



**Joint San Francisco Health Authority/San Francisco Community Health Authority
Governing Board
June 7, 2017
Meeting Minutes**

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

Members

Present: Edwin Batongbacal, Eddie Chan, Pharm D, Lawrence Cheung, MD, Irene Conway, Steven Fugaro, MD, Reece Fawley, John Gressman, Roland Pickens, Maria Luz Torre, Emily Webb, and David Woods, Pharm D.

Members

Absent: Dale Butler, Steve Fields, Barbara Garcia, and Brenda Yee

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.

Wendy Todd, Consulting, and Heather Claus, Attorney, Daponde, Szabo, and Rowe were in attendance as the public. There were no public comments.

1. Recognition of John Gressman, CEO, San Francisco Community Clinic Consortium

John F. Grgurina, Jr., CEO, and the Board thanked John Gressman, President and CEO of the San Francisco Community Clinic Consortium (SFCCC), for his service on the Board. Mr. Grgurina also announced that there were extra tickets to the June 27th SFCCC 35th Annual Gala, honoring Mr. Gressman's 26 years of service at SFCCC, to be held at the San Francisco War Memorial Green Room. Board members interested in attending the event were informed to contact Mr. Grgurina. Mr. Grgurina stated that Brenda Story is scheduled to start the process to serve as the new Board member for SFCCC.

2. 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 May 3, 2017 Governing Board Meeting.

The Board unanimously approved the consent calendar without any issues.

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

Sumi Sousa, Officer of Policy Development & Coverage Programs, gave updates on the federal activities related to the efforts to repeal the Affordable Care Act (ACA). The American Health Care Act (AHCA) passed the House with a vote of 217 ayes and 213 nays on May 4th. On May 24, 2017, the Congressional Budget Office (CBO) released the following estimates of the House version of the AHCA (only a few changes were

made since March):

- 23 million uninsured over 10 years
- \$834 billion in Medicaid cuts over 10 years
- \$119 billion in deficit reduction over 10 years

San Francisco Health Plan (SFHP) continues to be informed and will provide updates to the Board about the ongoing Republican efforts to repeal/replace the ACA and the impact on the State budget and Medi-Cal program.

The President's 2018 budget proposes additional deep Medicaid cuts. The budget assumes AHCA passage with over \$800 billion in Medicaid reductions, per capita caps/block grants effective 2020. In addition, the budget proposes an additional \$610 billion in Medicaid reductions over 10 years. The federal budget proposed must also be passed by the Congress.

Ms. Sousa provided an update on the State budget. The FY17-18 May revisions were released. The State budget was required to be passed and signed by June 15th. The following key highlights of the State budget were reviewed with the Board:

- Overall positive budget for Medi-Cal, with no major reductions
- Caseload growth adjusted to 13.7 million beneficiaries
- Palliative care benefit effective date moved up to January 1, 2018
- Cost shift to counties for In-Home Supportive Services (IHSS) costs reduced with additional state General Fund and county retention of realignment revenue
- Elimination of contract pharmacies in 340B program in Medi-Cal
- State budget will be passed by June 15th

Eddie Chan, Pharm.D., CEO, North East Medical Services, stated he believed the change in the requirements for a contracted 340B pharmacy had been pulled from the State budget. Ms. Sousa stated she believed he was correct and would send an update. (A detailed slide presentation was provided in the Board packet.)

4. 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 April, 2017. (The narrative summary and financial documents were provided to the Finance Committee and are incorporated by reference.)

1. April 2017 results produced a margin of \$2,632,000 versus a budgeted margin of \$1,909,000.
2. April 2017 results are above budget due to:
 - a. \$287,000 less in medical expenses, mainly in the area of non-Hepatitis C pharmacy expenses.
 - b. \$284,000 less in administrative expenses, primarily in the area of compensation and benefits.

3. Other significant items affecting the April results included:
 - a. SFHP paid \$226,000 to providers related to FY15-16 Strategic Use of Reserves (SUR).
 - b. 100 maternity events versus 90 events in March and 84 events in February.
 - c. Due to provider contract amendments effective January 1, 2017, providers received rate increases in their capitation rates to align with SFHP rate increases from Department of Health Care Services (DHCS). The contract amendments effective on January 1, 2017 also eliminated the AIDS rate category. DHCS had eliminated the AIDS rate category for SFHP effective July 1, 2016, but SFHP continued to pay the rate due to contracts in effect through December 31, 2016.
4. Below is a chart highlighting the key income statement categories with adjustments to show the margin from ongoing operations for the month of April and FY16-17 year to date.

