

BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – June 28, 2022

1055 W. 7th 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
CALL TO ORDER	<p>Ilan Shapiro MD, <i>Committee Chairperson</i>, called the L.A. Care and JPA Finance & Budget Committee meetings to order at 1:06 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>	

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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>	
APPROVE MEETING AGENDA	The Agenda for today’s meeting was approved.	Approved unanimously by roll call. 3 AYES (Booth, Roybal and Shapiro)
PUBLIC COMMENTS	There were no public comments.	
APPROVE CONSENT AGENDA	<ul style="list-style-type: none"> • May 24, 2022 meeting minutes • ImageNet, LLC Contract Amendment <u>Motion FIN 100.0722</u> To authorize staff to create amendment #3 of SOW #1 to increase the contract amount from \$1,400,000 to \$4,101,233 (incremental increase of \$2,701,233) and extend the term through September 30, 2025. This amendment will allow ImageNet, LLC continue to support L.A. Care Claims Processing Services as well as adding Provider Dispute Resolutions (PDR) Processing Services. • OptumInsight, Inc. Contract Amendment <u>Motion FIN 101.0722</u> To authorize staff to create amendment #1 of SOW #25 to increase the contract amount from \$1,380,000 to \$4,522,887 (incremental increase of \$3,142,887) and extend the term through December 31, 2025. This amendment will allow OptumInsight, Inc. continue to support L.A. Care Itemized Bill Review services. • North Star Alliances Contract Amendment <u>Motion FIN A.0622</u> To authorize staff to increase the total funds available in the existing \$1,600,000 contract with North Star Alliances, LLC by \$250,000 for a new total amount of 	<p>Approved unanimously by roll call. 3 AYES</p> <p>The Committee approved including FIN 100 and FIN 101 on the Consent Agenda for the July 28, 2022 Board of Governors’ meeting.</p> <p>FIN A.0622 and FIN B.0622 do not require full Board approval.</p>

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	<p>\$1,850,000 to provide event planning, logistics, staffing and execution services through October 1, 2022.</p> <ul style="list-style-type: none"> • Cognizant Contract to provide Healthcare Effectiveness Data and Information Set (HEDIS) & Align. Measure. Perform (AMP) software and services (FIN B) <u>Motion FIN B.0622</u> To authorize staff to execute a contract with Cognizant to provide Healthcare Effectiveness Data and Information Set (HEDIS) & Align. Measure. Perform (AMP) software and services for the period of August 2022 through July 2023 with fees not to exceed \$1,184,500. 	
CHAIRPERSON'S REPORT	<p>Chairperson Shapiro noted that these are troubling times, with many things happening in the financial world as well as in our community. Fuel prices are going up, families are hurting and our patients are feeling it. L.A. Care is working to secure a financial structure and resources to move forward. Marie Montgomery, <i>Chief Financial Officer</i>, will be reporting on next steps for the projects being implemented and key aspects of financial decisions.</p>	
CHIEF EXECUTIVE OFFICER'S REPORT	<p><i>(Board Member Perez joined the meeting.)</i></p> <p>John Baackes, <i>Chief Executive Officer</i>, reported that enrollment for income-eligible Los Angeles County residents aged 50 and up (regardless of immigration status) has started with a few hundred added in May and around 16,000 new members in June. Preliminary enrollment in July indicates 92,000 new Medi-Cal members, and it is expected that 70-80,000 of those are in this newly-eligible category. Most of the new members have received care at Los Angeles County Department of Health Services (DHS) provider sites or at federally qualified health centers (FQHCs). L.A. Care will make sure these new members are assigned to the same primary care provider from which they previously received care. This is an important part of Chairperson Shapiro's comments about financial stability. Adding new members brings increased revenue and increased responsibility. L.A. Care has prepared for the new enrollment. Additional details will be provided at future meetings.</p>	
COMMITTEE ITEMS		
Chief Financial Officer's Report <ul style="list-style-type: none"> • SAP Project Update 	<p><i>(Board Chairperson De La Torre joined the meeting.)</i></p> <p>Ms. Montgomery reported that typically the May Financial report would be presented. There is a change in plans, as there is claims correction activity for the private hospitals directed payments pools. The distribution for each contracted hospital is calculated on encounters</p>	

