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BOARD OF GOVERNORS
Regular Meeting Minutes
Friday, October 13th, 2023
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. Rollington Ferguson, James Jackson, Byron Lopez, Dr. Michael Marchiano, Jody Moore, Yeon Park, Dr. Evan Seevak, Supervisor Lena Tam, Natalie Williams

Board of Governors Remote: None

Board of Governors Excused: Dr. Noha Aboelata (Vice-Chair), Dr. Marty Lynch, Dr. Kelley Meade, Andrea Schwab-Galindo

Alliance Staff Present: Matthew Woodruff, Dr. Steve O'Brien, 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 12:00 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

Matt Woodruff introduced the Moss Adams auditors who reviewed the financial reports.

5. CONSENT CALENDAR

- a) **SEPTEMBER 8th, 2023, COMPLIANCE ADVISORY COMMITTEE MEETING MINUTES**
- b) **SEPTEMBER 8th, 2023, BOARD OF GOVERNORS MEETING MINUTES**
- c) **REVIEW AND APPROVE RESOLUTION 2023-09 NOMINATING REBECCA GEBHART AS A MEMBER OF THE COMPLIANCE ADVISORY COMMITTEE**

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

Vote: The motion was passed unanimously.

Ayes: Aarondeep Basrai, Dr. Rollington Ferguson, James Jackson, Byron Lopez, Dr. Michael Marchiano, Jody Moore, Yeon Park, Dr. Evan Seevak, Supervisor Lena Tam, Natalie Williams, Chair Rebecca Gebhart.

No opposition or abstentions.

6. BOARD MEMBER REPORTS

a) COMPLIANCE ADVISORY COMMITTEE

Byron Lopez provided an update on the Compliance Advisory Committee meeting that was held on October 13th. During the meeting, the committee reviewed the NCQA and conducted a standard review, which was notified via email by Matt. The review covered the plan's performance metrics, such as hiatus and caps, which were analyzed along with other key roles. The Medi-Cal plan received four out of five stars, while the group care plan received three out of five stars. The status of the group care plan is accredited, but there was a finding that needs to be addressed as it was based on HEDIS and caps. The 2023 DHCS routine medical survey was also discussed, which had 14 findings, including four repeat findings and 55 repeat grievances related to timeframes. The committee is working on strengthening the processes to address these issues.

During the audit, Dr. O'Brien addressed the issue of having no utilization management findings. We performed well on the audit, with the UM team having zero findings. Although we had one UM finding related to one of our delegates, it was still an impressive achievement for the UM team. The case management team had only one finding, and he acknowledged Julie Ann Miller, Senior Director of Healthcare Services, who will be retiring at the end of the month. Julie Ann has been instrumental in helping build a team of capable, strong directors under her leadership, and she has been a huge positive energy source for Dr. O'Brien and her team at the organization.

b) FINANCE COMMITTEE

During the Finance Committee update on October 10th, Dr. Ferguson discussed the August financials and the Moss Adams report. Moss Adams found no inconsistencies in our financial reports over the past several years, and Moss Adams provided a positive report. However, there has been a decline in our numbers of about 3000, which was expected. Quality scores were also discussed, and it is anticipated that they will be declining. We spent a lot of time discussing this and potential solutions. Additionally, projected losses were discussed regarding the Housing projects we are taking on, which will be detailed in the financials.

7. ACCEPT AND REVIEW MOSS ADAMS FINANCIAL REVIEW

Ryan Suico and Gordon Lam presented the results of the 2023 audit, which aimed to determine whether the financial statements prepared by the management team were reasonably stated in accordance with generally accepted accounting principles. Moss Adams, the auditing firm, conducted audit procedures on the balances and materials provided by the management team. They also considered the internal controls related to financial reporting, such as payroll controls, claims, investment controls, and revenue recognition controls. However, they were not specifically

engaged to report on those internal controls. The Alliance would need to contract with them separately for that engagement.

After performing hundreds of hours of audit procedures, Moss Adams presented an unmodified audit opinion, which is the highest level of opinion that the CPA firm can give The Alliance regarding the financial statements. This reflects management's ability to accurately record transactions throughout the year and at year-end. This unmodified opinion has been consistent since Moss Adams became The Alliance's auditor.

