# BOARD OF GOVERNORS
## Finance & Budget Committee
## Special Meeting Minutes – March 2, 2017

L.A. Care HEALTH PLAN

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

*All votes during a teleconferenced portion of the meeting were by roll call*

**Members**
Michael Rembis, *Chairperson*
Mark Gamble
Louise McCarthy **
Hilda Perez
Kimberly Uyeda, MD

**Absent ** Via Teleconference*

**Management/Staff**
John Baackes, *Chief Executive Officer*
Phinney Ahn, *Chief of Staff*
Gertrude S. Carter, MD, *Chief Medical Officer*
Augustavia Haydel, Esq., *General Counsel*
Marie Montgomery, *Chief Financial Officer*
John Ounjian, *Chief Operations Executive*
Tom Schwaninger, *Chief Information Officer*

| AGENDA ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS | ACTION TAKEN |
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| **CALL TO ORDER**<br><br>Mark Gamble | Mark Gamble, *Board Chairperson,* called the meeting to order at 1:02 p.m. on behalf of Committee Chair, Michael Rembis.<br><br>Chairperson Gamble 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**<br><br>**Mark Gamble** | The Agenda for today's meeting was approved. | **Approved unanimously by roll call. 4 AYES (Gamble, McCarthy, Perez, and Uyeda)** |
| **PUBLIC COMMENTS** | There were no public comments. | |
| **APPROVE MEETING MINUTES**<br><br>Mark Gamble | The minutes of the January 25, 2017 meeting were approved as presented. | **Approved unanimously by roll call. 4 AYES** |

**APPROVED**

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| **APPROVE CONSENT AGENDA**<br><br>John Baackes | Member Perez asked for clarifications on Motions FIN C and D. John Baackes, *Chief Executive Officer,* explained that the costs for these contracts are paid by and support Los Angeles County Department of Health Services (DHS) in its transition from public health system to managed care plan. Costs are paid by the DHS quality improvement program.<br><br>• CY 2016 4th Quarter Investment Report<br><br>**Motion FIN 100.0417**<br>**To accept the Quarterly Investment Report for the quarter ending December 31, 2016, as submitted.**<br><br>• California Long Term Care Education Center Contract for education and training to caregivers of dual eligible beneficiaries.<br><br>**Motion FIN 101.0417**<br>**To authorize staff to execute a contract in the amount of $2,000,000 with California Long Term Care Education Center to provide education and training for L.A. Care beneficiaries and their In Home Supportive Services (IHSS) providers for the period of April 1, 2017 through April 1, 2018.**<br><br>• 3Key Consulting Contract Amendment for professional services to support Membership Eligibility and Clinical Care Advance strategic projects.<br><br>**Motion FIN A.0317**<br>**To authorize staff to amend a contract with 3Key Consulting Inc., in the amount of $500,000 (total amount not to exceed $1,659, 845), though June 30, 2018, to provide professional services to support L.A. Care's Membership Eligibility and Clinical Care Advance (CCA) strategic projects.**<br><br>• Bluewolf Group, LLC Contract for system implementation services.<br><br>**Motion FIN B.0317**<br>**To authorize staff to procure implementation services from Bluewolf Group, LLC, to provide an online Agent and General Agency self-service portal through December 31, 2017, for an amount not to exceed $500,000.** | **Consent Agenda motions were approved unanimously by roll call. 4 AYES** |



