

BOARD OF GOVERNORS

Finance & Budget Committee

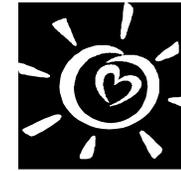
Meeting Minutes – April 26, 2022

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

Members

Ilan Shapiro MD, MBA, FAAP, FACHE, *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 of Human Resources*
 Augustavia Haydel, *General Counsel*
 James Kyle, MD, *Chief of Equity & Quality Medical Director*
 Tom MacDougall, *Chief Technology & Information Officer*
 Marie Montgomery, *Chief Financial Officer*
 Noah Paley, *Chief of Staff*
 Acacia Reed, *Chief Operating Officer*
 Richard Seidman, MD, MPH, *Chief Medical Officer*

State and local officials continue to impose or recommend measures to promote social distancing to reduce transmission of the COVID 19 virus. It is prudent to use caution in protecting the health of the public, L.A. Care’s employees and its members where adequate virtual means exist to permit the meeting to occur by teleconference/videoconference with the public being afforded the ability to comment in real time. The Board of Governors and all legislative bodies of the L.A. Care Health Plan, and the Board of Directors and all legislative bodies of the Joint Powers Authority will continue to meet virtually and the Boards will review that decision on an on-going basis as provided in the Brown Act. Members of the public had the opportunity to listen to the meeting via teleconference, and share their comments via voicemail, email, or text.

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
CALL TO ORDER	<p>Hector De La Torre, <i>Board Chairperson</i>, called the L.A. Care and JPA Finance & Budget Committee meetings to order at 1:00 p.m. He welcomed everyone and summarized the process for public comment during this meeting.</p> <p>Board Meetings are conducted electronically so that everyone participating can be safe and practice social distancing. 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 participate by submitting comments.</p> <p>Comments from anyone who would like to address the Board and its committees are welcome and there are instructions on the Agenda. Staff sends all comments received before the meeting to the Board members in writing. All public comment is included in the minutes of the meeting, and any comments received that were not read during the meeting are added at the end of the minutes.</p>	

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AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<p>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 three minutes at the "Public Comment" item. At the appropriate item on the Agenda, staff will read for three minutes the public comment from each submitter. Depending on how many comments are submitted, the three-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.</p>	
APPROVE MEETING AGENDA	The Agenda for today's meeting was approved.	Approved unanimously by roll call. 4 AYES (Booth, De La Torre, Perez, and Roybal)
PUBLIC COMMENTS	There were no public comments.	
APPROVE CONSENT AGENDA	<ul style="list-style-type: none"> • March 22, 2022 meeting minutes • Quarterly Investment Report <u>Motion FIN 100.0522</u> To accept the Quarterly Investment Report for the quarter ending March 31, 2022, as submitted. <p>Board Member Booth requested information about the statements of work included in FIN A and the motion was considered separately. Thomas Mapp, <i>Chief Compliance Officer</i>, clarified that Resources Global Professional (RGP) is a consultant for internal audit activities at L.A. Care since last year. Acacia Reed, <i>Chief Operating Officer</i>, added that "statements of work" describe the work to be done through each vendor contract.</p> <ul style="list-style-type: none"> • Resources Global Professional Contract Amendment (FIN A) <u>Motion FIN A.0422</u> To authorize staff to amend a contract authorizing the expenditure of an additional \$700,000 (bringing the total of this SOW 3 to \$1,405,000) with Resources Connection LLC dba Resources Global Professionals (RGP) for continued Compliance support. 	<p>The March 22, 2022 minutes and FIN 100 were approved unanimously by roll call. 4 AYES</p> <p>The Committee approved including FIN 100 to the Consent Agenda for the May 5, 2022 Board of Governors' meeting.</p> <p>FIN A was approved unanimously by roll call. 4 AYES</p> <p>FIN A does not require full Board approval.</p>

