

# BOARD OF GOVERNORS

## Finance & Budget Committee Meeting Minutes – November 15, 2017

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



**L.A. Care**  
HEALTH PLAN

*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*  
Augustavia J. Haydel, Esq., *General Counsel*  
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>Committee 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>APPROVE MEETING AGENDA</b>  Michael Rembis	The Agenda for today's meetings was approved.	<b>Approved unanimously by roll call. 4 AYES (McCarthy, Perez, Rembis and Uyeda)</b>
<b>PUBLIC COMMENTS</b>	There were no public comments.	
<b>APPROVE MEETING MINUTES</b>  Michael Rembis	The minutes of the October 25, 2017 meeting were approved as presented.	<b>Approved unanimously by roll call. 4 AYES</b>
<b>CHAIRPERSON'S REPORT</b>	Chair Rembis reported that Robert H. Curry will be joining L.A. Care Board of Governors to take over his seat. Mr. Curry has served in multi-hospital/integrated systems for over three decades. He is recognized as a visionary leader with focus on innovation through his work and commitment to achieving high reliability and in his efforts with fostering and sustaining employee and physician engagement. Mr. Curry currently serves as the President and Chief	

**APPROVED**

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	<p>Executive Officer of Citrus Valley Health Partners (CVHP) since November 2008. Since joining CVHP, Mr. Curry has transformed the hospital system into a viable, sustainable and better quality provider for the nearly one million residents of the East San Gabriel Valley. Mr. Curry is currently a Fellow in the American College of Healthcare Executives. He is a member of the board of the California Hospital Association and serves on the Executive Committee. Mr. Curry also serves as the Board Chair for Private Essential Access Community Hospitals (PEACH), a network of private, core safety net hospitals in California that care for disproportionate share of low-income, medically vulnerable patients.</p>	
<p>CHIEF EXECUTIVE OFFICER REPORT</p>	<p>John Baackes, <i>Chief Executive Officer</i>, reported that he expects continued assaults on Medicaid and the Affordable Care Act (ACA). The Senate has included repeal of the individual mandate that will have tremendous impact on the law. The mandate has forced many younger healthier people into the program. Repealing the mandate would have a fundamental effect on the ACA. The last bill called for cutting Medicaid funding. He reassured that L.A. Care will continue to be diligent. The America's Health Insurance Plans board of directors agreed that Medicaid will be a top priority in 2018 to protect it and develop Medicaid reform legislation. The next few months will be difficult. L.A. Care will do everything necessary to protect coverage. Mr. Baackes noted that he will provide details at December's board meeting.</p>	
<p>COMMITTEE ITEMS</p>		
<p><b>Chief Financial Officer's Report</b></p> <ul style="list-style-type: none"> <li>Unaudited Report for Fiscal Year End 2016-17</li> </ul> <p>Marie Montgomery</p>	<p>Marie Montgomery, <i>Chief Financial Officer</i>, referred to the Unaudited Report for fiscal year end 2016-17 included in the meeting materials. <i>(A copy of the report can be obtained by contacting Board Services).</i></p> <p>September 2017 Financial Performance:</p> <ul style="list-style-type: none"> <li>Membership for September, last month of the fiscal year, was favorable compared to forecast. Working through audit process with Deloitte.</li> <li>Projected member month growth for FY 17-18 is 2%. Majority of expected growth will come from L.A. Care Covered California (LACC) and Cal Med-Connect (CMC).</li> <li>Consolidated surplus was forecasted to be \$42 million, actuals were roughly \$2 million favorable.</li> </ul>	

