

BOARD OF GOVERNORS
Finance & Budget Committee
Meeting Minutes – September 27, 2017

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

Management/Staff

John Baackes, *Chief Executive Officer*
 Terry Brown, *Chief Human Resources Officer*
 Phinney Ahn, *Chief of Staff*
 Augustavia J. Haydel, Esq., *General Counsel*
 Marie Montgomery, *Chief Financial Officer*
 Tom Schwaninger, *Chief Information Officer*
 Richard Seidman, MD, *Chief Medical Officer*

**Absent ** Via Teleconference*

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
CALL TO ORDER Louise McCarthy	On behalf of Michael Rembis, <i>Committee Chairperson</i> , Board Chairperson Louise McCarthy called the meeting to order at 1:10 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 Louise McCarthy	The Agenda for today’s meetings was approved.	Approved unanimously by roll call. 5 AYES (Gamble, McCarthy, Perez, Rembis and Uyeda)
PUBLIC COMMENTS	There were no public comments.	
APPROVE MEETING MINUTES Louise McCarthy	The minutes of the August 22, 2017 special meeting were approved as presented.	Approved unanimously by roll call. 5 AYES

DRAFT

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
APPROVE CONSENT AGENDA	<ul style="list-style-type: none"> • Annual Investment Policy AFS 008 <u>Motion FIN 100.1017*</u> To approve Financial Services Policy AFS-008 (Annual Investment Policy) as submitted. • Allocation of funds to support L.A. Care’s Regional Community Advisory Committee meetings <u>Motion FIN 101.1017*</u> To approve the allocation of funds to support L.A. Care’s Regional Community Advisory Committee meetings and programs in the amount of \$ 204,020 for FY 2017-18. • Office Ally Contract Amendment <u>Motion FIN A.0917*</u> To authorize staff to amend a contract with Office Ally in the amount of \$875,000 (total amount not to exceed \$3,086,000), through December 31, 2018 for inbound claims electronic data interchange services. 	<p>Approved unanimously by roll call. 5 AYES</p> <p>The Committee approved including motions FIN 100 and FIN 101 on the Consent Agenda for the October 5, 2017, Board of Governors meeting.</p>
CHAIRPERSON’S REPORT	Chair McCarthy noted that the repeal and replace Affordable Care Act (ACA) bill was not passed by the U.S. Senate. There is still a lot a work to be done in healthcare related to the ACA, Medicaid and Medicare.	
CHIEF EXECUTIVE OFFICER REPORT	<p>John Baackes, <i>Chief Executive Officer</i>, reported that the recent failure in the Senate is likely not the end of proposed legislation to repeal and replace the Affordable Care Act (ACA). Some legislators will continue to support repeal of the ACA and redesign Medicaid, perhaps to the detriment of L.A. Care and its members. L.A. Care will continue to focus attention on these matters and will articulate support to continue health coverage for L.A. Care members. L.A. Care works with three national trade associations, each of which has taken limited action taken against this last proposed legislation to repeal the ACA. Mr. Baackes added that he will discuss L.A. Care’s trade association relationships at the Board meeting.</p> <p>Chair McCarthy thanked Mr. Baackes for his leadership and for taking on with gusto the board’s direction to protect members and the safety net.</p>	

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	<p>Member Gamble clarified that there will be another opportunity when the 2018 federal budget is proposed for legislation to be approved through budget reconciliation.</p> <p>Mr. Baackes informed the Committee that in June 2017, L.A. Care partnered with other Medicaid managed care organizations to send a letter to US Senate leadership to oppose the proposed bill to repeal and replace the ACA. The plans represented 13.5 million Medicaid lives in 22 states. Another letter proposing Medicaid reforms was also submitted by plans representing 15 million members. Both letters outlined suggestions for improvements to Medicaid and offered to provide guidance on reforms for managed care.</p>	
COMMITTEE ITEMS		
<p>Chief Financial Officer's Report</p> <ul style="list-style-type: none"> • Financial Report <p>Marie Montgomery</p>	<p>Marie Montgomery, <i>Chief Financial Officer</i>, presented the Financial Report for the period ended August 31, 2017. Highlights included:</p> <ul style="list-style-type: none"> • The combined member months is 23.1 million year to date; 15,454 members favorable to the latest forecast. The revised forecast shows flat growth in enrollment. This slow growth rate is assumed to continue in the FY 2017-18 budget projections. • August yielded a net surplus of \$2.2 million compared to the \$1.2 million forecast. The favorable August results, much like June and July, are due to changes in estimates for the In-Home Support Services (IHSS) and Coordinated Care Initiative (CCI) rate adjustments. The 2017 CCI rates have not yet been published, but Staff updated the revenue estimates to include a reasonable increase based on the expected trend. The net revenue surplus year to date is \$128.4 million, \$8 million behind the latest forecast. The original budget target of \$125 million for the year has been exceeded, with one month to go. • Operating margin is \$10.1 million unfavorable to forecast, driven by June and July results. • The Medical Cost Ratio was 94.5%, slightly unfavorable to the forecast of 94.2%. • The administrative ratio was 4.0%, ahead of the forecasted 4.1%. Against the forecast we are \$300K favorable to operating expenses. • Working Capital and Tangible Net Equity are ahead of benchmarks. • Delayed cash payments by the State and recoupment of the MCE overpayment has decreased cash and investments. L.A. Care remains in a strong cash and investments position. 	