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CHAIRPERSON'S REPORT	<p>Chairperson De La Torre summarized the impact of two recent news items:</p> <ul style="list-style-type: none"> • The U.S. Department of Justice announced that it has determined that Kaiser Permanente has fraudulently billed over \$1 billion to Medicare and a legal process is underway. This will impact healthcare everywhere as Kaiser is a major healthcare organization. • It was also announced that Centene Corporation, the parent company of Magellan, which began managing the Medi-Cal pharmacy benefits on January 1, 2022, is under investigation by the California Department of Health Care Services for improper actions. This will also impact healthcare in California, and will impact L.A. Care's members in Los Angeles County. 	
CHIEF EXECUTIVE OFFICER'S REPORT	<p>John Baackes, <i>Chief Executive Officer</i>, reported:</p> <ul style="list-style-type: none"> • As with all healthcare providers, L.A. Care is finding it difficult to recruit nurses for open positions in utilization management (UM) and care management (CM). L.A. Care has started a public campaign in social media, radio and television to advertise the open positions. The campaign specifies recruitment for UM and CM in order to attract nurses who may be considering positions other than direct patient care. L.A. Care is offering sign up bonuses, and there has been a slight improvement, four nurses were hired in the past week. • L.A. Care is recruiting in the customer service area to prepare for an increase in calls. It was previously reported that the expansion of Medi-Cal eligibility for undocumented adults ages 50 and up may result in additional enrollment of up to 75,000 in May-July. • The public health emergency has been extended to July 15, and right now, it is expected that it will not be extended further. The state and county agencies are preparing to resume the process for redetermination of eligibility for Medi-Cal when the public health emergency is lifted. The eligibility redetermination process was suspended at the beginning of the public health emergency in February 2020, so there is a huge backlog. It is expected that redetermination kits will be distributed to current beneficiaries starting in August 2022. L.A. Care is preparing call center staff to help beneficiaries with the process and will be conducting an extensive outreach campaign to remind Medi-Cal members to complete the redetermination process and avoid interruption of coverage for members. 	

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COMMITTEE ITEMS		
Chief Financial Officer's Report	<p>Marie Montgomery, <i>Chief Financial Officer</i>, reported:</p> <p><u>Membership</u> Membership for March 2022 is 2,561,075, 15,263 members favorable to the 3+9 forecast, and 37,594 favorable year-to-date (YTD); driven by the increased enrollment for the CalAIM mandatory managed care population. The forecast did not include those additional members for Plan Partners. Membership for L.A. Care Covered (LACC) held steady at 115,000 members for the second month in a row. The Open Enrollment period is not being extended as it was in prior years.</p> <p><u>Consolidated Financial Performance</u> There is a \$16 million net surplus for March; \$1.9 million unfavorable to the 3+9 forecast. From an operating margin standpoint, it is slightly favorable to the forecast by \$941,000. The unfavorable healthcare cost is mitigated by favorable revenue.</p> <p>The revenue for long-term care (LTC) is higher than the forecast by \$8.7 million which was offset by higher skilled nursing facility costs. Cal MediConnect (CMC) Medicare Quality Withhold earnings for CY 2020 was favorable by \$4.8 million net. L.A. Care earned 100% of the quality withhold due to COVID. The vaccine incentive program is \$3.2 million favorable. Provider incentives were also favorable \$5.5 million due to timing.</p> <p>Incurred claims were \$6.6 million unfavorable to forecast partially due to higher LTC cases. The favorable LTC revenue mitigates this unfavorability. Community Based Adult Services (CBAS) continues to be unfavorable, \$8.1 million vs the forecast in March. Lower utilization was assumed because these services were expected to move back in center. Pharmacy was \$4 million unfavorable which included a \$2.6 million adjustment to the provider cap deduct estimate. Shared Risk was \$3.7 million unfavorable due to a final true-up for CY 2021.</p> <p>Administrative expense was \$717,000 favorable to the forecast. Non-operating expense is the biggest driver of the unfavorability this month, \$3.6 million higher as compared to the forecast. An \$8 million unrealized loss was reported this month because of the increase in interest rates, not the deterioration in the quality of L.A. Care's investment portfolio. The quarterly investment report approved earlier in the Consent Agenda has detailed information on the portfolio performance. The report also includes Wilshire Associates' report that L.A. Care is in compliance with its investment policy. The unrealized loss is partially offset by lower spending in Community Resource Centers (CRCs) and timing in grant spending.</p>	

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YTD Consolidated Financial Performance

