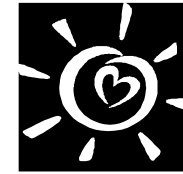


BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – April 27, 2020

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



L.A. Care
HEALTH PLAN

Members

Robert H. Curry, *Chairperson*
Stephanie Booth, MD
Hector De La Torre
Hilda Perez
G. Michael Roybal, MD

Management/Staff

John Baackes, *Chief Executive Officer*
Terry Brown, *Chief Human Resource Officer*
Augustavia J. Haydel, Esq., *General Counsel*
Dino Kasdagly, *Chief Operating Officer*
Marie Montgomery, *Chief Financial Officer*
Tom MacDougall, *Chief Information & Technology Officer*
Richard Seidman, MD, MPH, *Chief Medical Officer*

**Absent ** Via Teleconference*

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	<p>Robert H. Curry, <i>Chairperson</i>, called the meeting to order at 1:03 p.m.</p> <p>He welcomed everyone to the meeting and invited the members of the Committee, staff and guests to introduce themselves.</p> <p>Chairperson Curry 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 by 2pm today were provided to the Finance & Budget Committee members. Public comments will be read for 3 minutes during the meeting. 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. 	

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
APPROVE MEETING AGENDA	The Agenda for today's meeting was approved.	Approved unanimously by roll call. 4 AYES (Curry, De La Torre, Perez and Roybal)
PUBLIC COMMENTS	There were no public comments.	
MEETING MINUTES	<i>The February 24, 2020 F&B meeting minutes were approved by the Executive Committee on March 23, 2020.</i>	
CHAIRPERSON'S REPORT	Chairperson Curry commented on the unique natures of the current public health situation. He is pleased and proud of L.A. Care's response. He thanked everyone in health care who is treating people with this deadly and horrible disease. He complimented those who work to get personal protective equipment (PPE) to health care staff. He appreciates the overall response from front line staff who are working hard to help patients.	
CHIEF EXECUTIVE OFFICER'S REPORT	<p>John Baackes, <i>Chief Executive Officer</i>, thanked the front line health providers.</p> <ul style="list-style-type: none"> • All of L.A. Care staff are working remotely since as of March 16. A handful of staff does go in to the office: IT staff, staff that checks mail, and staff that receive claims or sending checks to providers. • L.A. Care recognizes its role as a health plan is to make sure members have access to care and providers have resources to operate. Leadership is looking carefully at all that L.A. Care can do to help them. • Hospital space is set aside to treat COVID-19 patients. Doctors whose offices are closed are using telephone visits. • Last week, L.A. Care announced an effort to advance funds to providers with cash flow problems. There is incomplete data on the needs of hospitals and clinics. Hospitals are still waiting for Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. L.A. Care has allocated \$20 million in advance incentive payment to hospitals, federally qualified health centers (FQHCs), clinics and independent physician associations (IPAs) based on past performance incentive earned. • L.A. Care is also involved with the meal delivery with Project Angel Food. More details will be provided at the May 7 Board meeting. <p><i>(Member Booth joined the meeting.)</i></p>	

