



L.A. Care
HEALTH PLAN®

For All of L.A.

AUDIT COMMITTEE MEETING

Board of Governors

July 22, 2020 • 11:30 AM

L.A. Care Health Plan

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



**ELEVATING
HEALTHCARE**
IN LOS ANGELES COUNTY
SINCE 1997



AGENDA

Audit Committee Meeting Board of Governors

DRAFT

Wednesday, July 22, 2020, 11:30 A.M.

L.A. Care Health Plan, 1055 West 7th Street, 10th Floor, CR 1025, Los Angeles

California Governor issued Executive Order N-25-20, N-29-20, which among other provisions amends the Ralph M. Brown Act. Accordingly, members of the public must now listen to this meeting via teleconference or videoconference as follows:

To join the meeting via videoconference please register by using the link below:

<https://lacare.webex.com/lacare/onstage/g.php?MTID=eb20e7fb0e4d730c421a7092e89bc2306>

You may register anonymously for the videoconference but you must provide a valid email address.

To join the meeting via teleconference please dial:

+1-415-655-0002

Meeting Number: 146 309 1879

Members of the Board of Governors or staff may also participate in this meeting via videoconference or teleconference. *The public must submit its public comments or comments on Agenda items in writing by e-mail to BoardServices@lacare.org, or by a text or voicemail to 213 628-6420.*

The text, voicemail, or email must indicate if you wish to be identified or remain anonymous, and must also include the name of the item to which your comment relates.

Comments received by voicemail, email or text by 11:30 am on July 22, 2020 will be provided in writing to the members of the Audit Committee.

Once the meeting has started, emails and texts for public comment should be submitted before the item is called by the meeting Chair. If you wish to submit public comment on an item, you must submit it at any time prior to the time the Chair starts consideration of the item. The Chair will ask for public comment and will announce the item. The Chair will announce when public comment period is over for that item.

Public comments will be read for up to 3 minutes at the meeting.

All votes in a teleconferenced meeting shall be conducted by roll call.

If you are an individual with a disability and need a reasonable modification or accommodation pursuant to the Americans with Disabilities Act please contact L.A. Care Board Services staff prior to the meeting for assistance by text to 213 628-6420 or by email to BoardServices@lacare.org.

Welcome

Alvaro Ballesteros, *Chair*

1. Approve today's Agenda *Chair*
2. Public Comment *Chair*
3. Approve May 29, 2020 meeting minutes P.4 *Chair*
4. Chairperson's Report *Chair*
5. Chief Executive Officer / Chief Financial Officer Reports John Baackes
Chief Executive Officer
Marie Montgomery
Chief Financial Officer

Committee Issues

6. Presentation of Audit Plan for Fiscal Year 2019-20. P.8 Marie Montgomery

Adjournment

Please keep public comments to three minutes or less.

The order of items appearing on the agenda may change during the meeting.

If teleconference arrangements are listed at the top of this Agenda, note that the arrangements may change prior to the meeting.

THE PUBLIC MAY PROVIDE COMMENT TO THE BOARD OF GOVERNORS BEFORE DISCUSSION OF EACH ITEM LISTED ON THE AGENDA BEFORE THE AGENDA ITEM IS ANNOUNCED according to the directions at the top of this Agenda.

ACTION MAY NOT BE TAKEN ON ANY MATTER RAISED DURING THE PUBLIC COMMENT PERIODS UNTIL THE MATTER IS SPECIFICALLY LISTED ON A FUTURE AGENDA, according to California Government Code Section 54954.2 (a)(3) and Section 54954.3.

NOTE: THE AUDIT COMMITTEE CURRENTLY MEETS AS NEEDED. THE AGENDA and PRINTED MEETING MATERIALS ARE AVAILABLE FOR INSPECTION online at: <http://www.lacare.org/about-us/public-meetings/committee-meetings>

AN AUDIO RECORDING OF THE MEETING MAY BE MADE TO ASSIST IN WRITING THE MINUTES AND IS RETAINED FOR 30 DAYS.

Meetings are accessible to people with disabilities. Individuals who may require any accommodations (alternative formats – i.e., large print, audio, translation of meeting materials, interpretation, etc.) to participate in this meeting and wish to request an alternative format for the agenda, meeting notice, and meeting packet may contact L.A. Care's Board Services Department at (213) 694-1250. Notification at least one week before the meeting will enable us to make reasonable arrangements to ensure accessibility to the meetings and to the related materials.

BOARD OF GOVERNORS

Audit Committee Meeting Minutes – May 29, 2020

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



Members

Alvaro Ballesteros, *Chairperson*

Layla Gonzalez

Stephanie Booth, MD

* *Absent* ** *Teleconference*

Management/Staff

John Baackes, *Chief Executive Officer*

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

Marie Montgomery, *Chief Financial Officer*

California Governor issued Executive Order No. N-29-20, which among other provisions amends the Ralph M. Brown Act and Executive Order No. 33-20, ordering all residents to stay in their homes, except for specific essential functions.

Members of the public can listen to this meeting via teleconference.

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
CALL TO ORDER Alvaro Ballesteros	<p>Alvaro Ballesteros, <i>Committee Chair</i>, called the meeting to order at 8:40 a.m.</p> <p>He welcomed everyone to the meeting and summarized the process for public comment during this teleconference meeting as reflected on the meeting agenda.</p> <ul style="list-style-type: none">• Public comments received by voicemail, email or text received prior to the start of the meeting was sent to Committee members in writing and will be read for 3 minutes during the meeting.• Public comment must be submitted at any time prior to the time the Chair starts consideration of the item. The Chair will ask for public comment and will announce the item. The Chair will then announce when public comment period is over for that item.	
PUBLIC COMMENT	<p>There were no public comments.</p>	
APPROVE MEETING AGENDA Alvaro Ballesteros	<p>Today's Agenda was approved as submitted.</p>	<p>Approved unanimously by roll call. 3 AYES (Ballesteros, Booth and Gonzalez)</p>

DRAFT

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
APPROVE MEETING MINUTES Alvaro Ballesteros	<p>Member Booth noted that she was not present at the January 21, 2020 meeting, the voting record for AUD A.0120 on page 3 of the minutes should be 2 AYES.</p> <p>The January 21, 2020 meeting minutes were approved as amended.</p> <p>The amendments to the January 22, 2018 meeting minutes were approved as presented.</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>John Baackes, <i>Chief Executive Officer</i>, reported:</p> <ul style="list-style-type: none"> • He will provide a full report at the Board meeting next week. • L.A. Care has scheduled a series of provider town hall meetings with a variety of providers to discuss the California Governor's May Revised Budget. L.A. Care's senior team will be available to leaders of provider groups to ensure understanding of the impact of state budget cuts and engage them as partners. • Federal aid may be forthcoming. We are working on ways to address the funding deficit to preserve the Medi-Cal program for beneficiaries. <p>Chair Ballesteros asked, if the state will proceed with the budget knowing that if federal relief is not enacted the state will cover the shortfall? Mr. Baackes noted that the state may draw down rainy day funds and could include federal aid to achieve a balanced budget. If federal aid is not enacted, the budget can be revised. Legislators are claiming they have addressed the severe cuts proposed by the Governor.</p> <p>Member Booth asked about the triggered cuts. Mr. Baackes noted the triggered cuts were a 1.5% Medi-Cal retroactive rate decrease and changes to hospital payments. Those two items remain in the proposed Budget Revise. Additional changes are being considered.</p> <p>Mr. Baackes reported that most L.A. Care staff members are working remotely with no diminution in productivity. Plans are underway to return to work carefully in phases, and in consideration of individual needs and concerns. Staff is expected to be back in office sometime around the end of July or early August.</p>	

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
COMMITTEE ISSUES		
Request for Proposal Process	<p>Marie Montgomery, <i>Chief Financial Officer</i>, reported that the Committee had previously directed staff to conduct a competitive bidding process (RFP) to invite other firms to propose providing audit services to L.A. Care. An RFP was conducted for the 2019-20 Fiscal Year audit.</p> <p>Information about the RFP is included in the meeting materials. The RFP was sent to seven firms, staff received responses from four firms. The firms were scored by an internal cross departmental work group.</p> <p>Member Booth asked about the audit approach. Ms. Montgomery explained the manner in which a firm reviews financial processes.</p> <p>Member Booth asked about scoring on pricing. Ms. Montgomery noted that the score includes the rate per hour and number of hours assumed to complete the work. Two firms are higher in terms of pricing driven by more audit hours to be performed for the audit.</p> <p>Ms. Montgomery noted that L.A. Care is satisfied with the services of Deloitte & Touche (D&T). Key considerations are timing of the audit and completion of the audited financial statements. Staff has asked for a commitment for a draft audit report by the end of December. L.A. Care must also be timely in responding to requests from auditors. Member Booth asked about timeliness in response during the holidays. Ms. Montgomery noted that staff has clarified with D&T about increased responsiveness. Good response was experienced during this past audit. Member Booth stated that response time is critical. Ms. Montgomery noted that the audit Partner indicated that this has been addressed, and this past audit went more smoothly.</p> <p>Ms. Montgomery added that D&T is rotating the audit Partners. Rosie Procopio, <i>Audit Managing Director, Deloitte & Touche</i>, will serve as engagement Partner, if this committee is comfortable with that. Member Booth asked if Angelica Kocharova is staying on. Ms. Montgomery confirmed that Ms. Kocharova will stay on and will assist Ms. Procopio during the transition.</p>	

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<p>Ms. Montgomery noted that staff is recommending that L.A. Care continue the engagement with D&T for audit services for FY 2019-20. An audit plan will be presented to the Committee around August.</p> <p>The Committee concurred with Staff's recommendation to engage D&T for audit services for FY 2019-20.</p>	
ADJOURNMENT	The Chair adjourned the meeting at 9:05 am.	

Respectfully submitted by:

Malou Balones, *Board Specialist III*

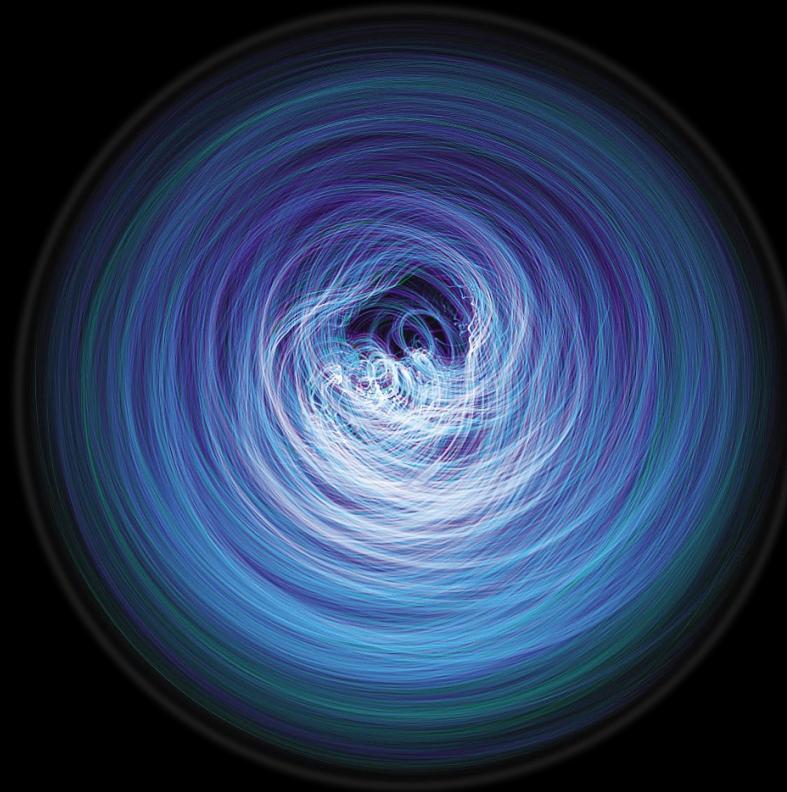
Victor Rodriguez, *Board Specialist II*

Linda Merkens, *Senior Manager, Board Services*

APPROVED BY:

Al Ballesteros, MBA, *Chairperson*

Date Signed: _____



Raising the bar in quality
and client service excellence

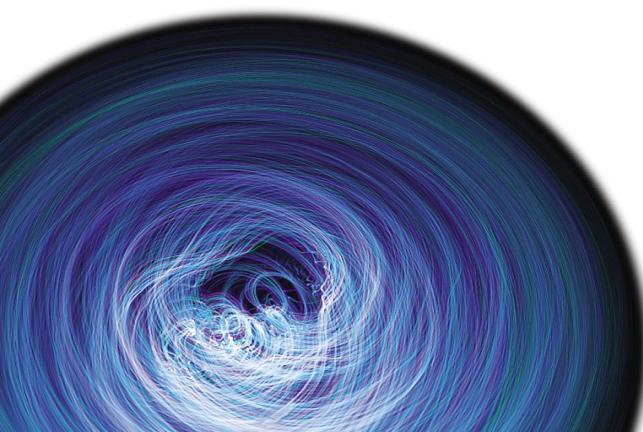
Our 2020 client service plan for L.A. Care Health Plan

July 22, 2020 | Prepared as of July 15, 2020
Deloitte & Touche LLP | Rosie Procopio

This presentation is intended solely for the information and use
of management and the Audit Committee of L.A. Care Health
Plan and is not intended to be and should not ~~be~~ used by
anyone other than these specified parties.

