

# BOARD OF GOVERNORS

## Finance & Budget Committee

### Meeting Minutes – April 26, 2021

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

#### Management/Staff

John Baackes, *Chief Executive Officer*  
 Terry Brown, *Chief Human Resources Officer*  
 Linda Greenfeld, *Chief Product Officer*  
 Augustavia J. Haydel, Esq., *General Counsel*  
 Tom MacDougall, *Chief Information & Technology Officer*  
 Marie Montgomery, *Chief Financial Officer*  
 Francisco Oaxaca, *Chief of Communications & Community Relations*  
 Noah Paley, *Chief of Staff*  
 Acacia Reed, *Chief Operating Officer*  
 Richard Seidman, MD, MPH, *Chief Medical Officer*

\*Absent \*\* Via Teleconference

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>Committee Chairperson</i>, called the L.A. Care and JPA Finance &amp; Budget Committee meetings to order at 1:02 p.m. He welcomed everyone and summarized the process for public comment during this 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 and there are instructions on the Agenda.</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 sends all comments in writing 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 at the end of the minutes.</li> </ul>	

**APPROVED**



**L.A. Care**  
 HEALTH PLAN

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	<ul style="list-style-type: none"> <li>• Submitters of public comment must identify the Agenda item which the comment is addressing. If the submitter does not identify an agenda item for the comment to be read, 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 their comments read.</li> <li>• The Board will continue 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. 3 AYES (Booth, Curry, and Roybal)</b>
<b>PUBLIC COMMENTS</b>	There were no public comments.	
<b>MEETING MINUTES</b>	The March 22, 2021 meeting minutes were approved as submitted.	<b>Approved unanimously by roll call. 3 AYES</b>
<b>CHAIRPERSON'S REPORT</b>	Committee Chairperson Curry congratulated the management team for their efforts, especially during this difficult time in health care. India's health care system amid the pandemic is again experiencing challenges. Los Angeles County is doing extremely well within the Center for Disease Control (CDC) guidelines. He encouraged everyone to follow the public health guidelines.	
<b>CHIEF EXECUTIVE OFFICER'S REPORT</b>	<p><i>(Board Chairperson De La Torre joined the meeting.)</i></p> <p>John Baackes, <i>Chief Executive Officer</i>, reported:</p> <ul style="list-style-type: none"> <li>• He is encouraged with the COVID-19 rate of infections going down and the data reported regarding the rate of COVID-19 vaccinations in some areas.</li> <li>• L.A. Care vaccine events arranged using the Johnson &amp; Johnson vaccine are geared toward helping members and others receive the COVID-19 vaccine. Four of the 16 scheduled clinics were completed when the CDC and the Federal Drug Administration (FDA) announced a pause in administering the Johnson &amp; Johnson vaccine.</li> <li>• Over 3,000 vaccines were distributed in the first four scheduled COVID-19 vaccine events. Events in the second and third weeks were canceled due to the pause in</li> </ul>	