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| | • Authorization to conduct a market analysis of Medi-Cal managed care service trends in Los Angeles County for DHS.<br><br>**Motion FIN C.0317**<br>**To authorize staff to execute a contract with a vendor yet to be selected in the amount of $300,000 to provide market analysis for the Los Angeles County Department of Health Services (DHS), through March 31, 2018.**<br><br>• Contract Amendment with Michael S. Kenny & Co. for consultant services related to replacing DHS' core patient information system.<br><br>**Motion FIN D.0317**<br>**To authorize staff to amend a contract with Michael S. Kenny & Co. in the amount of $349,524, through December 31, 2017, to provide the Los Angeles County Department of Health Services (DHS) with consultant services related to replacing its core patient information system known as Managed Care Core System (MCCS).** | |
| **CHIEF EXECUTIVE OFFICER REPORT**<br><br>John Baackes | Mr. Baackes reported on:<br><br>Enrollment<br>L.A. Care's Medi-Cal enrollment for March is almost 2 million: 1.014 million in L.A. Care and the rest are enrolled through Plan Partners. L.A. Care will soon reach enrollment of 2 million Medi-Cal members. Plans are underway for an event to celebrate enrollment of two million Medi-Cal members which will be held on April 13. Jennifer Kent, Director of the California Department of Health Care Services (DHCS), will attend. It will be a good opportunity to highlight the benefits of the Affordable Care Act (ACA).<br><br>L.A. Care's 20th anniversary events will begin in April. A series of events are planned for the coming year at L.A. Care's Family Resource Centers (FRCs) and at other locations.<br><br>Cal MediConnect (CMC) enrollment for April 2017 is over 14,000 members, which is close to Health Net's enrollment. L.A. Care Covered enrollment is much stronger than expected. About 70% of L.A. Care members have enrolled at the silver tier of benefits.<br><br>*(Committee Chair Rembis joined the meeting.)* | |



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| | Adjusted Claims Settlements Process<br>Mr. Baackes informed the Committee that John Ounjian, *Chief Operations Executive*, continues to negotiate with providers to settle outstanding claims. Most delays in claims payments were because of different records of claim amounts, although some were due to technical problems and were paid once the system was corrected at the root cause. L.A. Care had no legal obligation to settle some of the old claims but wished to continue good relations with providers by working on resolving their disputes about claims payment. Staff worked with the senior executives to resolve issues and gain releases of all actions (including legal actions, complaints to DHCS, etc.) from about 80 providers.<br><br>A settlement fund of $115 million has been set aside for claims. L.A. Care has paid $102 million to providers. The largest claims have been settled except with UCLA and Dignity, and negotiations continue with those providers. The settlement cost may increase to $120 million. Staff is also negotiating with UCLA Chancellor's office on a system-wide contract. There is pressure by state officials for university health systems to participate in Medi-Cal. Mr. Baackes added that the claims settlement activity should be completed by May 2017. | |
| **CHAIRPERSON'S REPORT** | There was no Chairperson report. | |
| **COMMITTEE ITEMS** | | |
| **CHIEF FINANCIAL OFFICER REPORT**<br>Marie Montgomery | Marie Montgomery, *Chief Financial Officer,* provided updates on the Financial Reports to date for FY 2016-17, as of the period ended December 31, 2016. (*A copy of the reports can be obtained by contacting Board Services).*<br>• Membership through December 2016 is 48,000 member months favorable to budget. January 2017 enrollment is lower because of disenrollment in the redetermination of eligibility process; about 30% of those dis-enrolled are expected to re-enroll with L.A. Care.<br>• Net surplus for the period is $12.5 million, and $21.3 million year to date, which is on budget. Favorable member months leads to increased revenue and increased healthcare costs. | |



