

BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – November 20, 2024

1055 W. 7th 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
CALL TO ORDER	Stephanie Booth, MD, <i>Committee Chairperson</i> , called the L.A. Care and JPA Finance & Budget Committee meetings to order at 1:00 p.m. The meetings were held simultaneously. She welcomed everyone and summarized the process for public comment during this meeting.	
APPROVE MEETING AGENDA	The agenda for today's meeting was approved.	Approved unanimously by roll call. 3 AYES (Ballesteros, Booth, and Roybal)
PUBLIC COMMENTS	There were no public comments.	
APPROVE CONSENT AGENDA	<p>Chairperson Booth requested a discussion of the Claris Health (formerly Santé Analytics) motions FIN 102 and FIN 104, and FIN 105 WiPro Contract, for clarification.</p> <p>Chairperson Booth asked about the Scopes of Work (SOWs) 5 and 7 for Claris Health. The SOWs seem to be about recovering payments that are not made correctly, except one SOW that goes to 2027. The other is a new contract for the same time period.</p> <p>Acacia Reed, <i>Chief Operating Officer</i>, responded that SOW 5 is for data mining, contract modeling and overpayment algorithms developed from the Claris library with a resource to help customize the algorithms. SOW 7 is for prepayment claims editing. SWO 5 is analytics and SOW 7 is prepayments claims editing. Ms. Reed added that there is a SOW 7 and there are six active SOWS under that agreement. The payment integrity program began around</p>	

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	<p>2017-2018, as the functionality within that program continues to grow, additional SOWs were added for housing, collecting and analyzing information, to ensure monitoring and acting upon waste and abuse. There is a SOW for the actual platform and separate SOWs for the services that operate within that platform.</p> <p>For the WiPro Contract, Chairperson Booth asked about separate services and if WiPro has better features or what it does that is different. She remembers hearing that an RFP was to have been conducted in August to assess the member 360 function. Ms. Reed noted that the SOW for WiPro compares to ImageNet, a vendor that does similar services. Staff contracted with an additional vendor for claims transactions in the Change Healthcare experience in February 2024. L.A. Care cannot depend on one vendor to process claims. This WiPro contract specifically helps process claims adjustments for provider disputes to meet timeliness and the accuracy quality requirements. It is a separate functional operation. L.A. Care has reviewed and completed an RFP for the member 360 functions.</p> <ul style="list-style-type: none"> • October 23, 2024 Meeting Minutes • Availity, LLC Contract to support L.A. Care with Electronic Claims Clearinghouse Services <u>Motion FIN 100.1124*</u> To authorize the staff to enter into a new contract and SOW #1 with Availity, LLC, for an overall contract amount of \$7,000,000, with a contract term from February 1, 2025 through January 31, 2030, for a total term of 5 years. This contract and SOW will allow Availity, LLC, to support L.A. Care with Electronic Claims Clearinghouse services through January 31, 2030. • Claris Health (formerly Santé Analytics) Contract Amendments: <ul style="list-style-type: none"> ○ Scope of Work 2 (A3) to support L.A. Care with a centralized overpayment repository with workflow capabilities to allow L.A. Care to manage and warehouse internal payment integrity audits and vendor audits. <u>Motion FIN 101.1224*</u> To authorize L.A. Care staff to enter into SOW #2 Amendment #3 with Claris Health (formerly Santé Analytics), increasing the overall contract amount from \$3,446,916 to \$5,591,916, an incremental increase of \$2,145,000, and increasing the contract terms from January 1, 2021 through December 31, 2024, to January 1, 2025 through December 31, 2027, an incremental term of 3 years. This amendment will allow Claris Health to continue to support L.A. Care with a 	<p>Approved unanimously by roll call. 3 AYES</p> <p>The Committee approved including FIN 100, FIN 101, FIN 103, and FIN 106 to the Consent Agenda for the December 5, 2024 Board of Governors meeting.</p> <p>FIN A does not require full Board approval.</p>

