

BOARD OF GOVERNORS
Finance & Budget Committee
Meeting Minutes – August 22, 2018

1055 W. 7th Street, Los Angeles, CA 90017



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

Members

Mark Gamble, *Chairperson* *
 Alvaro Ballesteros, MBA *
 Robert H. Curry **
 Louise McCarthy
 Hilda Perez

*Absent ** Via Teleconference

Management/Staff

John Baackes, *Chief Executive Officer*
 Terry Brown, *Chief Human Resource Officer*
 Augustavia J. Haydel, Esq., *General Counsel*
 Dino Kasdagly, *Chief Operating Officer*
 Marie Montgomery, *Chief Financial Officer*
 Richard Seidman, MD, *Chief Medical Officer*
 Tom Schwaninger, *Chief Information Officer*

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 1:10 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 meeting was approved.	Approved unanimously by roll call. 3 AYES (Curry, McCarthy and Perez)
PUBLIC COMMENTS	There were no public comments.	
APPROVE MEETING MINUTES Louise McCarthy	The minutes of the May 23, 2018 meeting were approved.	Approved unanimously by roll call. 3 AYES
APPROVE CONSENT AGENDA	<ul style="list-style-type: none"> Quarterly Investment Report <u>Motion FIN 100.0918</u> To accept the Quarterly Investment Report for the quarter ending June 30, 2018, as submitted. 	

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> • Canon Copier Lease <u>Motion FIN 101.0918</u> To authorize staff to execute a 36-month lease, maintenance and copy overage agreement with Canon America, Inc., to replace high volume end of life copy equipment, in an amount not to exceed \$2,810,508. • Infosys Contract Amendment <u>Motion FIN 102.0918</u> To authorize staff to amend a contract with Infosys for development and support services, reporting, and production support in the amount of \$2,000,000 (total contract not to exceed \$30,392,818) through March 31, 2019. • Staff Augmentation Contract Amendment <u>Motion FIN 103.0918</u> To authorize spending with the following existing key vendors: Cognizant, FlexTech, HCL, and Infosys in an additional obligation amount not to exceed \$6,500,000 (total contract amount not to exceed \$68,800,000) for staff augmentation expenditures through December 31, 2018. • Member 360 Analytics Platform (FIN 104) <u>Motion FIN 104.0918</u> To authorize staff to execute a contract for an Analytics software suite (costs range up to \$7,000,000) including implementation, licensing, support and maintenance costs for the period of October 1, 2018 to September 30, 2023. 	<p>Approved unanimously by roll call. 3 AYES</p> <p>The Committee approved including motions FIN 100, FIN 101, FIN 102, FIN 103 and FIN 104 on the Consent Agenda for the September 6, 2018, Board of Governors meeting.</p>
CHAIRPERSON'S REPORT	There was no report from the Chairperson.	
CHIEF EXECUTIVE OFFICER REPORT	John Baackes, <i>Chief Executive Officer</i> , deferred a report to the Board meeting on September 6.	
COMMITTEE ITEMS		

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
<p>Chief Financial Officer's Report</p> <ul style="list-style-type: none"> Financial Report for the period ended June 2018 <p>Marie Montgomery</p>	<p>Marie Montgomery, <i>Chief Financial Officer</i>, summarized the report on Financial Performance for the period ending June 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"> Revenue surplus YTD is \$102 million. In June 2018, there was a net deficit of \$4.2 million due to Fee for Service (FFS) claims activity. The unfavorable variance to forecast of \$45 million is driven mainly by health care expenses. YTD Healthcare expenses are unfavorable by \$58 million compared to forecast, \$140 million of which is related to FFS claims, which was offset by \$66 million cost adjustment for Managed Long Term Services and Supports (MLTSS) program participants and timing of a \$6.5 million payout for provider incentives. Remediation plans are in place to correct the FFS claims trend. Claims payment levels are lower in July and August 2018. Administrative expenses are slightly favorable to forecast. It is expected that member enrollment will be flattening out in future periods. Staff will work on retention of members. <p>Chair McCarthy asked if there will be a forecast for Medi-Cal members aging into Medicare. Mr. Baackes assured the Committee that staff will continue efforts to retain members, while working within the restrictive regulations for marketing in Medicare. Projections for membership in all areas is consistent with the state budget figures.</p> <p><u>Motion FIN 105.0918</u> To accept the Financial Report for the period ended June 2018, as submitted.</p>	<p>FIN 105 and FIN 106 were approved unanimously simultaneously by roll call, except for conflicts noted for FIN 106. 3 AYES</p>
<p>Capital and Operating Budget FY 2018-19</p> <p>Marie Montgomery</p>	<p>Ms. Montgomery provided highlights of the Budget for FY 2018-19 included in the meeting materials. <i>(A copy of the Budget can be obtained by contacting Board Services).</i></p> <ul style="list-style-type: none"> In-Home Support Services (IHSS) revenue is not included in the FY 2018-19. FY 2017-18 Budget included one quarter of IHSS revenue and expenses. The IHSS program was removed from managed care in January 1, 2018. There will be additional changes in IHSS costs as prior periods are reconciled. L.A. Care has reconciled through 2015; the State readjusted costs after that reconciliation was final. There are risk corridor calculations yet to be finalized for the Coordinated Care Initiative (CCI) Dually Eligible program, through March 2016 and for non-Dual programs through June 2016. 	

