

BOARD OF GOVERNORS

Finance & Budget Committee

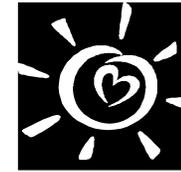
Meeting Minutes – January 25, 2021

1055 W. 7th 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 Resource 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, *Interim 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>CALL TO ORDER</p>	<p>Robert H. Curry, <i>Chairperson</i>, called the L.A. Care and JPA Finance & 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"> • 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. • 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 to 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	The Agenda for today's meeting was approved.	Approved unanimously by roll call. 3 AYES (Curry, Perez and Roybal)
PUBLIC COMMENTS	<p>There were no public comments.</p> <p><i>(Board Chairperson De La Torre joined the meeting.)</i></p>	
MEETING MINUTES	The November 16, 2020 meeting minutes were approved as submitted.	Approved unanimously by roll call. 4 AYES (Curry, De La Torre, Perez and Roybal)
APPROVE CONSENT AGENDA	<ul style="list-style-type: none"> • CALNET 3 Contract Amendment <u>Motion FIN A.0121</u> To authorize staff to amend the CALNET 3 services contract in an amount not to exceed \$400,000, total contract not to exceed \$1,400,000, to continue to receive phone line services via AT&T. • O'Neil Digital Solutions, LLC Contract Amendment <u>Motion FIN B.0121</u> To authorize staff to amend a contract with O'Neil Digital Solutions, LLC, in the amount of \$150,000 (total contract amount not to exceed \$1,150,000), through January 31, 2022, for printing and mailing services. • FirstSource Contract Amendment <u>Motion FIN C.0121</u> 	Approved unanimously by roll call. 4 AYES

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	<p>To authorize an amendment extending the current contract with FirstSource for utilization management services through September 30, 2021, at an additional cost of \$200,000, for a total contract not to exceed \$1,825,000.</p> <ul style="list-style-type: none"> Toney Health Care Consulting Contract Amendment <u>Motion FIN D.0121</u> <p>To authorize an amendment extending the current contract with Toney Health Care Consulting in scope of work 7 for care management services through December 31, 2021, at a cost of \$218,000, for a total contract not to exceed \$1,218,000.</p>	
CHAIRPERSON'S REPORT	<p><i>(Member Booth joined the meeting.)</i></p> <p>Chairperson Curry stated that hopefully the prediction in decreased COVID-19 patients is reasonable. This is a significant issue and everybody is doing their best to help.</p>	
CHIEF EXECUTIVE OFFICER'S REPORT	<p>John Baackes, <i>Chief Executive Officer</i>, reported:</p> <ul style="list-style-type: none"> The decrease in the COVID-19 cases is a relief to providers at the frontline. There is some abatement in hospitalizations, and slow progress is happening. Vaccines are available but distribution is chaotic. He encouraged everyone to continue safety precautions by wearing masks, practicing social distancing and hand hygiene, and by avoiding gatherings with people outside one's immediate household, until an acceptable level of community or herd immunity is reached. There is improvement in the reimbursement rate from the state. L.A. Care is continuing its strategic plan which includes new care management financial systems that are progressing well. L.A. Care's enrollment (January) is 3.3 million members and is growing. This extraordinary growth is mostly due to the suspension of the eligibility re-determination process. L.A. Care is proud to be a means of accessing health care for its members. <p>Chairperson Curry asked if the LA County has asked L.A. Care to participate in the distribution of vaccines. Mr. Baackes responded that L.A. Care is in discussions with pharmacy partners regarding possible distribution at L.A. Care's Community/Family Resource Centers (CRC/FRC), but there is a vaccine supply issue.</p>	

