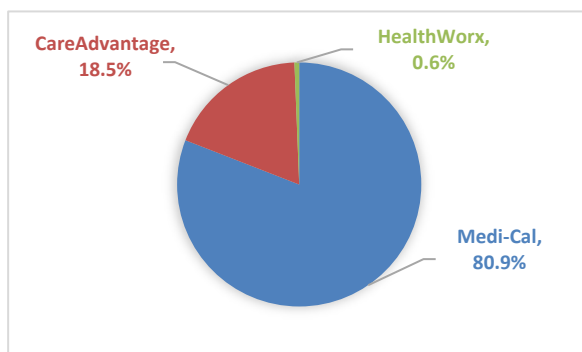
**OVERVIEW OF FINANCIAL STATEMENTS:**

This *Annual Comprehensive Financial Report* consists of a series of financial statements: Statements of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. These financial statements provide information about the activities of the Commission as a whole. Additionally, certain required supplemental information contains information regarding the Commission’s budget and how actual operating results compare to the budget adopted by the Commission.

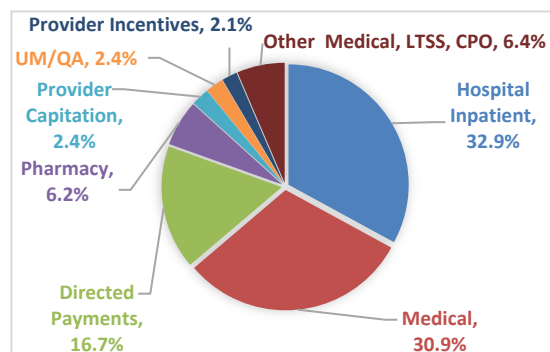
**FINANCIAL HIGHLIGHTS – PROPRIETARY FUND**

- Total member months decreased by 2.47% to 1,867,349 in 2024, increased by 5.73% to 1,914,599 in 2023, and increased by 11.12% to 1,810,766 in 2022.
- Net position increased by \$53,342,977 to \$680,000,946 in 2024, increased by \$151,155,470 to \$626,657,969 in 2023, and increased by \$115,124,416 to \$475,502,499 in 2022.
- Net operating revenues decreased by \$36,775,299 (2.88%) in 2024, increased by \$245,565,369 (23.82%) in 2023, and decreased by \$61,430,504 (5.62%) in 2022.
- Net operating expenses increased by \$73,621,186 (6.40%) in 2024, increased by \$233,102,593 (24.06%) in 2023, and decreased by \$142,622,827 (13.33%) in 2022. A breakdown of the 2024 healthcare expense by category is provided below.

2024 Percentage of Revenue by LOB



2024 Healthcare Expenses by category



**San Mateo Health Commission**  
**(d.b.a. Health Plan of San Mateo)**  
**Management's Discussion and Analysis**  
**December 31, 2024, 2023, and 2022**

**CONDENSED STATEMENTS OF NET POSITION**

	2024	2023	2022	Change 2024 to 2023		Change 2023 to 2022	
				Amount	% Change	Amount	% Change
<b>CURRENT ASSETS</b>	\$ 1,085,902,233	\$ 1,026,234,982	\$ 812,288,000	\$59,667,251	5.81%	\$213,946,982	26.34%
CAPITAL ASSETS, NET	58,729,820	59,364,274	60,977,607	(634,454)	-1.07%	(1,613,333)	-2.65%
OTHER ASSETS	12,402,174	5,624,086	8,759,751	6,778,088	120.52%	(3,135,665)	-35.80%
Total assets	1,157,034,227	1,091,223,342	882,025,358	\$65,810,885	6.03%	209,197,984	23.72%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	4,383,888	5,701,361	7,337,774	(1,317,473)	-23.11%	(1,636,413)	-22.30%
Total assets and deferred outflows of resources	\$ 1,161,418,115	\$ 1,096,924,703	\$ 889,363,132	\$ 64,493,412	5.88%	\$ 207,561,571	23.34%
<b>CURRENT LIABILITIES</b>	\$ 470,025,173	\$ 459,647,694	\$ 399,687,938	\$ 10,377,479	2.26%	\$ 59,959,756	15.00%
NET PENSION LIABILITY	2,825,906	2,982,121	5,069,872	(156,215)	-5.24%	(2,087,751)	-41.18%
NONCURRENT LIABILITIES	4,571,270	2,142,820	3,255,430	2,428,450	113.33%	(1,112,610)	-34.18%
Total liabilities	477,422,349	464,772,635	408,013,240	12,649,714	2.72%	56,759,395	13.91%
<b>DEFERRED INFLOWS OF RESOURCES</b>	3,994,820	5,494,099	5,847,393	(1,499,279)	-27.29%	(353,294)	-6.04%
Total liabilities and deferred inflows of resources	\$ 481,417,169	\$ 470,266,734	\$ 413,860,633	\$ 11,150,435	2.37%	\$ 56,406,101	13.63%
<b>NET POSITION</b>							
Invested in capital assets	\$ 58,729,820	\$ 59,364,274	\$ 60,977,607	\$ (634,454)	-1.07%	\$ (1,613,333)	-2.65%
Restricted by legislative authority	300,000	300,000	300,000	-	0.00%	-	0.00%
Unrestricted							
Restricted for stabilization reserve	305,977,907	376,750,900	154,531,300	(70,772,993)	-18.79%	222,219,600	143.80%
Committed and Unrestricted	314,993,219	190,242,795	259,693,592	124,750,424	65.57%	(69,450,797)	-26.74%
Total net position	\$ 680,000,946	\$ 626,657,969	\$ 475,502,499	\$ 53,342,977	8.51%	\$ 151,155,470	31.79%

**Assets and Deferred Outflows of Resources**

For 2024, assets increased \$65,810,885 (6.03%) from \$1,091,223,342 in 2023 due to more timely capitation payments from the State of California and Centers for Medicaid & Medicare (CMS) resulting in increased cash; an increase in reinsurance receivable and the close-out of the Kaiser subcapitation arrangement; along with an increase in net Subscription-Based Information Technology Arrangements (SBITA) Assets of \$8,076,256 from \$3,693,823. For the same period, deferred outflows of resources for the pension plan, which represents the difference between projected and actual retirement investment earnings that are deferred under Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, decreased from \$5,701,361 to \$4,383,888.

For 2023, assets increased \$209,197,984 (23.72%) from \$882,025,358 in 2022 due primarily to an increase in cash and investments, due to increased membership resulting in higher capitation received as compared to health care expenses paid; an increase in capitation receivables from the State of California and CMS; along with a decrease in net SBITA of \$1,907,566 (34.06%) from \$5,601,389 due to the timing of certain license renewals. For the same period deferred outflows of resources decreased from \$7,337,774 to \$5,701,361.

**San Mateo Health Commission**  
**(d.b.a. Health Plan of San Mateo)**  
**Management's Discussion and Analysis**  
**December 31, 2024, 2023, and 2022**

**Liabilities and Deferred Inflows of Resources**

For 2024, liabilities increased \$12,649,714 (2.72%) from \$464,772,635 in 2023 due to a risk corridor for the Unsatisfactory Immigration Status (UIS) Medi-Cal population and an increase in subscription short-term liability, which were offset by a decrease in medical claims and accounts payable due to the timing of year-end check runs. For the same period, deferred inflows of resources, which represents changes in assumptions and the difference between expected and actual experience, decreased by \$1,499,279 (27.29%) from \$5,494,099 primarily due to annual run-out of existing rental leases.

For 2023, liabilities increased \$56,759,395 (13.91%) from \$408,013,240 in 2022 due primarily to the timing difference of payment to Department of Health Care Services (DHCS) on the reinstated Managed Care Organization (MCO) tax, which is effective back to April 1, 2023, which was offset by a decrease in net pension liability and subscription liabilities, net of current portion. For the same period, deferred inflows of resources decreased by \$353,294 (6.04%) from \$5,847,393.

