

BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – March 25, 2019

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

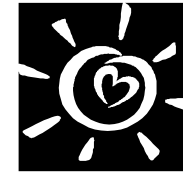
Members

Robert H. Curry, *Chairperson*
 Stephanie Booth, MD
 Hector De La Torre
 Hilda Perez
 G. Michael Roybal, MD

Management/Staff

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

**Absent ** Via Teleconference*



L.A. Care
 HEALTH PLAN

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
CALL TO ORDER Robert H. Curry	Robert H. Curry, <i>Chairperson</i> , called the meeting to order at 1:05 p.m. He welcomed Stephanie Booth, MD, to the Committee. 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.	
APPROVE MEETING AGENDA Robert H. Curry	The Agenda for today's meeting was approved.	Approved unanimously. 4 AYES (Booth, Curry, De La Torre, and Roybal)
PUBLIC COMMENTS	There were no public comments.	
APPROVE MEETING MINUTES Robert H. Curry	The minutes of the January 28, 2019 meeting were approved as submitted. <i>(There was not a quorum for the February 25, 2019 meeting, so there are no minutes.)</i>	Approved unanimously. 4 AYES
CHAIRPERSON'S REPORT	Chair Curry noted that the Private Essential Access Community Hospitals (PEACH) is a statewide association of California's disproportionate share (DSH) hospitals. Proposition 55 was passed two years ago and supports education and Medicaid, although no money came to health care. PEACH estimates \$700 million could be funded. They are lobbying to get funding freed up.	

APPROVED

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	John Baackes, <i>Chief Executive Officer</i> , responded that he will raise the issue at the Local Health Plans of California (LHPC).	
CHIEF EXECUTIVE OFFICER REPORT	<p>Mr. Baackes reported that Governor Newsome issued an executive order that will carve pharmacy benefits out of Medi-Cal. The effective date of this proposal is January 1, 2021. It is thought that, as a centralized purchaser for all Medi-Cal beneficiaries, the state will get better pharmacy pricing than the health plans. Some non-profit health plans receive rebates for pharmacy purchases through the 340B program currently in place, and those rebates support the safety net. A source of significant funding for Medicaid is the subsidization from commercial plans through programs like the 340B. The new structure proposed by the Governor allows the state to change the 340B program which may disrupt current services by limiting programs that support the safety net and could potentially interrupt care management for the neediest patients.</p> <p><i>(Member Perez joined the meeting.)</i></p> <p>The process of appeals for pharmacy and formulary require a response in 24 hours, and plans are not confident that the state would be able to comply. The Department of Health Care Services (DHCS) is charged with administering pharmacy benefits. L.A. Care advocates for pharmacy cost savings with the health plans administering the program. L.A. Care's pharmacy benefit is currently about \$800 million, and removal of this revenue will affect the financial reports for health plans and would be a significant change in Medi-Cal. L.A. Care supports cost savings but does not want to upset a program that is working well. The Centers for Medicare & Medicaid Services (CMS) recent audit of L.A. Care's CMC product found no issues in pharmacy benefits administration.</p> <p>Chair Curry noted that the hospitals support the health plans and health centers in preserving funding for Medi-Cal beneficiaries.</p> <p>Member Booth noted that there may be other standards that the state could not meet, other than the inability to respond to an appeal in formulary within 24 hours.</p> <p>Mr. Baackes noted that the main issue is to get rid of rebates and have an actual price for pharmaceuticals. The proposal seems designed to improve transparency. A national legislation to replace rebates with appropriate price reductions will provide better transparency.</p> <p>Member Roybal noted that the County relies on 340B as a funding stream for clinics and hospitals. The change could adversely affect how the County provides care for the</p>	

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	<p>uninsured. When states have done this in the past it has not reduced pharmacy cost. Any changes should focus on improved care, with cost savings secondary.</p> <p>Mr. Baackes added that the improvement of care is questionable because pharmacy will be centralized. DHCS has advised that a comparison to similar changes in other states does not work because it is argued that California is different.</p> <p>Member Roybal noted that there will likely be winners and losers for pharmacy formulary. Any loss in variety will not help patients.</p> <p>Mr. Baackes noted that Planned Parenthood, the Federally Qualified Health Clinics and the County will have good arguments against the centralization of pharmacy benefits in California.</p> <p>Mr. Baackes is also concerned that the Managed Care Organization Tax will end on June 30.</p> <p>Board Chair De La Torre noted that it makes sense to get economies of scale for state purchasers but it should not be done to the detriment in care for the beneficiaries.</p>	
COMMITTEE ITEMS		
<p>Chief Financial Officer's Report</p> <p>Marie Montgomery</p>	<p>Marie Montgomery, Chief Financial Officer, referred to the reports included in the meeting material. <i>(A copy of her report may be requested by contacting Board Service)</i></p> <p>Highlights:</p> <ul style="list-style-type: none"> • A flattening in the enrollment rate was assumed for the current budget, but a decrease continues in membership each month. The decrease is likely linked to the audit findings of the discrepancies between the state Medi-Cal enrollment system and the County enrollment system. Enrollment is favorable for the month for L.A. Care Covered. <p>In response to Chair Curry's question about decreased enrollment, Ms. Montgomery thinks it is due to the improved economy and lower joblessness, which has led to fewer Medi-Cal beneficiaries.</p> <p>Chair Curry noted the hospitals are seeing growth in uncompensated care potentially due to lower enrollment and fear of deportation and application of the public charge rule on immigration processes.</p> <p>Mr. Baackes noted that approximately 25,000 undocumented children are enrolled under Medi-Cal with L.A. Care. Undocumented adults are not eligible to enroll in Medi-Cal.</p>	