Contents

Letter to the Audit Committee	2
Executive summary	3
Engagement team and the value we bring	4
Audit innovation and scope	7
Risk assessment and the use of others	11
Estimated professional fees	14
COVID-19	15
Appendix A - Our commitment to audit quality	17
Appendix B – Audit timeline	21
Appendix C – Draft engagement letter	23





Deloitte & Touche, LLP
555 West 5th Street
Ste. 2700
Los Angeles, CA 90013
USA

July 22, 2020

Tel.: +1 213 553 1243
www.deloitte.com

The Audit Committee of L.A. Care Health Plan
1055 West 7th Street
Los Angeles, CA 90017

Dear Members of the Audit Committee:

The circumstances surrounding COVID-19 continue to evolve at a rapid pace and are resulting in significant operational disruptions, including how companies execute their accounting and reporting functions. As you guide L.A. Care Health Plan ("L.A. Care" or the "Organization") through these unprecedented times, we want to assure you that our priority is safeguarding our people, our clients and our communities, while at the same time continuing to serve you with excellence and distinction. Rosie Procopio along with our global resources, are committed to serving you with professionalism and integrity. We are deeply appreciative of our relationship. Please reach out if there is anything we can do to be of assistance.

We thank you for the re-appointment and are pleased to present Deloitte & Touche LLP's 2020 client service plan for L.A. Care. First and foremost, we value our role as your independent auditor. We understand our responsibility to you as the Audit Committee of L.A. Care, and we have developed a plan that is specific, candid, and focused on two elements: providing a distinctive level of client service and delivering a high-quality audit effectively.

Our client service plan leverages a strategy that covers specific actions we will take to address and respond to the feedback the audit committee and management have given us throughout the year, through our service quality assessment process as well as the proposal process. We understand your expectations for high-quality client service and attention, and our team is committed to delivering on those expectations.

Our audit plan reflects our commitment to providing you with high-quality, proactive service that is delivered with integrity, objectivity, and independence. Our audit addresses financial statement and internal control risks through targeted procedures that are responsive to the nature of the risks, including changes in the Organization, the business environment, and the regulatory landscape. The plan also outlines Deloitte's seamless approach to audit delivery and how our investments in transformative audit innovation will be applied to your audit through new technologies, big-data analytics, and enhanced audit delivery processes. We also describe the protocols for communication with the audit committee and management and other permissible services we perform for L.A. Care.

The scope and approach for the 2020 engagement are well designed and comply with all applicable professional standards and the following information is intended to provide an overview of our audit strategy as of July 15, 2020. We will separately communicate any significant changes to the planned audit strategy during the course of our audit and the reasons for such changes, as necessary.

We appreciate the opportunity to serve L.A. Care. We hope the accompanying information will be useful to you, and we look forward to answering your questions about our plan. Please contact Rosie Procopio, Lead Client Service Provider at +1 213 553 1243 if we can be of assistance in any way.

Yours truly,

Deloitte & Touche LLP

Executive summary



Engagement structure

- Engagement Team – LCSP Rotation and Continuity
- Bringing value to L.A. Care – 2019 Lookback and 2020 Plan



Audit strategy and scope

- Transforming the audit and innovation
- Audit scope
- Risk assessment, audit areas of focus and significant risks
- Audit timeline and summary of reports



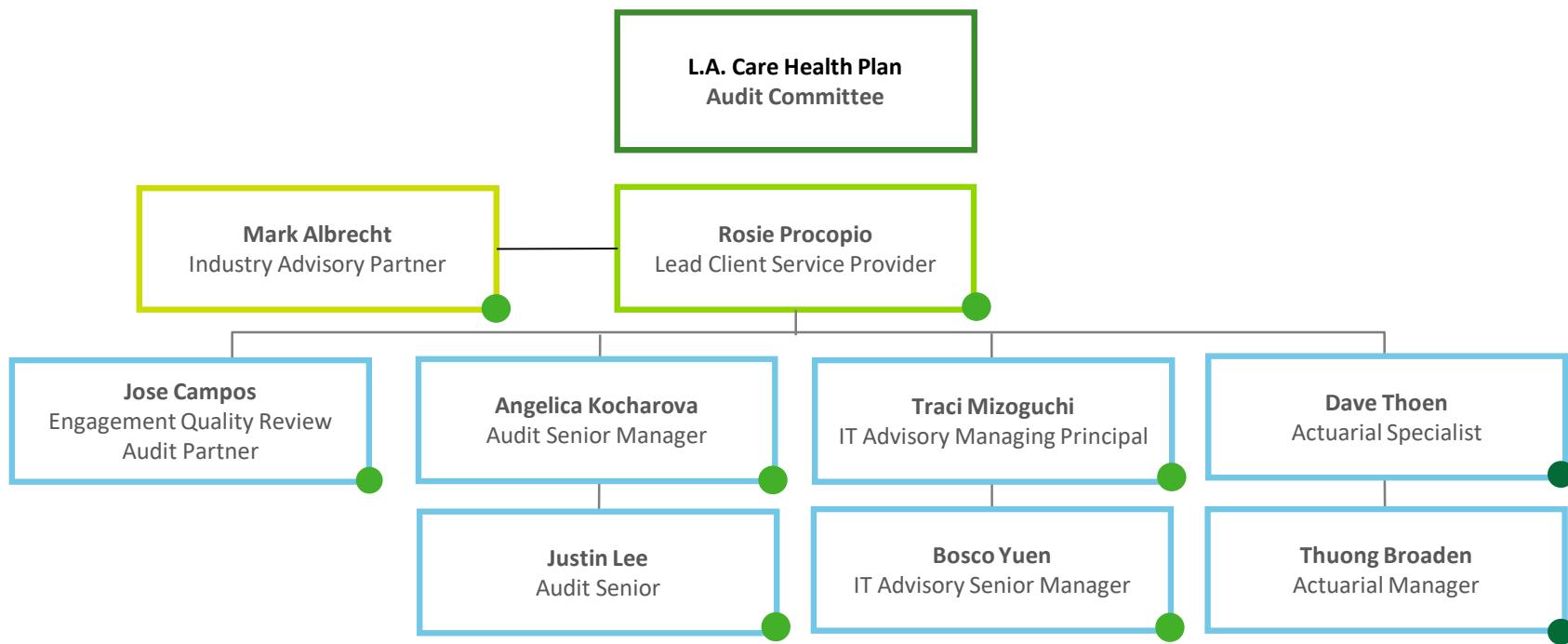
Other audit planning highlights

- COVID-19
- Fees
- Summary of Audit Committee communications



Engagement team and value we bring

The engagement team assembled to serve L.A. Care represents individuals who have been specifically chosen to meet your expectations and needs. Our engagement team is led by Rosie Procopio, Lead Client Service Provider (LCSP), and is supported by Angelica Kocharova, Audit Senior Manager.



Use of specialists, and Deloitte & Touche Assurance & Enterprise Risk Services India Private Limited

Use of Deloitte specialists to perform audit procedures



Deloitte specialist group



Planned responsibilities

Deloitte & Touche LLP

Information Technology (IT) Advisory Specialists led by Traci Mizoguchi to assist in the testing of general IT controls

Deloitte Consulting LLP

Actuarial specialists led by Dave Thoen to assist in the testing of the actuarial valuation of IBNR reserve

Use of Deloitte & Touche Assurance & Enterprise Risk Services India Private Ltd

Personnel of Deloitte & Touche LLP's subsidiary, Deloitte & Touche Assurance & Enterprise Risk Services India Private Limited, will assist us in performing audit procedures during the current-period audit. These personnel are considered members of the engagement team and are subject to our supervision, and their work is subject to our review.

Bringing value to L.A. Care

Deloitte is extremely proud of our relationship with L.A. Care. Through our service quality assessment process and ongoing communication, your expectations regarding the level of quality and service are clear. We have listened and understand where we need to strengthen our approach and build on our success.

Lookback at 2019 & Planned Actions for 2020



Bring the right talent:

Tailored to your needs

Completed

1. LCSP Rotation—Executed the LCSP rotation plan by introducing Rosie Procopio. She will ensure a fresh perspective while providing you the continuity of your service provider.
2. Confirmed Resources—Your existing service team supporting Rosie—Angelica and Justin and the core specialists—will be the same you are used to interacting with during the audit.

Planned

1. Onboarding—Perform a rigorous onboarding process for all new additions to the Deloitte team serving L.A. Care.
2. Specialized Expertise—Engage subject matter experts (SME) as needed during the engagement (GASB accounting standards guidance, and/or CARES Act and other matters of importance).



Execute intelligent quality:

A smarter path to quality through innovation

Completed

1. Engagement Debrief—Held annual debrief/planning sessions on the prior year engagement with CFO, Senior Director of Finance, and Controller.
2. 2019/2020 Business Changes—met with management to stay apprised of new business developments, such as claims management outsourcing to Optum, and provider settlements matters.
3. Utilized Deloitte Connect to streamline coordination with your team and audit information requests across the Organization and provide greater visibility into audit status.

Planned

1. Data Analytics—Expand use of data analytics to recreate the lag triangles to provide an increase to quality of auditing over the underlying data utilized to determine IBNR reserves and to reduce L.A. Care's personnel effort.
2. 2020/2021 Business Changes—Meet frequently with management to stay apprised of new business developments.



