

# BOARD OF GOVERNORS

## Finance & Budget Committee

### Meeting Minutes – June 26, 2024

1055 W. 7<sup>th</sup> Street, Los Angeles, CA 90017



**L.A. Care**  
HEALTH PLAN

#### Members

Stephanie Booth, MD, *Chairperson*

Alvaro Ballesteros, MBA

G. Michael Roybal, MD \*\*

Nina Vaccaro \*\*

\*Absent \*\* Via Teleconference

#### Management/Staff

John Baackes, *Chief Executive Officer*

Sameer Amin, MD, *Chief Medical Officer*

Terry Brown, *Chief of Human Resources*

Augustavia Haydel, *General Counsel*

Todd Gower, *Interim Chief Compliance Officer*

Linda Greenfeld, *Chief Products Officer*

Alex Li, MD, *Chief Health Equity Officer*

Tom MacDougall, *Chief Technology & Information Officer*

Noah Paley, *Chief of Staff*

Acacia Reed, *Chief Operating Officer*

Afzal Shah, *Chief Financial Officer*

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
<b>CALL TO ORDER</b>	Stephanie Booth, MD, <i>Committee Chairperson</i> , called the L.A. Care and JPA Finance & Budget Committee meetings to order at 1:06 p.m. The meetings were held simultaneously. She welcomed everyone and summarized the process for public comment during this meeting.	
<b>APPROVE MEETING AGENDA</b>	The Agenda for today's meeting was approved.	<b>Approved unanimously by roll call. 4 AYES (Ballesteros, Booth, Roybal, and Vaccaro)</b>
<b>PUBLIC COMMENTS</b>	There were no public comments.	
<b>APPROVE MINUTES OF PREVIOUS MEETING</b>	The minutes of May 22, 2024 meeting were approved as submitted.	<b>Approved unanimously by roll call. 4 AYES</b>
<b>CHAIRPERSON'S REPORT</b>	There was no Chairperson report.	
<b>CHIEF EXECUTIVE OFFICER'S REPORT</b>	John Baackes, <i>Chief Executive Officer</i> , reported that the impact of the California State Budget is important to L.A. Care, especially with respect to the managed care organization (MCO) tax. The Legislature reached an agreement on a Budget with the Governor, that includes a provision that the proceeds from the MCO tax, earmarked for about \$2.6 billion this year, were swept into the State's General Fund to help plug the deficit. This will have a negative	

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	<p>impact for L.A. Care and all Medi-Cal providers. The Governor and the Legislature agreed that payments that would have gone to Medi-Cal in 2025 will be pushed out to 2026. That is a meaningless gesture, since the current Legislature cannot approve a budget provision for a future fiscal year and the legislature will have to approve it again next year. The MCO tax on managed care health plans like L.A. Care and its competitors has been around for years. The money collected by the tax draws down matching funding from the federal government. In the first nine years through 2021 the proceeds of the tax went to the General Fund. None of the money went to Medi-Cal. The tax was allowed to expire in 2023 because California had a \$100 billion surplus. The Los Angeles Safety Net Coalition was formed by health plans and providers to increase Medi-Cal funding due to the financial impacts of COVID, the increased costs for nursing, and other cost increases. The Coalition, (consisting of hospitals, doctors, clinics, labor unions and L.A. Care's competitor health plans) came up with the idea to have the MCO tax reinstated, and proceeds earmarked specifically to increase Medi-Cal reimbursement to providers. Surprisingly, the Coalition was able to get the Governor and Legislature to agree to implement the tax in last year's State Budget, and the tax went into effect last July. It was supposed to be a three-year tax that would generate \$19 billion in federal funding, with \$8 billion going into the General Fund and \$11 billion into Medi-Cal to increase payments to providers. Through the Governor's action this year, that funding is gone. It was assumed that when the tax was adopted last year, a ballot initiative was needed which, if approved by the voters, would make the proceeds of the tax go to where it was originally intended. Sufficient signatures have been collected and the initiative has been certified by the Secretary of State. A ballot initiative number will be issued by July 3, and it will appear on the November ballot in California. If it is approved by a simple majority the tax proceeds would begin to flow to increase Medi-Cal provider reimbursement and it will create another budget hole for the state to deal with next year. The Coalition has broadened to statewide representation, and it remains strong. Local organizations have been part of the Coalition and it is remarkable to have the various groups agree on the same thing.</p>	
<b>COMMITTEE ITEMS</b>		
<b>Chief Financial Officer's Report</b> <ul style="list-style-type: none"> <li>Financial Report</li> </ul>	<p>Jeffrey Ingram, <i>Deputy Chief Financial Officer</i>, reported on the April 2024 Financial Performance (<i>a copy of the report can be obtained by contacting Board Services</i>).</p> <p><u>Membership</u>  April 2024 membership was 2.6 million, approximately 64,000 favorable to the 4+8 forecast. The favorability continues to be impacted by retro-enrollments. Staff reports</p>	