The net surplus YTD is \$36 million; \$6.7 million unfavorable to the forecast. The large variances in revenues and healthcare costs are due to the Proposition 56 reconciliation for SFY 2018-19 and the 18-month Bridge Period discussed in prior months; \$280 million decrease to revenue and a \$264 million decrease to healthcare expense. The operating margin is favorable \$21 million. The main items driving the favorability are incurred claims, provider incentives, Pharmacy, and the CMC Quality Withhold earnings mentioned earlier. Those items are offset by the Proposition 56 risk corridor reconciliation, unfavorability in CBAS, the risk corridors for Enhanced Care Management (ECM) and Major Organ Transplant compared to the forecast, and shared risk final true-up for CY 2021.

Administrative expense is unfavorable \$25.8 million due to the \$55 million regulatory fines incurred in February which is partially offset by \$22 million Patient-Centered Research Institute (PCORI) fees adjustment discussed in prior months. Non-operating expense is \$1.8 million unfavorable YTD due to unrealized loss variance but offset by lower CRC spending and timing in grant spending. The unrealized loss is \$22 million for the fiscal YTD.

Operating Margin by Segment

Overall the Medical Care Ratio (MCR) is 92.7% versus forecast of 93.5%. The operating margins at the segment level are better than the forecast due to fee for service claims and the other items discussed earlier.

Reported vs Paid Claims Trend

The updated forecast level of reported claims is favorable. Staff believes the current reserve position is sufficient to address the more recent COVID surge as well. March 2022 saw paid claims increase and reported claims level off so they are in the same position. Staff assumed higher fee for service claims related to the Omicron surge in the 3+9 forecast. The reported claims are consistent with recent periods. Based on what staff can see so far, the margins are being pressured by the recent claims uptick but believe the reserve is adequate to cushion against moderately adverse development but will monitor the trend as we move into the new quarter.

Key Financial Ratio

- The administrative ratio was 6.0%, higher than the forecast of 5.2% due to regulatory fines.
- 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 in March but paid out in April. As previously

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	<p>reported, the cash to claims ratio will not fully recover until In-Home Support Services (IHSS) balances are settled with the Department of Health Care Services (DHCS).</p> <p><u>Tangible Net Equity & Days of Cash on Hand</u> The March 2022 Fund Balance was \$1.1 billion which represents 530% of Tangible Net Equity. The target of 600% was based on the average of eight other Local Initiatives and County Organized Health Systems. L.A. Care has enough cash to cover operating expenses for the next 44 days.</p> <p><u>Motion FIN 101.0522</u> To accept the Financial Report as submitted for March 2022.</p>	<p>Approved unanimously by roll call. 4 AYES</p>
<ul style="list-style-type: none"> Monthly Investment Transactions Report 	<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 March 31, 2022 was \$2.5 billion.</p> <ul style="list-style-type: none"> \$2.2 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 	
<ul style="list-style-type: none"> Quarterly Internal Policy Reports 	<p>Ms. Montgomery referred to the 2nd Quarter Expenditure Reports required by L.A. Care Internal Policies for FY 2021-22 included in the meeting materials (<i>a copy of the reports can be obtained by contacting Board Services</i>). L.A. Care internal policies require reports on expenditures for business related travel expenses incurred by employees, members of the Board of Governors, Stakeholder Committees, and members of the Public Advisory Committees. The Authorization and Approval Limits policy requires reports for executed vendor contracts for all expenditures and the Procurement Policy requires reports for all sole source purchases over \$250,000. These are informational items, and do not require approval.</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) 	

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Public Comments on the Closed Session agenda items.	There were no public comments.	
ADJOURN TO CLOSED SESSION	<p>The Joint Powers Authority Finance & Budget Committee meeting adjourned at 1:40 p.m.</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 1:41 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 2024</i></p>	
RECONVENE IN OPEN SESSION	<p>The meeting reconvened in open session at 2:09 pm.</p> <p>Ms. Haydel advised the public that no reportable actions were taken during the closed session.</p>	
ADJOURNMENT	The meeting adjourned at 2:09 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:
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Ilan Shapiro MD, MBA, FAAP, FACHE, *Chairperson*
Date Signed 6/8/2022 | 9:01 AM PDT

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