ALAMEDA ALLIANCE FOR HEALTH
FINANCE COMMITTEE
REGULAR MEETING

March 7th, 2023
8:00 am – 9:00 am

SUMMARY OF PROCEEDINGS

Meeting Conducted in-person and by Teleconference

Committee Members in-person: 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, Dr. Steve O'Brien, Danube Serri, Anastacia Swift, Ruth Watson, Shulin Lin, Carol van Oosterwijk, Mashon Jones, Christine Corpus

Alliance Staff in-person: Matt Woodruff, Lao Paul Vang, Sasi Karaiyan, Brenda Martinez, Jeanette Murray

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
CALL TO ORDER, ROLL CALL, and INTRODUCTIONS			
Dr. Rollington Ferguson Scott Coffin	Dr. Ferguson called the Finance Committee meeting to order at 8:02 am. A telephonic Roll Call was then conducted. Scott Coffin introduced Lao Paul Vang, our new Chief of Health Equity.		
CONSENT CALENDAR			
Dr. Rollington Ferguson	Dr. Ferguson presented the Consent Calendar. February 7th, 2023, Finance Committee Minutes were approved at the Board of Governors meeting on February 10th, 2023, and not presented today.	There were no modifications to the Consent Calendar, and no items to approve.	

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a.) CEO UPDATE			
Scott Coffin	Scott Coffin provided updates to the committee on the following: **<u>FY2024 Budget</u>** - We are on schedule with our FY24 preliminary budget. Our plan is to present to the Finance Committee and the Board of Governors in June 2023. This upcoming year is expected to be a year of growth and expansion for the company. We will be looking enterprise-wide at the staffing and the correct size at department levels to match the volume of work we are doing. This Friday we plan on bringing forward as part of the Board packet, the Employee Salary Survey. The previous survey was conducted in 2020. The proposed adoption of the Salary Survey adjusts compensation to what is considered to be the market here in the East Bay. There is a small fiscal impact of $75K forecasted for FY2023 through our current budget which is going to be offset by the favorable variance we have. It is estimated that the adoption of these increases will annualize to be around $300K and that will be included in the preliminary budget for the next fiscal year. **<u>Quality Component</u>** – For calendar 2023, the Risk Adjustment Process that refines our Medi-Cal base rates (Countywide Average) there is a new process being added in that considers our base rates and quality scores. We will come back in a future meeting to discuss the potential implications of the quality factor. **Question:** Dr. Ferguson asked what is the percentage range of the possible effect (if there is such a thing) as a maximum predicted effect one way or the other? Gil answered they are still determining what it will be. Scott answered we will bring back some of the information with the low/highs range of impact. It is something that the Board and Finance Committee should be talking about. **Question**: Dr. Marchiano asked, is there any thought on harboring with these physicians to get them up to speed so that we're able to capture what we need to capture for you to get the full amount on the other end? We have money in our current budget and are adding more next year for	Informational update to the Finance Committee Vote not required	

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	more outreach campaigns and partnership with providers. as we continue to move forward because of these quality measures. **Question**: Dr. Ferguson asked, are we doing anything in terms of getting an IT network that will be able to capture this? What is our plan for connectivity? Tiffany Cheang responded we do (for some of the larger groups) collect data from some of their EHR systems so that definitely helps. Sometimes it's harder for smaller groups especially since we still have some providers on paper charts. We are looking into other providers we can outreach to, to see if we can get extracts from their HER systems and we're trying to expand that. **Question**: Dr. Marchiano asked, is it wise to form an ad hoc committee to look at something like this? Gil responded, calendar year 2023 we have the quality measures that we're comparing against Anthem. In 2024 we move to a Single Plan model. The question remains for future years it's going to be us and Kaiser. It is unclear if our quality scores will be compared to Kaiser in future periods, but we are monitoring this with DHCS. **<u>Medi-Cal Delivery Model</u>** – Looking ahead into 2024, a couple of things are changing. One, the Alliance and Anthem as their position as a 2-plan to a Single Plan. There are 75,000 beneficiaries enrolled with Anthem right now and whatever the number is at the end of this calendar year will be transitioned over to the Alliance. In addition to that delivery model change, DHCS is also starting a new contract with Kaiser effective January 1, 2024. The 55,000 adults and children that are enrolled in Kaiser today through the Alliance, will have the option to be reassigned to a different part of our provider network or continue with Kaiser if they meet the criteria eligibility. There will be a movement of enrollment with people It's going to be a big change administered at an enterprise level because it's a large change. The delivery model is just one part (Single Plan). The other part is the direct contract that Kaiser has negotiated with the state of California which we will be preparing for later this year. When it all balances out, the increase to our enrollment will be 15K-20K but the change doesn't stop there. There are different Medi-Cal populations moving in/out of the Medicaid program. There are covered		

