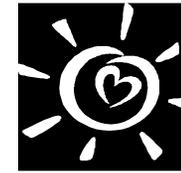


BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – September 27, 2021

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

*Absent ** Via Teleconference

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
CALL TO ORDER	<p>Robert H. Curry, <i>Committee Chairperson</i>, called the L.A. Care and JPA Finance & Budget Committee meetings to order at 1:06 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"> • The Governor’s Executive Order temporarily set aside some provisions of the Brown Act because of public health guidelines. • Board Meetings are conducted electronically so that all attendees can be safe and practice social distancing. • Comments from anyone who would like to address the Board and its committees are welcome and there are instructions on the Agenda. • 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. • Staff sends all comments in writing to the Board before the meeting. • 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. 	

APPROVED

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	<ul style="list-style-type: none"> • 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. • 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. • The Board will continue reviewing and improving how public comments are received and distributed to Board members. 	
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>
APPROVE CONSENT AGENDA	<p>Board Member Booth had some questions on motions FIN 102.0921A, FIN 104.0921A, FIN B.0921, and FIN C.0921.</p> <p>The Committee voted on the below Consent Agenda items.</p> <ul style="list-style-type: none"> • August 23, 2021 Meeting Minutes • I Color Printing and Mailing Contract Amendment <u>Motion FIN 100.0921A*</u> To authorize staff to amend contract to increase funds in the amount of \$1.3 million for a new total not to exceed amount \$2,295,000 with I Color Printing and Mailing Inc. to provide L.A. Care MPSS Premium Billing Unit with printing, storage, postage/ mailing, reporting, and order fulfillment services through June 30, 2023. • Cognizant Contract Amendment for Salesforce Software Development Services <u>Motion FIN 101.0921A*</u> To authorize staff to amend the existing contract with Cognizant for an additional \$948,069 (total contract not to exceed \$5,323,069) for continued Salesforce implementation activities through March 31, 2022. • Infosys Limited Contract Amendment for Quality Assurance and Testing Services 	<p>The August 23, 2021 meeting minutes, FIN 100, FIN 101, FIN 103 and FIN A were approved unanimously by roll call. 5 AYES</p>

APPROVED

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	<p><u>Motion FIN 103.0921A*</u> To authorize staff to contract with Infosys Limited in an amount not to exceed a total of \$8,000,000 for Information Technology quality assurance and testing services for three years.</p> <ul style="list-style-type: none"> • Salesforce, Inc. Customer Relationship Management Software Subscription Services <u>Motion FIN A.0921*</u> To authorize staff to execute a contract with Salesforce in an amount up to \$1,700,000 for the renewal of subscription services through October 31, 2022. <p>Clarifications on FIN 102, FIN 104, FIN B, and FIN C.</p> <ul style="list-style-type: none"> • Information Technology Staff Augmentation Services Contract Amendment <u>Motion FIN 102.0921A* -</u> To authorize staff to amend contracts with Cognizant, HCL, Infosys Limited, and Solugenix to increase funds by \$2,700,000 (total not to exceed of \$11,254,348) for Information Technology staff augmentation services through March 31, 2022. <p>Board Member Booth asked if there were contracts with Flextech, Senaptic, Insight Global Consulting and Cumberlink. Tom MacDougall, <i>Chief Information & Technology Officer</i>, confirmed that L.A. Care have contracts with Flextech and Senaptic. J.R. Nino, <i>Senior Director, Contracting & Procurement</i>, confirmed that L.A. Care has contracts Insight Global and Cumberlink.</p> <ul style="list-style-type: none"> • Alchemy Communications, Inc. Contract Amendment <u>Motion FIN 104.0921A*</u> To authorize staff to add sufficient funds to the Alchemy Communication Inc. data center purchase order to pay our current service contract through to the end of the service agreement in February 2022 in an amount not to exceed \$400,000 for a grand total not to exceed amount of \$3,844,282. <p>Board Member Booth commented that the Board approved in September 2021 a contract with Alchemy Communications that would start in February 2022. She added that it seems that money got spent that had not yet been either budgeted nor requested. She understands that things have go on and noted that the Board understands circumstances change. Project leaders have technology that can inform them of a potential budget overrun. Member Booth said everyone should request funds as early as possible. However, if it becomes necessary for a request for funds motion to include</p>	<p>FIN 102, FIN 104, FIN B and FIN C were approved unanimously by roll call. 5 AYES</p> <p>The Committee approved including FIN 100, FIN 101, FIN 102, FIN 103 and FIN 104 on the Consent Agenda for the September 27, 2021 Board of Governors' Special meeting.</p>

