ALAMEDA ALLIANCE FOR HEALTH
FINANCE COMMITTEE
REGULAR MEETING

July 5th, 2022
8:00 am – 9:00 am

SUMMARY OF PROCEEDINGS

Meeting Conducted by Teleconference

Committee Members on Conference Call: Dr. Michael Marchiano, Gil Riojas
Committee Members Absent: Dr. Rollington Ferguson

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, Dr. Steve O'Brien, Anastacia Swift, Ruth Watson, Matthew Woodruff, Carol van Oosterwijk, Linda Ly, Jennifer Vo, Danube Serri, Christine Corpus

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
CALL TO ORDER, ROLL CALL, and INTRODUCTIONS			
Dr. Michael Marchiano	Scott Coffin asked Dr. Michael Marchiano, as the senior Finance Committee member, to lead the meeting in Dr. Ferguson's absence. Dr. Marchiano called the meeting to order at 8:08 am. The following public announcement was read. "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." A telephonic Roll Call was then conducted.		
CONSENT CALENDAR			
Dr. Michael Marchiano	Dr. Marchiano presented the Consent Calendar.	No vote was taken due to no-quorum status.	

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	June 7th, 2022, Finance Committee Minutes were approved at the Board of Governors meeting June 10th, 2022, and not presented today.		
a.) CEO Update			
Scott Coffin	Scott Coffin provided updates to the Committee on the following: **<u>Insourcing Mental Health and Autism Spectrum Disorders:</u>** The insourcing of mental health and autism spectrum services is effective on November 1st, 2022. The termination letter has been signed and delivered to Beacon Health Options per the terms and conditions of our current contract, effectively ending our contract on October 31st, 2022, at which time we will assume all administration of delegated services. **<u>Carve-In of Long-Term Care (LTC) Medi-Cal Benefit</u>:** Transition of carve-out to carve-in takes place on January 1st, 2023. The difference between carve-out and carve-in lies in the fiscal and administrative responsibilities. As a carved out benefit, the State has been assuming responsibility, and as a carved in benefit, the Alliance will assume full responsibility. The first phase of the Long-Term Benefit includes Skilled Nursing Facilities and the custodial care administered in the skilled facility. Under the current policy, whenever a Medi-Cal beneficiary entered a LTC facility, they were disenrolled approximately 60 days after being admitted, and placed into the Medi-Cal Fee-For-Service system. As of January 1st, 2023, these members will no longer be disenrolled from the Alliance, and will remain enrolled during their stay at the LTC facility. Further changes to the LTC Benefit will occur in phases throughout 2023. We will discuss the financial impact anticipated as a result of these changes at the full Board meeting on Friday, July 8th. **<u>Quality Component added to Rate Development</u>:** In calendar year 2023, the Department of Health Care Services (DHCS) is introducing a quality component into the base Medi-Cal rates. This will be based on a subset of HEDIS scores from calendar year 2021. Future year rates will be based on the quality component from the HEDIS scores collected 2-years prior (i.e., CY2024 will utilize HEDIS subset score from calendar year 2022) This is a significant change and has a potential top-line financial impact on the Alliance. We will be conducting more analysis and will update as more policy guidance is issued by the DHCS.	Informational update to the Finance Committee Vote not required	

