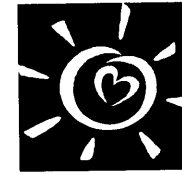


BOARD OF GOVERNORS

Finance & Budget Committee

Regular and Special Supplemental Meeting Minutes – July 26, 2017

1055 W. 7th 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, *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
CALL TO ORDER Louise McCarthy	Louise McCarthy, <i>Board Chairperson</i> , called the meeting to order at 1:05 p.m. She 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 Michael Rembis	(<i>Chair Rembis joined the meeting.</i>) The regular and special supplemental meeting Agendas for today's meetings were approved.	Approved unanimously. 4 AYES (Gamble, McCarthy, Perez and Rembis)
PUBLIC COMMENTS	There were no public comments.	
APPROVE MEETING MINUTES	The minutes of the June 28, 2017 meeting were approved as presented.	Approved unanimously. 4 AYES
APPROVE CONSENT AGENDA	<ul style="list-style-type: none"> Quarterly Investment Report <u>Motion FIN 100.0717</u> To accept the Quarterly Investment Report for the quarter ending June 30, 2017, as submitted. 	

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> • <u>PaySpan to provide check and remittances services</u> Motion FIN 101.0717 To execute a contract in the amount of \$1.5 million with PaySpan to provide check and remittances services for the period of September 1, 2017 to August 31, 2020. • Alchemy Communications, Inc. Contract Amendment Motion FIN 102.0717 To authorize staff to add six server racks with 30A/208V upgraded electric service in the L.A. Care data center by amending the service agreement with Alchemy Communications, Inc. in an amount not to exceed \$670,000. • Revised Edmund Jung & Associates Contract Amendment Motion FIN A.0717 To authorize staff to amend a contract with Edmund Jung & Associates in the amount of \$487,625, contract total not to exceed \$1,627,250, and to use \$124,375 previously authorized funds (Motion FIN 103.0616) for the Process Communications Tracking systems application to provide support services for the period of July 1, 2017 to December 31, 2018. • Sungard Contract Amendment to Upgrade Business Continuity and Disaster Recovery Services Motion FIN B.0717 To authorize staff to amend a contract in an amount not to exceed \$230,000 with SunGard to upgrade Business Continuity and Disaster Recovery services through October 31, 2019. • Pamela Gossman Consulting Contract Motion FIN C.0717 To authorize staff to execute a contract not to exceed \$275,000.00 with Pamela Gossman to provide consulting services for the period of August 1, 2017 through July 31, 2018. • SafetyNet Connect Inc. Contract for eConsult/eManagement Programs <i>(Member McCarthy may have financial interests in Plans, Plan Participating Providers or other programs and refrained from the discussion of and vote on this motion.)</i> 	<p>Approved unanimously, except for conflicts where noted. Member McCarthy abstained from voting on FIN D.0717 4 AYES</p> <p>The Committee approved to include motions FIN 100, FIN 101 and FIN 102 to the Consent Agenda for the July 26, 2017, Board of Governors meeting.</p>

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<p><u>Motion FIN D.0717</u> To authorize staff to execute a contract with SafetyNet Connect Inc., to provide software and technical support for the eConsult/eManagement programs for an amount not to exceed \$500,000.00, conditional upon HIT department's funding, for the period of October 1, 2017 through September 30, 2018.</p>	
CHAIRPERSON'S REPORT	There was no report from the Chairperson.	
CHIEF EXECUTIVE OFFICER REPORT	John Baackes, <i>Chief Executive Officer</i> , deferred his report to the Board meeting that immediately followed this meeting.	
COMMITTEE ITEMS		
<p>CHIEF FINANCIAL OFFICER REPORT</p> <p>Marie Montgomery</p>	<p>Marie Montgomery, <i>Chief Financial Officer</i>, provided highlights on the FY 2016-17 Financial Report for the period ended June 30, 2017. <i>(A copy of the report can be obtained by contacting Board Services).</i></p> <ul style="list-style-type: none"> • Net surplus for the month of \$15 million and year to date almost \$107 million. • June 2017 year to date financial performance is \$14 million behind the FY 2016-17 forecast. • There was a very high volume of claims paid in June of approximately \$190 million. Claims reserves were conservatively adjusted until additional research can be completed. • Member months are slightly ahead of forecast. <p><i>(Member Uyeda joined the meeting.)</i></p>	
<p>Approval of Financial Report FY 2016-17</p> <p>Marie Montgomery</p>	<p><u>Motion FIN 103.0917</u> To accept the Financial Report for the period ended June 30, 2017, as submitted.</p>	<p>Approved unanimously. 5 AYES (Gamble, McCarthy, Perez, Rembis and Uyeda)</p>
<p>Review and Recommendation to Approve Budget for Fiscal Year 2017-18</p>	<p>Ms. Montgomery summarized the Budget Assumptions for Fiscal Year 2017-18.</p> <ul style="list-style-type: none"> • The FY 2017-18 budget outlines an MCR of 93%, administrative ratio of 5%, which is impacted by the decrease in In Home Supportive Services (IHSS) revenue. The surplus revenue is expected to be 1.9%. This is compared to the FY 2016-17 forecast of MCR 	

