



L.A. Care
HEALTH PLAN[®]

For All of L.A.

BOARD OF GOVERNORS

Audit Committee Meeting

August 22, 2023 • 2:00 PM

L.A. Care Health Plan

1055 W. 7th Street, Los Angeles, CA 90017



AGENDA
Audit Committee Meeting
Board of Governors

DRAFT

Wednesday, August 22, 2023, 2:00 P.M.
L.A. Care Health Plan, 1055 West 7th Street, Conference Room 1017-18
Los Angeles, CA 90017

Members of the Committee, staff and the public can attend the meeting in person at the address listed above. Public comment can be made live and in person at the meeting. A form will be available at the meeting to submit public comment.

To listen to the meeting via videoconference please register by using the link below:

<https://lacare.webex.com/lacare/j.php?MTID=m2b183ec5a8ca623714b334f473c2c8e2>

To listen to the meeting via teleconference please dial: +1-213-306-3065

Meeting Number: 2480 008 1483 Password: lacare

For those not attending the meeting in person, public comments on Agenda items can be submitted in writing by e-mail to BoardServices@lacare.org, or by sending a text or voicemail to (213) 628-6420. Attendees who log on to lacare.webex using the URL above will be able to use “chat” during the meeting for public comment. You must be logged into WebEx to use the “chat” feature. The log in information is at the top of the meeting Agenda. The chat function will be available during the meeting so public comments can be made live and direct.

1. The “chat” will be available during the public comment periods before each item.
2. To use the “chat” during public comment periods, look at the bottom right of your screen for the icon that has the word, “chat” on it.
3. Click on the chat icon. It will open two small windows.
4. Select “Everyone” in the “To:” window,
5. The chat message must indicate if you wish to be identified or remain anonymous, and must also include the name of the item to which your comment relates.
6. Type your public comment in the box that says “Enter chat message here”.
7. When you hit the enter key, your message is sent and everyone can see it.
8. L.A. Care staff will read the chat messages for up to three minutes during public comment so people who are on the phone can hear the comment.

You can send your public comments by voicemail, email or text. If we receive your comments by 2:00 P.M. on August 22, 2023, it will be provided to the members of the Audit Committee in writing at the beginning of the meeting. The chat message, text, voicemail, or email must indicate if you wish to be identified or remain anonymous, and must include the name of the item to which your comment relates.

Once the meeting has started, public comment submitted in writing must be received before the agenda item is called by the Chair. If your public comment is not related to any of the agenda item topics, it will be read in the general public comment agenda item.

Please note that there may be delay in the digital transmittal of emails, texts and voicemail. The Chair will announce when public comment period is over for each item. If your public comments are not received on time for the specific agenda item you want to address, your public comments will be read at the public comment section prior to the board going to closed session.

The purpose of public comment is an opportunity for members of the public to inform the governing body about their views. The Audit Committee appreciates hearing the input as it considers the business on the Agenda. All public comments submitted will be read for up to 3 minutes during the meeting. The process for public comment is evolving and may change at future meetings. We thank you for your patience.

All votes in a teleconferenced meeting shall be conducted by roll call.

If you are an individual with a disability and need a reasonable modification or accommodation pursuant to the Americans with Disabilities Act (ADA) please contact L.A. Care Board Services staff prior to the meeting for assistance by text to 213 628-6420 or by email to BoardServices@lacare.org.

Welcome

1. Approve today's Agenda
2. Public Comment (*Please read instructions above.*)
3. Approve December 21, 2022 meeting minutes **p.4**
4. Committee Chair Election Augustavia J. Haydel, Esq.
General Counsel
5. Chairperson's Report *Elected Chair*
6. Chief Executive Officer / Chief Financial Officer Reports John Baackes
Chief Executive Officer
Afzal Shah
Chief Financial Officer

Committee Issues

7. Presentation of Audit Plan for Fiscal Year 2022-23 Afzal Shah
 - Approve Audit Plan for Fiscal Year 2022-23 (**AUD A**) **p.11**

ADJOURNMENT

Elected Chair

The Audit Committee meets as needed.

Public comments will be read for up to three minutes.

The order of items appearing on the agenda may change during the meeting.

THE PUBLIC MAY SUBMIT COMMENTS TO THE AUDIT COMMITTEE BEFORE DISCUSSION OF EACH ITEM LISTED ON THE AGENDA BY SUBMITTING THE COMMENT IN WRITING BY TEXT MESSAGE TO 213 628 6420, OR IN WRITING BY EMAIL TO BoardServices@lacare.org. Please follow additional instructions on the first page of this Agenda.

ACTION MAY NOT BE TAKEN ON ANY MATTER RAISED DURING THE PUBLIC COMMENT PERIODS UNTIL THE MATTER IS SPECIFICALLY LISTED ON A FUTURE AGENDA, according to California Govt Code Section 54954.2 (a)(3) and Section 54954.3.

NOTE: THE AUDIT COMMITTEE MEETS AS NEEDED. AGENDA and PRINTED MEETING MATERIALS ARE AVAILABLE FOR INSPECTION AT <http://www.lacare.org/about-us/public-meetings/board-meetings> and by email request to BoardServices@lacare.org

Any documents distributed to a majority of the Board Members regarding any agenda item for an open session after the agenda has been posted will be available for public inspection at 1055 W. 7th Street, Los Angeles, CA, in the reception area in the main lobby or at <http://www.lacare.org/about-us/public-meetings/board-meetings> and can be requested by email to BoardServices@lacare.org.

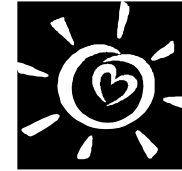
An audio recording of the meeting is made to assist in writing the minutes and is retained for 30 days.

Meetings are accessible to people with disabilities. Individuals who may require any accommodations (alternative formats - i.e., large print, audio, translation of meeting materials, interpretation, etc.) to participate in this meeting and wish to request an alternative format for the agenda, meeting notice, and meeting packet may contact L.A. Care's Board Services Department at (213) 628 6420. Notification at least one week before the meeting will enable us to make reasonable arrangements to ensure accessibility to the meetings and to the related materials.

BOARD OF GOVERNORS

Audit Committee Meeting Minutes – December 21, 2022

1055 W. 7th Street, Los Angeles, CA 90017



L.A. Care
HEALTH PLAN

Members

Alvaro Ballesteros, MBA, *Chairperson*
Layla Gonzalez *
Stephanie Booth, MD

Management/Staff

John Baackes, *Chief Executive Officer*
Augustavia J. Haydel, Esq., *General Counsel*
Marie Montgomery, *Chief Financial Officer*

Guests

Rosie Procopio, *Audit & Assurance Managing Director, Deloitte & Touche (D&T)*
Justine Lee, *Manager, D&T*
Kevin Rotman, *Senior Manager, D&T*

State and local officials continue to impose or recommend measures to promote social distancing to reduce transmission of the COVID 19 virus. It is prudent to use caution in protecting the health of the public, L.A. Care’s employees and its members where adequate virtual means exist to permit the meeting to occur by teleconference/videoconference with the public being afforded the ability to comment in real time. The Board of Governors and all legislative bodies of the L.A. Care Health Plan, and the Board of Directors and all legislative bodies of the Joint Powers Authority will continue to meet virtually and the Boards will review that decision on an on-going basis as provided in the Brown Act. Members of the public had the opportunity to listen to the meeting via teleconference, and share their comments via voicemail, email, or text.

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
<p>CALL TO ORDER Alvaro Ballesteros</p>	<p><i>(Alvaro Ballesteros, MBA, Committee Chairperson, experienced technical difficulty.)</i> Board Member Booth called to order the L.A. Care Audit Committee and the L.A. Care Joint Powers Authority Audit Committee meetings at 11:06 a.m. The meetings were held simultaneously. She welcomed everyone to the meetings.</p> <p>For those who provided public comment for this meeting by voice message or in writing, we are really glad that you provided input today. The Committee will hear your comments and we also have to finish the business on our Agenda today. If you have access to the internet, the materials for today’s meeting are available at the lacare.org website. If you need information about how to locate the meeting materials, please let us know.</p> <p>Information for public comment is on the Agenda available on the web site. Staff will read the comment from each person for up to three minutes.</p> <p>The Chairperson will invite public comment before the Committee starts to discuss an item. If the comment submitted is related to the topic for a specific</p>	

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AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<p>agenda item, it will be read at the general Public Comment item 2 on today's agenda.</p> <p>Board Member Booth provided information on how to submit a public comment live and directly using the "chat" feature.</p>	
<p>APPROVE MEETING AGENDA</p> <p>Alvaro Ballesteros</p>	<p>Today's Agenda was approved as submitted.</p>	<p>Approved unanimously by roll call. 2 AYES (Ballesteros and Booth)</p>
<p>PUBLIC COMMENT</p>	<p>There was no public comment.</p>	
<p>APPROVE MEETING MINUTES</p> <p>Alvaro Ballesteros</p>	<p>The August 4, 2022 meeting minutes were approved as submitted.</p>	<p>Approved unanimously by roll call. 2 AYES</p>
<p>CHAIRPERSON'S REPORT</p>	<p>There was no report from the Chairperson.</p>	
<p>CHIEF EXECUTIVE OFFICER/CHIEF FINANCIAL OFFICER REPORT</p>	<p>There was no CEO Report.</p>	
<p>COMMITTEE ISSUES</p>		
<ul style="list-style-type: none"> Accept Audit Findings Fiscal Year 2021-22 (AUD A) 	<p>Marie Montgomery, <i>Chief Financial Officer</i>, reported that the financial statements included in the meeting packet are same results as was presented at the November 15, 2022 Finance & Budget and December 1, 2022 Board of Governors meetings. <i>(A copy of the report may be requested by contacting Board Services.)</i></p> <p>Ms. Montgomery reported that staff will make one journal entry regarding new guidance for real estate leases. Staff had assumed an additional year to implement the standard. After further review and with help from Deloitte & Touche (D&T),</p>	

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<p>staff realized the need to implement the standard. Information had historically been disclosed in the notes (page 67 of the financial statement). The standard requires discounted future lease commitments as a liability on the balance sheet and recognize the asset in roughly equal amounts. It has no impact on other financial statements. Staff will need to make changes in the cash flow statement reflecting this as a financing activity. Staff will update the note that the lease standard is applicable going forward. The asset and liability will be reflected as a \$150 million for the current fiscal year and \$170 million for the prior fiscal year.</p> <p>Board Member Booth asked if prior fiscal year being 2020-21. Ms. Montgomery responded affirmatively. Member Booth asked why the change was made. Ms. Montgomery noted that here are many ways to show leases. A typical company that has debt does not want to recognize the asset and additional liability as more debt. It understates the debt to equity ratio by treating it as operating leases. In the accounting profession, a long term lease is reflected as a liability and the right to use asset. A reader of the financial statement could have read the footnote disclosure reflecting the minimum risk commitment disclosed for the applicable time period. Board Member Booth commented that this changes one's ability to see if a company is staying solvent. Ms. Montgomery added it is bringing more visibility which reflects a commitment over time.</p> <p>Board Member Booth asked if they are asking for the one year and prior year. Ms. Montgomery responded that it carries forward. L.A. Care is implementing it back to the prior period but the liability is for all future lease payments commitments. If you have the option to extend a lease, it won't be included but everything that you cannot cancel that you are obligated to show those leases and how far out you are committed. They do discount the liability. Staff is working with D&T. Rosie Procopio, <i>Audit & Assurance Managing Director, Deloitte & Touche (D&T)</i>, stated that over time the liability will decrease, and if L.A. Care enters into a new lease, it will increase proportionately.</p> <p>Ms. Procopio introduced new D&T staff on the call: Justin Lee, Manager, and Kevin Rotman, Senior Manager.</p>	

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<p>Ms. Procopio summarized of the results of the audit.</p> <ul style="list-style-type: none"> • Majority of the audit work is done. Adjustments will be made as Ms. Montgomery has reported regarding the lease. • D&T’s responsibilities were as outlined in the engagement letter. • D&T received full cooperation from management and staff and had unrestricted access to the senior management in the performance of the audits. • There were no material weaknesses or deficiencies found in L.A. Care’s financial operations or internal controls. • There were no significant changes in accounting estimates or in management’s judgments relating to Reserves for Incurred but not Reported Claims (IBNR) estimate, and Retroactive Revenue Adjustments. • Accounting estimates is where D&T spent more time; particularly with IBNR –\$784 million this year. D&T Actuarial Specialist ran independent estimates. D&T’s estimate was very close - within 1% of management’s estimate. This is a great result considering the ongoing uncertainty because of the COVID-19 pandemic. • During the year ended September 30, 2022, the organization identified an overstatement of an estimate for the patient-centered outcomes research trust fund fees in the amount of \$20.7 million, resulting in the prior year overstatement of accounts payable and accrued liabilities and administrative expense. Management identified and corrected the misstatement during the year ended September 30, 2022. • Management also disclosed that procedures have been completed to evaluate the accuracy and completeness of the disclosures in the financial statements. As a result of the evaluation process, Management identified certain disclosures that, although required by Government Accounting Standards Board (GASB), have been omitted from Management’s Discussion & Analysis (MD&A) accompanying the financial statements. The omitted disclosure that is regarded as more than clearly trivial pertains to the requirement that the MD&A should provide three years of comparative data – the current year, the prior year, and the year preceding the prior year. The effects of the omitted 	

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	<p>disclosures are qualitatively immaterial, both individually and in the aggregate, to the financial statements as a whole.</p> <ul style="list-style-type: none"> • Fee-for-service medical claims expense was tested using statistical or other sampling techniques and certain errors in recording fee-for-service medical claims expense as of September 30, 2022, were found in the sample items selected. The effect of the known errors identified is not material. However, the mathematical projection of the likely errors, which results in a potential overstatement of \$3.4 million and a potential understatement of \$12.8 million, for net potential misstatement of \$9.4 million. Such potential unrecorded errors were determined by management to be immaterial to the combined financial statements taken as a whole. <p>Board Member Booth asked if D&T is comparing the numbers with the original budget or the forecast. Ms. Procopio stated that D&T tested samples from actual medical claims expense reported in the 2022 financial statement to verify they are accurate. Part of accuracy testing is validating that pricing was performed appropriately for those claims. D&T believe that these are individually immaterial.</p> <ul style="list-style-type: none"> • There were no material misstatements that were brought to the attention of management as a result of the audit procedures. • There were no disagreements with management with respect to the financial statement. • Throughout the year, routine discussions were held with management regarding the application of accounting principles or auditing standards which did not involve significant findings or issues requiring communication to the Audit Committee. • Ms. Procopio commented that Accounts Services team works very hard and extended D&T's appreciation for their cooperation. • There are no significant changes to draft Management Representation letter included the packet. <p>Board Member Booth asked, on page 19 of the packet, what is L.A. Care considering will happen with Grievances & Appeals (G&A). Board Member</p>	

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AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<p>Booth thinks in one sense it could be considered a fraud because you are getting paid for work you didn't do. Ms. Montgomery stated that this issue was with files that are submitted to the bank, which were compromised by an external party. It could be fraud committed by an external party or staff become aware of a fraud inside the organization. Ms. Montgomery thinks this G&A issue should be viewed more as regulatory compliance that L.A. Care need to work with regulators, and not fraud. Augustavia J. Haydel, Esq., <i>General Counsel</i>, stated that the \$55 million fine is accounted for and recognized in the financial statement. John Baackes, <i>Chief Executive Officer</i>, added the amount was reserved. If the appeal fails, then L.A. Care will pay it. Ms. Montgomery reiterated that this a regulatory penalty not an allegation of fraud.</p> <p>Board Member Booth asked about the Managed Care Organization (MCO) tax, which she had thought had ended. Ms. Montgomery stated it ended and was restarted overtime. It is currently in force and could come to an end again. Mr. Baackes added that in the California Safety Net Coalition goal, if realized, will be to have MCO tax reinstated, but not until 2025.</p> <p>Board Member Booth asked about the payout to hospitals if this is different from last year. Ms. Montgomery stated that L.A. Care did a list of various programs and consolidated the amount received and paid. The names of programs changed overtime, and staff tried to simplify it.</p> <p>Ms. Montgomery expressed her appreciation on D&T's commitment to get the audit done.</p> <p>The Committee members did not have a separate conversation with Deloitte & Touche.</p> <p><u>Motion AUD A.1222</u> To accept the findings of the Deloitte & Touches' audit of L.A. Care's financial statements for the fiscal year ended September 30, 2022, as presented.</p>	<p>Approved unanimously by roll call. 2 AYES</p>

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
ADJOURNMENT	The Chair adjourned the meeting at 11:49 am.	