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	<p>membership on a reported basis, which means any retroactivity for prior months is posted in the current reporting month. L.A. Care Covered (LACC) is favorable to forecast by 6,000 consistent with prior month. Year-to-Date (YTD) membership was 18.6 million, 125,000 favorable to the forecast.</p> <p><u>April 2024 Consolidated Financial Performance</u></p> <p>There was a net loss of \$40.7 million for April 2024; \$45.4 million unfavorable to the forecast when Housing and Homelessness Incentive Program (HHIP) and Incentive Payment Program (IPP) are excluded.</p> <p>Revenue was \$8.3 million unfavorable to forecast; \$91 million unfavorable excluding HHIP/IPP, primarily driven by the Calendar Year (CY) 2023 rate adjustment or (\$118 million) with an offset in Medical Expense. The other unfavorable driver was \$3 million in Risk Corridors; primarily the Unsatisfactory Immigration Status (UIS) Revenue Corridor. Offsetting that unfavorability were:</p> <ul style="list-style-type: none"> <li>• +\$82.7M in HHIP/IPP (received \$99 million HHIP payment)</li> <li>• +\$21M due to membership</li> <li>• +\$4M Maternity Kick with small offset in Capitation</li> <li>• +\$4MCY 2024 Rates</li> </ul> <p>Medical Expense was favorable\$50.9 million. The biggest driver is the offset to the CY 2023 rate adjustment +\$37 million.</p> <p>Other drivers include:</p> <ul style="list-style-type: none"> <li>• +\$21M in Capitation favorability</li> <li>• +\$8.3M in HHIP/IPP</li> <li>• +5M in Shared Risk Expense excluding CY 2023 true-up</li> <li>• +\$5M in Provider Incentives excluding Student Behavioral Health Incentive Program (SBHIP) &amp; IPP</li> <li>• +\$3M Targeted Rate Increase (TRI) Adjustment</li> <li>• +\$2M CY 2024 rates</li> <li>• These items are offset by Membership impact (\$20 million), Incurred Claims (\$9 million), and CY23 Shared Risk True-Up (\$3 million)</li> </ul> <p>Operating Expense was flat to forecast. Non-Operating expense was +\$2.1 million. Favorability driven by interest income and timing of grant spending.</p>	

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	<p><u>YTD Consolidated Financial Performance</u></p> <p>There was \$298 million net surplus YTD; \$22.9 million favorable to the forecast when HHIP and IPP are excluded: 4.8%   3.0% less investment income.</p> <p>Revenue was \$6.5 million unfavorable or \$56.1 million unfavorable without HHIP/IPP, primarily driven by CY 2023 (\$118 million) rate adjustment with offset in Medical Expense. Other driver was (\$4 million) due to Cal MediConnect (CMC) CY2021 Disenrollment Penalty. Offsetting that unfavorability were:</p> <ul style="list-style-type: none"> <li>• +\$49.6M HHIP/IPP</li> <li>• +\$38M due to membership</li> <li>• +\$13M Maternity Kick with small offset in Capitation</li> <li>• +\$5M in Risk Corridors</li> <li>• +\$5M in Long-Term Care (LTC)/INST revenue</li> <li>• +\$4M Equity Payment &amp; Transformation Incentive Revenue (CalAIM)</li> </ul> <p>Medical Expense was \$95.6 million favorable, +\$78 million favorable excluding HHIP/IPP</p> <ul style="list-style-type: none"> <li>• +\$72M Capitation favorability</li> <li>• +\$44M CY 2023 rate adjustment offset</li> <li>• +\$25M Pay for Performance (P4P) &amp; Value Initiative for IPA Performance (VIIP) provider incentives</li> <li>• +\$17.6M HHIP/IPP</li> <li>• +\$7M SBHIP favorable</li> <li>• +\$4M Enhanced Care Management (ECM)/Homeless Housing and Support Services (HHSS) Membership Cleanup</li> <li>• +\$3M CMC Disenrollment penalty offset</li> <li>• Offset by Membership (\$37 million), Incurred Claims (\$34 million) and CY 2023 Shared Risk True-Up (\$20 million)</li> </ul> <p>Operating Expense was (\$2 million) unfavorable. Unfavorability driven by higher contract spend in Purchased Services; partially offset by timing favorability in Supplies &amp; Other.</p> <p>Non-Operating Expenses +\$2.8 million favorable.</p> <p><u>Operating Margin by Segment</u></p> <ul style="list-style-type: none"> <li>• Overall Medical Care Ratio (MCR) is 91.2% vs the forecasted 91.6% excluding HHIP/IPP</li> </ul>	

