

**BOARD OF GOVERNORS**  
**Finance & Budget Committee**  
**Meeting Minutes – May 24, 2017**

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



**L.A. Care**  
 HEALTH PLAN

**Members**

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

**Management/Staff**

John Baackes, *Chief Executive Officer*  
 Phinney Ahn, *Chief of Staff*  
 Ellin Davtyan, Esq., *Associate General Counsel*  
 Dino Kasdagly, *Chief Operations Officer*  
 Marie Montgomery, *Chief Financial Officer*  
 Richard Seidman, MD, *Chief Medical Officer*

*\*Absent \*\* Via Teleconference*

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
<b>CALL TO ORDER</b>  Michael Rembis	Michael Rembis, <i>Chairperson</i> , called the meeting to order at 1:08 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.	
<b>PUBLIC COMMENTS</b>	There were no public comments.	
<b>APPROVE MEETING AGENDA</b>  Michael Rembis	The Agenda for today’s meeting was approved.	<b>Approved unanimously.            4 AYES (Gamble,            McCarthy, Perez, and            Rembis)</b>
<b>APPROVE MEETING MINUTES</b>  Michael Rembis	The minutes of the April 26, 2017 meeting were approved as presented.	<b>Approved unanimously.            4 AYES</b>
<b>CHAIRPERSON’S REPORT</b>	There was no report by the Chairperson.	

**APPROVED**

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<b>CHIEF EXECUTIVE OFFICER REPORT</b>	John Baackes, <i>Chief Executive Officer</i> , reported that staff is following the details of the proposed American Health Care Act (AHCA). Staff is coordinating with trade associations for the benefit of L.A. Care members and providers in the safety net. Staff is monitoring the developments in Sacramento regarding the implementation of the recent regulations released by the Centers for Medicare and Medicaid Services (CMS).	
<b>COMMITTEE ITEMS</b>		
<b>CHIEF FINANCIAL OFFICER REPORT</b> Marie Montgomery	<p>Marie Montgomery, <i>Chief Financial Officer</i>, provided highlights on the Financial Report for FY 2016-17 for the period ended April 30, 2017. (<i>A copy of the report can be obtained by contacting Board Services.</i>)</p> <ul style="list-style-type: none"> <li>Overall variance for member enrollment months are behind forecast by about 6,000, driven by lower than expected enrollment as a result of eligibility redeterminations in January 2017.</li> </ul> <p>(<i>Member Uyeda joined the meeting.</i>)</p> <p>Chair Rembis asked about L.A. Care’s marketing efforts. Mr. Baackes responded that the market appears to be saturated, but there may be an opportunity to increase enrollment through enrollment in Covered California.</p> <p>Chair Rembis asked about enrollment in L.A. Care’s competitors. Mr. Baackes informed the Committee that currently default enrollment is distributed 54% to L.A. Care and 46% to Health Net. Mr. Baackes noted that the default enrollment rates are based on Healthcare Effectiveness Data and Information Set (HEDIS) quality measures, and L.A. Care had improved by more than 10% in two HEDIS measures in 2016. The default distribution that year was 69% to L.A. Care and 31% to Health Net. In 2017, L.A. Care maintained an advantage but it was not as great. Mr. Baackes added that the six measures in the Value Initiative for IPA Performance (VIIP) program are tied to HEDIS measures, and it is hoped that work on the VIIP will improve HEDIS scores. Richard Seidman, MD, <i>Chief Medical Officer</i>, noted that L.A. Care is focused on improving HEDIS scores, and it is challenging to get real time data to monitor performance.</p> <ul style="list-style-type: none"> <li>The year to date revenue surplus is \$86.3 million; \$16.4 million ahead of forecast. The favorable surplus variance is driven by a favorable operating margin.</li> </ul>	

