

BOARD OF GOVERNORS

Finance & Budget Committee

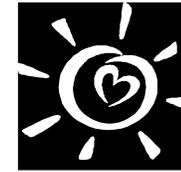
Meeting Minutes – February 22, 2021

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>Hector De La Torre, <i>Board Chairperson</i>, called the L.A. Care and JPA Finance & Budget Committee meetings to order at 1:09 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 (De La Torre, Perez and Roybal)
PUBLIC COMMENTS	There were no public comments.	
MEETING MINUTES	The January 25, 2021 meeting minutes were approved as submitted.	Approved unanimously by roll call. 3 AYES
APPROVE CONSENT AGENDA	<ul style="list-style-type: none"> • TransUnion Contract Amendment <u>Motion FIN 100.0321</u> To authorize staff to amend a contract currently \$6,836,000.00 by an amount of \$1,200,000 not to exceed \$8,036,000 with TransUnion to provide encounter processing services for the period of June 1, 2021 to May 31, 2022. • Optum (formerly Equian) Contract Amendment <u>Motion FIN A.0221</u> To authorize staff to amend a contract in the amount of \$1.38 million with Optum to provide Itemized Bill Review services for the period of April 22, 2021 to December 31, 2022. 	Approved unanimously by roll call. 3 AYES
CHAIRPERSON'S REPORT	There was no report from the Chairperson.	

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CHIEF EXECUTIVE OFFICER'S REPORT	<p>John Baackes, <i>Chief Executive Officer</i>, reported:</p> <ul style="list-style-type: none"> • The State of California has indefinitely postponed implementation of the new prescription drug plan for Medi-Cal beneficiaries. In 2019, Governor Newsom had proposed that the State would take over the purchase of prescription medications for Medi-Cal and that the prescription drug benefits would be taken out of the Medi-Cal benefits currently administered by health plans. His proposal included creation of a new bureaucracy on the basis of cost savings. A contract was issued at the end of 2019 to Magellan, a pharmacy benefit management company (PBM). The new pharmacy program was to begin January 1, 2021. In November 2020, the start was postponed to April 1, 2021. Last week an indefinite postponement was announced. • On January 4, 2021, it was announced that Magellan had been acquired by Centene Corporation, which also owns Health Net, a provider of health coverage for Medi-Cal in California. The request for proposals (RFP) for PBM that was issued by the State of California stated that the PBMs owned by health plans doing business with the State of California would not be eligible to bid because of the inherent conflict of interest. The acquisition of Magellan after the selection process, by a corporation that also owns a health plan doing business with the State of California, seems to create that conflict of interest. Health plans have been informed that the conflict of interest could not be resolved in time for the new PBM administration to proceed on April 1, 2021, and that State representatives will continue to work with Magellan and Centene to resolve it, with a decision about pharmacy benefits for Medi-Cal expected in May, 2021. • The members of Local Health Plans of California (LHPC), a statewide trade association that represents all 16 local, not-for-profit health plans including L.A. Care, unanimously agreed and recommended in writing to the State of California that implementation of the new PBM be postponed until at least January 1, 2022, and that Magellan be stripped of the contract for administration of the new program. The contract could be awarded to the second choice PBM or a RFP could be issued to select a new PBM. • The postponement of a new PBM program avoided an impossible mess that could have resulted from the significant changes to Medi-Cal pharmacy benefits in the midst of a pandemic and during distribution of critical COVID-19 vaccines. <p><i>(Member Booth joined meeting.)</i></p> <ul style="list-style-type: none"> • L.A. Care is not an entity that will receive or distribute vaccines. L.A. Care is very concerned about making the vaccine readily accessible for its members. L.A. Care is 	

