



**Joint San Francisco Health Authority/San Francisco Community Health Authority
Governing Board
May 3, 2017
Meeting Minutes**

Chair: Steven Fugaro, MD
Vice-Chair: Barbara Garcia
Secretary-Treasurer: Reece Fawley

Members

Present: Edwin Batongbacal, Dale Butler, Eddie Chan, Pharm D, Lawrence Cheung, MD, Irene Conway, Steven Fugaro, MD, Reece Fawley, Steve Fields, Maria Luz Torre, Emily Webb, David Woods, Pharm D, and Brenda Yee

Members

Absent: Barbara Garcia, John Gressman and Roland Pickens

Steven Fugaro, MD, Chair, chaired the meeting and called the meeting to order. Dr. Fugaro asked if there was anyone from the public in attendance that wanted to make any comments. As a reminder, and as stated on our agenda, he stated each member making a public comment is limited to three (3) minutes in order to complete our Board meeting within the two-hour timeframe. Also, in accordance with the Brown Act, the public meeting law that requires transparent public meetings, he stated the Board would not be allowed to have a discussion or take action on any matters not on the pre-disclosed meeting agenda.

Luke Diaz and Amil Patel from Scriptdash Pharmacy spoke on an issue related to their request to join the SFHP pharmacy network. Mr. Diaz presented information about their services, including that they have served 800 members, with about 600 prescriptions per month. They operate in the Dogpatch district of San Francisco and delivery prescriptions. They have not been allowed to participate in the network "due to a name change issue" that is under review by the SFHP Compliance team. They expressed their interest to participate in the network.

Dr. Fugaro thanked ScriptDash representatives and stated staff from SFHP would be in touch with them.

Heather Claus, Attorney, Daponde, Szabo, and Rowe, and Charles Conway, member of the San Francisco Health Authority Member Advisory Committee, were also in attendance but did not provide any public comments.

1. Approval of Consent Calendar

The following Board items were on the consent calendar for the Board's approval:

- a. Review and Approval of Minutes from March 1, 2017 Governing Board Meeting.
- b. Quality Improvement Committee (QIC) Minutes.
- c. Credentialing and Recredentialing Recommendations.

The Board unanimously approved the consent calendar without any issues.

2. Federal and State Updates on Affordable Care Act (ACA) Repeal/Replace Activities

Sumi Sousa, Officer of Policy Development & Coverage Programs, gave updates on the Federal and State ACA. House leaders and the White House are seeking to pass the American Health Care Act (AHCA) with the MacArthur amendment. The House seven-day recess begins on Thursday, May 4th.

On April 28th, Congress passed a short-term spending bill to fund federal government through end of FFY 2017, this bill must pass by Friday, May 5th. The White House agreed to pay cost sharing reductions (CSRs) for Plan Year 2017 through May only. CSRs make ACA insurance more affordable to individuals, which is critical to insurers that will be participating in exchanges in 2018.

SFHP will continue to follow the ACA repeal/replace activities and will keep the Board updated.

Governor Brown's May Revision to the FY17-18 State budget is to be released on May 12th. If the American Health Care Act (AHCA) passes the House, the Senate is unlikely to pass its version prior to the state budget deadline. The Legislature and Governor will have to deal with any potential impacts from the AHCA in the January 2018 proposed budget, or earlier through a special legislative session. (A detailed slide presentation was provided in the Board packet.)

3. Review and Approval of Year-To-Date Unaudited Financial Statements and Investment Reports

Recommendation: Review and approval of unaudited monthly financial statements and investment reports as presented.

John Gregoire, CFO, presented the monthly unaudited financial statements for the period ending March, 2017. (The narrative summary and financial documents were provided to the Finance Committee and are incorporated by reference.)

1. March 2017 results produced a loss of \$7,644,000 versus a budgeted margin of \$666,000.
2. March 2017 results are due to the following factors:
 - a. \$9,375,000 accrual for the FY16-17 strategic use of reserves for the medical groups. This amount is equal to 50% of the \$15 million (\$7,500,000) allocated to the medical groups plus three months (January –March) of the remaining \$7,500,000 (\$1,875,000). See bullet point #4a for additional details.
 - b. SFHP received \$426,000 in retroactive Behavioral Health Treatment kick payments from the Department of Health Care Services (DHCS) for the period of September 2014 through December 2016.
 - c. SFHP paid \$225,000 to Providers related to FY15-16 strategic use of reserves.
 - d. Five claims payment cycles, which is one more than usual.
 - e. Effective January 1, 2017, Providers received rate increases in their capitation to align with how SFHP is paid by DHCS. As a result, the AIDS category was eliminated effective January 2017.
3. A chart (on the next page) was presented with highlights of the key income statement categories with adjustments to show margin from ongoing operations for

the month of March and FY16-17 year to date.

