ALAMEDA ALLIANCE FOR HEALTH
FINANCE COMMITTEE
REGULAR MEETING

July 9th, 2024
8:00 am – 9:00 am

SUMMARY OF PROCEEDINGS

Meeting Conducted in-person and by Teleconference.

Committee Members in-person: Dr. Rollington Ferguson, Gil Riojas, James Jackson
Committee Members absent: Yeon Park (excused)

Alliance Staff in-person and on Conference Call: Matt Woodruff, Tiffany Cheang, Sasi Karaiyan, Richard Golfin III, Anastacia Swift, Lao Paul Vang, Yen Ang, Shulin Lin, Carol van Oosterwijk, Linda Ly, Felix Rodriguez, Renan Ramirez, Christine Corpus

CALL TO ORDER, ROLL CALL, AND INTRODUCTIONS

Dr. Ferguson called the Finance Committee meeting to order at 8:00 am. A roll call was conducted, and a quorum was established.

CONSENT CALENDAR

Dr. Ferguson presented the Consent Calendar.
There were no modifications to the Consent Calendar, and no items to approve.

a.) CEO UPDATE

Matt Woodruff provided updates to the committee on the following:

- **Upcoming Compliance Committee Meeting:**
  This Friday we will review the Calendar Year 2023 DHCS Audit, covering part of fiscal year 2023 and fiscal year 2024. The auditors highlighted several concerns to be reviewed. Dr. Meade will be prepared to address these concerns at the full board meeting. There was one repeat finding, and it will be confirmed later today if it was an initial repeat or if it is a repeat from previous years. Repeat findings incur a minimum $25,000 fine, increasing if tied to prior years. We did have new auditors this year and they had a different focus than previous auditors. They provided valuable feedback and identified areas needing immediate attention.
- **Financials**
  Gil will provide an update on the May financials, which were anticipated to look unfavorable due to the State recoupment. Then he will provide a quick Budget update, followed by presentations on Targeted Rate Increase (TRI) and Unsatisfied Immigration Status (UIS). The TRI and UIS report outs were requested by the board in May but could not be provided in June due to time and agenda constraints.
- **Long-Term Care (LTC):**
  We are closely monitoring our Long-Term-Care services. Our LTC team has put together a solid plan for the case management of LTC members. I will be partnering with Dr. Lo, who is our Medical Director of Long-Term Supportive Services, to provide a presentation that was developed with her team. We will talk about the work that we are doing with the transition members that we received already on LTC. We will present how we continue to work with that population and how we case manage it.

Informational update to the Finance Committee. Voting is not required.

b.) REVIEW AND APPROVE MAY MONTHLY FINANCIAL STATEMENTS

<u>MAY 2024 Financial Statement Summary</u>

Enrollment:

From an enrollment perspective, we are observing a stabilization, with a modest increase of 105 members from April, bringing our total Enrollment to 405,279 members. The primary drivers of enrollment growth in recent years have been the Child, Adults, and Optional Expansion Categories of Aid, but these categories are now leveling off.

Net Income:

For the month ending May 31st, 2024, the Alliance reported a Net Loss of $29.2 million (versus budgeted Net Loss of $5.8 million). The unfavorable variance is attributed primarily to lower than anticipated Premium Revenue.

Premium Revenue:

For the month ending May 31st, 2024, actual Revenue was $126.9 million vs. our budgeted amount of $157.2 million. This is largely due to the calendar year 2023 acuity adjustment. We expect to experience this in June as well.

Question: Mr. James Jackson inquired about future projections and whether the significant variance experienced in the past month has been adequately anticipated in planning for the year ahead. Gil acknowledged the surprise of the recoupment but confirmed they have accrued adequately for its impact. Looking ahead to calendar year 2024, we are conservatively accruing funds in anticipation of potential state adjustments.

Medical Expense:

Actual Medical Expenses for the month were $150.0 million, vs. budgeted amount of $155.5 million. For the year-to-date, actual Medical Expenses were 1.6 billion, and budgeted Medical Expenses were $1.5 billion. We increased our Incurred But Not Paid (IBNP) estimate by about $10 million due to outstanding LTC claims, reflecting older experience that is coming in.

Question: Dr. Ferguson asked what the plan is for bringing LTC expense under control. Matt explained that the long-term care team is visiting and assisting facilities with assigning the correct aid codes, noting that about 15% are currently in the wrong category. Efforts include preventing unnecessary hospital transfers by strengthening case management and exploring diversion programs to keep individuals at home. Gil Riojas added that Community Supports has a new diversion program to place members in more appropriate settings and a transition program to move people out of LTC. Matt also highlighted the challenge that facilities lack a monetary incentive to use the correct aid code since they receive the same payment regardless.

Further details can be found on pages 12 and 13.

