



BOARD OF GOVERNORS

Finance & Budget Committee Meeting

October 23, 2024 • 1:00 PM

Lobby Conference Room 100

1055 W. 7th Street, Los Angeles, CA 90017

*L.A. Care offices have moved to 1200 W. 7th Street, Los Angeles, CA 90017.
Public meetings will continue to be held in the Board Room at 1055 W. 7th Street until
early 2025.*

DRAFT



AGENDA

**Finance & Budget Committee Meeting
Board of Governors**

Wednesday, October 23, 2024, 1:00 P.M.

Conference Room 100, 1st Floor, 1055 West 7th Street, Los Angeles, CA 90017

Members of the Committee, staff and the public can attend the meeting in person at the address listed above. Public comment can be made in person at the meeting. A form will be available at the meeting to submit public comment.

To listen to the meeting via videoconference please register by using the link below:

<https://lacare.webex.com/lacare/j.php?MTID=me04004c794a9035f9bb8b9d1cee1a2fc>

To listen to the meeting via teleconference please dial: +1-213-306-3065

Meeting Number: 2484 840 2909 Password: lacare

Teleconference Sites

Nina Vaccaro

Community Clinic Association of Los Angeles County
445 S. Figueroa Street, Suite 2100
Los Angeles, CA 90071

The purpose of public comment is an opportunity for members of the public to inform the governing body about their views. The Committee appreciates hearing the input as it considers the business on the Agenda. The process for public comment is evolving and may change at future meetings.

All votes in a teleconferenced meeting shall be conducted by roll call.

If you are an individual with a disability and need a reasonable modification or accommodation pursuant to the Americans with Disabilities Act (ADA) please contact L.A. Care Board Services staff prior to the meeting for assistance by text to 213 628-6420 or by email to BoardServices@lacare.org.

Welcome

Stephanie Booth, MD,
Chair

1. Approve today's Agenda *Chair*
2. Public Comment (*Please read instructions above.*) *Chair*
3. Approve Consent Agenda *Chair*
 - August 28, 2024 Meeting Minutes p.4
 - O'Neil Digital Solutions, LLC, contract amendment to support L.A. Care with Explanation of Benefits and Threshold Certificate printing, mailing and electronic delivery to L.A. Care members through June 30, 2026 **(FIN A)** p.14
4. Chairperson's Report *Chair*
5. Chief Executive Officer Report John Baackes
Chief Executive Officer

Committee Issues

6. Chief Financial Officer's Report
- Financial Report – August 2024 (**FIN 100**) ^{p.16}
 - Annual Review of Investment Policy AFS 008 (**FIN 101**) ^{p.26}
7. Public Comment on Closed Session Items (*Please read instructions above.*)

Afzal Shah
Chief Financial Officer
Jeff Ingram
Deputy Chief Financial Officer

Chair

ADJOURN TO CLOSED SESSION (Est. time: 10 mins.)

Chair

8. REPORT INVOLVING TRADE SECRET
Pursuant to Welfare and Institutions Code Section 14087.38(n)
Discussion Concerning New Service, Program, Technology, Business Plan
Estimated date of public disclosure: *October 2026*
9. CONTRACT RATES
Pursuant to Welfare and Institutions Code Section 14087.38(m)
- Plan Partner Rates
 - Provider Rates
 - DHCS Rates

RECONVENE IN OPEN SESSION

ADJOURNMENT

Chair

The next Finance & Budget Committee meeting is scheduled on
Wednesday, November 20, 2024 at 1:00 p.m. and may be conducted as a teleconference meeting.
The order of items appearing on the agenda may change during the meeting.

THE PUBLIC MAY SUBMIT COMMENTS TO THE FINANCE & BUDGET COMMITTEE BEFORE DISCUSSION OF EACH ITEM LISTED ON THE AGENDA BY SUBMITTING THE COMMENT IN WRITING BY TEXT MESSAGE TO 213 628 6420, OR IN WRITING BY EMAIL TO BoardServices@lacare.org. Please follow additional instructions on the first page of this Agenda.

ACTION MAY NOT BE TAKEN ON ANY MATTER RAISED DURING THE PUBLIC COMMENT PERIODS UNTIL THE MATTER IS SPECIFICALLY LISTED ON A FUTURE AGENDA, according to California Govt Code Section 54954.2 (a)(3) and Section 54954.3.

AGENDA and PRINTED MEETING MATERIALS ARE AVAILABLE FOR INSPECTION 72 HOURS BEFORE THE MEETING:

1. At L.A. CARE'S Website: <http://www.lacare.org/about-us/public-meetings/board-meetings>
2. L.A. Care's Reception Area, Lobby, at 1055 W. 7th Street, Los Angeles, CA 90017, or
3. by email request to BoardServices@lacare.org

Any documents distributed to a majority of the Finance & Budget Committee Members regarding any agenda item for an open session after the agenda and meeting materials have been posted will be available for public inspection by email request to BoardServices@lacare.org

An audio recording of the meeting is made to assist in writing the minutes and is retained for 30 days.

Meetings are accessible to people with disabilities. Individuals who may require any accommodations (alternative formats – i.e., large print, audio, translation of meeting materials, interpretation, etc.) to participate in this meeting and wish to request an alternative format for the agenda, meeting notice, and meeting packet may contact L.A. Care's Board Services Department at (213) 628 6420. Notification at least one week before the meeting will enable us to make reasonable arrangements to ensure accessibility to the meetings and to the related materials.

BOARD OF GOVERNORS

Finance & Budget Committee

Meeting Minutes – August 28, 2024

1055 W. 7th Street, Los Angeles, CA 90017



L.A. Care
HEALTH PLAN

Members

Stephanie Booth, MD, *Chairperson*
Alvaro Ballesteros, MBA
G. Michael Roybal, MD **
Nina Vaccaro **

*Absent ** Via Teleconference

Management/Staff

John Baackes, *Chief Executive Officer*
Sameer Amin, MD, *Chief Medical Officer*
Terry Brown, *Chief of Human Resources*
Augustavia Haydel, *General Counsel*
Todd Gower, *Interim Chief Compliance Officer*
Linda Greenfeld, *Chief Products Officer*

Alex Li, MD, *Chief Health Equity Officer*
Tom MacDougall, *Chief Technology & Information Officer*
Noah Paley, *Chief of Staff*
Acacia Reed, *Chief Operating Officer*
Afzal Shah, *Chief Financial Officer*

| AGENDA ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS | ACTION TAKEN |
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| CALL TO ORDER | Stephanie Booth, MD, <i>Committee Chairperson</i> , called the L.A. Care and JPA Finance & Budget Committee meetings to order at 1:01 p.m. The meetings were held simultaneously. She welcomed everyone and summarized the process for public comment during this meeting. | |
| APPROVE MEETING AGENDA | The Agenda for today’s meeting was approved. | Approved unanimously by roll call. 3 AYES (Ballesteros, Booth, and Vaccaro) |
| PUBLIC COMMENTS | There were no public comments. | |
| APPROVE CONSENT AGENDA | <ul style="list-style-type: none"> June 26 2024 Meeting Minutes Quarterly Investment Report Motion FIN 100.0924 To accept the Quarterly Investment Report for the quarter ending June 30, 2024, as submitted. Hyland Contract for Salesforce Integration, Appeals & Grievances, QNXT Integration (Utilization Management) Motion FIN A.0824 To authorize staff to execute a contract with Hyland (i3/Kiriworks) in an amount of \$ 1,319,160 (total not to exceed amount of \$4,018,278) to provide Appeals & | <p>Approved unanimously by roll call. 3 AYES</p> <p>The Committee approved placing FIN 100 on the Consent Agenda for September 5, 2024 Board of Governors meeting.</p> |

| AGENDA ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS | ACTION TAKEN |
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| | <p>Grievances (A&G) services and QNXT FAX Ingestion/Hyland Intelligent Document Processing platform for the period thru December 31, 2026.</p> <ul style="list-style-type: none"> Contract with NTT America Contract Amendment (FIN B) <u>Motion FIN B.0824</u> To authorize staff to amend the contract with NTT America, in an amount not to exceed \$3,300,000 for the purpose of amending NTT America’s Cisco Enterprise Agreement contract thru April 2026. | <p>FIN A and FIN B do not require full Board approval.</p> |
| <p>CHAIRPERSON’S REPORT</p> | <p>There was no report from the Chairperson.</p> | |
| <p>CHIEF EXECUTIVE OFFICER’S REPORT</p> | <p>There was no report from the CEO.</p> | |
| <p>COMMITTEE ITEMS</p> | | |
| <p>Chief Financial Officer’s Report</p> <ul style="list-style-type: none"> Financial Report | <p><i>(Board Member Roybal joined the meeting.)</i></p> <p>Jeffrey Ingram, <i>Deputy Chief Financial Officer</i>, reported on the Financial Performance as of July 2024 <i>(a copy of the report can be obtained by contacting Board Services).</i></p> <p><u>Membership</u> Total membership for July 2024 was approximately 2.6 million members, around 155,000 favorable to the 4+8 forecast. Year-to-date (YTD) member months was approximately 26 million; 539,000 favorable to the 4+8 forecast. The majority of favorability is coming from Medi-Cal as higher than expected enrollment has been reported post-redeterminations. L.A. Care Covered (LACC) has also been a main driver in favorability primarily due to SB260 and its competitive price position.</p> <p><u>Consolidated Financial Performance</u> There was a \$7.6 million net loss for July 2024, excluding Housing and Homelessness Incentive Program (HHIP)/Incentive Payment Program (IPP) which was \$5 million favorable to forecast. Revenue was favorable to forecast \$57.9 million, primarily driven by membership, +\$52.5 million. Medical Expense was unfavorable to forecast \$82.3 million. Higher membership brings higher capitation costs (\$50.5 million). There was also a \$31 million adjustment to Ground Emergency Medical Transportation (GEMT) covering 2018-</p> | |

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| | <p>2024, with \$5 million in associated interest. Operating Expense was flat to forecast. Non-Operating was \$8.9 million favorable, driven by unrealized gains and other income.</p> <p>YTD, there was \$368 million net surplus, \$133 million favorable to the forecast when HHIP and IPP are excluded. That was an income percentage of 4.1%, however, that drops to 2.1% when investment income is removed.</p> <p>Revenue was favorable \$122.2 million which includes a final acuity adjustment of (\$118 million) to CY 2023 rates. Offsetting that was higher membership, which accounts for \$185 million. There is favorability in LACC and Dual Eligible Special Needs Plan (DNSP) as well.</p> <p>Medical Expense is favorable to forecast by \$26.6 million. Drivers include (<i>parentheses indicate negative impacts, +indicates positive impacts</i>):</p> <ul style="list-style-type: none"> • (\$171 million) Membership • (\$41 million) Incurred Claims • (\$31 million) GEMT 2018-2024 • (\$23 million) Hospital & Skilled Nursing Facility (SNF) Pay for Performance (P4P) Incentives • (\$19 million) CY 2023 Shared Risk True-Up • +\$168 million Capitation • +\$43 million Provider Incentives (excl. SBHIP, P4P & IPP) • +\$36 million CY 2023 Rates • +\$28 million HHIP/IPP • +11 million Medical Admin • +\$7 million SBHIP Incentive • +\$6 million Shared Risk • +\$4 million Retro ECM/HHSS cleanup <p>Operating Expense was \$11.3 million unfavorable driven by \$11 million in Medical Administrative costs. There was an equivalent offset within the healthcare costs. Non-Operating was \$23.4 million favorable, driven by higher interest income, unrealized gains and lower non-operating expenses than forecasted.</p> <p>The YTD key financial metrics are all good.</p> <ul style="list-style-type: none"> • Medical Cost Ratio: 91.8% vs 93% • Administration Ratio: 6.0% vs 5.9% | |

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| | <p>Working Capital, Cash to claims, and Tangible Net Equity (TNE) were all ahead of benchmarks.</p> <p><u>Motion FIN 101.0924</u> To accept the Financial Reports as of July 2024, as submitted.</p> | <p>Approved unanimously by roll call. 4 AYES (Ballesteros, Booth, Roybal, and Vaccaro)</p> |
| <ul style="list-style-type: none"> Fiscal Year 2024-25 Operating and Capital Budget | <p>Afzal Shah, <i>Chief Financial Officer</i>, presented the Fiscal Year 2024-25 Operating and Capital Budget. <i>(A copy of the report can be obtained by contacting Board Services).</i></p> <p><u>Membership Assumptions</u></p> <ul style="list-style-type: none"> FY 2024-25 Budget assumes 3.9% annual decline in Medi-Cal membership from previous year (0.33% p/month). This accounts for post unwinding activity after the end of the redetermination period as well as ongoing renewal processing delays. The California State budget projects a 4.38% decrease in the statewide Medi-Cal caseload for FY 2024-25. Nearly 1.5 million outstanding Medi-Cal renewals statewide were not completed during the unwinding period as of July 2024. L.A. Care believes it has about 240,000 of those outstanding renewals. D-SNP assumes 6% member growth from previous year. LACC assumes growth of 11% over previous year. This assumes #1 price position and retention rate of 90%. The projected membership gain for FY 2024-25 Budget vs FY 2023-24 4+8 Forecast is expected to be 69,000 members or 2.9 %, with member months falling approximately 720,000 or 2.3 %. D-SNP and LACC growth is expected to offset moderate losses in Medi-Cal, which gets net September 2024 vs September 2025 increase of 2.9%. <p><u>Revenue Assumptions</u></p> <ul style="list-style-type: none"> Medi-Cal - CY 2024 aligned with current Department of Healthcare Services (DHCS) rates. CY 2025 based on preliminary actuarial assumption, pending DHCS draft release. LACC & D-SNP - CY 2024 consistent with CY 2024 rates. CY 2025 aligns with respective bids. PASC - CY 2025 projected to continue at current rates. <p><u>Healthcare Cost Assumptions</u></p> <ul style="list-style-type: none"> Global Sub Capitation - CY 2024 in line with current draft rates. CY 2025 rate methodology based on preliminary actuarial assumptions. | |

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| | <ul style="list-style-type: none"> • Capitation <ul style="list-style-type: none"> ○ Medi-Cal - CY 2024 aligns with June '24 capitation. CY 2025 trend consistent with historical increases. ○ LACC <ul style="list-style-type: none"> • Risk Adjustment Factor (RAF) of 0.64 • CY 2024 uses June 2024 rates • CY 2025 trend consistent with historical increases ○ D-SNP - Aligns with June 2024 Capitation ○ Fee-for-Service (FFS) Cost <ul style="list-style-type: none"> • Incurred But Not Reported (IBNR) files from May 2024 and CY 2023 trends • FFS trends were developed using a base period of CY 2023 and projected using actuarial assumptions <p><u>FY24-25 Budget vs. FY23-24 4+8 Forecast P&L – Total L.A. Care (excl. HHIP/IPP)</u></p> <ul style="list-style-type: none"> • Revenue is \$278 million higher than prior year forecast. The primary driver of the increases are tied to the growth in LACC and D-SNP • Healthcare Costs (HCC) are \$168 million higher than the 4+8 forecast. <ul style="list-style-type: none"> ○ Lower capitation tied to lower member months. ○ FFS trend discussed earlier accounts for increase in FFS claims. ○ Provider incentives favorability includes Student Behavioral Health Incentive Program (SBHIP) timing in current fiscal year. ○ Medical Administrative increase is associated with administrative increases tied to activities within Health Services • Operating margin is projected to improve \$109 million • MCR of 93.2% vs 94.1% forecast • Overall Administrative is increasing \$60 million from the 4+8 forecast • Administrative ratio of 6.5% vs 6.1% • Salaries & Benefits increasing \$36 million due to primarily carrying existing staff - Temporary labor increasing \$6 million. This is more of a difference on where it was accounted for in the forecast. • Professional & Purchased Services increasing \$2.7 million <ul style="list-style-type: none"> ○ Increase in printing/contracted services ○ Broker commissions tied to higher LACC enrollment ○ Pharmacy and Behavioral Health (BH) administrative fees | |

