

# BOARD OF GOVERNORS

## Finance & Budget Committee

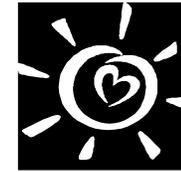
### Meeting Minutes – May 24, 2021

1055 W. 7<sup>th</sup> Street, Los Angeles, CA 90017

#### Members

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

*\*Absent \*\* Via Teleconference*



**L.A. Care**  
 HEALTH PLAN

#### Management/Staff

John Baackes, *Chief Executive Officer*  
 Terry Brown, *Chief Human Resources Officer*  
 Linda Greenfeld, *Chief Product Officer*  
 Augustavia J. Haydel, Esq., *General Counsel*  
 Tom MacDougall, *Chief Information & Technology Officer*  
 Marie Montgomery, *Chief Financial Officer\**  
 Francisco Oaxaca, *Chief of Communications & Community Relations*  
 Noah Paley, *Chief of Staff*  
 Acacia Reed, *Chief Operating Officer*  
 Richard Seidman, MD, MPH, *Chief Medical Officer*

**California Governor issued Executive Order Nos. N-25-20 and N-29-20, which among other provisions amend the Ralph M. Brown Act. Members of the public can listen to this meeting via teleconference.**

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
<p><b>CALL TO ORDER</b></p>	<p>Robert H. Curry, <i>Committee Chairperson</i>, called the L.A. Care and JPA Finance &amp; Budget Committee meetings to order at 1:03 p.m. He welcomed everyone and summarized the process for public comment during this meeting as reflected on the meeting agenda.</p> <ul style="list-style-type: none"> <li>• The Governor’s Executive Order temporarily set aside some provisions of the Brown Act because of public health guidelines.</li> <li>• Board Meetings are conducted electronically so that all attendees can be safe and practice social distancing.</li> <li>• Comments from anyone who would like to address the Board and its committees are welcome and there are instructions on the Agenda.</li> <li>• L.A. Care members need us to continue the work of the Board, and the meetings are run so that members of the public can hear the meeting and can submit their comments by voice mail, text, or email.</li> <li>• Staff sends all comments in writing to the Board before the meeting.</li> <li>• All public comment is included in the minutes of the meeting, and any comments that were not read during the meeting are added at the end of the minutes.</li> </ul>	

**APPROVED**

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> <li>• Submitters of public comment must identify the Agenda item which the comment is addressing. If the submitter does not identify an agenda item for the comment to be read, the submitter's comment will be read for 3 minutes at the "Public Comment" item.</li> <li>• At the appropriate item on the Agenda, staff will read for 3 minutes the public comment from each submitter. Depending on how many comments are submitted, the 3-minute time could be adjusted to allow for more submitters to have their comments read.</li> <li>• The Board will continue reviewing and improving how public comments are received and distributed to Board members.</li> </ul>	
<b>APPROVE MEETING AGENDA</b>	The Agenda for today's meeting was approved.	<b>Approved unanimously by roll call. 3 AYES (Booth, Curry, and Roybal)</b>
<b>PUBLIC COMMENTS</b>	There were no public comments.	
<b>MEETING MINUTES</b>	The April 26, 2021 meeting minutes were approved as submitted.	<b>Approved unanimously by roll call. 3 AYES</b>
<b>APPROVE CONSENT AGENDA</b>	<p><i>(Board Member Perez joined the meeting.)</i></p> <ul style="list-style-type: none"> <li>• Imagenet, LLC Contract Amendment Board Member Booth asked for clarification, and Acacia Reed, <i>Chief Operating Officer</i>, responded that the motion is for a one-year contract extension and additional funding.  <b><u>Motion FIN 100.0621</u></b> <b>To authorize staff to amend a contract with Imagenet, LLC, in the amount of \$500,000 (total contract amount not to exceed \$2,600,000), through June 30, 2022, for scanning solution services.</b></li> <li>• Center for the Study of Services Contract for CG-CAHPS Member Satisfaction Survey 2021-22 <b><u>Motion FIN A.0521</u></b> <b>To authorize staff to execute a contract with Center for the Study of Services for an amount not to exceed \$1,055,020 for August 1, 2021 through July 31, 2022, to conduct the 2021 Member Satisfaction Survey of services provided by select providers.</b></li> </ul>	<p><b>Approved unanimously by roll call. 4 AYES (Booth, Curry, Perez and Roybal)</b></p> <p><b>The Committee approved including FIN 100 on the Consent Agenda for the June 3, 2021 Board of Governors meeting.</b></p>

