

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

**September 6th, 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:

Alliance Staff on Conference Call: Scott Coffin, Richard Golfin III, Sasi Karaiyan, Dr. Steve O'Brien, Ruth Watson, Matthew Woodruff, Carol van Oosterwijk, Shulin Lin, Linda Ly, Danube Serri, Christine Corpus

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
CALL TO ORDER			
Dr. Michael Marchiano	<p>Scott Coffin asked Dr. Michael Marchiano (Vice Chairperson), as the senior Finance Committee member, to lead the meeting in Dr. Ferguson's (Chairperson) absence. Dr. Marchiano called the meeting to order at 8:08 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>	<p>Quorum was not achieved.</p> <p>Meeting conducted for informational purposes only.</p>	

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CONSENT CALENDAR			
Dr. Michael Marchiano	Dr. Marchiano presented the Consent Calendar	No vote was taken due to no-quorum status.	
COMMITTEE BUSINESS			
a.) CEO Update			
Scott Coffin	<p>Scott Coffin, CEO, provided updates to the Committee on the following:</p> <p>Department of Managed Health Care (DMHC) Audit:</p> <p>Our routine DMHC audit for Finance and Claims begins this week. For Finance, the lookback is at our March 2022 Quarterly Financial Statement. For Claims processing, the lookback period is three years from March 2019 through March 2022. We will report the status of the audit at the October Compliance Committee.</p> <p>DMHC Enforcement Matter:</p> <p>The Alliance received an enforcement matter from DMHC in the month of August. For the period 2017 through 2018, the Alliance had six deficiencies resulting in a \$200K fine. This is currently being negotiated with the DMHC. We will have further discussion regarding the statewide increases related to enforcement matters and the potential for financial impacts in the future.</p> <p>Question: Dr. Marchiano asked if there was a specific area of interest that the State will find discrepancies. Richard Golfin III, Chief Compliance & Privacy Officer, answered that the AAH Health Care Services Division is typically where we see the most opportunity for deficiency. Particularly surrounding authorizations, denials, and timeliness of responses.</p> <p>Annual Board Retreat:</p> <p>The annual Board Retreat is scheduled for Thursday, September 29th, 2022.</p>	<p>Informational update to the Finance Committee</p> <p>Vote not required</p>	

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	<p>Behavioral Health Services Insourcing:</p> <p>The insourcing of the Behavioral Health Services, including Autism Spectrum Services, has been moved from November 1st, 2022, to March 31st, 2023. The costs associated with the additional five months will be presented to the Finance Committee next month.</p> <p>Updates at October Committee and Board:</p> <p>A CalAIM Incentives update will be presented to the Finance Committee in October. This is a requested periodic update. Our Board of Governor's update in October will include June, July, and August Financials for a vote.</p> <p>Fiscal year end 2022 is completed in the month of June and the first month of the fiscal year 2023 is being presented to the Finance Committee today.</p>		
b.) Review June 2022 Monthly Financial Statements			
Gil Riojas	<p><u>June 2022 Financial Statement Summary</u></p> <p>Enrollment: Current enrollment is 313,056 and continues to trend upward. Total enrollment has increased by 2,298 members from May 2022, and 24,502 members since June 2021. Increases were primarily in the Child, Adult, and Optional Expansion categories of aid, and included slight increases in the Duals and SPD categories of aid. Group Care had a slight decline for the month. Monthly enrollment trends are projected to increase as the Public Health Emergency (PHE) is currently expected to be extended through October 2022.</p> <p>Net Income: For the month ending June 30th, 2022, the Alliance reported a Net Income of \$3.3 million (versus a budgeted Net Income of \$2.4 million). The favorable variance is attributed to higher than anticipated Revenue and lower than</p>		

