ALAMEDA ALLIANCE FOR HEALTH
BOARD OF GOVERNORS
REGULAR MEETING
June 10th, 2022
12:00 pm – 2:00 pm
(Video Conference Call)
Alameda, CA

SUMMARY OF PROCEEDINGS

Board of Governors on Conference Call: Dr. Evan Seevak (Chair), Rebecca Gebhart (Vice-Chair), Dr. Kelley Meade, Nicholas Peraino, Dr. Marty Lynch, Byron Lopez, Dr. Rollington Ferguson, James Jackson, Dr. Noha Aboelata, Dr. Michael Marchiano, Supervisor Dave Brown, Natalie Williams

Alliance Staff Present on Conference Call: Scott Coffin, Dr. Steve O'Brien, Gil Riojas, Anastacia Swift, Ruth Watson, Matt Woodruff, Sasi Karaiyan, Richard Golfin III, Tiffany Cheang, Michelle Lewis, Jeanette Murray

Guests Present on Conference Call:

Excused: Andrea Schwab-Galindo, Aarondeep Basrai

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
1. CALL TO ORDER			
Dr. Evan Seevak	The regular board meeting was called to order by Dr. Seevak at 12:02 pm. The following public announcement was read. "The Board recognizes that there is a proclaimed state of emergency at both the State and the local Alameda County levels, 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." "Audience, during each agenda item, you will be provided a reasonable amount of time to provide public comment."	None	None

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
2. ROLL CALL			
Dr. Evan Seevak	A telephonic roll call was taken of the Board Members, and a quorum was confirmed.	None	None
3. AGENDA APPROVAL OR MODIFICATIONS			
Dr. Evan Seevak	None	None	None
4. INTRODUCTIONS			
Dr. Evan Seevak	None	None	None
5. CONSENT CALENDAR			
Dr. Evan Seevak	Dr. Seevak presented the May 13h, 2022, Consent Calendar. a) May 13th, 2022, Board of Governors Meeting Minutes b) June 7th, 2022, Finance Committee Meeting Minutes Motion to Approve June 10th, 2022, Board of Governors Consent Calendar. A roll call vote was taken, and the motion passed. Dr. Seevak, Dr. Ferguson, and Dr. Marty Lynch thanked Nick Peraino for his service on the Board of Governors. Today is his last day on the Board. Dr. Seevak also announced CEO Scott Coffin's departure from the Alliance, effective May 31st, 2023.	Motion to Approve June 10th, 2022, Board of Governors Consent Calendar. Motion: Dr. Rollington Ferguson Second: Dr. Marty Lynch Vote: Yes No opposed or abstained.	None

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
6. a. BOARD MEMBER REPORT – COMPLIANCE ADVISORY COMMITTEE			
Rebecca Gebhart	The Compliance Advisory Committee (CAC) was held telephonically on June 10th, 2022, at 10:30 am. Rebecca Gebhart gave the following Compliance Advisory Committee updates. Current Audits: • There are six audits that are running concurrently. The staff is doing an exceptional job. 2022 DHCS Routine Medical Services: • We are waiting for DHCS's report, and we have unpacked the self-identified findings at our prior meetings. 2022 DMHC Behavioral Health Investigation: • This is related to the Mental Health Parity and Addiction Equity Act (MHPAEA). It focuses only on the commercial plan, and it is a very challenging document and data production audit. It impacts the Alliance and our delegate, Beacon. • The DMHC is doing this investigation in phases. We are in phase two. The interviews are expected in early September and will include providers and Alliance staff. DMHC Routine Examination – Fiscal: • This is a routine examination that is focused on one (1) quarter, January 1st to March 30th, 2022. This will be looking at claims and fiscal compliance. • There are also two audits of our delegates – one is CHCN, and the other is CFMG. These are for the same time period – January 1st to March 31st, 2022. They will be looking at claims, compliance, and solvency for those two risk-bearing organizations (RBO's). The official start date is August. More information to come. • For CHCN, we sent in the requested deliverables on June 8th, and we are in the process of putting together the requested deliverables for CFMG.	Informational update to the Board of Governors. Vote not required.	

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	DMHC Routine Medical Survey 2021: • There were six (6) findings: three (3) in grievances and three (3) in prescription drugs - pharmacy. These findings are highly technical; the and are not difficult fixes. • For example, if there is an expedited review of a service which could be an emergency, the member services phone line staff would need to immediately verbally notify the member of their right to contact the State. The issue was that consistent documentation of this verbal notification was not in place – not that we weren't doing it, but that consistent documentation of the notification wasn't in place. • A second example is that the online grievance procedure was not accessible through a hyperlink with an ability to edit and that the form in the hyperlink had to say grievance form in all caps – it said grievance form, but it was not in all caps. Also, the form had to have the ability to edit, and it did not. The disclosure of the grievance process needed to be in all communications and in all member informing materials exactly as the law prescribes. A new law changed the disclosure language very minimally and the DMHC's website also did not have the new law's language. This is an easy fix. • The denial letter did not have accurate information related to grievance rights – it stated ninety (90) days instead of one-hundred-eighty (180) days. This is currently being fixed. • Prescription Drug Coverage: (1) The Plan did not inform members of their right to review formulary exception, request denials. This is currently being fixed. • Prescription Drug Coverage: The sixth finding was that our display of the formularies was not consistent with DMHC's standard formulary template and this includes website and collateral materials. Specifically, some of our formulary was on the second page of our documentation and DMHC would like it to be on the first page of our documentation. NCQA Reaccreditation: • We also briefly covered NCQA Reaccreditation, which CEO Scott Coffin will discuss in his CEO Report.		

