

**Joint San Francisco Health Authority &
San Francisco Community Health Authority
Finance Committee
Agenda**

Wednesday May 5, 2021 11:00 am – 12:00 pm

SPECIAL NOTICE: Coronavirus COVID-19

Due to the COVID-19 public health emergency and in accordance with Governor Newsom's Executive Order N-29-20, San Francisco Health Authority (SFHA) and San Francisco Community Health Authority (SFCHA) Finance Committee members will be attending this meeting via video conference. The meeting will be closed to in-person public attendance. This precaution is being taken to protect members of the Finance Committee, staff and the public. All Finance Committee members will attend the meeting via video conference and will participate in the meeting to the same extent as if they were present.

Members of the Finance Committee and public may connect to the meeting by Microsoft Teams:

TIME: **11am to 12pm**

LINK: [Click here to join the meeting](#)

*****OPEN SESSION*****

Call to Order and Public Comment on any matters within the SFHA/SFCHA purview

1. (V) Review and Approval of Minutes from March 3, 2021 Meeting
2. (V) Review and Approval of Minutes from April 7, 2021 Special Meeting
3. (V) Review and Approval of Year-To-Date Unaudited Financial Statements and Investment Reports (Skip Bishop and Rand Takeuchi)
4. (D) Semi-Annual Compliance Report (Nina Maruyama)
5. Adjourn

(V) Denotes an Action Item Requiring a Vote **(D)** Denotes Discussion Item

**NEXT FINANCE COMMITTEE MEETING:
June 9, 2021
10:30 a.m. to 12:00 p.m.**

Please Note These Up Coming SFHA/SFCHA Meetings:

- Finance Committee: June 9, 2021 (10:30 a.m. – 12:00 p.m.)
- Governing Board: June 9, 2021 (12:00 p.m. – 2:00 p.m.)
- Quality Improvement Committee: June 10, 2021 (7:30 a.m. – 9:00 a.m.)
- Member Advisory Committee: June 11, 2021 (1:00 p.m. – 3:00 p.m.)
- Member Advisory Committee August 13, 2021 (1:00pm – 3:00pm)

Please note that members of the public will be allowed to make public comments. If a person wishes to make a public comment during the meeting, they may either 1) use Microsoft Teams and will have the option to notify San Francisco Health Plan (SFHP) staff by alerting them via the “Chat” function or they can 2) contact SFHP staff via email at vhuggins@sfhp.org, in which staff would read the comment aloud during the public comment period. Public comments will be limited to two (2) minutes per comment.

If you plan to attend, please contact Valerie Huggins at (415) 615-4235.

If you plan to attend and need to request disability-related modification or accommodation, including auxiliary aids or services, in order to participate in the public meeting, please contact Valerie Huggins at (415) 615-4235.

Agenda Item 1

Action Item

Approval of Minutes from March 3, 2021 Meeting



**Joint San Francisco Health Authority/San Francisco Community Health Authority
Minutes of the Finance Committee
March 3, 2021**

Present: Eddie Chan, Pharm D, Reece Fawley, Steven Fugaro, MD, Greg Wagner, Emily Webb, Skip Bishop, John F. Grgurina, Jr., Kaliki Kantheti, Rand Takeuchi, and Nina Maruyama (note taker)

Absent: None

Guests: None

Reece Fawley, Chair, Finance Committee, chaired the meeting and identified the public guests. Mr. Fawley asked for public comments and there were none.

Due to the COVID-19 public health emergency and in accordance with Governor Newsom's Executive Order N-29-20, San Francisco Health Authority and San Francisco Community Health Authority Finance Committee Members attended this meeting via teleconference. The meeting was closed to in-person public attendance, but the public was provided with the conference line to attend if interested. This precaution was taken to protect members of the Finance Committee, staff and the public. The Finance Committee members and staff of the San Francisco Health Plan (SFHP) attended the meeting via video conference.

Call to Order and Public Comment on any matters within the SFHA/SFCHA purview

1. Approval of Minutes from January 6, 2021 Finance Committee Meeting

The minutes of the January 6, 2021 Finance Committee meeting were unanimously approved as written.

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

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

Rand Takeuchi, Director, Accounting, reviewed year-to-date unaudited financial statements for the period ending January 31, 2021. Mr. Takeuchi discussed the following highlights:

1. January 2021 reported a margin of \$1,656,000 versus a budgeted loss of (\$3,000). After removing Strategic Use of Reserves (SUR) activity, the actual

margin from operations remained \$1,656,000 versus a budgeted margin of \$414,000.

