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

NOTICE OF SPECIAL MEETING
(GOVERNMENT CODE SECTION 54956)

Please take notice that the Chair of the San Mateo Health Commission, acting pursuant to California Government Code section 54956, hereby calls a special meeting of the San Mateo Health Commission to take place on April 23, 2025, at 9:30 a.m. at the Health Plan of San Mateo, 801 Gateway Blvd, 1st Floor Boardroom, South San Francisco, CA 94080.

The special meeting is for the purpose of discussing and transacting the following business:

1. **Call to Order/Roll Call**
2. **Public Comment**
3. **Consent Agenda***
   1. SMHC Minutes – March 12, 2025
   2. Finance/Compliance Committee Minutes – March 24, 2025
   3. QIHEC Minutes – November 2024
   4. Community Advisory Committee Minutes – January 15, 2025
4. **Moss-Adams Audit Results***
5. **Strategic Investment Discussion**
6. **Next Steps**
7. **Adjournment**

In accordance with Government Code section 54954.3, members of the public will have the opportunity to directly address the San Mateo Health Commission concerning the above-mentioned business before consideration of the item.

Dated: April 14, 2025

***Items for which Commission action is requested.**

<u>Please note:</u> Public meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodations, 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 before the meeting at (650) 616-0050. Notification in advance of the meeting will enable the public agency to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it.

DRAFT

AGENDA ITEM: 3.1

DATE: April 23, 2025

SAN MATEO HEALTH COMMISSION
Meeting Minutes
March 12, 2025 – 12:30 a.m.
Health Plan of San Mateo
801 Gateway Blvd., 1st Floor Boardroom
South San Francisco, CA 94080

Commissioners Present:	Jeanette Aviles, M.D. Michael Callagy Jackie Speier Bill Graham, Chair	Raymond Mueller Ligia Andrade Zuniga Kenneth Tai, M.D.

Commissioner Andrade-Zuniga joined via Teams meeting video link.

Commissioners Absent:	Manuel Santamaria Si France, M.D.
Counsel:	Kristina Paszek
Staff Presenting:	Pat Curran, Colleen Murphey, Chris Esguerra, M.D., Luarnie Bermudo, Miriam Sheinbein M.D.

1. Call to order/roll call

The meeting was called to order at 12:35 p.m. by Commissioner Graham, Chair. A quorum was present. Commissioner Andrade-Zuniga joined by video conference based on a recent opinion by a San Mateo County Attorney that allows for disabled members to have these accommodations available to them if necessary. Commissioner Andrade-Zuniga disclosed that her caretaker, Karen Correa, was in the room with her.

2. Public Comment

There were no public comments.

3. Approval of Agenda

Items 3.0 and 4.0 were combined and a roll call vote was executed.
Motion: Speier (Second: Tai). **M/S/P.**

4. Consent Agenda

As noted above items 3.0 and 4.0 were combined and a roll call vote was executed.
Motion: Speier (Second: Tai). **M/S/P.**

5. Specific Discussion/Action Items:

5.1 Approval of Capacity Funding Grants from Primary Care Investment Fund:

Luarnie Bermudo, Director of Provider Services, reviewed HPSMs request for $2.5M from the Primary Care Capacity Fund be dispersed via four primary care grants to be deployed this year. She provided an overview of HPSMs strategic plan and a recap of the investment criteria, goals, and metrics. The grants will be available to all HPSM contracted primary care practices, starting April 15, 2025. Miriam Sheinbein, M.D., HPSM Medical Director, explained that grantees will be asked to describe how the funding will improve capacity, bandwidth and joy for primary care teams and/or access for HPSM members. Grants are based on available funding through 2028 and will be awarded to organizations, not individuals. Organizations are encouraged to apply together. Grants will be available to all primary care provider practices; the goal is to ensure high utilization. As described, they will stabilize the workforce which will allow HPSM to build their primary care investments further. She informed the group of the four flexible options:

- **The Primary Care Team Expansion**: Hire and integrate new interprofessional team members.
- **Core Team Stabilization**: Recruit and retain Primary Care Providers and Medical Assistance.
- **Provider Sabbatical**: Retain providers by enhancing resilience through sabbatical.
- **Custom Pilot Program**: Supports pilots and programs that improve primary care teams' capacity, bandwidth, and joy.

They will be coming to the Commission in June to seek approval of a request for proposal (RFP) for a vendor specializing in clinic practice assessments to help with this process. There are also plans to seek approval from the Commission on bundled Primary Care Provider Grants in the coming months.

Commissioners Tai, Graham and Aviles left the Boardroom at this time and recused themselves from the vote as recommended by County Attorney Kristina Paszek. Commissioners Callagy, Speier and Mueller remained; while they are employees of the county, and the San Mateo Medical Center could benefit, under law they are not required to recuse themselves because they are not directly employed by the San Mateo Medical Center.

There was a motion to approve Commissioner Speier to chair the meeting during the vote on behalf of Commissioner Graham who recused himself. Motion: Callagy (Second: Andrade-Zuniga) **M/S/P**

Commissioner Mueller motioned to approve a block grant application of $2.5M from the Primary Investment Fund to support Capacity Funding Grants. (Second: Callagy) **M/S/P.**

Commissioners Tai, Graham and Aviles returned to the Boardroom after the vote. Commissioner Graham resumed his role as Commissioner Chair at this time.

5.2 Preliminary Retreat Discussion: Colleen Murphey, Chief Operating Officer, reviewed details of the upcoming Commission Retreat, scheduled for April 23, 2025. She went over the objectives. By the end of the April convening, Health Commissioners will have:

- Developed relationships with fellow commissioners, HPSM executive leaders and state and local partners.
- Contributed to a vision that addresses the needs within the healthcare ecosystem that HPSM should focus on.
- Offered reactions and feedback on initial ideas for HPSM investment proposals.
- Provided ideas about potential additional investments for HPSM to explore.
- Endorsed next steps for HPSMs investment ideas.

Ms. Murphey went over the 2024-2028 Strategic Plan with a focus on Goal 6: Investing for the Future. She also went over the following key achievements:

- HPSM has revised the reserve policy, creating an additional Contingency Reserve.
- Established broad categories for investing uncommitted reserves, as well as prioritization and oversight processes.
- The Health Commission committed more than 50% of uncommitted 2023 reserves towards high impact work.

Some of the recent committed investments include $100M in Provider Rates, $30M in Primary Care and $7M for the Baby Bonus program. Their focus for the next phase of Goal 6 is to assess how best HPSM might utilize the uncommitted reserves to further its mission and vision. At the forthcoming retreat, Health Commissioners will align on what is most important for the organization to explore as potential investments. They will also provide direction to HPSM leadership to focus on these priorities and refine next steps for Commission review. They will not, at that time, define how much of the uncommitted reserves will be dedicated towards these priorities or commit to specific investments, beyond what they have already committed to. She spoke briefly about some of the questions they will be tackling, focusing on the most acute problems. They will be leveraging work done by the County with the community needs assessment and other key resources while keeping their eye on the external environment. Ms. Murphey did a review of HPSM's strengths, weaknesses, opportunities, and threats (SWOT) and shared the progress made in 2024 on many of the weaknesses noted in 2023. She introduced Chris Esquerra, M.D., Chief Medical Officer, to address some of HPSMs unique strengths.

Dr. Esguerra shared a population snapshot, going over HPSMs membership and demographics. He also went over a disparity summary and explained some of the differences between the lines of business (LOB). Dr. Esguerra also reported on HPSM's Medi-Cal performance on the Managed Care Accountability Set (MCAS) for measurement year 2023. Health Plans must achieve what is known as the minimum performance level (MPL), which is at or above the 50th percentile. He was pleased to announce that HPSM is the only Medi-Cal health plan in California with no measure below the 50th percentile. He assured the group that they will continue to work on ways to improve outcomes for HPSM members. Dr. Esguerra shared comps in the areas of children's health, behavioral health, reproductive health and cancer prevention and chronic disease management.

