

# BOARD OF GOVERNORS

## Finance & Budget Committee

### Meeting Minutes – January 24, 2018

1055 W. 7<sup>th</sup> Street, Los Angeles, CA 90017



**L.A. Care**  
HEALTH PLAN

#### Members

Mark Gamble, *Chairperson*  
Alvaro Ballesteros, MBA  
Louise McCarthy \*  
Hilda Perez  
Kimberly Uyeda, MD

#### Management/Staff

John Baackes, *Chief Executive Officer* \*\*  
Terry Brown, *Chief Human Resources Officer*  
Augustavia J. Haydel, Esq., *General Counsel*  
Dino Kasdagly, *Chief Operating Officer*  
Marie Montgomery, *Chief Financial Officer*  
Richard Seidman, MD, *Chief Medical Officer*

\*Absent \*\* Via Teleconference

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
<p><b>CALL TO ORDER</b></p> <p>Mark Gamble</p>	<p>Mark Gamble, <i>Committee Chairperson</i>, called the meeting to order at 1:02 p.m.</p> <p>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.</p> <p>Laurie Garcia, <i>Anthem Blue Cross</i> and Avanti Wadu, <i>iHealth, Inc.</i> introduced themselves.</p>	
<p><b>APPROVE MEETING AGENDA</b></p> <p>Mark Gamble</p>	<p>The Agenda for today's meeting was approved.</p>	<p><b>Approved unanimously.</b> <b>4 AYES (Ballesteros, Gamble, Perez, and Uyeda)</b></p>
<p><b>PUBLIC COMMENTS</b></p>	<p>There were no public comments.</p>	
<p><b>APPROVE MEETING MINUTES</b></p> <p>Mark Gamble</p>	<p>The minutes of the November 15, 2017 meeting were approved as presented.</p> <p><i>Member Ballesteros is a new member of the Committee and was not present at the November 15, 2017 meeting and he abstained from voting.</i></p>	<p><b>Approved unanimously.</b> <b>3 AYES (Gamble, Perez, and Uyeda)</b> <b>1 ABSTENTION (Ballesteros)</b></p>
<p><b>CHAIRPERSON'S REPORT</b></p>	<p>There was no report from the Chairperson.</p>	

**APPROVED**

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
<b>CHIEF EXECUTIVE OFFICER REPORT</b>	<p>John Baackes, <i>Chief Executive Officer</i>, provided an update on the contract termination with SynerMed as reported at the December 7, 2017 Board meeting.</p> <ul style="list-style-type: none"> <li>• L.A. Care’s contract with EHS and two other IPAs were terminated because they have the same ownership as SynerMed.</li> <li>• The Department of Managed Health Care (DMHC) and Department of Health Care Services (DHCS) revised the corrective action plan (CAP) to include a request to health plans to cease all activity with EHS.</li> <li>• A whistleblower has reported additional fraud involving limiting access to of certain “high-cost” providers from the provider network by EHS. No additional action is required from L.A. Care.</li> <li>• Affected members will be migrated to IPAs/providers with good quality scores that are contracted with L.A. Care.</li> <li>• 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.</li> <li>• This is an opportunity for L.A. Care and other health plans to reinforce the importance of diligence in oversight of providers that is delegated by the plan to other entities.</li> </ul>	
<b>COMMITTEE ITEMS</b>		
<b>Chief Financial Officer’s Report Fiscal Year 2016-17 Financial Performance Update</b>	<p>Marie Montgomery, <i>Chief Financial Officer</i>, referred to the Financial Report for fiscal year end 2016-17.</p> <ul style="list-style-type: none"> <li>• Adjustments were made to reduce L.A. Care’s unpaid claims reserve by \$9.2 million, or approximately 2% of the total reserves.</li> <li>• The adjusted surplus for the full fiscal year was approximately \$153 million.</li> <li>• The Audit Committee met on January 22 and approved the audited financial report for FY 2016-17 (<i>a copy of the report can be obtained by contacting Board Services</i>).</li> </ul>	