On a year-to-date basis, we have a loss of (\$1,154,000) versus a budgeted loss of (\$6,137,000). After removing SUR activity, the actual loss from operations is (\$912,000) versus a budgeted loss (\$2,389,000).

2. Variances between January actual results and the budget include:
 - a. A net increase in revenue of \$10.0 million due to:
 - i. \$7.9 million more in premium revenue due to the delay of the Medi-Cal pharmacy carve-out to April 1, 2021. The budget assumed the pharmacy carve-out would be effective January 1, 2021, therefore we projected lower revenue due to the transfer of the pharmacy benefit to the State. Department of Health Care Services (DHCS) built a new pharmacy component into the CY 2021 rates to cover this benefit for the period of January through March 2021.
 - ii. \$1.7 million more in premium revenue due to the Medi-Cal rate increases effective January 1, 2021. Member months were 4,615 less than budget projections, however the rate increases more than offset the shortfall in member months and drove extra revenue. Adult, Child and SPD member months were 9,207 less than budget, however Adult Expansion member months were 4,702 more than budget. Membership continues to be on an upward trend with new members coming in, however, we are not adding members at quite the same rate as expected per the budget.
 - iii. \$252,000 more in Hepatitis C revenue. The budget did not assume any Hepatitis C revenue for January as the pharmacy carve-out was expected to happen January 1, 2021.
 - iv. \$167,000 more in administrative revenue, mostly due to revenue related to the Behavioral Health Integration (BHI) Incentive program.
 - b. A net increase in medical expense of \$8.7 million due to:
 - i. \$7.0 million more in pharmacy expense. Much like on the revenue side, the budget assumed the pharmacy carve-out would be effective January 1, 2021, therefore we projected lower medical expense due to the transfer of the pharmacy benefit to the State.
 - ii. \$1.2 million more in hospital fee-for-service claims. This increase was due to two reasons – 1) December claims volume was lighter due to the holidays pushing more claims into January; and 2) two large inpatient claims totaling \$524,000 were received in January (one in the amount of \$357,000 from Stanford Medical Center and another in the amount of \$167,000 from UCSF Medical Center).
 - iii. \$309,000 more in Community-Based Adult Services (CBAS) expense. This increase is due to claims lag along with an increase in utilization resulting from the implementation of Temporary Alternative Services (TAS) which allows the CBAS centers to submit claims for telephonic and telehealth CBAS provided to Medi-Cal members during the PHE.

- iv. \$279,000 more in Hepatitis C drug expense. The budget did not assume any Hepatitis C revenue for January as the pharmacy carve-out was expected to happen January 1, 2021.
 - v. \$217,000 more in Healthy Workers pharmacy expense. The actual cost was \$83.68 pmpm while the budgeted cost was \$65.18 pmpm. It is important to note that SFHP receives only \$57.67 pmpm in the Healthy Workers rate making the true loss \$304,000. SFHP is working with the Human Services Agency to secure a rate increase for the pharmacy benefit effective April 1, 2021.
 - vi. \$103,000 more in Non-Specialty Mental Health (NSMH) expense. This additional cost is due to increasing utilization.
 - vii. \$381,000 less in Health Education expenses. This difference is due to timing. Actual costs are expected to align with the budget in the upcoming months.
- c. A net decrease in administrative expenses of \$433,000 primarily due to:
- i. \$289,000 less in Compensation and Benefits due to discontinuing the bonus accrual (the accrual is fully funded for FY 20-21) and not implementing merit increases in FY 20-21.
 - ii. \$215,000 less in Professional Fees and Consulting. Anticipated external costs related to major projects such as CalAIM and CMS Interoperability have yet to be incurred.
 - iii. \$135,000 more in Pharmacy Benefits Manager (PBM) fees due to the delay in the Medi-Cal pharmacy carve-out.

Mr. Takeuchi reviewed the chart below highlighting the key income statement categories for January with adjustments for SUR activity in order to show margin or loss from ongoing operations.

