

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

October 11<sup>th</sup>, 2022  
8:00 am – 9:00 am

**SUMMARY OF PROCEEDINGS**

**Meeting Conducted by Teleconference**

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

**Board of Governor Members on Conference Call:** None

**Alliance Staff on Conference Call:** Scott Coffin, Tiffany Cheang, Dr. Steve O'Brien, Ruth Watson, Matthew Woodruff, Carol van Oosterwijk, Shulin Lin, Linda Ly, Jennifer Vo, Danube Serri, Christine Corpus

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
<b>CALL TO ORDER</b>			
<b>Dr. Michael Marchiano</b>	<p>Scott Coffin asked Dr. Michael Marchiano to lead the meeting. Dr. Marchiano called the meeting to order at 8:04 am.</p> <p>The following public announcement was read aloud.</p> <p style="text-align: center;"><i>"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."</i></p> <p>A telephonic Roll Call was then conducted.</p>		
<b>INTRODUCTIONS</b>			
<b>Gil Riojas</b>	<p>Gil Riojas introduced the audit team, Chris Pritchard, Rianne Suico, and Gordon Lam, from Moss Adams.</p>		

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<b>CONSENT CALENDAR</b>			
<b>Dr. Michael Marchiano</b>	Dr. Marchiano presented the Consent Calendar		
<b>COMMITTEE BUSINESS</b>			
<b>a.) Review Moss Adams Fiscal Year 2022 Audit Results</b>			
<b>Chris Pritchard Rianne Suico, and Gordon Lamb; representing Moss Adams</b>	<p>Following a comprehensive presentation explaining their audit process and results, Moss Adams issued the Alliance an Unmodified Opinion which is “Combined financial statements are presented fairly and in accordance with generally accepted accounting principles”. This is the highest level of assurance that can be issued by the audit firm.</p> <p>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.</p> <p>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.</p> <p>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 your applicable loss and regulations.</p>	<p>Informational update to the Finance Committee</p> <p>Vote not required</p>	
<b>b.) CEO Update</b>			
<b>Scott Coffin</b>	<p>Scott Coffin provided updates to the Committee on the following:</p> <p><b><u>Final Budget Update</u></b> – The Final Budget for Fiscal Year 2023 will be presented at the December Finance Committee and Board of Governors meetings.</p>	<p>Informational update to the Finance Committee</p> <p>Vote not required</p>	

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
<b>c.) Review June 2022 Monthly Financial Statements</b>			
Gil Riojas	<p><b><u>June 2022 Financial Statement Summary</u></b></p> <p><b>Enrollment:</b> 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><b>Net Income:</b> For the month ending June 30th, 2022, the Alliance reported a Net Income of \$3.3 million (versus budgeted Net Income of \$2.4 million). The favorable variance is attributed to higher than anticipated Revenue and lower than 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 Pre-audit Net Income of \$23.7 million versus a budgeted Net Income of \$3.5 million.</p> <p><b>Revenue:</b> 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><b>Medical Expense:</b> 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 26 with further explanation of the variances can be seen on pages 26 and 27.</p>		

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	<p><b>Medical Loss Ratio:</b> Our MLR ratio for this month was reported at 90.8%. Year-to-date MLR was at 92.5%.</p> <p><b>Administrative Expense:</b> 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. 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> <p><b>Other Income / (Expense):</b> As of June 30th, 2022, YTD Investment Interest Revenue realized a \$162,000 Net Loss. Due to market changes our year to date interest revenue was negative. We expect a reversal of this as we move into fiscal year 2023 as short term interest rates are increasing rapidly.</p> <p>YTD claims interest expense is \$396,000.</p> <p><b>Tangible Net Equity (TNE):</b> 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><b>Cash and Cash Equivalents:</b> 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 regulatory minimum of 1.0.</p> <p><b>Capital Investments:</b> We have spent \$421,000 in Capital Assets year-to-date. Our annual capital budget is \$1.4 million.</p>	<p><u>Motion to accept</u> <b><u>June 2022, July 2022, and August 2022 Financial Statements</u></b> made at end of presentation of all months.</p>	

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**d.) Review July 2022 Monthly Financial Statements**

