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BOARD OF GOVERNORS
Regular Meeting Minutes
Friday, October 10th, 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), Aarondeep Basrai, Dr. Kathleen Clanon, Dr. Rollington Ferguson, James Jackson, Byron Lopez, Dr. Marty Lynch, Dr. Kelley Meade, Wendy Peterson, Supervisor Lena Tam, Natalie Williams

Board of Governors Remote (Traditional Brown Act): Dr. Noha Aboelata (Vice-Chair)

Board of Governors Remote (AB 2449 “Just Cause”): Andrea Schwab-Galindo

Board of Governors Excused: Andrea Ford, Jody Moore, Yeon Park, Dr. Evan Seevak

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

Chair Gebhart called the regular Board of Governors meeting to order at 12:05 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

Chair Gebhart and Matt Woodruff introduced the Bakertilly auditors and Dr. Stephanie Brown, the new Medical Director for Quality Improvement. Dr. Brown has extensive experience in leadership roles and recently joined from Sutter Health.

5. CONSENT CALENDAR

- a) **SEPTEMBER 9th, 2025, FINANCE COMMITTEE MEETING MINUTES**
- b) **SEPTEMBER 12th, 2025, COMPLIANCE ADVISORY COMMITTEE MEETING MINUTES**
- c) **SEPTEMBER 12th, 2025, BOARD OF GOVERNORS MEETING MINUTES**

d) APPROVE RESOLUTION FOR QIHEC NOMINEES

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 Basrai, Dr. Kathleen Clanon, Dr. Rollington Ferguson, James Jackson, Byron Lopez, Dr. Marty Lynch, Dr. Kelley Meade, Wendy Peterson, Andrea Schwab-Galindo, Supervisor Lena Tam, Vice Chair Dr. Noha Aboelata, Chair Rebecca Gebhart.

No opposition or abstentions.

6. BOARD MEMBER REPORTS

a) ANNOUNCEMENT: NOMINATIONS TO THE HOSPITAL COUNCIL OF NORTHERN AND CENTRAL CA HOSPITAL SEAT

Chair Gebhart announced that the Hospital Council is preparing nominations for the Hospital Council of Northern and Central California Hospital Seat vacated by Tosan Boyo. The board will review these nominations once received.

b) COMPLIANCE ADVISORY COMMITTEE

Dr. Kelley Meade reported that the Compliance Advisory Committee had no new audit findings, highlighted successful NCQA accreditation for two lines of business, noted a single corrective action plan from a 2023 audit is being remediated, and shared that compliance metrics such as overall and repeat findings are trending downward.

c) FINANCE COMMITTEE

Dr. Ferguson provided an update on the Finance Committee meeting held October 7th. The August financials, draft rates, and the annual audit were highlighted. He noted improvements in TNE and MLR but expressed concerns about declining enrollment.

7. CEO UPDATE

CEO Woodruff provided an update on state and federal legislative developments, clarifying that certain programs may not be renewed after 2026, but current community support and programs will continue until then. He explained that the state is taking a 'wait and see' approach regarding the renewal of certain programs by the federal government, with no immediate changes expected and more information to be provided once official decisions are made.

8. BOARD BUSINESS

a) REVIEW AND APPROVE BAKERTILLY FINANCIAL AUDIT REVIEW

The Bakertilly auditors presented their findings related to the fiscal year 2025 financial statements, highlighting an unmodified audit opinion: "Financial statements are presented fairly and in accordance with generally accepted accounting principles". This is the highest level of assurance that can be issued from the audit firm.

The audit included verification of cash, investments, receivables, and payables, with all balances confirmed and reconciled; claims payable estimates were reviewed and found reasonable based on third-party actuarial reports and historical lookbacks. Operating expenses remained consistent with prior years, with medical services as the largest category and a notable increase in MCO taxes due to higher membership and rates.

Management and the entire team demonstrated a high level of collaboration and responsiveness in addressing all inquiries essential to substantiating the reported figures. There were no audit adjustments or disagreements with management. Notably, there is no indication of significant instances of fraud or noncompliance with pertinent laws and regulations. From the auditor's perspective, the overall audit process proceeded seamlessly.

Comment: Dr. Ferguson gave thanks to those who worked behind the scenes to prepare the audit numbers and report, expressing happiness with the outcome.

Question: Dr. Clanon asked whether the TNE target of 350% is an accepted standard and for the auditors' opinion on this target.

Response: The auditor explained that 350% is considered a healthy plan by DMHC, but some plans set their own higher targets. The minimum is set by DMHC, and trends are monitored closely.

Question: Dr. Clanon also asked about the implications of being below the 350% TNE threshold for DMHC reporting.

Response: Mr. Riojas clarified that DMHC considers 350% as healthy, and being below this means the plan remains on reporting, with increased regulatory attention as the number trends downward.