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

Membership by Source at December 31,	2024	2023	2022	Change 2024 to 2023		Change 2023 to 2022	
				Amount	% Change	Amount	% Change
Medi-Cal	1,751,626	1,796,776	1,690,781	(45,150)	-2.51%	105,995	6.27%
CareAdvantage	100,651	103,281	105,583	(2,630)	-2.55%	(2,302)	-2.18%
HealthWorx	15,072	14,542	14,402	530	3.64%	140	0.97%
Total Membership	1,867,349	1,914,599	1,810,766	(47,250)	-2.47%	103,833	5.73%
ACE - TPA Participants	16,786	257,492	282,214	(240,706)	-93.48%	(24,722)	-8.76%
<b>OPERATING REVENUES</b>							
Capitation and premiums							
Medi-Cal	\$ 1,002,970,274	\$ 1,032,181,149	\$ 734,328,396	\$ (29,210,875)	-2.83%	\$ 297,852,753	40.56%
HealthWorx	7,856,506	6,957,387	6,318,612	899,119	12.92%	638,775	10.11%
CareAdvantage	228,857,178	237,320,721	290,246,880	(8,463,543)	-3.57%	(52,926,159)	-18.23%
Net operating revenues	1,239,683,958	1,276,459,257	1,030,893,888	(36,775,299)	-2.88%	245,565,369	23.82%
<b>OPERATING EXPENSES</b>							
Health care expenses	1,076,146,610	1,031,939,924	834,331,847	44,206,686	4.28%	197,608,077	23.68%
General and administrative	69,038,855	60,779,795	54,383,580	8,259,060	13.59%	6,396,215	11.76%
MCO tax	78,726,161	57,570,721	38,472,420	21,155,440	36.75%	19,098,301	49.64%
Total operating expenses	1,223,911,626	1,150,290,440	927,187,847	73,621,186	6.40%	223,102,593	24.06%
Income from operations	15,772,332	126,168,817	103,706,041	(110,396,485)	-87.50%	22,462,776	21.66%
<b>NONOPERATING REVENUE (Expense)</b>							
Interest and other income	40,665,645	32,817,597	9,074,781	7,848,048	23.91%	23,742,816	261.64%
Third Party Administrator, Net	255,000	2,169,056	2,343,594	(1,914,056)	-88.24%	(174,538)	-7.45%
Other nonoperating expense	(3,350,000)	(10,000,000)	-	6,650,000	-66.50%	(10,000,000)	0.00%
Total nonoperating revenue	37,570,645	24,986,653	11,418,375	12,583,992	50.36%	13,568,278	118.83%
Changes in net position	53,342,977	151,155,470	115,124,416	(97,812,493)	-64.71%	36,031,054	31.30%
NET POSITION, beginning of year	626,657,969	475,502,499	360,378,083	151,155,470	31.79%	115,124,416	31.95%
NET POSITION, end of year	\$ 680,000,946	\$ 626,657,969	\$ 475,502,499	\$ 53,342,977	8.51%	\$ 151,155,470	31.79%

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Management's Discussion and Analysis  
December 31, 2024, 2023, and 2022**

---

**MEMBERSHIP**

During 2024, overall membership decreased by 47,250 (2.47%) member months from 1,914,599 in 2023 to 1,867,349 in 2024. Medi-Cal membership declined due to the completion of the first full cycle of the redetermination process, which was paused during the COVID-19 public health emergency. The decline was partially offset by an expansion of the Medi-Cal program to those with UIS. This expansion also explains the decline in the San Mateo County Access and Care for Everyone (ACE) third-party administrator (TPA), as many participants were able to enroll in full scope Medi-Cal.

During 2023, overall membership increased by 103,833 (5.73%) member months from 1,810,766 in 2022 to 1,914,599 in 2023. The increase was primarily due to a continuation of the Governor's executive order to suspend disenrollment for Medi-Cal during the public health emergency. The redeterminations process did not resume until later in the year therefore limiting the impact at year-end.

**OPERATING REVENUES**

During 2024, operating revenue decreased by \$36,775,299 (2.88%) from \$1,276,459,257 in 2023 to \$1,239,683,958 in 2024. The decrease is partially due to declining membership for both Medi-Cal and Medicare programs. Medi-Cal capitation funding decreased on average per member after accounting for return of premiums for various risk corridors (Enhanced Care Management and UIS). In addition, there was increased revenue recognition for hospital directed payments, but lower revenue recognition for DHCS incentive programs.

During 2023, operating revenue increased by \$245,565,369 (23.82%) from \$1,030,893,888 in 2022 to \$1,276,459,257 in 2023. The increase is predominately due to increased Medi-Cal membership, increased rates per member per month, increased funding for the MCO tax, increased funding for DHCS incentive programs, and increased revenue recognition for hospital directed payments. Effective January 1, 2023, HPSM transitioned the CareAdvantage product from the Cal MediConnect demonstration program, which ended December 31, 2022, to an exclusively aligned Medicare Duals Special Needs Plan (D-SNP).

**OPERATING EXPENSES**

***Healthcare Expenses***

During 2024, healthcare expenses increased by \$44,206,686 (4.28%) from \$1,031,939,924 in 2023 to \$1,076,146,610 in 2024. The increase is due to increased medical costs for several factors including rate negotiations with certain hospitals and other facilities, implementation of DHCS Targeted Rate Increase (TRI), increased cost with the D-SNP pharmacy benefit, increased expense recognition for hospital directed payments, and increased utilization of non-medical transportation. Dental cost also increased due to continued efforts to increase access and high-cost restorative care. These increases are offset by lower membership and from lower utilization of newly eligible UIS population.

During 2023, healthcare expenses increased by \$197,608,077 (23.68%) from \$834,331,847 in 2022 to \$1,031,939,924 in 2023, predominantly due to increased Medi-Cal membership, increased cost per member per month, and increased expense for hospital directed payments.

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Management's Discussion and Analysis  
December 31, 2024, 2023, and 2022**

---

**General and Administrative Expenses**

During 2024, general and administrative expenses increased by \$8,259,060 (13.59%) from \$60,779,795 in 2023 due to increases in the costs for employee benefits, along with increased staffing needs to expand the provider network (both medical and dental) and support for other programs related to the 2024 Medi-Cal contract with DHCS.

During 2023, general and administrative expenses increased by \$6,396,215 (11.76%) from \$54,383,580 in 2022 due to increased staffing and consulting costs incurred for new programs required under the updated Medi-Cal contract for 2024.

**MCO Tax**

HPSM paid \$109,930,791 in 2024, \$10,076,110 in 2023, and \$28,396,310 in 2022 for MCO taxes. HPSM's tax liability of \$26,366,091 as of December 31, 2024, \$57,570,721 as of December 31, 2023, and \$10,076,110 as of December 31, 2022, is included in current liabilities in the statements of net position.

**NONOPERATING REVENUE AND EXPENSE**

For 2024, interest and other income increased \$7,848,048 (23.91%) from \$32,817,597 in 2023 due to cash reserves and strong interest rates. The average rate of return for investments decreased to 4.06% from 4.67%. Effective 2024, the Medi-Cal contract requires MCOs to allocate a calculated percentage of program surpluses towards reinvestment in surrounding communities. HPSM expensed \$3,350,000 as of December 31, 2024. A liability of the same amount is included in current liabilities in the statements of net position.

For 2023, interest and other income increased \$23,742,816 (261.64%) from \$9,074,781 in 2022 due to cash reserves and high interest rates. The average rate of return for investments increased to 4.67% from 2.8%. Other nonoperating expense increased \$10,000,000 from \$0 in 2022 due to a \$10 million strategic investment to a local hospital partner for seismic upgrades and enhanced care access.

**CONDENSED CASH FLOW**

HPSM intentionally holds a greater cash position due to the uncertainty of rate increases (or cuts) and cash flow from the State of California. HPSM invests excess cash in the San Mateo County Investment Pool Fund, Local Agency Investment Fund (LAIF), and Wells Fargo Money Market and Investment accounts. All investment accounts are considered liquid and available on demand.

	2024	2023	2022	Change 2024 to 2023		Change 2023 to 2022	
				Amount	% Change	Amount	% Change
Cash flows from operating activities	\$ 99,631,303	\$ 127,310,123	\$ 146,178,433	(27,678,820)	-21.74%	(18,868,310)	-12.91%
Cash flows from investing activities	33,955,443	17,809,247	7,821,901	16,146,196	90.66%	9,987,346	127.68%
Cash flows from financing activities	(5,431,178)	(2,323,642)	(2,031,305)	(3,107,536)	133.74%	(292,337)	14.39%
Net increase in cash and cash equivalents	128,155,568	142,795,728	151,969,029	(14,640,160)	-10.25%	(9,173,301)	-6.04%
CASH AND CASH EQUIVALENTS, beginning of year	552,675,606	409,879,878	257,910,849	142,795,728	34.84%	151,969,029	58.92%
CASH AND CASH EQUIVALENTS, end of year	\$ 680,831,174	\$ 552,675,606	\$ 409,879,878	\$ 128,155,568	23.19%	\$ 142,795,728	34.84%

**San Mateo Health Commission**  
**(d.b.a. Health Plan of San Mateo)**  
**Management's Discussion and Analysis**  
**December 31, 2024, 2023, and 2022**

**MINIMUM TANGIBLE NET EQUITY**

Tangible net equity (TNE) is the value of assets minus liabilities, minus the value of intangible assets. It's a measure of worth based on its physical assets, rather than intangible assets. HPSM is required by the Department of Managed Health Care (DMHC) to maintain a minimum level of TNE. HPSM has met the minimum TNE requirement with total net position of \$680,000,946 in 2024, \$626,657,969 in 2023, and \$581,674,499 in 2022.