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	<p>Richard Seidman, MD, <i>Chief Medical Officer</i>, added that L.A. Care is encouraging its staff to assist with vaccination efforts and is seeking to add COVID-19 vaccine distribution at its CRCs/FRCs.</p> <p>Chairperson Curry asked if information regarding the vaccine is being sent to members. There is disinformation circulating regarding the COVID-19 vaccine. The acceptance rate for the vaccine is less than 50%. In particular, child-bearing patients are worried that it could affect their health. Mr. Curry expressed that he hopes L.A. Care can provide correct information to L.A. Care members.</p> <p>Member Perez thanked Chairperson Curry for his concern regarding the vaccine and information in the community. At the last Compliance & Quality Committee meeting, Member Perez mentioned that she is grateful that L.A. Care is using its communication channels to provide information to members about the vaccine. Dr. Shapiro will be working with L.A. Care on public service announcements with celebrity Latino actors and will use social media platforms to distribute information.</p>	
COMMITTEE ITEMS		
<p>Chief Financial Officer's Report</p> <p>Financial Report</p>	<p>Marie Montgomery, <i>Chief Financial Officer</i>, reported:</p> <p><u>Membership</u> December 2020 membership is 2,322,904; 166,757 members favorable to the budget; and 477,484 member months favorable for the year versus the budget. The suspension of eligibility re-determinations continues to drive membership favorability in December. The budget assumed re-determinations would restart in October 2020 and L.A. Care would start the year at pre-COVID membership for Plan Partners and MCLA. Commercial is just below budget by 7,000 members. Membership for L.A. Care Covered (LACC) decreased again in December to 76,000 members. L.A. Care is in good price position for Open Enrollment. It looks like L.A. Care is very close to 100,000 members for LACC for January 2021.</p> <p><u>Financial Performance</u> The net surplus for December 2020 is \$924,000, \$18 million favorable to the budget driven primarily by incurred claims rate favorability of \$31 million vs the budget and the Coordinated Care Initiative (CCI) CY 2020 rates which were received after the Budget was completed at \$5.6 million. This offsets the unfavorability from the COVID-19 risk corridor (\$21.7 million for December). The budget was based on the earlier guidance from the Department of Health Care Services (DHCS) not the final changes they made. As a result,</p>	

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	<p>the budget assumed L.A. Care would be relying on the risk corridor. Given the final changes in guidance and the improved health care costs, L.A. Care is not accruing a risk corridor receivable. L.A. Care is unfavorable to the budget by \$2.4 million for the estimate for the CCI non-dual member reclassification (excluding Plan Partners).</p> <p>December 2020 administrative expenses are \$1 million favorable; non-operating expenses are \$1.1 million favorable due to timing of grant spending. The unrealized gain position has been volatile due to market conditions and is expected to continue for the fiscal year.</p> <p><u>Consolidated Financial Performance</u> Year-to-date net deficit is \$14 million, \$27.6 million favorable to the budget. The favorability is driven primarily by incurred claims rate favorability of \$75 million vs the budget and \$16.6 million for CCI CY 2020 rates which were received after the Budget was completed. These items are offset by the \$67 million year-to-date (YTD) unfavorability from the COVID-19 risk corridor and the \$7 million for the estimate for the CCI non-dual member reclassification (excluding Plan Partners). These items are included in the full year forecast update.</p> <p>Administrative expenses are \$3.9 million favorable and non-operating expenses are \$3.2 million favorable YTD due to timing of grant spending. The unrealized gain position has been volatile due to market conditions. The net unrealized gain decreased by \$1.9 million YTD and is expected that to continue for the fiscal year.</p> <p><u>Operating Margin by Segment</u></p> <ul style="list-style-type: none"> • Overall Medical Cost Ratio (MCR) is 95.7% vs budget of 96.5%, lower than budget due to favorable fee-for-service (FFS) claims and the CY 2020 CCI rates • Plan Partners MCR is just about equal to budget • SPD/CCI MCR is higher than the budget due to the COVID-19 risk corridor and the reclassification of Institutional non-dual members but partially offset by favorable FFS claims • TANF/MCE MCR is lower than the Budget due to lower FFS claims and higher enrollment. • CMC MCR is favorable to the budget due to lower FFS claims • Commercial MCR higher than the budget due to the higher than budgeted capitation rate, FFS claims, and pharmacy; all on the PASC side. <p><u>Key Financial Ratios</u></p>	