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	<p>Health plans are expecting sharp increases in enrollment because of the expected economic recession, and L.A. Care is leading an effort with 14 other health plans to ask for federal financial support for Medicaid through the CARES Act, to:</p> <ul style="list-style-type: none"> ○ Indefinitely suspend the Medicaid Fiscal Accountability Regulations (MFAR) ○ Amend Medicaid rules to allow presumptive eligibility for enrollment ○ Suspend changes to public charge rules <ul style="list-style-type: none"> ● This morning the Supreme Court, in an unprecedented 8-1 decision, ruled against the US government and supported the case for health insurance companies to recover funds that were to be paid through the Affordable Care Act. L.A. Care's share of the payment is estimated to be \$23 million. 	
COMMITTEE ITEMS		
<p>Chief Financial Officer's Report</p> <p>Financial Performance Report</p>	<p>Marie Montgomery, <i>Chief Financial Officer</i>, provided an update on financial performance for March 2020. <i>(A copy of her presentation may be requested by contacting Board Services.)</i></p> <p><u>Membership</u></p> <p>Membership for the month is 2,146,643, favorable by 2,700 members; 14,379 member months unfavorable for the year versus the forecast. Membership is likely to increase significantly due to an increase in unemployment claims. The 4+8 forecast was done pre COVID-19. The forecast assumed a 3.5% decrease in membership for Plan Partners and a 2.5% decrease for MCLA, with the exception of the enrollment expected to get from the expansion of coverage to undocumented young adults beginning in March, and the increase expected from our updated auto-assignment rate. Commercial is higher than forecast by approximately 3,300 members. There is a slight drop in membership for L.A. Care Covered (LACC) in March, but still ahead of the forecast for the year.</p> <p>Board Chairperson De La Torre asked how L.A. Care can help the unemployed having difficulties with Employment Development Department. He also asked about eligibility for Medi-Cal.</p> <p>Member Roybal suggested that L.A. Care run advertising to let people know their options.</p> <p>Mr. Baackes will check with Antonia Jimenez, <i>Director of Department of Public Social Services</i>, on the question and will ask staff to explore the advertising.</p>	

APPROVED

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	<p>Member Booth asked the enrollment for PASC and LACC. Ms. Montgomery responded that PASC membership is approximately 50,000 and L.A. care Covered (LACC) is approximately 85,000.</p> <p><u>Consolidated Financial Performance</u> The net deficit for March 2020 is \$9.8 million, with a year to date net surplus of \$45.8 million which is \$19 million unfavorable to forecast.</p> <p>Pharmacy expenses are unfavorable to the forecast by almost \$13 million. This was because of regulatory guidance to change the early refill limit. L.A. Care changed the early refill restriction to a soft edit, which means that the pharmacist can override the rejection without calling L.A. Care or the prescriber if the patient provides a valid reason.</p> <p>The capitation deduct true-up is unfavorable to L.A. Care by \$10 million, retroactive to July 2019.</p> <p>L.A. Care experienced very high paid claims in March at \$241 million. L.A. Care is accelerating claims payments to assist providers. As a result, claims incurred for months prior to March are higher than forecasted. For the incurred month of March 2020, staff is factoring in the impact of COVID-19 on cancelled elective medical procedures. The elective procedures are beginning to occur only recently at the same time L.A. Care has accelerated claim payments.</p> <p>YTD Administrative expenses are \$700,000 favorable to forecast. Non-operating revenue is \$1.5 million unfavorable to forecast due to unrealized losses on investments. The unrealized gain position went from a \$12.4 million gain down to a \$7.4 million gain.</p> <p><u>Operating Margin by Segment</u> Overall medical care ratio (MCR) is 93.6% versus a forecast of 93.2%, resulted in an unfavorable variance of \$18 million in operating margin. MCR for the Temporary Assistance to Needy Families (TANF)/Medi-Cal Expansion (MCE) segment is behind the forecast driven by the \$10 million capitation deduct true up discussed earlier.</p> <p><u>Key Financial Ratios</u> Working Capital and Tangible Net Equity are ahead of benchmarks. Cash to claims ratio is below the target. The cash to claims ratio will not fully recover until the In-Home Supportive Services program balance with the Department of Health Care Services is settled.</p>	

