BOARD OF GOVERNORS
Regular Meeting Minutes Friday,
June 9th, 2023
12:00 p.m. – 2:00 p.m.

In-Person and Video Conference Call
1240 S. Loop Road
Alameda, CA 94502
or
7830 MacArthur Blvd
Oakland CA,

Board of Governors Present: R. Gebhart (Chair), Dr. Marty Lynch, Dr. Michael Marchiano, Dr. Kelley Meade, Jody Moore, Andrea Schwab-Galindo, Dr. Rollington Ferguson, Aaron Basrai, Supervisor Lena Tam, James Jackson

Remote Attendance - AB 2449 "Just Cause" Exception: Dr. Noha Aboelata (Vice-Chair), Byron Lopez

Remote Attendance - Viewing Member: Yeon Park

Board of Governors Excused: Natalie Williams, Dr. Evan Seevak

1. CALL TO ORDER

Chair Gebhart called the regular Board of Governors meeting to order at 12:00 p.m.

2. ROLL CALL

Members of the Board are called to order, quorum is confirmed.

3. AGENDA APPROVAL OR MODIFICATIONS

None.

4. INTRODUCTIONS

None.

5. CONSENT CALENDAR

a) May 12th, 2023, Board of Governors Meeting Minutes

b) May 12th, 2023, Compliance Advisory Committee Meeting Minutes

c) June 6th, 2023, Finance Committee Meeting Minutes

Motion: A motion was made by Dr. Rollington Ferguson and seconded by Dr. Marty Lynch to approve Consent Calendar Agenda Items 5a through 5c.

Vote: Motion unanimously passed.

No opposition or abstentions.

6. BOARD MEMBER REPORTS

a) COMPLIANCE ADVISORY COMMITTEE

Dr. Meade announced that 178 findings from the compliance activity performance dashboard over the last five years, including self-identified and audit findings from the oversight body, were reviewed informationally.

The 2023 DHCS routine medical survey was conducted from April 17th to April 28th. The report has not yet been released, but the Alliance has identified 14 self-identified findings and begun addressing them.

The 2022 DHCS routine medical survey reported 15 findings, 9 of which were repeats. We have heard back from DHCS on eight of those 15 and will continue to track them. Two delegated entities, CFMG and CHCN, have some deficiencies in the DMHC sparing organization audit, but they have very good processes in place to follow up quarterly. In addition, the DMHC routine financial examination for 2022 is complete, and all issues have been resolved.

b) FINANCE COMMITTEE

Dr. Ferguson reported that our TNE continues to remain stable and is currently 724%. Several state changes are going to affect us, and we're anticipating the addition of many non-capitated members over the next year, which will significantly impact our TNE. There are also expectations of an increase in ALR, which will be primarily attributed to new hiring. Our net investment continues to increase, which drives up interest rates, and we're seeing pretty good returns.

7. CEO UPDATE

Net income for 2024 is projected at $21.9 million. As part of our DHS contract for 2024, we now have some details about this new term called Community Reinvestment. The term describes how a medical plan must reinvest a certain amount of money back into the community.

In April, all regulatory metrics were met. The Member Services Department and the Information Technology Department both met regulatory metrics but did not meet internal metrics.

As part of the insourcing of mental health and autism spectrum services, we have entered our stabilization period. The Alliance is now providing services to 1,860 LTC members.

The public health emergency has ended, and Medi-Cal redeterminations have begun. The first disenrollments are expected to take place in July 2023, and they will continue through May 2024.

An outreach campaign is being conducted by Alameda Alliance for Health in partnership with Alameda County Social Services Agency to minimize disruptions to county residents who are disenrolled from Medi-Cal.

<u>Question:</u> What steps are being taken to be able to meet member services call center metrics the way that we want to, considering membership is growing and call volume is increasing?

<u>Answer:</u> For the first six months of the year, we had our two highest volume months ever; in February, we had over 20,000 calls. In April, we had over 14,000 calls, and in May, we had over 19,000 calls. This month, in June, we have had new hires starting every Monday, and as call volumes continue to rise, we are continuing to staff up to meet our internal metrics.

8. BOARD BUSINESS

a) REVIEW AND APPROVE APRIL 2023 MONTHLY FINANCIAL STATEMENTS

<u>Enrollment</u>

- Enrollment has increased to 358,000 members, an increase of approximately 2900 members.
- The Child Category of Aid and Adults Optional Expansion continues to increase.
- In July 2023, the Alliance expects to restart disenrollment activities related to redetermination following the end of the Public Health Emergency in May 2023.
- Membership enrollment in Medi-Cal SPD's and Duals continues to increase.

<u>Net Income</u>

- For the month ended April 30th, 2023:
  - Actual Net Income: $13.5 million.
  - Budgeted Net Loss: $1.2 million.
- For the fiscal YTD ended April 30th, 2023:
  - Actual Net Income: $78.8 million.

