



**CalViva Health
Finance
Committee Meeting Minutes**

Meeting Location
CalViva Health
7625 N. Palm Ave., #109
Fresno, CA 93711

February 15, 2024

Finance Committee Members in Attendance		CalViva Health Staff in Attendance	
✓	Daniel Maychen, Chair	✓	Cheryl Hurley, Director, HR/Office
✓	Jeff Nkansah, CEO	✓	Jiaqi Liu, Director of Finance
✓	Paulo Soares		
✓	Joe Neves		
	David Rogers		
	John Frye		
	Rose Mary Rahn		
		✓	Present
		*	Arrived late/Left Early
		•	Teleconference

AGENDA ITEM / PRESENTER	MOTIONS / MAJOR DISCUSSIONS	Comments	ACTION TAKEN
#1 Call to Order D. Maychen, Chair	The meeting was called to order at 11:42 am, a quorum was present.		
#2 Finance Committee Minutes dated October 19, 2023 Attachment 2.A Action, D. Maychen, Chair	The minutes from the October 19, 2023, Finance meeting were approved as read.		Motion: <i>Minutes were approved</i> <i>4-0-0-3</i> <i>(Soares / Nkansah)</i>
#3 Financials – as of December 31, 2023 Action D. Maychen, Chair	Total current assets recorded were approximately \$300.7M; total current liabilities were approximately \$160.7M. Current ratio is approximately 1.87. Total net equity was approximately \$149.8M, which is approximately 868% above the minimum DMHC required TNE amount.		Motion: <i>Financials as of December 31, 2023, were approved</i> <i>4-0-0-3</i> <i>(Neves / Soares)</i>

ACTION TAKEN	Comments	MOTIONS / MAJOR DISCUSSIONS	AGENDA ITEM / PRESENTER
		<p>For the first six months of the current fiscal year, interest income actual recorded was approximately \$4M which is approximately \$2.2M more than budgeted due to interest rates on our money market funds being higher than projected.</p> <p>Premium capitation income actual recorded was approximately \$705.8M which is approximately \$66.5M more than budgeted due to enrollment and rates being higher than projected.</p> <p>Total cost of medical care expense actual recorded is approximately \$666.7M which is approximately \$64M more than budgeted due to rates and enrollment being higher than projected. Admin service agreement fees expense actual recorded was approximately \$28.8M, which is approximately \$1.9M more than budgeted due to enrollment being higher than budgeted. Disenrollment was projected to be higher; however, the Plan retained more membership during the redetermination process than what was projected.</p> <p>Net income for the first six months of FY 2024 actual recorded was approximately \$8.5M, which is approximately \$4M more than budgeted primarily due to interest income being approximately \$2.2M higher than projected, and rates and enrollment being higher than projected.</p>	
<p>Motion: FY 2024 Revised Budget was approved to move to Commission 4-0-0-3 (Neves / Soares)</p>		<p>When the fiscal year 2024 budget was presented to the Commission in May 2023, DHCS was looking to renew the MCO taxes, noting a substantial increase to the MCO taxes from prior periods. For some plans, the increase in MCO taxes would increase by over 400%. Due to the uncertainty of approval by the federal government of the new MCO tax proposal, CalViva did not budget for the new MCO taxes in the initial fiscal year 2024 budget. However, if the federal government were to approve the new MCO tax proposal, CalViva would bring a revised budget to the Commission for review and approval.</p> <p>On December 19, 2023, CMS approved the MCO taxes as proposed which prompted the Fiscal Year 2024 Revised Budget.</p> <p>The calculation used for MCO tax revenue and expenses is based off a revised MCO tax proposal from what was just approved in December. The State of California is projecting a \$388 budget deficit and the State is looking to revise the recently approved MCO tax to obtain an additional \$1.5B in funding to help cover the budget deficit. DHCS feels confident that the revised MCO tax proposal will be approved by CMS, which is why CalViva is using the revised MCO tax numbers.</p>	<p>#4 Fiscal Year 2024 – Revised Budget</p>

