

**ALAMEDA ALLIANCE FOR HEALTH
FINANCE COMMITTEE
REGULAR MEETING**

**June 7th, 2022
8:00 am – 9:00 am**

SUMMARY OF PROCEEDINGS

Meeting Conducted by Teleconference

Committee Members on Conference Call: Dr. Rollington Ferguson, Dr. Michael Marchiano, Gil Riojas

Board of Governor members on Conference Call: James Jackson, Andrea Schwab-Galindo

Alliance Staff on Conference Call: Brian Butcher, Scott Coffin, Tiffany Cheang, Richard Golfin III, Sasi Karaiyan, Dr. Steve O'Brien, Anastacia Swift, Ruth Watson, Carol van Oosterwijk, Linda Ly, Jennifer Vo, Danube Serri, Jeanette Murry, Mashon Jones

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
CALL TO ORDER, ROLL CALL, and INTRODUCTIONS			
Dr. Rollington Ferguson	<p>Dr. Ferguson called the Finance Committee meeting to order at 8:02 am.</p> <p>The following public announcement was read.</p> <p style="padding-left: 40px;">"The Board recognizes that there is a proclaimed state of emergency at both the State and the local Alameda County level, and there are recommended measures to promote social distancing in place. The Board shall therefore conduct its meetings via teleconference in accordance with Assembly Bill 361 for the duration of the proclaimed state of emergency."</p> <p>A telephonic Roll Call was then conducted.</p>		
CONSENT CALENDAR			
Dr. Rollington Ferguson	<p>Dr. Ferguson presented the Consent Calendar.</p> <p>May 10th, 2022, Finance Committee Minutes were approved at the Board of Governors meeting on May 13th, 2022, and not presented today.</p>	There were no modifications to the Consent Calendar, and no items to approve.	

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
a.) CEO Update			
Scott Coffin	<p>Scott Coffin provided updates to the committee on the following:</p> <p>Fiscal Year 2023 Budget: Today a summary of the Preliminary fiscal year 2023 Budget is being presented along with the April 2022 Finance Report. A full presentation of the preliminary budget will be presented Friday at the Board of Governors Meeting. We focus on the Administrative and Medical expenses which are supported by all the cost and utilization trend data that is available for both lines of business (Medi-Cal and Group Care). During the fiscal year the Finance Committee and full Board of Governors receive quarterly forecasting in addition to the preliminary budget. We have a final budget that will deliver in December. The preliminary budget gets us into the July 1 start date for our new fiscal year.</p> <p>The public health emergency remains in effect and is tied to the suspension of Alameda County's Medi-Cal Redetermination Process. Since the start of the Public Health Emergency (PHE) in the start of March 2020, the Alliance had 249,000 enrolled and today we have over 313,000. We have seen a steady gain primarily in the Medi-Cal enrollment group care as it remains steady at about 6,000 adult members. Whereas Medi-Cal has set new records each month. The month of June we exceeded 313,000 adults and children on our preliminary enrollment which is still 98% of our enrollment. The growth in Medi-Cal is forecasted to continue through January 2023. Our assumptions may need to change if the Public Health Emergency is extended beyond October 2022. The CalAIM program combined with other Medi-Cal policy changes creates more benefits and services. It also requires more administrative capacity within the Alliance's operations. The preliminary budget funds more than 30 projects that are all running parallel. They are managed through our Integrated Planning division. It also has a little over \$3 million allocated per community based programs that support our corporate mission and vision. These are with our community partners.</p> <p>Part of what's driving the budget is the addition of approximately 100 new staff positions across the organization. This represents about \$16 million in additional administrative expenses and (82%) of those are related to staffing. The strategy is, we have to grow the company (the capacity of the organization) in order to meet our regulatory obligations as well as the commitments that we have to our members and providers as part of the services we administer. As a reminder, in November 2022, as was presented</p>	<p>Informational update to the Finance Committee</p> <p>Vote not required</p>	

