

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

**February 7<sup>th</sup>, 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, Yeon Park

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

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
<b>CALL TO ORDER</b>			
<b>Dr. Rollington Ferguson</b>	<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>		

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<b>AGENDA APPROVAL OR MODIFICATIONS</b>			
<b>Gil Riojas</b>	<p>Gil Riojas requested a change in order of the agenda:</p> <ul style="list-style-type: none"> <li>a) Review and Approve December 2022 Monthly Financial Statements</li> <li>b) FY2023 Investment Update</li> <li>c) CEO Update</li> </ul>	<p><b><u>Motion to change order of agenda items as reflected:</u></b></p> <p><u>Motion:</u> Dr. Michael Marchiano <u>Seconded:</u> James Jackson</p> <p><u>Motion Carried</u></p> <p>No opposed or abstained</p>	
<b>Dr. Rollington Ferguson</b>	<p>Dr. Ferguson presented the Consent Calendar.</p> <p>January 10<sup>th</sup>, 2022, Finance Committee Minutes were approved at the Board of Governors meeting January 13<sup>th</sup>, 2022, and not presented today.</p>	<p>There were no modifications to the Consent Calendar, and no items to approve.</p>	
<b>a.) Review December 2022 Monthly Financial Statements</b>			
<b>Gil Riojas</b>	<p><b><u>December 2022 Financial Statement Summary</u></b></p> <p><b>Enrollment:</b> Current enrollment is 327,795 and continues to trend upward. Total enrollment has increased by 1,870 members from November 2022, and 14,739 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 enrollment fluctuation varies and this month we have a slight downward trend.</p> <p>The Public Health Emergency (PHE) has had a significant role in enrollment increases over the last three years. The end of the PHE is scheduled for May 2023. We anticipate a decline in enrollment once redeterminations begin a couple of months after that. Disenrollment / Reenrollment will take place during the member's birth month and we expect it will take 12 to 14 months to complete the disenrollment process.</p>		

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	<p><b>Net Income:</b> For the month ending December 31st, 2022, the Alliance reported a Net Income of \$2.5 million (versus budgeted Net Loss of \$4.7 million). For the year-to-date, the Alliance recorded a Net Income of \$22.7 million versus a budgeted Net Income of \$15.0 million.</p> <p>The favorable variance is primarily due to lower than anticipated Medical Expense, lower 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><b>Revenue:</b> For the month ending December 31st, 2022, actual Revenue was \$114.5 million vs. our budgeted amount of \$117.3 million. The unfavorable Revenue variance is primarily related to Major Organ Transplant Risk Corridor adjustment.</p> <p>We are estimating there may be approximately \$2.0 million that we would have to give back to the State after the risk corridor calculation. This calculation will happen no sooner than 2024.</p> <p><b>Medical Expense:</b> Actual Medical Expenses for the month were \$106.8 million vs. our budgeted amount of \$114.6 million. Medical Expense for the year-to-date were \$573.1 million vs. budgeted \$579.8 million. The details of the drivers leading to the favorable variance are seen on the tables on page 11, with further explanation on pages 11 and 12.</p> <p><b>Medical Loss Ratio:</b> Our MLR ratio for this month was reported at 93.2%. Year-to-date MLR was at 91.7%.</p>		
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	<p><b>Administrative Expense:</b> Actual Administrative Expenses for the month ending December 31st, 2022 were \$6.3 million vs. our budgeted amount of \$7.3 million. Our Administrative Expense represents 5.5% 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><b>Other Income / (Expense):</b> As of December 31st, 2022, our YTD interest income from investments was \$4.0 million.</p> <p>YTD claims interest expense is \$158,000.</p> <p><b>Tangible Net Equity (TNE):</b> We reported a TNE of 677%, with an excess of \$215.9 million. This remains a healthy number in terms of our reserves.</p> <p><b>Cash and Cash Equivalents:</b> We reported \$362.8 million in cash; \$219.6 million is uncommitted. Our current ratio is above the minimum required at 1.66 compared to regulatory minimum of 1.0.</p> <p><b>Capital Investments:</b> For the month ending December 31st, 2022, we added \$197,000 in Capital Assets. Our annual capital budget is \$979,000.</p> <p><b>Question:</b> Dr. Ferguson asked what time of year do we look at the investment strategy independently? Is there an assigned time for us to review strategy for changes, or should we look at the market forces in determining that? Gil Riojas answered that we don't currently have an assigned time, and further added that in the past two or three years, he has tried to give an update in November or December. There was a little bit of delay this year because of other changes. Gil also clarified that there is nothing in the bylaws, and there is no policy that says we are to give an update at a certain time, but rather want to make sure the committee is informed and that we can make decisions going forward when there is enough information to provide as a presentation. He added that he would discuss more in the Investment Update.</p>		