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	Question: The first survey mentioned mental health parity and addiction. Can you describe it and what is the survey? Answer: The name of the act is Mental Health Parity and Addiction Equity Act. The survey is to look and ensure that there is parity between how we're assessing mental health and the decision-making related to mental health and behavioral health to ensure there's no other barriers. That is the primary focus – each policy looking at each other and ensuring there's no additional barriers for the mental health side compared to utilization management. The primary concern is parity and assuring that the access is as aligned for behavioral health and mental health as it is for physical health. It hits every particular in terms of access authorizations, all of the pieces to ensure that mental health services are as accessible as physical health services. There is an on-site interview in September, so we will cover more on this going forward and at the next meeting. Informational update to the Board of Governors. Vote not required.		
6. b. BOARD MEMBER REPORT – FINANCE COMMITTEE			
Dr. R. Ferguson	The Finance Committee was held telephonically on Tuesday, June 7th, 2022. Highlights: • Tangible Net Equity (TNE) continues to be great at 574%. • Enrollment has increased by over 20,000 members over the past fiscal year. • Our Medical Loss Ratio (MLR) continues to be good at ninety-one-point-seven percent (91.7%) for the month of April 2022. • We continue to have some problems with our medical expense – our medical expense for the month ending April 30th, 2022 was $93.2M and our budgeted was $84.2M – nearly a $10.0M difference. The primary cause for this increase is the inpatient and ER services expenses. • One thing we need to address is how we control the ER expenses and inpatient expenses – this has been a consistent problem for the Alliance	Informational update to the Board of Governors. Vote not required.	None

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	in terms of our medical expenses. Over the years, we have implemented various policies and plans to control our medical expenses. At some point, we need to have a look back and see how we can better control those expenses. • Our revenue was up $101.6M, and this was due to the increase in enrollment. • Going forward and especially in the next fiscal year, our administrative expenses are going to increase significantly – most of it will be due to new hires. The plan is to hire around an additional one-hundred staff, and many of these new hires will be related to behavioral health. Informational update to the Board of Governors. Vote not required.		
7. CEO UPDATE			
Scott Coffin	Scott Coffin, Chief Executive Officer, presented the following updates: Scott thanked the Board of Governors and the Alliance staff for their years of service and accomplishments as he embarks on his eighth and final year as the Chief Executive Officer of the Alliance. The Board of Governors accepted and confirmed his retirement date of May 31, 2023. Key Performance Indicators: • Operating Metrics: The regulatory metrics out of compliance in the month of May included the member expedited grievances, which was thirty-five percent (35%) below the compliance threshold, scoring sixty percent (60%) for the month of May. There was a total of five (5) expedited grievances that were processed, and three (3) were processed outside of the three-calendar day window. All of the expedited grievances were completed correctly.	Informational update to the Board of Governors. Vote not required.	None

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	• A remediation plan has been implemented, and a technology solution is being purchased to improve the regulatory compliance in addition to workflow changes between the health care services division and the operations division. We are continuing to work on bringing this regulatory metric back into full compliance – the challenge is it has such a small denominator. There are only five (5) expedited grievances, so if you miss one (1), you miss the minimum regulatory threshold. • Non-Regulatory Metrics: The non-regulatory metrics are defined internally as service standards. The Member Services team, led by the Chief Operating Officer, Matt Woodruff, have been doing great work and making progress. The Operations teams have improved over the last month; the call volumes were up slightly in the handling rates with an improvement by fifty percent (50%) month over month, meaning phones were being answered faster and there was a reduction in the abandonment rate. • The vacancy rate in hiring is at fifteen percent (15%), however, this number is inflated considering that we have twenty-one (21) signed offers currently pending. When adjusted for the signed offers, it brings the vacancy rate down to nine percent (9%) - great job to the Human Resources team. Also, thank you to the Analytics division for all the data and data management support that they provide and to the Information Technology division for keeping everything running – availability on our systems has been outstanding, and what the team has done is remarkable. These are all the enablers we need to achieve these results. Preliminary Budget – Fiscal Year 2023: • The preliminary budget for Fiscal year 2023 is being presented to the Board today for approval. • We are allowing for more time than we have in the past years to unfold the preliminary budget and talk through some of the implications because this is a significant year for changes in Medi-Cal managed care program. • The first change is in Long-Term Care – where skilled nursing facilities and custodial care are delivered in skilled nursing facilities. This benefit starts		