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
b.) Review and approve May 2022 Monthly Financial Statements			
Gil Riojas	**<u>May 2022 Financial Statement Summary</u>** **Enrollment:** Current enrollment is 310,758 and continues to trend upward. Total enrollment has increased by 2,017 members from April 2022, and 22,204 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. Monthly enrollment trends are projected to increase as the Public Health Emergency (PHE) is currently expected to be extended through October 2022. **Net Income:** For the month ending May 31st, 2022, the Alliance reported a Net Income of $5.2 million (versus budgeted Net Income of $3.4 million). The favorable variance is attributed to higher than anticipated Revenue, lower than anticipated Administrative Expense, and higher than anticipated Total Other Income. This was slightly offset by higher than anticipated Medical Expense. For the year-to-date, the Alliance recorded a Net Income of $20.3 million versus a budgeted Net Income of $1.1 million. **Revenue:** For the month ending May 31st, 2022, actual Revenue was at $99.4 million vs. our budgeted amount of $96.8 million. The favorable variance is most directly attributed to an increase in enrollment beyond what we had originally budgeted, due to the continuation of Public Health Emergency (PHE). The favorable Medi-Cal Base Capitation Revenue variance of $470,000 is net of unfavorable $1.4 million DHCS recoupment resulting from a recent Date-of-Death Audit spanning from Calendar Year 2011 through April 2022. As a reminder, the State did a similar recoupment in 2019. **Question:** James Jackson asked if it is incumbent upon the Alliance to proactively identify deceased members and make financial adjustments, and further inquired if there is any penalty associated or is it dollar for dollar. Gil Riojas answered that previously we had looked at ways we could initiate or instigate resolution sooner by tracking the death certificates to the county, but there seems to be a delay between when the County sends the death		

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	certificate and when the State updates the record. The DHCS recoupment process serves to catch those that were missed. Our analytics team continues to look at ways to identify these records earlier so that we can set the funds aside. It is a straight dollar for dollar take-back, and no penalty. It is a function of the State cleaning up its records. The main consequence for the Alliance is that much of the money has gone through as capitation payments to our delegates for these deceased members and now must recoup from them. Our delegates may be impacted, with Kaiser being impacted the most. **Question:** Dr. Marchiano asked if there is a process being developed in order to be able to identify members that may be classified as terminal. Matt Woodruff answered that we currently do have a process that allows us to make note of information we receive on members that have been reported deceased or have moved away. We send a file to the County with this information every month. The County then will review, verify, and process the information and then send to the State to review and make determination. This process, when we have seen the changes, has taken an average of nine months. **Medical Expense:** Actual Medical Expenses for the month were $89.1 million, vs. our budgeted amount of $86.8 million. For the year-to-date, actual Medical Expenses were $1.0 billion versus budgeted $992.4 million. Primarily driven by the continuation of our enrollment increase beyond what we had budgeted in December 2021. Directly related to the Public Health Emergency (PHE). Drivers leading to this variance can be seen on the tables on page 11. Further explanation of the variances can be seen on pages 11 and 12. **Medical Loss Ratio:** Our MLR ratio for this month was reported at 89.6%. Year-to-date MLR was at 92.7%. **Question:** James Jackson asked what our target MLR is. Gil Riojas answered that our threshold related to requirements of the ACA is to be *above* 85% MLR. Our ideal MLR should range between 90-95%. Scott Coffin added that we intentionally do not set an upper end target, because we always want our focus to be on quality of care. He further added that we have seen historically that a MLR above 95% typically does not allow for any Administrative Expenses, and in those months we have posted a Net Loss.		

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	Administrative Expense: Actual Administrative Expenses for the month ending May 31st, 2022 were $5.6 million vs. our budgeted amount of $6.7 million. Our Administrative Expense represents 5.6% 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 seen on page 13 of the packet. **Other Income / (Expense):** As of May 31st, 2022, YTD Investment Interest Revenue realized an $82,000 Net Loss. There are have a lot of changes in the market, particularly to interest rates, and we are hopeful that as we roll some of our investments off of lower interest rate earning investment vehicles to higher ones, our return will go up. YTD claims interest expense is $363,000. **TangibleNet Equity (TNE):** We reported a TNE of 594%, with an excess of $187.8 million. This remains a healthy number in terms of our reserves. **Cash and Cash Equivalents:** We reported $297.9 million in cash; $196.7 million is uncommitted. Our current ratio is above the minimum required at 1.72 compared to regulatory minimum of 1.0. **Capital Investments:** We have spent $234,000 in Capital Assets year-to-date. Our annual capital budget is $1.4 million.	<u>No Vote Taken – No Quorum</u> Informational update only	
UNFINISHED BUSINESS / DISCUSSION			
	None		

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP

ADJOURNMENT			
Dr. Michael Marchiano	Dr. Marchiano adjourned the meeting. The meeting adjourned at 8:41 am.	Motion to adjourn: Scott Coffin No opposed or abstained.	

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