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	<p><u>Motion FIN 100.0520</u> To accept the Financial Report for March 2020, as submitted.</p>	<p>Approved unanimously by roll call. 5 AYES</p>
<p>Quarterly Investment Report</p>	<p>Ms. Montgomery noted that the Quarterly Investment Report for the quarter ending March 31, 2020, is included in meeting materials. Per Wilshire’s report, L.A Care is in compliance with its investment guidelines. Investment yields have decreased significantly for the short-term duration investments and L.A. Care is moving funds to the Los Angeles County pooled fund to improve its yield.</p> <p><u>Motion FIN 101.0520</u> To accept the Quarterly Investment Report for the quarter ending March 31, 2020, as submitted.</p>	<p>Approved unanimously by roll call. 5 AYES</p> <p>The Committee approved including this motion on the Consent Agenda for the May 7, 2020, Board of Governors meeting.</p>
<p>Investment Monthly Transactions Report</p>	<p>Ms. Montgomery referred to the investment transactions reports included in the meeting materials. <i>(A copy of the report can be obtained by contacting Board Services).</i> As of March 31, 2020, L.A. Care’s total investment market value was \$1.5 billion.</p> <ul style="list-style-type: none"> • \$1.3 billion managed by Payden & Rygel and New England Asset Management (NEAM) • \$72 million in Local Agency Investment Fund • \$106 million in Los Angeles County Pooled Investment Fund 	
<p>Quarterly Reports Required by Internal Policies</p>	<p>Ms. Montgomery referred to reports required by L.A. Care’s internal policies for the FY 2019-20, included in the meeting materials. <i>(A copy of the reports can be obtained by contacting Board Services):</i></p> <ul style="list-style-type: none"> • Policy AFS-004 (Non-Travel Expense Report) • Policy AFS-027 (Travel Expense Report) • Policy AFS-006 (Authorization and Approval Limits) • Policy AFS-007 (Procurement) <p>Member Booth noted that it is difficult to compare non-travel expenses to the budget. Ms. Montgomery noted that staff is tracking these expenses, and will report expenses higher than budgeted.</p>	
<p>PaySpan Contract Amendment</p>	<p>Ms. Montgomery presented a motion requesting a contract amendment with PaySpan. L.A. Care partnered with PaySpan for an EDI System that includes Electronic Funds Transfer (EFT), file processing, Electronic Remittance Advice (ERA), and an online archive. A competitive bid was conducted in 2013. The EDI System enables L.A. Care to be compliant</p>	

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	<p>with the Department of Health & Human Services regulation regarding Adoption of Operating Rules for Health Care EFTs and ERA transactions, including Provider Enrollment in EFT and ERA. L.A. Care requires these services because of an increase in EFT Claims Payments.</p> <p><u>Motion FIN A.0420</u> To authorize staff to amend a contract in the amount of \$1,000,000 with PaySpan to provide Electronic Funds Transfer services through its Electronic Data Interchange System through September 30, 2022 for a new contract total of \$1,875,000.</p>	<p>Approved unanimously by roll call. 5 AYES</p>
<p>WEX Health Contract Amendment</p>	<p>Ms. Montgomery presented a motion requesting approval to amend the contract with WEX Health. WEX Health was selected through a competitive bidding process in 2014 for L.A. Care Covered (LACC) Premium Billing services. WEX Health services include invoice billing, processing of premium payments (through ACH, recurring, credit/debit card and lockbox), and will provide a secured platform for LACC members to submit payments, view payments, and download premium invoices.</p> <p>Member Booth asked about the calculation of the increase. Ms. Montgomery responded that this request is to get through the end of the time period and additional work. Member Booth asked about the request for proposal (RFP) check box on the motion summary form. Ms. Montgomery responded that the RFP is described in the background summary. Chair Curry suggested adding the year the RFP was conducted next to the check box.</p> <p><u>Motion FIN 102.0520</u> To authorize staff to amend the contract in the amount of \$3,520,000 with WEX Health to provide Covered California Premium Billing services through December 2021 for a total contract of \$8,495,500.</p>	<p>Approved unanimously by roll call. 5 AYES</p> <p>The Committee approved including this motion on the Consent Agenda for the May 7, 2020, Board of Governors meeting.</p>
<p>Toney Healthcare Consulting Contract Amendment</p>	<p>Richard Seidman, MD, <i>Chief Medical Officer</i>, summarized a motion requesting approval of a contract amendment with Toney Healthcare Consulting through December 31, 2020.</p> <p>Member Booth asked about full time equivalent staff (FTEs) and the increase in the contract amount. Staff will revise the motion summary to be presented to the full board on May 7 to address Member Booth's questions.</p> <p>This motion was taken off the Consent Agenda for May 7, 2020 Board of Governors meeting.</p> <p><u>Motion FIN 103.0520</u></p>	<p>The motion summary will be revised and the motion will be presented</p>

