AUDIT COMMITTEE MEETING
Board of Governors

July 30, 2021 • 11:00 AM
L.A. Care Health Plan
1055 W. 7th Street, Los Angeles, CA 90017
AGENDA
Audit Committee Meeting
Board of Governors
Friday, July 30, 2021, 11 A.M.
L.A. Care Health Plan, 1055 West 7th Street, Conference Room 1025, Los Angeles

California Governor issued Executive Order N-25-20, N-29-20, which among other provisions amends the Ralph M. Brown Act. Accordingly, members of the public must now listen to this meeting via teleconference or videoconference as follows:

To join the meeting via videoconference please register by using the link below:
https://lacare.webex.com/lacare/onstage/g.php?MTID=eacbba517a4828ae56a61714a7e62d4fe
You may register anonymously for the videoconference but you must provide a valid email address.

To join the meeting via teleconference please dial: (213) 306-3065 or (415) 655-0002
Access code: 146 183 8350  Password lacare

Members of the Board of Governors or staff may participate in this meeting via teleconference. The public is encouraged to submit public comments or comments on Agenda items in writing by e-mail to BoardServices@lacare.org, or by sending a text or voicemail to (213) 628-6420.

The text, voicemail, or email must indicate if you wish to be identified or remain anonymous, and must also include the name of the item to which your comment relates.

Comments received by voicemail, email or text by 11:00 am on July 30, 2021 will be provided to the members of the Audit Committee. Public comments submitted will be read for 3 minutes.

Once the meeting has started, voicemails, emails and texts for public comment should be submitted before the agenda item is called by the meeting Chair. If you wish to submit public comment on a specific agenda item, you must submit it at any time prior to the time the Chair announces the item and asks for public comment. Please take note that if your public comment is not related to any of the agenda item topics, your public comment will be read in the general public comment agenda item.

Please take note that there may be delay in the digital transmittal of emails, texts and voicemail. The Chair will announce when public comment period is over.

The purpose of public comment is that it is an opportunity for members of the public to inform the governing body about their views. The Board appreciates hearing the input as it considers the business on the Agenda.

All votes in a teleconferenced meeting shall be conducted by roll call.

If you are an individual with a disability and need a reasonable modification or accommodation pursuant to the Americans with Disabilities Act (ADA) please contact L.A. Care Board Services staff prior to the meeting for assistance by text to 213 628-6420 or by email to BoardServices@lacare.org.

Welcome  
Alvaro Ballesteros, Chair

1. Approve today's Agenda  
2. Public Comment (Please read instructions above.)  
3. Approve December 16, 2020 meeting minutes p.4  
4. Chairperson’s Report  

7/27/2021 9:16 AM
5. Chief Executive Officer / Chief Financial Officer Reports

Committee Issues

6. Presentation of Audit Plan for Fiscal Year 2020-21
   • Approve Audit Plan for Fiscal Year 2020-21 (AUD A)

Adjournment

The Audit Committee meets as needed.

Public comments will be read for up to three minutes.

The order of items appearing on the agenda may change during the meeting.

If a teleconference location is listed at the top of this agenda, the public can participate in the meeting by calling the
teleconference call in number provided. If teleconference arrangements are listed at the top of this Agenda, note that the
arrangements may change prior to the meeting.

THE PUBLIC MAY SUBMIT COMMENTS TO THE BOARD OF GOVERNORS BEFORE DISCUSSION OF EACH ITEM
LISTED ON THE AGENDA BY SUBMITTING THE COMMENT BY VOICE MESSAGE OR IN WRITING BY TEXT
MESSAGE TO 213 628 6420, OR IN WRITING BY EMAIL TO BoardServices@lacare.org. Please follow additional instructions
on the first page of this Agenda.

ACTION MAY NOT BE TAKEN ON ANY MATTER RAISED DURING THE PUBLIC COMMENT PERIODS UNTIL THE
MATTER IS SPECIFICALLY LISTED ON A FUTURE AGENDA, according to California Government Code Section 54954.2
(a)(3) and Section 54954.3.

NOTE: THE BOARD OF GOVERNORS CURRENTLY MEETS ON THE FIRST THURSDAY OF MOST MONTHS AT
2:00 P.M. AGENDA and PRINTED MEETING MATERIALS ARE AVAILABLE FOR INSPECTION AT
http://www.lacare.org/about-us/public-meetings/board-meetings and by email request to BoardServices@lacare.org

Any documents distributed to a majority of the Board Members regarding any agenda item for an open session after the agenda has been posted
will be available for public inspection at http://www.lacare.org/about-us/public-meetings/board-meetings and can be requested by
email to BoardServices@lacare.org.

An audio recording of the meeting is made to assist in writing the minutes and is retained for 30 days.

Meetings are accessible to people with disabilities. Individuals who may require any accommodations (alternative formats - i.e., large print,
audio, translation of meeting materials, interpretation, etc.) to participate in this meeting and wish to request an alternative format for the
agenda, meeting notice, and meeting packet may contact L.A. Care’s Board Services Department at (213) 628 6420. Notification at least
one week before the meeting will enable us to make reasonable arrangements to ensure accessibility to the meetings and to the related
materials.
### AGENDA ITEM/PRESENTER

#### CALL TO ORDER

**Alvaro Ballesteros**

Alvaro Ballesteros, *Committee Chair*, called the meetings to order for the L.A. Care Audit Committee and the L.A. Care Joint Powers Authority Audit Committee at 1:04 p.m. The meetings were held simultaneously. He welcomed everyone to the meetings.

- For those who provided public comment for this meeting by voice message or in writing: we are really glad that you provided input today. The Committee wants to hear your comments and we also have to finish the business on our Agenda today.
- If you have access to the internet, the materials for today’s meeting are available at the lacare.org website. If you need information about how to locate the meeting materials, please let us know.
- Information for public comment is on the Agenda available on the web site. Staff will read the comment from each person for up to three minutes.
- Chairperson Ballesteros will invite public comment period before each item is discussed, not after. The public comment will be read before the Committee starts to discuss the item.
- If the comment is not on a specific agenda item, it will be read at the general Public Comment item 2 on today’s agenda.

<table>
<thead>
<tr>
<th>AGENDA ITEM/PRESENTER</th>
<th>MOTIONS / MAJOR DISCUSSIONS</th>
<th>ACTION TAKEN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>APPROVE MEETING AGENDA</strong></td>
<td>Today’s Agenda was approved as submitted.</td>
<td>Approved unanimously by roll call. 3 AYES (Ballesteros, Booth and Gonzalez)</td>
</tr>
</tbody>
</table>