He also went over HPSM's results for the CareAdvantage dual special needs plan (D-SNP). It compares HPSM's performance to every Medicare Advantage health plan, not just those plans who enroll dually eligible members. HPSM received three stars overall and three stars for Part C. They received 3 ½ stars for Part D. He spoke about HPSM's positioning and opportunities. HPSM already has a well-established D-SNP program in place and will not have to face implementing one, unlike many other health plans. Existing innovations that are in motion include the dental integration pilot, baby bonus, primary care investments and provider rate investments. The plan is also well positioned with strong financials, deep and broadening partnerships and a comprehensive improvement approach. Dr. Esguerra noted that HPSM's partnerships are deep. They will strive to continue to demonstrate that this leads to systemic outcomes, often this approach is at a population level. There was a question about any data or information around what makes unengaged 22–50-year-olds become engaged, specifically what drives them to that moment, is there a population answer? Do they know the most common thing they present with and what can be done prior to that? Dr. Esguerra said there is a lot of detail there; HPSM teams continue to work, iterate and build upon this. It's not just one thing; it's a layer of interventions. It's messaging, it's partnerships with community-based organizations; and greater awareness that health is known and also accessible. Commissioner Tai noted that in regard to population health, there are certain screenings that can be done without having direct intervention with the provider network, such as colorectal screenings, mammograms, and vaccinations.

6. **Report from Chief Executive Officer:** Pat Curran, HPSM CEO, reported that HPSM's work continues within the context of what is happening at the federal level which remains very fluid and uncertain. HPSM is in the influence phase. The question is what is HPSMs role in the state and national association and directly with the congressional delegation and other advocacy organizations. What role can they play with data and information about the impact to their members and the community? Mr. Curran is meeting with the National and State Associations to discuss these issues. He closed by recognizing Corinne Burgess, Clerk of the San Mateo Health Commission, who is retiring after 28 years of service. He thanked her for her contributions, integrity, and conduct, which has really set the standard for the organization.

7. **Other Business:** There was no other business.

8. **Adjournment:** The meeting adjourned at 1:57 pm.

Submitted by:

M. Heryford

M. Heryford, Clerk of the Commission

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Healthy is for everyone

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Draft

Agenda Item: 3.2
Date: April 23, 2025

FINANCE/COMPLIANCE COMMITTEE MEETING

Meeting Summary

March 24, 2024, 12:30 pm

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

Member's present: Bill Graham, Manuel Santamaria, Mike Callagy

Members absent: Si France, M.D.

Staff present: Trent Ehrgood, Pat Curran, Chris Esguerra, M.D., Colleen Murphey, Francine Lester, Ian Johansson, Katie-Elyse Turner, Corinne Burgess, Michelle Heryford

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

2.0 Public Comment – There was no public comment.

3.0 Approval of Meeting Summary for February 24, 2025 – The meeting summary for February 24, 2025, was approved as presented. **Callagy/Santamaria M/S/P**

4.0 Presentation of Draft Audited Financial Statements for the 12-month period ending December 31, 2024 – Rianne Suico, CPA, MHA and Chris Pritchard, CPA, MHA from Moss-Adams presented the draft audit financial statements for 2024. The audit objectives are to provide an opinion on whether the financial statements of the San Mateo Health Commission (DBA Health Plan of San Mateo) are reasonably stated and free of material misstatement in accordance with generally accepted accounting principles (GAAP). Audits are required by the State of California Department of Managed Health Care (DMHC). Ms. Suico went over required communication which is to provide a general overview of the audit process and to communicate findings that are relevant to HPSMs responsibilities in overseeing the financial reporting process. At the conclusion of the audit, they provide the results and activities that they have done to support their audit opinion. The audit process, which commences in October, starts with planning procedures and looking at internal controls that are mainly related to claims processing, revenue recognition, accounts payable, processing payroll, financial close and reporting. These items were completed without any issues. They came back in February to perform final field work where they looked at final balances and did confirmations of the financial institutions holding HPSMs bank accounts and investments. They also did various analytical procedures to validate the balances in HPSMs financial statements.

Ms. Suico identified significant risks and areas of emphasis. These are significant risks, not because management is unable to reconcile them but because they require a lot of estimates. They did walk throughs of the design and implementation of key internal controls and looked at management override of controls making sure there are no journal entries that are being recorded to show better than actual results. They also looked at how management recognizes capitation revenue from the state, incurred but not reported (IBNR) claims payable, fair value of investments, including fair value of HPSMs pension plan assets and pension related assumptions. Moss-Adams spent over 700 hours auditing the balances in HPSMs financial statements and provided an unmodified audit opinion. She reported that the financial statements are fairly presented and in accordance with GAAP. It is the highest level of assurance they can give and a testament to management's ability to close books and records at the end of the fiscal year considering all of the transactions that must be estimated and reconciled. This is a consistent opinion given to HPSM since working with Moss-Adams. Ms. Suico went over the statement of net position, assets composition, liabilities and net position composition, the income statement, revenue trend, historic estimated claims liability and historic actual claims liability.

Mr. Pritchard reviewed the tangible net equity, often referred to as the reserves. It has grown significantly over the years. HPSM is encouraged to maintain this in light of rumors of impending cuts to the Medicaid and Medicare programs, especially since the State does not have a rainy-day fund. He also shared that they are starting to see providers, especially hospitals, express concerns about cost pressures and insufficient funding.

Moss-Adams has also issued their auditors communication with those charged with governance, which documents the significant accounting policies that management has adopted. They have reviewed and audited the policies and found them to be in accordance with GAAP. The document will also state the accounting estimates in the financial statements. Ms. Suico noted that there were no audit adjustments. HPSM management provided a full set of financial statements to audit. They had no disagreements with how things are being accounted for and had no awareness of any instances of fraud or noncompliance with loss and regulations.

At the end of the presentation, Trent Ehrgood, HPSM CFO spoke about the recent State requirement for Health Plans to take a portion of their surplus, if they have one, and reinvest it in the community. He noted that much of the surplus is from the Medi-Cal line. They now will have to calculate this new liability that they will have to invest, which is estimated to be around $3.35M. There was a brief discussion about how these investments tie in with some of the programs and grants recently approved by the Commission around the reserves.

Francine Lester, HPSM Controller, provided a small presentation to discuss HPSM proposed adjustments and other changes made during the audit process. Ms. Lester reported that the net change to the bottom line was a reduction of $4.8M, but there were larger numbers that offset with adjustments made to revenue and expense for the same amount. It's the same amount related to the risk corridors that HPSM has to pay back. There was also $1M of adjustments in revenue related to the D-SNP and some prior year activity for the Whole Child Model. In expense, they made an adjustment of $1.5M to the IBNR related to a long-term care/skilled nursing facility (LTC/SNF) rate change. Ms. Lester also reported on about $800K in adjustments for existing retirement expenses and noted the $3.3M in reinvestments that was mentioned earlier in the meeting.

Mr. Ehrgood pointed out that in addition to the non-operating revenue reported at these meetings, they will now also include non-operating expense, which is an estimate of the community reinvestment obligation in 2024. They have also reclassed the $10M contribution to Seton for their retrofit from the administrative expense to the non-operating expense line for 2023, for comparative purposes. Mr. Ehrgood also informed the group that HPSM was notified by the Department of Health Care Services (DHCS) last week that they decided to continue the risk corridor in 2025 for the undocumented immigrant (UIS) population, it was originally slated for just 2024. This will impact the $80M surplus anticipated in the budget, though they are not sure just how much at this time. The draft audited financial statements were approved as presented. **Santamaria/Callagy MSP**

5.0 Other Business – There was no other business.

6.0 Adjournment – The meeting was adjourned at 1:17 pm by Commissioner Graham.

Respectfully submitted:

M. Heryford

M. Heryford

Clerk to the Commission

Agenda Item: 3.2
Date: April 23, 2025

MOSSADAMS

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

2024 AUDIT RESULTS

Discussion with the Commissioners

Your Dedicated Team

Rianne Suico
Engagement Reviewer

Chris Pritchard
Relationship Partner

Joelle Pulver
Quality Control Reviewer

Monica Gosiengfiao
Engagement Manager

Other Team Members:

Hongxiao Wang
Engagement In-Charge

Audit Objectives

- Opinion on whether the financial statements of San Mateo Health Commission (d.b.a. Health Plan of San Mateo) are *reasonably* stated and free of material misstatement in accordance with generally accepted accounting principles.
- Consideration of internal controls.
- Audits are required by the State of California Department of Managed Health Care.

Required Communications to Those Charged with Governance

Auditor's responsibility under applicable auditing standards

Planned scope and timing of audit

Significant audit findings

Qualitative aspects of accounting practices

Difficulties encountered in performing the audit

Corrected and uncorrected misstatements

Management representations

Management consultations with other independent accountants

Other audit findings or issues

Our Responsibility

Our responsibility under U.S. Generally Accepted Auditing Standards.

