

BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – February 26, 2025

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

Martha Santana-Chin, *Chief Executive Officer*
Sameer Amin, MD, *Chief Medical Officer*
Terry Brown, *Chief of Human Resources*
Todd Gower, *Interim Chief Compliance Officer*
Linda Greenfeld, *Chief Products Officer*
Augustavia Haydel, Esq. *General Counsel*

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
CALL TO ORDER	Stephanie Booth, MD, <i>Committee Chairperson</i> , called the L.A. Care and JPA Finance & Budget Committee 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.	
APPROVE MEETING AGENDA	The agenda for today's meeting was approved.	Approved unanimously by roll call. 3 AYES (Booth, Roybal and Vaccaro)
PUBLIC COMMENTS	There were no public comments.	
APPROVE CONSENT AGENDA	<p>Chairperson Booth asked about the pricing in motion FIN 101 (Tangram Contract Amendment) in comparison to pricing directly from Westfall for furniture to be installed in 1200 W. 7th Street Building. Lance MacLean, <i>Senior Director, Facilities Services</i>, responded that Westfall and People Space were included in the request for proposal process, and Tangram offered the low bid for the furniture.</p> <ul style="list-style-type: none"> January 22, 2025 Meeting Minutes Quarterly Investment Report <u>Motion FIN 100.0325*</u> To accept the Quarterly Investment Report for the quarter ending December 31, 2024, as submitted. 	

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	<ul style="list-style-type: none"> • Tangram, Inc. Contract Amendment <u>Motion FIN 101.0324*</u> To delegate authority to the Chief Executive Officer to amend the Master Purchase Agreement with commercial furniture vendor New Tangram, LLC. and to authorize increasing funding in an amount not to exceed \$5,070,418 to purchase new standard office furniture, equipment and installation labor. • Infocrossing, LLC Contract Amendment <u>Motion FIN 102.0325*</u> To authorize the staff to enter into Amendment #6 with Infocrossing, LLC, increasing the overall contract amount from \$4,700,000 to \$5,469,466, (an incremental increase of \$769,466), and increasing the contract terms from June 21, 2017 – December 31, 2025, to June 21, 2017 – December 31, 2026, (an incremental term of 1 year). This amendment will allow Infocrossing to continue to support L.A. Care with third-party support for enrollment and disenrollment transactions and eligibility inquiries related to Duals Special Needs Plan (D-SNP) and upcoming Medicare Advantage Prescription Drug (MAPD) members through December 31, 2026. 	<p>Approved unanimously by roll call. 3 AYES</p> <p>The Committee approved to include FIN 100, FIN 101 and FIN 102 to the Consent Agenda for March 6, 2025 Board of Governors meeting.</p>
CHAIRPERSON'S REPORT	<p>Chairperson Booth commented that at the Compliance & Quality Committee meeting last week, she used the words "waste of money". She thought it may not have come across as she meant it and wanted to clear up any misunderstanding. She thinks it might have been better to say "money not well-spent." And she believes money can be "not well-spent" at L.A. Care. One of the examples she gave is: L.A. Care supports a project meant to improve member health, and the metrics prove the project did not have the positive impact the project leaders expected. To use more money for this project, would not be spending the money well, because it isn't doing what it's supposed to do. When L.A. Care leaders recognize an expense is not purchasing what they wanted and they stop that spending, that is known as practicing good stewardship of the health care dollars entrusted to them.</p>	
CHIEF EXECUTIVE OFFICER'S REPORT	<p>Martha Santana-Chin, <i>Chief Executive Officer</i>, apologized for not attending the meeting in person. She provided an update on L.A. Care's advocacy strategy and next steps to make sure that L.A. Care is being good stewards with its finances as well as being ready for next year. Last night, the U.S. House of Representatives passed a budget resolution that is going to kick off a reconciliation process. That budget resolution came with a very significant target</p>	

