

BOARD OF GOVERNORS

Finance & Budget Committee

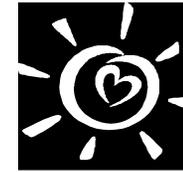
Meeting Minutes – October 25, 2021

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 Resources Officer*
 Linda Greenfeld, *Chief Product 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, *Chief Operating Officer*
 Richard Seidman, MD, MPH, *Chief Medical Officer*

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
CALL TO ORDER	Hector De La Torre, <i>Chairperson, Board of Governors</i> , called the L.A. Care and JPA Finance & Budget Committee meetings to order at 1:01 p.m. He welcomed everyone and summarized the process for public comment during this meeting. <ul style="list-style-type: none"> • Board Meetings are conducted electronically so that everyone participating can be safe and practice social distancing. • Comments from anyone who would like to address the Board and its committees are welcome and there are instructions on the Agenda. • 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 participate by submitting comments. • Staff sends all comments received before the meeting to the Board members in writing. 	

APPROVED

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	<ul style="list-style-type: none"> All public comment is included in the minutes of the meeting, and any comments received that were not read during the meeting are added at the end of the minutes. 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 three minutes at the "Public Comment" item. At the appropriate item on the Agenda, staff will read for three minutes the public comment from each submitter. Depending on how many comments are submitted, the three-minute time could be adjusted to allow for more submitters to have their comments read. The Board will continue reviewing and improving how public comments are received and distributed to Board members. 	
APPROVE MEETING AGENDA	<p>The Agenda for today's meeting was approved.</p>	<p>Approved unanimously by roll call. 3 AYES (Booth, De La Torre and Roybal)</p>
APPROVE CONSENT AGENDA	<p>The Committee approved Consent Agenda items:</p> <ul style="list-style-type: none"> September 27, 2021 meeting minutes Board Member Booth amended her comments on page 3 of the September 27, 2021 meeting minutes to read: "She understands that things have to go on and noted that the Board understands circumstances change. Project leaders have technology that can inform them of a potential budget overrun. Board Member Booth said everyone should request funds as early as possible. However, if it becomes necessary for a request for funds motion to include money that has already been paid out, she hopes the requester could clarify the motion's plans for expenditure by a separate accounting of that payment amount; and state the reason(s) it became a necessary expense." <p>The meeting minutes of September 27, 2021 were approved as amended. The signed September 27, 2021 meeting minutes include the amended language.</p> <ul style="list-style-type: none"> <u>Quest Analytics</u> <u>Motion FIN A.1021</u> 	<p>Approved unanimously by roll call. 3 AYES</p>

APPROVED

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	<p>To authorize staff to amend a contract with Quest Analytics that will extend the term by three years to December 31, 2024, and increase the total compensation from \$728,786.54 to \$1,776,985.54.</p>	
PUBLIC COMMENTS	There were no public comments.	
CHAIRPERSON'S REPORT	There was no report from the Chairperson.	
CHIEF EXECUTIVE OFFICER'S REPORT	There was no report from the CEO.	
COMMITTEE ITEMS		
Chief Financial Officer's Report	Marie Montgomery, <i>Chief Financial Officer</i> , reported that October 1 is the beginning of the fiscal year so a written monthly financial report is not included in the meeting materials. The unaudited written September 2021 and 2021-2022 Fiscal Year End financial reports will be presented at the November 15 Committee meeting.	
<p>Approve Accounting & Finance Services Revised Policies</p> <ul style="list-style-type: none"> • Policy AFS-008 (Annual Investment Review) • Policy AFS-027 (Travel Expenses) 	<p>L.A. Care's Accounting & Financial Services policies are brought to the Board annually for update, review and approval. She summarized the updates to AFS 008 Annual Investments and AFS 027 Travel Expenses.</p> <p><u>AFS 008 Annual Investments</u></p> <ul style="list-style-type: none"> • Aligns requirements for investments to the California Government Code and directs Board to provide oversight. • Increases the percentage ownership limit of the overall portfolio of the total bonds from a single issuer for Commercial Paper, Corporates, Supranational Obligations, but still well below the limit allowed by the California Government Code. • Allows for negative interest rate on U.S. Government securities as per California Government Code. • Updated to reflect Securities & Exchange Commission (SEC) Rule 144A expanded definition of accredited investor to include government entities, which allows L.A. Care to buy Rule 144A securities. <p><u>AFS 027 Travel Expenses</u></p> <ul style="list-style-type: none"> • Defines approvals and appropriate expenses related to travel. 	

