

BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – January 24, 2024

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 **

**Absent ** Via Teleconference*

Management/Staff

John Baackes, *Chief Executive Officer*
Sameer Amin, MD, *Chief Medical Officer*
Terry Brown, *Chief of Human Resources*
Augustavia Haydel, *General Counsel*
Todd Gower, *Interim Chief Compliance Officer*
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*

| AGENDA ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS | ACTION TAKEN |
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| 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 1:01 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 (Ballesteros, Booth, and Roybal) |

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| PUBLIC COMMENTS | There were no public comments. | |
| APPROVE CONSENT AGENDA | <ul style="list-style-type: none"> • November 15, 2023 meeting minutes • ImageNet Contract Amendment to support L.A. Care Claims and Provider Dispute Resolutions (PDR) Processing Services <u>Motion FIN 100.0224</u> To authorize the staff to enter into amendment #5 of SOW #1, increasing the overall contract amount from \$4,101,233 to \$15,808,628 (incremental increase of \$11,707,395). This amendment will allow ImageNet, LLC to continue to support L.A. Care Claims and Provider Dispute Resolutions (PDR) Processing Services. • Invent Health Contract Amendment to continue providing risk adjustment analytic services for all product lines, Duals Special Needs Plan (DSNP), L.A. Care Covered, and Medi-Cal lines of business <u>Motion FIN 101.0224</u> To authorize staff to amend an existing contract with Invent Health for the contract total amount not to exceed \$5,254,850 in order to continue providing risk adjustment analytic services over the next sixteen months for all product lines, Duals Special Needs Plan (DSNP), L.A. Care Covered, and Medi-Cal lines of business. • Delegate authority to the Chief Executive Officer to enter into a Master Purchase Agreement with commercial furniture vendor Tangram, Inc. <u>Motion FIN A.0124</u> To delegate authority to the Chief Executive Officer to enter into a Master Purchase Agreement with commercial furniture vendor Tangram, Inc. and to authorize funds in an amount not to exceed \$4,386,800 to purchase new standard office furniture, equipment and installation labor. | <p>Approved unanimously by roll call. 4 AYES (Ballesteros, Booth, Roybal, and Vaccaro)</p> |
| CHAIRPERSON'S REPORT | There was no Chairperson Report. | |
| CHIEF EXECUTIVE OFFICER'S REPORT | John Baackes, <i>Chief Executive Officer</i> , reported on the Medi-Cal eligibility redetermination that began in July 2023, and is processing at a rate of approximately 20,000 people a month. The California Department of Health Care Services (DHCS) has determined the status of 54% of the Medi-Cal enrollees. About 16% were dis-enrolled because the member did not complete | |

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| | <p>the redetermination packet mailed to them or was deemed ineligible because their income exceeded the ceiling of 138% of the federal poverty level. The eligibility status of about 173,000 L.A. Care members is not yet determined. Members have a 90-day grace period to complete and return the determination packet. This group may include members who returned the packet but it had not yet been processed by DHCS.</p> <p>During the seven-month period, L.A. Care gained 260,000 new members across a variety of categories: moms and kids, seniors and persons with disabilities and from the Medi-Cal expansion population. L.A. Care currently has 2,224,000 Medi-Cal lives and total enrollment of 2.7 million. L.A. Care met its goal of adding 2,100 new members in the Duals Special Needs Plan (D-SNP) program, meeting enrollment expectations. The total enrollment is over 19,000 members.</p> <p>L.A. Care Covered membership has 160,000 members paid, and about 40,000 people on hold. These may be people that were deemed ineligible for Medi-Cal because their income exceeded the income ceiling or they were transferred from Oscar Health Plan, which left the market. The member has 60 days to decide whether they want to accept or decline enrollment in L.A. Care. L.A. Care is conducting outbound calls with a hit rate of about 10%.</p> <p>L.A. Care's January 2024 Medi-Cal enrollment significantly declined due to Kaiser's new direct contract with DHCS that took effect on January 1, 2024; 260,000 members had been enrolled in Kaiser through L.A. Care.</p> <p>Mr. Baackes reported that undocumented California residents between ages 26 to 49 are now eligible for enrollment in Medi-Cal. L.A. Care received 10,000 enrollees in January 2024. There are an estimated 270,000 people eligible in Los Angeles County, and L.A. Care expects to enroll 150,000-170,000. In the last Medi-Cal expansion for people ages 50 and over, L.A. Care received 75% of enrollment over a three-month period. Mr. Baackes expects that the bulk of enrollment of these undocumented residents will occur in March 2024. Many of these people have accessed healthcare through My Health LA, a program sponsored by Los Angeles County for undocumented residents. L.A. Care is working to match these people to their current primary care physicians (PCPs).</p> <p>Chairperson Booth asked if L.A. Care has information on the member's PCP. Mr. Baackes noted L.A. Care's product team is coordinating with the provider network team to communicate with providers and let them know that their patients were up for</p> | |

