

BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – January 27, 2020

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

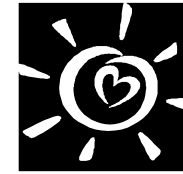
Members

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 Resource Officer*
 Augustavia J. Haydel, Esq., *General Counsel*
 Marie Montgomery, *Chief Financial Officer*
 Tom MacDougall, *Chief Information & Technology 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	Robert H. Curry, <i>Chair</i> , called the meeting to order at 1:15 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. John Baackes, <i>Chief Executive Officer</i> , introduced Tom MacDougall, <i>Chief Information & Technology Officer</i> . Tom Schwaninger has a new role at L.A. Care as <i>Senior Executive Advisor Digital</i> .	
APPROVE MEETING AGENDA	The Agenda for today’s meeting was approved.	Approved unanimously. 3 AYES (Booth, Curry, De La Torre)
PUBLIC COMMENTS	There were no public comments.	
APPROVE MEETING MINUTES	The minutes of the November 18, 2019 meeting were approved as submitted.	Approved unanimously. 3 AYES
CHAIRPERSON’S REPORT	There was no report from the Chairperson.	
CHIEF EXECUTIVE OFFICER’S REPORT	Mr. Baackes reported: <ul style="list-style-type: none"> On January 9, the Second District Court of Appeals ruled unanimously in favor of L.A. Care and against Dignity, that hospitals with no contract with a patient’s health plan must 	

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	<p>accept the Medi-Cal reimbursement rate. Dignity has until February 18, 2020 to file an appeal of the ruling.</p> <ul style="list-style-type: none"> • The Audit Committee met on January 21. Members reviewed the Deloitte & Touche report on the independent financial audit for Fiscal Year 2018-19. There were no material changes to management reports. The Board of Governors has delegated authority for the review and approval of L.A. Care’s annual financial audit to the Audit Committee. A copy of the audit report will be available at the February 6, 2020 Board meeting. • Mr. Baackes summarized the changes to the California prescription drug carve out in Medi-Cal. L.A. Care will be participating in statewide workgroups. <p><i>(Member Perez joined the meeting.)</i></p>	
COMMITTEE ITEMS		
<p>Chief Financial Officer’s Report</p> <p>Financial Performance Update</p>	<p>Marie Montgomery, <i>Chief Financial Officer</i>, provided an update on the financial performance for October, November and December 2019. (A copy of her presentation may be requested by contacting Board Services.)</p> <p>Highlights:</p> <p><u>Membership</u></p> <p>Membership for December 2019 is 20,795 member months unfavorable to budget and 35,061 unfavorable for the year versus the budget. The budget assumes a flat growth rate in membership for Plan Partners and MCLA, except the enrollment bump expected from expansion of coverage to eligible undocumented young adults. The Commercial enrollment is slightly below budget; L.A. Care Covered (LACC) is at 74,000 members. L.A. Care received good news that the Medi-Cal auto-assignment rate will increase to 74%. Medi-Cal disenrollment trend continues in January 2020.</p> <p>Member Curry asked if changes to the public charge rule affects enrollment. Mr. Baackes noted that there is no direct evidence but anecdotally L.A. Care thinks there is. There is generally a big drop in January, but this year the drop is higher than experienced before, generally due to redeterminations. These are not documented. It may also be partly due to solid employment.</p> <p>Ms. Montgomery noted that even with the expected help from a higher auto assignment rate effective January 1 and extending enrollment to undocumented adults, membership is still a</p>	

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	<p>headwind for L.A. Care. Membership for LACC is forecasted to be in the mid-80,000 range.</p> <p><u>Revenue</u></p> <p>Despite lower membership, revenue is higher due to retroactive rate change of \$35 million received on December 30 for Coordinated Care Initiative (CCI).</p> <p>Adjustments were also received for Medi-Cal rates retroactive to July1, 2019:</p> <ul style="list-style-type: none"> • \$3.3 million for Temporary Assistance to Needy Families (TANF) • \$12.1 million for Medi-Cal Expansion (MCE) • \$336,000 for Seniors and People with Disabilities (SPD) • \$9 million for Plan Partners <p>Most rate adjustments are related to first time acuity adjustments by the Department of Health Care Services. The adjustments also include new benefits (vision and podiatry) and program changes for Multi Service Senior Programs and the Community Based Adult Services program.</p> <p>L.A. Care also received rates for new Proposition 56 programs retroactive to July 1, 2019, including family planning, value-based payments (VBP), and trauma and developmental screening. These new programs will affect the medical services expenses as it is estimated that these will be at the 95% risk corridor level until L.A. Care has more experience. L.A. Care is developing internal processes to pay claims for these programs. These retroactive payments received have boosted the operating margin for December 2019.</p> <p><u>Medical Cost Ratio (MCR)</u></p> <ul style="list-style-type: none"> • Overall MCR is 93.3% vs a budget of 92.6%. • Plan Partners MCR is slightly above budget due to the new Proposition 56 programs described above. Capitation paid to Plan Partners is higher since Federally Qualified Health Centers and cost based reimbursement clinics do not participate in the physician, VBP and family planning rate programs. • SPD/CCI MCR is tracking behind the budget primarily related to unfavorable claims trends. • TANF/MCE MCR is ahead of the budget driven by the retro rate changes discussed earlier. • Cal MediConnect (CMC) MCR is higher than budget due to the negative rate adjustment received for CY 2019. 	