CATEGORY	-----MARCH 2017-----				-----FYTD 16-17 THRU MAR-----			
	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
REVENUE	\$ 48,186,000	\$ 54,067,000	\$ (5,881,000)	-10.9%	\$ 427,726,000	\$ 479,833,000	\$ (52,107,000)	-10.9%
MLR	108.7%	90.9%			93.7%	90.7%		
ADMINISTRATIVE RATIO	7.6%	8.0%			6.8%	6.8%		
MARGIN (LOSS)	\$ (7,644,000)	\$ 666,000	\$ (8,310,000)	-1247.7%	\$ (1,682,400)	\$ 12,344,800	\$ (14,027,200)	-113.6%
OPERATING ADJUSTMENTS:								
FY15-16 SUR PMTS	\$ 225,000				\$ 9,498,000			
FY16-17 SUR PMTS	\$ 9,375,000				\$ 9,375,000			
BHT RETRO PMTS	\$ (426,000)							
MARGIN FROM OPERATIONS	\$ 1,530,000				\$ 17,190,600			
MLR W/O SUR PMTS	88.5%				89.2%			

4. Financial projections through September 30, 2017:
 - a. By June 30, 2017, SFHP plans to disburse \$7,500,000 (half of \$15,000,000) to the medical groups related to the FY16-17 strategic use of reserves. An additional \$3,750,000 will be added to the Practice Improvement Program (PIP) program covering the months of January through June 2017. A monthly amount of \$625,000 will continue to be added to the PIP program for the period of July through December 2017 for a total of \$15,000,000. A proposal to disburse an additional \$15,000,000 strategic use of reserves to the hospitals will be presented to the Governing Board at the May 2017 meeting.
 - b. By June 30, 2017, SFHP projects to pay an additional \$1,300,000 to providers for the FY15-16 strategic use of reserves.
 - c. Estimate 10% rate decrease for Medi-Cal Adult Expansion effective July 1, 2017 in our premium revenue and capitation expense. SFHP expects to have FY17-18 draft rates for all categories of aid by April 30, 2017.
 - d. Administrative expenses project to decrease due to seasonality trends.
 - e. See income statement charts on subsequent pages.

Mr. Gregoire stated the financials are accurate as reported. Reece Fawley, Chair of the Finance Committee, stated the Finance Committee recommended approval by the Board. The Board unanimously approved the monthly financial statements and investment reports for the period ending March 31, 2017, as presented.

The Governing Board adjourned to Closed Session. Guests from the public and staff members not involved in the Closed Session items left the room.

4. Review of Moss Adams Security Risk Assessment of Health Plan's Security Systems

This item was discussed in closed session.

5. Review and Approval of Proposed Medi-Cal Rate Reductions for the Medi-Cal Expansion Rate Category

This item was discussed in closed session.

6. Review of Proposed Changes to Contracted Medical Group Reciprocity Rates for Contracted Hospitals

This item was discussed in closed session.

The Governing Board resumed in Open Session. Staff members and members of the public joined the meeting again.

7. Report on Closed Session Action Items

Steven Fugaro, MD, Chair, reported that the Governing Board approved the following action items in Closed Session:

- a. The Board agreed not to take action to decrease provider Medi-Cal Expansion rates.

8. Review and Approval of 2017-18 Employee Health Benefit Contracts and Rates

Recommendation: SFHP recommends the Governing Board accept the employee benefit renewals as presented.

Shawn Paxson, Consultant from Lockton, presented a brief overview of the 2017-18 employee benefit rates and contracts. (Detailed slides were provided in the Board packet.)

- ❖ Initial overall renewal was 10.1%. After negotiations, the final renewal increase was 6.2%.
- ❖ Employee contributions will increase accordingly with the renewals (i.e., same percentage)

The Board unanimously approved the recommendation to accept renewals as presented.

9. Review and Approval of Proposal for Strategic Use of Reserves for Contracted Hospitals in FY16-17

Recommendation: SFHP recommends the approval of \$15 million from the Strategic Use of Reserves (SUR) to support contracted hospitals to improve member care. SFHP proposes to provide either a 12-month rate increase for FY16-17 or a grant to hospitals that submit proposals, with 10% of SUR funding at risk based on agreed upon outcomes in at least one of the four following priority domain areas:

- 1) Transitions of care
- 2) Clinical quality
- 3) Operational efficiency/service expansion
- 4) Patient experience.

SFHP determined these key priorities by interviewing hospital leaders, reviewing the landscape of hospital-based clinical and patient experience measures, and reviewing relevant clinical studies.