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	<p>administration of the Johnson &amp; Johnson vaccine. Following the reauthorization to administer the vaccine, two of the four vaccine events were successfully rescheduled, and L.A. Care will continue to work with Los Angeles County Department of Public Health and Blue Shield Promise to reschedule the vaccine events and to address any concerns about the vaccine.</p> <ul style="list-style-type: none"> <li>• L.A. Care’s fiscal year budget was approved with a deficit. Staff has revised the financial projections, and L.A. Care is outperforming the restated budget. The staff is working hard together, and the success of the remote workforce will be considered as a return to the offices is contemplated at some point in the future.</li> <li>• There are major changes proposed for California’s managed care health plans in January 2022, with the implementation of the California Advancing and Innovating Medi-Cal (CalAIM) initiative. The multi-year initiative proposes programs for Population Health Management (PHM), Enhanced Care Management (ECM) and In Lieu of Services (ILOS). There are currently more questions than answers about the responsibilities of health plans and the resources that will be available to implement these new programs. The new benefits are built on two federal 1115 waiver programs, Whole Person Care and Health Homes, which expire at the end of 2021. In the midst of the current pandemic, the new programs are creating an unrelenting stream of additional work for health plan staff. L.A. Care is working with state officials to help them understand the impact of the new programs on our workforce.</li> </ul> <p>Member Booth stated that L.A. Care is working with trade associations in advocating about the new programs, and she asked if health plans can work directly together. Mr. Baackes stated that plans can speak with one voice through the Local Health Plans of California (LHPC). LHPC is asking DHCS to have meetings with County health officials and with health plans. Member Booth stated health care systems and health plans should work together to serve members.</p> <p>Mr. Baackes stated that the two-plan model for Medi-Cal in Los Angeles County includes L.A. Care and Health Net. L.A. Care is working with Health Net, which is part of Centene Corporation, a national health company.</p> <p>Committee Chairperson Curry noted that Walgreens and CVS are giving vaccines. It seems that about 6% of people are not getting the second dose of the vaccine because CVS or Walgreens use the Moderna vaccine. There should be a message advising members to check in advance the brand of the vaccine they will get and to make sure to have a dose of same supplier for the second dose.</p>	

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	<p>Richard Seidman, MD, MPH, <i>Chief Medical Officer</i>, stated that it is now easier to get a vaccine appointment. Eligibility for the vaccine has broadened to include those 16 years and older. It is important to continue with messaging to complete the recommended dose.</p> <p>Member Roybal stated that a lot of time is spent calling people to remind them to get vaccinated, and he asked if there is data available on immunization to avoid duplication of effort. Dr. Seidman responded that an estimated 500,000 of L.A. Care’s members have received at least one dose of a vaccine, and about half of those have received both doses. Of L.A. Care’s 2.2 million members, approximately 500,000 are children under 16 years of age and are not yet eligible to receive a vaccine. The California immunization registry does not aggregate vaccine data from multiple sources. In response to Member Booth’s question if there are efforts to improve the system, Dr. Seidman stated that efforts are being made to explore opportunities for improvement.</p>	
<b>COMMITTEE ITEMS</b>		
<p><b>Chief Financial Officer’s Report</b></p> <p><b>Financial Report</b></p>	<p><i>(Member Perez joined the meeting.)</i></p> <p>Marie Montgomery, <i>Chief Financial Officer</i>, reported:</p> <p><u>Membership</u></p> <p>March 2021 membership is 2,381,458 which is 9,996 members favorable to the 3+9 forecast. On a year-to-date (YTD) basis, L.A. Care is 27,000 member months favorable to the forecast. The suspension of the redeterminations continues to drive the membership favorability in March. The forecast assumed redeterminations would likely not restart prior to the end of the fiscal year and would continue to experience modest growth. Commercial is just below forecast by 357 members. Membership for L.A. Care Covered (LACC) increased in March to 94,000 members, slightly lower than the forecast of 95,000 members. As open enrollment has been extended, there may be a small increase again in April.</p> <p><u>Consolidated Financial Performance</u></p> <p>Month of March 2021 net surplus is \$21.6 million, \$28 million favorable to the 3+9 forecast. This is driven primarily by operating margin being favorable by \$33 million. This favorability is driven by incurred claims favorability of \$30 million versus the forecast. March 2021 was a high paid claims month with a longer month in terms of calendar days and work days. Some of this favorability with incurred claims relates to moving of more members from shared risk to dual risk arrangements. As a result, capitation expense is unfavorable \$4.2 million due to this change. Other variances for the month include favorability due to a risk adjustment</p>	