Revenue

- For the month ended April 30th, 2023:
  - Actual Revenue: $138.8 million.
  - Budgeted Revenue: $138.1 million.
- For the fiscal YTD ended April 30th, 2023:
  - Actual Revenue: $1.2 billion.
  - Budgeted Revenue: $1.2 billion.
- The variance is related to our medical expenses, which were lower than what we anticipated in our budget, but also, our portfolio investment returns have been higher than expected.

Medical Expense

- For the month ended April 30th, 2023:
  - Actual Medical Expense: $121.2 million.
  - Budgeted Medical Expense: $130.4 million.
- For the fiscal YTD ended April 30th, 2023:
  - Actual Medical Expense: $1.0 billion.
  - Budgeted Medical Expense: $1.1 billion.
- There are three major categories that account for the variance between budget and actuals Long Term Care, inpatient hospitals, and people services, as well as ancillary services.

Question: What is the difference between Long Term Care FFS and Inpatient Hospital & SNF FFS?

Answer: It's really a summary of medical expenses and some of the key drivers of variance. We also look at our expenses per member per month. As a result, we've picked up some monthly volume impacts. It's about 4.8% off, but it's slightly less than what we had anticipated.

Medical Loss Ratio (MLR)

Medical Loss Ratios (total reported medical expenses divided by operating revenue) was 87.3% for the month and 89.1% for the fiscal year-to-date. 87.3% of each dollar is allocated to medical care. The remaining is allocated to administrative expenses and is part of our net equity.

Question: Are we not referring appropriately to transplant services?

Answer: This is not the case because we do not receive grievances. You do not see excess mortality in that area. As a result, we do not hear about PQIs (potential quality issue), as it may indicate lingering patients who have not been referred. In addition to the fact that we live very close to two major test centers, UCSF, and Stanford, most of our patients choose to undergo tests at UCSF.

Question: How many transplants did our members get in the last fiscal year?

Answer: As of right now, we do track a few members, but a specific number will have to be written up and provided.

Question: How do you intend to contextualize the entire number that they give you? What is the numerator, and what is the denominator? How will you utilize the number once you get it?

Answer: We will look to see if there is any available information in terms of rates, and we could also look to see, although I don't know if it is available, what the state fees for service are, and how their experience was before we took over the program.

Administrative Expenses

- For the month ended April 30th, 2023:
  - Actual Administrative Expense: $6.2 million.
  - Budgeted Administrative Expense: $9.0 million.
- For the fiscal YTD ended April 30th, 2023:
  - Actual Administrative Expense: $58.4 million.
  - Budgeted Administrative Expense: $67.2 million.
- Administrative expense budget has been lower than anticipated, and we include the categories of expenses on the table here.

- In total, about $8.8 million is favorable to our budget; the biggest area is the list of employee expenses. This is due to the delayed timing of start dates for Consulting for new projects, Computer Support Services, and Purchased Services, and the delayed hiring of new employees and temporary help.

Other Income / (Expense)
Other Income & Expense is comprised of investment income and claims interest. In this fiscal year, we gained $11.3 million. We experienced a small loss during the last fiscal year. Investing expenses amounted to $293,000. Our entire budget is $360,000.

Question: Are there any reasons why claims interest expense keeps going up?

Answer: There are several reasons, primarily programs and services that started. There is usually a kind of integration and late payment due to delays in authorizations. Additionally, as our membership has increased, we have more members and are adding more providers to provide care for them.

Tangible Net Equity (TNE)
The required amount by the Department of Mental Healthcare is about $43 million.

- Required TNE - $42.8 million
- Actual TNE - $309.5 million
- Excess TNE - $266.7 million
- TNE % of Required TNE – 724%

Cash & Cash Equivalents
Our cash position is $448 million in cash, of which $228 million of that is committed in our investment portfolio. $148 million in cash, which is 228% committed bulk of that is in our investment portfolio. Short-term investments that we earn interest on capital are $200 million, with a ratio of 1.8.

Capital Investments
Capital investments today $339,000 invested in capital assets.

Motion: A motion was made by Dr. Kelly Meade and seconded by Andrea Schwab-Galindo to approve the April 2023 monthly financial statements as presented.

Vote: Motion unanimously passed.

No opposition or abstentions.

b) REVIEW AND APPROVE FY24 DRAFT BUDGET PRESENTATION

- First quarter forecast for FY24 and final budget to be presented in December 2023.
- DHCS has announced that final Medi-Cal rates will be issued in December. The final rates will be incorporated in the second quarter forecast.
- FY24 Projected Highlights Proposed.
- 2024 Net Income of $22 million.
- Anticipating enrollments to lower by about 8000 Members.
- $1.7 billion for the next fiscal year, about a $30 million increase in revenue for the next fiscal year.
- $19.2 million in net savings from claims avoidance and recovery activities.
- Administrative expenses represented about 6.7% of revenue for the next fiscal year. $43 million higher than FY23.
- Staffing includes 659 full-time equivalent employees by June 30th, 2024.
- Higher enrollment and a higher proportion of fee-for-service vs. capitated expense generate a higher TNE requirement. Group Care enrollment remains steady at approximately 5,700.
- Medi-Cal base rates are assumed to increase by 11.8% on a per member/per month basis, equating to an increase of $110.0 million in revenue. This is driven by a full year of Long-Term Care.

