



L.A. Care
HEALTH PLAN®

For All of L.A.

FINANCE & BUDGET COMMITTEE MEETING

Board of Governors

June 28, 2022 • 1:00 PM

L.A. Care Health Plan

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



**ELEVATING
HEALTHCARE**
IN LOS ANGELES COUNTY
SINCE 1997



AGENDA

Finance & Budget Committee Meeting Board of Governors

Tuesday, June 28, 2022, 1:00 P.M.

L.A. Care Health Plan, 1055 West 7th Street, 10th Floor, Los Angeles

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Please recheck these directions for updates prior to the start of the meeting.

This meeting will be conducted in accordance with the provisions of the Ralph M. Brown Act, allowing members of the Board, members of the public and staff to participate via teleconference, because State and Local officials are recommending measures to promote social distancing. Accordingly, members of the public should join this meeting via teleconference as follows:

[lacare.org
https://lacare.webex.com/lacare/j.php?MTID=m59358b90a4c290930dd0a908bf3d35c3](https://lacare.webex.com/lacare/j.php?MTID=m59358b90a4c290930dd0a908bf3d35c3)

To join and LISTEN ONLY via teleconference please dial: (213) 306-3065

Access code: 2497 814 6758 Password: lacare

Members of the Finance & Budget Committee or staff may participate in this meeting via teleconference. *The public is encouraged to submit public comments or comments on Agenda items in writing by e-mail to BoardServices@lacare.org, or by sending a text or voicemail to (213) 628-6420.*

Attendees who log on to lacare.webex using the URL above will be able to use “chat” during the meeting for public comment. You must be logged into Webex to use the “chat” feature. The log in information is at the top of the meeting Agenda.

We continue to use different ways to submit public comment live and direct during the meeting.

1. The “chat” will be available during the public comment periods before each item.
2. To use the “chat” during public comment periods, look at the bottom right of your screen for the icon that has the word, “chat” on it.
3. Click on the chat icon. It will open two small windows.
4. Select “Everyone” in the To: window,
5. The chat message, text, voicemail, or email must indicate if you wish to be identified or remain anonymous, and must also include the name of the item to which your comment relates.
6. Type your public comment in the box that says “Enter chat message here”.
7. When you hit the enter key, your message is sent and everyone can see it.
8. L.A. Care staff will read the chat messages for up to three minutes during public comment so people who are on the phone can hear the comment.

Your comments can also be sent by voicemail, email or text. If we receive your comments by 2:00 pm on June 28, 2022, it will be provided to the members of the Finance & Budget Committee at the beginning of the meeting. **The chat message, text, voicemail, or email must indicate if you wish to be identified or remain anonymous, and must also include the name of the item to which your comment relates.** Public comments submitted will be read for up to three minutes during the meeting.

Once the meeting has started, public comment must be received before the agenda item is called by the meeting Chair and staff will read those comments for up to three minutes. Chat messages submitted will be read for up to three minutes during the public comment period for each item. If your public comment is not related to any of the agenda item topics, your public comment will be read in the general public comment agenda item.

These are extraordinary circumstances, and the process for public comment is evolving and may change at future meetings. We thank you for your patience.

There may be some delay in the digital transmittal of emails, texts and voicemail. The Chair will announce when public comment period is over for each item. If your public comments are not received in time for the specific agenda item you want to address, your public comments will be read at the public comment section prior to the closed session.

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The purpose of public comment is that it is an opportunity for members of the public to inform the governing body about their views. The Board appreciates hearing the input as it considers the business on the Agenda.

All votes in a teleconferenced meeting shall be conducted by roll call.

If you are an individual with a disability and need a reasonable modification or accommodation pursuant to the Americans with Disabilities Act (ADA) please contact L.A. Care Board Services staff prior to the meeting for assistance by text to 213 628-6420 or by email to BoardServices@lacare.org.

WELCOME

Ilan Shapiro, MD, MBA, FAAP, FACHE
Chair

1. Approve today's meeting Agenda *Chair*
2. Public Comment (*please see instructions above*) *Chair*
3. Approve Consent Agenda *Chair*
 - May 24, 2022 meeting minutes p.5
 - ImageNet, LLC Contract Amendment **(FIN 100)** p.11
 - OptumInsight, Inc. Contract Amendment **(FIN 101)** p.13
 - North Star Alliances Contract Amendment **(FIN A)** p.15
 - Cognizant Contract to provide Healthcare Effectiveness Data and Information Set (HEDIS) & Align. Measure. Perform (AMP) software and services **(FIN B)** p.16
4. Chairperson's Report *Chair*
5. Chief Executive Officer's Report

John Baackes
Chief Executive Officer

COMMITTEE ITEMS

6. Chief Financial Officer's Report

Marie Montgomery
Chief Financial Officer

 - SAP Project Update p.17
7. Approve Operations Motions

Acacia Reed
Chief Operating Officer

 - Health Management Systems (A Gainwell Company) Contract Amendment **(FIN 102)** p.34
 - Toney Healthcare Consulting contract amendment **(FIN 103)** p.36
8. Approve Information Technology Motions

Tom MacDougall
Chief Information & Technology Officer

 - Cognizant Technology Solutions Contract Amendment **(FIN 104)** p.38
 - Cognizant Technology Solutions for Hosting Services for L.A. Care's core systems **(FIN 105)** p.39
9. Public Comment on Closed Session Items (*Please read instructions above.*)

ADJOURN TO CLOSED SESSION (Est. time: 10 mins.)