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	<ul style="list-style-type: none"> Updated with reference to the new telecommuting policy HR-220 in the References section as well as section 4.5 “Pre-employment and Telecommuting Travel”. <p><u>Motion FIN 100.1121</u> To approve the following Accounting & Financial Services Policies as attached:</p> <ul style="list-style-type: none"> AFS-008 (Annual Investments) AFS-027 (Travel Expenses) 	<p>Approved unanimously by roll call. 3 AYES</p>																																																												
<ul style="list-style-type: none"> Wilshire Associates presentation by Maggie W. Ralbovsky, CFA, Managing Director 	<p>Ms. Montgomery introduced Maggie W. Ralbovsky, CFA, <i>Managing Director, Wilshire Associates</i></p> <p>Ms. Ralbovsky provided a current market overview and performance summary. <i>(A copy of her report may be requested by contacting Board Services.)</i></p> <table border="1" data-bbox="478 602 1629 1092"> <thead> <tr> <th colspan="5">Performance Summary as of 9/30/2021</th> </tr> <tr> <th></th> <th>Allocation</th> <th>Fiscal Year</th> <th>3 Year Annualized</th> <th>Since 7/1/2016 Annualized</th> </tr> </thead> <tbody> <tr> <td colspan="5"><u>Payden & Rygel</u></td> </tr> <tr> <td><i>Liquidity Portfolio</i></td> <td>\$1,360,886,939</td> <td>0.13%</td> <td>1.25%</td> <td>1.23%</td> </tr> <tr> <td><i>Low Duration Portfolio</i></td> <td>\$93,797,830</td> <td>0.07%</td> <td>3.30%</td> <td>2.12%</td> </tr> <tr> <td><i>Local Agency Investment Fund</i></td> <td>\$72,827,825</td> <td>0.41%</td> <td>1.71%</td> <td>1.71%</td> </tr> <tr> <td><i>LA County Treasurers Pooled Investment Fund</i></td> <td>\$252,869,688</td> <td>0.50%</td> <td>1.30%</td> <td>1.30%</td> </tr> <tr> <td><i>Bank of California CD</i></td> <td>\$100,000</td> <td>0.37%</td> <td>0.95%</td> <td>0.92%</td> </tr> <tr> <td colspan="5"><u>New England Asset Management</u></td> </tr> <tr> <td><i>Government and Corporate Debt</i></td> <td>\$338,950,990</td> <td>0.45%</td> <td>4.06%</td> <td>3.30%</td> </tr> <tr> <td>Total Portfolio</td> <td>\$2,119,433,272</td> <td>0.27%</td> <td>1.94%</td> <td>1.80%</td> </tr> <tr> <td><i>Benchmark 91 Day Treasury Bill</i></td> <td></td> <td>0.07%</td> <td>1.18%</td> <td>1.11%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> There are concerns about inflation, which could affect investment returns. Interest rates are slowly rising with increasing expectations of inflation trending higher. The market pricing currently assumes a transitory surge of near-term inflation that will gradually retreat and a long term trend level between 2-2.5% is expected for the next 10 years. The root cause of inflation is assumed to be record high demand outpacing healthy recovery of supply. The market may be too complacent and inflation may not be transitory. Supplemental Security Income recipients will receive a 4.5% increase in benefits next year. Prices of gasoline are up 100% and natural gas up 150%. 	Performance Summary as of 9/30/2021						Allocation	Fiscal Year	3 Year Annualized	Since 7/1/2016 Annualized	<u>Payden & Rygel</u>					<i>Liquidity Portfolio</i>	\$1,360,886,939	0.13%	1.25%	1.23%	<i>Low Duration Portfolio</i>	\$93,797,830	0.07%	3.30%	2.12%	<i>Local Agency Investment Fund</i>	\$72,827,825	0.41%	1.71%	1.71%	<i>LA County Treasurers Pooled Investment Fund</i>	\$252,869,688	0.50%	1.30%	1.30%	<i>Bank of California CD</i>	\$100,000	0.37%	0.95%	0.92%	<u>New England Asset Management</u>					<i>Government and Corporate Debt</i>	\$338,950,990	0.45%	4.06%	3.30%	Total Portfolio	\$2,119,433,272	0.27%	1.94%	1.80%	<i>Benchmark 91 Day Treasury Bill</i>		0.07%	1.18%	1.11%	
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	<p>Cost Side Inflation Pressure</p> <p>Transitory</p> <ul style="list-style-type: none"> • Extreme Pent-Up Demand • Supply Chain Disruption • Labor Force Participation <ul style="list-style-type: none"> ○ Off the Dole ○ Back to School • Economics 101: Supply will increase to meet demand <p>Not Transitory</p> <ul style="list-style-type: none"> • Government Intervention • De-Globalization/Protectionism • “Super Trends” <ul style="list-style-type: none"> ○ Infrastructure Investment ○ Energy Transition ○ ESG/Data Protection <p>There are some people stating that because the pandemic closed factories there is a supply shortage. But data shows this is not the case. The supply has completely recovered, and demand has gone up because consumers are flush with savings. Savings increased to 15% during the pandemic because consumers had no place to spend.</p> <p><i>(Board Member Perez joined the meeting)</i></p> <p>Investment Strategy Outlook</p> <ul style="list-style-type: none"> • Investment policy is focused on high quality fixed income investments with 1-5 year in maturity. • Floating rate debt may help cushion short-end rate volatility, the short end is controlled by the Federal Reserve Bank. • Relatively healthy corporate and consumer balance sheet supports overweight into non-Treasury “spread” sectors. 	
Approve Ntooitive Contract	John Cota, <i>Senior Director, Creative & Marketing</i> , presented a motion to authorize a contract with Ntooitive for FY 2021-22 in the amount of \$7,346,802 for work associated with digital marketing and media buying services among L.A. Care’s entire portfolio of products and services including	