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	<p>anticipated Administrative Expense. This was slightly offset by higher than anticipated Total Other Income, and higher than anticipated Medical Expense. For the year-to-date, the Alliance recorded a Net Income of \$23.7 million versus a budgeted Net Income of \$3.5 million.</p> <p>Revenue: For the month ending June 30th, 2022, actual Revenue was at \$96.5 million vs. our budgeted amount of \$95.9 million. The favorable revenue variance of \$530,000 is primarily due to favorable CalAIM Incentive Payment Program and CalAIM Community Supports Revenue, offset by a \$4 million unfavorable accrual for an anticipated member health acuity adjustment by DHCS, FY-19 Prop 56 Minimum Medical Expenditure recoupment, and timing of Maternity and Behavioral Health payments. For the year-to-date, the Alliance recorded a Revenue at Budget of \$1.2 billion.</p> <p>Medical Expense: Actual Medical Expenses for the month were \$87.6 million, vs. our budgeted amount of \$86.1 million. For the year-to-date, actual Medical Expenses were on budget at \$1.1 billion. Details are provided on the tables on page 10 with further explanation of the variances can be seen on pages 11 and 12.</p> <p>Medical Loss Ratio: Our MLR ratio for this month was reported at 90.8%. Year-to-date MLR was at 92.5%.</p> <p>Administrative Expense: Actual Administrative Expenses for the month ending June 30th, 2022 were \$5.4 million vs. our budgeted amount of \$7.5 million. For the year-to-date, the actual Administrative Expenses were \$64.5 million vs. a budgeted \$82.0 million.</p> <p>Our Administrative Expense represents 5.6% of our Revenue for the month, and 5.4% of Net Revenue for year-to-date.</p> <p>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.</p>		
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	<p>Other Income / (Expense): As of June 30th, 2022, YTD Investment Interest Revenue realized a \$162,000 Net Loss. There are 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.</p> <p>YTD claims interest expense is \$396,000.</p> <p>TangibleNet Equity (TNE): We reported a TNE of 601%, with an excess of \$191.0 million. This remains a healthy number in terms of our reserves.</p> <p>Cash and Cash Equivalents: We reported \$307.4 million in cash; \$192.7 million is uncommitted. Our current ratio is above the minimum required at 1.72 compared to the regulatory minimum of 1.0.</p> <p>Capital Investments: We have spent \$421,000 in Capital Assets year-to-date. Our annual capital budget is \$1.4 million.</p>	No vote was taken due to no-quorum status.	
c.) Review July 2022 Monthly Financial Statements			
Gil Riojas	<p><u>July 2022 Financial Statement Summary</u></p> <p>Enrollment: Current enrollment is 317,629 and continues to trend upward. Total enrollment has increased by 4,573 members from June 2022. Increases were primarily in the Child, Adult, Optional Expansion, and Duals categories of aid, including a fairly large increase in our SPD category of aid. Group Care remains relatively flat. A significant portion of the SPD increase is related to the initial addition of Undocumented Older Adults. Monthly enrollment trends are projected to increase as the Public Health Emergency (PHE) is currently expected to be extended through October 2022. The disenrollment process is scheduled to start in early 2023.</p>		

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	<p>Net Income: For the month ending July 31st, 2022, the Alliance reported a Net Income of \$5.7 million (versus budgeted Net Loss of \$3.4 million). The favorable variance is attributed to lower than anticipated Medical Expense, lower than anticipated Administrative Expense, and higher than anticipated Total Other Income. This was slightly offset by lower than anticipated Revenue.</p> <p>Revenue: For the month ending July 31st, 2022, actual Revenue was at \$100.8 million vs. our budgeted amount of \$101.8 million. The slight unfavorable is primarily due to an unfavorable accrual to Medi-Cal Base Capitation Revenue for an anticipated member health acuity adjustment by DHCS, unfavorable Prop 56 Revenue, and unfavorable Behavioral Health Revenue, partially offset by favorable Maternity Revenue.</p> <p>Medical Expense: Actual Medical Expenses for the month were \$90.9 million, vs. our budgeted amount of \$98.8 million. Drivers leading to this variance can be seen on the tables on page 10 and 11. Further explanation of the variances can be seen on pages 11 and 12.</p> <p>Medical Loss Ratio: Our MLR ratio for this month was reported at 90.1%.</p> <p>Administrative Expense: Actual Administrative Expenses for the month ending July 31st, 2022 were \$4.7 million vs. our budgeted amount of \$6.5 million.</p> <p>Our Administrative Expense represents 4.7% of our Revenue.</p> <p>Reasons for the favorable month-end variances is due to delayed timing of new project start dates for Consultants, Computer Support Services and Purchased Services.</p> <p>Other Income / (Expense): As of July 31st, 2022, YTD Investment Interest Revenue realized a \$466,000 Net Gain. As the market changes and the Federal interest rates go up, we should continue to see a positive result in our investments.</p>		
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	<p>YTD claims interest expense is \$24,000.</p> <p>TangibleNet Equity (TNE): We reported a TNE of 625%, with an excess of \$198.6 million. This remains a healthy number in terms of our reserves.</p> <p>Cash and Cash Equivalents: We reported \$300.8 million in cash; \$204.8 million is uncommitted. Our current ratio is above the minimum required at 1.72 compared to the regulatory minimum of 1.0.</p> <p>Capital Investments: For the month ending July 31st, 2022, we did not add any Capital Assets. Our annual capital budget is \$979,000.</p>	No vote was taken due to no-quorum status.	
ADJOURNMENT			
Dr. Michael Marchiano	The meeting adjourned at 8:45 am.		

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