

# BOARD OF GOVERNORS

## Finance & Budget Committee

### Meeting Minutes – August 24, 2020

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

#### Members

Robert H. Curry, *Chairperson*  
Stephanie Booth, MD  
Hector De La Torre  
Hilda Perez  
G. Michael Roybal, MD

\*Absent \*\* Via Teleconference



**L.A. Care**  
HEALTH PLAN

#### Management/Staff

John Baackes, *Chief Executive Officer*  
Terry Brown, *Chief Human Resource Officer*  
Augustavia J. Haydel, Esq., *General Counsel*  
Alex Li, *Deputy Chief Medical Officer*  
Marie Montgomery, *Chief Financial Officer*  
Tom MacDougall, *Chief Information & Technology Officer*  
Noah Paley, *Chief of Staff*  
Acacia Reed, *Interim Chief Operating Officer*

**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<br>ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS  | ACTION TAKEN |
|--------------------------|--|--------------|
| <b>CALL TO ORDER</b>     | <p>Robert H. Curry, <i>Chairperson</i>, called the meeting to order at 1:03 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>• 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<br>ITEM/PRESENTER          | MOTIONS / MAJOR DISCUSSIONS  | ACTION TAKEN   |
|-----------------------------------|--|--|
|                                   | <ul style="list-style-type: none"> <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<br/>AGENDA</b> | The Agenda for today’s meeting was approved.   | <b>Approved unanimously<br/>by roll call. 3 AYES<br/>(Booth, Curry, and<br/>Roybal</b> |
| <b>PUBLIC COMMENTS</b>            | Text received August 22, 2020 at 12:26 p.m., Not self-identified<br><i>Public comment for Aug 24 2020 meeting MAKE THIS MY FIRST COMMENT ,<br/>DMHC California told LA Care to follow up with victims of Synermed/EHS (EHS<br/>was determined to be actually Synermed operating EHS , see photo. WHEN is LA<br/>Care going to tell enrollees that their medical care was blocked because of their<br/>negligence having huge contracts with EHS which was determined not to be a<br/>real company?!</i>  |  |

**APPROVED**

| AGENDA<br>ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS  | ACTION TAKEN |
|--------------------------|--|--------------|
|                          | <div data-bbox="478 191 961 657" data-label="Image"> </div> <div data-bbox="961 228 1579 657" data-label="Image"> </div> <p data-bbox="478 662 1556 732"><i>The state corrective action orders that enrollees be notified , no victim I have located has been notified !</i></p> <p data-bbox="478 755 1617 933"><i>Text received August 22, 2020 at 4:07 p.m. Not self-identified<br/>Public comment : My daughter didn't receive proper treatment , she was in an unnecessary coma after a 10 day brain bleed. We have never been notified of what LA Care enabled and ignored! There are people involved with LA Care who should have their "professional " licenses revoked!</i></p> <p data-bbox="478 954 1606 1203"><i>Text received August 23, 2020 at 11:37 a.m. Not self-identified<br/>An excellent way to avoid following up with Synermed victims is to state the "contract was with EHS" when the state of California determined Synermed operated EHS to the extent that EHS had no actual employees and as if it was "actually EHS" as stated in enforcement ! This doesn't give LA "Care" a pass to not to follow up with enrollees affected by Synermed /EHS! You people know perfectly well what I'm talking about , read the enforcement your lawyer signed !</i></p> |              |

