CalViva Health
Finance
Committee Meeting Minutes

March 18, 2021

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

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

AGENDA ITEM / PRESENTER	MOTIONS / MAJOR DISCUSSIONS	ACTION TAKEN
#1 Call to Order D. Maychen, Chair	The meeting was called to order at 11:30 am. A quorum was present via conference call in lieu of gathering in public per executive order signed by the Governor of California on Monday, 3/16/2020, allowing Public Health Plans subject to the Brown Act to hold public meetings via teleconferencing due to COVID-19. A quorum remains a requirement to take actions, but can be achieved with any combination of Commissioners' physical attendance at the public location or by teleconferencing.	A roll call was taken.
#2 Finance Committee Minutes	The minutes from the February 18, 2021 Finance meeting were	Motion: *Minutes were approved*

dated February 18, 2021 Attachment 2.A Action D. Maychen, Chair	approved as read.	*5 – 0 – 0 – 2* *(Nikoghosian / Frye)* A roll call was taken.
#3 Financial Statements as of January 31, 2021 Action D. Maychen, Chair	Total current assets were approximately $311.1M; total current liabilities were approximately $212.7M. Current ratio is 1.46. TNE as of January 31, 2021 was approximately $108.5M, which is approximately 686% above the minimum DMHC required TNE amount. Through January 31, 2021, actual premium capitation income recorded was approximately $739.6M which is approximately $728K above budgeted amounts, primarily due to CVH no longer experiencing an MCO tax loss beginning January 2021, and also due to the pharmacy carve out being delayed. In the budgeted financials for FY 2021, we projected the pharmacy carve out effective date of 1/1/21; that has since been delayed a second time and is likely to be delayed through the end of FY 2021, which will lead to higher actual revenues/rates in comparison to budgeted revenues/rates. As such, the difference between actual and budgeted revenue is projected to continue to grow on the positive side through the end of FY 2021. Total cost of medical care expense actual recorded is approximately $617.7M which is approximately $4M more than budgeted due to enrollment being higher than projected. Admin service agreement fees expense was $548K more than budgeted primarily due to enrollment being higher than projected. With the exception of Labor, all other expense line items are in line or below what is budgeted for FY 2021. Through January 2021, there is a net loss of approximately $279K, which is approximately $3.7M less than projected primarily due to the MCO tax loss incurred during the first six months of FY 2021. Effective January 2021, DHCS has increased the MCO tax revenue rate and the net loss is anticipated to turn positive with projected net income to be	Motion: *Financials as of January 31, 2021 were approved* *6 – 0 – 0 – 1* *(Frye / Nikoghosian)* A roll call was taken.

	approximately between $6M to $7M by the end of FY 2021. *Supervisor Rogers arrived at 11:31 am*	
#4 Fiscal Year 2022 – Proposed Budget Action D. Maychen, Chair	They key changes to the FY 2022 basic budget assumptions from what was presented in the February 2021 Finance Committee meeting include two scenarios based on the pharmacy carve out effective date as it relates to revenues and medical cost of care expense. The first budget assumes the pharmacy carve out will be effective 7/1/2021. Under this assumption, revenues are projected to decrease in comparison to FY 2021 primarily due to the pharmacy carve out rates affecting entire FY 2022 revenues versus just half of FY 2021. That is net of an increase in rates due to an increase in MCO tax revenue rates and increase in rates to account for new programs moving into Medi-Cal Managed Care and an increase in enrollment. Second budget assumes the pharmacy carve out will be effective 1/1/2022. Under this assumption, revenues are projected to increase in comparison to prior year budget primarily due to the increase in MCO tax, increase in rates, and mainly due to an increase in enrollment. The second change made to the budget assumption is the Community Support/Grants expense. Additional federal funds were provided to the local county health departments to assist with COVID vaccinations and testing; therefore, this has been readjusted and funds have been reallocated to continue to provide support to the community and also to use those funds to address the declining market share. The main difference between the two budgets is the Medical Revenue and Medical Cost of Care Expense line items, all other line items are the same as presented during February's meeting. Under the assumption the pharmacy carveout begins 1/1/22, medical	Motion: *FY 2022 Proposed Budget approval granted for both assumptions to forward to Commission* *6 – 0 – 0 – 1* *(Nikoghosian / Neves)* A roll call was taken.

	revenue is projected to be approximately $1.25B, which is approximately a $64M increase from previous budget primarily due to an increase in MCO tax revenue, increase in rates, and an increase in enrollment. Investment income is projected to decline primarily due to the decline in yields, and the discontinuance of the Wells Fargo daily sweep account. Medical cost expense is projected to be approximately $1B, which is approximately $46.8M more than budgeted for FY 2021 primarily due to an increase in rates and an increase in enrollment. Admin service fees expense is projected to increase approximately $2M primarily due to increase in enrollment projected for FY 2022. Salary, wages, and benefits expense is projected to increase by approximately $448K primarily due to merit increases, increase in insurance premiums, and PTO accrual/payout. Consulting expense is projected to increase by approximately $195K primarily due to the CalAIM initiative which requires all Medi-Cal Managed Care plans to be NCQA accredited by 2026. Grants expense decreased by approximately $575K due to making one-time large adjustments in 2020 to provide funds to the community in response to COVID pandemic. Travel expense to decrease approximately $9K due to COVID and limitations on traveling. MCO taxes projected to increase by approximately $16.6M primarily due to the MCO tax structure which includes escalating taxes each State fiscal year. Capital expenditure to increase approximately $200K more than budgeted in FY 2021 due to potential tenant improvements in relation to the vacant space available in building. MCO tax loss is projected to be approximately $2.3M for the first six months of FY 2022. Overall, projected net income is approximately $3.6M which is approximately $1.7M less than prior budget primarily due to the MCO tax loss net of increase in enrollment. Under the assumption the pharmacy carveout begins 7/1/21, the key difference is medical revenue which would be budgeted at $1.14B, which is approximately a $46.7M less from FY 2021 budget primarily due to pharmacy carve out being effective the entire FY 2022 in	

	comparison to half of FY 2021, net of increase in rates and increase in enrollment. The other key difference between the two budget assumptions would be Medical cost expense, which is projected to be approximately $910.2M, which is about $62.3M less than budgeted for FY 2021, primarily due to pharmacy carve out affecting all of FY 2022, net of increase in rates and enrollment. Net income projected to be approximately $2M, which is about $3.4M less than budgeted for FY 2021 primarily due to the MCO tax loss and pharmacy carve out affecting all of FY 2022. Overall, the difference between the two budget assumptions is approximately $1.7M net income decrease if pharmacy carve out is effective 7/1/21 as opposed to 1/1/22. The recommendation is to present both budgets to the Commission and make a final decision based on the budget that is more aligned with the actual pharmacy carve out effective date when confirmed by DHCS.	
#5 Investment Policy Action D. Maychen, Chair	The investment policy was revised per recommendation by Finance committee during February's meeting. The revision was made to section 2.E stating the investment performance will be included as part of the Plan's financials in the Budget vs Actuals Income Statement presented during each Finance Committee meeting.	Motion: *Investment Policy approved* *6 – 0 – 0 – 1* *(Frye / Nikoghosian)* A roll call was taken.
#6 Announcements	None.	
#7 Adjourn	Meeting was adjourned at 11:51 am	

Finance Committee

Submitted by: Cheryl Hurley

Cheryl Hurley, Clerk to the Commission

Dated: May 20, 2021

Approved by Committee: Daniel Maychen

Daniel Maychen, Committee Chairperson

Dated: 5/20/2021