Gordon briefly reviewed the audit procedures performed on the financial balances, which included examining the composition of assets and deferred outflows of resources. Specifically, for cash and cash equivalents, Moss Adams obtained management cash reconciliations and compared the bank balances to confirmations received directly from the bank. They also tested any reconciling items that were above their scope. For premium receivables, they tested cash receipts received after year-end to substantiate the receivable balance. For investments, they obtained the management investments roll forward and tested any purchases and sales of investments that were above their scope. They also agreed on the ending balances to investment confirmations received from the bank. Additionally, they reviewed the investment disclosure of footnotes to ensure that they were properly presented in accordance with the US gap.

For the assets and liabilities balances, they tested the calculations used by management to come up with the ending balances. For the capital assets, Moss Adams obtained management capital assets roll forward and tested any additions and disposals with capital assets to determine if those were reasonable. For accounts payable, they tested the vendor payments made after year-end to substantiate the accounts payable balance. For net pension liabilities, they reviewed and agreed on the actual reports and balances. They also tested the assumptions used by the actuaries to come up with the pension liabilities and reviewed the footnotes related to pensions to ensure they were presented in accordance with the US gap.

During the audit, Moss Adams performed a look-back procedure to test management's methodology for claims payable estimation. They reviewed different expense line items on the financial statements for operating expenses over the past three years. Based on this review, Moss Adams expects The Alliance's actual claims liability to be slightly lower than the estimated claims liability, which is consistent with prior years' trends.

Moss Adams and management had a very collaborative relationship and talked throughout the year to ensure a smooth audit plan and procedure with no surprises. There is no indication of any material non-compliance with laws and regulations.

CEO Matt Woodruff thanked the auditors and the Finance team.

Motion: A motion was made by Yeon Park and seconded by Dr. Evan Seevak to accept the Moss Adams Financial Audit review.

Vote: The motion was passed unanimously.

Ayes: Aarondeep Basrai, Dr. Rollington Ferguson, James Jackson, Byron Lopez, Dr. Michael Marchiano, Jody Moore, Yeon Park, Dr. Evan Seevak, Supervisor Lena Tam, Natalie Williams, Chair Rebecca Gebhart.

No opposition or abstentions.

8. CEO UPDATE

In the CEO Update, Matt Woodruff discussed the Final Budget. If the board remembers, back in June, we were predicting a \$21 million net income. Since August, the team has been meeting internally to discuss what we can do to help the community get our quality and access scores up. We will put into our final budget that even though we had almost 100 positions we're asking for this year, there will be more. The reason why there's going to be more is that once we got through the Beacon transition and once we got through the long term care transition, we started to realize from information that we had received from both the State and from Beacon, there was a lot more work than we had been led to believe and so we have a lot more claims coming in, a lot more authorizations coming in. We are looking at more staffing based on the information that we now have.

As of January, our quality scores are expected to decrease by 3-5% since Kaiser is leaving, which is about what they contribute to our scores annually. Anthem is taking their place, but their quality scores are lower than ours. This means that from day one, our scores will suffer. However, we have devised a plan to help raise our scores and improve the overall quality of our services.

Firstly, we plan to promote provider engagement and increase the pool and provider P4P by almost double. This will incentivize providers to be more proactive and improve their performance. We will also hire outbound call staff to reach out to members requiring preventive care services every month. This team will specialize in doing this. Additionally, we need to build out HealthSuite and TruCare to identify more preventative needs, including social determinants of health. Our IT team is working on this.

We plan to use a vendor to engage our providers and community on billing and coding. We believe that work is being done in the community, but we may not be capturing all the work that's being done. We're going to talk to individual docs and larger systems and work on coding better or putting something into their current systems to capture data better.

Finally, we will be hiring dedicated QI staff who can support the pediatric metrics, behavioral health metrics and health disparity projects. We believe this investment in the community and the Alliance will potentially affect our overall net income.

Question: Could you explain why HealthSuite TruCare is not being included in the IT budget, given that we have been exceeding the IT budget almost every year? Also, what will happen to the Medical Loss Ratio (MLR) as none of these expenses seem to be medically related? Additionally, what impact will this have on the Annual Loss Reporting (ALR)?