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(FIN 104)	<p>94.3%, administrative ratio 4.1%, and surplus of 1.7%. FY 2017-18 budget target for administrative expenses is \$14.50 per member/per month (PMPM).</p> <ul style="list-style-type: none"> • There are several opportunities to increase the surplus including Coordinated Care Initiative (CCI) recoveries, duals reclassification, and rate adjustments. There are also risks including a lack of membership growth, duals overpayments, IHSS reconciliation, CCI risk corridor, Medi-Cal Expansion (MCE) loss rebate, and L.A. Care Covered (LACC) membership. • Assuming conservative rate increases for CCI Duals for 2017-18 in the absence of finalized rates. Managed Long Term Supportive Services (MLTSS) rates for 2016-17 were just received and staff is estimating for 2017-18. • Revenue of \$7.5 billion is a \$1.1 billion decrease from the current fiscal year primarily due to the removal of the IHSS from managed care effective January 1, 2018. • Investment income is projected at \$10 million. The state recoupment of MCE rate overpayments has a large impact on investment income. • Community Programs budget includes an increase in operating expenses related to new Family Resource Centers (FRC). • The tangible net equity (TNE) ratio is projected to improve from 325% as of June 2017 to 526% by the end of FY 2017-18. This reflects the impact of removing IHSS revenue from the calculation and an expected net surplus for the rest of the current fiscal year. • There is approximately \$65 million in capital projects budgeted for 2017-18, which includes \$13 million for leasehold improvements. <p>Mr. Baackes noted that the most vulnerable program is Covered California due to lack of clarity about the federal subsidies and individual mandate. No significant changes are expected for Medi-Cal and Medicare programs.</p> <p>Ms. Montgomery reported on improvements in CCI Duals payments and in the claims system for crossover claims.</p> <p>Dino Kasdagly, <i>Chief Operating Officer</i>, summarized L.A. Care's achievements in improving operations during 2016-17, noting significant improvements in Claims and Customer Solution Center performance measures. L.A. Care's Core Business Transformation is driven by technology and should also be business driven. Staff will focus on cross functional projects in 2017-18. He summarized 2017-18 Capital Projects and Programs.</p>	

