



**Joint San Francisco Health Authority/San Francisco Community Health Authority
Governing Board
January 4, 2017
Meeting Minutes**

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

Members

Present: Edwin Batongbacal, Eddie Chan, Pharm.D., Irene Conway, Steven Fugaro, MD, Reece Fawley, Steve Fields, Barbara Garcia, John Gressman, Roland Pickens, Mara Luz Torre, and Emily Webb

Members

Absent: Dale Butler, Lawrence Cheung, MD, David Woods, Pharm.D, 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. Heather Claus, Attorney, Daponde, Szabo, and Rowe, was in attendance on behalf of San Francisco Health Plan (SFHP) to provide guidance with board proceedings.

1. Elections of Officers for San Francisco Health Authority and San Francisco Community Health Authority

Recommendation: We recommend that the Governing Board of the San Francisco Health Authority and San Francisco Community Health Authority conduct its annual election of its Governing Board officers. Steven Fugaro, MD, stated it was time for the annual election of officers and opened the floor for nominations for the Board Chairperson. Reece Fawley nominated Dr. Fugaro to serve as Chair. His nomination was seconded and unanimously approved. Steven Fugaro, MD then opened the floor for nominations for the Vice-Chair. Steven Fugaro, MD nominated Barbara Garcia. Her nomination was unanimously approved as well. Dr. Fugaro then opened the floor for nominations for the position of Secretary/Treasurer. Steve Fields nominated Reece Fawley. Mr. Fawley was re-elected unanimously.

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 November 2, 2016 Governing Board Meeting.
- b. Quality improvement Committee (QIC) Minutes.
- c. Credentialing and Recredentialing Recommendations.

The Board unanimously approved the consent calendar without any issues.

3. Post-Election – Federal and State Landscape

Sumi Sousa, Officer of Policy Development & Coverage Programs, gave an overview of the post-election federal and state landscape. The November elections radically change the current health care landscape. The Affordable Care Act (ACA) “Repeal and Replace” is a top priority for President-elect Trump and the incoming Congress, including a possible end to the Medicaid expansion. They may call for reducing federal spending on existing Medicaid programs through block grants or per capita caps to states. (A 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 year-to-date unaudited financial statements and investment reports as presented.

John Gregoire, CFO, presented the monthly unaudited financial statements for the period ending November 30, 2016. (The narrative summary and financial documents were provided to the Finance Committee and are incorporated by reference.)

November 2016 shows an overall surplus of \$1,029,000 which is \$284,000 below budget. Some of the key items impacting the November financial statements include:

- \$1,166,000 increase in medical expenses as the result of strategic reserves disbursed in November.
- \$1,011,000 increase in revenue for July through November due to a retroactive Medi-Cal premium rate effective July 1, 2016. The majority of this increase was in response to SFHP’s request for DHCS/Mercer to reexamine the blending of AIDS costs into the regular categories of aid. The result of their reexamination was to increase our rates by approximately \$183,000 per month.
- \$543,000 decrease in medical expenses as the result of a capitation reconciliation with Kaiser.

Other key events of an ongoing nature that were recorded in the November statements include:

- 8% capitation rate reduction for the Adult Expansion (MCE) category effective July 1, 2016.
- Continuation of paying AIDS capitation to providers, \$1,409,000 for November. The AIDS and AIDS Dual categories of aid were eliminated effective July 1, 2016. Provider AIDS capitation rates will be eliminated as of January 1, 2017.
- \$803,000 reduction in Hepatitis C revenue due to a 23.4% rate reduction effective July 1, 2016.

For the month of November, overall premium revenue was \$48,203,000 versus a budget of \$52,524,000. This decrease was driven by:

- \$4,052,000 less in Hepatitis C revenue due to 662 fewer treatment weeks along with a 23.4% rate reduction in the kick payment.
- \$776,000 less in MCE premium revenue due to a rate reduction effective July 1, 2016.

	PROFIT/LOSS					
	-----NOV 2016-----					
	-----MONTH-----			-----YTD-----		
	ACTUAL	BUDGET	FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)
FROM OPERATIONS (LOSS)	\$ 1,160,315	\$ 1,255,787	\$ (95,472)	\$ 986,405	\$ 6,995,350	\$ (6,008,945)
INTEREST/INVESTMENT CHANGE	\$ (130,967)	\$ 58,000	\$ (188,967)	\$ (33,858)	\$ 290,000	\$ (323,858)
NET SURPLUS (LOSS)	\$ 1,029,348	\$ 1,313,787	\$ (284,439)	\$ 952,547	\$ 7,285,350	\$ (6,332,803)

November actual membership compared to budget is noted below.