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	services as well as populations coming in. The outgoing will be some of the re-determination – a process that will start June 2023 and run for a year. Our goal with the re-determination is to make sure people land in a place where they have insurance.		
B.) REVIEW AND APPROVE JANUARY 2023 MONTHLY FINANCIAL STATEMENTS			
Gil Riojas	**January 2023 Financial Statement Summary** **Enrollment:** Current enrollment is 329,814 and continues to trend upward. Total enrollment has increased by 2,019 members since December 2022, and 16,758 members since June 2022. We previously expected a larger enrollment in January 2023 than we saw. As previously discussed, we saw an increase of about 2,000 members. Transitions of new members we expected in January did not happen until February. **Question:** James Jackson asked, on Page 6 (Enrollment and Profitability by Program and Category of Aid) – I just noted at the end of the calendar year there were pretty consistent depths as you can see on the right side of the graphs. I apologize if you've explained this before, but I don't know the reason for that so I'm hoping you will speak on that. Gil responded, the impact may be seasonal related with Fall and Winter cold and flu season having an impact on results. Generally, what we see is an uptick of some Medical Expenses associated with these categories of aid that result in an increase of our Net Loss for that month. **Question:** Dr. Ferguson asked would we see the same thing historically? Your explanation would suggest we would see a historical impact. Gil answered, I would say yes except COVID. The impact of COVID over the last couple years has potentially changed that in 2020-2021. Previous to that we could look back and see if that is true. Two new categories of aid were added. The Long-Term Care and Long Term Care Duals categories.	Motion to accept: January 2023 Financial Statements Motion: James Jackson Seconded: Dr. Michael Marchiano Motion Passed No opposed or abstained	

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	We will continue to see the enrollment increase until the end of the Public Emergency which is now. As the county starts this removal process that will most likely happen in July of this year, we're starting to see a decrease in enrollment. With us switching to a Single Plan Model there are some shifts that will happen over the next 12-18 months. **Net Income:** For the month ending January 31st, 2023, the Alliance reported a Net Income of $17.7 million (versus budgeted Net Income of $13.9million). The favorable variance is attributed to slightly lower than anticipated Administrative Expenses lower than anticipated Revenue, lower than anticipated Medical Expense but higher than anticipated Total Other Income. For the year-to-date, the Alliance recorded a Net Income of $40.3 million versus a budgeted Net Loss of $1.1million. **Revenue:** For the month ending January 31st, 2023, actual Revenue was lower at $122.6 million vs. our budgeted amount of $136.3 million. This unfavorable revenue variance is primarily related to Enrollment and the delay of the Long Term Care and the Duals from Fee-for service Medi-Cal. **Medical Expense:** Actual Medical Expenses for the month were $99.7 million, vs. our budgeted amount of $130.0 million. For the year-to-date, actual Medical Expenses were $672.8 million versus budgeted $709.8 million. Changes in enrollment impact projected expenses. **Question:** James Jackson referenced the 4th bullet (Outpatient Expense is under budget driven by favorable utilization) then asked, is this anticipated to continue or is there a potential adjustment that can make this positive margin diminish or go away? Gil answered, what we're seeing in utilization, we've seen relatively consistently utilization under what we had budgeted for outpatient expense. As we look at our Q2 forecast, that's one of the things that we will look to be updating and into Q3 as well. I anticipate that outpatient expense will continue to be lower than budget, but I don't think it's declining in a way that we need to make any significant adjustments to what we put in our Q2 forecast.		