1

To express our opinion on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.

2

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA, and design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

3

To consider internal control over financial reporting as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4

To communicate findings that, in our 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.

Audit Process

Internal Controls	Analytical Procedures	Substantive Procedures
Includes information technology	Revenues and expenses	Confirmation of account balances
	Trends, comparisons, and expectations	Vouching to supporting documentation
		Representations from attorneys and management
		Examining objective evidence

Significant Risks Identified and Areas of Emphasis

Walk-throughs of the design and implementation of key internal controls
Management override of controls
Revenue recognition – capitation revenues
Incurred but not reported claims payable
Fair value of investments, including fair value of your pension plan assets
Pension-related assumptions

Scope of Services

We have performed the following services for San Mateo Health Commission (d.b.a. Health Plan of San Mateo):

Annual Audit

Annual financial statement audit for the year ended December 31, 2024.

Non-Attest Services

- Assist management with drafting the financial statements for the year ended December 31, 2024.

2024 Audited Financial Statements

Management's Discussion and Analysis

Report of Independent Auditors

Financial Statements

Statements of Net Position

Statements of Revenues, Expenses, and Changes in Net Position

Statements of Cash Flows

Statements of Fiduciary Net Position

Statements of Changes in Fiduciary Net Position

Notes to Financial Statements

Supplementary Information

Supplementary Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios

Supplementary Schedule of Contributions

Supplementary Schedule of Investment Returns – Health Plan of San Mateo Retirement Plan Fund

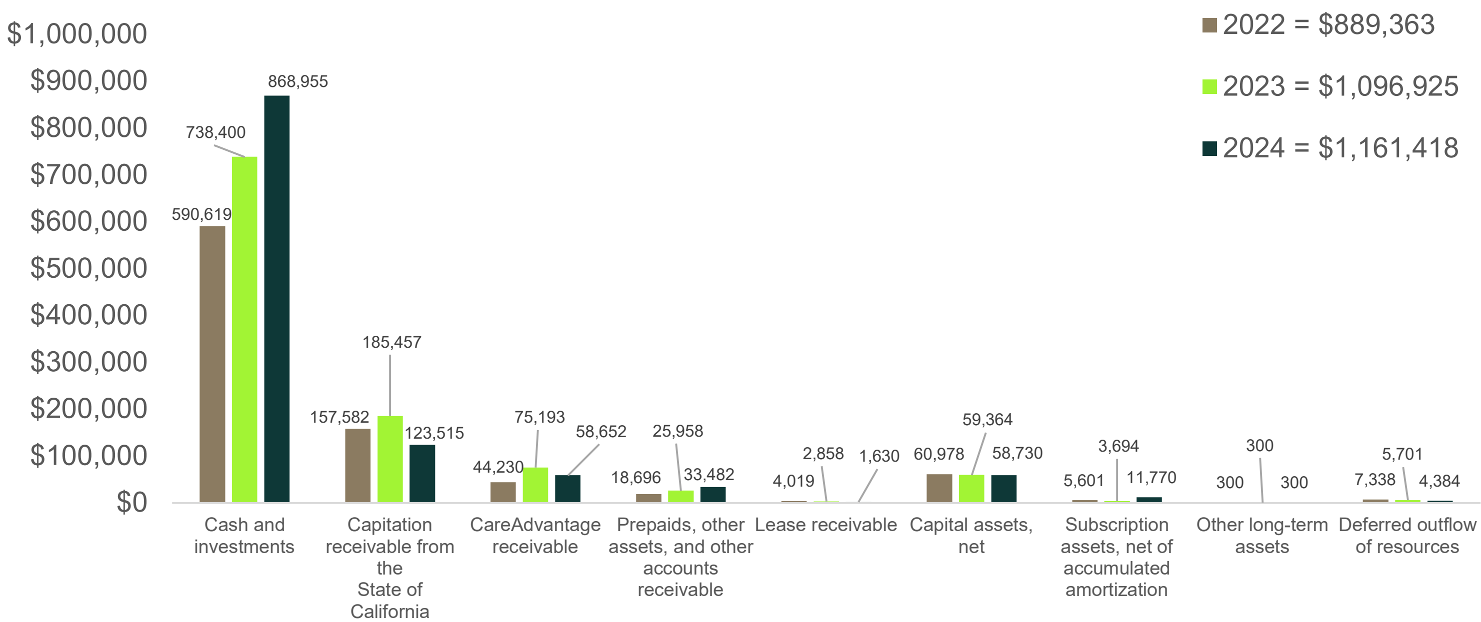
Report of Independent Auditors

Unmodified Opinion

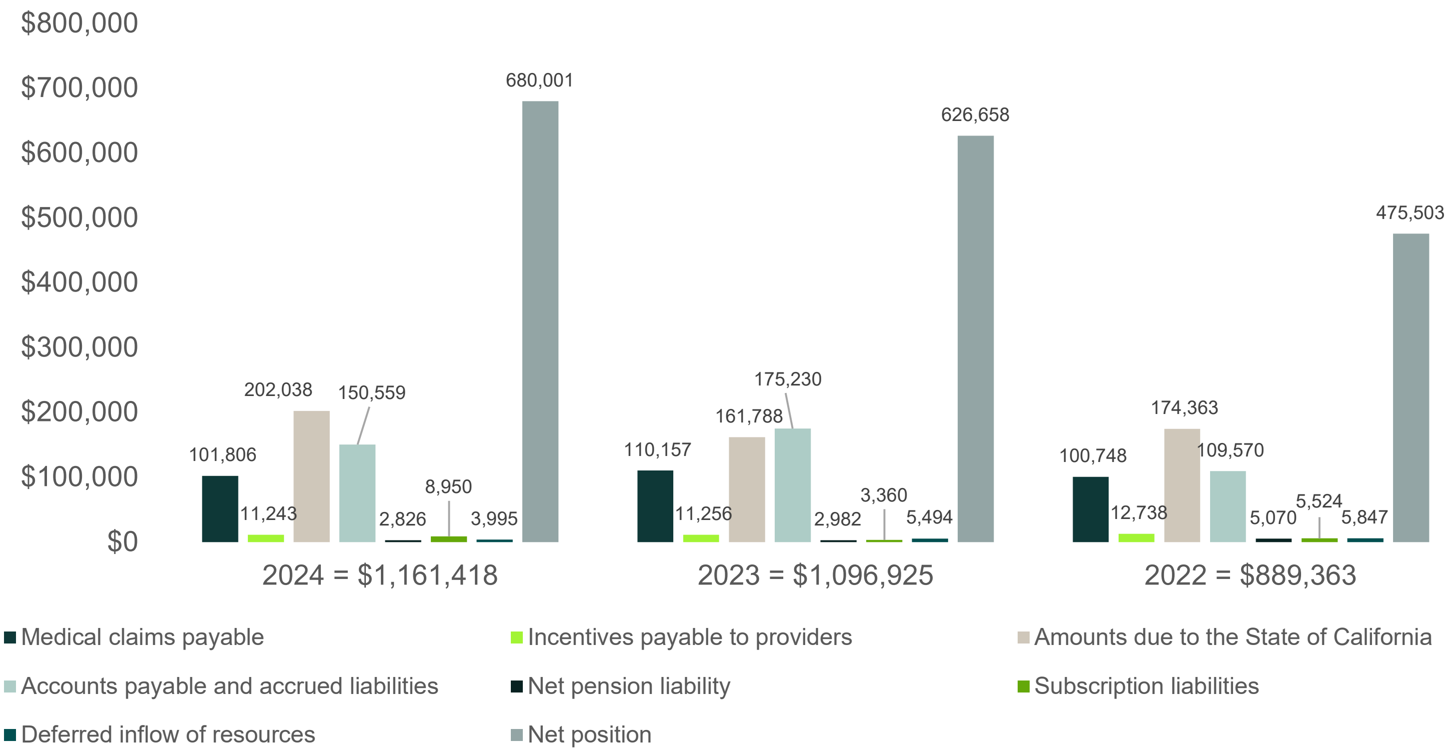
Financial statements are presented fairly and in accordance with generally accepted accounting principles.