Deliver insights and perspectives:

The breadth and depth of Deloitte

Completed

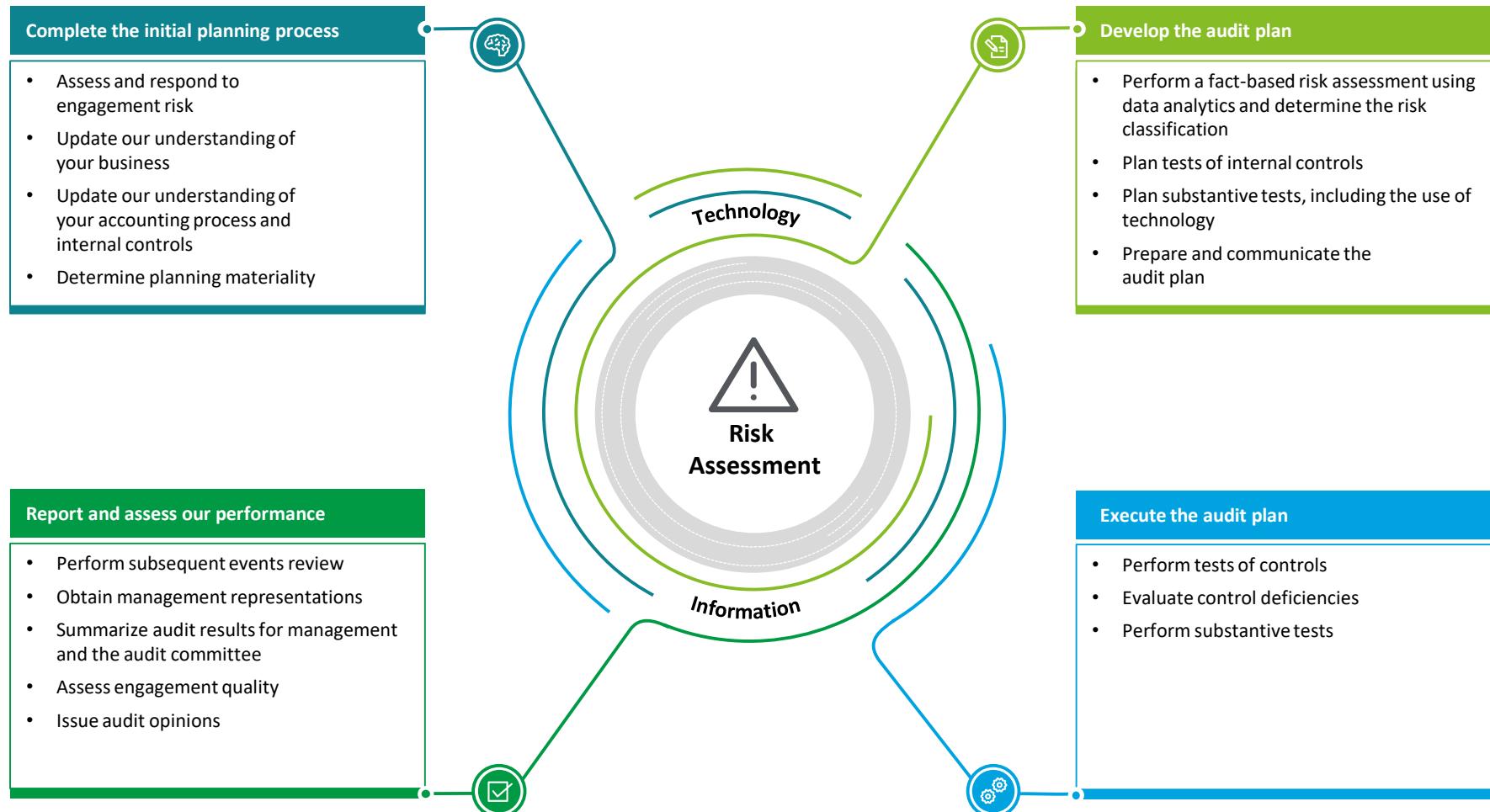
1. New Accounting Standard—Held working sessions with Accounting to provide insights on management's planned adoption of the new accounting standards, specifically GASB 87 leasing standard. Adoption of the standard has been postponed by 18 months due to pandemic – effective for reporting periods beginning after June 15, 2021 (i.e. as of and for the year ended September 30, 2022 for L.A. Care).
2. COVID-19—Shared resources providing guidance for accounting and reporting changes, including the IBNR reserve related impact

Planned

1. Educational Sessions—Work with management and the Audit Committee chair to identify topics of interest to develop and deliver relevant training and other perspectives
2. COVID-19—Share relevant resource material and/or engage subject matter experts to assist management in evaluating impact as needed

The Deloitte Way

Audit quality will always be essential. The audit should also anticipate the changes of an evolving, growing business and adapt continuously. A Deloitte audit does this by using advanced technology, design thinking, and multidisciplinary teams that include data and analytics specialists.

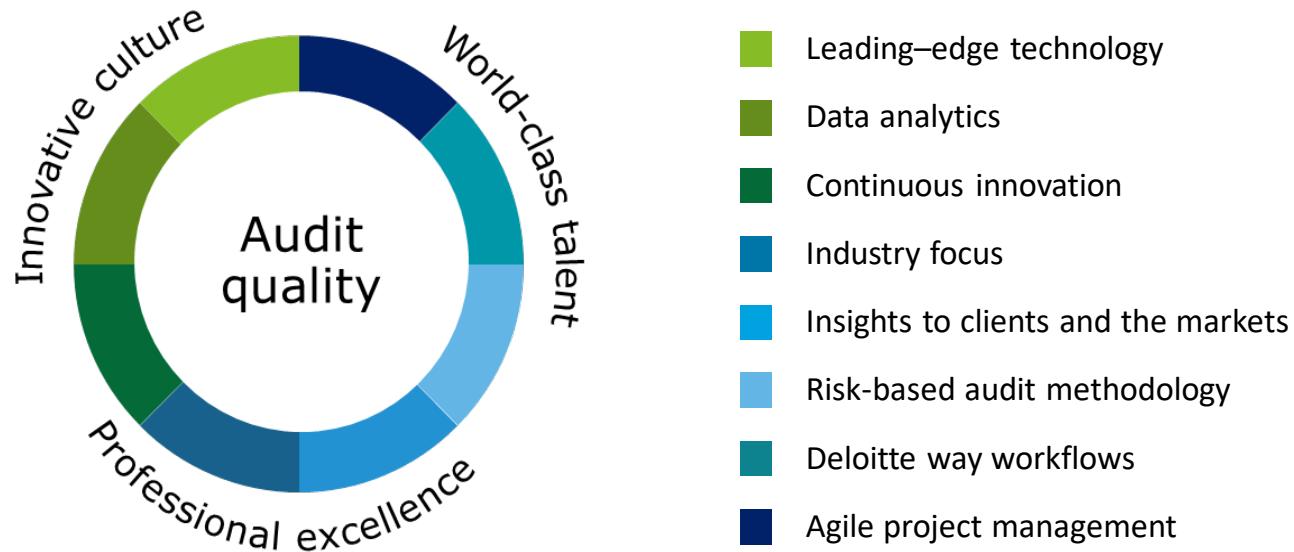


Transforming audit execution – innovation and scope

Deloitte is proud to be at the forefront of audit innovation and transformation, not only responding to change and the demands of the profession but reshaping what is possible.

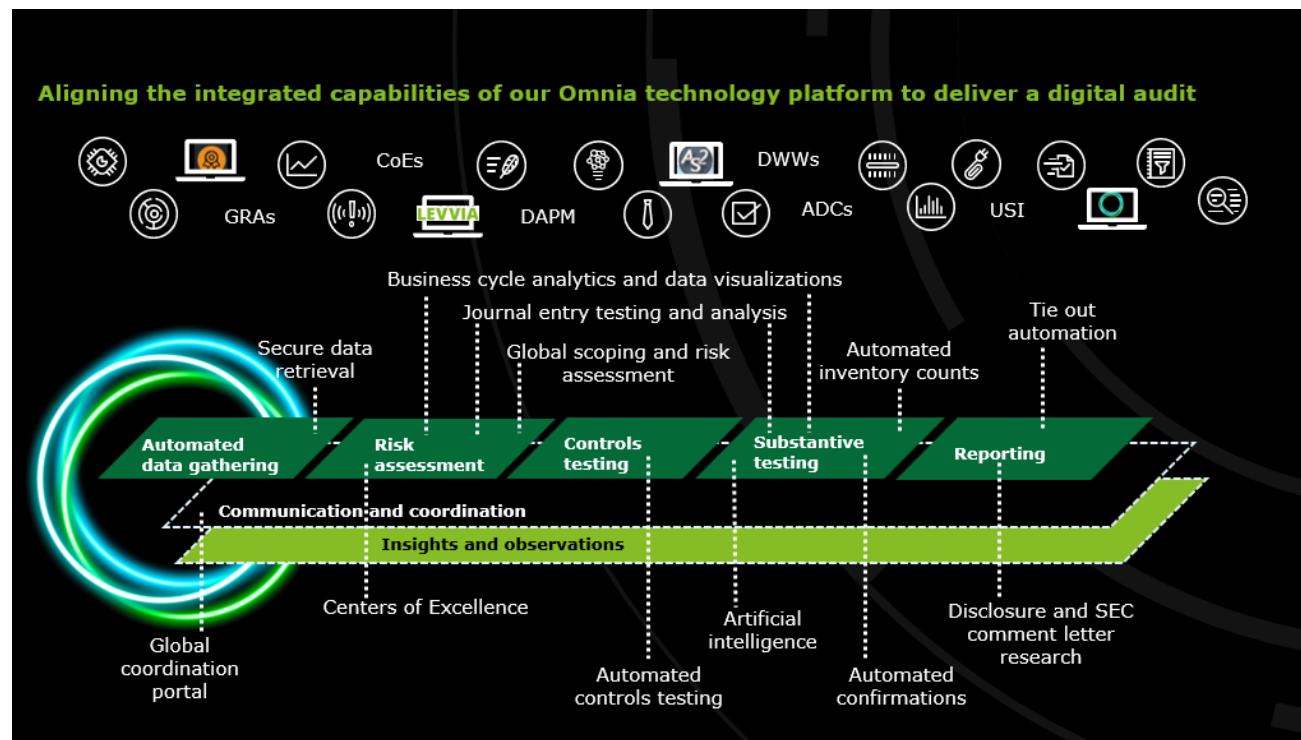
We are on a journey that will deliver a transformed audit:

- Providing deeper and more meaningful business and industry insights
- Facilitating transparency and ongoing communication
- Leveraging advanced technologies to deliver the audit
- Continuously enhancing our auditing methods and approaches
- Sharpening our focus on areas that matter most



Transforming audit execution – innovation and scope (continued)

The use of our Omnia platform and innovation suite will have a significant impact on audit efficiency and streamline the time and energy required of your team in supporting the audit process. Our approach to a high-quality audit is not about doing more. It's about using technology to audit intelligently and efficiently while adding value along the way. Through tailored audit procedures, use of our cutting-edge technology, and our commitment to anticipating issues and resolving them early, our audit approach is flexible, customized, and responsive to L.A. Care Health Plan's needs and risks. Based on our prior year audits and preliminary planning, we understand L.A. Care Health Plan's operating environment, and we will focus on coordination through communications and management.



Audit scope

The objective of our audit is to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Based on our analysis of risks and other factors, we have determined the scope of work needed to support our audit report.

Factors considered in determining our audit scope and the extent of our planned procedures at L.A. Care Plan include, but are not limited to:

- Materiality as it represents the amount we use as our basis for planning the scope of our audit of the Organization's financial statements, and is the amount of misstatement we judge to be material to the financial statements on which we are reporting. The determination of materiality is a complex issue requiring consideration of qualitative and quantitative factors and is a matter of professional judgment taking into account our knowledge of the entity, our assessment of engagement risk, and the reporting requirements for the financial statements. Our consideration of materiality is influenced by our perception of the needs of users of the Organization's financial statements.
- Our assessment of the risk of material misstatement and significance of those risks
- Whether significant changes in the business or level of transactions have occurred during the period under audit
- Knowledge of the industry, risks inherent in the business, and economic trends affecting L. A. Care

As of the date of this report, we have identified certain significant risks, including fraud risks, during our risk assessment procedures. A significant risk is a risk of material misstatement of the financial statements that requires special audit consideration. A fraud risk is a risk of material misstatement due to fraud. The significant risks we have identified during our risk assessment procedures and our preliminary audit response, as well as the nature and extent of specialized skill or knowledge needed to perform the planned audit procedures and evaluate the audit results, are as follows:

- IBNR reserve valuation
- Revenue retroactive adjustments
- Management override of controls

We will separately communicate any significant changes to these significant risks during the course of our audit and the reasons for such changes.



