

BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – September 28, 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

**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 Nos. N-25-20 and N-29-20, which among other provisions amend the Ralph M. Brown Act. Members of the public can listen to this meeting via teleconference.

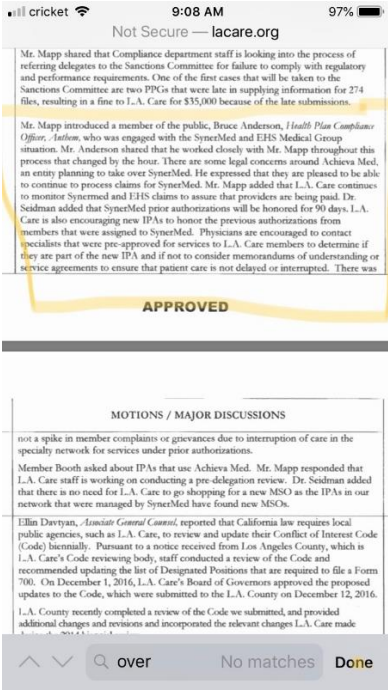
AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
CALL TO ORDER	<p>Robert H. Curry, <i>Chairperson</i>, called the meeting to order at 1:10 p.m. He welcomed everyone to the meeting and summarized the process for public comment during this meeting as reflected on the meeting agenda.</p> <ul style="list-style-type: none"> • The Governor’s Executive Order temporarily set aside some provisions of the Brown Act because of public health guidelines. • Board Meetings are conducted electronically so that all attendees can be safe and practice social distancing. • Comments from anyone who would like to address the Board and its committees are welcome. • 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. • Staff sends all comments in writing to the Board before the meeting. • 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. • Submitters of public comment must identify the Agenda item which the comment is addressing. 	

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	<ul style="list-style-type: none"> • If the submitter does not identify an agenda item, the submitter’s comment will be read for 3 minutes at the “Public Comment” item. • 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. • The Board will keep reviewing and improving how public comments are received and distributed to Board members. 	
APPROVE MEETING AGENDA	The Agenda for today’s meeting was approved.	Approved unanimously by roll call. 5 AYES (Booth, Curry, De La Torre, Perez and Roybal)
PUBLIC COMMENTS	<p>Text received September 27 at 8:54 pm, Anonymous <i>Public comment , Ms Haydel ,I just read your comment my concern has already been discussed (but not to my satisfaction) . I have not seen any answer addressing why LA Care is not following up with Synermed affected enrollees , the answers I have heard is denial there was a contract , stating no longer have a contract, I specifically asked why LA Care is not adhering to the DMHC corrective action you signed that stated LA Care is to “identify and follow up with affected enrollees”, I know of affected people who have not been followed up with ,I know of dead people because of those jokers , WHO has LA Care followed up with regarding Synermeds aka EHS’s atrocities against enrollees, NO ONE has notified us? I believe the name EHS has been an excuse that EHS wasn’t Synermed when DMHC determined EHS was run by Synermed, I will ask about it all I want, other people are disgusted by this also, that they begged for help and you people ignored them for years !</i></p> <p>Text received, September 28, 2020 at 9:10pm, Anonymous</p>	