Chair

10. CONTRACT RATES
Pursuant to Welfare and Institutions Code Section 14087.38(m)
 - Plan Partner Rates
 - Provider Rates
 - DHCS Rates

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11. 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: *June 2024*

RECONVENE IN OPEN SESSION

ADJOURN

Chair

There is no Finance & Budget Committee meeting in July 2022.

The next Finance & Budget Committee meeting is scheduled on Tuesday, August 23, 2022 at 1:00 p.m. and may be conducted as a teleconference meeting.

Public comments will be read for up to three minutes.

The order of items appearing on the agenda may change during the meeting.

If a teleconference location is listed at the top of this agenda, the public can participate in the meeting by calling the teleconference call in number provided. If teleconference arrangements are listed at the top of this Agenda, note that the arrangements may change prior to the meeting.

THE PUBLIC MAY SUBMIT COMMENTS TO THE BOARD OF GOVERNORS BEFORE DISCUSSION OF EACH ITEM LISTED ON THE AGENDA BY SUBMITTING THE COMMENT BY VOICE MESSAGE OR IN WRITING BY TEXT MESSAGE TO 213 628 6420, OR IN WRITING BY EMAIL TO BoardServices@lacare.org. Please follow additional instructions on the first page of this Agenda.

ACTION MAY NOT BE TAKEN ON ANY MATTER RAISED DURING THE PUBLIC COMMENT PERIODS UNTIL THE MATTER IS SPECIFICALLY LISTED ON A FUTURE AGENDA, according to California Govt Code Section 54954.2 (a)(3) and Section 54954.3.

NOTE: THE BOARD OF GOVERNORS CURRENTLY MEETS ON THE FIRST THURSDAY OF MOST MONTHS AT 2:00 P.M. AGENDA and PRINTED MEETING MATERIALS ARE AVAILABLE FOR INSPECTION AT <http://www.lacare.org/about-us/public-meetings/board-meetings> and by email request to BoardServices@lacare.org

Any documents distributed to a majority of the Board Members regarding any agenda item for an open session after the agenda has been posted will be available for public inspection at <http://www.lacare.org/about-us/public-meetings/board-meetings> and can be requested by email to BoardServices@lacare.org.

An audio recording of the meeting is made to assist in writing the minutes and is retained for 30 days.

Meetings are accessible to people with disabilities. Individuals who may require any accommodations (alternative formats - i.e., large print, audio, translation of meeting materials, interpretation, etc.) to participate in this meeting and wish to request an alternative format for the agenda, meeting notice, and meeting packet may contact L.A. Care's Board Services Department at (213) 628 6420. Notification at least one week before the meeting will enable us to make reasonable arrangements to ensure accessibility to the meetings and to the related materials.

BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – May 24, 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 1:00 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>	

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AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<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, Perez, and Shapiro)
PUBLIC COMMENTS	There were no public comments.	
APPROVE CONSENT AGENDA	<p>Board Member Booth asked for information about FIN 100.0622, ImageNet, LLC Contract Amendment. She noted that there was a contract amendment for \$500,000 in May 2021, and she asked if there will be changes in cost.</p> <p>Acacia Reed, <i>Chief Operating Officer</i>, responded that ImageNet is claims scanning vendor. The request for \$500,000 in May 2021 was to cover expenses estimated at an average of \$41,000 per month from July 2021 to June 2022, and this motion is to continue the work through 2023. John Baackes, <i>Chief Executive Officer</i>, added that L.A. Care's enrollment is growing due to the California Advancing and Innovating Medi-Cal (CalAIM) mandatory program, and is expected to continue growing with the recently implemented health coverage for adults aged 50+ regardless of immigration status. With the increase in membership, claims scanning work is expected to increase for providers who are submitting claims on paper.</p> <p>Board Member Booth stated she will reach out to staff offline if she has further questions.</p> <ul style="list-style-type: none"> • April 26, 2022 meeting minutes • ImageNet, LLC Contract Amendment <u>Motion FIN 100.0622</u> To authorize staff to amend a contract with ImageNet, LLC, in the amount of \$650,000 (total contract amount not to exceed \$3,250,000), through June 30, 2023, for scanning solution services. 	<p>Approved unanimously by roll call. 3 AYES</p> <p>The Committee approved including FIN 100 to the Consent Agenda for the June 2, 2022 Board of Governors' meeting.</p>

