

# BOARD OF GOVERNORS

## Finance & Budget Committee

### Meeting Minutes – February 28, 2024

1055 W. 7<sup>th</sup> 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
<b>CALL TO ORDER</b>	<p>Stephanie Booth, MD, <i>Committee Chairperson</i>, called the L.A. Care and JPA Finance &amp; Budget Committee regular and special meetings to order at 1:02 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"> <li>• 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 the Committee needs to finish the business on the Agenda today.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Chairperson Booth provided information on how to submit a comment in-person, or live and directly using the “chat” feature.</li> </ul>	
<b>APPROVE MEETING AGENDA</b>	The Agenda for today’s meeting was approved.	<b>Approved unanimously by roll call. 3 AYES (Booth, Roybal, and Vaccaro)</b>

**APPROVED**

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
<b>PUBLIC COMMENTS</b>	There were no public comments.	
<b>APPROVE CONSENT AGENDA</b>	<p>Chairperson Booth commented on Motion FIN 102.0324 revisions to Accounting &amp; Financial Services Policies AFS-027 (Travel Expenses and Other Expenses), and retirement of AFS-004 (Non-Travel &amp; Other Related Expenses). Comparing the two policies with their merged version, the travel expense policy is reflected in its entirety. She asked about the rules around non-travel expenses, which are not as specific as they used to be. Jeffrey Ingram, <i>Deputy Chief Financial Officer</i>, spoke with her at length, informing her that there are very tight controls on non-travel items that can be expensed and steps to obtain reimbursement. The rules were so tight it was difficult to have perfectly reasonable items reimbursed; for example, reimbursement food for on-site staff training activities. The revised policy is relaxing the rules so that the money can be used as intended. The culture of the work environment has changed and remote working is here to stay. However, there is still need for in-person interaction and for training and team-building activities. The non-travel expenditures are intended to help make staff feel good about occasionally being on-site for work. The new policy will allow an amount of money per person quarterly for the number of people currently, actively working in each department. The actual process around non-travel expenses remains quite tight and the Finance department plans to review the results of this policy change later in the year to ensure no gaps in the policy language are discovered; they will make corrections at that time if they find errors or common misunderstandings, etc. Meanwhile, the Board will see the variance report between the actual and budgeted costs (of travel and non-travel expenses) on a quarterly basis.</p> <p>Mr. Ingram added the current expense reporting is quarterly along with an annual report on budgeted categories. The Board will review monthly financial reports.</p> <p>Chairperson Booth commented on motion FIN 103.0324 for contract amendments with Solugenix, Infosys and Cognizant for IT staff augmentation services through September 2024. She asked about Infosys. It seems the total expense is slightly under \$2 million off. Staff will look at this and report back to the Committee. The three companies have been sometimes linked together or separated in motion summaries. It is not clear how the total expense amount was calculated for this motion.</p> <p>Chairperson Booth requested to remove motions FIN 101 and FIN C from the Consent Agenda for further clarification.</p> <ul style="list-style-type: none"> <li>• January 24, 2024 meeting minutes</li> </ul>	

**APPROVED**

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> <li>• Quarterly Investment Report <b><u>Motion FIN 100.0324</u></b> <b>To accept the Quarterly Investment Report for the quarter ending December 31, 2023, as submitted.</b></li>   <li>• Approve Accounting &amp; Financial Services Policies AFS-027 (Travel Expenses and Other Expenses), and retirement of AFS-004 (Non-Travel &amp; Other Related Expenses) <b><u>Motion FIN 102.0324</u></b> <b>To approve Accounting &amp; Financial Services Policies AFS-027 (Travel Expenses and Other Expenses), and retirement of AFS-004 (Non-Travel &amp; Other Related Expenses) as submitted.</b></li>   <li>• Contract Amendment with Solugenix, Infosys and Cognizant for Information Technology staff augmentation services through September 30, 2024 <b><u>Motion FIN 103.0324</u></b> <b>To authorize staff to amend a contract with Solugenix, Infosys and Cognizant in the amount of \$6 million (total contract not to exceed \$23,340,000) for Information Technology staff augmentation services through September 30, 2024.</b></li>   <li>• Broadcom (VMware) Contract to provide product support services <b><u>Motion FIN A.0224</u></b> <b>To authorize staff to execute a contract in the amount of \$4.3 million with Broadcom (VMware) to provide product support services for the period of March 2024 to March 2027.</b></li> </ul> <p>Chairperson Booth requested clarifications on the Metcalfe contract amendment, including history, and how the scope of work is changed.</p> <p>Lance MacLean, <i>Senior Director, Facilities Services</i>, noted that in September 2015, L.A. Care hired one security guard for the main lobby at the administrative offices. L.A. Care began using Universal Protection and Allied Security, firms that also provided security for the building at the time. This lasted for about three years. Due to performance issues, L.A. Care used a smaller local company called Metcalfe Security in September 2018 for one year for about \$198,000. Because Metcalfe was a small business at the time, L.A. Care contracted with a larger company, United Guard Service, for about three years. In 2019, L.A. Care added security guards at all of its community resource centers (CRCs). Staff felt this company did not give provide the level of attention nor quality of security guard needed so</p>	<p>The January 24, 2024,, FIN 100, FIN 102, FIN 103, FIN A were approved unanimously by roll call. 3 AYES</p>