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	<p>for cuts necessary to fund the tax cuts that the federal administration is hoping to deliver to the American people. This will likely drive a lot of discussion, negotiation and debate around Medicaid and Medi-Cal. There are several proposals being floated on how to achieve the \$880 billion targeted savings that has been set. Of that, \$606 billion may impact the Medicaid and Medi-Cal programs. Some of the changes discussed are changes to the federal match level, which would impact the funding California draws down to support the Medicaid program. There are also discussions around fraud, waste and abuse, and one narrative is around provider taxes, which include the managed care organization (MCO) tax that helps fund the Medicaid program and increases that were envisioned for L.A. Care’s provider network. Work requirements for beneficiaries is another area in discussion, and there may be a push to limit how much funding is available for the expansion population that California embraced over the last several years, which helped drive down the uninsured rate.</p> <p>The Senate and the House will engage in negotiations and discussions to come up with a single budget bill. Staff expects that activity will continue for the next several months. It is critically important that L.A. Care continue to be engaged in advocacy work. March and April will be very busy in support of those negotiations. L.A. Care likely would not know the impacts to California and L.A. Care until early this summer.</p> <p>L.A. Care been very active and been working with its federal lobbyist to educate members of the Los Angeles legislative delegation in Washington, DC. L.A. Care has been involved at a state level to educate locally elected officials around the potential impacts of cuts to important health care programs. L.A. Care hosted a press conference, joined by Board Member Ilan Shapiro, MD, at its Long Beach community resource center (CRC) last week to raise awareness about potential impacts. L.A. Care members participated in the press conference, sharing their experiences and what they felt was at stake as a result of potential cuts. Long Beach Mayor Rex Richardson participated and Congresswoman Nanette Barragán led the press conference. L.A. Care is hoping the event will provide some traction. L.A. Care is also working closely with trade associations and coalitions to raise awareness, educate, and make sure that there is a clear line of sight to potential impacts of dramatic funding cuts. Ms. Santana-Chin wanted to make sure that the Committee understands that this is a priority for L.A. Care and staff is very involved in the detail in order to be fully prepared as an organization, not only to fight any funding cuts but also to be ready for potential changes in policy.</p> <p>L.A. Care also continues to have discussions around strategy. It is important that L.A. Care make sure to focus on the right work with appropriate resources. L.A. Care is being smart in</p>	

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	<p>using resources and mindful of everything mentioned by Chairperson Booth earlier about prudent stewardship of the healthcare dollar. It is critically important that L.A. Care is bringing and delivering value to the members that it serves and being smart about the way that L.A. Care is spending resources.</p> <p>Board Member Vaccaro asked about potential analysis around any financial impact should the worst scenario happen, and what might trigger future planning and projection of issues or challenges.</p> <p>Ms. Santana-Chin noted that it is very complicated. There are impactful proposals which, depending on how they are executed, can affect different areas. The federal government has to align on the focus. Health and Human Services (HHS) will determine how to effectuate it, then states get involved at some point in the process that will eventually trickle down to impacts on L.A. Care. It will take some time. Ms. Santana-Chin does not believe there will be a clear picture of any of these until this summer.</p> <p>Mr. Afzal Shah, <i>Chief Financial Officer</i>, agreed that there is a lot unknown in terms of what may or may not happen at the federal level and how California would respond. If there are cuts in Medicaid, will California fund it? Depending on the Department of Health Care Services (DHCS) response, L.A. Care may have an opportunity to work collaboratively with DHCS. If there are cuts in coverage or benefit changes, L.A. Care could work with the state collaboratively to respond to the different proposals. It will be difficult for L.A. Care to evaluate each scenario, the impact of that at the federal and the state level and then the impact to L.A. Care. As the number of scenarios is reduced, L.A. Care can do a lot more scenario testing in the coming weeks and months. Mr. Afzal added this is all reactive and there may be a place for proactive planning. It may be good to proactively get rid of some of the ideas early.</p> <p>Chairperson Booth noted that L.A. Care might get a coalition together to counter an idea, because it seems that the Trump administration is tossing out a bunch of ideas.</p> <p>Ms. Santana-Chin added L.A. Care has a list of the most likely changes to happen based on its own expertise and opinions, along with those of L.A. Care's lobbyists and partners. L.A. Care will be using the insights to conduct internal planning. L.A. Care is actively involved in coalitions. Last year, L.A. Care talked a lot about the safety net coalition that originally started in Los Angeles County and expanded statewide. This group was successful in passing Prop 35, the ballot initiative to restore the MCO tax and funded some provider increases. That coalition is continuing to work on these issues now and L.A. Care is an active member.</p>	

