

# BOARD OF GOVERNORS

## Finance & Budget Committee

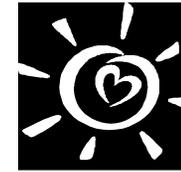
### Meeting Minutes – February 22, 2022

1055 W. 7<sup>th</sup> Street, Los Angeles, CA 90017

#### Members

Ilan Shapiro MD, MBA, FAAP, FACHE, *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 of Human Resources*  
 Augustavia Haydel, *General Counsel*  
 James Kyle, MD, *Chief of Equity & Quality Medical Director*  
 Tom MacDougall, *Chief Technology & Information Officer*  
 Marie Montgomery, *Chief Financial Officer*  
 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
<b>CALL TO ORDER</b>	<p>Ilan Shapiro MD, <i>Chairperson</i>, called the L.A. Care and JPA Finance &amp; Budget Committee meetings to order at 1:01 p.m. He welcomed everyone and summarized the process for public comment during this meeting.</p> <p>Board Meetings are conducted electronically so that everyone participating can be safe and practice social distancing. 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.</p> <p>Comments from anyone who would like to address the Board and its committees are welcome and there are instructions on the Agenda. Staff sends all comments received before the meeting to the Board members in writing. 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.</p>	

**APPROVED**

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	<p>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.</p> <p>The Board will continue reviewing and improving how public comments are received and distributed to Board members.</p>	
<b>APPROVE MEETING AGENDA</b>	<p>The Agenda for today's meeting was approved.</p>	<p><b>Approved unanimously by roll call. 5 AYES (Booth, De La Torre, Perez, Roybal and Shapiro)</b></p>
<b>PUBLIC COMMENTS</b>	<p>There were no public comments.</p>	
<b>APPROVE CONSENT AGENDA</b>	<ul style="list-style-type: none"> <li>• January 25, 2022 Finance and Budget Committee meeting minutes</li> <li>• Accenture Contract Amendment <b><u>Motion FIN A.0222</u></b> <b>To authorize an amendment to extend current contract with Accenture LLP for Appeals and Grievances staffing services through April 8, 2022, at an additional cost of \$901,320, for a total contract not to exceed \$1,901,319.</b></li> </ul>	<p><b>Approved unanimously by roll call. 5 AYES</b></p> <p><b>FIN A does not require full Board approval.</b></p>
<b>CHAIRPERSON'S REPORT</b>	<p>Committee Chairperson Shapiro noted that it has been a very interesting time for all. He hoped that we all can move forward from what we've experienced in the past two years. It is not clear what will happen in 2022 and 2023. He hopes that the community will continue to adapt to the changes in health care in California, and particularly in Los Angeles County. He hopes that we will continue to support our members with the resources that are available.</p>	
<b>CHIEF EXECUTIVE OFFICER'S REPORT</b>	<p>John Baackes, <i>Chief Executive Officer</i>, reported:</p> <ul style="list-style-type: none"> <li>• L.A. Care continues its efforts to increase the COVID-19 vaccination rate among enrollees. As of this date, 67.5% of L.A. Care members 12 years and older have received a vaccine. This is 20 percentage points behind the rate for all residents in Los Angeles County. California uses the 12+ age metric for the state-wide incentive program, which</li> </ul>	

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	<p>has provided resources that L.A. Care has used to increase the vaccination rate. The state-wide incentive program began on September 1, 2021, and will end on March 2, 2022. L.A. Care will continue to offer an incentive program after March 2.</p> <ul style="list-style-type: none"> <li>• L.A. Care’s latest addition to increase the vaccination rate involves primary care providers, as a trusted source of information, reaching out to unvaccinated L.A. Care members to listen to the members and encourage them to get a vaccine. L.A. Care offers a financial incentive to the primary care provider for each person that is vaccinated. Mr. Baackes, and everyone at L.A. Care, believes that it is really important to keep up the effort to increase the vaccination rate among members. Members who are not vaccinated may be subject to continued variations of the COVID-19 virus, and may also be putting themselves at risk for other things that could develop. It is probably the most important thing we can do to improve the health status for L.A. Care members.</li> <li>• L.A. Care’s enrollment continues to increase, and is over 2.5 million in January 2022, and is even higher in February, 2022. There are several sources of the increase: <ul style="list-style-type: none"> <li>○ 19,000 additional members in L.A. Care Covered,</li> <li>○ Implementation of the new California Advancing and Innovating Medi-Cal (CalAIM) program has increased Medi-Cal enrollment by moving categories of members from fee for service to managed care,</li> <li>○ Re-determination of eligibility for Medi-Cal has not yet resumed, which has allowed Medi-Cal members to continue to receive benefits. It is expected the redetermination will resume in April 2022, although there is an effort across California to have the date extended to avoid a large backlog. Counties will have to process all Medi-Cal members within one year, and,</li> <li>○ In May, 2022, another large influx of members is expected as eligible undocumented residents ages 50 years and older will be able to enroll in Medi-Cal. The Governor’s proposed budget includes a provision to allow eligible undocumented residents ages 27-49 years old to enroll in Medi-Cal beginning in 2023.</li> </ul> </li> </ul> <p>Board Member Perez stated, as a health promoter, she volunteered at L.A. Care’s Metro Koreatown Community Resource Center COVID-19 vaccination event and food pantry give-away. Board Member Perez added that this particular community is in great need not only financially, but also in education on health care access and health plans. Board Member Perez added that it is an honor for her to be able to connect to the community by coming to L.A. Care events and be a member of the L.A. Care Board of Governors. Board Member Perez thanked L.A. Care for its efforts to reach out to and help the community.</p>	

