ALAMEDA ALLIANCE FOR HEALTH
FINANCE COMMITTEE
REGULAR MEETING

November 12th, 2024
8:00 am – 9:00 am

SUMMARY OF PROCEEDINGS

Meeting Conducted in-person and by Teleconference.

Committee Members in-person: Dr. Rollington Ferguson, Rebecca Gebhart, James Jackson, Yeon Park (arrived at 8:10 a.m.), Gil Riojas
Committee Members by Teleconference: None
Committee Members Excused: None
Board of Governor members in-person and on Conference Call: Andie Martinez Patterson, Tosan Boyo

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

CALL TO ORDER

Dr. Ferguson convened the Finance Committee meeting at 8:00 a.m.

ROLL CALL

Roll call was conducted and confirmed.

INTRODUCTIONS

CEO Matt Woodruff introduced Pritika Dutt from the Department of Managed Health Care (DMHC), who joined the meeting via conference call.

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 the Finance Committee with updates on several topics, including:

Financial Meeting with DHCS:

Matt and Gil had a collaborative meeting with DHCS where they discussed financial statement results, with the State asking many good questions. There was a small net increase in preliminary Calendar Year 2025 (CY25) rates. Matt and Gil continue to advocate for higher rates for CY25.

Medical Management:

Dr. Carey outlined three approaches to medical management: preventing avoidable hospitalizations, decreasing length of stay and hospital readmissions, and managing expenses.

Preventable Hospitalizations
The team is identifying high-risk and low-risk members using a population health management strategy. High-risk members are being enrolled in the Enhanced Care Management (ECM) program to receive extensive case management and avoid preventable hospitalizations.

Decreasing length of stay and hospital readmissions
The focus is on transitional care services, including meeting members at bedside during hospital admission to assist with post-discharge planning and enrollment in the ECM network. High-risk members are linked to a provider visit within seven days after discharge, and low-risk members within 30 days. Pharmacists are also utilized for medication reconciliation for high-risk members.

Managing Expenses
Strategies include creating criteria for the use of sitters in long-term care, monitoring the necessity of sitters, and establishing criteria for community supports to ensure they are provided to those who truly need them.

Question: High risk versus low risk? How is that determined?

Answer: The determination is based on the number of emergency room visits, medical conditions, and chronic diseases. Members are stratified into high, emerging, or low risk. High-risk members are those with multiple hospitalizations and chronic diseases.

Question: Has the risk stratification tool been examined to ensure that it does not contain any inherent biases that could affect how a person is classified or defined? Specifically, has equity been considered in this evaluation?

Answer: Tiffany confirmed that the population health team is looking at the risk stratification toll through an equity lens. The tool uses the John Hopkins ACG models, which have been tested for equity.

b) REVIEW AND APPROVE THE SEPTEMBER 2024 MONTHLY FINANCIAL STATEMENTS

SEPTEMBER 2024 Financial Statement Summary

Enrollment:

Enrollment increased by 666 members since August and an overall increase of 1,943 members since June 2024.

Net Income:

For the month ending September 30th, 2024, the Alliance reported a Net Loss of $8.7 million (versus budgeted Net Loss of $215,000). For the year-to-date, the Alliance recorded a Net Loss of $34.1 million versus a budgeted Net Income of $5.4 million.

Premium Revenue:

For the month ending September 30th, 2024, actual Revenue was $170.9 million vs. our budgeted amount of $166.2 million.

Medical Expense:

Actual Medical Expenses for the month were $174.5 million, vs. budgeted amount of $159.0 million. For the year-to-date, actual Medical Expenses were $526.9 million vs. budgeted Medical Expense of $483.8 million.

Medical Loss Ratio:

Our MLR ratio for this month was reported as 102.1%. The year-to-date MLR was 103.1%. 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 September 30th, 2024, were $8.9 million vs. our budgeted amount of $10.0 million. Our Administrative Loss Ratio (ALR) is 5.2% of our Revenue for the month, and 5.7% of Net Revenue for year-to-date.

