

# BOARD OF GOVERNORS

## Finance & Budget Committee

### Meeting Minutes – March 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 1:00 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. The Board will continue reviewing and improving how public comments are received and distributed to Board members.</p>	
<p><b>APPROVE MEETING AGENDA</b></p>	<p>The Agenda for today’s meeting was approved.</p>	<p><b>Approved unanimously by roll call. 3 AYES (Booth, Roybal and Shapiro)</b></p>
<p><b>PUBLIC COMMENTS</b></p>	<p>There were no public comments.</p>	
<p><b>APPROVE CONSENT AGENDA</b></p>	<p><i>(Board Chairperson De La Torre and Board Member Perez joined the meeting.)</i></p> <p>Thomas Mapp, <i>Chief Compliance Officer</i>, explained that the changes to FIN 101 for Change Healthcare Resources (CHR) contract amendment is to add funds for any additional support for Compliance &amp; Regulatory Department related to backlog remediation activities for Utilization Management and Appeals &amp; Grievance. Staff augmentation of approximately 20 individuals over the course of the last two months was previously approved, and as the end of that work is approaching, that additional manpower will now shift to support the Compliance Department for projects including Appeals &amp; Grievance remediation and other regulatory agency enforcement matter support.</p> <p>Board Member Booth noted the motion summary stated that a request for proposal (RFP) process was conducted in 2021, and the box for “RFP conducted” was not checked. Board Member Booth asked the meaning of “by providing support to Compliance”, as this seems like a broad reference when past descriptions were for specific tasks. Mr. Mapp explained that the scope of work was initially for audit activity and has since moved to staff augmentation to support Appeals &amp; Grievances for various issues.</p> <p>Board Member Booth asked if there would be an RFP conducted in the future. Mr. Mapp responded that an RFP was not conducted for CHR, an existing contractor which L.A. Care has been using, since July 2021, the contractor is familiar with specific information about</p>	

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	<p>L.A. Care and has performed satisfactorily. Bringing on a new vendor would present challenges to continuing work in this area.</p> <p>Board Member Booth requested clarifications on motions FIN 102 (Invent Health) and FIN A (California Coverage and Health Initiatives).</p> <p>Board Member Booth also noted that CHR has been referenced several times, as has Edifecs with Optum for Cal MediConnect (CMC). She asked about the work these companies are doing for CMC members.</p> <p>Marie Montgomery, <i>Chief Financial Officer</i>, explained that Edifecs is working on the operational aspect of processing member encounters. Optum and Invent Health are working on the analytic side of risk adjustment for CMC, which requires different expertise.</p> <p>Chairperson Shapiro asked Board Member Booth if the detail can be discussed offline. Board Member Booth agreed to discuss it offline, and Tom MacDougall, <i>Chief Information &amp; Technology Officer</i>, offered to provide information to Board Member Booth.</p> <p>The Invent Health contract amendment is for risk adjustment analytics and consolidates the risk adjustment analytics for CMC and LACC with Invent Health, with better pricing, better user interface, and better integration with department workflows. L.A. Care will no longer be engaged with Optum for risk adjustment analytics.</p> <p>Francisco Oaxaca, <i>Chief of Communications &amp; Community Relations</i>, summarized the relationship with California Coverage and Health Initiatives (CCHI), which began in 2020 during the pandemic to carry out a provision in L.A. Care and Blue Shield of Community Resource Centers (CRC) Partnership Grant Agreement to jointly operate the CRCs. One of the provisions calls for L.A. Care to contract with an independent third party to provide one-on-one enrollment services and navigation support for both community and health plan members in the CRCs. This motion is for an extension of time and to add services at four CRCs.</p> <ul style="list-style-type: none"> <li>• February 22, 2022 meeting minutes</li> <li>• TransUnion Contract for encounter collection and processing services <b><u>Motion FIN 100.0422</u></b> <b>To authorize staff to execute a contract in the amount of \$3,900,000 with TransUnion to provide encounter processing services for the period of June 1, 2022 to May 31, 2025.</b></li> </ul>	