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| | • L.A. Care continues to manage administrative costs, ending the period favorable to budget.<br>• The administrative ratio was 4.1% favorable to the budgeted 4.6%.<br>• 2015 and 2016 rate updates from the State for CCI and CMC are expected to yield a favorable net surplus for January and February. The operating margins were reviewed for each segment of enrollment.<br>• The medical cost ratio (MCR) was 94.7%, slightly unfavorable to budget of 94.3%.<br>o Plan Partner MCR is consistent with expectations.<br>o Seniors and People with Disabilities (SPD)/Coordinated Care Initiative (CCI) continues with a MCR above 100%. With regard to key financial ratios, MCR is slightly higher than budget. Administrative ratio is slightly lower than budget.<br>• The Tangible Net Equity (TNE) was reviewed. L.A. Care should be able to reach its 530% TNE goal when the financial responsibility for the In-Home Support Services (IHSS) program is returned to the county.<br>Member Uyeda asked about L.A. Care's TNE goal. Ms. Montgomery explained that the TNE is a percentage of the required minimum reserve level that is calculated by an algorithm determined by state regulators. L.A. Care has lower reserves proportionately in comparison to other public health plans in California. Mr. Baackes added that the state trade association, Local Health Plans of California (LHPC) has recently focused on the TNE calculation and is working to develop a better measure of plan stability.<br>• Staff will present a revised forecast for the fiscal year at a future meeting. | |
| **Approval of Financial Report FY 2016-17**<br><br>Marie Montgomery | **Motion FIN 102.0417**<br>**To accept the Financial Report for the period ended December 31, 2016, as submitted.** | **Approved unanimously by roll call. 5 AYES (Gamble, McCarthy, Perez, Rembis and Uyeda)** |
| **Investment Transactions**<br><br>Marie Montgomery | Ms. Montgomery referred to a report on investment transactions included in the meeting materials for Committee member review. (*A copy of the report can be obtained by contacting Board Services).* As of January 31, 2017, L.A. Care's total investment market value was $2.39 billion.<br>• $2.25 billion managed by Paydel & Rygel<br>• $64 million in Local Agency Investment Fund | |



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| | • $71 million in Los Angeles County Pooled Investment Fund | |
| **Revisions to Desktop Procedure of Accounting & Finance Services Policy AFS 008 (Annual Investment)**<br><br>Marie Montgomery | L.A. Care's current investment policy states that Asset Backed Securities (ABS) & Mortgage Backed Securities (MBS) securities can only be obtained from issuers with a rating of A or better. Effective January 1, 2017, the requirement was changed in the California Government Code. The change in L.A. Care's investment policy complies with the new provisions of the California Government Code.<br><br>**Motion FIN 103.0417**<br>**To approve the revisions to the Desktop Procedure of Accounting & Finance Services Policy AFS-008 (Annual Investment) for the clarification of California Code for the minimum rating of issuers of Asset Backed Securities (ABS) & Mortgage Backed Securities (MBS), attached.** | **Approved unanimously by roll call. 5 AYES**<br><br>**The Committee also approved including the above motion to the Consent Agenda for the April 6, 2017, Board of Governors meeting.** |
| **Quarterly Reports Required by Internal Policies** | As required by L.A. Care's internal policies, Ms. Montgomery presented reports for the entire Fiscal Year 2015-16, October 1, 2015 through September 30, 2016, and for the fourth quarter of Fiscal Year 2015-16, July 1, 2016 through September 30, 2016. *(A copy of the report can be obtained by contacting Board Services)* as required in the following policies:<br>• Policy AFS-027 (Travel Related Expenses)<br>• Policy AFS-004 (Non-Travel Expenses)<br>• Policy AFS-006 (Authorization and Approval Limits)<br>• Policy AFS-007 (Procurement) | |
| **Information Technology Motions** | Tom Schwaninger, *Chief Information Officer,* provided information about motions FIN A and FIN B, approved earlier on the Consent Agenda, and about motions FIN 104 and 105.<br><br>As part of the FY 2016-17 approved budget for L.A. Care, strategic projects were included to support and enhance the Information Technology portfolio of applications, databases, and infrastructure. The total cost for the projects was budgeted at $48 million, with about $34 million in capital and $14 million in expenses.<br><br>The motions are requesting approval of funds for contracts with vendors that were selected through an RFP process where either the vendor is new to L.A. Care or has been selected to continue work based on satisfactory performance on existing contracts, in which case the contract will be amended to provide staff and services related to several of the budgeted | |