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	Medical Loss Ratio: Our MLR ratio for this month was reported at 81.3%. Year-to-date MLR was at 90.0%. **Administrative Expense:** Actual Administrative Expenses for the month ending January 31st, 2023 were $6.8 million vs. our budgeted amount of $7.5 million. Our Administrative Loss Ratio (ALR) is 5.6% of our Revenue for the month, and 5.4% of Net Revenue for year-to-date. The year-to-date variances include 1) Delayed timing of new project start dates for Consultants, Computer Support Services, and Purchased Services, and 2) Delayed hiring of new employees. **Question:** Dr. Ferguson asked what is the projected ALR for the rest of the Fiscal Year? Gil responded, for the rest of the Fiscal Year I would anticipate our Administrative Loss Ratio to be in line with what we're seeing now (5-6% range). As we go into our Preliminary Budget for 2024, there is potential for the administrative loss to go higher than that (6-7%) and a lot of that is driven by our employees. As we hire more people that's more Administrative Expenses, and that increases our Administrative Loss Ratio. Our Q2 forecast ALR is forecasting 5.7%. That's our basis for where we are this year and where we think we might be next year. Scott responded as you're looking at the Administrative Loss Ratio Ratio, keep in mind the fluctuation on the top end because it's going to move around. The practices we've been sustaining around cost containment and really focusing on discretionary hiring and making sure these positions are needed on the staffing side. I think you will see this in the Preliminary Budget. **Other Income / (Expense):** As of January 31st, 2023, our YTD interest income from investments show a gain of $5.4 million. YTD claims interest expense is $185,000.		

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	TangibleNet Equity (TNE): We reported a TNE of 713%, with an excess of $233 million. This remains a healthy number in terms of our reserves. **Cash and Cash Equivalents:** We reported $389.8 million in cash; $260.0 million is uncommitted. Our current ratio is above the minimum required at 1.75 compared to regulatory minimum of 1.0. **Capital Investments:** We have spent $208,000 in Capital Assets year-to-date. Our annual capital budget is $979,000.		
c.) FISCAL YEAR 2023 SECOND QUARTER FORECAST			
Gil Riojas	Gil Riojas shared our Fiscal Year 2023 2nd Quarter Forecast. Highlights of the Presentation: ▪ Projected Net Income of $61.4 million is favorable to Budget by $43.6 million. ▪ Tangible Net Equity is 629% of required TNE at year-end. ▪ Medical Loss Ratio is 90.4%. ▪ Administrative Loss Ratio is 5.7% ▪ Enrollment at year-end is 359,000. ▪ FTEs at year end are 495, and addition of 6 from the Final Budget. ▪ Revenue is $1.4 billion; $10.7 million lower than Budget, with lower enrollment being mostly offset by higher Medi-Cal rates. ▪ Medical Expense is $1.3 billion; $51.0 million lower than budget, driven by lower Inpatient and Ancillary expense, as well as lower enrollment. ▪ Administrative expense is $82.8 million, $400,000 lower than Budget.	<u>Motion to accept:</u> Fiscal Year 2023 Second Quarter Forecast <u>Motion</u>: Dr. Michael Marchiano <u>Seconded</u>: James Jackson <u>Motion Passed</u> No opposed or abstained	

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d.) FISCAL YEAR 2024 AND BEYOND			
Gil Riojas	Gil Riojas shared our Fiscal Year 2024 and Beyond Forecast. Highlights of the Presentation: ▪ Enrollment ➢ Transitions that influence Medi-Cal membership ➢ Group Care remains steady at approximately 5,700 members, ▪ Changes to the Medi-Cal Contract ▪ Changes to Medi-Cal Benefits and Services ➢ New ECM Populations of Focus ➢ Additional Community Supports planned for deployment	Informational update to the Finance Committee Vote not required	
e.) UNFINISHED BUSINESS			
Gil Riojas	We will be providing another forecast at the end of our Fiscal Year along with the Preliminary Budget in June. We are continuing to track enrollment. Which is major. If any changes happen, we will provide evidence. Those are the big drivers between now and the end of the Fiscal Year. **Question:** Dr. Ferguson asked a question regarding lease space and plans for building space in the future. Scott reponded, the building we're in right now is our headquarter building – this building we own. There's no liability on it, nothing owed – other than routine taxes and maintenance.The building across the street is what we lease. We have a 5-year lease on the property, 2 floors and through the contract we had to maintain that lease. The lease will come up for expiration in 2 years, at that point, decisions will need to be made to keep that property or obtain new property. In terms of looking at any other properties, that effort was suspended earlier in the year. Dr. Ferguson would like future updates on any progress on building space leasing. Scott advised we will add it under Unfinished Business and will report out in future business.		

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ADJOURNMENT			
Dr. Rollington Ferguson	Dr. Ferguson adjourned the meeting at 8:56 a.m.		

Respectfully Submitted by:
Mashon Jones, Executive Assistant to CISO