

**BOARD OF GOVERNORS**  
**Executive Committee**  
**Meeting Minutes – June 27, 2018**

1055 West 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**

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

**Management/Staff**

John Baackes, *Chief Executive Officer*  
 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	Chairperson McCarthy noted that the Finance & Budget Committee meeting was cancelled and the business items were moved to this meeting Agenda. The Agenda for today’s meeting was approved as amended.	<b>Approved unanimously by roll call. 4 AYES (De La Torre, Gonzalez-Delgado, McCarthy, and Roybal)</b>
<b>PUBLIC COMMENTS</b>	There was no public comment.	
<b>APPROVE MEETING MINUTES</b>  Louise McCarthy	The minutes of the May 23, 2018 meeting were approved as presented.	<b>Approved unanimously by roll call. 4 AYES</b>
<b>CHAIRPERSON’S REPORT</b>  Louise McCarthy	There was no Chairperson’s report.	

**APPROVED**

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
<b>CHIEF EXECUTIVE OFFICER REPORT</b>  John Baackes	John Baackes, <i>Chief Executive Officer</i> , reported on recent meetings he attended in Washington, DC, as a board member of America’s Health Insurance Plans (AHIP). <ul style="list-style-type: none"> <li>• Alex Azar, Secretary of Health and Human Services (HHS) met with AHIP Board members regarding prescription drug prices.</li> <li>• Richard Neal, a ranking member of the House of Representative Ways &amp; Means Committee, which has jurisdiction over Medicaid, met to discuss a variety of recent activities in Medicaid.</li> </ul>	
<b>COMMITTEE ISSUES</b>		
<b>Government Affairs Update</b>  John Baackes	<p>Mr. Baackes referenced the legislative matrix included in the meeting materials (<i>a copy of the report may be requested by contacting Board Services.</i>), and reported:</p> <p><u>State Budget</u>            The Governor signed the California state budget bill this week. Efforts to expand health care coverage and fund other health priorities failed to make it in the final budget.</p> <p>The California Department of Health Care Services (DHCS) is projecting a slight decrease in the number of Medi-Cal enrollees in 2018-19 due to loss of eligibility for the program following the minimum wage increase.</p> <p>No funding was included for “Health Care for All”, a universal health care proposal. The joint legislative Conference Committee had rejected the Assembly’s \$1 billion health reform proposal (Health Care for All). The budget does not include funding for premium subsidies for California Covered, Medi-Cal eligibility expansion, the restoration of optional benefits or new Medi-Cal benefits. While this is not surprising, given Governor Brown’s statements that he would not agree to new health costs or coverage expansion. The State Assembly’s proposal to develop an “all payer claims database” was included in the budget bill.</p> <p>Staff is monitoring legislative discussions regarding direct physician contracting, which had been proposed to the Centers for Medicare and Medicaid Services (CMS).</p> <p>Member De La Torre mentioned a bill in the Senate to eliminate the prohibition on price negotiation for prescription drugs for Medicare by the HHS secretary. L.A. Care should be supportive. Mr. Baackes will discuss it further with trade association representatives in Washington DC.</p>	

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	Cherie Compartore, <i>Senior Director, Government Affairs</i> , will provide a more thorough update at the July 26 Board of Governors meeting.	
<p><b>Chief Financial Officer's Report</b></p> <p>Marie Montgomery</p> <ul style="list-style-type: none"> <li><b>Financial Report</b></li> </ul>	<p>Marie Montgomery, <i>Chief Financial Officer</i>, summarized a report on Financial Performance for the period ending May 2018 included in the meeting materials. <i>(A copy of the report can be obtained by contacting Board Services).</i></p> <p>Highlights:</p> <ul style="list-style-type: none"> <li>The rate of membership growth is flattening.</li> <li>May 2018 resulted in a loss of \$11.8 million which brings the year-to-date surplus to \$106 million.</li> <li>Year-to-date revenue is favorable to forecast by \$5 million.</li> <li>Higher than forecasted medical expenses are reflected in the medical care ratio (MCR) which is actively being monitored. An internal staff work group is reviewing potential sources of the increased fee for service expenses.</li> <li>Total administrative cost through May is slightly unfavorable. Staff will continue to monitor administrative cost.</li> <li>Non-operating revenue is favorable by \$9.8 million year-to-date – about 2/3rds is investment and unrealized gains.</li> <li>Operating margins by segments: Plan Partners is mostly favorable due to timing of the incentive program. SPD/CCI is favorable to forecast due to the favorable rate adjustment and IHSS cost updates. TANF and MCE recorded a much higher than expected medical cost ratio due to the increased fee for services expenses. CMC is higher due to IHSS cost updates related to prior periods. LACC new member enrollment results show a lower than expected initial claims experience. The MCR for LACC is expected to rise over time.</li> </ul> <p><b><u>Motion EXE 100.0718</u></b>  <b>To accept the Financial Report for the period ended May 2018, as submitted.</b></p>	<p><b>Approved unanimously by roll call. 4 AYES</b></p>
<ul style="list-style-type: none"> <li><b>Investment Monthly Transactions Report</b></li> </ul>	<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 May 31, 2018, L.A. Care's total investment market value was \$ 1.8 billion.</p> <ul style="list-style-type: none"> <li>\$ 1.67 billion managed by Paydel &amp; Rygel and New England Asset Management (NEAM)</li> </ul>	