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	Mr. Baackes responded that the need is common in all communities in Los Angeles County. He thanked Board Member Perez for recognizing L.A. Care’s work.	
<b>COMMITTEE ITEMS</b>		
<b>Chief Financial Officer’s Report</b>	<p>Marie Montgomery, <i>Chief Financial Officer</i>, reported:</p> <p><u>Membership</u> The January 2022 membership is 2,536,352; 8,722 members favorable to the 3+9 forecast, which is the same YTD versus the forecast, being driven by Plan Partners due to the increased enrollment for the CalAIM mandatory managed care population. The forecast did not include those additional members for Plan Partners. Membership for L.A. Care Covered (LACC) was over 111,000 members, an improvement of 10,000 from December 2021. The Open Enrollment period is not being extended as it was in prior years.</p> <p><u>Consolidated Financial Performance</u> The net surplus for January 2022 is \$35 million; \$44 million favorable to the 3+9 forecast. The favorability is driven by operating margin favorability of \$13.6 million vs the forecast, as well as administrative expense favorability of \$28 million.</p> <p>The large variances to the revenue and healthcare costs for the month are due to adjustments relating to the California Department of Health Care Services (DHCS) initiating the risk corridor reconciliation for Prop 56 for State Fiscal Year (SFY) 2018-19. The risk corridor is a minimum expenditure percentage methodology set at 95%. Based on the reconciliation, payable balances held as due to providers are now payable to the DHCS. A payable to providers impacts health care expenses while a payable to the DHCS impacts L.A. Care’s revenue. This resulted in a \$280 million decrease in revenue and a \$264 million decrease in health care expenses which lowers operating margin by \$15.5 million.</p> <p>The amounts include SFY 2018-19 and the 18-month bridge period. These will be updated for CY 2021 when there is further runout of the expenses. The reconciliation includes Plan Partner and MCLA payments which reflects approximately 70% payment level overall. The rates received from DHCS are based on a statewide average rather than L.A. Care-specific data. The Los Angeles County Department of Health Services (DHS) and Federally Qualified Health Centers (FQHC) providers are not eligible for Prop 56 funds. As a result, it is likely a statewide average rate would provide more funds than needed putting L.A. Care significantly below the 95% minimum.</p>	

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	<p>Incurred claims were favorable to the forecast by \$20.7 million. There are a lot of new CalAIM programs in January including new mandatory members, the Health Homes program is winding down, Enhanced Care Management and Major Organ Transplant are ramping up. Community Supports include the transition of the Whole Person Care members. L.A. Care is still working through aligning the forecast and the actual reporting for these items. Some of the favorable incurred claims are due to misalignment with capitation expense.</p> <p>There is favorability in Pharmacy of \$1.9 million and in Provider Incentives of \$3.9 million. Community Based Adult Services was unfavorable to forecast by \$4.1 million but the favorability is included in outpatient claims.</p> <p>Administrative expense is favorable by \$28.4 million primarily due to an adjustment of \$22 million for Patient-Centered Outcomes Research Institute (PCORI) fees. Staff recognized a \$22 million expense last fiscal year for this fee which was first effective in 2010. After further review, this fee is on a per member per year basis, not per member per month. As a result, administrative expenses were reduced by \$22 million. Purchased Services is favorable due to timing of expenditures.</p> <p>Non-operating is \$1.7 million favorable due to lower Community Resource Centers spending but partially offset by unrealized loss.</p> <p>Year-to-date (YTD) the net surplus is \$68.8 million; \$44 million favorable to the forecast. Because this is the first month comparing results to the 3+9 forecast, the variances and explanations are the same YTD as they are for the month.</p> <p><u>Operating Margin by Segment</u></p> <ul style="list-style-type: none"> <li>• Overall Medical Cost Ratio (MCR) is 92.7% vs 93.7% in the forecast.</li> <li>• MCR for most segments is favorable to the forecast due to lower fee-for-service and Pharmacy claims.</li> </ul> <p><u>Reported vs Paid Claims Trend</u></p> <p>January 2022 saw paid and reported claims increase for the first time since August. Staff assumed higher forecasted fee for service claims related to the Omicron surge. The reported claims are consistent with recent periods. Staff will continue to monitor the prior period reserve development which is restating positively.</p>	