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| • **FlexTech Contract Amendment**<br><br>• **Infosys Contract Amendment (FIN 105)** | projects. L.A. Care conducts ongoing reviews of vendor performance and assesses resources from each vendor. Contract clauses allow for replacement of poorly performing resources and/or early termination of the contract.<br><br>**Motion FIN 104.0417**<br>**To authorize staff to amend a contract with FlexTech Inc., for information technology staff augmentation resources and technical support in the amount of $3,000,000 (total contract amount not to exceed $17,200,000) through March 31, 2018.**<br><br>**Motion FIN 105.0417**<br>**To authorize staff to amend a contract with Infosys Public Service for member conversion services, reporting, production support, and system testing in the amount of $5,000,000 (total contract not to exceed $21,392,818) through March 31, 2018.** | **Motions FIN 104 and FIN 105 were simultaneously approved unanimously by roll call. 5 AYES** |
| **Claims Department Motions**<br><br>• **FirstSource Contract Amendment** | Melinda Semerena, *Senior Director, Enterprise Shared Services,* presented a motion for approval of contract amendment with FirstSource, to process a portion of claims that L.A. Care is not able to process internally. A competitive selection process was not conducted for these services, because FirstSource is considered the sole best vendor to continue these services. With the transition of L.A. Care's data to the QNXT system, it was not anticipated that this vendor would be needed to process claims in 2017. But some modules of the QNXT system which were intended to be part of the initial implementation have been rescheduled for deployment in the future. An immediate objective is to stabilize and optimize the QNXT core data system to meet claims regulatory requirements.<br><br>**Motion FIN 106.0417**<br>**To authorize staff to amend the contract with FirstSource in the amount of $4,500,000 (total amount not to exceed $17,075,993.30) to provide claims processing and adjudication services through December 31, 2017.**<br><br>Chair Rembis asked about the need for supplemental staffing as the claims processing backlog has been addressed. Ms. Semerena responded that claims processing needs to continue until all modules of the new system are implemented.<br><br>Chair Rembis asked if a report on claims backlog could be provided, and Mr. Baackes responded that a report is available and will be provided to the Committee at a future meeting. Mr. Ounjian added that L.A. Care is processing claims from before August 1, 2016 | **Motions FIN 106 and FIN E were simultaneously approved** |



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| • **Office Ally** | on the old data system. Chair Rembis requested monthly reports for both new and old processing systems.<br><br>A motion was presented to amend a contract with Office Ally, L.A. Care's largest electronic data interchange (EDI) claims. OfficeAlly is used by a majority of safety net providers who are able to submit electronic claims at no cost through this clearinghouse. A request for proposal was not conducted for this contract scope of work because Office Ally is considered a sole source vendor.<br><br>**Motion FIN E.0317**<br>**To authorize staff to amend a contract with Office Ally in the amount of $650,000 (total amount not to exceed $2,211,000), through December 31, 2017 for inbound claims electronic data interchange services.**<br><br>Ms. Semerena introduced John Atikian, *Claims Director*, to the Committee members. | **unanimously by roll call. 5 AYES** |
| **ADJOURN TO CLOSED SESSION** | *(Member Uyeda left the meeting.)*<br><br>Augustavia J. Haydel, Esq., *General Counsel*, 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 2:00 p.m.<br><br>CONTRACT RATES<br>Pursuant to Welfare and Institutions Code Section 14087.38(m)<br>• Plan Partner Rates<br>• Provider Rates<br>• DHCS Rates<br><br>*The following agenda item was not discussed.*<br>REPORT INVOLVING TRADE SECRET<br>Pursuant to Welfare and Institutions Code Section 14087.38(n)<br>Discussion Concerning New Product Lines<br>*Estimated date of public disclosure: March 2019*<br><br>CONFERENCE WITH REAL PROPERTY NEGOTIATORS<br>Section 54956.8 of the Ralph M. Brown Act<br>Property: 1055 W. 7th St., Los Angeles<br>Agency Negotiator: John Baackes | |



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| | Negotiating Parties: Jamison Services, Inc.<br>Under Negotiation: Price and Terms of Payment | |
| **RECONVENE IN OPEN SESSION** | The meeting reconvened in open session at 2:10 p.m. No reportable actions were taken during the closed session. | |
| **ADJOURNMENT** | The meeting was adjourned at 2:10 p.m. | |

APPROVED BY:

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

Michael Rembis, *Chair*
Date Signed 4-26-17



**APPROVED**