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| | <ul style="list-style-type: none"> ○ Offset by reduced staff augmentation spend ● Advertising decreasing \$6 million. The 4+8 forecast was too high. ● Business Fees & Occupancy/Leases increasing \$17.7 million <ul style="list-style-type: none"> ○ DMHC and LACC participation fees ○ Software licenses/maintenance ● Medical Administrative increasing \$4.8 million <ul style="list-style-type: none"> ○ Reduces administrative amount ○ Increases to Health Services-related activities ● Depreciation and Amortization increasing \$16.8 million <ul style="list-style-type: none"> ○ Subscription-Based Information Technology Arrangement (SBITA) geography changes (\$15 Million) ○ Assets placed in service ● Non-Operating – a slight decrease in interest income because the Federal Reserve is expected begin to cut rates in September. ● Overall Surplus of 1.5%. If interest income is removed, there would have a slight loss. <p><u>FY 2024-25 Budget – Margin by Segment</u></p> <ul style="list-style-type: none"> ● Most segments are showing an improvement over the 4+8 forecast. <p><u>FY 2024-25 Budget – Opportunities</u></p> <ul style="list-style-type: none"> ● CY 2025 Revenue Rates. Continued rate advocacy efforts with DHCS related to a safety net adjustment and acknowledging acuity of remaining members post redeterminations. ● Membership. Reduce dis-enrollment rates, increase renewals along with overall higher new sales growth for LACC and DSNP segments. ● Business Transformation/Sunset Legacy Systems & Processes. Driving cost savings via administrative value-based procurement, selective workforce conversions and realizing efficiency gains due to new systems and processes. ● Headcount Management. Evaluate the effectiveness of incremental staffing on operational metrics and expected cost savings. Resource management relative to like-sized plans, accounting for percentage of delegation. <p><u>FY 2024-25 Budget – Risks</u></p> <ul style="list-style-type: none"> ● CY 2025 Rates - Additional pressure due to overall acuity assumptions, risk adjustment, county-wide averaging, administrative adjustments and/or negative economic development adding pressure to CA general fund. | |

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| | <ul style="list-style-type: none"> • Medi-Cal Targeted Rate Increase (TRI) Rates - TRI Rates from DHCS less than L.A. Care’s obligations for payment. There is also a risk of providers not agreeing to the Medi-Cal TRI payments, provider disputes, and L.A. Care not able to attest by December 31, 2024. • Covid Testing - Costs are continuing to increase this summer with an uptick in Covid cases. • Utilization and Unit Cost Trends - FFS and Capitation trends higher than assumed in the budget. • Administrative Costs - Exceeding budgetary assumptions due to unplanned/uncontrolled cost. <p><u>FY 2024-25 Budget – Balance Sheet Comparison</u> The balance sheet continues to be a source of strength for L.A. Care. Investments at fair value could increase by more than projected if the Federal Reserve aggressively cuts rates throughout next calendar year.</p> <p><u>Board Designated Funds</u> The Community Health Investment Fund is projected to have \$37.7 million at fiscal year-end. Staff is projecting \$98.6 million for the Workforce Development Initiative or Elevating the Safety Net and \$0 remaining for Community Resource Centers (CRCs) maintenance and expansion.</p> <p><u>Tangible Net Equity (TNE)</u> TNE is showing a slight drop next year with the fund balance increasing. Days of cash on hand decreasing slightly but still in good shape.</p> <p><u>FY 2024-25 Capital Projects and Programs</u> Staff is proposing total project spend of \$88.7 million with \$78.3 million in capital and \$10.4 million in operating. It is 33% less than what was spent last fiscal year. The 2023-24 Budget was \$129 million. It covers strategic projects and leasehold improvements. The leasehold improvements are primarily for the CRCs.</p> <p>Tom McDougall, <i>Chief Information and Technology Officer</i>, presented and summarized the following L.A. Care’s Strategic Programs.</p> <ul style="list-style-type: none"> • Appeals & Grievance (A&G) System Replacement. • Care Catalyst – New Health Services Clinical System. • Clinical Data Repository (CDR) Phase 2 | |

| AGENDA ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS | ACTION TAKEN |
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| | <ul style="list-style-type: none"> • Clinic Based Assignment and FQHC APM • CMS Interoperability Mandate • Edifecs Enhancements • Medicare Advantage Prescription Drug (MA-PD) Product Launch • PQI System Replacement for Provider Quality Review • Provider Roadmap • SAP/ERP • VOICE - Customer Relationship Management (CRM) & Telecom • I.T. Member Experience Program • Performance Optimization Program (Enterprise & Network) • QNXT Upgrade & Transformation • Leasehold Improvements <p><i>Board Members Ballesteros and Vaccaro may have financial interests in Plans, Plan Participating Providers or other programs and as such should consider refraining from the discussion of such issues. In order to expedite the process, those Board Members' vote on the Budget reflects a vote concerning the entire budget excluding those items for which the member is abstaining, as identified below:</i></p> <p><i>For the Community Health Improvement Programs:</i> <u><i>Board Members Ballesteros and Vaccaro</i></u> <i>Community Health Investment Fund</i> <i>SCOPE Fund</i> <u><i>Board Members Ballesteros</i></u> <i>Work Force Development Initiative Provider Recruitment Program</i></p> <p><u>Motion FIN 102.0924</u> To approve the Fiscal Year 2024-25 Operating and Capital Budget, as submitted.</p> | <p>Approved unanimously by roll call with potential conflicts noted. 4 AYES</p> |

| AGENDA ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS | ACTION TAKEN |
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| <ul style="list-style-type: none"> Monthly Investment Transactions Reports | <p>Mr. Ingram referred to the investment transactions reports included in the meeting materials (<i>a copy of the report is available by contacting Board Services</i>). This report is to comply with the California Government Code as an informational item. L.A. Care's total investment market value as of as of July 31, 2024, L.A. Care's total investment market value was \$3.7 billion.</p> <ul style="list-style-type: none"> \$3.6 billion managed by Payden & Rygel and New England Asset Management (NEAM) \$88 million in BlackRock Liquidity T-Fund \$11 million in Los Angeles County Pooled Investment Fund \$6 million in Local Agency Investment Fund | |
| <ul style="list-style-type: none"> Quarterly Internal Policy Reports | <p>Mr. Ingram referred to the 3rd Quarter Expenditure Reports required by L.A. Care Internal Policies for FY 2023-24 included in the meeting materials. (<i>A copy of the report is available by contacting Board Services</i>). L.A. Care internal policies require reports on expenditures for business related travel expenses incurred by employees, members of the Board of Governors, Stakeholder Committees, and members of the Public Advisory Committees. The Authorization and Approval Limits policy requires reports for executed vendor contracts for all expenditures and the Procurement Policy requires reports for all sole source purchases over \$250,000. These are informational items, and do not require approval.</p> <ul style="list-style-type: none"> Policy AFS-004 (Non-Travel Expense Report) Policy AFS-027 (Travel Expense Report) Policy AFS-006 (Authorization and Approval Limits) Policy AFS-007 (Procurement) | |
| <p>Infosys Contract (FIN 103)</p> | <p>Mr. MacDougall presented a motion requesting approval of contract with Infosys for Quality Assurance testing (QA Test), totaling \$23,715,760 and yielding a savings of \$5,200,000. The new 3-year total contract with Infosys (FY25 to FY27) would cost \$18,515,760 for Solutions Delivery and EDM combined.</p> <p><u>Motion FIN 103.0924</u> To authorize staff to execute a contract in the amount of \$18,515,760 with Infosys to provide Information Technology (IT) testing services for the period of October 1, 2024 to September 30, 2027.</p> | <p>Approved unanimously by roll call. 4 AYES</p> <p>The Committee approved placing FIN 103 on the Consent Agenda for September 5, 2024 Board of Governors meeting.</p> |
| <p>Public Comments on the Closed Session agenda items.</p> | <p>There were no public comments.</p> | |

| AGENDA ITEM/PRESENTER | MOTIONS / MAJOR DISCUSSIONS | ACTION TAKEN |
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| ADJOURN TO CLOSED SESSION | <p>The Joint Powers Authority Finance & Budget Committee meeting adjourned at 1:55 p.m.</p> <p>Augustavia J. Haydel, Esq., <i>General Counsel</i>, announced the items that the Committee will discuss in closed session. There was no public comment on the Closed Session items, and the meeting adjourned to closed session at 1:55 p.m.</p> <p>REPORT INVOLVING TRADE SECRET Pursuant to Welfare and Institutions Code Section 14087.38(n) Discussion Concerning New Service, Program, Technology, Business Plan Estimated date of public disclosure <i>August 2026</i></p> <p>CONTRACT RATES Pursuant to Welfare and Institutions Code Section 14087.38(m)</p> <ul style="list-style-type: none"> • Plan Partner Rates • Provider Rates • DHCS Rates | |
| RECONVENE IN OPEN SESSION | <p>The meeting reconvened in open session at 2:24 pm.</p> <p>Ms. Haydel advised the public that no reportable action from the closed session.</p> | |
| ADJOURNMENT | <p>The meeting adjourned at 2:25 p.m.</p> | |

Respectfully submitted by:
Linda Merkens, *Senior Manager, Board Services*
Malou Balones, *Board Specialist III, Board Services*
Victor Rodriguez, *Board Specialist II, Board Services*

APPROVED BY:

Stephanie Booth, MD, *Chairperson*
Date Signed _____



Board of Governors
MOTION SUMMARY

Date: October 23, 2024

Motion No. FIN A.1024

Committee: Finance & Budget

Chairperson: Stephanie Booth, MD

Issue: Amend a contract with O’Neil Digital Solutions, LLC (O’Neil) to continue to provide L.A. Care with Explanation of Benefits (EOB) and Threshold Certificate (TC) printing and mailing services, as well as electronic delivery and archival services of the aforementioned documents, as applicable by line of business (LOB).

New Contract **Amendment** **Sole Source** **RFQ was conducted**

Background: The current O’Neil contract Master Purchase Agreement (MPA), Amendment #8 is \$3,000,000 and is effective until June 30, 2026. Please note, the MPA and Amendments for the O’Neil contract have different PRO numbers. The MPA PRO # is 000001424 and the PRO # for Amendment #8 to the MPA # is 000006400.

L.A. Care staff requests approval to amend the existing O’Neil contract, entering into Amendment #9 to the MPA and increasing the overall contract amount from \$3,000,000 to \$5,000,000 (an incremental increase of \$2,000,000 to PRO#000001424).

The vendor will continue providing L.A. Care with EOB and TC printing and mailing services for our L.A. Care Covered (LACC), L.A. Care Covered Direct (LACCD), Personal Assistance Services Council - Service Employees International Union (PASC-SEIU), and TC printing for Medicare Dual Special Needs Plan (Medicare D-SNP) members. The vendor will also continue to provide L.A. Care members with the ability to access EOB and TC documents electronically, and to update their preference on whether to receive electronic documents and/or hardcopy mailings of EOBs and TCs, via a Single Sign On (SSO) connection between L.A. Care’s current Member Portal (Zipari) and O’Neil’s platform, which is required by APL 22-013 and APL 22-010.^{1 2} Additionally, L.A. Care internal staff will continue to have access to the vendor-hosted portal for document retrieval purposes. The amount of \$2,000,000 through June 30, 2026, will cover the monthly fulfillment fees as well as implementing new MAPD EOB and TC documents.

A Sole Source Justification was completed on July 24, 2023, which extended the termination date of the contract from June 30, 2023, to June 30, 2026, to become and remain compliant with requirements outlined in APL 22-013 and APL 22-010.^{1 2} We plan to initiate an RFP in the fall of 2025. We have used O’Neil Digital Solutions, LLC since January 01, 2018, and are pleased with their performance.

Member Impact: L.A. Care Members will benefit from this motion by being able to receive their EOB and TCs via mail or electronically, and determine their delivery preference. The EOB statements provides members with monthly updates of their cost share accumulation as well as detailed information

¹ All Plan Letter (APL) 22-013 – Compliance with Senate Bill 368 - Deductible and Out-of-Pocket Accrual Balances Guidance

² All Plan Letter (APL 22-010 (OPL) Guidance Regarding AB 1184 - Confidentiality of Medical Information

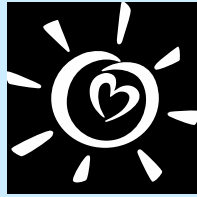
Board of Governors

MOTION SUMMARY

on claims and encounters processed for them during the prior month by L.A. Care and its' delegates. The TCs inform members that they have reached their Maximum Out-of-Pocket (MOOP) cost and that they no longer have cost share.

Budget Impact: Sufficient funds are accounted for FY 2024-2025. Budget will be appropriated in FY 2025-2026.

Motion: To authorize the staff to enter into Amendment #9 with O'Neil Digital Solutions, LLC, increasing the overall contract amount from \$3,000,000 to \$5,000,000, an incremental increase of \$2,000,000, through current contract termination date of June 30, 2026. This amendment will allow O'Neil Digital Solutions, LLC, to continue to support L.A. Care with Explanation of Benefits and Threshold Certificate printing, mailing and electronic delivery to our members through June 30, 2026.



L.A. Care
HEALTH PLAN®

Board of Governors
MOTION SUMMARY

Date: October 23, 2024

Motion No. FIN 100.1124

Committee: Finance & Budget

Chairperson: Stephanie Booth, MD

Requesting Department: Accounts & Finance Services

New Contract Amendment Sole Source RFP/RFQ was conducted

Issue: Acceptance of the Financial Reports for August 2024.

Background: N/A

Member Impact: N/A

Budget Impact: N/A

Motion: To accept the Financial Reports for August, 2024, as submitted.



L.A. Care
HEALTH PLAN®

Financial Performance
August 2024
(Unaudited)



Financial Performance Highlights - Year-to-Date

August 2024

Overall (incl. HHIP/IPP)

L.A. Care total YTD combined member months are 29.0M, +722K favorable to forecast. August YTD financial performance resulted in a surplus of +\$396M or 4.0% margin and is +\$88M/+85bps favorable to forecast. The YTD favorability is driven by lower capitation expense +\$117.7M, higher revenue +\$100.7M, timing of provider incentives and shared risk +\$34.4M, higher net unrealized/realized gains +\$6.9M, higher net other income +\$6.4M, and higher interest income +\$5.2M; partially offset by higher skilled nursing (\$66.2M), inpatient (\$52.1M) and outpatient (\$51.7M) claims, and higher operating expenses (\$14.8M).

Medi-Cal

Medi-Cal consists of members through our contracted providers and our contracted health plans ("Plan Partners"). August YTD member months are 26.7M, +637K favorable to forecast. August YTD financial performance resulted in a surplus of +\$349.6M or 4.0% margin, +\$138.2M/+155bps favorable to forecast, driven by lower capitation expense +\$119.6M, higher revenue +\$95.4M, lower operating expenses +\$25.9M, higher interest income +\$15.2M, higher net other income +\$14.4M, timing of provider incentives and shared risk +\$13.4M, and net unrealized/realized gains +\$6.9M; partially offset by higher outpatient (\$67.9M), skilled nursing (\$60.6M), and inpatient (\$33.1M) claims.