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> O'Neil Digital Solutions, LLC Contract Amendment <u>Motion FIN A.0522</u> To authorize staff to amend a contract with O'Neil Digital Solutions, LLC in the amount of \$450,000 (total amount not to exceed \$2,000,000), through June 30, 2023 for electronic and/or printing and mailing services. 	FIN A does not require full Board approval.
CHAIRPERSON'S REPORT	Chairperson Shapiro expressed that in this challenging time, we are going to work with L.A. Care's leadership to continue the commitment to provide quality health care to members. He is very proud to be part of such an amazing team at L.A. Care and with his colleagues on this Board.	
CHIEF EXECUTIVE OFFICER'S REPORT	<p>Mr. Baackes reported that the health plan and Board Members should be aware that an era of unprecedented pressure on rate development has begun. California's Department of Health Care Services (DHCS) will move to a regional rating system in January 2024, which will include 100% county wide averaging. L.A. Care has pressed DMHC to address the inequities of county wide averaging, which has caused a huge loss of revenue for L.A. Care, and transferred that funding to Health Net, a for-profit entity owned by Centene Corporation and based in Pennsylvania. L.A. Care may file a Notice of Dispute over the 2023 rates, and may need to consider seeking legislative relief. Rate development for 2023 is in a critical period. The Board has already given authority for a Notice of Dispute, which may need to be filed in June.</p> <p>Marie Montgomery, <i>Chief Financial Officer</i>, will provide additional details in her report.</p>	
COMMITTEE ITEMS		
Chief Financial Officer's Report	<p>Ms. Montgomery reported:</p> <p><u>Membership</u> April 2022 membership was 2,572,794, 36,947 members favorable to the 3+9 forecast, and 74,541 favorable year-to-date (YTD). In addition to the increased enrollment for the California Advancing and Innovating Medi-Cal (CalAIM) mandatory managed care population, the forecast assumed that the public health emergency would end in March, leading to the resumption of the redetermination process. It was assumed the membership would begin to decrease which is why the favorable variances in those segments. Beginning next month, the forecast will include additional membership due to the expansion of</p>	

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<p>coverage for undocumented adults over 50. Membership for LACC continues to hold steady at around 115,000 members.</p> <p><i>Chairperson De La Torre joined the meeting.</i></p> <p><u>Consolidated Financial Performance</u></p> <p>There was a \$13 million net deficit for April 2022, \$26 million unfavorable to the 3+9 forecast. Operating margin was unfavorable to the forecast by \$30 million, driven primarily by the level of incurred claims, which were \$45 million unfavorable to the forecast. The unfavorable variance in incurred claims included the higher skilled nursing facility costs which were mitigated somewhat by favorable revenue.</p> <p>On the revenue side, favorable items include re-estimation of the Long Term Care/Institutional (LTC/INST) rate assumption retroactively back to January 1, 2022, and the revenue mix risk corridor. Community Based Adult Services (CBAS) was \$6.5 million unfavorable in April. Lower utilization was assumed in the forecast for these services due to an expected move back to CBAS centers.</p> <p>Administrative expense was \$3.7 million favorable to the forecast due to lower spending in salaries & benefits and supplies and others. Non-operating expense is almost flat this month vs the forecast. An unrealized loss of \$4.9 million was reported this month due to an increase in interest rates, not the deterioration in the quality of L.A. Care's portfolio. Lower spending in Community Resource Centers (CRCs) and timing in grant spending offset the unrealized loss.</p> <p>YTD there is a \$23 million net surplus, \$33 million unfavorable to the forecast. The large variances in revenue and healthcare costs is due to the Proposition 56 reconciliation for SFY 2018-19 and the 18-month Bridge Period discussed in January 2022. This reduced revenue by \$280 million and decreased expenses by \$264 million for an overall unfavorable impact of \$16 million. The YTD operating margin is unfavorable by \$9 million to the forecast, mainly driven by \$35 million in incurred claims and \$22.8 million in CBAS which is mitigated somewhat by higher SNF revenue.</p> <p>Other favorable items that mitigate the higher claims include \$15.5 million in provider incentives due to timing, \$9.3 million in Pharmacy, and \$4.8 million from the Cal MediConnect (CMC) Quality Withhold earnings.</p> <p>Administrative expense is unfavorable \$22.1 million YTD due to the regulatory fines of \$55 million in February which are offset by the \$22 million PCORI fees adjustment discussed in</p>	

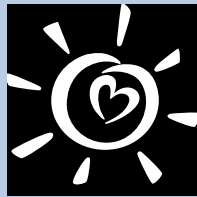
AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<p>January 2022. Non-operating expense is \$1.9 million unfavorable YTD due to unrealized loss variance of \$21.6 million but offset by lower CRC spending and timing in grant spending. The unrealized loss is \$27 million for the fiscal YTD.</p> <p><u>Operating Margin</u> The overall Medical Care Ratio (MCR) is 93.2% versus forecast of 93.3%. MCR's at the segment level are primarily due to Fee for Service (FFS) claims and other items.</p> <p><u>Reported vs. Paid Claims Trend</u> In the previous fiscal year, the monthly claims payments stabilized which influenced the level of reserves. The paid claims have increased in the past several months. Staff assumed higher forecasted fee for service claims related to the Omicron surge in January and February, however claims are emerging higher than expected hence the unfavorable reserve development. Staff will be focusing attention on the recent trends. The membership continues to grow so the absolute dollars should increase.</p> <p><u>Key Financial Ratios</u></p> <ul style="list-style-type: none"> • The administrative ratio was 5.8%, higher than the forecast of 5.2% due to the regulatory fines of \$55 million. • Working Capital and Tangible Net Equity are ahead of benchmarks. • Cash to claims is below the benchmark. As previously reported, the cash to claims ratio will not fully recover until the in Home Support Services (IHSS) balances with the Department of Health Care Services is settled. <p><u>Tangible Net Equity and Days of Cash on Hand</u> The April 2022 Fund Balance was \$1.1 billion which represents 521% of Tangible Net Equity. The target of 600% was based on the average of these 8 other Local Initiatives and County Organized Health Systems. For April 2022, there are enough cash to cover operating expenses for the next 40 days.</p> <p><u>Motion FIN 101.0622</u> To accept the Financial Report as submitted for April 2022.</p>	<p>Approved unanimously by roll call. 4 AYES (Booth, De La Torre, Perez, and Shapiro)</p>
<ul style="list-style-type: none"> • Monthly Investment Transactions Report 	<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 April 30, 2022 was \$1.7 billion.</p>	