Medical Loss Ratio:

Our MLR ratio for this month was reported at 118.3%. As previously alluded to, the increase in this month's MLR is related to the lower Revenue, and not our Medical Expenses as typically expected. Year-to-date MLR was at 96.8%.

Administrative Expense:

Actual Administrative Expenses for the month ending May 31st, 2024 were $8.7 million vs. our budgeted amount of $9.8 million. Our Administrative Loss Ratio (ALR) is 6.9% of our Revenue for the month, and 5.5% of Net Revenue for year-to-date.

Other Income / (Expense):

As of May 30th, 2024, our YTD interest income from investments show a gain of $28.6 million.

YTD claims interest expense is $781,000.

Managed Care Organization (MCO) Provider Tax:

For the month ending May 31st, 2024, we reported $113.7 million unbudgeted MCO Tax Revenue, and $113.7 million unbudgeted MCO Tax Expense.

Tangible Net Equity (TNE):

For May, the DMHC required that we have $61.5 million in TNE, and we reported $316.0 million, leaving an excess of $254.5 million. As a percentage we are at 514%, which remains well above the minimum required.

Cash and Cash Equivalents:

We reported $589.0 million in cash; $473.2 million is uncommitted. Our current ratio is above the minimum required at 1.57 compared to regulatory minimum of 1.0.

Capital Investments:

We have spent $417,000 on Capital Assets year-to-date. Our annual capital budget is $1.6 million.

Motion: A motion was made by Dr. Rollington Ferguson, and seconded by Mr. James Jackson, to accept and approve the May 2024 Financial Statements.

Motion Passed

No opposed or abstained.

c.) UPDATE TO FY24 BUDGET

Gil provided a verbal update verbal update, addressing the Board's questions about the impact of state recoupments on our bottom line. The team ran numbers to show where we would be without those recoupments. Year-to-date, without the recoupments, our Net Income would be around $40 million, and our Medical Loss Ratio would be about 94%. The recoupments have negatively affected our bottom line, increased MLR, and impacted our TNE. We expect significant losses in June as well, though the exact number is still being finalized by Shulin and her team. We will provide more accurate figures in a few weeks and will update the Board with any significant developments.

d.) TARGETED RATE INCREASE UPDATE

Gil provided a PowerPoint presentation on Targeted Rate Increase Update.

Background Information:

- The targeted rate increase was part of the MCO tax program, which taxes health plans to generate revenue that can be matched with federal funds. This additional revenue is used to increase provider payments.

Key Points:

- **Targeted Rate Increases**:
  - Applied to Primary Care, Obstetrics, Doula services, and non-specialty mental health services effective for dates of service on or after January 1, 2024.
  - Rates are set no lower than 87.5% of the lowest 2023 Medicare locality rate in California inclusive of eliminating AB97 provider payment reductions and incorporating Proposition 56 supplemental physician payments.

- DHCS released a fee schedule with over 700 primary and general care codes at a higher rate than the current Medi-Cal fee schedule.

- **Requirements**:
  - The plan must ensure delegated providers and capitated networks can cover TRI payments to their providers.

- **Future Considerations:**
  - The initial plan was to begin the program in 2024 and potentially increase rates and add new codes in 2025, however due to a $45 billion State budget deficit, the State reconsidered these expansions.
  - There is debate over the use of MCO tax funds, with the Governor possibly wanting to divert the funds to address the budget deficit, while other parties are advocating to keep the funds for providers.
  - A new budget has been passed, and the program's future for 2025 is still under evaluation.

- **Next Steps:**
  - The State recently finalized the TRI All Plan Letter (APL), however it lacks detail so there are outstanding questions. Some of the requirements remain unclear.
  - All payments must be made by the end of this calendar year.
  - The Alliance has developed a project plan and is working to keep provider groups updated of the DHCS deadlines.

e.) <u>UNSATISFACTORY IMMIGRATION STATUS (UIS) ENROLLMENT UPDATE</u>

Gil provided a PowerPoint presentation on UIS Update.

Highlights:

- As of May 2024, the Alliance had 67,000 undocumented members with unsatisfactory immigration status.
- January 2024 saw a net increase of over 30,000 in UIS membership. This was due to new populations, partially offset by Kaiser members leaving the Plan.
- UIS members represented 17% of Alliance members.
- 36% of Adult members are undocumented; 19% of ACA OE members are undocumented. Of the remaining populations, 9% are undocumented.
- In the first quarter of CY 2024, the Child, ACA OE, Duals, LTC and LTC Dual populations had MLRs above the target Medical Loss Ratio of 90-95%.
- The majority of UIS members are delegated to CHCN
- The Alliance receives more revenue per-member-per-month for UIS Adult, SPD, ACA OE, LTC, and LTC Dual members than for SIS members in the same category of aid.
- The Alliance receives more revenue PMPM for SIS Child and Dual members than for UIS members.
- New UIS membership expense data is incomplete but will be evaluated with rates in the future.

ADJOURNMENT

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