| AGENDA<br>ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS  | ACTION TAKEN                                     |
|--------------------------|--|--|
|                          | <p>Augustavia J. Haydel<br/>Local Initiative Health Authority for Los Angeles County<br/>December 27, 2019<br/>Page 2 of 9</p> <p><b>SynerMed operated EHS as though it was actually EHS.</b></p> <p>From approximately 2006 through January 7, 2018, SynerMed and EHS operated as substantially the same entity. The board of directors for SynerMed and EHS were nearly identical, and both corporate headquarters occupied the same physical address. Furthermore, James Mason (Mason), SynerMed's Chief Executive Officer and EHS' attorney-in-fact, directed the day-to-day operations of both EHS and SynerMed with virtually no oversight, and SynerMed employees acted on behalf of EHS when performing their assigned administrative duties throughout this timeframe.</p> <p>At the time this investigation was opened, EHS employed no individuals. It relied on SynerMed to perform the claims, credentialing and utilization management functions for which EHS had contracted with the Plans. EHS maintained no independent information systems where its medical records and health data were maintained, stored, and controlled. Instead, SynerMed maintained, stored, and controlled all EHS medical and health data. SynerMed managed all of EHS' financial operations, including, but not limited to, financial reporting to regulators, and payments to EHS medical directors. Mason, as EHS' attorney-in-fact, screened, interviewed, and hired the medical director on behalf of EHS.</p> <p><b>SynerMed failed to send notifications approving, modifying, or denying requests for authorization to enrollees, in violation of Health and Safety Code section 1367.01, subdivision (h)(3), then falsified documents during audits to make it appear as though it had actually sent notifications.</b></p> <p>Under Health and Safety Code section 1367.01, subdivision (h)(3), decisions to deny, delay, or modify requested health care services must be communicated to the enrollee within two business days of the decision.</p> <p><i>Signed by your lawyer</i></p> <p><i>“EHS” contract signed by Synermed CEO, you also had an e consult tie to Synermed and I believe there’s a contract for that over there for that ! You are a public health contractor and the public has the right to know 1,000s of people had their healthcare blocked and they have no idea who blocked it and LA Care is not telling them!</i></p> <p><i>Make my most recent comment my first public comments.</i></p> <p><i>Everything I state is accurate, you are gaslighting your own board members who are in turn a party to your conduct! Your board is in turn gaslighting county taxpayers !</i></p> <p>Chairperson Curry asked staff to respond.</p> <p>Augustavia J. Haydel, Esq., <i>General Counsel</i>, responded that staff has already responded to this public comment. Staff will continue to respond to public comments when appropriate.</p> |  |
| <b>MEETING MINUTES</b>   | The June 22, 2020 meeting minutes were approved as submitted.  | <b>Approved unanimously by roll call. 3 AYES</b> |

| AGENDA<br>ITEM/PRESENTER             | MOTIONS / MAJOR DISCUSSIONS   | ACTION TAKEN   |
|--------------------------------------|---|--|
| <p><b>APPROVE CONSENT AGENDA</b></p> | <p>Member Booth asked that motions FIN 102, 103 and 104 be taken off the consent agenda for discussion.</p> <ul style="list-style-type: none"> <li>Quarterly Investment Report<br/><b><u>Motion FIN 100.0920</u></b><br/>To accept the Quarterly Investment Report for the quarter ending June 30, 2020, as submitted.</li> <li>Ntooitive Contract Amendment<br/><b><u>Motion FIN 101.0920</u></b><br/>To authorize staff to execute a new statement of work with Ntooitive in the amount of \$5,922,000 for marketing campaigns for L.A. Care’s direct lines of business and the Community Resource Centers for the period of October 1, 2020 through September 30, 2021.</li> <li>Salesforce Contract Amendment<br/><b><u>Motion FIN A.0820</u></b><br/>To authorize staff to execute a contract with Salesforce in an amount up to \$1,850,000 for the renewal of subscription services through October 31, 2021.</li> </ul> <p><i>(Board Chairperson De La Torre and Member Perez joined the meeting.)</i></p> <ul style="list-style-type: none"> <li>Collective Medical Technologies Contract Amendment<br/><b><u>Motion FIN 102.0920</u></b><br/>To authorize staff to execute an amendment to a contract in the amount of \$5,157,450 with Collective Medical Technologies to provide ADT Data notifications for the period of August 30, 2020 to August 29, 2023.</li> </ul> <p>After discussions, the motion was amended:</p> <p><b><u>Amended Motion FIN 102.0920</u></b><br/><i>To authorize staff to execute an amendment to a contract in an amount not to exceed \$5,157,450 with Collective Medical Technologies to provide ADT Data notifications, and to authorize staff to negotiate savings based on a verified decrease in medical utilization or cost, for the period of August 30, 2020 to August 29, 2023.</i></p> | <p>FIN 100, FIN 101 and FIN A were approved unanimously by roll call. 3 AYES (Booth, Curry, and Roybal)</p> <p>Amended Motion FIN 102 was approved by roll call. 3 AYES (Booth, De La Torre, and Roybal) 1 ABSTENTION (Perez) (<i>Committee Chairperson Curry experienced technical difficulties and was not able to vote on this motion.</i>)</p> |

