

# BOARD OF GOVERNORS

## Finance & Budget Committee

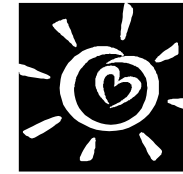
### Meeting Minutes – June 28, 2021

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 1:05 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**

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	<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. 5 AYES (Booth, Curry, De La Torre, Perez and Roybal)</b>
<b>PUBLIC COMMENTS</b>	There were no public comments.	
<b>APPROVE CONSENT AGENDA</b>	<ul style="list-style-type: none"> <li>• May 24, 2021 Meeting Minutes</li> <li>• Cognizant Contract <b><u>Motion FIN A.0621</u></b> <b>To authorize staff to execute a contract with Cognizant to provide Healthcare Effectiveness Data and Information Set (HEDIS) &amp; Align. Measure. Perform (AMP) software and services for the period of August 2021 through July 2022 with fees not to exceed \$1,150,000.</b></li> </ul>	<b>Approved unanimously by roll call. 5 AYES</b>
<b>CHAIRPERSON'S REPORT</b>	Chairperson Curry stated that in a graduation ceremony he attended, there was a news coverage about L.A. Care's \$5 million grant to support medical students. L.A. Care was recognized for its role in support of medical students. It reminded him of the importance of continuing support of the medical profession for the protection of the community. He is glad to be part of L.A. Care.	
<b>CHIEF EXECUTIVE OFFICER'S REPORT</b>	John Baackes, <i>Chief Executive Officer</i> , reported: <ul style="list-style-type: none"> <li>• The Charles Drew University School of Medicine grant is a good example of L.A. Care's role in the community. He thanked the Board for the support for medical schools and students.</li> </ul>	

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	<ul style="list-style-type: none"> <li>• L.A. Care has been supporting training for In-Home Supportive Services workers. The training helps care givers be more effective in caring for their patients, particularly during the pandemic. Mr. Baackes thanked the Board for their support of this program.</li> <li>• L.A. Care Health Plan staff is continuing to focus on and develop plans for implementation of the benefits that will begin in January 2022 under the new California Advancing &amp; Innovating Medi-Cal (CalAIM) program. The benefits will include Population Health Management, and the introduction of Enhanced Care Management and In Lieu of Services. The latter two are particularly difficult because L.A. Care is already caring for thousands of people in LA County under two existing demonstration programs: Health Homes and Whole Person Care. L.A. Care is concerned about members transitioning successfully to the new permanent programs with their health and other care services. The California Department of Health Care Services (DHCS) has proposed coverage under CalAIM that doesn't seem to match the service needs of L.A. Care's members who are in those two existing demonstration programs. DHCS has indicated that member needs will be reassessed for eligibility to receive services under new criteria. L.A. Care has responded to DHCS that there should be a review to determine that needs are being met before members are discharged from those demonstration programs. The In Lieu of Services program presents a number of services that health plans can select to deliver to members. A tentative list of services to be provided by L.A. Care will be submitted to DHCS by July 1, and a final list will be submitted in September.</li> <li>• Earlier this year, DHCS selected a third party pharmacy benefit manager (PBM) to administer Medi-Cal prescription drug benefits. The carving out from Medi-Cal of benefits for prescription drugs remains indefinitely postponed as DHCS works on the subsequent ownership change for that third party PBM, which appears to create a conflict of interest under the rules of the DHCS selection process. The recently approved California state budget includes a placeholder for starting the carve out in January 2022 with a footnote that the start date could change if an agreement is reached with the new PBM owners and the conflict of interest is eliminated.</li> <li>• L.A. Care has added Planned Parenthood and CareMore (a subsidiary of Anthem) to the provider network. CareMore is part of L.A. Care's Cal Medi-Connect program.</li> </ul>	

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<b>COMMITTEE ITEMS</b>		
<b>Chief Financial Officer's Report</b>  <b>Financial Report</b>	<p>Marie Montgomery, <i>Chief Financial Officer</i>, reported:</p> <p><u>Membership</u>  Membership for May 2021 is 2,419,532; which is 27,042 members favorable to the monthly forecast, and approximately 71,000 member months favorable to the year-to-date (YTD) forecast. The suspension of redetermination of eligibility for Medi-Cal continues to drive the membership favorability in May. The forecast assumed the redetermination process would likely not restart prior to the end of the fiscal year. L.A. Care is expected to continue to experience a modest growth in membership. Commercial product growth is just above forecast by 923 members. L.A. Care Covered (LACC) membership increased in May to over 96,000 members, above the forecast of 95,000. As open enrollment has been extended for California Covered enrollees, L.A. Care may see a small increase. There are now enhanced subsidies under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.</p> <p><u>Consolidated Financial Performance</u>  The net deficit for May 2021 is \$15.5 million; \$10 million unfavorable to the forecast. Overall, there are significant variances for revenue and healthcare expenses because the forecast assumed that the pharmacy benefit would be carved-out of Medi-Cal benefits by April. The \$86 million favorability in revenue is driven by pharmacy revenue that was not included in the forecast; \$52.2 million for MCLA and \$34.7 million for Plan Partners. Pharmacy healthcare expense is likewise unfavorable \$46 million for the month, which includes \$47.5 million for MCLA that was not included in the forecast. Capitation expense is \$32 million unfavorable for Plan Partners due to the delay in carving out pharmacy benefits. Overall the net impact of the delay in the Pharmacy carve-out to the operating margin is \$3.3 million. The unfavorability for the month of May is driven by a true-up to the provider cap deduct totaling \$15.5 million and the unfavorable adjustments to the revenue corridor for Coordinated Care Initiative (CCI) and Cal MediConnect (CMC) Medi-Cal of \$8.8 million and \$1.8 million, respectively. These adjustments were due to the change in our LTC population, which affects the blended rate that we receive the from the State.</p> <p>Incurred claims for the month were favorable to the forecast by \$15 million, however that amount includes a claims recovery true-up of \$19 million relating to the claims disbursement phase for Systems Analysis Program (SAP). Excluding the claims recovery adjustment, incurred claims were actually unfavorable by \$4 million.</p>	

