

**Joint San Francisco Health Authority/San Francisco Community Health Authority
Minutes of the Finance Committee
May 3, 2017**

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

Absent: None

Guests: None

Reece Fawley, Chair, Finance Committee, chaired the meeting.

Approval of Agenda

The Committee unanimously approved the Finance Committee agenda.

- 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 March 1, 2017 Finance Committee Meeting**
The minutes of the March 1, 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 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. The following factors contributed to the March 2017 results:
 - 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 to March) of the remaining \$7,500,000 (\$1,875,000). See bullet point #4a for additional details.
 - b. San Francisco Health Plan (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 SFHP's rates from DHCS.
 - f. The AIDS category was eliminated effective January 2017.
3. The chart below highlights 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 from January through June 2017. A monthly amount of \$625,000 will continue to be added to the PIP program for the period from July through December 2017 for a total of \$15,000,000. A proposal to disburse an additional \$15,000,000 for the strategic use of reserves for 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. Estimated 10% rate decrease for the Medi-Cal Adult Expansion rate effective July 1, 2017 in SFHP premium revenues and capitation expenses. SFHP expects to have FY17-18 draft rates for all categories of aid by April 30, 2017.
 - d. Administrative expenses projected to decrease due to seasonality trends.

The Finance Committee unanimously approved the monthly financial statements and investment reports for the period ending March 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 Proposed Changes to Contracted Medical Group Reciprocity Rates for Contracted Hospitals

This item was discussed in closed session.

The meeting resumed in Open Session.

6. Report on Closed Session Action Items

Reece Fawley, Chair, reported on the following Finance Committee Closed Session item:

The Finance Committee did not take action on the Medi-Cal Expansion provider rates because SFHP did not receive a significant rate decrease.

7. Review and Approval of Proposal for Strategic Use of Reserves for Hospitals

Recommendation: SFHP recommends the approval of \$15 million for 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.

John F. Grgurina, Jr., CEO, and James Glauber, MD, MPH, Chief Medical Officer, briefly reviewed the background to the Board. In March 2017, the Governing Board approved \$15 million of SFHP's 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 that provide professional services (primary and specialty care). These funds were approved by the Governing Board with the expectation that SFHP would propose a separate initiative for contracted hospitals. (Detailed memo was provided in the Board packet.)

Proposal:

SFHP proposes utilizing \$15 million from SFHP's 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 funding at risk based on agreed upon outcomes in at least one of the four following priority domain areas: transitions of care, clinical quality, operational efficiency/service expansion, and 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.

The Finance Committee unanimously approved the use of \$15 million from the SUR for contracted hospitals for forwarding to the full Governing Board for approval.

8. Adjourn

Reece Fawley, Secretary