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BOARD OF GOVERNORS
Regular Meeting Minutes
Friday, March 14th, 2025
12:00 p.m. – 2:00 p.m.

Video Conference Call and
1240 S. Loop Road
Alameda, CA 94502

1. CALL TO ORDER

Board of Governors Present: Rebecca Gebhart (Chair), Dr. Noha Aboelata (Vice-Chair), Dr. Kathleen Clanon, Dr. Rollington Ferguson, James Jackson, Byron Lopez, Dr. Marty Lynch, Andie Martinez Patterson, Dr. Kelley Meade, Jody Moore, Wendy Peterson, Andrea Schwab-Galindo, Dr. Evan Seevak, Supervisor Lena Tam, Natalie Williams

Board of Governors Remote: Andrea Ford (Traditional Brown Act), Jody Moore (Just Cause)

Board of Governors Excused: Aaron Basrai, Tosan Boyo, Yeon Park

Alliance Staff Present: Matthew Woodruff, Dr. Donna Carey, Gil Riojas, Anastacia Swift, Ruth Watson, Sasi Karaiyan, Tiffany Cheang, Michelle Lewis, Lao Paul Vang

Chair Gebhart called the regular Board of Governors meeting to order at 12:02 p.m.

2. ROLL CALL

Roll call was taken, and a quorum was established.

3. AGENDA APPROVAL OR MODIFICATIONS

There were no modifications to the agenda.

4. INTRODUCTIONS

Chair Gebhart formally welcomed Dr. Kathleen Clanon as a duly appointed voting board member. Additionally, Mr. Troy Szabo, the General Counsel, was also introduced.

5. CLOSED SESSION

PERSONNEL MATTER: PUBLIC EMPLOYEE EVALUATION – CHIEF EXECUTIVE OFFICER (GOV. CODE SECTION 54957(b)(1)).

6. CONSENT CALENDAR

- a) **DECEMBER 10th, 2024, FINANCE COMMITTEE MEETING MINUTES**
- b) **JANUARY 22nd, 2025, FINANCE COMMITTEE MEETING MINUTES**

- c) FEBRUARY 11th, 2025, FINANCE COMMITTEE MEETING MINUTES
- d) DECEMBER 13th, 2024, COMPLIANCE ADVISORY COMMITTEE MEETING MINUTES
- e) DECEMBER 13th, 2024, BOARD OF GOVERNORS MEETING MINUTES
- f) JANUARY 31st, 2025, BOARD OF GOVERNORS RETREAT MINUTES
- g) REVIEW AND APPROVE RESOLUTION RE-APPOINTING NATALIE WILLIAMS TO ALLIANCE CONSUMER MEMBER SEAT
- h) REVIEW AND APPROVE RESOLUTION RE-APPOINTING JODY MOORE TO ALLIANCE CONSUMER MEMBER SEAT
- i) STANDING COMMITTEE UPDATES
 - i. PEER REVIEW AND CREDENTIALING COMMITTEE
 - ii. PHARMACY & THERAPEUTICS
 - iii. QUALITY IMPROVEMENT HEALTH EQUITY COMMITTEE
 - iv. COMMUNITY ADVISORY COMMITTEE

Motion: A motion was made by Supervisor Lena Tam and seconded by Natalie Williams to approve the Consent Calendar.

Vote: The motion passed unanimously.

Ayes: Dr. Kathleen Clanon, Dr. Rollington Ferguson, Andrea Ford, James Jackson, Byron Lopez, Dr. Marty Lynch, Andie Martinez Patterson, Dr. Kelley Meade, Jody Moore, Wendy Peterson, Andrea Schwab-Galindo, Dr. Evan Seevak, Supervisor Lena Tam, Natalie Williams, Vice Chair Dr. Noha Aboelata, Chair Rebecca Gebhart.

No opposition or abstentions.

7. REPORT OUT: CLOSED SESSION

The Board of Governors convened in a closed session at 12:10 p.m. and reconvened in an open session at 1:03 p.m. Mr. Troy Szabo stated that there were no reportable items to disclose from the closed session.

8. BOARD MEMBER REPORTS

a) BOARD CHAIR REPORT

i. FORM 700 SUBMISSION

Chair Gebhart reminded the board members who have not yet submitted their Form 700 forms that the deadline for submission is April 1st. The forms may be submitted electronically or in hard copy and can be delivered to the Board Clerk.

b) COMPLIANCE ADVISORY COMMITTEE

Dr. Kelley Meade provided an update on the Compliance Advisory Committee meeting that occurred on March 14th. The committee addressed internal audit processes concerning fraud, waste, and abuse. The joint audit from DMHC and DHC has been postponed, and further updates will be shared in a future meeting.

c) FINANCE COMMITTEE

Dr. Ferguson provided an update on the Finance Committee meeting held on March 11th. The committee reviewed the financial results and highlights for January and discussed the Fiscal Year 2025 Quarter 2 forecast. The committee recommended limiting spending Community Supports to the budgeted amount approved by the State and authorized the Executive Team to discontinue services if necessary to manage the financial situation. However, any service discontinuation must be brought back to the full board for a vote.

