

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

**October 10th, 2023
8:00 am – 9:00 am**

SUMMARY OF PROCEEDINGS

Meeting Conducted in-person and by Teleconference.

Committee Members in-person: 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, Maryam Maleki, Brenda Martinez, Jeanette Murray, Brett Kish, Renan Ramirez, Danube Serri, James Zhong Xu, Christine Corpus

CALL TO ORDER, ROLL CALL, AND INTRODUCTIONS

Dr. Ferguson called the Finance Committee meeting to order at 8:02 am. A Roll Call was then conducted.

Gil Riojas introduced the Moss Adams team, Chris Pritchard, Rianne Suico, and Gordon Lam

CONSENT CALENDAR

Dr. Ferguson presented the Consent Calendar.

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

a.) REVIEW AND APPROVE FISCAL YEAR 2023 ANNUAL AUDITED FINANCIAL STATEMENTS

Following a comprehensive presentation explaining their audit process and results, Moss Adams issued the Alliance an Unmodified Opinion which is "Financial statements are presented fairly and in accordance with generally accepted accounting principles". This is the highest level of assurance that can be issued from the audit firm.

The composition of assets were confirmed (cash and cash equivalents, premiums receivable, investments, reinsurance, capital assets) and noted that the Financial Statements are free of material misstatements. In addition, investments were tested to make sure that Management has recorded them at their fair market value as required by the Accounting Standards.

Liabilities and net position balance were confirmed (accounts payable, accrued expenses, claims payable, payable to other governmental agencies and hospital fee, net position, etc.) and were consistent.

The accounting estimates are reasonable, no audit adjustments, no issues discussed prior to our retention as auditors, no disagreements with management and there were no adjustments or issues completing work. In final, there is no awareness of any instances of fraud or noncompliance with regulations.

Motion: A motion was made by Mr. James Jackson and seconded by Ms. Yeon Park to approve the Fiscal Year 2023 Annual Audited Financial Statements for presentation to Board of Governors.

Motion Passed

No opposed or abstained.

b.) CEO UPDATE

Matthew Woodruff first thanked the finance team for the work and dedication leading to the consistent “Unmodified Opinion” we have received on all financial audits over the last six years.

Matt then provided updates to the committee on the following:

- Key Performance Indicators:
 - Regulatory Metrics:
 - All regulatory metrics were met for the month of August.
 - Non-Regulatory Metrics:
 - The member services department did not meet one metric for the month of September. The member services team had an abandonment rate of 6% instead of the internal metric of 5%.
- Program Implementations:
 - Community Supports
 - Friday at the Board of Governors, there will be a full presentation on the Community Supports offered by the Alliance. One noteworthy item is that currently our biggest loss in Community Supports is in housing. Housing is the only community support that is statewide, and that could mean that the State will make it a benefit as early as 2024.
 - Final Budget Discussion
 - In August, the Alliance decided to put more dollars back into the Alliance and the Community in order to help Alameda County with our quality and access. Contributing factors in this decision were:
 1. Kaiser’s overall quality scores are higher than the Alliance and we have benefited from that while being contracted with them. We will lose 3-5% overall in quality scores due to the ending of the Kaiser contract.
 2. Anthem’s overall quality is lower than the Alliance’s so with their members coming in, we know we will also take a hit with quality measures there as well.

On Friday Matt will discuss the different areas of change and the potential impact to the Alliance’s preliminary budget projected \$21 million net income for FY24. With these budget changes the Alliance is now projecting a net income of around \$5-\$7 million, however, we will not know for sure until we receive our draft rates later in October and operating and administrative budgets are updated for our Final Budget.

Question: Dr. Ferguson asked if Matt could expand on the areas of change.

Matt listed the programs expressing that he would go over them in detail on Friday:

1. Hiring of staff
2. Kaiser and Anthem transition
3. Promote provider engagement by almost doubling the pool of dollars for the Pay for Performance Program

4. Hiring outbound call staff who reach out to members requiring preventive care services
5. Building out HealthSuite / TruCare / new platform allowing AAH staff to identify a member's preventive care needs
6. Using a vendor to engage AAH providers on billing and coding practices
7. Hiring dedicated QI staff who support pediatric metrics, behavioral health metrics, and health disparity projects

Question: Dr. Ferguson asked how staff hiring would affect the ALR. He also asked a follow-up question, how do we reach out to Anthem's private physicians and small groups to help educate them to improve the HEDIS scores, specifically the possibility of software development that could be given to small practices that would assist in capturing and reporting HEDIS measures.

Matt answered that we are currently working on the new ALR. All data was due last Friday and so those calculations are still in progress and will be available at the next Finance Committee meeting. He further added that the State put out a grant program that was just finalized about two weeks ago that is meant to assist smaller to midsize independent providers. We will make assistance decisions on a Provider-by-Provider basis, but we will not be developing or buying software for anyone.