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**Members**

Alvaro Ballesteros, *Chairperson*

Layla Gonzalez

Stephanie Booth, MD

**Management/Staff**

John Baackes, *Chief Executive Officer*

Augustavia J. Haydel, Esq., *General Counsel*

Marie Montgomery, *Chief Financial Officer*

**Guests**

Rosie Procopio, *Lead Client Service Provider, Deloitte & Touche*

Angelica Kocharova, *Audit Sr. Manager, Deloitte & Touche*

*Absent **Teleconference*
### Public Comment

Text received, December 16, 2020 at 12:29 pm, not self-identified

Public comment for audit meeting 12-16-2020, subject reckless use of state & county resources by LA Care, the Mar 2018 clearly shows your lawyer stating that oddly misspelled Achieva Med was taking over for Synermed which affirms LA Care was aware that Synermed and EHS medical group were the same people and likely knew EHS wasn’t a real company, a bogus company that LA Care likely handed millions over to coordinate patient care and instead they denied it! If LA Care had paid attention Synermed aka EHS and listened to enrollees they would never have been able to cause the damage they have caused to patients, the damage LA Care is now hiding from enrollees by not telling them as ordered by the DMHC! LA Care, karma will take care of you, I hope you are charged with fraud, you know what you’ve done, your fancy logos don’t fool people!
<table>
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<th>MOTIONS / MAJOR DISCUSSIONS</th>
<th>ACTION TAKEN</th>
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<tbody>
<tr>
<td>Approve Meeting Minutes</td>
<td>The July 22, 2020 meeting minutes were approved as submitted.</td>
<td>Approved unanimously by roll call. 3 AYES</td>
</tr>
<tr>
<td>Chairperson’s Report</td>
<td>There was no report from the Chairperson.</td>
<td></td>
</tr>
<tr>
<td>Chief Executive Officer/Chief Financial Officer Report</td>
<td>There was no CEO Report. Marie Montgomery, <em>Chief Financial Officer</em>, summarized the materials sent to the Committee. • The report reflect a $137 million net deficit reviewed at the Board meeting. There were no proposed adjustments.</td>
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<td>• The significant areas – Claims, Incurred But Not Reported (IBNR), Coordinated Care Initiative (CCI) member reclassification adjustment $87 million, net reduction, new COVID-19 risk corridor, aligned as defined by Deloitte &amp; Touche (D&amp;T).</td>
<td></td>
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<td></td>
<td>• Reserves Claims – estimate 1% difference from D&amp;T actuaries estimates, reserve position for August in preparation for December – worked well for L.A. Care.</td>
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</table>
|                       | • Retroactive revenue adjustment  
  o ½ % bridge period  
  o Received $20 million risk corridor for FY 2014-16  
  o There was state change in CCI risk corridor. The state changed what services are included that resulted in retroactive change to revenue.  
  o $87 million reclassification related to CCI.  
  o The narrative in the Financial statement reflected the results of operations and cash flow. This was consistent to what was seen at last meeting.  
  o The difference from prior year was that L.A. Care was not required an A131 Audit and grant programs. |              |

Ms. Montgomery stated that she has received comments from Board Member Booth. Staff will address some of Board Member’s Booth questions and some will be handled by D&T offline. Ms. Montgomery asked Member Booth if any more questions.

Member Booth asked about the $1.6 million on page 24 of the report. Ms. Montgomery stated that these are actual payments made to hospital not disbursement not paid during 2019 but actually paid in 2020. It’s the timing of payment which was paid in September and paid out in October

Ms. Montgomery noted that typically this meeting is held in late January. D&T promised to finish the audit early and met their commitment. She thanked D&T for their effort to meet their commitment. Staff were more responsive to comments and thanked Angela and Doris for the cooperation.
### AGENDA

<table>
<thead>
<tr>
<th>ITEM/PRESENTER</th>
<th>MOTIONS / MAJOR DISCUSSIONS</th>
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<tr>
<td><strong>COMMITTEE ISSUES</strong></td>
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</table>
| **Review of Audit Report for FY 2019-20** | Rosie Procopio and Angelica Kocharova, of Deloitte & Touche (D&T), referenced to the documents provided in the meeting packet. Ms. Procopio noted that there were no significant changes to accounting policies. She thanked Angela Bergman, Controller and Doris Lai, Senior Director, Accounting & Financial Services, for their cooperation with the audit. | D&T summarized the results of the onsite audit.  
- They received the full cooperation from management and staff and had unrestricted access to the senior management in the performance of the audits.  
- There were no material weaknesses or deficiencies found in L.A. Care’s financial operations or internal controls.  
- There were no significant changes in accounting estimates or in management’s judgments relating to Reserves for Incurred but not Reported Claims (IBNR) estimate, and Retroactive Revenue Adjustments.  
- There were no uncorrected misstatements identified during our audit, except an error detected in a sample which resulted in an extrapolated misstatement. Inpatient and outpatient services account was tested using statistical sampling techniques and certain errors in recording claims expense for the year ended September 30, 2020 were found. The mathematical projection of the likely errors resulted in an understatement of the $13.7 million claims. The unrecorded errors were determined by management to be immaterial to the financial statements taken as a whole.  
- Throughout the year, routine discussions were held with management regarding the application of accounting principles or auditing standards which did not involve significant findings or issues requiring communication to the Audit Committee.  
- There were no material adjustments to the financial statements.  
- Staff were available, D&T was able to conduct a more efficient audit and had met its audit timeline.  
- Ms. Procopio expressed her appreciation to the team |
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<td></td>
<td>Chair Ballesteros asked Committee member if there is need to talk to D&amp;T separately. The Committee members was of consensus that a discussion with the D&amp;T is not necessary.</td>
<td>Approved unanimously by roll call. 3 AYES</td>
</tr>
<tr>
<td><strong>Motion AUD A.1220</strong></td>
<td><strong>To accept the findings of the Deloitte &amp; Touches’ audit of L.A. Care’s financial statements for the fiscal year ended September 30, 2020, as presented.</strong></td>
<td></td>
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</table>
Public Comment not read due to late submission:

Text received December 16, 2020, 1:29 pm, Not self-identified
Public comment if I can access unmuted why the f__\l are you reading my comments for me!?

Text received December 16, 2020, 1:40 pm, Not self-identified
General public comment, why no instructions for Spanish speakers to call in toll free for this audit meeting?
L.A. Care texted: The period for public comment was over prior to your text being received. Your last texts will be included in the written minutes as an addendum.
Date: July 30, 2021  
Motion No. AUD A.0721

Committee: Audit  
Chairperson: Alvaro Ballesteros, MBA

Issue: To accept the Audit Plans of the Deloitte & Touches’ audit of L.A. Care’s financial statements for the fiscal year 2020-21.

Background:

Member Impact Statement: Fiscal responsibility by the Board of Governors is enhanced by an independent third party audit of L.A. Care’s financial condition, confirming the financial stability of the organization so important health care coverage can continue for L.A. Care’s members.

Budget Impact: N/A

Motion: To accept the Audit Plans of the Deloitte & Touches’ audit of L.A. Care’s financial statements for the fiscal year 2020-21, as presented, and authorize execution of the engagement letter.
Raising the bar in quality and client service excellence

Our 2021 Client service plan for L.A. Care Health Plan

July 30, 2021 | Rosie Procopio | Los Angeles
Dear Audit Committee Members:

We are pleased to present Deloitte & Touche LLP's 2021 client service plan for L.A. Care Health Plan (L.A. Care). First and foremost, we value our role as your independent auditor. We understand our responsibility to you as the chosen representatives of the investing public, and we have developed a plan that is specific, candid, and focused on two elements: providing a distinctive level of client service and delivering a high-quality audit effectively.

Our client service plan leverages a strategy that covers specific actions we will take to address and respond to the feedback the audit committee and management have given us throughout the year and through our service quality assessment process. We understand your expectations for high-quality client service, and our team is committed to delivering on those expectations.

Our audit plan reflects our commitment to providing you with high-quality, proactive service that is delivered with integrity, objectivity, and independence. Our audit addresses financial statement and internal control risks through targeted procedures that are responsive to the nature of the risks, including changes in L.A. Care, the business environment, the regulatory landscape, and as a result of the COVID-19 pandemic. The plan also outlines Deloitte's seamless approach to audit delivery and how our investments in audit transformation will be applied to your audit through new technology capabilities like big-data analytics, automation, artificial intelligence, and enhanced audit delivery processes.

As the circumstances surrounding COVID-19 continue to evolve, we want to assure you that our priority is safeguarding our people, our clients, and our communities, while at the same time continuing to serve you with excellence and distinction. We are committed to serving you with professionalism and integrity. We are deeply appreciative of our relationship. Please reach out if there is anything we can do to be of assistance.

We appreciate the opportunity to serve L.A. Care. We hope the accompanying information will be useful to you, and we look forward to answering your questions about our plan.

This report is intended solely for the information and use of the audit committee, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP

cc: Management of L.A. Care Health Plan
Contents

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Executive summary
What we’ve done, what’s ahead

Audit approach and team

What we’ve done

- Accelerated issuance timeline through expanded interim procedures, implementation of new procedures in the areas of claims expenses and other medical expenses, and increased use of data analytics and other audit technology
- Continued to adapt our audit to changes within L.A. Care and macroeconomic environment to consider the impact of the evolving COVID-19 events during our preliminary risk assessment
- Held annual debrief/planning sessions on the prior year engagement with CFO, Senior Director of Finance, and Controller
- Held debrief meetings with executive management on continuous process improvement ideas
- Evaluated market conditions, prior-year results, and company-specific considerations as well as assessment of potential changes in response to COVID-19, as we continue to perform our iterative risk assessment procedures

What’s ahead

- Significant risks:
  - Management override of controls
  - Assumptions related to IBNR valuation
- Other areas of focus:
  - Fair value of investments
  - Revenue
  - Medical expenses (pricing of claims)
  - Risk sharing arrangements (e.g. COVID and other)
- New: Consistent with prior year

Other Planned Procedures:

- Virtual control walkthroughs
- Modifications to the nature and timing of procedures
- Continued implementation of audit technology, including DNAV (see slide 8)
- Continued evaluation of new accounting standards
- Continue to adapt to changes with L.A. Care and the macroeconomic environment; specifically, the continued impact of the COVID-19 events.
- Continue to communicate with management on a regular basis throughout the year for timely identification and resolution of accounting and other matters.
02

Digitized audit and benefits
Bring your audit into focus

Deloitte Omnia

Tailored audits to fit each unique business

We focus on what matters in the audit, so you can focus on what matters to you.

