

**BOARD OF GOVERNORS**  
**Executive Committee**  
**Meeting Minutes – November 15, 2017**

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



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

**Members**

Louise McCarthy, *Chairperson*  
 Hector De La Torre, *Vice Chairperson* \*\*  
 Michael Rembis, *Treasurer* \*\*  
 G. Michael Roybal, MD, MPH, *Secretary*  
 Mark Gamble  
 Kimberly Uyeda, MD

**Management/Staff**

Terry Brown, *Chief Human Resources Officer*  
 Augustavia Haydel, Esq., *General Counsel*  
 Marie Montgomery, *Chief Financial Officer*  
 Richard Seidman, MD, MPH, *Chief Medical Officer*

*\*Absent \*\* Via Teleconference*

<b>AGENDA ITEM/PRESENTER</b>	<b>MOTIONS / MAJOR DISCUSSIONS</b>	<b>ACTION TAKEN</b>
<b>CALL TO ORDER</b>  Louise McCarthy	Louise McCarthy, <i>Chairperson</i> , called the meeting to order at 2:05 pm.  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.	
<b>APPROVE MEETING AGENDA</b>  Louise McCarthy	The Agenda for today’s meeting approved as presented.	<b>Approved unanimously by roll call. 4 AYES (McCarthy, Rembis, Roybal, and Uyeda)</b>
<b>PUBLIC COMMENTS</b>	There was no public comment.	
<b>APPROVE MEETING MINUTES</b>  Louise McCarthy	The minutes of October 25, 2017 meeting were approved as presented.	<b>Approved unanimously by roll call. 4 AYES</b>
<b>CHAIRPERSON’S REPORT</b>  Louise McCarthy	Chair McCarthy reported that Robert H. Curry was nominated to succeed Michael Rembis on the L.A. Care Board of Governors. Mr. Rembis will remain on the Board until the Board of Supervisors formally appoints Mr. Curry. Mr. Curry has served in multi-hospital/integrated systems for over three decades, and currently serves as the President and Chief Executive Officer of Citrus Valley Health Partners. He is a Fellow	

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	<p>in the American College of Healthcare Executives, and a member of the board of the California Hospital Association and serves on the Executive Committee. He also serves as the Board Chair for Private Essential Access Community Hospitals, a network of private, core safety net hospitals in California that care for a disproportionate share of low-income, medically vulnerable patients.</p>	
<p><b>CHIEF EXECUTIVE OFFICER REPORT</b>  John Baackes</p>	<p>John Baackes, <i>Chief Executive Officer</i>, reported that he expects continued legislative action related to Medicaid and the Affordable Care Act (ACA). Senate has included the repeal of the individual mandate in the proposed tax reform legislation. The financial penalties have coerced many younger healthier people to enroll in health care coverage. Repealing this mandate would reduce the enrollment for those members, significantly impacting the ACA. He assured Board Members that L.A. Care will continue to be diligent. America's Health Insurance Plans board of directors agreed that a top priority in 2018 will be to protect Medicaid and develop appropriate Medicaid reform legislation. L.A. Care will do everything necessary to protect health care coverage for its members. Additional information will be provided at the December Board meeting.</p> <p><i>(Hector De La Torre joined the meeting)</i></p> <p>Member Uyeda asked about the Cost Share Reductions (CSR). Mr. Baackes responded that preliminary analysis indicates that the tax credit to assist with premium payments will become more expensive if the mandate is repealed. Member Del La Torre noted that people are calculating the cost of health care and the penalty to determine if they should enroll in health care coverage.</p> <p>Chair McCarthy noted that it will be important to unify legislative action across the country, as many states identify Medicaid by a different name.</p> <p>Member Roybal shared that if the mandate is repealed, people drop out and cost goes up, the cost of premium subsidies would also increase. Member De La Torre indicated that costs will rise significantly if the CSRs are removed. Member Rembis noted that the cost that will be picked up by emergency rooms for health care for people without insurance is unknown. Mr. Baackes asked the Committee to send him suggestions for constructive Medicaid reform.</p>	

