

2012 Report to the community



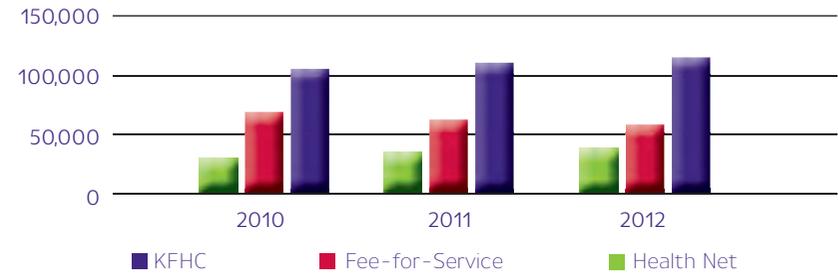


This year Kern Health Systems is excited to celebrate 17 years of service in providing high-quality healthcare coverage to families throughout Kern County. Today, 1 out of every 7 Kern County residents is a member of Kern Family Health Care.

Kern Health Systems takes great pride in being a locally based health plan that serves the needs of our community. Being local means that our employees live and work in the same neighborhoods as many of our members. In addition, by being local we are allowed the opportunity to get to know those providers who care for our members. Since our employees and providers share the same community as our members, together we achieve the highest standards in healthcare services.

Our commitment to our community has not changed in 17 years: our members and their access to quality healthcare services remains our primary focus, we value our network of providers and will continue to build upon our collaborative efforts, and to our community partners we will prove ourselves as closer allies who embrace teamwork and innovative ideas. In support of this commitment, our Board of Directors recently designated over \$26 million in grant monies

Enrollment Comparison Kern Family Health Care, Health Net, Fee-for-Service Medi-Cal

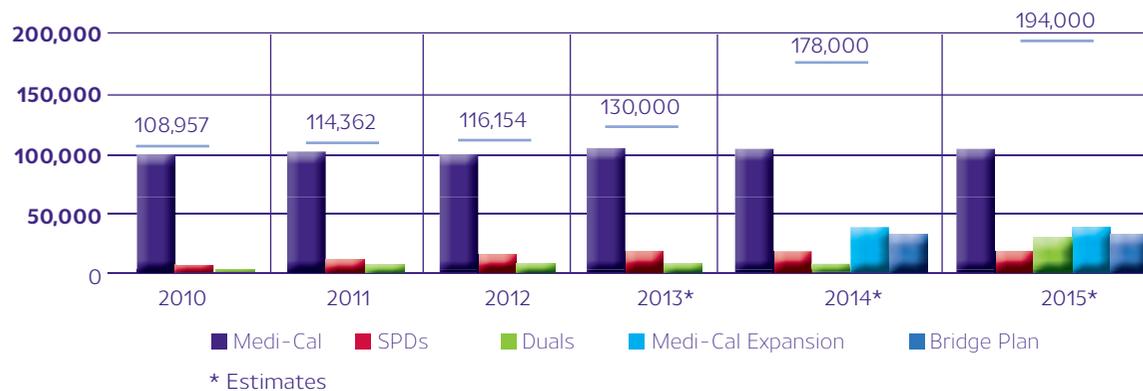


intended to promote the health of our community. Among others, grant monies were awarded to Safety-Net and Rural Health Care providers to improve access in communities throughout Kern County.

As Kern Health Systems continues to move forward, we will continue to uphold our mission of being dedicated to improving the health status of our members

through an integrated managed healthcare delivery system. As the future unveils a transformed healthcare landscape and large anticipated membership growth, we will pursue tomorrow with community and provider innovation, enhanced member access, and strengthened member health and wellbeing. . . Together. As KHS prepares for the implementation of the Affordable Care Act (ACA), this report provides an overview of the programs, services and activities undertaken by KHS in 2012 to address future membership demands.

Enrollment & Projections



Sincerely,

Douglas A. Hayward
Chief Executive Officer

Together in... innovation

Telehealth

In an effort to allow KFHC members to access specialty care from the primary care setting, KHS contracted with Clinicians Telemed. KFHC members who live in the Kern River Valley and other outlying communities in Kern County, can access specialty services from their own rural community. Our goal is to expand this program to all outlying communities in Kern County, to increase access to care for our members and providers.



Online Pharmacy Treatment Authorization Request Submissions

KHS developed a comprehensive online treatment authorization request (TAR) submission process for contracted providers to receive prior authorization for medications they prescribe to KFHC members.

