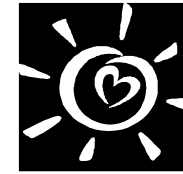


# BOARD OF GOVERNORS

## Finance & Budget Committee

### Meeting Minutes – June 22, 2020

1055 W. 7<sup>th</sup> Street, Los Angeles, CA 90017



**L.A. Care**  
HEALTH PLAN

#### 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*  
Dino Kasdagly, *Chief Operating Officer*  
Marie Montgomery, *Chief Financial Officer*  
Tom MacDougall, *Chief Information & Technology Officer*  
Richard Seidman, MD, MPH, *Chief Medical Officer*

*\*Absent \*\* Via Teleconference*

**California Governor issued Executive Order No. N-29-20, which among other provisions amends the Ralph M. Brown Act and Executive Order No. 33-20, ordering all residents to stay in their homes, except for specific essential functions. Members of the public can listen to this meeting via teleconference.**

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
<b>CALL TO ORDER</b>	<p>Hector De La Torre, <i>Board Chairperson</i>, called the meeting to order at 1:17 p.m. He welcomed everyone to the meeting and summarized the process for public comment during this teleconference meeting as reflected on the meeting agenda.</p> <ul style="list-style-type: none"> <li>• The Governor’s Executive Order temporarily set aside some provisions of the Brown Act because of public health guidelines.</li> <li>• Board Meetings are conducted electronically so that all attendees can be safe and practice social distancing.</li> <li>• The Executive Community Advisory Committee also met virtually on June 10.</li> <li>• Comments from anyone who would like to address the Board and its committees are welcome.</li> <li>• L.A. Care members need us to continue the work of the Board, and the meetings are run so that members of the public can hear the meeting and can submit their comments by voice mail, text, or email.</li> <li>• Staff puts the oral comments in writing and sends all comments to the Board before the meeting.</li> <li>• All public comment is included in the minutes of the meeting, and any comments that were not read during the meeting are added to the minutes.</li> </ul>	

**APPROVED**

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> <li>• There were no public comments received for today’s meeting.</li> <li>• At future meetings, the Chair will list the public comment received so commenters know that the Board received the comment.</li> <li>• Submitters of public comment must identify the Agenda item which the comment is addressing.</li> <li>• If the submitter does not identify an agenda item, the submitter’s comment will be read for 3 minutes at the “Public Comment” item.</li> <li>• At the appropriate item on the Agenda, staff will read for 3 minutes the public comment from each submitter. Depending on how many comments are submitted, the 3-minute time could be adjusted to allow for more submitters to have the comments read.</li> <li>• The Board will keep reviewing and improving how public comments are received and distributed to Board members.</li> </ul>	
<b>APPROVE MEETING AGENDA</b>	The Agenda for today’s meeting was approved.	<b>Approved unanimously by roll call. 4 AYES (Booth, De La Torre, Perez and Roybal</b>
<b>PUBLIC COMMENTS</b>	There were no public comments.	
<b>MEETING MINUTES</b>	The May 26, 2020 meeting minutes were approved as submitted.	<b>Approved unanimously by roll call. 4 AYES</b>
<b>CHAIRPERSON’S REPORT</b>		
<b>CHIEF EXECUTIVE OFFICER’S REPORT</b>	<p><i>(Committee Chair Curry joined the meeting.)</i></p> <p>John Baackes, <i>Chief Executive Officer</i>, reported on the Governor’s May Budget revise. It contains a retroactive 1.5% rate decrease but there is no clarity on future rates. The May Revise assumes an increase in Medi-Cal enrollment. L.A. Care has not seen new Medi-Cal applications yet. Antonia Jimenez, <i>Director, Department of Public Social Services</i>, has informed L.A. Care that there is a 200% increase in CalFresh applications, which may be an indication of new Medi-Cal members in the future. Many Medi-Cal applicants are employed with medical insurance benefits cut off, and whose income level is not below the poverty threshold to qualify for Medi-Cal eligibility. This could be a reason for the increase in CalFresh applications, because these individuals need assistance with buying food.</p>	