Clients of other audit firms are switching to Deloitte, and our existing clients are staying with us.

Deloitte  
EY  
PwC  
KPMG

Net client losses  
Net client gains

Source: Audit Analytics (public company auditor changes, 2015–Q3 2020)

You benefit from our investment of $1 billion and counting to digitize the audit and enhance your audit experience.

We have the fewest PCAOB inspection deficiencies because we focus your audit on what matters.

Deloitte  
EY  
PwC  
KPMG

Source: PCAOB, # of auditing standards associated with PCAOB Part IA deficiencies

Deloitte  
EY  
PwC  
KPMG

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Deloitte  
EY  
PwC  
KPMG

You benefit from our investment of $1 billion and counting to digitize the audit and enhance your audit experience.
Reduced audit burden.
- Smart automation
- Unparalleled transparency
- Putting your data to work

Achieving a higher-quality, more insightful audit shouldn’t take more effort from you. Through focus, flexibility, and advanced audit technology, Deloitte Omnia delivers more relevant insights, all while reducing the burden on your team.

- Digital risk assessment to focus on areas with the highest risk, limiting effort in less critical areas
- Automating manual processes that reduce the burden on your teams
- Centralizing project management for a more seamless exchange of information and access to up-to-the-moment progress reports

Deeper insights.
- Identifying what matters
- Harnessing your data

Insights come in many shapes and sizes. Deloitte Omnia produces insights that are tailored for your specific business and the industry in which it operates. This focused approach enhances audit quality and improves your overall experience.

- Performing more comprehensive risk assessments and delivering industry benchmarking, perspective, and visualization
- You receive accounting, operational, and control insights that might otherwise be buried in large quantities of data
- Unlocking the true potential of your data by helping zero in on the insights that can truly make a difference

A smarter audit.
- Digitizing the process
- Focusing on what matters

Driving value through a high-quality audit is not only what we do, it’s in our DNA. Our diverse and highly skilled teams are constantly analyzing changes in your risk profile to focus on the unique risks facing your business.

- Leveraging the power of artificial intelligence
- Homing in on higher risks with advanced document interrogation and analysis capabilities
- Utilizing DNAV* to price 100 percent of all level 1 and level 2 securities, which covers 100 percent of the investment balance.

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* Deloitte’s Omnia DNAV [follow link http://www.youtube.com/watch?v=8X4u5moFC2Y] is a digital, cloud-based solution that revolutionizes the audit of securities and investments. Omnia DNAV combines digital technologies, automation, data science, and artificial intelligence with auditor judgment to drastically reduce manual effort, allow for 100% coverage of a client's securities transaction records and enable auditors and clients to focus on what matters. What makes Omnia DNAV truly innovative is its use of proprietary algorithms to establish a new way of performing investment valuations. It transforms client data and external vendor data using intelligent algorithms to build “One Deloitte Price” while simultaneously automating audit procedures. Deloitte was also recently named to Accounting Today's 2020 best firms for technology.
03

Engagement structure
Engagement structure – A team you know and trust

Actuarial team
- Dave Thoen, Specialist Leader
- Rhea Forsythe, Actuarial Specialist Manager

Corporate audit
- Angelica Kocharova, Audit & Assurance Senior Manager
- Shruti Bathini, Audit & Assurance Manager

Information technology team
- Traci Mizoguchi, Principal
- Frank Li, IT Advisory Manager

Rosie Procopio, Audit & Assurance managing director
Jose Campos, Engagement quality review partner
04

Professional Fees
## Proposed 2021 Audit Fees

<table>
<thead>
<tr>
<th>Services Description</th>
<th>Approved Fee (excluding expenses)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Services previously approved</strong></td>
<td></td>
</tr>
<tr>
<td>Financial Statement Audit (1)</td>
<td>$398,000</td>
</tr>
<tr>
<td>Deloitte Accounting Research Tool subscription fee</td>
<td>$1,895 / user</td>
</tr>
</tbody>
</table>

**Notes:**
(1) Fee included is as proposed and included in our proposal for the external audit.
05

Additional information
Risk assessment includes required communications
The Deloitte Way

Audit quality will always be essential. The audit should also anticipate the changes of an evolving, growing business and adapt continuously. A Deloitte audit does this by using advanced technology, design thinking, and multidisciplinary teams that include data and analytics specialists.

Complete the initial planning process
- Assess and respond to engagement risk
- Update our understanding of your business
- Update our understanding of your accounting process and internal controls
- Determine planning materiality

Develop the audit plan
- Perform a fact-based risk assessment using data analytics and determine the risk classification
- Plan design and implementation procedures on internal controls
- Plan substantive tests, including the use of technology
- Prepare and communicate the audit plan

Report and assess our performance
- Perform subsequent-events review
- Obtain management representations
- Summarize audit results for management and the audit committee
- Assess engagement quality
- Issue audit opinions

Execute the audit plan
- Perform design and implementation procedures on controls
- Evaluate control deficiencies
- Perform substantive tests
Focus on what matters

A risk-based audit approach only makes a difference if the audit execution is dictated by the assessed risk. Below, we have provided a view into how your audit is focused on areas of risk that really matter. We execute based on our assessment.

We will continue to reassess these risks throughout the year, but if an area is determined to be of no risk, no further testing or support is needed from you.

### Tangible benefits for you

- Less time spent answering questions and proving support for lower-risk items
- Less duplication of effort due to better coordination with management and IA
- Lower overall cost of compliance without a reduction in quality

### How we get there

We identify potential areas of risk using the following methods:

- Understanding upcoming business changes
- Ongoing discussion with L.A. Care’s finance teams
- Industry knowledge
- Market factors
- Understanding of L.A. Care’s operations from strategic, operational, financial, and compliance perspectives
- Perspectives on the macroeconomic and political environment
- Knowledge of local regulations

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Significant risks

As of the date of this report, we have identified certain significant risks, including fraud risk, during our risk assessment procedures. A significant risk is a risk of material misstatement of the financial statements that requires special audit consideration. The significant risks we have identified during our risk assessment procedures and our preliminary audit response, including the nature and extent of specialized skill or knowledge needed to perform the planned audit procedures or evaluate the audit results, are detailed in the slides that follow.

We will separately communicate any significant changes to these significant risks during the course of our audit and the reasons for such changes, as necessary.
Significant risks (continued)

<table>
<thead>
<tr>
<th>Audit area</th>
<th>Significant risks</th>
<th>Planned audit response</th>
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</table>
| Assumptions utilized in IBNR Valuation         | The valuation of IBNR reserve requires management estimation and judgment. Management uses significant assumptions and judgments in estimating the cost of claims, specifically those that are made to adjust IBNR reserve. Management also leverages calculations and estimates developed by its internal actuarial team when considering the liability estimate. This significant risk also represents a fraud risk. | • We will make inquiries of management and test the design and implementation of internal control activities involving management’s process for estimating the IBNR reserve.  
• We will conduct meetings with the Company’s actuaries to assess the consistency of the methodology utilized for calculating the accruals for IBNR estimates. Furthermore, hold discussions with claims operations personnel to better understand performance over time and its impact on the claim reserves.  
• We will involve actuarial specialists from Deloitte Consulting LLP to review management’s methods and assumptions used to develop the reserve estimates and prepare an independent estimated range of reasonable reserves in order to corroborate management’s estimate of its claims-based liability. Assess information such as claims inventory, high dollar claims and other environmental factors to conclude on actuarial assumptions utilized.  
• We will perform data integrity testing of information utilized by the Company’s actuaries, including test of details on paid claims and claims inventory for accuracy and completeness.  
• We will also perform a retrospective look-back (recast) of management’s prior year estimates. |
Audit scope
includes required communications
Using the work of our professionals in India and other persons who perform audit procedures

Use of Deloitte & Touche Assurance & Enterprise Risk Services India Private Limited

Personnel of Deloitte & Touche LLP’s subsidiary, Deloitte & Touche Assurance & Enterprise Risk Services India Private Limited, will assist us in performing audit procedures during the current-period audit. These personnel are considered members of the engagement team and are subject to our supervision, and their work is subject to our review.