AGENDA ITEM/PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
	<ul style="list-style-type: none"> \$1.4 billion managed by Payden & Rygel and New England Asset Management (NEAM) \$73 million in Local Agency Investment Fund \$253 million in Los Angeles County Pooled Investment Fund 	
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 1:36 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>May 2024</i></p>	
RECONVENE IN OPEN SESSION	<p>The meeting reconvened in open session at 1:55 pm.</p> <p>Ms. Haydel advised the public that no reportable actions were taken during the closed session.</p>	
ADJOURNMENT	The meeting adjourned at 1:56 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:

Ilan Shapiro MD, MBA, FAAP, FACHE, *Chairperson*
Date Signed _____



L.A. Care
HEALTH PLAN®

Board of Governors
MOTION SUMMARY

Date: June 28, 2022

Motion No. FIN 100.0722

Committee: Finance & Budget

Chairperson: Ilan Shapiro MD, MBA, FAAP, FACHE

Issue: Amend contract (Purchase Order – 0000009765) with ImageNet, LLC. to provide claims processing, adjudication, and Provider Dispute Resolutions Services (PDR).

☐ New Contract ☒ Amendment ☐ Sole Source ☐ RFP/RFQ was conducted

Background: L.A. Care staff requests approval for amendment #3 of SOW #1 (Claims Processing Services) 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.

The vendor provides us with Claims Processing Services to assist L.A. Care with complying with regulatory (CMS, DHCS, DMHC) Claims Timeliness standards.

LOB	Plan Claims Payment
MCLA	45 Working Days from receipt of a Claim Clean
CMC Medicare	30 Calendar Days from receipt of a Claim Clean
CMC Medi-Cal	30 Calendar Days from receipt of a Claim Clean
LACC	45 Working Days from receipt of a Claim Clean
PASC	45 Working Days from receipt of a Claim Clean

We have been contracted with this vendor since August 2020 and are pleased with their work as they have helped Claims Operations maintain ~18-20 days of inventory on-hand (~65,000 claims).

We conducted a competitive request for proposal process in March 2020. Four vendors responded to the request with ImageNet winning the bid. The initial contract term was one-year and allowed L.A. Care to evaluate Imagenet's performance. Based on their performance, we have decided to renew the contract as well as add the incremental PDR services.

Including the additional service (PDR processing), allows for ImageNet to assist in managing the inventory to mitigate compliance risks associated with the following timeliness requirements.

LOB	PDR Acknowledgement	PDR Decision
MCLA	2 Working Days - electronic 15 Working Days - paper	45 Working Days
CMC Medicare	15 Working Days	60 Calendar Days
CMC Medi-Cal	15 Working Days	60 Calendar Days
LACC	2 Working Days - electronic 15 Working Days - paper	45 Working Days
PASC	2 Working Days - electronic 15 Working Days - paper	45 Working Days

Board of Governors

MOTION SUMMARY

Based on the associated fees, we will spend \$2,701,233 throughout the new term of the contract.

Member Impact: L.A. Care members will benefit from this motion through reduced Medi-Cal spending thus allowing for additional funds to remain in the Medicaid/Medicare Trust for future services

Budget Impact: Vendor commissions related to the extension of this contract are included in the Fiscal Year 2021-22 budget. Funding for future fiscal years will be requested during the budget process in the years impacted.

Motion: 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.



Board of Governors

MOTION SUMMARY

Date: June 28, 2022

Motion No. FIN 101.0722

Committee: Finance & Budget

Chairperson: Ilan Shapiro MD, MBA, FAAP, FACHE

Issue: Amend contract (Purchase Order – 0000009974) with OptumInsight, Inc. to perform post-adjudication/pre-payment Itemized Bill Review.

☐ **New Contract** ☒ **Amendment** ☐ **Sole Source** ☐ **RFP/RFQ was conducted**

Background: L.A. Care staff requests approval for amendment #1 of SOW #25 (Itemized Bill Review) 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.

The vendor provides us with post-adjudication/pre-payment Itemized Bill Review. L.A. Care needs these services as we 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, we are implementing initiatives to ensure that:

- 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.

We have been contracted with this vendor since April 2018 and are pleased with their work as we are currently generating ~\$3,250,000 of recoveries on an annual basis as a result of these agreements.

No request for proposal was conducted for this vendor as we have an existing contract and a sole-source justification would allow us to mitigate time, resources, and initiation fees to procure and implement a new vendor.

We are projecting ~\$15,000,000 in recoveries from June 2022 through December 2025 based on the current savings run rate and incremental opportunity projections. The incremental monthly savings derive from the continued growth of the Itemized Bill Review program. Based on the associated contingency fees, we will spend \$3,142,887 throughout the new term of the contract.

Member Impact: L.A. Care members will benefit from this motion through reduced Medi-Cal spending thus allowing for additional funds to remain in the Medicaid/Medicare Trust for future services

Budget Impact: Vendor commissions related to the extension of this contract are included in the Fiscal Year 2021-22 budget. Funding for future fiscal years will be requested during the budget process in the years impacted.

