

BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – October 25, 2023

1055 W. 7th Street, Los Angeles, CA 90017



L.A. Care
HEALTH PLAN

Members

Stephanie Booth, MD, *Chairperson*
Alvaro Ballesteros, MBA
G. Michael Roybal, MD **
Nina Vaccaro **

Management/Staff

John Baackes, *Chief Executive Officer*
Sameer Amin, MD, *Chief Medical Officer*
Terry Brown, *Chief of Human Resources*
Augustavia Haydel, *General Counsel*
Linda Greenfeld, *Chief Products Officer*

Alex Li, MD, *Chief Health Equity Officer*
Tom MacDougall, *Chief Technology & Information Officer*
Noah Paley, *Chief of Staff*
Acacia Reed, *Chief Operating Officer*
Afzal Shah, *Chief Financial Officer*

*Absent ** Via Teleconference

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
CALL TO ORDER	<p>Stephanie Booth, MD, <i>Committee Chairperson</i>, called the L.A. Care and JPA Finance & Budget Committee meetings to order at 1:05 p.m. The meetings were held simultaneously. She welcomed everyone and summarized the process for public comment during this meeting.</p> <ul style="list-style-type: none"> • For those who provided public comment for this meeting by voice message or in writing, L.A. Care is glad that they provided input today. The Committee will hear their comments and they also have to finish the business on the Agenda today. • For people who have access to the internet, the meeting materials are available at the lacare.org website. If anyone needs information about how to locate the meeting materials, they can reach out to L.A. Care staff. • Information for public comment is on the Agenda available on the web site. Staff will read the comment from each person for up to three minutes. • Public comment will be made before the Committee starts to discuss an item. If the comment is not for a specific agenda item, it will be read at the general Public Comment. • Chairperson Booth provided information on how to submit a comment in-person, or live and directly using the “chat” feature. 	
APPROVE MEETING AGENDA	The Agenda for today’s meeting was approved.	Approved unanimously by roll call. 3 AYES (Booth, Roybal, and Vaccaro)

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
PUBLIC COMMENTS	There were no public comments.	
APPROVE CONSENT AGENDA	<ul style="list-style-type: none"> • September 27, 2023 meeting minutes • I Color Printing and Mailing Inc. Contract Amendment Premium Billing Unit with printing, storage, postage/ mailing, reporting, and order fulfillment services through June 30, 2025 <u>Motion FIN 100.1123*</u> To authorize staff to amend contract to increase funds in the amount of \$4,600,000 for a new total not to exceed \$8,690,200 with I Color Printing and Mailing Inc. to provide L.A. Care MPSS Premium Billing Unit with printing, storage, postage/ mailing, reporting, and order fulfillment services through June 30, 2025. • MCG (Milliman) Contract provide clinical care guidelines for the period of November 10, 2023 to October 31, 2028 <u>Motion FIN 101.1123*</u> To authorize staff to execute a five-year contract with MCG not to exceed \$13,000,000 to provide clinical care guidelines for the period of November 10, 2023 to October 31, 2028. 	<p>Approved unanimously by roll call. 3 AYES</p> <p>The Committee approved to include FIN 100 and FIN 101 to the Consent Agenda for the November 2, 2023 Board of Governors meeting.</p>
CHAIRPERSON'S REPORT	Committee Chairperson Booth commented about the administration of the Centers for Medicaid and Medicare Services (CMS) and Department of Health Care Services (DHCS). She read an article about that subject over the weekend and mentioned that it correlates with the legislative branches and the level of detail because the affected industries will be regulated. There are cases before the Supreme Court, so we will see what happens.	
CHIEF EXECUTIVE OFFICER'S REPORT • Sponsorships & Grants Reports	There was no CEO Report. The written Sponsorships and Grants Reports was included in the meeting packet.	
COMMITTEE ITEMS		
Chief Financial Officer's Report • Financial Report	Jeffrey Ingram, <i>Deputy Chief Financial Officer</i> , reported on the August 2023 Financial Performance. <i>(A copy of the report can be obtained by contacting Board Services.)</i> <i>(Committee Member Ballesteros joined the meeting.)</i>	

APPROVED

Membership

Membership for August 2023 is just over 2.9 million members, slightly more than forecast. There will likely be an update at the Executive Committee meeting, but for the financial statements, it will take a few months to see the impacts of Medi-Cal eligibility redetermination. Some issues to watch:

- There is a three month grace period for Medi-Cal members who were disenrolled
- The rate algorithm used by California Department of Health Care Services may face challenges in implementing the Unsatisfactory Immigration Status (UIS)/Satisfactory Immigration Status (SIS) rates. There were delays which complicated the process further.

Consolidated Financial Performance

Surplus revenue for the month was \$98 million, \$33 million when adjusted for Housing and Homelessness Incentive Program/Incentive Payment Program (HHIP/IPP).