<table>
<thead>
<tr>
<th>Accounting firm name and location</th>
<th>Planned responsibilities</th>
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<tbody>
<tr>
<td>Deloitte &amp; Touche LLP</td>
<td>Information Technology (IT) Advisory Specialists led by Traci Mizoguchi to assist in the testing of general IT controls</td>
</tr>
<tr>
<td>Deloitte Consulting LLP</td>
<td>Actuarial specialists led by Dave Thoen to assist in the testing of the actuarial valuation of IBNR reserve</td>
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Audit timeline includes required communications
Audit timeline

We will plan the performance of our audit in accordance with the following estimated timetable:

<table>
<thead>
<tr>
<th>Activity</th>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
<th>MAY</th>
<th>JUN</th>
<th>JUL</th>
<th>AUG</th>
<th>SEP</th>
<th>OCT</th>
<th>NOV</th>
<th>DEC</th>
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<td>Conduct periodic meetings with management to communicate industry and accounting matters and discuss current developments in the business</td>
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<td>Meet with the Audit Committee</td>
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<td>Conduct planning meetings with the audit team and client personnel</td>
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<td>Perform preliminary planning, risk assessment, and develop detailed audit plan</td>
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<td>Perform interim audit procedures</td>
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<td>Report results of interim work to senior management</td>
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<td>Perform year-end audit procedures</td>
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<td>Issue audit report</td>
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Draft engagement letter
July 30, 2021

Alvaro Ballesteros
Audit Committee Chair
Audit Committee of the Board of Governors
for Local Initiative Health Authority for Los Angeles County,
a local public entity operating and doing business as L.A. Care Health Plan
1055 W 7th Street
Los Angeles, California 90017

Marie Montgomery
Chief Financial Officer
Local Initiative Health Authority for Los Angeles County,
a local public entity operating and doing business as L.A. Care Health Plan
1055 W 7th Street
Los Angeles, California 90017

Dear Mr. Ballesteros and Ms. Montgomery:

Deloitte & Touche LLP ("D&T" or "we" or "us") is pleased to serve as independent auditors for Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan and Joint Powers Authority (the "Organization" or "you" or "your"). Ms. Rosie Procopio will be responsible for the services that we perform for the Organization hereunder.

In addition to the audit services we are engaged to provide under this engagement letter, we would also be pleased to assist the Organization on issues as they arise throughout the year. Hence, we hope that you will call Ms. Rosie Procopio whenever you believe D&T can be of assistance. The services to be performed by D&T pursuant to this engagement are subject to the terms and conditions set forth herein and in the accompanying appendices. Such terms and conditions shall be effective as of the date of the commencement of such services.

Audit of Financial Statements and Other Reporting

Our engagement is to perform an audit in accordance with (1) auditing standards generally accepted in the United States of America ("generally accepted auditing standards"), and (2) the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States ("generally accepted government auditing standards") (generally accepted auditing standards and generally accepted government auditing standards are collectively referred to herein as the "Auditing Standards"). The objectives of an audit conducted in accordance with the Auditing Standards are to:

• Express an opinion on whether the Organization's basic financial statements and the accompanying supplementary information, in relation to the basic financial statements as a whole, for the year ending September 30, 2021 (the "financial statements"), are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), and perform specified procedures on the required supplementary information for the year ending September 30, 2021.
• Report on the Organization's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ending September 30, 2021, based on an audit of financial statements performed in accordance with generally accepted government auditing standards.

Appendix A contains a description of the auditor's responsibilities and the scope of an audit in accordance with the Auditing Standards.

**D&T Reports**

We expect to issue written reports upon the completion of our audit. Our ability to express any opinion or to issue any report as a result of this engagement and the wording thereof will, of course, be dependent on the facts and circumstances at the date of our reports. If, for any reason, we are unable to complete our audit or are unable to form or have not formed any opinion, we may decline to express any opinion or decline to issue any report as a result of this engagement. If we are unable to complete our audit, or if any report to be issued by D&T as a result of this engagement requires modification, the reasons for this will be discussed with the Audit Committee of the Board of Governors (the "Audit Committee") and the Organization's management.

**Management's Responsibilities**

Appendix B describes management's responsibilities.

**Responsibility of Audit Committee**

As independent auditors of the Organization, we acknowledge that the Audit Committee is directly responsible for the appointment, compensation, and oversight of our work, and accordingly, except as otherwise specifically noted, we will report directly to the Audit Committee. You have advised us that the services to be performed under this engagement letter, including, where applicable, the use by D&T of affiliates or related entities as subcontractors in connection with this engagement, have been approved by the Audit Committee in accordance with the Audit Committee's established preapproval policies and procedures.

**Communications with Audit Committee**

Appendix C describes various matters that we are required by the Auditing Standards to communicate with the Audit Committee and management.

**Fees**

We estimate that our fees for this engagement will be $398,000, plus expenses. Based on the anticipated timing of the work, our fees will be billed approximately as follows:

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<th>Invoice Date</th>
<th>Amount</th>
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<tr>
<td>July 2021</td>
<td>$198,000</td>
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<td>October 2021</td>
<td>100,000</td>
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<td>November 2021</td>
<td>100,000</td>
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We anticipate sending invoices according to the above schedule, and payments are due 30 days from the date of the invoice. Engagement-related expenses, and technology- and administrative-related charges will be billed in addition to the fees and will be stated separately on the invoices. Notwithstanding anything to the contrary set forth herein, authorized expenses reimbursable under this engagement letter
shall not exceed ten percent (10%) of the amount of estimated engagement fees specified above.

Our continued service on this engagement is dependent upon payment of our invoices in accordance with these terms. Our estimated fees are based on certain assumptions, including (1) timely and accurate completion of the requested entity participation schedules and additional supporting information, (2) no inefficiencies during the audit process or changes in scope caused by events that are beyond our control, (3) the effectiveness of internal control over financial reporting throughout the period under audit, (4) a minimal level of audit adjustments (recorded or unrecorded), and (5) no changes to the timing or extent of our work plans. We will notify you promptly of any circumstances we encounter that could significantly affect our estimate and discuss with you any additional fees, as necessary.

In addition, the Organization agrees to compensate D&T for any time and expenses that we may incur in responding to requests for documents or information under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), Subtitle D of the Health Information Technology for Economic and Clinical Health Act provisions of the American Recovery and Reinvestment Act of 2009 ("HITECH"), or any regulations promulgated under HIPAA or HITECH, except as provided in Appendix D, Paragraph 8.

Access to Working Papers by Regulators

We may be requested or required by a regulator of the Organization, including but not limited to a federal agency or the Comptroller General of the United States, or representatives of the United States Government Accountability Office (GAO) or California Department of Managed Health Care (DMHC) (each, a "Regulator") to provide access to working papers related to this engagement. In the event of any such request or requirement, we will notify you prior to providing such access unless applicable law or regulation prohibits such notice. The working papers for this engagement are the property of D&T and constitute D&T's confidential information. We may request confidential treatment of our working papers. Access to our working papers will be provided under the supervision of D&T's personnel and upon request we may provide copies of working papers to a Regulator. If we are requested, but not required, to provide such access, then we will obtain the Organization's consent prior to providing such access.

Fees for professional services relating to such access, plus related expenses, will be billed in addition to the estimated fees outlined herein. The working papers related to this engagement will be retained by us for a minimum of three years from the dates of the reports issued, or such longer period as required to satisfy legal and administrative requirements.