**FISCAL BUDGET VARIANCE**

	<u>2024 Actual</u>	<u>2024 Budgeted</u>	<u>Variance</u>
<b>REVENUES</b>			
Medi-Cal	\$ 1,002,970,274	\$ 845,935,253	\$ 157,035,021
HealthWorx	7,856,506	7,600,969	255,537
CareAdvantage	<u>228,857,178</u>	<u>230,051,727</u>	<u>(1,194,549)</u>
Total revenues	<u>1,239,683,958</u>	<u>1,083,587,949</u>	<u>156,096,009</u>
<b>HEALTH CARE EXPENSES</b>			
Hospital inpatient	354,438,341	390,887,358	(36,449,017)
Medical	511,704,438	360,814,336	150,890,102
Pharmacy	66,845,314	64,012,524	2,832,790
Primary care physician capitation	25,940,033	25,390,298	549,735
Utilization management (UM) and quality assessment (QA) allocation	25,819,979	22,873,949	2,946,030
Provider incentives	22,250,533	17,914,000	4,336,533
Long-term support services	1,804,615	1,544,433	260,182
Dental	40,056,915	25,447,587	14,609,328
Transportation	17,234,020	14,537,972	2,696,048
Care Plan Options/In-lieu of Services	12,046,857	9,081,333	2,965,524
Enhanced Care Management	3,118,437	12,247,836	(9,129,399)
Other medical - dental, reinsurance, etc. - net of reinsurance recoveries	<u>(5,112,872)</u>	<u>4,618,473</u>	<u>(9,731,345)</u>
Total health care expenses	<u>1,076,146,610</u>	<u>949,370,099</u>	<u>126,776,511</u>
<b>ADMINISTRATIVE EXPENSES</b>			
Salaries and fringe benefits	60,596,251	59,969,230	627,021
Contract services	16,168,958	19,646,400	(3,477,442)
Office supplies and maintenance	6,454,892	9,293,670	(2,838,778)
Occupancy, equipment, and depreciation expense	3,671,339	4,503,300	(831,961)
Postage and printing	2,378,416	2,300,000	78,416
Other administrative expenses	2,205,967	3,699,925	(1,493,958)
UMQA health care allocation	<u>(22,436,968)</u>	<u>(22,525,076)</u>	<u>88,108</u>
Total administrative expenses	69,038,855	76,887,449	(7,848,594)
MCO tax	78,726,161	52,588,105	26,138,056
Total expenses	<u>1,223,911,626</u>	<u>1,078,845,653</u>	<u>145,065,973</u>
Income from operations	<u>15,772,332</u>	<u>4,742,296</u>	<u>11,030,036</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Net interest and investment income	39,508,306	24,000,000	15,508,306
Other revenue and rental income	1,157,339	1,263,105	(105,766)
Third-party administrator fees	255,000	214,336	40,664
Other nonoperating expense	<u>(3,350,000)</u>	<u>-</u>	<u>(3,350,000)</u>
Total nonoperating revenue (expense)	<u>37,570,645</u>	<u>25,477,441</u>	<u>12,093,204</u>
Net income	53,342,977	30,219,737	23,123,240
Net position at beginning of year	<u>626,657,969</u>	<u>626,657,969</u>	<u>-</u>
Net position at end of year	<u>\$ 680,000,946</u>	<u>\$ 656,877,706</u>	<u>\$ 23,123,240</u>

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Management's Discussion and Analysis  
December 31, 2024, 2023, and 2022**

---

**BUDGET VARIANCES**

The main drivers for higher than budgeted net income includes higher than budgeted membership, lower healthcare cost due to lower utilization with the newly added UIS population, lower administrative cost, and higher than budgeted interest income. Income from DHCS incentive programs added to the net income, which was not budgeted, and approximately \$9M in prior year adjustments flowed through 2024. These favorable items are offset by lower than budgeted Medi-Cal average premium per member after accounting for various risk corridors (ECM, UIS). Prior year hospital directed payments flowed through revenue and healthcare cost, which inflate revenue and expense budget variances, but largely offset with minimal impact to the net income.

**FINANCIAL HIGHLIGHTS – FIDUCIARY FUND**

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
TOTAL ASSETS	\$ 40,509,437	\$ 35,396,257	\$ 29,280,931
TOTAL LIABILITIES	-	-	-
TOTAL FIDUCIARY NET POSITION	<u>40,509,437</u>	<u>35,396,257</u>	<u>29,280,931</u>
TOTAL ADDITIONS, NET	6,380,781	7,325,442	(2,860,008)
TOTAL DEDUCTIONS	<u>1,267,601</u>	<u>1,210,116</u>	<u>1,009,186</u>
INCREASE (DECREASE) IN FIDUCIARY NET POSITION	5,113,180	6,115,326	(3,869,194)
FIDUCIARY NET POSITION - BEGINNING OF YEAR	<u>35,396,257</u>	<u>29,280,931</u>	<u>33,150,125</u>
FIDUCIARY NET POSITION - END OF YEAR	<u>\$ 40,509,437</u>	<u>\$ 35,396,257</u>	<u>\$ 29,280,931</u>

Total fiduciary fund net position as of December 31, 2024, increased by \$5,113,180 from December 31, 2023, due to an increase in fair value of investments.

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

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

# Report of Independent Auditors

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

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of San Mateo Health Commission d.b.a. Health Plan of San Mateo (a stand-alone government entity appointed by the San Mateo County Board of Supervisors), as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise San Mateo Health Commission d.b.a. Health Plan of San Mateo's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of San Mateo Health Commission d.b.a. Health Plan of San Mateo as of December 31, 2024 and 2023, and the respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 8 and the supplementary schedule of changes in the net pension asset liability (asset) and related ratios, supplementary schedule of contributions, and supplementary schedule of investment returns – Health Plan of San Mateo Retirement Plan on pages 45 through 47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

San Francisco, California

                    , 2025

**DRAFT**  
Not to be reproduced or relied  
upon for any purpose

## **Financial Statements**

**San Mateo Health Commission**  
**(d.b.a. Health Plan of San Mateo) – Proprietary Fund**  
**Statements of Net Position**  
**December 31, 2024 and 2023**

	2024	2023
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 680,831,174	\$ 552,675,606
Investments	188,123,683	185,724,686
Capitation receivable from the State of California	123,514,833	185,457,467
CareAdvantage receivable	58,652,343	75,192,823
Other accounts receivable	18,584,294	13,061,045
Prepays and other assets	14,897,737	12,895,256
Lease receivable - current	1,298,169	1,228,099
Total current assets	<u>1,085,902,233</u>	<u>1,026,234,982</u>
<b>CAPITAL ASSETS, NET</b>		
Nondepreciable	15,667,814	15,667,814
Depreciable, net of accumulated depreciation and amortization	<u>43,062,006</u>	<u>43,696,460</u>
Total capital assets, net	58,729,820	59,364,274
LEASE RECEIVABLE - NONCURRENT	332,095	1,630,263
SUBSCRIPTION ASSETS, NET OF ACCUMULATED AMORTIZATION	11,770,079	3,693,823
ASSETS RESTRICTED AS TO USE	<u>300,000</u>	<u>300,000</u>
Total assets	1,157,034,227	1,091,223,342
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Total assets and deferred outflows of resources	<u>\$ 1,161,418,115</u>	<u>\$ 1,096,924,703</u>
<b>LIABILITIES AND DEFERRED INFLOWS</b>		
<b>CURRENT LIABILITIES</b>		
Medical claims payable	\$ 101,806,272	\$ 110,157,421
Providers incentives payable	11,243,578	11,255,574
Amounts due to the State of California	202,037,524	161,788,284
Accounts payable and accrued liabilities	150,558,870	175,229,835
Subscription liabilities - current	<u>4,378,929</u>	<u>1,216,580</u>
Total current liabilities	470,025,173	459,647,694
NET PENSION LIABILITY	2,825,906	2,982,121
SUBSCRIPTION LIABILITIES - NONCURRENT	4,571,270	2,142,820
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources - lease	1,575,382	2,755,456
Deferred inflows of resources - pension	<u>2,419,438</u>	<u>2,738,643</u>
Total deferred inflows of resources	3,994,820	5,494,099
Total liabilities and deferred inflow of resources	<u>\$ 481,417,169</u>	<u>\$ 470,266,734</u>
<b>NET POSITION</b>		
Invested in capital assets	\$ 58,729,820	\$ 59,364,274
Restricted by legislative authority	300,000	300,000
Unrestricted	<u>620,971,126</u>	<u>566,993,695</u>
Total net position	<u>\$ 680,000,946</u>	<u>\$ 626,657,969</u>

See accompanying notes.