APPROVED

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	<p>To authorize an amendment extending the current contract with Toney Health Care Consulting through December 31, 2020, for care management and utilization management services, in an amount not to exceed \$2,300,000, for a total contract not to exceed \$5,800,000.</p>	<p>at the May 7 Board meeting.</p>
<p>TransUnion Contract Amendment</p>	<p>Dino Kasdagly, <i>Chief Operating Officer</i>, summarized a motion requesting approval to amend the contract with Trans Union for additional funding and extension through May 31, 2021. Trans Union collects and processes provider encounter data for Medi-Cal, In Home Supportive Services (IHSS), LACC, and CalMediConnect lines of business, and the data is used to determine health plan rates. Trans Union was originally selected through an RFP process in 2017. It is the industry leader for Medi-Cal encounter data processing in the Los Angeles region.</p> <p><u>Motion FIN 104.0520</u></p> <p>To authorize staff to amend a contract with TransUnion for the period of June 1, 2020 to May 31, 2021, to provide encounter processing services, in an amount not to exceed \$1,300,000, for a total contract amount not to exceed \$6,836,000.</p>	<p>Approved unanimously by roll call. 5 AYES</p> <p>The Committee approved including this motion on the Consent Agenda for the May 7, 2020, Board of Governors meeting.</p>
<p>Change Healthcare Contract</p>	<p>Mr. Kasdagly summarized a motion requesting approval to contract with Change Healthcare (CHC). As part of the new contract, L.A. Care will implement Change Healthcare's Payer Connectivity Services (PCS) platform and will convert all providers currently submitting electronic claims utilizing CHC's Advanced Claiming platform to the new PCS platform. The vendor has notified L.A. Care that Advanced Claiming will no longer be supported. The PCS platform will continue to provide L.A. Care's providers with the ability to submit electronic claims, validate eligibility, and lookup claims status. The implementation of the PCS platform will allow L.A. Care to take advantage of reduced per-claim service rates due to volume based tiered pricing which decreases per-claim cost as the claims processing volume increases. This is a sole source vendor according to L.A. Care Policy AFS-007 because Change Healthcare is already familiar with L.A. Care systems and processes and there would be a significant learning curve and disruption if a new vendor unfamiliar with L.A. Care is selected.</p> <p>Chair Curry asked if this system will track authorizations. Mr. Kasdagly responded that this will not track authorizations.</p>	

