

BOARD OF GOVERNORS

Finance & Budget Committee

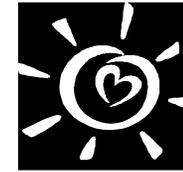
Meeting Minutes – May 24, 2022

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
<p>CALL TO ORDER</p>	<p>Ilan Shapiro MD, <i>Committee 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>	

APPROVED

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	<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>	
<p>APPROVE MEETING AGENDA</p>	<p>The Agenda for today's meeting was approved.</p>	<p>Approved unanimously by roll call. 3 AYES (Booth, Perez, and Shapiro)</p>
<p>PUBLIC COMMENTS</p>	<p>There were no public comments.</p>	
<p>APPROVE CONSENT AGENDA</p>	<p>Board Member Booth asked for information about FIN 100.0622, ImageNet, LLC Contract Amendment. She noted that there was a contract amendment for \$500,000 in May 2021, and she asked if there will be changes in cost.</p> <p>Acacia Reed, <i>Chief Operating Officer</i>, responded that ImageNet is claims scanning vendor. The request for \$500,000 in May 2021 was to cover expenses estimated at an average of \$41,000 per month from July 2021 to June 2022, and this motion is to continue the work through 2023. John Baackes, <i>Chief Executive Officer</i>, added that L.A. Care's enrollment is growing due to the California Advancing and Innovating Medi-Cal (CalAIM) mandatory program, and is expected to continue growing with the recently implemented health coverage for adults aged 50+ regardless of immigration status. With the increase in membership, claims scanning work is expected to increase for providers who are submitting claims on paper.</p> <p>Board Member Booth stated she will reach out to staff offline if she has further questions.</p> <ul style="list-style-type: none"> • April 26, 2022 meeting minutes • ImageNet, LLC Contract Amendment <u>Motion FIN 100.0622</u> To authorize staff to amend a contract with ImageNet, LLC, in the amount of \$650,000 (total contract amount not to exceed \$3,250,000), through June 30, 2023, for scanning solution services. 	<p>Approved unanimously by roll call. 3 AYES</p> <p>The Committee approved including FIN 100 to the Consent Agenda for the June 2, 2022 Board of Governors' meeting.</p>

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	<ul style="list-style-type: none"> O'Neil Digital Solutions, LLC Contract Amendment <u>Motion FIN A.0522</u> To authorize staff to amend a contract with O'Neil Digital Solutions, LLC in the amount of \$450,000 (total amount not to exceed \$2,000,000), through June 30, 2023 for electronic and/or printing and mailing services. 	FIN A does not require full Board approval.
CHAIRPERSON'S REPORT	Chairperson Shapiro expressed that in this challenging time, we are going to work with L.A. Care's leadership to continue the commitment to provide quality health care to members. He is very proud to be part of such an amazing team at L.A. Care and with his colleagues on this Board.	
CHIEF EXECUTIVE OFFICER'S REPORT	<p>Mr. Baackes reported that the health plan and Board Members should be aware that an era of unprecedented pressure on rate development has begun. California's Department of Health Care Services (DHCS) will move to a regional rating system in January 2024, which will include 100% county wide averaging. L.A. Care has pressed DMHC to address the inequities of county wide averaging, which has caused a huge loss of revenue for L.A. Care, and transferred that funding to Health Net, a for-profit entity owned by Centene Corporation and based in Pennsylvania. L.A. Care may file a Notice of Dispute over the 2023 rates, and may need to consider seeking legislative relief. Rate development for 2023 is in a critical period. The Board has already given authority for a Notice of Dispute, which may need to be filed in June.</p> <p>Marie Montgomery, <i>Chief Financial Officer</i>, will provide additional details in her report.</p>	
COMMITTEE ITEMS		
Chief Financial Officer's Report	<p>Ms. Montgomery reported:</p> <p><u>Membership</u> April 2022 membership was 2,572,794, 36,947 members favorable to the 3+9 forecast, and 74,541 favorable year-to-date (YTD). In addition to the increased enrollment for the California Advancing and Innovating Medi-Cal (CalAIM) mandatory managed care population, the forecast assumed that the public health emergency would end in March, leading to the resumption of the redetermination process. It was assumed the membership would begin to decrease which is why the favorable variances in those segments. Beginning next month, the forecast will include additional membership due to the expansion of</p>	