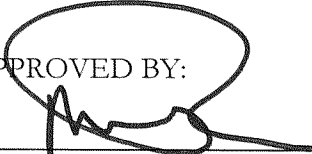
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	<p><u>Motion FIN 102.1017</u> To accept the Financial Report for the period ended August 2017, as submitted.</p>	<p>Approved unanimously by roll call. 5 AYES</p>
<ul style="list-style-type: none"> • Monthly Investment Transactions Report 	<p>Ms. Montgomery 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 August 31, 2017, L.A. Care's total investment market value was \$1.74 billion.</p> <ul style="list-style-type: none"> • \$1.6 billion managed by Paydel & Rygel • \$65 million in Local Agency Investment Fund • \$71 million in Los Angeles County Pooled Investment Fund 	
<ul style="list-style-type: none"> • Quarterly Reports Required by Internal Policies for Policies AFS 006, AFS 007, AFS 024 and AFS 004 	<p>As required by L.A. Care's internal policies, Ms. Montgomery presented reports for April 1, 2017 to June 30, 2017: <i>(A copy of the report can be obtained by contacting Board Services):</i></p> <ul style="list-style-type: none"> • Policy AFS-006 (Authorization and Approval Limits) • Policy AFS-007 (Procurement) • Policy AFS-027 (Travel Expense Report) • Policy AFS-004 (Non-Travel Expense Report) 	
<p>Approve translation and interpretation vendor</p> <p>Richard Seidman, MD</p>	<p>Richard Seidman, MD, <i>Chief Medical Officer</i>, presented a motion requesting approval to execute contracts with five translation and interpretation vendors for three years with an option to renew for two additional years. The vendors provide translation and face-to-face interpreting services as required by state and federal regulatory agencies.</p> <p>A competitive request for proposal (RFP) was conducted in April 2017. Eight agencies submitted proposals that met L.A. Care's requirements. The proposals were reviewed and on-site vendor presentations were attended by an interdepartmental evaluation committee. Five vendors were selected; two for translation, two for interpreting, and one vendor that offers both services. In order to ensure adequate capacity for interpreting and translation services, the C&L staff recommend contracting with multiple vendors.</p> <p>Dr. Seidman noted that a 30 day no cause termination clause will be in the contract.</p> <p>Member Perez asked if there is any data on how much this service is used. Dr. Seidman noted that L.A. Care tracks the utilization.</p>	

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	<p>Member Perez asked if there will be an evaluation after three years. Dr. Seidman responded that there will be an evaluation and, based on L.A. Care satisfaction, the contracts could be extended for two years.</p> <p><u>Motion FIN 103.1017</u> To approve three-year contracts with the option to renew for two consecutive years with five vendors that provide translation and interpreting services in an amount not to exceed \$3 million dollars each fiscal year.</p>	<p>Approved unanimously by roll call. 5 AYES</p>
<p>IT Motions</p> <p>Tom Schwaninger</p> <ul style="list-style-type: none"> Healthx Contract Amendment 	<p>Tom Schwaninger, <i>Chief Information Officer</i>, presented four IT motions.</p> <p>In February 2015 the Board of Governors approved a motion authorizing staff to contract with one or more existing key vendors for L.A. Care’s Member and Provider Portal Strategic implementation services. A competitive request for proposal was conducted and L.A. Care selected Healthx because of its expertise, health plan experience and fit with L.A. Care’s strategic goals. Staff is requesting to amend the contract with Healthx, extending the term for three years through October 2020</p> <p>Member Uyeda asked about the reference to Bank of America (BoA) and how confidentiality will be preserved for adolescents. Mr. Schwaninger explained that the link to BoA is for credit card processing; L.A. Care does not retain any credit card information. With regard to confidentiality, the portal is restricted to members ages 18 years and older, so cannot be used by adolescents.</p> <p>Chair McCarthy asked about services available to the member through the portal and how it differs from information offered by the medical provider. Mr. Schwaninger will report back to the Committee on availability of services.</p> <p>Member Uyeda added that there have been adolescents who are unwilling to go to a provider because billing or other records will reveal information the adolescent wants kept confidential.</p> <p><u>Motion FIN 104.1017</u></p>	