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		<u>Motion to approve December 2022 Financial Statements</u>  <u>Motion:</u> Dr. Michael Marchiano <u>Seconded:</u> James Jackson  <u>Motion Carried</u>  No opposed or abstained	
<b>b.) FY2023 INVESTMENT UPDATE</b>			
<b>Gil Riojas</b>	<p>Gil Riojas gave a PowerPoint Presentation giving updates on our overall current investment strategy, as well as a specific update on our ESG Investments as requested by Mr. James Jackson.</p> <p>Current Investment Portfolio:</p> <ul style="list-style-type: none"> <li>• Total funds of \$321.8M invested at the end of December.</li> <li>• 85% of investments maturing within 0-90 days.</li> <li>• 15% of investments maturing after 90 days.</li> <li>• Average Yield to Maturity is 4.29%.</li> <li>• Estimated annual return approximately \$6-8M for FY23.</li> <li>• FY22 return was a small net loss of \$162K.</li> <li>• Continued focus on quality and liquidity of investments.</li> <li>• All investments compliant with California Government Code 53600.</li> </ul> <p>ESG Investment Update:</p> <ul style="list-style-type: none"> <li>• Shift away from investments that may be perceived to conflict with ESG principles.</li> <li>• Actively pursued opportunities to invest a portion of long-term funds in ESG like investments.</li> <li>• Purchased approximately \$12M in green investments used to finance renewable energy, energy efficiency and pollution prevention control projects.</li> <li>• Average ESG Yields Estimated to be 4.60% compared to regular portfolio yields of 4.61%.</li> </ul>		

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	<ul style="list-style-type: none"> <li>Propose increasing ESG investment portfolio by \$8M for a total of \$20M (represents 40% of long-term portfolio).</li> </ul> <p>Gil shared that one of his concerns when this started, having done some research, was the investment yields for these ESG investments may not always be as healthy as we would see if in our regular portfolio. But just looking at the data, the investment yields are only about one basis point lower than the rest of our portfolio. Which is not that significant of a lower return than we're that we're seeing and those investments. Now that we know based on what we have from the data that the yields are similar, we believe it makes sense for us to potentially look at increasing our footprint and ESG and potentially moving up those green investments from \$12 million to about \$20 million. That represents about 40% of our long-term portfolio and that would be done over time, particularly because we're using our longer-term portfolio. So as those longer-term investments mature, we would then look for areas to reinvest those matured investments into ESG investments. It wouldn't be something we would do overnight, but probably over the next 12 or 15 months.</p> <p>Dr. Ferguson then held a brief roundtable discussion and solicited the opinions of the Board Members in attendance. He then suggested that rather than increasing the portfolio by \$8M, we split it and reinvest \$4M into the higher yielding accounts, and an increase of \$4M into the ESG portfolio.</p>	<p><b><u>Motion to Increase our ESG Investment Portfolio by \$4.0 million.</u></b></p> <p><u>Motion:</u> Gil Riojas <u>Seconded:</u> Yeon Park</p> <p><u>Motion Carried</u></p> <p>No opposed or abstained</p>	
<b>c.) CEO Update</b>			
<b>Scott Coffin</b>	<p>Scott Coffin provided updates to the Committee on the following:</p> <p><b><u>FY2024 Budget and Goal Setting:</u></b> We have the preliminary budget that we're working to build for June and coupled with that is the fiscal year 2024 corporate goals and objectives that tie back to our three-year vision and strategic plan, and the 10-year road map. We are tracking to develop new goals that tie into the goals that we worked on last year, and the completion of carryover goals from fiscal year 2023. The fiscal year 2024 goals &amp; objectives will be reviewed with the Finance Committee and the full board at a future meeting before the month of June. And the target date to complete the planning process is by the end of February, and that feeds into the budget process.</p>	<p>Informational update to the Finance Committee</p> <p>Vote not required</p>	

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	<p><b>Enrollment Trends:</b> Scott was reporting from Sacramento where he was attending a meeting to discuss enrollment trends happening in Medi-Cal. He informed the committee that the increase in enrollment is beyond what is coming from the suspension of the Medi-Cal redetermination process. We are also seeing transitions of enrollees that are being moved over from Regular Medi-Cal fee for service into managed care. As of today, our enrollment is approximately 350,000 versus the December's report of 327,000; and it is highlighted here for the Finance Committee, membership growth is attributed to multiple factors and not just the suspension of the redetermination process.</p>		
<b>ADJOURNMENT</b>			
<p><b>Dr. Rollington Ferguson</b></p>	<p>Dr. Ferguson reminded the Committee that due to the interview process for the new CEO, the Board of Governor's meeting on Friday would be on-site at the Alliance Headquarters.</p> <p>The meeting adjourned at 8:58 am.</p>		

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