Report to the community...

"a year in review"

KERN HEALTH SYSTEMS

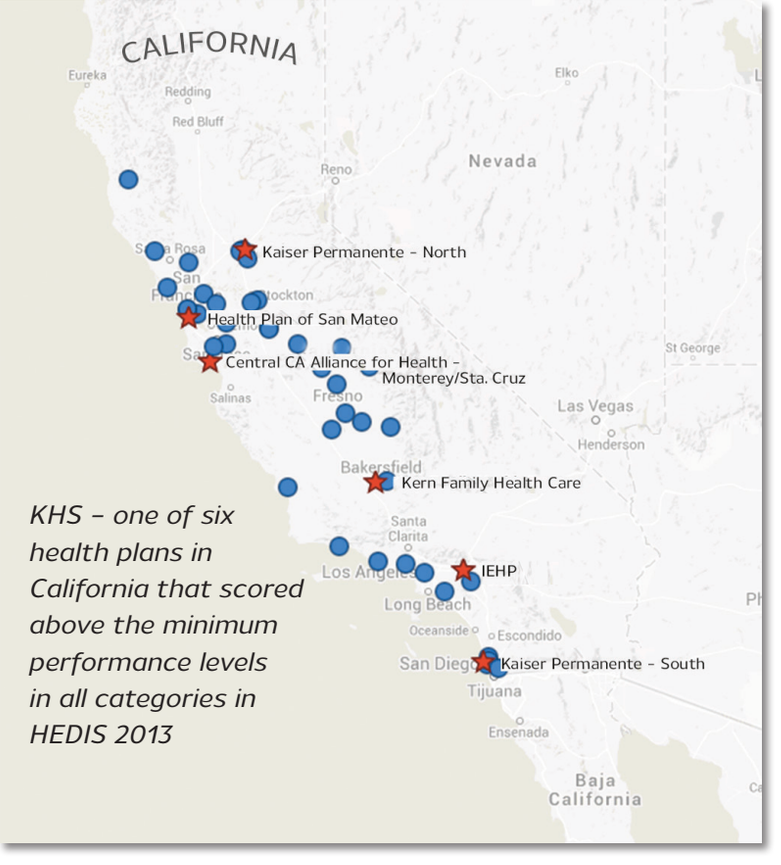
This year Kern Health Systems and Kern Family Health Care celebrate 18 years of service in providing high-quality healthcare coverage to families throughout Kern County. Today, 1 out of every 6 Kern County residents is a member of our health plan. Kern Health Systems takes great pride in being a locally 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. Because 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 18 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 the value of partnership and common goals. In support of this commitment, our Board of Directors recently approved over $3.35 million to KHS Providers through a Pay for Performance program focused on quality healthcare measures. This focus has proven successful by the fact that KHS is one of the six Medi-Cal health plans in California that scored above the minimum performance level during HEDIS 2013… a tribute to our primary care physicians and the importance they place on quality and access to services for our members.

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. This dedication has resulted in the creation of programs that are bettering the lives of our members every day, programs such as: Transition of Care, Medication Therapy Management, Hepatitis C and an Asthma Pilot for school children. In addition, local Diabetic Clinics are excelling and we completed a successful Diabetic Text Messaging pilot with our members. This report provides an overview of these programs and highlights the benefits and services that our growing membership continues to receive under Medi-Cal Expansion. The future of Kern Health Systems will continue to be a collaborative and committed effort by us, our members and our providers to improve the health and quality of life for all… Together.

