

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

**February 8th, 2022
8:00 am – 9:00 am**

SUMMARY OF PROCEEDINGS

Meeting Conducted by Teleconference

Committee Members on Conference Call: Dr. Rollington Ferguson, Nick Peraino, Gil Riojas

Committee Members Absent: Dr. Michael Marchiano

Board of Governor members on Conference Call: James Jackson, Andrea Schwab-Galindo

Alliance Staff on Conference Call: Scott Coffin, Tiffany Cheang, Richard Golfin III, Sasi Karaiyan, Shulin Lin, Dr. Steve O'Brien, Carol van Oosterwijk, Ruth Watson, Matt Woodruff, Sandra Galindo, Christine Corpus

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
CALL TO ORDER, ROLL CALL, and INTRODUCTIONS			
Dr. Rollington Ferguson	<p>Dr. Ferguson called the Finance Committee meeting to order at 8:00 am.</p> <p>The following public announcement was read.</p> <p>"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."</p> <p>"Audience, during each agenda item, you will be provided a reasonable amount of time to provide public comment."</p> <p>A telephonic Roll Call was then conducted.</p> <p>Carol vanOosterwijk introduced Linda Ly. Linda is the new Senior Manager of Financial Planning & Analysis.</p>		

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CONSENT CALENDAR			
Dr. Rollington Ferguson	<p>Dr. Ferguson presented the Consent Calendar.</p> <p>January 11th, 2022, Finance Committee Minutes were approved at the Board of Governors meeting January 14th, 2022, and not presented today.</p>	There were no modifications to the Consent Calendar, and no items to approve.	
a.) CEO Update			
Scott Coffin	<p>Scott Coffin provided updates to the committee on the following:</p> <p><u>COVID-19 Vaccinations:</u></p> <ul style="list-style-type: none"> • As of January 31st, approximately 72% of members (12 years and older) in Medi-Cal are partially or fully vaccinated. • The California Immunization Registry (CAIR2) has been unavailable due to maintenance, and we are tracking immunizations using claims and encounter data. The vaccination metrics will be validated after the state immunization registry is available. • Alameda Alliance is seventh-highest managed care health plan in the state for vaccination rates of Medi-Cal beneficiaries. Alameda County is fifth-highest as compared to the county vaccination rates for Medi-Cal beneficiaries behind San Francisco, Santa Clara, Marin, and San Mateo counties. • In September 2021, the California Department of Health Care Services (DHCS) allocated Alameda Alliance up to \$8.4 million for incentive funding to increase the vaccination rates for Medi-Cal enrollees, ages 12 and older. During this vaccine program, the DHCS has paid \$1.2 million to the Alliance, and based on the performance of the outcome measures, we do not expect to receive additional funding (of the remaining \$7.2 million). • Through the end of January, the Alliance has encumbered approximately \$1.4 million in expenses related to the community outreach and vaccinations and has increased rates by more than eleven percent since the start of this campaign in October 2021. • The Medi-Cal vaccination outreach campaign is scheduled to complete on February 28th, 2022. • A progress report on the vaccination campaign is being presented to the Board of Governors on Friday, February 11th. 	<p>Informational update to the Finance Committee</p> <p>Vote not required</p>	

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	<p><u>Kaiser Permanente:</u></p> <ul style="list-style-type: none"> • On February 4th, 2022, the State of California announced their intention to contract with Kaiser Permanente for Medi-Cal services directly in 22 counties. • The initial terms of the contract have been released by the State of California, and the contract begins on January 1st, 2024. • This arrangement is subject to approval by CMS. • Kaiser serves nearly one million Medi-Cal beneficiaries statewide, and 44,000 of the Alliance’s members are currently enrolled in Kaiser through a fully delegated arrangement. • In response to this announcement, an analysis will be completed in the month of February to assess the impact of this contract. The analysis will include a preliminary review of impacts to the financials, enrollment, operations, regulatory compliance, and health care services. • An external view of the potential impact will be conducted, focusing on the access to services for members and impact on member assignments to providers. <p>Question: Nick Peraino expressed surprise and asked how this came about? Scott Coffin answered that this announcement came without forewarning. There was no time provided for public comment or discussion and added that it will require a change to the California Legislation to approve.</p> <p>Dr. Ferguson asked if it would be prudent to hold off on the single-plan move and questioned the legality of the action regarding Kaiser. He asked that the Alliance’s Legal team look into this and report on Friday. Scott Coffin offered that further discussion will be held on Friday at the Board of Governors, and that a full discussion with the Board of Governors will be held in March to review the preliminary impact assessment; adding that the Local Health Plans of California (LHPC) association is looking into a legal position, on a state-wide basis, and to define the authority that the State is operating under as part of this action.</p>		
b.) Review and approve December 2021 Monthly Financial Statements			
Gil Riojas	<u>December 2021 Financial Statement Summary</u>		