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	<p><u>Key Financial Ratios</u> The Medical Care Ratio of 92.7% is favorable to the forecast of 93.7% for the reasons discussed earlier.</p> <p>The administrative ratio was 4.6%, better than the forecast of 5.1% due to the adjustment for our PCORI fees mentioned previously.</p> <p>Working Capital and Tangible Net Equity are ahead of benchmarks. Cash to claims ratio is below the target and will remain so until the In-Home Supportive Services (IHSS) balances are settled with the DHCS.</p> <p><u>Tangible Net Equity &amp; Days of Cash on Hand</u> January 2022 Fund Balance was \$1.1 billion which represents 550% of the required Tangible Net Equity. The target of 600% was based on the average of eight other Local Initiatives and County Organized Health Systems in California. L.A. Care has enough cash to cover operating expenses for the next 78 days. Excluding the Prop 56 adjustment, the cash on-hand would have been 49 days, which is more in line with the trend.</p> <p><b><u>Motion FIN 100.0322</u></b> <b>To accept the Financial Report as submitted for January 2022.</b></p>	<p><b>Approved unanimously by roll call. 5 AYES</b></p>
<ul style="list-style-type: none"> <li>Monthly Investment Transactions Report</li> </ul>	<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 report is provided to the Committee to comply with the California Government Code and is presented as an informational item. L.A. Care's total investment market value as of January 31, 2022 was \$2.2 billion.</p> <ul style="list-style-type: none"> <li>\$1.9 billion managed by Payden &amp; Rygel and New England Asset Management (NEAM)</li> <li>\$73 million in Local Agency Investment Fund</li> <li>\$253 million in Los Angeles County Pooled Investment Fund</li> </ul>	
<p>Approve Contract Amendment with Infosys, Cognizant, HCL, and Solugenix for Information Technology Staff Augmentation</p>	<p>Tom MacDougall, <i>Chief Technology &amp; Information Officer</i>, presented a motion requesting approval to amend existing contracts with Cognizant, HCL, Infosys Limited, and Solugenix for Information Technology staff augmentation services through September 30, 2022.</p> <p><b><u>Motion FIN 101.0322</u></b> <b>To authorize staff to amend contracts with Cognizant, HCL, Infosys Limited, and Solugenix for an additional amount of \$8,700,000 (total not to exceed amount of \$19,954,348) for IT staff augmentation services through September 30, 2022.</b></p>	<p><b>Approved unanimously by roll call. 5 AYES</b></p>

**APPROVED**

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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 was adjourned at 1:58 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 1:59 pm.</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> <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>February 2024</i></p> <p><b>CONFERENCE WITH REAL PROPERTY NEGOTIATORS</b> Section 54956.8 of the Ralph M. Brown Act Property address: 2426 N. Broadway, Los Angeles, CA. 90031 Agency Negotiator: John Baackes, Chief Executive Officer Negotiating Parties: Daniel Roberts Landlord: 2426 N. Broadway, Inc. Under Negotiation: Price and Terms of Payment</p>	
<b>RECONVENE IN OPEN SESSION</b>	<p>The meeting reconvened in open session at 2:03 pm</p> <p>Ms. Haydel advised the public that no reportable actions were taken during the closed session.</p>	

**APPROVED**

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ADJOURNMENT	<p>The next meeting will be held on February 22, 2022.</p> <p>The meeting was adjourned at 2:04 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:

DocuSigned by:

*Ilan Shapiro, MD*

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Ilan Shapiro MD, MBA, FAAP, FACHE, *Chairperson*

Date Signed 3/22/2022 | 2:21 PM PDT

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