**APPROVED**

| AGENDA<br>ITEM/PRESENTER                | MOTIONS / MAJOR DISCUSSIONS   | ACTION TAKEN  |
|---|---|---|
|   | <ul style="list-style-type: none"> <li>• United Guard Service Contract<br/><b>Motion FIN 103.0920</b><br/>To authorize staff to execute an amendment to extend and add \$2,440,600 (total contract not to exceed \$3,267,452) to the current contract with United Guard Service to provide security guard services at L.A. Care locations and sponsored special events for the period of October 1, 2020 thru December 31, 2023.<br/><br/>Member Booth asked about the increase in cost. Lance MacLean, <i>Senior Director, Facilities Services</i>, responded that the increase is attributable to L.A. Care’s plan to have 13 Family/Community Resource Centers and the increased cost of living.</li> <li>• Cognizant Contract Amendment<br/><b>Motion FIN 104.0920</b><br/>To authorize staff to amend the existing contract with Cognizant for an additional \$1,200,000 (total contract not to exceed \$4,375,000) for continued Salesforce implementation activities through September 30, 2021.<br/><br/>Member Booth asked about the contract expiration. Tom McDougall, <i>Chief Information and Technology Officer</i>, responded that this motion is for funding for the VOICE program for FY 2020-21 budget and extending the contract to September 30, 2021.</li> </ul> | <p>Motion FIN 103 was approved by roll call.<br/>5 AYES (Booth, Curry, De La Torre, Perez and Roybal)</p> <p>Motion FIN 104 was approved by roll call.<br/>5 AYES</p> |
| <b>CHAIRPERSON’S REPORT</b>             | Chairperson Curry commended L.A. Care’s continued efforts related to help members during the COVID-19 pandemic.   |   |
| <b>CHIEF EXECUTIVE OFFICER’S REPORT</b> | <p>John Baackes, <i>Chief Executive Officer</i>, introduced Acacia Reed, <i>Interim Chief Operating Officer</i>, who started in the position on August 3.</p> <ul style="list-style-type: none"> <li>• He spoke about the pandemic, the current difficult situation in the country and the potentially significant financial impacts on L.A. Care.</li> <li>• L.A. Care accelerated capitation payments to many providers and some of its large hospitals to support the safety net of providers. L.A. Care is experiencing higher than usual utilization of services. L.A. Care has a diverse member population with a high concentration of members negatively affected by the pandemic.</li> <li>• He noted that this is an unprecedented time. As the end of the fiscal year approaches, it is obvious that the financial forecast of one year ago and what has transpired are nowhere near the same. He thanked the staff for making many adjustments so L.A. Care can continue to provide services.</li> </ul>  |   |