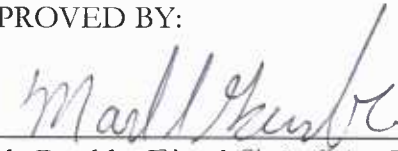
AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> <li>• Net surplus \$15 million for month and \$144 million for the year. Higher than expected revenue and slightly higher than anticipated expenses. Adjustments will be made based on retroactive rate changes that will be issued by the state.</li> <li>• Operating margin for Plan Partners Seniors and People with Disabilities (SPD) / Coordinated Care Initiative (CCI) were favorable due to updates from the State. Medi-Cal MCE/TANF dual member reclassification increase in SPD/CCI MCR and decrease in SPD/CCI MCR.</li> </ul> <p>Mr. Baackes noted that there were concerns with CMC and LACC, but enrollment is growing for these programs. For LACC, there are 7,000 new enrollments, 40% higher than last year at this time. Members that do not select a plan will be auto enrolled in L.A. Care silver because L.A. Care is the lowest cost plan in silver tier. L.A. Care could double enrollment.</p> <p><b><u>Motion FIN 100.1117</u></b>  <b>To accept the Financial Report for the period ended September 2017, as submitted.</b></p> <p>Ms. Montgomery reported that a recent news article about health plans in California identified Health Net as the most profitable in the last few years. A few years ago, the state went to county wide averaging. Things occurred over time that indicate that local initiatives have higher medical costs based on populations served. These were not covered in the simple county wide average and may provide leverage for L.A. Care to talk to State about unfairness in the rates and ways to improve public plan revenue. Ms. Baackes noted that L.A. Care was not mentioned in the article.</p>	<p>Approved unanimously by roll call. 4 AYES</p>
<p><b>Ernest &amp; Young LLP Contract for payroll services</b></p> <p>Marie Montgomery</p>	<p>Ms. Montgomery reported that the organization is looking to improve efficiency by centralizing employee payroll and time system.</p> <p><b><u>Motion FIN 101.1217</u></b>  <b>To authorize staff to execute a contract in the amount of \$1,282,500 with Ernest &amp; Young LLP to provide implementation services for the period of January 2018 to March 2019.</b></p>	<p>Approved unanimously by roll call. 4 AYES</p>
<p>Ratify contract extension with Navitus</p>	<p>Richard Seidman, MD, <i>Chief Medical Officer</i>, reported that Navitus is L.A. Care's contracted Pharmacy Benefit Manager, and asked for ratification of an extension of the contract that originated in 2015. The Board approved a three-year contract, which expires next month.</p>	

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Richard Seidman, MD, MPH	<p>Pleased with their performance. Early this year, L.A. Care's team negotiated improved rates and will realize cost savings up to about \$30 million per year. Performance guarantees must be met for the contract to be extended.</p> <p>Chair Rembis asked why it was signed and now coming to committee. Dr. Seidman responded PBMs do not actually require Board approval. Ms. Montgomery added there is a component that is administration expense and that should be approved by Board. Chair Rembis asked when was the last request for proposal (RFP). He noted there are huge savings in pharmaceuticals and not sure if the \$30 million is leaving money on the table. Dr. Seidman noted that the last RFP was in 2014. Chair Rembis asked what does the extension entail. Dr. Seidman responded the contract extension will go through 2018. Subsequent extensions need performance standards. Mr. Baackes noted that L.A. Care could have gone out for bid has been but very consumed with system conversion efforts.</p> <p>Chair Rembis asked for a motion to ratify the contract.</p> <p><b><u>Motion FIN 102.1217</u></b>  <b>To ratify a contract amendment with Navitus Health Solutions to provide pharmacy benefit management services for L.A. Care's direct line of business for the period January 1, 2018 to December 31, 2019, for a total of approximately \$50 million, and two additional one-year options for calendar years 2020 and 2021, at a cost to be included for Board approval in the respective budgets.</b></p>	Approved unanimously by roll call. 4 AYES
ADJOURN TO CLOSED SESSION	<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 1:37 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 Rates</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>November 2019</i></p>	

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RECONVENE IN OPEN SESSION	The meeting reconvened in open session at 1:40 pm. No reportable actions were taken during the closed session.	
ADJOURNMENT	The meeting was adjourned at 1:40 pm.	

Respectfully submitted by:  
 Jennifer Carabali-Cunningham, *Committee Liaison, Board Services*  
 Malou Balones, *Committee Liaison, Board Services*  
 Linda Merkens, *Manager, Board Services*

APPROVED BY:



Mark Gamble, *Elected Chair effective January 16, 2018*

Date Signed 1/24/18

**APPROVED**