

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

**November 9, 2021  
8:00 am – 9:00 am**

**SUMMARY OF PROCEEDINGS**

**Meeting Conducted by Teleconference**

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

**Board of Governor members on Conference Call:** James Jackson

**Alliance Staff on Conference Call:** Scott Coffin, Tiffany Cheang, Sandra Galindo, Richard Golfin III, Sasi Karaiyan, Shulin Lin, Dr. Steve O'Brien, Carol van Oosterwijk, Ruth Watson, Matt Woodruff, Christine Corpus

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
<b>CALL TO ORDER and INTRODUCTIONS</b>			
<b>Dr. Rollington Ferguson</b>	Dr. Ferguson called the Finance Committee meeting to order at 8:00 am and Roll Call was conducted.		
<b>CONSENT CALENDAR</b>			
<b>Dr. Rollington Ferguson</b>	Dr. Ferguson presented the Consent Calendar.  October 5, 2021, Finance Committee Minutes were approved at the Board of Governors meeting October 8, 2021 and not presented today.	There were no modifications to the Consent Calendar, and no items to approve.	
<b>a.) CEO Update</b>			
<b>Scott Coffin</b>	Scott Coffin provided updates to the committee on the following:  <b>Final Budget FY2022</b> – Fiscal year 2022 final budget will be presented to the Finance Committee and Board of Governors in December, and includes the first quarter forecast (July, August, September). The final budget includes revenue and cost projections for the CalAIM initiative which starts January 1 <sup>st</sup> ,	Informational update to the Finance Committee  Vote not required	

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	<p>and the factors the impact on revenue and expense with the Medi-Cal Rx transition, also on January 1<sup>st</sup>, 2022.</p> <p><b>COVID-19 Vaccine Response</b> – COVID-19 vaccination incentive. DHCS awarded the Alameda Alliance up to \$8.4 million in incentive dollars to improve the COVID-19 vaccination rates for Medi-Cal Beneficiaries. The vaccination campaign is scheduled to run through February 28<sup>th</sup>, 2022. The incentive payments are contingent upon reaching 85%, and this represents a 15% gain over our current rate of 70% (at least one dose). At this time the DHCS has not clarified whether children 5 through 11 years of age. There is a financial risk to the Alliance if the 85% threshold is not met and could result in recoupment to the DHCS.</p> <p><b>Question:</b> Nick Peraino asked what the timeline is for reaching the 85%. Scott Coffin answered that DHCS has given until the end of February 2022.</p> <p><b>Question:</b> Dr. Ferguson asked if we have internal data points that we are looking at given there is a possibility of recoupment. Scott Coffin answered that the data points would be established next month, as the interventions have begun. We have an outbound call campaign that is starting, as well as advertisements and social media. Matt Woodruff added that the State has provided specific metrics that will need to be looked at and be reported on. This information will be included in the report on Friday at the Board of Governors meeting.</p> <p><b>CalAIM</b> – CalAIM performance incentives. DHCS awarded the Alameda Alliance up to \$14.7M in CalAIM incentive dollars for calendar year 2022. The funding is used for building delivery infrastructure, provider capacity, and community supports. Alameda Alliance and DHCS staff are coordinating to understand the performance measures, and how incentive dollars can be spent; there are more than 40 performance measures identified by the DHCS. Insourcing of mental health and autism spectrum services. A two-phased analysis on insourcing mental health and autism spectrum services was completed, and the results of this detailed analysis were presented to the Alliance Board of Governors for approval in April 2021. The insourcing for these services, and termination of Beacon Health Options as the service coordinator, is scheduled for October 2022. While the insourcing is scheduled for October 2022, which is in the FY2023 budget, the FY2022 final budget</p>		

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	<p>includes administrative costs to prepare for the transition (such as hiring of staff and consultants).</p> <p><b>Question:</b> Dr. Marchiano asked if the process to refer members seeking behavioral health services would become more efficient for Primary Care providers. Scott Coffin answered that is our goal to simplify the Administrative steps providers must take for these referrals; it also our goal to improve the timely access to care. We have identified longer term opportunities for improvements and will be staging them out after we make the conversion in October.</p> <p><b>Question:</b> Dr. Ferguson asked if there have been any changes to the projected costs as previously discussed. Scott Coffin answered that the cost model that was built for the insourcing has not changed, and will be revised as the team advances into the detail planning in 2022, and will bring that back to the Finance Committee as an update when we resume the planning activities.</p>		
<b>b.) Review and approve September 2021 Monthly Financial Statements</b>			
<p><b>Gil Riojas</b></p>	<p><b><u>September 2021 Financial Statement Summary</u></b></p> <p><b>Enrollment:</b> Current enrollment is 292,632 and continues to trend upward, Total enrollment has increased by 1,425 members from August 2021, and 4,078 members since June 2021. Consistent increases were primarily in the Child, Adult, and Optional Expansion categories of aid, and include slight increases in the Duals category of aid, with SPD and Group Care remaining relatively flat.</p> <p>Total Enrollment continues to increase month over month, however; as previously discussed, the rate of increase has fallen from a high of 4,140 members in August 2020.</p> <p><b>Net Income:</b> For the month ending September 30, 2021, the Alliance reported a Net Income of \$370,000 (versus budgeted Net Income of \$609,000). The unfavorable variance is largely attributed to lower than anticipated Revenue and lower than anticipated Administrative Expense. These were somewhat offset by higher than anticipated Medical Expense. For the year-to-date, the Alliance recorded a Net Income of \$4.5 million versus a budgeted Net Income of \$3.2 million.</p>		