9. CEO UPDATE

In the CEO Update, Matthew Woodruff corrected a statement from the Finance Committee meeting, clarifying that CMS retroactively cut the social determinants of health guidance, not DHCS. He also mentioned the uncertainty of future approvals for community support.

10. BOARD BUSINESS

a) REVIEW AND APPROVE NOVEMBER 2024, DECEMBER 2024, AND JANUARY 2025 FINANCIAL STATEMENTS

Chief Financial Officer Gil Riojas presented the financial statements for November 2024, December 2024, and January 2025, noting net losses and changes in enrollment.

November 2024 Financial Statement

Executive Summary

For the month of November, the Alliance continued to see slight increases in enrollment, reaching 406,878 members. A Net Loss of \$27.5 million was reported, and the Plan's Medical Expenses represented 111.8% of revenue. Alliance reserves decreased to 212% of the required but continued to remain above minimum requirements.

Enrollment

In November, Enrollment increased by 725 members.

Net Income

For the month ended November 30th, 2024, the actual Net Loss was \$27.5 million vs. budgeted Net Loss of \$10.0 million. For the fiscal YTD, the actual Net Loss was \$88.5 million vs. budgeted Net Loss of \$71.0 million. For the month, Premium Revenue was favorable to budget, actual Revenue was \$174.2 million vs. budgeted Revenue of \$173.2 million.

Medical Loss Ratio (MLR)

The Medical Loss Ratio was 111.8% for the month and 106.6% for fiscal YTD. The major variances include unfavorable Inpatient/SNF, Ancillary FFS, Outpatient FFS, Long-Term care, and Pharmacy expenses.

Tangible Net Equity (TNE)

The Department of Managed Health Care (DMHC) required \$78.9M in reserves, we reported \$166.9M. Our overall TNE remains above DMHC requirements at 212%.

The Alliance continues to benefit from increased non-operating income. For Fiscal year-to-date investments show a gain of \$15.0M. Capital assets acquired so far are \$530k.

December 2024 Financial Statement

Executive Summary

For the month of December, the Alliance continued to see increases in enrollment, reaching 412,226 members. A Net Loss of \$8.6 million was reported, and the Plan's Medical Expenses represented 101.0% of revenue. Alliance reserves decreased to 204% of the required but continued to remain above minimum requirements.

Enrollment

In December, Enrollment increased by 5,348 members.

Net Income

For the month ended December 31st, 2024, the actual Net Loss was \$8.6 million vs. budgeted Net Loss of \$26.8 million. For the fiscal YTD, the actual Net Loss was \$97.2 million vs. budgeted Net Loss of \$97.8 million. For the month, Premium Revenue was favorable to budget, actual Revenue was \$163.0 million vs. budgeted Revenue of \$137.1 million.

Medical Loss Ratio (MLR)

The Medical Loss Ratio was 101.0% for the month and 105.7% for fiscal YTD. The major variances include unfavorable Primary Care, Outpatient, Inpatient/SNF, Ancillary FFS, Outpatient FFS, and Long-term Care.

Tangible Net Equity (TNE)

The Department of Managed Health Care (DMHC) required \$77.6M in reserves, we reported \$158.2M. Our overall TNE remains above DMHC requirements at 204%.

The Alliance continues to benefit from increased non-operating income. For Fiscal year-to-date investments show a gain of \$17.5M. Capital assets acquired so far are \$530k.

January 2025 Financial Statement

Executive Summary

For the month of January, the Alliance continues to see incremental increases in enrollment, reaching 412,828 members. A Net Loss of \$6.7 million was reported, and the Plan's Medical Expenses represented 100.2% of revenue. Alliance reserves decreased to 186% of the required but continued to remain above minimum requirements.

Enrollment

In January, Enrollment increased by 602 members.

Net Income

For the month ended January 31st, 2025, the actual Net Loss was \$6.7 million vs. budgeted Net Loss of \$3.2 million. For the fiscal YTD, the actual Net Loss was \$103.9 million vs. budgeted Net Loss of \$94.6 million. For the month, Premium Revenue was unfavorable to budget, actual Revenue was \$190.7 million vs. budgeted Revenue of \$192.0 million. Premium Revenue variance of \$1.3 million is primarily due to Medicare Part A Premium Buy-In, which resulted in a \$3.6 million decrease in our revenue.