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	<p>The coalition is proactively informing conservative members of U.S. Congress. The Los Angeles legislative delegation are all in on Medicaid and Medi-Cal and are aware of the potential negative impacts. L.A. Care is also a member of a coalition named Modern Medicaid Alliance. This is a national coalition that includes organizations like the American Academy of Pediatrics, nurses' associations, healthcare providers, nonprofits and health plans. There are other coalitions forming at the national level. The conservative members of Congress need to be informed about the impacts downstream, for individuals that rely on the programs, on the providers and on the local economy. The more education, the more there may be breakthroughs and the less likely the drastic cuts will be approved. L.A. Care is also speaking with state agencies so that as things trickle down to the state, they see L.A. Care as a thought partner about how the changes are rolled out. L.A. Care is being as proactive as it possibly can. In the coming weeks more information will be coming out on social media, member stories, press conferences and events. It is an all-hands-on-deck effort within L.A. Care to protect the programs. Internally, there is proactive work in advance. As Mr. Shah shared, a challenge is that there are many moving parts. L.A. Care could potentially pull together a work group that is only focused on the most likely scenarios. This is as proactive as L.A. Care could potentially be both externally and internally.</p> <p>Board Member Roybal thanked and agreed with Ms. Santana-Chin on the importance of these actions. Board Member Roybal noted the federal continuing budget resolution (CR) expires in mid-March. The debt ceiling is also something that Congress is going to need to address. Another CR will likely be passed by U.S. Congress while working on the details for the budget they want to pass. His concern is that it will be rushed to avoid push back. That would be a really terrible scenario.</p> <p>Ms. Santana-Chin thinks it is a real threat. The good news is that in many of the Republican districts, there is a lot of noise from the constituents, very specifically advising against Medicaid cuts. There are coalitions that have done polling. An agency from across the country that works with families, paid for a poll on the favorability for Medicaid and how people feel about the Medicaid program. The poll released on Monday showed 70% of constituents are worried about cuts to the Medicaid program. That information is being circulated. Ms. Santana-Chin thinks, optimistically, there may be a ground swell of activity that warning the House Representatives of the dire consequences of making drastic cuts to the Medicaid program. L.A. Care will remain as aggressive as it possibly can.</p>	

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COMMITTEE ITEMS		
Chief Financial Officer's Report <ul style="list-style-type: none"> • Financial Report 	<p>Jeffrey Ingram, <i>Deputy Chief Financial Officer</i>, reported on Financial Performance for December 2024 (<i>a copy of the report can be obtained by contacting Board Services</i>).</p> <p><u>Membership</u></p> <ul style="list-style-type: none"> • December membership was 2.63 million, 114,000 favorable to the budget. • Year-to-Date (YTD) member months was 7.9 million or 276,000 favorable to the budget. While the budget started from a higher point than the previous fiscal year (FY) forecast ended, the actual performance for Medi-Cal continues to outperform expectations. <ul style="list-style-type: none"> ○ The budget assumes ~0.4% decrease per month for Medi-Cal moving forward. Actual membership increased by 0.54% between November and December 2024. ○ Projections have been updated in the 3+9 forecast. ○ L.A. Care Covered (LACC) continues to be consistent driver in favorability primarily due to SB 260 and the competitive price position. <p><u>Consolidated Financial Performance</u></p> <p>YTD net deficit was \$6.6 million which was \$54 million unfavorable to the budget. When \$32 million of investment income is removed, the net loss was \$39 million YTD. There was timing of some Student Behavioral Health Incentive Program (SBHIP) costs hit in December 2025. Without those expenses, it would have been about break-even for the month.</p> <p>Revenue is \$215 million favorable to budget. About half of the variance was driven by higher membership volume. The other main driver was some favorability in risk corridors, especially the unsatisfactory immigration status (UIS) risk corridor.</p> <p>Medical Expenses were \$256 million unfavorable to budget. Again, about half of the variance was driven by higher membership volume. Other large drivers were adjustments to targeted rate increase (TRI) as well as higher fee-for-service (FFS) claims.</p> <p>Operating Expense: Favorability in administrative expenses was mostly timing related.</p> <p><u>Operating Margin by Segment</u></p> <ul style="list-style-type: none"> • Medi-Cal was unfavorable due to a contract change that hit in October 2024. • Duals Special Needs Plan (DSNP) is slightly behind budget. Smaller dollar variances impact the medical cost ratios (MCRs) in the earlier months of the FY. Skilled Nursing Facilities (SNF) and Shared Risk were biggest drivers. • LACC is unfavorable to budget due to timing of members hitting deductibles at the end of the calendar year. There is an opportunity to spread the budget more accurately in the 	

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	<p>next budget cycle. Staff have been seeing some increases in expense development which teams are meeting internally to work through. Pharmacy and inpatient claims are the biggest drivers.</p> <ul style="list-style-type: none"> • PASC is another small dollar amount line of business. It is unfavorable to budget due to a retroactive contract change in October 2024. • Overall MCR was unfavorable to budget - 95.0% vs 93.1% excluding Housing and Homelessness Incentive Program/ Incentive Payment Program (HHIP/IPP). <p>L.A. Care likely will not carry unfavorability forward as it transitions to 2025 rates vs budget expectations.</p> <p><u>Financial Ratios</u></p> <p>Administrative Ratio is ahead of budget. Balance sheet metrics are all satisfying benchmarks. However, the cash to claims ratio was inflated this month due to \$531 million received from Department of Healthcare Services (DHCS) for intergovernmental transfer (IGT) rate range. Those funds were paid out in January 2025. Without those funds, cash to claims was at 0.92 which is ahead of November (0.88).</p> <p><u>Tangible Net Equity (TNE)</u></p> <p>TNE was 856% for the month with days of cash on-hand at 79 days, which includes the pass-through funds. Without those, days of cash is at 63 days. This is in line with last month (64 days).</p> <p><u>FY 2024-25 3+9 Forecast</u></p> <p><u>FY 24-25 3+9 Forecast vs Budget - Membership</u></p> <p>There was a significant increase in membership from the original budget. The forecast assumes 3.7% increase in membership for the remainder of the FY. This is about 1.9 million member months. The forecast does not factor in any impacts of UIS or other immediate threats to subsidies within LACC.</p> <p><u>FY 24-25 3+9 Forecast vs. Budget P&L - L.A. Care (excl. HHIP/IPP)</u></p> <p>Revenue is \$1.3 million favorable to budget.</p> <ul style="list-style-type: none"> • More than half of the favorability is driven from volume (+\$713 million (Membership)) • Other drivers include final 2025 rates and SBHIP funding. <p>Medical Expenses are unfavorable \$1.2 million to budget.</p>	


