

# BOARD OF GOVERNORS

## Finance & Budget Committee

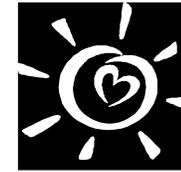
### Meeting Minutes – March 22, 2021

1055 W. 7<sup>th</sup> 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 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
<b>CALL TO ORDER</b>	Robert H. Curry, <i>Committee Chairperson</i> , called the L.A. Care and JPA Finance & Budget Committee meetings to order at 1:01 p.m. He welcomed everyone and summarized the process for public comment during this meeting as reflected on the meeting agenda. <ul style="list-style-type: none"><li>• The Governor’s Executive Order temporarily set aside some provisions of the Brown Act because of public health guidelines.</li><li>• Board Meetings are conducted electronically so that all attendees can be safe and practice social distancing.</li><li>• Comments from anyone who would like to address the Board and its committees are welcome and there are instructions on the Agenda.</li><li>• 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.</li><li>• Staff sends all comments in writing to the Board before the meeting.</li><li>• 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.</li></ul>	

**APPROVED**

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	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• The Board will continue reviewing and improving how public comments are received and distributed to Board members.</li> </ul>	
<b>APPROVE MEETING AGENDA</b>	The Agenda for today's meeting was approved.	<b>Approved unanimously by roll call. 4 AYES (Booth, Curry, Perez and Roybal)</b>
<b>PUBLIC COMMENTS</b>	<i>A public comment was removed at the request of the submitter.</i>	
<b>MEETING MINUTES</b>	The February 22, 2021 meeting minutes were approved as submitted.	<b>Approved unanimously by roll call. 4 AYES</b>
<b>CHAIRPERSON'S REPORT</b>	Committee Chairperson Curry expressed that he is happy with the improving numbers of COVID-19 cases in Los Angeles County. It is a community effort and added that we should not be over confident and continue to be vigilant to follow the CDC guidelines.	
<b>CHIEF EXECUTIVE OFFICER'S REPORT</b>	<p><i>(Board Chairperson De La Torre joined meeting.)</i></p> <p>John Baackes, <i>Chief Executive Officer</i>, reported:</p> <ul style="list-style-type: none"> <li>• The number of COVID-19 cases in Los Angeles County is improving. He reiterated that people should not to be over confident and should follow the CDC guidelines for health safety.</li> <li>• L.A. Care has obtained and arranged for 16,000 doses of the Johnson &amp; Johnson COVID-19 vaccine to be administered throughout L.A. County. Beginning April 7, 2021, L.A. Care will conduct vaccination events in the vicinity of each of L.A. Care's Community Resource Centers (CRCs). Because of the number of the vaccines to be administered on a daily basis, the CRC sites do not have the capacity to handle the traffic, and L.A. Care has arranged for the clinics to be conducted at suitable locations which are</li> </ul>	