**APPROVED**

| AGENDA<br>ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS   | ACTION TAKEN |
|--------------------------|---|--------------|
|                          | <ul style="list-style-type: none"> <li>• L.A. Care participates in programs to support safety net providers, particularly community clinics, to distribute personal protective equipment (PPE) and a number of other tasks. These efforts may not be visible to the public, but there is a lot of activity behind the scenes across Los Angeles County to provide access to health care services.</li> <li>• L.A. Care is coming up to the end of a year that will not look like what was anticipated. The next two or three years may be extremely challenging for L.A. Care and for all the Medi-Cal managed care health plans in California. California’s ability to raise enough tax revenue to support the health care program was severely hampered by the economic recession caused by the pandemic. A state budget was passed in June 2020 for the fiscal year which began on July 1. The impact of the recession on L.A. Care may not be fully evident until January 2021. L.A. Care is operating under a rate structure that was put in place in July 2019. The state is migrating from a fiscal year to a calendar year. L.A. Care has absorbed the impact of a 1.5% rate reduction for the entire 18-month bridge period of July 2019 to January 2021. The budget being prepared by L.A. Care for the next fiscal year will show a deficit because of the state’s 1.5% rate reduction.</li> <li>• If the U.S. Congress does not pass a federal stimulus bill to provide additional funding to states, California will be in a very precarious financial position. As a result, the drastic cuts to services and reimbursement that Governor Newsom presented in his May Budget revise will be reexamined.</li> <li>• Food insecurity is a major issue for people because of the recession and job losses. Lack of food affects health. L.A. Care has coordinated with community organizations to support drive-thru food pantries, and the turnout has been unprecedented. He commended the Family and Community Resource Center staff (CRC/FRCs) for coordinating the food distribution events.</li> <li>• L.A. Care will continue to update financial forecasting and make adjustments.</li> <li>• Everyone at L.A. Care is committed to continuing to support the health care and social services needs of L.A. Care members.</li> <li>• The Board has been proactive in supporting L.A. Care’s initiatives, which is helpful particularly for members in stressful economic situations. The availability of food has become a daily issue that has to be addressed. L.A. Care is engaged everyday in assisting members.</li> </ul> <p>Member Booth asked about the Governor’s Budget “trigger” items. Mr. Baackes responded that the trigger items may be negotiated between the legislature and the Governor’s administration.</p> |              |

**APPROVED**

| AGENDA<br>ITEM/PRESENTER  | MOTIONS / MAJOR DISCUSSIONS  | ACTION TAKEN |
|---|--|--------------|
|   | <p>The significant impact of the 1.5% rate reduction for 2021 may necessitate that health plans negotiate rates with providers.</p> <p>Chairperson De La Torre noted that Sacramento may call for a special session on a specific topic. This could be an opportunity to negotiate any potential new federal funding.</p> <p>Alex Li, <i>Deputy Chief Medical Officer</i>, noted plans for 2020 and beyond will depend on the level of funding to preserve health care services for Medi-Cal beneficiaries.</p>  |              |
| <b>COMMITTEE ITEMS</b>  |  |              |
| <p><b>Chief Financial Officer's Report</b></p> <p>Financial Performance Report</p> <p>Capital &amp; Operating Budget FY 2020-21</p> | <p>Marie Montgomery, <i>Chief Financial Officer</i>, reported on the financial performance for June and July 2020 and the Fiscal Year 2020-21 Capital &amp; Operating Budget Assumptions. <i>(A copy of the presentation may be requested by contacting Board Services).</i></p> <p><u>Consolidated Financial Performance - (4+8 Forecast vs 9+3 Forecast)</u></p> <ul style="list-style-type: none"> <li>• There is increase in member enrollment months due to the suspension of the eligibility redetermination process in order to ensure Medi-Cal beneficiaries continue to have access to their medical needs.</li> <li>• The 9+3 forecast for fiscal year 2019-20 is a \$106 million deficit.</li> <li>• The YTD May 2020 financial statements showed a net surplus of \$97.1 million, however, we experienced a deficit of \$115.7 million in June and a deficit of \$4.3 million in July. This is mainly due to the 1.5% rate reduction, which reduced the operating margin by \$41 million, and \$92 million in higher fee for service claims.</li> <li>• Revenue is lower by \$14.3 million, which includes the 1.5% rate reduction for the 18-month bridge period of \$85 million, offset by the change in the Coordinated Care Initiative (CCI) Duals risk corridor of \$25 million, \$25 million for COVID-19 risk corridor protection and the 10% increase in long term care rates of \$37 million.</li> <li>• For health care costs, L.A. Care experienced higher than expected fee for service claims despite the deferral of elective procedures of over \$200 million. L.A. Care has an internal steering committee focused on corrective actions to address the higher claim trends.</li> <li>• Administrative cost is higher primarily due to salaries and benefits and purchased services.</li> </ul> <p><u>Consolidated Financial Performance - For the 10 months ended July 2020</u></p> <ul style="list-style-type: none"> <li>• The June 2020 results were included in the above forecast update.</li> </ul> |              |