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	on January 1st, 2023. We have six (6) months of revenues and costs in the budget. • The second phase of the Long-Term Care benefit includes the intermediate care facilities, developmentally disabled care facilities, subacute facilities, and institutions for mental disease services. These services will be added six (6) to twelve (12) months later – sometime in July 2023 until possibly the end of the year. We are waiting on additional guidance from state regulators • The first Medi-Cal initiative, Long-Term Care, is a very significant benefit and implementation. The second major implementation is with Major Organ Transplants; this benefit started January 1st, 2022 for adult and pediatric transplant recipients and donors. This included all related services, such as the organ procurement, and the living donor care. • The services that are eligible through the California Children's Services program are carved out; however, the Alliance is responsible for all other transplant services for adults. The benefit launched six (6) months ago, and the patients who were matched to a donor at that time or currently scheduled for transplant surgery were excluded from the transition, so a majority of our members now on the transplant waitlist are being treated primarily by the University of California San Francisco (UCSF) and other UC centers. • As we reported previously, the University of California health system has not reached an agreement with the State of California on the Medi-Cal case rates. The DHCS reported this week at the CEO Quarterly Meeting about a pending resolution. • The Alliance is contracted with UCSF through individual letters of agreement for each patient, and we're paying these claims based on that agreement, however once a case rate is finalized, the paid claims will be repriced. The case rate is unknown at this time, and it is unclear on the financial impact in Fiscal Year 2023. • The third priority is the insourcing of the mental health and autism spectrum services. The budget contains eight (8) months of revenue and expense related to the administration of these services, which is scheduled to complete on November 1st, 2022. The Alliance currently pays a vendor (Beacon Health Options) to administer these services, but as we reviewed in the decision and approval process for insourcing; the annual recurring cost to administer the services internally is slightly higher than the		

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	outsourcing however we expect to increase customer service and quality. Both product lines of Medi-Cal and Group Care benefit from the insourcing. Product Lines and Membership: • Group Care: The membership has averaged between fifty-five hundred (5,500) and six thousand (6,000) adults every month. The one change we have, which is reflected in our performance for the Fiscal Year 2023 is that we negotiated a rate increase that moves us closer to a fiscal break-even point. Group Care has been performing at a net loss historically for us. • Thank you to Alameda County, Social Services, the Public Authority, our County Administrator, Susan Muranishi, and the Board of Supervisors for supporting a rate increase. We have forecasted a net income of $1.4M for FY2023 in Group Care. Medi-Cal is the area that shows the larger net loss, which ultimately leads to what we see as our performance at the year-end of next year. • Enrollment continues to move upward for the next six (6) months, up to a maximum of about 322,000. After the Medi-Cal redetermination is engaged again, we're assuming that is going to be in January 2023 – then, there will be a reduction of about twenty-five thousand (25,000) adults and children. This brings us back to about two-hundred-ninety-seven thousand (297,000) members in June 2023. Highlights: • Staffing: Our current number of employees is three-hundred-seventy-five (375). By the end of the fiscal year on June 30th, we are going to be onboarding an additional twenty-four (24) staff. Looking at the Fiscal Year 2023 budget, we are asking for seventy-eight positions, and this adds nearly sixteen million dollars ($16M) to our administrative expense. This decision did not come lightly and took a lot of work by our Finance Team and by each one of the executives that oversee their division in the company. • Nearly fifty percent (50%) of these positions is tied to the insourcing of the Mental Health and Autism Spectrum Services, and the other half is divided into scaling the organization to meet customer service requirements,		

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	meeting higher standards of regulatory compliance and accreditation, the project implementations that are ongoing (close to thirty projects in our portfolio), the addition of the CalAIM benefits and services, and to meet the new CalAIM reporting requirements that are derived by our regulatory agencies. All of these combined provide the basis for why we need the seventy-eight (78) positions. • In addition, a new Chief of Health Equity is proposed in the budget, and this is a new executive position that reports to the CEO and oversees the organization's efforts to promote diversity, equity, and inclusion. In addition, this officer will be responsible for aligning the corporate priorities and to meet the enforcement by DMHC and DHCS to focus more on health equity and quality standards. This individual will be collaborating with Health Care Services, Chief Medical Officer Dr. O'Brien, Dr. Bhatt, and our other clinical staff to reach these goals. • Fiscal Year 2022, which is ending in about twenty days, is outperforming our forecast, and we anticipate ending the year with about a $16 million net income. Conversely, in the Fiscal Year 2023, in light of all of the changes with the Group Care rates, the new Medi-Cal benefits and services, and the investments in the staffing and infrastructure, the reported net loss is forecasted at $14.9 million. NCQA Reaccreditation Survey: • The NCQA Reaccreditation Survey is scheduled in July 2022. The documents have been delivered to the NCQA survey team. This reaccreditation applies to both lines of business for calendar years 2020 and 2021, so we have two years in the survey period. • Last month I reported to the Board of Governors and Compliance Advisory Committee that a significant risk was self-identified during the survey readiness phase, and that our accreditation status could be negatively impacted. A mitigation plan is being developed to address these deficiencies, as we are in the process of inventorying the details of these deficiencies. An external audit is being scheduled through an external agency in the months of July and August to address our NCQA practices and to identify opportunities for improvement. A full report will be delivered by the CEO to the Board of Governors in the month of July.		