CATEGORY	-----JAN 2021-----				-----FYTD 20-21 THRU JAN-----			
	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	151,548	156,163	(4,615)	-3.0%	1,041,683	1,037,119	4,564	0.4%
REVENUE	\$ 54,216,000	\$ 44,241,000	\$ 9,975,000	22.5%	\$ 490,826,000	\$ 462,947,000	\$ 27,879,000	6.0%
MEDICAL EXPENSE	\$ 48,427,000	\$ 39,715,000	\$ (8,712,000)	-21.9%	\$ 464,296,000	\$ 436,639,000	\$ (27,657,000)	-6.3%
MLR	90.8%	91.2%			95.5%	95.3%		
ADMINISTRATIVE EXPENSE	\$ 4,138,000	\$ 4,571,000	\$ 433,000	9.5%	\$ 27,966,000	\$ 32,737,000	\$ 4,771,000	14.6%
ADMINISTRATIVE RATIO	6.1%	8.9%			4.7%	6.1%		
INVESTMENT INCOME	\$ 5,000	\$ 42,000	\$ (37,000)	-88.1%	\$ 282,000	\$ 292,000	\$ (10,000)	-3.4%
MARGIN (LOSS)	\$ 1,656,000	\$ (3,000)	\$ 1,659,000		\$ (1,154,000)	\$ (6,137,000)	\$ 4,983,000	
ADD BACK: SUR ACTIVITY	\$ -	\$ 417,000			\$ 242,000	\$ 3,748,000		
MARGIN (LOSS) FROM OPERATIONS	\$ 1,656,000	\$ 414,000	\$ 1,242,000	300.0%	\$ (912,000)	\$ (2,389,000)	\$ 1,477,000	

On a year-to-date basis through January and after the removal of SUR activity, SFHP is \$1,477,000 ahead of budget expectations.

- After removing the Directed Payments funding, premium revenue is above budget by \$14.5 million. This is due to:
 - \$7.9 million in pharmacy revenue that was not expected as the pharmacy benefit was to be carved out January 1, 2021.
 - A net increase of 4,564 member months. Adult Expansion member months are 34,301 above budget which has a favorable impact on revenue due to the fact that the premium rate for this category of aid is \$388 pmpm compared to \$293 pmpm for the Adult 19 category and \$112 pmpm for the Child 18 category.
 - A Medi-Cal rate increase effective January 1, 2021.
- After removing SUR activity and Directed Payments funding, medical expense is above budget by \$17.8 million. This increase can be accounted for as follows:

○ Medi-Cal pharmacy costs are up	\$9.0 million
○ Capitation and FFS expenses are up	\$5.7 million
○ Prop 56 supplemental payments are up	\$2.4 million
○ Healthy Workers pharmacy costs are up	\$1.3 million
○ CBAS expenses are up	\$1.1 million
○ Health Education costs are down	(\$1.7 million)

Medi-Cal pharmacy costs are up due to the delay in the carve-out. Capitation and FFS expenses are up due to increasing membership as well as some high dollar inpatient hospital claims. Healthy Workers pharmacy costs are higher as the reimbursement rate established in early 2018 is not sufficient to cover current drug costs and associated utilization. SFHP is working with the San Francisco Human Services Agency to secure a rate increase for April 1, 2021. Proposition 56 supplemental payment activity is higher than anticipated, however this is not an issue as SFHP has received more than enough funding to cover these costs. CBAS costs are up due to greater utilization caused by the ongoing public health emergency.

- Overall administrative expense is below budget by \$4.8 million. The majority of this decrease is due to the elimination of the monthly bonus accrual, not implementing merit increases and lower costs in the areas of professional services and information technology services. In addition, the budget included dollars for major projects which have not been incurred yet, i.e., CalAIM and CMS Interoperability.

PROJECTIONS

Mr. Takeuchi reviewed the following financial projections through July 2021:

1. Due to the impact of the COVID-19 pandemic, SFHP anticipates continued increases in Medi-Cal membership over the next six months. We projected an

increase of approximately 22,000 new members during FY 20-21. Through January, we have added 11,500 new members. These new members have been spread across the Adult, Child and Adult Expansion categories of aid. We will continue to watch membership growth very closely as we begin to develop projections for FY 21-22.