Answer: We are currently focusing on developing the recruiting incentives as well as the Board of Governors grant program. Matt is working on the next draft and plans to present it to the Executive Committee for review by the end of October. The IT budget will cover the costs for HealthSuite and TruCare. Although these projects will be allocated to different budgets, they will be implemented simultaneously.

Community Support Services Impact Analysis Presentation

Community Support

With the 14 community support programs, by January 1st, there will only be two that we are not live in, which are short-term post-hospitalization housing and day habilitation programs. Overall, we are doing well.

Utilization Analysis

We analyzed the reenrollment and post-enrollment data for six months across various programs to identify the ones that were successful, particularly in the programs that are heavily utilized and attract more funding. We found that housing and food programs had the highest enrollment in the county. Project Open Hand provides assistance after hospitalization, while Rescue for Health helps in delivering food to the community when prescribed by a healthcare professional. Housing is the only community support program that is currently available statewide, which means it has the potential to become a benefit for everyone before any other program. Once it becomes a benefit, we will receive a specific amount of money per person in our plan. This is expected to happen by 2025, which is good news for those in need of housing. Currently, we are investing more money into housing with Alameda County. Luckily, there is some relief on the horizon. All the people who receive these services must pass through the county coordinated entry system, which is based on certain rules that require them to be homeless. The priority for these services is determined by various factors such as the severity of the illness, including serious mental illnesses. These factors are used to determine the priority level on the list. The county and its partners have been very creative in finding solutions to help those in need.

Question: Do we have evidence that the money we spend is effective in helping people transition from homelessness to housing and remain housed?

Answer: Matt believes that we have made a difference as we have provided housing to 1400 individuals. However, it is difficult to assess the impact on a larger scale. Those individuals who have received housing services have actually increased their expenses. While we may be able to save money over the long term, we do not have enough data at present to substantiate any significant long-term impact. As of now, we do not have any clear metrics to measure success in keeping people housed.

Comment: Mr. James Jackson commends the outstanding work and looks forward to seeing the data demonstrating its efficacy.

9. BOARD BUSINESS

a) REVIEW AND APPROVE AUGUST 2023 MONTHLY FINANCIAL STATEMENTS

During the meeting, Gil Riojas, the Chief Financial Officer, presented a general overview of the financial statements for August 2023. The complete packet, containing all the details, had already been presented to the Finance Committee earlier in the week.

To summarize, we lost approximately 3600 members in August, as we had anticipated. However, we reported a net income of \$2.3 million, and our medical loss ratio represented about 93.7% of the revenue we received. Our tangible net equity, which is our reserve, decreased by three percentage points.

As we had expected, we anticipated a decrease in enrollment, and it did happen in August. We believe that the enrollment numbers may decline slightly more than we anticipated in September or October, as there are some estate cleanups that need to be done. We expect the number to go down, most likely in September.

Medical Loss Ratio (MLR):

- The Medical Loss Ratio was 93.7% for the month and 92.3% for the fiscal year-to-date. MLR percentages above 95% may result in net losses for the plan.

Tangible Net Equity (TNE):

- Reserves remain healthy at about seven times the amount required by the Department of Managed Healthcare requirements.

The Alliance continues to benefit from increased non-operating income. For August, we reported returns of \$2.0M in the investment portfolio. Conversely, we experienced a negative variance of \$1.3M in administrative expenses. This negative variance was a factor in reducing our reported Net Income for August.

Question: Mr. Jackson mentioned that during a detailed presentation by Moss Adams earlier this week, they discussed the TNE. He found it reassuring because they provided some context about our team's current position and future prospects, and also compared it with similar organizations across the state. He requested Gil to elaborate on this topic.

Answer: According to Gil, we receive tangible net equity results from our sister plans quarterly. We then compare these results to see where we stand in comparison to them. Typically, The Alliance's reserve amount falls within the middle range of our sister plans. Over the past few months, approximately half of the plans have had reserve amounts higher than ours, and the other half have had lower amounts. Although we are still in the middle, our reserve amount is trending towards the lower half. This doesn't mean our reserves are low, but they are on the lower side when compared to our sister plans. The thing about tangible net equity is that it's a big reserve, particularly when it increases beyond 1000%.