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	<p>centralized overpayment repository with workflow capabilities to allow L.A. Care to manage and warehouse internal payment integrity audits and vendor audits, through December 31, 2027.</p> <ul style="list-style-type: none"> ○ Scope of Work 4 (A3) continue providing the Pareo Audit License and a full time Claris Health analytics resource. <u>Motion FIN A.1124*</u> To authorize the staff to enter into Amendment 3 for SOW 4 with Claris Health (formerly Santé Analytics), increasing the overall contract amount from \$2,951,108 to \$3,671,108, an incremental increase of \$720,000, and increasing the contract terms from July 1, 2021 through December 31, 2024, to January 1, 2025 – December 31, 2027, an incremental term of 3 years. This amendment will allow Claris Health to continue to supply L.A. Care with a Pareo Audit License and a full time Claris analytics resource, through December 31, 2027. ○ Scope of Work 6 (A2) to continue to support L.A. Care by providing Pareo clinical analytics algorithms, medical record request operations, a full time Claris Health clinical healthcare expert, and access to Claris Health’s Optical Character Recognition (OCR) software. <u>Motion FIN 103.1224*</u> To authorize the staff to enter into Amendment 2 for SOW 6 with Claris Health (formerly Santé Analytics), increasing the overall contract amount from \$4,076,950 to \$6,056,950, an incremental increase of \$1,980,000, and increasing the contract terms from January 1, 2022, through December 31, 2024, to January 1, 2025, through December 31, 2027, an incremental term of three years. This amendment will allow Claris Health (formerly Santé Analytics), to continue to support L.A. Care by providing Pareo clinical analytics algorithms, medical record request operations, a full time Claris Health clinical healthcare expert, and access to Claris Health’s Optical Character Recognition (OCR) software through December 31, 2027. ● Quarterly Investment Report for the quarter ending September 30, 2024 <u>Motion FIN 106.1224*</u> To accept the Quarterly Investment Report for the quarter ending September 30, 2024, as submitted. 	

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	<p>Claris Health (formerly Santé Analytics) Contract Amendment Scope of Work 5 (A3) to continue supporting L.A. Care with Pareo Analytics to ensure continued progress in optimizing L.A. Care’s payment integrity efforts and maximizing savings.</p> <p><u>Motion FIN 102.1224</u> To authorize the staff to enter into Amendment 3 to SOW 5 with Claris Health (formerly Santé Analytics), increasing the overall contract amount from \$600,000 to \$9,585,825, an incremental increase of \$8,985,825, and increasing the contract terms from January 1, 2022 through December 31, 2024 to January 1, 2025 through December 31, 2027, an incremental term of 3 years. This amendment will allow Claris Health (formerly Santé Analytics) to continue supporting L.A. Care with Pareo Analytics through December 31, 2027, as we implement additional concepts and enhance recoveries. This extension ensures continued progress in optimizing our payment integrity efforts and maximizing savings.</p> <p>Claris Health (formerly Santé Analytics) Contract Amendment Scope of Work 7 (New Contract) Pareo Pre-Pay analytics services.</p> <p><u>Motion FIN 104.1224</u> To authorize staff to execute a new contract in the amount of \$7,680,000 with Claris Health for Pareo Pre-Pay analytics services for the period of January 1, 2025 through December 31, 2027.</p> <p>WiPro Contract to perform claims processing, Provider Dispute Resolution processing, claims adjustment processing, and Payment Integrity pre-payment data mining validation and processing services.</p> <p><u>Motion FIN 105.1224</u> To authorize the staff to enter into a contract with WiPro LLC. for \$9,813,834 and for the term of January 01, 2025 to December 31, 2027. This contract will allow WiPro LLC. to perform claims processing, Provider Dispute Resolution processing, claims adjustment processing, and Payment Integrity pre-payment data mining validation and processing services.</p>	<p>FIN 102, FIN 104, and FIN 105, were approved unanimously by roll call. 4 AYES (Ballesteros, Booth, Roybal, and Vaccaro)</p> <p>The Committee approved including FIN 102, FIN 104, and FIN 105, on the Consent Agenda for the December 5, 2024 Board of Governors meeting.</p>
CHAIRPERSON’S REPORT	<p>Chairperson Booth expressed that things are progressing in the finance and budget process, as well as the papers for the Committee to review. There are changes that will occur after the end of the year to update reporting. The statements of work are separated, which helps in following the cost for each statement of work.</p>	