2. In response to the COVID-19 pandemic and the effect it is having on state of California finances, the State Legislature approved the implementation of a 1.5% rate reduction retroactive to July 2019. This rate reduction was effective for the entire Bridge Period which ran through December 2020. The rate reduction applied to all categories of aid except dual eligible members. SFHP estimated the impact of this rate reduction to be \$3.3 million for the period of July through December 2020. This revenue loss was built into the FY 20-21 budget. SFHP does not expect DHCS to implement a similar reduction for January through June 2021.
3. The pharmacy benefit carve-out scheduled for January 2021 was delayed until April 2021 and then delayed again to an unspecified date. DHCS will provide an update in May 2021. When implemented, the State would take on the pharmacy benefit through the selected vendor, Magellan, as its Pharmacy Benefits Manager (PBM). With an April 2021 transition, DHCS planned to continue to pay MCPs for pharmacy services. With the April date, SFHP will receive \$8 million dollars in additional revenue per month for February and March along with a similar amount for the associated pharmacy expense. With the indefinite postponement, DHCS will continue payments to MCPs until the transition occurs.
4. In December, SFHP received final rates for CY 2021. Overall, SFHP received an increase of approximately 4.3% plus the return of the 1.5% Bridge Period rate reduction (1.3% actual). As SFHP looks ahead to future changes coming to Medi-Cal Managed Care, we recognize the need for the health plan to rebuild its reserves that have been reduced by several Strategic Use of Reserves (SUR) programs along with retroactive adjustments implemented by DHCS totaling \$12.7 million.
5. Proposition 56 – This program will continue for the remainder of this fiscal year as well as FY 21-22. Proposition 56 provides enhanced payments to medical groups for qualifying physician services, supplemental payments for developmental screenings, adverse childhood experiences screenings, trauma screenings, family planning services and value-based payments related to a variety of health care quality measures.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

RECAP OF STRATEGIC USE OF RESERVES (SUR) PROGRAMS

Since FY 2004-05, SFHP has committed to a total of \$124.4 million in Provider Distributions and SURs.

Prior to implementing a formal Strategic Use of Reserves program, SFHP's Governing Board approved annual Provider Distributions. From FY 2004-2005 through FY 2013-2014, Provider Distributions totaled \$34.7 million. In the last five fiscal years, the Governing Board approved six Strategic Use of Reserves programs for FY 15-16, FY 16-17, FY 17-18, CY 2018, FY 18-19 and FY 19-20. These distributions total \$89.7 million.

The table on the next page is a summary of SUR funding remaining to be disbursed. The remaining Practice Improvement Program (PIP) SUR amount of \$2,028,030 has been accrued. The SUR balance of \$6,183,099 will be recorded as medical expense when paid. Although SFHP excludes this SUR activity when tracking ongoing financial performance, it is important to note that SFHP will most likely continue to report losses overall until all SUR funding commitments have been disbursed. The projected timing of disbursements for the \$6.2 million is as follows:

- FY 20-21 \$1.4 million
- FY 21-22 \$2.4 million
- FY 22-23 \$2.4 million

CATEGORY	-----REMAINING BALANCE-----		
	PIP SUR	SUR	
MEDICAL GROUP	FY17-18 & FY18-19	FY17-18 & FY18-19	TOTAL
CHINESE COMMUNITY HEALTH CARE ASSN	\$ 747,635	\$ -	\$ 747,635
BROWN & TOLAND MEDICAL GROUP	\$ 496,761	\$ 3,252	\$ 500,013
SFHN - PRIMARY CARE	\$ 273,084	\$ 162,676	\$ 435,760
HILL PHYSICIANS	\$ 313,688	\$ -	\$ 313,688
HEALTHRIGHT 360	\$ 108,490	\$ -	\$ 108,490
UCSF MEDICAL GROUP	\$ 79,281	\$ -	\$ 79,281
BAART COMMUNITY HEALTHCARE	\$ 5,676	\$ -	\$ 5,676
ST. ANTHONY MEDICAL CLINIC	\$ 2,726	\$ -	\$ 2,726
SOUTH OF MARKET HEALTH CENTER	\$ 689	\$ -	\$ 689
	\$ 2,028,030	\$ 165,928	\$ 2,193,958
HOSPITALS			
ZUCKERBERG SAN FRANCISCO GENERAL HOSPITAL	\$ -	\$ 502,872	\$ 502,872
CALIFORNIA PACIFIC MED CTR & CPMC MISSION BERNAL	\$ -	\$ 409,669	\$ 409,669
UCSF MEDICAL CENTER	\$ -	\$ 129,679	\$ 129,679
CHINESE HOSPITAL	\$ -	\$ 35,006	\$ 35,006
DIGNITY-ST. MARY'S MEDICAL CENTER	\$ -	\$ 10,000	\$ 10,000
DIGNITY-ST. FRANCIS HOSPITAL	\$ -	\$ 10,000	\$ 10,000
	\$ -	\$ 1,097,226	\$ 1,097,226
RETENTION/TARGETED INTERVENTIONS			
CHIROPRACTIC/MEMBER INCENTIVES	\$ -	\$ 2,469,945	\$ 2,469,945
HOME BASED CARE (ADVANCED PRIMARY CARE-MEDZED)	\$ -	\$ 2,000,000	\$ 2,000,000
PROJECT OPEN HAND -MEDICALLY TAILORED MEALS	\$ -	\$ 400,000	\$ 400,000
DOULA PROGRAM WITH DPH	\$ -	\$ 50,000	\$ 50,000
	\$ -	\$ 4,919,945	\$ 4,919,945
	\$ 2,028,030	\$ 6,183,099	\$ 8,211,129