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COMMITTEE ISSUES		
<p><b>Government Affairs Update</b></p> <p>Cherie Compartore</p>	<p>Mr. Baackes reported that an omnibus bill is expected in December that will include a proposal for permanent authorization of Special Needs Plans.</p> <p>Cherie Compartore, <i>Senior Director, Government Affairs</i>, reported:</p> <ul style="list-style-type: none"> <li>• The Legislature is in adjournment until January when it will begin the second year of the 2017-18 session. In the meantime, Chairs of various policy and budget committees are holding interim informational hearings on a variety of topics.</li> <li>• Recently, the State Assembly held the first of two hearings on universal coverage. The hearings were not designed to deliberate SB 562 (Lara/Atkins), a single payer coverage program, but the bill was discussed. There was a large presence of California Nurses Association representatives at the hearing, who made it clear they support single payer and are vehemently opposed to a ballot initiative to create a healthcare fund to finance a single payer program. The committee will hold follow-up hearings focusing on implementation challenges to universal coverage and comparing and contracting different proposals.</li> <li>• Last week, the Senate Budget Subcommittee on Health and Human Services held a hearing on Medi-Cal Managed Care provider networks. Senator Pan chaired the committee and stated the hearing would focus on the establishment of Medi-Cal rates and oversight of health plans. A California Department of Health Care Services (DHCS) representative provided a thorough overview of the rate setting process and complimented the small rate workgroup that was originally created for Medi-Cal Coverage Expansion. L.A. Care staff participates in this small workgroup. There were comments regarding a recent L.A. Times story on health plan profits. The DHCS representative stated that DHCS is aware of the article and the statements made in the story. She was complimentary to the plans and defended the rate setting process. She indicated that DHCS is reviewing plan rates retrospectively and will make adjustments, and this should not be a surprise to health plans. There was significant public comment from advocacy groups on the lack of oversight and monitoring of IPAs/medical groups by state regulators.</li> <li>• President Trump announced that his nominee for Health and Human Services Secretary would be Alex Azar. Mr. Azar is a former top executive for Eli Lilly Co. While at Lilly, Mr. Azar was accused of exploiting the drug pricing system. Mr. Azar has consistently defended drug pricing practices, and was not supportive of proposals</li> </ul>	

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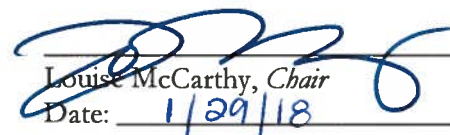
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	to reduce consumer drug costs. This appears to be counter to the President's goal of ensuring lower drug costs.	
<b>Annual Incentive Plan</b>  John Baackes	Terry Brown, <i>Chief Human Resources Officer</i> , presented a motion to approve payout of the annual employee incentive, based on 100% achievement of the organizational priorities previously approved by the Board for the 2016-17 fiscal year:  <b><u>Motion EXE 100.1217</u></b> <b>To authorize disbursement of funds up to \$5,749,500 for the Individual Annual Incentive Program based on completion of pre-determined individual goals and targets in support of the 2016–17 Strategic Vision. Distribution of the annual incentive payout shall be guided by Human Resource Policy No. 602, Annual Organizational Incentive Program. The total amount of the incentives paid, including those for the monthly Production Incentive Program, shall not exceed the budgeted amount approved by the Board of Governors.</b>	<b>Approved unanimously by roll call. 5 AYES (De La Torre, McCarthy, Rembis, Roybal, and Uyeda)</b>
<b>APPROVE CONSENT AGENDA FOR DECEMBER 7, 2017 BOARD OF GOVERNORS MEETING</b>	The Finance & Budget Committee recommended that the following motions be included on the Consent Agenda for the Board of Governors meeting on December 7, 2017: <ul style="list-style-type: none"> <li>• Quarterly Investments Report</li> <li>• Revised Policy AFS 002 (Capital Assets)</li> <li>• Revised Policies AFS 004 (Non-Travel) and AFS-027 (Travel and Other Expenses)</li> <li>• Revised Policy AFS 007 (Procurement Approval Process)</li> <li>• Contract with Office Ally</li> <li>• RCAC/CCI Membership</li> <li>• Ratify contract extension with Navitus</li> </ul>	<b>Approved unanimously by roll call. 5 AYES</b>
<b>ADJOURN TO CLOSED SESSION</b>	Augustavia J. Haydel, Esq., <i>General Counsel</i> , announced the items to be discussed in closed session. She announced there is no report anticipated from the closed session. There was no public comment on the closed session items, and the meeting adjourned to closed session at 2:31 p.m.  <b>CONTRACT RATES</b> Pursuant to Welfare and Institutions Code Section 14087.38(m) <ul style="list-style-type: none"> <li>• Plan Partner Rates</li> <li>• Provider Rates</li> <li>• DHCS Rates</li> </ul>	

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	<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>November 2019</i></p> <p>CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION Significant exposure to litigation pursuant to Section 54956.9(d)(2)Ralph M. Brown Act: Two cases</p> <p>PEER REVIEW Welfare &amp; Institutions Code Section 14087.38(n)</p> <p>PUBLIC EMPLOYEE PERFORMANCE EVALUATION Section 54957 of the Ralph M. Brown Act Title: Chief Executive Officer</p>	
<b>RECONVENIE IN OPEN SESSION</b>	The meeting reconvened in open session at 3:48 p.m. No reportable actions were taken during the closed session.	
<b>ADJOURNMENT</b>	The regular meeting adjourned at 3:50 p.m.	

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

APPROVED BY:

  
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Louise McCarthy, *Chair*  
Date: 1/29/18

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