**APPROVED**



| AGENDA<br>ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS  | ACTION TAKEN |
|--------------------------|--|--------------|
|                          | <ul style="list-style-type: none"> <li>• The net deficit for July 2020 is \$4.3 million, \$43 million favorable to the year-to-date (YTD) forecast. YTD the net deficit is \$23 million.</li> <li>• YTD revenue is favorable by \$1 million versus forecast.</li> <li>• Medical expenses are favorable YTD versus forecast by \$35 million, due to an adjustment to the L.A. Care Covered (LACC) risk corridor in the amount of \$23.4 million.</li> <li>• We also had a \$12.5 million Department of Health Services (DHS) capitation deduction adjustment and a change to Prop 56 capitation in the amount of \$8.4 million. Both are retroactive to July 2019. The favorability was offset in part by higher incurred fee for service (FFS) claims, which were unfavorable to the forecast by \$6.8 million in July. This includes higher skilled nursing facility (SNF) claims for the 10% rate increase which was covered by the increased revenue.</li> <li>• Administrative expenses are lower than the forecast by \$5 million.</li> <li>• Non-Operating expenses are also favorable by more than \$2 million.</li> </ul> <p><u>Historical Membership Trend</u></p> <ul style="list-style-type: none"> <li>• In FY 2018-19, there was a steady decline in membership beginning in November 2018, primarily for Plan Partners and MCLA, due to the annual redetermination process and low unemployment rates. The drop was offset in part by increased LACC membership from 69,000 to 82,000 during the open enrollment period.</li> <li>• In FY 2019-20, the decline in membership from the previous fiscal year continued to accelerate until March 2020, when the economy was affected by the pandemic. At that time, the monthly redetermination process was suspended by DHCS, leading to a steady increase in member enrollment throughout the spring and summer.</li> </ul> <p><u>Membership 2020-21 Projections</u></p> <ul style="list-style-type: none"> <li>• Overall, the projected membership growth between FY 2019-20 9+3 forecast and FY 2020-21 is expected to be roughly 2,500 members or 1.5 %, with member months growing by roughly 10,000 (0.04%).</li> <li>• Combined segment membership is projected to be 2,191,847 by September 30, 2021.</li> </ul> <p><u>FY 2020-21 Budget Assumptions</u></p> <p>Below are the most significant budget assumptions:</p> <ul style="list-style-type: none"> <li>• The pharmacy carve-out will be effective January 1, 2021, which will reduce revenue by \$734 million as L.A. Care will no longer provide Medi-Cal pharmacy services benefits. The health care cost reduction related to pharmacy carve-out in total is \$773 million, mainly Plan Partners and Pharmacy expense.</li> </ul> |              |

**APPROVED**

| AGENDA<br>ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS  | ACTION TAKEN |
|--------------------------|--|--------------|
|                          | <ul style="list-style-type: none"> <li>• The 1.5% rate cut for the bridge period ends in December 2020. The Budget estimates an additional 1.5% rate cut effective January 2021.</li> <li>• Budget assumes that the 10% long-term care rate increase for COVID-19 continues through the end of 2021.</li> <li>• Assumes that fee for service claims continue at a very high level.</li> <li>• Assumes the risk corridor the Department of Health Care Services (DHCS) put in place for the bridge period due to COVID-19 will extend beyond the bridge period. The legislation allows for the risk corridor to be extended but no decision has been made. Specifics of the risk corridor also have not been fully decided as yet. As a result, the degree of protection from the risk corridor are subject to change, and the effect could be material.</li> <li>• Assumes Proposition 56 programs to end in July 2021 (except Family Planning)</li> </ul> <p><u>Financial Performance Comparison</u></p> <ul style="list-style-type: none"> <li>• Projecting a \$55 million decrease in operating margin that includes the risk corridor revenue of \$278 million which is shown on a separate line in revenue. This is a bad case scenario and given the uncertainties we are facing with the COVID-19 related impacts, we are presenting such a scenario.</li> <li>• The revenue decrease includes the Pharmacy carve-out, the rate cuts and Prop 56 ending on June 30, 2021.</li> <li>• The combination of inpatient, outpatient and SNF claims are approximately \$300 million increase and we expect to improve the FFS trend from this level.</li> <li>• The original budgeted surplus was \$153 million. The 4+8 forecast surplus is \$72 million and the 9+3 forecast has the year ending at a \$107 million deficit, primarily driven by the rate cut and the FFS claims.</li> <li>• The 2020-21 budget ends with a deficit of \$169 million, again driven by rate cuts and FFS claims.</li> <li>• The budget assumes a significant decrease in interest income, due the low interest rate environment. There were significant unrealized gains driven by the decline in interest rate during the fiscal year. As bonds mature, the proceeds are invested at lower rates which leads to lower interest income for the budget period.</li> </ul> <p><u>FY 2020-21 Full-Time Employee (FTE) Budget and History</u></p> <ul style="list-style-type: none"> <li>• 7 FTEs increase from FY 2016-17 to FY 2017-18</li> <li>• 18 FTEs increase from FY 2017-18 to FY 2018-19</li> </ul> |              |