Statements of Net Position

Assets Composition (in thousands)



Liabilities and Net Position Composition (in thousands)



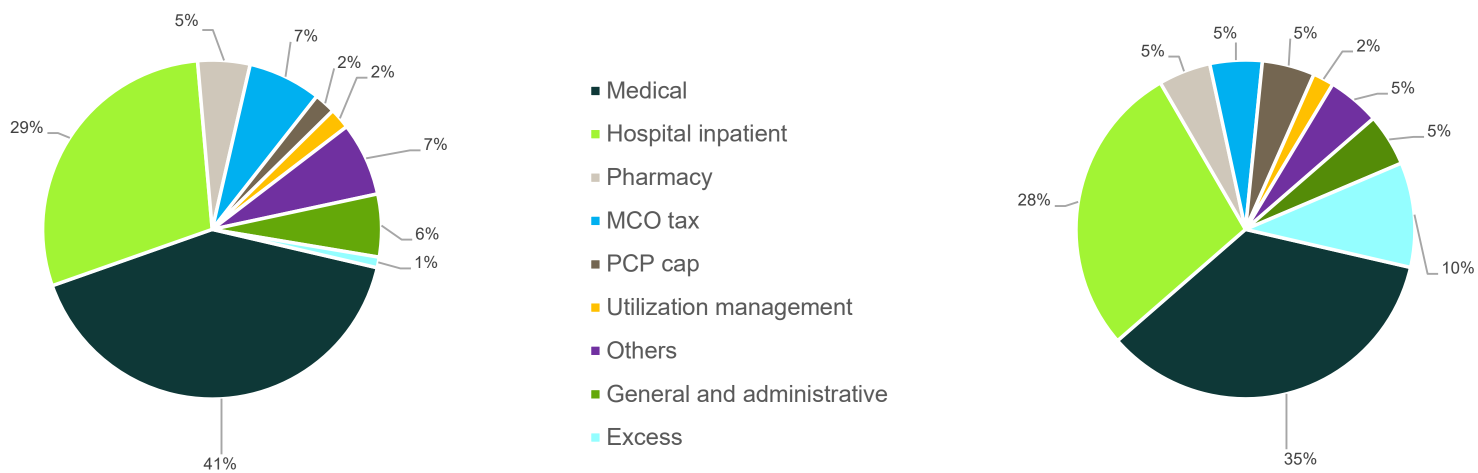
Operations

Income Statements (in millions)

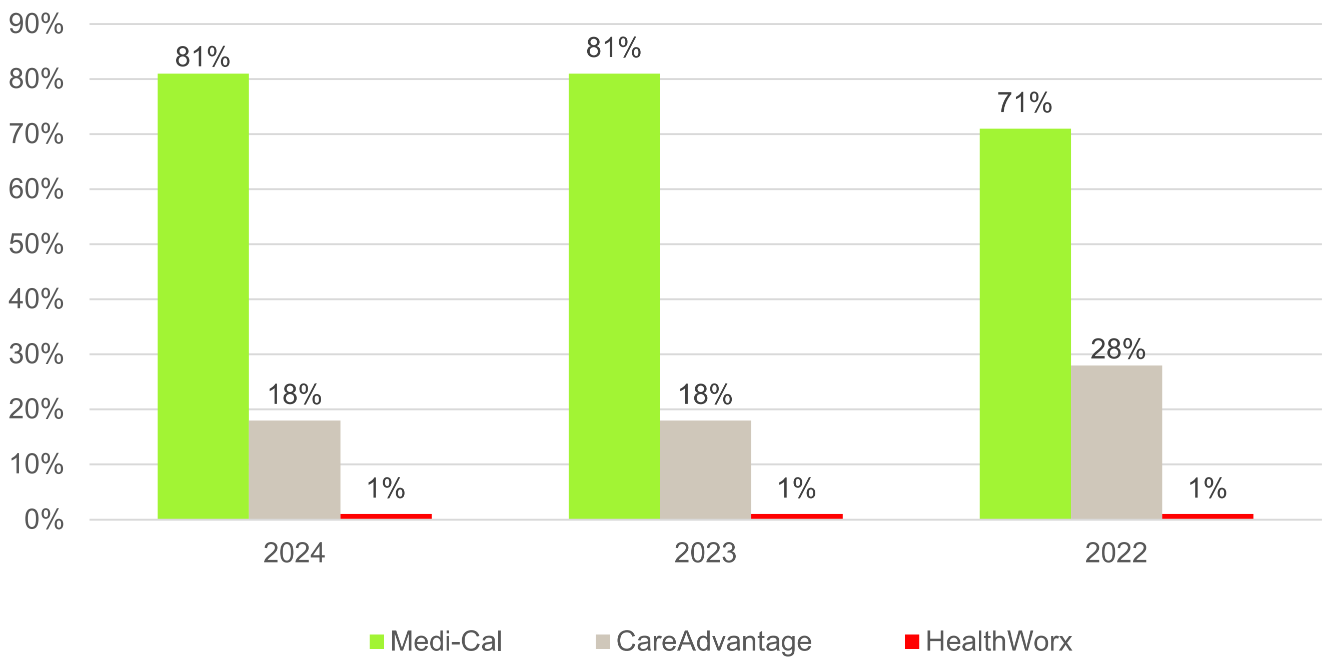
Total Operating Expenses
as a % of Net Operating Revenues

December 31, 2024
(Net Operating Revenues)
$1,239.7

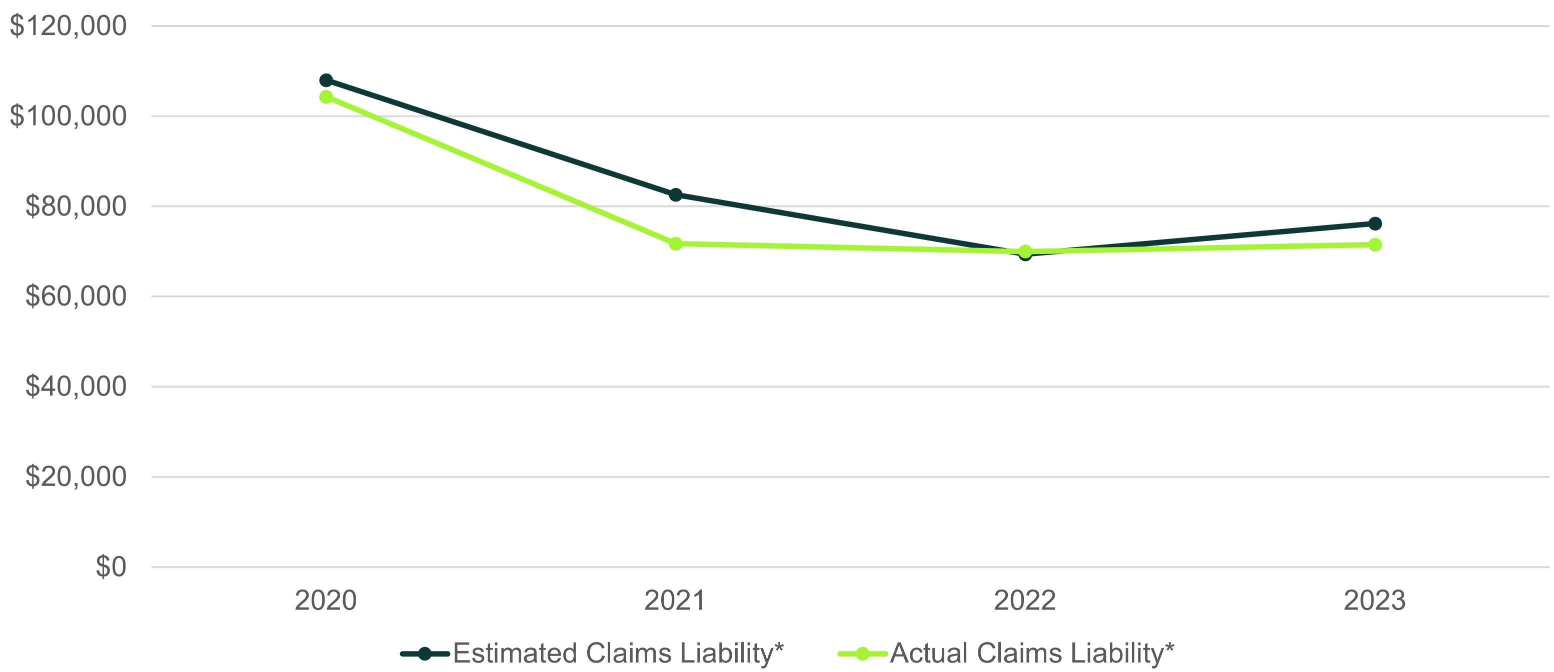
December 31, 2023
(Net Operating Revenues)
$1,276.5