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	<ul style="list-style-type: none"> <li>• \$ 64 million in Local Agency Investment Fund</li> <li>• \$ 102 million in Los Angeles County Pooled Investment Fund</li> </ul>	
<ul style="list-style-type: none"> <li>• <b>Quarterly Reports Required by Internal Policies</b></li> </ul>	<p>As required by L.A. Care’s internal policies, Ms. Montgomery referred to the reports for second quarter of FY 2017-18 included in the meeting materials. <i>(A copy of the report can be obtained by contacting Board Services):</i></p> <ul style="list-style-type: none"> <li>• Policy AFS-004 (Non-Travel Expense Report)</li> <li>• Policy AFS-027 (Travel Expense Report)</li> <li>• Policy AFS-006 (Authorization and Approval Limits)</li> <li>• Policy AFS-007 (Procurement)</li> </ul>	
<ul style="list-style-type: none"> <li>• <b>Revisions to Accounting &amp; Financial Services Policy 004 (Non-Travel Expenses)</b></li> </ul>	<p>Ms. Montgomery presented a motion on revisions to the Accounting and Financial Services Policy 004 (Non-Travel Expenses). The current expense policy covers all non-travel, business related expenses. This policy was implemented in May 2015 and revised annually thereafter. L.A. Care staff has been following these policies and providing the quarterly expenditure reporting to the Finance &amp; Budget Committee. The proposed change is to remove the restriction on providing catering during a vendor demonstration.</p> <p><b><u>Motion EXE 101.0718</u></b>  <b>To approve Accounting &amp; Financial Services Policies AFS-004 (Non-Travel and Other Expenses) as attached.</b></p>	<p><b>Approved unanimously by roll call. 4 AYES</b></p>
<p><b>MCG Contract</b></p> <p>Richard Seidman, MD, MPH</p>	<p>Richard Seidman, MD, MPH, <i>Chief Medical Officer</i>, handed out a revised copy of a motion requesting approval of a contract with MCG. There were minor changes to the original motion that had been included in the meeting material. Staff was able to negotiate a better contract rate for a 5-year contract.</p> <p>Health plans across the United States are obligated by regulatory statute (Knox-Keene), contractual obligations (Centers for Medicare and Medicaid Services, Department of Health Care Services and Department of Managed Health Care) and accreditation standards (National Committee on Quality Assurance) to use evidence-based clinical criteria and guidelines when determining the medical necessity for inpatient and outpatient services. MCG guidelines are the industry standard and widely accepted by L.A. Care’s community providers. Staff requests approval to execute a contract with MCG from November 1, 2018 to October 31, 2023.</p>	