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	<p>Member Roybal added that those eligible for enrollment may be worried that their undocumented relatives could suffer adverse consequences if the person enrolls in government health care benefit programs. Mr. Baackes added that the Covered California enrollment may also reflect these concerns.</p> <ul style="list-style-type: none"> • Consolidated financial performance shows a positive effect from revised Proposition 56 rates, retroactively applied back to July 2018. • The overall medical cost ratio (MCR) is 89.8 % which is favorable to budget of 93.1%. <p>Member Booth asked about the lower commercial MCR. Ms. Montgomery responded that it is due to higher administrative costs, including the MCO tax, advertising, and broker fees. There is a risk pool, and L.A. Care will transfer revenue into the pool if the MCR reaches a certain level.</p> <ul style="list-style-type: none"> • Tangible Net Equity is at 611%. The updated average is 600% so L.A. Care is updating its goal to that level. • The 4+8 forecast assumes a 3% decrease in membership by year-end for MCLA and Plan Partner enrollment, based on the trend in the first five months of the year. Cal MediConnect is assuming a slight decrease in enrollment in the forecast vs. budget as the brokers ramp up activities. <p>Member Booth asked about member satisfaction ratings. Mr. Baackes noted that L.A. Care's satisfaction ratings are not segmented by type of enrollment.</p> <p><u>Motion FIN 100.0419</u> To accept the Financial Report for the periods ended January and February 2019, as submitted.</p>	<p>Approved unanimously. 5 AYES (Booth, Curry, De La Torre, Perez, and Roybal)</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></p> <p>As of February 28, 2019, the market value of L.A. Care's investments was \$1.4 billion.</p> <ul style="list-style-type: none"> • \$1.3 billion managed by Paydel & Rygel and New England Asset Management • \$60 million in Local Agency Investment Fund • \$103 million in Los Angeles County Pooled Investment Fund 	

