

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

**September 10th, 2024
8:00 am – 9:00 am**

SUMMARY OF PROCEEDINGS

Meeting Conducted in-person and by Teleconference.

Committee Members in-person: Dr. Rollington Ferguson, Yeon Park, Gil Riojas

Committee Members by Teleconference: James Jackson

Board of Governor members in-person and on Conference Call: Rebecca Gebhart

Alliance Staff in-person and on Conference Call: Matt Woodruff, Dr. Donna Carey, Tiffany Cheang, Sasi Karaiyan, Richard Golfen III, Anastacia Swift, Lao Paul Vang, Ruth Watson, Yen Ang, Brett Kish, Shulin Lin, Jeanette Murray, Carol van Oosterwijk, Linda Ly, Brenda Martinez, Renan Ramirez, Felix Rodriguez, Danube Serri, Michelle Valles, Christine Corpus, James Zhong Xu

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.

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

a) CEO UPDATE

Matt Woodruff provided updates to the Finance committee on several key topics which included:

Long-term care:

In July, there was a loss of \$7 million primarily due to inpatient costs, emergency room and long-term care issues.

Financial Restatement:

June and year-end financials are being restated due to retroactivity, with auditors currently reviewing the changes.

Claims Timeliness:

In August, there was a missed regulatory metric regarding claims timeliness, achieving 87% against the State standard of 90%.

Recoupments:

A recent review discovered double payments for retroactive claims, resulting in approximately \$2.5 million in recoupments. Efforts are underway to address this issue.

b) REVIEW AND APPROVE JUNE AND JULY MONTHLY FINANCIAL STATEMENTS

JUNE 2024 Financial Statement Summary

Enrollment:

Enrollment decreased by 1,289 members since May and an overall increase from the year of 42,305 members since June 2023. Significant growth was related to moving to a single plan model and offset by the move away from Kaiser and redetermination.

Net Income:

For the month ending June 30th, 2024, the Alliance reported a Net Loss of \$60.6 million (versus budgeted Net Loss of \$1.8 million). The unfavorable variance is attributed primarily to acuity adjustments related to long-term care and long-term care expense trends. For the year-to-date, the Alliance recorded a Net Loss of \$68.6 million versus a budgeted Net Income of \$9.3 million. The most significant factor was the acuity adjustment for long-term care that the state made back to calendar year 2023.

Premium Revenue:

For the month ending June 30th, 2024, actual Revenue was \$138.2 million vs. our budgeted amount of \$157.7 million. This was as a result of the acuity adjustments that were made.

Medical Expense:

Actual Medical Expenses for the month were \$192.3 million, vs. budgeted amount of \$152.3 million. For the year-to-date, actual, and budgeted Medical Expenses were \$1.8 billion, overall unfavorable in terms of the revenue number. Drivers leading to the unfavorable variance is related to long-term care specifically duplicate claims payments, facility type and bed hold days. Further details can be seen on the tables on pages 11 and 12.

Question: Dr. Ferguson asked if we are taking steps to transfer the patients from a high acuity ward to a lower acuity ward. What actions are being taken to deal with this?

Answer: Dr. Carey mentioned that we are currently assessing our partner facilities and determining the number of members in each facility. We need to figure out if it's suitable for them to be moved to a different facility. We are identifying available facilities and evaluating the needs of our members to determine if a transfer is appropriate.

Question: Yeon Park inquired about the possibility of recovering the double payments we made.

Answer: Gil mentioned that we have a limited time frame within which to recoup those funds, typically around twelve months. After this period, the opportunity to recoup the funds may no longer be available.

Question: Rebecca requested clarification on whether the duplicate claims payment was related to retroactivity. Specifically, she wanted to know if we were supposed to pay a retroactive differential, increase or decrease the payment, but ended up paying the full claim amount again, along with the delta.

Answer: Ruth pointed out several issues with the current situation. Many long-term care facilities changed their NPIs, which caused the system to treat the new identifiers as duplicates. This led to denied claims being duplicated and mistakenly paid. The sudden surge in claims from long-term care also overwhelmed the system, necessitating adjustments dating back to January. As a result, new processes have been implemented, which may temporarily slow down claim processing. The IT and claims teams are dedicating significant time to prevent future occurrences.

Question: Rebecca inquired whether distinct part facilities are a provider group or a classification of facilities.

Answer: Gil and Dr. Carey explained that it is the categorization of a facility, representing the way a facility is connected with a hospital.

Question: Rebecca requested clarification on the definition of a bed hold.