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	<div data-bbox="478 196 1020 548" data-label="Image"> <p>Augustavia J. Haydel Local Initiative Health Authority for Los Angeles County December 27, 2019 Page 9 of 9</p> <p>ATTACHMENT A</p> <p>Items to be addressed by the Plan's Corrective Action Plan</p> <p>The Corrective Action Plan shall address how the Plan does and/or will:</p> <ol style="list-style-type: none"> 1. Prevent the falsification, fabrication, or inappropriate alteration of database entries and physical records by delegated entities. 2. Identify and conduct outreach conducted to enrollees, if any, to ensure that enrollees affected by SynerMed's actions received appropriate treatment. 3. Implement live and on-site audits, systems integrity testing, and other tools and methods designed to protect against fraudulent activity by delegated entities. 4. Prevent the use of undisclosed economic profiling by delegated entities. 5. Prohibit or discourage the use of verbal denials or other intangible methods of documenting physician review of authorization requests by delegated entities. 6. Ensure that employees of delegated entities are appropriately trained that </div> <p data-bbox="478 602 1583 704"><i>Public comment , (see photo of DMHC action) . It says to contact affected enrollees, I don't believe LA Care has done this so you are in breach of a state corrective action !</i></p> <div data-bbox="478 737 1066 1446" data-label="Image"> <p>Augustavia J. Haydel Local Initiative Health Authority for Los Angeles County December 27, 2019 Page 2 of 9</p> <p>SynerMed operated EHS as though it was actually EHS.</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 directors on behalf of EHS.</p> <p>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.</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>The Department's investigation determined that SynerMed did not send thousands of Notice of Action letters for denied or modified treatment authorization requests to enrollees and their providers. The failure to provide these notifications is a significant barrier to enrollees' ability to timely obtain care, appeal a denial, or take other action to address their health needs. This problem was systemic and is believed to have initially started due to a lack of staffing. Over time, it appears the failure to send these notices became a part of SynerMed's routine course of business.</p> <p>Compounding this violation were the steps that SynerMed took to conceal its failure to send these notices in compliance with statutory timeliness requirements. As admitted by SynerMed staff, documents were falsified and altered during health plan and Department audits for the purpose of making it appear that EHS was compliant with</p> </div>	

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	<p><i>This enforcement (see photo) signed by LA Care attorney's clearly states who LA Care was dealing with for years while likely thousands of enrollees tried to alert your "advocates " there was a serious issue going on and you people ignored the problem! People are dead because of your negligence handing money over to those scammers who in turn blocked people's care ,including the care of special needs people and they or their guardians are not being told as ordered in the state corrective action !</i></p> <p><i>I believe LA Care is still using abusive , corrupt people to oversee people's "care " !</i></p> <p>Text received September 28, 2020 at 9:15 am, Anonymous</p> <p><i>Public comment , if LA Care never had a contract with Synermed, why does your own board minutes (you forgot to take down) state Achieva Med was taking over for Synermed, I find it odd Achievamed is misspelled !</i></p> 	

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	<p><i>Why doesn't this say Achievamed (oddly misspelled "Achieva Med") was "taking over for EHS", this tells me LA Care likely knew Synermed and EHS were /are the SAME PEOPLE! It says taking over for Synermed, how do you explain that? LA Care stinks to high heaven !</i></p> <p>Email received September 28, 2020 at 11:52am, from Maria Vazquez <i>I cannot believe that Synermed is not taking any responsibility for their fraud. They hurt people and denied many health care without them knowing their rights and appeals. I have the contracts that Synermed and EHS and LA Care is denying they had. I was the one that provided the DOJ and State of California the contracts. I hope someone is held accountable for the death of many and the healthcare that were denied.</i></p>	
MEETING MINUTES	The August 24, 2020 meeting minutes were approved as submitted.	Approved unanimously by roll call. 5 AYES (Booth, Curry, De La Torre, Perez and Roybal
CHAIRPERSON'S REPORT	Chairperson Curry shared that the COVID-19 cases for the hospital system have dramatically gone down from 200 to 30 a day. Reagents are becoming more available so they can test sooner. He added that in terms of public interest, the hospitals require flu shots for all staff unless they have a specific religious or personal care item, such as the inability to receive the vaccination due to a physical condition.	
CHIEF EXECUTIVE OFFICER'S REPORT	<p>John Baackes, <i>Chief Executive Officer</i>, reported:</p> <ul style="list-style-type: none"> Marie Montgomery, <i>Chief Financial Officer</i>, will report a financial result much better than forecast for August, with a net operating gain for the month. This had a positive effect on L.A. Care's year to date results. He cautioned Committee Members that many risks discussed with the Board at the September meeting, during its consideration of the Operating Budget, will remain risks for the immediate future. Some risks have been favorably resolved for L.A. Care. A risk remaining is the rate development for the next rate year, beginning in January, 2021. L.A. Care has not yet been notified of those 2021 rates. It seems that rates will be heavily dependent on another federal stimulus bill being approved by the U.S. Congress. The stimulus proposal has been mired in a legislative deadlock for some months. 	

