ALAMEDA ALLIANCE FOR HEALTH
FINANCE COMMITTEE
REGULAR MEETING

December 10th, 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, 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, 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

Gil Riojas acknowledged Carol VanOosterwijk, Senior Director of FP&A, who is retiring at the end of the calendar year after 20+ years of service. She has been instrumental in budget and finance-related matters and a great leader for their team. The team hopes to have Carol back on a part-time basis next year. Carol expressed her gratitude for the opportunity to work with the team and serve the members.

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 discussed the current state of the budget. The DHCS Finance team will reopen the calendar year 2024 rates. This is the result of the persistent efforts by Matt and Gil, who have met with the team multiple times since July.

A special meeting of the Finance Committee is scheduled to take place in January to provide a comprehensive overview of the budget which will include the newly established rates for 2024 as well as supporting documentation for 2025. The meeting will address the important go/no-go decision concerning Medicare, which has the potential to postpone the implementation of the DSNP by one year if that course of action is chosen. This decision will need to be made by February 3rd.

b) REVIEW AND APPROVE THE OCTOBER 2024 MONTHLY FINANCIAL STATEMENTS

OCTOBER 2024 Financial Statement Summary

Enrollment:

Enrollment increased by 220 members since September and an overall increase of 2,163 members since June 2024.

Net Income:

For the month ending October 31st, 2024, the Alliance reported a Net Loss of $27.0 million (versus budgeted Net Loss of $4.9 million). For the year-to-date, the Alliance recorded a Net Loss of $61.0 million versus a budgeted Net Loss of $10.3 million.

Premium Revenue:

For the month ending October 31st, 2024, actual Revenue was $158.2 million vs. our budgeted amount of $166.3 million.

Medical Expense:

Actual Medical Expenses for the month were $177.2 million, vs. budgeted amount of $164.3 million. For the year-to-date, actual Medical Expenses were $704.1 million vs. budgeted Medical Expense of $648.1 million.

Medical Loss Ratio:

Our MLR ratio for this month was reported as 112.0%. The year-to-date MLR was 105.2%.

Administrative Expense:

Actual Administrative Expenses for the month ending October 31st, 2024, were $10.0 million vs. our budgeted amount of $9.5 million. Our Administrative Loss Ratio (ALR) is 6.3% of our Revenue for the month, and 5.9% of Net Revenue for year-to-date.

Other Income / (Expense):

As of October 31st, 2024, our YTD interest income from investments show a gain of $13.0 million.

Managed Care Organization (MCO) Provider Tax:

For the month ending October 31st, 2024, we reported $63.5 million MCO Tax Revenue vs. budgeted MCO Tax Revenue of $47.2 million. Our MCO Tax Expense was $63.5 million vs. budgeted MCO Tax Expense of $47.2 million.

Tangible Net Equity (TNE):

For October, the DMHC requires that we have $77.2 million in TNE, and we reported $194.3 million, leaving an excess of $117.1 million. As a percentage we are at 252%, which remains above the minimum required.

Cash and Cash Equivalents:

We reported $448.2 million in cash; $332.6 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 in Capital Assets year-to-date. Our annual capital budget is $1.7 million.

Question: Dr. Ferguson inquired about the steps we are taking to address the ongoing rise in expenses.

Answer: Dr. Carey explained that various medical management interventions are being implemented, including targeting high readmission rates, improving medication reconciliation, emergency room diversions, and ensuring timely follow-up appointments for discharged patients.

Question: Rebecca inquired about the extent of the intervention in long-term care facilities.

Answer: Dr. Carey mentioned that three staff members visit facilities weekly, biweekly, or monthly, depending on the number of members in those facilities.

Question: Rebecca sought clarification on the roles of the three staff members in the authorization process.

Answer: Dr. Carey explained that they do not manage primary authorizations. Their primary role is to assist members and support the facilities.

Question: Yeon asked if there is a plan for outreach that includes individual conversations with the members.

Answer: Dr. Carey explained that although we do not have a one-on-one outreach plan currently in place, our strategy includes sending mailings, implementing a digital campaign, and running radio and TV ads. Additionally, we will make outreach calls to some members who are visiting the emergency room more frequently than expected.

Question: Dr. Ferguson asked what the top readmission diagnoses are.

Answer: Dr. Carey stated that the leading causes of readmission are behavioral and mental health issues, followed by congestive heart failure and hypertension.

Question: Dr. Ferguson asked how we are ensuring that physicians see patients promptly after discharge.

Answer: Dr. Carey stated that the care management team and vendors ensure follow-up visits within seven days of discharge, with some vendors going into members' homes for the initial follow-up visit.

Question: Tosan requested additional insight as to what information and resources are needed from hospitals that are not being received in a timely manner?