Respectfully,

Douglas A. Hayward
Chief Executive Officer



KHS – one of six health plans in California that scored above the minimum performance levels in all categories in HEDIS 2013

Together in... quality

HEDIS (Healthcare Effectiveness Data and Information Set)

HEDIS is used by more than 90% of America's health plans to measure performance. All Medi-Cal managed care health plans must participate. KHS is one of the six Medi-Cal health plans in California that scored above the minimum performance level in all categories during HEDIS 2013. Recent improvements in KHS HEDIS scores are due to programs we have put in place; such as, programs to improve Comprehensive Diabetes Care; DRMC Diabetic Clinic; Text Message Pilot Program; and the Care Management Team. Further examples where KHS saw improvement include:

- Avoidance of Antibiotic Treatment for Adults with Acute Bronchitis – 7.33% increase
- Immunizations for Adolescents - Combo 1 – 13.14% increase
- Weight Assessment and Counseling for Nutrition & Physical Activity for Children & Adolescents - Counseling for Nutrition Total – 14.84% increase
- Weight Assessment and Counseling for Nutrition & Physical Activity for Children & Adolescents - Counseling Physical Activity Total – 10.47% increase

Hepatitis C Program

In an effort to improve patient outcomes and reduce costs, KHS created a comprehensive Hepatitis C management program for appropriate members for therapy. The program consists of 2 Clinic Partners (Clinica Sierra Vista and Omni Family Health), a Compliance Program and Specialists. The initial objective of the program was to create a comprehensive care system for members with Hepatitis C, improve compliance and provide support. The program will bring together resources from the plan, contracted providers and vendor partners including:

- Centralized medical records that will facilitate information sharing between multi-disciplinary providers
- Cutting-edge FDA approved Pharmaceuticals
- Highly-trained compassionate clinical professionals and support staff
- Comprehensive nurse-based support program

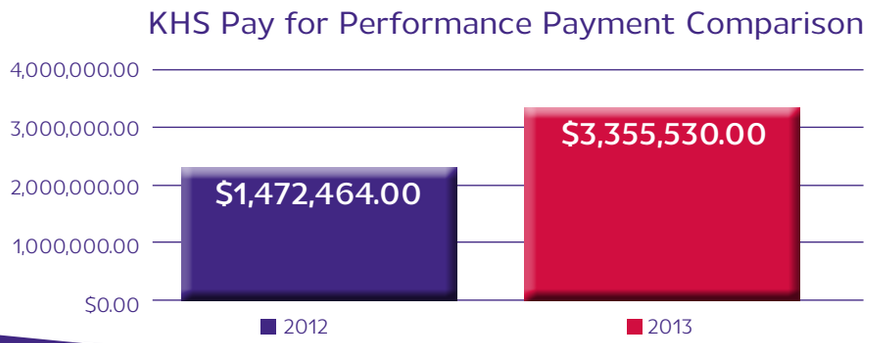
The program benefits for the member include: a Medical Home during therapy, access to specialized Hepatitis C nurses, 24-hour support and follow-up. Program benefits for the health plan include: routine patient updates, increased compliance and an overall reduced cost. Overall goals for the Hepatitis C program are:

- Enhanced identification, enrollment and care coordination
- Increased member compliance throughout treatment course
- Increased Sustained Virologic response among participants
- Decreased pharmaceutical costs through enhanced patient selection, improved member compliance, and restructured purchasing arrangement

To date; 14 members have been approved for treatment, of which 9 have started treatment. Current savings for the program are $195,000 for a per member savings of nearly $21,700.

Pay for Performance Program

KHS incentivizes providers through a Pay for Performance (P4P) program by identifying quality criteria focused on HEDIS and health plan defined measures. KHS offers incentives to KHS practitioners who provide preventive and chronic care health services to their assigned KHS members. KHS analyzes claims data and submissions via the provider portal to calculate the incentive. In 2013, 237 PCPs (81% of our contracted PCPs) participated in the program.