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	Question: For expedited grievances, I think you mentioned there were six (6)? Is that the number we usually have on a regular basis? Answer: It is typically under ten (10), and it is one of those numbers that with such a small denominator, if we missed one, it triggers noncompliance. Matthew Woodruff provided the following comment: The average expedited grievances range from four (4) to nine (9) every month. There is a lot that gets sent over and a physician must actually de-expedite them. We are currently looking at the workflows and on June 1st, we implemented a workflow change, and hopefully that will help. Additionally, Carlos and our Member Services team have developed some homegrown software and it is workforce management – it is not just for expedited grievances, so the workforce management tool will be used for various items for member services. Eventually, we will roll it out to the provider call center as well. This will help with a lot more tracking, trending, being able to forecast different reports. It also has speech to text capabilities to help our Member Services team. We will be implementing this tool over the next six (6) months. Question: When you say the software is home-developed, did you mean it was developed at the Alliance? Answer: Yes, we are currently using an internally-developed system designed by Member Services staff over a six (6) to nine (9) month period. We're now moving toward a much bigger and more robust system with a lot more capability. Question: Since we're taking about self-developed tools, anything that is developed in-house, we have the rights to forever, for patents? Answer: Yes, that is correct. Informational update to the Board of Governors. Vote not required.		

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8. a. BOARD BUSINESS – REVIEW AND APPROVE APRIL 2022 MONTHLY FINANCIAL STATEMENTS			
Gil Riojas	Gil Riojas gave the following April 2022 Finance updates: Enrollment: • For the month ending April 30th, 2022, the Alliance had an enrollment over 308,000 members, a net income of $2.3M, and the tangible net equity was 574% of the required amount. • Our enrollment has increased by over 1,900 members since March 2022, and on a fiscal YTD, we gained over 20,000 members since June 2021. Net Operating Results: • For the fiscal YTD ending April 30th, 2022, the actual net income was $15.2M, and the budgeted net loss was $2.3M. Revenue: • For the month ending April 30th, 2022, the actual revenue was $101.6M vs. the budgeted revenue of $93.9M. • For the fiscal year ending April 30tht, 2022, the actual revenue was $991.0M vs. the budgeted revenue of $971.1M. • For the month ending April 30th, 2022, the favorable revenue variance of $7.7M is largely due to $4.1M favorable Medi-Cal Base Capitation Revenue, due to higher enrollment. Additional favorability is due to $1.5M CalAIM Incentive Revenue, and $1.4M Behavioral Health Supplemental Revenue. Medical Expense: • For the month ending April 30th, 2022, the actual medical expense was $93.2M, and the budgeted medical expense was $84.3M. • For the fiscal year ending April 30th, 2022, the actual medical expense was $921.5M vs. the budgeted medical expense of $905.7M. • On a PMPM basis, medical expense is 0.5% favorable to the budget. Medical Loss Ratio (MLR):	Motion to Approve March 2022 Monthly Financial Statements as presented. Motion: Dr. Kelley Meade Second: Nicholas Peraino Vote: Yes No opposed or abstained.	None

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	• For the month ending April 30th, 2022, the MLR was 91.7% and 93.0% for the fiscal year-to-date. Administrative Expense: • For the month ending April 30th, 2022, the actual administrative expense was $5.8M vs. the budgeted administrative expense of $7.1M. • For the fiscal YTD ending April 30th, 2022, the actual administrative expense was $53.5M vs. the budgeted administrative expense $67.8M. Other Income / (Expense): • As of April 30th, 2022, our YTD investment revenue is $411,000 and the YTD claims interest expense is $337,000. Tangible Net Equity (TNE): • Tangible net equity results continue to remain healthy, and at the end of April 30th, 2022, the TNE was reported at 574% of the required amount. Cash Position and Assets: • For the month ending April 30th, 2022, the Alliance reported $284.7M in cash; $182.6M in uncommitted cash. Our current ratio is above the minimum required at 1.70 compared to the regulatory minimum of 1.0. Capital Investment: • Fiscal year-to-date capital assets acquired: $234,000. • Annual capital budget: $1.4M. Question: What are the capital assets that have been acquired? Answer: Capital assets that have been acquired this fiscal year are primarily IT assets, so we have been looking at servers, hard and storage solutions; also, there was the addition of the generator this year for the building, which was a big acquisition that we made this fiscal year. Question: What are the capital assets that we haven't purchased that were budgeted?		