**APPROVED**

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
<b>CHAIRPERSON'S REPORT</b>	Committee Chairperson Curry commended L.A. Care staff for their work in improving the financial performance results.	
<b>CHIEF EXECUTIVE OFFICER'S REPORT</b>	<p><i>(Board Chairperson De La Torre joined the meeting.)</i></p> <p>John Baackes, <i>Chief Executive Officer</i>, reported:</p> <ul style="list-style-type: none"> <li>• L.A. Care continues to have positive financial performance compared against the 3+9 revised forecast in January. The financial results for the last fiscal year were poor due to effects of the pandemic. The budget for the current fiscal year was developed in late 2020, amid an economic recession and before COVID-19 vaccines began to be distributed, and the financial projections at that time were grim. There has been a good start to the current fiscal year and the financial projection improved in the revised 3+9 forecast. Since then the financial performance has exceeded the forecast. Operating income is positive by \$118 million and \$156 million favorable to the forecast.</li> <li>• Behind that positive performance are two financial initiatives that started early in the pandemic: 1) a restructuring for efficiency internally to use resources as efficiently as possible, and 2) continue with the changes that begun in 2016 with the matrix structure, to eliminate “silos” and build more accountability into the organization. It has taken time, and it is working. When the pandemic began, staff took the opportunity to review internal operations, eliminate duplication and consolidate processes, resulting in administrative costs that are \$12 million favorable to the revised forecast.</li> <li>• In Health Services, a two-part approach was taken: <ul style="list-style-type: none"> <li>1) Review existing contractual arrangements with hospitals and recognize opportunity to move from fee for service (FFS) to capitation arrangements, which many of the hospitals prefer. Many contracts have been updated and more are in the pipeline.</li> <li>2) Review utilization management (UM) and identify ways to ensure members are getting the care they need and resources are used appropriately.</li> </ul> </li> <li>• The efforts are ongoing, and contributing to the positive financial performance results across the organization. The goal is also to strengthen L.A. Care systems to be ready for new programs starting in January 2022. As has been discussed, there will be the biggest changes in Medicaid since the Affordable Care Act was implemented in January 2014. New benefits will be added, such as Enhanced Care Management (ECM), In Lieu of Services (ILOS), and Population Health Management (PHM), among others. L.A. Care is preparing for the changes, and there will be a lot of work over the summer to make those</li> </ul>	