Revenue Trend

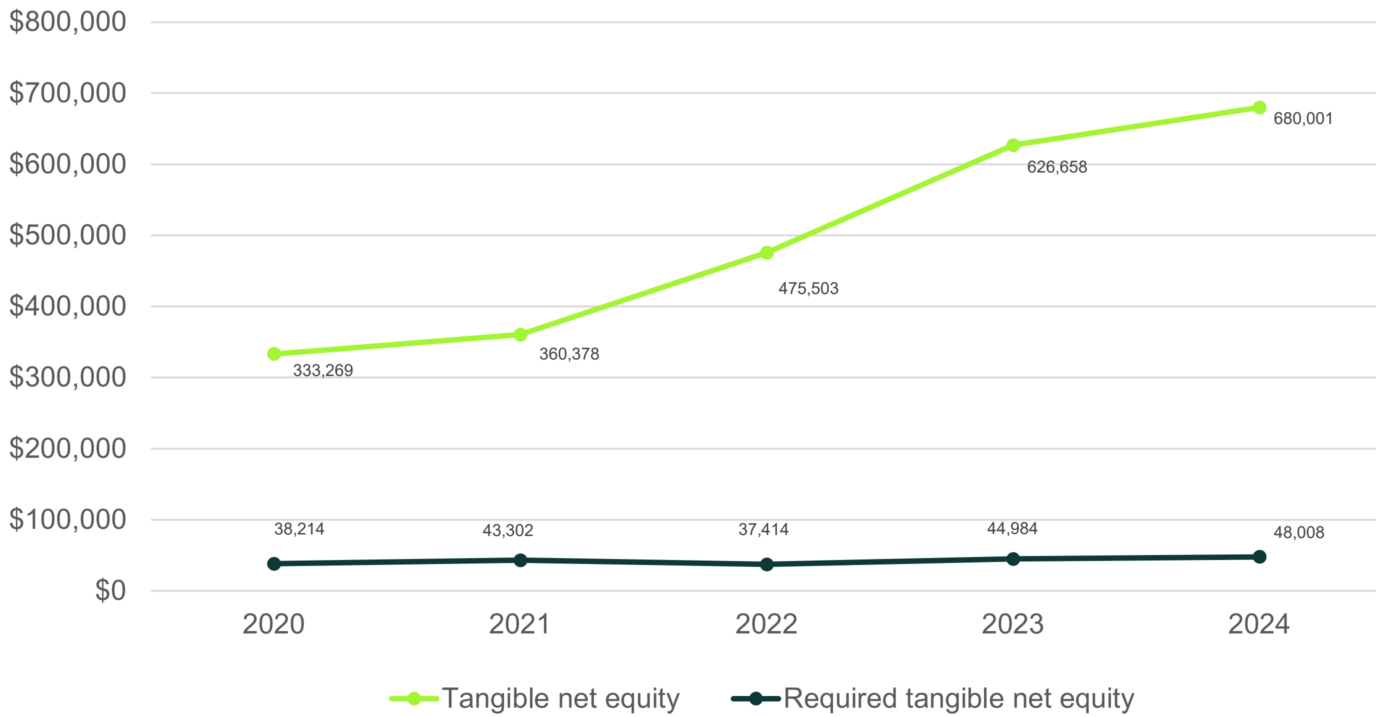


Historic Estimated Claims Liability and Historic Actual Claims Liability (in thousands)



Source: HPSM's internal reports

Tangible Net Equity (in thousands)



Source: Annual Department of Managed Health Care Filing

Important Board Communications

- AU-C Section 260 – *The Auditor's Communication with Those Charged with Governance*
- Significant accounting policies
- Accounting estimates are reasonable
- No audit adjustments
- No issues discussed prior to our retention as auditors
- No disagreements with management
- No awareness of instances of fraud or noncompliance with laws and regulations

Rianne Suico, Partner
Rianne.Suico@mossadams.com
415-677-8202

Chris Pritchard, Partner
Chris.Pritchard@mossadams.com
415-677-8262

THANK YOU

QUALITY IMPROVEMENT HEALTH AND EQUITY IMPROVEMENT COMMITTEE
December 19,2024 6:00 p.m. – 7:30 p.m.
Health Plan of San Mateo
801 Gateway Blvd.
South San Francisco CA 94080

Agenda Item: 3.3
Date: April 23, 2025

Voting Committee Members	**Specialty**	**Present (Yes or Excused)**
Kenneth Tai, M.D.	PCP (Internal Medicine)	**Excused**
Jaime Chavarria, M.D.	PCP (Family Medicine)	**Yes**
Maria Osmena, M.D.	PCP (Pediatric)	**Yes**
Jeanette Aviles, M.D.	SMMC Physician (Internal Medicine)	**Yes**
Alpa Sanghavi, M.D.	SMMC Physician (Chief of Quality and Patient Experience)	**Yes**
Curtis Chan, M.D.	Deputy Health Officer, San Mateo County	**Yes**
Nazleen Bharmal, M.D.	Chief Health Equity Officer, Stanford Medicine	**Yes**
Non-voting HPSM Staff	**Title**	**Present (Yes or Excused)**
Chris Esguerra, M.D.	CMO	**Yes**
Amy Scribner	CHO	**Yes**
Nicole Ford	QI Director	**Yes**
Talie Cloud	PHM Program Specialist	**Yes**
Samareen Shami	PHM Manager	**Yes**
Non-voting Guest	**Title**	**Present (Yes or Excused)**
Kismet Baldwin-Santana	Health Officer, San Mateo County	**Yes**
Manuel Santamaria	San Mateo Health Commissioner	**Yes**

1. **Call to Order**
   The meeting was called to order by Dr. Aviles.

2. **Public Comment/Communication**
   No public comments received.

3. **Approval of Agenda**
   Motion to approve. Approved by the Committee members.

4. **Approval of Consent Agenda**
   4.1. QIHEC minutes from September 19, 2024
   4.2. UMC minutes from October 28, 2024
   4.3. CQC minutes from November 18, 2024
   4.4. PRC minutes from June 11, 2024, August 13,2024 and October 8, 2024

   Motion to approve. Approved by the Committee members.

5. **Utilization Management Review**
   Dr. Esguerra updated the Committee that as of December 1st, authorizations are no longer required for standard MRIs. This was already communicated to the network. The Utilization Management (UM) team will be looking at more complex MRIs to determine if prior authorization will still be required. The

UM team will continue to review services currently requiring prior authorization to remove this requirement whenever possible to eliminate administrative barriers to members receiving appropriate care. There are some services where we are regulatorily obligated to require prior authorization, such as non-emergency medical transportation.

6. **CareAdvantage Population Needs Assessment**

As requested by the Committee at the prior meeting, Ms. Cloud presented a Population Needs Assessment (PNA) of our Medicare members. We conduct the PNA annually with the goals of identifying member health needs and health disparities, assessing health outcomes and resources available, evaluating the health experiences of HPSM subpopulations, and implementing targeted strategies for PHM program/services gaps through an Action Plan.

Ms. Cloud presented the demographics of the CareAdvantage membership, which make up 5.8% of HPSM's total membership, noting that the majority of members are over the age of 65 and predominantly speak English. She highlighted the differences between the Care Advantage and Medicaid memberships, such as 94% of CareAdvantage members have a chronic condition, the majority more than one, and almost all have visited a primary care provider within the last year.

Ms. Cloud provided details on the disability status of Care Advantage members, noting that 24.7% have a disability aid code and some receive services from the Golden Gate Regional Center. She emphasized the complexity of the membership and their needs.

She mentioned that 40% of Care Advantage members can be classified as frail based on their conditions and that many members identified as frail are also homebound. She discussed the programs in place to address the needs of frail members, including home care and equipment support. About 2% are enrolled in a skilled nursing facility and 4% are enrolled in a long-term care facility.