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	<p>L.A. Care has contracted with MCG/Milliman since 2002. A request for proposal was not conducted due to MCG's unique standing as the industry standard for comprehensive clinical criteria.</p> <p><b><u>Motion EXE 102.0718</u></b>  <b>To authorize staff to execute a five year contract with MCG not to exceed \$7,500,000 to provide clinical care guidelines for the period of November 1, 2018 to October 31, 2023.</b></p>	<p><b>Approved unanimously by roll call. 4 AYES</b></p>
<p><b>Digital TaaS Contract Amendment</b></p> <p>Tom Schwaninger</p>	<p>Tom Schwaninger, <i>Chief Information Officer</i>, presented a motion requesting approval to amend the contract with Digital TaaS. In June 2018, Digital TaaS supported the Total Provider Management (TPM) program in implementing the technical computing systems to move L.A. Care to a digital healthcare platform. Digital TaaS has a great amount of experience in digital capabilities needed for L.A. Care's TPM's technology automation, and has delivered Credentialing and Facility Site Review (FSR) scheduling capabilities with an automated intake computer screen that will allow provider data to be ingested in TPM systems. The additional time and dollars requested in this motion will allow L.A. Care to hire Digital TaaS to work on building more FSR capabilities by adding automation for inspections of facilities, using mobile devices. ‘</p> <p><b><u>Motion EXE 103.0718</u></b>  <b>To authorize staff to amend a contract with Digital TaaS in the amount of \$2,410,480.00 (not to exceed \$3,598,504.00) to provide IT Development Services for the period of July 1, 2018 to December 31, 2018.</b></p>	<p><b>Approved unanimously by roll call. 4 AYES</b></p>
<p><b>Revised 2018 Board &amp; Committee Meeting Schedule</b></p> <p><b>2019 Board &amp; Committee Meeting Schedule</b></p>	<p><b><u>Motion EXE 104.0718</u></b>  <b>To approve the revised 2018 Board of Governors and Committee meeting schedule changing the meeting day of the Finance &amp; Budget and Executive Committees to the fourth Tuesday of the month.</b></p> <p><b><u>Motion EXE 105.0718</u></b>  <b>To approve the 2019 Board of Governors meeting schedule as submitted.</b></p>	<p><b>The Committee asked to present these motions at the July 26 Board meeting.</b></p>
<p><b>Human Resources Policies</b></p> <p><b>Terry Brown</b></p>	<p>Terry Brown, <i>Chief Human Resources Officer</i>, presented a motion on revised Human Resources (HR) policies. L.A. Care Policy HR-501 requires that the Executive Committee annually review substantial changes to the HR Policies. In 2006 the Board delegated to the Executive Committee the annual review of the Human Resource Policy.</p>	

**APPROVED**

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	<p>The revised and new policies are written to reflect updates to L.A. Care’s practices, and to incorporate any changes necessitated by law.</p> <table border="1" data-bbox="510 269 1583 1097"> <thead> <tr> <th data-bbox="510 269 655 341">Policy Number</th> <th data-bbox="659 269 884 341">Policy</th> <th data-bbox="888 269 1033 341">Section</th> <th data-bbox="1037 269 1583 341">Description of Modification or Reason for Creation</th> </tr> </thead> <tbody> <tr> <td data-bbox="510 344 655 488">HR-103</td> <td data-bbox="659 344 884 488"><b>Employee Assistance Program (EAP)</b></td> <td data-bbox="888 344 1033 488">Benefits</td> <td data-bbox="1037 344 1583 488">1) Eligible Household Members added to policy and defined.</td> </tr> <tr> <td data-bbox="510 492 655 862">HR-117</td> <td data-bbox="659 492 884 862"><b>Reimbursement for Educational Expenses</b></td> <td data-bbox="888 492 1033 862">Benefits</td> <td data-bbox="1037 492 1583 862">           1) Changed policy number from HR-117 to HR-710 and moved from Benefits section to Center for Organizational Excellence.            2) Reimbursement procedure changed to include recuperation of educational loan.            3) Process to submit pre-approval form to include HR Business Partner added.            4) Time frame to submit pre-approval form changed.         </td> </tr> <tr> <td data-bbox="510 865 655 1097">HR-120</td> <td data-bbox="659 865 884 1097"><b>Time off to Vote</b></td> <td data-bbox="888 865 1033 1097">Benefits</td> <td data-bbox="1037 865 1583 1097">           1) Changed policy number from HR-120 to HR-235 and moved from Benefits section to Employee Relations.            2) Added procedures for requesting time off to vote.         </td> </tr> </tbody> </table> <p data-bbox="485 1117 1612 1279"><b>Motion EXE A.0618</b>  <b>To approve the revisions to Human Resources Policies: HR-103 (Employee Assistance Program [EAP]), HR-120 (Time Off to Vote), and HR-117 (Reimbursement for Educational Expenses).</b></p>				Policy Number	Policy	Section	Description of Modification or Reason for Creation	HR-103	<b>Employee Assistance Program (EAP)</b>	Benefits	1) Eligible Household Members added to policy and defined.	HR-117	<b>Reimbursement for Educational Expenses</b>	Benefits	1) Changed policy number from HR-117 to HR-710 and moved from Benefits section to Center for Organizational Excellence. 2) Reimbursement procedure changed to include recuperation of educational loan. 3) Process to submit pre-approval form to include HR Business Partner added. 4) Time frame to submit pre-approval form changed.	HR-120	<b>Time off to Vote</b>	Benefits	1) Changed policy number from HR-120 to HR-235 and moved from Benefits section to Employee Relations. 2) Added procedures for requesting time off to vote.	<p data-bbox="1617 1078 2030 1143"><b>Approved unanimously by roll call. 4 AYES</b></p>
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<b>iColor Printing &amp; Mailing Inc. Contract</b>  <b>Alex Gallegos</b>	<p data-bbox="485 1282 1612 1421">Alex Gallegos, <i>Senior Director, Sales &amp; Marketing</i>, presented a motion requesting approval to execute a purchase order with iColor Printing &amp; Mailing Inc. to cover printing and mailing costs of Medi-Cal Annual Member Material Kits for the benefit year 2018. As</p>																				