**APPROVED**

| AGENDA<br>ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS  | ACTION TAKEN |
|--------------------------|--|--------------|
|                          | <ul style="list-style-type: none"> <li>• However, from FY 2018-19 to forecasted FY 2019-20, the increase is 119 FTEs. Considering the current financial situation, we staff will need to bring the FTE level down to a more reasonable number using attrition and not backfilling positions that are vacated.</li> </ul> <p><u>FY 2020-21 Community Programs</u></p> <p>The budgeted amounts for these grant programs are fairly consistent with the current fiscal year. The Community Resource Centers and Blue Shield Grant expenses increase with the continued buildout of the additional centers in partnership with Blue Shield Promise. The budget book includes the descriptions of the programs. The FY 2020-21 budget includes Blue Shield grant revenue of \$9.7 million.</p> <p><u>FY 2020-21 Operating Margin by Segment</u></p> <ul style="list-style-type: none"> <li>• Overall MCR increase from 95.7% to 96%.</li> <li>• Plan Partners' MCR projected to increase from 95.9% to 96.2%</li> <li>• SPD/CCI's MCR decrease slightly from 97.6 to 97.2%.</li> <li>• TANF/MCE's MCR increase from 95.5% to 97.6%.</li> <li>• CMC's MCR decrease from 92.8% to 91.5% mainly due to the retroactive rate decrease for CY 2019.</li> <li>• Commercial's MCR decrease from 89.5% to 87.3%. The budget assumes that LACC continues at an MCR that puts us close to the MLR floor level.</li> </ul> <p><u>Organizational Opportunities &amp; Risks</u></p> <p>Opportunities</p> <ul style="list-style-type: none"> <li>• Improvement of claims trends</li> <li>• Provider contract renegotiation</li> <li>• Shifting more contracts to dual risk arrangement</li> <li>• Better than expected CCI rates for CY 2020</li> <li>• Better than expected LACC membership due to favorable pricing</li> <li>• Improved administrative efficiencies</li> </ul> <p>Risks</p> <ul style="list-style-type: none"> <li>• Claims trends continue to deteriorate</li> <li>• Higher than expected rate cut by DHCS for CY 2021</li> <li>• COVID risk corridor is not extended through CY 2021</li> <li>• COVID risk corridor mechanism does not provide as much risk mitigation</li> </ul> |              |