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	<ul style="list-style-type: none"> <li>• Change Health Resources Contract Amendment <b><u>Motion FIN 101.0422</u></b> To authorize staff to amend a contract authorizing the expenditure of an additional \$1,000,000 (bringing the total of this statement of work no. 4 to \$5,100,000) with Change Healthcare Resources, LLC to provide staff augmentation and consulting services to support to the Compliance Department.</li> <li>• Invent Health Contract Amendment <b><u>Motion FIN 102.0422</u></b> To authorize staff to amend an existing contract with Invent Health for the contract total amount not to exceed \$3,814,850 in order to continue providing risk adjustment analytic services over the next three years for both the Cal MediConnect/dSNP and L.A. Care Covered lines of business.</li> <li>• Interpreting Services International, LLC Contract (ISI) <b><u>Motion FIN 103.0422</u></b> To approve a three-year contract with Interpreting Services International (ISI) for rapid translation services in the total amount of \$2.6 million.</li> <li>• California Coverage and Health Initiatives Contract Amendment (FIN A) <b><u>Motion FIN A.0322</u></b> To authorize staff to amend a contract in the amount of \$1,323,304.88 with California Coverage and Health Initiatives to provide onsite one-on-one enrollment and navigation support services at all CRCs through October 31, 2022 for a new contract total of \$1,948,404.48.</li> </ul>	<p>Approved unanimously by roll call. 5 AYES (Booth, De La Torre, Perez, Roybal and Shapiro)</p> <p>The Committee approved including FIN 100, FIN 101, FIN 102 and FIN 103 to the Consent Agenda for the April 7, 2022 Board of Governors' meeting.</p> <p>FIN A does not require full Board approval.</p>
<b>CHAIRPERSON'S REPORT</b>	There was no Chairperson report.	
<b>CHIEF EXECUTIVE OFFICER'S REPORT</b>	John Baackes, <i>Chief Executive Officer</i> , reported that moving forward, the CFO and CEO will be reporting in more detail on the changes in L.A. Care's contracts for Medi-Cal. The re-procurement will be conducted for commercial plans that participate in Medi-Cal. As a public plan, L.A. Care does not participate in the re-procurement, but L.A. Care will have to sign a contract that will begin on January 2024. This contract is expected to have significant changes. Staff is reviewing the changes and potential impact for L.A. Care.	

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	<p>An area of concern for L.A. Care is its financial relationship with its Plan Partners (Anthem Blue Cross, Blue Shield Promise and Kaiser) and with medical groups that are capitated or have delegated arrangements. One of the significant reporting changes is that L.A. Care will have to report an administrative cost. Centers for Medicaid &amp; Medicare Services (CMS) and California’s health insurance agencies will review administrative cost for each of the delegated entities, to ensure that the 85% medical cost ratio is sustained at every level. This may be challenging because typically the actuaries will compare administrative cost to fee for service (FFS) claims, but each FFS claim includes some administrative cost. L.A. Care currently reports medical expense paid to its Plan Partners. L.A. Care is paying delegates with risk for a subset of its enrollment, and this is considered medical expense. It will complicate reporting and could have a cascading effect on the delegated entities, both with Plan Partners and the medical groups that contract directly with L.A. Care. Staff is reviewing the data collection and reports and looking for any other aspects that will be affected by the new contract, in order to provide feedback on the contracts.</p> <p>Staff will meet with CMS next week. L.A. Care does not usually contact CMS directly with regard to rate setting and rules that are imposed on states, as the communication is between the federal and the state agencies.</p>	
<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> February 2022 membership is 2,550,267; which is 13,610 members favorable to the 3+9 forecast; and 22,332 member months favorable to year-to-date (YTD) forecast. Similar to January 2022, the favorability is driven by increased enrollment in the California Advancing &amp; Innovating Medi-Cal (CalAIM) mandatory managed care population. The forecast did not include the additional members for Plan Partners. Membership for L.A. Care Covered (LACC) was over 115,000 members, an improvement of almost 4,000 from January. The Open Enrollment period has not been extended as it was in prior years.</p> <p><u>Consolidated Financial Performance</u> There was a \$49 million net deficit for February 2022 and \$48 million unfavorable to the 3+9 forecast. The main driver is higher administrative expense which is \$54.9 million unfavorable to the forecast due to regulatory fines totaling \$55 million. The operating margin was \$6.4 million favorable to the forecast.</p>	