Respectfully submitted by:
 Malou Balones, *Board Specialist III*
 Victor Rodriguez, *Board Specialist II*
 Linda Merkens, *Senior Manager, Board Services*

APPROVED BY:

 Al Ballesteros, MBA, *Committee Chairperson*
 Date Signed: _____

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L.A. Care
HEALTH PLAN

Board of Governors
MOTION SUMMARY

Date: August 22, 2023

Motion No. AUD A.0823

Committee: Audit

Chairperson:

Issue: To accept the Audit Plans of the Deloitte & Touche’s audit of L.A. Care’s financial statements for the fiscal year 2022-23.

Background:

Member Impact Statement: Fiscal responsibility by the Board of Governors is enhanced by an independent third party audit of L.A. Care’s financial condition, confirming the financial stability of the organization so important health care coverage can continue for L.A. Care’s members.

Budget Impact: N/A

Motion: To accept the Audit Plans of Deloitte & Touche’s of L.A. Care’s financial statements for the fiscal year 2022-23, as presented, and authorize execution of the engagement letter.



Raising the bar in quality and client service excellence

Our 2023 client service plan for Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan and Joint Powers Authority

August 22, 2023 | Prepared as of August 14, 2023

Deloitte & Touche LLP | Rosie Procopio, Lead Client Service Partner; Justin Lee, Audit Manager

This presentation is intended solely for the information and use of L.A. Care's Audit Committee, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



August 14, 2023

Audit Committee of the Board of Governors
Local Initiative Health Authority for Los Angeles County, a local public entity
operating and doing business as L.A. Care Health Plan and Joint Powers Authority
1055 West 7th Street
Los Angeles, CA 90017

Dear Audit Committee Members:

We are pleased to present Deloitte & Touche LLP's 2023 client service plan for Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan and Joint Powers Authority ("L.A. Care Health Plan"). First and foremost, we value our role as your independent auditor. We are extremely proud of our long-standing relationship with L.A. Care Health Plan and the high-talent team of Deloitte professionals dedicated to serving your organization—professionals with a deep knowledge of your business, how your team operates, and your culture.

Our first priority is delivering high-quality audits, and our inspection results demonstrate that we continue to be the sustained leader of the profession in audit quality. We are proud to be at the forefront of transformation, not only responding to change but reshaping what is possible by leveraging data analytics, automation, digitization, and cognitive technologies to enhance audit quality and transform our audit service delivery. We are committed to being responsive to your needs and delivering a smarter audit that is rich with insights that matter to your business, including financial and internal control risks, while reducing the audit burden on your organization.

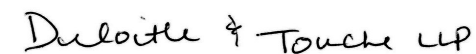
Our audit plan reflects our commitment to providing you with high-quality, proactive service that is delivered with integrity, objectivity, and independence. Our audit addresses financial statement and internal control risks through targeted procedures that are responsive to the nature of the risks, including changes in L.A. Care Health Plan, the business environment, and the regulatory landscape.

The scope and approach for the 2023 engagement are well designed and comply with all applicable professional standards. The following information is intended to provide an overview of our audit strategy as of the date of this presentation. We will separately communicate any significant changes to the planned audit strategy during the course of our audit and the reasons for such changes, as necessary.

Our teams are equipped with best-in-class technology solutions and capabilities to effectively work in a hybrid model, and we are committed to finding ways to connect so that we are together when it matters. We assure you that we remain focused on professional excellence in the delivery of our audit services, with timely, forthright, and candid communications to you and management of L.A. Care Health Plan during this time.






We appreciate the opportunity to serve L.A. Care Health Plan and hope the accompanying information will be useful to you. We look forward to answering your questions about our plan.

Yours truly,

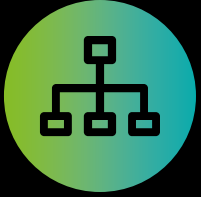


cc: The Management of L.A. Care Health Plan

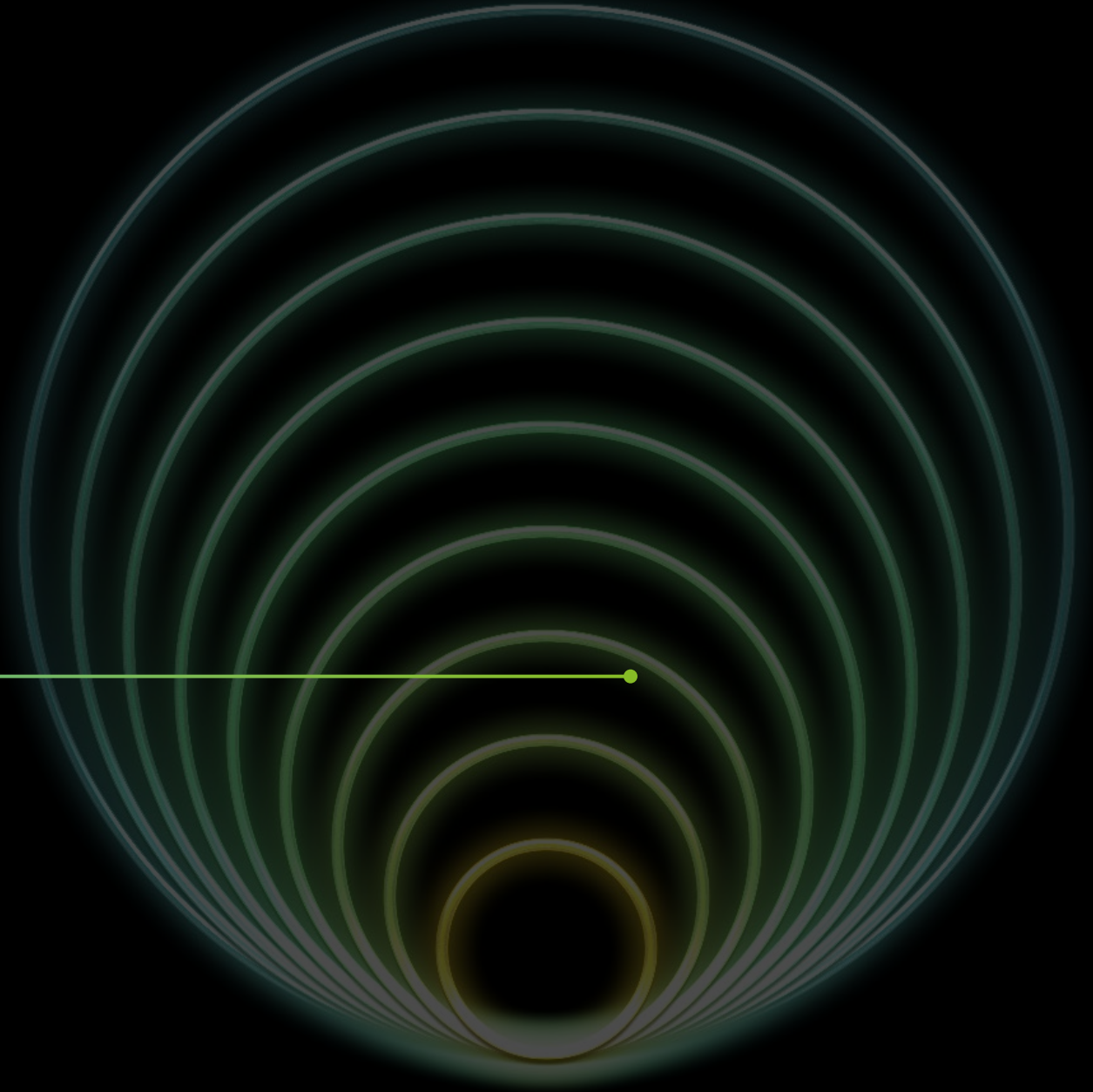
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- Appendix A: Independence
- Appendix B: Draft engagement letter

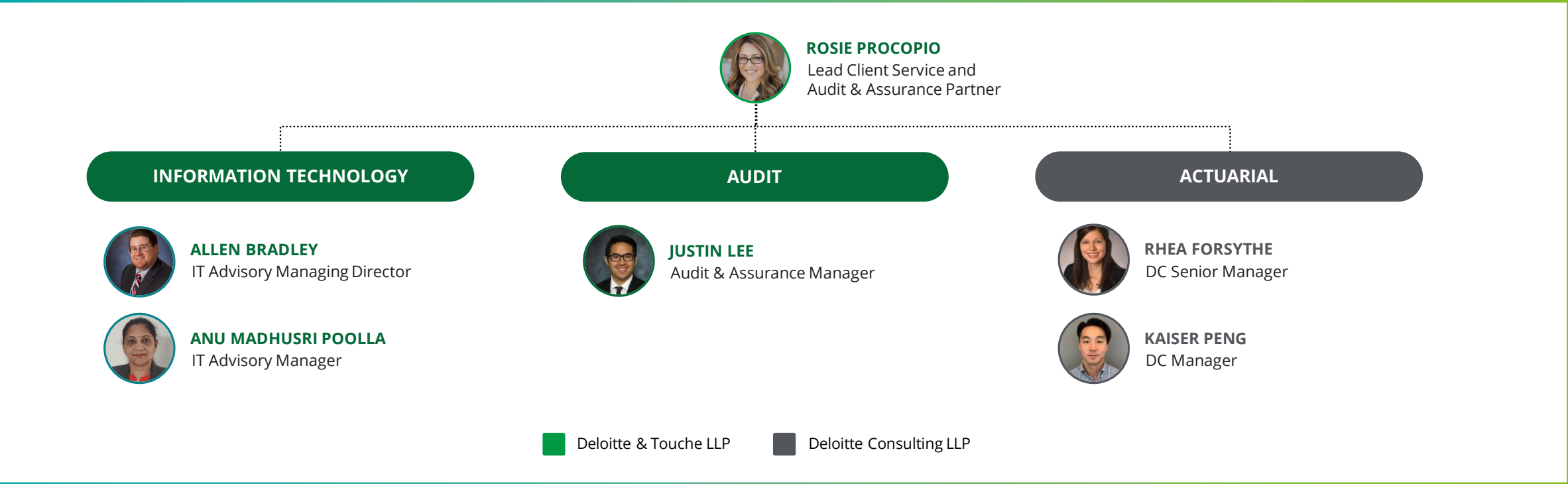


Engagement structure



Engagement structure

We have structured our team to serve L.A. Care Health Plan, both from an audit perspective and as it relates to the subject matter specialists who complement our core team with specialized technical knowledge and insights. The engagement leadership team remains consistent with the prior year.



Engagement structure (continued)

Using the work of our professionals in India and other specialists in the performance of our audit

Personnel of Deloitte & Touche LLP's subsidiary, Deloitte & Touche Assurance & Enterprise Risk Services India Private Limited, will assist us in performing audit procedures during the current-period audit. Those personnel are considered members of the engagement team and are subject to our supervision, and their work is subject to our review.

Audit procedures in the current-period audit will also be performed by the following:

Accounting firm name and location

Deloitte & Touche LLP, United States

Deloitte Consulting LLP, United States

Planned responsibilities

Information Technology (IT) Advisory Specialists led by Allen Bradley to assist in the testing of IT systems and controls

Actuarial Specialists led by Rhea Forsythe to assist in the testing of the actuarial valuation of IBNR reserve.



Our commitment to diversity, equity, and inclusion at Deloitte

Diversity, equity, and inclusion is important to us

OUR DELOITTE US WORKFORCE DATA

46.8%

overall US percentage of racial and ethnic diversity



23%

of US partners, principals, and managing directors (PPMDs) are racially and ethnically diverse

44.1%

US female representation



29.4%

US female PPMD representation

Source: [2022 DEI Transparency Report](#)

NATIONAL COMMUNITIES

Deloitte professionals can see their identities reflected in our Inclusion Councils and National Communities and have their voices heard in actionable and meaningful ways.

- Asian & Allies
- Black & Allies
- Hispanic/Latinx & Allies
- LGBTQIA+ & Allies
- Middle Eastern/North African & Allies
- People with Disabilities & Allies
- Veterans and Military & Allies
- Women & Allies

Examples of our yearly National Communities initiatives for FY2022

Leadership Summits –

The Black & Allies Community and the Hispanic/Latinx & Allies Community hosted leadership summits to connect on shared identity

History and Heritage Months –

Dedicated months, such as Disability Awareness Month and LGBTQIA+ Pride Month, to celebrate identity, community, and culture

Say This Not That –

A series developed by the Black Action Council, and expanded to other National Communities, to explore commonly used, potentially offensive phrases

Investing in our people

Our ability to bring such a strong team to L.A. Care Health Plan starts with the investments we make in our people. We invest heavily in training and actively harness strength from a diversity of backgrounds, experiences, and perspectives.