**APPROVED**

| AGENDA<br>ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS  | ACTION TAKEN |
|--------------------------|--|--------------|
|                          | <ul style="list-style-type: none"> <li>• COVID healthcare costs are higher than expected</li> <li>• DHCS retroactive Institutional member reclassification</li> <li>• CCI risk corridor/IHSS final reconciliation</li> </ul> <p><u>Key Initiatives</u></p> <ul style="list-style-type: none"> <li>• Revert claims floor holding periods back to the pre-pandemic process to slow down claims paid and allow more time for review</li> <li>• Re-negotiate contracts with outlier groups and hospitals</li> <li>• Analyze and audit the root cause for continuous high monthly paid claims</li> <li>• Shifting more contracts to dual risk arrangement</li> </ul> <p>For the initiatives, we are in the process of reverting the claims payment timing back to pre-COVID-19 timing. This will allow for more review time before claims are released for payment. We decided to speed up claims payments to assist facilities with cash flow due to concerns raised early on in the crisis. We will seek to re-negotiate outlier contracts and continue our analysis of the root causes for the high paid claims. There is more interest in capitation by hospitals. We are working on several dual risk contracts to capitate the hospital risk.</p> <p><u>Balance Sheet Comparison</u></p> <p>The decrease in cash, investment and unrestricted net assets is due to the budgeted deficit for next year. Despite the magnitude of the deficit, the balance sheet is strong enough to absorb it. We are working to mitigate the deficits. Fund equity is projected to be \$778 million as of September 30, 2021.</p> <p><u>Tangible Net Equity (TNE) &amp; Days of Cash on Hand Comparison</u></p> <p>TNE forecast is based on the 9+3 forecast deficit of \$107 million. Using June financial results, the September 2020 TNE projection drops to 492% and 41 days of cash on-hand. Any improvement to surplus or reduction to healthcare expenses will increase the percentage. The projection for the FY 2020-21 budget is 423% with 36 days of cash on-hand.</p> <p><u>Capital Projects &amp; Programs</u></p> <p>Overall the total capital and operating spend is very similar. In the current fiscal year, L.A. Care is on track to spend 75% of the projects portion of the capital budget. This includes the continuation of L.A. Care's top 5 projects, which are all currently underway. The leasehold improvements support the Community Resource Center buildout projects.</p> <p>Ms. Reed summarized L.A. Care's programs and initiatives for FY 2020-21.</p> |              |

| AGENDA<br>ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS   | ACTION TAKEN  |
|--------------------------|---|---|
|                          | <ul style="list-style-type: none"> <li>• Thrasys Health Services System (Care Catalyst Program) is a multi-year program focused on replacing existing Care Management platform Clinical Care Advance (CCA) to effectively and efficiently manage the workflows, data integration, analytics, and reporting for all core functions in L.A. Care’s Health Services organization.</li> <li>• SAP/ERP Finance System for implementation of a new enterprise financial management platform to enable streamlined, scalable business functions including procurement, accounts payable, premium billing, recoveries, reconciliations, budgeting &amp; forecasting, and financial reporting.</li> <li>• Total Provider Management Program is a multi-year program focused on improving L.A. Care’s provider data quality and management, including enhancements to data intake, validation, storage, and reporting processes.</li> <li>• VOICE is a multi-year customer service infrastructure program enhancing systems, tools, and processes that transform the way L.A. Care’s members and providers navigate and find information, including self-service options.</li> <li>• Encounters &amp; Risk Adjustment / EDIFECS is for leverage and to extend the new EDIFECS encounter platform to a more effectively manage and report risk adjustment data for Cal MediConnect (CMC) and LACC product lines.</li> </ul> <p>Next year’s capital projects included the following new initiatives.</p> <ul style="list-style-type: none"> <li>• Compliance &amp; Accreditation Enhancements. Enterprise-scale enhancements to technology platforms and business processes to improve regulatory compliance and performance in areas impacting member experience, provider engagement, and clinical care.</li> <li>• Operational Efficiencies &amp; Other Initiatives. Enterprise-scale enhancements to technology platforms and business processes to improve operational performance and cost efficiency.</li> </ul> <p>Both projects are enterprise enhancements to technology platforms and business processes to improve regulatory compliance, operational and cost efficiency.</p> <p>Chairperson Curry asked if operating expenses for capital projects is normal for health plans. Ms. Montgomery noted that for health plans, capital projects are investments in technology. The cost is in the implementation of the project.</p> <p><b><u>Motion FIN 105.0920</u></b><br/> <b>To accept the Financial Report as submitted for June and July 2020.</b></p> | <p><b>Approved unanimously<br/>by roll call. 5 AYES</b></p> |