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	<p>part of a regulatory mandate, L.A. Care is required to provide members with a material kit in all threshold languages.</p> <p>In response to a Board member question, Mr. Gallegos indicated that a provider directory does not have to be mailed. L.A. Care has online provider directories. Mr. Baackes added that staff is also lobbying the state to allow plans to mail directories to new members when they are requested.</p> <p>Member Delgado expressed a concern about Cal MediConnect (CMC) members who may not have access to the internet. Mr. Gallegos clarified that assistance is provided upon enrollment of CMC members for selection of their providers.</p> <p><b><u>Motion EXE B.0618</u></b>  <b>To authorize staff to execute a purchase order in the amount of \$1,078,742 with iColor Printing &amp; Mailing Inc. to provide printing services for the 2018 Medi-Cal Annual Member Material Kits.</b></p>	<p><b>Approved unanimously by roll call. 4 AYES</b></p>
<p><b>Real Estate Update 1<sup>st</sup> Floor Headquarters Authorization</b></p> <p><b>Dino Kasdagly</b></p>	<p>Dino Kasdagly, <i>Chief Operating Officer</i>, presented a motion requesting approval to delegate to John Baackes, Chief Executive Officer, discretionary authority to approve vendors and enter into contractual agreements for certain capital improvements, furniture and equipment to build out the headquarters' 1st floor suite.</p> <p>The Board has authorized staff to negotiate a lease for the 1<sup>st</sup> Floor Suite 100 in the 1055 W. 7<sup>th</sup> Street (HQ) for Conference/BOG meeting space. This 5,334 sq./ft. 1<sup>st</sup> floor suite has been leased to provide easier access for the public to attend open meetings as well as improve physical security by eliminating public access to the elevators that access L.A. Care's administrative staff spaces. To convert this suite to meeting space L.A. Care will need to build a wall to create a lobby, add restrooms and install audio visual equipment. In addition, conference and meeting furniture will need to be purchased.</p> <p>Member Delgado asked that the doors be made easily accessible for handicapped ECAC members.</p> <p><b><u>Motion EXE C.0618</u></b>  <b>To delegate to John Baackes, <i>Chief Executive Officer</i>, the discretionary authority to approve vendors and enter into contractual agreements for certain capital improvements, furniture and equipment to build out the 1<sup>st</sup> floor suite 100 meeting space in an amount not to exceed \$604,662 which includes a 4.5% contingency for potential unknown conditions.</b></p>	<p><b>Approved unanimously by roll call. 4 AYES</b></p>

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
<b>APPROVE CONSENT AGENDA FOR BOARD OF GOVERNORS MEETING</b>	<p>The Committee approved the following motions to be added to the Consent Agenda for the Board of Governors meeting on July 26, 2018:</p> <ul style="list-style-type: none"> <li>• MCG Contract</li> <li>• Digital TaaS Contract Amendment</li> <li>• <del>Revised 2018 Board &amp; Committee Meeting Schedule</del></li> <li>• <del>2019 Board &amp; Committee Meeting Schedule</del></li> <li>• RCAC/CCI Membership</li> </ul>	<p><b>Approved unanimously by roll call. 4 AYES (De La Torre, Gonzalez-Delgado, McCarthy, and Roybal)</b></p>
<b>ADJOURN TO CLOSED SESSION</b>	<p>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 2:45 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> <li>• Medi-Cal Managed Care Supplemental Payment</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>June 2020</i></p> <p><b>CONFERENCE WITH REAL PROPERTY NEGOTIATORS</b> Section 54956.8 of the Ralph M. Brown Act Property: 3101 Pico Blvd., Los Angeles, CA. 90019 Agency Negotiator: John Baackes Negotiating Parties: Eurostar, Inc. DBA Warehouse Shoe Sale (WSS) Under Negotiation: Price and Terms of Payment</p>	
<b>RECONVENIE IN OPEN SESSION</b>	<p>The meeting reconvened in open session at 3:10 pm. No reportable actions were taken during the closed session.</p>	



AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
<b>ADJOURNMENT</b>	The regular meeting adjourned at 3:10 pm.	

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

APPROVED BY:

\_\_\_\_\_  
Louise McCarthy, *Chair*


Date: \_\_\_\_\_

**APPROVED**

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Respectfully submitted by:  
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 Jennifer Carabali, *Committee Liaison*

APPROVED BY:

  
 \_\_\_\_\_  
 Louise McCarthy, *Chair*  
 Date: 8/22/18

**APPROVED**