

BOARD OF GOVERNORS

Finance & Budget Special Committee

Meeting Minutes for February 24, 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	Hector De La Torre, <i>Board Chairperson</i> , called the meeting to order at 1:06 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	The Agendas for today's meeting were approved.	Approved unanimously by roll call. 5 AYES (Booth, Curry, De La Torre, Perez and Roybal)
PUBLIC COMMENTS	There were no public comments.	
APPROVE MEETING MINUTES	The minutes of the January 27, 2020 meeting were approved as submitted.	Approved unanimously by roll call. 5 AYES
CHAIRPERSON'S REPORT	There was no report from the Chairperson.	
CHIEF EXECUTIVE OFFICER'S REPORT	John Baackes, <i>Chief Executive Officer</i> , reported on the proposed changes to Medicaid, which if combined with the proposed California Advancing & Innovating Medi-Cal (CalAIM) will have significant effects upon hospitals. L.A. Care will not be affected as a plan but it will have an impact to access to care for members.	

APPROVED

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	<p>Member Curry asked about the supplemental payment cuts in the proposed Medicaid Fiscal Accountability Regulation (MFAR) and expected cuts in revenue for physicians. Marie Montgomery, <i>Chief Financial Officer</i>, noted that payments will trickle down from Proposition 56 funds.</p> <p>Mr. Baackes added that MFAR is focused on reducing hospital supplemental payments. The new CalAIM proposal raises questions about funds available to providers because of the added administrative burden of data collection for providers. L.A. Care will ask to keep demands for data to a reasonable level. If proposed, MFAR regulations might be reversed through legislation. Hopefully the burden of the proposal will be toned down.</p> <p>In response to Member Booth’s question if hospital trade associations are involved, Mr. Baackes noted that there are several groups in the state already working on it, California Hospital Association, Hospital Association of Southern California, Private Essential Access Community Hospitals. In response to Member Booth’s question about Mr. Baackes’ involvement with the national trade association, America’s Health Insurance Plans (AHIP), Mr. Baackes noted that he is on the board and he is working to gain support to preserve revenue for providers.</p> <p>Mr. Baackes was invited to speak to the California Congressional legislative delegation to inform them that L.A. Care is the public option in Los Angeles County. He advised the delegation that L.A. Care is one of the few public plans in the United States participating in ACA programs on the health exchange. He also met with democratic candidates who are also concerned about the public option. It is important that there is a public option to keep cost low and quality high. L.A. Care in the past has been the lowest priced plan. For the current premium year, commercial plans reduced their pricing, presumably to capture market share. This resulted in lower enrollment for L.A. Care. There are close to 90,000 lives in L.A. Care Covered, which could drop to high 70,000s. L.A. Care is a public entity competing with commercial health plans.</p> <p>Member Roybal asked about the pricing. Mr. Baackes noted that there was a nominal price increase last year and L.A. Care still has the lowest price for a public option. Mr. Baackes noted that he will share L.A. Care Covered report card at a future meeting.</p> <p>In response to Member Booth’s question about the L.A. Care network, Mr. Baackes noted that 90% are crossover with the commercial plans, and there was a big boost when UCLA was added to L.A. Care’s network as a provider.</p>	

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	In response to Member Booth's question about Dignity, Mr. Baackes noted that L.A. Care has reached a settlement that includes Northridge hospital in a four-year contract and Dignity will not pursue further litigation.	
COMMITTEE ITEMS		
Chief Financial Officer's Report Financial Performance Update	<p>Ms. Montgomery provided an update on the financial performance for January 2020. <i>(A copy of her presentation may be requested by contacting Board Services.)</i></p> <p><u>Membership</u> Membership in January 2020 is 2,133,876, 49,000 members unfavorable to the budget for the month and 84,000 member months unfavorable year to date. The budget assumed flat growth in membership for Plan Partners and MCLA, except for enrollment expected from the expansion of Medi-Cal coverage to undocumented young adults beginning in January 2020. Enrollment for this population has been moved from January to March 2020.</p> <p>L.A. Care Covered (LACC) membership is below budget. An expected bump in new members resulting from open enrollment for LACC in January was offset by terminated members. There was an increase in membership for LACC in February 2020 but enrollment remains slightly below budget. L.A. Care is enrolling more bronze tier members, which increases the estimated risk adjustment payable. Staff will be adjusting membership targets in the 4+8 forecast. L.A. Care's auto-assignment rate increased to 74%. The disenrollment trends for Medi-Cal continued with a decline in membership for January 2020.</p> <p><u>Revenue</u> Revenue is higher despite lower membership, due to retroactive rate changes reported in December 2019 that included rates for the Coordinated Care Initiative (CCI) and Cal MediConnect (CMC) rates, our classic rates adjusted for acuity and program changes, and the new Proposition 56 programs including Value Based Payments, Family Planning and Trauma and Developmental Screening. These items were also carried forward into January 2020 impacting revenue and expenses.</p> <p>The revenue also included a favorable CMC rate adjustment factor (RAF) for CY 2019 (\$2 million) and an unfavorable L.A. Care Covered RAF adjustment (-\$8 million) based on the higher percentage of bronze members. Retroactive rate adjustments from December 2019 also carry forward in healthcare expenses and the new Proposition 56 programs are estimated to be at the 95% risk corridor level until L.A. Care has more experience with these members.</p>	