Have a look at our insights and resources to support racial equality and social justice, including the following:



2022 DEI Transparency Report: This report summarizes Deloitte's commitments to diversity, equity, and inclusion



MADE | Making Accounting Diverse and Equitable: Deloitte commits \$75 million to fuel greater racial and ethnic diversity in tax and accounting

Culture matters

and Deloitte's culture is unique

A culture of valuing all people



A culture of innovation

\$1B+ in global investments in audit quality and innovation since 2015, with a continuing **multi-billion-dollar global investment** in developing new technology, talent models, and digital skills.

Digital Innovation of the Year
International Accounting Bulletin

Winner
2022, 2021,
2020, 2018,
2015

Finalist
2019, 2017,
2016

Winner, 2020
Best Firms for Technology
Accounting Today

Winner, 2022
**Product, Service & Solution,
and Organization & Culture**
International Innovation Awards

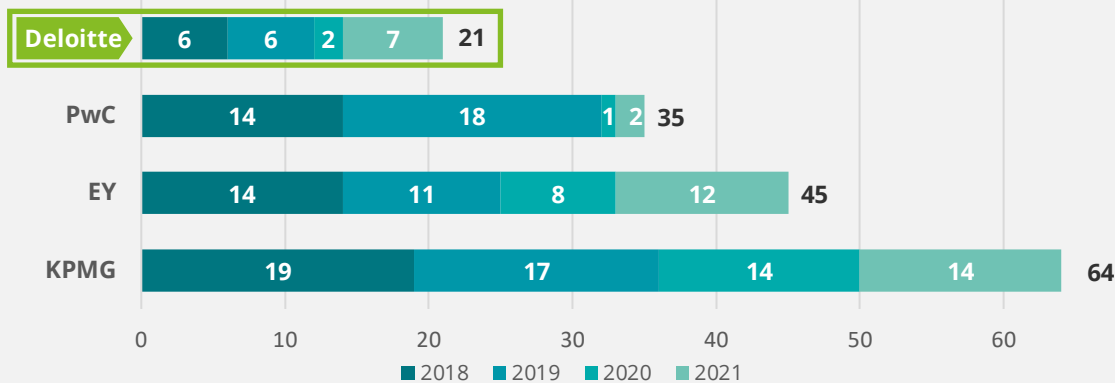
A culture of brand integrity

Strongest and Most Valuable
Commercial Services brand,
5 years running



A culture of sustained quality¹

Number of audits included in Part I.A of PCAOB inspection reports

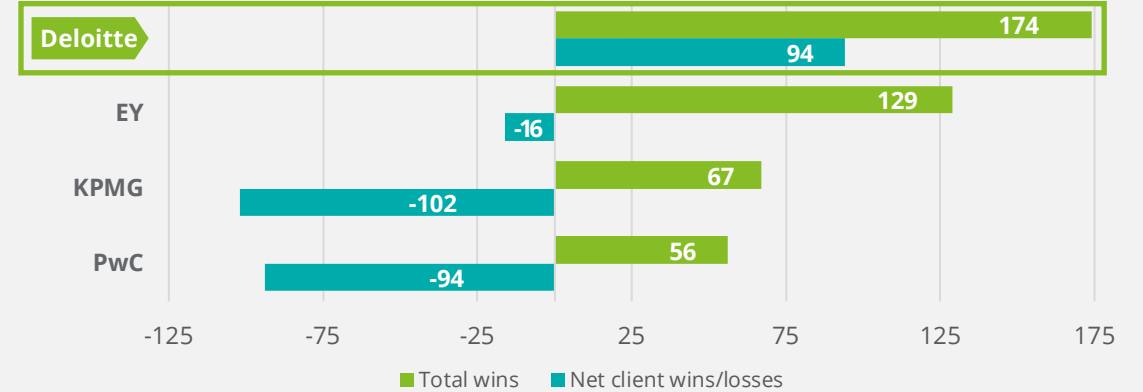


Note: Four-year presentation corresponds with the PCAOB's transition to the separation of Part I.A and Part I.B findings.

¹ Source: PCAOB website, Firm Inspection Reports

A culture of sustained client trust²

Public company audit wins (2017-2021)

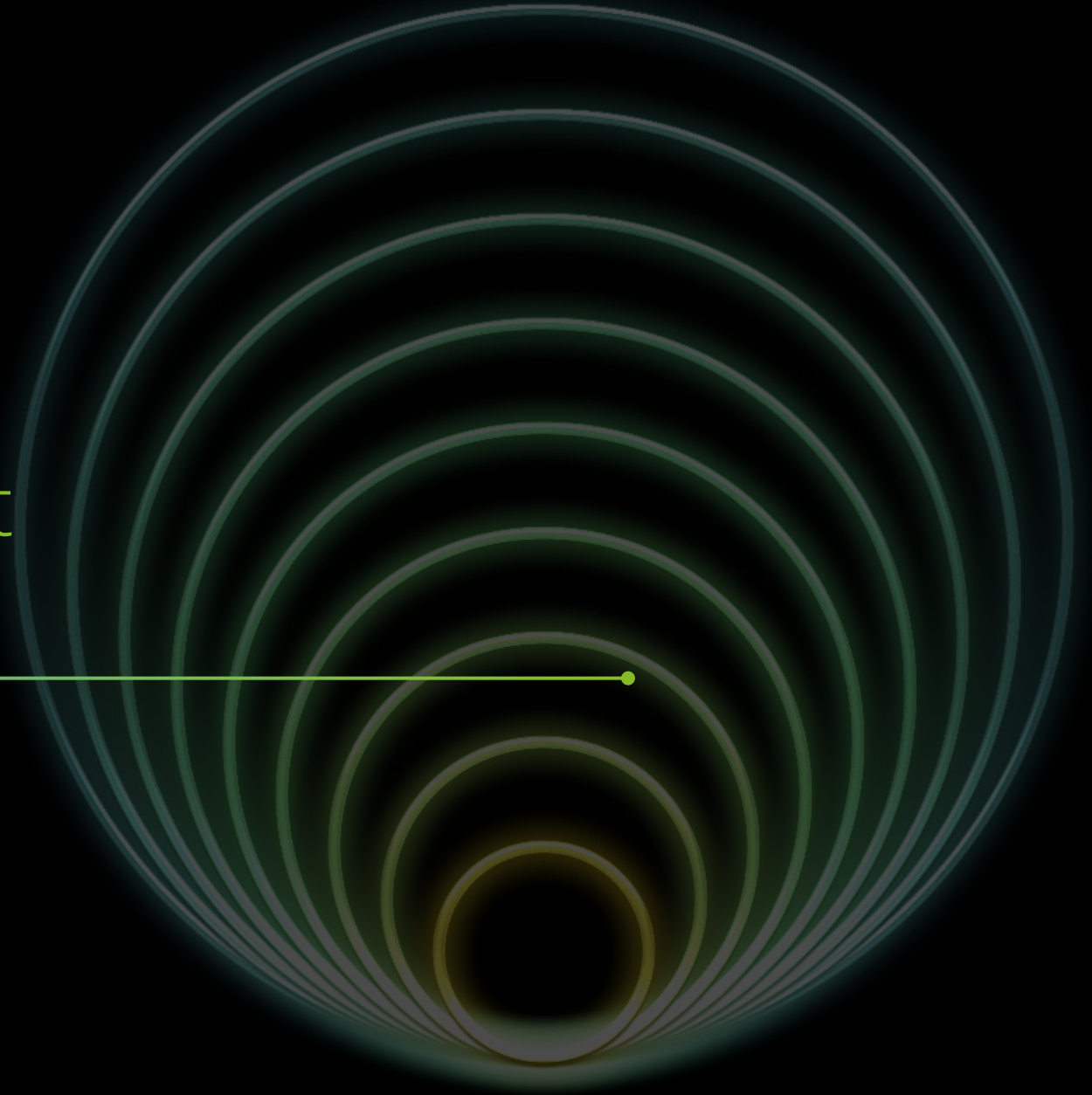


By an overwhelming margin, clients of other audit firms are switching to Deloitte and our existing clients are staying with us.

² Annual win/loss data published Audit Analytics (2017-2021)



Planned scope of the audit



Planned scope of the audit

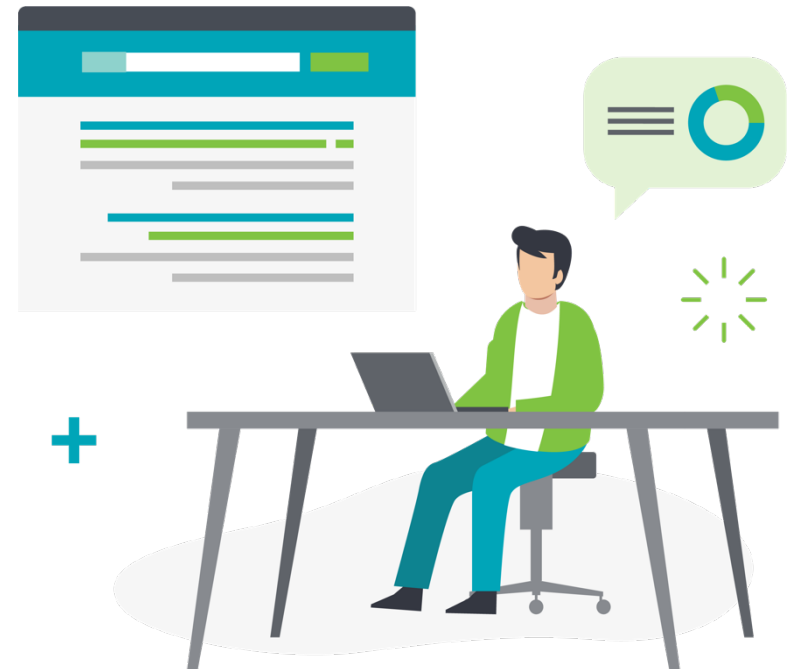
We will plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether caused by error or fraud. We are committed to enhancing audit quality and have a strong drive to achieve a more efficient audit by focusing on areas of greatest risk, as well as increasing the effectiveness of our procedures by leveraging leading-edge technologies and analytics. Through careful planning and a robust and customized risk assessment that leverages our understanding of facets specific to L.A. Care Health Plan we are able to devote greater attention to areas that matter most and spend less time reviewing areas of lower risk.

Internal Controls

We will focus our efforts on certain areas of significance to our audits. In order to determine the nature and extent of our substantive audit procedures, we will obtain an understanding of all business cycles, including general information technology controls. We will perform tests of certain relevant controls for each business cycle in order to determine whether such controls have been appropriately designed and implemented. However, we do not plan to adopt a control-reliance strategy in the performance of our audit of the financial statements.

Materiality

Materiality is the amount we use as our basis for planning the scope of our audit of the financial statements, and it is the amount of misstatement we judge to be significant to the financial statements on which we are reporting. The determination of materiality is a complex issue requiring consideration of qualitative and quantitative factors, and it is a matter of professional judgment taking into account our knowledge of the entity, our assessment of engagement risk, and the reporting requirements for the financial statements. Our consideration of materiality is influenced by our perception of the needs of users of the financial statements.



Digitized audit and benefits

Tailored audits to fit each unique business

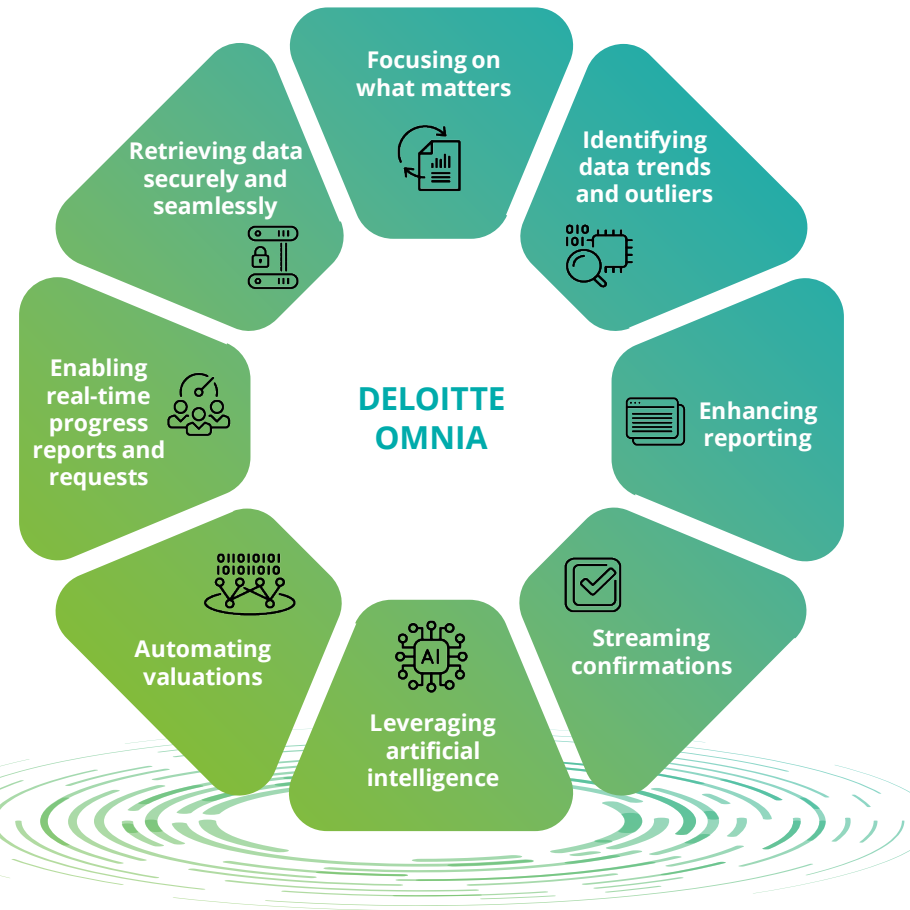
Deloitte
Omnia

We focus on what matters in the audit so you can focus on what matters to you.

Bring your audit into focus

We will use our Deloitte Omnia audit platform to transform your audit experience to be smarter, more efficient, and more focused.

Our approach alleviates common pain points while also resulting in tangible benefits for L.A. Care Health Plan.