**APPROVED**

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	<p>L.A. Care brought back Metcalfe. In September 2023, L.A. Care contracted with Metcalfe for \$950,000 for approximately one year.</p> <p>This request is for a five-year contract for \$8.9 million for security services for L.A. Care’s 14 community resource centers and the administrative offices during business hours. The CRCs operate from 6 am to 7 pm. There are CRC special events that happen on weekends for distribution of food or backpacks to community members. The estimated cost is for security services needed in the next five years.</p> <ul style="list-style-type: none"> <li>Contract Amendment with Metcalfe Security <b><u>Motion FIN 101.0324</u></b> <b>To authorize staff to amend Metcalfe Security contract and extend it for 5 years in an amount not to exceed \$8,982,675.</b></li> </ul> <p>Sameer Amin, MD, <i>Chief Medical Officer</i>, presented the motion for approval for a new contract with Toney Health Care Consulting. The current system that is used to process authorizations, SyntraNet, will be replaced on July 1, 2024 with a new system, QNXT. The Utilization Management (UM) team is developing intense testing and training programs to ensure that the transition is smooth, maintains compliance, and provides support to the team before, during, and after implementation. To address business needs, UM is requesting a new scope of work (SOW) to provide 50 supplemental staff (25 operations team members [non-clinical] and 25 nursing positions). The supplemental staff will be trained to process work with the current process and the new system, to allow current FTE to attend training and testing prior to roll out. Once the roll-out occurs, supplemental staff will assist in processing requests, as productivity is anticipated to drop due to a learning curve for the new system. The monthly cost will be \$627,264, with no minimum length of contract, and a 30-day notice to end the contract. Supplemental staff will be released as soon as no longer required. Daily monitoring of productivity will be completed to ensure staff are working to their max potential</p> <p><b><u>From Supplemental Special Meeting Agenda</u></b></p> <ul style="list-style-type: none"> <li>Toney Health Care Consulting <b><u>Motion FIN C.0224</u></b> <b>To authorize a new Scope of Work (SOW) with Toney Health Care Consulting for Utilization Management services for March 1, 2024 to August 30, 2024 at a cost not to exceed \$3,763,584.</b></li> </ul>	<p>Motions FIN 101 and FIN C were approved unanimously by roll call. <b>3 AYES</b></p> <p>The Committee approved to include FIN 100, FIN 101, FIN 102 and FIN 103 to the Consent Agenda for March 7, 2024 Board of Governors meeting</p> <p>FIN A and FIN C do not require full board approval.</p>

**APPROVED**

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
<b>CHAIRPERSON'S REPORT</b>	<p>Chairperson Booth suggested that L.A. Care needs a 5 or 6 year plan. She thinks L.A. Care needs to invest in this company and set infrastructure goals for where it wants to be in 5 years, not by patching up things, but by planning for and building what it needs to reach the goals. She emphasized making the different systems work seamlessly together and creating a system that would continue to grow and be useful in the future.</p> <p>Dr. Booth continued, L.A. Care is not getting any appreciation for the work in saving money. Certain infrastructure has caused problems that resulted in regulatory issues and there is often no wiggle room for staying in compliance when even small errors are made. LA Care also wants to continue providing high-quality care for its members and the 5-year plan could take any potential for support from providers into consideration as well. She thinks L.A. Care needs to buy the equipment, hardware and software and hire the people necessary for completing the work.</p>	
<b>CHIEF EXECUTIVE OFFICER'S REPORT</b>	There was no CEO Report.	
<b>COMMITTEE ITEMS</b>		
<b>Chief Financial Officer's Report</b> <ul style="list-style-type: none"> <li>Financial Report</li> </ul>	<p>Jeffrey Ingram, <i>Deputy Chief Financial Officer</i>, reported the December 2023 Financial Performance. <i>(A copy of the report can be obtained by contacting Board Services.)</i></p> <p><u>Membership</u> December 2023 total membership was 2.76 million, about 2,000 unfavorable to the budget. Year-to-date (YTD) was 8.3 million member months, almost 57,000 unfavorable to the budget. A reminder that membership as Finance reports it is on a reported basis, any retroactivity for prior periods is reported in the current month. In December 2023 there was some release from holds from October and November, making the month-to-date (MTD) total closer to the budget.</p> <p>L.A. Care Covered (LACC) was favorable by 2,700 members, driven by steady growth in SB260 effectuated members and the competitive 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> There was \$53 million net surplus for December 2023, \$32 million favorable to the budget when Housing and Homelessness Incentive Program (HHIP) and Incentive Payment Program (IPP) were excluded.</p>	