<p><b>Gil Riojas</b></p>	<p><b><u>July 2022 Financial Statement Summary</u></b></p> <p><b>Enrollment:</b> 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> <p><b>Net Income:</b> 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><b>Revenue:</b> 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><b>Medical Expense:</b> 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 pages 63 and 64. Further explanation of the variances can be seen on pages 64 and 65.</p> <p><b>Medical Loss Ratio:</b> Our MLR ratio for this month was reported at 90.1%.</p>		
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AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	<p><b>Administrative Expense:</b> 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 are due to delayed timing of new project start dates for Consultants, Computer Support Services and Purchased Services.</p> <p><b>Other Income / (Expense):</b> 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> <p>YTD claims interest expense is \$24,000.</p> <p><b>Tangible Net Equity (TNE):</b> 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><b>Cash and Cash Equivalents:</b> 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><b>Capital Investments:</b> For the month ending July 31<sup>st</sup>, 2022, we did not add any Capital Assets. Our annual capital budget is \$979,000.</p> <p><b>Question:</b> Dr. Marchiano asked how the budget will be impacted the most with the new programs coming online. Gil Riojas answered that he anticipates Long-Term Care will have the greatest impact as it has financial implications for both our Medical Expense as well as our Administrative Expense. Dr. Marchiano further asked where the Alliance TNE and reserves compare to other plans. Gil answered that we are in the middle as compared to our peer plans.</p>	<p><u>Motion to accept June 2022, July 2022, and August 2022 Financial Statements</u> made at end of the presentation of all months.</p>	

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**e.) Review and Approve August 2022 Monthly Financials**

<p><b>Gil Riojas</b></p>	<p><b><u>August 2022 Financial Statement Summary</u></b></p> <p><b>Enrollment:</b> Current enrollment is 319,256 and continues to trend upward, Total enrollment has increased by 1,627 members from July 2022, and 6,200 members since June 2022. Consistent increases were primarily in the Child, Adult, and Optional Expansion categories of aid, and included slight increases in the Duals, SPD, and Group Care categories of aid. 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> <p><b>Net Income:</b> For the month ending August 31st, 2022, the Alliance reported a Net Income of \$2.3 million (versus budgeted Net Income of \$2.1 million). For the year-to-date, the Alliance recorded a Net Income of \$8.0 million versus a budgeted Net Income of \$5.5 million. The favorable variance is explained on page 98.</p> <p><b>Revenue:</b> For the month ending August 31st, 2022, actual Revenue was \$101.0 million vs. our budgeted amount of \$102.3 million. Unfavorable Revenue variance is mainly due to unfavorable accrual to Medi-Cal Base Capitation Revenue for anticipated member health acuity adjustment by DHCS, unfavorable Prop 56 Revenue, and unfavorable Behavioral Health supplemental revenue.</p> <p><b>Question:</b> Dr. Ferguson asked for clarification of the acuity adjustment. Gil Riojas explained that DHCS determined that the acuity level of our membership was lower than they anticipated as a result, they made an adjustment to our calendar year 2022 rates. This impact on our revenue for the year is approximately \$4.0 million, which we are taking as a \$700,000 per month reduction to our revenue from June to December 2022.</p> <p><b>Medical Expense:</b> Actual Medical Expenses for the month were \$93.3 million vs. our budgeted amount of \$97.4 million. Drivers leading to the favorable variance can be seen on the tables on page 100, with further explanation on pages 100 and 101</p>		
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AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	<p><b>Medical Loss Ratio:</b> Our MLR ratio for this month was reported at 92.4%. Year-to-date MLR was at 91.3%.</p> <p><b>Administrative Expense:</b> Actual Administrative Expenses for the month ending August 31st, 2022 were \$5.7 million vs. our budgeted amount of \$7.0 million. Our Administrative Expense represents 5.6% of our Revenue for the month, and 5.2% of Net Revenue for year-to-date. Reasons for the favorable month-end variances, as well as the favorable year-to-date variances are outlined on page 102 of the presentation.</p> <p><b>Other Income / (Expense):</b> As of August 31st, 2022, our YTD interest income from investments was \$859,000.</p> <p>YTD claims interest expense is \$52,000.</p> <p><b>Tangible Net Equity (TNE):</b> We reported a TNE of 627%, with an excess of \$200.6 million. This remains a healthy number in terms of our reserves.</p> <p><b>Cash and Cash Equivalents:</b> We reported \$322.4 million in cash; \$147.9 million is uncommitted. Our current ratio is above the minimum required at 1.55 compared to the regulatory minimum of 1.0.</p> <p><b>Capital Investments:</b> For the month ending August 31<sup>st</sup>, 2022, we added \$24,000 in Capital Assets. Our annual capital budget is \$1.0 million.</p>	<p><u>Motion to accept</u> <b><u>June 2022, July 2022, and August 2022 Financial Statements</u></b></p> <p><u>Motion:</u> Dr. Ferguson <u>Seconded:</u> Dr. Marchiano</p> <p><u>Motion Carried</u></p> <p>No opposed or abstained</p>	
<b>ADJOURNMENT</b>			
<b>Dr. Michael Marchiano</b>	The meeting adjourned at 8:56 am.		



<b>AGENDA ITEM SPEAKER</b>	<b>DISCUSSION HIGHLIGHTS</b>	<b>ACTION</b>	<b>FOLLOW UP</b>
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Respectfully Submitted By:  
Christine E. Corpus, Executive Assistant to CFO