- 1,930 **fewer** member months overall:
- 36 **more** Medi-Cal Expansion member months
- 1,612 **fewer** Medi-Cal non-SPD member months
- 434 **fewer** Aged and Disabled (SPD's) member months
- 171 **fewer** Healthy Workers member months
- 251 **more** Healthy Kids member months

MEMBER MONTHS BY LINE OF BUSINESS											
LOB	-----NOV 2016-----		-VS BUDGET-		-----VS LAST MO-----			-----VS LAST YR-----			
	ACTUAL	BUDGET	FAV (UNFAV)	%	Oct-16	FAV (UNFAV)	%	Nov-15	FAV (UNFAV)	%	Nov-14
MC	64,217	65,829	(1,612)	-2.4%	63,902	315	0.5%	62,125	2,092	3.4%	61,655
SPD	14,266	14,700	(434)	-3.0%	14,174	92	0.6%	14,422	(156)	-1.1%	14,567
MCE	58,216	58,180	36	0.1%	58,353	(137)	-0.2%	55,474	2,742	4.9%	40,156
HW	11,289	11,460	(171)	-1.5%	11,245	44	0.4%	11,680	(391)	-3.3%	12,187
HK	853	602	251	41.7%	877	(24)	-2.7%	1,972	(1,119)	-56.7%	2,182
TOTAL	148,841	150,771	(1,930)	-1.3%	148,551	290	0.2%	145,673	3,168	2.2%	130,747

With the Finance Committee recommendation, the Board unanimously approved the monthly financial statements and investment reports for the period ending November 30, 2016, as presented.

The Governing Board adjourned to Closed Session.

5. Review and Approval of Recommendation for Qualified Health Plan Potential 2018 Bid

This item was discussed in closed session.

The Governing Board resumed in Open Session.

6. Report on Closed Session Actions items

Steven Fugaro, MD, reported that the Board approved the following action items:

- a. Approved the recommendation that SFHP would not pursue a 2018 Qualified Health Plan bid.

7. Chief Medical Officer's (CMO) Report

a. Review and Approval of Evaluation of 2016 Quality Improvement Program

Recommendation: San Francisco Health Plan (SFHP) requests the Board's approval for the 2016 Quality Improvement Program (QIP) Evaluation.

Adam Sharma, Director, Health Outcomes Improvement, provided the Board with an overview of the OIP evaluation. (PowerPoint slides were provided in the Board packet.)

The Board unanimously approved the 2016 Quality Improvement Program Evaluation.

b. Review and Approval of 2017 Quality Improvement Program Workplan

Recommendation: SFHP requests the Board's approval for the 2017 QI Program and Work Plan.

Mr. Sharma also provided the Board with an overview of the 2017 QI Program and Work Plan. (PowerPoint slides were provided in the Board packet.)

The Board unanimously approved the 2017 QI Program Work Plan.

c. Review and Approval to Negotiate a One-Year Extension of Beacon Health Options Contract to June, 2018

Recommendation: Review and approval to negotiate a one-year extension of Beacon Health Options contract to June 30, 2018

Dr. James Glauber, Chief Medical Officer, reviewed the background with the Board. Beginning January 1, 2014, the Department of Health Care Services (DHCS) adjusted the health plan capitation payments to include the responsibility to provide non-specialty mental health (NSMH) services.

Effective September 15, 2014, DHCS also made Medi-Cal managed care plans responsible for Behavioral Health Therapy (BHT) services to Medi-Cal children and adolescent beneficiaries 0 to 21 years of age diagnosed with autism spectrum disorder (ASD).

In September 2014, the Governing Board approved SFHP to contract with Beacon Health Strategies, now Beacon Health Options, for NSMH and behavioral health treatment for autism spectrum disorder. The two-year contract with Beacon Health Options became effective on January 1, 2015, with an expiration date of

December 31, 2016. (A detailed memo was provided in the Board packet.) On May 4, 2016, the Governing Board approved a contract extension to June 30, 2017, which includes fees at risk for increased utilization rates and improved service levels.