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<p><b>Financial Report for the period ended November 2017</b></p> <p>Marie Montgomery</p>	<p>Ms. Montgomery summarized Financial Performance for the two months ending November 2017 included in the meeting materials. <i>(A copy of the report can be obtained by contacting Board Services).</i></p> <ul style="list-style-type: none"> <li>• Membership was 2,154,265, approximately 15,700 members favorable to the budget. Membership is projected to be relatively flat for this fiscal year with slight decreases tied to redetermination of eligibility.</li> <li>• Year to date surplus is \$8.5 million unfavorable to budget primarily due to higher than expected healthcare costs and timing of claims payments paired with IBNP estimates.</li> <li>• Administrative expenses are slightly higher than budget caused by timing of an accrual estimate.</li> <li>• Plan Partners are slightly ahead of the medical cost ratio (MCR) target due to a \$4 million missed capitation expense accrual. SPD/CCI are close to budget. The CCI program includes a positive impact from Medi-Cal expansion (MCE) re-classification estimates.</li> <li>• TANF/MCE are higher than budgeted due to higher than expected fee for service expenses; with a negative impact to MCE for the Duals re-classification.</li> <li>• L.A. Care Covered MCR is slightly higher than budget, estimates for the 4+8 forecast will be adjusted for the impact of the significant enrollment increase.</li> <li>• Staff continues to be cautious in administrative expenses.</li> <li>• Working Capital and Tangible Net Equity are ahead of benchmarks.</li> <li>• There is adequate cash and investments. The In Home Supportive Services (IHSS) negatively impacts the cash to claims ratio. Once IHSS is removed from L.A. Care's books in 2018, L.A. Care will have a satisfactory cash to claims ratio.</li> <li>• November 2017 Fund Balance was \$692 million or 342% of Tangible Net Equity requirement.</li> </ul> <p><b><u>Motion FIN 100.0218</u></b>  <b>To accept the Financial Report for the period ended November 2017, as submitted.</b></p>	<p>Approved unanimously.  4 AYES (Ballesteros, Gamble, Perez, and Uyeda)</p>
<p><b>Investment Monthly Transactions Report</b></p> <p>Marie Montgomery</p>	<p>Ms. Montgomery referred to the report on investment transactions included in the meeting materials for Committee member review. <i>(A copy of the report can be obtained by contacting Board Services).</i> As of December 31, 2017, L.A. Care's total investment market value was \$1.88 billion.</p> <ul style="list-style-type: none"> <li>• \$1.3 billion managed by Paydel &amp; Rygel</li> <li>• \$0.3 billion managed by New England Asset Management (NEAM)</li> </ul>	