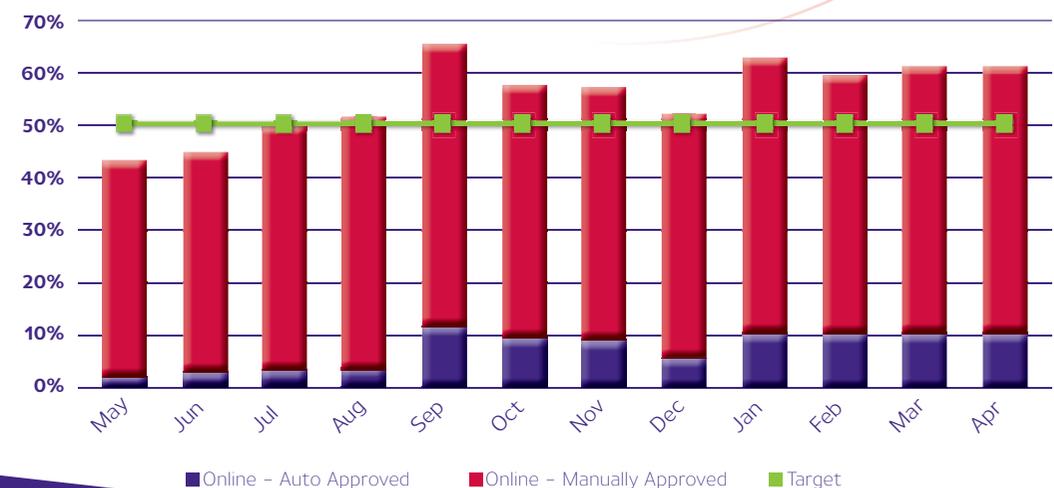
Auto Adjudication of Claims

In 2012 a 50% auto adjudication goal was met. To meet this goal, we implemented system changes that allowed us to pay certain claims that met defined criteria, instead of suspending all claims. We also allowed Emergency Room claims to auto adjudicate since they do not require authorization for payment. Additions to the no prior authorization list also increased auto adjudication. We will continue to review and consider any possible system changes to increase this goal.

Referral Auto Authorization

Online authorization submissions of referral requests for services are processed systematically permitting instantaneous approval notification to the provider via the provider portal based on procedures identified on the "no prior authorization list". This reduces the need for staff intervention of those procedures and requests, as well as expedites the provider's ability to schedule a member for a service with a reduction in appointment delays. Increased staff productivity and efficiency is also gained to allow staff to focus on those referral requests that require further evaluation and documentation. KHS management continues to review services that can be obtained without prior authorization with ongoing expansion of these services. Routine retro audits are conducted quarterly to review the appropriateness of provider requests to determine the effectiveness and medical necessity for those services.

Online Authorization Submission Rates - 2012-2013 YTD



First Quarter 2012

accomplishments

Health Risk Assessment Program

Expansion of Health Ed. Classes

No Prior Auth. for Urgent Care

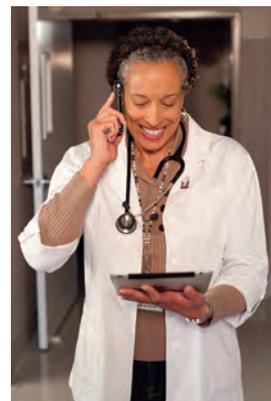
Quality Based Reimbursement Program

Together in... health



KFHC Drug Formulary Expansion

In an effort to expand available medication for our members, our formulary was expanded and 89 different drug entities were added. KHS strives to use evidence based medicine, national guidelines, and electronic edits to guide formulary determinations and processes.



Hospitalist Program

KHS contracts with 3 facility based hospitalist groups to provide inpatient professional services at 4 local acute care facilities. Premier Hospitalist provides hospitalist services at Bakersfield Memorial Hospital, Central California Hospitalist provides hospitalist services at Mercy/Mercy Southwest Hospitals and Gold Coast Hospitalist provides hospitalist services at San Joaquin Community Hospital and Bakersfield Heart Hospital. Communications have improved with a renewed collaborative effort to provide the appropriate care in the appropriate setting in coordination with our Hospital Onsite Care Management and Transition of Care programs.

Hospital Onsite Care Management

KHS implemented hospital based Care Management for concurrent inpatient reviews, to provide medically necessary care in the appropriate setting, to coordinate communication with all providers involved in the member's care, and to ensure a safe and appropriate discharge planning. The Care Manager (CM) interacts with the Hospitalist on a daily basis to discuss each member's unique condition, coordinate medically necessary inpatient care, and to plan for discharge from the hospital. The CM also ensures that the member and family/caregiver are also included in all communications and discharge plans to ensure family involvement with instruction and oversight of care continued at home. Post discharge care that is coordinated for the member may include; receiving any necessary durable medical equipment, scheduling any primary care/specialist visits, coordinating any home health care or skilled nursing placements, and reviewing the member's medication needs and post discharge instruction while still in the hospital.