Question: Supervisor Tam requested to revisit the graph showing TNE trends and asked about the implications of the downward trend since 2023.

Response: Mr. Riojas explained that trending down toward the required minimum prompts more regulatory activity and scrutiny from DMHC.

Question: Dr. Lynch asked if there was any informal advice from the auditors that could be shared with the team, especially advice that did not rise to the level of a formal audit finding?

Response: The auditors emphasized IT security, particularly access security, segregation of duties, and approval controls, noting the shift to cloud-based operations and the importance of maintaining appropriate system access and controls.

Motion: A motion was made by Dr. Rollington Ferguson and seconded by Dr. Marty Lynch to approve the Bakertilly Financial Audit Review.

Vote: The motion was passed unanimously.

Ayes: Aarondeep Basrai, Dr. Kathleen Clanon, Dr. Rollington Ferguson, James Jackson, Byron Lopez, Dr. Marty Lynch, Dr. Kelley Meade, Wendy Peterson, Andrea Schwab-Galindo, Supervisor Lena Tam, Natalie Williams, Vice Chair Dr. Noha Aboelata, Chair Rebecca Gebhart.

No opposition or abstentions.

b) REVIEW AND APPROVE AUGUST 2025 MONTHLY FINANCIAL STATEMENTS

Chief Financial Officer Gil Riojas provided the following updates on the August 2025 Financials:

Enrollment:

Enrollment decreased by 4,058 members since July 2025.

Net Income:

For the month ended August 31st, 2025, the Alliance reported a Net Income of \$3.0 million (versus budgeted Net Loss of \$540,000). For the year-to-date, the Alliance recorded a Net Income of \$4.7 million versus a budgeted Net Income of \$6.6 million.

Premium Revenue:

For the month ended August 31st, 2025, actual Revenue was \$188.9 million vs. our budgeted amount of \$186.8 million.

Medical Expense:

Actual Medical Expenses for the month were \$176.5 million, vs. budgeted amount of \$179.7 million. For the year-to-date, actual Medical Expenses were \$360.9 million vs. budgeted Medical Expense of \$350.3 million.

Medical Loss Ratio:

Our MLR ratio for this month was reported as 93.4%. The year-to-date MLR was 94.7%.

Administrative Expense:

Actual YTD Administrative Expenses for the month ending August 31st, 2025, were \$11.9 million vs. our budgeted amount of \$9.6 million. Our Administrative Loss Ratio (ALR) is 6.3% of our Revenue for the month, and 5.4% of Net Revenue for year-to-date.

Other Income / (Expense):

As of August 31st, 2025, our YTD interest income from investments show a gain of \$5.3 million.

Managed Care Organization (MCO) Provider Tax:

For the month ending August 31st, 2025, we reported \$173,000 MCO Tax Revenue vs. budgeted MCO Tax Revenue of \$64.8 million. Our MCO Tax Expense was \$173,000 vs. budgeted MCO Tax Expense of \$64.8 million.

Tangible Net Equity (TNE):

For June, the DMHC requires that we have \$80.2 million in TNE, and we reported \$174.0 million, leaving an excess of \$93.7 million. As a percentage we are at 217%, which remains above the minimum required.

Cash and Cash Equivalents:

We reported \$599.2 million in cash; \$284.0 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 \$0 in Capital Assets year-to-date. Our annual capital budget is \$1.4 million.

Motion: A motion was made by Dr. Kelley Meade and seconded by Dr. Kathleen Clanon to approve the August 2025 Monthly Financial Statements.

Vote: The motion was passed unanimously.

Ayes: Aarondeep Basrai, Dr. Kathleen Clanon, Dr. Rollington Ferguson, James Jackson, Byron Lopez, Dr. Marty Lynch, Dr. Kelley Meade, Wendy Peterson, Natalie Williams, Vice Chair Dr. Noha Aboelata, Chair Rebecca Gebhart.

No opposition or abstentions.

c) INFORMATION TECHNOLOGY ANNUAL UPDATE

Sasi Karaiyan provided a comprehensive update on cybersecurity operations, including strategy, recent accomplishments, ongoing projects, penetration testing results, and security awareness training, with board members such as Wendy Peterson and Dr. Ferguson engaging in questions about feedback loops, staffing, and board oversight.

Cyber Security Operations Progress Report

Accomplishments

- Automate vulnerability management system using Nessus
- Stood up IT Governance and Security Command Center
- Migrated to new Immutable Cloud Storage
- Disaster Recovery Procedure and Business Continuity Plan for Core processes.
- Completed End to End penetration test and IT Security Risk Assessment
- Total 67 vulnerability patches/upgrades to Alliance IT Ecosystems.
- Phishing Monitoring and Response 98% (Average 460+ inquires)
- Renewed Cybersecurity insurance coverage.
- Continued to support state of the art in resilient networked systems.
- Intune remote management capabilities for workstations.
- Trued up certificate collection effort into IT Glue (internal + external, SSO apps WIP)

Automation and Artificial Intelligence (AI) Approach

Sasi Karaiyan presented the Alliance's automation and AI initiatives, detailing the approach to identifying use cases, governance, implemented solutions such as Copilot and paper-to-electronic document processing, and future plans.