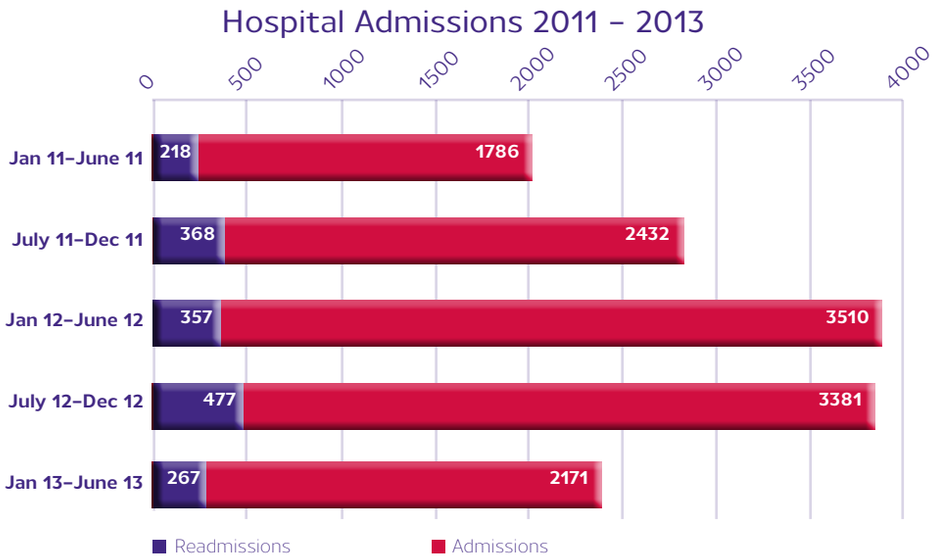


Together in... health

Transition of Care Program

The Transition of Care Program provides qualified members discharged from hospitals with special care to stabilize their condition so that they may resume treatment with their primary care physician. This program also assists with preventing avoidable hospital readmissions, improves access to specialty care and enhances chronic disease management. The program consists of hospital based care managers, a discharge planner, post-discharge outpatient clinic providers, medication therapy management and KHS based post-discharge Care Management.

Over 417 unique members that KHS identified as high risk have been enrolled in the TOC program by accepting an appointment with the post-discharge clinic for follow up care after discharge. The readmission rates for members in the program who receive follow up care, is nearly half the readmission rate for the members in the program who do not receive follow up care (12% vs 23%). This information points to the fact high risk members can be better managed by utilizing post discharge services than simply being discharged and left to follow up on their own.



Medication Therapy Management Program

The Medication Therapy Management (MTM) program has successfully contacted 433 members. KHS partners with Komoto Pharmacy who creates a bond with the member and they often discover underlying issues not related to their medications. There have been 104 Adherence issues, which includes members not taking their medications as prescribed, not filling their prescriptions, taking medications that are expired or not taking them at recommended intervals. There have been 139 Clinical issues which are issues like drug interaction, contraindications and duplicated therapies. Finally, 60 social issues were identified which include transportation barriers to receive medication or get to medical appointments, lack of support at home, or poor living conditions.

Program savings for the Transition of Care pilot for the 10 months (March - December 2013) are estimated at $235,000.00. The program will be expanded in 2014 to include members admitted to Mercy and Mercy Southwest Hospitals.

Second Quarter 2013

accomplishments **Transition of Care Program • Diabetic Text Messages Pilot • Hepatitis C Program**

Together in... prevention

Delano Diabetic Clinic Proves to be a Successful Partnership

In 2013, 139 members were treated at the Delano Regional Medical Center (DRMC) Diabetic clinic. These members were seen a total of 696 times at the Diabetic clinic. Of the members we surveyed regarding their experience at the clinic: 61% reported they waited less than ten minutes prior to their appointment; 100% understood the education provided; 100% would recommend DRMC to a family member or a friend; 97% felt the education provided will help them better manage their diabetes and medication; 98% stated that they have scheduled a follow-up visit to the clinic and plan on attending their appointment. The goal of the clinic is to provide 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. Overall, members state the educational information is easy to understand and helpful. KHS intends to expand this successful program in Bakersfield and we are currently discussing the possibility of establishing a similar clinic at Bakersfield Memorial Hospital.

