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BOARD OF GOVERNORS
Regular Meeting Minutes
Friday, June 13th, 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), Aarondeep Basrai, Tosan Boyo, Dr. Kathleen Clanon, Dr. Rollington Ferguson, Byron Lopez, Dr. Marty Lynch, Andie Martinez- Patterson, Dr. Kelley Meade, Wendy Peterson, Dr. Evan Seevak, Supervisor Lena Tam, Natalie Williams,

Board of Governors Remote (AB 2449 “Just Cause”): James Jackson, Jody Moore, Andrea Schwab-Galindo

Board of Governors Excused: Andrea Ford, Yeon Park

Alliance Staff Present: Matthew Woodruff, Dr. Donna Carey, Richard Golfin III, 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 12:01 p.m.

2. ROLL CALL

Roll call was taken, and a quorum was established.

3. AGENDA APPROVAL

There were no modifications to the agenda.

4. INTRODUCTIONS

Tome Meyers introduced the members of the Medicare Operations team: Jaini Goradia, Hamid Noori, Kim Derpic, Kayla Williams, Dona Doran, MyLe Hillard, Stacey Steffire, and Crystal Villanueva.

5. CONSENT CALENDAR

a) MAY 6th, 2025, FINANCE COMMITTEE MEETING MINUTES

b) MAY 9th, 2025, BOARD OF GOVERNORS MEETING MINUTES

Motion: A motion was made by Dr. Rollington Ferguson and seconded by Dr. Marty Lynch to approve the Consent Calendar.

Vote: The motion was passed unanimously.

Ayes: Aarondeep Basraj, Tosan Boyo, 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, Vice Chair Dr. Noha Aboelata, Chair Rebecca Gebhart.

No opposition or abstentions.

6. BOARD MEMBER REPORTS

a) DHCS AND DMHC JUNE 2 MEETING UPDATE

Chair Gephart reported on the board's effort to address the financial situation, including a letter sent to state regulatory agencies and subsequent meetings with DHCS and DMHC to discuss the financial strategies and rate adjustments. The meeting with DHCS and DMHC was requested to provide an update on the financial situation and to facilitate more connection and face time with the state.

Highlights:

- The state acknowledged that the 2025 rates were designed to address the impact of the Anthem acuity adjustment and recoupment, implying that these rates involve some form of acuity adjustment for the Alliance, which means that we may not see a big adjustment in rates in October.
- The state responded positively to the board's commitment to community support programs, indicating that their data shows community supports are saving money, and they are supportive of maintaining these programs without reductions.
- The state welcomed the approach of deeper involvement in the community for medical management and transitions of care, indicating that denials are not the right approach and supporting the focus on transitions.

b) CAC SELECTION COMMITTEE UPDATE

Chair Gephart provided an update on the Consumer Advisory Committee and explained the new state guidance, which includes more specific inclusion criteria and allows meetings to be held in various formats. The Selection Committee will reconvene in late June to continue building the Consumer Advisory Committee.

***Question:** Dr. Lynch inquired about the inclusion of a family member or an advocacy group on the consumer advisory committee.*

***Answer:** Chair Gebhart indicated that the language includes a reasonably representative sample of the long-term services and supports population. This scope is quite broad and could potentially encompass family members or individuals with firsthand knowledge of these services and believe they intentionally kept it broad to allow for a strong argument for particular involvement.*

c) COMPLIANCE ADVISORY COMMITTEE

Dr. Meade reported on the Compliance Advisory Committee meeting, highlighting the resolution of issues from the focused audits conducted by the Department of Health Care Services (DHCS) for 2023 and 2024 and progress on the compliance risk assessment.

Several issues were resolved in the 2023 DHCS-focused audit, while sixteen items were fully resolved and four were partially resolved in the 2024 audit.

Regarding the compliance risk assessment, Dr. Meade emphasized the advancements made, which included guidance from an external entity and improvements to internal processes. Most of this work has been completed, indicating significant progress.

The committee also reviewed the compliance dashboard, which features a joint survey conducted by the Department of Managed Health Care (DMHC) and DHCS. Although the final report is not yet available, steps are already being taken to address observable issues that have been identified.

d) FINANCE COMMITTEE

Dr. Ferguson reported on the Finance Committee meeting held on June 10th, noting improvements in the financial situation, including a positive Tangible Net Equity (TNE) and Medical Loss Ratio (MLR). The committee also discussed the grant review and approval policy, which will be presented to the board for a vote in July.

7. CEO UPDATE

CEO Woodruff and Karina Rivera, Senior Manager, Public Affairs and Media Relations, provided an update on the ongoing changes at both the state and federal levels.