Quality Based Reimbursement Program

KHS developed a Pay for Performance Program (P4P) that provides financial incentives to KHS physicians who provide preventive and chronic care health services to their assigned KFHC members. This program represents another way we collaborate with our participating physicians to ensure high quality cost effective care is delivered to our members. KHS practitioners are incentivized on different measures, which are a combination of HEDIS measures (national quality standards of care) and health plan defined measures. This program aligns the mission of KHS with the treatment goals of our providers to provide both the access and resources necessary for our members to receive the comprehensive screening and ongoing preventive medical care that yield healthier and happier lives.

Second Quarter 2012

accomplishments

KFHC Drug Formulary Expansion

Hospital Onsite Care Management

Referral Auto Authorization Request Submissions

Together in... prevention

Health Risk Assessment Program

For our Seniors and members with disabilities, KHS conducts a Health Risk Assessment (HRA). The HRA is used to assess each qualified member's current health status and to identify those who are at increased risk for an adverse health outcome. Each member receives an individualized care management plan, shared with their Primary Care Physician to aid in the treatment of their condition.

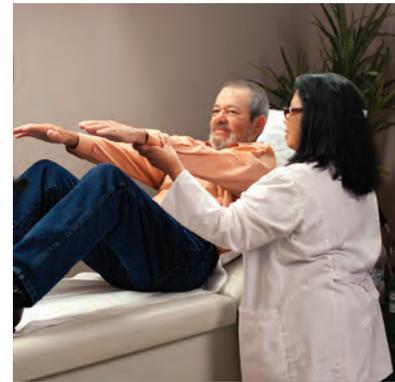


Expansion of Health Education Classes

Our Healthy Eating and Active Lifestyle Class provides dietary guidance to members diagnosed with chronic health conditions such as obesity, hypertension and high cholesterol. This class promotes healthy eating habits and active lifestyles necessary to improve and maintain optimal health and bodily growth by assisting members with accessing nutrition education services and connecting them to community resources. Classes are held monthly in English and Spanish at the Kern County Department of Public Health Services and at local schools. These classes were expanded outside of the KHS building and within the neighborhoods KFHC members reside in. This yielded a 23% increase in attendance rates. Additionally, members that attend the class receive a follow up call three months later to assess their progress and we offer additional services if necessary. Findings revealed 39% of members that attended the class reported a weight loss of 3% or greater (½ pound a week).

Delano Diabetic Clinic

Delano Regional Medical Center and KHS established a diabetic clinic with the goal of providing comprehensive preventive and pharmacologic intervention including; nutrition classes, PharmD counseling, foot and eye exams, and diagnostic services. The outcomes will improve continuity of care by creating a "team approach" among providers and others involved in the member's care (PCP, PharmD, CDE, Optometrist/Ophthalmologist, patient and family).



Miguel is a KFHC member and he goes to the Delano Diabetic Clinic. This is what the clinic has done for him: *"My overall health is better now than before as my blood sugars are normal and are under control. Before the clinic, I was not able to control my diabetes. My numbers were 200+ in the morning and now my numbers are about 90-105. I used to have many highs and lows, but now I can control the levels much better and I don't have the really low numbers I had before. I learned to make changes to my diet as I eat smaller portions and more times a day, and that really helps. I also learned what exercises are good for me. My A1c is much better than before (my last A1c was in the low 7's). I am doing so well, that my doctor is letting me go to the clinic for 2 more months."*

Third Quarter 2012

accomplishments

Expanded Benefits for Adult Medi-Cal Members

Delano Diabetic Clinic

Online Pharmacy Treatment Authorization Request Submissions

Together in... community

Expanded Benefits for Adult Medi-Cal Members

In July 2009, some optional Medi-Cal benefits were terminated by the Department of Health Care Services (DHCS) due to changes in State law. KHS began covering the following optional benefits for adult members 21 years of age and older that were cut by the DHCS:

- Audiology services provided by audiologists
- Speech Therapy services provided by speech therapists
- Incontinence creams and washes
- Podiatry services provided by podiatrists
- Eye exams and eyeglasses (frames and lenses)

No Prior Authorization for Urgent Care

Historically KHS required prior authorization for Urgent Care services. This requirement was eliminated in an effort to provide broader options for members seeking urgent or after hours care. The anticipated outcome was to direct more members to urgent cares or primary care providers, rather than use the Emergency Room (ER) for non-emergency care. KHS continues to monitor ER usage and is currently developing strategies to re-educate and direct members to appropriate settings for care.

KHS Supports Kern County Community Events

In 2012, KHS supported 17 Kern County government agencies and community service organizations by donating over \$32,000 in sponsorship funds. Kern County Government sponsored events received over 50% of these funds.