Skip Bishop, CFO, reviewed the medical loss ratio (MLR) for Healthy Workers, which showed 101%. He stated that due to the HW rate and SFHP's takeover of the pharmacy benefit several years ago, HW runs at a loss of approximately \$300,000 per month. With appreciation to Greg Wagner, Mr. Bishop stated that SFHP will be receiving a rate increase for HW. The new rate will be \$588 pmpm, effective April 1, 2021. The pharmacy component of the rate will increase from \$58 pmpm to \$93 pmpm. ZSFG's rate will increase from \$353 pmpm to \$438 pmpm. Mr. Bishop explained that this would bring the MLR down to 98%.

Mr. Fawley asked if there was any concern with the cash-on-hand metric at 31 days. Mr. Bishop stated that there was no concern with 31 days of cash-on-hand.

Investment Reports

Mr. Takeuchi reviewed the investment reports that were provided to the Finance Committee in the packet.

Mr. Fawley stated it appears that finances are in good condition with and without strategic use of reserves and doing well compared to budget. He also stated that it is important that SFHP prepare to build reserves when it takes on the hospital risk for the Consortium clinics. He pointed out that SFHP has done very well with the five to six percent administrative costs and reserve levels compared to commercial plans. Steven Fugaro, MD, stated he was pleasantly surprised with the financial condition of SFHP and Mr. Wagner also stated he believed there was a good comfort level with the SFHP finances.

The Finance Committee unanimously approved the year-to-date unaudited financial statements and investment reports ending January 31, 2021, for forwarding to the full Governing Board for approval.

3. Annual Review of SFHP Administrative Contracts

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

Kaliki Kantheti, Chief Operations Officer, provided the Board with a history of the SFHP administrative contracts. 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 this policy, SFHP staff agreed to provide the Governing Board with a list of contracts valued at over \$100,000 on an annual basis.

In keeping with this policy, Ms. Kantheti reviewed the 48 contracts from calendar year 2020 that were valued at \$100,000 or greater.

- In 2020, there were ten contracts whose total spend was over \$1 million. All contracts complied with the Governing Board-approved SFHP Contract Approval policy.

- The contracts were either approved by the Governing Board or were grandfathered, i.e., existed prior to the March 2015 policy:
 - SFHP Employee Benefits:
 - Aetna Life Insurance for Health Benefits
 - Kaiser Permanente Health Benefits
 - CalPERS Defined Pension Plan
 - CalPERS 457
 - 401(a) pension plan through Great-West Life
 - RSC Insurance Brokerage – stop-loss premiums
 - 50 Beale St., LLC – main office rent agreement
 - KP, LLC – vendor for printed member material mailings. (KP, LLC is the company’s name and it is NOT Kaiser Permanente, nor related to Kaiser.)
 - Perform Rx – pharmacy benefits manager administrative fees
 - Edifecs, Inc.

In addition to presenting new contracts valued above \$1 million to the Board for approval, SFHP staff also determines if a contract previously valued under \$1 million approaches actual costs above \$1 million that will require Board approval. If approaching \$1 million, the executive responsible for the contract will present the contract to the Board for approval. At this time, there does not appear to be a contract to bring to the Board for approval.

Ms. Kantheti noted for the Finance Committee that in January 2021 SFHP implemented a new contract amendment with Tactical Telesolutions to conduct inbound and outbound call center functions related to assisting members with making appointments for the COVID-19 vaccine. The vendor operates a call center with agents that speak English, Cantonese, Spanish, Russian, Vietnamese and potentially Tagalog, if needed. SFHP is working closely with the medical leadership at the San Francisco Health Network to provide call center support as the County identifies the populations eligible for vaccines. If the call center is needed through the end of the calendar year, this contract may cost close to \$800,000, but it depends on the number of agents used. We will provide the Board with an update on the cost of this contract at the May Board meeting. Emily Webb asked if the call center is available to all SFHP members. Ms. Kantheti replied that it is available to all, but only according to the phased call campaigns.

The Finance Committee adjourned to Closed Session.

4. Review and Approval of No Changes to Medi-Cal Provider Rates

This item was discussed in closed session.

