

# BOARD OF GOVERNORS

## Finance & Budget Committee

### Meeting Minutes – January 22, 2025

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

Martha Santana-Chin, *Chief Executive Officer*  
Sameer Amin, MD, *Chief Medical Officer*  
Terry Brown, *Chief of Human Resources*  
Augustavia Haydel, Esq. *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 1:00 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. 3 AYES (Booth, Roybal and Vaccaro)</b>
<b>PUBLIC COMMENTS</b>	There were no public comments.	
<b>APPROVE CONSENT AGENDA</b>	<p>Chairperson Booth requested to remove Motions FIN 100 and FIN A from the Consent Agenda for some clarifications.</p> <ul style="list-style-type: none"> <li>November 20, 2024 Meeting Minutes</li> </ul> <p>For contract amendment, Chairperson Booth asked about the cost for services in FIN 100 OptumInsight. Acacia Reed, <i>Chief Operating Officer</i>, responded that claims adjudication is conducted through an automated process. Claims are adjudicated manually if needed. Data mining is conducted for the claims adjudicated to identify potential errors after payment. Data mining allows a system and the vendor to analyze errors and identify over and under payments. Chairperson Booth asked about errors and correcting the claim payment, and if a</p>	<b>The minutes of the November 20, 2024 meeting were approved unanimously by roll call. 3 AYES</b>

**APPROVED**

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	<p>root cause analysis of the errors. Ms. Reed noted that the system because is not perfect. She added that L.A. Care strives to be accurate. Suma Simcoe, <i>Deputy Chief Operating Officer</i>, added that a payment integrity vendor reviews past claims paid. L.A. Care manually adjusts claims whenever possible. There are opportunities to review payment integrity, and L.A. Care works to build internal processes. There are patterns to some overpayments and the information is leveraged as much as possible.</p> <p>Martha Santana-Chin, <i>Chief Executive Officer</i>, noted that billing practices change over time. When providers submit claims, changes occur in fee schedules, CPT, ICD-10 coding. Corresponding policy changes are implemented. The vendor assists with catching errors and recognizing patterns. L.A. Care can then identify the course to correct and avoid those issues in the future. Ms. Santana-Chin noted Chairperson Booth’s question about why L.A. Care is adding more money is a question staff also discussed. Ms. Santana-Chin noted that L.A. Care’s contract with Optum has a 30-day termination provision. Based on the staff assessment, L.A. Care feels it is right to execute the agreement.</p> <p>Noah Paley, <i>Chief of Staff</i>, added that L.A. Care began a payment integrity program nine years ago, and Ms. Reed and Ms. Simcoe have implemented it in claims processing. Corrections and intelligence gained from over/under payments is incorporated to improve L.A. Care’s claims adjudication.</p> <p>Chairperson Booth stated she is not refusing to approve this contract but she thinks it is really important to recognize the costs. In 2018, the recoveries were like \$407,000, in 2022 it was up to \$10 million, in 2023 it doubled to \$22 million. She added that staff is guessing it could be \$25 million for the next fiscal year. She asked what might be the peak cost level.</p> <p>Ms. Reed noted that the amount could decrease. There are a number of interventions being built into the entire claim processing system that will not only make the claims team smarter, but move editing upstream to correct prior to payment. The motion is not asking to extend the term because staff would like to see a lot of those. The benefits of process improvements, system editions and vendor editions could come to fruition before staff extends the contract term. Rates may be updated in L.A. Care’s fee schedule in the middle of the year and again a few months later. The landscape is constantly evolving and changing.</p> <p>Ms. Reed added that the cost was not anticipated to increase over last year’s projection. L.A. Care continues to process COVID claims and changes continue in the California system related to claims.</p>	