Medical Loss Ratio (MLR)

The Medical Loss Ratio was 100.2% for the month and 104.8% for fiscal YTD. The major variances include unfavorable Primary Care, Outpatient, Inpatient/SNF, Ancillary FFS, Outpatient FFS, and Long-Term care.

Tangible Net Equity (TNE)

The Department of Managed Health Care (DMHC) required \$81.4M in reserves, we reported \$151.5M. Our overall TNE remains just above DMHC requirements at 186.0%.

The Alliance continues to benefit from increased non-operating income. For Fiscal year-to-date investments show a gain of \$20.1M. Capital assets acquired so far are \$530k.

Question: Dr. Lynch asked if the plan would keep tracking SPD costs outside of long-term care.

Response: Mr. Riojas confirmed that the plan will continue to capture the category of service for long-term care costs and will work on identifying SPD costs separately.

Question: Dr. Seevak asked why the state combined SPD and long-term care categories.

Response: Mr. Riojas indicated that the speculation is that it was intended to facilitate rate development for the state and Mercer.

Question: Dr. Ferguson asked about the timeline for UIS's impact on financials.

Response: Mr. Riojas and Mr. Woodruff indicated that the impact is being evaluated for next year's budget rather than this year's. The exact timing remains uncertain, but it is anticipated to begin next fiscal year.

Question: Dr. Lynch inquired whether the monthly trend would remain positive.

Response: Mr. Riojas mentioned that the forecast is near break-even, with some months reporting slight net losses and others showing slight net income.

Motion: A motion was made by Natalie Williams and seconded by Dr. Kelley Meade to approve the November 2024, December 2024 and January 2025 financial statements.

Vote: The motion was passed unanimously.

Ayes: Dr. Kathleen Clanon, Dr. Rollington Ferguson, Andrea Ford, James Jackson, Byron Lopez, Dr. Marty Lynch, Andie Martinez Patterson, Dr. Kelley Meade, Jody Moore, Wendy Peterson, Andrea Schwab-Galindo, Dr. Evan Seevak, Supervisor Lena Tam, Natalie Williams, Vice Chair Dr. Noha Aboelata, Chair Rebecca Gebhart.

b) FISCAL YEAR 2025 SECOND QUARTER FORECAST

Highlights:

- 2024 Projected Net Loss of \$97.8 million.
- The projected excess Tangible Net Equity at 6/30/25 of \$75.8 million is 193% of the required TNE.
- Year-end enrollment is 415,000.
- The Forecast now includes MCO Tax Revenue and Expenses as the Plan is at risk for differences in MCO Revenue received vs. MCO Tax owed. The Forecast reflects retroactive CY23-CY24 MCO Tax expense of \$5.0 million accrued from February 2025 to June 2025.
- There is a 10.5% increase when comparing CY2025 to CY2024 PMPM rates.
- Expenses for Inpatient and Long-Term Care are projected to be approximately \$39.6 million and \$15 million (respectively) higher than originally anticipated.
- There are 477 Administrative FTEs and 239 Clinical FTEs at year-end; 2 lower than budget.
- Operating Expenses are lower by \$5.3 million, largely due to decreased employee and consultant expenses.

Question: Dr. Lynch inquired whether the monthly trend would remain positive.

Response: Mr. Riojas mentioned that the forecast is near break-even, with some months reporting slight net losses and others showing slight net income.

Motion: A motion was made by Dr. Seevak and seconded by James Jackson to approve the Fiscal Year 2025 Second Quarter Forecast.

Vote: The motion passed unanimously.

Ayes: Dr. Kathleen Clanon, Dr. Rollington Ferguson, Andrea Ford, James Jackson, Byron Lopez, Dr. Marty Lynch, Andie Martinez Patterson, Dr. Kelley Meade, Jody Moore, Wendy Peterson, Andrea Schwab-Galindo, Dr. Evan Seevak, Supervisor Lena Tam, Natalie Williams, Vice Chair Dr. Noha Aboelata, Chair Rebecca Gebhart.

No opposition or abstentions.

c) REVIEW AND APPROVE THE FINANCE COMMITTEE'S RECOMMENDATION TO REDUCE COMMUNITY SUPPORT DOLLARS

CEO Matt Woodruff presented an analysis of the potential savings associated with the discontinuation of community support programs. The Board then discussed the Finance Committee's recommendation to reduce spending on the Community Supports Program to the amount provided by the state, which is \$14 million.