The Finance Committee resumed the Open Session.

5. Report by Chair on Closed Session Action Items

Mr. Fawley reported that the Finance Committee approved the recommendation to not take any actions on provider rates for forwarding to the full Governing Board for approval.

Adjourn

Reece Fawley, Secretary/Treasurer

**Joint San Francisco Health Authority/San Francisco Community Health Authority
Minutes of the Finance Committee
March 3, 2021
Closed Session**

1. Review and Approval of No Changes to Medi-Cal Provider Rates

Recommendation:

San Francisco Health Plan (SFHP) is recommending to not change provider capitation and fee-for-service rates at this time. SFHP believes the best course of action is to rebuild reserves that have been reduced by several Strategic Use of Reserves (SUR) programs as well as retroactive revenue adjustments implemented by the Department of Health Care Services (DHCS). In addition, SFHP must also be prepared to handle upcoming changes in the risk for San Francisco Community Clinic Consortium (SFCCC) member hospital services and new programs coming into Medi-Cal managed care in 2022 through 2025.

Background:

Beginning with calendar year 2021, DHCS has transitioned its Medi-Cal rate-setting cycle from a fiscal year basis to a calendar year basis. In December 2020, SFHP received final rates for CY 2021. Overall, SFHP received an increase of approximately 4.3% plus the return of the 1.5% Bridge Period rate reduction (1.3% actual).

SFHP must rebuild its reserves as we prepare to take on the risk for SFCCC member hospital services effective July 1, 2021 and prepare for new Medi-Cal managed care programs. SFHP reserves have been reduced since May 2018 due to the following retroactive adjustments implemented by DHCS, which were absorbed by SFHP:

- 1.5% rate reduction (July 2019 through December 2020) \$9.3 million
 - Adult Expansion Duals take-back (May 2018) \$2.4 million
 - Deceased members take-back (March 2020) \$1.0 million
- \$12.7 million

SFHP recommended and the Finance Committee and Governing Board agreed not to make retroactive recoveries from providers in these three cases.

Mr. Bishop highlighted the following upcoming changes to the Medi-Cal Managed Care program, as well as changes within the SFHP network:

- Transitioning hospital risk for the SFCCC from Zuckerberg San Francisco General (ZSFG) to SFHP effective July 1, 2021.

- Continued responsibility for the Medi-Cal pharmacy benefit until further notice from DHCS. The original date for implementation was January 1, 2021, which was delayed until April 1, 2021. Then on February 17, 2021, we were notified that the implementation would be delayed with an update in May 2021.
- Continued responsibility for the Healthy Workers pharmacy benefit. SFHP is losing approximately \$300,000 per month on this benefit. As noted earlier, however, Mr. Bishop was pleased to announce that SFHP will be receiving a rate increase that will be effective April 1, 2021, which will help with managing these costs.
- Implementing California Advancing and Innovating Medi-Cal (CalAIM) initiatives that include Enhanced Care Management and In Lieu Of Services (ECM/ILOS) and carve-in of major organ transplants (MOT), effective January 1, 2022, carve-in of Long-Term Care (LTC) services, effective January 1, 2023, and implementation of a D-SNP in 2025.

Reece Fawley, Chair, Finance Committee, stated that with these upcoming changes, SFHP should be conservative and consider not increasing provider rates over the next 18 months. He stated his appreciation for SFHP's approach compared to other health plans.

The Finance Committee unanimously agreed with the recommendation to not increase provider rates for forwarding to the Governing Board for approval.

Agenda Item 2

Action Item

Approval of Minutes from April 7, 2021 Meeting



**Joint San Francisco Health Authority/San Francisco Community Health Authority
Minutes of the Finance Committee
April 7, 2021**

Present: Eddie Chan, Pharm D, Reece Fawley, Steven Fugaro, MD, Greg Wagner, Emily Webb, Skip Bishop, John F. Grgurina, Jr., Brian Gentner, and Nina Maruyama (note taker)

Absent: None

Guests: Mary Beth Redding, Bartel Associates, LLC

Reece Fawley, Chair, Finance Committee, chaired the meeting and identified the public guest. Mr. Fawley asked for public comments and there were none.

Due to the COVID-19 public health emergency and in accordance with Governor Newsom's Executive Order N-29-20, San Francisco Health Authority and San Francisco Community Health Authority Finance Committee Members attended this meeting via teleconference. The meeting was closed to in-person public attendance, but the public was provided with the conference line to attend if interested. This precaution was taken to protect members of the Finance Committee, staff and the public. The Finance Committee members and staff of the San Francisco Health Plan (SFHP) attended the meeting via video conference.