D-SNP

Effective January 1, 2023, members enrolled in CMC have been transitioned to our D-SNP plan. August YTD member months are 212K, +1.1K favorable to forecast. August YTD financial performance resulted in a surplus of +\$13.9M or 4.4% margin, \$7.8M/238bps favorable to forecast, primarily driven by higher revenue +\$13.7M, lower outpatient +\$9.2M, inpatient +\$7.2M, and pharmacy +\$2.0M claims; partially offset by timing of provider incentives and shared risk (\$7.2M), higher operating expenses (\$6.3M), higher skilled nursing claims (\$5.1M), and higher capitation expense (\$4.3M).

Commercial

L.A. Care Commercial consists of LACC and PASC-SEIU. August YTD member months are 2.4M, favorable +85K to forecast. August YTD financial performance resulted in a deficit of (\$39.1M) or (5.7%) margin, (\$65.4M)/(960bps) unfavorable to forecast, driven by higher operating expenses (\$31.6M), higher inpatient (\$26.4M) and pharmacy (\$11.8M) claims, lower net interest income (\$8.4M), and timing of provider incentives and shared risk (\$2.8M); partially offset by higher revenue +\$10.4M and lower outpatient claims +\$1.4M

Incentive Programs

L.A. Care Incentive Programs consist of CalAIM Incentive Payment Program (IPP) and Housing and Homelessness Incentive Program (HHIP). August YTD financial performance resulted in a surplus of +\$111.0M, +\$18.9M favorable to forecast, primarily driven by the timing of healthcare expenses +\$35.9M; partially offset by the timing of revenue (\$16.7M).



Consolidated Operations Income Statement (\$ in thousands)

August 2024

| Current | | | | | | YTD | | | | | |
|--------------------------------------|------|------------|------|-------------|------|--------------------------------------|------|------------|------|-------------|------|
| Current | | 4+8 | | Current | | YTD | | YTD | | YTD | |
| Actual | PMPM | Forecast | PMPM | Fav/(Unfav) | PMPM | Actual | PMPM | Forecast | PMPM | Fav/(Unfav) | PMPM |
| Membership | | | | | | Member Months | | | | | |
| 2,599,292 | | 2,416,361 | | 182,931 | | 29,027,848 | | 28,305,882 | | 721,966 | |
| Revenue | | | | | | Revenue | | | | | |
| \$ 841,392 | | \$ 323.70 | | \$ (21,447) | | \$ 9,935,481 | | \$ 342.27 | | \$ 100,719 | |
| \$ 841,392 | | \$ 323.70 | | \$ (21,447) | | \$ 9,935,481 | | \$ 342.27 | | \$ (5.17) | |
| Total Revenues | | | | | | Total Revenues | | | | | |
| \$ 841,392 | | \$ 323.70 | | \$ (21,447) | | \$ 9,935,481 | | \$ 342.27 | | \$ (5.17) | |
| Healthcare Expenses | | | | | | Healthcare Expenses | | | | | |
| \$ 429,406 | | \$ 165.20 | | \$ 13,413 | | \$ 4,938,665 | | \$ 170.14 | | \$ 117,735 | |
| \$ 128,272 | | \$ 49.35 | | \$ (12,061) | | \$ 1,262,335 | | \$ 43.49 | | \$ (52,097) | |
| \$ 158,251 | | \$ 60.88 | | \$ (33,510) | | \$ 1,294,107 | | \$ 44.58 | | \$ (51,695) | |
| \$ 110,142 | | \$ 42.37 | | \$ (11,952) | | \$ 1,148,764 | | \$ 39.57 | | \$ (66,175) | |
| \$ 18,554 | | \$ 7.14 | | \$ (2,884) | | \$ 174,109 | | \$ 6.00 | | \$ (9,771) | |
| \$ 16,598 | | \$ 6.39 | | \$ 4,631 | | \$ 181,438 | | \$ 6.25 | | \$ 34,379 | |
| \$ 11,965 | | \$ 4.60 | | \$ (614) | | \$ 117,891 | | \$ 4.06 | | \$ 11,221 | |
| \$ 873,188 | | \$ 335.93 | | \$ (42,978) | | \$ 9,117,309 | | \$ 314.09 | | \$ (16,404) | |
| 103.8% | | 96.2% | | (7.6%) | | 91.8% | | 92.5% | | 0.8% | |
| \$ (31,796) | | \$ (12.23) | | \$ (64,425) | | \$ 818,171 | | \$ 28.19 | | \$ 84,315 | |
| \$ 59,310 | | \$ 22.82 | | \$ (3,506) | | \$ 594,682 | | \$ 20.49 | | \$ (14,811) | |
| 7.0% | | 6.5% | | (0.6%) | | 6.0% | | 5.9% | | (0.1%) | |
| \$ (91,106) | | \$ (35.05) | | \$ (67,931) | | \$ 223,489 | | \$ 7.70 | | \$ 69,504 | |
| (10.8%) | | (2.7%) | | (8.1%) | | 2.2% | | 1.6% | | 0.7% | |
| \$ 15,035 | | \$ 5.78 | | \$ (739) | | \$ 174,095 | | \$ 6.00 | | \$ 5,221 | |
| \$ (12,386) | | \$ (4.77) | | \$ (7,536) | | \$ (22,872) | | \$ (0.79) | | \$ 6,428 | |
| \$ 493 | | \$ 0.19 | | \$ (493) | | \$ 2,866 | | \$ 0.10 | | \$ (1,880) | |
| \$ 4,010 | | \$ 1.54 | | \$ 4,010 | | \$ 23,726 | | \$ 0.82 | | \$ 8,822 | |
| \$ 6,166 | | \$ 2.37 | | \$ (4,759) | | \$ 172,103 | | \$ 5.93 | | \$ 18,591 | |
| \$ (84,939) | | \$ (32.68) | | \$ (72,689) | | \$ 395,592 | | \$ 13.63 | | \$ 88,095 | |
| (10.1%) | | (1.4%) | | (8.7%) | | 4.0% | | 3.1% | | 0.9% | |
| Operating Margin | | | | | | Operating Margin | | | | | |
| \$ (31,796) | | \$ (12.23) | | \$ (64,425) | | \$ 818,171 | | \$ 28.19 | | \$ 84,315 | |
| \$ 59,310 | | \$ 22.82 | | \$ (3,506) | | \$ 594,682 | | \$ 20.49 | | \$ (14,811) | |
| 7.0% | | 6.5% | | (0.6%) | | 6.0% | | 5.9% | | (0.1%) | |
| \$ (91,106) | | \$ (35.05) | | \$ (67,931) | | \$ 223,489 | | \$ 7.70 | | \$ 69,504 | |
| (10.8%) | | (2.7%) | | (8.1%) | | 2.2% | | 1.6% | | 0.7% | |
| Income (Loss) from Operations | | | | | | Income (Loss) from Operations | | | | | |
| \$ 15,035 | | \$ 5.78 | | \$ (739) | | \$ 174,095 | | \$ 6.00 | | \$ 5,221 | |
| \$ (12,386) | | \$ (4.77) | | \$ (7,536) | | \$ (22,872) | | \$ (0.79) | | \$ 6,428 | |
| \$ 493 | | \$ 0.19 | | \$ (493) | | \$ 2,866 | | \$ 0.10 | | \$ (1,880) | |
| \$ 4,010 | | \$ 1.54 | | \$ 4,010 | | \$ 23,726 | | \$ 0.82 | | \$ 8,822 | |
| \$ 6,166 | | \$ 2.37 | | \$ (4,759) | | \$ 172,103 | | \$ 5.93 | | \$ 18,591 | |
| \$ (84,939) | | \$ (32.68) | | \$ (72,689) | | \$ 395,592 | | \$ 13.63 | | \$ 88,095 | |
| (10.1%) | | (1.4%) | | (8.7%) | | 4.0% | | 3.1% | | 0.9% | |
| Net Surplus/(Deficit) | | | | | | Net Surplus/(Deficit) | | | | | |
| \$ (84,939) | | \$ (32.68) | | \$ (72,689) | | \$ 395,592 | | \$ 13.63 | | \$ 88,095 | |
| (10.1%) | | (1.4%) | | (8.7%) | | 4.0% | | 3.1% | | 0.9% | |



Total Medi-Cal Income Statement (\$ in thousands)

August 2024

| Current | | Current 4+8 | | Current | | YTD | | YTD | | YTD | |
|---|-------------------|--------------------|-------------------|--------------------|-------------------|---------------------|------------------|---------------------|------------------|--------------------|------------------|
| Actual | PMPM | Forecast | PMPM | Fav/(Unfav) | PMPM | Actual | PMPM | Forecast | PMPM | Fav/(Unfav) | PMPM |
| 2,359,052 | | 2,197,450 | | 161,602 | | | | | | | |
| \$ 752,817 | \$ 319.12 | \$ 750,078 | \$ 341.34 | \$ 2,739 | \$ (22.22) | | | | | | |
| \$ 752,817 | \$ 319.12 | \$ 750,078 | \$ 341.34 | \$ 2,739 | \$ (22.22) | | | | | | |
| \$ 397,040 | \$ 168.31 | \$ 413,142 | \$ 188.01 | \$ 16,102 | \$ 19.70 | | | | | | |
| \$ 110,046 | \$ 46.65 | \$ 97,405 | \$ 44.33 | \$ (12,641) | \$ (2.32) | | | | | | |
| \$ 143,039 | \$ 60.63 | \$ 107,513 | \$ 48.93 | \$ (35,525) | \$ (11.71) | | | | | | |
| \$ 109,466 | \$ 46.40 | \$ 98,190 | \$ 44.68 | \$ (11,276) | \$ (1.72) | | | | | | |
| \$ 2 | \$ 0.00 | \$ - | \$ - | \$ (2) | \$ (0.00) | | | | | | |
| \$ 12,536 | \$ 5.31 | \$ 9,956 | \$ 4.53 | \$ (2,579) | \$ (0.78) | | | | | | |
| \$ 9,958 | \$ 4.22 | \$ 10,095 | \$ 4.59 | \$ 137 | \$ 0.37 | | | | | | |
| \$ 782,086 | \$ 331.53 | \$ 736,302 | \$ 335.07 | \$ (45,784) | \$ 3.55 | | | | | | |
| 103.9% | | 98.2% | | (5.7%) | | | | | | | |
| \$ (29,269) | \$ (12.41) | \$ 13,775 | \$ 6.27 | \$ (43,045) | \$ (18.68) | | | | | | |
| \$ 43,709 | \$ 18.53 | \$ 42,577 | \$ 19.38 | \$ (1,132) | \$ 0.85 | | | | | | |
| 5.8% | | 5.7% | | (0.1%) | | | | | | | |
| \$ (72,978) | \$ (30.94) | \$ (28,802) | \$ (13.11) | \$ (44,177) | \$ (17.83) | | | | | | |
| (9.7%) | | (3.8%) | | (5.9%) | | | | | | | |
| \$ 14,687 | \$ 6.23 | \$ 14,191 | \$ 6.46 | \$ 496 | \$ (0.23) | | | | | | |
| \$ 1,494 | \$ 0.63 | \$ (1,840) | \$ (0.84) | \$ 3,334 | \$ 1.47 | | | | | | |
| \$ 482 | \$ 0.20 | \$ - | \$ - | \$ (482) | \$ (0.20) | | | | | | |
| \$ 3,917 | \$ 1.66 | \$ - | \$ - | \$ 3,917 | \$ 1.66 | | | | | | |
| \$ 19,618 | \$ 8.32 | \$ 12,351 | \$ 5.62 | \$ 7,267 | \$ 2.70 | | | | | | |
| \$ (53,361) | \$ (22.62) | \$ (16,451) | \$ (7.49) | \$ (36,910) | \$ (15.13) | | | | | | |
| (7.1%) | | (2.2%) | | (4.9%) | | | | | | | |
| Membership | | | | | | | | | | | |
| Member Months | | | | | | 26,664,551 | | 26,027,456 | | 637,095 | |
| Revenue | | | | | | | | | | | |
| Capitation Revenue | | | | | | \$ 8,791,580 | \$ 329.71 | \$ 8,696,192 | \$ 334.12 | \$ 95,388 | \$ (4.41) |
| Total Revenues | | | | | | \$ 8,791,580 | \$ 329.71 | \$ 8,696,192 | \$ 334.12 | \$ 95,388 | \$ (4.41) |
| Healthcare Expenses | | | | | | | | | | | |
| Capitation | | | | | | \$ 4,628,719 | \$ 173.59 | \$ 4,748,294 | \$ 182.43 | \$ 119,575 | \$ 8.84 |
| Inpatient Claims | | | | | | \$ 1,065,900 | \$ 39.97 | \$ 1,032,772 | \$ 39.68 | \$ (33,128) | \$ (0.29) |
| Outpatient Claims | | | | | | \$ 1,159,431 | \$ 43.48 | \$ 1,091,510 | \$ 41.94 | \$ (67,921) | \$ (1.55) |
| Skilled Nurse Facility | | | | | | \$ 1,139,911 | \$ 42.75 | \$ 1,079,306 | \$ 41.47 | \$ (60,606) | \$ (1.28) |
| Pharmacy | | | | | | \$ 178 | \$ 0.01 | \$ 141 | \$ 0.01 | \$ (38) | \$ (0.00) |
| Provider Incentive and Shared Risk | | | | | | \$ 111,161 | \$ 4.17 | \$ 124,599 | \$ 4.79 | \$ 13,438 | \$ 0.62 |
| Medical Administrative Expenses | | | | | | \$ 107,190 | \$ 4.02 | \$ 116,265 | \$ 4.47 | \$ 9,075 | \$ 0.45 |
| Total Healthcare Expenses | | | | | | \$ 8,212,490 | \$ 307.99 | \$ 8,192,886 | \$ 314.78 | \$ (19,604) | \$ 6.79 |
| MCR (%) | | | | | | 93.4% | | 94.2% | | 0.8% | |
| Operating Margin | | | | | | \$ 579,090 | \$ 21.72 | \$ 503,306 | \$ 19.34 | \$ 75,784 | \$ 2.38 |
| Total Operating Expenses | | | | | | \$ 433,887 | \$ 16.27 | \$ 459,794 | \$ 17.67 | \$ 25,906 | \$ 1.39 |
| Admin Ratio (%) | | | | | | 4.9% | | 5.3% | | 0.4% | |
| Income (Loss) from Operations | | | | | | \$ 145,202 | \$ 5.45 | \$ 43,512 | \$ 1.67 | \$ 101,690 | \$ 3.77 |
| Margin before Non-Operating Inc/(Exp) Ratio (%) | | | | | | 1.7% | | 0.5% | | 1.2% | |
| Interest Income,Net | | | | | | \$ 170,001 | \$ 6.38 | \$ 154,825 | \$ 5.95 | \$ 15,176 | \$ 0.43 |
| Other Income (Expense),Net | | | | | | \$ 14,014 | \$ 0.53 | \$ (421) | \$ (0.02) | \$ 14,435 | \$ 0.54 |
| Realized Gain/Loss | | | | | | \$ 2,799 | \$ 0.10 | \$ 940 | \$ 0.04 | \$ (1,860) | \$ (0.07) |
| Unrealized Gain/Loss | | | | | | \$ 23,185 | \$ 0.87 | \$ 14,460 | \$ 0.56 | \$ 8,725 | \$ 0.31 |
| Total Non-Operating Income/(Expense) | | | | | | \$ 204,420 | \$ 7.67 | \$ 167,943 | \$ 6.45 | \$ 36,477 | \$ 1.21 |
| Net Surplus/(Deficit) | | | | | | \$ 349,622 | \$ 13.11 | \$ 211,455 | \$ 8.12 | \$ 138,167 | \$ 4.99 |
| Margin (%) | | | | | | 4.0% | | 2.4% | | 1.5% | |