Risk assessment, significant risks and other areas of focus

Deloitte uses audit innovation to inform a thorough, thoughtful, and critical risk assessment to allow us to respond appropriately to financial statement balance risks, focusing on the areas that matter most. Below we have summarized the different risk levels that we assign during our risk assessment exercise and demonstrate how the audit procedures differ across the risk levels. We have also considered the current COVID-19 environment during our preliminary risk assessment, and will continue to evaluate throughout the iterative risk assessment process.



Increasing quality



Reducing the burden on you



Focusing on what matters



Delivering valuable insights

No reasonable possibility of a material misstatement (NORPOMM)

- Reliance on risk assessment procedures performed at planning stage which include evaluating relationships through data analytics and other detailed procedures, as appropriate
- No further testing beyond risk assessment

Lower Risk Level

- More reliance on account relationships evaluated through data analytics
- Less extensive roll-forward procedures for balances tested at interim
- Single type of audit test
- Fewer items selected to test
- Higher thresholds used to evaluate variances

Higher Risk Level

- Increased focus on substantive procedures or in some cases multiple types of audit tests on an account balance
- Focus on disaggregation of information being tested
- Lower thresholds used to evaluate variances

Significant Risk Level

- Involvement of more experienced audit team members
- Involvement of technical specialists
- Use of data analytics or tools to test 100 percent of population rather than sampling
- Multiple types of tests (e.g. detail testing, substantive analytics) performed
- More items selected for testing
- Lowest thresholds used to evaluate variances
- More disaggregation of information being tested
- Increase audit evidence for roll-forward period
- Communication with audit committee

Risk assessment – significant risks

Significant risk	Description of significant risk	Deloitte's preliminary audit response
1 Management override of controls <i>(Presumed risk of fraud under AICPA standards)</i>	The risk of management override of controls is pervasive and related to the risk of fraud. Because of the unpredictable nature of management override of controls, it is a risk of material misstatement resulting from fraud and thus an area of audit focus.	<ul style="list-style-type: none"> Engage in periodic discussions regarding the risk of fraud with certain members of senior management and others, including general counsel and the Audit Committee. Consider the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates (i.e., IBNR reserves) Evaluate the business rationale for any significant unusual transactions, if any. Evaluate the Organization's fraud risk assessment and consider entity-level internal controls and internal control over the closing and reporting process. Test journal entries that exhibit characteristics of possible management override of controls, as identified using electronic data interrogation techniques.
2 IBNR Reserves	The valuation of IBNR reserve requires management estimation and judgment. Management uses significant assumptions and judgments in estimating the cost of claims, specifically those that are made to adjust IBNR reserve. Management also leverages calculations and estimates developed by its internal actuarial team when considering the liability estimate.	<ul style="list-style-type: none"> Make inquiries of management and test the design and implementation of internal control activities involving management's process for estimating the IBNR reserve. Conduct meetings with the Organization's actuaries to assess the consistency of the methodology utilized for calculating the accruals for IBNR estimates, including consideration of COVID-specific assumptions. Furthermore, hold discussions with claims operations personnel to better understand performance over time and its impact on the claims reserves. Involve actuarial specialists from Deloitte Consulting LLP to review management's methods and assumptions used to develop the reserve estimates, and prepare an independent estimated range of reasonable reserves in order to corroborate management's estimate of its claims-based liability. Assess information such as claims inventory, high dollar claims and other environmental factors to conclude on actuarial assumptions utilized. Perform data integrity testing of information utilized by the Organization's actuaries, including test of details on paid claims and claims inventory for accuracy and completeness. Perform a retrospective look-back (recast) of management's prior year estimates.

Risk assessment – significant risks (continued)

Significant risk	Description of significant risk	Deloitte's preliminary audit response
3 Revenue recognition: Retroactive adjustments	The risk that the Organization does not identify and record the California Department of Health Care Services (DHCS)/Centers for Medicare & Medicaid Services (CMS) rate adjustments.	<ul style="list-style-type: none">▪ Test design and implementation of internal controls around retroactive rate adjustments.▪ Evaluate management's selection and application of Government Accounting Standards Board (GASB) pronouncements related to significant new arrangements.▪ Evaluate the terms of the significant retroactive rate adjustments in assessing estimates for related revenue.▪ Inspect regulatory communications to identify rate adjustments, as well as settlement arrangements with the state, if any.▪ Recalculate significant rate adjustments and assess the completeness and accuracy of such adjustments.

Estimated professional fees

Service Description	Approved Fee (excluding expenses)
<i>Services previously approved</i>	
Financial Statement Audit (1)	\$380,000
Deloitte Accounting Research Tool subscription fee	\$1,895 / user
<i>Notes</i>	
Note 1: Fee included is as proposed and included in our proposal for the external audit.	

We are proud of our long-standing relationship and the highly talented team of professionals who serve your organization—professionals with deep industry experience and subject matter experts.

Our first priority is delivering high-quality audits, and our inspection results demonstrate that we are a leader in audit quality.

We are committed to being responsive to your needs and delivering a smarter audit that is rich with insights for you to consider where it matters including financial risks, internal control risks, and strategic challenges.

We are proud to be at the forefront of transformation, not only responding to change but also reshaping what is possible by leveraging data analytics, automation, digitization, and cognitive technologies to enhance audit quality and transform our audit service delivery.

Deloitte's response to the risks of COVID-19

Deloitte has been closely monitoring and managing our response to the COVID-19 crisis since its inception in order to be able to respond as necessary. While our top priority is the health, safety, and well-being of our people, clients and communities, we are continuing to work diligently to complete audits to required timetables. Below is a summary of our response.

Our response

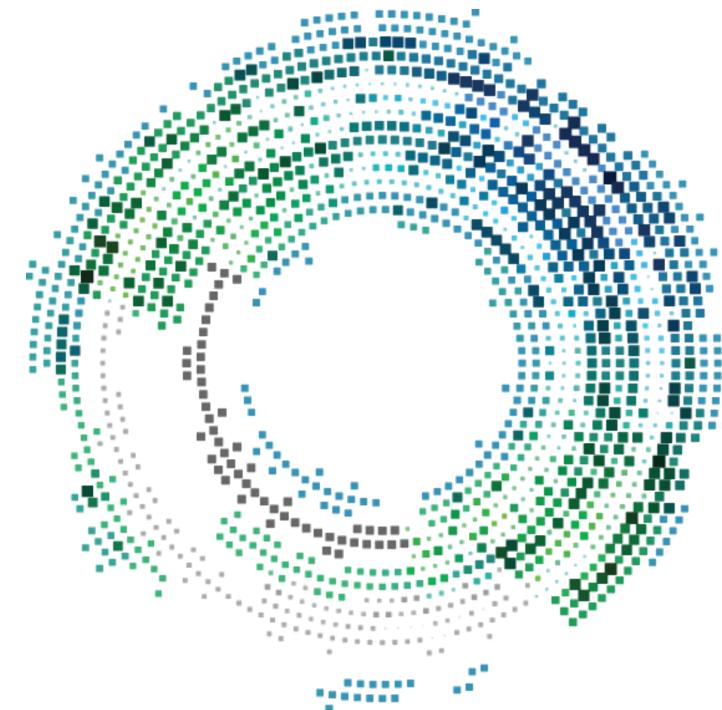
- We have a crisis and business continuity management program in place which is certified against a leading global standard, ISO22301 (Societal Security — Business continuity management systems — Requirements). Our response includes a task force that specifically addresses the impacts and associated actions necessary to respond to a pandemic such as COVID-19. Deloitte is also working with advisors in the field of infectious diseases to inform our decisions.
- Our plan to address the pandemic involves efforts to maintain the continuity of essential business functions, and our current plans specifically address issues such as technology, communications, travel, resource allocation, and alternate work sites.
- We are committed to doing our part to reduce the spread of the virus while taking the necessary steps to minimize disruption to the exceptional service you expect from us. As always, our top priority is the safety of our people, our clients and our communities. With regard to travel policies and well-being guidance to our personnel, our actions are informed by the latest guidance from health experts including the World Health Organization (WHO) and the U.S. Centers for Disease Control (CDC).
 - We have restricted all domestic and international travel until further notice.
 - At this time, all our US professionals are required to work from home.
- We are in contact with regulators to discuss the impact of COVID-19. We are also coordinating with our Deloitte Member Firms to understand their regulatory environment so we can continue to execute global audits.
- Our planning process and activities will continue to evolve as we monitor information and assess potential impacts to our people and clients.

COVID-19 Resources

The rapid global spread of COVID-19 has quickly eclipsed other recent epidemics in both size and scope. In addition to the deadly human toll and the disruption to millions of people's lives, the economic damage is already significant and far-reaching.

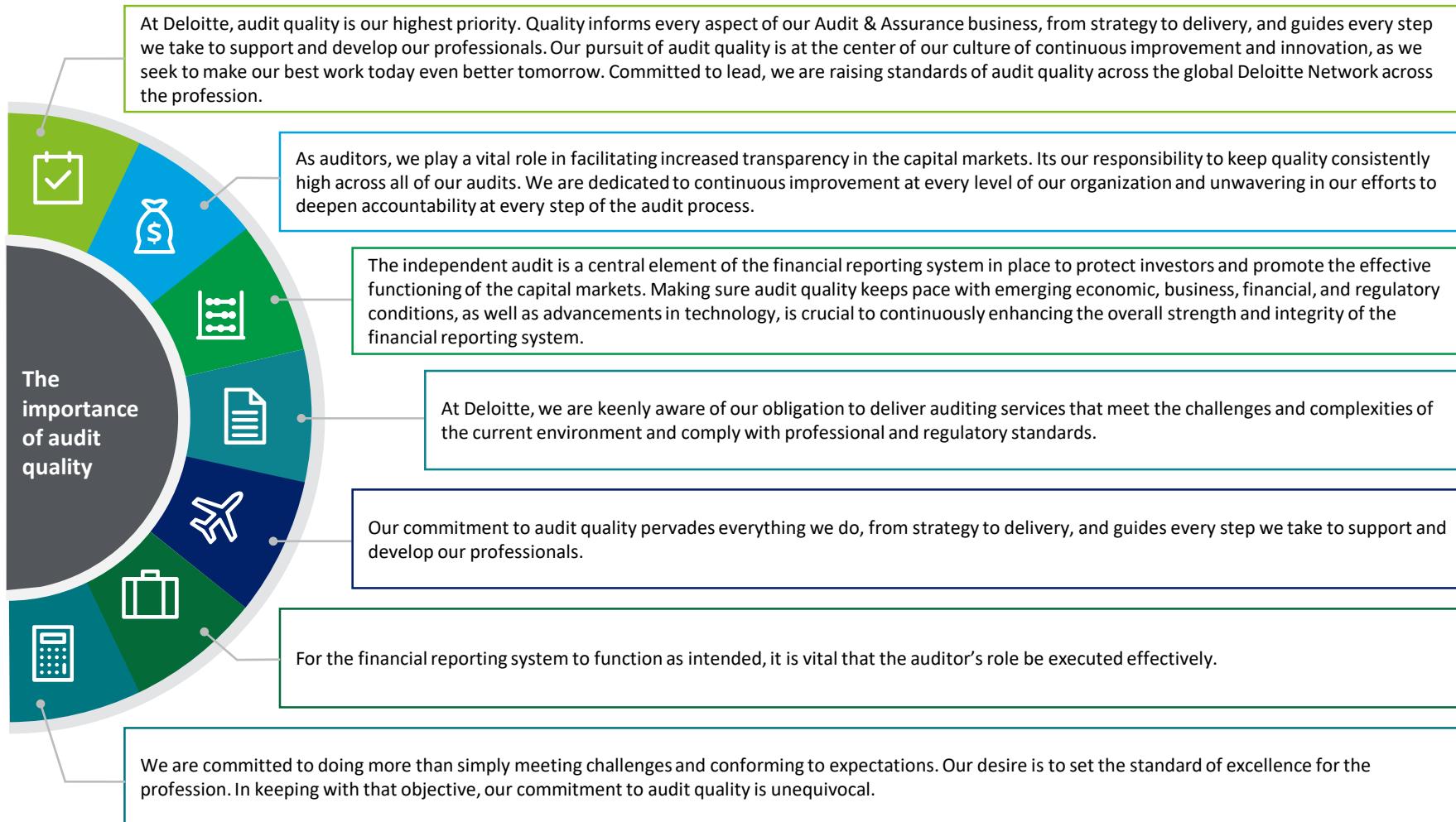
Public authorities are taking decisive action to respond to the emerging health threat, leading the business community to reconsider the adequacy of their preparedness measures. The following link brings together Global Deloitte insights to help businesses manage and mitigate the risk.