**APPROVED**

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	<p>Revenue of \$42 million is ahead of budget: \$27.4 million driven by HHIP/IPP funding received Program Year 3 funding in December 2023; \$14 million driven by Calendar Year (CY) 2023 rate favorability.</p> <p>Healthcare Costs (HCC) are \$19.3 million favorable to budget. Incurred claims are favorable to forecast roughly \$25 million. Fee-for-Service (FFS) expenses continue to come in lower than anticipated, primarily in Inpatient Claims. The favorability is offset by timing of Student Behavioral Health Incentive Program (SBHIP) payment in December 2023.</p> <p>Administrative expense is unfavorable \$10 million for the month.</p> <ul style="list-style-type: none"> <li>○ \$4 million in Purchased Services</li> <li>○ \$4 million in Supplies and Other</li> <li>○ \$2 million in Salaries &amp; Benefits</li> </ul> <p>Items that are timing related include \$2.7 million for Printing and Postage tied to open enrollment, and \$2.0 million in computer supplies. Higher than budget items include hiring efforts that are outpacing the budget, and will be addressed in the 4+8 forecast.</p> <p>Non-operating expense was favorable \$14.3 million, driven by the continued benefit of investments earning more in a higher rating environment and unrealized gains as market rates came down a bit in the 4th quarter.</p> <p>YTD net surplus was \$211 million, \$152 million favorable to the budget when HHIP and IPP were excluded.</p> <p>Revenue was \$22.2 million behind budget:</p> <ul style="list-style-type: none"> <li>● HCC was \$111.5 million favorable to budget</li> <li>● Administrative expense was \$9.7 million unfavorable</li> <li>● Non-operating expense is favorable \$45.7 million</li> </ul> <p>The drivers are timing of HHIP/IPP revenue, lower incurred FFS and higher interest rates driving interest income.</p> <p><u>Operating Margin by Segment</u></p> <ul style="list-style-type: none"> <li>● Overall Medical Cost Ratio (MCR) was 89.1% vs the budgeted 93.2% excluding HHIP/IPP</li> <li>● Medi-Cal performed closer to 90%, driven by the CY 2023 rates</li> <li>● Duals Special Needs Plan (DSNP) was 77.4% vs 89.6%</li> <li>● LACC was 77.0% vs 84.6%</li> </ul>	

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	<ul style="list-style-type: none"> <li>PASC running at 101.9% vs the budgeted 114%</li> </ul> <p>As reported last month, for both DSNP and LACC, the fiscal year will start with lower MCRs due to prior year adjustments, but as the year progresses this will increase to budget expectation. Both segments were up from their November MCR's - 76.5% and 74%, respectively.</p> <p><u>Key Financial Ratios</u> The Administrative Ratio was 5.3% vs budget of 5.0%. The assumptions for administrative expense will be increased in the 4+8 forecast. Balance sheet metrics are all healthy and there were no caveats this month for pass-through payments.</p> <p><u>Tangible Net Equity (TNE)</u> TNE continues to build as the fiscal year finished in a strong surplus position. TNE was 834% with days of cash on-hand at 92.</p> <p><b><u>Motion FIN 104.0324</u></b> <b>To accept the Financial Reports for December 2023, as submitted.</b></p>	<p><b>Approved unanimously by roll call. 3 AYES</b></p>
<ul style="list-style-type: none"> <li>Monthly Investment Transactions Reports</li> </ul>	<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 December 31, 2023 was \$3.4 billion.</p> <ul style="list-style-type: none"> <li>\$3.3 billion managed by Payden &amp; Rygel and New England Asset Management (NEAM)</li> <li>\$35 million in Local Agency Investment Fund</li> <li>\$79 million in Los Angeles County Pooled Investment Fund</li> </ul>	
<ul style="list-style-type: none"> <li>Quarterly Internal Policy Reports</li> </ul>	<p>Mr. Ingram referred to the 1<sup>st</sup> Quarter Expenditure Reports required by L.A. Care Internal Policies for FY 2023-24 included in the meeting materials. (<i>A copy of the report is available by contacting Board Services</i>). L.A. Care internal policies require reports on 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, 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> </ul>	