Question: Our plans seem to be slightly lower than those of other states. Could this be because we invest more in community supports? As we discussed earlier, we don't receive a lot of money for many of the services we provide, which means we use our TNE to cover the costs. Could this be a factor that contributes to our lower plans compared to other states?

Answer: Gil believes that we are one of the leading providers of community support. We understood that there would be a cost associated with this service, but it has had a positive impact on our team compared to other plans. As other plans begin to offer more community support, their total net expense may potentially decrease. However, we are currently at the

forefront in terms of the services we offer, and this has a significant impact on our total net expense.

***Question:** Is there a possibility that the variance that we see in the long-term care line includes items that could have been charged to different lines in the medical expenses here? In other words, while it looks intimidating to see that we lost \$4.4 million or we varied from the budget by \$4.4 million, is that misleading because some of the positive variances that we're seeing in other categories wouldn't be as great if the expenses were attributed correctly?*

***Answer:** There might be some ancillary costs that were related to long-term care, and we see some favorability there, but for the most part, the long-term care category of aid and long-term care category of service should capture all those long-term care costs.*

Motion: A motion was made by Natalie Williams and seconded by Dr. Evan Seevak to approve the August 2023 monthly financial statements.

Vote: The motion was passed unanimously.

Ayes: Aarondeep Basrai, Dr. Rollington Ferguson, James Jackson, Byron Lopez, Dr. Michael Marchiano, Jody Moore, Yeon Park, Dr. Evan Seevak, Supervisor Lena Tam, Natalie Williams, Chair Rebecca Gebhart.

No opposition or abstentions.

b) ALLIANCE PROPERTY DISCUSSION

Chief Operating Officer Ruth Watson provided a presentation on the Alliance Property Discussion and discussed the current state of our space at Suite 1320.

Current State

- Suite 1320 lease expires on May 31st, 2025.
- 1240 building assessed value in 2019 = \$19M
 - Commercial real estate market for office space continues to be an evolving landscape – vacancy rates are high and property values have declined.
 - Building value will need to be re-assessed for current value.

Building Requirements

- Space to accommodate 300 Employees
 - 1 large conference room
 - 2 medium conference rooms
 - Estimated dedicated offices: 35
 - Minimum of 60,000 square feet
- Proposed Locations
 - Oakland
 - Downtown San Leandro
 - Hayward
- Member Accessibility
 - Close access to Public Transportation and BART
- Secure and safe environment for Alliance employees and Members

- Sufficient parking for staff, Members, and visitors

CEO Matt Woodruff went to inspect a couple of properties that were up for sale by Alameda County. However, the main issue with the properties that are currently for sale is that they would require a complete rebuild, and they do not meet the requirements for member accessibility. The reason we are discussing 2025 is that the lease for Suite 1320 will expire, and we have no plans to renew it. We are currently considering downsizing and continuing to operate in a remote hybrid environment.

Question: Are we planning to merge our two facilities into a new location or are we going to keep the 1240 building and search for a different space for the 1320 building since we won't be renewing our lease?

Answer: The plan is to sell the 1420 building if a new property is purchased, using the funds to pay for part or all of the new property.

Question: Several meetings ago, we had raised the question about the building next to the Coliseum. Do we have some idea of the cost to rebuild?

Answer: The nearest bus stop and BART station were located on the opposite side of the freeway. If someone wanted to take BART, they would still have to cross the freeway on foot, as it was about a mile and a half away. The closest bus stop was also on the other side of the freeway, which posed some concerns. At the Coliseum, there was a building that appeared to be brand new, but it had never been completed. The other two buildings were in a state of disrepair. If you're interested, we could perform some rough calculations, but it would cost millions of dollars.

Comment: Dr. Ferguson believes that the new requirements for membership are unnecessary because most members do not visit the office regularly. He also appreciates the decision to not renew the lease and save money. Matt notes that before the pandemic, they were averaging 2 members a day, which means they are currently experiencing a 50% decrease. However, the Member Services team still comes on-site, with seven team members taking turns in coming in weekly. They also accept walk-ins, averaging one per day currently, compared to two per day before the pandemic.

Question: Can we expect any further updates on what's going to happen next?

Answer: Our lease for Suite 1320 will continue for two more years. During this period of 18 months, we will remain in the current building. Once the lease ends, we will move everything to the 1420 building. We will begin planning for the move in 2027, as it will take 12-15 months to complete the entire process. This item will come back to the board for further discussion and updates.