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	<p>Chair Curry noted a disproportionate distribution of COVID 19 testing supplies among hospitals. One hospital with 150 beds, gets 50 in-house test per week while another gets 2,000 a month. He added that there is testing capability with the devices and swabs on hand, but the necessary reagent is not available. He asked if this is a state or county issue and how to address this critical issue.</p> <p>Richard Seidman, MD, MPH, <i>Chief Medical Officer</i>, noted he wished there was a solution. The Los Angeles County Department of Health Services (DHS) testing capacity is sufficient. Smaller hospitals and independent physicians are having difficulty meeting testing demands. There appears to be no rational distribution plan. Testing is targeted to highly populated skilled nursing facilities (SNFs) and homeless populations. Dr. Seidman offered to discuss this situation with Mr. Curry. Mr. Baackes offered to reach out to the Hospital Association of Southern California, Private Essential Access Community Hospital and other local health plans for more information.</p> <p>Member Booth asked about how extensive the shortage is. Chair Curry noted the providers that have existing accounts with manufacturers for testing machines and reagents are getting more supplies than others, but the distribution should be equitable for all facilities.</p>	
<b>COMMITTEE ITEMS</b>		
<p><b>Chief Financial Officer's Report</b></p> <p>Financial Performance Report</p>	<p>Marie Montgomery, <i>Chief Financial Officer</i>, provided an update on financial performance for May 2020 (<i>a copy of her presentation may be requested by contacting Board Services</i>).</p> <p><u>Membership</u></p> <p>Membership in May was 2,189,554, favorable to the forecast by 39,955 members, with 52,390 favorable for the year versus the forecast. With the recent significant increase in unemployment, L.A. Care expects to see significant increases in membership. The suspension of the eligibility redeterminations is driving the membership favorability for May. L.A. Care has not seen increases related to new applications.</p> <p>The 4+8 budget forecast was completed prior to the COVID-19 pandemic, and assumed a 3.5% decrease in membership for Plan Partners and a 2.5% decrease for MCLA. Additional enrollment was also expected from the expansion of coverage to undocumented young adults beginning in May, and from the updated auto-assignment rate which gives L.A. Care a higher proportion of new members. Enrollment in commercial products is higher than forecast by</p>	

**APPROVED**

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	<p>approximately 5,000 members. Membership in LACC decreased in May over April but is ahead of the forecast for the year.</p> <p><u>Consolidated Financial Performance</u>  Net surplus for the month of May is \$9 million, \$10 million favorable to the forecast. Year to date net surplus is \$97 million, \$44 million favorable to the forecast. The favorability for the month is driven primarily by a \$25 million Coordinated Care Initiative (CCI) Duals risk share adjustment retroactive to 2014 through 2016.</p> <p>Reported claims for May is \$217 million, which is \$21 million unfavorable to the forecast. The unfavorable result is mostly due to L.A. Care’s intentional acceleration of claims payments in March and April to improve cash flow to hospitals and SNFs. The claims reserve estimate is higher than forecasted claims for months prior to March.</p> <p>L.A. Care has factored into the financial results an estimated impact of deferred elective procedures since March as hospitals sought to free bed space amid the COVID 19 pandemic. In May, claims payments did not decrease as much as anticipated, which led to an increase in the reserve estimate for prior months. Year to date, fee for service (FFS) claims are unfavorable to forecast by approximately \$3.5 million. L.A. Care will continue to monitor claims patterns and reserve estimates.</p> <p>L.A. Care’s provider incentive program was announced this month and the five months of accrual were included in the May financial reports. Due to timing, the result shows \$14 million unfavorable for the month, but less than \$1 million unfavorable year to date.</p> <p>Pharmacy costs were slightly unfavorable for the month by \$780,000 and about \$7.2 million unfavorable year to date. This is largely due to the relaxation of the refill too soon edit back in March, which allowed members to refill prescriptions early.</p> <p>Administrative expenses are \$2.7 million unfavorable year to date due to higher printing, mailing, and salaries and employee benefits but offset by lower participation fees for L.A. Care Covered (LACC). and timing in purchased services</p> <p>Ms. Montgomery noted a 1.5% rate reduction is projected for June revenue.</p> <p>Non-operating expenses is \$10 million favorable to the forecast due to realized and unrealized gains on investments and timing in LA Care’s grant spending. The unrealized gain position has been volatile due to market conditions and is expected to continue.</p> <p><u>Operating Margin by Segment</u></p>	