**San Mateo Health Commission**  
**(d.b.a. Health Plan of San Mateo) – Proprietary Fund**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES		
Capitation and premiums		
Medi-Cal	\$ 1,002,970,274	\$ 1,032,181,149
HealthWorx	7,856,506	6,957,387
CareAdvantage	228,857,178	237,320,721
Net operating revenues	<u>1,239,683,958</u>	<u>1,276,459,257</u>
OPERATING EXPENSES		
Health care expenses		
Hospital inpatient	354,438,341	362,373,928
Medical	511,704,438	444,541,839
Pharmacy	66,845,314	61,532,745
Primary care physician capitation	25,940,033	66,488,291
Utilization management (UM) and quality assessment (QA) allocation	25,819,979	22,755,060
Provider incentives	22,250,533	20,678,110
Long-term support services	1,804,615	2,400,207
Dental	40,056,915	24,679,736
Transportation	17,234,020	13,073,721
Care plan options/In-lieu of Services	12,046,857	8,757,949
Enhanced care management	3,118,437	3,038,857
Other medical - reinsurance, etc. - net of reinsurance (recoveries) premiums	(5,112,872)	1,619,481
Total health care expenses	<u>1,076,146,610</u>	<u>1,031,939,924</u>
General and administrative		
Salaries and fringe benefits	60,596,251	51,145,287
Contract services	16,168,958	15,913,871
Office supplies and maintenance	6,454,892	6,779,929
Occupancy, equipment, and depreciation expense	3,671,339	3,453,722
Postage and printing	2,378,416	1,943,334
Other administrative expenses	2,205,967	1,911,970
UMQA health care allocation	(22,436,968)	(20,368,318)
Total general and administrative expenses	69,038,855	60,779,795
MCO tax	78,726,161	57,570,721
Total operating expenses	<u>1,223,911,626</u>	<u>1,150,290,440</u>
Income from operations	<u>15,772,332</u>	<u>126,168,817</u>
NONOPERATING REVENUE (EXPENSE)		
Net interest and investment income	39,508,306	31,642,544
Rental income	1,157,339	1,166,164
Third-party administrator fees	255,000	2,169,056
Other revenue	-	8,889
Other nonoperating expense	(3,350,000)	(10,000,000)
Total nonoperating revenue (expense)	<u>37,570,645</u>	<u>24,986,653</u>
Changes in net position	53,342,977	151,155,470
NET POSITION, beginning of year	<u>626,657,969</u>	<u>475,502,499</u>
NET POSITION, end of year	<u>\$ 680,000,946</u>	<u>\$ 626,657,969</u>

See accompanying notes.

**San Mateo Health Commission**  
**(d.b.a. Health Plan of San Mateo) – Proprietary Fund**  
**Statements of Cash Flows**  
**Years Ended December 31, 2024 and 2023**

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Capitation and premium revenues	\$ 1,369,353,002	\$ 1,203,747,090
Health care expenses	(1,089,132,987)	(1,028,592,812)
General and administrative expenses	(176,139,249)	(50,084,325)
Other	(4,449,463)	2,240,170
	<u>99,631,303</u>	<u>127,310,123</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale and maturities of investments	34,916,699	17,809,247
Payments for purchase of capital assets	(961,256)	-
	<u>33,955,443</u>	<u>17,809,247</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on subscription liabilities	(5,431,178)	(2,323,642)
	<u>(5,431,178)</u>	<u>(2,323,642)</u>
Net increase in cash and cash equivalents	128,155,568	142,795,728
CASH AND CASH EQUIVALENTS, beginning of year	<u>552,675,606</u>	<u>409,879,878</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 680,831,174</u>	<u>\$ 552,675,606</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Income from operations	\$ 15,772,332	\$ 126,168,817
Adjustment to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization	4,541,431	3,679,645
Changes in operating assets and liabilities:		
Capitation receivable from the State of California	61,942,634	(27,875,719)
CareAdvantage receivable	16,540,480	(30,963,045)
Other accounts receivable	(4,295,149)	(3,521,675)
Prepays and other assets	(2,927,606)	(1,565,385)
Net pension liability	842,053	375,441
Medical claims payable	(8,351,149)	9,408,947
Providers incentives payable	(11,996)	(1,481,921)
Amounts due to the State of California	40,249,240	(12,574,988)
Accounts payable and accrued liabilities	(24,670,967)	65,660,006
	<u>\$ 99,631,303</u>	<u>\$ 127,310,123</u>

See accompanying notes.

**San Mateo Health Commission**  
**(d.b.a. Health Plan of San Mateo) – Health Plan of San Mateo**  
**Retirement Plan**  
**Statements of Fiduciary Net Position**  
**December 31, 2024 and 2023**

---

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 1,261,120	\$ 1,235,492
Investments, at fair value		
Mutual funds	7,212,272	6,253,506
Pooled, common, and collective trusts	32,031,017	27,901,282
Total investments, at fair value	39,243,289	34,154,788
Net pending trades	(24,500)	(11,985)
Interest and dividends receivable	29,528	17,962
Total assets	40,509,437	35,396,257
NET POSITION RESTRICTED FOR PENSION	\$ 40,509,437	\$ 35,396,257

---

See accompanying notes.

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo) –  
Health Plan of San Mateo Retirement Plan  
Statements of Changes in Fiduciary Net Position  
Years Ended December 31, 2024 and 2023**

	2024	2023
<b>ADDITIONS</b>		
Employer contributions	\$ 2,721,107	\$ 2,654,597
Investment income		
Net appreciation in fair value of investments	3,373,200	4,425,849
Dividends	202,664	179,473
Interest	83,810	65,523
Total investment income	3,659,674	4,670,845
Total additions	6,380,781	7,325,442
<b>DEDUCTIONS</b>		
Benefits paid to participants	1,267,601	1,210,116
<b>INCREASE IN NET POSITION</b>	5,113,180	6,115,326
<b>NET POSITION RESTRICTED FOR PENSION</b>		
Beginning of year	35,396,257	29,280,931
End of year	\$ 40,509,437	\$ 35,396,257

See accompanying notes.

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

---

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

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

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

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

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

HPSM acquired a license under the Knox-Keene Health Care Services Plan Act of 1975, as amended (the Act) on July 31, 1998, and is regulated by the State's Department of Health Care Services (DHCS) and California Department of Managed Health Care (DMHC). For the HealthWorx program, HPSM contracted with the San Mateo Public Authority for coverage of the In-Home Support Services (IHSS) employees as of August 1, 2001, and the City of San Mateo for Non-Merit Part-Time and Library Per Diem employees as of January 1, 2009. The current HealthWorx contracts are for the following periods: (1) IHSS – July 1, 2014, to December 31, 2025, and (2) the City of San Mateo – January 1, 2009, to December 31, 2025.

Effective September 1, 2007, HPSM entered into an agreement with the County of San Mateo to provide third-party administrator (TPA) services to administer the benefits of their indigent care program (ACE). The current agreement ends September 30, 2025.

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

---

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

In September 2022, HPSM entered into a direct contract with CMS and became a Medicare Advantage Organization (MAO) under the commercial name CareAdvantage. As an MAO, HPSM provides medical services to its dual eligible members, known as a D-SNP program. The service contract for fiscal year 2024 became effective on January 1, 2024 through December 31, 2024, and was extended through December 31, 2025.

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

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

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

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

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

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

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

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

---

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

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

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

**Assets restricted as to use** – HPSM is required by the California DMHC to restrict cash of \$300,000 as of December 31, 2024 and 2023, for the payment of member claims in the event of its insolvency.

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

**Amounts due to the State of California** – When HPSM is made aware of changes to the State rate structure, such as rate decreases, risk corridors or program reconciliations, that significantly impact the financial outlook, an accrual for the estimated change is recorded. Such estimates are subject to the impact of changes in the regulatory environment and are subject to third party review. At the end of December 31, 2024 and 2023, HPSM had the following included in Amounts due to the State of California in the accompanying statements of net position:

	2024	2023
Risk corridor	\$ 97,163,434	\$ 56,310,224
Medi-Cal Expansion (MCE) medical loss ratio (MLR) reserve	3,666,077	3,666,077
Overpayments	101,208,013	101,811,983
Total	\$ 202,037,524	\$ 161,788,284

*Risk corridor* – HPSM’s contract with DHCS is subject to various risk corridors. The Coordinated Care Initiative (CCI) demonstration program for full-dual members has multiple risk corridors that triggered liabilities. A medical loss ratio (MLR) risk corridor for the first two years (July 2014 through June 2016) resulted in an estimated return of premiums (payable to DHCS) of \$19,789,224 as of December 31, 2024 and 2023. Settlement of these liabilities is pending final reconciliation with DHCS.