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	<p>The unfavorable provider incentive amount of \$11.5 million is due to the release of the announcement for the L.A. Care incentive programs.</p> <p>Administrative expense is \$558,000 favorable for the month. This includes \$2.1 million in unplanned pharmacy benefit administrative costs. Non-operating revenue net of expense is \$4 million favorable for the month due to timing in grant spending.</p> <p><u>Consolidated Financial Performance YTD</u></p> <p>The YTD net surplus is \$103 million; \$144 million favorable to the forecast. YTD results have the same significant impact of the delay in the carve out of the pharmacy benefit. Operating margin is favorable by \$127 million. The overall favorability is driven primarily by incurred claims favorability of \$130 million versus the forecast, which includes the claims recovery true-up of \$19 million and the favorability related to shared-risk groups moving to dual risk rates. While incurred claims are favorable YTD, Community Based Adult Services (CBAS) is unfavorable \$9 million compared to the updated forecast that assumed CBAS expenses would be higher. Provider incentives are favorable \$6 million due to timing of the signing of the Plan Partner programs. Capitation expense is unfavorable \$16 million due to moving members from shared risk to dual risk rate arrangements.</p> <p>YTD administrative expenses is \$12.8 million favorable driven primarily by lower spending in Purchased Services and Professional Fees, that includes \$4 million expense for two months of pharmacy administration expenses. Non-operating YTD revenue net of expense is \$5 million favorable due to timing of grant spending. The unrealized gain in the investment portfolio has been volatile due to market conditions, and represents a \$6 million loss YTD, which is \$4 million unfavorable to the forecast.</p> <p><u>Operating Margin by Segment</u></p> <ul style="list-style-type: none"> <li>• Overall Medical Cost Ratio (MCR) is 93.2% versus the forecast of 95.2% mostly due to favorable fee-for-service claims.</li> <li>• Plan Partners MCR is just ahead of forecast.</li> <li>• SPD and CCI MCR is lower than the forecast due to the favorable FFS claims.</li> <li>• TANF/MCE MCR is lower than the forecast due to lower FFS claims.</li> <li>• Cal-MediConnect MCR is unfavorable to the forecast due to the shared risk true-up and revenue corridor adjustment.</li> <li>• Commercial MCR is lower than the forecast due to the LACC RAF adj from 0.76 to 0.795 and favorable FFS and pharmacy claims on the LACC side.</li> </ul>	<p><b>Approved unanimously by roll call. 5 AYES</b></p>

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	<p><u>Key Financial Ratios</u> MCR and Admin Ratio are both ahead of forecast. Working Capital and Tangible Net Equity are ahead of benchmarks. Cash to claims is ahead of the benchmark due to the receipt of the pass-through funds including the hospital directed payments</p> <p><u>Tangible Net Equity</u> May 2021 Fund Balance was \$1.02 billion which represents 498% of Tangible Net Equity. Staff is working on the budget for the next fiscal year.</p> <p><b><u>Motion FIN 100.0721</u></b> <b>To accept the Financial Report for May 2021, as submitted.</b></p>	
<b>Monthly Investments Transaction Reports</b>	<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> 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 May 31, 2021 was \$2.4 billion.</p> <ul style="list-style-type: none"> <li>• \$2.1 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>	
<b>ADJOURN TO CLOSED SESSION</b>	<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 1:42 pm.</p> <p><b>CONTRACT RATES</b> 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><b>REPORT INVOLVING TRADE SECRET</b> Pursuant to Welfare and Institutions Code Section 14087.38(n) Discussion Concerning New Service, Program, Technology, Business Plan Estimated date of public disclosure: <i>June 2023</i></p>	

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<b>RECONVENE IN OPEN SESSION</b>	The meeting reconvened in open session at 1:54 pm Ms. Haydel advised the public that no reportable actions were taken during the closed session.	
<b>ADJOURNMENT</b>	There is no Finance & Budget Committee meeting in July 2021. The next meeting will be held on August 23, 2021. The meeting was adjourned at 1:55 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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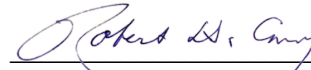
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APPROVED BY:



Robert H. Curry, *Chair*

Date Signed 8-23-21

**APPROVED**