

BOARD OF GOVERNORS

Finance & Budget Committee

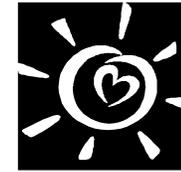
Meeting Minutes – November 16, 2020

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

Members

Robert H. Curry, *Chairperson*
 Stephanie Booth, MD
 Hector De La Torre
 Hilda Perez
 G. Michael Roybal, MD

**Absent ** Via Teleconference*



L.A. Care
 HEALTH PLAN

Management/Staff

John Baackes, *Chief Executive Officer*
 Terry Brown, *Chief Human Resource Officer*
 Augustavia J. Haydel, Esq., *General Counsel*
 Tom MacDougall, *Chief Information & Technology Officer**
 Marie Montgomery, *Chief Financial Officer*
 Francisco Oaxaca, *Chief of Communications & Community Relations**
 Noah Paley, *Chief of Staff**
 Acacia Reed, *Interim Chief Operating Officer*
 Richard Seidman, MD, MPH, *Chief Medical Officer*

California Governor issued Executive Order Nos. N-25-20 and N-29-20, which among other provisions amend the Ralph M. Brown Act. Members of the public can listen to this meeting via teleconference.

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
<p>CALL TO ORDER</p>	<p>Robert H. Curry, <i>Chairperson</i>, called the L.A. Care and JPA Finance & Budget Committee meetings to order at 1:04 p.m. He welcomed everyone to the meetings and summarized the process for public comment during this meeting as reflected on the meeting agenda.</p> <ul style="list-style-type: none"> • The Governor’s Executive Order temporarily set aside some provisions of the Brown Act because of public health guidelines. • Board Meetings are conducted electronically so that all attendees can be safe and practice social distancing. • Comments from anyone who would like to address the Board and its committees are welcome. • L.A. Care members need us to continue the work of the Board, and the meetings are run so that members of the public can hear the meeting and can submit their comments by voice mail, text, or email. • Staff sends all comments in writing to the Board before the meeting. • All public comment is included in the minutes of the meeting, and any comments that were not read during the meeting are added to the minutes. 	

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> • Submitters of public comment must identify the Agenda item which the comment is addressing. • If the submitter does not identify an agenda item for the comment to be read, the submitter's comment will be read for 3 minutes at the "Public Comment" item. • At the appropriate item on the Agenda, staff will read for 3 minutes the public comment from each submitter. Depending on how many comments are submitted, the 3-minute time could be adjusted to allow for more submitters to have the comments read. • The Board will keep reviewing and improving how public comments are received and distributed to Board members. 	
APPROVE MEETING AGENDA	The Agenda for today's meeting was approved.	Approved unanimously by roll call. 5 AYES (Booth, Curry, De La Torre, Perez and Roybal)
PUBLIC COMMENTS	There were no public comments.	
MEETING MINUTES	The October 26, 2020 meeting minutes were approved as submitted.	Approved unanimously by roll call. 5 AYES
CHAIRPERSON'S REPORT	<p>Chairperson Curry noted there is good news that the COVID-19 vaccines are reported to be 94.5% effective. Distribution of the vaccines has already started in anticipation of approval by the Food and Drug Administration, to expedite processing. A priority list is being developed, with high risk health workers and first responders to be vaccinated first.</p> <p>Member Booth asked if children or breast feeding women could take the vaccine. Richard Seidman, MD, MPH, <i>Chief Medical Officer</i>, responded that children younger than 12 will not receive the vaccine in the initial period. Moderna has released preliminary findings of the drug trial and the supply of the vaccine will increase as soon as December. Anthony Fauci, MD, Director of the National Institute of Allergy and Infectious Diseases at the National Institutes of Health, said in an interview that he is optimistic about the vaccines and encouraged people to follow public health recommendations.</p>	
CHIEF EXECUTIVE OFFICER'S REPORT	<p>John Baackes, <i>Chief Executive Officer</i>, echoed the joy in the news of the COVID-19 vaccines.</p> <ul style="list-style-type: none"> • The current economic recession due to the pandemic is having negative effects on L.A. Care's financial situation. 	

