

BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – May 28, 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*
 Richard Seidman, MD, MPH, *Chief Medical 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. 4 AYES (Booth, Curry, De La Torre, and Roybal)
PUBLIC COMMENTS	There were no public comments.	
APPROVE MEETING MINUTES Robert H. Curry	(<i>Member Perez joined the meeting.</i>) Member Booth asked for clarification on the Marsh and McLennan contract renewal. Marie Montgomery, <i>Chief Financial Officer</i> , responded that it will extend the contract to April 1, 2020. The minutes of the April 22, 2019 meeting were approved as submitted.	Approved unanimously. 5 AYES (Booth, Curry, De La Torre, Perez, and Roybal)
CHAIRPERSON'S REPORT	There was no report from the Chairperson.	

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
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 reports may be requested by contacting Board Service)</i></p> <p>Financial Highlights for April 2019:</p> <ul style="list-style-type: none"> • Membership is 2,187,479, which is favorable to forecast and is approximately 23,436 member months favorable for the year. The increase is primarily from TANF. The forecast assumes continued decrease of 3% in membership for MCLA and Plan Partners. • Revenue surplus is \$15 million for the month. Year to date surplus is \$215 million, \$56 million ahead of forecast. • Revenue is favorable by \$59 million, driven by the payment received on updated Prop 56 rates that are retroactive to July 2018 as well as the GEMT rates that went into effect this month. • Medical expenses are unfavorable year to date vs forecast by \$37 million, also driven by the updated Prop 56 rates and GEMT expenses. • Administrative expenses are favorable to forecast by \$16 million due to timing of mailing, advertising, printing for directories. • Non-operating income is favorable by \$18 million driven by \$9.4 million grant timing, and \$4.6 million unrealized gains on investments. • Overall Medical Cost Ratio (MCR) is 90.6%, almost equal to forecast of 90.9%. The commercial products MCR is higher than the forecast due to adjustments in provider capitation. • Fund Balance was \$1 billion which represents 643% of Tangible Net Equity. Several years ago, L.A. Care set a target of 530% based on the average of eight other local initiatives and county organized health systems. The updated average is 600% and L.A. Care updated the goal to that level. <p><u>Motion FIN 100.0619</u> To accept the Financial Report for the periods ended April 2019, as submitted.</p>	<p>Approved unanimously 5 AYES</p>
<p>Investment Monthly Transactions Report</p> <p>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 April 30, 2019, the market value of L.A. Care's investments was \$2.2 billion.</p> <ul style="list-style-type: none"> • \$2 billion managed by Paydel & Rygel and New England Asset Management 	

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	<ul style="list-style-type: none"> • \$61 million in Local Agency Investment Fund • \$104 million in Los Angeles County Pooled Investment Fund 	
2nd Quarter FY 2018-19 Reports Required by Internal Policies	<p>Ms. Montgomery referred to reports included in the meeting materials required by L.A. Care's internal policies for the second quarter FY 2018-19. <i>(A copy of the reports can be obtained by contacting Board Services):</i></p> <ul style="list-style-type: none"> • Policy AFS-004 (Non-Travel Expense Report) • Policy AFS-027 (Travel Expense Report) • Policy AFS-006 (Authorization and Approval Limits) • Policy AFS-007 (Procurement) 	
CHIEF EXECUTIVE OFFICER REPORT	<p>John Baackes, <i>Chief Executive Officer</i>, reported:</p> <p>L.A. Care's Elevating the Safety Net program is gaining recognition.</p> <ul style="list-style-type: none"> • L.A. Care has awarded 49 grants for primary care physicians, 34 of which are in safety net practices. • The second group of eight medical school scholars (scholarship recipients) has been selected. They will be invited to the July Board meeting. • L.A. Care will be introducing a residency program. The funding is complicated but L.A. Care is committed to moving forward. <p>There are now 1,884 In-Home Supportive Services (IHSS) workers that have graduated from the California Long Term Care Education Center (CLTCEC) program. The funding for this program is coming from the operations budget. Mr. Baackes suggested that this program should be part of L.A. Care's Elevating the Safety Net Program. The IHSS program is allowing some income to family caregivers and giving them purpose in what they do. It is important that home caregivers, especially those who care for people with chronic conditions, are able to learn about best practices.</p> <p>Member Booth asked if there is data available on emergency room visits for this group. Mr. Baackes responded that staff will look at data. Member Booth added that this could be a research project for L.A. Care's scholars. Mr. Baackes noted that in the Canadian health care system, government sponsored programs pay costs of medical students. Member Roybal noted that primary care physicians are under-valued. They should be paid better and they generate capitation.</p>	

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	<p>Member De La Torre asked what is the curriculum for Phase II of the IHSS training program. Mr. Baackes responded that Phase II improves their skills, especially those caring for people with severe chronic conditions.</p> <p>A report on the Elevating the Safety Program grants will be provided at the June 6 Board meeting.</p>	
Dimension Data Contract	<p>Tom Schwaninger, <i>Chief Information Officer</i>, presented the motions for Dimension Data and Optum contracts.</p> <p>L.A. Care uses WebEx Services daily for meetings, training, and teleconferencing and has outgrown the existing installation and can gain advantage in the added functionality that is now available. An upgrade will enhance experience for users and allow for improved collaboration across the organization. This motion is for a five-year agreement with Dimension Data, a preferred vendor that was selected through a competitive bidding process in January 2017, for Cisco and Telecommunications products and services. L.A. Care will be billed a monthly fee of \$30,428 for 60 months (\$365,136/year), a total \$1,825,680. L.A. Care currently pays about the same on a monthly basis.</p> <p><u>Motion FIN A.0519</u> To authorize staff to execute a five-year contract with Dimension Data in an amount not to exceed \$1,900,000, for enhancing and lowering the cost for L.A. Care’s WebEx Services.</p>	<p>Motions FIN A and B were simultaneously approved unanimously 5 AYES</p>
Optum Contract	<p>Staff requests authority to execute a contract with Optum, Inc. to assist with the new population health management system. In January 2019, the Board of Governors authorized staff to purchase a new system. With the finalization of that selection and contracting process, the business process requirements need to be defined and documented in detail for case management and utilization management. The work is expected to begin June 2019. L.A. Care requires assistance so that key staff and management time can be leveraged to document the new requirements in alignment with the new vision established for L.A. Care and Health Services.</p> <p>A competitive bidding process involved several firms. Optum, Inc. was selected as they had resources with notable competency in this domain. They have existing knowledge of L.A. Care from prior work closely related to this project. Optum provides key analytic tools that will stratify members for case management and disease management.</p>	

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	<p><u>Motion FIN B.0519</u> To authorize staff to execute a contract with Optum, Inc. for health services business requirements definition assistance not to exceed \$1.3 million for the period June 1, 2019 ending November 30, 2019.</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 1:48 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 Service, Program, Technology, Business Plan Estimated date of public disclosure: <i>May 2021</i></p>	
<p>RECONVENE IN OPEN SESSION</p>	<p>The meeting reconvened in open session at 2:07 pm. No reportable actions were taken during the closed session.</p>	
<p>ADJOURNMENT</p>	<p>The meeting was adjourned at 2:07 pm.</p>	

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

APPROVED BY:

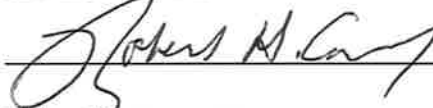
Robert H. Curry, *Chair*
Date Signed _____

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Robert H. Curry, *Chair*
Date Signed 7/1/19

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