CATEGORY	-----APRIL 2017-----				-----FYTD 16-17 THRU APR-----			
	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
REVENUE	\$ 47,654,000	\$ 54,253,000	\$ (6,599,000)	-12.2%	\$ 475,380,000	\$ 534,086,000	\$ (58,706,000)	-11.0%
MLR	88.5%	90.3%			93.2%	90.2%		
ADMINISTRATIVE RATIO	6.3%	6.3%			6.7%	6.8%		
MARGIN (LOSS)	\$ 2,632,000	\$ 1,909,000	\$ 723,000	37.9%	\$ 949,000	\$ 16,309,000	\$ (15,360,000)	-94.2%
OPERATING ADJUSTMENTS:								
FY15-16 SUR PMTS	\$ 226,000				\$ 9,725,000			
FY16-17 SUR PMTS	\$ 625,000				\$ 10,000,000			
MARGIN FROM OPERATIONS	\$ 3,483,000				\$ 20,674,000			
MLR W/O SUR PMTS	86.7%				89.0%			

The following are key highlights of the financial projections through October 31, 2017:

1. 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 (SUR). An additional \$3,750,000 will be added to the 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.
2. A proposal to disburse an additional \$15,000,000 Strategic Use of Reserves to the hospitals was presented to the Governing Board at the May 2017 meeting. This proposal was approved and it is anticipated that \$13,500,000 (90%) will be disbursed by June 30, 2017.
3. By June 30, 2017, SFHP projects to pay an additional \$1,300,000 to providers for the FY15-16 SUR.
4. SFHP received preliminary Medi-Cal rates from DHCS. These rates will be effective July 2017. The overall impact is an increase of 0.8%. The rate for the Medi-Cal Expansion category of aid decreased by only 0.6% which is an extremely favorable development for the health plan and its providers.
5. SFHP expects to receive \$38.2 million in September 2017 related to Assembly Bill (AB) 85 funding intended to bring the public hospital (ZSFG) up to cost for services provided to the Medi-Cal Expansion population during FY15-16. For budget purposes, we assumed \$38.2 million in revenue and a similar amount in medical expenses; however SFHP is waiting for further information from DHCS on our ability to count it as part of the medical loss ratio. An answer from DHCS is expected in late summer 2017.

Mr. Gregoire stated the financials were accurate as reported. Board member inquired

whether the SURs were budgeted. Mr. Gregoire responded that the FY15-16 SURs were budgeted, but the FY16-17 SURs were not budgeted. The projections show the \$15 million for the medical groups and \$15 million for the hospitals, with most of the SUR to be expensed by June 30, 2017. Mr. Gregoire also explained that the projected tentative Medi-Cal rate increase and potential impact to medical groups will be presented at the September Finance Committee and Board meetings. While there should be a positive impact overall, the impact of the change will depend on the medical group's mix of adults and children. Mr. Gregoire also stated that we expect a reduction from DHCS for Hepatitis C treatments. He also reported that the investments are performing as expected.

Reece Fawley, Chair of the Finance Committee, stated the Finance Committee reviewed and discussed the financials in detail at the Finance Committee meeting. Mr. Fawley recommended the Board approve the financials and investment reports as presented. The Board unanimously approved the monthly financial statements and investment reports for the period ending April 30, 2017, as presented.

5. **Review and Approval of Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority**

Recommendation: SFHP recommends that the Finance Committee approve the Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority Fiscal Year 2017-2018.

Board decision for the September 2017 meeting will include the Medi-Cal Provider rate changes based on July 2017 rates expected to be received from DHCS.

Mr. Grgurina and Mr. Gregoire gave the Governing Board a review of the proposed budget for FY17-18. (Documents are incorporated by reference.)

