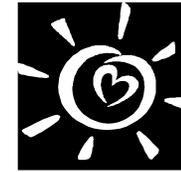


BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – May 26, 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 1:09 p.m.</p> <p>He welcomed everyone to the meeting.</p> <p>Chairperson Curry summarized the process for public comment during this teleconference meeting as reflected on the meeting agenda.</p> <p>Public comments received by voicemail, email or text received by 1pm 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 for the item.</p>	
APPROVE MEETING AGENDA	<p>The Agenda for today's meeting was approved.</p>	<p>Approved unanimously by roll call. 5 AYES (Booth, Curry, De La Torre, Perez and Roybal)</p>

APPROVED

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PUBLIC COMMENTS	There were no public comments.	
MEETING MINUTES	The April 27, 2020 meeting minutes were approved as submitted.	Approved unanimously by roll call. 5 AYES
CHAIRPERSON'S REPORT	Chairperson Curry recognized the heroes providing care to others during the COVID 19 pandemic. He commended everyone in the field who chose to be a caregiver.	
CHIEF EXECUTIVE OFFICER'S REPORT	<p>John Baackes, <i>Chief Executive Officer</i>, echoed Chairperson Curry's remarks. His daily message to staff expressed gratitude for those who gave their lives in military service and those who gave their lives when caring for others.</p> <p>The California budget revisions are under discussion.</p> <ul style="list-style-type: none"> • The State has projected a \$54 billion deficit. The budget revisions will have major impacts on health plans and providers. • L.A. Care has scheduled a series of town hall meetings with a variety of providers. One goal is for L.A. Care's senior team to be available to leadership of provider groups to ensure we are all on the same page, to understand the cuts and get feedback so it can be addressed as partners. It will be a difficult period. • The legislature appears to be moving rapidly to approve the budget. If the federal funding comes in, the legislature will amend the budget. 	
COMMITTEE ITEMS		
Chief Financial Officer's Report Financial Performance Report	<p>Marie Montgomery, <i>Chief Financial Officer</i>, provided an update on financial performance for April 2020 (<i>a copy of her presentation may be requested by contacting Board Services</i>).</p> <p><u>Membership</u> April 2020 membership is 2,173,570, which is 26,814 members favorable, and 12,435 member months favorable year to date, versus the forecast. With the significant increase in unemployment in the recession caused by the pandemic, L.A. Care is expecting a significant increase in membership. The suspension of redeterminations is driving the membership favorability in the month of April.</p> <p>The 4+8 forecast was done pre COVID and assumed a 3.5% decrease in membership for Plan Partners and a 2.5% decrease for MCLA, except enrollment expected from the expansion of coverage to undocumented young adults beginning in April, as well as the increase expected from the updated auto-assignment rate. Commercial plan enrollment is</p>	

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	<p>higher than forecast by approximately 8,000 members. Membership in L.A. Care Covered (LACC) increased in April and is ahead of the forecast for the year.</p> <p><u>Consolidated Financial Performance</u> Net surplus for the month is \$42 million, \$53 million favorable to the forecast. Year to date surplus is \$88 million, \$34 million favorable to the forecast. This is primarily driven by lower than forecasted fee-for-service claims and timing in provider incentives accrual.</p> <p>The month of April was a high paid claims month of \$300 million due to accelerated claims payments to improve cash flow to hospitals and skilled nursing facilities (SNFs). The claims reserve estimate was revised, reflecting higher than forecasted claims for months prior to March. The impact of the deferral of elective procedures due to the COVID 19 crisis was factored into our reserves estimates for the month of March and April. On a year to date basis, Fee-for-Service (FFS) claims are favorable to the forecast by \$20 million. Staff will continue to monitor the claims patterns and to review reserve estimates. Year to date, provider incentives are \$11 million favorable to forecast because of timing of the accrual. Provider incentive expenses are not recognized until the programs have been announced, which was forecasted for April and now expected in June.</p> <p>Pharmacy expenses are favorable for the month by \$4 million due to April being a high rebate month with a lower drug spend compared to March. Last month, L.A Care was \$13 million unfavorable to forecast due to relaxation of the “refill too soon” edit.</p> <p>Administrative expenses are \$3.4 million unfavorable to forecast due to higher printing, mailings and employee benefits.</p> <p>Non-operating revenue is \$6 million favorable to forecast due to unrealized gains on investments and timing in grant spending. The unrealized gain position has been volatile due to market conditions, and is expected to continue.</p> <p><u>Operating Margin by Segment</u></p> <ul style="list-style-type: none"> • Overall Medical Cost Ratio (MCR) is 92.9%, lower than forecast of 93.6% due to lower healthcare expenses. • MCR for Plan Partners is in line with the forecast and SPD/CCI, and TANF/MCE are favorable to the forecast. • MCR for Cal MediConnect is lower than the forecast due to favorable claims trends. • MCR for Commercial is higher than the forecast driven by taking over the payment of LA County Department of Health Services Fee-for-Service claims for PASC-SEIU and 	