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	<p>accepted by California Department of Health Care Services (DHCS). In the reconciliation for January through June of 2021 there are claims that were not accepted by DHCS. The corrected claims process reviews attributes on previously paid claims so they can be accepted by DHCS, and the original paid claim is reversed. June 30 is the deadline to submit all corrected claims to DHCS for the next round of payments to those facilities. Given the tight timeline, L.A. Care prioritized the submissions of the corrected claims and not the reversal of the original paid claims. Additional time will be required to determine the amount of a receivable for May for the reversal of the original claims, and the recalculation of the impact on L.A. Care's reserves. It was the right thing to process the corrected claims so the facilities will receive credit for those services in the next round of payments, but it caused additional challenges for L.A. Care in closing the books for May. The May and June financials will be presented for review and approval by the Board at the meeting on July 28, 2022.</p> <p>Ms. Montgomery announced that an update on the SAP project, a multi-phase project to improve financial systems, will be presented. She introduced Angela Bergman, <i>Controller (a copy of her presentation can be obtained by contacting Board Services)</i>.</p> <p>Ms. Bergman described the SAP strategic project to implement a software system that is transformational for the Finance Department. She noted that prior to the beginning of the Finance modules, there were SAP modules implemented for time and attendance, payroll and Human Resources functions. Ms. Bergman described the status of each phase of the implementation and planning and evaluating additional deployments.</p> <p>1. Deployed- Live</p> <ul style="list-style-type: none"> • Phase 1: Premium Billing. Deployed on October 1, 2020 for CY 2021 L.A. Care Covered (LACC) Enrollment. • Phase 2: Disbursements (Claims and provider capitation payments). Deployed on June 1, 2021. <p>2. In-Flight: Expected deployment date June 30, 2022</p> <ul style="list-style-type: none"> • Phase 3: Enterprise Resource Planning (ERP). Core Financial System for the General Ledger, Fixed Assets, Project Cost, Accounts Payables, and Managerial Reporting. • Phase 4: Revenue automation for Medi-Cal and Medicare including retroactive rate and enrollment recalculations. Automation of Plan Partner capitation. 	

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	<ul style="list-style-type: none"> • Enhancements: For phases 1 & 2, which include provider capitation process and interface redesign, (LACC) - zero dollar invoices, electronic bank statements, and system enhancements for the CalAIM program. <p>3. Planning and Evaluating</p> <ul style="list-style-type: none"> • Budget and Forecast - Planning Phase – Target first quarter 2023 • Ariba – SciQuest replacement - Future Phase • Cadillus - Broker Commission Calculations - Future Phase <p>Ms. Bergman noted that the implementation is proceeding on the appropriate timeline, and she reviewed accomplishments in phase 1, when L.A. Care replaced a third-party contractor with in-house SAP billing and automated payments for LACC. This included providing a portal for members with more options for payment and a function for real-time feedback from members. There was automation of many processes that had previously been conducted manually. Ms. Bergman described the manual payment and journal entry processes that were automated in phase 2.</p> <p>Phases 3 and 4 will be implemented on June 30, 2022. Phase 3 includes the core data system for SAP, including the chart of accounts, reporting capabilities, accounts payable, fixed assets, and project costing and reporting. This phase eliminates separate processes. Phase 4 will automate revenue processes. Enhancements for phase 1 and 2 are ongoing, with increased automation of banking and reconciliation.</p> <p>Future modules are planned for automating budget and forecasting, analytics, reporting and analysis. Evaluation is also underway for an updated and automated procurement system and a broker management system.</p> <p>Ms. Bergman presented the project benefits and impacts:</p> <ul style="list-style-type: none"> • Leverage SAP functions and process automation to maximize operational efficiency and standardization which will result in cost savings. • Provide senior leadership with dashboard capability and improved financial reporting. • Increase collaboration among teams through process SAP integration, which motivates and requires the Finance staff to understand the process from end-to-end. • Create a single integrated platform (SAP) allowing the entire Finance Organization to: <ul style="list-style-type: none"> ○ Develop a strategic perspective for the benefit of all departments. ○ Benefit from the fact that all data is now accessible via a common source and common toolsets. 	