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	<ul style="list-style-type: none"> <li>• An unfavorable administrative variance was due to timing of the annual printing and mailing of the Medical-Cal provider directory to L.A. Care members.</li> <li>• Non-operating revenue is favorable at \$7.9 million, due to favorable investment income and timing of grant spending, and other income.</li> <li>• Medical cost ratio was 94.3%, which is slightly favorable to the forecast of 94.5%. Staff continues to be cautious with administrative expenses. The administrative ratio was 4.1% as forecasted.</li> <li>• The year to date fund balance for April was \$610 million, 308% of Tangible Net Equity (TNE) regulatory requirements. Chair Rembis asked Mr. Baackes about the level of reserves. Mr. Baackes responded that he is not concerned about L.A. Care's position in comparison to other plans, and it is expected that L.A. Care reserves will continue to increase over time. Ms. Montgomery reported that the reserve proportion is distorted by the cost of the In-Home Support Services (IHSS) program. The IHSS program will no longer run through LA Care's financials beginning January 2018.</li> </ul> <p>Ms. Montgomery reported that the ending inventory of claims from March to April is steady at 60,000 claims. L.A. Care is improving payment accuracy.</p>	
<b>Approval of Financial Report FY 2016-17</b> Marie Montgomery	<u><b>Motion FIN 100.0617</b></u> <b>To accept the Financial Report for the period ended April 30, 2017, as submitted.</b>	<b>Approved unanimously.  5 AYES (Gamble, McCarthy, Perez, Rembis, and Uyeda)</b>
<b>Investment Transactions</b> Marie Montgomery	Ms. Montgomery referred to a 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 April 30, 2017, L.A. Care's total investment market value was \$2.67 billion. <ul style="list-style-type: none"> <li>• \$2.53 billion managed by Paydel &amp; Rygel</li> <li>• \$64 million in Local Agency Investment Fund</li> <li>• \$71 million in Los Angeles County Pooled Investment Fund</li> </ul>	
<b>Sante Analytics Contract</b> Dino Kasdagly	Dino Kasdagly, <i>Chief Operating Officer</i> , presented a motion to execute a contract with Santé Analytics for data management and user administration. The software will provide a centralized repository to track overpayments identified by L.A. Care or through a portfolio of Payment Integrity vendors. The solution includes recovery workflow, ability to manage multiple vendors, reporting and dashboard analytics, financial management and recovery reconciliation, and management of provider refund letters.	

**APPROVED**

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	<p>Although a formal competitive selection process was not conducted, multiple internal and vendor solutions were evaluated. Santé Analytics was selected due to limited commercial software solutions available in this space, the tool provides a platform to quickly scale the payment integrity operation, and competitive pricing relative to other vendor solutions or L.A. Care's ability to develop internally.</p> <p>Mr. Kasdagly added that as claims payment timeliness improves, there is need to look toward accuracy of claims processing. Mr. Kasdagly also explained how under payment of claims is tracked.</p> <p><b><u>Motion FIN A.0517</u></b>  <b>To authorize staff to execute a contract with Sante Analytics in the amount of \$700,000 to provide centralized payment integrity data repository software and implementation support for the period of June 1, 2017 to August 31, 2019.</b></p>	<p><b>Approved unanimously. 5 AYES</b></p>
<p><b>2b3 International, Inc. Contract</b></p> <p>Dino Kasdagly</p>	<p>Mr. Kasdagly presented a motion to approve a contract with 2b3 International, Inc. (formerly Cornerstone Data Strategies, Inc.) for Enterprise Data Warehouse staff augmentation. A request for proposal was not conducted for these services because 2b3 is considered a sole source vendor with in-depth technical knowledge and several years of experience with L.A. Care's applications. Mr. Kasdagly noted that L.A. Care continues to reduce the tasks performed by outside consultants.</p> <p><b><u>Motion FIN B.0517</u></b>  <b>To authorize staff to execute a contract with 2b3 International, Inc. for an amount of \$480,000 for consulting and staffing services through September 30, 2017.</b></p>	<p><b>Approved unanimously. 5 AYES</b></p>
<p><b>ADJOURN TO CLOSED SESSION</b></p>	<p>Ellin Davtyan, Esq., <i>Associate 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 1:39 p.m.</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>	

**APPROVED**

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	<p><i>The following 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  <i>Estimated date of public disclosure: May 2019</i></p>	
<b>RECONVENE IN OPEN SESSION</b>	The meeting reconvened in open session at 1:58 p.m. No reportable actions were taken during the closed session.	
<b>ADJOURNMENT</b>	The meeting was adjourned at 2:00 p.m.	

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

APPROVED BY:



Michael Rembis, *Chair*

Date Signed 7/26/17

**APPROVED**