DSNP Income Statement (\$ in thousands)

August 2024

| Current Actual | PMPM | Current 4+8 Forecast | PMPM | Current Fav/(Unfav) | PMPM |
|------------------|--------------------|----------------------|--------------------|---------------------|------------------|
| 19,945 | | 19,735 | | 210 | |
| \$ 29,089 | \$ 1,458.47 | \$ 28,596 | \$ 1,448.99 | \$ 493 | \$ 9.48 |
| \$ 29,089 | \$ 1,458.47 | \$ 28,596 | \$ 1,448.99 | \$ 493 | \$ 9.48 |
| \$ 10,875 | \$ 545.23 | \$ 10,779 | \$ 546.20 | \$ (95) | \$ 0.97 |
| \$ 6,277 | \$ 314.69 | \$ 7,694 | \$ 389.88 | \$ 1,418 | \$ 75.19 |
| \$ 3,581 | \$ 179.52 | \$ 5,285 | \$ 267.81 | \$ 1,705 | \$ 88.29 |
| \$ 610 | \$ 30.60 | \$ - | \$ - | \$ (610) | \$ (30.60) |
| \$ 468 | \$ 23.46 | \$ 1,281 | \$ 64.91 | \$ 813 | \$ 41.46 |
| \$ 1,980 | \$ 99.25 | \$ 2,315 | \$ 117.29 | \$ 335 | \$ 18.04 |
| \$ 807 | \$ 40.45 | \$ 184 | \$ 9.31 | \$ (623) | \$ (31.15) |
| \$ 24,596 | \$ 1,233.21 | \$ 27,538 | \$ 1,395.40 | \$ 2,942 | \$ 162.20 |
| 84.6% | | 96.3% | | 11.7% | |
| \$ 4,493 | \$ 225.27 | \$ 1,058 | \$ 53.59 | \$ 3,435 | \$ 171.68 |
| \$ 2,843 | \$ 142.56 | \$ 2,827 | \$ 143.24 | \$ (16) | \$ 0.68 |
| 9.8% | | 9.9% | | 0.1% | |
| \$ 1,650 | \$ 82.71 | \$ (1,769) | \$ (89.65) | \$ 3,419 | \$ 172.36 |
| 5.7% | | (6.2%) | | 11.9% | |
| \$ 347 | \$ 17.41 | \$ 385 | \$ 19.52 | \$ (38) | \$ (2.11) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ 11 | \$ 0.57 | \$ - | \$ - | \$ (11) | \$ (0.57) |
| \$ 93 | \$ 4.64 | \$ - | \$ - | \$ 93 | \$ 4.64 |
| \$ 429 | \$ 21.49 | \$ 385 | \$ 19.52 | \$ 43 | \$ 1.97 |
| \$ 2,078 | \$ 104.19 | \$ (1,384) | \$ (70.13) | \$ 3,462 | \$ 174.33 |
| 7.1% | | (4.8%) | | 12.0% | |

| | YTD Actual | PMPM | YTD 4+8 Forecast | PMPM | YTD Fav/(Unfav) | PMPM |
|---|-------------------|--------------------|-------------------|--------------------|-------------------|-------------------|
| Membership | | | | | | |
| Member Months | 211,563 | | 210,444 | | 1,119 | |
| Revenue | | | | | | |
| Capitation Revenue | \$ 316,969 | \$ 1,498.23 | \$ 303,234 | \$ 1,440.93 | \$ 13,735 | \$ 57.30 |
| Total Revenues | \$ 316,969 | \$ 1,498.23 | \$ 303,234 | \$ 1,440.93 | \$ 13,735 | \$ 57.30 |
| Healthcare Expenses | | | | | | |
| Capitation | \$ 117,542 | \$ 555.59 | \$ 113,280 | \$ 538.29 | \$ (4,261) | \$ (17.30) |
| Inpatient Claims | \$ 67,018 | \$ 316.78 | \$ 74,240 | \$ 352.78 | \$ 7,223 | \$ 36.00 |
| Outpatient Claims | \$ 36,914 | \$ 174.48 | \$ 46,134 | \$ 219.22 | \$ 9,220 | \$ 44.74 |
| Skilled Nurse Facility | \$ 7,875 | \$ 37.22 | \$ 2,808 | \$ 13.35 | \$ (5,067) | \$ (23.88) |
| Pharmacy | \$ 12,183 | \$ 57.58 | \$ 14,229 | \$ 67.62 | \$ 2,047 | \$ 10.03 |
| Provider Incentive and Shared Risk | \$ 27,721 | \$ 131.03 | \$ 20,550 | \$ 97.65 | \$ (7,171) | \$ (33.38) |
| Medical Administrative Expenses | \$ 4,234 | \$ 20.01 | \$ 2,469 | \$ 11.73 | \$ (1,765) | \$ (8.28) |
| Total Healthcare Expenses | \$ 273,486 | \$ 1,292.69 | \$ 273,711 | \$ 1,300.64 | \$ 225 | \$ 7.94 |
| MCR (%) | 86.3% | | 90.3% | | 4.0% | |
| Operating Margin | \$ 43,483 | \$ 205.53 | \$ 29,523 | \$ 140.29 | \$ 13,960 | \$ 65.24 |
| Total Operating Expenses | \$ 34,120 | \$ 161.28 | \$ 27,784 | \$ 132.03 | \$ (6,336) | \$ (29.25) |
| Admin Ratio (%) | 10.8% | | 9.2% | | (1.6%) | |
| Income (Loss) from Operations | \$ 9,363 | \$ 44.26 | \$ 1,739 | \$ 8.27 | \$ 7,624 | \$ 35.99 |
| Margin before Non-Operating Inc/(Exp) Ratio (%) | 3.0% | | 0.6% | | 2.4% | |
| Interest Income,Net | \$ 4,090 | \$ 19.33 | \$ 4,051 | \$ 19.25 | \$ 40 | \$ 0.09 |
| Other Income (Expense),Net | \$ 16 | \$ 0.07 | \$ 0 | \$ 0.00 | \$ 16 | \$ 0.07 |
| Realized Gain/Loss | \$ 67 | \$ 0.32 | \$ 23 | \$ 0.11 | \$ (44) | \$ (0.21) |
| Unrealized Gain/Loss | \$ 541 | \$ 2.56 | \$ 344 | \$ 1.64 | \$ 197 | \$ 0.92 |
| Total Non-Operating Income/(Expense) | \$ 4,581 | \$ 21.65 | \$ 4,373 | \$ 20.78 | \$ 208 | \$ 0.87 |
| Net Surplus/(Deficit) | \$ 13,944 | \$ 65.91 | \$ 6,112 | \$ 29.04 | \$ 7,832 | \$ 36.87 |
| Margin (%) | 4.4% | | 2.0% | | 2.4% | |



Commercial Income Statement (\$ in thousands)

August 2024

| Current | | Current 4+8 | | Current | | YTD | | YTD | | YTD | |
|---|-------------------|------------------|------------------|--------------------|-------------------|--------------------|-------------------|-------------------|------------------|--------------------|-------------------|
| Actual | PMPM | Forecast | PMPM | Fav/(Unfav) | PMPM | Actual | PMPM | Forecast | PMPM | Fav/(Unfav) | PMPM |
| 240,240 | | 218,911 | | 21,329 | | | | | | | |
| \$ 59,486 | \$ 247.61 | \$ 67,609 | \$ 308.84 | \$ (8,123) | \$ (61.23) | | | | | | |
| \$ 59,486 | \$ 247.61 | \$ 67,609 | \$ 308.84 | \$ (8,123) | \$ (61.23) | | | | | | |
| \$ 21,491 | \$ 89.46 | \$ 18,897 | \$ 86.32 | \$ (2,594) | \$ (3.13) | | | | | | |
| \$ 11,915 | \$ 49.60 | \$ 11,112 | \$ 50.76 | \$ (803) | \$ 1.16 | | | | | | |
| \$ 11,649 | \$ 48.49 | \$ 11,108 | \$ 50.74 | \$ (540) | \$ 2.26 | | | | | | |
| \$ 75 | \$ 0.31 | \$ - | \$ - | \$ (75) | \$ (0.31) | | | | | | |
| \$ 18,084 | \$ 75.28 | \$ 14,389 | \$ 65.73 | \$ (3,695) | \$ (9.55) | | | | | | |
| \$ 1,055 | \$ 4.39 | \$ 1,263 | \$ 5.77 | \$ 208 | \$ 1.38 | | | | | | |
| \$ 1,200 | \$ 5.00 | \$ 1,072 | \$ 4.90 | \$ (128) | \$ (0.10) | | | | | | |
| \$ 65,469 | \$ 272.52 | \$ 57,842 | \$ 264.23 | \$ (7,627) | \$ (8.29) | | | | | | |
| 110.1% | | 85.6% | | (24.5%) | | | | | | | |
| \$ (5,983) | \$ (24.91) | \$ 9,767 | \$ 44.62 | \$ (15,750) | \$ (69.52) | | | | | | |
| \$ 12,569 | \$ 52.32 | \$ 9,963 | \$ 45.51 | \$ (2,606) | \$ (6.81) | | | | | | |
| 21.1% | | 14.7% | | (6.4%) | | | | | | | |
| \$ (18,552) | \$ (77.22) | \$ (196) | \$ (0.89) | \$ (18,357) | \$ (76.33) | | | | | | |
| (31.2%) | | (0.3%) | | (30.9%) | | | | | | | |
| \$ 1 | \$ 0.00 | \$ 1,198 | \$ 5.47 | \$ (1,198) | \$ (5.47) | | | | | | |
| \$ (17) | \$ (0.07) | \$ (17) | \$ (0.08) | \$ - | \$ 0.01 | | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | | | | | | |
| \$ (17) | \$ (0.07) | \$ 1,181 | \$ 5.39 | \$ (1,198) | \$ (5.46) | | | | | | |
| \$ (18,569) | \$ (77.29) | \$ 985 | \$ 4.50 | \$ (19,554) | \$ (81.79) | | | | | | |
| (31.2%) | | 1.5% | | (32.7%) | | | | | | | |
| Membership | | | | | | | | | | | |
| Member Months | | | | | | 2,363,297 | | 2,278,425 | | 84,872 | |
| Revenue | | | | | | | | | | | |
| Capitation Revenue | | | | | | \$ 685,560 | \$ 290.09 | \$ 675,111 | \$ 296.31 | \$ 10,449 | \$ (6.22) |
| Total Revenues | | | | | | \$ 685,560 | \$ 290.09 | \$ 675,111 | \$ 296.31 | \$ 10,449 | \$ (6.22) |
| Healthcare Expenses | | | | | | | | | | | |
| Capitation | | | | | | \$ 194,039 | \$ 82.11 | \$ 194,575 | \$ 85.40 | \$ 536 | \$ 3.29 |
| Inpatient Claims | | | | | | \$ 130,523 | \$ 55.23 | \$ 104,075 | \$ 45.68 | \$ (26,448) | \$ (9.55) |
| Outpatient Claims | | | | | | \$ 97,711 | \$ 41.35 | \$ 99,090 | \$ 43.49 | \$ 1,379 | \$ 2.15 |
| Skilled Nurse Facility | | | | | | \$ 1,197 | \$ 0.51 | \$ 581 | \$ 0.25 | \$ (616) | \$ (0.25) |
| Pharmacy | | | | | | \$ 161,385 | \$ 68.29 | \$ 149,614 | \$ 65.67 | \$ (11,771) | \$ (2.62) |
| Provider Incentive and Shared Risk | | | | | | \$ 13,870 | \$ 5.87 | \$ 11,059 | \$ 4.85 | \$ (2,811) | \$ (1.02) |
| Medical Administrative Expenses | | | | | | \$ 6,468 | \$ 2.74 | \$ 10,378 | \$ 4.56 | \$ 3,911 | \$ 1.82 |
| Total Healthcare Expenses | | | | | | \$ 605,193 | \$ 256.08 | \$ 569,372 | \$ 249.90 | \$ (35,820) | \$ (6.18) |
| MCR (%) | | | | | | 88.3% | | 84.3% | | (3.9%) | |
| Operating Margin | | | | | | \$ 80,367 | \$ 34.01 | \$ 105,739 | \$ 46.41 | \$ (25,372) | \$ (12.40) |
| Total Operating Expenses | | | | | | \$ 119,200 | \$ 50.44 | \$ 87,582 | \$ 38.44 | \$ (31,618) | \$ (12.00) |
| Admin Ratio (%) | | | | | | 17.4% | | 13.0% | | (4.4%) | |
| Income (Loss) from Operations | | | | | | \$ (38,832) | \$ (16.43) | \$ 18,158 | \$ 7.97 | \$ (56,990) | \$ (24.40) |
| Margin before Non-Operating Inc/(Exp) Ratio (%) | | | | | | (5.7%) | | 2.7% | | (8.4%) | |
| Interest Income,Net | | | | | | \$ 5 | \$ 0.00 | \$ 8,382 | \$ 3.68 | \$ (8,377) | \$ (3.68) |
| Other Income (Expense),Net | | | | | | \$ (296) | \$ (0.13) | \$ (296) | \$ (0.13) | \$ - | \$ 0.00 |
| Realized Gain/Loss | | | | | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrealized Gain/Loss | | | | | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Non-Operating Income/(Expense) | | | | | | \$ (292) | \$ (0.12) | \$ 8,086 | \$ 3.55 | \$ (8,377) | \$ (3.67) |
| Net Surplus/(Deficit) | | | | | | \$ (39,124) | \$ (16.55) | \$ 26,243 | \$ 11.52 | \$ (65,367) | \$ (28.07) |
| Margin (%) | | | | | | (5.7%) | | 3.9% | | (9.6%) | |



Incentive Programs Income Statement (\$ in thousands)

August 2024

| Current | | Current | | Current | | YTD | | YTD | | YTD | |
|------------|------|--------------|------|-------------|------|------------|------|--------------|------|-------------|------|
| Actual | PMPM | 4+8 Forecast | PMPM | Fav/(Unfav) | PMPM | Actual | PMPM | 4+8 Forecast | PMPM | Fav/(Unfav) | PMPM |
| - | - | - | - | - | - | - | - | - | - | - | - |
| \$ - | \$ - | \$ 16,556 | \$ - | \$ (16,556) | \$ - | \$ 143,226 | \$ - | \$ 159,893 | \$ - | \$ (16,667) | \$ - |
| \$ - | \$ - | \$ 16,556 | \$ - | \$ (16,556) | \$ - | \$ 143,226 | \$ - | \$ 159,893 | \$ - | \$ (16,667) | \$ - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ - | \$ - | \$ 833 | \$ - | \$ 833 | \$ - | \$ - | \$ - | \$ 5,833 | \$ - | \$ 5,833 | \$ - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ 1,028 | \$ - | \$ 7,694 | \$ - | \$ 6,667 | \$ - | \$ 29,515 | \$ - | \$ 59,609 | \$ - | \$ 30,094 | \$ - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ 1,028 | \$ - | \$ 8,528 | \$ - | \$ 7,500 | \$ - | \$ 29,515 | \$ - | \$ 65,442 | \$ - | \$ 35,927 | \$ - |
| 0.0% | - | 51.5% | - | 51.5% | - | 20.6% | - | 40.9% | - | 20.3% | - |
| \$ (1,028) | \$ - | \$ 8,029 | \$ - | \$ (9,056) | \$ - | \$ 113,712 | \$ - | \$ 94,451 | \$ - | \$ 19,261 | \$ - |
| \$ 199 | \$ - | \$ 201 | \$ - | \$ 2 | \$ - | \$ 2,683 | \$ - | \$ 2,342 | \$ - | \$ (341) | \$ - |
| 0.0% | - | 1.2% | - | 1.2% | - | 1.9% | - | 1.5% | - | (0.4%) | - |
| \$ (1,227) | \$ - | \$ 7,828 | \$ - | \$ (9,055) | \$ - | \$ 111,029 | \$ - | \$ 92,109 | \$ - | \$ 18,920 | \$ - |
| 0.0% | - | 47.3% | - | (47.3%) | - | 77.5% | - | 57.6% | - | 19.9% | - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ (1,227) | \$ - | \$ 7,828 | \$ - | \$ (9,055) | \$ - | \$ 111,029 | \$ - | \$ 92,109 | \$ - | \$ 18,920 | \$ - |
| 0.0% | - | 47.3% | - | (47.3%) | - | 77.5% | - | 57.6% | - | 19.9% | - |