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	<ul style="list-style-type: none"> ○ Reduce the needs for disparate skill sets and separate databases. ○ Adapt nimbly to changes in federal and state regulations and to changes in membership, providers and services. ○ Strengthen, enforce, and monitor Internal Controls. <p>Many benefits to L.A. Care and its providers, members and vendors have already been realized as the goals are achieved for this project.</p> <p>Board Member Booth asked if SAP is tracking everything needed for compliance. Ms. Bergman indicated that it will assist with tracking for compliance, and thus far results are positive. There are additional processes to be automated.</p> <p>Board Member Booth asked if any data had been lost in moving to the new system. Ms. Bergman responded that has been minimal and the data was captured and manually entered.</p> <p>Board Member Booth asked if the missing data was predicted. Ms. Bergman noted it is an ongoing process and continual improvement is needed. Staff is confident that material items are corrected.</p> <p>Board Member Booth asked what is being done to avoid the errors. Ms. Bergman indicated that parallel testing and checking expected results against actual results are conducted.</p> <p>Board Member Booth asked about the acronym, MPSS. Ms. Bergman defined this as “Medical Payment Services and Systems”, which is the area in the Finance Department that processes claims and capitation payments.</p> <p>Board Member Booth asked about the provider information used for PaySpan and printing checks. Ms. Montgomery responded the provider data used in Finance is the same that is used among L.A. Care’s other departments.</p> <p>Board Member Booth asked about interoperability, or if there are other functions that staff would like to have in the new system. Ms. Montgomery responded that as the interfaces come into the financial system, the data is vetted up front. Finance staff works closely with Information Technology on improvements in this step. SAP does not lose any transactions, but the missing attributes are flagged and corrections are made.</p> <p>Board Member Booth asked about payment for pre-authorized services where the final request for payment is not matched with the prior authorization. Ms. Montgomery indicated that the adjudication of claims occurs in the QNXT system, not in Finance. Payments are</p>	

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	made through SAP. Acacia Reed, <i>Chief Operating Officer</i> , added that denial of a claim may happen where an authorization is not found. There is not a matching issue in QNXT.	
<p>Approve Operations Motions</p> <ul style="list-style-type: none"> Health Management Systems (A Gainwell Company) Contract Amendment 	<p>Ms. Reed introduced a motion for a vendor in the payment integrity area, Health Management Systems (HMS). This vendor performs a number of services in an attempt to identify waste or abuse, and isolate the financial impact of credible allegations of fraud. This amendment would increase the contract amount from \$21.37 to \$42.8 million, extending the contract term to December 31, 2025.</p> <p>L.A. Care needs these services and are required to take affirmative steps to detect, investigate, and prevent fraud, waste, and/or abuse. See, e.g., 42 U.S.C. § 1396a, 28 CCR § 1300.71. The Payment Integrity team has designed their activities to ensure that federal and state taxpayer dollars are spent appropriately on delivering quality, necessary care, and preventing fraud, waste, and abuse from taking place. To that end, staff is implementing initiatives to ensure that:</p> <ul style="list-style-type: none"> Eligibility decisions are made correctly; Prospective and enrolled providers meet federal and state participation requirements; Services provided to enrollees are medically necessary and appropriate; and Provider payments are made in the correct amount and for appropriate services. <p>L.A. Care has contracted with this vendor since February 2016, and staff are pleased with their work as it is currently generating approximately \$55 million in savings and recoveries on an annual basis as a result of these agreements.</p> <p>Board Member Booth asked if payment is from recoupment, and about the rate of payment. Ms. Reed confirmed that payment is on a commission basis. Erik Chase, <i>Senior Director, Claims Integrity</i>, responded that HMS provides three services for coordination of benefits; two are retrospective and one is prospective. The two retrospective services are contingency based, and the prospective services is paid per record.</p> <p>Board Member Booth asked about services provided by OptumInsight. Mr. Chase indicated that OptumInsight provides services related to claims rule-based editing, which is a different service.</p> <p>Board Member Booth asked if there are any complaints from providers about delays in payment. Mr. Chase noted that happens very rarely, because DHCS also uses HMS, and that data is typically aligned.</p>	