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	Answer: It is probably around IT assets that we potentially thought we needed to purchase. Also, with the potential for us working a hybrid and remote schedule, there were probably some things for building improvements that we didn't need this fiscal year that were delayed. Those are the two areas that we have some savings; our budget is one-point-four million dollars ($1.4M), we continue to acquire things, but we are at the end of our fiscal year in June, so I don't imagine that capital asset number will go up significantly between now and the end of our reporting for June. Motion to Approve April 2022 Monthly Financial Statements as presented. A roll call vote was taken, and the motion passed.		
8. b. BOARD BUSINESS – REVIEW AND APPROVE FY2023 PRELIMINARY BUDGET			
Gil Riojas	Budget Process: • The FY 2023 preliminary budget was presented to, and approved by, the Finance Committee on June 7th, 2022 • On a call with DHCS, they announced that our rates, which are typically received in September, are going to be delayed by two (2) months; therefore, we are not going to be able to get our base rates for our next calendar year, probably by November. • This has a significant impact on our final budget timing – we need those base rates to help develop our revenue projections along with our expenses, and the fact that we are not receiving those until November is a problem for our presentation in December. Therefore, we are providing our first quarter forecast as scheduled in December 2022, and our final budget will be presented early, hopefully January 2023. This will depend on when we receive the rates from DHCS. Summary of Proposed Budget: • We are projecting a net loss of fourteen-point-nine million dollars ($14.9M); that is primarily driven by our Medi-Cal line of business, where we are projecting sixteen-point-three million dollar loss ($16.3M) and group care income is one-point-four million dollars ($1.4M). • The Tangible Net Equity changes to four-hundred-seventy nine percent (479%) as the requirement goes up, our TNE will be going down, which	Motion to Approve FY2023 Preliminary Budget as presented. Motion: Dr. Rollington Ferguson Second: James Jackson Vote: Yes No opposed or abstained.	None

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	represents one-hundred-sixty-three-point seven million dollars ($163.7M) excess from our requirements. • A big driver of our budget for FY2023 is related to membership; the public health emergency has increased both revenue and expenses. We believe the public health emergency will end most likely in the first or second quarter of our fiscal year, and our membership will start to decline in the third or fourth quarter of our fiscal year. We are anticipating our membership in June 2023 to be at 297,000 members for Medi-Cal, and our group care remains essentially flat. That is 14,000 members lower than our FY2022 members. • Our revenue continues to go up at one-point-three billion dollars ($1.3B). The end of the year, our revenue was at seven-hundred-seventy-six million dollars ($776M) – we've had a sixty-eight percent (68%) increase in revenue over the last five and a half to six years, which is significant. Our revenue will be one-hundred-twenty-two million dollars higher than FY2022. • As programs are added to our responsibility and they transition from fee-for service to managed care like the long-term care, major organ transplant, CalAIM – all of these things make up the increase in revenue that we see, along with an increase in expenses. • Fee-for-service and capitation expenses are one-point-two billion dollars ($1.2B), one-hundred-twenty million dollars ($120M) higher – this relates to the revenue that we received for the member volume variances or member increases, changes to the pharmacy benefit, and the long-term care. All these different programs that are going in and out are impacting both our revenue and our expenses. • Our administrative expenses are six-point-six percent (6.6%) of the revenue, nineteen-point-five million dollars ($19.5M) higher than FY2022. With the increase in revenue to one-point-three billion dollars ($1.3B), a one percent (1%) change in that number represents about thirteen million dollars ($13M). As we grow, the percentage of our medical loss ratio and our administrative loss ratio grows as well. Administrative expenses are going up significantly, and that is primarily led by our labor costs, which is fifteen-point-seven million dollars ($15.7M). We also have grants that are		

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	three-point-three million dollars ($3.3M) that our included in our FY2022 budget. • Clinical expenses are also going up as well – it's about nine-point-three million dollars ($9.3M) higher, and our labor costs are significantly increasing on the clinical side. We are seeing increases in expenses across the board that align with the increase in revenue, therefore, there will be major impacts to the budget staffing. Staffing: • We are anticipating four-hundred-seventy-eight (478) full time employees by the end of June 2023. We have new positions that are being added-fifty-seven (57) new positions budgeted across multiple departments. Enrollment: • Along with enrollment increases, some membership we believe will increase through December, and then as the predetermination process begins again, we anticipate most likely in January or February our membership will start decreasing. We've also included the impact of adding undocumented adults, ages fifty (50) and older as their transitioning from HealthPAC, which should be happening in July of this year. • Our Group Care enrollment remains steady at approximately six thousand (6,000) members. Revenue: • Ninety-eight percent (98%) of revenue is maintained at Medi-Cal revenue and two percent (2%) represents group care. • Our base rates are assumed to be increasing by about three-point-two percent (3.2%) on a per member/per month (PMPM) basis. • We also have the impact of a full years' worth of the pharmacy carve out happening in FY2023, so our pharmacy revenue will be significantly lower than it has in previous years. • We have the continuation of the CalAIM benefits, so adding the Enhanced Care Management (ECM) revenue along with any community support and major organ transplants revenue as well, so it is about forty-three-point-six million dollars ($43.6M) that we believe is included in those categories.		