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	<p>working to address member concerns about the vaccines and is distributing information to reassure the community and encourage people to get vaccinated.</p> <ul style="list-style-type: none"> ○ Working on overcoming inequity gaps in access to vaccine sites. ○ Partnering with a variety of health systems with access to the vaccine to help identify eligible members and help them access a vaccine site. ○ Working with USC School of Pharmacy to develop a distribution of vaccine at L.A. Care’s Community Resource Center locations. These will be open for walk-up. Flu vaccine clinics held at the end of 2019 were conducted in conjunction with the USC School of Pharmacy. <ul style="list-style-type: none"> ● These efforts are hampered by the supply of vaccine that is insufficient to meet the needs of Californians. ● The State of California issued a no-bid contract to Blue Shield of California to act as a third party administrator (TPA) in the distribution of the vaccine. The role of the TPA is not yet clear. ● The Federal Emergency Management Agency (FEMA) has announced vaccination sites at California State University in Los Angeles and at the Oakland-Alameda Coliseum, in Oakland, California. ● The federal administration has stated it will deliver COVID-19 vaccines directly to Federally Qualified Health Centers (FQHC). The FQHCs know the patients who are eligible and most in need of vaccines. This will help address inequity in vaccine distribution. 	
COMMITTEE ITEMS		
Chief Financial Officer’s Report Financial Report	<p>Marie Montgomery, <i>Chief Financial Officer</i>, reported:</p> <p><u>Membership</u></p> <p>January 2021 enrollment of 2,360,173 was approximately 9,580 members favorable to the forecast, which is the same for the year versus the forecast. The suspension of the redeterminations continues to drive the membership favorability in January. The forecast assumed redeterminations would restart in October 2020 and L.A. Care would begin the fiscal year at pre-COVID membership levels for Plan Partners and MCLA. Commercial business enrollment is below forecast by approximately 6,000 members. L.A. Care Covered (LACC) membership jumped in January 2021 to 88,000 members, an increase of more than 12,000 members from December 2020. The number is expected to increase again in February 2021 as newly enrolled members become effectuated.</p>	

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	<p><u>Consolidated Financial Performance</u></p> <p>The January 2021 net surplus is \$32 million, almost \$50 million favorable to the forecast. The favorability for the month is driven primarily by an operating margin that is favorable by \$32 million. This favorability is driven by incurred claims of \$28 million favorable to the forecast. Pharmacy is \$2.2 million favorable for the month driven by LACC deductibles. Community Based Adult Services is unfavorable by \$1.2 million. The provider incentives of \$3 million is favorable due to the timing of the signing of the Plan Partner programs. This offsets the unfavorability from the Cal MediConnect (CMC) CY 2019 \$1.1 million disenrollment penalty and lower Risk Adjustment Factor (RAF) accrual estimate for CMC of (\$557 thousand net). The \$2.8 million capitation expense is unfavorable due to the Department of Health Services (DHS) cap deduct being lower than forecasted, and the moving of Community Family Care members from shared risk to dual risk of (\$1.1 million).</p> <p>The net surplus year-to-date is \$18 million, \$50 million favorable to the forecast.</p> <p>Administrative expenses in January 2021 is \$8.7 million favorable. The administrative expenses in December 2020 were favorable by \$4 million versus the budget. In the forecast this favorability was carried into January and is still tracking well to the administrative budget. Non-operating costs are \$8.8 million favorable in January due to timing of grant spending. The unrealized gain position has been volatile due to market condition and is expected to continue for the fiscal year.</p> <p><u>Operating Margin</u></p> <ul style="list-style-type: none"> • Overall Medical Care Ratio (MCR) is 94.5% versus forecast of 95.6%, lower than forecast due to favorable Fee for Service (FFS) claims. • Plan Partner MCR is just about equal to forecast. • Seniors and People with Disabilities (SPD)/Coordinated Care Initiative (CCI) MCR is lower than the forecast due to the favorable FFS claims. • Temporary Assistance to Needy Families (TANF)/Medi-Cal Expansion (MCE) MCR is lower than the forecast due to lower FFS claims. • CMC MCR is unfavorable to the forecast due to the CY 2019 disenrollment penalty and lower RAF accrual estimate discussed earlier. • Commercial MCR is lower than forecast due to the favorable FFS and LACC pharmacy claims. 	

