

BOARD OF GOVERNORS

Audit Committee Meeting Minutes – July 30, 2021

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



L.A. Care
HEALTH PLAN

Members

Alvaro Ballesteros, MBA, *Chairperson*

Layla Gonzalez

Stephanie Booth, MD

Management/Staff

John Baackes, *Chief Executive Officer*

Augustavia J. Haydel, Esq., *General Counsel*

Marie Montgomery, *Chief Financial Officer*

Guests

Rosie Procopio

Audit & Assurance Managing Director, Deloitte & Touche

Angelica Kocharova

Audit & Assurance Senior Manager, Deloitte & Touche

** Absent ** 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
<p>CALL TO ORDER</p> <p>Alvaro Ballesteros</p>	<p>Alvaro Ballesteros, MBA, <i>Committee Chair</i>, called the meetings to order for the L.A. Care Audit Committee and the L.A. Care Joint Powers Authority Audit Committee at 11:11 a.m. The meetings were held simultaneously. He welcomed everyone to the meetings.</p> <ul style="list-style-type: none"> • For those who provided public comment for this meeting by voice message or in writing: we are really glad that you provided input today. The Committee wants to hear your comments and we also have to finish the business on our Agenda today. • If you have access to the internet, the materials for today’s meeting are available at the lacare.org website. If you need information about how to locate the meeting materials, please let us know. • 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. • Chairperson Ballesteros will invite public comment period before each item is discussed, not after. The public comment will be read before the Committee starts to discuss the item. • If the comment is not on a specific agenda item, it will be read at the general Public Comment item 2 on today’s agenda. 	

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
APPROVE MEETING AGENDA Alvaro Ballesteros	Today's Agenda was approved as submitted.	Approved unanimously by roll call. 3 AYES (Ballesteros, Booth and Gonzalez)
PUBLIC COMMENT	There was no public comment.	
APPROVE MEETING MINUTES Alvaro Ballesteros	<p>Board Member Booth asked for clarification on the minutes regarding claims errors identified during the audit. Rosie Procopio, <i>Lead Client Service Provider, Deloitte & Touche</i>, stated it was the sampling as a testing procedure. Marie Montgomery, <i>Chief Financial Officer</i>, added that it was the transactional errors, which is part of testing the over or under payment of individual claims. Board Member Booth asked if this is improved with the new system. Ms. Montgomery stated that L.A. Care is using the same system, and there is always continuous improvement. When health plans experience under or over payments, the errors are resolved through provider dispute resolution. Provider contracts are complex, and the Payment Integrity team examines the records and seek recovery.</p> <p>The December 16, 2020 meeting minutes were approved as submitted.</p>	Approved unanimously by roll call. 3 AYES
CHAIRPERSON'S REPORT	There was no report from the Chairperson.	
CHIEF EXECUTIVE OFFICER/CHIEF FINANCIAL OFFICER REPORT	<p>There was no CEO /CFO Report.</p> <p>Ms. Montgomery stated that the purpose of the meeting is to review Deloitte & Touche's (D&T) Audit Plan for Fiscal Year 2020-21. Last year's audit went smoothly and D&T met the deadlines much earlier than in the past. D&T's current proposal is consistent with the approach taken last year and management is comfortable with the plan.</p>	
COMMITTEE ISSUES		
Presentation of Audit Plan for FY 2020-21	D&T presented the Audit Plan for FY 2020-21. <i>(A copy of the plan may be requested by contacting Board Services.)</i> Ms. Procopio provided an overview of last year's audit:	

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> • Last year’s audit went smoothly. D&T was able to accelerate the timeline through expanded interim procedures, implementation of new procedures in claims and other medical expenses and increased use of data analytics and other audit technology. • Adapted audit to changes within L.A. Care and macroeconomic environment to consider the impact of COVID-19 events during the preliminary risk assessment. • Annual debrief/assessment sessions were held on the prior year’s engagement with L.A. Care management and staff. • Evaluated market conditions, prior year’s results, and company specific considerations as well as assessment of potential changes in response to COVID-19 to continue to perform the iterative risk assessment procedures. • Additional procedures will be implemented to save time and improve quality. Last year, it took a lot of back and forth so D&T will recreate triangles using technology to save time. • 2021 Proposed Audit Fees is \$398,000 excluding expenses. • Refreshed look at areas for testing. <p>John Baackes, <i>Chief Executive Officer</i>, and Ms. Procopio discussed the medical reserves. Ms. Procopio indicated that COVID-19 presented additional uncertainty for the incurred but not reported reserves (IBNR). Ms. Procopio reported that D&T’s estimates were pretty close to management reserves. D&T doesn’t make top side adjustments, they use data and look at background. It was not unusual to have a favorable or unfavorable reserves development for prior years.</p> <p>In response to Chairperson Ballesteros’ question about what types of expenses are excluded in the fees, Ms. Procopio stated excluded in the fees are travel and administrative staff expenses and technology fees.</p>	

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
Approve Audit Plan for FY 2020-21	<u>Motion AUD A.0721</u> To accept the Audit Plans of Deloitte & Touches of L.A. Care's financial statements for the fiscal year 2020-21, as presented, and authorize execution of the engagement letter.	Approved unanimously by roll call. 3 AYES
ADJOURNMENT	The Chair adjourned the meeting at 11:50 am.	

Respectfully submitted by:
Malou Balones, *Board Specialist III*
Victor Rodriguez, *Board Specialist II*
Linda Merkens, *Senior Manager, Board Services*

APPROVED BY:

Al Ballesteros, MBA, *Chairperson*
Date Signed: _____

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
Approve Audit Plan for FY 2020-21	<u>Motion AUD A.0721</u> To accept the Audit Plans of Deloitte & Touches of L.A. Care's financial statements for the fiscal year 2020-21, as presented, and authorize execution of the engagement letter.	Approved unanimously by roll call. 3 AYES
ADJOURNMENT	The Chair adjourned the meeting at 11:50 am.	

Respectfully submitted by:
Malou Balones, *Board Specialist III*
Victor Rodriguez, *Board Specialist II*
Linda Merkens, *Senior Manager, Board Services*

APPROVED BY:



Al Ballesteros, MBA, *Chairperson*

Date Signed: 12.13.21

APPROVED