Other Income / (Expense):

As of September 30th, 2024, our YTD interest income from investments show a gain of $10.9 million.

Managed Care Organization (MCO) Provider Tax:

For the month ending September 30th, 2024, we reported $194.3 million unbudgeted MCO Tax Revenue, and $47.1 million unbudgeted MCO Tax Expense.

Tangible Net Equity (TNE):

For September, the DMHC requires that we have $70.2 million in TNE, and we reported $221.3 million, leaving an excess of $151.1 million. As a percentage we are at 315%, which remains above the minimum required.

Cash and Cash Equivalents:

We reported $625.4 million in cash; $442.3 million is uncommitted. Our current ratio is above the minimum required at 1.17 compared to regulatory minimum of 1.0.

Capital Investments:

We have acquired $530,000 on Capital Assets year-to-date. Our annual capital budget is $1.7 million.

Question: When actual expenses significantly exceed projections, is it correct that members are sicker than anticipated? Are we experiencing an adverse selection, or is there a combination of these two? Are there other factors?

Answer: We are observing a sicker population than anticipated in part due to redetermination. The healthier population has disenrolled, leaving behind those who are sicker. This shift is reflected in our RDT, which indicates higher acuity levels. As a result, we are experiencing higher expenses that exceed both our budget projections and the state's expectations. As the population continues to grow, it will lead to increased expenses.

Question: What is being done to address the high pharmacy expenses?

Answer: Efforts are being made to manage the costs of physician-administered drugs and other high-cost medications, particularly those related to weight loss and diabetes management.

Question: In our last meeting, we discussed that our denial rate is not aligned with some other plans. What steps have been taken to address this issue and bring our denial rate more in line with those plans?

Answer: We are currently reviewing our criteria and identifying the requests we consistently approve. We are implementing some auto-approvals for these standard requests to streamline our process. At the same time, we are focusing on cases where we have encountered issues.

At this stage, our goal is to analyze high-cost items and understand the various criteria that need to be met for approval. We have assessed our automation processes to determine what can be automated. Dr. Carey's team is then tasked with ensuring that the remaining requests meet all necessary criteria.

Motion: A motion was made by Rebecca Gebhart, and seconded by Yeon Park, to accept and approve the September 2024 Financial Statements.

Motion Passed

No opposed or abstained.

c) DHCS FINANCIAL PRESENTATION

Gil shared the presentation recently delivered to DHCS to advocate for necessary rate increases and to emphasize the financial challenges being faced.

Updated Year to Date Numbers

- Removed prior period revenue adjustment related to CY23 acuity and any gains from investment income.
- Medical Loss Ratio above 100% from April through August and beyond.
- Year to date MLR at 102%.
- Total Net Loss of $91 million.
- Tangible Net Equity near 200%.
- Community support costs are estimated to be $33.6 million for the fiscal year, representing a 54% increase from the fiscal year 2024.
- There was a significant negative variance in Community Supports revenue ($7.3 million) compared to expenses for FY24 ($21.8 million) and this negative variance is expected to increase for FY25.
- Draft CY25 rates represent only a 3.9% increase from CY24.

CY24 Financial Trends

- Medical Loss Ratio above 100% from April through August.
- Material Net Loss continues even with the removal of prior period revenue adjustments.

DHCS Rate Support Needed

- Material rate increases for CY25 across most COAs are needed to support increasing volume and expense trends.
- Core business impacted by Community Supports costs.
- DSNP line of business ramp up includes significant expense outlay (labor, consulting, vendor) without supporting revenue.
- Positive returns from investment income will diminish as interest rates are lowered.
- Safety net system impacts will be experienced with our County partnership and safety net hospitals (AHS/St. Rose).
- Network adequacy concerns (provider groups closing to our members).

Motion: A motion was made by James Jackson and seconded by Yeon Park to extend the meeting by five minutes.

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 9:04 a.m.