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	<p><u>Key Financial Ratio</u></p> <ul style="list-style-type: none"> • Overall MCR is 94.5%. • Administrative ratio is 5.0%, better than the 5.3% forecast due to lower spending in Purchased Services. • 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 In-Home Support Services balance is settled with the Department of Health Care Services. <p><u>Tangible Net Equity (TNE)</u> The January 2021 Fund Balance was \$935 million which represents 471% of TNE. The target of 600% was based on the average of eight other Local Initiatives and County Organized Health Systems in California.</p> <p><u>Motion FIN 101.0321</u> To accept the Financial Report as submitted for January 2021.</p>	<p>Approved unanimously by roll call. 4 AYES (Booth, De La Torre, Perez and Roybal)</p>
<p>Monthly Investments Transaction Reports</p>	<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 January 31, 2021 was \$2.2 billion.</p> <ul style="list-style-type: none"> • \$1.8 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 	
<p>CEO Delegation Amendment of Data Exchange and Participation Agreement (DEPA) for Los Angeles Network for Enhanced Services (LANES)</p>	<p>Richard Seidman, MD, MPH, <i>Chief Medical Officer</i>, and Tom Schwaninger, <i>Senior Executive Advisor, Digital</i>, presented a motion requesting approval for CEO Delegation of Authority to amend the Data Exchange and Participation Agreement (DEPA) for Los Angeles Network for Enhanced Services (LANES).</p> <p>In December 2016, L.A. Care approved a participation agreement for up to \$2 million with LANES, a health information exchange for health care providers in Los Angeles County. The agreement was effective on April 1, 2018 at an annual cost of \$1.2 million. In August 2019 the Board approved for up to \$2 million to cover costs through March 31, 2021. The amended LANES DEPA is for additional funding for three years starting April 1, 2021, through March 31, 2024, at \$1.5 million per year, for a total cost of \$4.5 million over three</p>	

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	<p>years. The increase in annual cost is due to the transfer of in kind salary support currently covered by L.A. Care that will become a LANES expense and is covered by this amendment.</p> <p>Over the last several years, LANES has expanded its network of contracted users, now including 17 hospitals and 27 Community Health Centers in Los Angeles, and has made significant improvements to the platform, adding functionality and reporting capacity. This expansion, improvement and ongoing commitment to data quality has made LANES a valued strategic partner.</p> <p>Mr. Schwaninger stated that more payors are starting to ingest data to better understand members for Healthcare Effectiveness Data and Information Set (HEDIS) and quality, care management and case management. L.A. Care is working on a new care management system and will pull more data from LANES so that nurses and physicians can work with the data as part of their daily tasks. LANES is a good partner and L.A. Care is looking forward to continuing to work with LANES.</p> <p>Member Booth asked if the contract should be less expensive and how many jobs LANES will the taking from L.A. Care. Mr. Schwaninger stated that L.A. Care membership has expanded over the years so the cost reflects an effectively lower cost per member.</p> <p><u>Motion FIN 102.0321</u> To delegate authority to the Chief Executive Officer or his delegate to amend the Data Exchange Participation Agreement (DEPA) with Los Angeles Network for Enhanced Services (LANES) to provide health information exchange services for L.A. Care members (excluding Plan Partner membership) at a cost not to exceed \$4.5 million for a total not to exceed \$8.5 million through March 31, 2024.</p>	<p>Approved unanimously by roll call. 4 AYES</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 1:39 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)</p>	

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	Discussion Concerning New Service, Program, Technology, Business Plan Estimated date of public disclosure: <i>February 2023</i>	
RECONVENE IN OPEN SESSION	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.	
ADJOURNMENT	The meeting was adjourned at 1:54 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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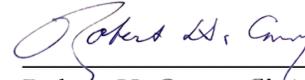
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Victor Rodriguez, *Board Specialist II, Board Services*

APPROVED BY:



Robert H. Curry, *Chair*

Date Signed 04/14/2021

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