Membership
Member Months

Revenue
Capitation Revenue
Total Revenues

Healthcare Expenses
Capitation
Inpatient Claims
Outpatient Claims
Skilled Nurse Facility
Pharmacy
Provider Incentive and Shared Risk
Medical Administrative Expenses
Total Healthcare Expenses
MCR (%)

Operating Margin

Total Operating Expenses
Admin Ratio (%)

Income (Loss) from Operations
Margin before Non-Operating Inc/(Exp) Ratio (%)

Interest Income,Net
Other Income (Expense),Net
Realized Gain/Loss
Unrealized Gain/Loss
Total Non-Operating Income/(Expense)

Net Surplus/(Deficit)
Margin (%)



Balance Sheet (\$ in thousands)

August 2024

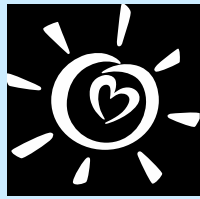
| | Oct-23 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 | Aug-24 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Assets | | | | | | | | | | | |
| Cash and Cash Equivalents | \$ 1,215,928 | \$ 1,164,685 | \$ 1,050,823 | \$ 1,300,559 | \$ 1,457,922 | \$ 1,724,269 | \$ 1,543,191 | \$ 1,159,185 | \$ 867,797 | \$ 880,576 | \$ 820,164 |
| Short Term Investments, at fair value | \$ 1,858,223 | \$ 2,006,373 | \$ 2,298,594 | \$ 2,203,165 | \$ 2,494,863 | \$ 2,799,085 | \$ 2,568,822 | \$ 2,555,603 | \$ 2,799,586 | \$ 2,675,073 | \$ 2,584,837 |
| Capitation Receivable | \$ 3,182,445 | \$ 3,233,165 | \$ 3,152,661 | \$ 2,907,187 | \$ 3,022,046 | \$ 2,587,481 | \$ 2,525,481 | \$ 2,587,709 | \$ 2,693,894 | \$ 2,690,751 | \$ 2,621,974 |
| Interest and Non-Operating Receivables | \$ 40,813 | \$ 6,752 | \$ 423,494 | \$ 472,216 | \$ 515,539 | \$ 567,924 | \$ 239,392 | \$ 110,212 | \$ 104,680 | \$ 87,213 | \$ 72,474 |
| Prepays and Other Current Assets | \$ 18,325 | \$ 16,145 | \$ 27,978 | \$ 33,486 | \$ 33,847 | \$ 63,688 | \$ 63,007 | \$ 43,180 | \$ 43,476 | \$ 33,730 | \$ 52,883 |
| Current Assets | \$ 6,315,735 | \$ 6,427,120 | \$ 6,953,551 | \$ 6,916,612 | \$ 7,524,217 | \$ 7,742,447 | \$ 6,939,893 | \$ 6,455,888 | \$ 6,509,433 | \$ 6,367,344 | \$ 6,152,332 |
| Capitalized Assets - net | \$ 168,137 | \$ 166,800 | \$ 163,264 | \$ 160,379 | \$ 161,628 | \$ 161,758 | \$ 160,634 | \$ 157,917 | \$ 156,927 | \$ 157,512 | \$ 208,303 |
| Non-Current Assets | \$ 3,071 | \$ 2,901 | \$ 2,744 | \$ 1,744 | \$ 1,765 | \$ 2,917 | \$ 2,769 | \$ 5,229 | \$ 27,725 | \$ 27,495 | \$ 27,317 |
| Total Assets | \$ 6,486,942 | \$ 6,596,822 | \$ 7,119,560 | \$ 7,078,735 | \$ 7,687,611 | \$ 7,907,122 | \$ 7,103,296 | \$ 6,619,034 | \$ 6,694,086 | \$ 6,552,351 | \$ 6,387,953 |
| Liabilities & Equity | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | |
| Accounts Payable and Accrued Liabilities | \$ 175,928 | \$ 187,262 | \$ 551,099 | \$ 598,049 | \$ 489,004 | \$ 398,097 | \$ 316,924 | \$ 241,720 | \$ 285,992 | \$ 205,098 | \$ 229,628 |
| Subcapitation Payable | \$ 3,110,125 | \$ 3,153,507 | \$ 3,258,876 | \$ 3,194,511 | \$ 3,214,279 | \$ 3,130,550 | \$ 3,009,663 | \$ 2,978,540 | \$ 2,925,553 | \$ 2,941,454 | \$ 2,785,753 |
| Accts Receivable - PP | \$ 2 | \$ 2 | \$ 1 | \$ 1 | \$ 1 | \$ 1 | \$ 1 | \$ 1 | \$ 1 | \$ 1 | \$ 1 |
| Reserve for Claims | \$ 819,965 | \$ 827,368 | \$ 867,307 | \$ 851,802 | \$ 809,922 | \$ 829,146 | \$ 769,022 | \$ 733,127 | \$ 788,631 | \$ 718,477 | \$ 701,882 |
| Accrued Medical Expenses | \$ 271,671 | \$ 266,999 | \$ 269,172 | \$ 211,542 | \$ 212,239 | \$ 199,114 | \$ 188,898 | \$ 195,703 | \$ 185,086 | \$ 190,115 | \$ 154,949 |
| Deferred Revenue | \$ 69,446 | \$ 64,958 | \$ 38,107 | \$ 76,179 | \$ 138,196 | \$ 131,722 | \$ 156,957 | \$ 123,676 | \$ 71,999 | \$ 92,004 | \$ 116,666 |
| Reserve for Provider Incentives | \$ 109,889 | \$ 114,474 | \$ 78,126 | \$ 67,785 | \$ 60,283 | \$ 60,905 | \$ 68,956 | \$ 99,527 | \$ 108,272 | \$ 115,768 | \$ 128,247 |
| Non-Operating Payables | \$ 33,097 | \$ 29,341 | \$ 9,667 | \$ (19,112) | \$ 645,902 | \$ 998,941 | \$ 379,332 | \$ 46,155 | \$ 44,440 | \$ 27,469 | \$ 40,644 |
| Grants Payable | \$ 18,094 | \$ 16,769 | \$ 17,968 | \$ 17,443 | \$ 16,955 | \$ 17,855 | \$ 17,143 | \$ 18,381 | \$ 16,318 | \$ 16,232 | \$ 21,389 |
| Deferred Rent | \$ 48,456 | \$ 45,243 | \$ 43,553 | \$ 41,868 | \$ 40,104 | \$ 38,434 | \$ 36,768 | \$ 35,108 | \$ 33,467 | \$ 31,909 | \$ 79,908 |
| Total Current Liabilities | \$ 4,656,673 | \$ 4,705,923 | \$ 5,133,874 | \$ 5,040,067 | \$ 5,626,885 | \$ 5,804,764 | \$ 4,943,664 | \$ 4,471,938 | \$ 4,459,759 | \$ 4,338,527 | \$ 4,259,067 |
| Equity | | | | | | | | | | | |
| Invested in Capital Assets, Net of related dep | \$ 99,218 | \$ 99,259 | \$ 97,349 | \$ 99,507 | \$ 103,953 | \$ 105,544 | \$ 105,848 | \$ 104,546 | \$ 104,659 | \$ 106,745 | \$ 107,621 |
| Restricted Equity | \$ 600 | \$ 600 | \$ 600 | \$ 600 | \$ 600 | \$ 600 | \$ 600 | \$ 600 | \$ 23,327 | \$ 23,327 | \$ 23,380 |
| Minimum Tangible Net Equity | \$ 235,945 | \$ 235,089 | \$ 238,050 | \$ 236,840 | \$ 238,550 | \$ 240,896 | \$ 242,796 | \$ 240,282 | \$ 238,065 | \$ 243,760 | \$ 248,710 |
| Board Designated Funds | \$ 143,902 | \$ 142,476 | \$ 147,962 | \$ 145,172 | \$ 143,248 | \$ 141,795 | \$ 140,281 | \$ 136,265 | \$ 134,842 | \$ 131,525 | \$ 119,639 |
| Unrestricted Net Assets | \$ 1,350,604 | \$ 1,413,475 | \$ 1,501,725 | \$ 1,556,550 | \$ 1,574,375 | \$ 1,613,522 | \$ 1,670,106 | \$ 1,665,402 | \$ 1,733,435 | \$ 1,708,467 | \$ 1,629,536 |
| Total Equity | \$ 1,830,268 | \$ 1,890,899 | \$ 1,985,685 | \$ 2,038,668 | \$ 2,060,725 | \$ 2,102,358 | \$ 2,159,631 | \$ 2,147,096 | \$ 2,234,328 | \$ 2,213,824 | \$ 2,128,885 |
| Total Liabilities & Equity | \$ 6,486,942 | \$ 6,596,822 | \$ 7,119,560 | \$ 7,078,735 | \$ 7,687,611 | \$ 7,907,122 | \$ 7,103,296 | \$ 6,619,034 | \$ 6,694,086 | \$ 6,552,351 | \$ 6,387,953 |
| Solvency Ratios | | | | | | | | | | | |
| Working Capital Ratio | 1.37 | 1.38 | 1.37 | 1.38 | 1.35 | 1.34 | 1.41 | 1.46 | 1.47 | 1.48 | 1.47 |
| Cash to Claims Ratio | 0.78 | 0.80 | 0.81 | 0.87 | 0.98 | 1.14 | 1.09 | 1.00 | 0.99 | 0.97 | 0.98 |
| Tangible Net Equity Ratio | 7.76 | 8.04 | 8.34 | 8.61 | 8.64 | 8.73 | 8.89 | 8.94 | 9.39 | 9.08 | 8.56 |



Cash Flows Statement (\$ in thousands)