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	To authorize staff to execute a contract with Healthx for an amount of \$3,000,000 (total contract not to exceed \$5,500,000) for hosting services through October 30, 2020.	
<ul style="list-style-type: none"> • Infosys Contract Amendment 	<p>L.A. Care staff requests approval to amend the contract with Infosys through September 30, 2018. Infosys will provide Medi-Cal member conversion services, reporting, production support, and system testing.</p> <p><u>Motion FIN 105.1017</u> To authorize staff to amend a contract with Infosys for member conversion services, reporting, production support, and system testing in the amount of \$7,000,000 (total contract not to exceed \$28,392,818) through September 30, 2018.</p>	
<ul style="list-style-type: none"> • Cognizant, FlexTech, HCL and Infosys Contract Amendments for staff augmentation 	<p>Staff requests approval to authorize spending under the existing Master Services Agreements (MSAs) for staff augmentation contracts in FY 2017-18. Staff augmentation is needed to ensure continuity and completion of IT projects currently underway and approved in the budget for FY 2017-18. The exact amount to be distributed among each vendor is unknown at this time.</p> <p>The approved budget for Strategic Projects in FY 2017-18 includes \$52.1 million, which includes staffing augmentation, professional fees, and capitalized equipment. A number of projects will be carried forward from the current fiscal year. Other projects are new and in various states of readiness for resourcing, which will occur through staff augmentation and/or fixed-price competitive bids, to be appropriately determined for each project.</p> <p>Staff will conduct competitive bidding in 2018.</p> <p><u>Motion FIN 106.1017</u> To authorize spending with the following existing key vendors: Cognizant, FlexTech, HCL, and Infosys in an aggregate amount not to exceed \$15,000,000 for staff augmentation expenditures through September 30, 2018.</p>	<p>Motions FIN 104, 105, 106 and 107 were simultaneously approved unanimously by roll call. 5 AYES</p> <p>The Committee approved to include motions FIN 104, 105, 106 and 107 to the Consent Agenda for the October 5, 2017, Board of Governors meeting.</p>
<ul style="list-style-type: none"> • Oracle Contract Amendment 	<p>L.A. Care requests approval to amend a contract with Oracle for the renewal of Cloud Service Subscription and Technical Support Services. L.A. Care has used Oracle's software products and services since 1999. A request for proposal was not conducted as Oracle is a preferred vendor and the sole provider of these products and services. Oracle products require specific support and maintenance that can only be provided by Oracle. This contract</p>	

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	<p>extension also leverages Los Angeles County Department of Health Services' contract with Oracle.</p> <p><u>Motion FIN 107.1017</u> To authorize staff to amend a contract with Oracle America, Inc. for an amount not to exceed \$2,300,000 through November 10, 2018, to renew Cloud Service Subscription and Technical Support Services for L.A. Care's Oracle software infrastructure</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 1:45 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 Rates <p>REPORT INVOLVING TRADE SECRET Pursuant to Welfare and Institutions Code Section 14087.38(n) Discussion Concerning New Product Lines, Technology <i>Estimated date of public disclosure: September 2019</i></p>	
<p>RECONVENE IN OPEN SESSION</p>	<p>The meeting reconvened in open session at 1:58 pm. No reportable actions were taken during the closed session.</p>	
<p>ADJOURNMENT</p>	<p>The meeting was adjourned at 1:58 pm.</p>	

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

APPROVED BY: 

Michael Rembis, *Chair*
Date Signed 10/31/17