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	<p>Ms. Santana-Chin thanked Chairperson Booth for her insightful questions. She noted that another thing that is happening with the program over the years was there were a lot of changes implemented in the program by the regulators. There were different provider types that were not paid. New provider types were added and the rules for how L.A. Care pays them changed slightly over time which may be contributing. L.A. Care’s direct network also grew over that period. There are a lot of macro level factors for the numbers. Ms. Santana-Chin expressed that the team is using the information that L.A. Care is gathering for this to do exactly what Mr. Paley mentioned, which is make sure that L.A. Care’s own payment integrity program is successful.</p> <p>Chairperson Booth asked why About FIN A (Complete Cleaning Services) is a sole source contract. Lance MacLean, <i>Senior Director, Facilities Services</i>, noted it is due to the high degree of trust with the vendor, Complete Cleaning Services (CCS). CCS has been L.A. Care’s preferred janitorial vendor for three years and has done an excellent job keeping L.A. Care’s Community Resource Centers (CRCs) clean.</p> <p><i>(Board Chairperson Ballesteros joined the meeting.)</i></p> <ul style="list-style-type: none"> <li>• OptumInsight, Inc. Contract Amendment to continue to support L.A. Care with post-payment Data Mining services <b><u>Motion FIN 100.0224</u></b> <b>To authorize L.A. Care staff to enter into SOW #4 Amendment #3 with OptumInsight, Inc. increasing the contract amount from \$14,957,500 to \$25,645,000, an incremental increase of \$10,687,500. This amendment will allow OptumInsight, Inc. continue to support L.A. Care with post-payment Data Mining services.</b></li> <li>• Contract with Complete Cleaning Services to provide janitorial services for L.A. Care’s Community Resource Centers <b><u>Motion FIN A.0125</u></b> <b>To authorize staff to enter into a new 3-year Master Service Agreement with Complete Cleaning Services (CCS) in an amount not to exceed \$3,726,415.</b></li> </ul>	<p><b>FIN 100 and FIN A were approved unanimously by roll call. 4 AYES (Ballesteros, Booth, Roybal and Vaccaro)</b></p> <p><b>The Committee approved including FIN 100 to the Consent Agenda for the February 6, 2025 Board of Governors meeting.</b></p> <p><b>FIN A does not require full Board approval.</b></p>
<b>CHAIRPERSON’S REPORT</b>	There was no report from the Chairperson.	

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<p><b>CHIEF EXECUTIVE OFFICER'S REPORT</b></p> <ul style="list-style-type: none"> <li>• Fire Disaster Response and Recovery Support Efforts</li> </ul>	<p>Martha Santana-Chin, <i>Chief Executive Officer</i>, reported the wildfires continue, with a new fire in Castaic today. Residents are already being evacuated. L.A. Care's will remain vigilant, understand what is happening around us and continue to execute exactly the way that we have been executing the first few weeks of the year. She is very proud of L.A. Care's resilience. L.A. Care's team worked together to make sure that L.A. Care responded with support for its members, providers, and partners in the community. Senior staff was planning several steps ahead from a business continuity perspective to make sure that L.A. Care was well prepared and plan for the recovery. L.A. Care is continuing to monitor what will likely be a long process to recovery, and L.A. Care is going to have to stay very closely engaged. Ms. Santana-Chin added that staff may ask the Board for support at some point in time. She reassured the Committee members that the entire team is focused on doing the right thing for L.A. Care members, providers and the community, and committed to collaborating and amplifying efforts to avoid duplicating efforts.</p>	
<p><b>COMMITTEE ITEMS</b></p>		
<p><b>Chief Financial Officer's Report</b></p> <ul style="list-style-type: none"> <li>• Financial Report</li> </ul>	<p>Afzal Shah, <i>Chief Financial Officer</i>, acknowledged the devastating impact of the wildfires affecting the community. He expressed that hearts go out to everyone who has been affected, those who have lost their homes, their livelihoods, loved ones and those who are in temporary housing due to the evacuation orders. L.A. Care is working to ensure members can continue to access care, medications, and essential services. L.A. Care is coordinating responses with the California Department of Health Care Services (DHCS), plan partners, and other agencies. He expressed his deep gratitude to the first responders, the provider community, the relief organizations, and L.A. Care's dedicated employees, who, as Ms. Santana-Chin mentioned, are going above and beyond to do what is needed during this time. L.A. Care is committed to standing alongside its employees, members, providers, and the community, not only now, but for years to come. L.A. Care will do whatever it can to help rebuild and recover from the disaster.</p> <p>Jeffrey Ingram, <i>Deputy Chief Financial Officer</i>, reported on Financial Performance for October and November 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"> <li>• November 2024 membership was 2.6 million, about 93,000 favorable to the budget.</li> <li>• Year-to-date (YTD) member months around 5.2 million or 163,000 favorable to the budget.</li> </ul>	