Board of Governors
MOTION SUMMARY

Motion: 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.



L.A. Care
HEALTH PLAN

Board of Governors
MOTION SUMMARY

Date: June 28, 2022

Motion No. FIN A.0622

Committee: Finance & Budget

Chairperson: Ilan Shapiro MD, MBA, FAAP, FACHE

Issue: Amendment to add funds to a contract with North Star Alliances, LLC to provide event planning, staffing, logistics and execution, and support community marketing, sales and promotional activities.

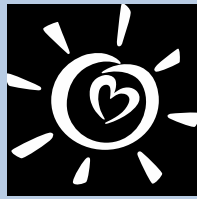
☐ New Contract ☒ Amendment ☐ Sole Source ☒ RFP/RFQ was conducted in 2017

Background: North Star Alliances, LLC (NSA) has provided all event planning, staffing, logistics and execution services for L.A. Care since 2017. In addition, NSA has also provided all event logistics support for health plan corporate events and for community marketing and sales efforts. The vendor has provided staff augmentation services which allows the Marketing and Sales department and the Communications and Community Relations department to extend the reach of their efforts in the community. As the COVID-19 pandemic winds down, activities in the community have continued to increase. In 2022, L.A. Care also expects to open three more Community Resource Centers and re-introduce others to their communities. The L.A. Care Sales team has redeployed into the field and is again being provided with community event support. Collaborations with key Community Resource Center community partners which have been dormant for over 2 years are also now being revived and events have been scheduled which will require support from NSA. L.A. Care staff requests approval to increase the cost of the current agreement from \$1,600,000 to \$1,850,000 to accommodate the additional services required.

Member Impact: L.A. Care members will benefit from this motion through enhanced access to health care resources, information and services offered at an increased number of community events and at new Community Resource Centers.

Budget Impact: The cost was anticipated and included in the approved FY 2021-22 budget for the Communications and Community Relations Department.

Motion: 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 \$1,850,000 to provide event planning, logistics, staffing and execution services through October 1, 2022.



L.A. Care
HEALTH PLAN®

Board of Governors
MOTION SUMMARY

Date: June 28, 2022

Motion No. FIN B.0622

Committee: Finance & Budget

Chairperson: Ilan Shapiro MD, MBA, FAAP, FACHE

Issue: Execute a contract with Cognizant to provide Healthcare Effectiveness Data and Information Set (HEDIS) and Align. Measure. Perform (AMP) services.

☒ **New Contract** ☐ **Amendment** ☐ **Sole Source** ☐ **RFP/RFQ was conducted**

Background: HEDIS reporting is required by Centers for Medicare and Medicaid Services (CMS), Department of Health Care Services (DHCS), National Commission on Quality Assurance (NCQA), and Covered California. The AMP Program is administered by the Integrated Healthcare Association. Participation in the AMP Program is the primary way L.A. Care meets the Covered California requirement to offer some portion of reimbursement to our network using a value based payment methodology. Utilization of certified HEDIS software is required to complete the audit and submission process to these entities.

L.A. Care executed a three-year agreement with Cognizant to provide HEDIS and AMP services in 2017. Since that agreement was due to expire in 2020, a request for proposal process was conducted from December 2019 through May 2020. Five vendors were evaluated, including our current vendor, Cognizant. Staff concluded that it was best to delay implementation of a new HEDIS engine at that time given competing priorities, including those related to the COVID-19 pandemic. A contract with Cognizant was approved for August 2020 through July 2021, and a new one-year contract executed through July 2022. We are now requesting approval to execute a one-year contract with Cognizant from August 2022 to July 2023, not to exceed \$1,184,500, a three percent increase over last year. A new RFP is anticipated in 2023.

Member Impact: The HEDIS engine, in addition to producing HEDIS rates for the plan, also drives services to members by identifying gaps in care for recommended services that are used to inform providers and PPGs to spur improvement in care for L.A. Care members.

Budget Impact: The cost is budgeted in FY 2021-2022, and anticipated for FY 2022-2023.

Motion: 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.

SAP Project Update

Finance & Budget Committee



June 28, 2022

Agenda

- Objectives of the presentation
- Status of the SAP Enterprise Resource Planning (ERP) Program
- Completed phases:
 - Phase 1 Billing & Phase 2 Disbursements
 - Impacts & Accomplishments
- In-flight phases:
 - Revenue Automation
 - SAP ERP
 - Expected to be deployed 6/30/2022
- Projects in evaluating and planning stages:
 - Budget & Forecast & Cloud Analytics
 - Ariba – Cadillius (Procurement and broker commission automation)
- Benefits and impacts of the SAP Program



Objectives of the presentation

The SAP program, one of our strategic projects, is fundamentally transforming many key business processes for the Finance Department, such as the billing for LACC, Medi-Cal & Medicare disbursements, revenue calculations and Financial Reporting & Analytics.