Inclusion of D&T Reports or References to D&T in Other Documents or Electronic Sites

Nothing in this engagement letter is intended to restrict the ability of the Organization to distribute to other parties our independent auditors' reports together with, and only with, a complete set of the Organizations' financial statements and related notes thereto for all periods to which such reports relate. However, if the Organization intends to publish or otherwise reproduce in any document or any report issued as a result of this engagement, or otherwise make reference to D&T in a document that contains other information in addition to the audited financial statements (e.g., in a periodic filing with a regulator, in a debt or equity offering circular, or in a private placement memorandum), thereby associating D&T with such document, the Organization agrees that its management will provide D&T with a draft of the document to read and obtain our approval for the inclusion or incorporation by reference of any of our reports, or the reference to D&T, in such document before the document is printed and distributed. The inclusion or incorporation by reference of any of our reports in any such document would constitute the reissuance of such reports. The Organization also agrees that its management will notify us and obtain our approval prior to including any of our reports on an electronic site.

Our engagement to perform the services described herein does not constitute our agreement to be associated with any such documents published or reproduced by or on behalf of the Organization. Any
request by the Organization to reissue any report issued as a result of this engagement, to consent to any such report's inclusion or incorporation by reference in an offering or other document, or to agree to any such report's inclusion on an electronic site will be considered based on the facts and circumstances existing at the time of such request. The estimated fees outlined herein do not include any procedures that would need to be performed in connection with any such request. Should D&T agree to perform such procedures, fees for such procedures would be subject to the mutual agreement of the Organization and D&T.

* * * *

The parties acknowledge and agree that D&T is being engaged under this engagement letter to provide only the services described herein. Should the Organization or the Audit Committee request, and should D&T agree to provide, services (including audit services) beyond those described herein, such services will constitute a separate engagement and will be governed by a separate engagement letter.

This engagement letter, including Appendices A through F attached hereto and made a part hereof, constitutes the entire agreement between the parties with respect to this engagement and supersedes any other prior or contemporaneous agreements or understandings between the parties, whether written or oral, relating to this engagement.

If the above terms are acceptable and the services described are in accordance with your understanding, please sign the copy of this engagement letter in the space provided and return it to us.

Yours truly,

Acknowledged and approved on behalf of
Audit Committee of the Audit Committee of
Local Initiative Health Authority for Los Angeles County,
a local public entity operating and doing business as L.A. Care Health Plan:

By: ________________________________
Title: _______________________________
Date: _______________________________

Accepted and agreed to by Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan:

By: ________________________________
Title: _______________________________
Date: _______________________________
APPENDIX A

AUDITOR'S RESPONSIBILITIES AND SCOPE OF AN AUDIT IN ACCORDANCE WITH THE AUDITING STANDARDS

This Appendix A is part of the engagement letter dated July 30, 2021, between Deloitte & Touche LLP and Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan (the "Organization") and approved by the Audit Committee of the Organization.

Auditor's Responsibilities

Our responsibilities under the Auditing Standards include forming and expressing opinions and reporting on certain matters as described in the Audit of Financial Statements and Other Reporting section of this engagement letter. The audit of the financial statements and our reporting on other matters do not relieve management or the Audit Committee of their responsibilities.

Scope of an Audit and Other Reporting

The Auditing Standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether caused by fraud or error. However, because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by fraud or error, that are not material to the financial statements as a whole are detected.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit also includes tests of the Organization's compliance with certain provisions of laws, regulations, contracts, and grant agreements. However, our objective is not to provide an opinion on compliance with those provisions, and accordingly, we will not express such an opinion.

As part of the audit, we will be alert to situations or transactions that could be indicative of abuse as defined by generally accepted government auditing standards, which involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. The determination of abuse is subjective; generally accepted government auditing standards do not require us to provide reasonable assurance of detecting abuse, and we will not design the audit to detect abuse. However, if we become aware of abuse that could be quantitatively or qualitatively material to the financial statements, we will apply procedures specifically directed to ascertain the potential effect on the financial statements or other financial data significant to the audit objectives. Under generally accepted government auditing standards, we may be required to directly report known or likely fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse to outside parties.
Generally accepted accounting principles provide for certain required supplementary information (RSI), such as a management's discussion and analysis, to accompany the Organization's financial statements. As part of the audit, we will apply certain limited procedures to the Organization's RSI, which will consist principally of inquiries of management about the methods of preparing the information. We will disclaim an opinion on the RSI, unless (1) some of the RSI is omitted, (2) the measurement or presentation of the RSI departs materially from the prescribed guidelines, or (3) we have unresolved doubts about whether the RSI is measured or presented in accordance with prescribed guidelines.

Supplementary information other than RSI, such as budgetary comparison information, also accompany the Organization's financial statements. We will subject supplementary information that is financially oriented to the audit procedures applied in the audit of the financial statements and express an opinion on whether such that information is fairly stated, in all material respects, in relation to the Organization's financial statements as a whole. We will disclaim an opinion on supplementary information that comprises non-accounting information or accounting information that is not directly related to the financial statements.

Medicare, Medicaid, and HIPAA Compliance

Claims for payment for services rendered to Medicare and Medicaid beneficiaries must meet applicable billing laws and regulations that, among other things, require that the services are medically necessary, accurately coded, and sufficiently documented in the beneficiaries' medical records. Although we will make certain limited inquiries about procedures and controls relating to compliance with these laws and regulations, we will not perform an audit of claims submitted to Medicare and Medicaid with respect to such compliance. The determination of medical necessity, coding accuracy, and sufficiency of medical records documentation is not within the auditors' responsibility. Accordingly, neither our audit of the Organization's financial statements for the year ending September 30, 2021, nor any reviews or other services provided pursuant to this engagement letter, will provide any assurances, nor will we express any opinion, that the claims submitted by the Organization for services rendered to Medicare and Medicaid beneficiaries are in compliance with applicable billing laws and regulations.

Identifying and ensuring that the Organization complies with the laws and regulations applicable to its activities are the responsibility of the Organization's management. Neither our audit of the Organization's financial statements for the year ending September 30, 2021, nor any reviews or other services provided pursuant to this engagement letter will provide any assurances, nor will we express any opinion, that the Organization's efforts or the efforts of any other parties, such as the Organization's vendors, service providers, customers, unconsolidated subsidiaries or joint ventures in which the Organization has an investment, or other third parties are appropriate to establish procedures or to have a process in place to be compliant with the laws and regulations of HIPAA or any other laws or regulations. In addition, we are not engaged to perform, nor will we perform as part of this engagement, any procedures to test whether the Organization is compliant with HIPAA or any other laws or regulations, or whether the plans and activities of the Organization or any other third parties are sufficient to address and correct problems that might arise because of noncompliance, nor will we express any opinion or provide any other assurances with respect to these matters.
APPENDIX B

MANAGEMENT'S RESPONSIBILITIES

This Appendix B is part of the engagement letter dated July 30, 2021 between Deloitte & Touche LLP and Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan (the "Organization") and approved by the Audit Committee of the Organization.

Financial Statements, Internal Control, and Compliance

Management is responsible for the preparation, fair presentation, and overall accuracy of the financial statements in accordance with generally accepted accounting principles and all accompanying information in accordance with prescribed guidelines or applicable criteria. In this regard, management has the responsibility for, among other things:

- Selecting and applying the accounting policies
- Designing, implementing, and maintaining effective internal control relevant to (1) the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error and (2) compliance with laws, regulations, and provisions of contracts or grant agreements
- Identifying and ensuring that the Organization complies with the laws and regulations applicable to its activities and the provisions of contracts or grant agreements, and informing us of all instances of identified or suspected fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse
- Providing us with (1) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements and all accompanying supplementary information, such as records, documentation, and other matters, (2) additional information that we may request from management for the purpose of our audit, and (3) unrestricted access to personnel within the Organization from whom we determine it necessary to obtain audit evidence
- Taking timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report
- Having a process to track the status of audit findings and recommendations
- Identifying for us previous audits, attestation engagements, and other studies related to the objectives of our audit and whether related recommendations have been implemented.

Management is also responsible for (1) preparing supplementary information other than RSI, such as budgetary comparison information, in accordance with the applicable criteria, (2) including our report on the supplementary information in any document that contains such information and that indicates that D&T has reported on such information, and (3) presenting the supplementary information with the Organization's audited financial statements.

