

**ALAMEDA ALLIANCE FOR HEALTH
FINANCE COMMITTEE
REGULAR MEETING**

January 10th, 2023
8:00 am – 9:00 am

SUMMARY OF PROCEEDINGS

Meeting Conducted by Teleconference

Committee Members on Conference Call: Dr. Rollington Ferguson, Dr. Michael Marchiano, Gil Riojas

Board of Governor members on Conference Call: James Jackson

Alliance Staff on Conference Call: Scott Coffin, Tiffany Cheang, Richard Golfin, III, Sasi Karaiyan, Dr. Steve O'Brien, Anastacia Swift, Matthew Woodruff, Carol van Oosterwijk, Shulin Lin, Linda Ly, Renan Ramirez, Danube Serri, Christine Corpus

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
CALL TO ORDER			
Dr. Rollington Ferguson	<p>Dr. Rollington Ferguson called the meeting to order at 8:00 am.</p> <p>The following public announcement was read.</p> <p style="text-align: center;"><i>"The Board recognizes that there is a proclaimed state of emergency at both the State and the local Alameda County level, and there are recommended measures to promote social distancing in place. The Board shall therefore conduct its meetings via teleconference in accordance with Assembly Bill 361 for the duration of the proclaimed state of emergency."</i></p> <p>A telephonic Roll Call was then conducted.</p>		
CONSENT CALENDAR			
Dr. Rollington Ferguson	<p>Dr. Ferguson presented the Consent Calendar.</p> <p>December 6th, 2022, Finance Committee Minutes were approved at the Board of Governors meeting December 9th, 2022, and not presented today.</p>	There were no modifications to the Consent Calendar, and no items to approve.	

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
a.) CEO Update			
Scott Coffin	<p>Scott Coffin provided updates to the Committee on the following:</p> <p>Public Health Emergency (PHE) Unwinding Initiative – The Federal PHE has been extended into the month of April 2023. The Medi-Cal program follows the Federal PHE declaration, not the State of California, and so we are in the process of revising our enrollment forecasts that were presented as part of the final budget last month and we're going to be updating in the second quarter forecast that is scheduled for delivery to the Finance Committee and to the Board of Governors in March.</p> <p>Passage of Omnibus Bill – Recently, Congress passed an omnibus bill, and this was chaptered on December 31st of 2022. This is a common spending bill that is used to sweep quite a few requirements in at the end of the calendar year. In this case, the spending bill phases out a requirement that mandates states to disenroll Medicaid recipients through the redetermination process and allows for an extension all the way through the end of 2023. We haven't examined the nature of the spending bill yet or all the language that pertains to this redetermination process. We will be working with the Alameda County Social services to get that work done.</p> <p>One thing we do know, is it provides everyone more time to do outreach to individuals that are currently enrolled in Medi-Cal that could potentially lose their eligibility through the redetermination process. The revision to our overall membership is anticipated increase and therefore the total revenue is also anticipated to increase this fiscal year. Those updates will be included in the third quarter forecast that will be presented.</p> <p>The Alliance is coordinating with health agencies and safety net partners across Alameda County to conduct outreach to the individuals that are enrolled in Medi-Cal and are identified as being redetermined. The outreach program is going to last for about 14 to 16 months, and we're going to tie into the state's strategy on how they will be conducting the outreach and communications through what's called the DHCS ambassador program. This outreach program is being funded by the Alliance, and a budget will be presented to the Finance Committee as more progress is completed on the planning activities.</p>	<p>Informational update to the Finance Committee</p> <p>Vote not required</p>	