Today we will provide the Committee a walk-through of the SAP Program:

- The timeline and scope of the SAP program
- The accomplishments for deployed projects
- Status and scope of the in-flight projects
- Future projects



THE SAP PROGRAM

Status of the SAP Program

1. Deployed- Live

- Phase 1: Premium Billing – Deployed on 10/1/2020 for CY 2021 LACC Enrollment
- Phase 2: Disbursements (Claims and provider capitation payments) – deployed on 6/1/2021

2. In-Flight: Expected deployment date 6/30/2022

- Phase 3: ERP - SAP 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
- 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

3. Planning and Evaluating:

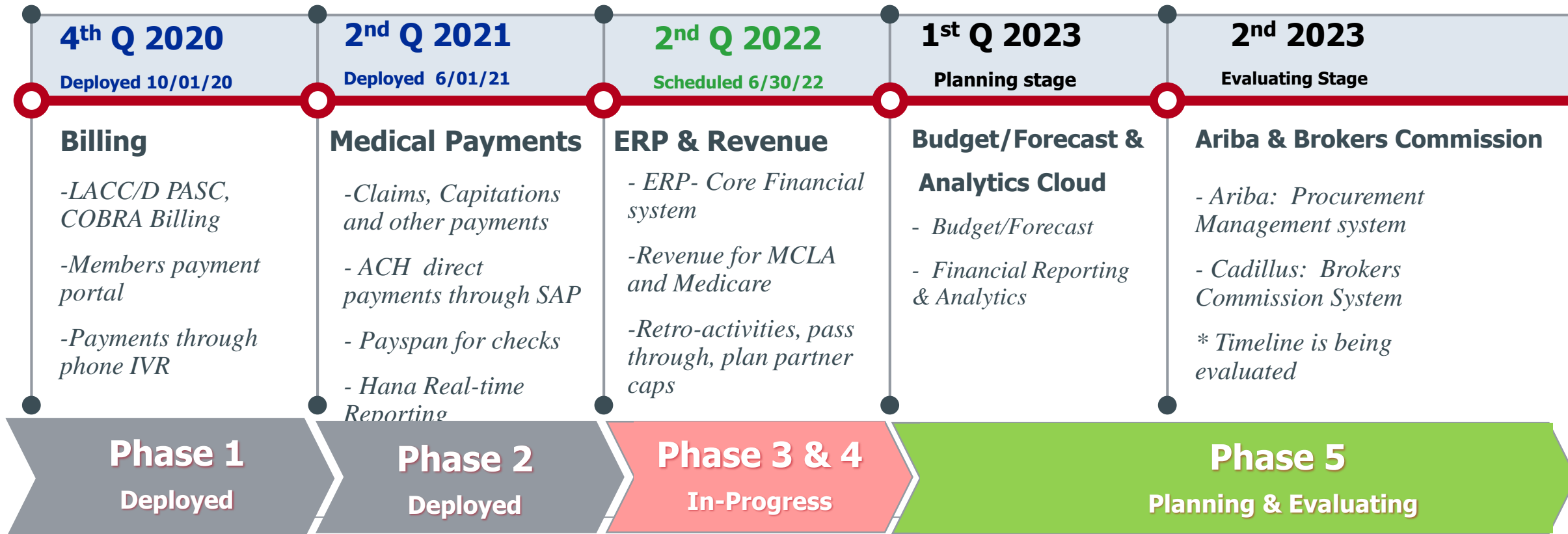
- Budget and Forecast - Planning Phase – Target 1st Quarter of 2023
- Ariba – SciQuest Replacement - Future Phase
- Cadillius - Broker Commission Calculations - Future Phase





SAP PROGRAM TIMELINE

Financial System Roadmap



Billing Accomplishments

Phase 1

Phase 1- Billing accomplishments- deployed 10/1/2020

Key functions and technology implemented:

- Replaced 3rd party WEX with in-house SAP LACC billing with the following enhancements:
 1. LACC billing/invoicing : Processing 834 file Automation of Invoice and Printing process
 2. Lockbox: Automatic payments application for members invoices through lockboxes
 3. Member Payment Portal: Allowing members to pay their invoices using different types of payments including credit Cards, ACH and checks. Payments are processed in real time through bank/cybersource/SAP integration
 4. Payments through Phone (IVR): Partnering with WaterField to process invoice payment through phone in real time
- Automated and standardized LACCD, PASC, PASC Cobra billing process previously performed manually by MPSS organization



Disbursements Accomplishments

Phase 2

Phase 2 – Disbursement Accomplishments

Medical Payments Disbursement – Live on 06/1/2021

Key Functions implemented:

1. Medical payments are being paid through SAP:
 - Claims and provider capitation payment checks are printed through Payspan
 - ACH are paid directly from SAP (previously done by Payspan)
2. Medical payments bank reconciliation:
 - Daily checks issued, cashed, voided and ACH confirmation are reconciled daily & automatically
 - One central point to monitor medical payment daily activities
3. Real-time reporting and automation through SAP HANA (one common database)
4. Overpayments - Check reconciliations and retractions processes are recorded in SAP
 - Further support from the overpayment team is needed to bring key payments recovery process that is performed by a different account receivable application into SAP
5. Accounting - posting automation
 - Scheduled automatic postings to General Leger – Manual preparation of monthly journal entries are eliminated.