**San Mateo Health Commission**  
**(d.b.a. Health Plan of San Mateo)**  
**Notes to Financial Statements**

---

*Cal MediConnect (CMC) Members and Dual Managed Long Term Services and Supports (MLTSS) Risk Corridor* – A separate member mix risk corridor triggered an additional return of premiums of \$0 for calendar years 2024 and 2023, recorded as a reduction to capitation and premium revenue as of December 31, 2024. The member mix risk corridor resulted in an estimated payable of \$17,450,000, as of December 31, 2024 and 2023. Settlement of these liabilities is pending final reconciliation.

*CalAIM risk corridor reserve* – Effective January 1, 2022, California launched a multi-year initiative called California Advancing and Innovating Medi-Cal (CalAIM) to improve the quality of life and health outcomes of the Medi-Cal managed care population through the implementation of broad delivery system, program, and payment reforms across the Medi-Cal program. CalAIM initiatives include the delivery of new Enhanced Care Management (ECM) benefits. DHCS has implemented two-sided risk corridors on ECM services as of January 1, 2022, under which managed care plans are fully at risk for losses up to 95% and gains over 105% on applicable ECM services. Managed care plans will owe a remittance to the State or be owed a payment from the State if gains or losses exceed 5 percent of the applicable ECM rates received. The CalAIM risk corridor reflects the potential amount due to the State for ECM gains in excess of the 105% risk corridor. During the years ended December 31, 2024 and 2023, the reduction of premium revenue related to CalAIM risk corridors was \$6,268,315 and \$5,474,200, respectively. The CalAIM risk corridor reserve resulted in an estimated payable to DHCS of \$13,624,210 and \$19,071,000 as of December 31, 2024 and 2023, respectively. Settlement of these liabilities is pending final reconciliation with DHCS.

*Unsatisfactory Immigration Status (UIS) Adult and ACA Expansion risk corridor reserve* – For the calendar year 2024 period, DHCS utilizes a risk corridor for the capitation rates specific to the UIS population. HPSM is subject to DHCS requirements to meet a minimum of 95% medical expenditure for this population. Specifically, HPSM will be required to expend at least 95% of the Medi-Cal capitation revenue received for this population on allowable medical expenses as defined by DHCS. In the event HPSM expends less than the 95% requirement, HPSM will be required to return to DHCS the difference between the minimum threshold and the actual allowed medical expenses. The risk corridor resulted in an estimated payable to DHCS of \$46,300,000, as of December 31, 2024. Settlement of these liabilities is pending final reconciliation with DHCS.

*Medi-Cal Expansion (MCE) MLR reserve* – Effective with the enrollment of the Adult Expansion Population per the Affordable Care Act on January 1, 2014, HPSM is subject to DHCS requirements to meet a minimum of 85% MLR for this population. Specifically, HPSM will be required to expend at least 85% of the Medi-Cal capitation revenue received for this population on allowable medical expenses as defined by DHCS. In the event HPSM expends less than the 85% requirement, HPSM will be required to return to DHCS the difference between the minimum threshold and the actual allowed medical expenses. The original 85% MLR requirement was for January 2014 through June 2016, a 30-month period. In 2018, HPSM made a payment to the State of \$109 million related to the original reporting periods of January 2014 – June 2016. In 2019, HPSM made a payment to DHCS in the amount of \$15 million related to July 1, 2016 – June 30, 2017. As of December 31, 2024 and 2023, HPSM estimated a remainder liability of \$3,666,077, relating to reporting period July 1, 2016 – June 30, 2017. There are no estimated liabilities for DHCS between the minimum threshold and the actual allowed medical expenses for the reporting period July 2017 to June 2022.

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

---

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

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

	2024	2023
Intergovernmental (IGT) and Directed Payments payable	\$ 65,476,160	\$ 47,066,317
MCO tax payable	26,366,091	57,570,721
Hospital Quality Assurance Fee (HQAF) payable	16,569,053	24,071,292
Other program payable	28,268,069	27,850,976
Accounts payable and accrued expenses	10,843,888	15,105,407
Other health care liabilities	3,035,609	3,565,122
Total	\$ 150,558,870	\$ 175,229,835

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

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

**San Mateo Health Commission**  
**(d.b.a. Health Plan of San Mateo)**  
**Notes to Financial Statements**

---

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

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

Starting 2021, DHCS implemented several State-sponsored incentive programs related to behavior health integration, COVID vaccines, student behavior health, ECM, community supports, and housing and homelessness. In 2024, \$11,432,374 in revenue and \$5,444,183 in incentive expense was recognized. In 2023, \$18,356,050 in revenue and \$8,109,055 in incentive expense was recognized. Unearned incentives included within other program payable include \$6,601,148 and \$3,249,603 in funds received but not yet earned as of December 31, 2024 and 2023, respectively, related to these programs.

**Lease receivable and deferred inflow of resources** – Pursuant to GASB Statement No. 87, *Leases*, HPSM as a lessor recognized a lease receivable and a deferred inflow of resources in the statements of net position. A lease receivable represents the present value of future lease payments expected to be received by HPSM during the lease term. Under the lease agreement, HPSM may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recognized corresponding to the lease receivable amount and is defined as an acquisition of net position by HPSM that is applicable to future reporting periods. The deferred inflows of resources are amortized on an effective interest method basis over the term of each lease.

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

**San Mateo Health Commission**  
**(d.b.a. Health Plan of San Mateo)**  
**Notes to Financial Statements**

---

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

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

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

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

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

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

**Premium deficiencies** – HPSM performs periodic analyses of its expected future medical expenses and maintenance costs to determine whether such costs will exceed anticipated future revenues under its contracts. Should expected costs exceed anticipated revenues, a premium deficiency is recorded. Management determined that no premium deficiency reserves were needed at December 31, 2024 and 2023.

**San Mateo Health Commission**  
**(d.b.a. Health Plan of San Mateo)**  
**Notes to Financial Statements**

---

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

**MCO tax** – In November 2009, DHCS implemented AB1422 or MCO premium tax. This program imposes an assessment on HPSM's revenue. DHCS uses this assessment to obtain matching federal funds, which is used to sustain enrollment in the Healthy Families program. Effective with California SB78 and beginning July 1, 2012, HPSM was required to pay a gross premium tax on Medi-Cal revenue. For July 1, 2013 through June 30, 2016, the tax rate increased to 3.9375%. On March 1, 2016, Senate Bill (SB) X2-2 established a new managed care organization provider tax, to be administered by DHCS, effective July 1, 2016 through June 30, 2019. The tax is assessed by the DHCS on licensed health care service plans, managed care plans contracted with the DHCS to provide Medi-Cal services, and alternate health care service plans (AHCSP), as defined, except as excluded by the bill. This bill established applicable taxing tiers and per enrollee amounts for the 2016–2017, 2017–2018, and 2018–2019 fiscal years, respectively, for Medi-Cal enrollees, AHCSP enrollees, and all other enrollees, as defined. Effective January 1, 2020, Assembly Bill (AB)115 (Chapter 348, Statutes 2019) authorizes the DHCS to implement a Managed Care Organization (MCO) tax on specified health plans subject to approval by the Centers for Medicare and Medicaid Services (CMS). The tax effective date range under CMS approval is January 1, 2020 through December 31, 2022. On June 29, 2023, AB 119 (Chapter 13, Statutes of 2023) reimposed the MCO premium tax effective April 1, 2023, through December 31, 2026. MCO tax expense was \$78,726,161 and \$57,570,721 for the years ended December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, \$26,366,091 and \$57,570,721, respectively, was accrued. These amounts are included in accounts payable and accrued liabilities on the statements of net position.

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

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

**San Mateo Health Commission**  
**(d.b.a. Health Plan of San Mateo)**  
**Notes to Financial Statements**

---

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

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

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

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

**New accounting pronouncements** – In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections — an amendment of GASB Statement No. 62* (GASB 100). This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections. It defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity. This Statement requires that (1) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (2) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (3) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Statement is effective for fiscal years beginning after June 15, 2023. The adoption of this new standard did not have a material impact on the financial statements and related disclosures.

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

---

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

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

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

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

	2024	2023
Cash on hand	\$ 500	\$ 500
Cash deposits	453,520,574	336,693,867
Cash equivalents	227,310,100	215,981,239
Investments	188,123,683	185,724,686
Total cash, cash equivalents, and investments	\$ 868,954,857	\$ 738,400,292

**Assets restricted as to use** – Assets restricted as to use consist of \$300,000 of certificates of deposits as of December 31, 2024 and 2023.