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	<p>Enrollment: Current enrollment is 296,728 and continues to trend upward. Total enrollment has increased by 1577 members from November 2021, and 8,174 members since June 2021. Consistent increases were primarily in the Child, Adult, and Optional Expansion categories of aid, and include slight increases in the Duals category of aid. SPD remains relatively flat, while Group Care took a slight decline.</p> <p>Total Enrollment continues to increase month over month and as previously discussed, the rate of increase has fluctuated since our highest increase of 4,140 members in August 2020. We anticipate a continued increase in enrollment due to the mandatory enrollment in Managed Care that took place in January, and the additional population of adults 26-49 enrollment being added in May 2022. We continue to evaluate the potential implication to our Budget, our Revenue, and our Expenses. We certainly anticipate an increase in Medical Claims.</p> <p>Net Income: For the month ending December 31st, 2021, the Alliance reported a Net Loss of \$1.5 million (versus budgeted Net Loss of \$2.7 million). The favorable variance is attributed to lower than anticipated Administrative Expenses. For the year-to-date, the Alliance recorded a Net Loss of \$3.1 million versus a budgeted Net Loss of \$9.3 million.</p> <p>Revenue: For the month ending December 31st, 2021, actual Revenue was \$99.8 million vs. our budgeted amount of \$99.6 million. We continue to remain very close to budget on Revenue.</p> <p>Medical Expense: Actual Medical Expenses for the month were on budget at \$95.3 million. For the year-to-date, actual Medical Expenses were \$560.9 million versus budgeted \$564.4 million. Drivers leading to the favorable variance can be seen on the tables on page 11. Further explanation of the variances can be seen on pages 11 and 12.</p> <p>Medical Loss Ratio: Our MLR ratio for this month was reported at 95.5%. Year-to-date MLR was at 95.1% vs our annual budgeted percentage 91.5%.</p>		

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	<p>Administrative Expense: Actual Administrative Expenses for the month ending December 31st, 2021 were \$6.0 million vs. our budgeted amount of \$7.0 million. Our Administrative Expense represents 6.0% of our Revenue for the month, and 5.4% 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>Other Income / (Expense): As of December 31st, 2021, our YTD interest income from investments was \$215,000. As mentioned in previous committee meetings, we are looking at extending our timeframe for investments. We continue to explore the sustainable investments possibilities and will be sharing information on that today as well.</p> <p>YTD claims interest expense is \$192,000.</p> <p>Tangible Net Equity (TNE): We reported a TNE of 532%, with an excess of \$164.3 million. This remains a healthy number in terms of our reserves.</p> <p>Cash and Cash Equivalents: We reported \$326.5 million in cash; \$149.4 million is uncommitted. Our current ratio is above the minimum required at 1.59 compared to regulatory minimum of 1.0.</p> <p>Capital Investments: We have spent \$112,000 in Capital Assets year-to-date. Our annual capital budget is \$1.4 million.</p>	<p><u>Motion to accept</u> <u>December 2021 Financial Statements</u></p> <p><u>Motion:</u> N. Peraino <u>Seconded:</u> J. Jackson</p> <p><u>Motion Passed</u></p> <p>No opposed or abstained</p>	
c.) Sustainable Investing Overview			
Gil Riojas	<p>Gil Riojas shared a PowerPoint presentation regarding Environmental Social Governance (ESG) Investing.</p> <p>Highlights of the Presentation:</p> <ul style="list-style-type: none"> Average daily balance of invested funds is \$280M. This is divided up as follows: 	<p>Informational update to the Finance Committee</p> <p>Vote not required</p>	

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	<ul style="list-style-type: none"> ➤ 78% of investments maturing within 90 days ➤ 21% maturing within 180 days ➤ 1% maturing over 180 days. (1% represents \$2.5M – In November we agreed to move \$50M in longer term strategies. This is taking place strategically as interest rates change.) • Portfolio in compliance with California Government Code 53600 • ESG refers to the three key factors when measuring the sustainability and ethical impact of an investment. These factors include ethical, sustainable, and corporate government issues. • ESG Approaches to Investing: <ul style="list-style-type: none"> ➤ Negative Screening – Exclusions based on Alliance values. ➤ Positive Screening – Inclusion of companies with better ESG credentials ➤ Active ESG Funds – Invest in ESG labelled funds like green bonds, social and sustainability bonds, ESG exchange traded funds. • ESG Risks: <ul style="list-style-type: none"> ➤ No clear consensus on definition and scoring metrics for ESG-type investments ➤ Rate of return on investments may be lower than investments allocated to current investment strategy ➤ ESG labelled investments may be diluted by the inclusion of certain companies in a fund 		
d.) Claims Interest Analysis			
Matt Woodruff	Matt Woodruff provided an in-depth presentation and led discussion on: <ol style="list-style-type: none"> 1) Current fiscal year interest payments 2) High interest review by month 3) Accomplishments 2021-22 4) Next Steps 	Informational update to the Finance Committee Vote not required	
ADJOURNMENT			
Dr. Rollington Ferguson	Dr. Ferguson motioned to adjourn the meeting. The meeting adjourned at 9:01 am.	<u>Motion to adjourn:</u> Dr. Ferguson <u>Seconded:</u> N. Peraino No opposed or abstained.	

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