CalViva Health
Finance
Committee Meeting Minutes

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

March 21, 2024

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

AGENDA ITEM / PRESENTER	MOTIONS / MAJOR DISCUSSIONS	Comments	ACTION TAKEN
#1 Call to Order D. Maychen, Chair	The meeting was called to order at 11:30 am, a quorum was present.		
#2 Finance Committee Minutes dated February 15, 2024 Attachment 2.A Action, D. Maychen, Chair	The minutes from the February 15, 2024, Finance meeting were approved as read.		Motion: *Minutes were approved* *6 – 0 – 0 – 1* *(Rogers / Neves)*
#3 Financials – as of January 31, 2024 Action D. Maychen, Chair	Total current assets recorded were approximately $711.2M; total current liabilities were approximately $570.1M. Current ratio is approximately 1.25. Current assets and liabilities are higher due to accruing for the new MCO taxes which are substantially higher than in the past. Total net equity was approximately $151M, which is approximately 847% above the minimum DMHC		Motion: *Financials as of January 31, 2024, were approved* *6 – 0 – 0 – 1* *(Frye / Rogers)*

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	required TNE amount. For the first seven months of the current fiscal year, interest income actual recorded was approximately $4.5M, which is approximately $2.4M more than budgeted due to interest rates on our money market funds being higher than projected. Premium capitation income actual recorded was approximately $1.2B which is approximately $209.6M more than budgeted due to accounting for MCO taxes that are applicable to fiscal year 2024 with $125M related to FY 2023, and enrollment and rates being higher than projected. Total cost of medical care expense actual recorded is approximately $765.4M which is approximately $80.9M more than budgeted due to rates and enrollment being higher than projected. Admin service agreement fees expense actual recorded was approximately $33.6M, which is approximately $2.4M more than budgeted due to enrollment being higher than projected. Taxes were approximately $423.4M, which is approximately $125.5M more than budgeted due to that portion of MCO taxes relating to FY 2023 (April 2023 – June 2023 quarter). Net income through January 31, 2024, was approximately $9.6M, which is approximately $4.5M more than budgeted primarily due to interest income being approximately $2.4M higher than projected, and rates and enrollment being higher than projected.		
#4 Fiscal Year 2025 – Proposed Budget	Basic assumptions have not changed from information presented at the February Finance meeting. Medical revenue is projected to be approximately $1.82B which is approximately a $84.2M more than budgeted primarily due to an increase in MCO taxes by approximately $30.9M, an increase in rates due to DHCS updating/increasing Medi-Cal rates, and an increase in enrollment in comparison to FY 2024. Interest income is projected to be approximately $4M, which is approximately $400K more than budgeted due to allocating more funds to the money market funds account. Medical Cost expense is projected to be approximately $1.18B which is approximately $50.2M more than budgeted in FY 2024 due to enrollment and		Motion: *FY 2025 Proposed Budget approved to move to Commission* 6 – 0 – 0 – 1 (Rogers / Rahn)

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	rates being higher. Admin Services fee expense is projected to be approximately $53.7M which is approximately $2.3M more than fiscal year 2024 due to higher enrollment projected in fiscal year 2025 as there has been a smaller amount of disenrollments than initially projected for fiscal year 2024. Salary and wage expense is projected to be approximately $5M which is approximately $487K more than budgeted due to potentially adding staff to meet the new 2024 contract requirements, which includes NCQA Dual-SNP Medicare/Medi-Cal program, and accounting for succession planning for key management positions nearing retirement age. Dues and subscriptions expense is projected to be approximately $298K which is approximately $64K more than projected due to trade associations that represent the Plan looking to increase their staffing as they continue to support Plans with changes occurring with the 2024 contract requirements. Grants expense is projected to be approximately $4.3M which is $400K more than budgeted due to the DHCS 2024 contract requirement which requires Plans to invest 5% of their net income to community reinvestment initiatives. In addition to the 5%, plans will have to contribute 7.5% of their net income to community reinvestment initiatives if they fail certain quality metrics to be detailed in a future guidance document. The Plan is waiting for the final guidance. Legal and professional expenses are projected to be approximately $323K which is approximately $123K more than projected in comparison to fiscal year 2024 due to CalViva Health looking to add an online option for members to access their ID cards on the CalViva Health website. Office expense is projected to be $114K, which is approximately $23K more than budgeted due to expanding current office space, specifically relating to items below our fixed asset threshold. Recruitment expense is projected to be approximately $157K, which is approximately $45K more than budgeted due to recruiting fees to add potential staff and succession planning for certain management staff near retirement age.	*John Frye asked if this was the first time for this requirement?* *Daniel Maychen confirmed, yes.* *Supervisor Neves asked if the Plan has received the guidelines yet?* *Daniel Maychen stated they haven't released the final APL yet and won't be released until Q2 2024. DHCS did release some draft materials and asked for Plan feedback.*	

