



**Joint San Francisco Health Authority/San Francisco Community Health Authority  
Minutes of the Finance Committee  
March 1, 2017**

**Present:** Eddie Chan, Pharm.D., Reece Fawley, Steve Fields, Steven Fugaro, MD, Emily Webb, John Gregoire, and John F. Grgurina, Jr.

**Absent:** None

**Guests:** None

Reece Fawley, Finance Committee Chair, chaired the meeting.

**Approval of Agenda**

The Committee unanimously approved the Finance Committee agenda with one revision to item number five. The agenda item was revised to read, "Review and approval of provider rate increase for California Pacific Medical Center."

**1. Call to Order and Public Comment on any matters within the SFHA/SFCHA purview** - There were no public comments.

**2. Approval of Minutes from January 4, 2017 Finance Committee Meeting**  
The minutes of the January 4, 2017 Finance Committee meetings were approved as written.

**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 January 31, 2017. (The narrative summary and financial documents were provided to the Finance Committee and are incorporated by reference.)

1. January 2017 results produced a positive margin of \$1,981,000 versus a budgeted margin of \$1,231,000.
2. January 2017 results are above budget due to:
  - a. Lower than expected strategic reserve payments compared to previous months; and
  - b. Non-Hepatitis C pharmacy costs were much lower than budgeted.
3. Other significant items affecting the January margin included:
  - a. SFHP paid \$540,000 to providers related to FY15-16 strategic use of reserves, compared to the previous month's payments of \$2,290,000.

- b. Effective January 1, 2017, providers received rate increases in their capitation to align with how SFHP is being paid by the Department of Health Care Services (DHCS) and the AIDS category of payment was eliminated.
- c. Below is a chart highlighting the key income statement categories.

	-----JANUARY 2017-----			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
REVENUE	\$ 47,060,000	\$ 53,675,000	\$ (6,615,000)	-12.3%
MLR	88.8%	90.8%		
ADMINISTRATIVE RATIO	7.3%	6.9%		
MARGIN	\$ 1,981,000	\$ 1,231,000	\$ 750,000	60.9%

- 4. Financial projections through July 31, 2017:
  - a. By June 30, 2017, SFHP projects to pay an additional \$1,300,000 to providers for the FY15-16 strategic use of reserves.
  - b. Estimate 10% rate decrease for the Medi-Cal Adult Expansion rate category effective July 1, 2017 in our premium revenue and capitation expense.
  - c. Administrative expenses projected to decrease due to seasonality trends.
  - d. See income statement chart on the following page. (Provided in the Board packet.)

The Finance Committee unanimously approved the monthly financial statements and investment reports for the period ending January 31, 2017, as presented for forwarding to the full Governing Board for approval.

The meeting was adjourned to Closed Session.

**4. Review and Approval of Proposed Medi-Cal Rates Reduction for the Medi-Cal Expansion Rate Category**

This item was discussed in closed session.

**5. Review and Approval of Provider Rate Increase for California Pacific Medical Center**

This item was discussed in closed session.

The meeting resumed in Open Session.

**6. Report on Closed Session Action Items**

Reece Fawley, Chair, reported that the Finance Committee approved the following action items in Closed Session:

- a. Approved the provider rate reductions for Medi-Cal Expansion aid code categories, which will reflect the rates SFHP receives and will be effective July 1, 2017.

- b. Approved the rate changes for the California Pacific Medical Centers for services provided to members assigned to Hill Physicians and Brown and Toland Medical Group.

## 7. Review and Approval to Establish Bank Account for Investment Purposes

**Recommendation:** SFHP recommends that the Finance Committee approve SFHP to establish a new account with City National Bank to invest funds in compliance with the SFHP investment policy.

Mr. Gregoire reviewed the background to the Finance Committee. In March 2013, the SFHP Finance Committee and Governing Board approved the investment policy to be in compliance with state requirements and established the appropriate investment risk levels. In addition, in February 2015 SFHP implemented a policy stating, in part, the following;

- “1. The San Francisco Health Plan (SFHP) CEO and Finance Committee shall expressly approve in writing the opening of new accounts at financial institutions (including, but not limited to, banks and investment agencies). The CEO and Finance Committee shall also be informed of the closure of any preexisting accounts at financial institutions and advised of the disposition or transfer of any remaining balance.
2. These procedures shall be followed for all new accounts at banks, savings & loans, mutual funds, investment agencies (e.g., LAIF), or other such financial institutions. New or rollover certificates of deposits (COs) at existing institutions shall not be subject to these procedures.”