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	<p>at the last Board of Governors meeting, we are transitioning the Mental Health and Autism Spectrum Services into our core operations. This is being coordinated through local county agencies, health centers, hospitals, and our community based organizations. We also have the addition of Long Term Care on January 1, 2023. Earlier this year we also received Major Organ Transplants, full scope into Medi-Cal Managed Care. This program will continue to expand into next fiscal year. We have several major initiatives that are coming into Managed Care from the Fee-for-Service system all within a close approximate of time in January. With our forecast of nearly \$1.3 billion in revenue next year (over \$100 million more than this current fiscal year) – with the revenue comes expenses.</p>		
b.) Review and approve April 2022 Monthly Financial Statements			
<p>Gil Riojas</p>	<p><u>April 2022 Financial Statement Summary</u></p> <p>Enrollment: Current enrollment is 308,741 and continues to trend upward. Total enrollment has increased by 1,954 members from March 2022, and 20,187 members since June 2021. Increases were primarily in the Child, Adult, and Optional Expansion categories of aid, and include slight increases in the Duals and SPD categories of aid. Group Care remains relatively flat. Monthly enrollment trends are projected to increase as the Public Health Emergency (PHE) is currently expected to be extended through October 2022.</p> <p>Net Income: For the month ending April 30th, 2022, the Alliance reported a Net Income of \$2.3 million (versus budgeted Net Income of \$2.6 million). The variance is attributed to higher than anticipated Medical Expenses and lower than anticipated Total Other Income. For the year-to-date, the Alliance recorded a Net Income of \$15.2 million versus a budgeted Net Loss of \$2.3 million.</p> <p>Revenue: For the month ending April 30th, 2022, actual Revenue was at \$101.6 million vs. our budgeted amount of \$93.9 million. The favorable variance was in relation to the continuation of Public Health Emergency (PHE). The increase in enrollment beyond what we had budgeted drives the increase in our revenue.</p>		

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	<p>Medical Expense: Actual Medical Expenses for the month were \$93.2 million, vs. our budgeted amount of \$84.5 million. For the year-to-date, actual Medical Expenses were \$921.5 million versus budgeted \$905.7 million. Primarily driven by the continuation of our enrollment increase beyond what we had budgeted in December 2021. Directly related to the Public Health Emergency (PHE). Drivers leading to this variance can be seen on the tables on page 11. Further explanation of the variances can be seen on pages 11 and 12.</p> <p>In looking on a Per-Member-Per-Month (PMPM) basis, taking into consideration the increase in volume a look solely at the PMPM expense, we can see that we are actually relatively close. Less than a percent variance from a PMPM number in terms of our medical expenses. The largest areas of negative variance being in our Ancillary Fee-for-Service (FFS), Pharmacy FFS, and our Emergency FFS. However, they are offset by the positive variances of Capitated Medical Expenses, Primary FFS, Specialty FFS, and our Inpatient Hospital FFS.</p> <p>Incurred-But-Not-Paid (IBNP) claims: There is a slight increase in our IBNP claims of about \$1.3 million.</p> <p>Medical Loss Ratio: Our MLR ratio for this month was reported at 91.7%. Year-to-date MLR was at 93.0%.</p> <p>Administrative Expense: Actual Administrative Expenses for the month ending April 30th, 2022 were \$5.8 million vs. our budgeted amount of \$7.1million. Our Administrative Expense represents 5.7% of our Revenue for the month, and 5.4% of Net Revenue for year-to-date. Reasons for the favorable month-end variances, as well as the favorable year-to-date variances can be attributed to 1) Delayed timing of new project start dates for Consultants, Computer Support Services, and Purchased Services, 2) Delayed hiring of new employees and 3) COVID-19 Vaccination Incentives.</p> <p>Other Income / (Expense): As of April 30th, 2022, our realized YTD interest income from investments was \$411,000.</p> <p>YTD claims interest expense is \$337,000.</p>		

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	<p>TangibleNet Equity (TNE): We reported a TNE of 574%, with an excess of \$182.1 million. This remains a healthy number in terms of our reserves. There was a recent letter from the Department of Managed Healthcare (DMHC) that they are increasing the red line from 130% of Required TNE to 150%. Meaning any plan that reports 150% of TNE or lower will require monthly reporting to the DMHC.</p> <p>Cash and Cash Equivalents: We reported \$284.7 million in cash; \$182.6 million is uncommitted. Our current ratio is above the minimum required at 1.70 compared to regulatory minimum of 1.0.</p> <p>Capital Investments: We have spent \$234,000 in Capital Assets year-to-date. Our annual capital budget is \$1.4 million.</p> <p>Question: Dr. Marchiano stated he is concerned about the continuing increase in enrollment among the adult category. What is your sense about why the adults continue to enroll? It's a good thing, just wondering why.</p> <p>Gil: My perspective is the continuation of the Public Health Emergency (PHE) has caused this enrollment process. A lot of this is the continuation of these members that are maintaining as adults, and the addition of new members moving into the county are also adding to the adult number.</p>	<p><u>Motion to accept</u> <u>April 2022 Financial Statements</u></p> <p><u>Motion:</u> J. Jackson <u>Seconded:</u> Dr. Marchiano</p> <p>Vote taken. No opposed or abstained.</p> <p><u>Motion Passed</u></p>	
c.) FY2023 Preliminary Budget Summary Update			
Gil Riojas	<p>Gil Riojas gave a presentation for the Preliminary FY2023 budget for review by the Finance Committee, to bring to the Board of Governors for approval.</p> <p>Gil turned the mic over to Anastacia Swift, Chief Human Resource Officer, to give an update on our recruiting strategy for FY2023.</p>		
Anastacia Swift	<p>Anastacia shared a strategy to reach this goal. We are looking at over 100 additional positions. The labor market is very tight at this time. We have experienced difficulty with sourcing, as all organizations have. We do want to stop and assess how we will reach this goal. As an organization, we are adding to our resources (internal and external recruiters) to assist with the candidate pipeline. We have also looked at revising our internal process to</p>		