Management's Representations

We will make specific inquiries of the Organization's management about the representations (1) embodied in the financial statements and accompanying information, (2) regarding the effectiveness of internal control, and (3) regarding the Organization's compliance with laws, regulations, and the provisions of contracts and grant agreements. In addition, we will request that management provide us with the written representations the Organization is required to provide to its independent auditors under the Auditing Standards. The responses to those inquiries and the written representations of management are part of the evidential matter that D&T will rely on in forming its opinion on the Organization's
financial statements and reporting on accompanying information. Because of the importance of management's representations, the Organization agrees to release and indemnify D&T, its subcontractors, and their respective personnel from all claims, liabilities, and expenses relating to our services under this engagement letter attributable to any misrepresentation by management.

**Process for Obtaining Preapproval of Services**

Management is responsible for the coordination of obtaining the preapproval of the Audit Committee, in accordance with the Audit Committee's preapproval process, for any services to be provided by D&T to the Organization.

**Independence Matters**

In connection with our engagement, D&T, management, and the Audit Committee will assume certain roles and responsibilities in an effort to assist D&T in maintaining independence. D&T will communicate to its partners, principals, and employees that the Organization is an attest client. Management of the Organization will ensure that the Organization has policies and procedures in place for the purpose of ensuring that the Organization will not act to engage D&T or accept from D&T any service that under American Institute of Certified Public Accountants (AICPA), generally accepted government auditing standards, or other applicable rules would impair D&T's independence. All potential services are to be discussed with Ms. Rosie Procopio.

In connection with the foregoing paragraph, the Organization agrees to furnish to D&T and keep D&T updated with respect to a corporate tree that identifies the legal names of the Organization's affiliates, as defined in AICPA Code of Professional Conduct Interpretation No. 101-18 (e.g., parents, subsidiaries, investors, or investees) ("Organization Affiliates"), together with the ownership relationship among such entities. Such information will be maintained in a database accessible by D&T in connection with their compliance with AICPA or other applicable independence rules.

Management will coordinate with D&T to ensure that D&T's independence is not impaired by hiring former or current D&T partners, principals, or professional employees in a key position, as defined in the AICPA Code of Professional Conduct. Management of the Organization will ensure that the Organization also has policies and procedures in place for purposes of ensuring that D&T's independence will not be impaired by hiring a former or current D&T partner, principal, or professional employee in a key position that would cause a violation of the AICPA Code of Professional Conduct, generally accepted government auditing standards, or other applicable independence rules. Any employment opportunities with the Organization for a former or current D&T partner, principal, or professional employee should be discussed with Ms. Rosie Procopio before entering into substantive employment conversations with the former or current D&T partner, principal, or professional employee.

For purposes of the preceding section entitled "Independence Matters" and "Process for Obtaining Preapproval of Services", "D&T" shall mean Deloitte & Touche LLP and its subsidiaries; Deloitte Touche Tohmatsu Limited, its member firms, the affiliates of Deloitte & Touche LLP, Deloitte Touche Tohmatsu Limited, and its member firms; and, in all cases, any successor or assignee.
COMMUNICATIONS WITH THE AUDIT COMMITTEE

This Appendix C is part of the engagement letter dated July 30, 2021 between Deloitte & Touche LLP and Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan (the "Organization") and approved by the Audit Committee of the Organization.

We are responsible for communicating with the Audit Committee significant matters related to the audit that are, in our professional judgment, relevant to the responsibilities of the Audit Committee in overseeing the financial reporting process.

In connection with the foregoing, we will communicate to the Audit Committee any fraud we identify or suspect that involves (1) management, (2) employees of the Organization who have significant roles in internal control, or (3) other employees of the Organization when the fraud results in a material misstatement of the financial statements. In addition, we will communicate with the Audit Committee any other matters related to fraud that are, in our professional judgment, relevant to their responsibilities. We will communicate to management any fraud perpetrated by lower-level employees of which we become aware that does not result in a material misstatement of the financial statements; however, we will not communicate such matters to the Audit Committee, unless otherwise directed by the Audit Committee.

In addition, as required by generally accepted government auditing standards, our report on the Organization's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters will include any findings of material noncompliance of such provisions, fraud, and material abuse that we have identified during our audit.

We will also communicate, in writing, to management and the Audit Committee any significant deficiencies or material weaknesses in internal control (as defined in generally accepted auditing standards) that we have identified during the audit, including those that were remediated during the audit.

We are not required to design procedures for the purpose of identifying other matters to communicate with the Audit Committee. However, we will communicate to the Audit Committee matters required by the Auditing Standards.

We may also communicate to management and the Audit Committee on internal control, compliance, or other matters we observe and possible ways to improve the Organization's operational efficiency and effectiveness or otherwise improve its internal control or other policies and procedures.
GENERAL BUSINESS TERMS

This Appendix D is part of the engagement letter to which these terms are attached (the engagement letter, including its appendices, the "engagement letter") dated July 30, 2021 between Deloitte & Touche LLP and Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan (the "Organization") and approved by the Audit Committee of the Organization.

1. Independent Contractor. D&T is an independent contractor and D&T is not, and will not be considered to be, an agent, partner, fiduciary, or representative of the Organization or the Audit Committee.

2. Survival. The agreements and undertakings of the Organization and the Audit Committee contained in the engagement letter will survive the completion or termination of this engagement.

3. Assignment and Subcontracting. Except as provided below, no party may assign any of its rights or obligations (including, without limitation, interests or claims) relating to this engagement without the prior written consent of the other parties. The Organization and the Audit Committee hereby consent to D&T subcontracting a portion of its services under this engagement to any affiliate or related entity, whether located within or outside of the United States. Professional services performed hereunder by any of D&T’s affiliates or related entities shall be invoiced as professional fees, and any related expenses shall be invoiced as expenses, unless otherwise agreed.

4. Severability. If any term of the engagement letter is unenforceable, such term shall not affect the other terms, but such unenforceable term shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein.

5. Force Majeure. No party shall be deemed to be in breach of the engagement letter as a result of any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

6. Confidentiality. To the extent that, in connection with this engagement, D&T comes into possession of any confidential information of the Organization, D&T shall not disclose such information to any third party without the Organization's consent, using at least the same degree of care as it employs in maintaining in confidence its own confidential information of a similar nature, but in no event less than a reasonable degree of care. The Organization and the Audit Committee hereby consent to D&T disclosing such information (1) as may be required by law or regulation, or to respond to governmental inquiries, or in accordance with applicable professional standards or rules, or in connection with litigation or arbitration pertaining hereto; provided that a required disclosure of Confidential Information pursuant to the foregoing does not relieve the receiving Party of its confidentiality obligations with respect to any other party; (2) to the extent such information (i) is or becomes publicly available other than as the result of a disclosure in breach hereof, (ii) becomes available to D&T on a nonconfidential basis from a source that D&T believes is not prohibited from disclosing such information to D&T, (iii) is already known by D&T without any obligation of confidentiality with respect thereto, or (iv) is developed by D&T independently of any disclosures made to D&T hereunder; or (3) to contractors providing administrative, infrastructure, and other support services to D&T and subcontractors providing services in connection with this engagement, in each case, whether located within or outside of the United States, provided that such contractors and subcontractors have agreed to be bound by confidentiality obligations similar to those in this paragraph.
7. Dispute Resolution. Any controversy or claim between the parties arising out of or relating to the engagement letter or this engagement (a "Dispute") shall be resolved by mediation or binding arbitration as set forth in the Dispute Resolution Provision attached hereto as Appendix E and made a part hereof.

8. Insurance. During the term of this engagement, D&T shall maintain commercial general liability, including bodily injury and property damage insurance in amounts not less than $1,000,000 per occurrence and $2,000,000 aggregate; professional errors and omissions liability insurance, in amounts not less than $2,000,000 per claim; and $4,000,000 aggregate, which insurance may not be canceled or reduced in required limits of liability unless at least thirty days advance written notice be given to you.

9. Transmission of Information. In transmitting any confidential or sensitive information to you, D&T has administrative, physical, and technical safeguards designed to protect the confidentiality, integrity, and availability of the electronic confidential information that it receives, maintains, or transmits on behalf of Organization in connection with this agreement.