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	<p><u>Motion FIN 105.0520</u> To authorize staff to execute a contract with Change Healthcare for the period of May 2020 to May 2025, for claims electronic data interchange services, in an amount not to exceed \$8,100,000.</p>	<p>Approved unanimously by roll call. 5 AYES</p>
<p>Systems, Applications, and Products (SAP) Contract Renewal</p>	<p>Terry Brown <i>Chief Human Resources Officer</i>, summarized a motion requesting approval to execute a contract renewal with Systems, Applications, and Products (SAP). The vendor currently provides L.A. Care with a Human Resources Information System (HRIS) which includes, but is not limited to, storing employee data, Applicant Tracking System, Learning Management System and Talent Management System. L.A. Care has used this vendor since 2015 and is pleased with their work. SAP Successfactors also fits within the footprint of other SAP solutions in use at L.A. Care. A competitive request for proposal was conducted in 2014.</p> <p>Chair Curry asked if L.A. Care is pleased with the utility. Mr. Brown responded that L.A. Care is pleased with their work.</p> <p><u>Motion FIN 106.0520</u> To authorize staff to execute a contract in the amount of \$6,278,311.28 with Systems, Applications, and Products (SAP) to provide SuccessFactors, Human Resources Information System for the period of May 20, 2020 to May 19, 2025.</p>	<p>Approved unanimously by roll call. 5 AYES</p> <p>The Committee approved including this motion on the Consent Agenda for the May 7, 2020, Board of Governors meeting.</p>
<p>Healthx Contract Amendment</p>	<p>Tom MacDougall, <i>Chief Information & Technology Office</i>, summarized a motion requesting to amend a contract with Healthx, through February 2021. In February 2015, the Board of Governors authorized staff to contract with one or more existing key vendors for L.A. Care's Member and Provider Portal Strategic implementation services. L.A. Care conducted a competitive request for proposal (RFP) process in 2015 and selected Healthx as the vendor of choice given its proven expertise, health plan experience, and fit with L.A. Care's strategic goals.</p> <p>Member Booth asked why there is an increase in monthly cost. Mr. McDougall responded that there are additional functions which significantly upgrade the provider portal.</p> <p><u>Motion FIN 107.0520</u> To authorize staff to amend a contract with Healthx in the amount of \$2,088,000 (total contract not to exceed \$7,588,000) and extend the contact term for hosting services through February 28, 2021.</p>	<p>Approved unanimously by roll call. 5 AYES</p> <p>The Committee approved including this motion on the Consent Agenda for the May 7, 2020, Board of Governors meeting.</p>

APPROVED

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Rebranding of the existing Family / Community Resource Centers (Lynwood, East LA, Palmdale) to incorporate the Blue Shield partnership	<p>Lance MacLean, <i>Senior Director, Facilities Services</i>, reported that while L.A. Care’s Family and Community Resource Centers are closed due to public health guidelines, L.A. Care is taking the opportunity to upgrade the facilities with the rebranded Blue Shield partnership. The cost falls within the authority for the CEO/CFO to approve.</p> <p>Chair Curry asked about health care services at the resource centers. Mr. Baackes responded that there are no direct health care services provided at the resource centers.</p>	
ADJOURN TO CLOSED SESSION	<p>Augustavia J. Haydel, Esq., <i>General Counsel</i>, announced the items that the Committee will discuss in closed session. There was no public comment on the Closed Session items, and the meeting adjourned to closed session at 2:12 pm.</p> <p>CONTRACT RATES Pursuant to Welfare and Institutions Code Section 14087.38(m)</p> <ul style="list-style-type: none"> • Plan Partner Rates • Provider Rates • DHCS Rates <p>REPORT INVOLVING TRADE SECRET Pursuant to Welfare and Institutions Code Section 14087.38(n) Discussion Concerning New Service, Program, Technology, Business Plan Estimated date of public disclosure: <i>April 2022</i></p> <p>CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to Section 54956.8 of the Ralph M. Brown Act Property: 11725 Rosecrans Ave., Norwalk, CA. 90650 Agency Negotiator: John Baackes Negotiating Parties: Hekmatravan Family Norwalk, LLC, and Levian Family Norwalk, LLC. Under Negotiation: Price and Terms of Payment</p>	

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
RECONVENE IN OPEN SESSION	The meeting reconvened in open session at 2:22 pm. No reportable actions were taken during the closed session.	
ADJOURNMENT	The meeting was adjourned at 2:23 pm.	

Respectfully submitted by:

Linda Merkens, *Senior Manager, Board Services*

Malou Balones, *Board Specialist III, Board Services*

Victor Rodriguez, *Board Specialist II, Board Services*

APPROVED BY:

Robert H. Curry, *Chair*

Date Signed _____

APPROVED

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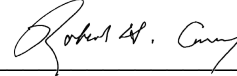
Respectfully submitted by:

Linda Merkens, *Senior Manager, Board Services*

Malou Balones, *Board Specialist III, Board Services*

Victor Rodriguez, *Board Specialist II, Board Services*

APPROVED BY:



Robert H. Curry, *Chair*

Date Signed 6-17-2020

APPROVED