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	<p>near the CRCs. This came about through diligent effort by Richard Seidman, MD. MPH, <i>Chief Medical Officer</i>, with the Los Angeles County Department of Health, L.A. Care’s pharmacy Director, and the USC School of Pharmacy. The USC School of Pharmacy helped L.A. Care administer flu vaccines last fall. Francisco Oaxaca, <i>Chief of Communications and Community Relations</i>, is working on a communications plan for members of L.A. Care’s Executive Community Advisory Committee (ECAC) and Regional Community Advisory Committees (RCAC), so they can avail themselves of the opportunity to receive a vaccine if eligible, and so they can help spread the word.</p> <ul style="list-style-type: none"> <li>• L.A. Care has had two months of good financial performance, which will be reported by Marie Montgomery, <i>Chief Financial Officer</i>, later in this meeting. Through February, 2021, there is a net revenue surplus of \$68 million. A net deficit of \$21 million had been projected. The positive financial report is the result of a lot of work by staff to efficiently manage L.A. Care’s expenses. The work to reorganize for efficiency, eliminating redundancy across the organization, is moving along well. Those efforts will continue through the end of the year with the hope it will result in a positive outcome for LA Care.</li> <li>• The American Rescue Plan, a much-touted \$1.9 trillion federal economic stimulus package, included an important item for Covered California members’ provisions for increased premium subsidies. All eligible members, those with income up to 600% of the federal poverty level, will see an increase in the federal subsidy provided to help them pay the health coverage premium. L.A. Care is preparing for changes in premium billing for all of the more than 100,000 L.A. Care Covered members, which will begin in April. This is good news for those members. Covered California, the statewide program, has extended open enrollment through December, 2021. This is also excellent news for anyone who needs to enroll for health coverage.</li> <li>• The Biden Administration has removed public charge provisions from government sponsored health coverage programs. This is good news for hundreds of thousands of legal immigrants in Los Angeles who might have been penalized for accessing programs for which they are eligible, like Medi-Cal. This should bring greater security for those who may not have been comfortable enrolling previously.</li> </ul> <p>Member Roybal asked about the changes after the passing of the American Rescue Plan. Mr. Baackes responded that there will be substantial increases in enrollment for Covered California because the enrollment has been extended until end of 2021 and the subsidy eligibility has been changed to include those with incomes up to 600% of the federal poverty level. L.A. Care is preparing for the changes in premium billing for all of the more than 100,000 L.A. Care Covered members, which will begin in April.</p>	

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	<ul style="list-style-type: none"> <li>The Department of Homeland Security has announced that it will also no longer consider receiving benefits through Medicaid (with an exception for those receiving long term care benefits), public housing, Cal-Fresh or Supplemental Nutrition Assistance Program (SNAP) as part of the public charge determination. The previous federal Administration had determined that those benefits would be counted against anybody applying for a “Green Card” in the United States, and it has now been rolled back to the same policy that was in place in 2009. The public charge will still apply to those that receive long term care coverage for Medicaid, as was in effect in 2009. It is believed that application of the public charge by the previous federal administration stopped people from applying or accessing those benefits for which they were eligible, out of fear of not being able to get a “Green Card”.</li> </ul>	
<b>COMMITTEE ITEMS</b>		
<b>Chief Financial Officer’s Report</b>  <b>Financial Report</b>	<p>Marie Montgomery, <i>Chief Financial Officer</i>, reported:</p> <p><u>Membership</u>  L.A. Care’s February 2021 membership is 2,368,428, which is 7,472 members favorable to the forecast for the month and approximately 17,000 member months favorable to the year to date 3+9 forecast. The suspension of the eligibility redeterminations for Medi-Cal continues to drive the membership favorability in February. The forecast assumed those redeterminations would likely not restart prior to the end of the fiscal year, and modest growth is expected to continue. For the Commercial lines of business, membership is just below forecast by approximately 1,800 members. Membership for L.A. Care Covered (LACC) increased in February to 93,000 members, slightly lower than the forecast of 95,000. As open enrollment has been extended, it is expected to increase again in March.</p> <p><u>Consolidated Financial Performance</u>  The net surplus for February 2021 is \$50 million, almost \$40 million favorable to the 3+9 forecast. The favorability is driven primarily by the operating margin, which is favorable by \$34 million due to incurred claims favorability of \$32 million versus the forecast.</p> <p>Pharmacy expense is also favorable \$775,000 for the month. Provider incentives of \$4.8 million is favorable due to the timing of the signing of the Plan Partner programs.</p> <p>Administrative expenses are \$3.1 million favorable to the forecast for the month of February. Non-operating is favorable \$2.8 million for the month, due to the timing of grant spending.</p>	