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	<p>L.A. Care Covered, Cal MediConnect, Medi-Cal, Family Resource Centers, Community Resource Centers and L.A. Care’s Brand Marketing Initiatives.</p> <p><u>Motion FIN 101.1121</u> To authorize staff to execute a new statement of work with Ntooitive in the amount of \$7,346,802.00 for marketing campaigns for L.A. Care’s direct lines of business, including the LACC Shop and Compare Tool, and the Community Resource Centers for the period of October 1, 2021 through September 30, 2022.</p>	<p>Approved unanimously by roll call. 4 AYES (Booth, De La Torre, Perez and Roybal)</p>
<p>Approve Change Healthcare Resources Contract Amendment</p>	<p>On behalf of Thomas Mapp, Chief Compliance Officer Augustavia J. Haydel, Esq. <i>General Counsel</i>, presented a motion requesting approval to amend the contract with Change Healthcare Resources, LLC, from June 17, 2021 to May 31, 2022 up to an amount not to exceed \$4,100,000 (previously 2,000,000). The vendor will provide services around staff augmentation for the Appeals & Grievances department. L.A. Care requires these services because the current number of cases exceeds the availability of full time employees.</p> <p><u>Motion FIN 102.1121</u> To authorize staff to amend a contract authorizing the expenditure of up to \$4,100,000 with Change Healthcare Resources, LLC to provide Appeals and Grievances staff augmentation services from June 17, 2021 to May 31, 2022.</p>	<p>Approved unanimously by roll call. 4 AYES</p>
<p>Approve Claris Health Contract Amendment</p>	<p>Acacia Reed, <i>Chief Operations Officer</i>, presented a motion requesting approval to amend the contract with Claris Health for Scopes of Work (SOW) #2 (workflow management and data distribution), SOW #4 (analytics module recoveries), and SOW #6 (clinical analytics module, and medical record review/management services) to increase the contract amount by \$2.52 million, \$1.99 million, and \$2.08 million respectively and extend the term through December 31, 2024. The vendor provides services with Centralized Overpayment Repository application for workflow management, data distribution, analytics modules to support L.A. Care data mining services as well as a clinical audit workflow with an analytics module, workflow management, medical records management and review. These services are required to detect, investigate and prevent fraud, waste and abuse. The Payment Integrity team ensures that federal and state taxpayer dollars are spent appropriately on delivering quality, necessary care and in preventing fraud, waste and abuse.</p> <p>L.A. Care has been contracted with this vendor since November 2017 and staff members are pleased with their work. Claris currently generates approximately \$45 million in recoveries annually. No request for proposal was conducted for this vendor because of the existing contract. The sole-source justification would mitigate time, resources and initiation fees to</p>	

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	<p>procure and implement a new vendor. There is no commercial product available on the market for these services.</p> <p>The projected recovery is approximately \$220 million from July 2021 through December 2024 based on the current savings. The incremental monthly savings derive from the continued growth of the Retrospective Clinical Review Program and continuing to expand our current library of overpayment edits. Based on the associated fixed fees, licensing fees and contingency fees, \$6.59 million will be the cost of the new contract.</p> <p><u>Motion FIN 103.1121</u> To authorize staff to amend the contracts for three (3) Scope of Works (SOWs) in the amount of \$6,587,057 (for a new total of \$10,474,974 for all three SOWs) with Claris Health to provide workflow management, data distribution, analytics modules to support L.A. Care data mining services as well as a clinical audit workflow to include an analytics module, workflow management, medical records management and review through December 31, 2024.</p>	<p>Approved unanimously by roll call. 4 AYES</p>
<p>ADJOURN TO CLOSED SESSION</p>	<p>The Joint Powers Authority Finance & Budget Committee meeting was adjourned at 1:36 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 1:37 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>October 2023</i></p> <p>CONFERENCE WITH REAL PROPERTY NEGOTIATORS Section 54956.8 of the Ralph M. Brown Act Property: 2140 E. Palmdale Blvd., Palmdale, California Agency Negotiator: John Baackes, <i>Chief Executive Officer</i> Negotiating Parties: Eric Treibatch, Ophir Management Services Inc.</p>	

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	Landlord: Joelle Kim, Palmdale West, LLC, 8560 W. Sunset Bl. # 538, W. Hollywood, CA. 90069 Under Negotiation: Price and Terms of Payment	
RECONVENE IN OPEN SESSION	The meeting reconvened in open session at 1:53 pm Ms. Haydel advised the public that no reportable actions were taken during the closed session.	
ADJOURNMENT	The next meeting will be held on November 15, 2021. The meeting was adjourned at 1:54 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:

DocuSigned by:

019D7F81EB7B442...
 Hector De La Torre, *Board Chairperson*
 Date Signed 11/15/2021 | 3:09 PM PST

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