Answer: Dr. Carey explained that if a person is in a skilled nursing facility and needs to be hospitalized, their bed in the nursing facility is held for up to seven days. However, if they stay in the hospital for more than seven days, they may lose their bed in the facility. This is a way for the facilities to ensure that the person can return and for the facility to maintain bed occupancy. James Jackson explained that in an acute care facility, when a patient no longer needs acute care, the facility can't charge the full rate. Instead, they have to charge for an admin day at a much lower rate. This is why it's important for them to manage their bed space effectively and transition patients to the appropriate level of care. From a financial perspective, they are penalized for keeping patients in the acute care setting when they no longer require it.

Medical Loss Ratio:

Our MLR ratio for this month was reported as 139.2%. The year-to-date MLR was 100.1%. Normally, we aim to be between 90-95%. Thus, we are significantly higher than our target range.

Administrative Expense:

Actual Administrative Expenses for the month ending June 30th, 2024 were \$9.5 million vs. our budgeted amount of \$9.7 million. Our Administrative Loss Ratio (ALR) is 6.9% of our Revenue for the month, and 5.6% of Net Revenue for year-to-date.

Other Income / (Expense):

As of June 30th, 2024, our YTD interest income from investments show a gain of \$31.7 million.

YTD claims interest expense is \$865,000.

Managed Care Organization (MCO) Provider Tax:

For the month ending June 30th, 2024, we reported \$114.8 million unbudgeted MCO Tax Revenue, and \$114.8 million unbudgeted MCO Tax Expense.

Tangible Net Equity (TNE):

For June, the DMHC requires that we have \$63.4 million in TNE, and we reported \$255.4 million, leaving an excess of \$192.0 million. As a percentage we are at 403%, which remains well above the minimum required.

Cash and Cash Equivalents:

We reported \$640.3 million in cash; \$282.9 million is uncommitted. Our current ratio is above the minimum required at 1.26 compared to regulatory minimum of 1.0.

Capital Investments:

We have spent \$415,000 on Capital Assets year-to-date. Our annual capital budget is \$1.6 million.

Question: Dr. Ferguson asked Matt what the plan is for stopping the slide since our numbers are going in the wrong direction.

Answer: We must address the necessary corrections within our systems, particularly the accuracy of claims payment and the authorization process within the healthcare services team. These initiatives must be completed by the end of the month, following our focused efforts over the past three weeks on the developments in September. It is imperative that we rectify all outstanding matters, circulate recruitment letters, and ensure the accuracy of all authorizations within this time frame.

JULY 2024 Financial Statement Summary

Enrollment:

Enrollment increased by 518 members since June.

Net Income:

For the month ending July 31st, 2024, the Alliance reported a Net Loss of \$7.0 million (versus budgeted Net Loss of \$2.4 million).

Premium Revenue:

For the month ending July 31st, 2024, actual Revenue was \$164.3 million vs. our budgeted amount of \$166.0 million.

Medical Expense:

Actual Medical Expenses for the month were \$164.5 million, vs. budgeted amount of \$162.2 million. The negative impact is a result of the revenue issue with the acuity.

Medical Loss Ratio:

Our MLR ratio for this month and fiscal year-to-date was reported at 100.1%.

Administrative Expense:

Actual Administrative Expenses for the month ending July 31st, 2024 were \$10.8 million vs. our budgeted amount of \$8.7 million. Our Administrative Loss Ratio (ALR) is 6.6% of our Revenue for the month and year-to-date. Most of this is related to timing of licensing fees.

Other Income / (Expense):

Fiscal YTD net investments show a gain of \$4.0 million.

YTD claims interest expense is \$184,000.

Managed Care Organization (MCO) Provider Tax:

For the month and FYTD ending July 31st, 2024, we reported actual revenue of \$46.9 million and budgeted \$47.0 million for both revenue and expense.

Tangible Net Equity (TNE):

For July, the DMHC requires that we have \$68.8 million in TNE, and we reported \$248.4 million, leaving an excess of \$179.6 million. As a percentage we are at 361%, which remains well above the minimum required. TNE continues to decline; however, we are optimistic that once we achieve stability in our long-term care expenses and certain administrative costs, our TNE will plateau.

Cash and Cash Equivalents:

We reported \$527.2 million in cash; \$355.8 million is uncommitted. Our current ratio is above the minimum required at 1.25 compared to regulatory minimum of 1.0.

Capital Investments:

We have spent \$692,000 on Capital Assets year-to-date. Our annual capital budget is \$1.7 million.

Motion: A motion was made by Yeon Park, and seconded by James Jackson, to accept and approve the June and July 2024 Financial Statements.

Motion Passed

No opposed or abstained.

UNFINISHED BUSINESS

There was no unfinished business.

PUBLIC COMMENTS

There were no public comments.

ADJOURNMENT

Dr. Ferguson adjourned the meeting at 8:58 a.m.