James Glauber, MD, MPH, Chief Medical Officer, briefly reviewed the background with the Board. In March 2017, SFHP's Governing Board approved \$15 million of SFHP's Strategic Use of Reserve (SUR) funds to be utilized for enhancement of the 2017

Practice Improvement Program (PIP). The funds will be utilized to enhance four PIP measures, with the intent to drive improvement in organizational priority areas. The recipients of these funds include provider groups providing professional services (primary and specialty care). These funds were approved by SFHP's Governing Board with the expectation that SFHP would propose a separate initiative for contracted hospitals. (Detailed memo was provided in the Board packet.)

With the Finance Committee's recommendation, the Board unanimously approved the Strategic Use of Reserves for contracted hospitals.

10. Member Advisory Committee (MAC) Report

Maria Luz Torre and Irene Conway reported that the Member Advisory Committee met in March and April 2017.

They reported that Dr. Glauber attended the March MAC Committee meeting with Laura Grossman from Beacon Health Options to discuss mental health services utilization. This topic is one of the Committee's 2017 goals. At the April meeting, SFHP staff member Rhonda Carson attended the Committee meeting to discuss the Teladoc implementation and to see if any of the Committee members would be willing to assist with testing the member registration and possibly appointment scheduling process. Most of the Committee members volunteered for testing the member registration.

11. Chief Medical Officer's (CMO) Report

a. Review and Approval of Pharmacy Benefits Management Vendor One-Year Contract Extension

Recommendation: SFHP recommends the Board approve a one-year contract extension under financial terms of no more than a 0% increase or better.

Dr. Glauber reviewed the PerformRx contract history with the Board. SFHP has been contracted with PerformRX since July 2013. (Detailed slides were provided in the Board packet.)

Contracted functions include:

- Pharmacy claim processing
- Network management
- Clinical drug utilization review & formulary support
- Prior authorizations
- Claim pricing and rebate contracting
- Call center for pharmacies and providers on a 24/7/365 basis

The Board unanimously approved a one-year contract extension with PerformRx.

b. Review and Approval to Use Practice for Improvement Program (PIP) Reserves for Diabetes, Asthma, and Hepatitis C Interventions

Recommendation: SFHP recommends the Governing Board approve that PIP Reserve funds be made available directly to PIP participants to support high-impact interventions in diabetes, asthma, and Hepatitis C. While these conditions are already targeted for quality improvement by PIP, SFHP recommends the approval of additional funds from the PIP Reserves of \$1,693,900 for projects related to prevention and appropriate diagnosis so that treatment efforts can be focused on the patients with the greatest needs.

Dr. Glauber briefly reviewed the background to the Board. The PIP is SFHP's pay-for-performance incentive program for clinics and medical groups that serve Medi-Cal and Healthy Kids. The goal of PIP is to achieve improvements in system and health outcomes. Funding is sourced from a capitation withhold, 18.5% of Medi-Cal capitation and 5% Healthy Kids capitation. PIP participants earn incentive payments on a quarterly basis. If a PIP participant does not earn 100% of their quarterly incentive payment in Quarters 1-3, unearned funds are rolled over into that participant's eligible funds for the next quarter.

In 2016, 96.7% of total PIP dollars were paid out to PIP participants based on performance improvement. Funds not earned by Quarter 4 were rolled into a PIP Reserves fund, used to support training and technical assistance in an effort to improve performance in PIP measures and related initiatives. The current PIP Reserves balance is \$1,639,900 as of April 2017 and Dr. Glauber requested the board's approval to roll the remaining balance in the PIP Reserve for the use with the specific four intervention areas. (Detailed memo was provided in the Board packet.)

The Board unanimously approved the use of PIP reserves for diabetes, asthma and hepatitis C interventions.

c. Trends in Opiate Use

Due to time constraint this item was not discussed. (Detailed slides were included in the Board packet for the Board's review.) This will be discussed at the June Board meeting.

d. Telemedicine/Teladoc Update

Due to time constraint this item was not discussed. (Detailed slides included in the Board packet for the Board's review.) This will be discussed at the June Board meeting.

e. Behavioral Health Services Update

Due to time constraint this item was not discussed. (Detailed slides were included in the Board packet for the Board's review.) This will be discussed at the June Board meeting.

12. Review Proposal and Justification for an Analytic Data Warehouse

Due to time constraint this item was not discussed. (Details were included in the Board packet for the Board's review.) This will be discussed at the June Board meeting.

13. CEO Report

Due to time constraints the CEO report was not discussed. The May 2017 CEO Report is incorporated as a reference document in Board packet.

14. Adjourn

The meeting was adjourned.

Reece Fawley, Secretary