Highlights:

- **State and Federal Budget Updates:** Mr. Woodruff discussed the impact of federal budget changes on California, including a potential \$4.4 billion reduction due to the FMAP penalty and the implementation of work requirements starting in 2026.
- **Supplemental Payments:** Changes to state provider taxes and state-directed payments were highlighted, which could significantly impact hospitals.
- **Governor's Proposal:** The governor's budget proposal includes cuts to medical premiums, long-term care coverage, dental benefits, and reductions for FQHC partners.
- **Medical Loss Ratio:** The proposal to increase the medical loss ratio to 90% was defeated, keeping it at 85%.
- **Assembly and Senate Budget Plan:** The Assembly and Senate proposed modifications to the governor's budget, including delaying dental benefits cuts and restoring the medical asset limit.
- **Impact on Enrollment:** Enrollment is projected to decrease, impacting medical expenses and community supports.
- **Hospital Contracts:** Contract increases with hospital partners are budgeted at \$49 million for the next fiscal year.

- Staffing and Hiring Freeze: A soft hiring freeze is being considered due to declining enrollment.
- Material Areas of Uncertainty: Several areas of uncertainty were noted, including state and federal budget changes, undocumented member enrollment, and hospital contracts.

Question: Dr. Aboelata asked which agency would oversee the proposed work requirements for Medi-Cal.

Answer: Mr. Woodruff said the work requirements will go through the Social Services Agency.

Question: Ms. Williams inquired whether the work requirements will be assigned to staff or if clients need to provide additional information.

Answer: Mr. Woodruff stated that this process will require reaffirming the same information every six months, necessitating efforts from both the Medi-Cal members and the county staff.

Question: Dr. Lynch asked if there is an estimate of each of these cuts' impact on the Alliance.

Answer: Mr. Woodruff stated that the estimated impact includes a 5% disenrollment in the undocumented population and potentially 50-75% disenrollment once all changes take effect in 2027, which could result in a loss of approximately 80,000 members and \$500 million to the budget.

8. BOARD BUSINESS

a) COMMUNITY SUPPORTS DISCUSSION (May 9 public comment)

i. REVIEW AND APPROVE – COMMUNITY SUPPORTS

Chair Gebhart and Mr. Woodruff led a discussion on community supports, emphasizing the importance of these programs, the state's guidance, and the decision to refrain from reducing them.

Comment: Dr. Lynch emphasized the importance of prioritizing community supports that impact broader healthcare goals and requested analysis on the financial impact of community supports and ECM.

Comment: Dr. Clanon supported the question of why the board needed to vote on community supports and mentioned the need for detailed data on the financial impact of community supports and ECM.

Comment: Ms. Williams mentioned the impact of community supports on individuals and the importance of reconsidering the decision to eliminate the program.

Comment: Ms. Peterson supported rescinding the March vote, stating that having it off the record is clearer.

Comment: Dr. Ferguson expressed concern about funding community supports without knowing the payment source, highlighting the challenging financial situation.

Motion: A motion was made by Natalie Williams and seconded by Tosan Boyo to rescind the March vote to reduce Community Supports spending to the amount of the state payment. Instead, the staff was directed to look for ways to cover the subsidy (the difference between the cost and the state payment) and bring options to the Executive Committee for discussion and then to the board.

Vote: The motion passed.

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

Abstain: Dr. Rollington Ferguson

No opposition.

b) REVIEW AND APPROVE APRIL 2025 MONTHLY FINANCIAL STATEMENTS

April 2025 Financial Statement

Enrollment:

Enrollment decreased by 1,846 members since March and an overall increase of 6,794 members since June 2024.

Net Income:

For the month ending April 30th, 2025, the Alliance reported a Net Income of \$5.9 million (versus budgeted Net Income of \$3.9 million). For the year-to-date, the Alliance recorded a Net Loss of \$92.4 million versus a budgeted Net Loss of \$72.4 million.

Premium Revenue:

For the month ending April 30th, 2025, actual Revenue was \$193.0 million vs. our budgeted amount of \$190.3 million.

Medical Expense:

Actual Medical Expenses for the month were \$181.2 million, vs. budgeted amount of \$174.9 million. For the year-to-date, actual Medical Expenses were \$1.8 billion vs. budgeted Medical Expense of \$1.7 billion.

Medical Loss Ratio:

Our MLR ratio for this month was reported as 93.9%. The year-to-date MLR was 101.1%.

Administrative Expense:

Actual YTD Administrative Expenses for the month ending April 30th, 2025, were \$95.5 million vs. our budgeted amount of \$101.1 million. Our Administrative Loss Ratio (ALR) is 4.5% of our Revenue for the month, and 5.4% of Net Revenue for year-to-date.