August 2024

| | Oct-23 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 | Aug-24 | YTD |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|
| Cash Flows from Operating Activities: | | | | | | | | | | | | |
| Capitation Revenue | \$ 841,537 | \$ 878,375 | \$ 1,020,197 | \$ 1,056,193 | \$ 814,382 | \$ 1,358,785 | \$ 951,617 | \$ 816,743 | \$ 767,921 | \$ 954,143 | \$ 934,316 | \$ 10,394,209 |
| Other Income (Expense), net | \$ 19,423 | \$ 8,321 | \$ 3,604 | \$ 13,760 | \$ 11,212 | \$ 8,470 | \$ 24,067 | \$ 14,830 | \$ 10,554 | \$ 13,754 | \$ 9,981 | \$ 137,976 |
| Healthcare Expenses | \$ (846,331) | \$ (796,846) | \$ (739,718) | \$ (808,174) | \$ (835,771) | \$ (935,164) | \$ (949,577) | \$ (906,580) | \$ (801,437) | \$ (956,252) | \$ (1,067,655) | \$ (9,643,505) |
| Operating Expenses | \$ (36,472) | \$ (29,715) | \$ (75,466) | \$ (48,204) | \$ (51,472) | \$ (83,534) | \$ (48,528) | \$ (35,942) | \$ (49,877) | \$ (40,567) | \$ (69,196) | \$ (568,973) |
| Net Cash Provided By Operating Activities | \$ (21,843) | \$ 60,135 | \$ 208,617 | \$ 213,575 | \$ (61,649) | \$ 348,557 | \$ (22,421) | \$ (110,949) | \$ (72,839) | \$ (28,922) | \$ (192,554) | \$ 319,707 |
| Cash Flows from Investing Activities | | | | | | | | | | | | |
| Purchase of investments - Net | \$ (67,389) | \$ (137,165) | \$ (285,931) | \$ 96,186 | \$ (295,798) | \$ (303,696) | \$ 226,577 | \$ 16,064 | \$ (264,816) | \$ 130,457 | \$ 93,701 | \$ (791,810) |
| Purchase of Capital Assets | \$ (3,065) | \$ (2,368) | \$ (161) | \$ (4,646) | \$ (5,605) | \$ (4,599) | \$ (3,071) | \$ (1,554) | \$ (2,771) | \$ (4,476) | \$ (67,796) | \$ (100,112) |
| Net Cash Provided By Investing Activities | \$ (70,454) | \$ (139,533) | \$ (286,092) | \$ 91,540 | \$ (301,403) | \$ (308,295) | \$ 223,506 | \$ 14,510 | \$ (267,587) | \$ 125,981 | \$ 25,905 | \$ (891,922) |
| Cash Flows from Financing Activities: | | | | | | | | | | | | |
| Lease Payment - Capital & ROU | \$ (1,546) | \$ (1,377) | \$ (1,505) | \$ (1,502) | \$ (1,367) | \$ (1,462) | \$ (1,428) | \$ (1,415) | \$ (1,389) | \$ (1,520) | \$ 4,600 | \$ (9,911) |
| SBITA Liability Increase / (Decrease) | \$ - | \$ - | \$ - | \$ - | \$ 188 | \$ 29 | \$ 26 | \$ 23 | \$ 21 | \$ 19 | \$ 45,315 | \$ 45,621 |
| Gross Premium Tax (MCO Sales Tax) - Net | \$ - | \$ 33,288 | \$ (15,208) | \$ (25,099) | \$ (143,420) | \$ (125,521) | \$ 238,848 | \$ 47,001 | \$ 52,121 | \$ (82,437) | \$ 43,148 | \$ 22,721 |
| Pass through transactions (AB 85, IGT, etc.) | \$ (269,155) | \$ (3,756) | \$ (19,674) | \$ (28,779) | \$ 665,014 | \$ 353,039 | \$ (619,609) | \$ (333,176) | \$ (1,715) | \$ (342) | \$ 13,174 | \$ (244,979) |
| Net Cash Provided By Financing Activities | \$ (270,701) | \$ 28,155 | \$ (36,387) | \$ (55,380) | \$ 520,415 | \$ 226,085 | \$ (382,163) | \$ (287,567) | \$ 49,038 | \$ (84,280) | \$ 106,237 | \$ (186,548) |
| Net Increase in Cash and Cash Equivalents | \$ (362,998) | \$ (51,243) | \$ (113,862) | \$ 249,735 | \$ 157,363 | \$ 266,347 | \$ (181,078) | \$ (384,006) | \$ (291,388) | \$ 12,779 | \$ (60,412) | \$ (758,763) |
| Cash and Cash Equivalents, Beginning | \$ 1,578,927 | \$ 1,215,929 | \$ 1,164,686 | \$ 1,050,824 | \$ 1,300,559 | \$ 1,457,922 | \$ 1,724,269 | \$ 1,543,191 | \$ 1,159,185 | \$ 867,797 | \$ 880,576 | \$ 1,578,927 |
| Cash and Cash Equivalents, Ending | \$ 1,215,929 | \$ 1,164,686 | \$ 1,050,824 | \$ 1,300,559 | \$ 1,457,922 | \$ 1,724,269 | \$ 1,543,191 | \$ 1,159,185 | \$ 867,797 | \$ 880,576 | \$ 820,164 | \$ 820,164 |
| Reconciliation of Income from Operations to Net Cash Provided By (Used In) Operating Activities: | | | | | | | | | | | | |
| Excess of Revenues over Expenses | \$ 96,976 | \$ 60,630 | \$ 94,786 | \$ 52,983 | \$ 22,057 | \$ 41,633 | \$ 57,273 | \$ (12,536) | \$ 87,232 | \$ (20,503) | \$ (84,939) | \$ 395,592 |
| Adjustments to Excess of Revenues Over Expenses: | | | | | | | | | | | | |
| Depreciation | \$ 4,181 | \$ 3,715 | \$ 3,697 | \$ 7,531 | \$ 4,356 | \$ 4,469 | \$ 4,196 | \$ 4,271 | \$ 3,760 | \$ 3,892 | \$ 17,004 | \$ 61,072 |
| Realized and Unrealized (Gain)/Loss on Investments | \$ 868 | \$ (7,749) | \$ (6,291) | \$ (756) | \$ 4,099 | \$ (525) | \$ 3,685 | \$ (3,146) | \$ (1,593) | \$ (5,944) | \$ (3,517) | \$ (20,869) |
| Deferred Rent | \$ 50 | \$ (6) | \$ 50 | \$ 50 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 144 |
| Gross Premium Tax provision | \$ (1) | \$ (2) | \$ 2 | \$ (1,187) | \$ (1,765) | \$ (2,330) | \$ (2,339) | \$ (1,559) | \$ (1,531) | \$ (1,460) | \$ (277) | \$ (12,449) |
| Loss on Disposal of Capital Assets | \$ - | \$ (10) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (10) |
| Total Adjustments to Excess of Revenues over Expenses | \$ 5,098 | \$ (4,052) | \$ (2,542) | \$ 5,638 | \$ 6,690 | \$ 1,614 | \$ 5,542 | \$ (434) | \$ 636 | \$ (3,512) | \$ 13,210 | \$ 27,888 |
| Changes in Operating Assets and Liabilities: | | | | | | | | | | | | |
| Capitation Receivable | \$ (92,525) | \$ (53,272) | \$ (1,340,639) | \$ 1,635,640 | \$ (120,052) | \$ 445,473 | \$ 38,669 | \$ (56,954) | \$ (102,379) | \$ 6,986 | \$ 68,507 | \$ 429,454 |
| Interest and Non-Operating Receivables | \$ 4,753 | \$ (2,462) | \$ (7,465) | \$ 1,386 | \$ 321 | \$ (8,149) | \$ 8,342 | \$ 359 | \$ (3,479) | \$ 1,055 | \$ (231) | \$ (5,570) |
| Prepaid and Other Current Assets | \$ 4,508 | \$ 4,901 | \$ (12,882) | \$ (5,512) | \$ 4,812 | \$ (41,969) | \$ 24,161 | \$ 12,094 | \$ (3,913) | \$ 6,132 | \$ (18,651) | \$ (26,319) |
| Accounts Payable and Accrued Liabilities | \$ 4,634 | \$ 9,503 | \$ (12,961) | \$ 4,877 | \$ (8,089) | \$ (7,463) | \$ 2,245 | \$ 8,208 | \$ 2,159 | \$ 2,729 | \$ (5,288) | \$ 554 |
| Subcapitation Payable | \$ (13,634) | \$ 43,487 | \$ 105,367 | \$ (30,666) | \$ 19,768 | \$ (83,730) | \$ (120,887) | \$ (31,123) | \$ (52,987) | \$ 15,900 | \$ (155,690) | \$ (304,195) |
| MediCal Adult Expansion Payable | \$ - | \$ (104) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1 | \$ (10) | \$ (113) |
| Deferred Capitation Revenue | \$ (18,967) | \$ (3,952) | \$ 1,377,508 | \$ (1,366,774) | \$ 62,024 | \$ (6,481) | \$ 25,242 | \$ (32,779) | \$ (52,211) | \$ 21,246 | \$ 24,418 | \$ 29,274 |
| Accrued Medical Expenses | \$ 6,124 | \$ (5,208) | \$ 2,656 | \$ (57,626) | \$ 690 | \$ (13,118) | \$ (10,223) | \$ 6,303 | \$ (10,083) | \$ 3,788 | \$ (34,922) | \$ (111,619) |
| Reserve for Claims | \$ (22,643) | \$ 7,403 | \$ 39,939 | \$ (15,505) | \$ (41,880) | \$ 19,225 | \$ (60,124) | \$ (35,896) | \$ 55,504 | \$ (70,154) | \$ (16,594) | \$ (140,725) |
| Reserve for Provider Incentives | \$ 5,038 | \$ 4,586 | \$ (36,349) | \$ (10,341) | \$ (7,502) | \$ 622 | \$ 8,051 | \$ 30,571 | \$ 8,745 | \$ 7,496 | \$ 12,479 | \$ 23,396 |
| Grants Payable | \$ (1,205) | \$ (1,325) | \$ 1,199 | \$ (525) | \$ (488) | \$ 900 | \$ (712) | \$ 1,238 | \$ (2,063) | \$ (86) | \$ 5,157 | \$ 2,090 |
| Net Changes in Operating Assets and Liabilities | \$ (123,917) | \$ 3,557 | \$ 116,373 | \$ 154,954 | \$ (90,396) | \$ 305,310 | \$ (85,236) | \$ (97,979) | \$ (160,707) | \$ (4,907) | \$ (120,825) | \$ (103,773) |
| Net Cash Provided By Operating Activities | \$ (21,843) | \$ 60,135 | \$ 208,617 | \$ 213,575 | \$ (61,649) | \$ 348,557 | \$ (22,421) | \$ (110,949) | \$ (72,839) | \$ (28,922) | \$ (192,554) | \$ 319,707 |



L.A. Care
HEALTH PLAN®

Board of Governors
MOTION SUMMARY

Date: October 23, 2024

Motion No. FIN 101.1124

Committee: Finance & Budget

Chairperson: Stephanie Booth, M.D.

Issue: Annual Board Review and Approval of the Investment Policy.

Background: L.A. Care policy and procedure requires annual review and approval by the Finance & Budget Committee of the Accounting & Financial Services Policy AFS-008 (Annual Investment Policy). Policy AFS-008 was last reviewed in November 2023. L.A. Care follows the California Government Code. Due to changes and clarifications made in the California Government Code, L.A. Care is putting in those same changes and clarifications in the policy AFS-008.

1. Investment policy section 2.25 & 3.7.15.2 – The term, SOFR (Secured Overnight Financing rate), has been added to the glossary, and, further clarified as an allowed reference rate for variable and floating rate securities.
2. Investment policy section 3.7.13.1.6 – Prohibits the purchase of exchange-traded funds (ETFs) for L.A. Care investment portfolio. Government code sections 53601 (l) and 53601.6(b) now includes statements regarding the impermissibility of exchange traded funds for public investment portfolios.
3. Investment policy section 3.7.4.1 – Further clarifies allowed issuers and guarantors of federal agency and US government related agencies debt securities.

Member Impact: None.

Budget Impact: None.

Motion: To approve Accounting & Financial Services Policy AFS-008 (Annual Investment Policy) as submitted.



ANNUAL INVESTMENT POLICY

AFS-008

DEPARTMENT ACCOUNTING AND FINANCIAL SERVICES

Supersedes Policy Number(s)

DATES

| | | | | | |
|-------------------|--------------------------------|-----------------------|-------------------------------------|-------------------------|--------------------------------|
| Effective Date | 1/1/1996 | Review Date | 11/2/2023 11/7/2024 | Next Annual Review Date | 11/2/2024 11/6/2025 |
| Legal Review Date | 10/2/2023 10/7/2024 | Committee Review Date | XX/10/25/2023 10/23/2024 | | |

LINES OF BUSINESS

- Cal MediConnect
 L.A. Care Covered
 L.A. Care Covered Direct
 MCLA
 PASC-SEIU Plan
 Internal Operations

DELEGATED ENTITIES / EXTERNAL APPLICABILITY

- PP – Mandated
 PP – Non-Mandated
 PPGs/IPA
 Hospitals
 Specialty Health Plans
 Directly Contracted Providers
 Ancillaries
 Other External Entities

ACCOUNTABILITY MATRIX

| | | | |
|---------------------------------|---------|--|--|
| Finance and Accounting Services | AFS-008 | | |
| | | | |

ATTACHMENTS

➤ N/A

ELECTRONICALLY APPROVED BY THE FOLLOWING

| | OFFICER | DIRECTOR |
|-------------------|-------------------------|---------------------------------|
| NAME | Afzal Shah | Angela Bergman |
| DEPARTMENT | Finance Services | Accounting and Finance Services |
| TITLE | Chief Financial Officer | Controller |

**AUTHORITIES**

- California Government Code of Regulations (CCR), §§53600-53609 and 53646
- Title 31, Code of Federal Regulations (CFR), §§306.1 et seq. and 350.0 et seq.
- L.A. Care Conflict of Interest Code
- L.A. Care Code of Conduct
- California Health & Safety Code §§1346(a)(11), 1375.1, and 1376
- Knox Keene Health Care Service Plan Act of 1975, Ch. 2.2, §1340 et seq. of Div. 3 of the Health & Safety Code, including the Rules of the DMHC

REFERENCES

- NA

HISTORY

| REVISION DATE | DESCRIPTION OF REVISIONS |
|-------------------------------|---|
| X/XX/XX11/ 7/24 | <u>Annual Review</u> |
| 11/2/23 | Annual review |
| 10/25/22 | Annual review |
| 10/25/21 | Annual review |
| 10/26/20 | Annual review (adding Public bank debt and obligations (Government code section 53601(r)) |
| 11/7/19 | Annual review |
| 11/1/18 | Annual review |
| 10/5/17 | Annual review |
| 4/6/2017 | Revision; primarily clarification of existing government code sections |
| 11/3/2016 | Annual review |
| 11/05/2015 | Annual review; primarily format changes |
| 09/11/2014 | Annual review |
| 02/28/2013 | Annual review; primarily format changes |
| 04/01/2012 | Annual review; primarily format changes |
| 01/01/1996 | New Policy |

1.0 OVERVIEW:

- 1.1** To establish the investment guidelines for all operating funds and Board designated reserve funds of L.A. Care Health Plan (L.A. Care) invested on and after November ~~21~~, 2023³⁴. The objective is to ensure L.A. Care’s funds are prudently invested in compliance with applicable requirements and according to the Board of Governors’



objectives to preserve capital, provide necessary liquidity, and to achieve a market average rate of return through economic cycles.

- 1.2 This Policy only applies to L.A. Care's investment funds. The Policy does not include retirement, retiree health care savings/trust/plan(s), or deferred compensation plans.

2.0 **DEFINITIONS:**

Whenever a word or term appears capitalized in this policy and procedure, the reader should refer to the "Definitions" below.

- 2.1 **Agent:** An independent third party acting for the Custodian. The Investment Manager may act as Agent.
- 2.2 **Approved NRSRO:** Approved NRSROs consists of the following NRSROs: 1) Standard and Poor's, 2) Moody's, and 3) Fitch Ratings.
- 2.3 **Bankers' Acceptance:** Time drafts which a bank "accepts" as its financial responsibility as a part of trade finance process.
- 2.4 **Commercial Paper:** Unsecured promissory notes issued by companies and government entities at a discount.
- 2.5 **Credit Risk:** The risk of principal loss due to the failure of the issuer of the security.
- 2.6 **Custodian:** A financial institution that holds securities for the benefit of L.A. Care and has legal responsibility for those securities.
- 2.7 **Delivery vs. Payment:** A settlement system that stipulates that payment for security must be made at the time the security is delivered to the purchaser or purchaser's agent.
- 2.8 **Diversification:** The reduction of risk by investing in a variety of assets ~~which to~~ ensures that a portfolio is not concentrated in securities of any one type, industry, or entity.
- 2.9 **Federal Agencies and U.S. Government Sponsored Enterprises:** Investments which are obligations, participations, and other instruments of, or issued by, a federal agency or a United States government sponsored enterprise, including instruments issued by, or fully guaranteed as to principal and interest by the issuers.
- 2.10 **Floating Rate Securities:** Securities that provide for the automatic adjustments of its interest rate whenever a specified interest rate changes.



- 2.11 Government Pooled Funds:** Funds of various governmental agencies that are pooled together for investment purposes.
- 2.12 Investment Manager:** An individual designated by the Chief Financial Officer (CFO) to manage all or any part of ~~the~~ L.A. Care's investment portfolio.
- 2.13 Liquidity:** The ability to convert an asset into cash quickly.
- 2.14 London Interbank Offered Rate (LIBOR):** The average interest rate that leading banks in London charge when lending to other banks and used as a benchmark for Finance.
- 2.15 Market Risk:** The risk of market value fluctuations due to economic change in the interest rate markets.
- 2.16 Maturity:** The stated final date at which the principal of the security must be paid, or the unconditional put option date, if the security contains such a provision.
- 2.17 Medium Term Maturity Corporate Securities:** Notes issued by a corporation organized and operating within the United States or by depository institutions licensed by the United States, or by any state and are operating within the United States.
- 2.18 Money Markets:** A component of financial markets for assets involved in short-term borrowing and lending with original maturities of one year or shorter time frames.
- 2.19 Mortgage or Asset Backed Securities:** Securities whereby cash flow from the mortgages, receivables and other assets underlying the security are passed-through as principal and interest payments to the investor.
- 2.20 Mutual Funds:** A type of professionally managed investment scheme which pools money from many investors.
- 2.21 Nationally Recognized Statistical Rating Organization (NRSRO):** A credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes. The SEC's Office of Credit Ratings administers the SEC's rules relating to NRSROs, in addition to performing various other functions with respect to NRSROs.
- 2.22 Negotiable Certificates of Deposit/Time Deposits:** A negotiable receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate.
- 2.23 Public bank:** A corporation, organized under the Nonprofit Mutual Benefit Corporation Law or the Nonprofit Public Benefit Corporation Law for the purpose



of engaging in the commercial banking business or industrial banking business, that is wholly owned by a local agency, local agencies, or a joint powers authority formed pursuant to the Joint Exercise of Powers Act that is composed only of local agencies.

2.24 Repurchase Agreements: A purchase of securities under simultaneous agreement to sell these securities back at a fixed price on some future date.

2.242.25 Secured Overnight Financing Rate (SOFR): Represents a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.

2.252.26 State of California and Local Agency Obligations: Registered state warrants, treasury notes or bonds of the State of California and bonds, notes and warrants or other evidence of indebtedness of any local agency of the state including bonds payable solely out of the revenue from a revenue producing property owned, controlled, or operated by the State or local agency or by a department, board, agency, or authority of the State or local agency.

2.262.27 Term: The remaining time to Maturity when the asset is purchased. Investment Term or remaining maturity shall be measured from the settlement date to final maturity.

2.272.28 U.S. Treasuries: Direct obligations of the United States government and securities which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States.

2.282.29 Variable Rate Securities: Securities that provide for the automatic establishment of a new interest rate on set dates.

3.0 **POLICY:**

3.1 **General**

Investment of funds may only be made as authorized by this policy, which conforms to California Government Code (the Code) §53600 et seq., and complies with §1346(a)(11) and §1375.1 et seq. of the California Health & Safety Code, specifically §1376, related to the operations of L.A. Care as a health care service plan licensed pursuant to Health and Safety Code Section 1340, et. seq. and engaged in Medi-Cal, Medicare, and other programs, as well as to customary standards of prudent investment management. Should the provisions of the Code become more restrictive than those contained herein, such provisions will be considered immediately, incorporated into this policy, and appropriately adopted by the Board of Governors and L.A. Care management.

