

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

**July 11<sup>th</sup>, 2023  
8:00 am – 9:00 am**

**SUMMARY OF PROCEEDINGS**

**Meeting Conducted in-person and by Teleconference.**

**Committee Members in-person and on Conference Call:** Dr. Rollington Ferguson, Dr. Michael Marchiano, James Jackson, Yeon Park, Gil Riojas

**Board of Governor members in-person:** Rebecca Gebhart

**Alliance Staff in-person and on Conference Call:** Matt Woodruff, Tiffany Cheang, Sasi Karaiyan, Richard Golfin III, Dr. Steve O'Brien, Anastacia Swift, Lao Paul Vang, Ruth Watson, Shulin Lin, Carol van Oosterwijk, Linda Ly, Brenda Martinez, Renan Ramirez, Danube Serri, Charles Walmann, James Zhong Xu, 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 then conducted.

**CONSENT CALENDAR**

Dr. Ferguson presented the Consent Calendar.

The June 6<sup>th</sup>, 2023, Finance Committee Minutes were approved at the Board of Governors meeting on June 9<sup>th</sup>, 2023, and not presented today.

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

**a.) CEO UPDATE**

Matthew Woodruff provided updates to the committee on the following:

Overall, the Alliance had another good month in May. The income earned this year will help set the Alliance up for the long term. We expect our TNE to drop in fiscal year 2024 due to the Alliance moving to the single plan model and as we prepare for Medicare the Alliance will be spending money on system upgrades and FTEs before we see money come into the Plan.

A few program notes:

July 1, the Alliance started:

- ECM POF (kids) is live.
  1. Multiple new CBO ECM providers
  2. Over 8,000 new kids
- CS
  3. Caregiver respite
  4. Personal caregiver services
  5. Home modifications (EBI)
  6. We began our pilot with Roots community health center. The Justice involved pilot begins to prepare us for the post release work the Alliance will be doing in beginning in January 2024.

## Community Reinvestment

- On Friday Gil and I will report on how the financials will work behind community reinvestment. This finance committee, the member advisory committee, and the Alliance full Board of Governors, over the next 6 months, will need to develop an, end-to-end process from intake to approval by the Board of Governors. There are many questions we hope the State answers by Fall, so we can build out the process.

**Question:** Dr. Ferguson asked about the impact of the KP breach on the Alliance, the cost and what effect this had on the Alliance. Matt discussed the FTE cost of the KP breach and added that we would present to the Board of Governors a full report on the security measures the Alliance has put into place. Dr. Ferguson asked if we could calculate the cost of the FTE by Friday's full Board meeting. Gil answered that he would work with his team to provide the information as soon as possible.

Informational update to the Finance Committee. Vote not required.

### **b.) REVIEW AND APPROVE MAY 2023 MONTHLY FINANCIAL STATEMENTS**

#### **MAY 2023 Financial Statement Summary**

##### **Enrollment:**

Enrollment has increased by 1,956 members since April 2023, and 47,126 members since June 2022 bringing our Total Enrollment to 360,182. We expect our momentum to grow through June and then in July see a decrease as redetermination begins, until the end of December when we will move to the Single Plan Model and expect significant growth followed by continuing decreases from redetermination through the end of the fiscal year.

We see consistent increases in the Child, Adult, and Optional Expansion categories of aid, we've also seen increases in our SPDs and our Duals. Our Group Care line of business was showing a decline, however the month of May was flat as compared to April. We also saw slight increases in our Medi-Cal LTC, and Medi-Cal LTC Duals.

##### **Net Income:**

For the month ending May 31<sup>st</sup>, 2023, the Alliance reported a Net Income of \$12.7 million (versus budgeted Net Loss of \$1.3 million). The favorable variance is attributed to higher than anticipated Revenue, lower than anticipated Medical Expense, lower than anticipated Administrative Expenses, and higher than anticipated Total Other Income. For the year-to-date, the Alliance recorded a Net Income of \$91.6 million versus a budgeted Net Income of \$17.3 million.

##### **Revenue:**

For the month ending May 31<sup>st</sup>, 2023, actual Revenue was \$144.5 million vs. our budgeted amount of \$137.4 million. Our actual and budgeted year-to-date Revenue is currently at \$1.3 billion.