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> The number of members affected by COVID-19 and the resulting hospitalizations are increasing the cost of care. L.A. Care is also negatively impacted by the economic recession, and revenue cuts and reductions in reimbursement to the health plan are proposed by California’s administration in the state’s budget. L.A. Care’s current fiscal year budget has been projected to have an operating deficit, and staff will take every opportunity to continue to control administrative costs and improve efficiency. Essential health plan services will continue to be available for members. California’s response to rising virus case levels will affect the budget. L.A. Care will continue payments to providers. L.A. Care is reviewing care management and utilization management to look for ways to lower cost of care while maintaining services. <p>Chairperson Curry asked if there is a contingency plan for a potential change in the Affordable Care Act (ACA) as a result of a negative ruling by the Supreme Court of the United States on cases currently under consideration. Mr. Baackes responded that L.A. Care is working with other health plans in California and across the country on maintaining health coverage for members.</p>	
COMMITTEE ITEMS		
Chief Financial Officer’s Report Financial Report	Marie Montgomery, <i>Chief Financial Officer</i> , reported: <u>Membership</u> The 2,309,757 membership in September 2020 was 120,485 members favorable to the forecast; and 212,334 member months favorable for the year versus the forecast. The suspension of the eligibility redetermination process, which has been extended to January 2021, continues to drive the membership favorability. The forecast assumed flat membership levels for members enrolled with Plan Partners and MCLA, based on actual membership in May. Membership in the Commercial segment is just below forecast by approximately 2,500 members. Membership for L.A. Care Covered (LACC) decreased slightly in September but is holding steady around 81,000 members and in good position for the Open Enrollment period. <u>Consolidated Financial Performance vs. Forecast</u> <ul style="list-style-type: none"> September 2020 net financial deficit is \$87 million, \$77 million unfavorable to the forecast, due to the estimated impact of retroactive reclassification of Coordinated Care 	

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<p>Initiative (CCI) for non-dual institutional and home- and community-based services (HCBS) members, going back to 2014. The net deficit for the fiscal year is \$74 million, \$32 million favorable to the forecast.</p> <ul style="list-style-type: none"> • An adjustment of \$67.5 million was applied, which includes the gross revenue impact of the member reconciliation, the Plan Partner capitation impact, the risk corridor impact for 2014-2016, and the COVID-19 risk corridor that covers the bridge period. There are \$268 million in reported claims for September 2020, \$33 million unfavorable to the forecast. The Fee for Service (FFS) claims year-to-date is \$52.5 million unfavorable to the forecast. Year-to-date Pharmacy costs were \$8.5 million favorable to the forecast. Based on Deloitte and Touche’s review of the September 2020 claims reserve estimates, this is within but at the lower end of the range. • Administrative expenses are \$10.5 million favorable to forecast, due to lower spending in Purchased Services across several departments. <p><u>Consolidated Financial Performance vs. Budget</u></p> <ul style="list-style-type: none"> • Ending membership for September 2020 is 104,000 higher than the budget; member months for the fiscal year are unfavorable to the budget by 55,000. • The year-end deficit is \$74 million, unfavorable to the budget by \$227 million. In addition to the \$67 million mentioned related to the CCI Institutional member reclassification, this includes \$391 million unfavorable to the budget for FFS claims. Approximately \$180 million of this variance relates to skilled nursing facilities claims where the retroactive fee schedule increases include the 10% COVID-19 increase. • Rate increases to our revenue for CCI were favorable to the budget by \$56 million for the 2019 and \$50 million for 2020 and an additional \$17 million for Skilled Nursing Facilities. The impact of the COVID-19 risk corridor is favorable by \$43 million. The dual risk corridors for the early period were changed to include all services, which is favorable to the budget by \$25 million. L.A. Care collected \$23.5 million for the LACC risk corridor for 2014-2016. <p>Administrative expense was unfavorable by \$6.5 million for the year due to unfavorable Salaries & Benefits, Professional Fees and Purchased Services. Partially offsetting these items is lower spending in Business Fees. Non-Operating was favorable for the year by \$1.7 million due to provisions for community grants.</p> <p><u>Operating Margins</u></p> <p>Overall Medical Cost Ratio (MCR) is 95.5% versus a forecast of 95.7% due to the CY 2020 CCI rates and the COVID risk corridor.</p>	