Ms. Cloud highlighted that 90% of Care Advantage members have visited a primary care provider in the past 12 months, with 32% of CareAdvantage members visiting the ED at least once and 14% with at least one inpatient stay within the last year. She discussed efforts being made to connect those who have not seen a provider to primary care services, such as direct outreach calls to members. Other interventions include annual comprehensive homebased health assessments by Matrix Medical Network and our HomeAdvantage program in partnership with Upward Health that provides home-based medical care and 24/7 phone support.

Ms. Cloud discussed the prevalence of chronic conditions among Care Advantage members and the various programs in place to support their management, including diabetes prevention and medication management programs. She highlighted that 83% of Care Advantage members have three or more chronic conditions, with essential hypertension and diabetes being the most prevalent. She emphasized the need for care coordination for these members.

Current interventions and programs in place to help members manage their chronic conditions include the diabetes prevention program with the YMCA, a fitness membership and health foods supplemental benefits, the integrated care management program, medically tailored meals, Breath California Asthma Remediation, mail order pharmacy, and the medication therapy management program.

The Committee discussed the importance of fitness and wellness programs for Care Advantage members, including the YMCA fitness membership and the need for transportation support to increase participation.

Ms. Cloud discussed social determinants of health (SDOH) indicators for the CareAdvantage population. The Plan identifies the SDOH indicators via specific codes on claims. 36% of Care Advantage members have at least 1 or more SDOH claims. The most prevalent SDOH category is house and economic circumstances, which includes food insecurity.

Ms. Cloud presented the health disparities and equity analysis, noting disparities in cancer screenings and diabetes management among different demographic groups within the CareAdvantage membership. CareAdvantage members under the age of 64 and those with disabilities are less likely to complete cancer screenings and have their diabetes under control. Ms. Cloud emphasized the need to address these disparities through provider education and support. Male members are less likely to go in for preventive care and have lower rates of colon cancer screening. This has been a consistent trend over the past three years. Caucasian and English-speaking members have the greatest number of disparities in completing colon and breast cancer screenings. Ms. Shami noted that this trend has been consistent for the past few years and requires further investigation and intervention.

Ms. Cloud discussed areas of action planned for 2025. These include continuing to promote cancer screenings, ensuring mammography equipment is accessible for members with limited mobility, offering Cologuard kits at home, continuing medication management programs, connecting members with emergency department visits back to their primary care provider, developing a program to help members manage their diabetes and hypertension, and exploring further partnerships for diabetes management.

Dr. Esguerra mentioned the integration of dental coverage under Medi-Cal, including the introduction of tele-dental and mobile dental services to improve preventive care for seniors and CareAdvantage members.

7. 2023 HOS Results
Deferred to next meeting

8. 2024 CAHPS Results
Deferred to next meeting

9. 2025 QIHEC meeting schedule
The following dates were approved by the Committee members:
March 20, 2025
June 16, 2025
September 18, 2025
December 18, 2025

Meeting time will be 6:00 PM to 7:30 PM

10. Adjournment: **next meeting Thursday, March 20, 2025**

HealthPlan OF SAN MATEO
Healthy is for everyone

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DRAFT

Agenda Item: 3.4
Date: April 23, 2025

HEALTH PLAN OF SAN MATEO
COMMUNITY ADVISORY COMMITTEE MEETING
Meeting Minutes
Wednesday, January 15, 2025
801 Gateway Blvd. – 1st Floor Boardroom
South San Francisco, CA 94080

Committee Members Present: Rob Fucilla, Ricky Kot, Kathryn Greis, Ligia Andrade-Zuniga, Marmi Bermudez

Committee Members Absent: Angela Valdez, Amira Elbeshbeshy, Hazel Carillo, Ana Avendano Ed.D.

Staff Present: Megan Noe, Amy Scribner, Kiesha Williams, Luarnie Bermudo, Mykaila Shannon, Rustica Magat-Escandor, Mackenzie Munoz, Michelle Heryford

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

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

3.0 **Approval of Meeting Minutes for October 16, 2024:** The minutes for October 16, 2024, were approved as presented. **Kot/Andrade-Zuniga MSP**

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

5.0 **HPSM Operational Reports and Updates:**

5.1 **CEO Update:** Chief Health Officer Amy Scribner, reported on behalf of CEO Pat Curran. The State budget was released last Friday. There were some additional surpluses that were unexpected, but the budget is essentially break even. HPSM is not expecting any major shifts in coverage or benefits. There is still looming uncertainty at the federal level that they will continue to monitor. They should learn more later in the month.

5.2 **CMO Update:** There was no report.

5.3 **Culturally and Linguistically Appropriate Services Program Review:** Health Equity Program Specialist, Mykaila Shannon went over the evaluation of HPSMs Culturally and Linguistically Appropriate Services (CLAS) program. The program's vision is to plan, develop, implement, support, and evaluate the cultural and linguistic services available to HPSM members, including those mandated by contractual obligations with regulatory agencies. The areas of focus include 1) reducing health disparities, 2) ensuring equitable access to linguistically appropriate services and 3) improving access to culturally inclusive care. To help reduce health inequities they review the annual Population Needs Assessment (PNA) to identify areas of improvement. They also implement interventions aimed at reducing outcomes identified in the PNA. To improve access to culturally appropriate care, they review and respond to any discrimination related grievances and appeals. They also ensure that HPSM staff providers and vendors are educated annually on CLAS and best practices to improve quality of care and workplace environment. To improve equitable access to linguistically appropriate services, they ensure quality interpretation and translation for members in their preferred language, review and respond to any interpreter related grievances and complaints, and monitor and analyze language assistant services, utilization, and satisfaction annually. Another goal is to strengthen HPSMs relationship with members and the broader community. Work streams will focus on gathering strategy input from community partners, developing regular check-ins and participating in community calls with these and other partners as it relates to health equity. They will also engage members and integrate their input and feedback. The CLAS program evaluation projects for measurement include:

Focus Areas	**Projects**
Reducing Health Inequities	• Well Child Visits
Improving Access to Culturally Appropriate Care	• Discrimination Related Grievances • Diversity, Equity, and Inclusion Training • Sexual Orientation and Gender Identity
Ensuring Equitable Access to Linguistically Appropriate Services	• Interpreter Services Utilization • iPad Pilot Expansion

Ms. Shannon went over the description/objectives, takeaways, current initiatives, and the goals and directions in 2024 for the focus areas. She also reviewed the 2023 goal for discrimination related grievances and appeals, the 2023 discrimination related grievance findings as well as discrimination related grievances performance and recommendations for improving access to culturally appropriate care. The diversity, equity and inclusion education initiative is based on a recent APL that requires all staff, contracted providers, and vendors (annually and at the time of contracting/hire) take comprehensive DEI training including information on: 1) consideration and acknowledgment of structural and institutional racism and their impact on members, 2) identified cultural groups including their beliefs about illness and health and traditional home remedies, 3) member experience with discrimination and implicit bias, 4) identified health disparities, 5) LGBTQIA+ and gender affirming care, and 6) language and literacy needs. In 2024, 100% of HPSM employees completed CLAS training and HPSM will develop curriculum to be used in their 2025 DEI training pilot. She delved into the details of each program and asked the committee to think about feedback on language assistance services, diversity, equity and inclusion and sexual orientation and gender identity training programs. Discussion with the committee followed with members sharing concerns and suggestions that include 1) having staff that reflects the community 2) training staff in disability etiquette, 3) education and training on patients' rights, 4) reaching out to the immigrant community and ensuring them that provider offices are safe spaces, noting how important respect and empathy at the point of contact is, 5) improving location accessibility, 6) having staff that are not only bi-lingual but bi-cultural to understand and respect cultural differences, and 7) simply promoting kindness.