The FY17-18 budget was developed using the following key assumptions:

- 1) **Growth versus FY 16-17:**
 - a. Revenue Growth 10.8%
 - b. Medical Expense Growth 17.1%
 - c. Member Month Growth 0.6%
 - d. SFHP Staffing Growth -1.7%
- 2) **Provider rate changes to be proposed in September:**
 - a. SFHP will recommend provider rate changes based on DHCS rates effective July 2017.
 - b. Overall Medical Loss Ratio (MLR) of 95.0%. Includes \$24.4 million from SUR.
 - c. SFHP administration at 6.7% (FY 16-17 approved budget 6.7%, FY16-17 projected to be 7.1%)
- 3) **FY 17-18 Revenue – Key Points**
 - a. Premium Revenue up 12.2%.
 - b. Total budget including HSF/HK is \$645.1 million.
 - c. Per Member Per Month Revenue up 11.4% (largely due to AB85 funds)
 - FY 17-18 \$351 ppm
 - FY 16-17 \$315 ppm
- 4) **Tangible Net Equity (TNE) reserve requirements grow due to increased revenue:**
 - a. TNE FY 16-17 \$10.8 Million
 - b. TNE FY 17-18 \$13.6 Million

Mr. Grgurina stated the budget was a break-even budget, but shows an \$11 million loss due to the proposed SUR. Mr. Gregoire provided an overview of the projected expenses, stating administration costs are budgeted at 6.9%. An increase in pharmacy expenses is budgeted, along with a projected reduction in the Hepatitis C treatment payment rate. Healthy Kids and Healthy San Francisco are not expected to change in a significant way. SFHP overall membership is expected to be steady. Mr. Gregoire proceeded to review the projected revenue, stating that revenue is projected to increase approximately 12% due to the AB 85 pass-through funds. If there are any significant changes caused by the efforts to repeal/replace the Affordable Care Act (ACA), the budget would need to be revisited and revised as appropriate.

Mr. Grgurina stated that of the 351 staff positions approved by the Board, six positions were taken off the budget because they had been open and vacant for some time and that, due to the uncertainty with the ACA, staff have been informed to hold off on hiring any vacant positions until more is known about the impact to Medi-Cal by future federal actions. Changes at the federal level, however, would likely impact SFHP in 2020 at the earliest.

After reviewing the budget in detail and with the Finance Committee recommendation, the Board unanimously approved the Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority FY 17-18.

6. **Review and Approval of Staff Salary Ranges**

Recommendation: Approve the adoption of the SFHP FY 2017-18 Salary Schedule to meet CalPERS requirements regarding retiree salary computations. The Salary Schedule changes include:

- Increasing the ranges by 3%
- Condensing 199 working titles to 57 compensation titles

Background: To satisfy CalPERS requirements, on an annual basis we must provide CalPERS with a copy of our Salary Ranges and Positions by Grade Level ("Salary Schedule"), which has been formally approved by the Governing Board.

2017-2018 Compensation Philosophy and Program Review:

SFHP's compensation philosophy is to pay at the mid-range (middle of the pay scale) of the market for both base and bonus compensation. We provide merit increases based on performance, not on years of service. We have continued to gauge our compensation program against the marketplace. (Detailed memo was provided in the Board packet.)

The Board unanimously approved the adoption of the SFHP FY 2017-18 Salary Schedule to meet CalPERS requirements regarding retiree salary computations.

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

7. **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.

8. Report on Closed Session Action Items

Steven Fugaro, MD, Chair, reported that the Governing Board did not take any actions in closed session.

9. Review the Progress of SFHP Three-Year Operational Strategic Plan

This item was for discussion only. No action needed.

Wendy Todd, Consultant, was hired to assist SFHP develop a three-year operational strategic plan. She has been working with the Executive Team over the past several months and gave the Board an overview of the progress of SFHP's three-year operational strategic plan. (Detailed slides of the three-year operational strategic plan were provided in the Board packet.)

The purpose of a strategic plan is to:

- Communicate the values and future direction of the organization
- Establish priorities to guide future programmatic and financial decisions
- Galvanize buy-in among staff to work together to achieve common, clearly articulated organizational goals
- Lay a foundation for operational plans

Ms. Todd will return in a few months with a final plan for the Board's review and approval.

10. Review and Approval of SFHP FY 17-18 Organizational Goals and Success Criteria Measures

Due to time restraints the Board did not have time to review and approve the FY17-18 organizational goals and success criteria, but stated the information may be shared with staff. The Board will take action at the September Board meeting. A suggestion was made to place this item on the agenda at an earlier time to allow for review and discussion.

11. Member Advisory Committee (MAC) Report

Due to time constraints the MAC report was not discussed.

12. Chief Medical Officer's (CMO) Report

Due to time constraints the CMO report was not discussed.

13. CEO Report

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

14. Adjourn

The meeting was adjourned.

Reece Fawley, Secretary