<https://www2.deloitte.com/global/en/pages/about-deloitte/topics/combatting-covid-19-with-resilience.html>



Appendix A—Our commitment to audit quality

Our commitment to audit quality



Our commitment to audit quality (continued)

Executing high-quality audits



Over 50% reduction in number of PCAOB comments since 2011



19% of total audit hours performed by specialists



0.5% Reissuance restatements as a percentage of public companies audited



100% of our professionals signed our Audit Quality Affirmation, confirming their commitment to professional excellence

Collaborating across eminent stakeholders



Core Quality Principles



Act with integrity, ethics, and professionalism



Recognize the important role of auditors



Always learn



Continually improve



Live audit quality

Audit Priorities

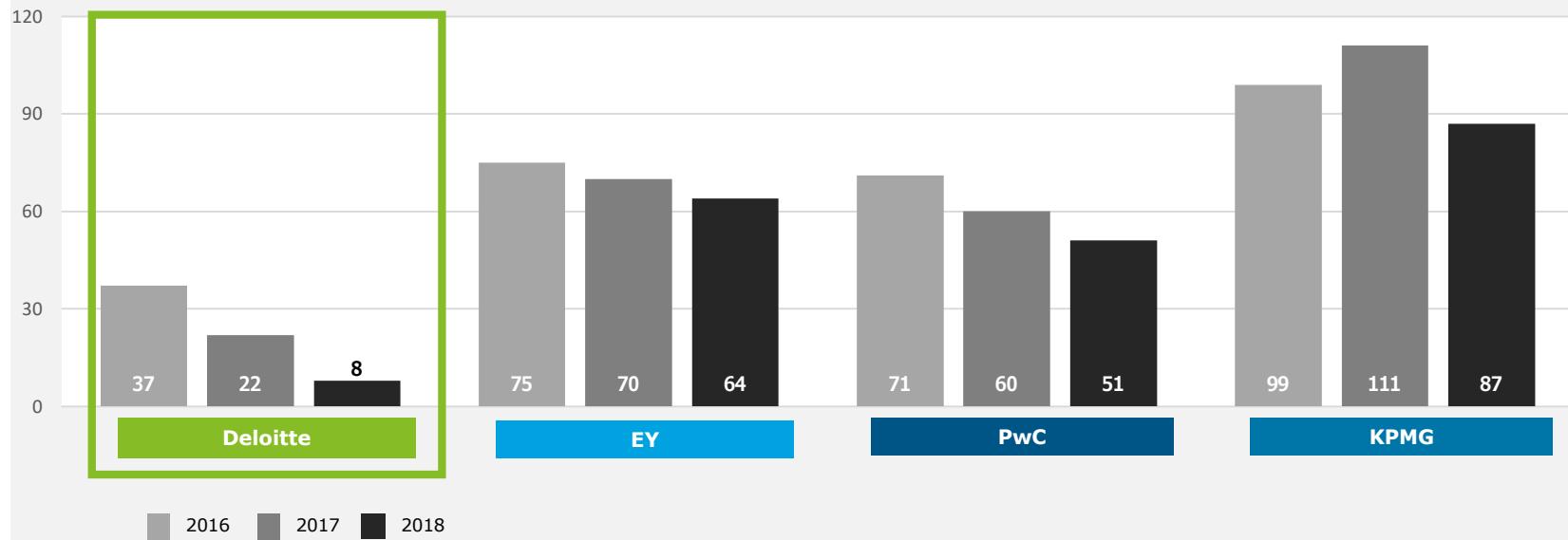
- 1 Internal control
- 2 Risk assessment
- 3 Accounting estimates
- 4 Consultations
- 5 Transformation of audit delivery
- 6 New accounting standards
- 7 Optimization of audit execution
- 8 Supervision

Our commitment to audit quality (continued)

PCAOB Inspections — Big Four results

The lowest number of deficiencies for audits included in Part I.A of PCAOB inspection reports clearly demonstrates Deloitte's sustained audit quality leadership in the profession.

Total number of deficiencies in audits included in Part I.A

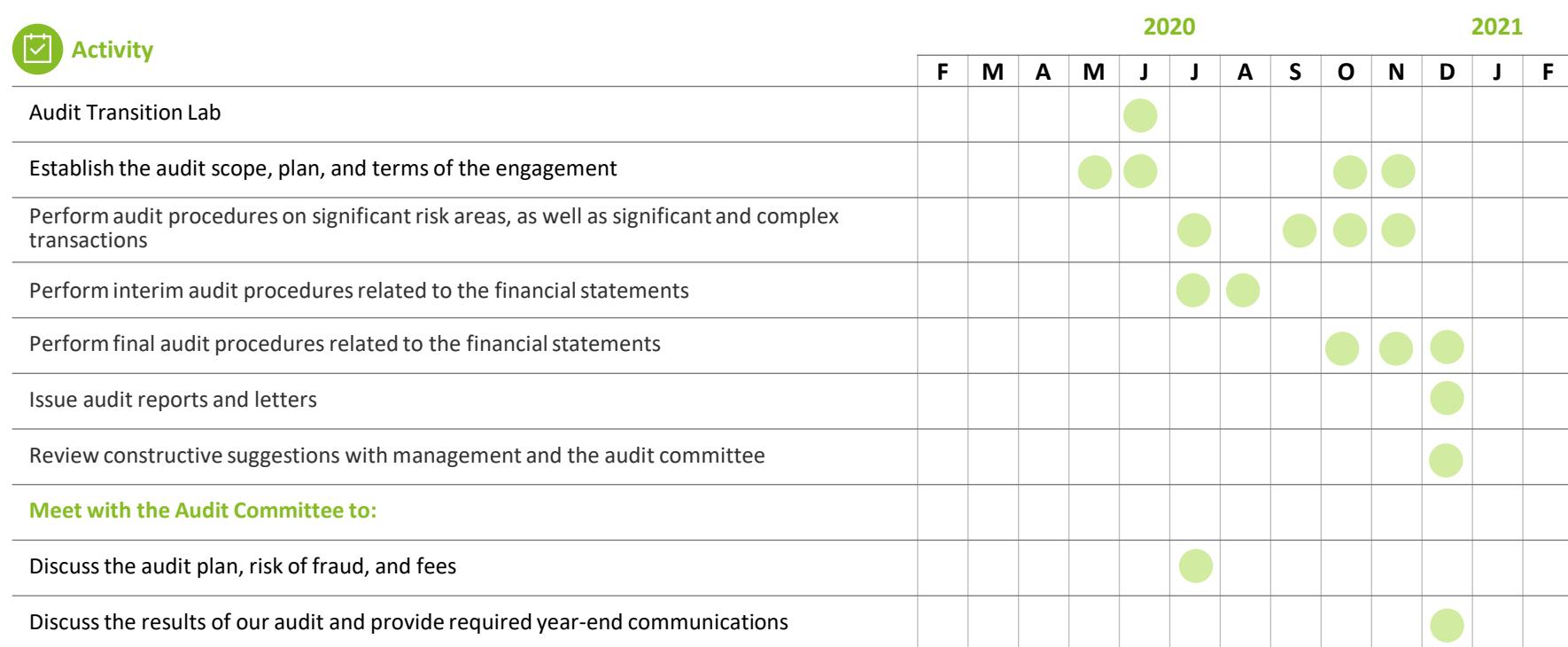


Source: pcaobus.org/Inspections/Reports; 2018 Part I.A aligns with Part I of prior year reports

Appendix B—Audit timeline

Audit timeline

We will plan the performance of our audit in accordance with the following estimated timetable:



Appendix C—Draft Engagement Letter

July 22, 2020

Alvaro Ballesteros
Audit Committee Chair
Audit Committee of the Board of Governors
for Local Initiative Health Authority for Los Angeles County,
a local public entity operating and doing business as L.A. Care Health Plan
1055 W 7th Street
Los Angeles, California 90017

Marie Montgomery
Chief Financial Officer
Local Initiative Health Authority for Los Angeles County,
a local public entity operating and doing business as L.A. Care Health Plan
1055 W 7th Street
Los Angeles, California 90017

Dear Mr. Ballesteros and Ms. Montgomery:

Deloitte & Touche LLP ("D&T" or "we" or "us") is pleased to serve as independent auditors for Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan and Joint Powers Authority (the "Organization" or "you" or "your"). Ms. Rosie Procopio will be responsible for the services that we perform for the Organization hereunder.

In addition to the audit services we are engaged to provide under this engagement letter, we would also be pleased to assist the Organization on issues as they arise throughout the year. Hence, we hope that you will call Ms. Rosie Procopio whenever you believe D&T can be of assistance. The services to be performed by D&T pursuant to this engagement are subject to the terms and conditions set forth herein and in the accompanying appendices. Such terms and conditions shall be effective as of the date of the commencement of such services.

Audit of Financial Statements and Other Reporting

Our engagement is to perform an audit in accordance with (1) auditing standards generally accepted in the United States of America ("generally accepted auditing standards"), and (2) the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States ("generally accepted government auditing standards") (generally accepted auditing standards and generally accepted government auditing standards are collectively referred to herein as the "Auditing Standards"). The objectives of an audit conducted in accordance with the Auditing Standards are to:

- Express an opinion on whether the Organization's basic financial statements and the accompanying supplementary information, in relation to the basic financial statements as a whole, for the year ending September 30, 2020 (the "financial statements"), are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), and perform specified procedures on the required supplementary information for the year ending September 30, 2020.

- Report on the Organization's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ending September 30, 2020, based on an audit of financial statements performed in accordance with generally accepted government auditing standards.

Appendix A contains a description of the auditor's responsibilities and the scope of an audit in accordance with the Auditing Standards.

D&T Reports

We expect to issue written reports upon the completion of our audit. Our ability to express any opinion or to issue any report as a result of this engagement and the wording thereof will, of course, be dependent on the facts and circumstances at the date of our reports. If, for any reason, we are unable to complete our audit or are unable to form or have not formed any opinion, we may decline to express any opinion or decline to issue any report as a result of this engagement. If we are unable to complete our audit, or if any report to be issued by D&T as a result of this engagement requires modification, the reasons for this will be discussed with the Audit Committee of the Board of Governors (the "Audit Committee") and the Organization's management.

Management's Responsibilities

Appendix B describes management's responsibilities.

Responsibility of Audit Committee

As independent auditors of the Organization, we acknowledge that the Audit Committee is directly responsible for the appointment, compensation, and oversight of our work, and accordingly, except as otherwise specifically noted, we will report directly to the Audit Committee. You have advised us that the services to be performed under this engagement letter, including, where applicable, the use by D&T of affiliates or related entities as subcontractors in connection with this engagement, have been approved by the Audit Committee in accordance with the Audit Committee's established preapproval policies and procedures.

Communications with Audit Committee

Appendix C describes various matters that we are required by the Auditing Standards to communicate with the Audit Committee and management.