Diabetic Text Messages Pilot

KHS' diabetes text message pilot provided health education and disease management information to increase self-management skills via text message to members aged 18-65 years diagnosed with diabetes type 2. Text messages included messages on blood sugar testing, exercise, nutrition and meal planning, lab testing, medication use, foot and dental care, stress management, and emergency care. Both goals of the pilot program were met; which included an increase in post intervention HbA1c testing among participants and members decreased their HbA1c level by 0.5% or greater. The pilot was well received by members. KHS will expand the text message program to allow participation of more diabetic members in 2014.

Melvin

Member Success Story

Melvin is a KFHC member who was diagnosed with type 2 diabetes in 2002. Melvin was a participant in the "Diabetes Text Messages" pilot from July 2012 – July 2013. Melvin reported receiving helpful tips, information and encouragement to better control his diabetes. Melvin lost weight, is eating healthy and his morning blood sugar readings average 101, an improvement from 123. Melvin urged KHS to keep doing the program and he said it works because it shows that people care.

BCSD Asthma Pilot

KHS' partnership with the Bakersfield City School District's school nurses provides asthma case management services to 65 students. This pilot addresses the asthma related health problems among KHS members, and assists KHS with meeting regulatory requirements while increasing member access to care. "The benefits of children learning to take control and own their asthma are worth it. To see children know how to use their inhalers and know what their triggers are will be life changing. We will continue to work to improve the parent's receptiveness to the program as we know, that is one of the key components to the health success of the children" (Debbie Wood, BCSD School Nursing Coordinator). The school nurses provide home assessment visits and individual and group education sessions to participating students and their families. After completion of the pilot, KHS and BCSD hope to see a 30% reduction in emergency room and hospitalizations, and an increase in the family's asthma knowledge and self-management skills with all participating students.

Third Quarter 2013 accomplishments

HEDIS 2013 • KHS Increases Awareness of the Affordable Care Act • Medication Therapy Management Program

Together in... community

KHS Increases Awareness of the Affordable Care Act

The Affordable Care Act (ACA) allowed the State of California to expand Medi-Cal eligibility to individuals up to 138% of the Federal Poverty Level (FPL), including childless adults, beginning on January 1, 2014. This equals an annual income of $15,856 for an individual and $32,499 for a family of four. It's estimated that 45,000-60,000 Kern County residents may be eligible for Medi-Cal due to the eligibility expansion.

In anticipation of Medi-Cal Expansion, KHS launched a comprehensive advertising campaign. The goal of the campaign message is to distinguish KFHC as: a local health plan serving Kern County, a nonprofit community oriented health plan, and a health plan that puts healthcare needs of members first. We also wanted to promote the need for a "Partnership" as best outcomes are achieved if providers, the health plan, members and the community work together. The message/image is a testimonial campaign utilizing organizational colors, actual members, providers and employees.

In addition to advertising, we continue sponsoring and participating in community events. In 2013, KHS supported Kern County government agencies and community service organizations by donating over $44,500 in sponsorship funds. Kern County government sponsored events received 40% of these funds. KHS employees also gave back to the community they live and work in by donating over $18,000 to the following organizations: March of Dimes, American Cancer Society, American Heart Association, California Veterans Assistance Foundation and the Bakersfield Homeless Center. Together, KHS and our employees donated over $62,500 to Kern County government agencies and community service organizations.

Our five new messages are:

- ***Together in....innovation: "in touch with you".***
- ***Together in....community: "we're your neighbors".***
- ***Together in....health: "choose to make a difference".***
- ***Together in....prevention: "for a healthy future".***
- ***Together in....access: "your good health is our goal".***

