

BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – June 24, 2019

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

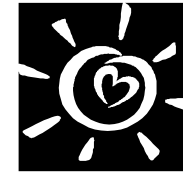
Members

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*

*Absent ** Via Teleconference



L.A. Care
 HEALTH PLAN

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
CALL TO ORDER Hector De La Torre	Hector De La Torre, <i>Board 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 Hector De La Torre	The Agenda for today's meeting was approved.	Approved unanimously. 3 AYES (Booth, De La Torre, and Roybal)
PUBLIC COMMENTS	There were no public comments.	
APPROVE MEETING MINUTES Hector De La Torre	The minutes of the May 28, 2019 meeting were approved as submitted.	Approved unanimously. 3 AYES
CHAIRPERSON'S REPORT	John Baackes, <i>Chief Executive Officer</i> , is in Sacramento today and will not report to the Committee.	

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
COMMITTEE ITEMS		
Chief Financial Officer's Report Marie Montgomery	<p><i>(Member Perez joined the meeting.)</i></p> <p>Marie Montgomery, <i>Chief Financial Officer</i>, referred to the written reports included in the meeting material. <i>(A copy of her reports may be requested by contacting Board Services.)</i></p> <p>Financial Highlights for May 2019:</p> <ul style="list-style-type: none"> • Membership of 2,179,156 is favorable to the forecast. • Deficit for the month is \$2.5 million, unfavorable to the forecast. • The month includes a \$37 million reduction in revenue to L.A. Care Covered as a result of the RADV audit, offset by a favorable adjustment of \$12.4 million to healthcare costs for RADV PPG Capitation and Shared Risk. • \$10 million in favorable claims compared to forecast. • Year to Date net surplus is \$212 million, ahead by \$44 million of forecasted surplus. • Revenue is favorable by \$28 million, driven by the updated Prop 56 rates from the state that are retroactive to July 2018 and GEMT program that went into effect last month, retro to July 1. • Operating margin by segment shows continued historical trends. • Administrative expenses are favorable to forecast by \$17 million, mostly due to timing of advertising, printing and mail expenditures and the reclassification of some IT costs from expenditures to capital. • Non-operating income is favorable by \$25 million driven by \$12.4 million grant timing, \$5.6 million investment income and \$7.4 million unrealized gains on investments. • Medical Care Ratio was 91.1% which is equal to forecast. The administrative ratio was 5.3% slightly better than the forecast. • The May 2019 Fund Balance was \$1 billion which represents 640% of Tangible Net Equity. <p><u>Motion FIN 100.0719</u> To accept the Financial Report for the periods ended May 2019, as submitted.</p>	<p>Approved unanimously. 4 AYES (Booth, De La Torre, Perez, and Roybal)</p>
Investment Monthly Transactions Report Marie Montgomery	<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 May 31, 2019, the market value of L.A. Care's investments was \$1.9 billion.</p>	

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	<ul style="list-style-type: none"> • \$1.7 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>Health Management Services Contract Extension</p> <p>Dino Kasdagly</p>	<p>Dino Kasdagly, <i>Chief Operating Officer</i>, presented a motion requesting approval to extend a contract with Health Management Services (HMS). Staff is requesting approval to increase the maximum amount of compensation in the Coordination of Benefits (COB) contract schedule A-3 with HMS to \$22 million and extend the term of the contract through December 31, 2023. This is an increase of \$12 million for a contract approved in September, 2017 with a maximum compensation amount of \$10 million. The increase is required due to this program generating more savings than originally projected, resulting in a corresponding increase in compensation to the vendor. The current contract is scheduled to end on December 31, 2020.</p> <p>Member Roybal asked if the information is used to correct the system. Mr. Kasdagly responded that staff is correcting claims processes and using prospective tools as well.</p> <p>Member Booth asked about sources of compensation and Mr. Kasdagly indicated the vendor is compensated through cost savings, and noted that the process is common practice.</p> <p><u>Motion FIN 101.0719</u> To increase authorized expenditure for the current contract with Health Management Systems (HMS) Coordination of Benefits not to exceed \$22 Million and to extend the contract through December 31, 2023.</p>	<p>Approved unanimously. 4 AYES (Booth, De La Torre, Perez, and Roybal) The Committee approved placing this motion on the Consent Agenda for the July 25, 2019, Board of Governors meeting.</p>
<p>Cognizant Contract</p> <p>Dino Kasdagly</p>	<p>Mr. Kasdagly presented a motion requesting approval to replace the current IT staff augmentation contracts for production support services with a three-year Managed Services contract with a preferred vendor, Cognizant. A Managed Services contract is a service level agreement (SLA) with a managed service provider that outlines responsibilities for both parties, including which services the provider will deliver. L.A. Care currently has staff augmentation contracts with three vendors. Staff is consolidating to improve efficiency. L.A. Care will maintain oversight, and expects savings of \$500 million.</p> <p>Member Perez asked if there is any penalty for ending contracts, and Mr. Kasdagly responded that there is no penalty.</p>	<p>Approved unanimously. 4 AYES (Booth, De La Torre, Perez, and Roybal) The Committee approved placing this</p>

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<p><u>Motion FIN 102.0719</u> To authorize L.A. Care to execute a 3.5-year contract with Cognizant in an amount not to exceed \$4,900,000, for Information Technology Application Production Support.</p>	<p>motion on the Consent Agenda for the July 25, 2019, Board of Governors meeting.</p>
<p>FirstSource Contract Amendment</p> <p>Richard Seidman, MD</p>	<p>Richard Seidman, MD, MPH, <i>Chief Medical Officer</i>, presented a motion requesting approval to amend a contract with FirstSource, a staff augmentation vendor that has provided services for L.A. Care’s utilization management department since December 2017. L.A. Care uses temporary staff to support new initiatives, audits, and/or other short term increases in work volume. A consistent augmentation workforce provides L.A. Care with a pool of staff familiar with its processes, workflows, contracts and use of L.A. Care’s core health system platform.</p> <p><u>Motion FIN A.0619</u> To authorize staff to execute a 12-month contract extension with FirstSource to provide UM authorization technician staff, adding \$800,000, for a total contract amount not to exceed \$1,625,000.</p>	<p>Approved unanimously. 4 AYES (Booth, De La Torre, Perez, and Roybal)</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 1:27 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 Rates <p><i>Agenda item Below was not discussed.</i></p> <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>June 2021</i></p>	
<p>RECONVENE IN OPEN SESSION</p>	<p>The meeting reconvened in open session at 1:58 pm. No reportable actions were taken during the closed session.</p>	

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
ADJOURNMENT	The meeting was adjourned at 1:59 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 _____

APPROVED

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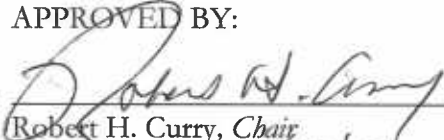
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Victor Rodriguez, *Board Specialist, Board Services*

APPROVED BY:


 Robert H. Curry, *Chair*

Date signed 8/26/19

APPROVED