CS Forecast Scenarios

| <u>Discontinuation of:</u> | <u>Potential Annual Savings (in millions)</u> |
|---------------------------------------|---|
| 1) Discontinue All Community Supports | \$26M |
| 2) Spend to revenue assumptions | \$12M |

Note: Housing Bundle cost is expected to be \$13.5 million for FY25

CS Revenue Analysis

| | |
|----------------------------------|----------------|
| 1) Three-year margin (FY23-FY25) | \$17M Net Loss |
| 2) Estimated FY25 Revenue | \$14M |
| 3) FY26 estimated savings | \$12M |

Note: Material changes in FY26 revenue are at risk with potential downward shifts in enrollment (ex parte, UIS, ACA OE). The original FY 25 budget estimate was \$35M.

CS Discontinuation Considerations

- DHCS requires 90-day notification before termination.
- Contract changes require 60-day notification.
- Criteria changes related to Medically Tailored Meals and Personal Care and Homemaker Services began in December of last year and have yielded results.
- Housing criteria changes are expected to begin in July of this year.
- There will be a financial impact on community benefit organizations currently offering the services.

Question: Supervisor Tam asked which community support will be the most impacted by the cuts.

Response: Mr. Woodruff said that housing will likely be the most impacted, but the exact proportions are still being evaluated.

Question: Ms. Peterson asked if the capacity will be available for ECM providers to access and utilize community support to stabilize a person.

Response: Dr. Carey mentioned that the team is assessing additional resources within the community that could replace any services discontinued within community support.

Question: Ms. Peterson asked if the forecast included spending the \$14 million.

Response: Mr. Riojas stated that the forecast did not account for this as a savings. It will be revised in the Q3 forecast.

Comment: Dr. Ferguson emphasized the financial necessity of reducing spending on Community Support, highlighting the need to preserve the institution of the Alliance.

Comment: Dr. Lynch expressed the need to analyze the eleven programs funded and their impact on medical management, particularly hospital days, and suggested involving community partners in the decision-making process.

Comment: Dr. Canon stressed the importance of preserving the infrastructure built over nearly a decade and involving providers in understanding the consequences of changes.

Comment: Ms. Peterson mentioned the potential impact on community partners and the need for a thoughtful approach, considering the blended funding of some programs.

Comment: Supervisor Tam expressed concerns about the blunt nature of the proposed cuts and emphasized the need to better understand their impact on small programs.

Motion: A motion was made by Dr. Ferguson and seconded by Dr. Kelley Meade to end the ongoing discussion and proceed to vote on the original motion.

Vote: The motion passed unanimously.

Ayes: Aarondeep Basrai, Colleen Chawla, Andrea Ford, Byron Lopez, Dr. Marty Lynch, Dr. Michael Marchiano, Andie Martinez Patterson, Dr. Kelley Meade, Jody Moore, Supervisor Lena Tam, Vice Chair Dr. Noha Aboelata, Chair Rebecca Gebhart.

No opposition or abstentions.

Motion: A motion was made by Dr. Ferguson and seconded by Natalie Williams to approve the Finance Committee's recommendation to reduce spending on the Community Supports Program to the amount provided by the state, which is \$14 million, and that if any services need to be terminated, the decision must come back to the full board for a vote.

Vote: The motion passed with eight (8) in favor, six (6) against, and one (1) abstention.

Ayes: Dr. Rollington Ferguson, James Jackson, Byron Lopez, Andie Martinez Patterson, Jody Moore, Andrea Schwab-Galindo, Dr. Evan Seevak, Natalie Williams.

Nays: Dr. Kathleen Clanon, Dr. Marty Lynch, Dr. Kelley Meade, Wendy Peterson, Vice Chair Dr. Noha Aboelata, Chair Rebecca Gebhart.

Abstain: Supervisor Lena Tam

d) MEDICAL MANAGEMENT UPDATE

Due to time constraints, the Medical Management Update will be presented at the next board meeting.

11. STANDING COMMITTEE UPDATES

- a) PEER REVIEW AND CREDENTIALING COMMITTEE**
- b) PHARMACY & THERAPEUTICS**
- c) QUALITY IMPROVEMENT HEALTH EQUITY COMMITTEE**
- d) COMMUNITY ADVISORY COMMITTEE**

All updates from the standing committees have been included as reports in the board packet.

12. STAFF UPDATES

There were no staff updates.

13. UNFINISHED BUSINESS

The Medical Management presentation has been rescheduled for the upcoming board meeting.

14. STAFF ADVISORIES ON BOARD BUSINESS FOR FUTURE MEETINGS

None.

15. PUBLIC COMMENT (NON-AGENDA ITEMS)

There were no public comments for non-agenda items.

16. ADJOURNMENT

Chair Gebhart adjourned the meeting at 2:24 p.m.