

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

**May 10<sup>th</sup>, 2022  
8:00 am – 9:00 am**

**SUMMARY OF PROCEEDINGS**

**Meeting Conducted by Teleconference**

**Committee Members on Conference Call:** Dr. Rollington Ferguson, Dr. Michael Marchiano, Nick Peraino, 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, Ruth Watson, Matt Woodruff, Shulin Lin, Carol van Oosterwijk, Linda Ly, Jennifer Vo, Dorna Serri, Sheila Tagle, Christine Corpus

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
<b>CALL TO ORDER, ROLL CALL, and INTRODUCTIONS</b>			
<b>Dr. Rollington Ferguson</b>	<p>Dr. Ferguson called the Finance Committee meeting to order at 8:00 am.</p> <p>The following public announcement was read.</p> <p style="padding-left: 40px;">"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>A telephonic Roll Call was then conducted.</p>		
<b>CONSENT CALENDAR</b>			
<b>Dr. Rollington Ferguson</b>	<p>Dr. Ferguson presented the Consent Calendar.</p> <p>April 5<sup>th</sup>, 2022, Finance Committee Minutes were approved at the Board of Governors meeting April 8<sup>th</sup>, 2022, and not presented today.</p>	There were no modifications to the Consent Calendar, and no items to approve.	

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<b>a.) CEO Update</b>			
<b>Scott Coffin</b>	<p>Scott Coffin provided updates to the committee on the following:</p> <p><b><u>Fiscal Year 2023 Budget:</u></b> Preliminary fiscal year 2023 Budget is tracking to be presented to the Finance Committee and Board of Governors in June. This will include six months of operating expense related to some major initiatives that will be going live on January 1<sup>st</sup>, 2023, including Long-Term Care, Population Health, and the Justice-Involved Initiatives, which are all part of the CalAIM program. Increased staffing is being considered for these initiatives, as well as the Mental Health and Autism Spectrum Disorder insourcing, as we consider what it will all mean to the organization. As a result, there is a significant amount of administrative oversight being added as part of the next fiscal year budget. Update will be provided to Board on Friday regarding the Beacon transition (Mental Health and Autism Spectrum Disorder insourcing).</p> <p><b><u>Medi-Cal Incentive Programs:</u></b> These are commonly referred to as CalAIM initiatives and they are tied to the Governor’s budget. There are currently five (5) different programs that are enacted right now, and the Board has requested a “walk through” of all the programs at the upcoming Board Meeting this Friday. We will explain where we currently stand with these programs as well as where we see the programs going throughout the remainder of the year. There are significant dollars involved with these programs, and each provides different opportunities to build capacity and infrastructure in Alameda County. We will be looking to define the process by which to distribute these funds.</p>	<p>Informational update to the Finance Committee</p> <p>Vote not required</p>	
<b>b.) Review and approve March 2022 Monthly Financial Statements</b>			
<b>Gil Riojas</b>	<p><b><u>March 2022 Financial Statement Summary</u></b></p> <p><b><u>Enrollment:</u></b> Current enrollment is 306,787 and continues to trend upward. Total enrollment has increased by 2,335 members from February 2022, and 18,233 members since June 2021. Increases were primarily in the Child, Adult, and Optional Expansion categories of aid, and include slight increases in the Duals and SPD categories of aid. Group Care remains relatively flat. Future enrollment trends will be impacted by the anticipated end of the Public Health Emergency (PHE) and addition of new members scheduled to transition from the County HealthPAC program in May.</p>	<p><b><u>Motion to accept March 2022 Financial Statements</u></b></p> <p><b><u>Motion:</u></b> Dr. Marchiano <b><u>Seconded:</u></b> N. Peraino</p> <p>Vote taken. No opposed or abstained.</p>	

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	<p><b>Net Income:</b> For the month ending March 31st, 2022, the Alliance reported a Net Income of \$8.4 million (versus budgeted Net Income of \$2.2 million). The favorable variance is attributed to higher than anticipated Revenue and lower than anticipated Administrative Expenses, which was slightly offset by higher than anticipated Medical Expenses. For the year-to-date, the Alliance recorded a Net Income of \$12.9 million versus a budgeted Net Loss of \$4.9 million.</p> <p><b>Revenue:</b> For the month ending March 31st, 2022, actual Revenue was at \$109.1 million vs. our budgeted amount of \$94.8 million. The favorable variance is largely due to the reversal of the MCO Tax obligation. The State completed their reconciliation of the MCO Tax going back to Fiscal Years 2014, 2015, and 2016. As a reminder, the State originally determined that we owed them a little over \$12.0 million, but our calculation process led us to accrue approximately \$6.0 million, leaving a \$6 million gap. Upon further investigation and reconciliation, it was determined that the State had miscalculated the MCO Tax revenue, and we did not owe the full \$12 million. The additional \$6.0 million that we accrued was added back into our revenue.</p> <p><b>Question:</b> Nick Peraino asked if we are now clear of this issue or if it could come back up. Gil answered that he believes we are clear for the years that were included in this reconciliation. He further added that we believe our calculation methods are correct and moving forward the years following the most recent reconciliation are being accrued properly.</p> <p><b>Medical Expense:</b> Actual Medical Expenses for the month were \$95.2 million, vs. our budgeted amount of \$85.0 million. For the year-to-date, actual Medical Expenses were \$828.2 million versus budgeted \$821.5 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><b>Medical Loss Ratio:</b> Our MLR ratio for this month was reported at 87.2%. Year-to-date MLR was at 93.1% vs our annual budgeted percentage 91.5%.</p>	<p><u>Motion Passed</u></p>	