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	<p>money that has already been paid out, she hopes the requester could clarify the motion's plans for expenditure by a separate accounting of that payment amount; and State the reason(s) it became a necessary expense.</p> <ul style="list-style-type: none"> • Complete Cleaning Services (CCS) Contract <u>Motion FIN B.0921*</u> To authorize staff to enter into a new 3-year Master Service Agreement with Complete Cleaning Services in an amount not to exceed \$1,868,789. <p>Board Member Booth asked if L.A. Care is splitting this cost with Blue Shield Promise Health Plan. Lance MacLean, <i>Senior Director, Facilities Services</i>, confirmed that all expenses at Community Resources Centers (CRCs) shared with Blue Shield will be split based on amount of square footage occupied by Blue Shield.</p> <ul style="list-style-type: none"> • Toney Health Care Consulting Contract Amendment <u>Motion FIN C.0921*</u> To authorize an amendment extending the current contract with Toney Health Care Consulting for Utilization Management services through March 31, 2022, at an additional cost of \$88,000, for a total contract not to exceed \$1,306,000. <p>Board Member Booth asked what are we paying for UM services and noticed the per month fee is higher. Acacia Reed, <i>Chief Operating Officer</i>, responded that this cost is to retain one of their senior resources.</p>	
PUBLIC COMMENTS	There were no public comments.	
CHAIRPERSON'S REPORT	Chairperson Curry noted that the positivity, hospitalization and mortality related to COVID-19 has reduced. He just learned that those in acute setting are eligible for COVID-19 booster vaccine. This is looking good but could not predict trend and hoped this trend continue.	
CHIEF EXECUTIVE OFFICER'S REPORT	John Baackes, <i>Chief Executive Officer</i> , will give his CEO Report during the Special Board of Governors meeting immediately following this meeting.	

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COMMITTEE ITEMS		
<p>Chief Financial Officer's Report</p> <ul style="list-style-type: none"> Financial Report 	<p>Marie Montgomery, <i>Chief Financial Officer</i>, reported:</p> <p><u>Membership</u> Membership for August is 2,464,474, favorable to the forecast by 21,588 members and 31,000 member months favorable to the year to date (YTD) forecast.</p> <p>In August, the Department of Health Care Services (DHCS) made an adjustment to the system correction going back to 2014 which resulted in an increase of 16,000 Seniors and People with Disabilities (SPD) retroactive members. Also, the suspension of the redeterminations continues to drive the membership favorability in August. The forecast assumed redeterminations would not restart prior to the end of the fiscal year and we would continue to experience modest growth.</p> <ul style="list-style-type: none"> Commercial lines are above forecast by 6,000 members. L.A. Care Covered (LACC) membership increased to over 101,000 members in August, the first time that L.A. Care has broken the 100,000 mark. Ms. Montgomery also explained that all payments for the previously announced premium rebate have been sent out to those members eligible to receive them <p>Board Member Booth asked if PASC-SEIU members are similar to LACC and, if so, does L.A. Care give them rebates. She asked about the number of members enrolled to consider a line as large group (product). Ms. Montgomery responded that SEIU are considered a large group, -which is more than 100 people. L.A. Care does not have small group (product). Mr. Baackes added that Covered California is managed by the California Department of Managed Health Care (DMHC), and PASC-SEIU and LACC lines of business follow the rules of DMHC, with PASC-SEIU is designed to break even. Board Member Booth asked if everybody got the \$77 rebate. Ms. Montgomery responded that the average premium rebate for LACC is \$127.</p> <p><u>Consolidated Financial Performance – August 2021</u> The net deficit for August is \$8.3 million which is \$13 million unfavorable to the forecast driven by the Operating Margin from fee-for-service (FFS) and pharmacy claims. FFS claims were \$6 million unfavorable to forecast and pharmacy is \$10 million unfavorable mainly due to the timing on rebates. These items were partially offset by \$3.6 million in capitation expense recoveries related to Health Homes. The revenue had a favorable true-up for the DHCS system correction for institutional members and In-Home Support Services (IHSS) in</p>	