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

---

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

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

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

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

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

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

---

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

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

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

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

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

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

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

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

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

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

---

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

	2024	2023
Certificates of deposit	\$ 300,000	\$ 300,000
San Mateo County Pooled Fund	115,023,833	110,805,263
Local Agency Investment Fund	73,099,850	74,919,423
Total investments and assets restricted as to use	\$ 188,423,683	\$ 186,024,686

There were no investments subject to fair value hierarchy as of December 31, 2024 and 2023.

The custodial credit risk, interest rate, credit risk, and concentration of credit risk under GASB Statement No. 62 Section C20, *Cash Deposits with Financial Institutions*, at December 31, 2024 and 2023, were as follows:

**Custodial credit risk** – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, HPSM will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Code requires financial institutions to secure deposits made by public agencies by pledging securities in an undivided collateral pool held by a depository regulated under State Law. As of December 31, 2024 and 2023, deposits exposed to custodial credit risk as they were uninsured, and the collateral held by the pledging bank not in HPSM’s name were \$680,831,174 and \$552,675,606, respectively.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, HPSM will not be able to recover the value of its investments or collateral securities that are in the possession of another party. As of December 31, 2024 and 2023, HPSM did not hold investments exposed to custodial credit risk.

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

The weighted average maturity in years for the \$300,000 certificates of deposit included in assets restricted as to use was 0.47 and 0.31 as of December 31, 2024 and 2023, respectively. The weighted average maturity in years for the portfolio was 0.47 and 0.31 as of December 31, 2024 and 2023, respectively.

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

---

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

Ratings as of December 31, 2024 and 2023, for the certificates of deposit were A-1.

**Concentration of credit risk** – The investment policy of HPSM contains certain limitations on the amount that can be invested in any one issuer and is listed in the table above. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total HPSM’s investments at December 31, 2024 and 2023.

**Note 3 – Capitation Receivable from the State of California**

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

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

**Note 4 – Capital Assets, Net**

Capital asset, net activity for the fiscal year ended December 31, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Furniture and equipment	\$ 14,246,487	\$ 323,710	\$ 791,253	\$ 15,361,450
Building improvements	23,239,438	222,546	-	23,461,984
Building	31,810,055	-	-	31,810,055
Land	15,667,814	-	-	15,667,814
Construction in Process (CIP)	-	415,000	-	415,000
<b>Total capital assets</b>	<b>84,963,794</b>	<b>961,256</b>	<b>791,253</b>	<b>86,716,303</b>
Less accumulated depreciation and amortization	25,599,520	1,595,710	791,253	27,986,483
<b>Capital assets, net</b>	<b>\$ 59,364,274</b>	<b>\$ (634,454)</b>	<b>\$ -</b>	<b>\$ 58,729,820</b>

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

---

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

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

Depreciation and amortization expense for capital assets for the years ended December 31, 2024 and 2023, was \$1,595,710 and \$1,613,333, respectively.

**Note 5 – Medical Claims Payable**

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

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

---

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

	2024	2023
Balance at beginning of period	\$ 110,157,421	\$ 100,748,474
Incurred		
Current year	826,599,872	761,768,068
Prior year	(11,659,808)	352,618
	814,940,064	762,120,686
Paid related to		
Current year	734,841,109	669,481,735
Prior year	88,450,104	83,230,004
Total paid	823,291,213	752,711,739
Balance at end of period	\$ 101,806,272	\$ 110,157,421

Medical claims payable decreased by \$8.4 million in comparison to the previous year. \$20.4 million of this is from the accruals and payments of State directed Proposition 56 supplemental payments and \$0.7 million is from the accruals and payments of State directed Ground Emergency Medical Transportation supplemental payments. This is offset by a \$12.7 million increase of the general medical claims payable reserves, and is due to an increase in direct membership and an increase in reserves for high cost cases.

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

There was a favorable impact to current year operations of \$11.7 million during fiscal year 2024 due to a change of \$5.8 million between the estimated claim costs accrued as of December 31, 2023, and actual amounts that were subsequently adjudicated and paid during the year ended December 31, 2024, and a change of \$5.9 million between the estimated State directed payments accrued as of December 31, 2023, and actual amounts that were subsequently adjudicated and paid during the year ended December 31, 2024. Management believes the decrease in prior year's estimated claim costs is largely a result of actual utilization being lower than the anticipated levels assumed in the December 31, 2023 IBNR estimate.

**Note 6 – Incentives Payable to Provider**

In October 2019, HPSM implemented a new quality incentive program with nursing facilities that provide skilled and/or long-term care services to HPSM members for meeting targeted quality measures. The program is designed to improve outcomes by incentivizing member access and high-quality care. As of December 31, 2024 and 2023, the Providers incentives payable was \$11,243,578 and \$11,255,574, respectively.

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

---

**Note 7 – Reserve for Stabilization and Minimum Tangible Net Equity**

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

As a limited license plan under the Act, HPSM is required to maintain a minimum level of Tangible Net Equity (TNE). On November 9, 2016, the San Mateo Health Commission approved a change to the stabilization reserve from 250% of the minimum TNE as defined by the DMHC regulation to two (2) months of operating expenses. During 2023, the Commission approved the addition of a contingency reserve equal to one (1) month's operating expenses. As of December 31, 2024, the combined stabilization and contingency reserve was \$305,977,907. As of December 31, 2023, the stabilization reserve (alone) was \$292,356,697.

As of December 31, 2024, the minimum TNE was \$48,008,263. Total net position as of December 31, 2024, was \$680,000,946, which exceeds the minimum TNE by \$631,992,683 and is 1,416% of TNE.

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

**Note 8 – Leases**

HPSM is a lessor for noncancelable leases of office space with lease terms through March 31, 2026. For the years ended December 31, 2024 and 2023, HPSM recognized \$1,157,339 and \$1,166,164, respectively, included in lease revenue released from the deferred inflows of resources related to the office lease included in rental income on the statements of revenues, expenses, and changes in net position. No inflows of resources were recognized in the year related to termination penalties or residual value guarantees during fiscal years ended December 31, 2024 and 2023.

**Note 9 – Subscription Based Information Technology Arrangements**

HPSM entered into various agreements for information technology (IT) subscriptions. These agreements range in terms up to year 2027. In fiscal year 2024, the total lease payments were \$5,811,206. Variable payments based upon the use of the underlying IT asset are not included in the subscription liability because they are not fixed in substance—therefore, these payments are not included in subscription assets or subscription liabilities. HPSM did not enter into any additional subscription agreements that have yet to commence as of December 31, 2024.

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

HPSM has the following subscription assets activities for the years ended December 31, 2024 and 2023:

	Balance January 1, 2023	Increase	Decrease	Balance December 31, 2024
Subscription assets	\$ 7,714,348	\$ 11,021,977	\$ 2,472,702	\$ 16,263,623
Less accumulated amortization	4,020,525	2,945,721	2,472,702	4,493,544
Subscription assets, net	<u>\$ 3,693,823</u>	<u>\$ 8,076,256</u>	<u>\$ -</u>	<u>\$ 11,770,079</u>
	Balance January 1, 2022	Increase	Decrease	Balance December 31, 2023
Subscription assets	\$ 7,555,602	\$ 158,746	\$ -	\$ 7,714,348
Less accumulated amortization	1,954,213	2,066,312	-	4,020,525
Subscription assets, net	<u>\$ 5,601,389</u>	<u>\$ (1,907,566)</u>	<u>\$ -</u>	<u>\$ 3,693,823</u>

For the years ended December 31, 2024 and 2023, HPSM recognized \$2,945,721 and \$2,066,312, respectively, in amortization expense.

HPSM evaluated the subscription assets for impairment and determined there was no impairment for the years ended December 31, 2024 and 2023.

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

	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion
2024	\$ 3,359,400	\$ 10,792,175	\$ 5,201,376	\$ 8,950,199	\$ 4,378,929
	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion
2023	\$ 5,524,297	\$ 103,971	\$ 2,268,868	\$ 3,359,400	\$ 1,216,580

The future principal and interest subscription payments as of December 31, 2024, were as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 4,378,929	\$ 231,048	\$ 4,609,977
2026	1,645,058	150,766	1,795,824
2027	1,723,119	94,702	1,817,821
2028	1,203,093	42,790	1,245,883
	<u>\$ 8,950,199</u>	<u>\$ 519,306</u>	<u>\$ 9,469,505</u>

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

---

**Note 10 – Deferred Compensation Fund**

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

All HPSM employees may participate in this deferred compensation plan under which employees are permitted to defer a portion of their annual salary until future years. For the years ended December 31, 2024 and 2023, HPSM contributed \$768,004 and \$721,039, respectively. The deferred compensation plan is administered by the International City Managers Association and the funds are invested under the terms of a trust agreement. The amounts are not available to employees until termination, retirement, death, or unforeseeable emergency.

