

BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – April 22, 2019

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

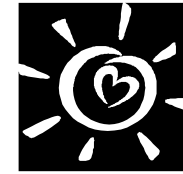
Members

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 everyone to the meeting and 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. 5 AYES by roll call (Booth, Curry, De La Torre, Perez, and Roybal)
PUBLIC COMMENTS	There were no public comments.	
APPROVE MEETING MINUTES Robert H. Curry	The minutes of the March 25, 2019 meeting were approved as submitted.	Approved unanimously by roll call. 5 AYES
APPROVE CONSENT AGENDA Robert H. Curry	<ul style="list-style-type: none"> Quarterly Investment Report <u>Motion FIN 100.0519</u> To accept the Quarterly Investment Report for the quarter ending March 31, 2019, as submitted. 	Motions FIN 100.0519, FIN 101.0519 and FIN 102.0519 were approved unanimously by roll call. 5 AYES.

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> • Marsh & McLennan Contract Renewal (FIN 101) <u>Motion FIN 101.0519</u> To authorize staff to approve the corporate insurance renewal in the amount of \$3,275,973 with insurance broker Marsh and McLennan to provide insurance coverage for the period of April 1, 2019 to April 1, 2020. • HealthCare Fraud Shield Contract <u>Motion FIN 102.0519</u> To authorize staff to execute a contract in the amount estimated at \$2,335,000 with HealthCare Fraud Shield to provide Fraud & Abuse analytics for the period of May 1, 2019 to December 31, 2022. <p>Member Booth requested that FIN A.0419 and FIN B.0419 be taken off the Consent Agenda. She asked about memorandum of understanding (MOUs) or letters of agreement (LOAs) with non-participating providers. John Baackes, <i>Chief Executive Officer</i>, explained that there are circumstances where L.A. Care members are cared for by providers that do not have existing contracts with the plan. Dino Kasdagly, <i>Chief Operating Officer</i>, stated that L.A. Care is moving away from these single use contracts. This vendor will allow flexibility to automate the process.</p> <ul style="list-style-type: none"> • Newgen Software Contract <u>Motion FIN A.0419</u> To approve: <ol style="list-style-type: none"> 1) Authorization for staff to execute a three year services agreement with Newgen Software, Inc. for L.A. Care’s automated provider contract management system, not to exceed \$1,155,364, to cover vendor travel, software subscription, pre-implementation discovery fees, implementation license fees, maintenance, support, and hosting for a period of three years; and 2) Approve an additional \$344,636 for supplemental vendor expenses related to implementation and/or required additional user licenses, which will be identified during product implementation or as a result of the quarterly assessment of license usage, as appropriate. <p>Total amount not to exceed \$1,500,000.</p> <p>Member Booth asked about the 30% overage included in the approval. Mr. Kasdagly stated that there are unknowns that this is intended to cover.</p>	<p>The Committee approved placing these motions on the Consent Agenda for the May 2, 2019, Board of Governors meeting.</p> <p>Motions FIN A.0419 and FIN B.0419 were approved unanimously by roll call. 5 AYES.</p>

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<p>Member Booth asked about the remaining balance that will be budgeted in future fiscal years. Tom Schwaninger, <i>Chief Information Officer</i>, explained it is because this contract amendment will take effect in the middle of the fiscal year and L.A. Care is paying the vendor on a monthly basis. Marie Montgomery, <i>Chief Financial Officer</i>, added that the issue is the timing.</p> <ul style="list-style-type: none"> Verizon Business Network Contract Amendment <u>Motion FIN B.0419</u> To authorize staff to amend the telephone trunking service contract with Verizon Business Network to continue to provide phone line services for L.A. Care in an amount not to exceed \$1,400,000 for one year. 	
CHAIRPERSON'S REPORT	There was no report from the Chairperson.	
CHIEF EXECUTIVE OFFICER REPORT	<p>John Baackes, <i>Chief Executive Officer</i>, noted that contract motions are brought individually although, collectively, they will further the efficiency of the organization and further the development of a direct provider network without increasing the number of staff. It is planned to be able to manage more with the same number of staff in preparation of L.A. Care's ability to weather future economic challenges with the lowest overhead as possible, so the bulk of revenue will be available to keep the provider network intact. Each motion has a place in the puzzle of how the future business processes of the organization are carried out. Mr. Kasdagly noted that the goal is to unravel challenges and simplify data management.</p> <p>Mr. Baackes added that in this industry there has never been as many options available through technology. L.A. Care is careful to sort through the software available and to wisely pick them so they integrate into the current structure.</p>	
COMMITTEE ITEMS		
Chief Financial Officer's Report Marie Montgomery	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> Highlights: <ul style="list-style-type: none"> March 2019 membership is 2,182,532, favorable to the forecast for the month and year to date. The forecast assumes a 3% decrease in membership for MCLA and Plan Partners. 	

APPROVED

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	<ul style="list-style-type: none"> • Surplus variance for March is almost \$29 million. This is due to the \$11 million favorable variance in administrative expense and \$8 million favorable variance in non-operating. Year to date surplus is \$200 million, \$37 million ahead of forecast. • Revenue is favorable by almost \$30 million, driven by updated Prop 56 rates that are retro to July 2018. • Pharmacy is unfavorable likely due to timing of rebates. • The administrative expense is favorable by \$14 million for YTD March. • Non-operating income is favorable by \$12 million for YTD March, driven by grant timing and unrealized gains on investments. • Overall surplus is \$37 million favorable to forecast year to date. • The medical cost ratio (MCR) overall is 90.2%, in line with the forecast of 90.4% • Key financial ratios are positive, including cash to claims ratio, a temporary situation due to receipt of the cash for the Hospital Quality Assurance Fee program. These funds were paid out to the hospitals in April. <p><u>Motion FIN 100.0419</u> To accept the Financial Report for the periods ended March 2019, as submitted.</p>	<p>Approved unanimously by roll call. 5 AYES</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 March 31, 2019, the market value of L.A. Care’s investments was \$2.3 billion.</p> <ul style="list-style-type: none"> • \$2.2 billion managed by Paydel & Rygel and New England Asset Management • \$61 million in Local Agency Investment Fund • \$104 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 1:27 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 	

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AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	REPORT INVOLVING TRADE SECRET Pursuant to Welfare and Institutions Code Section 14087.38(n) Discussion Concerning New Service, Program, Business Plan Estimated date of public disclosure: <i>April 2021</i>	
RECONVENE IN OPEN SESSION	The meeting reconvened in open session at 1:35 pm. No reportable actions were taken during the closed session.	
ADJOURNMENT	The meeting was adjourned at 1:35 pm.	

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

APPROVED BY:

Robert H. Curry, *Chair*

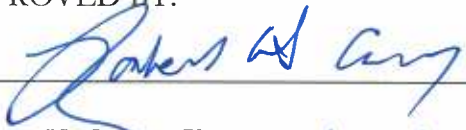
Date Signed _____

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APPROVED BY:



 Robert H. Curry, *Chair*
 Date Signed 5/28/19

APPROVED