Fees

We estimate that our fees for this engagement will be \$380,000, plus expenses. Based on the anticipated timing of the work, our fees will be billed approximately as follows:

Invoice Date	Amount
July 2020	\$ 140,000
October 2020	120,000
November 2020	120,000

We anticipate sending invoices according to the above schedule, and payments are due 30 days from the date of the invoice. Engagement-related expenses, and technology- and administrative-related charges will be billed in addition to the fees and will be stated separately on the invoices. Notwithstanding anything to the contrary set forth herein, authorized expenses reimbursable under this engagement letter

shall not exceed ten percent (10%) of the amount of estimated engagement fees specified above.

Our continued service on this engagement is dependent upon payment of our invoices in accordance with these terms. Our estimated fees are based on certain assumptions, including (1) timely and accurate completion of the requested entity participation schedules and additional supporting information, (2) no inefficiencies during the audit process or changes in scope caused by events that are beyond our control, (3) the effectiveness of internal control over financial reporting throughout the period under audit, (4) a minimal level of audit adjustments (recorded or unrecorded), and (5) no changes to the timing or extent of our work plans. We will notify you promptly of any circumstances we encounter that could significantly affect our estimate and discuss with you any additional fees, as necessary.

In addition, the Organization agrees to compensate D&T for any time and expenses that we may incur in responding to requests for documents or information under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), Subtitle D of the Health Information Technology for Economic and Clinical Health Act provisions of the American Recovery and Reinvestment Act of 2009 ("HITECH"), or any regulations promulgated under HIPAA or HITECH, except as provided in Appendix D, Paragraph 8.

Access to Working Papers by Regulators

We may be requested or required by a regulator of the Organization, including but not limited to a federal agency or the Comptroller General of the United States, or representatives of the United States Government Accountability Office (GAO) or California Department of Managed Health Care (DMHC) (each, a "Regulator") to provide access to working papers related to this engagement. In the event of any such request or requirement, we will notify you prior to providing such access unless applicable law or regulation prohibits such notice. The working papers for this engagement are the property of D&T and constitute D&T's confidential information. We may request confidential treatment of our working papers. Access to our working papers will be provided under the supervision of D&T's personnel and upon request we may provide copies of working papers to a Regulator. If we are requested, but not required, to provide such access, then we will obtain the Organization's consent prior to providing such access.

Fees for professional services relating to such access, plus related expenses, will be billed in addition to the estimated fees outlined herein. The working papers related to this engagement will be retained by us for a minimum of three years from the dates of the reports issued, or such longer period as required to satisfy legal and administrative requirements.

Inclusion of D&T Reports or References to D&T in Other Documents or Electronic Sites

Nothing in this engagement letter is intended to restrict the ability of the Organization to distribute to other parties our independent auditors' reports together with, and only with, a complete set of the Organizations' financial statements and related notes thereto for all periods to which such reports relate. However, if the Organization intends to publish or otherwise reproduce in any document any report issued as a result of this engagement, or otherwise make reference to D&T in a document that contains other information in addition to the audited financial statements (e.g., in a periodic filing with a regulator, in a debt or equity offering circular, or in a private placement memorandum), thereby associating D&T with such document, the Organization agrees that its management will provide D&T with a draft of the document to read and obtain our approval for the inclusion or incorporation by reference of any of our reports, or the reference to D&T, in such document before the document is printed and distributed. The inclusion or incorporation by reference of any of our reports in any such document would constitute the reissuance of such reports. The Organization also agrees that its management will notify us and obtain our approval prior to including any of our reports on an electronic site.

Our engagement to perform the services described herein does not constitute our agreement to be associated with any such documents published or reproduced by or on behalf of the Organization. Any

request by the Organization to reissue any report issued as a result of this engagement, to consent to any such report's inclusion or incorporation by reference in an offering or other document, or to agree to any such report's inclusion on an electronic site will be considered based on the facts and circumstances existing at the time of such request. The estimated fees outlined herein do not include any procedures that would need to be performed in connection with any such request. Should D&T agree to perform such procedures, fees for such procedures would be subject to the mutual agreement of the Organization and D&T.

* * * * *

The parties acknowledge and agree that D&T is being engaged under this engagement letter to provide only the services described herein. Should the Organization or the Audit Committee request, and should D&T agree to provide, services (including audit services) beyond those described herein, such services will constitute a separate engagement and will be governed by a separate engagement letter.

This engagement letter, including Appendices A through F attached hereto and made a part hereof, constitutes the entire agreement between the parties with respect to this engagement and supersedes any other prior or contemporaneous agreements or understandings between the parties, whether written or oral, relating to this engagement.

If the above terms are acceptable and the services described are in accordance with your understanding, please sign the copy of this engagement letter in the space provided and return it to us.

Yours truly,

Acknowledged and approved on behalf of
Audit Committee of the Audit Committee of
Local Initiative Health Authority for Los Angeles County,
a local public entity operating and doing business as L.A. Care Health Plan:

By: _____

Title: _____

Date: _____

Accepted and agreed to by Local Initiative Health Authority
for Los Angeles County, a local public entity operating and
doing business as L.A. Care Health Plan:

By: _____

Title: _____

Date: _____

APPENDIX A

AUDITOR'S RESPONSIBILITIES AND SCOPE OF AN AUDIT IN ACCORDANCE WITH THE AUDITING STANDARDS

This Appendix A is part of the engagement letter dated July 22, 2020, between Deloitte & Touche LLP and Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan (the "Organization") and approved by the Audit Committee of the Organization.

Auditor's Responsibilities

Our responsibilities under the Auditing Standards include forming and expressing opinions and reporting on certain matters as described in the *Audit of Financial Statements and Other Reporting* section of this engagement letter. The audit of the financial statements and our reporting on other matters do not relieve management or the Audit Committee of their responsibilities.

Scope of an Audit and Other Reporting

The Auditing Standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether caused by fraud or error. However, because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by fraud or error, that are not material to the financial statements as a whole are detected.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit also includes tests of the Organization's compliance with certain provisions of laws, regulations, contracts, and grant agreements. However, our objective is not to provide an opinion on compliance with those provisions, and accordingly, we will not express such an opinion.

As part of the audit, we will be alert to situations or transactions that could be indicative of abuse as defined by generally accepted government auditing standards, which involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. The determination of abuse is subjective; generally accepted government auditing standards do not require us to provide reasonable assurance of detecting abuse, and we will not design the audit to detect abuse. However, if we become aware of abuse that could be quantitatively or qualitatively material to the financial statements, we will apply procedures specifically directed to ascertain the potential effect on the financial statements or other financial data significant to the audit objectives. Under generally accepted government auditing standards, we may be required to directly report known or likely fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse to outside parties.

Generally accepted accounting principles provide for certain required supplementary information (RSI), such as a management's discussion and analysis, to accompany the Organization's financial statements. As part of the audit, we will apply certain limited procedures to the Organization's RSI, which will consist principally of inquiries of management about the methods of preparing the information. We will disclaim an opinion on the RSI, unless (1) some of the RSI is omitted, (2) the measurement or presentation of the RSI departs materially from the prescribed guidelines, or (3) we have unresolved doubts about whether the RSI is measured or presented in accordance with prescribed guidelines.

Supplementary information other than RSI, such as budgetary comparison information, also accompany the Organization's financial statements. We will subject supplementary information that is financially oriented to the audit procedures applied in the audit of the financial statements and express an opinion on whether such information is fairly stated, in all material respects, in relation to the Organization's financial statements as a whole. We will disclaim an opinion on supplementary information that comprises non-accounting information or accounting information that is not directly related to the financial statements.

Medicare, Medicaid, and HIPAA Compliance

Claims for payment for services rendered to Medicare and Medicaid beneficiaries must meet applicable billing laws and regulations that, among other things, require that the services are medically necessary, accurately coded, and sufficiently documented in the beneficiaries' medical records. Although we will make certain limited inquiries about procedures and controls relating to compliance with these laws and regulations, we will not perform an audit of claims submitted to Medicare and Medicaid with respect to such compliance. The determination of medical necessity, coding accuracy, and sufficiency of medical records documentation is not within the auditors' responsibility. Accordingly, neither our audit of the Organization's financial statements for the year ending September 30, 2020, nor any reviews or other services provided pursuant to this engagement letter, will provide any assurances, nor will we express any opinion, that the claims submitted by the Organization for services rendered to Medicare and Medicaid beneficiaries are in compliance with applicable billing laws and regulations.

Identifying and ensuring that the Organization complies with the laws and regulations applicable to its activities are the responsibility of the Organization's management. Neither our audit of the Organization's financial statements for the year ending September 30, 2020, nor any reviews or other services provided pursuant to this engagement letter will provide any assurances, nor will we express any opinion, that the Organization's efforts or the efforts of any other parties, such as the Organization's vendors, service providers, customers, unconsolidated subsidiaries or joint ventures in which the Organization has an investment, or other third parties are appropriate to establish procedures or to have a process in place to be compliant with the laws and regulations of HIPAA or any other laws or regulations. In addition, we are not engaged to perform, nor will we perform as part of this engagement, any procedures to test whether the Organization is compliant with HIPAA or any other laws or regulations, or whether the plans and activities of the Organization or any other third parties are sufficient to address and correct problems that might arise because of noncompliance, nor will we express any opinion or provide any other assurances with respect to these matters.

APPENDIX B

MANAGEMENT'S RESPONSIBILITIES

This Appendix B is part of the engagement letter dated July 22, 2020 between Deloitte & Touche LLP and Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan (the "Organization") and approved by the Audit Committee of the Organization.

Financial Statements, Internal Control, and Compliance

Management is responsible for the preparation, fair presentation, and overall accuracy of the financial statements in accordance with generally accepted accounting principles and all accompanying information in accordance with prescribed guidelines or applicable criteria. In this regard, management has the responsibility for, among other things:

- Selecting and applying the accounting policies
- Designing, implementing, and maintaining effective internal control relevant to (1) the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error and (2) compliance with laws, regulations, and provisions of contracts or grant agreements
- Identifying and ensuring that the Organization complies with the laws and regulations applicable to its activities and the provisions of contracts or grant agreements, and informing us of all instances of identified or suspected fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse
- Providing us with (1) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements and all accompanying supplementary information, such as records, documentation, and other matters, (2) additional information that we may request from management for the purpose of our audit, and (3) unrestricted access to personnel within the Organization from whom we determine it necessary to obtain audit evidence
- Taking timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report
- Having a process to track the status of audit findings and recommendations
- Identifying for us previous audits, attestation engagements, and other studies related to the objectives of our audit and whether related recommendations have been implemented.

Management is also responsible for (1) preparing supplementary information other than RSI, such as budgetary comparison information, in accordance with the applicable criteria, (2) including our report on the supplementary information in any document that contains such information and that indicates that D&T has reported on such information, and (3) presenting the supplementary information with the Organization's audited financial statements.

Management's Representations

We will make specific inquiries of the Organization's management about the representations (1) embodied in the financial statements and accompanying information, (2) regarding the effectiveness of internal control, and (3) regarding the Organization's compliance with laws, regulations, and the provisions of contracts and grant agreements. In addition, we will request that management provide us with the written representations the Organization is required to provide to its independent auditors under the Auditing Standards. The responses to those inquiries and the written representations of management are part of the evidential matter that D&T will rely on in forming its opinion on the Organization's financial statements and reporting on accompanying information. Because of the

importance of management's representations, the Organization agrees to release and indemnify D&T, its subcontractors, and their respective personnel from all claims, liabilities, and expenses relating to our services under this engagement letter attributable to any misrepresentation by management.

Process for Obtaining Preapproval of Services

Management is responsible for the coordination of obtaining the preapproval of the Audit Committee, in accordance with the Audit Committee's preapproval process, for any services to be provided by D&T to the Organization.