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	<p>Pharmacy claims were favorable to the forecast by \$4 million. The provider incentive expense is \$4 million favorable, due to timing.</p> <p>YTD there was a \$20 million net surplus; which is \$4.8 million unfavorable to the forecast. The large variances in revenues and healthcare costs are due to the Proposition 56 reconciliation for State Fiscal Year (SFY) 2018-19 and the 18-month bridge period discussed last month. Operating margin is favorable by \$20 million. The main items driving that favorability are incurred claims, timing in provider incentives), and Pharmacy.</p> <p>Administrative expense is \$26.5 million unfavorable YTD due to the \$55 million regulatory fines, which were offset by the adjustment made last month for the recalculation of the \$22 million Patient-Centered Research Institute (PCORI) fees. Non-operating expense is \$1.8 million favorable due to lower CRC spending and timing in grant spending but partially offset by an unrealized loss.</p> <p><u>Operating Margin by Segment</u> Overall Medical Care Ratio (MCR) is 92.8% versus forecast of 93.8% due to \$20 million favorability in operating margin. All segments are in good shape due to operating margin position.</p> <p><u>Reported vs Paid Claims Trend</u> In February 2022, paid and reported claims increased for the second month. Forecast built in higher forecasted FFS costs due to the Omicron surge. The reported claims are consistent with recent periods. Staff will continue to monitor the prior period reserve development, which is positive.</p> <p><u>Key Financial Ratios</u> The administrative ratio was 6.2%, higher than the forecast of 5.1% due to the \$55 million regulatory fines. Working Capital and Tangible Net Equity are ahead of benchmarks. Cash to claims ratio is below the target. As previously reported, the cash to claims ratio is expected to recover with the settlement of the In-Home Support Services (IHSS) balances with the Department of Healthcare Services.</p> <p><u>Tangible Net Equity and Days of Cash on Hand</u> The February 2022 Fund Balance was \$1.1 billion which represents 522% of Tangible Net Equity. There are enough cash to cover operating expenses for the next 37 days, which was influenced by higher administrative expenses due to the regulatory fines.</p>	<p><b>Approved unanimously by roll call. 5 AYES</b></p>

**APPROVED**

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	<p><b>Motion FIN 104.0422</b>  <b>To accept the Financial Report as submitted for February 2022.</b></p>	<p><b>(Booth, De La Torre,  Perez, Roybal and  Shapiro)</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 February 28, 2022 was \$1.8 billion.</p> <ul style="list-style-type: none"> <li>\$1.5 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>Public Comments on the Closed Session agenda items.</p>	<p>There were no public comments.</p>	
<p><b>ADJOURN TO  CLOSED SESSION</b></p>	<p>The Joint Powers Authority Finance &amp; Budget Committee meeting adjourned at 1:40 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 1:41 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>March 2024</i></p>	
<p><b>RECONVENE IN  OPEN SESSION</b></p>	<p>The meeting reconvened in open session at 2:09 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	The meeting adjourned at 2:09 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:

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

Date Signed \_\_\_\_\_

**APPROVED**



AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
ADJOURNMENT	The meeting adjourned at 2:09 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:

*Ilan Shapiro, MD*

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

Date Signed 4/27/2022 | 1:12 PM PDT

**APPROVED**