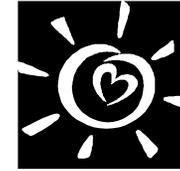


BOARD OF GOVERNORS

Audit Committee Meeting Minutes – December 13, 2021

1055 W. 7th Street, Los Angeles, CA 90017



L.A. Care
HEALTH PLAN

Members

Alvaro Ballesteros, MBA, *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

Deloitte & Touche
Rosie Procopio, *Audit & Assurance Managing Director*
Angelica Kocharova, *Audit & Assurance Senior Manager*

State and local officials continue to impose or recommend measures to promote social distancing to reduce transmission of the COVID 19 virus. It is prudent to use caution in protecting the health of the public, L.A. Care’s employees and its members where adequate virtual means exist to permit the meeting to occur by teleconference/videoconference with the public being afforded the ability to comment in real time. The Board of Governors and all legislative bodies of the L.A. Care Health Plan, and the Board of Directors and all legislative bodies of the Joint Powers Authority will continue to meet virtually and the Boards will review that decision on an on-going basis as provided in the Brown Act. Members of the public had the opportunity to listen to the meeting via teleconference, and share their comments via voicemail, email, or text.

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
<p>CALL TO ORDER Alvaro Ballesteros</p>	<p>Alvaro Ballesteros, MBA, <i>Committee Chair</i>, called the meetings to order for the L.A. Care Audit Committee and the L.A. Care Joint Powers Authority Audit Committee at 2:02 p.m. The meetings were held simultaneously. He welcomed everyone to the meetings. He explained how the public can participate in the meetings.</p> <ul style="list-style-type: none"> • The WebEx chat function will be available during the meeting for public comment. This is a new function so public comments can be made live and direct. • L.A. Care will open the “chat” feature on Webex to submit public comments in real time and directly to the Audit Committee members. The log in information is at the top of the meeting Agenda. You must be logged into Webex to use the “chat” feature. • L.A. Care staff will read the chat messages for up to three minutes during public comment so people who are on the phone can hear the comment. (continued next page) 	

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> 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. 	
APPROVE MEETING AGENDA Alvaro Ballesteros	Today's Agenda was approved as submitted.	Approved unanimously by roll call. 3 AYES (Ballesteros, Booth and Gonzalez)
PUBLIC COMMENT	There was no public comment.	
APPROVE MEETING MINUTES Alvaro Ballesteros	The July 30, 2021 meeting minutes were approved as submitted.	Approved unanimously by roll call. 3 AYES
CHAIRPERSON'S REPORT	There was no report from the Chairperson.	
CHIEF EXECUTIVE OFFICER/CHIEF FINANCIAL OFFICER REPORT	<p>John Baackes, <i>Chief Executive Officer</i>, stated results are positive this year, reversing what was L.A. Care's most difficult year because of the COVID-19 pandemic in the prior fiscal year.</p> <p>Marie Montgomery, <i>Chief Financial Officer</i>, reported that the financial statement reflects the results that the Board reviewed earlier this month. The net surplus is approximately \$133 million. Ms. Montgomery highlighted significant items in the financial statements, such as claims reserves and the Incurred But Not Reported (IBNR) results.</p>	

APPROVED

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	<p>As part of disclosures in the financial statements, there is a footnote disclosing \$142 million in favorable growth from the prior year, reserve balances reflect paid claim information. Due to the COVID-19 pandemic and changes in the claims payment patterns, L.A. Care was conservative in setting that reserve. There is \$45 million in explicit margin or provision for adverse deviation is a component of that amount.</p>	
COMMITTEE ISSUES		
<p>Review of Audit Findings FY 2020-21</p>	<p>Deloitte & Touche (D&T) presented L.A. Care’s audited financial statements for the fiscal year ended September 30, 2021. <i>(A copy of the report may be requested by contacting Board Services.)</i></p> <p>Rosie Procopio, <i>Audit & Assurance Managing Director, D&T</i>, provided an overview of the findings.</p> <ul style="list-style-type: none"> • D&T received full cooperation from management and staff and had unrestricted access to the senior management in the performance of the audits. • D&T evaluated the significant qualitative aspects of the organization’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management. • Accounting estimates are an integral part of the combined financial statements prepared by management and are based on management’s current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the organization's 2021 audited financial statements include the Incurred but not Reported Claims (“IBNR”) Reserve 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. 	

APPROVED

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	<ul style="list-style-type: none"> • D&T made inquiries of management and tested the design and implementation of internal control activities involving management’s process for determining IBNR reserves. • D&T conducted meetings with the organization’s actuaries to assess the consistency of the methodology utilized for calculating the accruals for IBNR reserve estimate. Discussions were also held with claims operations personnel to better understand performance over time and its impact on the claims reserves. • Actuarial specialists from Deloitte Consulting LLP were involved to review management’s methods and assumptions used to develop the reserve estimates and an independent range of reasonableness in order to corroborate management’s estimate of its claims-based liability. The specialists assessed information such as claims inventory, high dollar claims and other environmental factors to conclude on actuarial assumptions utilized, including consideration of COVID-specific assumptions. Run-off data available were assessed subsequent to year-end close for potential recording or reporting. They performed data integrity testing of information utilized by actuaries, including a test of details on paid claims and claims inventory for accuracy and completeness. • D&T performed a retrospective look-back (recast) of management's prior year estimates. • There were no uncorrected misstatements or disclosure items identified passed during our audit. • There were no material misstatements that were brought to the attention of management as a result of our audit procedures. • There were no disagreements with management related to matters that are material to the Organization’s 2021 financial statements. • D&T is not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2021. 	

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	<ul style="list-style-type: none"> Throughout the year, routine discussions were held or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Audit Committee. <p>Ms. Procopio expressed her appreciation to the L.A. Care team</p> <p>Chair Ballesteros asked Committee members if there is need to talk to D&T separately. The Committee members reached consensus that a discussion with the D&T is not necessary.</p>	
Approve Audit Findings for FY 2020-21	<p><u>Motion AUD A.1221</u> To accept the findings of the Deloitte & Touches' audit of L.A. Care's financial statements for the fiscal year ended September 30, 2021, as presented.</p>	Approved unanimously by roll call. 3 AYES
ADJOURNMENT	The Chair adjourned the meeting at 2:45 pm.	

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

APPROVED BY:



Al Ballesteros, MBA, *Chairperson*

Date Signed: 8/5/2022

APPROVED