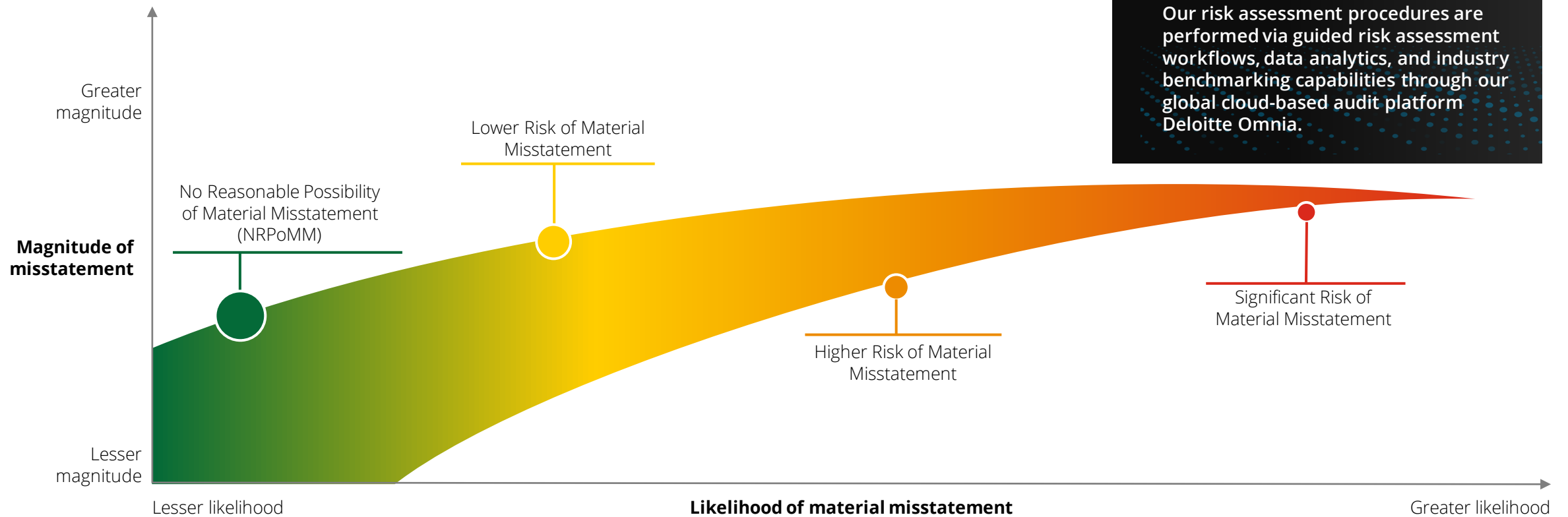
Key benefits for L.A. Care Health Plan

- REDUCED BURDEN
- HIGHER QUALITY
- MORE VISIBILITY
- DEEPER INSIGHTS

Risk assessment

Focus on what matters

A risk-based audit approach only makes a difference if the audit execution is dictated by the assessed risk. Below, we have provided a view into how we focus the audit on areas of risk that really matter. We execute based on our assessment.



Significant risks

As of the date of this report, we have identified certain significant risks, including fraud risks, during our risk assessment procedures. A significant risk is a risk of material misstatement of the financial statements that requires special audit consideration or for which the assessment of inherent risk is closer to the upper end of the spectrum of inherent risk due to the degree to which inherent risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement should that misstatement occur. The significant risks we have identified during our risk assessment procedures and our preliminary audit response, including the nature and extent of specialized skills or knowledge needed to perform the planned audit procedures or evaluate the audit results, are detailed in the following slides.

We will separately communicate any significant changes to these significant risks during the course of our audit and the reasons for such changes, as necessary.



Audit area

Management override of controls
(Presumed risk of fraud under AICPA Standards)



Significant risks

Management is in a unique position to perpetrate fraud because of its ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding established controls that otherwise appear to be operating effectively. The risk of management override of controls is pervasive. Because of its unpredictable nature, this risk could result in a material misstatement. This significant risk also represents a fraud risk.



Planned audit response

- Use our proprietary quantitative financial analysis and benchmarking analysis capability to identify unusual trends in account balances and ratios.
- Engage in fraud discussions with certain members of senior management and others.
- Consider the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates.
- Evaluate whether L.A. Care Health Plan has entered into any significant unusual transactions and, if so, the nature, terms, and business purpose (or lack thereof) of those transactions and whether such transactions involved related parties.
- Evaluate L.A. Care Health Plan's fraud risk assessment and controls over financial reporting
- Test journal entries that exhibit characteristics of possible management override of controls, identified using electronic data interrogation techniques.
- Test design and implementation of controls over significant, unusual transactions, particularly those that result in late or unusual journal entries and controls over journal entries and adjustments made in the period-end financial reporting process.

Significant risks (continued)

As of the date of this report, we have identified certain significant risks, including fraud risks, during our risk assessment procedures. A significant risk is a risk of material misstatement of the financial statements that requires special audit consideration or for which the assessment of inherent risk is closer to the upper end of the spectrum of inherent risk due to the degree to which inherent risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement should that misstatement occur. The significant risks we have identified during our risk assessment procedures and our preliminary audit response, including the nature and extent of specialized skills or knowledge needed to perform the planned audit procedures or evaluate the audit results, are detailed in the following slides.

We will separately communicate any significant changes to these significant risks during the course of our audit and the reasons for such changes, as necessary.



Audit area

Assumptions utilized in IBNR valuation



Significant risks

The valuation of IBNR reserve requires management estimation and judgment. Management uses significant assumptions and judgments in estimating the cost of claims, specifically those that are made to adjust IBNR reserve, which include, among other factors, the average interval between the date services are rendered and the date claims are paid, utilization, seasonality patterns, changes in membership, and known environmental factors. Management also leverages calculations and estimates developed by its internal actuarial team when considering the liability estimate. There is a significant risk that management may not use a complete, accurate, or valid set of assumptions within its estimate. This significant risk also represents a fraud risk.



Planned audit response

- Perform inquiries of management and test design and implementation of internal control activities involving management's process for estimating the IBNR reserve.
- Conduct meetings with the L.A. Care Health Plan's actuaries to assess the consistency of the methodology utilized for calculating the accruals for IBNR estimates. Furthermore, hold discussions with claims operations personnel to better understand performance over time and its impact on the claims reserve.
- Involve actuarial specialists from Deloitte Consulting LLP to review management's methods and assumptions used to develop the reserve estimates and prepare an independent estimated range of reasonable reserves in order to evaluate the appropriateness management's estimate of its claims-based liability. Assess information such as claims inventory, high dollar claims and other environmental factors to conclude on actuarial assumptions utilized.
- Direct data integrity testing of information utilized by the L.A. Care Health Plan's actuaries, including tests of details on paid claims (see page 16) and claims inventory for accuracy and completeness.
- Perform retrospective lookback (recast) of management's prior year estimates.

Other areas of audit focus

As part of our planning procedures, we have identified other areas of audit focus. The table describes these areas and our planned approach to address them. If there are changes identified as we perform our audits, we will communicate those to you.



Audit area

Valuation of investments, including government-pooled funds



Planned audit response

- Test design and implementation of internal controls over the treasury (investment) cycle.
- Leverage the assistance of the Investment Center of Excellence, which is comprised of a team of highly skilled professionals with deep knowledge and experience in auditing investments for a variety of clients
- Perform a combination of detail testing, substantive analytics and confirmation procedures
- Level 1 & 2 Investments:
 - Obtain confirmation from the custodian
 - Utilize [Omnia DNAV](#) to price substantially all securities
 - Review the investment classification and fair value disclosures to test that investments are appropriately classified as to type and fair value hierarchy
- For selected government-pooled funds:
 - Obtain confirmations of the ending balance and capital activity for each investment, along with the latest audited financial statements available, from state and city treasurer office (“investees”)
 - For investees with the same fiscal year end as L.A. Care Health Plan, we will recalculate the investment value as of fiscal year end based on the net asset value per the investee financial statements
 - For investees with different fiscal year ends than 9/30, we will develop an expectation of the ending value based on the beginning balance, activity during the year and expected rate of return
 - Perform a retrospective analysis of the fair value recorded during the prior year to subsequent investment statements received

Other areas of audit focus (continued)

As part of our planning procedures, we have identified other areas of audit focus. The table describes these areas and our planned approach to address them. If there are changes identified as we perform our audits, we will communicate those to you.



Audit area

Revenue

Medical expense - pricing of medical claims

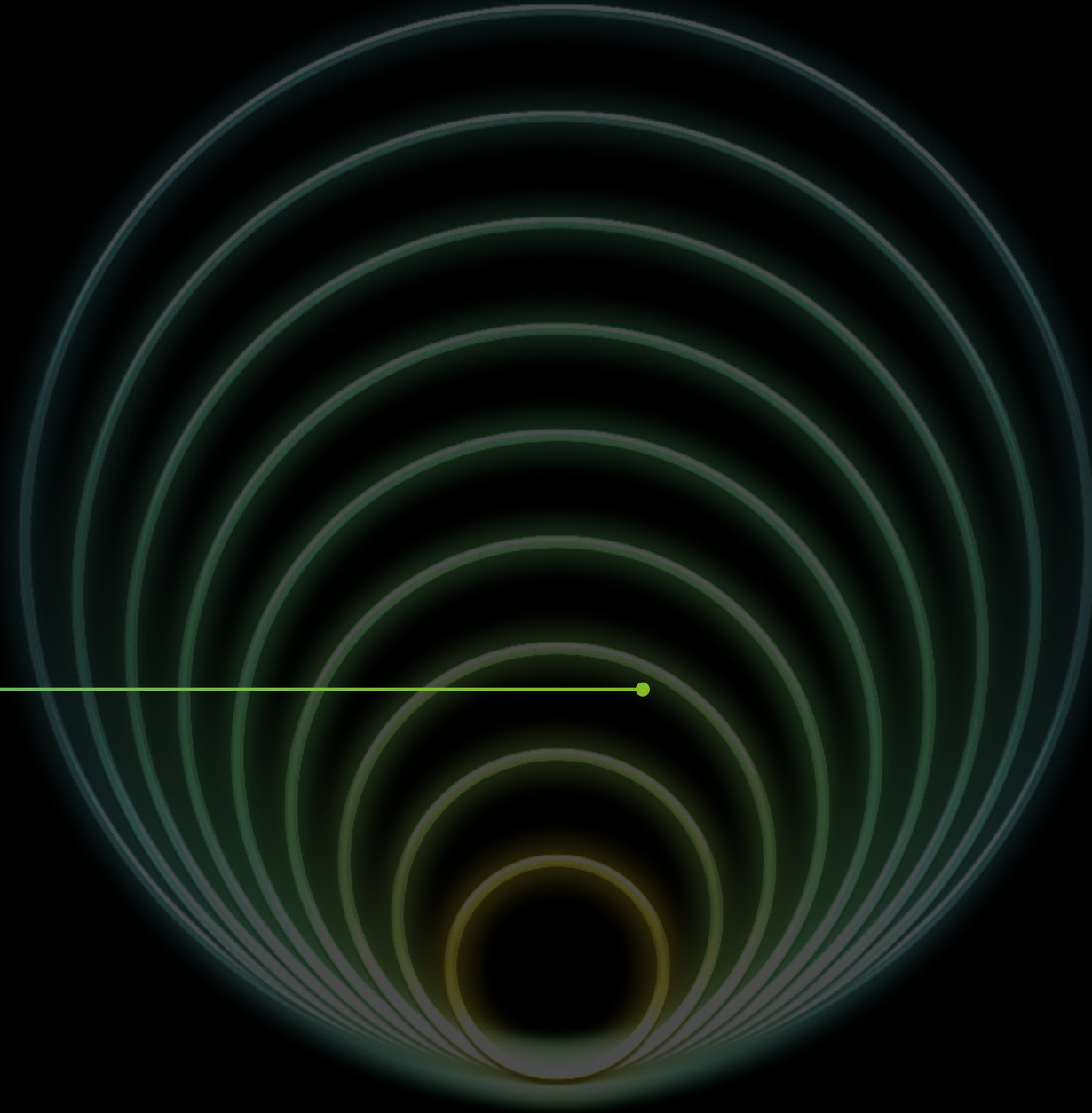


Planned audit response

- Test design and implementation of internal controls over the revenue cycle.
- Perform a combination of detail testing and/or substantive analytics over the various revenue line of businesses.
- Inspect regulatory communications to identify rate adjustments, as well as settlement arrangements with the state, if any.
- Recalculate significant rate adjustments and assess the completeness and accuracy of such adjustments, if any.
- Inquire with management and gain an understanding of risk-sharing arrangements including the methodology used to develop the estimates and test the reasonableness of the significant assumptions used, as well as the underlying data.
- Test design and implementation of internal control activities over medical expense cycle.
- Reconcile paid claims detail with the general ledger and perform further audit procedures over reconciling differences, if any.
- Test claim paid amount by computing an expected reimbursement amount using contracts, fee tables and/or other relevant pricing methodology as prescribed by state or federal agency.