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	<p>Chair Rembis asked if a return on investments is assumed for each capital project. Mr. Kasdagly confirmed that return on investment is assumed. Projects require qualitative and quantitative improvements, with fewer manual tasks, and the focus will be on continued quality improvements.</p> <p><i>Members McCarthy, Perez, and Uyeda may have financial interests in Plans, Plan Participating Providers or other programs and as such should consider refraining from the discussion of those issues identified below. In order to expedite the process, such members' vote on the Budget reflects a vote concerning the entire budget excluding those items for which the member is abstaining, as identified:</i></p> <p><u>Members McCarthy and Uyeda</u> Community Health Investment Fund, HITEC-LA/TCPI, eManagement Sponsorships/In-Kind and Ad Hoc Grants</p> <p><u>Member McCarthy</u> CTAP, Community Clinic Program/ (SCOPE) Plan</p> <p><u>Member Perez</u> Health Promoters/ Promotoras Program</p> <p><u>Motion FIN 104.0717</u> To recommend the draft Fiscal Year 2017-18 Capital and Operating Budget for consideration by the Board of Governors at the September 7, 2017 meeting.</p>	<p>Approved unanimously, except for conflicts where noted, those members abstained from discussion and voting. 5 AYES</p>
<p>Investment Transactions</p> <p>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 June 30, 2017, L.A. Care's total investment market value was \$2.1 billion.</p> <ul style="list-style-type: none"> • \$2 billion managed by Paydel & Rygel • \$65 million in Local Agency Investment Fund • \$71 million in Los Angeles County Pooled Investment Fund 	
<p>Motions in Compliance with Policy AFS 004 (Non-Travel and Other Related Expenses)</p>	<p>Expense Policy AFS-004 requires Board approval of expenses for non-travel expense requests related to various L.A. Care programs.</p> <ul style="list-style-type: none"> • <u>Member Advocacy Day</u> <i>(Member Perez may have financial interests in Plans, Plan Participating Providers or other programs and refrained from the discussion of and vote on this motion.)</i> 	

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	<p><u>Motion FIN 105.0717</u> To approve the allocation of funds for L.A. Care’s Sacramento Advocacy Day in the amount of \$37,665 for FY 2017-18.</p> <ul style="list-style-type: none"> • <u>Coordinated Care Initiative Consumer Advisory Councils meetings</u> <p><u>Motion FIN 106.0717</u> To approve the allocation of funds for catering and stipends for L.A. Care CCI Consumer Advisory Council member meetings from October 1, 2017 to September 30, 2018 in the amount of \$37,400.</p> <ul style="list-style-type: none"> • <u>Safety Net Initiatives Community Events</u> <p><u>Motion FIN 107.0717</u> To approve the allocation of funds for stakeholder and community engagement events for safety net programs in the amount of \$44,440 for the period of October 1, 2017 through September 30, 2018.</p> <ul style="list-style-type: none"> • <u>Provider Continuing Education Program</u> <p><u>Motion FIN 108.0717</u> To approve the allocation of funds for L.A. Care’s Continuing Medical Education and Continuing Education programs, in the amount of \$180,500, for the period of October 1, 2017 through September 30, 2018.</p> <ul style="list-style-type: none"> • <u>Credentialing Committee Meetings</u> <p><u>Motion FIN 109.0717</u> To approve the allocation of funds for L.A. Care Credentialing/Peer Review Committee monthly meetings in the amount of \$15,080, for the period of October 1, 2017 through September 30, 2018.</p> <ul style="list-style-type: none"> • <u>Health Promoters Program</u> <i>(Member Perez may have financial interests in Plans, Plan Participating Providers or other programs and refrained from the discussion of and vote on this motion.)</i> 	<p>Motions FIN 105, 106, 107, 108, 109 and 110 were simultaneously approved unanimously, except members abstained from voting due to conflicts where noted. 5 AYES</p> <p>The Committee approved the motions to be included on the Consent Agenda for the July 26, 2017, Board of Governors meeting.</p>