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> • Plan Partner margin is just about equal to forecast. • SPD and CCI margin is unfavorable to forecast due to the reclassification of institutional members. • TANF/MCE is lower than the forecast due to the COVID risk corridor and lower FFS claims. • Cal MediConnect is lower than the forecast due to the favorable CY 2020 CCI rates on the Medi-Cal side and \$6 million in quality withhold revenue. • Commercial is lower than the forecast due to collection of the LACC risk corridor from Centers for Medicaid and Medicare Services (CMS). <p><u>Key Financial Ratio</u> The administrative ratio was 5.4%, which is ahead of the forecast. Working Capital, Cash to Claims, and Tangible Net Equity are ahead of budget benchmarks. Cash to Claims ratio is ahead of the benchmark due to the receipt of pass-through funds, including hospital directed payments.</p> <p><u>Tangible Net Equity</u> September 2020 Balance was \$980 million which represents 509% of Tangible Net Equity required.</p> <p><u>Motion FIN 100.1220</u> To accept the Financial Report as submitted for September 2020.</p>	
Quarterly Investment Report	<p>Ms. Montgomery referred to the Quarterly Investment Reports for the quarter ending September 30, 2020, included in meeting materials. L.A Care is in compliance with its investment guidelines. Investment yields have decreased significantly for the short-term duration investments. L.A. Care is moving funds to the Los Angeles County pooled fund to improve the yield.</p> <p><u>Motion FIN 101.1220</u> To accept the Quarterly Investment Report for the quarter ending September 30, 2020, as submitted.</p>	

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
		<p>FIN 100 and FIN 101 voted simultaneously</p> <p>Approved unanimously by roll call. 5 AYES</p>
<p>Monthly Investments Transaction Reports</p>	<p>Ms. Montgomery referred to the investment transactions reports included in the meeting materials. <i>(A copy of the report can be obtained by contacting Board Services)</i>. This is to comply with the California Government Code and is an informational item only. L.A. Care's total investment market value as of September 30, 2020 was \$2.4 billion.</p> <ul style="list-style-type: none"> • \$2.1 billion managed by Payden & Rygel and New England Asset Management (NEAM) • \$73 million in Local Agency Investment Fund • \$202 million in Los Angeles County Pooled Investment Fund 	
<p>Quarterly/Annual Expenditure Reports required by L.A. Care Internal Policies</p>	<p>Ms. Montgomery referred to the Quarterly and Annual Expenditure Reports required by L.A. Care Internal Policies for the FY 2019-20, included in the meeting materials. <i>(A copy of the reports can be obtained by contacting Board Services)</i>. L.A. Care's internal policies require reports on all expenditures for business related travel expenses incurred by employees, members of the Board of Governors, Stakeholder Committees, and members of the Public Advisory Committees. 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 only.</p> <ul style="list-style-type: none"> • Policy AFS-004 (Non-Travel Expense Report) • Policy AFS-027 (Travel Expense Report) • Policy AFS-006 (Authorization and Approval Limits) • Policy AFS-007 (Procurement) <p>Member Booth noted the total does not tally for the quarterly reports. JR Nino, <i>Senior Director Contracting & Procurement</i>, noted that is because of timing of payments. Some of the purchase orders are not counted for the current period, depending on when the report was compiled. The annual report will show the correct amount.</p>	

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
Accounting & Finance Services Policy AFS-029 (Annual Budgets and Board of Governors Oversight)	<p>Ms. Montgomery presented a revised policy for Accounts and Finance Services AFS 029 (Annual Budget and Board of Governors Oversight).</p> <p>L.A. Care’s financial policies are brought annually to the Board for review, updating and approval. At the last meeting, six policies were presented to the Board for review which had minor updates and/or code changes related to the policies. Policy AFS-029 was removed from the previous motion and this revised version of the policy includes language to allow for a broader presentation of the Financial Statements while keeping the Board informed of variances relative to the budget and/or the recent forecast.</p> <p><u>AFS-029: Annual Budgets and Board of Governors Oversight:</u></p> <ul style="list-style-type: none"> • Establishes the authority for spending assigned to the Board of Governors. • Updated to better reflect the content of the Financial Statements. • Section 6.1.2 was updated for Financial Statement presentation to the Board. The proposed added language in section 6.1.2 is as follows: <ul style="list-style-type: none"> ○ Variances from Budget and/or recent forecast will be adequately explained by L.A. Care staff. <p><u>Motion FIN 102.1220</u> To approve Accounting & Financial Services Policy AFS-029 (Annual Budgets and Board of Governors Oversight), as submitted.</p>	Approved unanimously by roll call. 5 AYES
Allocation of funds for L.A. Care Credentialing/Peer Review Committee Physician Stipends	<p>Ms. Montgomery presented a motion for approval of stipends for the credentialing and peer review committee. L.A. Care’s policy requires Board approval for non-travel expenses over \$10,000. Staff incorporated some non-travel expenses in a prior motion and this was not included.</p> <p><u>Motion FIN 103.1220</u> To approve the allocation of funds for L.A. Care Credentialing/Peer Review Committee Physician Stipends, in the amount of \$12,500, for the period of October 1, 2020 through September 30, 2021.</p>	Approved unanimously by roll call. 5 AYES
QPerior Contract Amendment	<p>Ms. Montgomery presented a motion for approval to execute an amendment to the contract with QPerior to add funds and extend services through December 31, 2021. QPerior will provide additional services in the following areas:</p> <ul style="list-style-type: none"> • Implementing the segregated premium required by Covered California. • Adding services in the implementation of Role-based Security. 	