DHCS is required to pay health plans premium rates that are approved by the Centers for Medicare and Medicaid Services (CMS). Subsequent to the rate's effective date, there may be a period of time before CMS approves the rate. As a result, DHCS paid SFHP Medi-Cal Expansion (MCE) premium rates in excess of the rates CMS eventually approved. Due to the lag between the effective date and CMS approval date, SFHP accumulated excess cash and has accrued a related liability, which will be returned to DHCS when the final reconciliation is completed. SFHP will hold these funds until directed by DHCS to return them.

Rather than maintain the funds in a non-performing account, SFHP recommended establishing an account with City National Bank that would yield an amount approximately equal to a Local Agency Investment Fund (LAIF) investment. SFHP also recommended using this account to generate income on other short-term investments.

SFHP recommended the Finance Committee approve the establishment of an account with City National Bank for an investment opportunity that complies with the SFHP investment policy.

The Finance Committee unanimously approved the establishment of an account with City National Bank for an investment opportunity that complies with the SFHP investment policy.

## 8. Review and Approval of Proposal for Strategic Use of Reserves

**Recommendation:** SFHP recommends the Finance Committee and Governing Board approve the following recommendations for the FY16-17 strategic use of reserves (SUR):

1. Establish the designated reserve allocation to be \$30 million for FY16-17, with \$15 million for professional services and \$15 million for hospitals.
2. Determine the allocation for each entity based on membership in December 2016.
3. Provider funding will be added to high priority 2017 Practice Improvement Program (PIP) measures. Each provider will select at least one of the four priority measures listed below. A provider may select more than one measure.
4. 50% of the provider funding will be paid upon the mutual agreement between SFHP and the provider selecting their measure(s) and 50% will be paid based on the outcomes of the measures selected compared to the outcomes metrics already established in the 2017 PIP.
5. Unearned funds from this SUR will roll over into the PIP Reserve account for future use on improvement projects related to established PIP measures.
6. Provide payments directly to providers and groups too small to participate in the PIP program.
7. The \$15 million for a hospital proposal to improve services for our members will be brought to the Governing Board at the May meeting.

John F. Grgurina, Jr., CEO, and James Glauber, MD, MPH, CMO, reviewed the background with the Finance Committee. The PIP is SFHP's pay-for-performance incentive program for clinics and medical groups, administering a comprehensive set of measures intended to achieve improvements in patient care and experience, systems improvement, and health outcomes. Several PIP measures directly support SFHP strategic goals and can be further leveraged to drive improvement in SFHP's priority areas, particularly patient access and important clinical outcomes impacting a significant subset of SFHP membership.

SFHP recommended dedicating \$15 million of SFHP's FY 16-17 SUR funds to enhance performance on four PIP measures, with the intent to drive further improvement in organizational priority areas. Each participating clinic and SFHP will agree upon which of the proposed measures (from 1-4) will receive enhanced funding based on their current performance and improvement opportunity.

The following table lists the four priority measures:

Measure	Rationale
Third Next Available Appointment (TNAA)	TNAA is considered an overarching access measure but 38% of PIP participants do not meet the required threshold for TNAA.
Routine Cervical Cancer Screening	Cervical Cancer can be detected in its early stages by regular screening of active patients with cervixes ages 24-64 years old. Currently, the SFHP clinical outcome rate for this measure is below the Medicaid HEDIS 75 <sup>th</sup> percentile (63.88%).
Controlling High Blood Pressure	Controlling blood pressure for patients with hypertension can lower morbidity and mortality of diseases such as diabetes; however, 25% of the general SFHP member population does not have their blood pressure controlled.

Measure	Rationale
Adolescent Immunizations	Low adolescent immunization rates have the potential to cause outbreaks of preventable diseases that affects other patient populations and may lead to preventable cancers. Currently, the SFHP clinical outcome rate for this measure is performing below the Medicaid HEDIS 75 <sup>th</sup> percentile (82.09%).

**Methodology:**

SUR PIP project funding will be used to provide seed funding and incentivize PIP participants to focus additional improvement efforts on one of the SFHP priority measures described above. PIP participants will choose one measure on which to focus. NCQA 90% Commercial HEDIS benchmarks will be used when there are clinically impactful measures for which:

- a) The PIP participant’s current performance is greater than the 90<sup>th</sup> Medicaid Percentile, and
- b) There is a significant gap between 90% Medicaid and 90% Commercial percentiles.