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	<ul style="list-style-type: none"> <li>• While the budget started from a higher point than the previous FY forecast ended, the actual performance for Medi-Cal continues to outperform expectations. <ul style="list-style-type: none"> <li>○ The budget assumed a slight monthly decrease and actual performance shows small growth month-over-month. This will be addressed in the upcoming 3+9 forecast.</li> </ul> </li> </ul> <p>L.A. Care Covered (LACC) continues to be consistent driver in favorability primarily due to SB260 and their competitive price position.</p> <p><u>Consolidated Financial Performance</u></p> <p>Starting this month, staff has removed Housing and Homelessness Incentive Program (HHIP) and Incentive Payment Program (IPP) from the financial results. Staff report HHIP &amp; IPP separately in the financial statements. A line was also added showing the net surplus / deficit less the investment income.</p> <p>There was a \$10.9 million net surplus for November 2024, excluding HHIP/IPP, which was \$8 million unfavorable to budget. Remove \$14 million investment income, it was a loss of \$3.2 million for the month.</p> <p>Revenue is \$59 million favorable.</p> <ul style="list-style-type: none"> <li>• +\$34 million due to Membership</li> <li>• +\$10 million due to underlying rate favorability</li> <li>• +\$9 million due to Unsatisfactory Immigration Status (UIS) Revenue Corridor</li> <li>• +\$4 million due to various supplemental revenue</li> </ul> <p>Medical Expenses are \$62 million unfavorable.</p> <ul style="list-style-type: none"> <li>• (\$38 million) due to Incurred Claims</li> <li>• (\$31 million) due to Membership</li> <li>• Offset by +\$5M due to Capitation favorability</li> </ul> <p>Operating Expense is flat Month-to-Date (MTD). Non-Ops is \$5 million unfavorable driven by slightly lower interest income than budgeted.</p> <p><u>Consolidated Financial Performance Year-to-Date (YTD)</u></p> <p>There was a \$7.2 million net deficit YTD; \$38 million unfavorable to the budget when HHIP and IPP are excluded. When staff remove \$22 million of investment income, loss is \$29 million YTD.</p> <p>Revenue is \$104 million favorable.</p> <ul style="list-style-type: none"> <li>• +\$60 million due to Membership</li> </ul>	

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	<ul style="list-style-type: none"> <li>• +\$28 million due to UIS &amp; Major Organ Transplant (MOT) Risk Corridor development</li> <li>• +\$16 million due to underlying base favorability</li> <li>• +\$15 million due to various supplemental/kick revenue</li> </ul> <p>Medical Expenses are \$134 million unfavorable.</p> <ul style="list-style-type: none"> <li>• (\$56 million) due to Membership</li> <li>• (\$53 million) due Incurred Claims</li> <li>• (\$29 million) in Capitation due to a retroactive contract change offset in Fee-for-Service (FFS)</li> <li>• +\$3.2 million due to timing in Provider Incentives</li> </ul> <p>Operating Expenses are \$6 million favorable.</p> <ul style="list-style-type: none"> <li>• \$2.4 million Depreciation and Amortization</li> <li>• \$1.7 million Purchased Services due to split on contracted services and printing timing</li> <li>• \$1.5 million Advertising &amp; Marketing</li> </ul> <p>There is additional admin favorability in December based on preliminary timing. Staff will catch-up or apply favorability to other budget misses that have been identified.</p> <p>Non-Operating expense is \$13.7 million unfavorable due to lower interest rates and \$5 million in unrealized losses.</p> <p><u>Operating Margin by Segment</u></p> <ul style="list-style-type: none"> <li>• Medi-Cal was unfavorable due to higher incurred claims and capitation unfavourability.</li> <li>• Duals Special Needs Plan (DSNP) was slightly behind - smaller dollar variances impact the Medical Cost Ratios (MCRs) in the earlier months of the fiscal year.</li> <li>• LACC is unfavorable to budget due to timing of members hitting deductibles at the end of the calendar year. There is an opportunity to spread the budget more accurately. Staff has been seeing some increases in expense development. Teams are meeting internally to work through.</li> <li>• PASC is unfavorable to budget due to retro true-up.</li> <li>• In aggregate, MCR is unfavorable to budget. 95.1% vs 93.1% excluding HHIP/IPP.</li> </ul> <p>It is likely staff would not carry unfavorability forward as we transition to 2025 rates vs budget expectations.</p> <p><u>Key Financial Ratios</u></p> <p>Administrative Ratio is ahead of budget.</p>	