10. Notices. Any notices required or permitted to be given hereunder by any party to the other shall be in writing and shall be deemed delivered upon personal delivery; twenty-four (24) hours following deposit with a courier for overnight delivery; or seventy-two (72) hours following deposit in the U.S. Mail, registered or certified mail, postage prepaid, return-receipt requested, addressed to the parties at the addresses set forth on the first page of the engagement letter, or to such other addresses as the parties may specify in writing.

11. Waiver. The waiver by either party of a breach or non-compliance with any provision of this engagement letter shall not operate nor be construed as a waiver of any subsequent breach or non-compliance.
APPENDIX E

DISPUTE RESOLUTION PROVISION

This Appendix E is part of the engagement letter dated July 30, 2021 between Deloitte & Touche LLP and Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan (the "Organization") and approved by the Audit Committee of the Organization.

This Dispute Resolution Provision sets forth the dispute resolution process and procedures applicable to the resolution of Disputes and shall apply to the fullest extent of the law, whether in contract, statute, tort (such as negligence), or otherwise.

Mediation: All Disputes shall be first submitted to nonbinding confidential mediation by written notice to the parties and shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution ("CPR"), at the written request of a party, shall designate a mediator.

Arbitration Procedures: If a Dispute has not been resolved within 90 days after the effective date of the written notice beginning the mediation process (or such longer period, if the parties so agree in writing), the mediation shall terminate, and the Dispute shall be settled by binding arbitration to be held in Los Angeles, California. The arbitration shall be solely between the parties and shall be conducted in accordance with the CPR Rules for Non-Administered Arbitration that are in effect at the time of the commencement of the arbitration, except to the extent modified by this Dispute Resolution Provision (the "Rules").

The arbitration shall be conducted before a single arbitrator if the aggregate amount of the Dispute submitted to the arbitration is equal to or less than $398,000 and shall be conducted before a panel of three arbitrators if the aggregate amount of the Dispute submitted to arbitration is greater than $398,000. In the event the panel consists of one arbitrator, the arbitrator shall be selected in accordance with CPR Arbitration Rule 6 (Selection of Arbitrator(s)). In the event the panel consists of three arbitrators, the Organization and Deloitte & Touche LLP shall designate one arbitrator in accordance with the "screened" appointment procedure provided in the CPR Arbitration Rules and the two party-designated arbitrators shall jointly select the third in accordance with the CPR Arbitration Rules. No arbitrator may serve on the panel unless he or she has agreed in writing to enforce the terms of the engagement letter (including its appendices) to which this Dispute Resolution Provision is attached and to abide by the terms of this Dispute Resolution Provision. Except with respect to the interpretation and enforcement of these arbitration procedures (which shall be governed by the Federal Arbitration Act), the arbitrators shall apply the laws of the State of California (without giving effect to its choice of law principles) in connection with the Dispute. The arbitrators shall have no power to award punitive, exemplary or other damages not based on a party’s actual damages (and the parties expressly waive their right to receive such damages). The arbitrators may render a summary disposition relative to all or some of the issues, provided that the responding party has had an adequate opportunity to respond to any such application for such disposition. Discovery shall be conducted in accordance with the Rules.

All aspects of the arbitration shall be treated as confidential, as provided in the Rules, unless otherwise required by law. Before making any disclosure permitted by the Rules, a party shall give written notice to all other parties and afford such parties a reasonable opportunity to protect their interests. Further, judgment on the arbitrators’ award may be entered in any court having jurisdiction.

Costs: Each party shall bear its own costs in both the mediation and the arbitration; however, the parties shall share the fees and expenses of both the mediators and the arbitrators equally.
BUSINESS ASSOCIATE APPENDIX

Local Initiative Health Authority for Los Angeles County

Year Ending September 30, 2021

This Appendix F is part of the engagement letter dated July 30, 2021 between Deloitte & Touche LLP and Local Initiative Health Authority for Los Angeles County, a local public entity operating and doing business as L.A. Care Health Plan (the "Organization") and approved by the Audit Committee of the Organization.

If and to the extent, and so long as, required by HIPAA or HITECH (each as defined below), the California Medical Information Act and Organization's contract with the California Department of Health Care Services, and other applicable laws or regulations, D&T and the Organization hereby agree to the following in connection with D&T's performance of services under the engagement letter to which this Business Associate Appendix is attached (such engagement letter, the "Engagement Letter," together with this Business Associate Appendix and all other attachments, appendices, and exhibits to the Engagement Letter, this "Agreement").

(A) Unless otherwise specified in this Business Associate Appendix, all capitalized terms used in this Business Associate Appendix shall have the meanings established for purposes of HIPAA or HITECH, as applicable. Specific statutory or regulatory citations used in this Business Associate Appendix shall mean such citations as amended and in effect from time to time.

1. "Compliance Date" shall mean, with respect to any applicable provision in this Business Associate Appendix, the later of the date by which compliance with such provision is required under HITECH and the effective date of this Agreement.

2. "Electronic Protected Health Information" shall mean Protected Health Information that is transmitted or maintained in electronic media.

3. "HIPAA" shall mean the Health Insurance Portability and Accountability Act, 42 U.S.C.§§ 1320d through 1320d-8, as amended from time to time, and all associated existing and future implementing regulations, when effective and as amended from time to time.

4. "HITECH" shall mean Subtitle D of the Health Information Technology for Economic and Clinical Health Act provisions of the American Recovery and Reinvestment Act of 2009, 42 U.S.C. §§ 17921-17954, as amended from time to time, and all associated existing and future implementing regulations, when effective and as amended from time to time.

5. "Protected Health Information" shall mean the term as defined in 45 C.F.R. § 160.103 and is limited to the Protected Health Information received from, or received or created on behalf of, the Organization by D&T pursuant to performance of the Services.

6. "Privacy Rule" shall mean the federal privacy regulations issued pursuant to HIPAA, as amended from time to time, codified at 45 C.F.R. Part 164 (Subparts A and E).

7. "Security Rule" shall mean the federal security regulations issued pursuant to HIPAA, as amended from time to time, codified at 45 C.F.R. Part 164 (Subparts A and C).
8. "Services" shall have the meaning set forth in the attached engagement letter, and, if not therein defined, shall mean the services described in the Engagement Letter to be performed by D&T for the Organization. "Unsecured Protected Health Information" shall mean Protected Health Information that is not rendered unusable, unreadable, or indecipherable to unauthorized individuals through the use of a technology or methodology specified by the Secretary in the regulations or guidance issued pursuant to 42 U.S.C. § 17932(h)(2).

9. "Unsuccessful Security Incidents" shall include pings and other broadcast attacks on Business Associate's firewall, port scans, unsuccessful log-on attempts, denials of service and any combination of the above, so long as no such incident results in unauthorized access, use or disclosure of Protected Health Information.

(B) With regard to D&T's use and disclosure of Protected Health Information:

1. D&T may use and disclose Protected Health Information as reasonably required or contemplated in connection with the performance of the Services, excluding the use or further disclosure of Protected Health Information in a manner that would violate the requirements of the Privacy Rule, if done by the Organization. Notwithstanding the foregoing, D&T may use and disclose Protected Health Information for the proper management and administration of D&T as provided in 45 C.F.R. § 164.504(e)(4).

2. D&T will not use or further disclose Protected Health Information other than as permitted or required by this Business Associate Appendix, and in compliance with each applicable requirement of 45 C.F.R. § 164.504(e), or as otherwise Required by Law.

3. D&T will implement and use appropriate administrative, physical, and technical safeguards to (1) prevent use or disclosure of Protected Health Information other than as permitted or required by this Business Associate Appendix; (2) reasonably and appropriately protect the confidentiality, integrity, and availability of the Electronic Protected Health Information that D&T creates, receives, maintains, or transmits on behalf of the Organization; and (3) comply with the Security Rule with respect to Electronic Protected Health Information.