Audit timeline



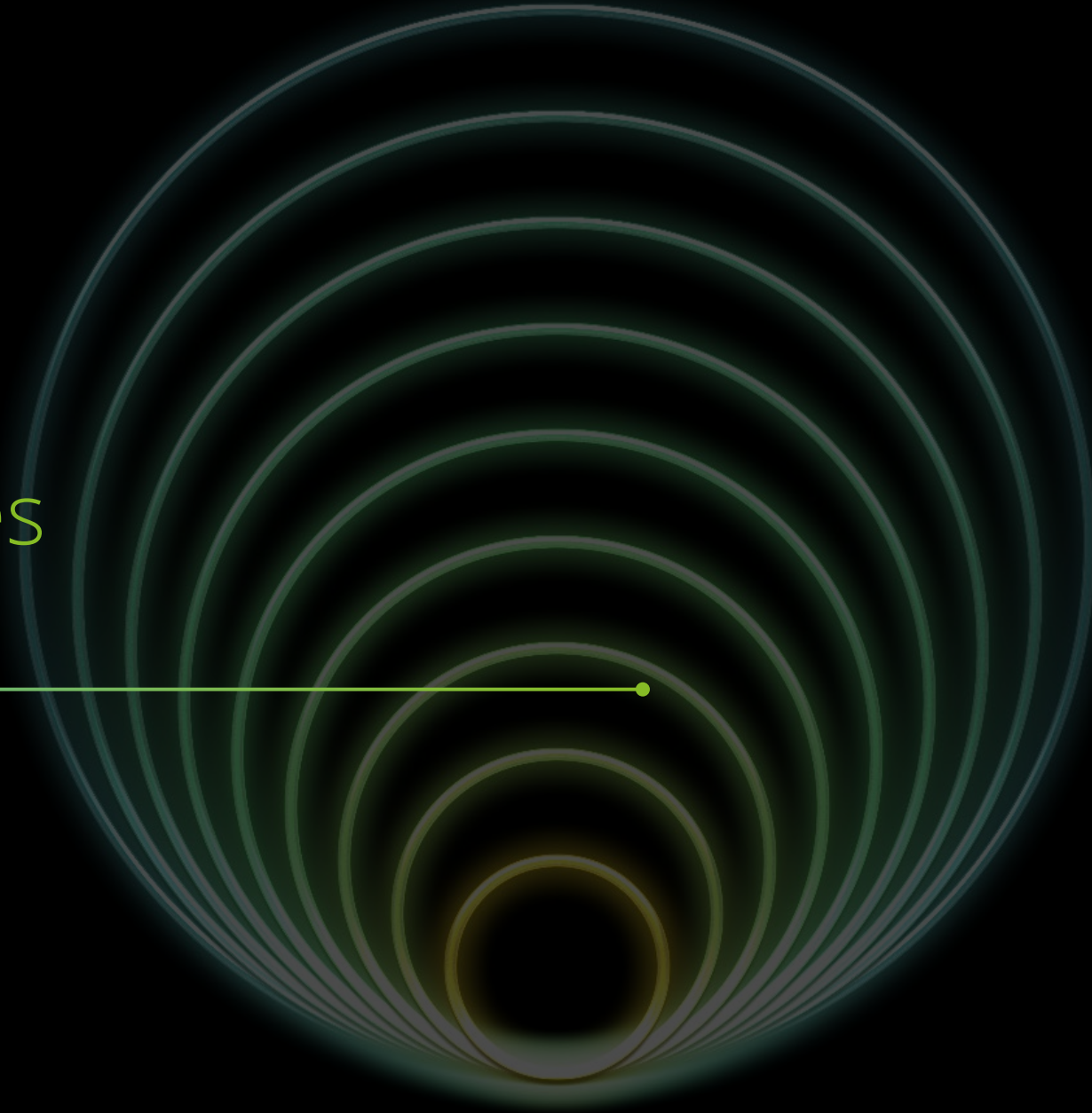
Audit timeline

We will plan the performance of our audit in accordance with the following estimated timetable:

ACTIVITY	2023							
	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Conduct periodic meetings with management to coordinate client assistance, as well as communicate industry and accounting matters and current service needs	●	●	●	●	●	●	●	●
Conduct planning meetings with the audit team and client personnel		●	●					
Perform preliminary planning, risk assessment and develop detailed audit plan			●	●				
Perform audit procedures on significant risk areas, as well as significant estimates			●	●			●	●
Perform interim audit procedures			●	●				
Report results of interim audit procedures to senior management				●				
Perform information technology audit procedures						●		
Perform final audit procedures							●	●
Resolution of audit findings (ongoing)			●	●	●	●	●	●
Issuance of financial statements and audit report								●
Meetings with the Audit Committee to:								
Discuss the audit plan, scope, risk of fraud and fees				●				
Discuss the results of our audit and provide year-end required communications to Audit Committee								●



Estimated professional fees



Our focus is on serving you

In conjunction with the services we have provided in our past audit engagements, we also have provided advice, recommendations, and perspectives on a variety of topics specific to L.A. Care Health Plan, provided access to subject matter specialists, and facilitated other meaningful experiences for you.



We will continue to provide access to subject matter specialists, Deloitte events, and other valuable experiences. We view this as our continued effort to enhance our service delivery to L.A. Care Health Plan.

BRINGING TALENT

Tailored to your needs



- Understanding what is important to L.A. Care Health Plan
- Proactive and timely communication
- Technical competence
- Roll-up-the-sleeves mentality
- Access to subject matter specialists

DELOITTE'S REIMAGINED AUDIT

Quality through innovation



- Risk-focused
- Technology-driven
- Less disruptive and intrusive to the client
- Enhanced audit quality

INSIGHTS AND PERSPECTIVES

Advice and recommendations



- Impacts of evolving regulatory landscape, including compliance matters
- Perspectives on evolving trends impacting your industry and the talent landscape
- Advice on tax and payroll related matters

Estimated professional fees

Delivering high-quality, high-value audits in the current market landscape

As we continue to deliver a transformed audit experience that is high-quality, less burdensome, and provides deeper insights, the current, dynamic market environment continues to drive substantial increases in our cost to deliver.

We are continuing to experience high inflationary pressures...

Inflation year over year continues to be elevated compared to pre-pandemic levels

+3.0%

+12%

which is driving significantly increased costs to serve compared to pre-pandemic levels...

3-year CAGR for base labor costs (+10%+ vs. PY; +40%+ vs. pre-pandemic)

and strong demand for our services...

Increase in public registrants after record volume of IPO and SPAC transactions

+13%



+\$450M

while we continue to invest in industry-leading capabilities

technology investment over 5 years

SUSTAINED LEADER IN AUDIT QUALITY

as evidenced by PCAOB inspection results

We undertake our services with the objective to provide L.A. Care Health Plan with timely, responsive service in order to continue building an enduring professional relationship. We are sensitive to the desire to control costs while maintaining professional standards.

In estimating our fees for 2023, we have considered our knowledge of your operations, changes in your organization structure and the regulatory environment, and other risks. We developed our fees based on the time required to complete our planned procedures. We continue to rigorously challenge our budgeted hours in order to identify efficiencies and ensure the scope is targeted to the most significant risks of L.A. Care Health Plan.

Our proposed 2023 audit fees are as follows:

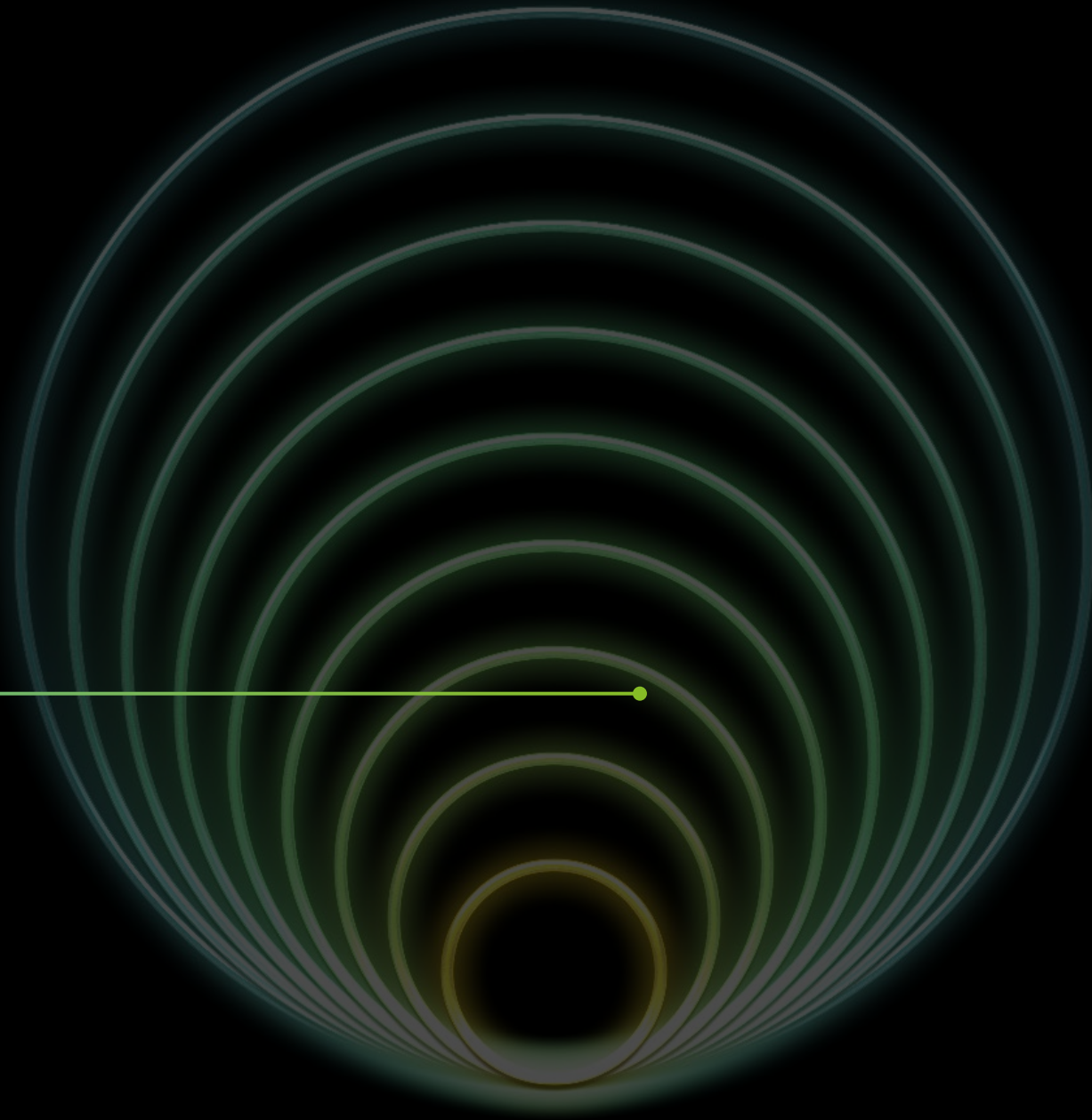
	2022	2023
Financial Statement Audit - Base Fees excluding expenses	\$403,000	\$423,000
Deloitte Accounting Research Tool Subscription Fee - Per user	\$2,495	\$2,495

*Inflation rates are gathered from the [U.S. Bureau of Labor Statistics](#); internal Deloitte US/USI weighted cost rate average increases; [FEI Survey](#)



Appendix A

Independence



Ethics, independence, and compliance



All professionals of the Deloitte US Entities are expected to act with integrity in accordance with high ethical standards as presented in our [US Code of Ethics & Professional Conduct](#) (the Code), which includes our Global Principles of Business Conduct. The Code specifies expectations for all professionals of the Deloitte US Entities regarding ethics and compliance standards, as well as explaining each individual's responsibilities to the public, clients, and colleagues.



Our independence requirements apply to all Deloitte US Entities' professionals, regardless of whether they are directly involved in delivering audit services. The national managing partner for the Independence & Conflicts Network (ICN) is responsible for overseeing independence matters, including the design, implementation, operation, monitoring, and maintenance of the System of Quality Control related to independence. The chief ethics and compliance officer is responsible for making sure appropriate disciplinary action is taken when independence policy or regulatory violations occur.



We use a variety of communication channels and approaches, such as our intranet site, newsletters, email communication campaigns, leadership messages, mandatory training, and embedded messaging in various career milestone trainings (including pre-hire and onboarding) to promote and reinforce the importance of ethical behavior; compliance with laws, professional standards, and responsibilities; and compliance with policies across the Deloitte US Entities, including timely and accurately reporting personal financial relationships in the Deloitte Tracking & Trading system.



Our ethics, independence, and compliance programs also include the following elements, among others:

- Ethics, independence, confidentiality, data privacy, and compliance training
- The Compliance Help Desk and My Compliance Dashboard
- Integrity Helpline
- Individual compliance and internal monitoring
- Personal representations on independence, ethics, and compliance



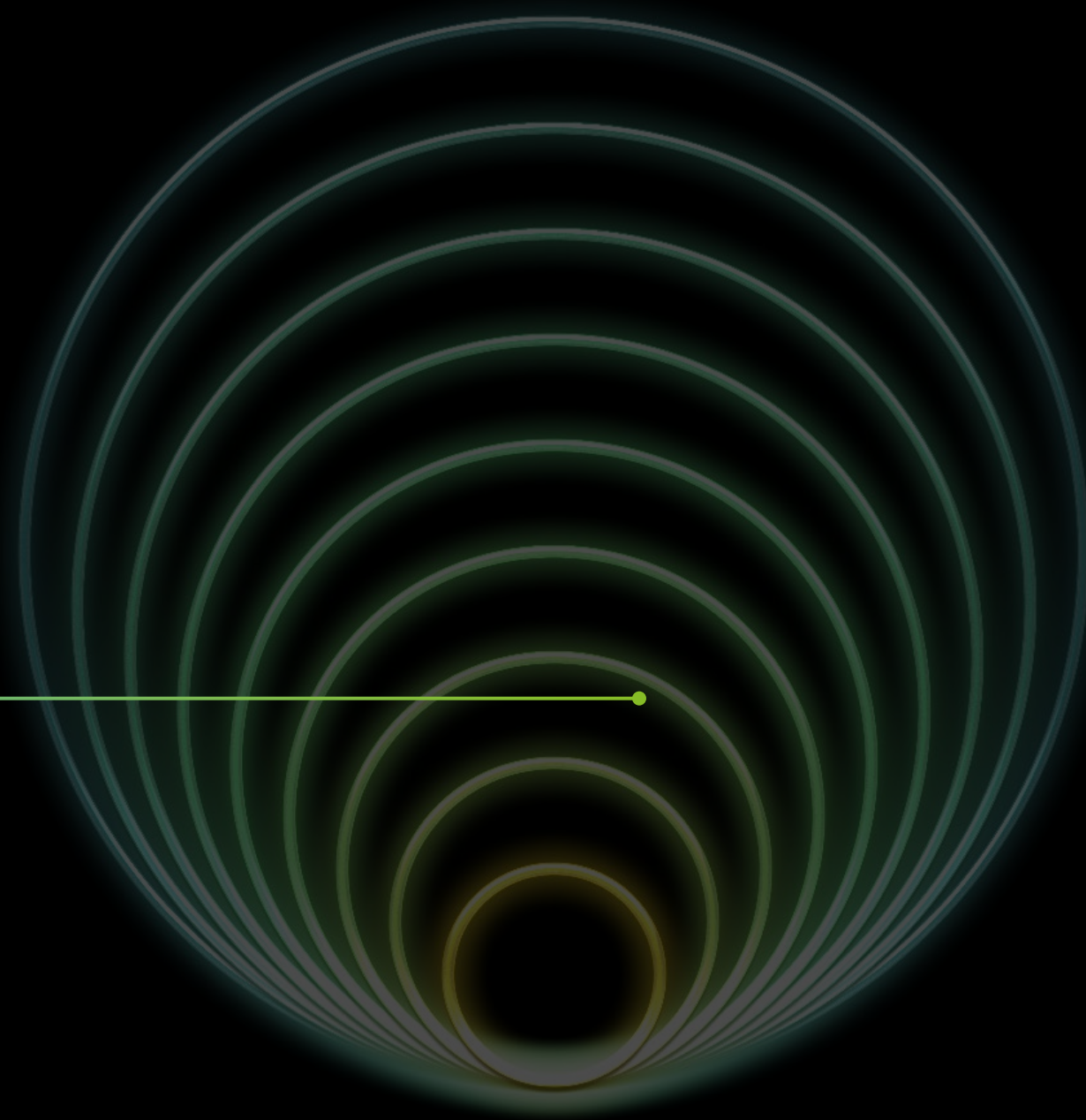
Additionally, Deloitte's global independence team performs the following activities, among others:

- Supports firms, as needed, with their annual SQC review and gives insights into global areas of focus. Deloitte Global Independence provides independence subject matter expertise that is leveraged during the firms' annual SQC review as part of firm monitoring.
- Provides firms with ongoing independence expertise through consultation, enabling continuous enhancements to global policies, procedural expectations, tools, and practice support activities.
- Delivers global systems to provide its people with entity information to support compliance with personal and professional independence requirements, including financial interests and scope-of-services approvals.
- Promotes independence awareness across the Deloitte network through active engagement with independence and business leadership groups, periodic communications and alerts, and the development of guidance, learning, and instructions.



