

BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – February 28, 2018

1055 W. 7th 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*
Marie Montgomery, *Chief Financial Officer*
Richard Seidman, MD, *Chief Medical Officer*
Tom Schwaninger, *Chief Information Officer*

*Absent ** Via Teleconference

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
CALL TO ORDER Mark Gamble	Mark Gamble, <i>Committee Chairperson</i> , called the meeting to order at 1:03 p.m. 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 Mark Gamble	The Agenda for today's meeting was approved.	Approved unanimously. 3 AYES (Gamble, McCarthy, and Perez)
PUBLIC COMMENTS	There were no public comments.	
APPROVE MEETING MINUTES Mark Gamble	Member Perez noted a typo on a date which should read 2017. Minutes will be corrected. The minutes of the January 24, 2018 meeting were approved as corrected.	Approved unanimously. 3 AYES
CHAIRPERSON'S REPORT	There was no report from the Chairperson.	
CHIEF EXECUTIVE OFFICER REPORT	John Baackes, <i>Chief Executive Officer</i> , reported:	

APPROVED


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	<ul style="list-style-type: none"> The EHS provider contract has been terminated due to that organization's close ties with SynerMed and because the state regulator ordered all health plans to terminate their contracts with EHS. Two-thirds of the members affected kept their Primary Care Physicians (PCP) through another group contracted with L.A. Care. If the group's quality was not sufficient, the member was not transferred. There are 132 members remaining whose PCPs are not contracted with L.A. Care through a group. L.A. Care is working to directly contract with those PCPs. An update will be provided at the next Board meeting. Covered California had robust enrollment, with over 80,000 enrolled in L.A. Care Covered, and 71,500 new members have paid the first month's premium. This is ahead of enrollment forecast. Staff expects to have 2.5 million members enrolled in L.A. Care by end March 2018. 	
COMMITTEE ITEMS		
<p>Chief Financial Officer's Report</p> <ul style="list-style-type: none"> Financial Report for the period ended January 2018 <p>Marie Montgomery</p>	<p>Marie Montgomery, <i>Chief Financial Officer</i>, summarized the report on Financial Performance for the period ending January 2018 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"> 2,180,726 members are enrolled as of January 2018, approximately 42,781 members favorable to budget and approximately 80,000 members favorable year-to-date. The spike in January is attributed to L.A. Care Covered (LACC) enrollment. Year-to-date revenue surplus is \$10.1 million ahead of budget, driven by the 2017 Coordinated Care Initiative (CCI) retro rate increases, offset by timing of claims payments paired with incurred but not paid (IBNP) adjustments. Administrative expenses are slightly higher than budgeted. Operating Margin by Segment <ul style="list-style-type: none"> ✓ Plan Partners are slightly ahead of the Medical Cost Ratio (MCR) target. ✓ SPD/CCI is slightly ahead of budget expectation due to retro rate adjustment. CCI includes the positive impact from Medi-Cal expansion (MCE) Duals reclassification estimates. ✓ TANF/MCE costs are higher than budget driven by higher than expected fee for service expenses and a negative impact to MCE for the Duals reclassification. ✓ Cal MediConnect's (CMC) consolidated performance has an MCR of 98% vs the budget of 94.8%. The 2017 CCI retroactive rate adjustment had a negative impact to 	