Call to Order and Public Comment on any matters within the SFHA/SFCHA purview

1. CalPERS Replacement Benefit Plan and Impact on SFHP and Its Employees

The following agenda item was the only matter discussed at this Finance Committee meeting. The item was presented for information only.

John F. Grgurina, Jr., CEO, briefed the Finance Committee on the agenda topic. He stated that the Finance Committee was meeting on this topic to hear more specifics about the CalPERS Replacement Benefit Plan from Mary Beth Redding, of Bartel Associates. Mr. Grgurina introduced the topic at the January meeting.

SFHP is a government employer in the California Public Employees' Retirement System (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.

Internal Revenue Code (IRC) section 415(b) is a federal provision that limits the amount of the annual retirement benefit an individual can be paid from a tax-qualified defined benefit pension plan such as CalPERS.

CalPERS, in accordance with Government Code section 21750 and Title 2 of the Code of Regulations section 589, established a Replacement Benefit Plan (RBP) to ensure that members are provided with retirement and other related benefits that are commensurate with the benefits that would have been received had the benefits not been limited due to IRC 415(b).

A CalPERS employer becomes a participating RBP employer whenever any eligible former employee is paid a retirement allowance that exceeds the annual dollar limit set under IRC 415(b). For example, the annual dollar limit for calendar year 2020 is \$230,000 at age 62.

The RBP requires an eligible employee's former employer(s) to pay the pension benefit in excess of the IRC limit. This liability would be calculated on an annual basis and shared by the eligible employee's former employer(s) based on service time. The RBP would remain in effect for the lifetime of the eligible employee and/or their spouse if designated by the employee.

SFHP engaged Bartel Associates to determine if any SFHP employees would be subject to the RBP. Ms. Redding reviewed the presentation and report with the Finance Committee in detail. (A presentation and report were included in the Finance Committee packet.)

Ms. Redding explained that the RBP impacts those with high annual CalPERS benefits, hired before 7/1/1996 and with very long period of service. As such, the number of individuals impacted is low. For SFHP, there will likely be only one or two individuals impacted by the RBP. The employers are responsible for the RBP benefit that exceeds the IRS limit, currently at \$230,000. Employers are billed annually for their share of the year's benefit payments and it cannot be prefunded. The estimated impact to SFHP for these future obligations will be roughly over \$50,000 per year upon the individual #1's retirement. Individual #2's impact to SFHP may be zero, or at most under \$2,000 for the first two years of the individual's retirement.

The Finance Committee thanked M. Redding for her thorough preparation and presentation on the topic. They felt the material was presented in a clear manner and understood the future impact to SFHP.

No Finance Committee action is needed at this time.

Adjourn

Reece Fawley, Secretary/Treasurer

Agenda Item 3

Action Item

- Review and Approval of Year-to-Date Unaudited Financial Statements and Investment Reports





FINANCIAL RESULTS – MARCH 2021

1. March 2021 reported a margin of \$987,000 versus a budgeted loss of (\$938,000). After removing Strategic Use of Reserves (SUR) activity, the actual margin from operations was \$1,008,000 versus a budgeted loss of (\$522,000).

On a year-to-date basis, we have a margin of \$1,302,000 versus a budgeted loss of (\$6,498,000). After removing SUR activity, the actual margin from operations is \$2,535,000 versus a budgeted loss (\$1,917,000).

In March, we received \$61.7 million in Directed Payments funding related to the periods of January through June 2019 and July through December 2019. The FY 20-21 budget projected Directed Payments funding of \$16.4 million for March. Total Directed Payments funding for FY 20-21 is \$195.6 million versus a budget expectation of \$137.0 million. The variance is due to the fact that SFHP did not anticipate receiving Directed Payments related to the first half of FY 19-20. Directed Payments represent pass-through funding for Zuckerberg San Francisco General (ZSFG), University of California San Francisco (UCSF) and private hospitals. The Department of Health Care Services (DHCS) and the Department of Managed Health Care (DMHC) allow Directed Payments funding to be treated as revenue and medical expense.