Ruth Watson provided a few of the requirements for qualification for the grants stating that the target is Primary Care practices that provide Pediatric, Family Medicine, Internal Medicine, Primary Care, OBGYN services or Behavioral Health integrated into primary care. She advised the committee that we have pulled reports of which providers are eligible and have been sending out the necessary documentation for them to fill out, and if they are interested, we will help them through the application. More information will be provided on Friday.

- Pay Equity Salary Survey (Race, Gender, Ethnicity Salary Survey)
 - In June, the Alliance began a pay equity salary survey to ensure our employees are compensated appropriately. The pay equity salary survey showed overall that we have done very well as a company.
- Recruiting Incentives for our Network
 - Thank you to all the Board members who sent feedback. We will review the draft program with all edits at the December meeting or at the January Board Retreat.
- Board of Governors Grant Program
 - The Board grant program will be out for review before the December Board meeting, or we can review at the January Board Retreat.

Informational update to the Finance Committee. Vote not required.

b.) REVIEW AND APPROVE AUGUST 2023 MONTHLY FINANCIAL STATEMENTS

AUGUST 2023 Financial Statement Summary

Enrollment:

Enrollment continues to decrease, as expected, since July, we continue to see those decreases. It's a little lower than we expected, but we heard recently from the state that there were some issues on their end. So, there will be a cleanup, which will mean that most likely in September or October our decrease in enrollment will likely be higher than what we've seen for the first couple of months.

By category of aid, the Child, Adults, and Optional Expansion are the three main drivers of those decreases. A little bit of a dip in our Seniors and Persons with Disabilities (SPD). The Duals category remains a bit flat, and our Group Care also has shown slight decreases over the last 12 months. We have the new Long-Term Care (LTC) categories of aid, both LTC Medi-Cal, and LTC Duals, and both of those have seen small decreases from July to August.

Net Income:

For the month ending August 31st, 2023, the Alliance reported a Net Income of \$2.3 million (versus budgeted Net Income of \$161,000). The favorable variance is attributed to higher than anticipated Revenue, and higher than anticipated Total Other Income, and slightly offset by higher than anticipated Administrative Expense, and slightly higher than anticipated Medical Expense. For the year-to-date, the Alliance recorded a Net Income of \$12.1 million versus a budgeted Net Income of \$884,000.

Revenue:

For the month ending August 31st, 2023, actual Revenue was \$138.4 million vs. our budgeted amount of \$135.3 million. This slight positive variance is related to CalAIM incentive program. Our actual year-to-date Revenue is currently at \$277.1 billion versus budgeted Revenue of \$272.1 million.

Medical Expense:

Actual Medical Expenses for the month were \$129.7 million, vs. our budgeted amount of \$129.1 million. For the year-to-date, actual Medical Expenses were \$255.8 million versus budgeted \$260.2 million. Drivers leading to the favorable variance can be seen on the tables on pages 80 and 81, with further explanation on pages 81 and 82.

Medical Loss Ratio:

Our MLR ratio for this month was reported at 93.7%. Year-to-date MLR was at 92.3%.

Administrative Expense:

Actual Administrative Expenses for the month ending August 31st, 2023 were \$8.4 million vs. our budgeted amount of \$7.1 million. Our Administrative Loss Ratio (ALR) is 6.1% of our Revenue for the month, and 5.1% of Net Revenue for year-to-date. Gil called out the variance in Employee Expenses for the month of August include 1) unfavorable Employee Expense primarily driven by retroactive July 2023 merit salary increases paid in August, and 2) unfavorable Medical Benefits Admin Expense caused by \$818,000 unbudgeted Behavioral Health Administrative fee relating to the termination of behavioral health service vendor.

Other Income / (Expense):

As of August 31st, 2023, our YTD interest income from investments show a gain of \$5.1 million.

YTD claims interest expense is \$141,000.

Tangible Net Equity (TNE):

The DMHC requires that we have \$46.7 million in TNE, and we reported \$336.8 million, so the excess of that is 291 million. As a percentage that means we have over 7 times the amount that is required. You can see from the chart that our TNE started at about the mid 600% range over the last 12 months and peaked at 778%, so as Rianne mentioned earlier, as our enrollment mix changes as we get new members, and as our expenses increase, that will increase the reserve amount required by the DMHC. So, as expected, we're seeing that our TNE excess actually decreased because of that increase in the requirement.

Cash and Cash Equivalents:

We reported \$323.4 million in cash; \$92.8 million is uncommitted. Our current ratio is above the minimum required at 1.70 compared to regulatory minimum of 1.0.

Capital Investments:

We have spent \$433,000 in Capital Assets year-to-date. Our annual capital budget is \$1.5 million.

Motion: A motion was made by Ms. Yeon Park and seconded by Dr. Michael Marchiano to accept the August 2023 Financial Statements.

Motion Passed

No opposed or abstained.

ADJOURNMENT

Dr. Ferguson adjourned the meeting at 8:59 a.m.