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	new programs successful. Reports will be provided at future meetings on the work being done and how the new programs will affect L.A. Care's members.	
<b>COMMITTEE ITEMS</b>		
<b>Chief Financial Officer's Report</b>  <b>Financial Report</b>	<p>Mr. Baackes reported on behalf of Marie Montgomery, <i>Chief Financial Officer</i>, who is attending a Department of Health Care Services meeting:</p> <p><u>Membership</u></p> <ul style="list-style-type: none"> <li>• Enrollment at the end of April 2021 was 2,399,082, which exceeded forecast by 17,000 members, and is 44,000 member months favorable to forecast year to date (YTD).</li> <li>• Continued growth is assumed through the end of the fiscal year and potentially through the end of the calendar year, consistent with the current suspension of eligibility redeterminations for Medi-Cal.</li> <li>• Enrollment for L.A. Care Covered continues to be open and is now around 94,000.</li> </ul> <p><u>Consolidated Financial Performance for April, 2021</u></p> <ul style="list-style-type: none"> <li>• Net surplus for the month of April is \$29 million, favorable to forecast by over \$36 million, driven by operating margin, which reflects the favorable incurred claims level of \$25 million vs. the forecast.</li> <li>• There are significant positive and negative variances in revenue and health care expenses. This is because the forecast assumed the pharmacy benefit would be carved out in April 2021. At this point, that carve out has been indefinitely postponed. Since the forecast did not assume the pharmacy benefits would be continued, the revenue is \$85 million favorable to forecast. The offset to that is unfavorable health care costs, a combination of unfavorable capitation paid to Plan Partners and the pharmacy claims which L.A. Care continues to pay through Navitus, the pharmacy benefit manager (PBM).</li> <li>• The provider incentives are favorable to forecast, which will continue until Plan Partner Agreements are executed. The provider incentives have been announced for the directly contracted providers (MCLA) and will be reflected in the May financial reports.</li> <li>• Administrative expenses are unfavorable to the forecast by \$1.1 million, but this includes \$1.4 million for the pharmacy administration unplanned expenses and is again related to the delay in carving pharmacy out of Medi-Cal benefits.</li> <li>• Non-operating expenses are unfavorable due to a \$5 million grant for the Keck Doctor Medicine Program and timing related to CHIF grant expenses.</li> </ul>	

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	<p><u>Consolidated Financial Performance YTD</u></p> <ul style="list-style-type: none"> <li>• The net surplus is \$119 million, \$154 million favorable to the forecast. The favorability is driven by lower incurred claims of approximately \$115 million versus forecast. There are unfavorable claims for the Community Based Adult Services (CBAS) program, related to changes in how services are delivered during the pandemic.</li> <li>• Administrative expenses are \$12 million favorable to the YTD forecast, including the \$1.4 million in unplanned pharmacy administration costs explained earlier.</li> <li>• Non-operating expenses are close to forecast YTD.</li> </ul> <p><u>Reported vs Paid Claims Trend</u></p> <p>March claims were higher due to higher pharmacy claims. For April, paid claims were lower and more in line with prior months. Last year there were impacts due to COVID-19 and changes were made to accelerate payments to assist providers with their cash flow and claims were higher due to COVID-19. In August 2020, historical payment practices were resumed. In addition, L.A. Care staff is working on medical costs initiatives and improvements that influence the trends in claims paid.</p> <p><u>Operating Margin by Segment</u></p> <p>Overall the medical care ratio (MCR) is favorable at 92.7 vs. forecast of 95.2. Much of this is related to the level of fee for service claims.</p> <p><u>Key Financial Ratios</u></p> <p>Ratios are mostly positive with the exception of Cash to Claims. The Cash to Claims ratio will remain unfavorable until the In Home Supportive Services program balances are settled, as has been previously reported.</p> <p><u>Tangible Net Equity</u></p> <p>The TNE is at 507%, representing around 42 days' cash on hand.</p> <p>Committee Chairperson Curry asked about rising costs and claims. Mr. Baackes stated that the prediction is that costs will increase. The claims reserve set up by L.A. Care will be able to sustain it.</p> <p>Richard Seidman, MD, MPH, <i>Chief Medical Officer</i>, added that it will evolve in the coming months as public health restrictions are relaxed, and deferred elective care resumes. There are predictions that about one-third will not resume care, and the care needs may become emergent. Over time, the care levels will return to the previous baseline. Dr. Seidman expressed that he hopes that the level of telehealth as a care model will continue.</p>	