Response: Dr. Carey emphasized the importance of improving access to specialists and facilitating timely appointments for high-risk individuals as crucial areas requiring support.

Motion: A motion was made by Yeon Park, and seconded by James Jackson, to accept and approve the October 2024 Financial Statements.

Motion Passed

No opposed or abstained.

c) REVIEW AND APPROVE FISCAL YEAR 2025 FINAL BUDGET

Budget Process

- Preliminary Budget presented to Finance Committee on June 11th and to the Board of Governors on June 14th.
- Draft 2025 Medi-Cal rates were received on October 21st. They were in line with the estimates in the Preliminary Budget but did not support the Alliance's most recent expense experience.
- The Plan shared data with the State, and had multiple conversations with DHCS leadership, sharing findings regarding medical expense trends and the Alliance's financial challenges.
- High-level final Medi-Cal base rates were received on December 2nd. The rates were favorable to those received on October 21st.
- Final Budget was presented to Finance Committee on December 10th and to the Board of Governors on December 13th.

Risks and Opportunities

- Details for the high-level CY 2025 Final Medi-Cal rates received on December 2nd are not yet available and may differ from assumptions that were made based on Preliminary rates.
- DHCS informed the Plans on November 27th that revised Medi-Cal rates will be sent for CY 2024. The revised rates will include changes to the population acuity and TRI adjustments.
- It is unclear whether the significant increase in utilization trends.
- will continue.
- The ratio of members with Satisfactory versus Unsatisfactory Immigration Status may vary from DHCS projections.
- Contract changes for hospitals and delegated providers in projections have not been finalized.

Highlights

- 2025 Projected Net Loss of $65.3 million.
- Projected TNE excess at 6/30/25 of $26.6 million is 134% of required TNE.
- Year-end enrollment is slightly lower than the Preliminary Budget.
- Revenue is $2.1 billion in FY 2024, $86 million higher than Preliminary, due favorable new rates.
- PMPM Fee-for-Service and Capitated Medical Expense increases by 6.2%.
- Administrative expenses represent 5.6% of revenue, $7.8 million higher than Preliminary. Increases include Purchased & Professional Services ($ 9.2 million), Licenses, Insurance & Fees ($600K), and Other Expense ($400K). These were offset by reductions in Employee Expense ($2.4 million).
- Clinical expenses comprise 2.8% of revenue, $8.7 million higher than Preliminary. CalAIM Incentives ($5.2 million), Community Relations ($2.1 million), Purchased & Professional Services ($2.3 million), Licenses, Insurance & Fees ($500K), other ($900K).
- A CY 2024 Major Organ Transplant Risk Corridor Payment to DHCS of $21.0 million is planned for December 2024.

Staffing

- Staffing includes 718 full-time equivalent employees by June 30, 2025.
- There are 87 new positions requested for FY 2025, a reduction of 13 from the Preliminary

Budget Enrollment

- Enrollment at year-end is 409,000, 1,100 lower than in the Preliminary Budget.
- Member Months of 4,885,000 are 8,800 lower than in the Preliminary Budget.
- As a Single Plan County, Alameda will have responsibility for Foster Children and Youth as of January 2025.
- LTC and LTC Duals will be combined by DHCS with the SPD and SPD Duals COAs beginning January 2025.
- Total Medi-Cal enrollment is projected to grow very slightly throughout the year.
- Group Care enrollment is projected to be virtually unchanged.

Revenue

- 98% of Revenue for Medi-Cal, 2% for Group Care.

Medical Expense

- 98% of Expense for Medi-Cal, 2% for Group Care.
- Medical loss ratio is 97.9%, an increase of 2.0% over the Preliminary Budget.

Hospital and Provider Rates

- FY 2025 Hospital and SNF contract rates increase by $3.3 million compared to the Preliminary Budget.

Community Supports

- The Alliance anticipates spending $33.6 million for Community Supports in FY25.
- CS Revenue is included in FY 2025 Medi-Cal Base Rates is $11.5 million.

Capital Expenditures

- Full Year budget is $2.0 million for capitalized purchases, compared to the Preliminary Budget of $1.7 million.

Question: Dr. Ferguson requested further clarification on the adjustment for the calendar year 2024 and asked about the management plan. Is there an intention to restate the statement?

Answer: Gil mentioned that revisiting and restating the previous months' data is unlikely, as it would require significant effort. Instead, we will consolidate everything into one or two future months.

Question: Dr. Ferguson inquired about the status of the final budget, given that our rates have not yet been established. He also requested clarification on whether we will have a definitive final budget available.

Answer: Gil stated that any rate changes will be included in our forecast.

Motion: A motion was made by Rebecca Gebhart and seconded by Yeon Park to approve the Fiscal Year 2025 Final Budget.

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 9:06 a.m.