##### **Medical Expense:**

Actual Medical Expenses for the month were \$127.2 million, vs. our budgeted amount of \$131.7 million. For the year-to-date, actual, and budgeted Medical Expenses were \$1.2 billion. Drivers leading to the favorable variance can be seen on the tables on pages 10 and 11, with further explanation on pages 11 and 12.

##### **Medical Loss Ratio:**

Our MLR ratio for this month was reported at 88.1%. Year-to-date MLR was at 89.0%.

**Administrative Expense:**

Actual Administrative Expenses for the month ending May 31<sup>th</sup>, 2023 were \$6.2 million vs. our budgeted amount of \$7.1 million. Our Administrative Loss Ratio (ALR) is 4.3% of our Revenue for the month, and 5.0% of Net Revenue for year-to-date. Gil called out the variance in Employee Expenses for the month of May. The year-to-date favorable variances include 1) Delayed timing of new project start dates for Consultants, Computer Support Services, and Purchased Services, and 2) Overall delayed hiring of new employees and temporary help.

**Other Income / (Expense):**

As of May 31<sup>th</sup>, 2023, our YTD interest income from investments show a gain of \$13.0 million.

YTD claims interest expense is \$357,000.

**TangibleNet Equity (TNE):**

Our required TNE is at \$41.4 million, and our actual TNE is at \$322.2 million which leads us to our reported TNE of 778%. We are projecting our TNE to decrease starting in this fiscal year, because of the move to the single plan model. As we take on additional enrollment and additional fee-for-service expenses, that requirement is going to increase the TNE requirement which will mean our reserve requirement will go up which means our reserve percentage will go down.

**Cash and Cash Equivalents:**

We reported \$472.0 million in cash; \$329.9 million is uncommitted. Our current ratio is above the minimum required at 1.79 compared to regulatory minimum of 1.0.

**Capital Investments:**

We have spent \$339,000 in Capital Assets year-to-date. Our annual capital budget is \$1.1 million. We do not anticipate spending the entirety of our capital investment budget this year, but we do anticipate spending more before the end of June.

**Question:** Dr. Ferguson asked if there was a way to make the forecasts more accurate. Gil answered that one of the factors causing the greater variances in this year's forecasts was related to the delay in receiving final rates from the State last year. We do expect final rates in October of this next fiscal year, which will influence our Final Budget results as well as future forecasts. Matt mentioned the shifting of State redetermination dates also played a role in variances. Rebecca Gebhart added that it is important to be able to explain the variances, since many of them are out of our control.

**Motion:** A motion was made by Dr. Michael Marchiano and seconded by Gil Riojas to accept the May 2023 Financial Statements.

**Motion Passed**

No opposed or abstained.

**c.) REVIEW AND APPROVE FY24 REVISED FINANCE COMMITTEE SCHEDULE**

Gil Riojas gave a presentation proposing a new in-person meeting schedule for review and approval by the Finance Committee, to bring to the Board of Governors for final approval.

The proposal outlined mandatory meeting months as follows:

- October – Moss-Adams Financial Audit Results
- December – Final Budget Review
- June – Preliminary Budget Review

Gil further outlined other months suggested to meet with corresponding Recess months as follows:

- In- Person

- July
- September
- October
- December
- February
- May
- June
- Recess
  - August (To correspond with BOG Recess)
  - November
  - January
  - March
  - April

Gil then provided the financial metrics that would warrant in in-person meeting as follows:

- Net Loss greater than \$10 million in one month
- Reduction in TNE greater than 100% points in one month
- MLR above 110% cumulatively or in one month
- Current Ration at or below 1.1 (1.0 is regulatory minimum)
- Two or more metrics near minimum limits
- At the discretion of the Board and Finance Chair (*changed to below during discussion*)
- **At the discretion of the Board Chair, Finance Chair, or CEO**

**Recommendation:** Dr. Ferguson recommended changing the last metric to read “At the discretion of the Board Chair, Finance Chair, or CEO”. Gil informed Dr. Ferguson he would make the change for the Board of Governors meeting on Friday.

**Motion:** A motion was made by Dr. Michael Marchiano and seconded by Gil Riojas to accept the proposed schedule to the Finance Committee Meeting schedule with the changes indicated above and move to bring forward to the full Board of Governors for final approval.

**Motion Passed**

No opposed or abstained.

**ADJOURNMENT**

Dr. Ferguson adjourned the meeting at 8:45 a.m.