Other Income / (Expense):

As of April 30th, 2025, our YTD interest income from investments show a gain of \$28.1 million.

Managed Care Organization (MCO) Provider Tax:

For the month ending April 30th, 2025, we reported \$65.4 million MCO Tax Revenue vs. budgeted MCO Tax Revenue of \$63.9 million. Our MCO Tax Expense was \$65.4 million vs. budgeted MCO Tax Expense of \$66.9 million.

Tangible Net Equity (TNE):

For March, the DMHC requires that we have \$80.8 million in TNE, and we reported \$163.0 million, leaving an excess of \$82.2 million. As a percentage we are at 202%, which remains above the minimum required.

Cash and Cash Equivalents:

We reported \$811.1 million in cash; \$568.4 million is uncommitted. Our current ratio is above the minimum required at 1.13 compared to regulatory minimum of 1.0.

Capital Investments:

We have acquired \$859,000 in Capital Assets year-to-date. Our annual capital budget is \$2.0 million.

Motion: A motion was made by Natalie Williams and seconded by Dr. Rollington Ferguson to approve the April 2025 monthly financial statements.

Vote: The motion was passed unanimously.

Ayes: Aarondeep Basrai, Tosan Boyo, Dr. Kathleen Clanon, Dr. Rollington Ferguson, James Jackson, Byron Lopez, Dr. Marty Lynch, Andie Martinez Patterson, 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 FISCAL YEAR 2026 BUDGET

Highlights:

- 2026 Projected Net Loss of \$22 million.
- Projected excess Tangible Net Equity at 6/30/26 of \$71 million is 186% of required TNE.
- Year-end enrollment is 30,000 lower than June 2025. Fiscal Year member months are 146,000 lower than prior year. Year-end projected enrollment is 378,000 in June 2026.
- Revenue is \$3.0 billion in FY 2026, a decrease of \$136 million (-4.5%) from FY 2025.
- Fee-for-Service and Capitated Medical Expense is \$2.1 billion in FY 2026, decrease of \$50 million (-2.4%) from FY 2025.
- Expenses for Long-Term Care are projected to be approximately \$33 million higher than FY2025 3Q Forecast.
- Administrative Department Expenses are \$5 million higher than FY 2025 3Q Forecast and represent 5.6% of revenue.

- Clinical Department Expenses are \$31 million lower than FY 2025 3Q Forecast and comprises 1.0% of revenue.
- DSNP Program is projected to start on January 2026.

***Question:** Chair Gebhart inquired about the potential risks to hospital payment increases due to changes in the MCO program or any state-related adjustments to provider taxes.*

***Response:** Mr. Riojas explained that the changes to hospital contracts outlined in the budget are distinct from the discussions surrounding MCO taxes and direct payments. These are separate funding streams within the plan. However, he noted that MCO taxes and directed payments could be at risk starting in 2026 and continuing into 2027.*

***Question:** Dr. Seevak mentioned that group care constitutes a small part of the overall discussion. Is there any effort underway to adjust those rates?*

***Response:** Mr. Riojas confirmed that the group care rates are reviewed every two years in collaboration with the county. An analysis of these rates will be submitted to the county in October, with negotiations for adjustments expected to take place in the early part of the next calendar year.*

***Question:** Dr. Lynch asked about the projected \$22 million deficit. Are there any ways we could potentially reduce this deficit or make necessary cuts?*

***Response:** Mr. Riojas explained that the budget has already been adjusted based on discussions with the state. The projections are regarded as conservative, and further changes are anticipated by December.*

***Question:** Dr. Ferguson inquired whether a balanced budget would affect our current contract negotiations with providers.*

***Response:** Mr. Woodruff stated that contract negotiations have been challenging, and the hospitals have made concessions, indicating that negotiations are as close as they can be.*

Motion: A motion was made by Dr. Kathleen Clanon and seconded by Tosan Boyo to approve the Fiscal Year 2026 Budget.

Vote: The motion was passed unanimously.

Ayes: Aarondeep Basrai, Tosan Boyo, Dr. Kathleen Clanon, Dr. Rollington Ferguson, James Jackson, Byron Lopez, Dr. Marty Lynch, Andie Martinez Patterson, 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.

9. UNFINISHED BUSINESS

None.

10. STAFF ADVISORIES ON BOARD BUSINESS FOR FUTURE MEETINGS

None.

11. PUBLIC COMMENT (NON-AGENDA ITEMS)

There were no public comments for non-agenda items.

12. ADJOURNMENT

Chair Gebhart adjourned the meeting at 1:50 p.m.