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<ul style="list-style-type: none"> Toney Healthcare Consulting contract amendment (FIN 103) 	<p><u>Motion FIN 102.0722</u> To authorize staff to amend the contract in the amount of \$21,454,010 (not to exceed a total contract amount of \$42,822,666) with Health Management Systems (A Gainwell Company) to provide Cost Avoidance, Direct Bill and Disallowance services through December 31, 2025.</p> <p>Ms. Reed summarized a motion related to Toney Healthcare Consulting, which provides staff augmentation for clinical services in the care management, utilization management and Managed Long Term Care Services and Supports programs. The contract amendments will extend the contract for those services until 2023.</p> <p><u>Motion FIN 103.0722</u> To authorize amendment extensions of the current contracts with Toney Health Care Consulting (SOWs 3 & 7) and execute new SOW 12 for UM and CM services through February 28, 2023, at an additional cost of \$3,308,800 for a total UM/CM contract not to exceed \$15,261,371.</p>	<p>Motions FIN 102 and FIN 103 were simultaneously approved unanimously by roll call. 5 AYES (Booth, De La Torre, Perez, Roybal and Shapiro)</p> <p>The Committee approved including FIN 102 and FIN 103 on the Consent Agenda for the July 28, 2022 Board of Governors' meeting.</p>
<p>Approve Information Technology Motions</p> <ul style="list-style-type: none"> Cognizant Technology Solutions Contract Amendment Cognizant Technology Solutions for Hosting Services for L.A. Care's core systems 	<p>Tom MacDougall, <i>Chief Information Officer</i>, summarized two motions for contracts with Cognizant Corporation. The first motion is for staff augmentation used for the Salesforce implementation in the Customer Service Center, Community Resource Centers and in the Sales & Marketing department. Salesforce is a contact system which will be implemented to record interactions with members and providers. The original contract amount was \$5.3 million and this extension will be for \$1 million to extend the term to the end of 2022.</p> <p><u>Motion FIN 104.0722</u> To amend the existing contract with Cognizant in the amount of \$1,065,000 (total contract not to exceed \$6,388,069) for continued Salesforce implementation activities through December 31, 2022.</p> <p>Mr. MacDougall summarized a motion to amend a purchase order with Cognizant in the amount of \$3,650,000 through December 31, 2022 for Cognizant hosting services. This includes the claims adjudication platform, QNX, which Ms. Montgomery mentioned earlier in the meeting.</p> <p><u>Motion FIN 105.0722</u> To amend the existing contract with Cognizant Technology Solutions in the amount of \$3,650,000 (total contract not to exceed \$99,884,459), for continued hosting services for L.A. Care's core systems through December 31, 2022.</p>	<p>Motions FIN 104 and FIN 105 were simultaneously approved unanimously by roll call. 5 AYES</p> <p>The Committee agreed by consensus that these two motions be added to the Consent Agenda for the July 28, 2022 Board of Governors meeting.</p>

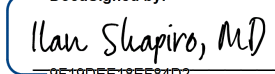
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Public Comments on the Closed Session agenda items.	There were no public comments.	
ADJOURN TO CLOSED SESSION	<p>The Joint Powers Authority Finance & Budget Committee meeting adjourned at 1:57 p.m.</p> <p>Augustavia J. Haydel, Esq., <i>General Counsel</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 1:57 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>June 2024</i></p>	
RECONVENE IN OPEN SESSION	<p>The meeting reconvened in open session at 2:10 pm.</p> <p>Ms. Haydel advised the public that no reportable actions were taken during the closed session.</p>	
ADJOURNMENT	The meeting adjourned at 2:10 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 8/23/2022 | 4:31 PM PDT

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