- The continuation of CalAIM initiatives of Enhanced Care Management (ECM), Community Supports, and Major Organ Transplants (MOT) represent $42.9 million in revenue.
- Community Supports expenditures will exceed funding by approximately $15 million.
- CalAIM Incentives of $30.8 million are anticipated, most of which will be passed on to our community partners.
- ECM and MOT expense increases correspond to revenue, as a risk corridor is included for these services.
- FY24 Hospital contract rates increase by $27.2 million over FY23.
- Anthem members and other new populations join the Alliance. Healthcare costs for these members are largely paid via FFS claims. The FFS claims will requireincreases to required TNE .
- Our capital budget for next year is going to be about $1.5 million.
- The age band for the Child Adult Category of Aid will potentially be extended by 2 years, up to 21 years of age. This will cause budget discrepancies between the Child and Adult COAs.
- Contract changes for hospitals and delegated providers in projections have not been finalized.
- The Executive Committee recommendation is to retain the Designee language for the two County Department head seats as proposed by the County.

<u>Question</u>*: The child's health in the MLR seems less than 85%. Are we spending less on children? Does that mean we anticipated giving the state money back?*

<u>Answer:</u> *We are spending less than our revenue percentage for the child category. Additionally, no, we don't because the state looks over the medical loss ratio and its entirety, and the average is over 85%.*

<u>**Motion**</u>: A motion was made by Dr. Rollington Ferguson and seconded by Dr. Kelly Meade to approve the FY24 draft budget presentation as presented.

<u>**Vote**</u>: Motion unanimously passed.

No opposition or abstentions.

c) REVIEW AND APPROVE PROPOSED LANGUAGE FOR COUNTY DIRECTOR SEATS

- Designee proposed language indicates that in the event they do not possess the capacity to serve on the board or if another content expert who is a leader within the organization is better suited to serve on the board than they would.
- The Executive Committee recommendation is to retain the Designee language for the two County Department head seats as proposed by the County.
- There will be no change to the internal vetting process for all candidates, except for a proposal to include the Executive Committee invitation to all candidates:
  - The Board Chair and Vice Chair, with the Executive Committee as their availability permits, meet with the proposed Candidate, remotely or in person.
  - The Candidate’s name is taken to the Alliance Board of Governors for approval.
  - After approval, candidate names are forwarded to the Board of Supervisors for the official appointment, and after the appointment, there is an informal orientation with Board members and a formal orientation with the staff.

<u>Question:</u> *Will there be an Onboarding position to the board moving forward?*

<u>Answer:</u> *Interpreting this as an opening to the entire Executive Committee for every new Board position that becomes open and not singling out the county positions.*

Motion: A motion was made by Supervisor Lena Tam and seconded by James Jackson to approve the language and the composition as presented.

Vote: Motion unanimously passed.

No opposition or abstentions.

d) REVIEW AND APPROVE CHAIR AND VICE CHAIR POSITIONS FOR STANDING COMMITTEES

- Executive Committee: Rebecca Gebhart (Chair); Noha Aboelata, MD (Vice Chair)
- Compliance Advisory Committee: Kelley Meade, MD (Chair); Byron Lopez (Vice Chair)
- Finance Committee: Rollington Ferguson, MD (Chair); Michael Marchiano, MD (Vice Chair)
- Strategic Planning Committee: Marty Lynch, Ph.D. (Chair); Andrea Schwab Galindo (Vice Chair)

Question: Since this is now a two-year term, what's the definition?

Answer: Two fiscal years.

Motion: A motion was made by Aaron Basrai and seconded by Jody Moore to approve the chair and vice chair positions for standing committees as presented.

Vote: Motion unanimously passed.

No opposition or abstentions.

e) DISCUSS BOARD STANDING COMMITTEE MEMBERSHIP

9. STANDING COMMITTEE UPDATES

a) PEER REVIEW AND CREDENTIALING COMMITTEE

As of May 16th, 126 providers were approved; 74 were behavioral health providers, and 18 were recredentialed.

b) HEALTH CARE QUALITY COMMITTEE

HCQC is a health care quality committee established by statute from DHCS. The committee is going to change its name and slightly change its function to the Quality Improvement Health Equity Committee, which will be official in August once the bylaws and rules have changed.

10. STAFF UPDATES

None.

11. UNFINISHED BUSINESS

None.

12. STAFF ADVISORIES ON BOARD BUSINESS FOR FUTURE MEETINGS

None.

13. PUBLIC COMMENT (NON-AGENDA ITEMS)

None.

14. ADJOURNMENT

Chair Gebhart adjourned the meeting at 2:02 p.m.