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> T. Clark Phillip, CPA, CGMA Chief Financial Officer

April 30, 2019

Re: Vaya Health Quarterly Report to the Counties for the Period Ended March 31, 2019

Dear County Representatives:

Enclosed you will find the year to date financial information for Vaya Health as of March 31, 2019. I encourage you to contact me directly if you have any questions about any of the information provided.

The format of the report was modified slightly a couple of quarters ago to make the information more meaningful and clearer. We continue to be interested in making the report as useful as possible for your purposes.

We have also added a companion report, Vaya Health Total Spendable Cash, that explains in greater detail the amount of cash available for operations. As you may be aware, there is a significant amount of discussion on LME MCO cash balances, often reflecting incomplete or inaccurate information. The most blatantly misleading aspect of the representation of the LME/MCOs cash position has to do with including the Medicaid Risk Reserve in the cash available for LME/MCOs to spend. The Medicaid Risk Reserve funds may not be spent without the prior written approval of the NC DHHS and only in the case of insolvency to pay claims of providers. This is well documented in G.S. 122C – 124.2, the state contract with the LME/MCOs, the Strategic Plan for Improvement of Behavioral Health Services report dated January 31, 2018 to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Oversight Committee on Medicaid and NC Health Choice, and the LME/MCO Solvency Report dated October 15, 2018 to the Joint Legislative Oversight Committee on Health and Human Services. The restricted and unavailable Medicaid Risk Reserve represents more than 43% of Vaya's total cash and investments at March 31, 2019.

To help with understanding the Fiscal Monitoring Report and the Vaya Health Total Spendable Cash report we are also including an attachment with explanations of the categories used to create the reports.

I will be contacting you directly in the future to discuss the reports and to solicit any suggestions you have for improvement. If you have any immediate questions or comments, please don't hesitate to contact me via the information at the bottom of this page.

Very truly yours,

T. Clark Phillip

Chief Financial Officer

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Fiscal Monitoring Report

LME / MCO NAME:VAYA HEALTHFOR THE PERIOD ENDING:3/31/2019# of month in the fiscal year (July = 1, August = 2, ..., June = 12)9