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	<p>Chairperson Booth thanked the Finance Department for their help in making this so much more user friendly. The changes make it easier to follow what is happening at L.A. Care.</p> <p><u>Public Comment from Andria McFerson</u> <i>Sorry. Oh it was not on. Thank you. Sorry about that. Do I need to repeat myself? I think you guys heard me, right? Okay, so with that being said, having the RCACs be funded with our organization so that we can give back to the community and do things like peer on peer counseling or peer on peer informational type of technique to where we can give to the public like the homeless and people that are going through what we are going through with our health disparities first hand, where we can give that eye to eye peer on peer connection. And with that, if the finance department has anything to do with that, I would ask that they consider the RCACs so that we can give back to the community and do whatever is necessary in order to fight against homelessness, in order to fight against high mortality rates, in order to fight against a lot of different things that people are going through and it could be anything from domestic violence victims, it could be anything from seniors and we need that overall interconnection with the community in itself. So, we need to broaden the RCACs and make it so that they understand how important they are. And, as far as our budget goes and different things like that, we have had, different issues having to do with the distribution of finances for the RCACs so that we can have our own specific events and then also cohesively with other organizations and things like that. So, I would hope that the Committee consider giving us access to mental health. Or, let's put it this way. I have a friend that has an addiction and he's been fighting against it for a long time. He's part of the RCACs and he is a survivor. And he would like to give information. He knows a lot of different organizations in different areas of therapy, and he would love to give that back to the community, but he has not had an opportunity because he doesn't have that open form of communication and the RCACs would be perfect for that.</i></p> <p>Chairperson Booth thanked Ms. McFerson for her comment and noted that the Board recently approved L.A. Care's budget for the coming year, including a budget for the RCACs. Chairperson Booth added that she was just trying to answer the question in general. She noted that generally, the department, it would be the TTECAC and RCACs, develop a plan for what you want to do with estimate of how much will be needed for the project and then ask for the budget for it. There always has to be a reason to be able to do a project. If it is a well-developed project that you want to do and L.A. Care finds it reasonable, L.A. Care would be willing to fund it.</p>	

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<p>CHIEF EXECUTIVE OFFICER'S REPORT</p>	<p>John Baackes, <i>Chief Executive Officer</i>, commended Afzal Shah, <i>Chief Financial Officer</i>, for the two best years financially that L.A. Care has had. The report for this year is particularly important because it incorporates a retroactive negative adjustment for about \$280 million by California Department of Health Care Services (DHCS) of 2023 premiums as DHCS determined that the acuity level of the members was lower than estimated in the rate development. Health plans have objected because now the members with lower acuity were kept enrolled during the pandemic and then disenrolled in the eligibility redeterminations in the last year. The remaining members have a higher acuity, and DHCS' approach is to return to the routine actuarial exercise of looking back three years and trending forward. The health plans are pushing back as DHCS was quick to consider an overpayment, but not as quick to recognize an underpayment and adjust the rates accordingly.</p> <p>In a meeting held last week with the Director of DHCS, it was acknowledged that the rates distributed for 2025 may not be the final rates. It was not affirmed exactly how the shortfall would be recognized. The points health plans were making were not acknowledged. L.A. Care is in a very good position relative to its reserves. The next year may be difficult financially for health plans. With the results of the federal election and the announcement of the nominees to lead the Department of Health and Human Services (DHHS) and Centers for Medicare and Medicaid Services (CMS), the future is uncertain. Based on comments made by nominees and the track record of the incoming administration, Medicaid funding and the Affordable Care Act are targets for adjustments. Medicare probably will be targeted too, but likely not as much. Mr. Baackes thanked the good stewardship of Mr. Shah in getting L.A. Care to where it is, and his ability to negotiate along with the team consisting of Noah Paley, <i>Chief of Staff</i>, to get to better risk adjusted reimbursement for the largest providers. This has contributed to the good financial results.</p> <p>Chairperson Booth thanked Mr. Baackes. She added that this is actually not just one person, it is L.A. Care leadership, the Board, and L.A. Care employees that are responsible for the two good years. She agreed 2025 would be a tough year. She shared that several local health plans are experiencing losses for 2024 and projecting losses going forward. It will be a tough environment even without the election, but with the election there are other outside forces that may make things worse.</p>	