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<p><u>Motion FIN 110.0717</u> To approve allocation of funds for catering for Health Promoters Program activities in the amount of \$31,000, for the period of October 1, 2017 through September 30, 2018.</p>	
<p>Cognizant Contract Amendment for Healthcare Effectiveness Data and Information Set (HEDIS) Full Service</p>	<p>Richard Seidman, <i>Chief Medical Officer</i>, summarized the motion requesting approval to amend the contract with Cognizant for HEDIS reporting required by Centers for Medicare and Medicaid Services (CMS), Department of Health Care Services (DHCS), California Covered, and National Commission on Quality Assurance (NCQA) for Accreditation.</p> <p>L.A. Care has engaged Cognizant under a master services agreement since July 2013. IT, Provider Network Management, and Sales and Marketing departments have engaged this vendor for a variety of enterprise-wide projects including QNXT implementation, CSP Plus, Salesforce Provider Network Management, IT support and services.</p> <p>A request for proposal process was conducted March through June 2017 for this work. Five vendors were evaluated, including our current vendor, Inovalon. Cognizant was selected because they best met L.A. Care's needs relating to HEDIS software utilization and dashboard components that will help L.A. Care provide useful timely data to our providers and PPGs proactively throughout the year. Cognizant was less expensive than our current vendor for the services requested. The next request for proposal will be conducted in March 2020.</p> <p>Dr. Seidman corrected the amount being requested to \$2,915,948.</p> <p><u>Motion FIN 111.0717</u> To authorize staff to execute an amendment to our current contract in the amount of \$2,915,948 with Cognizant to provide new Healthcare Effectiveness Data and Information Set (HEDIS) services and HEDIS required software for the period of October 1, 2017 to September 30, 2020.</p>	<p>Approved unanimously. 5 AYES</p>
<p>Optum Contracts</p>	<p>Dino Kasdagly, <i>Chief Operating Officer</i>, presented and summarized the following motions:</p> <p>Approval is requested for a claims editing system and ongoing support to identify provider overpayments arising from inappropriate coding edits, duplicate billings, and Medi-Cal specific edits prior to claims being paid. Historically, L.A. Care has not proactively reviewed claims to flag or correct claims pre-payment. The claims editing solution is projected to</p>	

APPROVED

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	<p>generate over \$50 million in medical cost savings over the term of the contract, and an annual savings of \$10 million once fully deployed, based on L.A. Care's medical cost volume of \$1.7 billion.</p> <p>Optum has been performing claims credit balance auditing since 2014. Although a formal RFP was not conducted for this work, multiple vendor proposals were evaluated. Optum was selected due to L.A. Care's history of success working with this vendor, and competitive overall pricing.</p> <p><u>Motion FIN 112.0717</u> To authorize staff to execute a contract not to exceed \$3.5 million with Optum to provide a prospective claims editing system for the period of October 1, 2017 to December 31, 2023.</p> <p>Staff is requesting approval to execute a contract with Optum in the estimated amount of \$7.5 million over the term of the five year contract. The pricing structure is based on the vendor receiving 30% contingency fee for claims overpayments recovered. This is a fully contingent agreement as fees are only paid when L.A. Care overpayments are recovered.</p> <p>Optum will provide 2nd Pass Data Mining services to identify provider overpayments. Historically, L.A. Care has not proactively identified claims overpayment opportunities to pursue for recovery. Based on expenses of \$1.7 billion annually, the 2nd Pass Data Mining solution is projected to generate \$25 million of overpayment recoveries over the term of the contract, and annual recovery of \$5 million once fully deployed.</p> <p>Optum has been performing other Payment Integrity related services since 2014. Although a formal RFP was not conducted, multiple vendor proposals were evaluated. Optum was selected due to L.A. Care's history of success working with this vendor and the competitive overall pricing.</p> <p><u>Motion FIN 113.0717</u> To authorize staff to execute a contract not to exceed \$7.5 million with Optum to provide 2nd Pass Data Mining services for the period of September 1, 2017 to December 31, 2022.</p>	<p>Motions FIN 112 and 113 were simultaneously approved unanimously. 5 AYES</p>
<p>Edifecs, Inc. Contract</p>	<p>Mr. Kasdagly presented a motion to contract with Edifecs, Inc. to purchase a pre-processing claims data management software which would enable L.A. Care staff to track and monitor claims received from a clearinghouse and vendors before they are loaded into QNXT for</p>	