5.4 **Provider Services (PS) Report:** Director of Provider Services, Luarnie Bermudo provided an update. She was pleased to see that dental providers are leveraging the iPad pilot program. They recently recruited a new general dentist in South city, a general dentist and an oral surgeon in Redwood City and an oral surgeon from Sun Surgical. HPSM is in the middle of a learning collaborative with the Sequoia Healthcare District. There are 10 dental providers participating who are not contracted in the network. They are currently seeing members through a letter of agreement (LOA). These providers have seen 100 members so far who have no prior dental history. She is pleased to note that all 10 providers have agreed to join the network after the collaboration. At the November Commission meeting HPSM received capacity funding for Sonrisas, a dental provider that will supply a mobile unit on the coast. There are more providers in the pipeline, a pediatric dentist in San Mateo, a general dentistry group in San Bruno and an oral surgeon in Pacifica. There was a question about whether new providers are getting trained on implicit bias, discrimination, and cultural differences. There is cultural training that is required, it is done mostly via video or slide deck. She reminded the group that the BHT benefit was de-delegated from Magellan. HPSM has onboarded 100% of the providers that were in the Magellan network, they also added four additional providers. At the November Commission meeting, they received approval for two capacity funding grants for two contracted providers to increase access for members. Ms. Bermudo notes that there is a need for more BHT providers in Redwood City. Regarding doulas, they have a meeting with representatives from the County Black Infant Health program coming up, there are currently 7 doulas in the network. They would like to increase the black doula population in the network. She also noted that there are currently no community health workers (CHW) in the network. There are pilots but none that are contracted. They are considering working with Sonrisas on this issue. Stanford has also expressed interest in having CHWs in their emergency department (ED). Ms. Bermudo informed the committee that they continue to have problems with the California Prison Industry Authority (PIA). They are having great difficulty in getting lenses for members and it is affecting the pediatric population. They are conducting internal conversations to work on a solution and will offer this feedback to the Department of Health Care Services (DHCS). They have two providers outside of PIA who are willing to help with lenses, but access is an issue.

5.5 **Member Services Report:** Director of Member Services, Keisha Williams reviewed the Member Services report for Q4 of 2024. Membership for all lines of business (LOB) was 150,857 members. There was a 2% increase in the Medi-Cal population, adding a little over 3K new members to the membership. ACE and Healthworx membership numbers remain stable. There was an increase in calls from members inquiring about benefits and how to access transportation. They also completed 194 health risk assessments (HRA) at the end of 2024. The call center operates Monday through Friday from 8:00 am to 6:00 pm, with staff working both on site and remotely. There is also staff at the office from 8:00 – 4:00 pm, Monday through Friday to receive members.

5.6 **CareAdvantage (CA) Enrollment and Call Center Report:** Call Center Supervisor, Rustica Magat-Escandor provided a report on behalf of CareAdvantage (CA) Manager Charlene Barairo. CA membership was 8,184 as of December 2024, a decrease of 4.6% from 8,577 in January of 2024. In Q4 they enrolled 78 members, 67 are new members and 11 have re-enrolled. 224 members dis-enrolled in Q4. The Medicare annual enrollment period is completed, it occurred from October 15th to December 7, 2024. As of January 1, 2025, dual eligible individuals will be allowed to enroll once per month. Default enrollment will begin in March of 2025. In mid-December of 2024 they sent a 60-day letter notice to 31 eligible members and outreach calls were made at the end of December. As of January 15, 2024, 29 of the 31 eligible members were confirmed. The fully staffed CA team has been trained for the new Call Center. Vendor portal access and shared sites were provisioned. The top reasons for member calls are balance billing, Part C&D benefit inquiries, provider inquiries and Part C authorizations. New benefits starting on January 1, 2025 include 1) personal emergency response system, 2) HPSM fitness benefit transportation, 12 one way or 6 round trip rides per month, 3) the over the counter (OTC) benefit increase to $95 per quarter, 4) the healthy grocery benefit increase to $70 per quarter, 5) rollover of unused OTC and healthy grocery benefit card allowance.

5.7 Grievance and Appeals (G&A) Report: Chief Health Officer, Amy Scribner reviewed the G&A report for Q4 of 2024. Overall membership across all LOBs is stable and steady. The volume of G&A continues to increase. A lot of that is attributed to the fact that first call resolutions are now coming to the grievance department. Rates of complaints for 1,000 member months were outside of the goal for all LOBs except for the CCS Whole Child Model. She noted that Medi-Cal was just .01 percent over the goal and the rates for CA decreased significantly from prior quarters. The most common grievances are related to customer service, especially amongst emergency rooms and dental providers. There were no access issues noted. Timeliness is above goal at 100% overall. PCP change increased from prior quarters, but there are no trends in terms of specific clinics or providers. The top three grievances for CA are quality of care, followed by customer service and billing. The top three CA appeals are prescription drugs, durable medical equipment (DME), and Part B drugs. There were quite a few overturned appeals in Q4 because members tried a first level medication or there was additional information that was provided to the pharmacy team that enabled them to overturn these appeals. The top three grievances for the Medi-Cal line are quality of care, customer service and access. The top appeals for Medi-Cal are other service/therapy, DME, and ancillary (x-rays, labs, etc.).

6.0 New Business: There was no new business.

7.0 Adjournment: The meeting was adjourned at 1:29 pm by Ms. Greis.

Respectfully submitted:

M. Heryford

M. Heryford

Clerk to the Commission

AGENDA ITEM: 4.0
DATE: April 23, 2025

MEMORANDUM

DATE: April 14, 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 24th, 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 ACCEPTANCE OF THE
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 23rd day of April 2025 by the following votes:

AYES:

NOES:

ABSTAINED:

ABSENT:

____
Bill Graham, Chair

ATTEST:

BY: __________________________
M. Heryford, Clerk

APPROVED AS TO FORM:

____
Kristina Paszek
CHIEF DEPUTY COUNTY COUNSEL

Agenda Item: 4.0
Date: April 23, 2025

2024 Financial Audit Results

Presentation to Commission

April 23, 2025

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2024 Financial Audit Summary

HealthPlan OF SAN MATEO
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- 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 24th.
- 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

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	2024	2023
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	15,772,332	126,168,817
Non-operating revenue	40,920,645	34,986,653
Non-operating expense	(3,350,000)	(10,000,000)
Net income/(loss)	53,342,977	151,155,470

Balance Sheet – Final Audited

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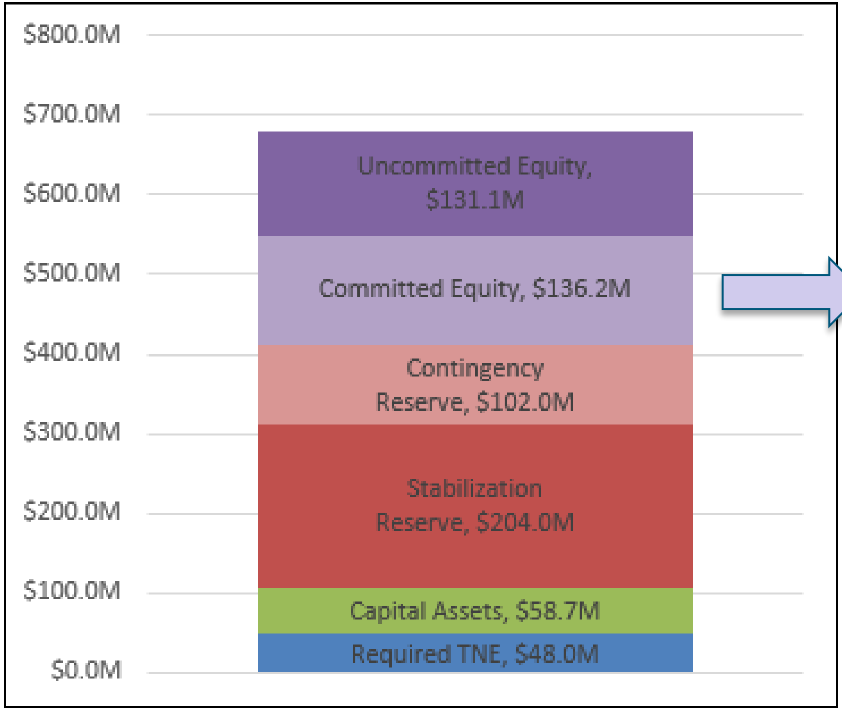
	12/31/2024	12/31/2023
Assets:		
Cash and Investments	868,954,857	738,400,292
Capitation and other receivables	200,751,470	273,711,335
Other current assets	16,195,906	14,123,355
Capital assets	58,729,820	59,364,274
Other LT assets and deferred outflows	16,786,062	11,325,447
Total assets and deferred outflows	1,161,418,115	1,096,924,703
Liabilities:		
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	481,417,169	470,266,734
Net Position (Reserves)	680,000,946	626,657,969

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
	$137.0M	$0.8M	$136.2M

Commission Action Item

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

Thank you

Health Plan OF SAN MATEO

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Agenda Item: 4.0
Date: April 23, 2025

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 ________, 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 ________, 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
___________, 2025

Agenda Item: 4.0
Date: April 23, 2025

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

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

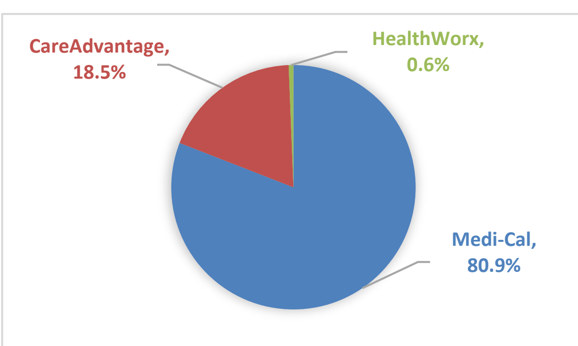
- Total member months decreased by 2.47% to 1,867,349 in 2024, increased by 5.73% to 1,914,599 in 2023, and increased by 11.12% to 1,810,766 in 2022.

