

BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – March 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*
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 1:05 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. 4 AYES (Ballesteros, Gamble, McCarthy, and Perez)
PUBLIC COMMENTS	There were no public comments.	
APPROVE MEETING MINUTES Mark Gamble	The minutes of the February 28, 2018 meeting were approved.	Approved unanimously. 4 AYES
CHAIRPERSON'S REPORT	There was no report from the Chairperson.	
CHIEF EXECUTIVE OFFICER REPORT	John Baackes, <i>Chief Executive Officer</i> , reported: <ul style="list-style-type: none"> The federal budget resolution did not include provisions on the premium subsidies for 	

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	<p>the individual health coverage market. Mr. Baackes had met with the Chairman of the Ways and Means Committee to discuss the budget bill.</p> <ul style="list-style-type: none"> • The Hyde amendment provisions on abortion derailed and will not be restored in time for rate filings in June. • January 1, 2019 premium pricing will be set without cost-sharing reductions (CSRs). • L.A. Care Covered has 77,000 members with premiums paid. • Discussions regarding the single payer in California (SB562) have included a public plan option. Mr. Baackes handed out copies of an op-ed that was published in The Hill, <i>From confusion to solution in health care — the public option in Los Angeles</i>, by John Baackes (a copy of the op-ed can be obtained by contacting Board Services). 	
COMMITTEE ITEMS		
<p>Chief Financial Officer's Report</p> <ul style="list-style-type: none"> • Financial Report for the period ended February 2018 <p>Marie Montgomery</p>	<p><i>(Member Uyeda joined the meeting.)</i></p> <p>Marie Montgomery, <i>Chief Financial Officer</i>, summarized a report on Financial Performance for the period ending February 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"> • Membership continued to grow in February and is now at 2,196,931. • Ms. Montgomery reviewed the impact of non-renewal of coverage due to the complex redetermination of eligibility process conducted for Medi-Cal members. • Year to date surplus is \$5.7 million ahead of budget. The variance is driven by the 2017 Coordinated Care Initiative (CCI) retroactive rate increases offset by timing of claims payments and adjustments. • Ms. Montgomery reviewed the operating margin by segment. • Medical Care Ratio is 93.4%, aligned with budget. • The administrative ratio was 4.5%, ahead of budgeted 4.7%. Operating expense of \$952,000 is favorable to budget. Staff will continue to monitor. • Working Capital and Tangible Net Equity are ahead of benchmarks. In-Home Support Services (IHSS) payables negatively impact the cash to claims ratio. There are adequate cash and investment balances on hand. • February 2018 Fund Balance was \$746 million, representing 378% of Tangible Net Equity. 	

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	<p>Motion FIN 100.0418 To accept the Financial Report for the period ended February 2018, as submitted.</p>	<p>Approved unanimously. 5 AYES (Ballesteros, Gamble, McCarthy, Perez and Uyeda)</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 February 28, 2018, L.A. Care's total investment market value was \$1.3 billion.</p> <ul style="list-style-type: none"> • \$1.1 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>Quarterly Reports Required by Internal Policies for Policies AFS 004, AFS 027, AFS 006 and AFS 007</p>	<p>As required by L.A. Care's internal policies, Ms. Montgomery referred to the reports for the 1st Quarter FY 2017-18 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"> • Policy AFS-004 (Non-Travel Expense Report) • Policy AFS-027 (Travel Expense Report) • Policy AFS-006 (Authorization and Approval Limits) • Policy AFS-007 (Procurement) 	
<p>Revised Accounting & Financial Services Policy AFS 004 (Non-Travel)</p>	<p>Ms. Montgomery presented a motion requesting approval to revise Accounting and Finance Service Policy AFS-004 (Non-Travel and Other Related Expenses), adding Deputy Officers as an approval option along with Officers on catering requests and processes.</p> <p>Motion FIN 101.0418 To approve revisions to Accounting & Financial Services Policies AFS-004 (Non-Travel and Other Expenses) as attached.</p>	<p>Approved unanimously. 5 AYES</p>
<p>California Long Term Care Education Center Contract Renewal</p>	<p>Mr. Baackes presented a motion requesting approval to renew a contract with California Long Term Care Education Center (CLTCEC). The program has been in effect for one year with strong participation and results. In April, 2017, the Board approved a \$2 million contract to support this program. CLTCEC provides education and training to IHSS program providers. The training also incorporates L.A. Care's Model of Care into its existing curriculum, by preparing IHSS providers to participate on the member's Interdisciplinary Care Team (ICT). CLTCEC estimates it will enroll another 1800 participants over the next two years.</p>	