In-flight Projects ERP & Revenue

Phase 3 and Phase 4
On track to go live on 6/30/2022

Phases 3 & 4 - Revenue Automation & SAP ERP

PHASE 3: ERP – SAP Core Financial System

- General Ledger – Chart of Account, Cost & Profit Centers, Line of Business (LOB)
- Accounts Payable (PO, Goods Receipts, Invoices, Payments)
- Fixed Assets
- Project Cost, Allocations
- Managerial reporting

PHASE 4: Revenue Automation

- Revenue for Medi-Cal & Medicare
- Retroactive Rates and Enrollment adjustments
- Automation of 820 file (Medi-Cal) & MMR (Medicare)
- Plan partners capitation, pass-through payments

Enhancements:

- Capitation Process and Interface Redesign
- LACC zero dollar invoices
- Electronic bank statements
- System enhancements related to CalAIM program regulatory requirements



Budget & Forecast Cloud Analytics Ariba - Cadillius

Phase 5

Budget & Forecast – Analytics Cloud

Analytics Cloud brings Budget & Forecast and Analytics in ONE environment, utilizing:

- A Central Finance HANA Database for data preparation and forecasting activities
- Built-in Data driven analytics for “what-if” planning scenarios
- Reporting and Analysis tools for financial reporting and analysis

Ariba – Brokers Commission (Cadillus)

Ariba:

- Integrates SAP Solution to provide Procurement & Accounts Payable Departments the tools to:
 - Manage contracts & vendors
 - Process purchase orders, good receipts & invoices
 - Strengthen internal controls
 - Monitor expenses and commitments

Cadillus:

- Provides LACC Sales and Finance the tools for:
 - Brokers Management
 - Brokers Commission Calculation
 - Brokers Payments through SAP



BENEFITS AND IMPACTS of THE SAP PROGRAM

Benefits and Impacts

Total Strategic Project budget approved for FY21-22 - \$5.2M

Future Phases will be included in the FY22-23 Budget

Project Benefits & Impacts:

- 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:
 - Develop a strategic perspective for the benefit of all departments
 - Benefit from the fact that all data is now accessible via a common Source (HANA) and common toolsets
 - 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





Board of Governors

MOTION SUMMARY

Date: June 28, 2022

Motion No. FIN 102.0722

Committee: Finance & Budget

Chairperson: Ilan Shapiro MD, MBA, FAAP, FACHE

Issue: Amend contracts (Purchase Order – 0000001958) with Health Management Systems (A Gainwell Company) to increase the contract amount from \$21,368,656 to \$42,822,666 (incremental increase of \$21,454,010) and extend the term through December 31, 2025.

☐ **New Contract** ☒ **Amendment** ☐ **Sole Source** ☐ **RFP/RFQ was conducted**

Background: L.A. Care staff requests approval for Amendment #5 to Schedule A-3 to increase the contract amount by \$21,454,010 and extend the term through December 31, 2025.

The vendor provides Coordination of Benefit services which includes prospective Cost Avoidance (member eligibility updates) along with Direct Bill (carrier to carrier recovery) and Disallowance (provider recovery) retrospectively.

L.A. Care needs these services as we 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, we are implementing initiatives to ensure that:

- 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.

We have been contracted with this vendor since February 2016 and are pleased with their work as we are currently generating approximately \$55,000,000 in savings and recoveries on an annual basis as a result of these agreements.

No request for proposal was conducted for this vendor as we have an existing contract and a sole-source justification would allow us to mitigate time, resources, and initiation fees to procure and implement a new vendor.

We are projecting approximately \$253,496,292 in savings and recoveries through December 31, 2025, based on the current savings run rate. Based on the associated fees, we will spend \$21,454,010 throughout the new term of the contract.

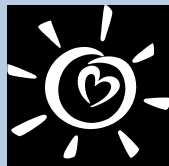
Member Impact: L.A. Care members will benefit from this motion through reduced Medi-Cal spending thus allowing for additional funds to remain in the Medicaid/Medicare Trust for future services.

Board of Governors

MOTION SUMMARY

Budget Impact: Vendor commissions related to the extension of this contract are included in the Fiscal Year 2021-22 budget however, there may be a budget slight shortfall in FY2021-22 for this vendor and services. Funding for future fiscal years will be requested during the budget process in the years impacted.

Motion: 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.



L.A. Care
HEALTH PLAN

Board of Governors

MOTION SUMMARY

Date: June 28, 2022

Motion No. FIN 103.0722

Committee: Finance & Budget

Chairperson: Ilan Shapiro MD, MBA, FAAP, FACHE

☒ **New Contract** ☒ **Amendment** ☐ **Sole Source** ☐ **RFP/RFQ was conducted**

Issue: Execute a new Statement of Work (SOW 12) and two amendments (SOWs 3 and 7) with Toney Health Care Consulting (THCC) to provide Case Management (CM) and Utilization Management (UM) Frontline Nursing and Leadership staffing augmentation through February 28, 2023, at a total cost of \$3,308,800.

Background: In July 2019, following a notice of non-compliance due to persistent poor performance and Centers for Medicare and Medicaid Services (CMS) audit findings for one of our delegates, L.A. Care de-delegated Care Management (CM) activities for that delegate. At that time, L.A. Care executed a staff augmentation agreement with THCC to add Frontline Nurses to enable L.A. Care to perform these activities internally. These staff performed well and were transitioned to UM activities in Q2 of 2021, after the UM department. Frontline Nurses and a Senior Clinical Advisor (Director level) from Toney were moved to UM to further sustain efforts to maintain compliance with timeliness and accuracy for UM review requests. These Toney staff have been extended to also address the UM portion of Provider Dispute Resolution cases (PDR) and to fill UM FTE vacancies due to attrition, leaves of absences, COVID surges, and significant challenges in recruitment and hiring of permanent staff.