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	• Long-Term Care data has not actually been received from the State for our financial assumptions; we have placeholder information in our budget based on our actuarial review and looking at some state guidance. We have included some projections for revenue and expenses, but we haven't received the information we need to look at our revenue. Medical Expense: • Our medical loss ratio we believe will be about ninety-four-point five percent (94.5%), below ninety-five percent. • The CalAIM represents significant increases to our expenses and also our revenue. For Long-Term Care expenses, we anticipate seventy-five million dollars ($75M) for half of a year; we anticipate this to be a net positive, but we will know more once we get the actual data from the State, and we'll update those numbers when we see that information. Hospital & Provider Rates: • In our budget, about twenty-five million dollars ($25M) increases in our hospital contract rates. • Professional capitation rates increase by five-point-four million ($5.4M). • We have also included one-point-nine million dollars ($1.9M) for Behavioral Health Insourcing; in November, we anticipate that our rates will be a little bit higher than our current rates. Preliminary FY 2023 Budget Comparison to FY 2022 Forecast: • We think our net income will end at slightly above sixteen million dollars ($16.0M) this fiscal year FY2022. • Our administrative expense ratio will end at about five-point-seven percent (5.7%), our medical loss ratio (MLR) at ninety-two-point nine percent (92.9%), and our TNE at five-hundred-seventy eight percent (578%). • Negative Operating Margin projected at fifteen-point-four million dollars ($15.4M). For this budget FY2023, we anticipate our administrative expense to increase to six-point-six percent (6.6%). Our medical loss ratio (MLR) will be higher as well at one-point-seven (1.7%); both of these numbers are unfavorable for us, which also impact our TNE number.		

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	Question: What is the difference for our assumptions for inpatient costs for FY2022 and FY2023, and what direction are we assuming it is going to go? Answer: We think our unit costs for the cost of inpatient care will slightly decrease, but utilization per thousand we think is going to go up significantly. As a public health emergency, we would anticipate some of those inpatient costs to potentially increase. Our assumptions for utilization per thousand is for that to increase by ten percent (10%) over our current fiscal year, so unit cost assumptions will be relatively flat to slightly lower; utilization will go up significantly with the public health emergency ending, and that is potentially going to drive some of that efficient costs going higher. Question: Are we budgeting any additional utilization management or appropriate utilization intervention costs into our expense side? Answer: Yes, through our budget processes, we look at adding additional support in healthcare services, some of their focus for next year will be on those very things on an increased case management. There is a budget of dollars that are in our clinical administrative budgets that are reflecting increase in FTEs to support some of those things. We have reinsurance to cover high dollar cases, but we are not adding reinsurance for major organ transplant because the State has a risk corridor, whereas it is our major organ transplant costs that go above a certain percentage, and the State will kick in and support the Plans in offsetting some of those cost above the revenue that we receive. Question: Where do you anticipate the fee for service to go – what is the increase we are going to see, and is it going to be based mainly on increased number of increased cost-per-unit? Answer: On a utilization perspective, for both of those categories on a fee for service basis, we are expecting those to go up by about three percent (3%) from this current fiscal year. As the end of the public health emergency would assume, our members start going back to doctors, and getting both primary care and specialty care – therefore, we have increased our trend by about three percent (3%) from our existing year. It is mainly a volume expectation as opposed to a cost-per-unit. Question: Do you foresee any time of aid coming from the Governor's office, or grant further to be applied and applicable to this increase?		

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	Answer: That is a good question. What we have seen over this fiscal year and into the next fiscal year is an increase in the types of incentive programs that we are involved in, and the incentive programs are primarily tied to getting incentive dollars out to our community. We are acting as an intermediary for those incentives. There are measures and programs that are being added, and we anticipate that to increase and to continue into the next fiscal year. There may be certainly money that the Governor has added and as part of the budget process this fiscal year, and we anticipate that to continue into the next fiscal year. But again, most of these dollars are aligned with the community and getting those letters out to our providers. Question: The base rates are coming in November, and the long-term care plug you placed is $75M for half of the year. Is there a possibility that when rates are received, that it will take care of this net loss? Particularly in the long-term care area? Answer: I don't have anything that would warrant us changing our estimated rate impact, I think we won't know that until November, and when we get that information for long-term care rates, if they are significantly higher than estimates, that would be a positive thing for us. However, this will also potentially mean that our expenses will be higher as well. Mercer puts together the rate based on their actuarial work, and so when the rate is higher than we expect, we would expect expenses to be higher as well. I don't know if there would be enough of a margin for us to potentially reduce the projecting net loss, but I cannot say for certain until we get those rates. Question: How was the $75M calculated for long-term care? And is the long-term care fully staffed? Answer: We looked at what our actuarial support team has seen in other counties in terms of potential volume estimates and we compare that to an estimate of what our PMPM would be, and we took that information and extrapolated it for our county. That is how we divide both the revenue and the expenses for long-term care. We did use benchmark data, and we are hoping to get some fee for service data later in late June or early July that would give us more insight. The benchmark data we do think would give us a slight gross margin, but those members have a very high administrative load as well, so it is not only their MLR which is close to 100%. Long-term care has approximately		