Community Volunteer Hours of KHS Employees



Fourth Quarter 2012

accomplishments

Hospitalist Program | Telehealth | Auto Adjudication of Claims | \$26 Million Distributed to Kern County Safety-Net Providers

Together in... access

\$26 Million Distributed to Kern County Safety-Net Providers

KHS Excess Reserve Funds were distributed to Kern County Safety-Net and Rural Health Care providers to improve access and quality of healthcare in our community. The funds were intended for:

- Facility Expansion/Improvements
- Provider Recruitment
- Equipment Purchases



Advanced Center for Eyecare (ACE) received KHS grant funds to purchase sophisticated ophthalmology equipment for eyecare. Two exam rooms and a testing room were named in honor of KHS.



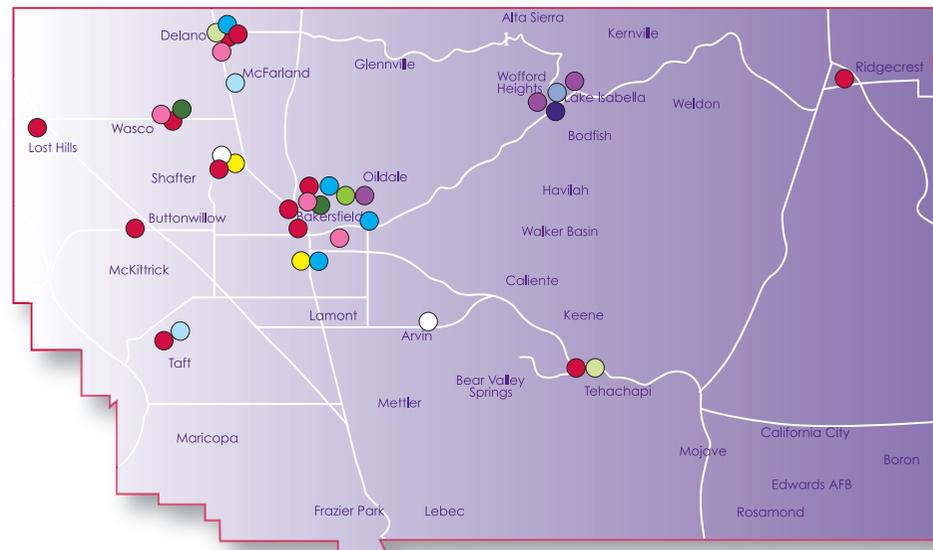
Clinica Sierra Vista will build two new clinics with KHS grant funds in the Greenfield area (South Bakersfield) and East Niles (East Bakersfield). The two clinics will house 6 providers. Pictured here is the "Greenfield Community Health Center" that is scheduled to open in Summer 2013.

National Health Services built one new clinic with KHS grant funds on Panama Lane in Southwest Bakersfield. It will house 3 providers, lab, mental health and WIC services in one location.



\$26 Million Distribution Map – Kern County Safety-Net Providers

- Safety-Net Providers**
- Equipment
 - Equipment, Facility
 - Equipment, Recruitment
 - Facility
 - Facility, Recruitment
- Community Providers**
- Equipment
 - Equipment, Facility
 - Equipment, Facility, Recruitment
 - Equipment, Recruitment
 - Facility
- Telehealth**
- Available
 - Future



Kern Health Systems Governing Board

Kern Health Systems, the County Health Authority, is an independent public agency that governs Kern Family Health Care. The Board of Directors are appointed by the Kern County Board of Supervisors and has included major healthcare stakeholders, including physicians, safety-net providers, hospitals, pharmacies and community representatives. Board meetings are held monthly and are open to the public.

Barbara Patrick

Chair

Community Representative, 4th District

Larry Rhoades

Vice Chairman

Community Representative, 3rd District

Gayland Smith

Treasurer

Community Representative, 3rd District

Philipp Melendez, M.D.

Secretary

Traditional Medi-Cal Primary Care Physician
within the City of Bakersfield

Paul Hensler

Chief Executive Officer, KMC

Alan Burgess, FACHE, CFAAMA

Rural Acute Care General Hospital

Cindy Stewart, LVN

Safety Net Provider

William Nyitray, M.D.

Traditional Medi-Cal Primary Care Physician
outside the City of Bakersfield

Kimberly Hoffmann, PharmD, BCPP

Pharmacist Representative

Linda Hinojosa, R.N.

Community Representative, 1st District

Mariana Teel, R.N., MBA

Community Representative, 2nd District

Wayne L. Deats, Jr.

Community Representative, 4th District

Estela Casas

Community Representative, 5th District

Neil Sidhu

Community Representative, 5th District



**KERN HEALTH
SYSTEMS**