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	<ul style="list-style-type: none"> <li>• Medi-Cal performing at 91.7%, slightly ahead of forecast</li> <li>• Duals Special Needs Plan (DSNP) is aligned with forecast 87.2% vs 87.0%</li> <li>• LACC is at 81.4% vs the 78.3% <ul style="list-style-type: none"> <li>○ Slight improvement from March at 81.4%</li> </ul> </li> <li>• PASC running at 100.8%, almost aligned with the 99.9% forecast</li> </ul> <p><u>Key Financial Ratios</u></p> <ul style="list-style-type: none"> <li>• Administrative Ratio was 5.8%, slightly ahead of forecast.</li> <li>• Balance sheet metrics all healthy again this month.</li> <li>• Cash to claims is a bit higher than prior months at 1.09 (vs .90), not impacted by pass-through payments. <ul style="list-style-type: none"> <li>○ There have been decreases to sub capitation payable and reductions to Incurred but Not Reported (IBNR). L.A. Care pay down inventory and speed up cycle times.</li> <li>○ There was \$110 million in YTD interest income. This continues to build cash and cash equivalents.</li> </ul> </li> </ul> <p><u>Tangible Net Equity (TNE)</u></p> <p>There was 889% of TNE with days of cash on-hand at 118 days.</p> <p><b><u>Motion FIN 100.0624</u></b></p> <p><b>To accept the Financial Reports for April 2024, as submitted.</b></p> <p>Chairperson Booth suggested that the Finance &amp; Budget Committee could consider a quarterly reporting to the Board, to help reduce the length of Board meetings. She asked Finance &amp; Budget Committee members to provide feedback to Board Services. Board Services staff will check financial reporting requirements to the Board of Governors.</p>	<p><b>Approved unanimously by roll call. 4 AYES</b></p>
<ul style="list-style-type: none"> <li>• Monthly Investment Transactions Reports</li> </ul>	<p>Mr. Ingram referred to the investment transactions reports included in the meeting materials (<i>a copy of the report is available by contacting Board Services</i>). This report is to comply with the California Government Code as an informational item. L.A. Care's total investment market value as of April 30, 2024 was \$4.1 billion.</p> <ul style="list-style-type: none"> <li>• \$4 billion managed by Payden &amp; Rygel and New England Asset Management (NEAM)</li> <li>• \$108 million in BlackRock Liquidity T-Fund</li> <li>• \$11 million in Los Angeles County Pooled Investment Fund</li> <li>• \$6 million in Local Agency Investment Fund</li> </ul>	

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Public Comments on the Closed Session agenda items.	There were no public comments.	
<b>ADJOURN TO CLOSED SESSION</b>	<p>The Joint Powers Authority Finance &amp; Budget Committee meeting adjourned at 1:25 p.m.</p> <p>Augustavia J. Haydel, Esq., <i>General Counsel</i>, announced the items that the Committee will discuss in closed session. There was no public comment on the Closed Session items, and the meeting adjourned to closed session at 1:26 p.m.</p> <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>June 2026</i></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>CONFERENCE WITH REAL PROPERTY NEGOTIATORS</b>  Section 54956.8 of the Ralph M. Brown Act  Property: 1055 W. 7<sup>th</sup> St., Los Angeles  Agency Negotiator: John Baackes  Negotiating Parties: Jamison Services, Inc.  Under Negotiation: Price and Terms of Payment</p>	
<b>RECONVENE IN OPEN SESSION</b>	<p>The meeting reconvened in open session at 2:09 pm.</p> <p>Ms. Haydel advised the public that no reportable action from the closed session.</p>	
<b>ADJOURNMENT</b>	The meeting adjourned at 2:10 p.m.	

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:

Signed by: *Stephanie R. Booth, MD*

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Stephanie Booth, MD, *Chairperson*  
Date Signed 8/30/2024 | 9:37 AM PDT

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