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	<p>These rates are retroactive to July 1, 2019 L.A. Care is configuring its systems to make these payments.</p> <p>The fee for service (FFS) claims are unfavorable to budget by \$66 million year to date. The retroactive adjustments in the recent periods included Ground Emergency Medical Transportation Services (GEMT) and skilled nursing facility (SNF) rate increases. Staff will update the 4+8 forecast to project the impact of the recent trends and will identify corrective actions to mitigate the trends.</p> <p>L.A. Care’s payment integrity unit has identified overpayments of SNF claims and staff will be pursuing recoveries.</p> <p>Administrative expenses are \$3.9 million favorable to budget. Non-operating expenses are \$2 million favorable to budget due to the timing of grant spending. The net surplus year to date is \$40 million, \$8 million unfavorable to the budget.</p> <p><u>Medical Cost Ratio (MCR)</u></p> <ul style="list-style-type: none"> • Overall MCR is 93.4% versus a budget of 92.5%. • Plan Partners MCR is slightly above budget due to the new Proposition 56 programs. • Seniors and People with Disabilities (SPD)/CCI SPD and CCI is behind budget primarily related to unfavorable claims trends. • Temporary Assistance to Needy Families/Medi-Cal Expansion is ahead of budget driven by the retro rate changes. • CMC is behind budget driven by the negative rate adjustment received for CY 2019 • Commercial is higher than budget driven by taking over the payment of LA County Department of Health Services fee for service (FFS) claims for PASC-SEIU and lower RAF for LACC related to the higher percentage of bronze members. <p>Working Capital and Tangible Net Equity are ahead of benchmarks. The cash to claims ratio is slightly below target. The cash to claims ratio will not fully recover until L.A. Care settles the In-Home Support Services balances with the Department of Health Care Services. Tangible Net Equity is at 630% and there is sufficient cash to cover operating expenses for 51 days.</p> <p>Member Booth asked about RAF. Ms. Montgomery noted that the RAF depends on the demographics of the members enrolled.</p>	

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	<p>Chair De La Torre noted that he heard that the tax penalty for health coverage may be delayed in California, which could result in a drop in enrollment. Mr. Baackes will clarify these issues and report back to the Committee.</p> <p>Member Curry asked about the pmpm expense increase on L.A. Care's income statement. Ms. Montgomery noted that accrual of an estimated amount is offset by retroactive revenue adjustments. Of concern would be SNF and inpatient/outpatient hospital expense. Staff is investigating those unfavorable expenses.</p> <p><u>Motion FIN 100.0320</u> To accept the Financial Report as submitted, for the period January 2020 as submitted.</p>	<p>Approved unanimously by roll call. 5 AYES</p>
<p>Investment Monthly Transactions Report</p>	<p>Ms. Montgomery referred to the investment transactions reports included in the meeting materials. <i>(A copy of the report can be obtained by contacting Board Services)</i>. As of January 31, 2020, L.A. Care's total investment market value was \$1.6B</p> <ul style="list-style-type: none"> • \$1.4 billion managed by Payden & Rygel and New England Asset Management (NEAM) • \$72 million in Local Agency Investment Fund • \$106 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 1:45 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>February 2022</i></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>	

APPROVED

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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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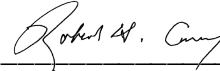
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APPROVED BY:



Robert H. Curry, *Chair*

Date Signed 03-26-2020

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