

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

**June 8, 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

Alliance Staff and other Board of Governor members on Conference Call: Scott Coffin, Matt Woodruff, Dr. Steve O'Brien, Tiffany Cheang, Richard Golfin III, Carol van Oosterwijk, Ruth Watson, Shulin Lin, Christine Corpus

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
CALL TO ORDER and INTRODUCTIONS			
Dr. Rollington Ferguson	Dr. Ferguson called the Finance Committee meeting to order at 8:00 am and Roll call was conducted.		
CONSENT CALENDAR			
Dr. Rollington Ferguson	Dr. Ferguson presented the Consent Calendar. May 11, 2021, Finance Committee Minutes were approved at the Board of Governors meeting May 14, 2021, and not presented today. There were no modifications to the Consent Calendar.	<u>Motion to accept Consent Calendar</u> <u>Motion:</u> N. Peraino <u>Seconded:</u> Dr. Marchiano <u>Pass by Consent</u>	
a.) CEO Update			
Scott Coffin	S. Coffin gave updates to the committee on the following: <u>Budget Update</u> – Today we will be presenting the Preliminary Budget for Fiscal Year 2022. DHCS will be releasing Medi-Cal rates in mid-December, and a final budget will be presented to the Finance Committee and Board of Governors in December 2021.	Informational update to the Finance Committee Vote not required	

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	<p>CalAIM – <i>This will be a standing item on the agenda for the Finance Committee and Board Meeting, and each month a discussion will be facilitated to update the Board Members and Committee Members.</i></p> <p>We are currently planning for the transition of the Whole Person Care Pilot, which is AC3 in Alameda County, as well as the Health Homes program. The Alliance is involved in both programs. The AC3 Program is managed by Alameda County Health Care Services Agency, and the Health Homes Program is managed by the Alliance. Both programs end on December 31, 2021. Some of the components of these programs will fall under CalAIM starting in January 2022. We are in the planning stages and plan to discuss the potential costs and financial risk for these services at the Board of Governors meeting on Friday, June 11.</p> <p>We are working with the Department of Health Care Services to understand how In Lieu of Services will be funded.</p> <p>We continue to track the deliverables of regulatory documents that must be filed in July, September, and October. There are no financial implications related to the submission of these documents; however, they do outline our commitments. We will therefore return to the committee in July to discuss the financial implications related to these submissions.</p> <p>Question: Dr. Ferguson asked how the Medi-Cal base rate will be established for the In Lieu of Services. Will we be paid prospectively or retrospectively? S. Coffin answered that the initial approach for these services is part of two (2) funding streams that were included in Governor Newsom’s budget. One is a \$300 million state-wide allocation to build capacity, the other is a \$115 million one-time incentive for Medi-Cal base rates in calendar year 2022. Both funding sources are to be split among the participating counties, so it is unclear how much funding will be available to the Alliance in Calendar Year 2022 for the In Lieu of Services. In addition, because of the retrospective rate development process, our 2022 expenses will not likely be considered until the 2025 rate development process. G. Riojas added that we do not know yet whether In-Lieu of Services will be considered in the rate development process. Dr. Ferguson asked if there will be a limit placed in our budget for the unknown expense and exposure with these In Lieu of Services. S. Coffin answered that we do not currently have that defined in the budget but could include it in our discussion on Friday.</p>	<p>Recommend a proposed dollar allocation (or spending limit) for In-Lieu of Services expenses, by service category. If unable to prepare allocations by Friday, be prepared to discuss with full board; ILOS excluded from preliminary budget, and forecasted costs will be included in the final budget in December.</p>	