	(1)	(2)	(3)	(4)	(5)	(6)
		(2) R YEAR		(4) ENT YEAR 2018-2		(6)
1. REPORT OF BUDGET VS. ACTUAL		-2018	CURR	ACTUAL	BALANCE	ANNUALIZED
	BUDGET	ACTUAL	BUDGET	YR-TO-DATE	(Col. 3-4)	PERCENTAGE
REVENUE						
nterest Earned	303,558	354,602	525,000	417,774	107,226	106.10
Rental Income	53,772	53,772	53,772	40,329	13,443	100.00
Appropriation of Fund Balance	19,622,829	4 070 445	10,014,180	- 044.000	10,014,180	0.00
Other Local Total Local Funds	1,349,839 21,329,998	1,378,145 1,786,519	1,132,835 11,725,787	844,690 1,302,793	288,145 10,422,994	99.42 14.81
Total Local Funds	21,329,996	1,760,519	11,725,767	1,302,793	10,422,994	14.01
County Appropriations (by County, includes ABC Funds):						
Alexander County	50,000	50,000	50,000	37,500	12,500	100.00
Alleghany County	115,483	115,483	115,483	86,612	28,871	100.00
Ashe County	189,566	189,566	189,566	142,175	47,392	100.00
<u>Avery</u> County	89,600	89,600	89,600	67,200	22,400	100.00
Buncombe County	600,000	600,000	600,000	450,000	150,000	100.00
<u>Caldwell</u> County	119,628	120,353	120,418	89,549	30,869	99.15
<u>Cherokee</u> County	75,000	75,000	75,000	56,250	18,750	100.00
Clay County	15,000	15,000	15,000	11,250	3,750	100.00
Graham County	6,000	6,000	6,000	4,500	1,500	100.00
Haywood County	101,900	99,122	101,900	77,305	24,595	101.15
Henderson County	528,612	528,612	528,612	396,459	132,153	100.00
Jackson County	123,081	123,081	123,081	92,311	30,770	100.00
Macon County Madison County	106,623 30,000	106,623 30,000	106,623 30,000	79,967 22,500	26,656 7,500	100.00 100.00
McDowell County	67,856	67,856	67,856	50,892	16,964	100.00
Mitchell County	18,000	18,000	18,000	13,500	4,500	100.00
Polk County	78,491	78,310	78,719	59,344	19,375	100.52
Rutherford County	102,168	102,168	102,168	76,626	25,542	100.00
Swain County	24,091	26,370	26,266	19,982	6,284	101.43
Transylvania County	99,261	99,261	99,261	74,446	24,815	100.00
Watauga County	171,194	171,194	171,194	128,396	42,799	100.00
Wilkes County	267,354	268,047	268,316	201,321	66,995	100.04
Yancey County	26,000	26,000	26,000	19,500	6,500	100.00
Total County Funds	3,004,908	3,005,647	3,009,063	2,257,583	751,480	100.039
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DMH/DD/SAS State and Federal Funding DHB Capitation Funding (Medicaid)	79,480,519 329,980,398	76,394,920 322,970,297	87,557,154 334,381,987	64,351,544 243,820,956	23,205,610 90,561,031	98.00° 97.22°
DHB Capitation Funding (Medicaid) DHB Risk Reserve Funding (Medicaid)	6,734,294	6,617,747	6,824,122	4,984,186	1,839,936	97.38
All Other State/Federal Funds	255,900	283,800	420,000	370,339	49,661	117.57
Total State, Federal and Medicaid Funds	416,451,111	406,266,764	429,183,263	313,527,025	115,656,238	102.66
TOTAL REVENUE	440,786,017	411,058,930	443,918,114	317,087,401	126,830,712	95.249
EXPENDITURES:	00 070 400	40.000.007	F0 000 070	04.000.400	00 504 400	70.04
Administration	60,972,480	46,689,397	58,262,973	34,668,483	23,594,490	79.34
LME Provided Services (Service Support) Provider Payments (State Funds)	1,653,575 68,436,869	1,444,386 67,734,777	1,868,975 70,082,586	1,145,238 43,327,482	723,737 26,755,104	81.70° 82.43°
Provider Payments (State Funds) Provider Payments (Federal Funds)	13,412,541	12,886,062	11,160,157	8,397,949	2,762,208	100.33
Provider Payments (County Funds)	3,029,656	2.954.234	3,009,063	2,065,648	943,415	91.53
Provider Payments (Medicaid)	292,504,052	286,272,614	298,760,070	222,828,906	75,931,164	99.45
Shelter Plus Care Grant Expenditures	776,844	765,618	774,290	546,075	228,215	94.03
TOTAL EXPENDITURES	440,786,017	418,747,088	443,918,114	312,979,781	130,938,333	94.01
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Net Income or (Loss) (from Operations and Risk Reserve)		(7,688,159)		4,107,620		
Less Risk Reserve Revenue		(6,617,747)		(4,984,186)		
NET INCOME OR (LOSS) FROM OPERATIONS		(14,305,906)		(876,566)		
2 FIND BALANCE		37,963,258		42,947,443		
				20,943,649		
Restricted Fund Balance for Risk Reserve		12,851,247		20,040,040		
Restricted Fund Balance for Risk Reserve Restricted Fund Balance - State Statute, Prepaids & Investment in Fixed Assets		12,851,247 27,880,650		19,225,672		
Restricted Fund Balance for Risk Reserve Restricted Fund Balance - State Statute, Prepaids & Investment in Fixed Assets Jnrestricted Fund Balance (including Board Commitments)						
Restricted Fund Balance for Risk Reserve Restricted Fund Balance - State Statute, Prepaids & Investment in Fixed Assets Unrestricted Fund Balance (including Board Commitments)		27,880,650		19,225,672		
Restricted Fund Balance for Risk Reserve Restricted Fund Balance - State Statute, Prepaids & Investment in Fixed Assets Unrestricted Fund Balance (including Board Commitments) TOTAL FUND BALANCE		27,880,650		19,225,672		
2. FUND BALANCE Restricted Fund Balance for Risk Reserve Restricted Fund Balance - State Statute, Prepaids & Investment in Fixed Assets Unrestricted Fund Balance (including Board Commitments) TOTAL FUND BALANCE 3. CURRENT CASH POSITION Current Cash in Bank (Including Risk Reserve)		27,880,650		19,225,672 83,116,764		
Restricted Fund Balance for Risk Reserve Restricted Fund Balance - State Statute, Prepaids & Investment in Fixed Assets Unrestricted Fund Balance (including Board Commitments) TOTAL FUND BALANCE		27,880,650	[19,225,672		
Restricted Fund Balance for Risk Reserve Restricted Fund Balance - State Statute, Prepaids & Investment in Fixed Assets Unrestricted Fund Balance (including Board Commitments) TOTAL FUND BALANCE 3. CURRENT CASH POSITION Current Cash in Bank (Including Risk Reserve) Less Risk Reserve Cash		27,880,650		19,225,672 83,116,764 99,459,219 (42,947,443)	*See additional I	Document
Restricted Fund Balance for Risk Reserve Restricted Fund Balance - State Statute, Prepaids & Investment in Fixed Assets Jurestricted Fund Balance (including Board Commitments) FOTAL FUND BALANCE B. CURRENT CASH POSITION Current Cash in Bank (Including Risk Reserve)		27,880,650		19,225,672 83,116,764 99,459,219 (42,947,443)	*See additional I	Document