The amount of the SUR funding available for participants will be based on Medi-Cal membership as of December 2016. Of the total funding, 50% of the SUR project funds will be disbursed during the 2016-17 fiscal year to provide seed funding for new or enhanced improvement activities. Remaining funds will be disbursed in payments made during the 2017-18 fiscal year. For the first payment, all participants will receive 100% of their eligible payment. For the remaining payments, participants will receive payment contingent upon improvement in the targeted measure (per PIP measure specifications). This payment structure allows SFHP to distribute significant seed funding to providers during the current fiscal year, while continuing to incentivize improvement in the measures through December 2017. Unearned funds from this enhanced PIP program will roll over into the PIP Reserve account. SFHP will bring a proposal for the hospital SUR to the May Governing Board meeting.

The Finance Committee unanimously approved the recommendations for the FY16-17 SUR for forwarding to the full Board for approval.

**9. Annual Review of CY2016 SFHP Administrative Contracts**

The following is presented to the Finance Committee and Governing Board for discussion only. No action is required.

Deena Louie, Chief Operations Officer, reviewed the calendar year administrative contracts with the Finance Committee. (Detailed memo was provided in the Board packet.)

**History**

At the March 4, 2015 SFHP Governing Board meeting, the Board approved a policy to require Board approval for administrative contracts with a value of \$1 million or more. Additionally, with the approval of that policy, SFHP staff agreed to provide the Governing Board with a review of contracts valued at over \$100,000.

## **2016 Contract List**

In keeping with this agreement, Ms. Louie reviewed a memo summarizing the SFHP contracts valued at \$100,000 or more in 2016. Items of note:

- In 2016, there were nine contracts over \$1,000,000. All contracts complied with the Governing Board-approved SFHP Contract Approval policy. All contracts over \$1 million were either approved by the Governing Board or were grandfathered, i.e., existed prior to March 2015.
- The following contracts were approved by the Governing Board in 2015 or in prior years:
  - SFHP Staff Benefits:
    - Aetna Life Insurance for Health Benefits
    - Kaiser Permanente Health Benefits
    - CalPERS Defined Pension Plan
    - CalPERS 457
    - 401(a) pension plan through ICMA-RC
  - 50 Beale St., LLC – Main office rent
  - Assistance Plus – Vendor for printed member material mailings. Much of the print projects have been transitioned in the current fiscal year from Assistance Plus to less expensive vendors, e.g., Cenveo and KP, LLC (KP, LLC is the company's name, and it is NOT Kaiser Permanente, nor related to Kaiser).

## **10. Semi-Annual Compliance Report**

The following is presented to the Finance Committee and Governing Board for discussion only. No action is required.

Nina Maruyama, Officer of Compliance and Regulatory Affairs, provided a semi-annual compliance report to the Finance Committee.

### Training Efforts

On an annual basis, the Compliance Department provides training for all SFHP staff. All employees are required to participate in an online training course focused on increasing awareness and providing training to staff will be able to identify and report potential fraud, waste, and abuse. The training course emphasizes that it is everyone's responsibility to report any suspicion of possible fraud, waste, abuse and/or misconduct. Topics included but were not limited to the following: 1) definition of fraud, waste and abuse, 2) several examples to assist staff in detecting fraud, waste, and abuse, 3) how to report fraud, waste, and abuse, including the contact information for the SFHP Officer of Compliance and Regulatory Affairs and the Compliance hotline. In 2016, 100% of all employees, including temporary employees, completed the training.

### Auditing and Monitoring

The Compliance Department is responsible for providing oversight to all auditing and monitoring that occurs at SFHP. Below is a summary of the Compliance Department auditing and monitoring activities, as related to fraud, waste, and abuse detection or prevention.

Exclusion Lists monitoring was conducted on all new providers, employees, and vendors. This monitoring consists of checking individuals or entities against 1) the Office of Inspector General, U. S. Department of Health and Human Services' Exclusion List of

Excluded Individuals/Entities online database; 2) the Excluded Parties List System online database produced by the U. S. General Services Administration; and 3) the Medi-Cal Suspended & Ineligible Provider Lists published by the DHCS. All new vendors, employees, and providers are checked against these databases, and all providers, whether newly contracted, non-contracted, or existing, are re-verified against these databases on a monthly basis. To date, only one subcontracted provider with a delegated medical group, Kaiser, was found to be excluded from the Medi-Cal program. However, Kaiser had terminated the provider prior to the provider being placed on the exclusion list. No other individual or entity has been found to be excluded or barred from participating or contracting with SFHP.

