

BOARD OF GOVERNORS

Audit Committee Meeting Minutes – January 22, 2018

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



L.A. Care
HEALTH PLAN

Members

Hector De La Torre, *Chairperson*
Alvaro Ballesteros, MBA
Stephanie Booth, MD *

Management/Staff

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

Guests

Khurram Siddiqui, *Partner, Deloitte & Touche*
Angelica Kocharova, *Audit Sr. Manager, Deloitte & Touche*

* Absent ** Teleconference

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
CALL TO ORDER Hector De La Torre	Hector De La Torre, <i>Committee Chair</i> , called the meeting to order at 10:10 am. He announced that members of the public may address the Committee on each matter listed on the agenda before or during the Committee's consideration of the item, or on any other topic at the Public Comment section.	
APPROVE MEETING AGENDA Hector De La Torre	Today's Agenda was approved as submitted.	Approved unanimously. 2 AYES (Ballesteros and De La Torre)
PUBLIC COMMENTS	There were no public comments.	
APPROVE MEETING MINUTES Hector De La Torre	The July 20, 2017 meeting minutes were approved as submitted.	Approved unanimously. 2 AYES
CHAIRPERSON'S REPORT	There was no report from the Chairperson.	
CHIEF EXECUTIVE OFFICER/CHIEF FINANCIAL OFFICER REPORT	John Baackes, <i>Chief Executive Officer</i> , provided an update regarding the termination of SynerMed contract with L.A. Care. <ul style="list-style-type: none"> L.A. Care's contract with EHS and 2 other IPAs were also terminated because they have the same ownership as SynerMed. 	

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> • The Department of Managed Health Care (DMHC) and Department of Health Care Services (DHCS) has revised their Corrective Action Plan (CAP) to include cease and desist order. • A whistleblower has reported an additional fraud, through SynerMedm that EHS has removed certain “high-cost” providers which is a violation of economic profiling. No additional action is required from L.A. Care. • Affected members will be migrated to IPAs/providers contracted with L.A. Care. • L.A. Care is also discussing with providers who were in the SynerMed/EHS network, to contract with L.A. Care or with IPAs in L.A. Care’s network. • This is an opportunity for L.A. Care and other health plans to reinforce the delegated authority. • Updates will be provided at the next Board meeting. 	
COMMITTEE ISSUES		
Review of Audit Report FY 2016-17	<p>Khurram Siddiqui, Partner, for Deloitte & Touche presented the results of the onsite audit of L.A. Care’s FY 2017-18 financial statements. <i>(A copy of the report may be requested by contacting Board Services.)</i></p> <ul style="list-style-type: none"> • No significant changes in previously adopted accounting policies during the year ended September 30, 2017. • Significant accounting estimates reflected in the Organization’s 2017 financial statements include 1) Reserves for Incurred but not Reported Claims, 2) Provider Settlement Liability, and 3) Collectability Assessment related to Risk Corridor Receivables. There are no significant changes in accounting estimates, except for the changes in prior year IBNR estimates as disclosed in the combined financial statements. Favorable development of approximately \$141 million, net of provision for adverse development and negative provider settlement recast is primarily due to: <ul style="list-style-type: none"> ○ Certain provider settlement successfully negotiated during the year contained “cliff date” provision, which reduced the payout compared to the estimated reserves, with an impact on the reserves estimated at \$80 million. ○ The remaining difference is due to a change in estimate resulting from the inpatient and outpatient costs emerging at lower than estimated levels. 	

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> • No material weaknesses or deficiencies were found in L.A. Care's financial operations or internal controls, • The audit went smoothly and, • There were no material adjustments to the financial statements reviewed. <p>Committee members briefly met with the Auditors without L.A. Care management and staff present.</p> <p><u>Motion AUD A.0118</u> To accept the findings of the Deloitte & Touche audit of L.A. Care's financial statements for the fiscal year ended September 30, 2017, as presented.</p>	<p>Approved unanimously. 2 AYES</p>
ADJOURNMENT	The Chair adjourned the meeting at 10:50 am.	

Respectfully submitted by:
Malou Balones, *Committee Liaison*
Linda Merkens, *Manager, Board Services*

APPROVED BY:


Hector De La Torre, *Chairperson*
Date Signed: 8-16-18

APPROVED