



**CalViva Health  
Finance  
Committee Meeting Minutes**

February 18, 2021

**Meeting Location**

Teleconference Meeting due  
to COVID-19 Executive Order  
CalViva Health  
7625 N. Palm Ave., #109  
Fresno, CA 93711

Finance Committee Members in Attendance		CalViva Health Staff in Attendance	
✓	Daniel Maychen, Chair	✓	Cheryl Hurley, Office Manager
✓	Gregory Hund, CEO	✓	Jiaqi Liu, Accounting Manager
✓●*	Paulo Soares		
✓●	Joe Neves		
✓●	Harold Nikoghosian		
✓●*	David Rogers		
✓●	John Frye		
		✓	Present
		*	Arrived late/Left Early
		●	Teleconference

AGENDA ITEM / PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
#1 Call to Order D. Maychen, Chair	The meeting was called to order at 11:30 am. A quorum was present via conference call in lieu of gathering in public per executive order signed by the Governor of California on Monday, 3/16/2020, allowing Public Health Plans subject to the Brown Act to hold public meetings via teleconferencing due to COVID-19. A quorum remains a requirement to take actions, but can be achieved with any combination of Commissioners' physical attendance at the public location or by teleconferencing.	A roll call was taken.

<p>#2 Finance Committee Minutes dated November 19, 2020</p> <p>Attachment 2.A Action D. Maychen, Chair</p>	<p>The minutes from the November 19, 2020 Finance meeting were approved as read.</p>	<p>Motion: <i>Minutes were approved</i> 5 – 0 – 0 – 2 (Hund / Frye)</p> <p>A roll call was taken.</p>
<p>#3 Financial Statements as of December 31, 2020</p> <p>Action D. Maychen, Chair</p>	<p>Total current assets were approximately \$353M; total current liabilities were approximately \$255.7M. Current ratio is 1.38. TNE as of December 31, 2020 was approximately \$107.4M, which is approximately 679% above the minimum DMHC required TNE amount.</p> <p>For the first six (6) months of FY 2021 actual premium capitation income recorded was approximately \$647.7M which is approximately \$1.8M below budgeted amounts, primarily due to MCO tax being less than what was projected. In relation to revenue, the Plan experienced an MCO tax loss for the first six (6) months of FY 2021 of approximately \$4.5M. This is a result of how DHCS calculates the MCO tax revenue rate, noting that DHCS' enrollment projection is a key component of that revenue rate calculation. Furthermore, there was a 25K member difference per month in what DHCS had projected (relating to the time-period of July 1, 2020 – December 31, 2020) in comparison to CalViva's actual membership, which created the MCO tax revenue shortage. DHCS has taken into consideration concerns of the Plan, as well as other plans, regarding the MCO tax loss and effective January 2021, they increased the MCO tax revenue rate. Assuming that enrollment is consistent with the current enrollment figure of 376,700 as of January 2021 (or higher), the increase for the MCO tax revenue amount beginning January 2021 is sufficient to cover the MCO tax expenses through June</p>	<p>Motion: <i>Financials as of December 31, 2020 were approved</i></p> <p>7 – 0 – 0 – 0 (Frye / Nikoghosian)</p> <p>A roll call was taken.</p>