4. D&T shall notify Organization in writing of any use or disclosure of PHI not permitted under this Agreement and this BAA of which it becomes aware, including Breaches of Unsecured PHI as required by 45 C.F.R. § 164.410, incidents that pose a risk of constituting Breaches and any Security Incident affecting Electronic PHI. Such notifications shall be directed to the attention of Organization's Privacy Officer (email to PrivacyOfficer@lacare.org or another method may be used as agreed to by Organization and D&T) within twenty-four (24) hours of D&T’s discovery. Any report of a Breach of Unsecured PHI shall include, to the extent reasonably practicable (and subsequently as such information becomes available):

(i) the nature of the Breach; (ii) the types of PHI that were involved in the Breach; (iii) identification of each individual whose Unsecured PHI has been, or is reasonably believed by D&T to have been accessed, acquired or disclosed during the Breach; (iv) the title or job description of the individual who made the Breach; (v) the corrective action D&T took or will take to prevent further Breaches; (vi) the steps D&T took or will take to mitigate, to the extent practicable, the harmful effects of the Breach; and (vii) such other information as Organization may reasonably request or which, pursuant to 45 C.F.R. § 164.404, may be necessary to include in a notification of the Breach. D&T shall also notify Organization in writing, within the timeframes and in the manner outlined above in this Section (B)4, of any use or disclosure of PHI by its subcontractor(s) (or subcontractors' agent(s)) not permitted by the Agreement and this BAA. D&T shall cooperate with Organization to conduct any risk assessment necessary to determine whether notification of Breach is required. A Breach shall be treated as discovered by D&T as of the first day on which such Breach is known to D&T, or by exercising reasonable diligence, would have been known, to D&T. For purposes of this Section (B)4, the knowledge of any person, other than the individual committing the Breach, who is an employee, officer or other agent (determined in accordance with the federal common law of agency) of D&T, shall be imputed to D&T. In the event of that a Breach of Unsecured PHI is caused solely by D&T, D&T shall, upon the request of Organization, provide all information necessary in notifying individuals or the media, if applicable, pursuant to 45 C.F.R. § 164.404.
and 164.406, and in the event that the Breach of Unsecured PHI is caused solely by D&T’s breach of the terms of this BAA, D&T shall reimburse Organization for its reasonable and direct out of pocket costs incurred, up to an aggregate amount of $398,000, related to providing such legally required notifications. D&T need not report Unsuccessful Security Incidents.

5. D&T will ensure that any subcontractors or agents to whom D&T provides Protected Health Information agree in writing to the same restrictions and conditions that apply to D&T with respect to such Protected Health Information. To the extent that D&T provides Electronic Protected Health Information to a subcontractor or agent, it will require the subcontractor or agent to implement reasonable and appropriate safeguards to protect the Electronic Protected Health Information consistent with the requirements of this Business Associate Appendix. D&T shall not disclose any Protected Health Information to any subcontractors or agents located outside of the United States without Organization’s written consent.

6. D&T will, to the extent that Protected Health Information in D&T’s possession constitutes a Designated Record Set, make available such Protected Health Information to the Organization to permit the Organization to respond to a request by an Individual in accordance with 45 C.F.R. § 164.524.

7. In the event that D&T, in connection with the Services, uses or maintains an Electronic Health Record of Protected Health Information of or about an Individual, D&T will provide an electronic copy of such Protected Health Information to the Organization to permit the Organization to respond to a request by an Individual in accordance with 42 U.S.C. § 17935(e).

8. D&T will, to the extent that Protected Health Information in D&T’s possession constitutes a Designated Record Set, make available to the Organization such Protected Health Information for amendment and incorporate any amendments to such information as directed by the Organization, all in accordance with 45 C.F.R. § 164.526.

9. D&T will document and make available to the Organization the information required to provide an accounting of disclosures of Protected Health Information, in accordance with 45 C.F.R. § 164.528.

10. In the event that D&T, in connection with the Services, uses or maintains an Electronic Health Record of Protected Health Information of or about an Individual, D&T will make available to the Organization the information required to provide an accounting of disclosures of such Protected Health Information in accordance with the requirements for accounting of disclosures made through an Electronic Health Record in 42 U.S.C. §17935(e).

11. D&T will make its internal practices, books, and records relating to the use and disclosure of Protected Health Information available to the Secretary for purposes of determining the Organization’s and D&T’s compliance with the Privacy Rule.

D&T will limit any request, use or disclosure by D&T of Protected Health Information, to the extent practicable, to the Limited Data Set of such Protected Health Information (as defined in 45 C.F.R. § 164.514(e)(2)), or, if the request, use or disclosure by D&T of Protected Health Information, not in a Limited Data Set, is necessary for D&T’s performance of the Services, D&T will limit the amount of such Protected Health Information requested, used or disclosed by D&T to the minimum necessary to accomplish the intended purpose of such request, use or disclosure, respectively; provided, however, that the requirements set forth above in this subsection (13) shall be superseded and replaced by the requirements of the “minimum necessary” regulations or guidance to be issued by the Secretary (pursuant to 42 U.S.C. § 17935(b)(l)(B)) on and after its Compliance Date.

(C) In addition to any other obligation set forth in this Agreement, including this Business Associate Appendix, the Organization agrees that it will: (1) not make any disclosure of Protected Health Information to D&T if such disclosure would violate HIPAA, HITECH, or any applicable federal or state law or regulation; (2) not request D&T to use or make any disclosure of Protected Health Information in any manner that would not be permissible under HIPAA, HITECH, or any applicable federal or state law
or regulation if such use or disclosure were done by the Organization; and (3) limit any disclosure of Protected Health Information to D&T, to the extent practicable, to the Limited Data Set of such Protected Health Information, or, if the disclosure of Protected Health Information that is not in a Limited Data Set is necessary for D&T's performance of the Services, to limit the disclosure of such Protected Health Information to the minimum necessary to accomplish the intended purpose of such disclosure, provided, however, that the requirements set forth above in this subsection (3) shall be superseded and replaced by the requirements of the "minimum necessary" regulations or guidance to be issued by the Secretary (pursuant to 42 U.S.C. § 17935(b)(1)(B)) on and after its Compliance Date.

(D) If either the Organization or D&T knows of either a violation of a material term of this Business Associate Appendix by the other party or a pattern of activity or practice of the other party that constitutes a material breach or violation of this Business Associate Appendix, the non-breaching party will provide written notice of the breach or violation to the other party that specifies the nature of the breach or violation. In the event that the breaching party does not cure the breach or end the violation on or before thirty (30) days after receipt of the written notice, the nonbreaching party may, if feasible, terminate this Agreement.

(E) D&T will, at termination of this Agreement, if feasible, return or destroy all Protected Health Information that D&T still maintains in any form and retain no copies of Protected Health Information or, if such return or destruction is not feasible (such as in the event that the retention of Protected Health Information is required for archival purposes to evidence the Services), D&T may retain such Protected Health Information and shall thereupon extend the protections of this Business Associate Appendix to such Protected Health Information and limit further uses and disclosures to those purposes that make the return or destruction of such Protected Health Information infeasible.

(F) Any other provision of this Agreement that is directly contradictory to one or more terms of this Business Associate Appendix shall be superseded by the terms of this Business Associate Appendix to the extent and only to the extent of the contradiction and only for the purpose of the Organization's and D&T's compliance with HIPAA and HITECH. The terms of this Business Associate Appendix, to the extent they are unclear, shall be construed to allow for compliance by the Organization and D&T with HIPAA and HITECH.

(G) Nothing contained in this Business Associate Appendix is intended to confer upon any person (other than the parties hereto) any rights, benefits, or remedies of any kind or character whatsoever, whether in contract, statute, tort (such as negligence), or otherwise, and no person shall be deemed a third-party beneficiary under or by reason of this Business Associate Appendix.

(H) Nothing contained in this Business Associate Appendix shall be interpreted to mean that D&T will create or transmit Protected Health Information on behalf of the Organization. Furthermore, D&T shall not carry out any of the Organization's obligations under the Privacy Rule.

(I) Notwithstanding anything to the contrary herein, D&T shall not, and shall ensure that any employee, agent, or subcontractor, shall not access, transmit, maintain, export, store or transfer any Protected Health Information from or outside of the United States for any purpose whatsoever, whether for access, storage, testing, or processing or otherwise, without the express prior written consent of Organization's Privacy Officer or Information Security Officer. In addition, D&T shall not, and shall ensure that any employee, agent or subcontractor shall not, make any Protected Health Information available to any entity or individual outside of the United States for any purpose whatsoever, including for access, storage, testing, or processing or otherwise, without the express prior written consent of Organization's Privacy Officer or Information Security Officer.
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