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	<p><b><u>Motion FIN 100.0621</u></b>  <b>To accept the Financial Report for April 2021, as submitted.</b></p>	<p><b>Approved unanimously by roll call. 4 AYES (Booth, Curry, De La Torre, and Roybal)</b>  <i>Board Member Perez experienced technical difficulty and was not able to vote.</i></p>
<p><b>Monthly Investments Transaction Reports</b></p>	<p>Mr. Baackes 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>. This report is provided to the Committee to comply with the California Government Code and is presented as an informational item. L.A. Care's total investment market value as of April 30, 2021 was \$1.7 billion.</p> <ul style="list-style-type: none"> <li>• \$1.4 billion managed by Payden &amp; Rygel and New England Asset Management (NEAM)</li> <li>• \$73 million in Local Agency Investment Fund</li> <li>• \$252 million in Los Angeles County Pooled Investment Fund</li> </ul>	
<p><b><i>From the L.A. Care Health Plan Joint Powers Authority Agenda</i></b></p>	<p>Mr. Baackes presented a motion requesting approval for authorized signatories for banking and investment accounts for L.A. Care Health Plan Joint Powers Authority (JPA). The Department of Managed Health Care (DMHC) has required JPA to pledge a total of \$300,000 under California Code Regulations Title 28 Section 1300.76.1.</p> <p>Board Member Booth stated she did not review the motion and she abstained from voting on the motion.</p> <p><b><u>Motion JPA FIN 100.0621</u></b>  <b>To authorize John Baackes, <i>Chief Executive Officer</i>; Marie Montgomery, <i>Chief Financial Officer</i>; and Angela Bergman, <i>Controller</i>, as authorized signatories for all L.A. Care Health Plan Joint Powers Authority banking and investment accounts.</b></p>	<p><b>Approved unanimously by roll call. 4 AYES (Curry, De La Torre, Perez, and Roybal)</b>  <b>ABSTENTION 1 (Booth)</b></p> <p><b>The Committee approved including this motion on the Consent Agenda for the June 3, 2021 Board of Governors meeting.</b></p>
<p><b>C3/Customer Contact Channels (Everise) Contract Amendment</b></p>	<p>Acacia Reed, <i>Chief Operating Officer</i>, summarized a motion for an additional \$3 million to be added to the current purchase order for the contract with C3/Customer Contact Channels, which expires September 30 2021. C3 will continue to provide call center services to respond to inbound calls for all L.A. Care lines of business. C3/Customer Contact Channels was selected in 2017 through an RFP process. The original motion dated July 26, 2018 for \$18 million, provided approval for L.A. Care to enter into agreement with C3. Staff are currently assessing the contract</p>	

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	<p>structure and pricing beyond September 30, 2021 for the vendor, while preparing for a new request for proposal process.</p> <p><b><u>Motion FIN 102.0621</u></b>  <b>To authorize staff to increase the authorized spend of the existing \$18 million purchase order, in the amount of \$3 million, not to exceed a total spend of \$21 million, with C3/Customer Contact Channels for call center services rendered through the end of the contract term on September 30, 2021.</b></p>	<p><b>Approved unanimously by roll call. 5 AYES (Booth, Curry, De La Torre, Perez and Roybal)</b></p>
<p><b>ADJOURN TO CLOSED SESSION</b></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 1:52 pm.</p> <p>CONTRACT RATES  Pursuant to Welfare and Institutions Code Section 14087.38(m)</p> <ul style="list-style-type: none"> <li>• Plan Partner Rates</li> <li>• Provider Rates</li> <li>• DHCS Rates</li> </ul> <p><i>There was no discussion on the below agenda item.</i></p> <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>May 2023</i></p>	
<p><b>RECONVENE IN OPEN SESSION</b></p>	<p>The meeting reconvened in open session at 1:57 pm</p> <p>Ms. Haydel advised the public that no reportable actions were taken during the closed session.</p>	
<p><b>ADJOURNMENT</b></p>	<p>The meeting was adjourned at 1:57 pm</p>	

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

APPROVED BY:  
\_\_\_\_\_  
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 \_\_\_\_\_ 6-28-2021

**APPROVED**