AGENDA ITEM / PRESENTER	MOTIONS / MAJOR DISCUSSIONS	Comments	ACTION TAKEN
	<p>The revision will increase CalViva’s MCO tax revenue and expense by approximately \$144M over the term of the MCO tax which has a term of April 2023 – December 2026.</p> <p>For the actual revised budget for FY 2024, the only change made was to Medical Revenue, increasing by approximately \$466.3M, and correspondingly, MCO tax expense increasing by the exact same amount. Net income remains the same as previously approved. The Plan budgeted the new MCO taxes with no gain or loss; in actuality, there could be a gain or loss but at this point in time, it is difficult to determine if there will be a gain or loss, and at what amount of gain or loss.</p>		
<p>#5 Fiscal Year 2025 Review and Discuss Budget</p>	<p>The basic assumptions being used to create the FY 2025 budget was presented to the Committee.</p> <p>An official proposed FY 2025 budget is planned for presentation at the March 2024 Finance meeting with intent to accept and forward to the Commission. Any changes requested as a result of the March 2024 meeting will carry on to an April 2024 meeting, if necessary. The Finance Committee reviewed and approved budget will then be presented at the May 2024 Commission meeting.</p> <p>FY 2025 enrollment projected to gradually decline throughout the fiscal year as we project our enrollment to trend closer to our pre-COVID membership, net of membership gains from new membership such as but not limited to dual Medi-Cal/Medicare members moving from voluntary to mandatory Medi-Cal managed care and undocumented adults ages 26-49 receiving full scope Medi-Cal benefits in 2024. By the end of next fiscal year, June 2025, membership is projected to be approximately 375,000.</p> <p>Revenues projected based on enrollment breakdown by aid category, using current aid code category specific rates as a benchmark known at time of budget preparation. Overall, revenues are projected to increase in comparison to prior year budget primarily due to three factors, 1) MCO tax revenue is projected to substantially increase; a projected increase of approximately \$497M, 2) increase in capitation rates paid by DHCS to the Plan as a result of the additional funds generated by the new MCO tax which will be used to increase the Medi-Cal fee schedule for primary care, maternity care, and non-specialty mental health services, and 3) increase in membership from prior year FY 2024 budgeted amounts as there have been lower actual disenrollments vs previously projected</p>	<p><i>Supervisor Neves asked if the accreditation expenses previously discussed are still accounted for.</i></p> <p><i>Jeff Nkansah confirmed it’s still programmed in and still on track.</i></p> <p><i>Daniel Maychen confirmed the consulting expense is still in place in the case it is needed.</i></p> <p><i>Paulo Soares questioned the community investments and meeting the new requirement.</i></p> <p><i>Jeff Nkansah explained that the funding bucket may look different if the State says what the</i></p>	<p>Motion: <i>FY 2025 Budget Timetable, Assumptions, and Preliminary Draft were approved</i> 4 – 0 – 0 – 3 (Soares / Neves)</p>

ACTION TAKEN	Comments	MOTIONS / MAJOR DISCUSSIONS	AGENDA ITEM / PRESENTER
	<p><i>Plan is doing for community investment is not aligning with new guidelines.</i></p>	<p>disenrollments as a high number of individuals remain eligible for Medi-Cal after eligibility redeterminations.</p> <p>The Plan is projecting FY 2025 staffing at 21 full-time employees. The Plan is currently at 18. One of the additional positions is for the Equity Officer. Projected wage increases of up to 5% based on employee performance at anniversary date, 8% increase in health insurance premiums based on January renewal, current deferral rate and employer contribution/match into the 457b-retirement program. The increase is primarily due to the potential addition of staff to support the new DHCS 2024 contractual requirements (e.g., NCOA, D-SNP, Long-Term Care, etc.) and potential succession planning efforts for key management positions near retirement age.</p> <p>Projected increase in Dues & Subscriptions expense as a result of increase in dues from trade organizations who have added additional staff to better represent health plans in relation to numerous changes affecting Medi-Cal managed care such as but not limited to the MCO tax targeted rate increases (i.e., increase to Medi-Cal fee schedule), and long-term care moving into Medi-Cal managed care.</p> <p>Community Support/Grants expense based on continuation of providing grants to community-based organizations, scholarship funding to various local colleges, physician recruitment grants, and quality score incentive grants to providers. Increase to account for DHCS 2024 contractual requirement which requires Plans to submit a Community Reinvestment Plan for DHCS' approval in a form and manner to be specified by DHCS through a future document. Per DHCS 2024 contract, Plans must contribute 5% of annual net income to community reinvestment initiatives. The Community Reinvestment also includes a mandated amount if Plans do not meet certain quality metrics. Therefore, in addition to the 5%, Plans may have to contribute an additional 7.5% of the Plan's net income to community reinvestment initiatives, for a total of 12.5% of net income.</p> <p>Projected increase to Legal & Professional expense to account for CalViva utilizing a vendor to add CalViva Health member ID option on our website where members can access their member ID online.</p> <p>Projected increase to Recruitment expense to fill additional positions during FY 2025.</p>	

AGENDA ITEM / PRESENTER	MOTIONS / MAJOR DISCUSSIONS	Comments	ACTION TAKEN
	<p>MCO tax expense calculated per recently revised MCO tax structure for FY 2025, noting a substantial increase from FY 2024. MCO tax is projected to be budget neutral (i.e., no gain or loss).</p> <p>Per preliminary FY 2025 budget, medical revenue is projected to be \$1.78B, which is \$515.4M more than previously budgeted mainly due to the MCO tax increase and capitation rate increases from DHCS. Net income is projected to be approximately \$8.1M, which is approximately \$744K less than budgeted for FY 2024 primarily due to an increase in Admin expenses net of increase in revenues.</p>		
#6 Moss Adams, LLP Audit Proposal	<p>The fee proposal was approved to forward to Commission for final approval of reappointment of Moss Adams as independent auditors for an additional three years.</p>	<p><i>Paul Soares asked if there's any requirement for an RFP for health plans by the State.</i></p> <p><i>Daniel Maychen stated there is no requirement that he is aware of. In addition, there are other local health plans that have used Moss Adams for 10+ years.</i></p>	<p>Motion: Moss Adams, LLP Audit Proposal was approved. 4-0-0-3 (Neves / Soares)</p>
#7 Announcements	None.		
#8 Adjourn	Meeting was adjourned at 12:02 pm		

Submitted by: *Cheryl Hurley*
 Cheryl Hurley, Clerk to the Commission

Dated: *March 21, 2024*

Approved by Committee: *Daniel Maychen*
 Daniel Maychen, Committee Chairperson

Dated: *3/21/24*

10/10/10