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	<p>the CMC product due to the decrease in proportion of institutional members enrolled.</p> <ul style="list-style-type: none"> ✓ The MCR for the commercial segment is close to budget. Staff will monitor performance closely as the member enrollment increases for LACC. • Overall MCR was 93.5%, favorable to the forecast of 93.6%. January is the first month that the In-Home Supportive Services (IHSS) is no longer in L.A. Care's financials. • Working Capital and Tangible Net Equity are ahead of benchmarks. <p><u>Motion FIN 100.0318</u> To accept the Financial Report for the period ended January 2018, as submitted.</p>	<p>Approved unanimously. 3 AYES</p>
<p>Investment Monthly Transactions Report 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 January 31, 2018, L.A. Care's total investment market value was \$1.5 billion.</p> <ul style="list-style-type: none"> • \$1.3 billion managed by Paydel & Rygel and New England Asset Management (NEAM) • \$65 million in Local Agency Investment Fund • \$102 million in Los Angeles County Pooled Investment Fund 	
<p>Information Technology Motions Tom Schwaninger</p>	<p>Tom Schwaninger, <i>Chief Information Officer</i>, presented the following motions.</p> <p><u>Renewal of Microsoft Corporation Software Licensing Enterprise Agreement</u> L.A. Care has been using Microsoft products to conduct mission critical and daily functions since 1997. Windows operating systems, productivity software such as Word, Excel and Power Point, as well as data management tools like SharePoint, MS-SQL, and Access, are all part of this agreement. Leveraged pricing with Riverside county. Software purchased through value added reseller because of our size.</p> <p>Based on a preliminary budgetary assessment with Microsoft, the annual renewal of this agreement over the next 3 years is not to exceed \$1.6 million per year. Mr. Schwaninger added that staff is hoping to come in lower to approximately \$1.4-1.5 million.</p> <p><u>Motion FIN 101.0318</u> To approve a three year Microsoft Enterprise Agreement for the purpose of renewing licensing and support of mission critical Microsoft products from May 31, 2018 to May 31, 2021 in an amount not to exceed \$4,800,000.</p> <p><u>Infosys Managed Service Contract</u></p>	<p>Approved unanimously. 3 AYES</p>

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	<p>Staff requested approval to replace L.A. Care’s current staff augmentation contract with Infosys with a three year managed service contract, while concurrently reducing other vendor testing related spend. A managed service contract is a service level agreement between a managed service provider (Infosys) and its client (L.A. Care) that outlines both parties’ responsibilities, including which services the provider will deliver. The new managed service contract will enable greater test coverage, defect detection, and test automation to increase IT quality delivery and efficiency with defined service level agreements. Offshore use will increase over the term and will not exceed 65% of the overall team. This engagement will start April 10, 2018 and end March 31, 2021.</p> <p>This will give an opportunity to use one vendor under a managed service agreement, and hopefully save \$1 million. L.A. Care will have option to exit from agreement at any time or reduce services, if needed. Staff is also hoping to improve quality of systems test and increase efficiency.</p> <p><u>Motion FIN 102.0318</u> To authorize staff to replace the existing Infosys staff augmentation contract with a three year managed service contract to provide quality assurance testing for three years in the amount of \$12,006,528.</p>	<p>Approved unanimously. 3 AYES</p>
<p>Language Line Contract Richard Seidman, MD</p>	<p>Richard Seidman, MD, <i>Chief Medical Officer</i>, presented a motion requesting approval to execute a three-year contract with Language Line with an option to renew for two years at the same rates. State and federal regulations require the availability of interpreting services 24/7 in order to communicate with current or potential members who speak languages other than English. Interpreting services are not limited to the 11 threshold languages. Telephonic interpretation is used by L.A. Care staff including Member Services, Medical Management, and Pharmacy, as well as by network physicians and call vendors such as Ansafone.</p> <p>A competitive Request for Proposal (RFP) was conducted in November 2017. Four vendors responded to the RFP. Language Line scored the highest among all vendors in the evaluation. Staff is satisfied with the face-to-face interpreting services which Language Line has been providing since 2017.</p> <p>In response to Member Perez’s question about languages, Dr. Seidman responded that this goes beyond the required to include other languages preferred by L.A. Care members.</p> <p><u>Motion FIN 103.0318</u></p>	<p>Approved unanimously. 3 AYES The Committee approved including motions FIN 101, FIN 102 and FIN 103</p>

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	To approve execution of a three-year contract with the option to renew for two consecutive years with Language Line to provide telephonic interpreting services in an amount not to exceed \$9 million dollars over three years.	on the Consent Agenda for the April 5, 2018, Board of Governors meeting.
ADJOURN TO CLOSED SESSION	<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 1:25 pm.</p> <p>CONTRACT RATES Pursuant to Welfare and Institutions Code Section 14087.38(m)</p> <ul style="list-style-type: none"> • Plan Partner Rates • Provider Rates • DHCS Rates <p><i>The below agenda item was not discussed.</i></p> <p>REPORT INVOLVING TRADE SECRET Pursuant to Welfare and Institutions Code Section 14087.38(n) Discussion Concerning New Product Lines Estimated date of public disclosure: <i>February 2020</i></p>	
RECONVENE IN OPEN SESSION	The meeting reconvened in open session at 1:35 pm. No reportable actions were taken during the closed session.	
ADJOURNMENT	The meeting was adjourned at 1:37 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 3/28/18

APPROVED