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	<p>lower risk adjustment factor (RAF) for LACC related to the higher proportion of bronze members.</p> <p><u>Tangible Net Equity</u> Fund Balance was \$1.1 billion, which represents 646% of Tangible Net Equity. For April 2020 we have cash on-hand to cover operating expenses for the next 52 days.</p> <p><u>Motion FIN 100.0620</u> To accept the Financial Report for April 2020, as submitted.</p>	<p>Approved unanimously by roll call. 5 AYES</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 April 30, 2020, L.A. Care’s total investment market value was \$2 billion.</p> <ul style="list-style-type: none"> • \$1.7 billion managed by Payden & Rygel and New England Asset Management • \$72 million in Local Agency Investment Fund • \$176 million in Los Angeles County Pooled Investment Fund 	
<p>Edifecs Contract Amendment</p>	<p>Dino Kasdagly, <i>Chief Operating Officer</i>, presented a motion requesting to amend the contract with Edifecs to add a processing platform for the risk adjustment data management and processing for the Cal MediConnect (CMC) and L.A. Care Covered (LACC) lines of business. These processes are currently disjointed under various owners using a wide array of tools that are highly dependent on staff expertise and availability, which creates issues for quality and timeliness of deliverables. Well-defined procedures help protect the processing, but it requires significant ongoing resources to maintain. By utilizing the Edifecs platform for the risk adjustment data processing and management, staff will be able to take advantage of modern processing technology, improve visibility to the data and standardize approaches to delivering solutions and maintenance.</p> <p><u>Motion FIN 101.0620</u> To authorize staff to execute on the extension of additional capabilities of the Edifecs platform to address risk adjustment data processing modernization. This will include contracts totaling \$5,500,000. This will include new software modules, licensing, implementation services, and maintenance for the period June 15, 2020 to September 30, 2022.</p>	<p>Approved unanimously by roll call. 5 AYES</p> <p>The Committee approved including this motion on the Consent Agenda for the June 4, 2020, Board of Governors meeting.</p>
<p>Change Healthcare Contract Amendment</p>	<p>Ms. Montgomery presented a motion requesting approval to extend the term of the contract with Change Healthcare Resources from December 30, 2021 to December 31,</p>	