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	<p>the amount of \$3.9 million. That was retroactive for 2014-2019 and the original adjustment was made back in September 2020.</p> <p>Administrative expenses are \$3 million favorable in August due to lower spending in Purchased Services and timing in Employee Benefits. Non-operating is \$2.7 million unfavorable in August due to higher Community Resource Centers (CRCs) spending and timing in grant spending.</p> <p><u>Consolidated Financial Performance – Year-To-Date (YTD)</u></p> <p>August YTD has \$111 million net surplus which is virtually flat to the 9+3 forecast. While August was approximately \$13 million unfavorable, July was approximately \$13 million favorable. Operating margin is unfavorable by less than \$1 million. YTD incurred claims are \$2.5 million unfavorable to forecast and pharmacy is \$7.1 million unfavorable. Community Based Adult Services (CBAS) is \$2 million unfavorable versus an updated forecast that assumed CBAS expenses would be higher. Provider incentives are \$3 million favorable due to timing. The revenue has the same DHCS system correction for institutional members and IHSS in the amount of \$3.9 million. There is also favorability in Health Homes of \$5 million which includes the \$3.6 million of community-based care management entities (CBCME) capitation recoveries and behavioral health treatment of \$2.2 million.</p> <p>YTD Administrative expenses are \$4.5 million favorable driven primarily by lower spending in Purchased Services and Salaries and Benefits. YTD Non-operating expenses are? \$3.6 million unfavorable due to higher CRC spending and timing in grant spending.</p> <p><u>Reported vs Paid Claims Trend</u></p> <p>The paid claims in August 2021 increased following a dip in July. Deloitte, as part of the audit, is reviewing the August claims reserves which will assist the year end estimates for September. The reserves are conservative given the Delta surge, changes in risk arrangements from shared risk to dual risk, and continued increases in membership.</p> <p>The October meeting will include policy reviews and the year-end financial results will come to the November 15 meeting. There are a number of estimates to revisit including the reserve for misclassified members. This is the \$87 million reserve issue that dates back to 2014. Staff is also working with DHCS on the IHSS reconciliations. Staff will be revising estimates. Overall, the forecasted \$136 million surplus is still on track.</p> <p>Key Financial Ratios</p> <ul style="list-style-type: none"> • Overall our Medical Cost Ratio (MCR) is 93.7% versus forecast of 93.6%, virtually flat. 	

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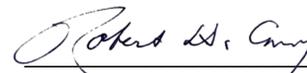
AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> • Plan Partners MCR is equal to forecast. • SPD and CCI MCR is slightly higher than the forecast. • TANF/MCE MCR is slightly lower than the forecast. • CMC MCR is unfavorable to the forecast due to higher FFS and Pharmacy claims. • Commercial MCR is lower than the forecast due to higher volume and favorable FFS claims. • The administrative ratio was 4.8%, equal to the forecast. • 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 IHSS balance with DHCS is settled. • August 2021 Fund Balance was \$1.03 billion which represents 503% of Tangible Net Equity (TNE) <p>Board Member Booth asked about CalOptima’s TNE. Ms. Montgomery noted that CalOptima is a county health system. They have a different methodology and have stronger financials over time.</p> <p>Mr. Baackes noted that perhaps Board members will need a tutorial on the difference between the county health systems and local initiatives sometime in the future.</p> <p><u>Motion FIN 105.1021</u> To accept the Financial Report for July and August 2021, as submitted.</p>	<p>Approved unanimously by roll call. 5 AYES</p>
<ul style="list-style-type: none"> • Monthly Investments Transaction Reports 	<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 July 31, 2021 and August 31, 2021 was \$1.7 billion.</p> <ul style="list-style-type: none"> • \$1.4 billion managed by Payden & Rygel and New England Asset Management (NEAM) • \$73 million in Local Agency Investment Fund • \$253 million in Los Angeles County Pooled Investment Fund 	

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
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 1:42 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><i>There was no discussion of 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>September 2023</i></p>	
RECONVENE IN OPEN SESSION	<p>The meeting reconvened in open session at 1:48 pm</p> <p>Ms. Haydel advised the public that no reportable actions were taken during the closed session.</p>	
ADJOURNMENT	<p>The next meeting will be held on October 25, 2021.</p> <p>The meeting was adjourned at 1:48 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 10-25-21

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