



Health care you can count on.
Service you can trust.

Finance Committee Meeting Minutes

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

**December 7, 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, Richard Golfin III, Sasi Karaiyan, Shulin Lin, Dr. Steve O'Brien, Carol van Oosterwijk, Anastacia Swift, Jennifer Vo, Ruth Watson, Matt Woodruff, Christine Corpus

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
CALL TO ORDER, ROLL CALL, and INTRODUCTIONS			
Dr. Rollington Ferguson	<p>Dr. Ferguson called the Finance Committee meeting to order at 8:00 am.</p> <p>The following public announcement was read.</p> <p style="padding-left: 40px;">"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."</p> <p style="padding-left: 40px;">"Audience, during each agenda item, you will be provided a reasonable amount of time to provide public comment."</p> <p>A telephonic Roll Call was then conducted.</p> <p>Richard Golfin III introduced Jennifer Vo, the Alliance's new Staff Attorney.</p>		

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
CONSENT CALENDAR			
Dr. Rollington Ferguson	<p>Dr. Ferguson presented the Consent Calendar.</p> <p>November 9, 2021, Finance Committee Minutes were approved at the Board of Governors meeting November 12, 2021 and not presented today.</p>	<p>There were no modifications to the Consent Calendar, and no items to approve.</p>	
a.) CEO Update			
Scott Coffin	<p>Scott Coffin provided updates to the committee on the following:</p> <p><u>Final Budget FY2022</u> – Fiscal year 2022 final budget is being presented to the Finance Committee today for approval and will be brought forward to the Board of Governors on Friday for final approval. This budget includes the first quarter forecast, represents our actual experience through October, and forecasts our performance through the end of June 2022.</p> <p>Calendar Year 2022 is an unusually busy year in Medi-Cal managed care. The final budget covers one-half of the calendar year, and our budget includes funding to support our readiness efforts in the last six months of calendar year 2022. Additional staffing have been added into the budget to meet the needs of the Medi-Cal program, and to support our new responsibilities associated with our expansion into the social determinants of health.</p> <p><u>CalAIM</u> – The 5-year funding for the Whole Person Care & Health Home Pilot is ending on December 31, 2021. Administration of these services transfers into the Medi-Cal managed care system on January 1st2022.</p> <p>Four major initiatives launch simultaneously on January 1st:</p> <ul style="list-style-type: none"> Enhanced Care Management, Community Supports, Major Organ transplants, and Medi-Cal Rx Carve Out to the State of California <p>The first four months in 2022 are focused on stabilization of the services being launched in January.</p> <p>In July of 2022 we may be expanding the number of providers for enhanced care management and community supports services, as we will monitor the provider networks and timely access standards.</p>	<p>Informational update to the Finance Committee</p> <p>Vote not required</p>	

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	<p>Governor Newsom has funded two other initiatives included under the CalAIM initiative are 1) the Justice Involved initiative, and 2) School-based behavioral health services. The justice involved project addresses the gaps between the County's Correctional System and the Medi-Cal managed care delivery system, and the school-based behavioral health initiative links the school districts into the Medi-Cal managed care delivery system. Both of these initiatives launch in early 2023, and the implementation spans over several years.</p> <p>In October 2022, we are insourcing of the mild-to-moderate mental health & autism services, assuming the responsibilities currently delegated to Beacon Health Options.</p> <p>In addition to the projects and programs being implemented in calendar year 2022, the Alliance is subject to regulatory audits and NCQA re-accreditation.</p> <p>Again, Calendar Year 2022 is an unusually busy year in Medi-Cal managed care and the Alliance is preparing the organization for change throughout the year.</p> <p>Question: Dr. Marchiano asked what changes or improvements might Primary Care Physicians expect with the incoming system. Dr. O'Brien answered that the State formulary, or CDL (Contracted Drug List) is more generous than the Alliance's current formulary. The strategy for the State is to have fewer authorization requirements by having a better purchasing price due to volume. Dr. O'Brien also expressed the need for contracted physicians to apply for and receive a PIN from the State allowing them access to the digital approval system. The requirement for the PIN takes effect 180 days after the change over. Dr. Ferguson asked if the information regarding the need for the PIN could be shared with all Alliance contracted providers alerting them of the need. Dr. O'Brien and Matt Woodruff answered that this information has been sent out once already and is also available on our website.</p>		