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	<ul style="list-style-type: none"> • Capitation - \$330 million due to membership volume, final 2025 rates and TRI considerations. • Fee-for Service claims are unfavorable \$300 million from volume and \$300 million from unfavorable development. <p>With the increased revenue we land with the same MCR at 93.2% and \$93 million in additional operating margin.</p> <p>Operating Expense is \$6 million unfavorable to budget.</p> <ul style="list-style-type: none"> • Salaries and Benefits (S&B) increasing – This is more of an element of hiring speed. Staff feels confident to have slowed the pace of newer positions. Half of the increase is due to overtime. • Purchased Services & Professional Fees – Higher Pharmacy and Behavioral Health administrative fees comes with the higher membership, and some additional legal fees from ongoing activities. • Big offset to call out - Business Fees and Insurance had a large reduction for LACC. Participation fees have been reduced from 3.25% to 2.25%. • Depreciation & Amortization - decreased for timing of capital project execution. <p>Non-Operating Expense is unfavorable \$32 million to budget.</p> <ul style="list-style-type: none"> • Investment income has been adjusted down to align with most current interest rates. <p>Overall, net surplus is a \$55 million increase from original budget.</p> <p><u>FY 24-25 3+9 Forecast vs Budget – Operating Margin & MCR</u></p> <ul style="list-style-type: none"> • Overall forecasted MCR is 93.2% vs the budgeted 93.25% excluding HHIP/IPP • Medi-Cal is at 93.5%, down from 94.3% • DSNP is 92.3% vs 89.0%; However, this includes an error in the forecast. MCR is closer to 89.3% • LACC is 85.6% vs 80.6% • PASC is 108.9% vs 99.9% <p><u>Motion FIN 103.0325</u> To accept the Financial Reports for December 2024, as submitted.</p>	<p>Approved unanimously by roll call. 3 AYES</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 complies with the</p>	

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	<p>California Government Code as an informational item. L.A. Care's total investment market value as of as of L.A. Care's total investment market value as of December 31, 2024, was \$3.9 billion.</p> <ul style="list-style-type: none"> • \$3.8 billion managed by Payden & Rygel and New England Asset Management (NEAM) • \$77 million in BlackRock Liquidity T-Fund • \$11 million in Los Angeles County Pooled Investment Fund • \$6 million in Local Agency Investment Fund 	
<ul style="list-style-type: none"> • Quarterly Reports Required by Internal Policies (<i>informational only</i>) 	<p>Mr. Ingram referred to the 1st Quarter Expenditure Reports required by L.A. Care Internal Policies for FY 2024-25 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"> • Policy AFS-004 (Non-Travel Expense Report) • Policy AFS-027 (Travel Expense Report) • Policy AFS-006 (Authorization and Approval Limits) • Policy AFS-007 (Procurement) 	
<p>Announcement by General Counsel prior to consideration in Closed Session:</p>	<p>There was no discussion of this closed session agenda item.</p> <p>Property: 1200 W. 7th Street. Los Angeles, CA 90017. Agency negotiator: Terry Brown Negotiating party: United Way of Greater Los Angeles Under negotiation: Price and terms of payment.</p>	
<p>Public Comments on the Closed Session agenda items.</p>	<p>There were no public comments.</p>	
<p>ADJOURN TO CLOSED SESSION</p>	<p>The Joint Powers Authority Finance & Budget Committee meeting adjourned at 1:44 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 1:44 p.m.</p>	

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	<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>February 2027</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 2:03 pm. Ms. Haydel advised the public that no reportable action from the closed session.</p>	
ADJOURNMENT	<p>The meeting adjourned at 2:05 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:
Signed by:

084B48A20E5F499
Stephanie Booth, MD, *Chairperson*
Date Signed 3/27/2025 | 4:08 PM PDT

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