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	<p>Department of Health Care Services (DHCS) Base Rates – DHCS delivered the Medi-Cal base rates for calendar year 2023 on December 13th and an error was detected in the supporting documentation for the rate calculations. DHCS is in the process of reevaluating these base rates. Resolution is anticipated in the month of January and the results will be incorporated into the third quarter forecast.</p> <p>Question: Dr. Ferguson asked if the error had any financial impact. Gil explained that it was more that the supporting documentation that accompanied the rate package was inconsistent, and we requested that DHCS review the supporting documentation and make appropriate corrections if they agree. Gil further explained that he does not believe our rate will end up being any different.</p>		
b.) Review November 2022 Monthly Financial Statements			
Gil Riojas	<p><u>November 2022 Financial Statement Summary</u></p> <p>Enrollment: Current enrollment is 325,925 and continues to trend upward. Total enrollment has increased by 2,727 members from October 2022, and 12,869 members since June 2022. Consistent increases were primarily in the Child, Adult, and Optional Expansion categories of aid, and we continue to see growth in our Duals and SPDs. Group Care has remained relatively flat.</p> <p>Total enrollment continues to increase, but we have a lot of upcoming changes that will affect enrollment.</p> <ol style="list-style-type: none"> 1. End of the Public Health Emergency (PHE) – We anticipate a decline in enrollment once redeterminations begin. 2. Mandatory transition to Managed Medi-Cal (LTC and Duals affected) – We anticipate an increase once those previously enrolled in Fee-for-Service are moved to Managed Medi-Cal plans. 3. Upcoming move to Single-Plan model – We anticipate an increase in enrollment due to the removal of Anthem as a plan in our county. <p>We see many significant changes happening over the next 12-18 months that will move our enrollment up and down depending on when the change is implemented.</p>		

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	<p>Net Income: For the month ending November 30th, 2022, the Alliance reported a Net Loss of \$1.4 million (versus budgeted Net Loss of \$1.9 million). For the year-to-date, the Alliance recorded a Net Income of \$20.2 million versus a budgeted Net Income of \$19.7 million.</p> <p>The favorable variance is primarily due to lower than anticipated Administrative Expense, and higher than anticipated Total Other Income. This is further explained on page 9 of the packet.</p> <p>Gil reminded the committee that the results given today are reflective of the Final Budget which was approved at the December Board of Governor’s meeting. On the graphs showing Actual vs. Budget data, the Preliminary Budget (July through October results) is represented by a dashed red line. The Final Budget is represented by a solid red line which mirrors the “Actuals” for the months July through October.</p> <p>Revenue: For the month ending November 30th, 2022, actual Revenue was \$102.4 million vs. our budgeted amount of \$103.2 million. The slightly unfavorable Revenue variance is primarily due to an unfavorable retroactive adjustment related to COVID vaccination incentive revenue, along with unfavorable supplemental Maternity Revenue, partially offset by favorable Supplemental Behavioral Health Revenue.</p> <p>Medical Expense: Actual Medical Expenses for the month were \$99.4 million vs. our budgeted amount of \$98.3 million. Medical Expense for the year-to-date were \$466.4 versus a budgeted \$465.2 million. Drivers leading to the favorable variance can be seen on the tables on page 11, with further explanation on pages 11 and 12.</p> <p>Medical Loss Ratio: Our MLR ratio for this month was reported at 97.1%. Year-to-date MLR was at 91.3%.</p>		