Independence Matters

In connection with our engagement, D&T, management, and the Audit Committee will assume certain roles and responsibilities in an effort to assist D&T in maintaining independence. D&T will communicate to its partners, principals, and employees that the Organization is an attest client. Management of the Organization will ensure that the Organization has policies and procedures in place for the purpose of ensuring that the Organization will not act to engage D&T or accept from D&T any service that under American Institute of Certified Public Accountants (AICPA), generally accepted government auditing standards, or other applicable rules would impair D&T's independence. All potential services are to be discussed with Ms. Rosie Procopio.

In connection with the foregoing paragraph, the Organization agrees to furnish to D&T and keep D&T updated with respect to a corporate tree that identifies the legal names of the Organization's affiliates, as defined in AICPA *Code of Professional Conduct* Interpretation No. 101-18 (e.g., parents, subsidiaries, investors, or investees) ("Organization Affiliates"), together with the ownership relationship among such entities. Such information will be maintained in a database accessible by D&T in connection with their compliance with AICPA or other applicable independence rules.

Management will coordinate with D&T to ensure that D&T's independence is not impaired by hiring former or current D&T partners, principals, or professional employees in a key position, as defined in the AICPA *Code of Professional Conduct*. Management of the Organization will ensure that the Organization also has policies and procedures in place for purposes of ensuring that D&T's independence will not be impaired by hiring a former or current D&T partner, principal, or professional employee in a key position that would cause a violation of the AICPA *Code of Professional Conduct*, generally accepted government auditing standards, or other applicable independence rules. Any employment opportunities with the Organization for a former or current D&T partner, principal, or professional employee should be discussed with Ms. Rosie Procopio before entering into substantive employment conversations with the former or current D&T partner, principal, or professional employee.

For purposes of the preceding section entitled "Independence Matters" and "Process for Obtaining Preapproval of Services", "D&T" shall mean Deloitte & Touche LLP and its subsidiaries; Deloitte Touche Tohmatsu Limited, its member firms, the affiliates of Deloitte & Touche LLP, Deloitte Touche Tohmatsu Limited, and its member firms; and, in all cases, any successor or assignee.

APPENDIX C

COMMUNICATIONS WITH THE AUDIT COMMITTEE

This Appendix C is part of the engagement letter dated July 22, 2020 between Deloitte & Touche LLP and Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan (the "Organization") and approved by the Audit Committee of the Organization.

We are responsible for communicating with the Audit Committee significant matters related to the audit that are, in our professional judgment, relevant to the responsibilities of the Audit Committee in overseeing the financial reporting process.

In connection with the foregoing, we will communicate to the Audit Committee any fraud we identify or suspect that involves (1) management, (2) employees of the Organization who have significant roles in internal control, or (3) other employees of the Organization when the fraud results in a material misstatement of the financial statements. In addition, we will communicate with the Audit Committee any other matters related to fraud that are, in our professional judgment, relevant to their responsibilities. We will communicate to management any fraud perpetrated by lower-level employees of which we become aware that does not result in a material misstatement of the financial statements; however, we will not communicate such matters to the Audit Committee, unless otherwise directed by the Audit Committee.

In addition, as required by generally accepted government auditing standards, our report on the Organization's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters will include any findings of material noncompliance of such provisions, fraud, and material abuse that we have identified during our audit.

We will also communicate, in writing, to management and the Audit Committee any significant deficiencies or material weaknesses in internal control (as defined in generally accepted auditing standards) that we have identified during the audit, including those that were remediated during the audit.

We are not required to design procedures for the purpose of identifying other matters to communicate with the Audit Committee. However, we will communicate to the Audit Committee matters required by the Auditing Standards.

We may also communicate to management and the Audit Committee on internal control, compliance, or other matters we observe and possible ways to improve the Organization's operational efficiency and effectiveness or otherwise improve its internal control or other policies and procedures.

APPENDIX D

GENERAL BUSINESS TERMS

This Appendix D is part of the engagement letter to which these terms are attached (the engagement letter, including its appendices, the "engagement letter") dated July 22, 2020 between Deloitte & Touche LLP and Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan (the "Organization") and approved by the Audit Committee of the Organization.

1. Independent Contractor. D&T is an independent contractor and D&T is not, and will not be considered to be, an agent, partner, fiduciary, or representative of the Organization or the Audit Committee.

2. Survival. The agreements and undertakings of the Organization and the Audit Committee contained in the engagement letter will survive the completion or termination of this engagement.

3. Assignment and Subcontracting. Except as provided below, no party may assign any of its rights or obligations (including, without limitation, interests or claims) relating to this engagement without the prior written consent of the other parties. The Organization and the Audit Committee hereby consent to D&T subcontracting a portion of its services under this engagement to any affiliate or related entity, whether located within or outside of the United States. Professional services performed hereunder by any of D&T's affiliates or related entities shall be invoiced as professional fees, and any related expenses shall be invoiced as expenses, unless otherwise agreed.

4. Severability. If any term of the engagement letter is unenforceable, such term shall not affect the other terms, but such unenforceable term shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein.

5. Force Majeure. No party shall be deemed to be in breach of the engagement letter as a result of any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

6. Confidentiality. To the extent that, in connection with this engagement, D&T comes into possession of any confidential information of the Organization, D&T shall not disclose such information to any third party without the Organization's consent, using at least the same degree of care as it employs in maintaining in confidence its own confidential information of a similar nature, but in no event less than a reasonable degree of care. The Organization and the Audit Committee hereby consent to D&T disclosing such information (1) as may be required by law or regulation, or to respond to governmental inquiries, or in accordance with applicable professional standards or rules, or in connection with litigation or arbitration pertaining hereto; provided that a required disclosure of Confidential Information pursuant to the foregoing does not relieve the receiving Party of its confidentiality obligations with respect to any other party; (2) to the extent such information (i) is or becomes publicly available other than as the result of a disclosure in breach hereof, (ii) becomes available to D&T on a nonconfidential basis from a source that D&T believes is not prohibited from disclosing such information to D&T, (iii) is already known by D&T without any obligation of confidentiality with respect thereto, or (iv) is developed by D&T independently of any disclosures made to D&T hereunder; or (3) to contractors providing administrative, infrastructure, and other support services to D&T and subcontractors providing services in connection with this engagement, in each case, whether located within or outside of the United States, provided that such contractors and subcontractors have agreed to be bound by confidentiality obligations similar to those in this paragraph.

7. Dispute Resolution. Any controversy or claim between the parties arising out of or relating to the engagement letter or this engagement (a "Dispute") shall be resolved by mediation or binding arbitration as set forth in the Dispute Resolution Provision attached hereto as Appendix E and made a part hereof

8. Insurance. During the term of this engagement, D&T shall maintain commercial general liability, including bodily injury and property damage insurance in amounts not less than \$1,000,000 per occurrence and \$2,000,000 aggregate; professional errors and omissions liability insurance, in amounts not less than \$2,000,000 per claim; and \$4,000,000 aggregate, which insurance may not be canceled or reduced in required limits of liability unless at least thirty days advance written notice be given to you.

9. Transmission of Information. In transmitting any confidential or sensitive information to you, D&T has administrative, physical, and technical safeguards designed to protect the confidentiality, integrity, and availability of the electronic confidential information that it receives, maintains, or transmits on behalf of Organization in connection with this agreement.

10. Notices. Any notices required or permitted to be given hereunder by any party to the other shall be in writing and shall be deemed delivered upon personal delivery; twenty-four (24) hours following deposit with a courier for overnight delivery; or seventy-two (72) hours following deposit in the U.S. Mail, registered or certified mail, postage prepaid, return-receipt requested, addressed to the parties at the addresses set forth on the first page of the engagement letter, or to such other addresses as the parties may specify in writing.

11. Waiver. The waiver by either party of a breach or non-compliance with any provision of this engagement letter shall not operate nor be construed as a waiver of any subsequent breach or non-compliance.

APPENDIX E

DISPUTE RESOLUTION PROVISION

This Appendix E is part of the engagement letter dated July 22, 2020 between Deloitte & Touche LLP and Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan (the "Organization") and approved by the Audit Committee of the Organization.

This Dispute Resolution Provision sets forth the dispute resolution process and procedures applicable to the resolution of Disputes and shall apply to the fullest extent of the law, whether in contract, statute, tort (such as *negligence*), or otherwise.

Mediation: All Disputes shall be first submitted to nonbinding confidential mediation by written notice to the parties and shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution ("CPR"), at the written request of a party, shall designate a mediator.

Arbitration Procedures: If a Dispute has not been resolved within 90 days after the effective date of the written notice beginning the mediation process (or such longer period, if the parties so agree in writing), the mediation shall terminate, and the Dispute shall be settled by binding arbitration to be held in Los Angeles, California. The arbitration shall be solely between the parties and shall be conducted in accordance with the CPR Rules for Non- Administered Arbitration that are in effect at the time of the commencement of the arbitration, except to the extent modified by this Dispute Resolution Provision (the "Rules").

The arbitration shall be conducted before a single arbitrator if the aggregate amount of the Dispute submitted to the arbitration is equal to or less than \$380,000 and shall be conducted before a panel of three arbitrators if the aggregate amount of the Dispute submitted to arbitration is greater than \$380,000. In the event the panel consists of one arbitrator, the arbitrator shall be selected in accordance with CPR Arbitration Rule 6 (Selection of Arbitrator(s)). In the event the panel consists of three arbitrators, the Organization and Deloitte & Touche LLP shall designate one arbitrator in accordance with the "screened" appointment procedure provided in the CPR Arbitration Rules and the two party-designated arbitrators shall jointly select the third in accordance with the CPR Arbitration Rules. No arbitrator may serve on the panel unless he or she has agreed in writing to enforce the terms of the engagement letter (including its appendices) to which this Dispute Resolution Provision is attached and to abide by the terms of this Dispute Resolution Provision. Except with respect to the interpretation and enforcement of these arbitration procedures (which shall be governed by the Federal Arbitration Act), the arbitrators shall apply the laws of the State of California (without giving effect to its choice of law principles) in connection with the Dispute. The arbitrators shall have no power to award punitive, exemplary or other damages not based on a party's actual damages (and the parties expressly waive their right to receive such damages). The arbitrators may render a summary disposition relative to all or some of the issues, provided that the responding party has had an adequate opportunity to respond to any such application for such disposition. Discovery shall be conducted in accordance with the Rules.

All aspects of the arbitration shall be treated as confidential, as provided in the Rules, unless otherwise required by law. Before making any disclosure permitted by the Rules, a party shall give written notice to all other parties and afford such parties a reasonable opportunity to protect their interests. Further, judgment on the arbitrators' award may be entered in any court having jurisdiction.

Costs: Each party shall bear its own costs in both the mediation and the arbitration; however, the parties shall share the fees and expenses of both the mediators and the arbitrators equally.

BUSINESS ASSOCIATE APPENDIX

Local Initiative Health Authority for Los Angeles County

Year Ending September 30, 2020

This Appendix F is part of the engagement letter dated July 22, 2020 between Deloitte & Touche LLP and Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan (the "Organization") and approved by the Audit Committee of the Organization.

If and to the extent, and so long as, required by HIPAA or HITECH (each as defined below), the California Medical Information Act and Organization's contract with the California Department of Health Care Services, and other applicable laws or regulations, D&T and the Organization hereby agree to the following in connection with D&T's performance of services under the engagement letter to which this Business Associate Appendix is attached (such engagement letter, the "Engagement Letter," together with this Business Associate Appendix and all other attachments, appendices, and exhibits to the Engagement Letter, this "Agreement").

(A) Unless otherwise specified in this Business Associate Appendix, all capitalized terms used in this Business Associate Appendix shall have the meanings established for purposes of HIPAA or HITECH, as applicable. Specific statutory or regulatory citations used in this Business Associate Appendix shall mean such citations as amended and in effect from time to time.