	<p>2021. In addition, the increase in MCO tax revenue rate would be sufficient enough to cover the losses the Plan experienced for the first six months of FY 2021 assuming enrollment is consistent or better with January 2021 enrollment numbers. The Plan is projecting the \$4.5M loss would be erased by the end of June 2021. In reference to the pharmacy carve out, communication from DHCS was received on 2/17/21 that they will be delaying the pharmacy carve out again and no new implementation date was provided. In addition, no further information on the delay will be provided until May 2021. The impact of this on the Plan's current year financials is a larger difference between Actual vs. Budgeted revenue amounts, noting the actual amount will be higher. The two trade associations that the Plan is associated with wrote a letter to the State prior to the second delay stating if there is a second delay that it be moved to 1/1/2022 which would provide the State ample time to ensure a more seamless transition occurs. During an LHPC board meeting with CEOs of the local health plans, it was unanimous that they support not initiating the pharmacy carveout until 1/1/2022 due to the purchase of Magellan by Centene which presented a conflict of interest and cited other administrative issues.</p> <p>Total cost of medical care expense recorded is approximately \$544.3M which is approximately \$2.5M more than budgeted due to rates and enrollment being higher than projected. Admin service agreement fees expense was \$411K more than budgeted primarily due to enrollment being higher than projected. All other expense line items are in line or below what is budgeted. For the first six (6) months of fiscal year 2021, there is an approximate net loss of \$1.3M, which is approximately \$4.4M less than what was</p>	
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	<p>budgeted due to MCO tax loss of \$4.5M. If accounting for increase in MCO tax revenue (assuming relatively similar enrollment as of January 2021 through the end of June 2021) total projected Net Income is approximately \$7.6M which is in comparison to approximately \$5.3M budgeted.</p>	
<p>#4 Fiscal Year 2022 – Review and Discuss Budget</p> <p>Action D. Maychen, Chair</p>	<p>The FY 2022 budget timeline was presented and is consistent with previous years.</p> <p>A formalized budget is planned for presentation at the March 2021 meeting with intent to accept and adopt. Any changes as a result of the March 2021 meeting will carry on to an April 2021 meeting, if necessary. The formal budget will be presented at the May 2021 Commission meeting.</p> <p>The FY 2022 basic assumptions and preliminary draft was created prior to the announcement of the Pharmacy Carveout delay. Enrollment is projected to increase slightly from current figure of approximately 376,700 as of January 2021 with the public health emergency ending by the end of calendar year 2021. Once the public health emergency ends enrollment is projected to decline through the second half of FY 2022 primarily due to individuals moving out of Medi-Cal and into employer sponsored coverage, and the re-determination/disenrollment process for Medi-Cal resuming.</p> <p>Prior to the pharmacy carve out delay announcement on 2/17/21, overall, revenues were projected to decline compared to prior year budget, primarily due to the impact of the pharmacy carve out. The pharmacy carve out was projected to affect all of fiscal year 2022 as opposed to only six months of the prior fiscal year 2021 budget. The overall decline in revenues was net of an increase in revenues due</p>	<p>Motion: <i>Budget assumptions approved</i></p> <p>7-0-0-0</p> <p>(Rogers / Soares)</p> <p>A roll call was taken.</p>

	<p>to increase in MCO taxes, an increase in rates to account for major organ transplants moving into Medi-Cal managed care effective 1/1/2022 and increase in enrollment in comparison to prior year.</p> <p>Investment income is projected to decrease and the yields in short term investments have continued to decline and projected to stay relatively low. Most of the Plan's investments are in US Treasuries.</p> <p>Fiscal year 2022 staffing is projected to be at 18 full time employees. Wage increases of up to 5% based on performance, and approximately 8% increase in health insurance premiums based on August renewal.</p> <p>Consulting expense to increase in preparation to meet the NCQA accreditation.</p> <p>Community Support and grants expense are based off of the continuation of providing grants to the community to address the economic affects COVID-19. The additional support to county health departments will possibly be reallocated due to the California State Legislature's approval of approximately \$1.2B in federal funds to assist California State local health departments to address COVID-19 vaccination, testing, and tracing. The reallocated funds will possibly be used to continue providing support to community-based organizations, and also to address the Plan's declining market share.</p> <p>FY 2022 budget assumptions include an increase in MCO tax by approximately \$16.6M based on CMS approved tax structure. Projecting an MCO tax loss again beginning July</p>	
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	<p>2021 based off of the Plan’s projected enrollment vs. DHCS projected enrollment difference. The MCO tax is budget neutral beginning January 2022 through June 2022 as CalViva is uncertain if DHCS will increase the MCO tax revenue rate in January 2022 to account for previous MCO tax loss.</p> <p>Two budgets will be brought to the March meeting; one containing the Pharmacy carve-out for the entire fiscal year 2022, and a second only affecting half of the fiscal year 2022. The new implementation date for the Pharmacy carve-out should be known by May. At that time the budget that closely reflects the new implementation date will be presented at the May Commission meeting for approval.</p>	
<p>#5 Discuss Reappointment of Moss Adams as Independent Auditors</p> <p>Action D. Maychen, Chair</p>	<p>The fee proposal was approved to forward to Commission for final approval of reappointment of Moss Adams as independent auditors.</p>	<p>Motion: <i>Approved to forward to Commission</i></p> <p><i>7-0-0-0</i></p> <p><i>(Nikoghosian / Frye)</i></p> <p>A roll call was taken.</p>
<p>#6 Investment Policy</p> <p>Action D. Maychen, Chair</p>	<p>The Investment Policy was reviewed with a recommendation to edit verbiage to section II.E. Policy to be brought to March meeting with edit.</p>	<p>Motion: <i>No motion made; policy will be brought to March meeting for approval.</i></p>
<p>#7 Announcements</p>	<p>None.</p>	
<p>#8 Adjourn</p>	<p>Meeting was adjourned at 12:04 pm</p>	

Finance Committee

Submitted by:

Cheryl Hurley  
Cheryl Hurley, Clerk to the Commission

Dated:

March 18, 2021

Approved by Committee:

Daniel Maychen  
Daniel Maychen, Committee Chairperson

Dated:

3/18/2021