At the January 4, 2017 Finance Committee meeting, the Finance Committee approved the recommendation to allow the negotiation of a one-year extension for forwarding to the Governing Board. With the Finance Committee's recommendation, the Board unanimously approved SFHP to negotiate a one-year extension of Beacon Health Options contract to June 30, 2018.

d. 2017 Practice Improvement Program (PIP) Measures

Dr. Glauber briefly reviewed the 2017 PIP measures. SFHP will be conducting a PIP orientation for providers in early January.

Measures were added or modified in 2017 to align with external measure initiatives. New measures include depression screening, chlamydia, HPV, prenatal access, postpartum access, and asthma medication ratio. (More details were provided in the Board packet under the CEO Report.)

8. Review and Approval of Contract with Reinsurance Vendor

Recommendation: SFHP requests the Governing Board to approve the contract with RGA Reinsurance Company, the reinsurance vendor, within a specific price range, for calendar year 2017.

John A. Gregoire, CFO, reviewed the background to the Board. SFHP purchases reinsurance to protect from losses due to high cost professional, hospital and pharmacy claims and encounters.

SFHP has reviewed its options and has elected to stay with our current broker, Re-Solutions, and our current carrier, RGA Reinsurance Company, for the 2017 calendar year (CY).

We expect that coverage terms may change slightly from calendar year 2016 with respect to deductible limits. Any changes to coverage terms will be used to control possible premium rate increases for CY 2017 and maximize potential recoveries. The total CY 2016 premiums are estimated to be approximately \$6.2 million. The total CY 2016 reinsurance recoveries are estimated to be in the range of \$4.5 million to \$5.5 million (total claims submissions and review are not complete).

Our estimated loss ratio is approximately 86% to date in CY 2016. Reinsurance companies target their premiums to achieve a 70% to 75% loss ratio.

The estimated CY 2017 renewal premium range is between \$6.2 million and \$7.0 million (based on CY 2016 actual membership), based on cost trends, member growth, and adjustments to achieve the 70-75% range.

SFHP recommends approval from the Governing Board to purchase reinsurance coverage as described above for CY 2017, not to exceed a 15% premium rate increase from CY 2016.

During the January 4, 2017 Finance Committee meeting, the Finance Committee approved the recommendation to be forwarded to the Governing Board. With the Finance Committee recommendation, the Board unanimously approved the contract with reinsurance vendor.

9. Review and Approval of Payment of CalPERS Unfunded Liability

Recommendation: SFHP recommends approval to pay the entire projected amount of SFHP's CalPERS pension unfunded accrued liability estimated to be \$771,113 as of June 30, 2017. If approved, payment will be made by February 1, 2017.

Mr. Gregoire reviewed the background to the Board. The Government Accounting Standards Board (GASB) Statement number 27 (GASB 27) is in reference to an accounting standard for pension by State and local government employers. It specifies that an employer's fiscal years ending on or after 2015 must accrue for unfunded pension liabilities.

SFHP is a government employer in the CalPERS Miscellaneous Pooled Plans for the defined benefit pension plan known as 2% @ 55 for employees with hire dates prior to January 1, 2013 and 2% @ 62 for employees with hire dates after December 31, 2012. According to CalPERS statements dated November 15, 2016 and attached to this memo, SFHP's projected unfunded accrued liability as of June 30, 2017 is as follows:

• Classic Miscellaneous Plan	\$634,250
• PEPRM Miscellaneous Plan	<u>\$136,863</u>
Total unfunded accrued liability	\$771,113

This payment will be treated as Prepaid Pension Expense for FY16-17. The Prepaid Pension Expense will be amortized and recorded as an administrative expense during FY17-18.

CalPERS offers the following options to pay off the unfunded accrued liability:

- 1) Pay it back over a 30-year period with annual interest payments of 7.5% (this is the assumed annual investment rate of return CalPERS is using for all pension funds). This would mean total payments of \$2,107,923 over 30 years (interest payments would be \$1.3 million of this total amount).
- 2) Pay it back over a 25-year or 20-year period or whatever shortened time period the organization selects.
- 3) Pay it all back now.

At the January 4, 2017 Finance Committee meeting, the Finance Committee approved that the recommendation to pay to entire amount be forwarded to the Governing Board for approval. With the Finance Committee's recommendation, the Governing Board approved the third option, to pay off the entire amount now, for the following reasons:

- 1) It is financially advantageous to pay the entire amount to avoid the annual 7.5% interest payments (totaling \$1.3 Million over 30 years) versus keeping the cash at our current annual investment return of 1.57%.