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	<ul style="list-style-type: none"> In November, it is expected that the Supreme Court of the United States (SCOTUS) will hear a case challenging the constitutionality of the Affordable Care Act (ACA). This is a momentous case, even prior to Justice Ruth Bader Ginsburg's death. With the potential nomination of Judge Amy Coney Barrett, who has a documented history of opposition to ACA, it would seem that the case that will be argued the week after the presidential election is even more ominous for L.A. Care's future. Mr. Baackes noted that if the ACA is declared unconstitutional, no action would be taken immediately to eliminate health coverage provided under the ACA. The distressing thing that will keep L.A. Care in limbo for years is that in the 10 years since the ACA was passed, those opposed to the ACA have not proposed an alternative health coverage plan. So it is the unknown, and now the potential appointment of a judge who has a track record of opposing the ACA, that makes this case very concerning. There is a potential that this could be mitigated if a Democrat is elected president and if a majority of Democrats are elected to the U.S. Senate. The legislators could reinstate a tax penalty for the ACA. He offered that information as something to think about, and he noted that registering to vote in the coming election is very important. L.A. Care will continue to monitor the situation closely, and to explore other options that may develop. This is of grave concern for L.A. Care's members. 	
COMMITTEE ITEMS		
Chief Financial Officer's Report Financial Performance Report	Marie Montgomery, <i>Chief Financial Officer</i> , reported on the financial performance for August 31, 2020 (a copy of the presentation may be requested by contacting Board Services). <u>Membership</u> Membership in August 2020 of 2,243,801, was 54,669 members favorable to the forecast, 91,849 member months favorable for the year to date versus the forecast. The continued suspension of eligibility redetermination drove the membership favorability in August. The 9+3 forecast assumed a flat membership for Plan Partners and L.A. Care, using May's actual membership data. Commercial line of business membership is below forecast by approximately 1,100 members. Membership for L.A. Care Covered (LACC) decreased slightly in August, but is holding steady around 82,000 members. <u>Consolidated Financial Performance</u> August 2020 reflects a \$36 million net surplus, \$66 million favorable to the forecast. Net surplus year to date is \$13 million, \$109 million favorable to the forecast, primarily driven by	

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	<p>the new calendar year (CY) 2020 Coordinated Care Initiative (CCI) rates. The adjustment was \$34 million. These new rates are retroactive to January 1, 2020.</p> <p>The revenue includes higher than forecasted COVID-19 risk corridor revenue of \$19 million and \$6 million for the Cal MediConnect (CMC) CY 2018 Quality Withhold adjustment. L.A. Care experienced reported claims at \$247 million for August 2020, \$12 million unfavorable to the forecast. Year to date, Fee for Service (FFS) claims are unfavorable by approximately \$19 million to the forecast. Staff will continue to monitor claims patterns and review reserve estimates.</p> <p>Pharmacy costs were favorable for the month by \$1.7 million and about \$2 million favorable to the forecast year to date.</p> <p>Administrative expenses are \$4.4 million favorable due to lower spending in purchased services. Staff will continue to focus on administrative expenses.</p> <p>Non-operating result is \$1.6 million favorable due to timing in grant spending. The unrealized gain position has been volatile due to market conditions which is expected to continue.</p> <p><u>Operating Margin by Segment</u></p> <ul style="list-style-type: none"> • Overall Medical Cost Ratio (MCR) is 94.5% versus a forecast of 95.7%, due to the CY 2020 CCI rates and the COVID-19 risk corridor revenue. • Plan Partners MCR is equal to forecast. • SPD/CCI MCR is ahead of forecast as mentioned earlier. • TANF/MCE MCR is ahead of the forecast due to the COVID-19 risk corridor revenue and lower FFS claims. • CMC MCR is ahead of the forecast due to the \$6 million Quality Withhold Revenue. • Commercial MCR is lower than the forecast due to collection of the LACC risk corridor from CMS. <p><u>Key Financial Ratios</u></p> <ul style="list-style-type: none"> • The administrative ratio was 5.3%, ahead of the forecast of 5.5%. • Working Capital and Tangible Net Equity are ahead of benchmarks. • 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. 	