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	<ul style="list-style-type: none"> Commercial MCR higher than the budget driven by taking over the payment of Department of Health Services Fee for Service claims for PASC-SEIU. <p>Administrative expenses are favorable to budget by over \$2.3 million. Non-operating expense is unfavorable due to timing of grant spending Tangible Net Equity is 628%, representing 46 days of operations.</p> <p><u>Motion FIN 100.0220</u> To accept the Financial Report as submitted, for the period ended October, November and December, 2019, as submitted.</p>	<p>Approved unanimously. 4 AYES (Booth, Curry, De La Torre, and Perez)</p>
<p>Quarterly Investment Report</p>	<p>Ms. Montgomery noted that the Quarterly Investment Report for the quarter ending December 31, 2019, is included in meeting materials</p> <p><u>Motion FIN 101.0220</u> To accept the Quarterly Investment Report for the quarter ending December 31, 2019, as submitted.</p>	<p>Approved unanimously. 4 AYES</p>
<p>Investment Monthly Transactions Report</p>	<p>Ms. Montgomery referred to a 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 December 31, 2019, L.A. Care’s total investment market value was \$1.8 billion</p> <ul style="list-style-type: none"> \$1.6 billion managed by Payden & Rygel and New England Asset Management \$62 million in Local Agency Investment Fund \$105 million in Los Angeles County Pooled Investment Fund <p>Member Curry asked how investments are managed. Ms. Montgomery described the short term and long term investment practices and investment policies. She added that there is government restriction that L.A. Care is not permitted to have high risk investments.</p>	
<p>Quarterly Reports Required by Internal Policies FY 2019-2020</p>	<p>Ms. Montgomery referred to reports required by L.A. Care’s internal policies for the FY 2019-20, included in the meeting materials. <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) 	

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	<p>In response to Member Booth's question about companies on both lists, Ms. Montgomery will check and report back.</p>	
<p>Information Technology Motions</p> <p>Quest Analytics Contract Extension</p> <p>Staff Augmentation Vendors</p>	<p>Tom MacDougall, <i>Chief Information and Technology Officer, IS Administrative Services</i>, presented motions for Quest Analytics and Staff Augmentation Vendors.</p> <p>Staff requests approval to extend the terms of contract with Quest Analytics from one year to three years (to December 31, 2022) and to add an additional \$826,522 to the existing contract. This contract requires an annual fee of \$413,261 for three years. The first year's annual fee is included in the FY 2019-20 budget. The second and third year will be budgeted in future fiscal years. L.A. Care is required to demonstrate an adequate contracted health care provider network as part of the California DMHC's annual review process.</p> <p><u>Motion FIN A.0120</u> To authorize staff to amend a contract in the amount of \$826,522 (total contract amount not to exceed \$1,239,783) with Quest to provide Network Adequacy Services and access to Quest Analytics software to December 31, 2022.</p> <p>In June 2015, the Board of Governors authorized staff (FIN 107.0615), to negotiate contracts with Cognizant, Infosys, and HCL, following a competitive bidding process. In September 2018, L.A. Care concluded a Request for Proposal (RFP) process that evaluated over 20 vendors. During the process four additional vendors were selected to provide IT professional services: Solugenix Corp, Cumberland Consulting, Insight Global, and Synaptix.</p> <p>Three of the four latest vendors selected are either Southern California based or have a significant footprint in Los Angeles. All of the selected vendors provided competitive rates and have the specialized expertise required to support initiatives at L.A. Care. All vendors except Cumberland Consulting have signed contracts with L.A. Care and will continue the engagements, as they prove to be proficient and meet the technical skills sets that L.A. Care needs to drive strategic projects forward.</p> <p><u>Motion FIN 102.0220</u> To authorize additional spending with the following vendors: Cognizant, Infosys, HCL, Solugenix Corp, Insight Global and Synaptix in the amount of \$9,600,000 (not to exceed \$61,122,178) for capital and operating consulting expenditures through September 30, 2020.</p>	<p>Motions FIN A and FIN 102.0220 were simultaneously approved unanimously. 4 AYES</p>
<p>Cognizant Technology Solutions</p>	<p>Mr. MacDougall presented a motion requesting authorization to amend the contract with Cognizant Technology Solutions. In March 2012, the Board authorized staff to enter</p>	

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	<p>into a contract with TriZetto Group, Inc., for the implementation of a new core information system. Since that time, TriZetto was acquired by Cognizant Technology Solutions. The software has been implemented at L.A. Care for all lines of business and supports core processing functions for the business. In September of 2017, L.A. Care purchased the perpetual licenses from Cognizant.</p> <p><u>Motion FIN 103.0220</u> To authorize staff to amend a purchase order/contract with Cognizant Technology Solutions in the amount of \$13,500,000 (total contract not to exceed \$88,734,459) for software maintenance, hosting, and other support services for L.A. Care’s core systems: QNXT and CCA.</p>	<p>Approved unanimously. 4 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 1:46 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>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>January 2022</i></p> <p>CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to Section 54956.8 of the Ralph M. Brown Act Property: 3570 Santa Anita Ave., El Monte, CA. 91731 Agency Negotiator: John Baackes Negotiating Parties: Positive Investment, Inc., Managing Agent for El Monte Santa Fe Plaza, LP Under Negotiation: Price and Terms of Payment</p>	
<p>RECONVENE IN OPEN SESSION</p>	<p>The meeting reconvened in open session at 1:52 pm. No reportable actions were taken during the closed session.</p>	

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ADJOURNMENT	The meeting was adjourned at 1:53 pm.	

Respectfully submitted by:

Linda Merkens, *Senior Manager, Board Services*

Malou Balones, *Board Specialist III, Board Services*

Victor Rodriguez, *Board Specialist II, Board Services*

APPROVED BY:

Robert H. Curry, *Chair*

Date Signed _____

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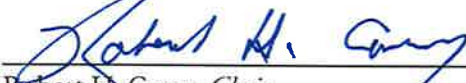
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APPROVED BY:



 Robert H. Curry, *Chair*
 Date Signed 2/24/2020

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