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	five (5) people dedicated and some consulting, and we have some new contracting as well. This is all reflected in our preliminary budget in FTE's. Question: What are the chances that the estimates for long-term care are way off, or that something changes? Answer: (Carol) The budget is always slightly off, it's just a matter of how much; for major organ transplants, we still don't have a lot of history. What we do know is compared to our first hopes, we're having a higher proportion, as opposed to Stanford where we have a favorable contract. We still don't have the rates that the State is requiring us to pay, UCSF – there is a lot of uncertainty there and there's a risk there. In terms of long-term care, one of our major risks is they've had some trouble with the State with flagging these members, so if they mistakenly just get in as SPDs or worse adults, or expansion, our revenue instead of being about ten thousand dollars ($10,000) per month would be about one-thousand dollars ($1,000) per month. Therefore, we are going to have to be quite vigilant in looking at every member and ensuring that they are classified as LTCs. I know the CCI plans have had a lot of issues with this. Scott Coffin made the following comment: The actual data has not been shared from the State yet – that has been delayed from the Department of Health Care Services for several months. We will have to also pick up the scope of the long-term care transition. They are breaking up the subacute from the Phase 1, skilled nursing facility in custodial care; that final scope is still being discussed in policy, so that could change as well, which could also have an impact on our assumptions and costs. Question: Do you think there is a chance that the State will expand coverage for undocumented people in their twenties, thirties, and forties? Answer: Yes, I do think there is a chance that will happen, but I don't think it will happen next fiscal year. I think that will be something we look at, during the end or middle to end of next calendar year, which would be our fiscal year 2024. Question: It looks like we will have positive net income from group care, is the new rate set? Answer: We're forecasting about a $2 million net loss this fiscal year, so we worked with the county to negotiate a higher rate, and with that higher rate, about a $1.4 million net income. In terms of where we are, I think the county's		

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	agreed to that rate, we should be working on a formal contracting process to finalize that. Enrollment Year End: • We're anticipating ending this FY2022 with about three-hundred-eleven-thousand members (311,000) and decreasing to about two-hundred-ninety-seven thousand (297,000) into FY2023. Medical Loss Ratio by Line of Business: • We are anticipating our MLR for Medi-Cal to be slightly higher, and our MLR for group care to be slightly lower, and in part, that is because of our increasing revenue on our group care line of business. • As revenue increases, the percentage of medical loss ratio would decrease. • There are significant expenses associated with our long-term care population. Additionally, the big driver for our revenue and expenses is our enrollment. We anticipate enrollment to peak in December, and disenrollment to begin after, with enrollment declining in January or February. FY 2023 Administrative Expenses: • There will be a significant increase in our administrative expenses. We are increasing our employee expense by fifteen-point-seven million dollars ($15.7M) and having a reduction in our member benefits administration, primarily related to our pharmacy costs. • The total administrative expense increases about nineteen-point-five million dollars ($19.5M) from our FY2022 forecast. FY 2023 Capital Expenditures: • Our capital expenditures we anticipate will be lower in terms of how much we will purchase next fiscal year. We've broken down the two categories, and the main driver is information technology (IT), which represents six-hundred-forty thousand dollars ($640,000) of the total full year budget for capitalized purchases.		