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	<ul style="list-style-type: none"> • Inpatient claims overall are budgeted to come down by \$114 million. • Administrative expenses are forecast at \$15.05 pmpm; that includes higher administrative costs for L.A. Care Covered (LACC). The target is \$14.50 pmpm for Medi-Cal and Cal Medi Connect (CMC) membership. • The expenses for Family Resource Centers (FRCs) have been moved to non-operating costs. The expected growth in these expenses will be recorded as administrative cost rather than health services account categories. • Ms. Montgomery reviewed opportunities and risks. <p><u>Opportunities</u></p> <ul style="list-style-type: none"> ○ Improvement of claims payment trends – The budget assumes claims levels reverting back to the 4+8 Forecast, which leaves space for further improvements. ○ CCI duals retro IP & OP recoveries – The budget does not assume any retro recoveries. Approximately \$50-65 million has been identified. ○ Overpayments – As part of the claims trend project, Management has identified a number of overpayment recovery activities that have not been accounted for in the budget. ○ Estimated rates versus actual rates for CY 2018 CCI and 2019-2020 Medi-Cal Rates <p><u>Risks</u></p> <ul style="list-style-type: none"> ○ Risk claims trends will continue to increase. ○ CCI Duals In-Patient (IP) and Out-Patient (OP) incurred claims – The budget assumes marginal improvement to IP and OP Duals incurred claims based on potential further operational improvements. ○ IHSS Final Reconciliation – IHSS program is very large and subject to cost adjustments and final reconciliations which will occur after the removal from managed care. ○ CCI Risk Corridor – While there is a written outline how the calculation works, L.A. Care does not have a specific template for the methodology. The Duals risk corridor ran through March 2016 and the non-Duals through June 2016. ○ Medi-Cal Expansion (MCE) Medical Loss Ratio (MLR) rebate may finalize this fiscal year. ○ LACC 2018 RAF – With L.A. Care’s current membership utilization, there is a possibility that L.A. Care’s RAF score estimate will need to be lowered, increasing the State transfer payment. 	

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	<p>Chair McCarthy asked about timing for complete remediation of the claims process. Ms. Montgomery projected it would be resolved in the next fiscal year. Dino Kasdagly, <i>Chief Operating Officer</i>, agreed with Ms. Montgomery's estimate.</p> <p>Among the risks is the IHSS final reconciliation and cost adjustments.</p> <ul style="list-style-type: none"> • Ms. Montgomery also reviewed key initiatives, budget assumptions and shared risk assumptions. • Community Health Investment Fund programs includes \$10 million for Elevating the Safety Net, which may increase if other opportunities are identified for that program. • Tangible Net Equity is consistent with lowered excess revenue levels. <p>Mr. Kasdagly reviewed the capital projects in the budget. Some of projects are solidifying the core operations while building new projects.</p> <ul style="list-style-type: none"> • Call center management • Appeals and grievances • Membership transferred to QNXT • Continue to invest in encounter measurement to maximize revenue • Analytics investment to accommodate ad hoc analysis. • Provider programs, technology, adoption and updating • Department of Managed Health Care (DMHC) and the Department of Health Care Services (DHCS) recognition of provider engagement. • Develop standard for submission of encounter data • Payroll and attendance system to go live by year end. <p><i>Members Curry, McCarthy, and Perez 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 Curry and McCarthy</u> Community Health Investment Fund eManagement Sponsorships/ In-Kind and Ad Hoc Grants</p> <p><u>Member McCarthy</u></p>	

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	<p><i>Workforce Development Initiative (Provider Recruitment Program)</i> <i>TCPI</i> <i>CTAP</i> <i>eManagement</i> <i>Community Clinic Program/ (SCOPE) Plan</i></p> <p><u>Member Perez</u> <i>Health Promoters/Promotoras Program</i></p> <p><u>Motion FIN 106.0918</u> To approve the Fiscal Year 2018-19 Capital and Operating Budget, as submitted.</p>	
<p>Investment Monthly Transactions Report 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 July 31, 2018 L.A. Care’s investment market value was \$0.87 billion.</p> <ul style="list-style-type: none"> • \$0.7 billion managed by Paydel & Rygel • \$64.5 million in Local Agency Investment Fund • \$102 million in Los Angeles County Pooled Investment Fund 	
<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 1:40 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 Rate <p>REPORT INVOLVING TRADE SECRET Pursuant to Welfare and Institutions Code Section 14087.38(n) Discussion Concerning New Product Lines and Technology Estimated date of public disclosure: <i>August 2020</i></p> <p>CONFERENCE WITH REAL PROPERTY NEGOTIATORS Section 54956.8 of the Ralph M. Brown Act Property: 1200 West 7th Street, Los Angeles</p>	

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	Agency Negotiator: John Baackes Negotiating Parties: Rising Realty Partners, HRRP Garland, LLC. Under Negotiation: Price and Terms of Payment Property: 1055 W. 7th St., Los Angeles Agency Negotiator: John Baackes Negotiating Parties: Jamison Services, Inc. Under Negotiation: Price and Terms of Payment	
RECONVENE IN OPEN SESSION	The meeting reconvened in open session at 1:55 pm. No reportable actions were taken during the closed session.	
ADJOURNMENT	The meeting was adjourned at 1:55 pm.	

APPROVED BY:

Respectfully submitted by:
 Linda Merkens, *Senior Manager, Board Services*
 Malou Balones, *Senior Board Specialist, Board Services*
 Jennifer Carabali, *Board Specialist*


 Mark Gamble, *Chair*
 Date Signed _____

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 Jennifer Carabali, *Board Specialist*

APPROVED BY:



 Mark Gamble, *Chair*
 Date Signed Sept 26, 2018

APPROVED