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	<p>Year-to-date (YTD) net surplus is \$68 million, which is \$89 million favorable to the forecast. The YTD operating margin is favorable by \$66 million, driven by incurred claims favorability of \$60 million versus the forecast. There is also favorability in provider incentives of \$8 million due to timing of the signing of the Plan Partner programs. Pharmacy is favorable \$3 million YTD driven by LACC deductibles.</p> <p>Administrative expenses are favorable \$12 million YTD driven primarily by lower spending in Purchased Services. Non-operating is \$12 million favorable due to timing of grant spending.</p> <p><u>Reported vs. Paid Claim Trend</u></p> <p>L.A. Care experienced volatility beginning in April 2020, because claims payments to providers were accelerated to alleviate cash flow concerns for providers on fee for service reimbursement. L.A. Care suspended claims recovery activities and made changes in payment practices to assist with cash flow to the provider network.</p> <p>In August 2020, L.A. Care resumed historical payment practices. Because of the volatility experienced earlier in the year, the claims reserving and assumptions used in the current budget were conservative. The reserving models are sensitive to the recent paid claims trends. In the current fiscal year, the monthly claims payments have stabilized, and that stability influences the level of L.A. Care’s reserve balance. Current claims trends are favorable to the level assumed in the updated 3+9 forecast, which is encouraging. L.A. Care’s current reserve position is sufficient to address medical costs for the more recent COVID-19 surge as well.</p> <p><u>Operating Margin by Segment</u></p> <ul style="list-style-type: none"> <li>• Overall, the Medical Care Ratio (MCR) is 93.4% versus forecast of 95.2%, lower than forecast mostly due to favorable fee-for-service (FFS) claims.</li> <li>• For the Plan Partners, the MCR is just about ahead of forecast.</li> <li>• For Seniors &amp; People with Disabilities (SPD)/Coordinated Care Initiative (CCI), the MCR is lower than the forecast due to the favorable FFS claims.</li> <li>• For the Temporary Assistance to Needy Families (TANF)/Medi-Cal Expansion (MCE) programs, the MCR is lower than the forecast due to lower FFS claims.</li> <li>• Cal MediConnect (CMC), the MCR is favorable to the forecast due to favorable FFS claims and timing of provider incentives, slightly offset by the calendar year 2019 disenrollment penalty.</li> </ul>	

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	<ul style="list-style-type: none"> <li>Commercial lines of business, the MCR is lower than the forecast due to the favorable FFS and LACC pharmacy claims.</li> </ul> <p><u>Key Financial Ratio</u> The administrative ratio was 4.8%, better than the forecast of 5.2%, due to lower spending in Purchased Services. Working Capital and Tangible Net Equity ratios 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 Supportive Services program balances are reconciled.</p> <p><u>Tangible Net Equity</u> February 2021 Fund Balance was \$985 million, which represents 496% of Tangible Net Equity and is currently enough cash to cover operating expenses for the next 38 days.</p> <p><b><u>Motion FIN 100.0421</u></b> <b>To accept the Financial Report as submitted for February 2021.</b></p>	<p><b>Approved unanimously by roll call. 5 AYES (Booth, Curry, De La Torre, Perez and Roybal)</b></p>
<p><b>Monthly Investments Transaction Reports</b></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 report is provided to the Committee to comply with the California Government Code and is an informational item only. L.A. Care's total investment market value as of February 28, 2021 was \$1.6 billion.</p> <ul style="list-style-type: none"> <li>\$1.3 billion managed by Payden &amp; Rygel and New England Asset Management (NEAM)</li> <li>\$73 million in Local Agency Investment Fund</li> <li>\$252 million in Los Angeles County Pooled Investment Fund</li> </ul>	
<p><b>Cognizant Trizetto Contract Amendment</b></p>	<p>Tom MacDougall, <i>Chief Information &amp; Technology Officer</i>, summarized the motion requesting for approval to amend the contract with Cognizant TriZetto for the implementation of the new core information system. The software has been implemented at L.A. Care for all lines of business and supports core processing functions for the business. In October 2017, L.A. Care purchased perpetual licenses from Cognizant TriZetto in the amount of \$6.5 million obtaining annual operating savings of at least \$1.3 million by paying only annual maintenance fees going forward instead of both rental and maintenance fees. For continued use of the core software products, L.A. Care staff requests approval to amend the contract through March 2022 and additional funding for software maintenance, licensing, hosting, and other support services.</p>	