Additionally, since the end of 2021, the L.A. Care Clinical Operations leadership has been planning for the termination on December 31, 2022 of the Outsourcing Agreement with Optum Health. Optum has been performing UM and CM activities for our Direct Network members since June of 2020. L.A. Care seeks to assure we have a sufficient number of trained staff ready to take the work over from Optum. In the filing to DMHC about the Optum insourcing, L.A. Care committed to having personnel in place using permanent and/or contracted resources.

To address the business needs described above, Clinical Operations requests the following:

1. Execute Amendment No. 6 to extend the current SOW 3 through February 28, 2023 for an additional \$1,408,000 for a total contract not to exceed \$11,928,571. The scope includes UM Nurses to support routine operations for prior authorization, concurrent review, PDR and the Direct Network insourcing.
2. Execute Amendment No. 6 to extend the current SOW 7 for the Senior Clinical Advisor through February 28, 2023 for an additional \$316,800 for a total contract not to exceed \$1,748,800.
3. Execute new SOW 12 for the CM Nurses to handle the Direct Network insourcing June 1, 2022 through February 28, 2023 for a total contract not to exceed \$1,584,000.

Member Impact: Executing these amendments allows the UM department to continue to meet and improve authorization timeliness and quality, maintain compliance, and to ensure members' care is not delayed. Executing the new SOW will allow the CM department to work with Optum for a smooth and efficient hand-off of the high-risk, high-touch cases and initiate care management

Board of Governors
MOTION SUMMARY

activities without delay for newly referred Direct Network members.

Budget Impact: The UM and CM departments will run budget variances for the remainder of the FY 2021-22 budget. Each department has included the funds in their FY 2022-23 budgets which are currently being constructed through the annual process.

Motion: 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.



Board of Governors
MOTION SUMMARY

Date: June 28, 2022

Motion No. FIN 104.0722

Committee: Finance & Budget

Chairperson: Ilan Shapiro MD, MBA, FAAP, FACHE

Issue: To amend a contract with Cognizant Technology Solutions (Cognizant) to provide ongoing technical support for the Salesforce project.

☐ New Contract ☒ Amendment ☐ Sole Source ☒ RFP/RFQ was conducted

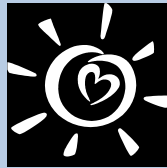
Background: L.A. Care staff requests approval to amend an existing contract with Cognizant adding \$1,065,000 for continued Salesforce implementation activities relating to the VOICE Program and Customer Solution Center (CSC) Intelligent Desktop (IDT) rollout, Sales & Marketing, Community Resource Centers (CRC/FRCs), Legal Department, etc., through December 31, 2022. The work will center around several major projects including:

- Enabling the tracking and capturing of all Provider interactions
- Allowing members to change their Primary Care Providers
- Handling of the Dual Eligible Special Needs Plans product
- Enabling multi-factor authentication to enhance access security of the Salesforce platform
- Support Goldmine and Salesforce Marketing Cloud applications

Member Impact: The Salesforce-based Intelligent Desktop (IDT) application is gradually replacing a number of separate applications used to track and answer inquiries in CSC and is used extensively in support of a variety of inquiries, outreach efforts, and escalation of issues for resolution. The integration of the Salesforce tool with the phone system in the CSC in particular, will enable our agents to greet callers by name when they call from a known phone number and have their record retrieved before the agent picks up the phone.

Budget Impact: The cost of the contract was anticipated and included in the budget for the Information Technology (IT) department for FY 2021-22 and remaining amounts will be included in the IT FY 2022-23 budget.

Motion: 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.



L.A. Care
HEALTH PLAN

Board of Governors
MOTION SUMMARY

Date: June 28, 2022

Motion No. FIN 105.0722

Committee: Finance & Budget

Chairperson: Ilan Shapiro MD, MBA, FAAP, FACHE

☐ **New Contract** ☒ **Amendment** ☐ **Sole Source** ☒ **RFP/RFQ was conducted**

Issue: To amend a contract with Cognizant Technology Solutions (Cognizant) for continued hosting services for the QNXT and CCA core systems

Background: In March 2012, the Board approved a motion summary (BOG 101.0312-CS) that authorized L.A. Care to enter into a contract with TriZetto Group, Inc. (TriZetto) for the purposes of implementing a new core information system. Since that time, TriZetto was acquired by Cognizant. The software has been implemented at L.A. Care for all lines of business and supports core processing functions for the business. In October of 2017 L.A. Care purchased perpetual licenses from Cognizant in the amount of \$6.5 million obtaining annual operating savings of at least \$1.3 million by only paying annual maintenance fees going forward instead of both rental and maintenance fees.

For continued use of the core software products, L.A. Care staff requests approval to amend the purchase order with Cognizant in the amount of \$3,650,000 through December 31, 2022 for Cognizant hosting services.

Member Impact: The ongoing utilization of the core Cognizant software systems (QNXT and CCA) will help ensure that L.A. Care's staff is enabled to provide our members with accurate and timely services.

Budget Impact: The cost of the contract was anticipated and included in the budget for the Information Technology (IT) department for FY 2021-22 and remaining amounts will be included in the IT FY 2022-23 budget.

Motion: **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.**