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b.) Review April 2021 Monthly Financial Statements			
Gil Riojas	<p><u>April 2021 Financial Statement Summary</u></p> <p>Enrollment: Current enrollment is 284,191 and continues to trend upward, Total enrollment has increased by 2,554 members from March 2021, and 27,446 members since June 2020. As in previous months, increases are primarily in the Child, Adult, and Optional Expansion categories of aid.</p> <p>Total Enrollment continues to increase month over month, however; as discussed last month, the rate of increase has fallen from a high of 4,140 members in August 2020. While the rate of increase had been declining in previous months, we did see an uptick in the rate of increase for April.</p> <p>Net Income: For the month ending April 30, 2021, the Alliance reported a Net Income of \$6.9 million (versus budgeted Net Loss of 22,000). For the year-to-date, the Alliance recorded a Net Loss of \$3.7 million versus a budgeted Net Loss of \$20.2 million. The favorable variance is attributed to higher than anticipated revenue and significantly lower than anticipated Administrative Expense. These were somewhat offset by higher than anticipated Medical Expense.</p> <p>Revenue: For the month ending April 30, 2021, actual Revenue was \$95.3 million vs. our budgeted amount of \$81.4 million. Factors creating the favorable variance were mainly due to delay of the pharmacy carve-out. We will see the variance for Revenue and Medical Expense for the rest of the fiscal year due to indefinite delay status of pharmacy carve-out.</p> <p>Medical Expense: Actual Medical Expenses for the month were \$91.8 million vs. our budgeted amount of \$73.9 million. For the year-to-date, actual Medical Expenses were \$851.5 million versus budgeted \$827.6 million. Drivers leading to the unfavorable variance can be seen on the tables on page 11, with the explanation on pages 11 and 12.</p>		

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	<p>Medical Loss Ratio: Our MLR ratio for this month was reported at 96.4%. Year-to-date MLR was at 95.9% vs our annual budgeted percentage 94.2%. As a reminder, we want our Medical Loss Ratio to be lower and we are trying to stay in the 94-95% range.</p> <p>Administrative Expense: Actual Administrative Expenses for the month ending April 30, 2021 were negative \$3.4 million vs. our budgeted amount of \$7.5 million. This is due to the reversal of \$10.0 million allocated to the Sustainability Fund. As a result, our Administrative Expense represents -3.5% of our Revenue for the month, and 4.6% of Net Revenue for year-to-date.</p> <p>Other Income / (Expense): As of April 30, 2021, our YTD interest income from investments was \$554,000. We continue to discuss strategy with our investment manager to see if there is a way to increase our return.</p> <p>YTD claims interest expense is \$284,000.</p> <p>Tangible Net Equity (TNE): We reported a TNE of 543%, with an excess of \$165.2 million. This remains a healthy number in terms of our reserves.</p> <p>Cash and Cash Equivalents: We reported \$273.4 million in cash; \$76.0 million is uncommitted. Our current ratio is above the minimum required at 1.58 compared to regulatory minimum of 1.0.</p> <p>Capital Investments: Fiscal year-to-date Capital Assets acquired less Capital Assets retired is negative \$1.3 million (net negative due to retirement of Trizetto software, \$2 million). Our annual capital budget is \$2.4 million.</p> <p>Question: N. Peraino asked if the pharmacy carve-out was part of “340B”. G. Riojas answered that yes, the 340B program is a component of the pharmacy carve out.</p>	<p>Motion to accept April 2021, Financial Statements</p>	

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	<p>Question: Dr. Ferguson commented that although very healthy, the overall trend for our TNE is down, and asked if there was an explanation. G. Riojas answered that from the beginning of the fiscal year to now, we have reported a year-to-date net loss. Additionally, the requirement was increased due to our consistent increase in Medical Expenses. As a reminder, the amount the state requires in TNE is based on a look-back period and our older months that had lower medical expenses have been replaced by newer months with higher medical expenses. This affects the TNE calculations.</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>	
c.) Review FY2022 Preliminary Budget			
Gil Riojas	G. Riojas gave a presentation for the Preliminary FY2022 budget for review to bring to the Board of Governors on Friday, June 11, 2021.	<p>Informational update to the Finance Committee.</p> <p>Vote not taken.</p>	
Dr. Rollington Ferguson	<p>Dr. Ferguson motioned to adjourn the meeting.</p> <p>The meeting adjourned at 9:00 am.</p>	<p><u>Motion to adjourn:</u> Dr. Ferguson <u>Seconded:</u> N. Peraino</p> <p>No opposed or abstained.</p>	

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