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COMMITTEE ITEMS		
<p>Chief Financial Officer's Report</p> <ul style="list-style-type: none"> Financial Report 	<p>Jeffrey Ingram, <i>Deputy Chief Financial Officer</i>, reported on the Financial Performance through September 2024 (<i>a copy of the report can be obtained by contacting Board Services</i>).</p> <p><u>Membership</u></p> <ul style="list-style-type: none"> Total membership for the month of September was 2.6 million members, which is around 215,000 favorable to the 4+8 forecast. Year-to-Date (YTD) member months are just under 32 million or 937,000 favorable to the 4+8 forecast. <ul style="list-style-type: none"> Most of the favorability continues from Medi-Cal as enrollment has been higher than expected post-redeterminations. L.A. Care Covered (LACC) has also been a consistent driver in favorability primarily due to SB260 and their competitive price position. The favorability will likely continue into the next fiscal year as our budget assumes a slight monthly decrease and our recent trend has shown a slight increase. <p><u>Consolidated Financial Performance</u></p> <p>Net surplus of \$134.3 million for the month of September excluding Housing and Homelessness Incentive Program/ Incentive Payment Program (HHIP/IPP) which is \$203 million favorable to forecast. This is a swing from \$83 million loss reported last month.</p> <p><u>Revenue is \$195 million favorable</u></p> <ul style="list-style-type: none"> Driven by Rate Updates including: <ul style="list-style-type: none"> \$39 million Acuity adjustment swing from August \$65 million Calendar Year (CY) 2024 Final Rates \$33 million supplemental (Community Based Adult Services [CBAS], Ground Emergency Medical Transportation [GEMT], Maternal Kick [M-Kick]) \$68 million in additional membership <p><u>Medical Expenses are \$13 million favorable</u> - driven by updated CY 2024 rates offsetting with higher incurred claims and capitation tied to membership.</p> <p><u>Operating Expenses are (\$4.6 million) unfavorable</u> (\$2.8 million) is tied to Incentive Payment Program (IPP) (\$5.6 million) in professional fees due ongoing litigation support and enforcement matters (\$13.1 million) Amortization true-up, which Sep 2024 booking consists of prior FY 2022-23 \$1.1 million + FY 2023-24 true-up \$14.9 million</p>	

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	<p>\$16.8 million favorable in medical administration</p> <p>Non-Operating Expenses are (\$11.4 million) unfavorable due to MCO Tax true-up</p> <p>YTD's net surplus was \$419 million, \$272 million favorable to the forecast when HHIP and IPP are excluded.</p> <p>Net income % of 3.9% 1.9% when you subtract investment income.</p> <p><u>Revenue is \$295 million favorable</u></p> <p>\$309 million Membership</p> <p>\$110 million CY 2024 Rate including long-term care (LTC)</p> <p>\$43 million Maternity Kick</p> <p>\$22 million CBAS</p> <p>Partially offset by CY 2023 acuity rate adjustment (\$113 million), Risk Corridors/Adjustments (\$69 million), HHIP/IPP (\$33 million) and Cal MediConnect (CMC) CY2021 Disenrollment Penalty (\$4 million)</p> <p><u>Medical Expenses are (\$3M) unfavorable</u></p> <p>(\$305 million) Membership</p> <p>(\$156 million) Incurred Claims</p> <p>(\$20 million) CY 2023 Shared Risk True-Up</p> <p>(\$15 million) Risk Corridors/Adjustments</p> <p>(\$3 million) Maternity Kick</p> <p>Partially offset by Capitation favorability +\$203 million, CY 2024 Rates (PP) +\$94 million, HHSS Recovery +\$78 million, HHIP/IPP +\$44 million, CY2023 Acuity Rate Adjustment +\$36 million, Provider Incentives +\$24 million, Shared Risk +\$7 million, Student Behavioral Health Incentive Program (SBHIP) +\$7 million, and CMC CY 2021 Disenrollment penalty +\$3 million</p> <p><u>Operating Expense (\$19.4 million)</u></p> <p>(\$3.2 million) tied to IPP</p> <p><u>Operating Expense (\$16.3 million) when excluding IPP</u></p> <p>(\$14 million) Sanctions/Penalties - \$7 million covered CA quality, \$5 million sanction improper payments</p> <p>(\$9 million) SBITA</p> <p>(\$8 million) Legal related expenses</p> <p>\$4 million) S&B</p>	