SFHP implemented an FY 2016-17 Audit Plan to monitor internal departments for compliance with regulatory and contractual requirements, including potential fraud, waste, or abuse. In 2016, the following audits were conducted:

- Post-Payment of claims (10 audits)
- Internal Fraud, Waste, and Abuse Risk Assessment

There were no findings of any instances of fraud found in any of the above audits.

SFHP is audited annually by a certified public accounting firm to ensure that adequate financial controls are in place. For the FY 2016-17, there were no audit findings that indicated any inappropriate practices or controls. The audit firm gave the SFHP its “unmodified opinion” stating SFHP’s combined financial statements were fairly presented in accordance with generally accepted accounting principles. This report was submitted to the SFHP Governing Board for review and approval at the November meetings.

Anti-Fraud Work Plan

An internal Anti-Fraud Work Plan was developed for implementation during FY 2016-2017. The work plan includes plans proactive data monitoring activities, and training development, conducted by the internal and cross-functional Anti-Fraud Work Group. A report of activities completed in the fiscal year will be provided to the Governing Board and Finance Committee at the September meetings.

Suspected Fraud and Abuse Cases

The Compliance Department monitors the SFHP toll-free confidential hotline and the Compliance e-mail in-box for suspected fraud, waste and abuse cases. In CY2016, there were no reports of suspected fraud reported via the hotline and 3 (three) allegations of suspected fraud were reported to the Compliance and Regulatory Affairs department. Please reference the summary below:

Investigation Type	Number of Cases
Pharmacy/Drug Issue	2
Stolen or Fake ID use	0
Provider Billing Issues	1
Complaints against a Pharmacy	0
<b>Total</b>	<b>3</b>

**Case #1****Date Received:** 06/24/16**Investigation Type:** Provider Billing Issue**Confirmed Fraud or Abuse:** No**Summary of Case:**

Member submitted a grievance to SFHP regarding her experience with an out-of-network podiatrist. The member had concerns about the provider's billing and record keeping practices. Medical records were reviewed and compared to the services billed to the member and it was determined that the documentation provided did not support the Evaluation and Management code billed to the member and there was no documentation of the in-office procedure that had been billed to the member. The services were not covered Medi-Cal benefits and no SFHP payments were made to the provider in this case. A review of claims for the previous two-year period did not reveal any SFHP payments to this provider. Although the podiatry services were not a covered Medi-Cal benefit, SFHP investigated the case to gather information to provide to DHCS. The results of the review were shared with the member and a referral for review was submitted to DHCS for potential fraud within Fee-for-Service Medi-Cal.

**Case #2****Date Received:** 12/13/16**Investigation Type:** Pharmacy Drug Issue**Confirmed Fraud or Abuse:** No**Summary of Case:**

Member contacted SFHP and claimed that an unknown person used her Medi-Cal ID to fill Oxycodone prescriptions over a 3-4 month period. The SFHP member became of this when Walgreens denied her prescription refill for oxycodone because the refill too early since she had recently filled a high-quantity oxycodone prescription in Oakland. She stated she had not filled any prescriptions and had not been to Oakland. In working with Walgreens, it was determined that there had been a billing mistake on their part. Upon review with Walgreen's there did not appear to be any intent of fraud on behalf of the person who received or filled the prescription that was attributed to the SFHP member. The billing issue was corrected and the member received her medication.

**Case #3****Date Received:** 12/14/16**Investigation Type:** Pharmacy Drug Issue**Confirmed Fraud or Abuse:** No**Summary of Case:**

Referral received from SFHP's Pharmacy department for potential drug diversion. An SFHPH Member was found with a history of obtaining a high volume of brandname drugs with high resell values, such as Epi-Pens, Singulair, Nasonex, and Zovirax. Upon investigation, it was determined that the primary care physician was unaware of the volume of drugs that the member was obtaining, particularly with regard to Epi-Pens. Although the member was prescribed an extensive list of medications, SFHP's medical review could not establish a rationale in the medication management. The member's history revealed numerous starts and stops of medications and a lack of compliance with medication regimes. An investigation was conducted of known re-sale sites for medications, but no connections could be established back to member. The member

continues to be under medical review and the case was submitted to DHCS. This case remains open.

SFHP Compliance and Regulatory Affairs will provide the next semi-annual Compliance Report in September 2017.

**11. Adjourn**

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Reece Fawley, Secretary