Appendix B

Draft engagement letter



August XX, 2023

Mr./Ms. <<TBD>>

Audit Committee Chair
Audit Committee of the Board of Governors
for Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan
1055 W 7th Street
Los Angeles, California 90017

Mr. Afzal Shah
Chief Financial Officer
Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan
1055 W 7th Street
Los Angeles, California 90017

Dear Mr./Ms. <<TBD>> and Mr. Shah:

Deloitte & Touche LLP (“D&T” or “we” or “us”) is pleased to serve as independent auditors for Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan and Joint Powers Authority (the “Organization” or “you” or “your”). Ms. Rosalba Procopio will be responsible for the services that we perform for the Organization hereunder.

In addition to the audit services we are engaged to provide under this engagement letter, we would also be pleased to assist the Organization on issues as they arise throughout the year. Hence, we hope that you will call Ms. Procopio whenever you believe D&T can be of assistance.

The services to be performed by D&T pursuant to this engagement are subject to the terms and conditions set forth herein and in the accompanying appendices. Such terms and conditions shall be effective as of the date of the commencement of such services.

Audit of Financial Statements and Other Reporting

Our engagement is to perform an audit in accordance with (1) auditing standards generally accepted in the United States of America (“generally accepted auditing standards”), and (2) the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (“generally accepted government auditing standards”) (generally accepted auditing standards and generally accepted government auditing standards are collectively referred to herein as the “Auditing Standards”). The objectives of an audit conducted in accordance with the Auditing Standards are to:

- Express an opinion on whether the Organization’s basic financial statements for the year ending September 30, 2023 (the “financial statements”), are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), and perform specified procedures on the required supplementary information for the year ending

September 30, 2023.

- Report on the Organization’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ending September 30, 2023, based on an audit of financial statements performed in accordance with generally accepted government auditing standards.

Appendix A contains a description of the auditor’s responsibilities and the scope of an audit in accordance with the Auditing Standards.

D&T Reports

We expect to issue written reports upon the completion of our audit. Our ability to express any opinion or to issue any report as a result of this engagement and the wording thereof will, of course, be dependent on the facts and circumstances at the date of our reports. If, for any reason, we are unable to complete our audit or are unable to form or have not formed any opinion, we may decline to express any opinion or decline to issue any report as a result of this engagement. If we are unable to complete our audit, or if any report to be issued by D&T as a result of this engagement requires modification, the reasons for this will be discussed with the Audit Committee of the Board of Governors for Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan (the “Audit Committee”) and the Organization’s management.

Management's Responsibilities

Appendix B describes management’s responsibilities.

Responsibility of the Audit Committee

As independent auditors of the Organization, we acknowledge that the Audit Committee is directly responsible for the appointment, compensation, and oversight of our work, and accordingly, except as otherwise specifically noted, we will report directly to the Audit Committee. You have advised us that the services to be performed under this engagement letter, including, where applicable, the use by D&T of affiliates or related entities as subcontractors in connection with this engagement, have been approved by the Audit Committee in accordance with the Audit Committee’s established preapproval policies and procedures.

Communications with the Audit Committee

Appendix C describes various matters that we are required by the Auditing Standards to communicate with the Audit Committee and management.

Fees

We estimate that our fees for this engagement will be \$423,000, plus expenses. Based on the anticipated timing of the work, our fees will be billed approximately as follows:

Invoice Date	Amount
August 2023	\$223,000
October 2023	\$100,000
November 2023	\$100,000

We anticipate sending invoices according to the above schedule, and payments are due 30 days from the date of the invoice. Engagement-related expenses, and technology- and administrative-related charges will be billed in addition to the fees and will be stated separately on the invoices. Notwithstanding anything to the contrary set forth herein, authorized expenses reimbursable under this engagement letter shall not exceed ten percent (10%) of the amount of estimated engagement fees specified above.

Our continued service on this engagement is dependent upon payment of our invoices in accordance with these terms. Our estimated fees are based on certain assumptions, including (1) timely and accurate completion of the requested Organization participation schedules and additional supporting information, (2) no inefficiencies during the audit process or changes in scope caused by events that are beyond our control, (3) the effectiveness of internal control over financial reporting throughout the period under audit, (4) a minimal level of audit adjustments (recorded or unrecorded), and (5) no changes to the timing or extent of our work plans. We will notify you promptly of any circumstances we encounter that could significantly affect our estimate and discuss with you any additional fees, as necessary.

In addition, the Organization agrees to compensate D&T for any time and expenses that we may incur in responding to requests for documents or information under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), Subtitle D of the Health Information Technology for Economic and Clinical Health Act provisions of the American Recovery and Reinvestment Act of 2009 ("HITECH"), or any regulations promulgated under HIPAA or HITECH.

Access to Working Papers by Regulators

We may be requested or required by a regulator of the Organization, including but not limited to a federal agency, the Comptroller General of the United States, or representatives of the United States Government Accountability Office (GAO) or California Department of Managed Health Care (DMHC) (each, a "Regulator") to provide access to working papers related to this engagement. In the event of any such request or requirement, we will notify you prior to providing such access unless applicable law or regulation prohibits such notice. The working papers for this engagement are the property of D&T and constitute D&T's confidential information. We may request confidential treatment of our working papers. Access to our working papers will be provided under the supervision of D&T's personnel and upon request we may provide copies of working papers to a Regulator. If we are requested, but not required, to provide such access, then we will obtain the Organization's consent prior to providing access to working papers and copies thereof to a Regulator. Fees for professional services relating to such access, plus related expenses, will be billed in addition to the estimated fees outlined herein. The working papers related to this engagement will be retained by us for a minimum of three years

from the dates of the reports issued, or such longer period as required to satisfy legal and administrative requirements.

Inclusion of D&T Reports or References to D&T in Other Documents or Electronic Sites

Nothing in this engagement letter is intended to restrict the ability of the Organization to distribute to other parties our independent auditors' reports together with, and only with, a complete set of the Organization's financial statements and related notes thereto for all periods to which such reports relate. However, if the Organization intends to publish or otherwise reproduce in any document any report issued as a result of this engagement, or otherwise make reference to D&T in a document that contains other information in addition to the audited financial statements (e.g., in a periodic filing with a regulator, in an annual report, in a debt or equity offering circular, or in a private placement memorandum), thereby associating D&T with such document, the Organization agrees that its management will provide D&T with a draft of the document to read and obtain our approval for the inclusion or incorporation by reference of any of our reports, or the reference to D&T, in such document before the document is printed and distributed. The inclusion or incorporation by reference of any of our reports in any such document would constitute the reissuance of such reports. The Organization also agrees that its management will notify us and obtain our approval prior to including any of our reports on an electronic site.

Our engagement to perform the services described herein does not constitute our agreement to be associated with any such documents published or reproduced by or on behalf of the Organization. Any request by the Organization to reissue any report issued as a result of this engagement, to consent to any such report's inclusion or incorporation by reference in an offering or other document, or to agree to any such report's inclusion on an electronic site will be considered based on the facts and circumstances existing at the time of such request. The estimated fees outlined herein do not include any procedures that would need to be performed in connection with any such request. Should D&T agree to perform such procedures, fees for such procedures would be subject to the mutual agreement of the Organization and D&T.

* * * * *

The parties acknowledge and agree that D&T is being engaged under this engagement letter to provide only the services described herein. Should the Organization or the Audit Committee request, and should D&T agree to provide, services (including audit services) beyond those described herein, such services will constitute a separate engagement and will be governed by a separate engagement letter.

This engagement letter, including Appendices A through F attached hereto and made a part hereof, constitutes the entire agreement between the parties with respect to this engagement and supersedes any other prior or contemporaneous agreements or understandings between the parties, whether written or oral, relating to this engagement.

If the above terms are acceptable and the services described are in accordance with your understanding, please sign the copy of this engagement letter in the space provided and return it to us.

Yours truly,

Acknowledged and approved on behalf of
the Audit Committee of Local Initiative Health Authority for Los Angeles County, a local public
entity operating and doing business as L.A. Care Health Plan:

By: _____

Title: _____

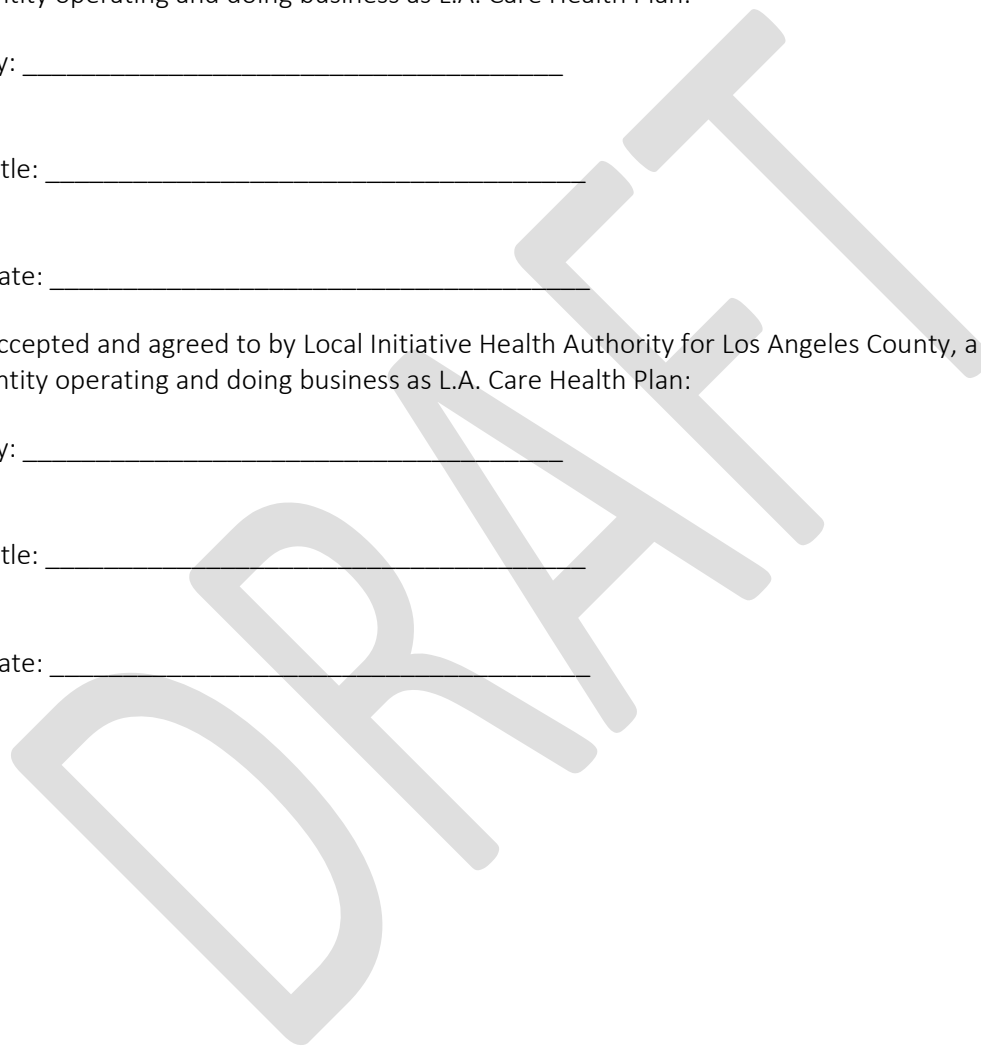
Date: _____

Accepted and agreed to by Local Initiative Health Authority for Los Angeles County, a local public
entity operating and doing business as L.A. Care Health Plan:

By: _____

Title: _____

Date: _____



APPENDIX A

AUDITOR'S RESPONSIBILITIES AND SCOPE OF AN AUDIT IN ACCORDANCE WITH THE AUDITING STANDARDS

This Appendix A is part of the engagement letter dated August XX, 2023, between Deloitte & Touche LLP, Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan and approved by the Audit Committee of the Organization.

Auditor's Responsibilities

Our responsibilities under the Auditing Standards include forming and expressing opinions and reporting on certain matters as described in the *Audit of Financial Statements and Other Reporting* section of this engagement letter. The audit of the financial statements and our reporting on other matters do not relieve management or the Audit Committee of their responsibilities.

Scope of an Audit and Other Reporting

The Auditing Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. 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 the Auditing Standards 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 can arise from fraud or error and 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.

An audit performed in accordance with the Auditing Standards, includes the following:

- Exercising professional judgment and maintaining professional skepticism throughout the audit.
- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, and designing and performing audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding amounts and disclosures in the financial statements.
- Obtaining 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 the Organization's internal control. Accordingly, no such opinion will be expressed.

- Evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- Concluding whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether due to fraud or error, that are not material to the financial statements as a whole are detected.

An audit also includes tests of the Organization's compliance with certain provisions of laws, regulations, contracts, and grant agreements. However, our objective is not to provide an opinion on compliance with those provisions, and accordingly, we will not express such an opinion.

Generally accepted accounting principles provide for certain required supplementary information, such as a management's discussion and analysis, to accompany the Organization's financial statements. As part of the audit, we will apply certain limited procedures to the Organization's required supplementary information, which will consist 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 financial statements, and other knowledge we obtained during the audit of the financial statements. We will disclaim an opinion on the required supplementary information, unless (1) some of the required supplementary information is omitted, (2) the measurement or presentation of the required supplementary information departs materially from the prescribed guidelines, or (3) we have unresolved doubts about whether the required supplementary information is presented in accordance with prescribed guidelines.