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	MCO taxes projected to be $563.7M which is approximately $30.9M more than budgeted in FY 2024 due to the MCO tax structure that has a built-in increase. Capital Expenditure budget is projected to be $500K which is a $100K increase due to accounting for potential tenant improvements to current vacant office space, and improvements to the additional office space CVH is taking on. Net Income is projected to be approximately $8.7M which is approximately $192K less than what was budgeted in FY 2024 primarily due to an increase in admin expenses net of increase in rates and enrollment.	*Supervisor Rogers asked if there is a policy in place to distribute equally between the three counties?* *Daniel Maychen reported that DHCS has preliminarily communicated the allocation method which is mainly going to be membership driven.* *Rose Mary Rahn asked if they are going to align that with the SMART goal development as per the MOU with population health?* *Daniel Maychen stated, there are two parts to the community reinvestment plan; the base is 5% of annual net income and there are prespecified categories plans have to fund within those prespecified categories. Then there is the quality community reinvestment funding, which is an additional 7.5% of annual net*	

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		income. If plans fail certain quality metrics, the State expects the plan to reinvest into the community in those failing quality metric areas. *Supervisor Neves asked if CVH is currently in line with allocations?* *Daniel Maychen stated there appears to be some alignment.* *Jeff Nkansah followed up explaining there are different categories in how DHCS is creating the buckets and the Plan's current community support program is in review to see if it's going to meet the requirements. The Plan is working to account for both scenarios.* *John Frye asked if there was anything that maybe hasn't been accounted for in the budget as of yet? And how big does Kaiser want into the Medi-Cal arena?*	

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		Daniel Maychen stated the main issue would be if something happens with enrollment. Kaiser Medi-Cal is now effective in the Plan's service counties. The Plan has lost some members to Kaiser since January. *Jeff Nkansah stated that currently, Kaiser is not focusing much on Fresno, Kings, and Madera counties. They are more focused on dual membership, and foster kids. They are not taking any auto assignments in 2024.* *Rose Mary Rahn added that for Kings County, Kaiser is aligning with a lot of projects but she's not seeing the membership.*	
#5 Announcements	In follow up to the significant increase in the MCO tax discussed at previous meetings, the quarterly invoice the Plan used to pay was approximately $40M; it increased to $125.5M. In the past, DHCS would pay the Plan the money ahead of time as its embedded in the capitation rates and they paid the Plan monthly and includes the MCO tax revenues. Shortly after the end of each quarter, the plan would pay it back to DHCS. With the new MCO tax, DHCS was requiring plans to front the money, which is about $125.5M for CVH. CVH contacted DHCS on January 18, 2024, to ask for an extension, or waive the interest, until DHCS paid	*John Frye asked if this was the federal match, and based off of how quickly the government gets the money, is this why they are doing this?*	

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	the Plan the funds. At that time, the Plan had approximately $61M in checking and $83M in a money market account, which the Plan would've been required to almost fully liquidate to front the $125.5M MCO tax. This would cause the Plan to forfeit approximately $400K in interest income. The MCO tax was due February 5, 2024, and as of March 21st, the Plan has not heard back from DHCS on the waiver decision. The Plan made the payment on March 15th after funds were received on March 14th. Before the official request was sent in, Daniel (CFO) reached out to a finance chief at DHCS to explain the situation and the response was that the waiver request appeared reasonable. Other CFO's have been encouraged by DHCS to submit a waiver as well. As such, it appears that DHCS would be agreeable to waive the interest fees.	*Daniel Maychen stated, yes, this is the MCO tax which receives a federal match. Also, when asking DHCS why they made the timeline/due date the way it was, DHCS responded that the timeline is based on applicable regulations. When asked why DHCS couldn't give Plans the money ahead of time, DHCS stated they had issues getting the MCO tax revenue funds out. Worst case scenario if the Plan has to pay the interest, it's approximately $1.3M, which the Plan will push back because of asking for the waiver three weeks in advance and having to forfeit interest income to front first MCO tax payment.*	
#6 Adjourn	Meeting was adjourned at 11:49 am		

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

Dated: May 16, 2024

Approved by Committee: Daniel Maychen
Daniel Maychen, Committee Chairperson

Dated: 5/16/24