AI Governance Strategy

- AI Policy & Procedure
- AI Methodology & Governance
- Identification of AI Models
- Accountability & Decision Making
- Monitoring and Surveillance
- Regulatory Compliance Requirements
- Annual Risk Assessment and Remediation
- Awareness and Training

Workflow Automation Success Stories

- Roll-out Co-pilot to 140+ staff members
- Inpatient (IP) and Outpatient (OP) authorization paper/fax integration using OpenAI solution
- Regression Testing of Core Systems and Process
- G&A and PDR Letter Generation and Mailing
- Auto Authorization via Provider Portal
- Member Enrollment and Engagement workflow
- HIF/MET & AOR Form Mailing
- Health Education and Interpreter Services Automation
- AI powered real time monitoring of network traffic
- ML algorithm to reduce vulnerability, security threats and notifications
- IT assets management (Pilot)

3-Year Road Map

- Member and Provider Service Call Center AI ecosystem
- Call Center and Member 360 Automation
- IT Service Desk Chat Bot
- Accelerating Code development
- Data Exchange Ecosystem Workflow Processes
- Predictive Modeling
- Predictive Modeling
- Finance Division Workflow Automation
- AI Natural Language Integration within SDLC, Structured and Unstructured Data Process
- Compliance/Regulatory AI Tool
- Claims Refund Check Automation
- Advanced Cyber-AI Dashboard
- Mail Room OCR integration using OpenAI
- AI Chat to Interact with Rational Database (Prototype)

Question: Dr. Clanon asked how do we determine that people are using Copilot efficiently?

Response: Mr. Karaiyan stated that usage is monitored through backend tenant data and direct feedback from staff, who report time savings and improvements in efficiency.

Question: Supervisor Tam asked for examples of how paper-to-electronic AI is used for interpreter services, and how is integration working?

Response: Mr. Madivanan said the AI processes incoming faxes and documents for interpreter requests, digitizes them, and is being developed to automatically request services from vendor websites; it extracts data but does not make clinical decisions.

Question: Dr. Clanon inquired about clinical applications or plans for AI in clinical documentation and member communication.

Response: Mr. Karaiyan stated that AI is not currently used for clinical decisions. While communication applications are being developed, clinical use remains out of scope for at least the next year due to concerns about security and accuracy.

Question: Ms. Peterson inquired whether there is a plan for designing and testing AI communication with members, such as through beta testing or by involving advisory committees.

Response: Mr. Karaiyan stated that prototyping is currently underway, and the Community Advisory Committee may be involved, but no specific plan has been finalized yet.

Comment: Dr. Ferguson noted that due to the fast changes in AI and technology, the board should think about establishing a subcommittee or having more frequent updates—at least quarterly—focused specifically on computer strategy, AI, and internet-related issues. This approach would enhance oversight and ensure alignment with the organization's needs, rather than depending solely on annual updates.

Comment: Dr. Aboelata suggested that, since developments in AI are moving quickly, annual updates may not be sufficient. She also raised the point that the provider network may be grappling with similar AI-related questions and that the Alliance could have a role in offering technical expertise or compliance guardrails for providers as these challenges evolve.

Comment: Dr. Lynch stated he supports the board's role as policy oversight rather than involvement in operational details of AI implementation. He emphasized the need to ensure safety, risk management, and adherence to best practices, but does not see the board's role as digging into specifics like phishing test results.

Informational Item Only.

d) HEDIS UPDATE

Due to time constraints, the HEDIS presentation was rescheduled to the December board meeting.

Motion: A motion was made by Natalie Williams and seconded by James Jackson to move the HEDIS presentation to the December board meeting.

Vote: The motion was passed unanimously.

Ayes: Aarondeep Basrai, Dr. Kathleen Clanon, Dr. Rollington Ferguson, James Jackson, Byron Lopez, Dr. Marty Lynch, Dr. Kelley Meade, Wendy Peterson, Andrea Schwab-Galindo, Supervisor Lena Tam, Natalie Williams, Vice Chair Dr. Noha Aboelata, Chair Rebecca Gebhart.

9. STAFF UPDATES

There were no staff updates.

10. UNFINISHED BUSINESS

None.

11. STAFF ADVISORIES ON BOARD BUSINESS FOR FUTURE MEETINGS

Mr. Woodruff announced plans for an event in April 2026 to celebrate the Alliance's 30 years of community service.

12. PUBLIC COMMENT (NON-AGENDA ITEMS)

There were no public comments for non-agenda items.

13. ADJOURNMENT

Chair Gebhart adjourned the meeting at 1:57 p.m.