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	<p>factor (RAF) adjustment from 0.76 to 0.80 for LACC. The net favorability is \$10.7 million. Pharmacy is \$8.5 million unfavorable for the month, driven primarily by March having more business days and a high utilization month.</p> <p>March 2021 administrative expenses are \$1.6 million favorable to the forecast. Non-operating is \$5.9 million unfavorable due to \$6 million in grant spending for the physician loan repayment program. The unrealized gain position has been volatile due to market conditions and is a \$2.4 million loss for the month.</p> <p>Net surplus YTD is \$90 million, \$118 million favorable to the 3+9 forecast. Operating margin is favorable by \$99 million driven primarily by incurred claims favorability of \$90 million versus the forecast. YTD Pharmacy is \$5.5 million unfavorable driven by the higher paid claims amounts in March and CBAS is \$3.9 million unfavorable.</p> <p>YTD Administrative expenses are \$13.3 million favorable driven primarily by lower spending in Purchased Services and Professional Fees. YTD Non-operating expense is \$5.7 million favorable due to timing of grant spending. The unrealized gain position has been volatile due to market conditions and represents a \$7.3 million loss YTD which is \$5.4 million unfavorable to the forecast.</p> <p><u>Reported vs. Paid Claims Trend</u></p> <p>L.A. Care experienced volatility beginning in April when claims payments were accelerated to alleviate cash flow concerns for providers on a fee for service reimbursement. The claims recovery activities were suspended and changes in payment practices were made to assist with cash flow to the network.</p> <p>In August, L.A. Care resumed its historical payment practices. With that volatility, the assumptions in the budget were conservative in claim reserving.</p> <p>In the current fiscal year, the monthly claims payments have stabilized that influenced the level of reserves. The updated forecasted level of reported claims is favorable. The current reserve position is sufficient to address the more recent COVID-19 surge. March 2021 had higher paid claims which is expected from a seasonality standpoint. The reported claims are consistent with recent periods. L.A. Care will continue to monitor the prior month development.</p> <p><u>Operating Margin by Segment</u></p> <ul style="list-style-type: none"> <li>• Overall Medical Care Ratio (MCR) is 93.1% versus forecast of 95.2%, lower than forecast due to favorable Fee-For-Service (FFS) claims.</li> </ul>	

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	<ul style="list-style-type: none"> <li>• Plan Partners is just ahead of forecast.</li> <li>• SPD/CCI SPD and CCI is lower due to the favorable FFS claims.</li> <li>• TANF/MCE is lower due to lower FFS claims.</li> <li>• CMC is unfavorable due to the shared risk true-up and unfavorable Pharmacy claims in March.</li> <li>• Commercial is lower due to the LACC RAF adjustment from 0.76 to 0.80 and favorable FFS and pharmacy claims on the LACC side.</li> </ul> <p><u>Key Financial Ratio</u> The administrative ratio was 4.8%, better than the forecast of 5.2% due to lower spending in Purchased Services and Professional Fees.</p> <p>Working Capital and Tangible Net Equity are ahead of benchmarks. Cash to claims is ahead of the benchmark due to the receipt of the pass-through funds including the hospital directed payments.</p> <p><u>Tangible Net Equity and Days of Cash on Hand</u> March 2021 Fund Balance was \$1 billion which represents 500% of Tangible Net Equity. There is enough cash to cover operating expenses for the next 41 days.</p> <p>Board Chairperson De La Torre noted that the rebate for Medical Cost Ratio (MCR) is annualized, and asked what happens when a month is below.</p> <p>Ms. Montgomery stated that the calculation is for the year. L.A. Care is very close to being on rebate position which means LACC might need to rebate back to members. Staff is working on the calculation now.</p> <p><u>Motion FIN 100.0521</u> <b>To accept the Financial Report as submitted for March 2021.</b></p>	<p><b>Approved unanimously by roll call. 5 AYES (Booth, Curry, De La Torre, Perez and Roybal)</b></p>
<p><b>Quarterly Investment Report</b></p>	<p>Ms. Montgomery referred to the Quarterly Investment Reports for the quarter ended March 31, 2021, which are included in meeting materials. L.A. Care is in compliance with its investment guidelines. Investment yields have decreased significantly for short-term duration investments.</p> <p><u>Motion FIN 101.0521</u> <b>To accept the Quarterly Investment Report for the quarter ended March 31, 2021, as submitted.</b></p>	<p><b>Approved unanimously by roll call. 5 AYES</b></p>