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Anastacia Swift	• Facilities – potentially adding some building improvements and some charging stations will be around three-hundred-thirty-nine thousand dollars ($339,000). Administrative & Clinical Expenses by Line of Business: • For this upcoming fiscal year, there will be eighty-seven-million dollars ($87M) of administrative department expenses and thirty-nine-point seven million dollars ($39.7M) in the clinical department. Staffing: Administrative & Clinical FTEs at Year-End • For FY2023, we are looking at seventy-eight (78) additional positions. We acknowledge current market conditions are tight and unemployment has decreased since March. However, we are not discouraged, and we have a plan to reach the goal. • We are looking at a two-pronged approach to fill these positions; the first prong is an internal process – as we prepare for anticipated growth with the projects and deliverables, we're preparing with assessing and modifying our internal processes to expedite reviews of applicants, interviews, selection and onboarding of those candidates. Our internal recruiting team is responsible for that internal process of tracking and onboarding hires. • We have increased our internal recruiting team to five (5) recruiters, and we are also accelerating the posting date of budgeted positions from sixty (60) to one-hundred-and-twenty (120 days, understanding that it may take anywhere from ninety (90) to one-hundred-and-twenty (120) days to fill a position from post date to hire date. • Externally, the approach is we are ramping up with outsourcing the recruiting function for source and candidates through partnership with two external agencies. These external recruiters will source candidates for both nonclinical and clinical positions. • We have already begun the recruiting process for twenty-nine (29) positions of the thirty-seven (37) roles assigned for behavioral health, and we have currently filled one (1) position related to behavioral health, and are currently interviewing and pending selection for seven (7). • The positions we are focused on right now are those positions that are in motion from the FY2022 budget. The remaining twenty-nine positions related to behavioral health, long-term care, CalAIM, etc. – those		

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Gil Riojas	positions will be rolled out and posted in the next month or two to provide that lead time for sourcing qualified candidates, for forty-five (45) non-clinical positions and thirty-three (33) clinical roles. • We will continue to assess and adjust salary structures annually to remain competitive. This means we will have to do our internal look back and look at ourselves and compare to the market as we have done in the past. Our goal is to fill roughly eight (8) positions per month. Dr. Ferguson addressed the need to ensure there is effort in hiring with diversity and inclusion in mind. Question: Do you have any incentives in place to attract qualified diversified candidates? Answer: We have not developed an incentive program for hiring a candidate, however, we have an employee referral program where our employees refer candidates, and they would receive a bonus for the referral. Rebecca Gebhart agreed with Dr. Ferguson's comment regarding hiring with diversity and inclusion in mind and endorsed the budget and the added number of FTEs. Question: Are we offering our new hires a remote arrangement to attract them? Answer: Currently, new hires are falling into our hybrid working model. There are some positions that have been designated by division to be hybrid or remote. There are not very many positions that are physically on site. Material Areas of Uncertainty: • We have not received long-term care data from DHCS, and both revenue and expense could differ significantly from the placeholders in the preliminary budget. • Additionally, the Department of Health Care Services is most likely going to adjust the methodology of risk adjustments, and that potentially could impact our base rate premium.		

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	• The State is going to be dividing members in by category of aid, related to their immigration status; this is in response to a requirement from CMS, and it might potentially have an impact on our rates. It says aiming for net neutrality of the budget, but we don't know yet. • The number and cost of major organ transplants is also difficult to predict, but we do anticipate that to increase over the next fiscal year. • Another area of uncertainty is when the public health emergency will end and disenrollment will begin; we are anticipating January or February, and this would impact both our revenue and expenses. • Lastly, our contract changes for hospitals and our providers – we have projections in our budget, but we have not finalized all those contracts yet. Therefore, this may change. Question: When will we next hear back from you regarding the budget, will we get an update before November? Answer: We will go through our monthly updates as we do, and we will compare our results to the preliminary budget. We will provide our Q1 forecast in December, and the final budget in January or February. We will be unable to set forth a final, relevant budget earlier without our rates. Question: Would we be able to get the final budget one (1) month after the rates are received from the State? Answer: Yes, that would be reasonable. Motion to Approve FY2023 Preliminary Budget as presented. A roll call vote was taken, and the motion passed.		
9. a. STANDING COMMITTEE UPDATES – PEER REVIEW AND CREDENTIALING COMMITTEE			
Dr. Steve O'Brien	The Peer Review and Credentialing Committee (PRCC) was held telephonically on May 17th, 2022. Dr. Steve O'Brien gave the following Committee updates:	Informational update to the Board of Governors. Vote not required.	None

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
	• We credentialed seventeen (17) initial applicants, including six (6) primary care providers. Additionally, forty-nine (49) providers were re-credentialed at this meeting. • There were twenty-four (24) providers that left the Alliance. Informational update to the Board of Governors. Vote not required.		
10. STAFF UPDATES			
Scott Coffin	None	None	None
11. UNFINISHED BUSINESS			
Scott Coffin	Dr. Ferguson asked for numbers to be presented that would project the decline in the Alliance's quality score related to the Kaiser contract in 2024, and what we are doing to offset that impact on quality.	Scott Coffin confirmed this will be added to the list and addressed at a future meeting.	None
12. STAFF ADVISORIES ON BOARD BUSINESS FOR FUTURE MEETINGS			
Scott Coffin	None	None	None
13. PUBLIC COMMENT (NON-AGENDA ITEMS)			
Dr. Evan Seevak	None	None	None
14. ADJOURNMENT			
Dr. Evan Seevak	Dr. Evan Seevak adjourned the meeting at 2:07 pm.	None	None

Respectfully Submitted by: Danube Serri
Legal Analyst, Legal Services.