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	<p>\$3.8 million Advertising & Promotions \$5.4 million Medical Administration</p> <p><u>Non-Operating Income is \$7.2 million favorable</u> Favorability driven by higher Interest Income, unrealized gains</p> <p><u>Consolidated Financial Performance – Six Year Trend</u> <u>Mr. Ingram explained that</u> anytime there is a higher surplus than anticipated, it is important to review prior years as a weighted average.</p> <p>The last two years have benefited from the Federal Reserve rating action. In the outcome of the election, the Federal has walked back on further cuts this year, which actually helps the portfolio.</p> <p>\$216 million of the surplus this year is coming from investment activity. It is not expected for L.A Care to continue to see a 4% surplus. – The FY 2024-25 budget assumes a surplus of 1.5%. The original FY 2023-24 budget assumed a \$302 million surplus or 2.7%; \$225 million favorable.</p> <p><u>Consolidated Financial Performance vs Budget</u> <u>Mr. Ingram displayed a</u> waterfall view of the variances from the original budgeted surplus of \$302 million to final surplus of \$419 million.</p> <ul style="list-style-type: none"> • 2 larger positive variances <ul style="list-style-type: none"> ○ \$398 million Rate favorability ○ \$131 million investment income • 3 items to call out on the expense side <ul style="list-style-type: none"> ○ \$91 million increase in administrative expenses ○ \$125 million in risk corridor/risk adjustment impacts ○ \$153 million in incurred claims <p>That gets to the \$527 million net surplus with HHIP/IPP and \$419 million without it.</p> <p><u>Key Financial Ratios</u></p> <ul style="list-style-type: none"> • Favorability in the rates for Medi-Cal is driving the better than anticipated Medical Care Ratio (MCR), though we are on target with rate development. • DSNP tracking ahead of forecast • LACC is unfavorable to forecast due to the Risk Adjustment Factor (RAF) score adjustment from 0.70 to 0.64 and higher than anticipated healthcare expenses. 	

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	<ul style="list-style-type: none"> • PASC is virtually flat to the forecast. • Overall MCR is favorable to forecast both with and without IPP/HHIP <ul style="list-style-type: none"> ○ 90.8% vs 93.3% ○ 91.7% vs 94.1% excl HHIP/IPP • Administrative ratio is back in-line with the increase in revenue for CY 2024, balance between administrative dollar target and administrative ratio. Revenue will flex, need to adjust spend accordingly. • Balance sheet metrics all satisfying benchmarks with no caveats for pass-through funds. <p>The Tangible Net Equity (TNE) is healthy at 881%, with 91 days of cash on hand.</p> <p><u>Motion FIN 107.1224</u> To accept the Financial Reports as of September 2024, as submitted.</p>	<p>Approved unanimously by roll call. 4 AYES</p>
<ul style="list-style-type: none"> • Monthly Investment Transactions Reports 	<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 as of L.A. Care's total investment market value as of September 30, 2024, was \$3.6 billion.</p> <ul style="list-style-type: none"> • \$3.4 billion managed by Payden & Rygel and New England Asset Management (NEAM) • \$125 million in BlackRock Liquidity T-Fund • \$11 million in Los Angeles County Pooled Investment Fund • \$6 million in Local Agency Investment Fund 	
<ul style="list-style-type: none"> • Quarterly / Annual Internal Policy Reports 	<p>Mr. Ingram referred to the 4th Quarter and Annual Expenditure Reports required by L.A. Care Internal Policies for FY 2023-24 included in the meeting materials. (<i>A copy of the report is available by contacting Board Services</i>). L.A. Care internal policies require reports on expenditures for business related travel expenses incurred by employees, members of the Board of Governors, Stakeholder Committees, and members of the Public Advisory Committees. The Authorization and Approval Limits policy requires reports for executed vendor contracts for all expenditures and the Procurement Policy requires reports for all sole source purchases over \$250,000. These are informational items, and do not require approval.</p> <ul style="list-style-type: none"> • Policy AFS-004 (Non-Travel Expense Report) • Policy AFS-027 (Travel Expense Report) 	

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	<ul style="list-style-type: none"> • Policy AFS-006 (Authorization and Approval Limits) • Policy AFS-007 (Procurement) 	
Public Comments on the Closed Session agenda items.	There were no public comments.	
ADJOURN TO CLOSED SESSION	<p>The Joint Powers Authority Finance & Budget Committee meeting adjourned at 1:41 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 1:41 p.m.</p> <p>REPORT INVOLVING TRADE SECRET Pursuant to Welfare and Institutions Code Section 14087.38(n) Discussion Concerning New Service, Program, Technology, Business Plan Estimated date of public disclosure <i>November 2026</i></p> <p>CONTRACT RATES Pursuant to Welfare and Institutions Code Section 14087.38(m)</p> <ul style="list-style-type: none"> • Plan Partner Rates • Provider Rates • DHCS Rates 	
RECONVENE IN OPEN SESSION	<p>The meeting reconvened in open session at 2:00 pm.</p> <p>Ms. Haydel advised the public that no reportable action from the closed session.</p>	
ADJOURNMENT	The meeting adjourned at 2:00 pm.	

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

APPROVED BY:

Signed by:

Stephanie Booth, MD.

Stephanie Booth, MD, *Chairperson*

Date Signed 1/24/2025 | 10:53 AM PST

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