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> Extending the function of Self Service in the Member Payment portal for LACC for premium payments to include other members in LACCD and PASC-SEIU COBRA. <p>L.A. Care requires these services to comply with Covered California’s regulatory requirement regarding generating separate invoices for segregated premium services, and implement additional enhancements to provide members access to the Self Service functions in the Payment Portal to make payments and view their payment history.</p> <p>A Request for Proposal was conducted in 2019. QPerior was selected and has been L.A. Care’s implementation partner for the ACA Billing project since July 2019.</p> <p><u>Motion FIN 104.1220</u> To authorize staff to amend a contract with QPerior in the amount of \$450,000 (total contract not to exceed \$4,850,000) to provide services to December 31, 2021.</p>	<p>Approved unanimously by roll call. 5 AYES</p>
<p>Westfall Commercial Furniture Contract Amendment</p>	<p>Lance MacLean, <i>Senior Director, Facilities Services</i>, presented a motion requesting authorization for the CEO to extend the term of the existing agreement with Westfall Commercial Furniture. Between 2018 and 2020, L.A. Care has built out and opened Community Resource Centers (CRCs) in East LA, Pomona, Metro L.A., and one currently under construction in Wilmington. Three CRC locations (Lynwood, East LA and Palmdale) were completed with accommodations for L.A. Care’s business partner, Blue Shield. The Westfall contract expires December 31, 2020, and staff would like to extend the contract to January 1, 2024, and add additional funds for the remaining CRC locations (Norwalk RCAC 7, El Monte RCAC 3, Long Beach RCAC 9, Westside RCAC 5), as well as provide for the ongoing need for miscellaneous furniture, ergonomic accommodations and COVID required adjustments.</p> <p>The agreement was amended in 2018 which extended the term through 2020 and added \$1,000,000. This motion will extend the term to January 1, 2024 and would add \$1,000,000 to the unspent balance for a renewed agreement total not to exceed \$2,575,000 to support L.A. Care’s business objectives.</p> <p><u>Motion FIN 105.1220</u> To delegate authority to the CEO to amend our existing furniture agreement with Westfall Commercial Furniture to extend to January 1, 2024, carry over any unspent balance and to add \$1,000,000 to the agreement for a new total not to exceed \$2,575,000 to purchase standard office furniture, equipment and installation labor.</p>	<p>Approved unanimously by roll call. 5 AYES</p>

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<p>The Committee approved including motions FIN 101, FIN 102, FIN 103, FIN 104 and FIN 105 on the Consent Agenda for the December 3, 2020 Board of Governors meeting.</p>	
<p>ADJOURN TO CLOSED SESSION</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 1:48 pm.</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 <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 2022</i></p>	
<p>RECONVENE IN OPEN SESSION</p>	<p>The meeting reconvened in open session at 2:14 pm</p> <p>Ms. Haydel advised the public that no reportable actions were taken during the closed session.</p>	
<p>ADJOURNMENT</p>	<p>The meeting was adjourned at 2:15 pm.</p>	

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:

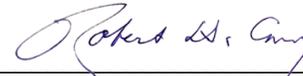
Robert H. Curry, *Chair*
Date Signed _____

APPROVED

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	The Committee approved including motions FIN 101, FIN 102, FIN 103, FIN 104 and FIN 105 on the Consent Agenda for the December 3, 2020 Board of Governors meeting.	
ADJOURN TO CLOSED SESSION	<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 1:48 pm.</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 <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 2022</i></p>	
RECONVENE IN OPEN SESSION	<p>The meeting reconvened in open session at 2:14 pm</p> <p>Ms. Haydel advised the public that no reportable actions were taken during the closed session.</p>	
ADJOURNMENT	The meeting was adjourned at 2:15 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:



Robert H. Curry, *Chair*

Date Signed 1-25-2021

APPROVED