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	<p>coverage for undocumented adults over 50. Membership for LACC continues to hold steady at around 115,000 members.</p> <p><i>Chairperson De La Torre joined the meeting.</i></p> <p><u>Consolidated Financial Performance</u> There was a \$13 million net deficit for April 2022, \$26 million unfavorable to the 3+9 forecast. Operating margin was unfavorable to the forecast by \$30 million, driven primarily by the level of incurred claims, which were \$45 million unfavorable to the forecast. The unfavorable variance in incurred claims included the higher skilled nursing facility costs which were mitigated somewhat by favorable revenue.</p> <p>On the revenue side, favorable items include re-estimation of the Long Term Care/Institutional (LTC/INST) rate assumption retroactively back to January 1, 2022, and the revenue mix risk corridor. Community Based Adult Services (CBAS) was \$6.5 million unfavorable in April. Lower utilization was assumed in the forecast for these services due to an expected move back to CBAS centers.</p> <p>Administrative expense was \$3.7 million favorable to the forecast due to lower spending in salaries & benefits and supplies and others. Non-operating expense is almost flat this month vs the forecast. An unrealized loss of \$4.9 million was reported this month due to an increase in interest rates, not the deterioration in the quality of L.A. Care's portfolio. Lower spending in Community Resource Centers (CRCs) and timing in grant spending offset the unrealized loss.</p> <p>YTD there is a \$23 million net surplus, \$33 million unfavorable to the forecast. The large variances in revenue and healthcare costs is due to the Proposition 56 reconciliation for SFY 2018-19 and the 18-month Bridge Period discussed in January 2022. This reduced revenue by \$280 million and decreased expenses by \$264 million for an overall unfavorable impact of \$16 million. The YTD operating margin is unfavorable by \$9 million to the forecast, mainly driven by \$35 million in incurred claims and \$22.8 million in CBAS which is mitigated somewhat by higher SNF revenue.</p> <p>Other favorable items that mitigate the higher claims include \$15.5 million in provider incentives due to timing, \$9.3 million in Pharmacy, and \$4.8 million from the Cal MediConnect (CMC) Quality Withhold earnings.</p> <p>Administrative expense is unfavorable \$22.1 million YTD due to the regulatory fines of \$55 million in February which are offset by the \$22 million PCORI fees adjustment discussed in</p>	

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	<p>January 2022. Non-operating expense is \$1.9 million unfavorable YTD due to unrealized loss variance of \$21.6 million but offset by lower CRC spending and timing in grant spending. The unrealized loss is \$27 million for the fiscal YTD.</p> <p><u>Operating Margin</u> The overall Medical Care Ratio (MCR) is 93.2% versus forecast of 93.3%. MCR's at the segment level are primarily due to Fee for Service (FFS) claims and other items.</p> <p><u>Reported vs. Paid Claims Trend</u> In the previous fiscal year, the monthly claims payments stabilized which influenced the level of reserves. The paid claims have increased in the past several months. Staff assumed higher forecasted fee for service claims related to the Omicron surge in January and February, however claims are emerging higher than expected hence the unfavorable reserve development. Staff will be focusing attention on the recent trends. The membership continues to grow so the absolute dollars should increase.</p> <p><u>Key Financial Ratios</u></p> <ul style="list-style-type: none"> • The administrative ratio was 5.8%, higher than the forecast of 5.2% due to the regulatory fines of \$55 million. • Working Capital and Tangible Net Equity are ahead of benchmarks. • Cash to claims is below the benchmark. As previously reported, the cash to claims ratio will not fully recover until the in Home Support Services (IHSS) balances with the Department of Health Care Services is settled. <p><u>Tangible Net Equity and Days of Cash on Hand</u> The April 2022 Fund Balance was \$1.1 billion which represents 521% of Tangible Net Equity. The target of 600% was based on the average of these 8 other Local Initiatives and County Organized Health Systems. For April 2022, there are enough cash to cover operating expenses for the next 40 days.</p> <p><u>Motion FIN 101.0622</u> To accept the Financial Report as submitted for April 2022.</p>	<p>Approved unanimously by roll call. 4 AYES (Booth, De La Torre, Perez, and Shapiro)</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 April 30, 2022 was \$1.7 billion.</p>	

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	<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 	
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 1:36 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 1:37 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>May 2024</i></p>	
RECONVENE IN OPEN SESSION	<p>The meeting reconvened in open session at 1:55 pm.</p> <p>Ms. Haydel advised the public that no reportable actions were taken during the closed session.</p>	
ADJOURNMENT	The meeting adjourned at 1:56 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 6/28/2022 | 8:46 AM PDT

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