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
b.) Review and approve October 2021 Monthly Financial Statements			
Gil Riojas	<p><u>October 2021 Financial Statement Summary</u></p> <p>Enrollment: Current enrollment is 293,595 and continues to trend upward, Total enrollment has increased by 963 members from August 2021, and 5,041 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. SPD remains relatively flat, while Group Care had a slight decline.</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>Net Income: For the month ending October 31, 2021, the Alliance reported a Net Loss of \$7.4 million (versus budgeted Net Income of \$535,000). The unfavorable variance is largely attributed to higher than anticipated Medical Expense. These were somewhat offset by higher than anticipated Revenue and lower than anticipated Administrative Expense. For the year-to-date, the Alliance recorded a Net Loss of 2.9 million versus a budgeted Net Income of \$3.8 million.</p> <p>Revenue: For the month ending October 31, 2021, actual Revenue was \$98.5 million vs. our budgeted amount of \$97.5 million.</p> <p>Medical Expense: Actual Medical Expenses for the month were \$100.4 million vs. our budgeted amount of \$90.4 million. For the year-to-date, actual Medical Expenses were \$373.5 million versus budgeted \$360.0 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, ER FFS (Fee-For-Service), and Ancillary FFS expenses.</p> <p>The breakdown of the increase in ER visit costs that was requested at last month's meeting is as follows:</p>		

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	<p>In total our expenses are approximately 23% higher than average AHS – 21% higher than budget Sutter – 16% higher than budget CHO/UCSF – 67% higher than budget.</p> <p>While we are seeing increases across the board, utilization per 1,000 is significantly over for ER visits</p> <p>Question: Dr. Ferguson asked for clarification of the 67% value. Gil Riojas answered that while the percentage is high, the caveat is that the number of visits per 1,000 for those systems are significantly lower than that of AHS and Sutter. The CHO/UCSF systems 12-month average was 29 visits per 1,000 and increased to about 48 per 1,000. So, while the visits per thousand are relatively small, the percentage increase is higher. Dr. Ferguson followed up to ask if we know what is driving the increase? For example, are people having issues with access to Primary Care, which is driving them to the ER, or are these actual emergency visits? Gil Riojas and Dr. O'Brien answered that they would explore the underlying causes and report back.</p> <p>Further explanation of the variances can be seen on pages 11 and 12. With specific call-out of increased claim volume for the month of October. Our 6-month average for claims volume has been between 60,000-80,000 claims and in the month of October, we processed approximately 110,000 claims.</p> <p>Question: Dr. Ferguson asked for clarification of the IBNP increase. He also asked if providers are required to submit claims in a particular timeline, how is that affecting IBNP. Gil Riojas answered that providers are contractually obligated to submit claims in a timely manner or risk having their claims denied. The underlying cause of the increase is due to recent contract change finalizations that were retroactive to July 2021. Some of the claims that had already been paid timely were subject to the increase and caused adjustments to the IBNP. Current and future claims are also subject to the contract adjustments and this is also reflected in the IBNP.</p> <p>Question: Dr. Ferguson asked for explanation of the change in Capitated Medical Expenses. Gil Riojas answered that it is also due to contract changes with our globally capitated provider.</p>		<p>Research and report underlying cause of increased ER and Inpatient Utilization.</p>

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	<p>Medical Loss Ratio: Our MLR ratio for this month was reported at 101.9%. Year-to-date MLR was at 95.5% vs our annual budgeted percentage 91.5%.</p> <p>Administrative Expense: Actual Administrative Expenses for the month ending October 31, 2021 were \$5.5 million vs. our budgeted amount of \$6.6 million. Our Administrative Expense represents 5.6% of our Revenue for the month, and 5.3% 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>Other Income / (Expense): As of October 31, 2021, our YTD interest income from investments was \$113,000. We have been working with our investment manager to make the approved changes to our portfolio. We are also looking at possible sustainability/environmental funds and will report back to the committee at a future meeting when those options have been explored.</p> <p>YTD claims interest expense is \$106,000.</p> <p>TangibleNet Equity (TNE): We reported a TNE of 525%, with an excess of \$164.0 million. This remains a healthy number in terms of our reserves.</p> <p>Cash and Cash Equivalents: We reported \$283.6 million in cash; \$204.0 million is uncommitted. Our current ratio is above the minimum required at 1.87 compared to regulatory minimum of 1.0.</p> <p>Capital Investments: We have spent \$112,000 in Capital Assets year-to-date. Our annual capital budget is \$1.4 million.</p>	<p><u>Motion to accept</u> <u>October 2021 Financial Statements</u></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>	

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
c.) Review and Approve Fiscal Year 2022 Final Budget			
Gil Riojas	<p>Gil Riojas gave a PowerPoint Presentation detailing the changes between the Preliminary Budget presented June, and the Final Budget presented today.</p> <p>Highlights of the differences between the Preliminary and Final budgets:</p> <ul style="list-style-type: none"> • Increase projected membership from 260,013 to 285,844 • Decrease in overall Net Income from \$10.7M to \$3.5M • Administrative Expense % decrease from 7.5% to 7.0% • Medical Loss Ratio increase from 91.5% to 92.7% • TNE Percent of Required decrease from 573.9% to 562.9% • Increase in FTE's from projected 402.9 to 420.2 	<p><u>Motion to approve Final Budget for Presentation to Full Board</u></p> <p><u>Motion:</u> J. Jackson <u>Seconded:</u> Dr. Ferguson</p> <p><u>Motion Carried</u></p> <p>No opposed or abstained</p>	
ADJOURNMENT			
Dr. Rollington Ferguson	<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