3.2 Investment Objectives

In accordance with the regulations cited herein, L.A. Care's primary annual investment objectives are in order of priority as follows:

3.2.1 Safety and Preservation of Capital

Each investment transaction shall seek to ensure that the capital losses are avoided due to market erosion of security value and institutional default or broker-dealer default. L.A. Care shall seek to preserve capital by mitigating the two types of risk, Credit Risk and Market Risk, as follows:

3.2.1.1 Credit Risk will be mitigated through diversification of the investment portfolio.

3.2.1.2 Market Risk will be mitigated by matching Maturity dates to coincide, as much as possible, with L.A. Care's cash flow requirements. It is explicitly recognized herein, however, that in a diversified portfolio, occasional capital losses are inevitable and must be considered within the context of the overall investment return.

3.2.2 Liquidity and Flexibility

The portfolio investments need to be comprised of investments for which there is a secondary market and which offer the flexibility to be sold at any time at prevailing market values with minimal risk of loss of principal and interest.

3.2.3 Total Return

L.A. Care's portfolio will be designed to achieve a market average rate of return similar to other authorized instruments and securities which have similar security, maturities and levels of risk.

3.3 Authority to Invest

3.3.1 The CFO shall have the authority to invest L.A. Care funds and manage the investment portfolio. Such authority is derived by order from the Board of Governors.

3.3.2 The CFO may designate an Investment Manager(s) to manage all or such portions of L.A. Care's funds as the CFO shall determine from time to time. Such Investment Manager(s) shall be subject to this policy and investment guidelines and any directions provided by the CFO. The CFO will be responsible for all actions undertaken and shall establish a system on internal controls to regulate the activities of subordinate officials, including

the Investment Manager(s). Additional information regarding Investment Manager(s) can be found in Paragraph 3.6.

- 3.3.3** No person may engage in an investment transaction except as provided herein and in the procedures established by the CFO and/or Board of Governors.

3.4 Prudence

L.A. Care's Board of Governors, CFO, and persons authorized to make investment decisions on behalf of L.A. Care are trustees and fiduciaries subject to the Prudent Investor Standard, defined as follows:

- 3.4.1** The Prudent Investor Standard, as defined in Government Code §53600.3, requires that when investment officials are investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing funds on behalf of L.A. Care, the investment officials shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of L.A. Care that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of L.A. Care. The Prudent Investor Standard shall be applied in the context of managing an overall portfolio.
- 3.4.2** L.A. Care's investment trustees and fiduciaries as mentioned in Paragraph 3.4 acting in accordance with this policy and any applicable written procedures shall be relieved of personal responsibility for an individual security's credit risk or market risk.

3.5 Ethics and Conflict of Interest

- 3.5.1** L.A. Care's officers and employees involved in the investment process or having authority or influence over such activities are not permitted to have any material financial interests in financial institutions that conduct business with L.A. Care, and they are not permitted to have any personal financial investment holdings that could be materially related to the performance of L.A. Care's investments.
- 3.5.2** L.A. Care officers and employees involved in the investment of funds will follow applicable compliance policies related to disclosure of potential conflicts to the extent the personal business activity or material financial interest is one capable of being known.

3.6 Investment Manager



- 3.6.1** Any designated Investment Manager(s) shall be a fiduciary subject to the Prudent Investor Standard in **Section 3.4.1** with respect to the funds under management.

If outside professional investment management firms are engaged, such firms must be registered investment advisors with the U.S. Security Exchange Commission (the “SEC”), or be appropriately exempt from registration under the SEC Investment Advisers Act of 1940, as amended.

- 3.6.2** The CFO will:

- 3.6.2.1** Evaluate candidates for the role of Investment Manager(s). The selected candidates will be reviewed and approved by the Chief Executive Officer (CEO), and Finance and Budget Committee and the Board of Governors.
- 3.6.2.2** Obtain certification from outside Investment Managers that they will purchase securities from broker-dealers (other than themselves) or financial institutions in compliance with Government Code Section 53601.5 and the Annual Investment Policy.
- 3.6.2.3** Provide all Investment Manager(s) with a copy of the Annual Investment Policy which will be included in the Investment Manager’s contract.
- 3.6.2.4** Establish and review the targeted average maturities periodically with the Investment Manager(s).
- 3.6.2.5** Review the investment diversification and portfolio performance monthly to ensure that the Investment Manager’s compliance with this policy, risk levels and returns are reasonable, and that investments are diversified according to the policy.
- 3.6.2.6** Investigate any investment made by the Investment Manager(s) which is not authorized by the policy for possible cause for termination of contract.

3.7 Authorized Investments

3.7.1 Maturity and Term

All investments are subject to a maximum five (5) year Maturity or Term. For purposes of specified maturity and compliance with this policy:



3.7.1.1 Investments term or remaining maturity shall be measured from the settlement date to final maturity.

3.7.1.2 The purchase of a security with a forward settlement date exceeding 45 days from the time of investment is prohibited.

3.7.2 Eligible Instruments

L.A. Care's Policy is to invest in the high quality instruments as permitted by the Government Code, subject to the limitations of **the Annual Investment Policy**.

3.7.3 U.S. Treasuries (Government Code Section 53601(b))

| <i>Types of US Treasuries</i> | <i>Description</i> |
|---|--|
| Treasury Bills | 3 months, 6 months, and one year securities and traded at a discount. 3 months, 6 months, and one year securities and traded at a premium or at par value are allowed until 1/1/2026. |
| Treasury Notes and Bonds | Interest bearing instruments issued with maturities of 2 to 5 years. Non-interest bearing and negative interest rate instruments issued with maturities of 2 to 5 years are allowed until 1/1/2026. |
| Treasury STRIPS | US Treasury securities that have been separated into their component parts of principal and interest payments and recorded as such in the Federal Reserve book-entry record keeping system. |
| US Treasury coupon and principal STRIPS | These are not to be considered to be derivatives for the purpose of the Annual Investment Policy and are permitted investments. |

3.7.3.1 Maximum Term: Five (5) Years



3.7.4 Federal Agencies and US Government Sponsored Enterprises (Government Code Section 53601(f))

- 3.7.4.1** These are U.S. Government related organizations, the largest of which are federal intermediaries assisting credit markets, and are often simply referred to as “Agencies.” ~~Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically listed below is not a permitted investment instrument~~ Only Federal Agency securities issued by one of the agencies specifically listed below, or U.S. Government Sponsored Enterprise (GSE) securities issued and guaranteed by one of the agencies specifically listed below, are permitted investment instruments.

“Agencies” are limited to:

| | |
|---|-----------------|
| Federal Agricultural Mortgage Association | FRMDN |
| Federal Home Loan Banks | FHLB |
| Federal Home Loan Mortgage Corporation | FHLMC |
| Federal National Mortgage Association | FNMA |
| Federal Farm Credit Banks | FFCB |
| Student Loan Marketing Association | SLMA |
| Government National Mortgage Association | GNMA |
| Small Business Administration | SBA |
| Export-Import Bank of the United States | Ex-Im Bank |
| U.S. Maritime Administration | MARAD |
| U.S. Department of Housing and Urban Developments | HUD |
| Tennessee Valley Authority | TVA |

- 3.7.4.2** Maximum Term: Five (5) Years

3.7.5 State of California and Local Agency Obligations (Government Code Sections 53601(a), (c), (e))

- 3.7.5.1** Such obligations must be rated A-1, P-1, or equivalent or better short term; or /A-, or equivalent or better long term, by an Approved NRSRO. Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as permitted investments.

- 3.7.5.2** Maximum Term: Five (5) Years

3.7.6 Other States’ Obligations (Government Code Section 53601(d))

- 3.7.6.1** Other states’ obligations are permitted provided that:



3.7.6.1.1 Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California. However, ownership of out of state local agency bonds is not allowed.

3.7.6.1.2 Such obligations must be rated A-1, P-1, or equivalent or better short term; or A- /A3, or equivalent or better long term, by an Approved NRSRO.

3.7.6.2 Maximum Term: Five (5) Years

3.7.7 Bankers' Acceptances (BA) (Government Code Section 53601(g))

3.7.7.1 These short term notes are sold at a discount, and are obligations of the drawer (the bank's trade finance client) as well as the bank. Once accepted, the bank is irrevocably obligated to pay the BA upon Maturity if the drawer does not pay.

3.7.7.2 Eligible Bankers' Acceptances are Bankers' Acceptances that are eligible for purchase by the Federal Reserve System, and

3.7.7.3 Drawn on and accepted by a bank rated F1 or better by Fitch, or are rated A-1 for short-term deposits by Standard and Poor's or P-1 for short-term deposits by Moody's.

3.7.7.4 No more than five percent (5%) of L.A. Care's investment funds may be invested in any one commercial bank.

3.7.7.5 Maximum Term: 180 days

3.7.8 Commercial Paper (Government Code Section 53601(h))

3.7.8.1 Commercial Paper is negotiable, although it is usually held to Maturity. The maximum Maturity is 270 days with most Commercial Paper issued for terms of less than 30 days.

3.7.8.2 Investments in Commercial Paper must be:

3.7.8.2.1 Rated A-1, or equivalent, or higher by an Approved NRSRO.

3.7.8.2.2 Issued by corporations rated A-3, or equivalent, or higher by an Approved NRSRO on long term debt, if any, and

3.7.8.2.3 Issued by U.S. corporations or non-U.S. corporations organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000).

3.7.8.2.4 Asset backed Commercial Paper issued by special purpose vehicles (structure investment vehicles) are prohibited.

3.7.8.3 L.A. Care’s investment funds may not be used to purchase more than ten percent (10%) of the outstanding Commercial Paper issued by any single issuer.

3.7.8.4 Represent no more than 5% of the portfolio for both Medium Term Maturity Corporate Securities and Commercial Paper combined of any one corporate issuer.

3.7.8.5 Maximum Term: 270 days

3.7.9 Negotiable Certificates of Deposit (CD) (Government Code Section 53601(i))

3.7.9.1 Negotiable Certificates of Deposit must be issued by a nationally or state chartered bank or savings association, state or federal credit unions or by a state-licensed branch of a foreign bank, which have been rated as F1 or better by Fitch, or rated as A-1 for short-term deposits by Standard & Poor’s or P-1 for short-term deposits by Moody’s. No investment shall be made in Negotiable Certificates of Deposit issued by a state or federal credit union if an Investment Official also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the Negotiable Certificates of Deposit.

3.7.9.2 Maximum Term: 270 days

3.7.10 Non-Negotiable Certificates of Deposit (CD) (Government Code Sections 53601.8 & 53635.8)

- 3.7.10.1** Investment funds managed by an external Investment Manager may not invest in Non-Negotiable Certificates of Deposit.
- 3.7.10.2** L.A. Care must choose a nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union in this state to invest the funds, which shall be known as the "selected" depository institution, and the funds shall be known as "Placement Service Deposits."
- 3.7.10.3** The selected depository institution may submit the funds to a private sector entity that assists in the placement of certificates of deposit with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States, for the local agency's account.
- 3.7.10.4** The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.
- 3.7.10.5** Maximum Term: Five (5) years

3.7.11 Repurchase Agreements (Government Code Section 53601(j))

- 3.7.11.1** Repurchase Agreements are permitted provided that:
 - 3.7.11.1.1** The terms of the agreement do not exceed one year.
 - 3.7.11.1.2** Repurchase Agreements are permitted if collateralized by U.S. Agencies or U.S. Treasuries with any registered broker-dealer or commercial bank insured by the FDIC so long as at the time of the investment:
 - 3.7.11.1.2.1** Such registered broker-dealer is a recognized primary dealer, and
 - 3.7.11.1.2.2** Such primary broker-dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated A-1 short term or A long term, or equivalent or better by an Approved NRSRO.
- 3.7.11.2** A broker dealer master Repurchase Agreement must be signed by the Investment Manager (acting as "Agent") and approved by

the Investment Professional prior to entering into any repurchase transaction.

3.7.11.3 The securities are held free and clear of any lien by L.A. Care's Custodian or Agent for the Custodian, and such third party is a:

3.7.11.3.1 Federal Reserve Bank, or

3.7.11.3.2 A bank which is a member of the Federal Deposit Insurance Corporation (FDIC) and which has a combined capital surplus and undivided profits of not less than \$50 million and the Custodian shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as Agent for L.A. Care's Custodian, and

3.7.11.3.3 A perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq., or 31 C.F.R 350.0 et seq. in such securities is created for the benefit of L.A. Care's Custodian.

3.7.11.4 The Agent must provide L.A. Care's Custodian and Investment Professionals with a valuation of the collateral securities value no less frequently than weekly and shall liquidate the collateral securities if any deficiency in the required one hundred and two percent (102%) collateral percentage is not restored within two business days of such valuation.

3.7.11.5 Maximum Term: One (1) year.

3.7.11.6 Reverse Repurchase Agreements are not allowed.

3.7.12 Medium Term Maturity Corporate Securities (Government Code Section 53601(k))

3.7.12.1 Medium Term Maturity Corporate Securities are corporate and depository institution debt securities with a maximum remaining maturity of five years (5) or less. Medium Term Maturity Corporate Securities must:

3.7.12.1.1 Be Corporate Securities that have a rating of A- or equivalent or better by an Approved NRSROs with a Maturity of five (5) years or less,



3.7.12.1.2 Be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or by any state and are operating within the United States that have total assets in excess of five hundred million dollars (\$500,000,000),

3.7.12.1.3 Represent no more than five percent (5%) of the issue in the case of a specific public offering. This limitation does not apply to debt that is “continuously offered” in a mode similar to Commercial Paper (i.e., medium term notes (MTN’s)), and

3.7.12.1.4 Represent no more than 5% of the portfolio for both MTN’s and Commercial Paper combined of any one corporate issuer.

3.7.12.2 Maximum Term: Five (5) years

3.7.13 Money Market and Mutual Funds (Government Code Section 53601(l))

3.7.13.1 Investments in shares of beneficial interest issued by diversified management companies (Money Market Funds or Mutual Funds) must be with a company that:

3.7.13.1.1 Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized rating services, or

3.7.13.1.2 If unrated, all funds must be invested 100% in government securities or securities backed by government collateral.

3.7.13.1.3 Any investments in a Mutual Fund must be with a Mutual Fund that invests in the securities and obligations authorized by Government Code Sections 53601(a) to (r), inclusive.

3.7.13.1.4 Any investments in a Money Market Fund must be with a Money Mutual Fund that follows regulations specified by the SEC under the Investment Company Act of 1940.

3.7.13.1.5 Not more than ten percent (10%) of L.A. Care’s investment funds may be invested in any one Mutual



Fund. However, Money Market Funds are not subject to a maximum investment limitation per fund.

3.7.13.1.6 Investment in Exchange Traded Funds (ETFs) are not allowed.

3.7.14 Mortgage or Asset Backed Securities (Government Code Section 53601(o))

3.7.14.1 Though these securities may contain a third-party guarantee, they are a package of assets being sold by a trust, not a debt obligation of the sponsor. Other types of “backed” debt instruments have assets (such as leases or consumer receivables) pledged to support the debt service. However, Mortgage Backed Securities primarily backed by sub-prime collateral are not allowed.