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	<p><b>Revenue:</b> For the month ending September 30, 2021, actual Revenue was \$97.4 million vs. our budgeted amount of \$97.6 million. For the month ended September 30, 2021, revenue is on budget and we anticipate that to remain steady for the remainder of this calendar year. We may see some variances with the changes of CalAIM starting in January, but for now we remain very steady as far as anticipated Revenue.</p> <p><b>Medical Expense:</b> Actual Medical Expenses for the month were \$91.9 million vs. our budgeted amount of \$90.1 million. For the year-to-date, actual Medical Expenses were \$273.2 million versus budgeted \$269.6 million. Drivers leading to the unfavorable variance can be seen on the tables on page 11, with the greatest variances coming from the Inpatient Hospital expenses and ER Fee-For-Service expenses. Upon reviewing further research from the Finance team, we were able to identify that ER visits per thousand have been trending up over the last 12-14 months, so we are anticipating our ER expenses to go up as well. We will make adjustments in our Final Budget to reflect some of the upward trend we are seeing on a per thousand basis.</p> <p>Further explanation of the variances can be seen on pages 11 and 12.</p> <p><b>Question:</b> Dr. Ferguson asked if there was a variance in terms of facilities or are we seeing equal increase across all ER facilities? Gil Riojas answered that he would take that back to the team and come back at the next meeting showing the visits per thousand on a facility basis</p> <p><b>Medical Loss Ratio:</b> Our MLR ratio for this month was reported at 94.4%. Year-to-date MLR was at 93.3% vs our annual budgeted percentage 91.5%.</p> <p><b>Administrative Expense:</b> Actual Administrative Expenses for the month ending September 30, 2021 were \$5.1 million vs. our budgeted amount of \$7.0 million. Our Administrative Expense represents 5.2% 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 13 of the presentation.</p>		<p>Prepare per thousand visits on a facility basis.</p>

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	<p><b>Other Income / (Expense):</b> As of September 30, 2021, our YTD interest income from investments was \$68,000.</p> <p>YTD claims interest expense is \$88,000.</p> <p><b>TangibleNet Equity (TNE):</b> We reported a TNE of 565%, with an excess of \$172.7 million. This remains a healthy number in terms of our reserves.</p> <p><b>Cash and Cash Equivalents:</b> We reported \$307.6 million in cash; \$208.3 million is uncommitted. Our current ratio is above the minimum required at 1.84 compared to regulatory minimum of 1.0.</p> <p><b>Capital Investments:</b> We have spent \$106,000 in Capital Assets year-to-date. Our annual capital budget is \$1.4 million.</p>	<p><u>Motion to accept</u> <b><u>September 2021 Financial Statements</u></b></p> <p><u>Motion:</u> N. Peraino <u>Seconded:</u> Dr. Marchiano</p> <p><u>Motion Carried</u></p> <p>No opposed or abstained</p>	
<b>c.) FY2022 Investment Strategy Update</b>			
<b>Gil Riojas</b>	<p>Gil Riojas gave a PowerPoint Presentation on our current investment strategy. Proposed changes to the Investment Portfolio:</p> <ul style="list-style-type: none"> <li>• Forecasting to sustain average daily balance (\$300M).</li> <li>• Shorter-term: Maintain existing investment maturity strategy for \$250M (83%) of investments.</li> <li>• Longer-term: Increase maturity date of a subset of investments to 12-24 months. Proposing \$50M (17%).</li> <li>• Average Yield to Maturity estimated to increase fifty basis points from 0.10% to 0.60% for long-term investments.</li> <li>• Estimated net annual return of \$550K, representing \$250K more than current portfolio estimate.</li> <li>• Investments remain compliant with California Government Code 53600.</li> </ul>	<p><u>Motion to approve</u> <b><u>Proposed changes to the Investment Strategy as outlined</u></b></p> <p><u>Motion:</u> N. Peraino <u>Seconded:</u> Dr. Marchiano</p> <p>All in Favor – pass</p>	
<b>d.) Facility Selection Committee</b>			

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<b>Dr. Rollington Ferguson, Scott Coffin</b>	<p>Scott Coffin and Dr. Rollington Ferguson initiated a discussion with the Finance Committee to establish a Facility Search Committee to search for a new corporate facility.</p> <p>Currently the Alliance owns and leases a total of approximately 75,000 sq ft. of net usable space. Inadequate technology infrastructure (power, internet) and lack of public transportation were cited as drivers for seeking to relocate the corporate headquarters. In addition, the existing corporate headquarters is a warehouse facility, and nearly one-third of the office space is unusable for business operations.</p> <p>Richard Golfin, Chief Compliance Officer for Alameda Alliance detailed the structure for the Ad-Hoc Committee, purposed to conduct a search for property to serve as a new headquarters, and the potential sale of the current headquarters. This would be a two-pronged approach, first the Board of Governors would delegate the Board's oversight of real estate to Scott Coffin, and then an Ad-Hoc Facility Search Committee would be formed in accordance with Alliance by-laws. The CEO would appoint Staff to participate in the Search Committee, and the findings from the committee activities would be reported to the Board of Governors. Decision making authority would remain with the Board and the ad-hoc committee would serve in an advisory role.</p>	<p><u>Motion to bring suggested Recommendation to the Board.</u></p> <p><u>Motion:</u> N. Peraino <u>Seconded:</u> Dr. Marchiano</p>	
<b>ADJOURNMENT</b>			
<b>Dr. Rollington Ferguson</b>	<p>Dr. Ferguson motioned to adjourn the meeting.</p> <p>The meeting adjourned at 9:04 am.</p>	<p><u>Motion to adjourn:</u> Dr. Ferguson</p> <p><u>Seconded:</u> J. Jackson</p> <p>No opposed or abstained.</p>	

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