**APPROVED**

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	<ul style="list-style-type: none"> <li>• \$65 million in Local Agency Investment Fund</li> <li>• \$101 million in Los Angeles County Pooled Investment Fund</li> </ul>	
<p><b>Quarterly Investment Report</b></p> <p>Marie Montgomery</p>	<p><b><u>Motion FIN 101.0218</u></b>  <b>To accept the Quarterly Investment Report for the quarter ending December 31, 2017, as submitted.</b></p>	<p>Approved unanimously. 4 AYES</p> <p>The Committee approved including motion FIN 101 on the Consent Agenda for the February 8, 2018, Board of Governors meeting.</p>
<p><b>Quarterly Reports Required by Internal Policies for Policies AFS 004, AFS 027, AFS 006 and AFS 007</b></p>	<p>As required by L.A. Care’s internal policies, Ms. Montgomery referred to the reports for the 2016-17fiscal year-end included in the meeting materials. <i>(A copy of the report can be obtained by contacting Board Services):</i></p> <ul style="list-style-type: none"> <li>• Policy AFS-004 (Non-Travel Expense Report)</li> <li>• Policy AFS-027 (Travel Expense Report)</li> <li>• Policy AFS-006 (Authorization and Approval Limits)</li> <li>• Policy AFS-007 (Procurement)</li> </ul>	
<p><b>Cloudera/CenturyLink Contract</b></p> <p>Dino Kasdagly</p>	<p>Dino Kasdagly, <i>Chief Operating Officer</i>, summarized the motion requesting approval to execute a contract with CenturyLink which will include a subscription license to Cloudera’s suite of advanced data analytic software, called a “data science platform”. The contract will also include professional services provided by CenturyLink to ensure 1) the Cloudera software solution is appropriately deployed within L.A. Care’s on premise infrastructure and 2) training of L.A. Care data analytics staff in order to get the most value out of the software.</p> <p><b><u>Motion FIN 102.0218</u></b>  <b>To authorize staff to execute a contract in the amount of \$1,210,435 with CenturyLink to provide and deploy a data science platform software suite for the period of April 1, 2018 to May 31, 2021, to provide professional services for the deployed software and training for L.A. Care staff from April 1, 2018 to September 30, 2018.</b></p>	<p>Approved unanimously. 4 AYES</p> <p>The Committee approved including motion FIN 101 on the Consent Agenda for the February 8, 2018, Board of Governors meeting.</p>
<p><b>East Los Angeles Family Resource Center Update</b></p>	<p>Lance MacLean, <i>Director, Facilities Services</i>, provided an update on the East Los Angeles Family Resource Center (FRC).</p>	

**APPROVED**

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	<ul style="list-style-type: none"> <li>• The Board of Governors authorized staff to locate a FRC in East Los Angeles. A location was identified and the lease was finalized on September 20, 2017. The landlord is in the process of vacating the tenants from the building so they can begin environmental mitigation work. The work is expected to be completed in February 2018.</li> <li>• Staff has contracted with architect ExNovo. Space plans have been developed and construction plans will be submitted for review by the County of Los Angeles, as soon as L.A. Care can access the building to verify dimensions. L.A. Care cannot start construction until a plan has been approved and construction permit issued.</li> <li>• It is anticipated that the project will be completed no later than September 2018.</li> </ul>	
<b>ADJOURN TO CLOSED SESSION</b>	<p>Augustavia J. Haydel, Esq., <i>General Counsel</i>, announced the items that the Committee will discuss in closed session. There was no public comment on the Closed Session items, and the meeting adjourned to closed session at 1:30 pm.</p> <p><b>CONTRACT RATES</b> Pursuant to Welfare and Institutions Code Section 14087.38(m)</p> <ul style="list-style-type: none"> <li>• Plan Partner Rates</li> <li>• Provider Rates</li> <li>• DHCS Rates</li> </ul> <p><i>The below agenda item was not discussed.</i></p> <p><b>REPORT INVOLVING TRADE SECRET</b> Pursuant to Welfare and Institutions Code Section 14087.38(n) Discussion Concerning New Product Lines Estimated date of public disclosure: <i>January 2020</i></p> <p><b>CONFERENCE WITH REAL PROPERTY NEGOTIATORS</b> Section 54956.8 of the Ralph M. Brown Act Property: 3200 East Imperial Highway, Lynwood, CA. 90262 Agency Negotiator: John Baackes, CEO Negotiating Parties: Kamran Setareh, 3200 Imperial Highway Corporation, 272 S. Lasky Dr. #201, Beverly Hills, CA 90212 Under Negotiation: Price and Terms of Payment</p>	
<b>RECONVENE IN OPEN SESSION</b>	<p>The meeting reconvened in open session at 1:40 pm. No reportable actions were taken during the closed session.</p>	

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ADJOURNMENT	The meeting was adjourned at 1:40 pm.	

Respectfully submitted by:

Malou Balones, *Committee Liaison, Board Services*

Jennifer Carabali-Cunningham, *Committee Liaison, Board Services*

Linda Merkens, *Manager, Board Services*

APPROVED BY:

Mark Gamble, *Chair*

Date Signed



**APPROVED**