3.7.14.2 Investments in any Mortgage Pass-Through Securities, collateralized Mortgage Obligations, Mortgage Backed or other pay through bond, equipment lease backed certificate, consumer receivable pass through certificate, or consumer receivable backed bonds must be:

3.7.14.2.1 Rated AA-, or its equivalent or better by an Approved NRSRO.

3.7.14.3 Maximum Term: Five (5) years

3.7.15 Variable and Floating Rate Securities

3.7.15.1 Variable and Floating Rate Securities are an appropriate investment when used to enhance yield and reduce risk. They should have the same stability, liquidity and quality as traditional market securities.

3.7.15.2 Variable and Floating Rate Securities with a final Maturity not to exceed five (5) years as described above, must utilize Money Market asset indices such as U.S. Treasury Bills, Federal Funds, Commercial Paper, Secured Overnight Financing Rate (SOFR) ~~LIBOR~~ or a LIBOR alternative reference rate ~~SOFR~~. Investment in Floating Rate Securities whose reset is calculated



using more than one of the above indices are not permitted, i.e., dual index notes.

3.7.15.3 No investments shall be made in inverse floaters, range notes, interest-only strips derived from mortgage pools, and securities that could result in zero-interest accrual if held to maturity. Zero-interest accrual means the security has the potential to realize zero interest depending upon the structure of the security.

3.7.15.3.1 Zero coupon bonds and similar investments that start at a level below the face value are permissible because the value does increase.

3.7.15.3.2 Securities issued by, or backed by, the United States government, in the event of, and for the duration of, a period of negative market interest rates are allowed until 1/1/2026.

3.7.15.4 Maximum term is determined by the underlying security type

3.7.16 Government Pooled Funds (Government Code Section 53601(p))

3.7.16.1 Investments are permitted in Government Pooled Funds including, but not limited to, County Pooled Investment Funds, Joint Powers Authority Pools, the Local Agency Investment Fund, and the Voluntary Investment Program Fund.

3.7.16.2 A Joint Powers Authority Pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years of experience investing in instruments authorized by Government Code Sections 53601(a) to (r).

3.7.16.3 Any investments in the Voluntary Investment Program Fund must be between \$200 million and \$10 billion dollars and must be approved by the Board of Governors.

3.7.16.4 For any investments in the Local Agency Investment Fund or County Pooled Investment Fund, the CFO may provide to the Board of Governors and the auditor the most recent statement or statements received from those institutions in lieu of the information otherwise required to be provided in the quarterly reports pursuant to Paragraph 6.2.



3.7.16.5 Maximum Term: Five (5) years (per Government Code Section 53601)

3.7.17 Supranational Obligations (Government Code Section 53601(q))

3.7.17.1 Certain supranational obligations are permitted provided that the obligations are:

3.7.17.1.1 U.S. Dollar denominated,

3.7.17.1.2 Senior Obligations,

3.7.17.1.3 Issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank,

3.7.17.1.4 Represent no more than 10% of the portfolio for any one allowed issuer

3.7.17.1.5 Eligible for purchase and sale within the United States, and

3.7.17.1.6 Rated AA-, or equivalent or better by an Approved NRSRO.

3.7.18 Public bank debt and obligations (Government code section 53601(r))

3.7.18.1 A public bank is as defined under section 2.23 of this policy and must be wholly owned by a local agency, local agencies, or a joint powers authority in California.

3.7.18.2 Certain Public bank debt and obligations are permitted as follows:

3.7.18.2.1 Medium Term Maturity Debt Securities. Medium Term Maturity Securities must:

3.7.18.2.1.1 Be rated A- or equivalent or better by an Approved NRSROs with a Maturity of five (5) years or less,



3.7.18.2.1.2 Represent no more than five percent (5%) of the issue in the case of a specific public offering.

3.7.18.2.1.3 L.A. Care's investment funds may not be used to purchase more than five percent (5%) of the outstanding debt securities issued by any single public bank issuer.

3.7.18.2.2 Commercial Paper. Investments in public bank Commercial Paper must be:

3.7.18.2.2.1 Rated A-1, or equivalent, or higher by an Approved NRSRO.

3.7.18.2.2.2 Issued by public banks rated A-3, or equivalent, or higher by an Approved NRSRO on long term debt, if any, and

3.7.18.2.2.3 L.A. Care's investment funds may not be used to purchase more than five percent (5%) of the outstanding Commercial Paper issued by any single public bank issuer.

3.7.18.2.2.4 Maximum Term: 270 days

3.7.19 Securities & Exchange Commission (SEC) Rule 144A Securities

The Securities and Exchange Commission adopted amendments to update and improve the definition of "accredited investor" in the Commission's rules and the definition of "qualified institutional buyer" in Rule 144A under the Securities Act of 1933. The list of entities that are eligible to qualify as QIB in Rule 144A under the Securities Act was expanded to include all institutional investors (including governmental entities) with \$100 million or more in their investment portfolio.

3.7.19.1 Rule 144A securities that are consistent with all other sections of the investment policy are permitted.

3.7.20 Securities Lending

3.7.20.1 Securities lending is allowed but are subject to the conditions and restrictions in the California Government Code Sections 53601(j) and 53601(l).

**3.7.21 Derivatives**

- 3.7.21.1** Investments in derivative securities are not allowed, except as permitted by this Annual Investment Policy, including but not limited to, US Treasury STRIPS as discussed in Section 3.7.3.

3.14.8 Diversification Guidelines**3.14.8.1 Investment Security Diversification at the time of purchase:**

| <i>Type of Security</i> | <i>Maximum Portfolio %</i> |
|---|----------------------------|
| US Treasuries, including STRIPS | 100% |
| Federal Agencies, and US Government Enterprises | 100% |
| State Obligations (CA and others) and CA Local Agency Obligations | 30% |
| Bankers' Acceptances | 40% |
| Commercial Paper | 25% |
| Negotiable Certificates of Deposit | 30% |
| Non-Negotiable Certificates of Deposit | 100% |
| Placement Service Deposits | 30% |
| Repurchase Agreements | 100% |
| Medium Term Maturity Corporate Securities | 30% |
| Money Market Funds and Mutual Funds Combined | 20% |
| Mortgage and Asset Backed Securities | 20% |
| Variable and Floating Rate Securities | * |
| Government Pooled Funds | 100% |
| Certain Supranational Obligations | 30% |
| Public Bank Obligations | 30% |
| SEC Rule 144A securities | * |

* Maximum holding percentage is based on underlying security type limits listed.

3.14.8.2 Issuer / Counterparty Diversification Guidelines:

| <i>Issuer / Counterparty</i> | <i>Maximum Portfolio %</i> |
|------------------------------|----------------------------|
|------------------------------|----------------------------|



| | |
|---|------|
| Any one Federal Agency or Government Sponsored Enterprise | 100% |
| Any one of the allowed Supranational obligation issuer | 10% |
| The combined Medium Term Maturity Corporate Securities and/or Commercial Paper of any single issuer | 5% |
| Any one Repurchase Agreement counterparty name: | |
| If Maturity / Term is less than or equal to 7 days | 50% |
| If Maturity / Term is greater than 7 days | 25% |

3.14.33.8.3 For all other securities described under Authorized Investments that are permitted investments, no more than two percent (2%) of L.A. Care's funds may be invested with any one issuer, unless otherwise stated.

3.14.43.8.4 L.A. Care's CFO and Investment Manager(s) (if any) must review the portfolio he/she manages to ensure compliance with L.A. Care's Diversification guidelines at the time of each purchase.

3.15.3.9 Leverage

3.15.13.9.1 The investment portfolio, or investment portfolios managed by an Investment Manager, cannot be used as collateral to obtain additional investment funds.

3.16.3.10 Underlying Nature of Investments

3.16.13.10.1 L.A. Care and its Investment Manager(s) shall not make investments in organizations which have a line business that is visibly in conflict with public health or the mission of L.A. Care.

3.16.23.10.2 L.A. Care and its Investment Manager(s) shall not make investments in Negotiable Certificates of Deposit of a state or federal credit union if a member of its Board or Executive Officers also serves on the Board of Governors of that credit union.

3.16.33.10.3 L.A. Care will provide the Investment Manager(s) with a list of corporations that do not comply with the Annual Investment Policy and shall notify its Investment Manager(s) of any changes.

3.16.43.10.4 Investment Manager(s) will not enter into any investments with any institutions with which the Investment Manager is affiliated.

3.17.3.11 Rating Downgrades



~~3.17.13.11.1~~ L.A. Care may from time to time be invested in a security whose rating is downgraded below the quality permitted in this Annual Investment Policy.

~~3.17.23.11.2~~ For any security, whose credit rating falls below the minimum required rating required as per the California Government Code and the Investment Policy, the CFO will make the decision whether to continue to hold the security. For all other security rating downgrades, the decision as to whether L.A. Care will continue to hold that security will be left to the Investment Manager.

~~3.18.3.12~~ Rating Guidelines

~~3.18.13.12.1~~ A security must be rated by one or more of the following Approved NRSROs: 1) Standard and Poor's 2) Moody's, or 3) Fitch Ratings. Unless specifically stated otherwise for a specific asset class, if a security is rated at different rating levels by two or more Approved NRSRO's, the highest rating will apply.

~~3.18.23.12.2~~ All investments must adhere to rating requirements outlined under the sections authorizing their purchase under section 3.7.

~~3.18.33.12.3~~ Notwithstanding Section 3.7.16, L.A. Care may invest in Government Pooled Funds that invest only in high grade securities or obligations.

4.0 PROCEDURES:

4.1 Safekeeping and Delivery

4.1.1 Investments purchased shall be held by a Custodian bank acting as agent for L.A. Care and such custody agreement shall be in compliance with Government Code Section 53608.

4.1.2 All security transactions, including collateral for repurchase agreements, shall be conducted on a Delivery vs. Payment (DVP) basis. Any exception to this standard delivery practice, e.g., DVP failure necessitating delivery other than by simultaneous exchange, shall require written procedural approval by the CFO.

4.1.3 The CFO shall have the authority to appoint the Custodian and execute the custody agreement.



4.2 Authorized Financial Dealers and Institutions

4.2.1 In compliance with Government Code Section 53601.5, investment transactions initiated by or on behalf of L.A. Care may only be transacted with the following,

4.2.1.1 Banks and securities broker dealers designated as “Primary Dealers” defined by the Federal Reserve Bank of New York.

4.2.1.2 An institution licensed by the state as a broker dealer as defined in section 25004 of the California Corporations Code.

4.2.1.3 A member of a federally regulated securities exchange.

4.2.1.4 A national or State Chartered Bank.

4.2.1.5 A savings association or federal association as defined by section 5102 of the California Financial Code.

5.0 MONITORING:

5.1 Board of Governors

5.1.1 The CFO is responsible for providing the Board of Governors with an Annual Investment Policy, and the Board of Governors is responsible for adopting the Annual Investment Policy and ensuring investments are made in compliance with the AFS-008, Annual Investment Policy. Investments will be made in recognition of L.A. Care’s need to comply with tangible net equity (Title 28 California Code of Regulations Section 1300.76) and other solvency and financial reporting requirements set forth by the Department of Managed Health Care. This Annual Investment Policy shall be reviewed and approved annually by the Board of Governors at a public meeting pursuant to Section 53646(a) (2) of the California Government Code.

5.1.2 The CFO is responsible for directing L.A. Care’s investment program and for compliance with this policy pursuant to the delegation of authority to invest funds or to sell or exchange securities. The CFO shall provide a quarterly report to the Board of Governors. The CFO shall also provide the Board of Governors with a monthly report of investment transactions.

5.2 Finance and Budget Committee

5.2.1 Duties and responsibilities of the Finance and Budget Committee are distinct from those of the CFO as follows:



5.2.1.1 The CFO and staff are responsible for the day-to-day management of L.A. Care's investment portfolio and the making of specific investments.

5.2.1.2 The Board of Governors is responsible for the Annual Investment Policy. The Finance and Budget Committee shall not make or direct L.A. Care management to make any particular investment, purchase any particular investment product, or do business with any particular investment companies or brokers. It shall not be the purpose of the Finance and Budget Committee to provide advice to the CFO on particular investment decisions of L.A. Care.

5.2.2 The duties and responsibilities of the Finance and Budget Committee shall consist of the following:

5.2.2.1 Review of the Annual Investment Policy annually before its consideration by the Board of Governors and recommend revisions.

5.2.2.2 Review L.A. Care's investment portfolio quarterly to confirm compliance with the Annual Investment Policy, including its diversification and maturity guidelines.

5.2.2.3 Provide comments to the CFO regarding potential investments and potential investment strategies.

5.2.2.4 Periodically review investment security diversification and investment strategies with Investment Manager(s).

5.2.2.5 Perform such additional duties and responsibilities as may be required from time to time by specific action and direction of the Board of Governors.

5.3 Internal Control and Audit

5.3.1 The CFO shall establish internal controls to provide reasonable assurance of compliance with the Annual Investment Policy and the California Government Code. The controls shall also be designed to prevent theft and misuse of funds.

5.3.2 Internal controls should include, but are not limited to:



- 5.3.2.1 Segregation of duties (e.g., the purchaser of investments is different than the person recording the transaction),
- 5.3.2.2 Reconciliation of investment report and cash balances, and
- 5.3.2.3 Authorization of transactions.

5.3.3 To ensure compliance with the Annual Investment Policy, the investment portfolio holdings shall be reviewed monthly by the CFO and staff, and the portion of the investment portfolio that each investment Manager is responsible for shall be reviewed by the respective Investment Manager(s).

5.3.4 An independent review shall be performed on LA Care's investment holdings on a quarterly basis. This review will provide internal control by assuring compliance with investment portfolio requirements established by the Annual Investment Policy.

5.3.5 Investment transactions of L.A. Care may be reviewed during the annual audit performed by the public accounting firm selected by the Audit Committee. The results of the audit of the investment transactions shall be presented in a report prepared by the auditors to the Audit Committee and the Board of Governors for their review, acceptance, and action as the Board of Governors deems necessary. A full audit of the investment of L.A. Care may be requested by the Finance and Budget Committee or Board of Governors at any time.

5.4 Performance Benchmarks

5.4.1 L.A. Care's investment portfolio shall be designed to achieve a market-average rate of return through economic cycles similar to authorized investment instruments, which have similar security maturities and levels of risk.

5.4.2 The performance benchmarks for the investment portfolio will be based upon the market indices for short term investments of comparable risk and duration. These performance benchmarks will be agreed to by the CFO and the Investment Manager(s) and the relative performance of the investment portfolio will be reviewed with the Finance and Budget Committee quarterly.

6.0 REPORTING:

6.1 Monthly (Government Code Section 53607)

6.1.1 The CFO shall submit a monthly report of investment transactions to the Finance and Budget Committee as outlined under Government Code Section 53607.

6.2 Quarterly (Government Code Section 53646)

6.2.1 At a minimum, the CFO shall present a quarterly report with the following information to the Finance and Budget Committee:

6.2.1.1 Type of investment;

6.2.1.2 Issuer name;

6.2.1.3 Date of maturity;

6.2.1.4 Par amount;

6.2.1.5 Dollar amount invested in all securities and investments and monies held by L.A. Care;

6.2.1.6 A description of the funds, investments, and programs (including lending programs) managed by contracted parties (i.e., LAIF, investment pools, outside money managers, and securities lending agents);

6.2.1.7 Current market value as of the date of the report of all funds held by L.A. Care and under management of any outside party that is not also a local agency or LAIF and the source of the valuation;

6.2.1.8 A statement of compliance with the investment policy or an explanation for non-compliance; For funds that have been placed in a county investment pool, LAIF, or FDIC insured bank deposit, the CFO may substitute the most recent account statement received from those entities in lieu of the information on these investments that is otherwise required by Section 53646.

6.2.1.9 Return on investments on the total portfolio made by L.A. Care.