Informational item only.

c) CYBER SECURITY UPDATE

Sasi Karaiyan, Chief Information Officer provided the board with an update on Information Security Operations in honor of cyber security month. Items of discussion included:

- Security Mission & Goals
- Security Strategies
- Accomplishments
- IT Security Function

- Security Training and Awareness
- AAH's Virtual Risk Officer
- AAH Email Security
- AAH Network Intrusion Detection
- Toolsets and Processes Aligned with Security Framework
- Vulnerability Management Program
- IT Security Roadmap (2021-2024)

Question: Are you conducting security audits or performing penetration testing, including social engineering tests on staff?

Answer: Yes, we conduct phishing tests and penetration tests. We provide endpoint connections to the security audit teams who try to penetrate our systems and identify vulnerabilities. The full audit end-to-end takes around 35-40 days to complete.

We have some ongoing initiatives. For instance, we are building a secondary data center in Sacramento for backup purposes. However, the modern hackers and security hackers can penetrate the secondary data centers too. To tackle this, we are creating an immutable storage where nobody can make any changes to the data or the backups. We aim to complete this by October 2023.

We are also working on enhancing our current business continuity plan. While we do have a plan in place, we want to ensure that we have all the necessary procedures and processes in place in case of a disaster. Our goal is to finish this enhancement before the end of 2023.

Question: Do we inform employees whether they passed or failed a phishing test?

Answer: A virtual risk officer calculates a risk score based on various factors such as the staff's response to phishing tests, their adherence to security training, and email exposure. The score also takes into account their job functions and titles. Our current risk score for the last six months is 27.8, which is a good score, considering the industry average of 41%. Our goal for the next six months is to bring it down to 25%, which is challenging due to the number of staff taking the test and the emotional aspect of emails. However, we are doing our best, and our current score is great. We test approximately 80-90 staff, and around 5% of them click on the phishing test, to whom we provide training. The industry average for staff clicking on phishing tests is 20%.

Comment: Chair Gebhart expressed her gratitude to Matt for his collaboration with Sasi and for elevating this matter in the organizational priorities. She also appreciated Sasi's informative and thorough presentation and suggested that it be conducted on an annual basis.

Informational item only.

10. STANDING COMMITTEE UPDATES

a) PEER REVIEW AND CREDENTIALING COMMITTEE

Dr. O'Brien gave an update on the Peer Review and Credentialing Committee's meeting held on September 19th. Out of the 104 initial applicants, 38 were recredentialed providers and 76 were behavioral health providers.

b) PHARMACY & THERAPEUTICS COMMITTEE

Dr. O'Brien gave an update on the Pharmacy & Therapeutics committee meeting held on September 26th. During the meeting, they updated 9 therapeutic categories and drug monographs, made 31 formulary modifications, and updated 56 prior off guidelines. The committee also discussed some new gene therapy treatments, including one for beta-thalassemia, one for Duchene muscular dystrophy, and a couple more that are expected to come out for sickle cell. This is particularly important for our community as sickle cell disproportionately affects us. However, each treatment costs \$2-\$3 million per person per dose, making them very expensive. While these game-changing therapies have the potential to be very helpful, they also present significant potential liability for a plan.

c) CONSUMER MEMBER ADVISORY COMMITTEE

On September 16th, the Consumer Member Advisory Committee held a meeting, and Matt Woodruff shared an update on the proceedings. The meeting involved four main presentations. The first presentation was a Grievance & Appeals presentation, followed by an outreach presentation that highlighted the places the committee has visited in the community. Additionally, there was an overview of the transition of ABA services, and an update on the timely access reporting. The MAC meeting also saw the election of a new chair and vice-chair. Melinda Mello is the new chair, while Tandra de Bose is the new vice-chair.

11. STAFF UPDATES

There were no staff updates.

12. UNFINISHED BUSINESS

None.

13. STAFF ADVISORIES ON BOARD BUSINESS FOR FUTURE MEETINGS

None.

14. PUBLIC COMMENT (NON-AGENDA ITEMS)

There were no public comments for non-agenda items.

15. ADJOURNMENT

Chair Gebhart adjourned the meeting at 2:04 p.m.