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| | <p>redetermination so that they have an opportunity to give L.A. Care information to match their patients.</p> <p>Chairperson Booth asked if L.A. Care thought about purchasing its own corporate building because it seems that L.A. Care spends a lot on leases. L.A. Care is currently in a 10-year lease on the building to which it will move to in September 2024.</p> <p>Afzal Shah, <i>Chief Financial Officer</i>, informed the Committee that L.A. Care is exploring options of buying the building as an alternative to paying rent for 10 years. Many non-profits lease office space. Since L.A. Care is spending public dollars on leasing, a purchase may be an option. L.A. Care has to consider that real estate would be shown in L.A. Care’s reserves. It is an asset that will depreciate. L.A. Care will review the present value of the rent payments and compare it to the market value and depreciation of the property. It is difficult to estimate a value after 10 years. There are studies and news articles saying that the value of commercial real estate in downtown Los Angeles may take 10 to 20 years to recover. L.A. Care does not want an impaired asset on its books. The value that L.A. Care would pay for real estate will be recorded at a lower amount. L.A. Care will need to predict what might happen after the 10-year lease. L.A. Care may have to record a major loss in the value of that asset. L.A. Care is currently looking at all aspects, including whether to acquire this building or another building perhaps more suitable for L.A. Care. Staff is looking at various options.</p> | |
| COMMITTEE ITEMS | | |
| <p>Chief Financial Officer’s Report</p> <ul style="list-style-type: none"> Financial Report | <p>Jeffrey Ingram, <i>Deputy Chief Financial Officer</i>, reported the October and November 2023 Financial Performance. <i>(A copy of the report can be obtained by contacting Board Services.)</i></p> <p><u>Membership</u></p> <p>November 2023 total membership was 2.76 million members, almost 26,000 unfavorable to the budget. Year-to-date (YTD) membership was 5.6 million member months; almost 55,000 unfavorable to the budget, driven by the larger than anticipated “on-hold” status counts recorded in October 2023, and carried forward into November 2023. At the end of the last fiscal year, membership was tracking ahead of the 9+3 forecast. It is worth mentioning that membership levels in the financial statements is on a reported basis, which means any adjustments for prior periods flow through the current month.</p> <p>Medi-Cal membership dropped approximately 1% month over month, which is in line with budget projections. L.A. Care Covered (LACC) enrollment is favorable by 2,600 members, driven by the steady growth in SB260 effectuated members and L.A. Care’s competitive</p> | |

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| | <p>pricing. These members have covered the normal loss of membership typically seen during the end of year Special Election Period.</p> <p><u>Consolidated Financial Performance</u></p> <p>There was a \$62 million net surplus for November 2023; \$43 million favorable to the budget when funding received for Housing, Homelessness Incentive Program (HHIP), and Incentive Payment Program (IPP) is excluded.</p> <p>Revenue was \$14.4 million behind budget due to assumed revenue of \$16.6 million for HHIP & IPP. Aside from that, revenue aligns with a \$2 million favorable variance, or less than a 0.5%.</p> <p>Healthcare costs (HCC) were \$29.3 million favorable to budget; \$8 million favorable is tied to HHIP and IPP. Incurred claims are favorable roughly \$28 million. Fee-For-Service (FFS) expenses are lower than anticipated, primarily in Inpatient Services. The favorability is offset by higher than anticipated Prop 56 expenses</p> <p>Administrative expense was flat to the budget this month. Non-operating was favorable by \$18.2 million. There was a continued benefit from investments earning more in a higher rating environment, as well as unrealized gains as market rates came down a bit in the fourth quarter.</p> <p>YTD there was a \$159 million net surplus; \$121 million favorable to the budget when HHIP and IPP funds are excluded. Revenue is \$19.9 million behind budget. HCC are \$92.3 million favorable to budget. Administrative expense is flat to the budget and non-operating is favorable \$31.3 million. The same drivers discussed earlier apply here; timing of HHIP/IPP revenue, lower incurred FFS claims, and higher interest rates driving interest income.</p> <p>Mr. Ingram reminded that the CY 2023 rates were favorable, so there was one more month to report for Q1 of FY 2023-24 and Q4 of the calendar year (CY) with a higher than normal surplus. The CY 2024 rates, which are lower, will start in January 2024.</p> <p><u>Operating Margin by Segment</u></p> <ul style="list-style-type: none"> • Overall Medical Care Ratio (MCR) was 88.5% vs the budgeted 93.2%, excluding HHIP and IPP • Medi-Cal MCR is closer to 90%, primarily driven by the favorable CY 2023 rates • Duals Special Needs Plan (DSNP) MCR is 76.5% vs 89.6% budgeted. The MCR looks a bit better than what is anticipated throughout the remainder of the year. Updates for | |

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| | <p>prior periods can affect the percentages early in the fiscal year. As a comparison, March 2023 financials reported an MCR of 78.7% and DSNP finished the year around 84%.</p> <ul style="list-style-type: none"> LACC MCR is 73.8% vs 84.6% budgeted, as prior period adjustments early in the FY are dragging the MCR down. L.A. Care’s actuarial team reported higher PMPM expenses for recent experience. It is expected that the MCR will increase as the year goes on. PASC MCR is 90% vs the budgeted 114%. <p><u>Key Financial Ratios</u> All ratios are favorable compared to budgeted expectations. Administrative expense was 4.9% vs the 5.0% budgeted. The December 2023 administrative percentage is expected to be unfavorable to budget. Staff is researching what aspects are timing-related and which might add pressure throughout the year.</p> <p><u>Tangible Net Equity (TNE) vs Days of Cash on Hand</u> TNE continues to build as L.A. Care finishes CY 2023 with strong surplus positions. L.A. Care is currently at 804% of required TNE. L.A. Care is not the only plan increasing – Central California Alliance for Health and CalOptima have also increased TNE position since the March 2023 filings.</p> <p>Days’ cash on hand is 86 days.</p> <p><u>Motion FIN 102.0224</u> To accept the Financial Reports for October and November 2023, as submitted.</p> | <p>Approved unanimously by roll call. 3 AYES (Ballesteros, Booth, and Roybal)</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 November 30, 2023 was \$3.2 billion.</p> <ul style="list-style-type: none"> \$3.1 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 | |
| <p>Public Comments on the Closed Session agenda items.</p> | <p>There were no public comments.</p> | |

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| ADJOURN TO CLOSED SESSION | <p>The Joint Powers Authority Finance & Budget Committee meeting adjourned at 1:31 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 1:32 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>January 2026</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 2:04 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 2:04 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 3/17/2024 | 11:20 AM PDT

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