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	<p><b>Administrative Expense:</b> Actual Administrative Expenses for the month ending March 31st, 2022 were \$5.2 million vs. our budgeted amount of \$7.6 million. Our Administrative Expense represents 4.8% 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 can be attributed to 1) COVID-19 Vaccination Incentives, 2) Delayed timing of new project start dates for Consultants, Computer Support Services, and Purchased Services, and 3) Delayed hiring of new employees.</p> <p><b>Other Income / (Expense):</b> As of March 31st, 2022, our realized YTD interest income from investments was \$157,000.</p> <p>YTD claims interest expense is \$300,000.</p> <p><b>TangibleNet Equity (TNE):</b> We reported a TNE of 575%, with an excess of \$180.4 million. This remains a healthy number in terms of our reserves.</p> <p><b>Cash and Cash Equivalents:</b> We reported \$386.2 million in cash; \$164.1 million is uncommitted. Our current ratio is above the minimum required at 1.47 compared to regulatory minimum of 1.0.</p> <p><b>Capital Investments:</b> We have spent \$234,000 in Capital Assets year-to-date. Our annual capital budget is \$1.4 million.</p> <p><b>Question:</b> Dr. Marchiano asked how the Beacon Health transition was going to roll out. Scott Coffin answered that there would be a presentation given on Friday to the full Board regarding the implementation of the program as well as the expectations we have specifically towards access to care.</p>		
<b>UNFINISHED BUSINESS / DISCUSSION</b>			
	<p>Following the approval of the March Financials, Dr. Ferguson led the committee in a brief discussion regarding a few items from past meetings that remain open/unresolved.</p>		

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	<p>Dr. Ferguson asked if the Committee, and subsequently the Board could be updated regularly regarding any system integrity issues, as well as any pending lawsuits. These are questions that can be asked of the Committee related to the Moss Adams annual audits, and Board members by our audit agencies, and he'd like to be better prepared for them. Scott Coffin answered that there is currently a security report included in the Board of Governor's packet, and that we will look at highlighting any attacks on the system. He further confirmed that any lawsuits pending are brought to the Board's attention during closed session.</p> <p>Dr. Ferguson asked for a follow-up on the status of the cost analysis of owning a larger building versus owning one building and renting space out of another. Scott Coffin answered that the Facilities Selection Committee is still in process of recruiting and that one more Board member is needed to participate in order to begin the analysis process.</p> <p>Scott Coffin gave a brief update on Major Organ Transplant as follows:</p> <p><b>Major Organ Transplant (MOT):</b> Currently the major provider in our local area of Major Organ Transplant is the University of California San Francisco (UCSF) system. As part of the covered benefit that went live on January 1<sup>st</sup>, 2022, the expectation was that the State of California would negotiate a case rate with the University system as a whole (state-wide). The negotiation is still pending today, five-months into the calendar year. We do have arrangements between the Alliance and UCSF to treat our members, but the case rate is still pending. Additionally, the number of active patients waiting to be served is higher than anticipated. Matt Woodruff added that we are currently under a Letter of Agreement with UCSF for all transplants pending the negotiation with the State.</p> <p><b>Question:</b> Dr. Ferguson asked what the possible impact on the Budget would be. Dr. O'Brien provided further information that we currently have over 100 members in various stages of the process of transplant, with the majority being on pre-transplant evaluation or post-transplant stabilization stages, and the minority being on the waitlist. Gil Riojas added that we have been receiving incremental additional revenue related to MOT since January and that the State has also implemented a risk corridor that will potentially mitigate any significant losses from MOT. Scott Coffin further added that in addition to the risk corridor, the State has demonstrated a willingness to discuss the actual experience with Managed Care Health Plans. In the month of March, and again in April, we</p>		

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	escalated our request for the finalization of the case rate to the Department of Health Care Services.		
<b>ADJOURNMENT</b>			
<b>Dr. Rollington Ferguson</b>	Dr. Ferguson requested a motion to adjourn the meeting.  The meeting adjourned at 8:37 am.	<u>Motion to adjourn:</u> N. Peraino <u>Seconded:</u> J. Jackson  No opposed or abstained.	

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