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

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

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

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

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

**Summary of Significant Accounting Policies**

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

**San Mateo Health Commission**  
**(d.b.a. Health Plan of San Mateo)**  
**Notes to Financial Statements**

---

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

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

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

Investments by fair value level include the following as of December 31, 2024 and 2023:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2024</u>
Investments by fair value level				
Mutual funds	\$ 7,212,272	\$ -	\$ -	\$ 7,212,272
Total investments subject to fair value hierarchy	<u>\$ 7,212,272</u>	<u>\$ -</u>	<u>\$ -</u>	7,212,272
Investments not subject to fair value hierarchy				
Pooled, common, and collective trusts - at NAV				<u>32,031,017</u>
Total investments				<u>\$ 39,243,289</u>

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

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

---

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

	2024	2023
Retired and beneficiaries	14	12
Inactive	61	65
Active	375	338
Total participants	450	415

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

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

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

- a) Effective January 1, 1994, 10% of compensation received as an employee prior to the effective date;
- b) Effective January 1, 1994, investment credits that would have been credited to the account prior to the effective date if it had been in place;
- c) For each year starting on or after January 1, 1994, 10% of compensation earned during the plan year; and
- d) For each year starting on or after January 1, 1994, an investment credit determined as the Investment Crediting Rate applied to the Accumulated Credit Account at the start of the year, plus the Investment Crediting Rate applied for half a year to the compensation credit for the year.

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

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

**Rate of return** – For the years ended December 31, 2024 and 2023, the actual rate of return on the Plan's investments, net of investment expenses, was 4.54% and 10.22%, respectively.

**San Mateo Health Commission**  
**(d.b.a. Health Plan of San Mateo)**  
**Notes to Financial Statements**

The following table summarizes changes in pension liability for the year ended December 31, 2024:

	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension Liability
Balance at December 31, 2023	\$ 38,378,378	\$ 35,396,257	\$ 2,982,121
Changes during the year			
Service cost at beginning of year:	2,423,454	-	2,423,454
Interest	3,013,462	-	3,013,462
Differences between expected and actual experience	787,649	-	787,649
Benefit payments	(1,267,600)	(1,267,600)	-
Contributions	-	2,721,107	(2,721,107)
Net investment income	-	3,659,673	(3,659,673)
Net change in total pension liability	<u>4,956,965</u>	<u>5,113,180</u>	<u>(156,215)</u>
Balance at December 31, 2024	<u>\$ 43,335,343</u>	<u>\$ 40,509,437</u>	<u>\$ 2,825,906</u>
Total pension liability			\$ 43,335,343
Plan fiduciary net position			40,509,437
Net pension liability			<u>\$ 2,825,906</u>
Plan fiduciary net position as a percentage of the total pension liability			93.48%
Covered payroll as of December 31, 2024, actuarial valuation			\$ 37,866,724
Net pension liability as a percentage of covered payroll			7.46%

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

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

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

---

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of December 31, 2024 and 2023:

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

The following tables summarize the sensitivity of net pension asset to changes in the discount rates as of December 31, 2024 and 2023:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability as of December 31, 2024	\$ 5,507,633	\$ 2,825,906	\$ 426,712
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability as of December 31, 2023	\$ 5,379,698	\$ 2,982,121	\$ 838,102

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

---

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

	2024	2023
Service cost	\$ 2,423,454	\$ 2,125,684
Interest cost	3,013,462	2,691,178
Projected earnings on plan investments	(2,708,240)	(2,249,259)
Current period difference between expected and actual experience	129,548	70,847
Current period difference between projected and actual investment earnings	(190,287)	(484,317)
Current period recognition of prior years' deferred outflows of resources	1,975,574	1,986,395
Current period recognition of prior years' deferred inflows of resources	(1,080,351)	(1,110,490)
Total pension cost	\$ 3,563,160	\$ 3,030,038
	2024	2023
Deferred outflows of resources as of December 31		
Difference between expected and actual experience	\$ 1,390,354	\$ 1,205,364
Actual earnings on Defined Benefit Plan investments	576,138	1,755,752
Changes in assumptions	811	6,913
Total	\$ 1,967,303	\$ 2,968,029
	2024	2023
Deferred inflows of resources as of December 31		
Changes in assumptions	\$ 2,853	\$ 5,311
	\$ 2,853	\$ 5,311

Deferred outflows of resources as of December 31, 2024 and 2023, consist of \$2,416,585 and \$2,733,332, respectively, of deferred inflows from difference between projected and actual investment earnings, presented in a consolidated format per GASB 68.

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

<u>Years Ending December 31,</u>	
2025	\$ 1,140,532
2026	1,125,788
2027	(447,636)
2028	5,857
2029	129,548
Thereafter	10,361
	\$ 1,964,450

**San Mateo Health Commission  
(d.b.a. Health Plan of San Mateo)  
Notes to Financial Statements**

---

**Note 12 – Medical Reinsurance (Stop-Loss Insurance)**

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

Stop-loss insurance premiums of \$3,589,580 and \$3,089,553 are included in other medical expense in 2024 and 2023, respectively.

In 2024 and 2023, there is a total of \$7,709,546 and \$1,729,281, respectively, included in recoveries.

**Note 13 – Professional Liability Insurance**

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

**Note 14 – Commitments and Contingencies**

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

**Note 15 – Health Care Reform**

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

**DRAFT**  
Not to be reproduced or relied  
upon for any purpose

## **Supplementary Information**

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

	2024	2023	2022	2021	2020
Total pension liability					
Service cost at beginning of year	\$ 2,423,454	\$ 2,125,684	\$ 2,014,298	\$ 1,850,939	\$ 1,760,865
Interest	3,013,462	2,691,178	2,422,173	2,156,704	1,841,604
Differences between expected and actual experience	787,649	420,829	146,710	243,072	1,514,965
Changes in assumptions	-	-	-	54	(15,143)
Benefit payments	(1,267,600)	(1,210,116)	(1,009,186)	(744,699)	(1,228,597)
Net change in total pension liability	4,956,965	4,027,575	3,573,995	3,506,070	3,873,694
Total pension liability beginning of fiscal year	38,378,378	34,350,803	30,776,808	27,270,738	23,397,044
Total pension liability end of fiscal year (a)	\$ 43,335,343	\$ 38,378,378	\$ 34,350,803	\$ 30,776,808	\$ 27,270,738
Plan fiduciary net pension					
Contributions	\$ 2,721,107	\$ 2,654,597	\$ 2,095,537	\$ 1,948,733	\$ 1,772,346
Net investment income	3,659,673	4,670,845	(4,955,545)	3,211,839	3,804,419
Benefit payments	(1,267,600)	(1,210,116)	(1,009,186)	(744,699)	(1,228,597)
Net change in Plan fiduciary net position	5,113,180	6,115,326	(3,869,194)	4,415,873	4,348,168
Plan fiduciary net position beginning of year	35,396,257	29,280,931	33,150,125	28,734,252	24,386,084
Plan fiduciary net position end of fiscal year (b)	\$ 40,509,437	\$ 35,396,257	\$ 29,280,931	\$ 33,150,125	\$ 28,734,252
Net pension liability (asset) end of fiscal year					
Plan's net pension liability (asset) (a) - (b)	\$ 2,825,906	\$ 2,982,121	\$ 5,069,872	\$ (2,373,317)	\$ (1,463,514)
Plan fiduciary net position					
as a percentage of the total pension liability	93.48%	92.23%	85.24%	107.71%	105.37%
Covered employee payroll	\$ 37,866,724	\$ 32,334,540	\$ 28,063,764	\$ 27,278,649	\$ 26,690,439
Net pension liability (asset)					
as a percentage of covered payroll	7.46%	9.22%	18.07%	-8.70%	-5.48%
	2019	2018	2017	2016	2015
Total pension liability					
Service cost at beginning of year	\$ 1,555,503	\$ 1,409,343	\$ 1,343,189	\$ 1,187,234	\$ 1,253,303
Interest	1,654,496	1,493,432	1,369,003	1,265,064	1,283,904
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	561,651	579,658	641,930	365,418	(460,027)
Changes in assumptions	37,351	(2,171)	977	4,080	(1,471,505)
Benefit payments	(1,800,659)	(1,168,557)	(2,334,774)	(875,405)	(709,190)
Net change in total pension liability	2,008,342	2,311,705	1,020,325	1,946,391	(103,515)
Total pension liability beginning of fiscal year	21,388,502	19,076,797	18,056,472	16,110,081	16,213,596
Total pension liability end of fiscal year (a)	\$ 23,396,844	\$ 21,388,502	\$ 19,076,797	\$ 18,056,472	\$ 16,110,081
Plan fiduciary net pension					
Contributions	\$ 1,613,011	\$ 1,396,529	\$ 1,313,247	\$ 1,164,095	\$ 1,459,445
Net investment income	4,099,419	(1,086,108)	2,920,884	1,401,293	(70,676)
Benefit payments	(1,800,659)	(1,168,557)	(2,334,774)	(875,405)	(709,190)
Net change in Plan fiduciary net position	3,911,771	(858,136)	1,899,357	1,689,983	679,579
Plan fiduciary net position beginning of year	20,474,313	21,332,449	19,433,092	17,743,109	17,063,530
Plan fiduciary net position end of fiscal year (b)	\$ 24,386,084	\$ 20,474,313	\$ 21,332,449	\$ 19,433,092	\$ 17,743,109
Net pension liability (asset) end of fiscal year					
Plan's net pension liability (asset) (a) - (b)	\$ (989,240)	\$ 914,189	\$ (2,255,652)	\$ (1,376,620)	\$ (1,633,028)
Plan fiduciary net position					
as a percentage of the total pension liability	104.23%	95.73%	111.82%	107.62%	110.14%
Covered employee payroll	\$ 23,367,767	\$ 22,218,355	\$ 20,084,266	\$ 18,167,831	\$ 16,553,874
Net pension liability (asset)					
as a percentage of covered payroll	-4.23%	4.11%	-11.23%	-7.58%	-9.86%