Supplementary information also accompanies the Organization's financial statements. We will subject such supplementary information to the auditing procedures applied to our audit of the financial statements and certain additional procedures with the objective of expressing an opinion on whether such information is fairly stated, in all material respects, in relation to the financial statements as a whole. Such procedures will include comparing and reconciling the supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

Medicare, Medicaid, and HIPAA Compliance

Claims for payment for services rendered to Medicare and Medicaid beneficiaries must meet applicable billing laws and regulations that, among other things, require that the services are medically necessary, accurately coded, and sufficiently documented in the beneficiaries' medical records. Although we will make certain limited inquiries about procedures and controls relating to compliance with these laws and regulations, we will not perform an audit of claims submitted to Medicare and Medicaid with respect to such compliance. The determination of medical

necessity, coding accuracy, and sufficiency of medical records documentation is not within the auditors' responsibility. Accordingly, neither our audit of the Organization's financial statements for the year ending September 30, 2023, nor any reviews or other services provided pursuant to this engagement letter, will provide any assurances, nor will we express any opinion, that the claims submitted by the Organization for services rendered to Medicare and Medicaid beneficiaries are in compliance with applicable billing laws and regulations.

Identifying and ensuring that the Organization complies with the laws and regulations applicable to its activities are the responsibility of the Organization's management. Neither our audit of the Organization's financial statements for the year ending September 30, 2023, nor any reviews or other services provided pursuant to this engagement letter will provide any assurances, nor will we express any opinion, that the Organization's efforts or the efforts of any other parties, such as the Organization's vendors, service providers, customers, unconsolidated subsidiaries or joint ventures in which the Organization has an investment, or other third parties are appropriate to establish procedures or to have a process in place to be compliant with the laws and regulations of HIPAA or any other laws or regulations. In addition, we are not engaged to perform, nor will we perform as part of this engagement, any procedures to test whether the Organization is compliant with HIPAA or any other laws or regulations, or whether the plans and activities of the Organization or any other third parties are sufficient to address and correct problems that might arise because of noncompliance, nor will we express any opinion or provide any other assurances with respect to these matters.

DRAFT

APPENDIX B

MANAGEMENT'S RESPONSIBILITIES

This Appendix B is part of the engagement letter dated August XX, 2023, between Deloitte & Touche LLP, Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan and approved by the Audit Committee of the Organization.

Financial Statements, Internal Control, and Compliance

Management is responsible for the preparation, fair presentation, and overall accuracy of the financial statements, including disclosures, in accordance with generally accepted accounting principles and the required supplementary information in accordance with prescribed guidelines. In this regard, management has the responsibility for, among other things:

- Selecting and applying the accounting policies
- Designing, implementing, and maintaining effective internal control relevant to (1) the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error and (2) compliance with laws, regulations, and provisions of contracts or grant agreements
- Identifying and ensuring that the Organization complies with the laws and regulations applicable to its activities and the provisions of contracts or grant agreements, and informing us of all instances of identified or suspected fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements
- Evaluating whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern
- Providing us with (1) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, (2) additional information that we may request from management for the purpose of our audit, and (3) unrestricted access to personnel within the Organization from whom we determine it necessary to obtain audit evidence
- Taking timely and appropriate steps to remedy identified or suspected fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements that we report
- Addressing our findings and recommendations, and for establishing and maintaining a process to track the status of such findings and recommendations
- Identifying and providing report copies of previous audits, attestation engagements, and other studies related to the objectives of our audit, including whether related

recommendations have been implemented

- Identifying for us any investigations or legal proceedings that have been initiated with respect to the period under audit
- Providing views on our reported findings, conclusions, and recommendations, as well as its planned corrective actions, for our reports

Management is also responsible for (1) preparing the supplementary information in accordance with the applicable criteria, (2) including our report on the supplementary information in any document that contains the supplementary information and that indicates that D&T has reported on such supplementary information, and (3) presenting the supplementary information with the Organization's audited financial statements.

Management's Representations

We will make specific inquiries of the Organization's management about the representations (1) embodied in the financial statements and accompanying information, (2) regarding the effectiveness of internal control, and (3) regarding the Organization's compliance with laws, regulations, and the provisions of contracts and grant agreements. In addition, we will request that management provide us with the written representations the Organization is required to provide to its independent auditors under the Auditing Standards. The responses to those inquiries and the written representations of management are part of the evidential matter that D&T will rely on in forming its opinions and reporting on other matters. Because of the importance of management's representations, the Organization agrees to release and indemnify D&T, its subcontractors, and their respective personnel from all claims, liabilities, and expenses relating to our services under this engagement letter attributable to any misrepresentation by management.

Independence

For purposes of the subsections within this section entitled "Independence," "D&T" shall mean Deloitte & Touche LLP and its subsidiaries; Deloitte Touche Tohmatsu Limited, its member firms, the affiliates of Deloitte & Touche LLP, Deloitte Touche Tohmatsu Limited and its member firms; and, in all cases, any successor or assignee.

Process for Obtaining Preapproval of Services

Management is responsible for the coordination of obtaining the preapproval of the Audit Committee, in accordance with the Audit Committee's preapproval process, for any services to be provided by D&T to the Organization.

Independence Matters

In connection with our engagement, D&T, management, and the Audit Committee will assume certain roles and responsibilities in an effort to assist D&T in maintaining independence. D&T will communicate to its partners, principals, and employees that the Organization is an attest client. Management of the Organization will ensure that the Organization, together with its subsidiaries

and other entities that comprise the Organization for purposes of the financial statements, has policies and procedures in place for the purpose of ensuring that neither the Organization nor any such subsidiary or other Organization will act to engage D&T or accept from D&T any service that under American Institute of Certified Public Accountants (AICPA), generally accepted government auditing standards, or other applicable rules would impair D&T's independence. All potential services are to be discussed with Ms. Procopio.

In connection with the foregoing paragraph, the Organization agrees to furnish to D&T and keep D&T updated with respect to a corporate tree that identifies the legal names of the Organization's affiliates, as defined in AICPA *Code of Professional Conduct* (e.g., parents, subsidiaries, investors, or investees) ("Organization Affiliates"), together with the ownership relationship among such entities. Such information will be maintained in a database accessible by D&T in connection with their compliance with AICPA or other applicable independence rules.

Management will coordinate with D&T to ensure that D&T's independence is not impaired by hiring former or current D&T partners, principals, or professional employees in a key position, as defined in the AICPA *Code of Professional Conduct*. Management of the Organization will ensure that the Organization, together with its subsidiaries and other entities that comprise the Organization for purposes of the financial statements, also has policies and procedures in place for purposes of ensuring that D&T's independence will not be impaired by hiring a former or current D&T partner, principal, or professional employee in a key position that would cause a violation of the AICPA *Code of Professional Conduct*, generally accepted government auditing standards, or other applicable independence rules. Any employment opportunities with the Organization for a former or current D&T partner, principal, or professional employee should be discussed with Ms. Procopio before entering into substantive employment conversations with the former or current D&T partner, principal, or professional employee.

APPENDIX C

COMMUNICATIONS WITH THE AUDIT COMMITTEE

This Appendix C is part of the engagement letter dated August XX, 2023, between Deloitte & Touche LLP, Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan and approved by the Audit Committee of the Organization.

We are responsible for communicating with the Audit Committee significant matters related to the audit that are, in our professional judgment, relevant to the responsibilities of the Audit Committee in overseeing the financial reporting process.

In connection with the foregoing, we will communicate to the Audit Committee any fraud we identify or suspect that involves (1) management, (2) employees of the Organization who have significant roles in internal control, or (3) other employees of the Organization when the fraud results in a material misstatement of the financial statements. In addition, we will communicate with the Audit Committee any other matters related to fraud that are, in our professional judgment, relevant to their responsibilities. We will communicate to management any fraud perpetrated by lower-level employees of which we become aware that does not result in a material misstatement of the financial statements; however, we will not communicate such matters to the Audit Committee, unless otherwise directed by the Audit Committee.

We will also communicate to the Audit Committee matters involving the Organization's noncompliance with provisions of laws, regulations, contracts, or grant agreements that have come to our attention during the course of our audit, other than when such matters are clearly inconsequential.

We will also communicate, in writing, to management and the Audit Committee any significant deficiencies or material weaknesses in internal control (as defined in generally accepted auditing standards) that we have identified during the audit, including those that were remediated during the audit.

As required by generally accepted government auditing standards, our report on the Organization's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters will include any findings of significant deficiencies and material weaknesses in internal control over financial reporting, material noncompliance with provisions of laws, regulations, contracts or grant agreements, and material instances of fraud, that we have identified during our audit. In addition, we may be required to report identified or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements and instances of fraud directly to outside parties.

We are not required to design procedures for the purpose of identifying other matters to communicate with the Audit Committee. However, we will communicate to the Audit Committee matters required by the Auditing Standards.

We may also communicate to management and the Audit Committee on internal control, compliance, or other matters we observe and possible ways to improve the Organization's

operational efficiency and effectiveness or otherwise improve its internal control or other policies and procedures.

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APPENDIX D

GENERAL BUSINESS TERMS

This Appendix D is part of the engagement letter to which these terms are attached (the engagement letter, including its appendices, the “engagement letter”) dated August XX, 2023, between Deloitte & Touche LLP, Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan and approved by the Audit Committee of the Organization.

1. Independent Contractor. D&T is an independent contractor and D&T is not, and will not be considered to be, an agent, partner, fiduciary, or representative of the Organization or the Audit Committee.
2. Survival. The agreements and undertakings of the Organization and the Audit Committee contained in the engagement letter will survive the completion or termination of this engagement.
3. Assignment and Subcontracting. Except as provided below, no party may assign any of its rights or obligations (including, without limitation, interests or claims) relating to this engagement without the prior written consent of the other parties. The Organization and the Audit Committee hereby consent to D&T subcontracting a portion of its services under this engagement to any affiliate or related Organization, whether located within or outside of the United States. Professional services performed hereunder by any of D&T’s affiliates or related entities shall be invoiced as professional fees, and any related expenses shall be invoiced as expenses, unless otherwise agreed.
4. Severability. If any term of the engagement letter is unenforceable, such term shall not affect the other terms, but such unenforceable term shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein.
5. Force Majeure. No party shall be deemed to be in breach of the engagement letter as a result of any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.
6. Confidentiality. To the extent that, in connection with this engagement, D&T comes into possession of any confidential information of the Organization, D&T shall not disclose such information to any third party without the Organization’s consent, using at least the same degree of care as it employs in maintaining in confidence its own confidential information of a similar nature, but in no event less than a reasonable degree of care. The Organization and the Audit Committee hereby consent to D&T disclosing such information (1) as may be required by law or regulation, or to respond to governmental inquiries, or in accordance with applicable professional standards or rules, or in connection with litigation or arbitration pertaining hereto; provided that a required disclosure of confidential information pursuant to the foregoing does not relieve the receiving party of its confidentiality obligations with

respect to any other party; (2) to the extent such information (i) is or becomes publicly available other than as the result of a disclosure in breach hereof, (ii) becomes available to D&T on a nonconfidential basis from a source that D&T believes is not prohibited from disclosing such information to D&T, (iii) is already known by D&T without any obligation of confidentiality with respect thereto, or (iv) is developed by D&T independently of any disclosures made to D&T hereunder; or (3) to contractors providing administrative, infrastructure, and other support services to D&T, subcontractors providing services in connection with this engagement and Deloitte Entities and their contractors to develop and enhance tools and services of Deloitte Entities, in each case, whether located within or outside of the United States, provided they have agreed to be bound by confidentiality obligations similar to those in this paragraph. Deloitte Entities may also use or disclose any information to provide services or client offerings to current or prospective clients provided that information is not used or disclosed in a way that would permit the Organization to be identified by third parties, without the Organization's consent. "Deloitte Entities" shall mean any member firm of Deloitte Touche Tohmatsu Limited and its affiliates bound by confidentiality terms similar to the paragraph above.

7. Dispute Resolution. Any controversy or claim between the parties arising out of or relating to the engagement letter or this engagement (a "Dispute") shall be resolved by mediation or binding arbitration as set forth in the Dispute Resolution Provision attached hereto as Appendix E and made a part hereof.
8. Insurance. During the term of this engagement, D&T shall maintain commercial general liability, including bodily injury and property damage insurance in amounts not less than \$1,000,000 per occurrence and \$2,000,000 aggregate; professional errors and omissions liability insurance, in amounts not less than \$2,000,000 per claim; and \$4,000,000 aggregate, which insurance may not be canceled or reduced in required limits of liability unless at least thirty days advance written notice be given to you.
9. Transmission of Information. In transmitting any confidential or sensitive information to you, D&T has administrative, physical, and technical safeguards designed to protect the confidentiality, integrity, and availability of the electronic confidential information that it receives, maintains, or transmits on behalf of Organization in connection with this agreement.
10. Notices. Any notices required or permitted to be given hereunder by any party to the other shall be in writing and shall be deemed delivered upon personal delivery; twenty-four (24) hours following deposit with a courier for overnight delivery; or seventy-two (72) hours following deposit in the U.S. Mail, registered or certified mail, postage prepaid, return-receipt requested, addressed to the parties at the addresses set forth on the first page of the engagement letter, or to such other addresses as the parties may specify in writing.
11. Waiver. The waiver by either party of a breach or non-compliance with any provision of this engagement letter shall not operate nor be construed as a waiver of any subsequent breach or non-compliance.

APPENDIX E

DISPUTE RESOLUTION PROVISION

This Appendix E is part of the engagement letter dated August XX, 2023, between Deloitte & Touche LLP, Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan and approved by the Audit Committee of the Organization.

This Dispute Resolution Provision sets forth the dispute resolution process and procedures applicable to the resolution of Disputes and shall apply to the fullest extent of the law, whether in contract, statute, tort (such as *negligence*), or otherwise.

Mediation: All Disputes shall be first submitted to nonbinding confidential mediation by written notice to the parties, and shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution (“CPR”), at the written request of a party, shall designate a mediator.

Arbitration Procedures: If a Dispute has not been resolved within 90 days after the effective date of the written notice beginning the mediation process (or such longer period, if the parties so agree in writing), the mediation shall terminate and the Dispute shall be settled by binding arbitration to be held in Los Angeles, California. The arbitration shall be solely between the parties and shall be conducted in accordance with the CPR Rules for Non-Administered Arbitration that are in effect at the time of the commencement of the arbitration, except to the extent modified by this Dispute Resolution Provision (the “Rules”).