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	<p>2021 and add the amount of \$1,250,000, (which also includes additional funds required to complete the existing term). L.A. Care engaged Change Healthcare Resources in January 2018 for risk adjustment analytics services when the L.A. Care Covered (LACC) membership was approximately 24,000. The current contract total amounts were based on a forecast of 50% growth in membership by the end of the contract term (December 31, 2020). Due to market changes, LACC membership grew to 90,000. The contract with Change Healthcare Resources is based on a per member, per month (PMPM) calculation of fees so the new projected total cost to the end of the current contract period, December 31, 2020, will exceed the original contract amount.</p> <p>Chairperson Curry asked about the term of the contract. Mr. Kasdagly clarified that the contract has a clause for cancellation without cause.</p> <p><u>Motion FIN 102.0620</u> To authorize staff to amend a contract with Change Healthcare Resources for Affordable Care Act risk adjustment functions in the amount of \$1,250,000 for a new contract total of \$3,520,000 and to extend the contract through December 31, 2021.</p>	<p>Approved unanimously by roll call. 5 AYES</p> <p>The Committee approved including this motion on the Consent Agenda for the June 4, 2020, Board of Governors meeting.</p>
Center for the Study of Services Contract	<p>Richard Seidman, MD, MPH, <i>Chief Medical Officer</i>, presented a motion requesting authorization to contract with Center for the Study of Services (CSS) to conduct a member satisfaction survey of services in 2020.</p> <p>Member Booth asked if individual providers see the results of the survey. Dr. Seidman responded that L.A. Care uses the results to assist providers with low results.</p> <p><u>Motion FIN A.0520</u> To authorize staff to execute a contract with Center for the Study of Services, July 30, 2020 through May 31, 2021, for an amount not to exceed \$1,234,285, to conduct the 2020 member satisfaction survey.</p>	<p>Approved unanimously by roll call. 5 AYES</p>
Joseph Wanski, MD Contract Amendment	<p>Dr. Seidman presented a motion requesting to extend the existing contract with Joe Wanski, MD. Dr. Wanski provides medical review services, knows Los Angeles and L.A. Care really well. L.A. Care values his services.</p> <p>Member Booth asked if Dr. Wanski reviews specialty work, and how he is accepted. Dr. Seidman responded that L.A. Care retains a third party vendor to conduct specialty reviews, and he added that Dr. Wanski is well regarded by providers.</p>	

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	<p><u>Motion FIN B.0520</u> To authorize staff to execute an amendment to the existing contract with Joseph Wanski, MD extending the term from June 1, 2020 through May 31, 2022, not to exceed \$560,000 (\$280,000 per year) for a contract total over 5 years not to exceed \$1,385,000.</p>	<p>Approved unanimously by roll call. 5 AYES</p>
<p>Cognizant Contract Amendment</p>	<p>Dr. Seidman presented a motion requesting approval to extend an existing contract with Cognizant. L.A. Care executed a three-year agreement with Cognizant to provide services related to the Healthcare Effectiveness Data and Information Set (HEDIS) assessment, and to the Align.Measure.Perform (AMP) services in 2017. The agreement is due to expire in 2020, and a request for proposal process was conducted from December 2019 through May 2020. Five vendors were evaluated, including Cognizant. Staff has concluded that it is best to delay implementation of a new HEDIS engine given current competing priorities and the additional challenges with the COVID-19 pandemic.</p> <p>L.A. Care will continue to work with Cognizant to improve its services and will re-evaluate its decision to change vendors in the next 6-12 months. It is not uncommon, when changing HEDIS vendors, to run two systems in parallel during the transition to assure that the new system is developing valid rates.</p> <p><u>Motion FIN 103.0620</u> To authorize staff to amend the existing contract with Cognizant to continue providing Healthcare Effectiveness Data and Information Set (HEDIS) & The Align. Measure. Perform (AMP) software and services for the period of September 2020 through September 2021 with fees not to exceed \$1,050,000 for a contract total of \$4,093,761.</p>	<p>Approved unanimously by roll call. 5 AYES</p> <p>The Committee approved including this motion on the Consent Agenda for the June 4, 2020, Board of Governors meeting.</p>
<p>ADJOURN TO CLOSED SESSION</p>	<p>Augustavia J. Haydel, Esq., <i>General Counsel</i>, announced the items that the Committee will discuss in closed session. There was no public comment on the Closed Session items, and the meeting adjourned to closed session at 1:59 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 	

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	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>May 2022</i>	
RECONVENE IN OPEN SESSION	The meeting reconvened in open session at 2:04 pm. No reportable actions were taken during the closed session.	
ADJOURNMENT	The meeting was adjourned at 2:04 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:

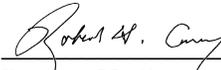
 Robert H. Curry, *Chair*
 Date Signed _____

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 Victor Rodriguez, *Board Specialist II, Board Services*

APPROVED BY:



Robert H. Curry, *Chair*

Date Signed 6-23-2020

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