APPROVED

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	<p>adjudication. The California Department of Health Care Services (DHCS) and Centers for Medicare and Medicaid Services (CMS) require timely and complete submission of encounter data and timely re-submission of rejected records, to calculate capitation rates for managed care plans.</p> <p>A motion was previously approved for this work for a term of two years. This motion is for a contract term of five years. The longer contract term allows L.A. Care to realize a significant cost savings on licensing based on the minimum five-year commitment.</p> <p><u>Motion FIN 114.0717</u> To authorize staff to execute a contract in the amount of \$10,200,000 with Edifecs, Inc. to purchase pre-processing claims data management software, end-to-end encounter data management software, implementation services, and maintenance for the period of October 1, 2017 to September 30, 2022.</p>	<p>Approved unanimously. 5 AYES</p>
<p>Maricich Contract Extension</p>	<p>Mr. Baackes presented a request for approval of a contract with Maricich for work associated with the Parent Brand Initiative for L.A. Care's entire portfolio of products and services. To leverage the benefits of investment in new member and consumer facing marketing, the Parent Brand Initiative adds value to support L.A. Care's direct lines of business, Family Resource Centers and companywide initiatives.</p> <p>In July 2013, Maricich was among 19 agencies that responded to a request for proposals to provide creative direction, branding, and comprehensive community marketing campaigns, media planning and placement. Maricich has provided L.A. Care with award winning and cost effective marketing support and significant value added negotiations with traditional and non-traditional media outlets. Maricich has consistently delivered quality work that has helped L.A. Care achieve its Sales and Marketing goals.</p> <p>A formal bid solicitation for marketing, media and advertising management services will be developed and launched in late 2017.</p> <p><u>Motion FIN 115.0717</u> To authorize staff to extend and execute the Master Service Agreement with Maricich Healthcare Communications in the amount of \$7,085,000 (total contract amount not to exceed \$7,085,000) for the period of September 1, 2017 through September 30, 2018.</p>	<p>Approved unanimously. 5 AYES</p>

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
Delegation to CEO for Tenant Improvements for 2nd Floor Garland Building	<p>The Board authorized staff to extend the lease in the Garland building, including tenant improvements for the 2nd floor. The 2nd floor's current configuration is not to L.A. Care standard and does not provide an optimally efficient layout.</p> <p>The Board delegated to the Finance & Budget committee the final approval of renovations for the 2nd floor Garland building. The motion provides authority for the CEO, on a discretionary basis, to enter into contracts for capital improvements, office furniture and other required equipment, fees or services to renovate the 2nd floor Garland.</p> <p><u>Motion FIN E.0717</u> To delegate to John Baackes, <i>Chief Executive Officer</i>, discretionary authority to approve vendors and enter into contractual agreements for certain capital improvements, furniture and equipment to renovate the 2nd Floor Garland building in an amount not to exceed \$4,336,225 which includes a 6.5% contingency for potential unknown conditions.</p>	<p>Approved unanimously. 5 AYES</p>
ADJOURN TO CLOSED SESSION	<p>Ellin Davtyan, <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 1:55 p.m.</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>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: July 2019</i></p> <p>CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to Section 54956.8 of the Ralph M. Brown Act Property: 5139 Pacific Blvd., Vernon Agency Negotiator: John Baackes, CEO Negotiating Parties: Joshua Shadpour, Vice President Property Management. Elizabeth Pueblo, LLC Under Negotiation: Price and Terms of Payment</p>	

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<p>CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to Section 54956.8 of the Ralph M. Brown Act Property: Suite 1950, 1201 K Street, Sacramento Agency Negotiator: John Baackes, CEO Negotiating Parties: John McKee, Property Manager, CDA Rotunda Partners, LLC Under Negotiation: Price and Terms of Payment</p> <p>CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to Section 54956.8 of the Ralph M. Brown Act Property: 1055 W. 7th St., 1st Floor, Los Angeles Agency Negotiator: John Baackes Negotiating Parties: Jamison Services, Inc. Under Negotiation: Price and Terms of Payment</p> <p>From the Special Supplemental Meeting Agenda CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to Section 54956.8 of the Ralph M. Brown Act Property: <u>4803 E. Whittier Boulevard, Los Angeles</u> Agency Negotiator: John Baackes, CEO Negotiating Parties: Joshua Shadpour, Vice President Property Management. Elizabeth Pueblo, LLC Under Negotiation: Price and Terms of Payment</p>	
RECONVENE IN OPEN SESSION	The meeting reconvened in open session at 2:00 p.m. No reportable actions were taken during the closed session.	
ADJOURNMENT	The meeting was adjourned at 2:00 p.m.	

APPROVED BY:



Michael Rembis, *Chair*

Date Signed 8/31/17

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

APPROVED