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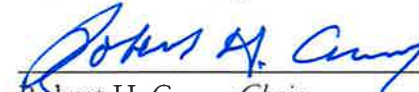
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<b>Monthly Investments Transaction Reports</b>	<p>Ms. Montgomery referred to the investment transactions reports included in the meeting materials. <i>(A copy of the report can be obtained by contacting Board Services)</i>. This report is provided to the Committee to comply with the California Government Code and is an informational item only. L.A. Care's total investment market value as of March 31, 2021 was \$2.5 billion. (including \$336 million of pending purchases)</p> <ul style="list-style-type: none"> <li>• \$1.8 billion managed by Payden &amp; Rygel and New England Asset Management (NEAM)</li> <li>• \$73 million in Local Agency Investment Fund</li> <li>• \$252 million in Los Angeles County Pooled Investment Fund</li> </ul>	
<b>Quarterly Internal Policy Reports</b>	<p>Ms. Montgomery referred to the 2<sup>nd</sup> Quarter Expenditure Reports required by L.A. Care Internal Policies for the FY 2020-21, included in the meeting materials. <i>(A copy of the reports can be obtained by contacting Board Services)</i>. L.A. Care's internal policies require reports on all expenditures for business related travel expenses incurred by employees, members of the Board of Governors, Stakeholder Committees, and members of the Public Advisory Committees. The Authorization and Approval Limits policy requires reports for executed vendor contracts for all expenditures and the Procurement Policy requires reports for all sole source purchases over \$250,000. These are informational items only, and do not require approval.</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> <p>Member Booth has a question on the travel expense report, if these expenses were for regular or leadership members visits to Community Resource Centers (CRCs). Ms. Montgomery responded that they are members' transportation expenses but does not have the data whether they were for regular or leadership members. Ms. Montgomery will look up and get back to Member Booth.</p>	
<b>Microsoft Contract Renewal</b>	<p>Tom MacDougall, <i>Chief Information &amp; Technology Officer</i>, presented a motion requesting for approval for additional funds in the amount of \$620,000 are needed to cover true-up items (additional licenses) that accommodate increased usage of Microsoft products and working from home efforts throughout this past year. Part of the current agreement includes a volume licensing program known as Software Assurance (SA). This type of agreement provides L.A. Care with the most current software versions and allows for the installation of Microsoft Licensed products as they are needed at L.A. Care's discretion. This ensures that</p>	

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	<p>business needs are met seamlessly. The additional requested funds will cover licenses that were needed to accommodate increase in usage this year and will ensure that we are in compliance with the Microsoft Licensing agreement.</p> <p>On question from Member Booth regarding extra licenses, Mr. MacDougall responded that these are additional licenses which are per use licenses when extended to a new device.</p> <p>Committee Chairperson Curry asked if this is a redundancy. Mr. MacDougall responded that there was a need for increased security of files when L.A. Care staff move to remote work.</p> <p><b><u>Motion FIN 102.0521</u></b>  <b>To approve a three year Microsoft Enterprise Agreement for the purpose of renewing licensing and support of mission critical Microsoft products from May 31, 2021 to May 31, 2024 in an amount not to exceed \$6,620,000.</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 2:02 pm.</p> <p>CONTRACT RATES  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>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>April 2023</i></p>	
<p><b>RECONVENE IN OPEN SESSION</b></p>	<p>The meeting reconvened in open session at 2:13 pm  Ms. Haydel advised the public that no reportable actions were taken during the closed session.</p>	
<p><b>ADJOURNMENT</b></p>	<p>The meeting was adjourned at 2:14 pm</p>	

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 5/24/21

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