1. "Compliance Date" shall mean, with respect to any applicable provision in this Business Associate Appendix, the later of the date by which compliance with such provision is required under HITECH and the effective date of this Agreement.

2. "Electronic Protected Health Information" shall mean Protected Health Information that is transmitted or maintained in electronic media.

3. "HIPAA" shall mean the Health Insurance Portability and Accountability Act, 42 U.S.C. §§ 1320d through 1320d-8, as amended from time to time, and all associated existing and future implementing regulations, when effective and as amended from time to time.

4. "HITECH" shall mean Subtitle D of the Health Information Technology for Economic and Clinical Health Act provisions of the American Recovery and Reinvestment Act of 2009, 42 U.S.C. §§ 17921-17954, as amended from time to time, and all associated existing and future implementing regulations, when effective and as amended from time to time.

5. "Protected Health Information" shall mean the term as defined in 45 C.F.R. § 160.103 and is limited to the Protected Health Information received from, or received or created on behalf of, the Organization by D&T pursuant to performance of the Services.

6. "Privacy Rule" shall mean the federal privacy regulations issued pursuant to HIPAA, as amended from time to time, codified at 45 C.F.R. Part 164 (Subparts A and E).

7. "Security Rule" shall mean the federal security regulations issued pursuant to HIPAA, as amended from time to time, codified at 45 C.F.R. Part 164 (Subparts A and C).

8. "Services" shall have the meaning set forth in the attached engagement letter, and, if not therein defined, shall mean the services described in the Engagement Letter to be performed by D&T for the Organization. "Unsecured Protected Health Information" shall mean Protected Health Information that is not rendered unusable, unreadable, or indecipherable to unauthorized individuals through the use of a

technology or methodology specified by the Secretary in the regulations or guidance issued pursuant to 42 U.S.C. § 17932(h)(2).

9. "Unsuccessful Security Incidents" shall include pings and other broadcast attacks on Business Associate's firewall, port scans, unsuccessful log-on attempts, denials of service and any combination of the above, so long as no such incident results in unauthorized access, use or disclosure of Protected Health Information.

(B) With regard to D&T's use and disclosure of Protected Health Information:

1. D&T may use and disclose Protected Health Information as reasonably required or contemplated in connection with the performance of the Services, excluding the use or further disclosure of Protected Health Information in a manner that would violate the requirements of the Privacy Rule, if done by the Organization. Notwithstanding the foregoing, D&T may use and disclose Protected Health Information for the proper management and administration of D&T as provided in 45 C.F.R. § 164.504(e)(4).

2. D&T will not use or further disclose Protected Health Information other than as permitted or required by this Business Associate Appendix, and in compliance with each applicable requirement of 45 C.F.R. § 164.504(e), or as otherwise Required by Law.

3. D&T will implement and use appropriate administrative, physical, and technical safeguards to (1) prevent use or disclosure of Protected Health Information other than as permitted or required by this Business Associate Appendix; (2) reasonably and appropriately protect the confidentiality, integrity, and availability of the Electronic Protected Health Information that D&T creates, receives, maintains, or transmits on behalf of the Organization; and (3) comply with the Security Rule with respect to Electronic Protected Health Information.

4. D&T shall notify Organization in writing of any use or disclosure of PHI not permitted under this Agreement and this BAA of which it becomes aware, including Breaches of Unsecured PHI as required by 45 C.F.R. § 164.410, incidents that pose a risk of constituting Breaches and any Security Incident affecting Electronic PHI. Such notifications shall be directed to the attention of Organization's Privacy Officer (email to PrivacyOfficer@lacare.org or another method may be used as agreed to by Organization and D&T) within twenty-four (24) hours of D&T's discovery. Any report of a Breach of Unsecured PHI shall include, to the extent reasonably practicable (and subsequently as such information becomes available):

(i) the nature of the Breach; (ii) the types of PHI that were involved in the Breach; (iii) identification of each individual whose Unsecured PHI has been, or is reasonably believed by D&T to have been accessed, acquired or disclosed during the Breach; (iv) the title or job description of the individual who made the Breach; (v) the corrective action D&T took or will take to prevent further Breaches; (vi) the steps D&T took or will take to mitigate, to the extent practicable, the harmful effects of the Breach; and (vii) such other information as Organization may reasonably request or which, pursuant to 45 C.F.R. § 164.404, may be necessary to include in a notification of the Breach. D&T shall also notify Organization in writing, within the timeframes and in the manner outlined above in this Section (B)4, of any use or disclosure of PHI by its subcontractor(s) (or subcontractors' agent(s)) not permitted by the Agreement and this BAA. D&T shall cooperate with Organization to conduct any risk assessment necessary to determine whether notification of Breach is required. A Breach shall be treated as discovered by D&T as of the first day on which such Breach is known to D&T, or by exercising reasonable diligence, would have been known, to D&T. For purposes of this Section (B)4, the knowledge of any person, other than the individual committing the Breach, who is an employee, officer or other agent (determined in accordance with the federal common law of agency) of D&T, shall be imputed to D&T. In the event of that a Breach of Unsecured PHI is caused solely by D&T, D&T shall, upon the request of Organization, provide all information necessary in notifying individuals or the media, if applicable, pursuant to 45 C.F.R. § 164.404 and 164.406, and in the event that the Breach of Unsecured PHI is caused solely by D&T's breach of the terms of this BAA, D&T shall reimburse Organization for its reasonable and direct out of pocket costs incurred, up to an aggregate amount of \$380,000, related to providing such legally required notifications. D&T need not report Unsuccessful Security Incidents.

5. D&T will ensure that any subcontractors or agents to whom D&T provides Protected Health Information agree in writing to the same restrictions and conditions that apply to D&T with respect to such Protected Health Information. To the extent that D&T provides Electronic Protected Health Information to a subcontractor or agent, it will require the subcontractor or agent to implement reasonable and appropriate safeguards to protect the Electronic Protected Health Information consistent with the requirements of this Business Associate Appendix. D&T shall not disclose any Protected Health Information to any subcontractors or agents located outside of the United States without Organization's written consent.

6. D&T will, to the extent that Protected Health Information in D&T's possession constitutes a Designated Record Set, make available such Protected Health Information to the Organization to permit the Organization to respond to a request by an Individual in accordance with 45 C.F.R. § 164.524.

7. In the event that D&T, in connection with the Services, uses or maintains an Electronic Health Record of Protected Health Information of or about an Individual, D&T will provide an electronic copy of such Protected Health Information to the Organization to permit the Organization to respond to a request by an Individual in accordance with 42 U.S.C. § 17935(e).

8. D&T will, to the extent that Protected Health Information in D&T's possession constitutes a Designated Record Set, make available to the Organization such Protected Health Information for amendment and incorporate any amendments to such information as directed by the Organization, all in accordance with 45 C.F.R. § 164.526.

9. D&T will document and make available to the Organization the information required to provide an accounting of disclosures of Protected Health Information, in accordance with 45 C.F.R. § 164.528.

10. In the event that D&T, in connection with the Services, uses or maintains an Electronic Health Record of Protected Health Information of or about an Individual, D&T will make available to the Organization the information required to provide an accounting of disclosures of such Protected Health Information in accordance with the requirements for accounting of disclosures made through an Electronic Health Record in 42 U.S.C. § 17935(c).

11. D&T will make its internal practices, books, and records relating to the use and disclosure of Protected Health Information available to the Secretary for purposes of determining the Organization's and D&T's compliance with the Privacy Rule.

D&T will limit any request, use or disclosure by D&T of Protected Health Information, to the extent practicable, to the Limited Data Set of such Protected Health Information (as defined in 45 C.F.R. § 164.514(e)(2)), or, if the request, use or disclosure by D&T of Protected Health Information, not in a Limited Data Set, is necessary for D&T's performance of the Services, D&T will limit the amount of such Protected Health Information requested, used or disclosed by D&T to the minimum necessary to accomplish the intended purpose of such request, use or disclosure, respectively ; provided, however, that the requirements set forth above in this subsection (13) shall be superseded and replaced by the requirements of the "minimum necessary" regulations or guidance to be issued by the Secretary (pursuant to 42 U.S.C. § 17935(b)(l)(B)) on and after its Compliance Date.

(C) In addition to any other obligation set forth in this Agreement, including this Business Associate Appendix, the Organization agrees that it will: (1) not make any disclosure of Protected Health Information to D&T if such disclosure would violate HIPAA, HITECH, or any applicable federal or state law or regulation; (2) not request D&T to use or make any disclosure of Protected Health Information in any manner that would not be permissible under HIPAA, HITECH, or any applicable federal or state law or regulation if such use or disclosure were done by the Organization; and (3) limit any disclosure of Protected Health Information to D&T, to the extent practicable, to the Limited Data Set of such Protected Health Information, or, if the disclosure of Protected Health Information that is not in a Limited Data Set is necessary for D&T's performance of the Services, to limit the disclosure of such Protected Health

Information to the minimum necessary to accomplish the intended purpose of such disclosure, provided, however, that the requirements set forth above in this subsection (3) shall be superseded and replaced by the requirements of the "minimum necessary" regulations or guidance to be issued by the Secretary (pursuant to 42 U.S.C. § 17935(b)(1)(B)) on and after its Compliance Date.

(D) If either the Organization or D&T knows of either a violation of a material term of this Business Associate Appendix by the other party or a pattern of activity or practice of the other party that constitutes a material breach or violation of this Business Associate Appendix, the non-breaching party will provide written notice of the breach or violation to the other party that specifies the nature of the breach or violation. In the event that the breaching party does not cure the breach or end the violation on or before thirty (30) days after receipt of the written notice, the nonbreaching party may, if feasible, terminate this Agreement.

(E) D&T will, at termination of this Agreement, if feasible, return or destroy all Protected Health Information that D&T still maintains in any form and retain no copies of Protected Health Information or, if such return or destruction is not feasible (such as in the event that the retention of Protected Health Information is required for archival purposes to evidence the Services), D&T may retain such Protected Health Information and shall thereupon extend the protections of this Business Associate Appendix to such Protected Health Information and limit further uses and disclosures to those purposes that make the return or destruction of such Protected Health Information infeasible.

(F) Any other provision of this Agreement that is directly contradictory to one or more terms of this Business Associate Appendix shall be superseded by the terms of this Business Associate Appendix to the extent and only to the extent of the contradiction and only for the purpose of the Organization's and D&T's compliance with HIPAA and HITECH. The terms of this Business Associate Appendix, to the extent they are unclear, shall be construed to allow for compliance by the Organization and D&T with HIPAA and HITECH.

(G) Nothing contained in this Business Associate Appendix is intended to confer upon any person (other than the parties hereto) any rights, benefits, or remedies of any kind or character whatsoever, whether in contract, statute, tort (such as negligence), or otherwise, and no person shall be deemed a third-party beneficiary under or by reason of this Business Associate Appendix.

(H) Nothing contained in this Business Associate Appendix shall be interpreted to mean that D&T will create or transmit Protected Health Information on behalf of the Organization. Furthermore, D&T shall not carry out any of the Organization's obligations under the Privacy Rule.

(I) Notwithstanding anything to the contrary herein, D&T shall not, and shall ensure that any employee, agent, or subcontractor, shall not access, transmit, maintain, export, store or transfer any Protected Health Information from or outside of the United States for any purpose whatsoever, whether for access, storage, testing, or processing or otherwise, without the express prior written consent of Organization's Privacy Officer or Information Security Officer. In addition, D&T shall not, and shall ensure that any employee, agent or subcontractor shall not, make any Protected Health Information available to any entity or individual outside of the United States for any purpose whatsoever, including for access, storage, testing, or processing or otherwise, without the express prior written consent of Organization's Privacy Officer or Information Security Officer.



About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.