The arbitration shall be conducted before a single arbitrator if the aggregate amount of the Dispute submitted to the arbitration is equal to or less than \$423,000 and shall be conducted before a panel of three arbitrators if the aggregate amount of the Dispute submitted to arbitration is greater than \$423,000. In the event the panel consists of one arbitrator, the arbitrator shall be selected in accordance with CPR Arbitration Rule 6 (Selection of Arbitrator(s)). In the event the panel consists of three arbitrators. Each of the Organization and Deloitte & Touche LLP shall designate one arbitrator in accordance with the “screened” appointment procedure provided in the Rules and the two party-designated arbitrators shall jointly select the third in accordance with the Rules. No arbitrator may serve on the panel unless he or she has agreed in writing to enforce the terms of the engagement letter (including its appendices) to which this Dispute Resolution Provision is attached and to abide by the terms of this Dispute Resolution Provision. Except with respect to the interpretation and enforcement of these arbitration procedures (which shall be governed by the Federal Arbitration Act), the arbitrators shall apply the laws of the State of California (without giving effect to its choice of law principles) in connection with the Dispute. The arbitrators shall have no power to award punitive, exemplary or other damages not based on a party’s actual damages (and the parties expressly waive their right to receive such damages). The arbitrators may render a summary disposition relative to all or some of the issues, provided that the responding party has had an adequate opportunity to respond to any such application for such disposition. Discovery shall be conducted in accordance with the Rules.

All aspects of the arbitration shall be treated as confidential, as provided in the Rules, unless otherwise required by law. Before making any disclosure permitted by the Rules, a party shall give written notice to all other parties and afford such parties a reasonable opportunity to protect their interests. Further, judgment on the arbitrators' award may be entered in any court having jurisdiction.

Costs: Each party shall bear its own costs in both the mediation and the arbitration; however, the parties shall share the fees and expenses of both the mediators and the arbitrators equally.

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APPENDIX F

BUSINESS ASSOCIATE APPENDIX

This Appendix F is part of the engagement letter dated August XX, 2023, between Deloitte & Touche LLP and Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan (the "Organization") and approved by the Audit Committee of the Organization.

If and to the extent, and so long as, required by HIPAA or HITECH (each as defined below), the California Medical Information Act and Organization's contract with the California Department of Health Care Services, and other applicable laws or regulations, D&T and the Organization hereby agree to the following in connection with D&T's performance of services under the engagement letter to which this Business Associate Appendix is attached (such engagement letter, the "Engagement Letter," together with this Business Associate Appendix and all other attachments, appendices, and exhibits to the Engagement Letter, this "Agreement").

(A) Unless otherwise specified in this Business Associate Appendix, all capitalized terms used in this Business Associate Appendix shall have the meanings established for purposes of HIPAA or HITECH, as applicable. Specific statutory or regulatory citations used in this Business Associate Appendix shall mean such citations as amended and in effect from time to time.

1. "Compliance Date" shall mean, with respect to any applicable provision in this Business Associate Appendix, the later of the date by which compliance with such provision is required under HITECH and the effective date of this Agreement.
2. "Electronic Protected Health Information" shall mean Protected Health Information that is transmitted or maintained in electronic media.
3. "HIPAA" shall mean the Health Insurance Portability and Accountability Act, 42 U.S.C. §§ 1320d through 1320d-8, as amended from time to time, and all associated existing and future implementing regulations, when effective and as amended from time to time.
4. "HITECH" shall mean Subtitle D of the Health Information Technology for Economic and Clinical Health Act provisions of the American Recovery and Reinvestment Act of 2009, 42 U.S.C. §§ 17921-17954, as amended from time to time, and all associated existing and future implementing regulations, when effective and as amended from time to time.
5. "Protected Health Information" shall mean the term as defined in 45 C.F.R. § 160.103 and is limited to the Protected Health Information received from, or received or created on behalf of, the Organization by D&T pursuant to performance of the Services.

6. "Privacy Rule" shall mean the federal privacy regulations issued pursuant to HIPAA, as amended from time to time, codified at 45 C.F.R. Part 164 (Subparts A and E).
7. "Security Rule" shall mean the federal security regulations issued pursuant to HIPAA, as amended from time to time, codified at 45 C.F.R. Part 164 (Subparts A and C).
8. "Services" shall have the meaning set forth in the attached engagement letter, and, if not therein defined, shall mean the services described in the Engagement Letter to be performed by D&T for the Organization. "Unsecured Protected Health Information" shall mean Protected Health Information that is not rendered unusable, unreadable, or indecipherable to unauthorized individuals through the use of a technology or methodology specified by the Secretary in the regulations or guidance issued pursuant to 42 U.S.C. § 17932(h)(2).
9. "Unsuccessful Security Incidents" shall include pings and other broadcast attacks on Business Associate's firewall, port scans, unsuccessful log-on attempts, denials of service and any combination of the above, so long as no such incident results in unauthorized access, use or disclosure of Protected Health Information.

(B) With regard to D&T's use and disclosure of Protected Health Information:

1. D&T may use and disclose Protected Health Information as reasonably required or contemplated in connection with the performance of the Services, excluding the use or further disclosure of Protected Health Information in a manner that would violate the requirements of the Privacy Rule, if done by the Organization. Notwithstanding the foregoing, D&T may use and disclose Protected Health Information for the proper management and administration of D&T as provided in 45 C.F.R. § 164.504(e)(4).
2. D&T will not use or further disclose Protected Health Information other than as permitted or required by this Business Associate Appendix, and in compliance with each applicable requirement of 45 C.F.R. § 164.504(e), or as otherwise Required by Law.
3. D&T will implement and use appropriate administrative, physical, and technical safeguards to (1) prevent use or disclosure of Protected Health Information other than as permitted or required by this Business Associate Appendix; (2) reasonably and appropriately protect the confidentiality, integrity, and availability of the Electronic Protected Health Information that D&T creates, receives, maintains, or transmits on behalf of the Organization; and (3) comply with the Security Rule with respect to Electronic Protected Health Information.
4. D&T shall notify Organization in writing of any use or disclosure of PHI by D&T or its subcontractors or agents not permitted under this Agreement and this BAA of which it becomes aware, including Breaches of Unsecured PHI as required by 45 C.F.R. § 164.410, incidents that pose a risk of constituting Breaches and any Security Incident affecting Electronic PHI. Such

notifications shall be directed to the attention of Organization's Privacy Officer (email to PrivacyOfficer@lacare.org or another method may be used as agreed to by Organization and D&T) within twenty-four (24) hours of D&T's discovery. Any report of a Breach of Unsecured PHI shall include, to the extent reasonably practicable (and subsequently as such information becomes available): (i) the nature of the Breach; (ii) the types of PHI that were involved in the Breach; (iii) identification of each individual whose Unsecured PHI has been, or is reasonably believed by D&T to have been accessed, acquired or disclosed during the Breach; (iv) the title or job description of the individual who made the Breach; (v) the corrective action D&T took or will take to prevent further Breaches; (vi) the steps D&T took or will take to mitigate, to the extent practicable, the harmful effects of the Breach; and (vii) such other information as Organization may reasonably request or which, pursuant to 45 C.F.R. § 164.404, may be necessary to include in a notification of the Breach. D&T shall reasonably cooperate with Organization in providing relevant information in order for Organization to conduct any risk assessment necessary to determine whether notification of Breach is required. A Breach shall be treated as discovered by D&T as of the first day on which such Breach is known to D&T, or by exercising reasonable diligence, would have been known, to D&T. For purposes of this Section (B)4, the knowledge of any person, other than the individual committing the Breach, who is an employee, officer or other agent (determined in accordance with the federal common law of agency) of D&T, shall be imputed to D&T. In the event of that a Breach of Unsecured PHI is caused solely by D&T, D&T shall, upon the request of Organization, provide all information necessary in notifying individuals or the media, if applicable, pursuant to 45 C.F.R. §164.404 and 164.406, and in the event that the Breach of Unsecured PHI is caused solely by D&T's breach of the terms of this BAA, D&T shall reimburse Organization for its reasonable and direct out of pocket costs incurred, up to an aggregate amount of \$423,000, related to providing such legally required notifications. D&T need not report Unsuccessful Security Incidents.

5. D&T will ensure that any subcontractors or agents to whom D&T provides Protected Health Information agree in writing to the same restrictions and conditions that apply to D&T with respect to such Protected Health Information. To the extent that D&T provides Electronic Protected Health Information to a subcontractor or agent, it will require the subcontractor or agent to implement reasonable and appropriate safeguards to protect the Electronic Protected Health Information consistent with the requirements of this Business Associate Appendix. D&T shall not disclose any Protected Health Information to any subcontractors or agents located outside of the United States without Organization's written consent.

6. D&T will, to the extent that Protected Health Information in D&T's possession constitutes a Designated Record Set, make available such Protected Health Information to the Organization to permit the Organization to respond to a request by an Individual in accordance with 45 C.F.R. § 164.524.

7. In the event that D&T, in connection with the Services, uses or maintains an Electronic Health Record of Protected Health Information of or about an Individual, D&T will provide an electronic copy of such Protected Health Information to the Organization to permit the Organization to respond to a request by an Individual in accordance with 42 U.S.C. § 17935(e).
8. D&T will, to the extent that Protected Health Information in D&T's possession constitutes a Designated Record Set, make available to the Organization such Protected Health Information for amendment and incorporate any amendments to such information as directed by the Organization, all in accordance with 45 C.F.R. § 164.526.
9. D&T will document and make available to the Organization the information required to provide an accounting of disclosures of Protected Health Information, in accordance with 45 C.F.R. § 164.528.
10. In the event that D&T, in connection with the Services, uses or maintains an Electronic Health Record of Protected Health Information of or about an Individual, D&T will make available to the Organization the information required to provide an accounting of disclosures of such Protected Health Information in accordance with the requirements for accounting of disclosures made through an Electronic Health Record in 42 U.S.C. §17935(c).
11. D&T will make its internal practices, books, and records relating to the use and disclosure of Protected Health Information available to the Secretary for purposes of determining the Organization's and D&T's compliance with the Privacy Rule.
12. D&T will limit any request, use or disclosure by D&T of Protected Health Information, to the extent practicable, to the Limited Data Set of such Protected Health Information (as defined in 45 C.F.R. § 164.514(e)(2)), or, if the request, use or disclosure by D&T of Protected Health Information, not in a Limited Data Set, is necessary for D&T's performance of the Services, D&T will limit the amount of such Protected Health Information requested, used or disclosed by D&T to the minimum necessary to accomplish the intended purpose of such request, use or disclosure, respectively; provided, however, that the requirements set forth above in this subsection (13) shall be superseded and replaced by the requirements of the "minimum necessary" regulations or guidance to be issued by the Secretary (pursuant to 42 U.S.C. § 17935(b)(1)(B)) on and after its Compliance Date.

(C) In addition to any other obligation set forth in this Agreement, including this Business Associate Appendix, the Organization agrees that it will: (1) not make any disclosure of Protected Health Information to D&T if such disclosure would violate HIPAA, HITECH, or any applicable federal or state law or regulation; (2) not request D&T to use or make any disclosure of Protected Health Information in any manner that would not be permissible under HIPAA, HITECH, or any applicable federal or state law or regulation if such use or disclosure were done by the

Organization; and (3) limit any disclosure of Protected Health Information to D&T, to the extent practicable, to the Limited Data Set of such Protected Health Information, or, if the disclosure of Protected Health Information that is not in a Limited Data Set is necessary for D&T's performance of the Services, to limit the disclosure of such Protected Health Information to the minimum necessary to accomplish the intended purpose of such disclosure, provided, however, that the requirements set forth above in this subsection (3) shall be superseded and replaced by the requirements of the "minimum necessary" regulations or guidance to be issued by the Secretary (pursuant to 42 U.S.C. § 17935(b)(1)(B)) on and after its Compliance Date.

(D) If either the Organization or D&T knows of either a violation of a material term of this Business Associate Appendix by the other party or a pattern of activity or practice of the other party that constitutes a material breach or violation of this Business Associate Appendix, the non-breaching party will provide written notice of the breach or violation to the other party that specifies the nature of the breach or violation. In the event that the breaching party does not cure the breach or end the violation on or before thirty (30) days after receipt of the written notice, the nonbreaching party may, if feasible, terminate this Agreement.

(E) D&T will, at termination of this Agreement, if feasible, return or destroy all Protected Health Information that D&T still maintains in any form and retain no copies of Protected Health Information or, if such return or destruction is not feasible (such as in the event that the retention of Protected Health Information is required for archival purposes to evidence the Services), D&T may retain such Protected Health Information and shall thereupon extend the protections of this Business Associate Appendix to such Protected Health Information and limit further uses and disclosures to those purposes that make the return or destruction of such Protected Health Information infeasible.

(F) Any other provision of this Agreement that is directly contradictory to one or more terms of this Business Associate Appendix shall be superseded by the terms of this Business Associate Appendix to the extent and only to the extent of the contradiction and only for the purpose of the Organization's and D&T's compliance with HIPAA and HITECH. The terms of this Business Associate Appendix, to the extent they are unclear, shall be construed to allow for compliance by the Organization and D&T with HIPAA and HITECH.

(G) Nothing contained in this Business Associate Appendix is intended to confer upon any person (other than the parties hereto) any rights, benefits, or remedies of any kind or character whatsoever, whether in contract, statute, tort (such as negligence), or otherwise, and no person shall be deemed a third-party beneficiary under or by reason of this Business Associate Appendix.

(H) Nothing contained in this Business Associate Appendix shall be interpreted to mean that D&T will create or transmit Protected Health Information on behalf of the Organization. Furthermore, D&T shall not carry out any of the Organization's obligations under the Privacy Rule.

(l) D&T shall not, and shall ensure that any employee, agent, or subcontractor, shall not access, transmit, maintain, export, store or transfer any Protected Health Information from or outside of the United States for any purpose whatsoever, whether for access, storage, testing, or processing or otherwise, without the express prior written consent of Organization's Privacy Officer or Information Security Officer. In addition, D&T shall not, and shall ensure that any employee, agent or subcontractor shall not, make any Protected Health Information available to any entity or individual outside of the United States for any purpose whatsoever, including for access, storage, testing, or processing or otherwise, without the express prior written consent of Organization's Privacy Officer or Information Security Officer.

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