Mr. Ingram reported that L.A. Care recognized the \$66.5 million in revenue for Incentive Payment Program (IPP) in August. To date, L.A. Care has only been recognizing spent funds. L.A. Care received final clarification on performance and the full funding is L.A. Care's to keep, so it recognized the remaining balance. Other items for revenue include \$17 million unfavorable due to the Enhanced Care Management (ECM) risk corridor (with the offset in cap expense), \$3 million favorable due to Major Organ Transplant (MOT) risk corridor (with the offset in claims expense) and \$9 million favorable due to volume.

In healthcare costs, there is the favorable offset in the ECM risk corridor from the revenue adjustment. There were also increases in capitation and fee-for-service expenses due to contract changes which bring back closer to forecast.

Administrative was unfavorable to the forecast by \$1.3 million. L.A. Care expects to be slightly over forecast for the remainder of the year because there was favorability for much of the year due to timing. Non-operating is favorable \$2.6 million. This is the same variance explanation all year; higher interest rates are generating more investment income. This month there was a slight offset in realized losses due to a planned loss harvesting program.

The year to date (YTD) surplus was \$555 million, \$382 million when adjusted for HHIP/IPP. This is a surplus margin of 3.7% on the \$10.2 billion in revenue thus far.

Most plans have been realizing higher surpluses than anticipated for the CY 2023 rate cycle, but L.A. Care does not anticipate this trend to carry forward in the new CY with sustained pressure on healthcare and administrative costs and expected rate reductions on revenue.

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<p><u>Operating Margin by Segment</u> The higher revenue improves the medical cost ratio. Overall, L.A. Care has an MCR of 92.1%, slightly ahead of the forecast of 92.5%.</p> <p><u>Reported vs. Paid Claims Trend</u> Cash to claims is ahead of target this month but this is not due to the completion of the In-Home Support Services (IHSS) reconciliation. Rather, it is due to receiving the capitation payment on August 31 and the capitation payments went out in early September.</p> <p><u>Tangible Net Equity (TNE)</u> L.A. Care is in the same position as last month relative to the other plans. TNE is 700% and there are 85 days of cash on hand.</p> <p><u>Motion FIN 102.1123</u> To accept the Financial Reports for August 2023, as submitted.</p>	<p>Approved unanimously by roll call. 4 AYES (Ballesteros, Booth, Roybal, and Vaccaro)</p>
<ul style="list-style-type: none"> Monthly Investment Transactions Reports 	<p>Mr. Ingram referred to the investment transactions reports included in the meeting materials (<i>a copy of the report is available by contacting Board Services</i>). This report is to comply with the California Government Code as an informational item. L.A. Care's total investment market value as of August 31, 2023 was \$2.1 billion.</p> <ul style="list-style-type: none"> \$2 billion managed by Payden & Rygel and New England Asset Management (NEAM) \$35 million in Local Agency Investment Fund \$79 million in Los Angeles County Pooled Investment Fund 	
<ul style="list-style-type: none"> Accounts & Finance Services Policy AFS-008 (Annual Investment Policy Review) 	<p>L.A. Care policy and procedure requires annual review and approval by the Finance & Budget Committee of the Accounting & Finance Services Policy AFS-008 (Annual Investment Policy). Policy AFS-008 was reviewed last in October 2022. The Policy follows the California Government Code. There were changes and clarifications made in the California Government Code, and L.A. Care is aligning the Policy with those changes and clarifications:</p> <ol style="list-style-type: none"> Investment policy section 2.26 & 3.7.1.1 – Clarification added to specify that the start date of an investment term is the settlement date. Investment policy section 3.7.1.2 – Prohibits the purchase of any security that has a forward settlement date exceeding 45 days from the time of investment. <p><u>Motion FIN 103.1123</u> To approve Accounting & Financial Services Policy AFS-008 (Annual Investment Policy) as submitted.</p>	<p>Approved unanimously by roll call. 4 AYES</p> <p>The Committee approved to include FIN 103 to the Consent Agenda for the November 2, 2023 Board of Governors meeting.</p>


APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
Public Comments on the Closed Session agenda items.	There were no public comments.	
ADJOURN TO CLOSED SESSION	<p>The Joint Powers Authority Finance & Budget Committee meeting adjourned at 1:23 p.m.</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 1:24 p.m.</p> <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>October 2025</i></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 	
RECONVENE IN OPEN SESSION	<p>The meeting reconvened in open session at 1:33 pm.</p> <p>Augustavia J. Haydel, Esq., <i>General Counsel</i>, advised the public that no reportable action from the closed session.</p>	
ADJOURNMENT	The meeting adjourned at 1:33 p.m.	

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:

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Stephanie Booth, MD, *Chairperson*
Date Signed 11/22/2023 | 9:57 AM PST

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