

# BOARD OF GOVERNORS

## Finance & Budget Committee

### Meeting Minutes – April 25, 2018

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

#### Members

Mark Gamble, *Chairperson*

Alvaro Ballesteros, *MBA*

Louise McCarthy \*

Hilda Perez

Kimberly Uyeda, *MD* \*\*



# L.A. Care

## HEALTH PLAN

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

#### Management/Staff

John Baackes, *Chief Executive 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 1:05 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 by roll call. 4 AYES (Ballesteros, Gamble, Perez and Uyeda)
PUBLIC COMMENTS	There were no public comments.	
APPROVE MEETING MINUTES  Mark Gamble	The minutes of the March 28, 2018 meeting were approved.	Approved unanimously by roll call. 4 AYES
CHAIRPERSON'S REPORT	There was no report from the Chairperson.	
CHIEF EXECUTIVE OFFICER REPORT	There was no report from CEO.	

**APPROVED**

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	Tom Schwaninger, <i>Chief Information Officer</i> , provided an update on the Microsoft Agreement renewal, approved by the Board at its April 5, 2018 meeting for licensing and support of Microsoft products. Staff had estimated that the annual renewal of this agreement over the next three years is not to exceed \$1.6 million per year. Mr. Schwaninger reported that staff was able to negotiate a lower rate of \$1.409 million for the first year.	
<b>COMMITTEE ITEMS</b>		
<p><b>Chief Financial Officer's Report</b></p> <ul style="list-style-type: none"> <li><b>Financial Report for the period ended March 2018</b></li> </ul> <p>Marie Montgomery</p>	<p>Marie Montgomery, <i>Chief Financial Officer</i>, summarized a report on Financial Performance for the period ending March 2018 included in the meeting materials. <i>(A copy of the report can be obtained by contacting Board Services).</i></p> <p>Highlights:</p> <ul style="list-style-type: none"> <li>• Membership for March is 2,215,690, favorable to the forecast by approximately 5,348 members.</li> <li>• The surplus for the month is almost \$60 million, which includes the rate adjustment retroactive to July 1, 2017 for the SPD/CCI and TANF/MCE enrollment. The forecast included adjustments for the retroactive period and the remainder of the fiscal year. Year to date net surplus is \$129 million.</li> <li>• L.A. Care is continuing to experience higher than expected fee for service inpatient expenses causing unfavorable variance. Staff is looking at cause and corrective actions.</li> <li>• Administration expenses are unfavorable to forecast by \$2.5 million due to timing of expenditures for projects and broker commissions. The administrative ratio was on target with forecast at 4.6%.</li> <li>• Non-operating income of \$3.2 million is favorable to forecast due to timing of community investment fund spending and better than expected unrealized losses.</li> <li>• Ms. Montgomery summarized the operating margin by segment. The business segments continue to perform in line with previous results.</li> <li>• Overall Medical Care Ratio was 92.3% which is aligned with the forecast.</li> <li>• Working Capital and Tangible Net Equity are ahead of benchmarks.</li> <li>• There is adequate cash and investments. The geography of the In Home Supportive Services (IHSS) accruals negatively impacts the cash to claims ratio. When IHSS is reconciled and removed from the balance sheet, the cash to claims ratio will be satisfactory.</li> </ul>	

**APPROVED**

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<p><b><u>Motion FIN 100.0418</u></b>  <b>To accept the Financial Report for the period ended March 2018, as submitted.</b></p>	<p><b>Approved unanimously by roll call. 4 AYES</b></p>
<p><b>Investment Monthly Transactions Report</b>  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 March 31, 2018, L.A. Care's investment market value was \$1.4 billion.</p> <ul style="list-style-type: none"> <li>• \$1.25 billion managed by Paydel &amp; Rygel and New England Asset Management (NEAM)</li> <li>• \$64 million in Local Agency Investment Fund</li> <li>• \$102 million in Los Angeles County Pooled Investment Fund</li> </ul>	
<p><b>Quarterly Investment Report</b>  Marie Montgomery</p>	<p><b><u>Motion FIN 101.0518</u></b>  <b>To accept the Quarterly Investment Report for the quarter ending March 31, 2018, as submitted.</b></p>	<p><b>Approved unanimously by roll call. 4 AYES</b>   <b>The Committee approved including this motion on the Consent Agenda for the May 3, 2018, Board of Governors meeting.</b></p>
<p><b>ADJOURN TO CLOSED SESSION</b></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 1:20 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 Rate</li> <li>• Medi-Cal Managed Care Supplemental Payment</li> </ul> <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>April 2020</i></p>	
<p><b>RECONVENE IN OPEN SESSION</b></p>	<p>The meeting reconvened in open session at 1:30 pm. No reportable actions were taken during the closed session.</p>	

**APPROVED**

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
ADJOURNMENT	The meeting was adjourned at 1:30 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*

Mark Gamble, *Chair*

Date Signed

*5/23/18*

**APPROVED**