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	<p>The administrative ratio was 5.1%, better than the Budget estimate of 5.5%, due to lower spending in Purchased Services.</p> <p><u>Tangible Net Equity</u> December 2020 Fund Balance was \$902 million which represents 459% of Tangible Net Equity. A target of 600% was based on the average of eight other Local Initiatives and County Organized Health Systems. L.A Care currently has enough cash on-hand to cover operating expenses for the next 39 days.</p> <p><u>Motion FIN 100.1220</u> To accept the Financial Report as submitted for December 2020.</p>	<p>Approved unanimously by roll call. 5 AYES</p>
<p>Update on 3+9 Forecast</p>	<p><i>(3+9 refers to an updated financial forecast based on 3 months' actual financial performance with a forecast for the 9 months remaining in the fiscal year.)</i></p> <p>The 3+9 forecast has L.A. Care finishing the fiscal year with 2,434,550 members, favorable to the original budget by 242,703 members. Member months for the year are projected to be 28,467,207, favorable to budget by 2.4 million member months. This amounts to modest growth of about 6% for MCLA and Plan Partners over the course of the year. The forecast assumes that the suspension of re-determinations is unlikely to restart before the end of the fiscal year.</p> <p><u>Methodology and Assumptions</u></p> <p>Plan Partners and MCLA</p> <ul style="list-style-type: none"> • Uses Medi-Cal growth assumptions from LAO report applied to L.A. Care as a proportion of total Medi-Cal population. • Applied a 30% cut to LAO assumption to account for possible resumption of redetermination process • Assumed a modest growth of 6% expected over the course of the year. <p>Cal-MediConnect (CMC)</p> <ul style="list-style-type: none"> • No updates made to budget projections for CMC. Member months favorability is driven by October-December actuals. <p>Commercial</p> <ul style="list-style-type: none"> • PASC-SEIU assumes flat growth from December actuals <p>LACC forecast assumes membership of 95,000 after the end of Open Enrollment. The original budget assumed 85,000 members.</p>	

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	<p><u>Financial Performance Comparison</u> There is a \$101 million increase in operating margin. Ms. Montgomery highlighted the significant revenue increase which includes the membership increase, the rate increases and the delay in the carve-out of the pharmacy benefit. The COVID-19 risk corridor was removed due to changes in the methodology and the DHCS' decision to not continue the risk corridor for 2021.</p> <p>The overall net deficit improves from \$169 million to \$67 million. The \$102 million is driven by operating margin. The only change to administrative expenses is to add pharmacy benefit management (PBM) expenses for the delay in the pharmacy benefit carve-out and some reclassifications to align the forecast with the actuals. The higher membership means higher MCO tax revenue of \$7.9 million. The MCO tax expense is fixed.</p> <p><u>Bridge from the Budget to the 3+9 forecast</u> The COVID-19 Risk Corridor was removed from the revenue category due to the change in the methodology and the DHCS' decision to not continue the risk corridor for 2021. DHCS will effect a 1.5% increase if the COVID-19 expenses are higher than what is assumed in the rates. The forecast includes the impact of the DHCS CY 2021 Medi-Cal rates received in December. Also included is an estimate for the CCI non-duals member reclassification and the impact of the CY 2020 and 2021 CCI rates. L.A. Care received the DHCS CY 2020 CCI rates? in July/August and the CY 2021 CCI rates in December.</p> <p>There are improved FFS costs versus the higher trends reflected in the budget. The actuary used June 2020-August 2020 as a base and trended to the forecast period. Additional costs for the current COVID-19 surge were not built in, which will likely be a risk going forward. Forecast assumes staff has assumed the 10% Long Term Care increase would end as of July 1, 2021 consistent with the State's revenue increase. Staff has updated the Medi-Cal capitation expense based on new rates and membership mix changes. Staff did not reflect updates for the new dual risk arrangement that began in January 2021 and is expected to occur through April. The CBAS expenses have been running higher throughout the public health emergency. The pharmacy benefit carve-out was extended to the end of March so staff included revenue and expenses. The expenses include administrative expense for L.A. Care's PBM.</p> <p>Higher membership means higher MCO tax revenue, as the MCO tax expense is fixed. Proposition 56 funds beyond a July 1, 2021 termination date were not included.</p>	