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<p>Real Property Motions</p> <p>Authorization to survey Family Resource Center (FRC) locations and delegation of authority to the Finance & Budget Committee</p>	<p>Lance MacLean, <i>Director, Facilities Services</i>, presented the motion requesting authorization to survey locations for future Family Resource Center (FRC) and delegation of authority for final approval of leases to the Finance & Budget Committee.</p> <p>L.A. Care has prioritized establishing a physical presence by opening and operating FRCs in communities where L.A. Care members reside. The plan is to establish 12 FRCs in select communities to deliver integrated health education and other services in each of the defined RCAC regions. L.A. Care has opened and is currently operating six FRCs with six new FRCs to be developed over the next two years. L.A. Care intends to establish the remaining six FRCs in the following RCAC regions:</p> <table border="1" data-bbox="604 548 1413 846"> <thead> <tr> <th>Year</th> <th>Location</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>Pomona (RCAC 11) * already approved</td> </tr> <tr> <td>2019</td> <td>Metro L.A. (RCAC 4)</td> </tr> <tr> <td>2019</td> <td>Long Beach (RCAC 9)</td> </tr> <tr> <td>2020</td> <td>The Westside (RCAC 5)</td> </tr> <tr> <td>2020</td> <td>San Gabriel Valley (RCAC 3)</td> </tr> <tr> <td>2020</td> <td>Gateway Cities (RCAC 7)</td> </tr> <tr> <td>2020</td> <td>South Bay (RCAC 8)</td> </tr> </tbody> </table> <p>Mr. MacLean added that staff will present final lease terms to the F&B Committee for approval.</p> <p>Member Booth asked if the 2019 sites were budgeted. Mr. MacLean responded that the Pomona and Metro LA FRC sites were budgeted. The remaining planned FRCs will be budgeted in the next fiscal year.</p> <p>In response to Member Perez' question about the locations for the remaining FRCs, Mr. MacLean responded that the location of the Pomona FRC has been identified.</p> <p><u>Motion FIN 101.0419</u></p> <ol style="list-style-type: none"> To authorize L.A. Care staff to survey the real estate market for the remaining six Family Resource Centers (FRCs) in the Regional Community Advisory Committee (RCAC) regions, negotiate lease terms and perform leasehold improvement design and construction. To delegate authority to the Finance & Budget Committee for approval of final lease terms and approval of capital improvement design and construction budgets. 	Year	Location	2019	Pomona (RCAC 11) * already approved	2019	Metro L.A. (RCAC 4)	2019	Long Beach (RCAC 9)	2020	The Westside (RCAC 5)	2020	San Gabriel Valley (RCAC 3)	2020	Gateway Cities (RCAC 7)	2020	South Bay (RCAC 8)	
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Tenant Improvement Budget for the 5th Floor, 1200 7th Street Building	<p>Mr. MacLean presented a motion requesting authority for the Chief Executive Officer to enter into contracts for capital improvements, office furniture and other required equipment, fees or services to renovate the 5th floor of 1200 W. 7th Street building. The Board of Governors authorized staff to extend the lease of L.A. Care's space in this building on floors 1, 2, 3 and 5 (Motion BOG 114.1216-CS). Staff executed the first amendment to the lease dated February 15, 2017, that extends L.A. Care occupancy to March 2024 and adds the 5th floor consisting of 43,292 sq./ft. of space beginning in August 2019.</p> <p><u>Motion FIN A.0319</u> To delegate to John Baackes, Chief Executive Officer, discretionary authority to approve vendors and enter into contractual agreements for certain professional services, capital improvements, furniture and equipment to renovate the 5th floor 1200 W. 7th Street building in an amount not to exceed \$3,974,885.00 which includes a 5% contingency for potential unknown conditions.</p>	Motions FIN 101.0419 and FIN A.0319 were simultaneously approved unanimously. 5 AYES
TransUnion Contract Amendment	<p>Dino Kasdagly, <i>Chief Operating Officer</i>, presented a motion requesting an added \$1.3 million for an existing contract with TransUnion for encounter data processing. Trans Union collects and processes provider encounter data for all L.A. Care lines of business. The data is used to determine health plan rates.</p> <p><u>Motion FIN 103.0419</u> To authorize staff to amend a contract in the amount of \$1,316,000 not to exceed \$5,536,000 with TransUnion to provide encounter processing services for the period of July 1, 2019 to May 31, 2020.</p>	Approved unanimously. 5 AYES
MarkLogic Contract Amendment	<p>Tom Schwaninger, <i>Chief Information Officer</i>, presented a motion requesting approval to amend the contract with MarkLogic. MarkLogic provides professional and consulting services to manage provider data for L.A. Care's Total Provider Management strategic project.</p> <p>Member Booth asked about phase 2. Mr. Schwaninger responded that MarkLogic receives data from providers, adjusts it and compares to other data sources, and matches the data against existing data. MarkLogic also will do a data cleansing process to enable L.A. Care to use the data.</p> <p>In response to Member Perez' question about the extension to August 31, 2019, instead of the fiscal year end, Mr. Schwaninger responded that August 31, 2019 is the expected date for completion of the work.</p>	

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	<p><u>Motion FIN B.0319</u> To authorize staff to amend a contract with MarkLogic in the amount of \$285,880 total contract not to exceed \$1,285,760 to provide Information Technology Development Services through August 31, 2019.</p>	<p>Approved unanimously. 5 AYES</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 2:00 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 Estimated date of public disclosure: <i>March 2021</i></p> <p>CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION Pursuant to Section 54956.9 (d) (2) of the Ralph M. Brown Act Two potential cases</p> <p>PEER REVIEW Welfare & Institutions Code Section 14087.38(n)</p>	
<p>RECONVENE IN OPEN SESSION</p>	<p>The meeting reconvened in open session at 2:05 pm. No reportable actions were taken during the closed session.</p>	
<p>ADJOURNMENT</p>	<p>The meeting was adjourned at 2:05 pm.</p>	

APPROVED BY:

Respectfully submitted by:
Linda Merkens, *Senior Manager, Board Services*
Malou Balones, *Senior Board Specialist, Board Services*
Victor Rodriguez, *Board Specialist, Board Services*

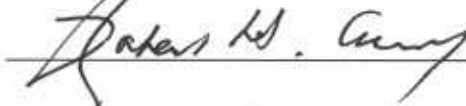
Robert H. Curry, *Chair*
Date Signed _____

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APPROVED BY:



Robert H. Curry, *Chair*
Date Signed 4/22/19

APPROVED