COMMENTS AND EXPLANATIONS

FISCAL MONITORING REPORT

The report is divided into four sections:

- Section 1 contains budget versus actual information for the prior year and current year.
 - Revenue
 - Total Local Funds
 - Total County Funds
 - Total State, Federal, and Medicaid Funds
 - Total Revenue
 - Expenditures
 - Net Income or (loss) from operations
 - Net Income or (Loss) (from Operations and Risk Revenue) includes the Medicaid Risk Revenue that by statute the state will not allow LME MCOs to access.
 - Less Risk Reserve Revenue is the amount of Medicaid Risk Reserve Revenue included in the Net Income or (Loss) (from Operations and Risk Revenue) even though the LME/MCO does not have access to those funds.
 - Net Income or (Loss) from Operations is the true operating income or (loss) not counting the Medicaid Risk Revenue that is restricted by state statute and not accessible to the LME/MCO.
- Section 2 Fund Balance contains information on the restricted and unrestricted components that comprise the Fund Balance.
 - Restricted Fund Balance for Risk Reserve contains the amount of Medicaid Risk Reserve that is restricted by statute and not accessible to the LME/MCO.
 - Restricted Fund Balance State Statute, Prepaids & Investments in Fixed Assets represents amounts of funds already expended but not yet expensed or fully depreciated that are not readily available for use by the LME/MCO.
 - Unrestricted Fund Balance (Including Board Commitments) are funds available for use.
 - o Total Fund Balance represents the sum of the restricted and unrestricted fund balances.
- Section 3 Current Cash Position contains information on cash that is available for use and cash that is restricted by state statute and is not available for use.
 - Current Cash in Bank (Including Risk Reserve) represents Vaya's total cash and investments including the Medicaid Risk Reserve, that is restricted by state statute and unavailable for use by the LME/MCO.
 - Less Risk Reserve Cash Set Aside is the amount of Medicaid Risk Reserve that is restricted by state statute and unavailable for use by the LME/MCO.
 - Total Operating Cash is the amount of cash and investments that are available for the LME/MCO to use. It does not include funds that are unavailable to the LME/MCO such as the Medicaid Risk Reserve.
- Section 4 Estimated Services Incurred But Not Yet Reported (IBNR) represents an estimate based on historical claims patterns for services that have been received by recipients, but have not yet been billed by providers or, received and paid by the LME/MCO.

Vaya Health Total Spendable Cash	
As of March 31, 2019	
Total Operating Cash (Excluding Risk Reserve)	56,511,775
Less Single Stream Reduction Balance	(4,402,631)
Less Accounts Payable	(30,249,144)
Plus Accounts Receivable	13,810,664
Less Annual Leave Payout Liability	(2,044,317)
Less Other Post Employment Benefits Liability	(2,122,000)
Less 30 Days Cash	(34,267,859)
Spendable Cash	(2,763,512)

In accordance with G.S. 122C-124.2(e)(3), the risk reserve's purpose is to pay outstanding liabilities (unpaid claims) to providers in cases of insolvency and not intended to be used for operating costs. These resources are not available for payment of non-provider claims and may not be accessed by the LME MCO without written consent from DHHS.

VAYA HEALTH TOTAL SPENDABLE CASH

This report starts with the Total Operating Cash contained in Section 3 of the Fiscal Monitoring Report and adds or subtracts items that will be paid or received in the future. It also subtracts an amount equal to 30 days operating cash (approximately \$1.1 million per calendar day) to show the amount of unrestricted cash that is prudently available for use should there be unforeseen interruptions in revenue

Total Cash (Excluding Risk Reserve) ties to Total Operating Cash in Section 3 of the Fiscal Monitoring Report.

Less Accounts Payable represents the total amount of the items to be paid for both services (claims incurred but not reported or paid) and items to be paid for non-service items.

Plus Accounts Receivable represents the total amount of funds to be collected in the future.

Less Annual Leave Payout represents the liability for unused annual leave to be taken or paid out if the employee leaves the company.

Less Post Employment Benefits represents the liability for vested retirement benefits.

Less 30 Days Cash represents a minimal period of time to keep a cushion of cash to continue operations should there be unforeseen interruptions in revenue. The current level of cash used for operations (including services and administration) is approximately \$1.1 million per calendar day.