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	<p>Member Curry stated that the State’s formulary cost is in the millions. Ms. Montgomery agreed this is a potential for disruption and financial ramifications to health plans. There is a small revenue surplus for pharmacy. Some of the administrative expenses are going to other expenses as opposed to pharmacy, and that is why it shows a net negative. The rate is for a short period. The projection looks like it may not cover L.A. Care costs.</p> <p>Mr. Baackes added there is genuine concern about the pharmacy roll out and concerns that the State is not ready to implement the changes due to issues with the COVID-19 vaccine roll out. Another concern is that on January 2, there was news that Centene is buying Magellan, and Centene also owns Health Net, which is the commercial health plan in Los Angeles County participating in Medi-Cal. L.A. Care is objecting to it.</p> <p>Mr. Baackes stated that the 3+9 forecast does not change L.A. Care’s strategic priorities for improved efficiency. L.A. Care’s management is looking at ways departments are organized and continuing elimination of redundancy. A medical cost steering committee has identified \$100 million in possible favorability.</p> <p>Member Booth stated that getting a roof over a person’s head will save more in health care cost than it costs to house people.</p>	
Quarterly Investment Report	<p>Ms. Montgomery referred to the Quarterly Investment Reports for the quarter ending December 31, 2020, which are included in meeting materials. L.A. Care is in compliance with its investment guidelines. Investment yields have decreased significantly for short-term duration investments. L.A. Care is moving funds to the Los Angeles County pooled fund to improve the yield.</p> <p><u>Motion FIN 101.0221</u> To accept the Quarterly Investment Report for the quarter ending December 31, 2020, as submitted.</p>	<p>Approved unanimously by roll call. 5 AYES</p> <p>The Committee approved including this motion on the Consent Agenda for the February 4, 2021 Board of Governors meeting.</p>
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 is to comply with the California Government Code and is an informational item only. L.A. Care's total investment market value as of December 31, 2020 was \$1.5 billion.</p> <ul style="list-style-type: none"> • \$1.2 billion managed by Payden & Rygel and New England Asset Management (NEAM) • \$73 million in Local Agency Investment Fund • \$252 million in Los Angeles County Pooled Investment Fund 	

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Quarterly Expenditure Reports required by L.A. Care Internal Policies	<p>Ms. Montgomery referred to the 1st Quarter Expenditure Reports required by L.A. Care Internal Policies for the FY 2020-21, included in the meeting materials. <i>(A copy of the reports can be obtained by contacting Board Services).</i> L.A. Care’s internal policies require reports on all 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 only, 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) 	
Housing for a Healthy California Project	<p><i>Member Roybal may have financial interests in Plans, Plan Participating Providers or other programs and as such he refrained from the discussion and vote on this motion.</i></p> <p>Alison Klurfeld, <i>Director, Safety Net Programs and Partnerships</i>, summarized a motion requesting \$7.3 million over a five-year period to implement the Housing for a Healthy CA (HHC) Program and contract with Los Angeles County Department of Health Services (DHS) Housing for Health (HFH). HHC is a CA Housing and Community Development Department (HCD) initiative that allows counties and their partners to receive five years of rental assistance to provide permanent supportive housing for Medi-Cal members experiencing homelessness, with a focus on care management programs. L.A. Care will finance the supportive services costs for its members in the program. Due to the COVID-19 pandemic, the program has been delayed.</p> <p>L.A. Care and HFH will work together to identify and enroll participants in HHC. They must be L.A. Care Medi-Cal or CalMediConnect members (not including Plan Partners), meet the U.S. Department of Housing and Urban Development (HUD) definition of homelessness, be able to safely live independently in supportive housing, and be a high utilizer of health care services.</p> <p>HFH will administer rent subsidies, contracts with housing providers and intensive case management services (ICMS) providers, and will fund move-in assistance. HFH will collaborate with Brilliant Corners to work with landlords and identify available units for members. HFH and Brilliant Corners have collaborated for many years in this proven program model to support individuals experiencing homelessness to find and retain permanent housing, including participants</p>	

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	<p>in L.A. Care’s current \$20 million grant and the county Whole Person Care program. L.A. Care will fund supportive services for five years (2022 - 2026).</p> <p><u>Motion FIN 102.0221</u></p> <ol style="list-style-type: none"> To delegate authority to the CEO to commit future funding for intensive case management services for Housing for Healthy CA (HHC) participants up to a maximum of \$28,890 per member over 5 years, or \$7,309,170 total for approximately 253 members, to Department of Health Services (DHS) Housing for Health, starting in January 1, 2022. To begin implementation of the Housing for Healthy CA (HHC) program, including outreach to and enrollment of L.A. Care members, according to HHC program criteria, during FY 2020-21. 	<p>Approved unanimously by roll call. 4 AYES (Booth, Curry, De La Torre, and Perez) 1 ABSTENSION: Roybal</p>
<p>ADJOURN TO CLOSED SESSION</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 2:09 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>February 2023</i></p>	
<p>RECONVENE IN OPEN SESSION</p>	<p>The meeting reconvened in open session at 2:15 pm</p> <p>Ms. Haydel advised the public that no reportable actions were taken during the closed session.</p>	
<p>ADJOURNMENT</p>	<p>The meeting was adjourned at 2:17 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*

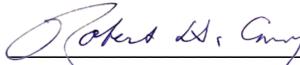
APPROVED

Date Signed _____

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APPROVED BY:

Robert H. Curry, *Chair*

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