**APPROVED**

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> <li>• Policy AFS-006 (Authorization and Approval Limits)</li> <li>• Policy AFS-007 (Procurement)</li> </ul>	
<p><b>Approve delegation to Chief Executive Officer to enter into contractual agreements for tenant improvements in the 1200 W. 7<sup>th</sup> Street building</b></p>	<p>Mr. MacLean presented a motion requesting approval delegation to Chief Executive Officer to enter into contractual agreements for tenant improvements in the 1200 W. 7<sup>th</sup> Street building</p> <p>L.A. Care’s lease in the 1055 building expires September 2024. In 2017, L.A. Care executed a 10-year lease effective March 1, 2024 at the 1200 W 7<sup>th</sup> Street Building to consolidate administrative operations into one building. Since the pandemic, the workplace environment has changed drastically. L.A. Care hired CBRE consultants to create a workplace strategy based on industry trends and best practices to address remote work, hybrid work strategy and collaborative space design. Staff engaged architectural firm Gensler, to design new hybrid workspace based on the workplace strategy study as well as input from the L.A. Care leadership team. Gensler has proposed a comprehensive design for floors 1, 5, 6 and 7 that will include permanent workspaces, hoteling spaces and numerous collaborative conferencing rooms. The Construction project encompassing 149,037sq/ft will be built by Sierra Pacific Constructors who won the competitive RFP process and is a preferred vendor that also builds L.A. Care’s Community Resource Centers.</p> <p>Staff is seeking authority for the CEO, on a discretionary basis, to enter into contractual agreement(s) for certain professional services to perform capital improvement construction including the purchase of Information Technology (IT) audio-visual conferencing equipment to build out floors 1, 5, 6, and 7 in the 1200 7<sup>th</sup> Street Building. The cost to build-out the space includes a 10% contingency to cover potential unknown conditions that may surface during construction, is not to exceed \$47,027,791. The L.A. Care lease provides for the landlord to pay a Tenant Improvement (TI) Allowance in the amount of \$24,300,401 so the net expense to L.A. Care is \$22,727,390. L.A. Care will contract with Sierra Pacific Constructors for the full cost of construction and receive the TI Allowance from the landlord as a reimbursement of expenses or as rent credit.</p> <p><b><u>Motion FIN 105.0324</u></b>  <b>To delegate to John Baackes, Chief Executive Officer, discretionary authority to approve vendors and enter into contractual agreements for certain professional services to perform capital improvements and purchase equipment to build-out floors 1, 5, 6 and 7 in the 1200 W. 7<sup>th</sup> Street building in an amount not to exceed \$47,027,791 which includes a 10% contingency for potential unknown conditions.</b></p>	<p><b>Approved unanimously by roll call. 3 AYES</b></p> <p><b>The Committee approved to include FIN 105 to the Consent Agenda for March 7, 2024 Board of Governors meeting</b></p>

**APPROVED**

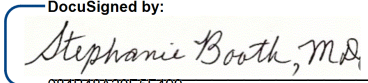


AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
Public Comments on the Closed Session agenda items.	There were no public comments.	
<b>ADJOURN TO CLOSED SESSION</b>	<p>The Joint Powers Authority Finance &amp; Budget Committee meeting adjourned at 1:34 p.m.</p> <p>Augustavia J. Haydel, 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 1:35 p.m.</p> <p><b>REPORT INVOLVING TRADE SECRET</b>  Pursuant to Welfare and Institutions Code Section 14087.38(n)  Discussion Concerning New Service, Program, Technology, Business Plan  Estimated date of public disclosure: <i>February 2026</i></p> <p><b>CONTRACT RATES</b>  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>THREAT TO PUBLIC SERVICES OR FACILITIES</b>  Government Code Section 54957  Consultation with: Tom MacDougall, <i>Chief Technology and Information Officer</i></p>	
<b>RECONVENE IN OPEN SESSION</b>	<p>The meeting reconvened in open session at 1:47 pm.</p> <p>Augustavia J. Haydel, Esq., <i>General Counsel</i>, advised the public that no reportable action from the closed session.</p>	
<b>ADJOURNMENT</b>	The meeting adjourned at 1:48 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 3/29/2024 | 11:35 PM PDT

**APPROVED**