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	<p><u>Tangible Net Equity (TNE) and Days of Cash on Hand</u> Fund Balance was \$1.1 billion which represents 563% of TNE. The target of 600% was based on the average of eight other Local Initiatives and County Organized Health Systems. L.A. Care has enough cash to cover operating expenses for the next 47 days.</p> <p><u>Motion FIN 100.1020</u> To accept the Financial Report as submitted for August 2020.</p>	<p>Approved unanimously by roll call. 4 AYES (Booth, De La Torre, Perez and Roybal) <i>Chairperson Curry experienced technical difficulties.</i></p>
Investment Monthly Transactions Report	<p>Ms. Montgomery referred to the investment transactions report included in the meeting materials. <i>(A copy of the report can be obtained by contacting Board Services).</i> As of August 31, 2020, L.A. Care's total investment market value was \$1.5 billion</p> <ul style="list-style-type: none"> • \$1.2 billion managed by Payden & Rygel • \$73 million in Local Agency Investment Fund • \$202 million in Los Angeles County Pooled Investment Fund <p>Chairperson Curry asked about benchmarks for investments. Ms. Montgomery responded that benchmarks are included in each quarterly investment report. Chairperson Curry then asked if the overall assessment is favorable. Ms. Montgomery responded that our investments are within our expectations and are performing well. L.A. Care has placed additional funds in Los Angeles County Pooled Investment Fund.</p>	
Spinnaker Support, LLC Contract for Oracle Software Products Technical Support Services	<p>Tom MacDougall, <i>Chief Information & Technology Officer</i>, presented a motion requesting approval to execute a contract for Oracle Technical Support Services through November 10, 2023. L.A. Care has used Oracle software products and services since 1999 for member auto assignment, encounter data processing and repository, database for Enterprise Data Warehouse, and numerous other functions, all of which are vital components to L.A. Care's business continuity. These support services are necessary for continued operations under the existing Oracle platform.</p> <p>Oracle has been a sole source provider for this support in the past. Staff researched the option for third party services through Rimini Street Inc. and Spinnaker Support, LLC (Spinnaker). After assessing the proposals, Spinnaker was selected due to service and cost. Mr. McDougall added that using a third party is an accepted approach within the industry. This will provide an overall savings of approximately \$4.9 million over the three-year term.</p> <p><u>Motion FIN A.0920</u> To authorize staff to execute a contract with Spinnaker Support, LLC, for Technical</p>	<p>Approved unanimously by roll call. 5 AYES</p>

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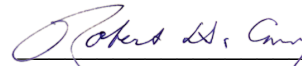
AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	Support Services for L.A. Care's Oracle software products in an amount not to exceed \$1,955,931 through November 10, 2023.	(Booth, Curry, De La Torre, Perez and Roybal)
ADJOURN TO CLOSED SESSION	<p>Public Comments</p> <p>Text received September 28, 2020 at 1:29 pm, Anonymous <i>Public comment , the other public commenter asked me to make sure her comment is read , it also said Synermed people got \$500 bonuses for intimidating enrollees and getting them to disenroll which is exactly what they did to our autistic adult daughter!</i></p> <p>Text received September 28, 2020 at 1:34 pm, Anonymous <i>I cannot believe that Synermed is not taking any responsibility for their fraud. They hurt people and denied many health care without them knowing their rights and appeals. I have the contracts that Synermed and EHS and LA Care is denying they had. I was the one that provided the DOJ and State of California the contracts. I hope someone is held accountable for the death of many and the healthcare that were denied. Synermed had a contest to dump high risk patients. The winner got a cash prize of 500 dollars.</i></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 1:48 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>September 2022</i></p>	
RECONVENE IN OPEN SESSION	<p>The meeting reconvened in open session at 2:04 p.m.</p> <p>Ms. Haydel advised the public that no reportable actions were taken during the closed session.</p> <p>Mr. Baackes applauded Chairperson Curry for his focus on flu vaccinations. He would like the committee to be aware that L.A. Care will be having 'flu shot clinics at FRCs and CRCs beginning in October. The clinics will be available to the public. He noted that 'flu shots are widely available at pharmacies.</p>	

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	Ms. Perez thanked staff and Mr. Baackes for inviting the Health Promoters to volunteer and assist at the 'flu shot clinics.	
ADJOURNMENT	The meeting was adjourned at 2:05 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 10-26-2020

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