- 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.

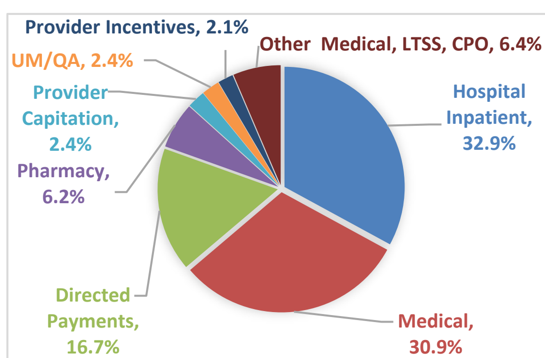
- Net operating revenues decreased by $36,775,299 (2.88%) in 2024, increased by $245,565,369 (23.82%) in 2023, and decreased by $61,430,504 (5.62%) in 2022.

- 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



CONDENSED STATEMENTS OF NET POSITION

				Change 2024 to 2023		Change 2023 to 2022	
	2024	2023	2022	Amount	% Change	Amount	% Change
CURRENT ASSETS	$ 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%
DEFERRED OUTFLOWS OF RESOURCES	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%
CURRENT LIABILITIES	$ 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%
DEFERRED INFLOWS OF RESOURCES	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%
NET POSITION							
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.

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

				Change 2024 to 2023		Change 2023 to 2022	
Membership by Source at December 31,	**2024**	**2023**	**2022**	**Amount**	**% Change**	**Amount**	**% Change**
MediCal	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%
OPERATING REVENUES							
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%
OPERATING EXPENSES							
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%
NONOPERATING REVENUE (Expense)							
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%

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.

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 are considered liquid and available on demand.

				Change 2024 to 2023		Change 2023 to 2022	
	2024	**2023**	**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%

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

	2024 Actual	2024 Budgeted	Variance
REVENUES			
Medi-Cal	$ 1,002,970,274	$ 845,935,253	$ 157,035,021
HealthWorx	7,856,506	7,600,969	255,537
CareAdvantage	228,857,178	230,051,727	(1,194,549)
Total revenues	1,239,683,958	1,083,587,949	156,096,009
HEALTH CARE EXPENSES			
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	(5,112,872)	4,618,473	(9,731,345)
Total health care expenses	1,076,146,610	949,370,099	126,776,511
ADMINISTRATIVE EXPENSES			
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	(22,436,968)	(22,525,076)	88,108
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	1,223,911,626	1,078,845,653	145,065,973
Income from operations	15,772,332	4,742,296	11,030,036
NONOPERATING REVENUE (EXPENSE)			
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	(3,350,000)	-	(3,350,000)
Total nonoperating revenue (expense)	37,570,645	25,477,441	12,093,204
Net income	53,342,977	30,219,737	23,123,240
Net position at beginning of year	626,657,969	626,657,969	-
Net position at end of year	$ 680,000,946	$ 656,877,706	$ 23,123,240

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:

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

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

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
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
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
Prepaids and other assets	14,897,737	12,895,256
Lease receivable - current	1,298,169	1,228,099
Total current assets	1,085,902,233	1,026,234,982
CAPITAL ASSETS, NET		
Nondepreciable	15,667,814	15,667,814
Depreciable, net of accumulated depreciation and amortization	43,062,006	43,696,460
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	300,000	300,000
Total assets	1,157,034,227	1,091,223,342
DEFERRED OUTFLOWS OF RESOURCES	4,383,888	5,701,361
Total assets and deferred outflows of resources	$ 1,161,418,115	$ 1,096,924,703
LIABILITIES AND DEFERRED INFLOWS		
CURRENT LIABILITIES		
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	4,378,929	1,216,580
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
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - lease	1,575,382	2,755,456
Deferred inflows of resources - pension	2,419,438	2,738,643
Total deferred inflows of resources	3,994,820	5,494,099
Total liabilities and deferred inflow of resources	$ 481,417,169	$ 470,266,734
NET POSITION		
Invested in capital assets	$ 58,729,820	$ 59,364,274
Restricted by legislative authority	300,000	300,000
Unrestricted	620,971,126	566,993,695
Total net position	$ 680,000,946	$ 626,657,969

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

	2024	2023
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	1,239,683,958	1,276,459,257
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	1,076,146,610	1,031,939,924
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	1,223,911,626	1,150,290,440
Income from operations	15,772,332	126,168,817
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)	37,570,645	24,986,653
Changes in net position	53,342,977	151,155,470
NET POSITION, beginning of year	626,657,969	475,502,499
NET POSITION, end of year	$ 680,000,946	$ 626,657,969

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
CASH FLOWS FROM OPERATING ACTIVITIES		
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
Net cash provided by operating activities	99,631,303	127,310,123
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	34,916,699	17,809,247
Payments for purchase of capital assets	(961,256)	-
Net cash provided by investing activities	33,955,443	17,809,247
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on subscription liabilities	(5,431,178)	(2,323,642)
Net cash used in financing activities	(5,431,178)	(2,323,642)
Net increase in cash and cash equivalents	128,155,568	142,795,728
CASH AND CASH EQUIVALENTS, beginning of year	552,675,606	409,879,878
CASH AND CASH EQUIVALENTS, end of year	$ 680,831,174	$ 552,675,606
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
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)
Prepaids 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
Net cash provided by operating activities	$ 99,631,303	$ 127,310,123

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
ADDITIONS		
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
DEDUCTIONS		
Benefits paid to participants	1,267,601	1,210,116
INCREASE IN NET POSITION	5,113,180	6,115,326
NET POSITION RESTRICTED FOR PENSION		
Beginning of year	35,396,257	29,280,931
End of year	$ 40,509,437	$ 35,396,257

See accompanying notes.

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

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

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

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

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

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

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

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.

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.

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.

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.

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.

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

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

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.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	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.

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
Total capital assets	84,963,794	961,256	791,253	86,716,303
Less accumulated depreciation and amortization	25,599,520	1,595,710	791,253	27,986,483
Capital assets, net	$ 59,364,274	$ (634,454)	$ -	$ 58,729,820

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	85,078,938	-	(115,144)	84,963,794
Less accumulated depreciation and amortization	24,101,331	1,613,333	(115,144)	25,599,520
Capital assets, net	$ 60,977,607	$ (1,613,333)	$ -	$ 59,364,274

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.

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.

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.

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	$ 3,693,823	$ 8,076,256	$ -	$ 11,770,079

	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	$ 5,601,389	$ (1,907,566)	$ -	$ 3,693,823

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:

Years Ending December 31,	Principal	Interest	Total
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
	$ 8,950,199	$ 519,306	$ 9,469,505

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.

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:

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

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

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.

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	4,956,965	5,113,180	(156,215)
Balance at December 31, 2024	$ 43,335,343	$ 40,509,437	$ 2,825,906
Total pension liability			$ 43,335,343
Plan fiduciary net position			40,509,437
Net pension liability			$ 2,825,906
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	4,027,575	6,115,326	(2,087,751)
Balance at December 31, 2023	$ 38,378,378	$ 35,396,257	$ 2,982,121
Total pension liability			$ 38,378,378
Plan fiduciary net position			35,396,257
Net pension liability			$ 2,982,121
Plan fiduciary net position as a percentage of the total pension liability			92.23%
Covered payroll as of December 31, 2023, actuarial valuation			$ 32,334,540
Net pension liability as a percentage of covered payroll			9.22%

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

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

The following 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

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:

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

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.

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%