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	<p>Balance sheet metrics all satisfying benchmarks with no caveats for pass-through funds.</p> <p><u>Tangible Net Equity</u> TNE is healthy at 873% this month with days of cash on-hand at 64 days.</p> <p><b><u>Motion FIN 101.0225</u></b> <b>To accept the Financial Reports for October and November 2024, as submitted.</b></p>	<p><b>Approved unanimously by roll call. 4 AYES (Ballesteros, Booth, Royal and Vaccaro)</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 complies 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 November 30, 2024, was \$3.2 billion.</p> <ul style="list-style-type: none"> <li>\$3.1 billion managed by Payden &amp; Rygel and New England Asset Management (NEAM)</li> <li>\$125 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>	
<p>CEO Delegation discretionary authority to enter into contractual agreements to perform capital improvements and purchase equipment to build-out floors 1, 5, 6 and 7 in the 1200 W. 7<sup>th</sup> Street Building.</p>	<p>Lance MacLean, <i>Senior Director, Facilities Services</i>, presented a motion requesting approval to delegate authority to the CEO to enter into contractual agreements to perform capital improvements and purchase equipment to build-out floors 1, 5, 6 and 7 in the 1200 W. 7<sup>th</sup> Street Building.</p> <p>L.A. Care executed a 10-year lease effective March 1, 2024 at 1200 W. 7th Street (Garland building) for administrative offices. The construction project encompasses 149,037 sq/ft and will be built by Sierra Pacific Constructors (SPC) who won a competitive RFP process and is a preferred vendor.</p> <p>FIN 104.0324 was approved on March 7, 2024 for this project, however, L.A. Care encountered construction delays due to a lease dispute with its landlord. While there are still disputed items in the lease, a third amendment to the Lease allows L.A. Care to contract directly with the SPC to have more control over the process. L.A. Care can now proceed with construction without further delay. Because almost a year has passed since the job was first bid, L.A. Care's general contractor has re-bid the project. The cost to build-out the space includes a 10% contingency to cover potential unknown conditions and/or raw material commodity price increases during the construction. The lease provides that the landlord will pay a Tenant Improvement (TI) Allowance to L.A. Care, that balance is</p>	

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	<p>\$23,950,401. A dispute exists with the landlord on how the TI allowance will be allocated. The Third Amendment identifies the dispute and defines the undisputed and disputed TI allowances. The undisputed TI allowance for floors 1, 5, 6, &amp; 7 is \$7,627,150. The disputed TI allowance is \$16,323,251, and L.A. Care intends to pursue recovery using all legal options available. The net construction expense to L.A. Care will be \$40,467,706, less any disputed TI allowance L.A. Care recovers at a later date.</p> <p><b><u>Motion FIN 102.0225</u></b>  <b>To delegate to Martha Santana-Chin, Chief Executive Officer, discretionary authority to approve vendors and enter into contractual agreements for certain professional services to perform capital improvements and purchase equipment to build-out floors 1, 5, 6 and 7 in the 1200 W. 7<sup>th</sup> Street building in an amount not to exceed \$48,094,856 which includes a 10% contingency for potential unknown conditions.</b></p>	<p><b>Approved unanimously by roll call. 4 AYES</b></p> <p><b>The Committee approved including FIN 102 to the Consent Agenda for the February 6, 2025 Board of Governors meeting.</b></p>
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 1:45 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 1:46 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>January 2027</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>	
<b>RECONVENE IN OPEN SESSION</b>	<p>The meeting reconvened in open session at 2:06 pm.</p> <p>Ms. Haydel advised the public that no reportable action from the closed session.</p>	

**APPROVED**



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ADJOURNMENT	The meeting adjourned at 2:06 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 2/28/2025 12:32 PM PST

**APPROVED**