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

	2024	2023	2022	2021	2020
Actuarial determined contribution	\$ 2,721,107	\$ 2,654,597	\$ 2,095,537	\$ 1,948,733	\$ 1,772,346
Contributions related to actuarially determined contribution	\$ 2,721,107	\$ 2,654,597	\$ 2,095,537	\$ 1,948,733	\$ 1,772,346
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 37,866,724	\$ 32,334,540	\$ 28,063,784	\$ 27,278,649	\$ 26,690,439
Contribution as % of covered payroll	7.19%	8.21%	7.47%	7.14%	6.64%
Contributions made during the fiscal year	\$ 2,721,107	\$ 2,654,597	\$ 2,095,537	\$ 1,948,733	\$ 1,772,346
	2019	2018	2017	2016	2015
Actuarial determined contribution	\$ 1,613,011	\$ 1,313,247	\$ 1,164,095	\$ 1,437,466	\$ 1,367,854
Contributions related to actuarially determined contribution	\$ 1,613,011	\$ 1,313,247	\$ 1,164,095	\$ 1,459,445	\$ 1,333,194
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (21,979)	\$ 34,660
Covered payroll	\$ 23,367,767	\$ 20,084,266	\$ 18,167,831	\$ 16,535,874	\$ 15,989,836
Contribution as % of covered payroll	6.90%	6.54%	6.41%	8.83%	8.34%
Contributions made during the fiscal year	\$ 1,613,011	\$ 1,313,247	\$ 1,164,095	\$ 1,459,445	\$ 1,333,194

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

---

Years Ended December 31.

Rate of return

2024	10.13%
2023	15.57%
2022	-14.71%
2021	10.95%
2020	15.43%

**DRAFT**  
Not to be reproduced or relied upon for any purpose

**AGENDA ITEM: 5.2**

**DATE: \_\_\_\_\_, 2025**

**Meeting materials are not included for  
Item 5.2 - C Retreat**

## MEMORANDUM

**AGENDA ITEM: 5.3**

**DATE: June 11, 2025**

**DATE:** June 4, 2025  
**TO:** San Mateo Health Commission  
**FROM:** Patrick Curran, Chief Executive Officer  
**RE:** Approval for letter of support to NEMS to operate PACE Organization in San Mateo County

---

### **Recommendation**

Approve HPSM's CEO to issue a letter of support to North East Medical Services (NEMS) to operate a PACE organization in the northern part of San Mateo County.

### **Background information**

The PACE program is designed to keep seniors independent and at home for as long as possible. PACE Organizations that desire to operate in a county organized under a County Organized Health System (COHS) must have a Letter of Support from the Health Plan in that county for DHCS to consider the PACE organization's application.

San Mateo County is one of few Bay Area counties that does not have a PACE program. HPSM organized a workgroup to evaluate if a PACE program would add value to the community. The work group included individuals from HPSM and County Health with different backgrounds, including clinical, financial, population health, and behavioral health.

HPSM used an RFP process to evaluate potential PACE organizations and the impact they might have in serving San Mateo County residents in ways HPSM does not. Through this process, the work group concluded that a PACE program would have value, specifically in the north part of the county where most PACE eligible individuals live. The group also concluded that North East Medical Services (NEMS) was the best choice to serve this area based on their existing operations and connections with the community in the north county.

### **Fiscal Impact**

There is no direct fiscal impact to HPSM, as the PACE organization will operate independently from HPSM, and HPSM will not be supporting the PACE organization financially. An indirect impact to HPSM is potential loss of CareAdvantage members who will be able to select the PACE program in lieu of CareAdvantage.

**DRAFT**

**RESOLUTION OF THE  
SAN MATEO HEALTH COMMISSION**

**IN THE MATTER OF APPROVAL OF A  
LETTER OF SUPPORT TO NEMS TO OPERATE  
A PACE ORGANIZATION IN SAN MATEO COUNTY**

**RESOLUTION 2025 -**

**RECITAL: WHEREAS,**

- A. HPSM is organized as a County Organized Health System (COHS), and as such, has the exclusive right to control a PACE Organization’s ability to operate in the county.
- B. A PACE Organization must receive a Letter of Support from HPSM for DHCS to accept the PACE organizations application to operate in San Mateo County.
- C. HPSM sees value with a PACE program operating in the northern part of the county.

**NOW, THEREFORE, IT IS HEREBY RESOLVED AS FOLLOWS:**

- 1. The San Mateo Health Commission authorizes the Chief Executive Officer to issue a Letter of Support to North East Medical Services (NEMS) to operate a PACE Organization in the northern part of San Mateo County.

PASSED, APPROVED, AND ADOPTED by the San Mateo Health Commission this 11<sup>th</sup> day of June 2025 by the following votes:

AYES:

NOES:

ABSTAINED:

ABSENT:

\_\_\_\_\_  
Bill Graham, Chair

ATTEST:

APPROVED AS TO FORM:

BY: \_\_\_\_\_  
M. Heryford, Clerk

\_\_\_\_\_  
Kristina Paszek  
CHIEF DEPUTY COUNTY COUNSEL

## MEMORANDUM

AGENDA ITEM: 6.0

DATE: June 11, 2025

**DATE:** June 4, 2025  
**TO:** San Mateo Health Commission  
**FROM:** Patrick Curran  
**RE:** CEO Report – June 2025

---

### **NCQA Health Equity Accreditation**

In addition to the official receipt of our National Committee for Quality Assurance (NCQA) survey three-year accreditation, we also received confirmation that HPSM received full three-year accreditation for Health Equity. This additional accreditation is evidence that HPSM has the expertise and program infrastructure to meet the diverse needs of our members.

### **State Budget**

Governor Newsom released his updated budget, the May Revise, last month. Back in January, California projected a small surplus of ~\$300 million. Since then, California's economy has soured, and the Governor is now projecting a \$12 billion deficit for the next fiscal year. The May Revise proposes significant cuts to Medi-Cal to offset the deficit, with several cuts affecting benefits and eligibility for undocumented immigrants ("Unsatisfactory Immigration Status" or "UIS" population). Members of the Legislature have started to respond to some of these proposals, and we are collaborating with our state-based associations to reduce the impact of these proposed cuts. We will update the Commission on final budget cuts in July, as the State budget must be signed by the Governor by June 30<sup>th</sup>.

### **Federal Medicaid Policy**

The House of Representatives passed a bill last month which included \$880 billion in spending reductions over 10 years for Medicaid. The bill is now being debated in the Senate, and congressional Republicans have said they aim to get the bill on President Trump's desk by the 4<sup>th</sup> of July weekend. Medicaid cuts in the House bill could change; what we do know is the proposed changes will be phased in over time. Unfortunately, the implementation date of work requirements was moved from 2029 to December 31, 2026, before the bill passed the House. Governor Newsom's office projects 3.4 million Californians will lose Medi-Cal because of these cuts. We continue to work with our state-based and national associations to inform members of Congress of the harm these cuts would do people on Medicaid.

### **Santa Clara Family Health Plan Governance News**

Santa Clara Family Health Plan (SCFHP) is a local health plan developed and governed by the community like HPSM and many other local health plans throughout the state. There have been news reports about the Santa Clara Board of Supervisors taking action to replace the current board of directors of SCFHP. We have confirmed that this action has taken place and are working with our state association, Local Health Plans of California (LHPC), to better understand the ramifications of this action on other local plans such as HPSM, as well as engaging with SCFHP to better understand the change and the potential impact on our providers, many of which contract with SCFHP as well.