**APPROVED**

| AGENDA<br>ITEM/PRESENTER  | MOTIONS / MAJOR DISCUSSIONS  | ACTION TAKEN   |
|---|--|--|
|   | <p><i>Members Curry and Perez may have financial interests in Plans, Plan Participating Providers or other programs and as such refrained from the discussion of those issues identified below. In order to expedite the process, such members' vote on the Budget reflects a vote concerning the entire budget excluding those items for which the member is abstaining, as identified:</i></p> <p><u>Member Curry</u><br/>Community Health Investment Fund<br/>Sponsorships/ In-Kind and Ad Hoc Grants</p> <p><u>Member Perez</u><br/>Health Promoters/Promotoras Program<br/>Elevating Community Health</p> <p><b><u>Motion FIN 106.0920</u></b><br/><b>To approve the Fiscal Year 2020-21 Capital and Operating Budget, as submitted.</b></p>  | <p><b>Unanimously approved by roll call with Members Curry and Perez considered not to be voting on the sections of the Budget for which there might be a potential financial conflict of interest.</b></p> <p><b>5 AYES</b></p> |
| Investment Monthly Transactions Report                                | <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></p> <p>As of June 30, 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</li> <li>• \$72 million in Local Agency Investment Fund</li> <li>• \$201 million in Los Angeles County Pooled Investment Fund</li> </ul> <p>As of July 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</li> <li>• \$72 million in Local Agency Investment Fund</li> <li>• \$201 million in Los Angeles County Pooled Investment Fund</li> </ul> |  |
| Quarterly expenditure reports required by L.A. Care internal policies | <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"> <li>• Policy AFS-004 (Non-Travel Expense Report)</li> <li>• Policy AFS-027 (Travel Expense Report)</li> <li>• Policy AFS-006 (Authorization and Approval Limits)</li> <li>• Policy AFS-007 (Procurement)</li> </ul>   |  |

**APPROVED**

| AGENDA<br>ITEM/PRESENTER             | MOTIONS / MAJOR DISCUSSIONS   | ACTION TAKEN |
|--------------------------------------|---|--------------|
| <b>ADJOURN TO<br/>CLOSED SESSION</b> | <p>Text received August 24, 2020 at 1:40 p.m. Not self-identified<br/> <i>Public comment finance, you can discuss Synermed among yourselves all you want , my point is the DMHC ordered you follow up with people who were hurt because you weren't paying attention and I don't see you doing that and a good way to do that is claim the contract was with EHS who once again was verified to be the SAME as Synermed, I think you should talk about this under oath!</i></p> <p><i>Acacia Reed was in the article stating LA Care enrollees were affected by Synermed, I read it, ask her about it!</i></p> <p>Text received August 24, 2020 at 2:06 p.m. Not self-identified<br/> <i>Public Comment Question for finance OR governor committee meeting at 2pm, WHY isn't LA Care notifying enrollees they are Synermed fraud victims as ordered by the DMHC and signed by LA Cares attorney , Synermed was determined to be the SAME people as EHS so stating a contract with EHS doesn't mean LA Care has the right to ignore a DMHC corrective action that determined they were/are the same people!?</i></p> <p><i>Did Ms. Reed say Synternet? Any tie to Synermed? Maybe not , but interesting similarity in names?</i></p> <p>Ms. Haydel 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 2:31 pm.</p> <p><b>CONTRACT RATES</b><br/> Pursuant to Welfare and Institutions Code Section 14087.38(m)</p> <ul style="list-style-type: none"> <li>• Plan Partner Rates</li> <li>• Provider Rates</li> <li>• DHCS Rates</li> </ul> <p><b>REPORT INVOLVING TRADE SECRET</b><br/> Pursuant to Welfare and Institutions Code Section 14087.38(n)<br/> Discussion Concerning New Service, Program, Technology, Business Plan<br/> Estimated date of public disclosure: <i>August 2022</i></p> |              |
| <b>RECONVENE IN<br/>OPEN SESSION</b> | <p>The meeting reconvened in open session at 2:38 pm. No reportable actions were taken during the closed session.</p>   |              |

| AGENDA<br>ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS           | ACTION TAKEN |
|--------------------------|---------------------------------------|--------------|
| ADJOURNMENT              | The meeting was adjourned at 2:38 pm. |              |

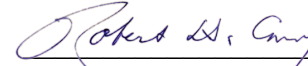
Respectfully submitted by:

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 10-27-2020

**APPROVED**