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	<p>reduce steps to expedite onboarding new hires. We are considering a more competitive initial salary offer at the time that we have made selections. Our goal is to fill from 8-10 positions a month. Everyone on our Leadership Team knows what we are facing in terms of the programs, deadlines, and timelines, so we have the commitment internally to get these positions filled. That is the plan moving forward, and we are ready to move forward.</p> <p>Question: Dr. Ferguson referenced in the meeting last week that there was concern about how do we become more inclusive? How do we address becoming more inclusive in our hiring? I hadn't given that thought until the recent meeting and survey. Are we taking steps specifically to address those issues?</p> <p>Anastacia: In terms of our outreach for the candidate pools, we are posting on a more diverse stance. We are posting on sites like Diversity.com so that they are going to a broader network, community-based organizations that are minority focused, also in alumni associations, historically Black colleges, and other different associations. We are posting the jobs and putting the information out there. Will that drive more traffic? We don't know. This will be the first time that we've really pushed this far to see what happens. Based on the return on that, we will continue to do it. We have also considered increasing employee referrals so that the current staff we have represents a decent population of our members internally. As we use these resources, hopefully, they are referring people to meet that concern about being more inclusive. Our population is more females than males here at the Alliance. We are adding to the team a Chief Health and Equity Officer, so that will be coming this fiscal year as well and HR will be working in collaboration with this Chief.</p> <p>Scott: My addition is around the focus on Diversity/Equity/Inclusion, as you were briefed on the roadmap, that is one of the areas we will pursue this year and subsequent years moving forward. As Anastacia stated, we have the hiring of a new officer that will focus on Equity. This position will report to the CEO and work across the entire organization, looking at ways to identify opportunities within the organization. Also looking at how we comply with the regulatory guidelines that are also being drafted right now by the Department of Managed Healthcare and the Department of Healthcare Services as it relates to member and provider services. We are taking this seriously and will make changes as we proceed forward with the hiring practices by changing</p>		

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	<p>how we do some of the screenings, interviews, etc. We will address some of the inclusion you are referring to.</p> <p>Gil resumed and concluded his Preliminary FY2023 presentation.</p> <p>Scott emphasized the Long Term Care Transition by adding the State of California is also in the process of figuring out the final scope of implantation for the Long Term Care Services. The Department of Healthcare Services (DHCS) is still finalizing the actual scope and deployment. Once we know more information and receive the actual Fee-for-Service data, we will have a better view and will include that in the final budget in December.</p> <p>Question: Dr. Ferguson asked if we are adjusting our reinsurance rate to anticipate the impact of the transplant case that we expect? The fact that we are expecting an increase cost associated with transplants, and the reinsurance is supposed to cover some of our over expenses (if understood correctly), so are we anticipating that?</p> <p>Gil: No. We do not have major organ transplants covered in our reinsurance. Primarily, because the State has put forth a risk corridor for major organ transplants. So essentially, we are using DHCS as reinsurance. If our major organ transplant expense goes beyond a certain percentage, the state will kick in to cover some of the expense. Adversely, if the major organ transplant expense is substantially lower, we will have to pay back some of our major organ transplant revenue. Our experience has been too limited to know more at this time, but we will keep the Board updated as we move into the future.</p> <p>Dr. Ferguson: The risk corridor will only cover so much, and we have no idea where it's going to go, isn't that something we should include in our reinsurance? Because of our limited experience the reinsurance rate will probably be reasonable.</p> <p>Gil: We talked to our reinsurance broker about this (6-7 months back). The rates we were going to get would be significantly higher if we added in the major organ transplant. We looked into it as something to add, and at the time it wasn't sensible for us as the premium would have significantly increased, and we have the backup of DHCS acting as the reinsurer with the risk corridor so that was the more feasible direction to go.</p>	<p><u>Motion to accept FY2021 Preliminary Budget Summary Update</u></p> <p><u>Motion:</u> Dr. Marchiano <u>Seconded:</u> J. Jackson</p> <p>Vote taken. No opposed or abstained.</p> <p><u>Motion Passed</u></p>	

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
UNFINISHED BUSINESS / DISCUSSION			
	None.		
ADJOURNMENT			
Dr. Rollington Ferguson	Dr. Ferguson requested motion to adjourn the meeting. The meeting adjourned at 8:57 am.	<u>Motion to adjourn:</u> Scott Coffin No opposed or abstained.	

Respectfully Submitted by:
Mashon Jones, Executive Assistant to CISO