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	<p>Overall Medical Care Ratio (MCR) is 93.1% vs 93.7% forecast due to the retroactive Coordinated Care Initiative contract amendment for risk share adjustment. MCR would have been 93.5% overall without the adjustment. MCR for each line of business are equal or ahead of forecast.</p> <p>The administrative ratio was 5.4%, equal to the forecast. Working Capital and Tangible Net Equity ratios are ahead of benchmarks, while the cash to claims ratio is below the target. The cash to claims ratio will not fully recover until the In-Home Support Services (IHSS) balances with the Department of Health Care Services (DHCS) is settled.</p> <p><b><u>Motion FIN 100.0720</u></b>  <b>To accept the Financial Report for May 2020, as submitted.</b></p>	<p><b>Approved unanimously by roll call. 5 AYES (Booth, Curry, De La Torre, Perez and Roybal)</b></p>
<p><b>Investment Monthly Transactions Report</b></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 May 31, 2020, L.A. Care's total investment market value was \$1.6 billion</p> <ul style="list-style-type: none"> <li>• \$1.3 billion managed by Payden &amp; Rygel and New England Asset Management (NEAM)</li> <li>• \$72 million in Local Agency Investment Fund</li> <li>• \$176 million in Los Angeles County Pooled Investment Fund</li> </ul>	
<p><b>NTT America Solutions Inc. Contract</b></p>	<p>Tom MacDougall, <i>Chief Information &amp; Technology Officer</i>, presented a motion requesting approval to execute a contract with NTT America Solutions for a five-year term.</p> <p>L.A. Care uses Cisco products and Nuance services across the company for daily business continuity. This includes hardware and software that support L.A. Care's servers, routers and phones, among other products. Each Cisco product comes with Smartnet and Nuance technical support which allows L.A. Care staff to obtain security upgrades and support services for all Cisco and Nuance related issues. These products and services are purchased and renewed through L.A. Care approved resellers. In an effort to co-term our Nuance Support Agreement and reduce the current count of 14 technical support agreements for Cisco products across the company to one, and reduce the overall annual cost, IT Staff has negotiated a new five-year maintenance agreement under one vendor to eliminate multiple annual renewals netting a savings of approximately \$2.0 million over the five-year contract term. This vendor NTT America Solutions (formerly Dimension Data) was selected from a request for proposal in January 2017 and they are a preferred reseller of Cisco products and services. They have extended special pricing to L.A. Care to co-term and consolidate these</p>	

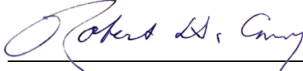
**APPROVED**

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	<p>other technical support agreements. L.A. Care requires these services because there is a heavy dependency on Cisco products and any discrepancy in the performance of Cisco products will negatively impact business continuity. This agreement will ensure that IT Staff can readily access vendor support on a 24/7 basis and address issues in a timely manner.</p> <p><b><u>Motion FIN 101.0720</u></b>  <b>To authorize staff to execute a five-year contract in an amount not to exceed \$3,611,471 with NTT America Solutions Inc. for Smartnet Technical Support and to co-term our Nuance Technical Support agreements for L.A. Care’s Cisco &amp; Nuance product lines.</b></p>	<p><b>Approved unanimously by roll call. 5 AYES</b></p>
<p><b>Imagenet Contract</b></p>	<p>Dino Kasdagly, <i>Chief Operating Officer</i>, presented a motion requesting approval to execute a new contract with Imagenet. As part of the new contract, Imagenet will provide L.A. Care with processing and adjudication of a portion of the claims that cannot be handled internally. Imagenet processes claim types from simple to complex and is paid on a per claim basis, using “on shore” labor.</p> <p>L.A. Care is currently spending on average \$1,650,000 annually with FirstSource for claims processing and adjudication services. The FirstSource contract will end on June 30, 2020 and will not be renewed. Investing in moving L.A. Care’s claims processing and adjudication services to Imagenet is projected to reduce cost by \$250,000 per year.</p> <p>A competitive request for proposal (RFP) process was conducted in March 2020. Four vendors responded to the request, and selected Imagenet because of lower pricing. This initial one-year contract term is to allow staff to evaluate Imagenet’s performance. If their performance is satisfactory, staff will return to the board with a request to extend the terms and conditions of the contract.</p> <p><b><u>Motion FIN A.0620</u></b>  <b>To authorize staff to execute a contract with Imagenet in the amount of \$1,400,000 to provide claims processing and adjudication services for the period of July 2020 to July 2021.</b></p>	<p><b>Approved unanimously by roll call. 5 AYES</b></p>
<p><b>ADJOURN TO CLOSED SESSION</b></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 2:03 pm.</p> <p>CONTRACT RATES  Pursuant to Welfare and Institutions Code Section 14087.38(m)</p>	

**APPROVED**

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> <li>• Plan Partner Rates</li> <li>• Provider Rates</li> <li>• DHCS Rates</li> </ul> <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 2022</i></p>	
<b>RECONVENE IN OPEN SESSION</b>	The meeting reconvened in open session at 2:17 pm. No reportable actions were taken during the closed session.	
<b>ADJOURNMENT</b>	The meeting was adjourned at 2:17 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 8-24-2020

**APPROVED**