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	<p><b><u>Motion FIN 101.0421</u></b>  <b>To amend a purchase order/contract with Cognizant TriZetto in the amount of \$7,500,000, total contract not to exceed \$96,234,459, for software maintenance, hosting, and other support services for L.A. Care’s core information systems.</b></p>	<p><b>Approved unanimously by roll call. 5 AYES</b></p>
<p><b>NetCentric Technologies, Inc. Contract Amendment</b></p>	<p>John Cota, <i>Director, Creative &amp; Marketing Operations</i>, summarized a motion requesting approval to amend a contract with NetCentric Technologies, Inc. to add funding and an extension of the contract from March 1, 2021 to December 31, 2021. L.A. Care’s public web pages must align with Web Content Accessibility Guideline (WCAG) 2.1 Level AA Standards in addition to the requirements of Section 508 (29 U.S.C. 794d).</p> <p>Member Booth asked for more information about the contract. Mr. Cota responded that the services provided by the vendor increased over time, and funding for the current contract ran out towards end of 2020. There is a balance for the remainder of 2020. L.A. Care is internalizing the work. The increase in services resulted from a new requirement for monthly Provider Directory updates to comply with regulations.</p> <p>Board Chairperson De La Torre asked that staff ensure that requests are brought to the Board in a timelier manner. Mr. Baackes took responsibility for the oversight, which occurred during staffing changes. Mr. Baackes added that maintaining accuracy of the Provider Directory is a significant challenge, for health plans and for the providers.</p> <p>Noah Paley, <i>Chief of Staff</i>, explained it is difficult to maintain accurate data for the Provider Directory.</p> <p><i>Note added for clarity: Due to regulatory requirement changes for Provider Directory production and publication, Marketing staff underestimated the total budget required for this vendor. In reference to the delay in bringing the motion forward to the Board, although Marketing has process controls in place for overseeing vendor services and budget administration, in the case of NetCentric, there was a delay in the discovery of the shortage of funds. At this juncture, the process has been adjusted to apply an additional layer in review, tracking and monitoring of vendor contracts to minimize / eliminate risk of this occurring again in the future.</i></p> <p><b><u>Motion FIN A.0321</u></b>  <b>To authorize staff to amend the contract to add \$440,000.00 in funds, bringing the total contract total not to exceed \$1,435,000, with NetCentric Technologies, Inc. for the period of March 1, 2021 to December 31, 2021.</b></p>	<p><b>Approved unanimously by roll call. 5 AYES</b></p>

**APPROVED**

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<b>ADJOURN TO CLOSED SESSION</b>	<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 2:01 pm.</p> <p><b>CONTRACT RATES</b> Pursuant to Welfare and Institutions Code Section 14087.38(m)</p> <ul style="list-style-type: none"> <li>• Plan Partner Rates</li> <li>• Provider Rates</li> <li>• DHCS Rates</li> </ul> <p><b>REPORT INVOLVING TRADE SECRET</b> Pursuant to Welfare and Institutions Code Section 14087.38(n) Discussion Concerning New Service, Program, Technology, Business Plan Estimated date of public disclosure: <i>March 2023</i></p> <p><b>CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION</b> Initiation of litigation pursuant to Section 54956.9(d)(4) of Ralph M. Brown Act: (One case)</p>	
<b>RECONVENE IN OPEN SESSION</b>	<p>The meeting reconvened in open session at 2:14 pm</p> <p>Ms. Haydel advised the public that no reportable actions were taken during the closed session.</p>	
<b>ADJOURNMENT</b>	The meeting was adjourned at 2:14 pm	

Respectfully submitted by:  
Linda Merkens, *Senior Manager, Board Services*  
Malou Balones, *Board Specialist III, Board Services*  
Victor Rodriguez, *Board Specialist II, Board Services*

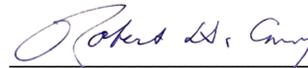
APPROVED BY:  
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Robert H. Curry, *Chair*  
Date Signed \_\_\_\_\_

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APPROVED BY:



Robert H. Curry, *Chair*

Date Signed 4-26-21

**APPROVED**