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	<p>Mr. Baackes added that the Director of the program has been invited to the April 5, 2018 Board meeting to provide an update on the training program.</p> <p><u>Motion FIN 102.0418</u> To authorize staff to renew a contract in the amount of \$4.6 million (total not to exceed \$6.6 million) with California Long Term Care Education Center (CLTCEC) to provide education and training for IHSS providers for dual-eligible beneficiaries for the period of May 15, 2018 through May 15, 2020.</p>	<p>Approved unanimously. 5 AYES</p>
<p>Information Technology Motions</p> <p>Tom Schwaninger</p>	<p>Tom Schwaninger, <i>Chief Information Officer</i>, presented the following motions.</p> <p>On June 4, 2015 the Board of Governors approved a motion (FIN 107.0615) to negotiate contracts with Cognizant, FlexTech, Infosys, and HCL. Master Services Agreements were negotiated and executed with each of these vendors, setting forth competitive billing Rate Cards, Work Order procedures, and other terms through 2017.</p> <p>Staff augmentation is needed to ensure continuity and completion of projects currently underway and approved in the budget for FY 2017-18. Staff requests approval to authorize spending against the existing MSAs for FY 2017-18 for staff augmentation expenditures among the four vendors. The exact amount to be distributed among each vendor is unknown at this time.</p> <p>The approved budget for Strategic Projects FY 2017-18 includes \$52.1 million in Information Technology Strategic Projects, which includes staffing augmentation.</p> <p>In response to Member Perez' question who makes the hiring decisions, Mr. Schwaninger responded that vendors recommend, but L.A. Care staff hires and can fire without notice.</p> <p><u>Motion FIN 103.0418</u> To authorize spending with the following existing key vendors: Cognizant, FlexTech, Infosys, and HCL in an aggregate amount of \$10,000,000, not to exceed \$62,300,000 for staff augmentation expenditures through September 30, 2018 December 31, 2018.</p> <p>The Committee approved that Motions FIN 101, FIN 102 and FIN 103 be added to the Consent Agenda for April 5, 2018 Board meeting.</p> <p>Mr. Schwaninger presented a request to amend a contract with 3Key to provide professional services to support L.A. Care's Membership Eligibility and Clinical Care</p>	<p>Approved unanimously. 5 AYES</p> <p>Amended motion was approved unanimously. 5 AYES</p>

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	<p>Advance strategic projects. The requested services will continue to augment internal project management resources to assist in the implementation of Information Technology projects. A request for proposal (RFP) was not conducted because L.A. Care has evaluated 3Key against other vendors and found the vendor to be competitively priced and has valuable historical knowledge required to meet critical project milestones to support the existing project work load, and ensure timely system implementation.</p> <p><u>Motion FIN A.0318</u> To authorize staff to amend a contract with 3Key Consulting Inc., in the amount of \$500,000 (total amount not to exceed \$2,159,845), through September 30, 2018 to provide professional services to support L.A. Care’s Membership Eligibility and Clinical Care Advance (CCA) strategic projects.</p>	<p>Approved unanimously. 5 AYES</p>
<p>ADJOURN TO CLOSED SESSION</p>	<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>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 Rate <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>March 2020</i></p>	
<p>RECONVENE IN OPEN SESSION</p>	<p>The meeting reconvened in open session at 1:35 pm. No reportable actions were taken during the closed session.</p>	

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ADJOURNMENT	The meeting was adjourned at 1:37 pm.	

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

APPROVED BY:

Mark Gamble, *Chair*
 Date Signed 4/25/18

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