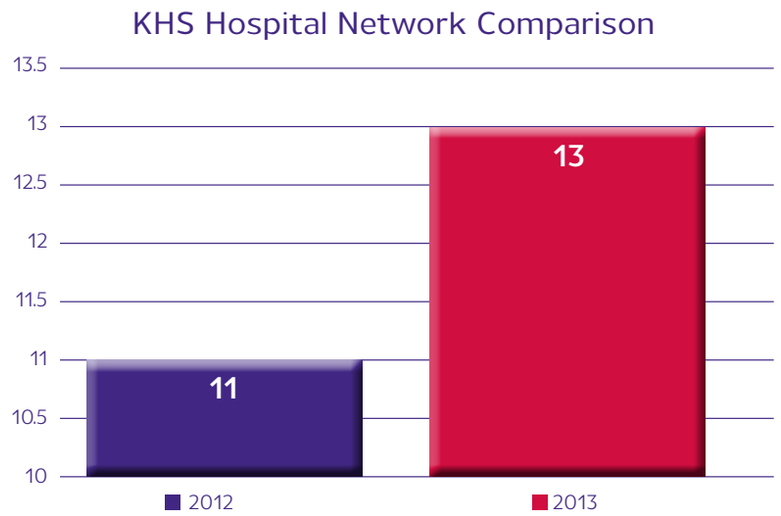
"The Kern County Public Health Services Department strives to protect and safeguard the health and safety of the community. We recognize that the best way to ensure this is by working collaboratively. KHS is a vital community partner in this effort. Through our partnership, we have been able to foster creative and innovative solutions to ensure an efficient dedication of resources that addresses both chronic diseases (diabetes, asthma, etc.) and the emerging health risks facing our residents."

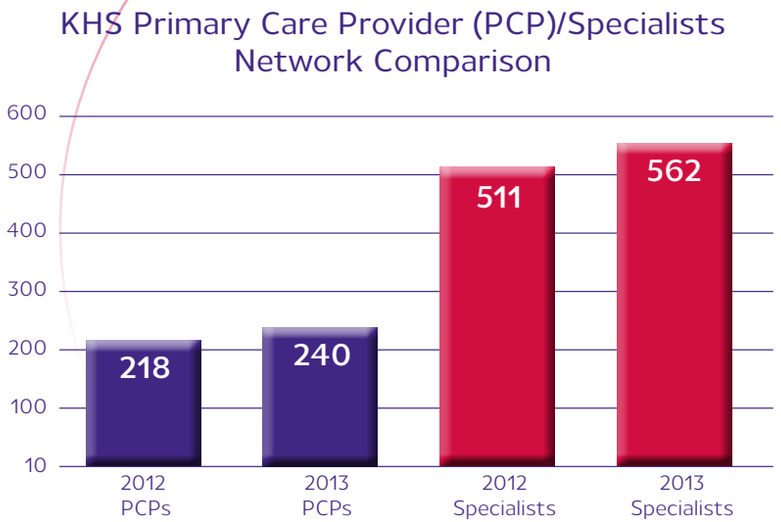
Matthew Constantine
Director, Kern County Public Health Services Department

Fourth Quarter 2013 accomplishments

BCSD Asthma Pilot • Medi-Cal Expansion – Mental Health & Substance Use Benefit Expansion

Together in... access





Medi-Cal Benefit Expansion – Mental Health & Substance Use Benefits

As part of Medi-Cal Expansion, the State enhanced Medi-Cal benefits by giving certain Mental Health and Substance Use benefits to managed care plans. The target population for these new benefits are the Medi-Cal adult and children with a "mild to moderate" condition. The new benefits include: individual and group psychotherapy; Psychological testing to evaluate a mental health condition; outpatient services to monitor drug therapy; Psychiatric consultation; outpatient laboratory, supplies and supplements; and prescription drugs carved into Medi-Cal managed care. Regarding Substance Use Disorder benefits, alcohol misuse screening and counseling for persons 18 and up are now benefits through Medi-Cal managed care plans.

KHS conducted several mailings and updated member materials to inform members of these new benefits and to ensure continuity of care for members who received Mental Health services through the Medi-Cal Fee-for-Service program.

Kern Health Systems

mission

Kern Health Systems is dedicated to improving the health status of our members through an integrated managed health care delivery system.

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.

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within the City of Bakersfield

William Nyitray, M.D.
Traditional Medi-Cal Primary Care Physician
outside the City of Bakersfield

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KERN HEALTH SYSTEMS

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