

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

**December 5th, 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, Gil Riojas
Committee Members on Conference Call: James Jackson

Board of Governor members in-person and on Conference Call: Rebecca Gebhart, Andie Martinez Patterson

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, Feliz Rodriguez, Maryam Maleki, Brenda Martinez, Jeanette Murray, Brett Kish, Danube Serri, James Zhong Xu, Christine Corpus

CALL TO ORDER, ROLL CALL, AND INTRODUCTIONS

Dr. Ferguson called the Finance Committee meeting to order at 8:03 am. A Roll Call was then conducted.

Gil Riojas introduced Felix Rodriguez, our new Assistant Controller.

CONSENT CALENDAR

Dr. Ferguson presented the Consent Calendar.

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

a.) CEO UPDATE

- Final Budget
 - Thank you to the Finance Team for all their work preparing the final budget, and for all the work they did in regard to reporting back to the State about our rates.

Informational update to the Finance Committee. Vote not required.

b.) REVIEW AND APPROVE SEPTEMBER AND OCTOBER 2023 MONTHLY FINANCIAL STATEMENTS

SEPTEMBER 2023 Financial Statement Summary

Enrollment:

Enrollment continues to decrease, as expected.

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 has also shown slight decreases over the last 12 months.

Net Income:

For the month ending September 30th, 2023, the Alliance reported a Net Income of \$5.5 million (versus budgeted Net Income of \$843,000). The favorable variance is attributed to higher than anticipated Revenue, lower than anticipated Administrative Expense, and higher than anticipated Total Other Income, and slightly offset by higher than anticipated Medical Expense. For the year-to-date, the Alliance recorded a Net Income of \$17.6 million versus a budgeted Net Loss of \$41,000.

Revenue:

For the month ending September 30th, 2023, actual Revenue was \$137.4 million vs. our budgeted amount of \$133.8 million. This slight positive variance is related to CalAIM incentive program. Our actual year-to-date Revenue is currently at \$414.5 billion versus budgeted Revenue of \$406.0 million.

Medical Expense:

Actual Medical Expenses for the month were \$126.4 million, vs. our budgeted amount of \$125.5 million. For the year-to-date, actual Medical Expenses were \$382.2 million versus budgeted \$385.7 million. Drivers leading to the favorable variance can be seen on the tables on pages 14 and 15, with further explanation on pages 15 and 16.

Medical Loss Ratio:

Our MLR ratio for this month was reported at 92.0%. Year-to-date MLR was at 92.2%.

Administrative Expense:

Actual Administrative Expenses for the month ending September 30th, 2023 were \$7.1 million vs. our budgeted amount of \$8.2 million. Our Administrative Loss Ratio (ALR) is 5.1% of our Revenue for the month, and 5.1% of Net Revenue for year-to-date.

Other Income / (Expense):

As of September 30th, 2023, our YTD interest income from investments show a gain of \$6.6 million.

YTD claims interest expense is \$177,000.

Tangible Net Equity (TNE):

The DMHC requires that we have \$46.4 million in TNE, and we reported \$341.6 million, so the excess of that is \$295.2 million. As a percentage of 737%, that means we have over 7 times the amount that is required.

Cash and Cash Equivalents:

We reported \$603.2 million in cash; \$323.2 million is uncommitted. Our current ratio is above the minimum required at 1.64 compared to regulatory minimum of 1.0.

Capital Investments:

We have spent \$559,000 in Capital Assets year-to-date. Our annual capital budget is \$1.5 million.

OCTOBER 2023 Financial Statement Summary

Enrollment:

The Alliance experienced an increase in enrollment, despite ongoing redetermination efforts due to DHCS no longer assigning new members to Anthem, so all new members are Alliance members. Enrollment increased by 3,519 members to 354,067 members.

Net Income:

For the month ending October 31st, 2023, the Alliance reported a Net Income of \$3.8 million (versus budgeted Net Loss of \$4.6 million). The favorable variance is attributed to higher than anticipated Investment Income, and lower than anticipated Medical and Administrative Expenses. For the year-to-date, the Alliance recorded a Net Income of \$21.4 million versus a budgeted Net Loss of \$4.6 million.

Revenue:

For the month ending October 31st, 2023, actual Revenue was \$135.7 million vs. our budgeted amount of \$133.4 million. This slight positive variance is related to CalAIM incentive program, and a higher enrollment and higher proportion of members with higher rates. This was slightly offset by the anticipated unfavorable MOT Risk Corridor recoupment. 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 \$126.8 million, vs. our budgeted amount of \$128.7 million. For the year-to-date, actual Medical Expenses were \$508.9 million versus budgeted \$514.4 million. Drivers leading to the favorable variance can be seen on the tables on pages 50 and 51, with further explanation on pages 51 and 52.

Medical Loss Ratio:

Our MLR ratio for this month was reported at 93.4%. Year-to-date MLR was at 92.5%.

Administrative Expense:

Actual Administrative Expenses for the month ending October 31st, 2023 were \$8.6 million vs. our budgeted amount of \$10.1 million. Our Administrative Loss Ratio (ALR) is 6.4% of our Revenue for the month, and 5.4% of Net Revenue for year-to-date.

Other Income / (Expense):

As of October 31st, 2023, our YTD interest income from investments show a gain of \$10.2 million.

YTD claims interest expense is \$207,000.

Tangible Net Equity (TNE):

The DMHC requires that we have \$49.7 million in TNE, and we reported \$345.3 million, so the excess of that is \$295.7 million. As a percentage we are at 695% and that means we still have over 6 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 mentioned previously, 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 \$516.1 million in cash; \$344.2 million is uncommitted. Our current ratio is above the minimum required at 1.75 compared to regulatory minimum of 1.0.

Capital Investments:

We have spent \$662,000 in Capital Assets year-to-date. Our annual capital budget is \$1.5 million.

Motion: A motion was made by Dr. Michael Marchiano, and seconded by Gil Riojas, to accept and approve the September 2023, and October 2023 Financial Statements.

Motion Passed

No opposed or abstained.

c.) REVIEW AND APPROVE FISCAL YEAR 2024 FINAL BUDGET

Gil Riojas gave a PowerPoint Presentation detailing the changes between the Preliminary Budget presented in June, and the Final Budget presented today.

Highlights of the differences between the Preliminary and Final budgets:

- Increase projected membership from 349,601 to 379,251
- Decrease in overall Net Income from \$21.9 to \$9.3 million
- Administrative Expense % decrease from 6.8% to 5.9%
- Medical Loss Ratio increase from 92.5% to 95.3%
- TNE Percent of Required decrease from 592% to 546%
- Decrease in FTEs from projected 658.9 to 643.4

Motion: A motion was made by Dr. Michael Marchiano, and seconded by Mr. James Jackson, to accept the Fiscal Year 2024 Final Budget.

Motion Passed

No opposed or abstained.

ADJOURNMENT

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