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	<p>Question: Dr. Ferguson asked for an explanation of how our Pharmacy Fee-for-Service Expense has changed since the State took over managing the benefit. Gil provided a year-over-year comparison sharing that in September 2021, our Pharmacy Expense was about \$43 million and in September 2022 that was reduced by more than half to \$20 million. Likewise in October 2021 our Pharmacy Expense was \$59 million, and October 2022 that was reduced to roughly \$27 million. Overall, a significant decrease in Pharmacy Expense.</p> <p>Dr. Ferguson then asked if Specialty Expense includes Transplants. Gil confirmed that Transplants would be included in Specialty Expenses.</p> <p>Administrative Expense: Actual Administrative Expenses for the month ending November 30th, 2022 were \$5.5 million vs. our budgeted amount of \$6.9 million. Our Administrative Expense represents 5.4% of our Revenue for the month, and 5.3% of Net Revenue for year-to-date. Reasons for the favorable month-end variances, as well as the favorable year-to-date variances are outlined on page 13 of the presentation.</p> <p>Question: Dr. Marchiano asked what is it that you would look for if MLR fell out of favorability? He asked where you look first and questioned whether it was connected to length of stay. Gil answered that MLR is that percentage of Revenue used for Medical Expenses. He pointed out the charts on page 11 of the packet, and explained that we are always looking for trends and outliers. When we notice an unfavorable trend in MLR, we look and work with our health care services team on ways to potentially manage those expenses properly if there's potential. Specifically looking at options for reducing the length of stay, transitions of care moving people to the right, setting the right care setting if there's the ability to use more generic drugs, those kind of things are what is going to drive our medical expenses up or down.</p> <p>Other Income / (Expense): As of November 30th, 2022, our YTD interest income from investments was \$2.9 million.</p> <p>YTD claims interest expense is \$132,000.</p> <p>Tangible Net Equity (TNE): We reported a TNE of 661%, with an excess of \$212.9 million. This remains a healthy number in terms of our reserves.</p>	<p><i>*Provide Investment update at next Finance Committee Meeting.</i></p>	

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	<p>Cash and Cash Equivalents: We reported \$351.4 million in cash; \$236.3 million is uncommitted. Our current ratio is above the minimum required at 1.69 compared to regulatory minimum of 1.0.</p> <p>Capital Investments: For the month ending November 30th, 2022, we added \$208,000 in Capital Assets. Our annual capital budget is \$1.0 million.</p> <p>Question: James Jackson asked for further clarification regarding the capital budget. He stated that it appears we have spent approximately 20% of the capital budget and asked if that is what was anticipated, and do we intend on spending the full allotted amount. Gil answered that the capital budget is really made-up of two components this fiscal year, about \$560,000 are related to IT assets and hardware, and the remaining is building improvements. Based on our historical results, we typically end the year a little under budget with our capital budget.</p> <p>Question: Dr. Ferguson asked for an update on our network security. Gil informed Dr. Ferguson that we are currently in process of renewing our cyber security insurance policy and asked Sasi to elaborate on the measures his team oversees for our organization. Sasi answered that we spent 20% of our infrastructure budget on security. In 2022, as part of an ongoing effort to be secure, we updated our physical security framework. We have ongoing training available to staff across the company so that our systems and people and processes are not vulnerable. It is a continuous effort. We initiated a security 2.0 program in the second quarter of this fiscal year and that is going to be a six-month program. He further explained that during the last 12 months we upscaled by adding multi factor authentication. Anybody who gets into our system must come through VPN. Our VPN has been strengthened and we also upgraded our networks across the company to make sure all the switches on the network that we have are protected 100%. We also have a process right now where we want to upgrade and put patches every six months. Sasi confirmed there are a lot of hackers in the market, and they try to penetrate every day. We want to make sure we keep our systems upgraded and all the patches up to date. We also added 24x7 security monitoring through an external vendor called Arctic Wolf. Any penetration that happens they will notify us immediately. We have an incident management</p>		

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	<p>program internally that we built that will notify us within 15 minutes either through text messages or through emails or through calls so that we can act on it immediately. We will continue to strengthen our security postures on an ongoing basis. Gil further offered that the training and focus on security is cross-company and involves Vendor Management as well as Compliance.</p> <p>Dr. Ferguson asked if Sasi could provide regular updates regarding any attempted attacks and any precautions we are taking as an organization.</p>	<p><u>Motion to accept</u> <u>November 2022 Financial Statements</u></p> <p><u>Motion:</u> James Jackson <u>Seconded:</u> Gil Riojas</p> <p><u>Motion Carried</u></p> <p>No opposed or abstained</p>	
ADJOURNMENT			
Dr. Rollington Ferguson	The meeting adjourned at 8:58 am.		

Respectfully Submitted By:
Christine E. Corpus, Executive Assistant to CFO