- 2) Because of SFHP's strong financial balance sheet, we currently have the cash to pay off the entire amount now.
- 3) Paying off the unfunded accrued liability would place SFHP's CalPERS pension funding level at approximately 100% (currently at 97.5%).

We are confident that the unfunded liability will continue to grow as CalPERS is unlikely to achieve a 7.5% annual return as projected in their valuation documents.

With the Finance Committee recommendation, the Board unanimously approved SFHP to pay the entire projected amount of SFHP's CalPERS pension unfunded accrued liability estimated to be \$771,113 as of June 30, 2017.

10. Review and Approval of Revisions to the 2017 Employee Handbook

Recommendation: SFHP recommends the Governing Board approve the proposed revisions to the SFHP Employee Handbook for calendar year 2017.

Peggy McCrea, Chief Human Resources Officer, briefly reviewed the proposed revisions to the SFHP employee handbook for calendar year 2017.

Summary of Proposed Changes

Based on internal and external counsel review, there are several changes recommended for the Employee Handbook to provide additional clarity to an existing policy, add a new policy or to update policies as required by law. The changes recommended are shown in red-lined format in the enclosed document. The first section below highlights new or revised policies. The second section lists minor updates to existing practices. The last section contains updates that were recommended by our legal counsel. Stylistic or grammatical changes are not described in this memo.

New/Revised Policies

- Page 48 – Added a new policy that requires an acceptable level of performance in order for employees to be eligible for the discretionary annual bonus.

Updates to Current Practices

- Pages 13-14 – Added language regarding the termination notice period to mirror our practice of requiring an employee to be present on their last day so we can conduct a proper exit interview and process as well as discourage as much as possible, the use of paid time off during the last two weeks of the notice period.
- Page 33 – Added language to clarify our existing practice of not giving holiday pay if an employee does not work or uses PTO the week that a holiday is scheduled to be paid.
- Page 35 – Revised the definition of “immediate family” to add clarity.
- Page 36 - Retitled the SFHP “Parental Leave” policy to “SFHP New Parent Two Week Paid Leave Benefit” so that it would not be confused with the new Paid Parental Leave Ordinance.

Legal Updates/Requirements and Recommendations by Attorney

- Page 11 – We will be inserting required translations of our Equal Opportunity Employment and Harassment Policies into Spanish and Chinese.
- Page 30 - Inserted language to comply with SF Sick Leave Ordinance.

- Page 38 - Inserted language for the new SF Paid Parental Leave Ordinance that goes into effect on January 1, 2017.
- Page 44 - Updated language regarding Parental Leave for School Visits requirement.

We believe the changes are necessary and improve the information provided to our employees and recommend approval by the Governing Board.

The Board unanimously approved the proposed revisions to the SFHP Employee Handbook for calendar year 2017.

11. Member Advisory Committee Report

Maria Luz Torre and Irene Conway both reported that the Member Advisory Committee met in November and in December the Committee had their end of the year annual holiday party. Ms. Torre and Ms. Conway both reported at the November meeting health plan staff attended the Committee meeting to get their feedback on general needs assessments. In addition to that, the Committee will begin working on their 2017 Committee goals.

12. CEO Report

Mr. Grgurina highlighted a new ITS security report that will be provided to the Board on a periodic basis. The report indicated a malware spike in the last quarter that included 176 malware that made it to end point devices. All malware, however, was either immediately quarantined or deleted successfully. This malware spike was also reported by various security firms.

In line with requirements of HIPAA, SFHP hired Moss Adams consultants to conduct a security risk assessment. The risk assessment included on-site fieldwork during the week of November 7, 2016. The consultants met with several individuals from SFHP's management team, business units, and ITS Department. In addition, Moss Adams reviewed system settings and inspected documentation to obtain a clear understanding of how SFHP manages IT operations and the data security functions in its environment to protect electronic protected health information (ePHI).

Several high risk areas were identified and an internal project has been created to start the remediation effort. A final security assessment report will be produced by Moss Adams and made available to SFHP in mid-February. We will provide an update to the Governing Board in March.

Lastly, Mr. Grgurina reminded the Board about SFHP's 20th Anniversary celebration on January 31, 2017. An invitation card was provided to the Board members and they were asked to RSVP to Valerie Huggins. In addition to that, all the Board members were given fleece jackets with SFHP logo's on them as a thank you for their services. The January 2017 CEO Report is incorporated as a reference document in Board packet.

13. Adjourn

The meeting was adjourned.

Reece Fawley, Secretary