2. Variances between March actual results and the budget include:
 - a. A net increase in revenue of \$57.0 million due to:
 - i. \$45.2 million in Directed Payments funding related to FY 18-19 and Bridge Period July through December 2019. The additional funding for July through December 2019 was not anticipated to be received during FY 20-21.
 - ii. \$8.0 million more in premium revenue due to the delay of the Medi-Cal pharmacy carve-out to April 1, 2021. The budget assumed the pharmacy carve-out would be effective January 1, 2021, therefore we projected lower revenue due to the transfer of the pharmacy benefit to the State. DHCS built a new pharmacy component into the CY 2021 rates to cover this benefit for the period of January through March 2021.
 - iii. \$2.0 million more in premium revenue due to the Medi-Cal rate increases effective January 1, 2021. Member months were 4,553 less than budget projections, however the rate increases more than offset the shortfall in member months and drove extra revenue. Adult, Child and SPD member months were 10,962 less than budget, however Adult Expansion member months were 6,386 more than budget. Membership continues to be on an upward trend with new members coming in, however we are not adding members at quite the same rate as expected per the budget. Due to the Public Health Emergency (PHE) created by the COVID-19 pandemic, members are not being placed on hold for purposes of redetermination.

- DHCS has allowed Medi-Cal beneficiaries additional time to requalify for continued eligibility in the Medi-Cal program.
- iv. \$1.3 million more in premium revenue related to DHCS member reclassification adjustments retroactive to January 2014.
 - v. \$439,000 more in Hepatitis C revenue. The budget did not assume any Hepatitis C revenue as the pharmacy carve-out was expected to happen January 1, 2021.
 - vi. \$76,000 more in Maternity revenue due to 9 more maternity events.
- b. A net increase in medical expense of \$54.7 million primarily due to:
- i. \$45.2 million in Directed Payments funding related to FY 18-19 and Bridge Period July through December 2019. The additional funding for July through December 2019 was not anticipated to be received during FY 20-21.
 - ii. \$7.8 million more in Medi-Cal non-Hepatitis C pharmacy expense. Much like on the revenue side, the budget assumed the pharmacy carve-out would be effective January 1, 2021, therefore we projected lower medical expense due to the transfer of the pharmacy benefit to the State.
 - iii. \$1.4 million more in capitation and hospital fee-for-service claims. This increase was due to 1) heavy claims volume as there were five claims payment cycles in March and 2) higher capitation expense due to membership mix, i.e., more Adult Expansion members and fewer Adult and Child members.
 - iv. \$463,000 more in Hepatitis C drug expense. The budget did not assume any Hepatitis C expense for March as the pharmacy carve-out was expected to happen January 1, 2021.
 - v. \$383,000 more in Healthy Workers pharmacy expense. The actual cost was \$97.47 pmpm while the budgeted cost was \$65.18 pmpm. It is important to note that SFHP received only \$57.67 pmpm in the Healthy Workers rate making the true loss \$472,000. There is a new pharmacy rate effective April 1, 2021 which should eliminate the monthly loss on this benefit.
 - vi. \$256,000 more in Non-Specialty Mental Health (NSMH) expense. This additional cost is due to higher than expected utilization.
 - vii. \$148,000 more in Community-Based Adult Services (CBAS) expense. This increase is due to higher utilization resulting from the implementation of Temporary Alternative Services (TAS) which allows the CBAS centers to submit claims for telephonic and telehealth services provided to Medi-Cal members during the Public Health Emergency (PHE).
 - viii. \$973,000 less in Health Education and Stop Loss expenses. This majority of this savings is related to \$750,000 in stop loss recoveries received for CY 2018.
- c. A net increase in administrative expenses of \$242,000 primarily due to:
- i. \$212,000 more in TPA services. We incurred Pharmacy Benefits Manager (PBM) fees due to the delay in the Medi-Cal pharmacy carve-out. We also experienced higher non-specialty mental health administrative fees due to increases in membership.
 - ii. \$161,000 more in Professional Fees and Consulting related to projects with Seller Dorsey (CalAIM assistance for SF DPH), Visions, Inc. (diversity, equity and inclusion) and Three Tenants (leadership development).
 - iii. \$95,000 less in Compensation and Benefits due to adjustments related to the recording of pension expense in accordance with GASB 68 rules which were offset by discontinuing the bonus accrual (the accrual is fully funded for FY 20-21) and not implementing merit increases in FY 20-21.

Below is a chart highlighting the key income statement categories for March with adjustments for SUR activity in order to show margin or loss from ongoing operations.

CATEGORY	-----MAR 2021-----				-----FYTD 20-21 THRU MAR-----			
	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	156,018	160,571	(4,553)	-2.8%	1,351,391	1,356,057	(4,666)	-0.3%
REVENUE	\$ 118,527,000	\$ 61,549,000	\$ 56,978,000	92.6%	\$ 664,001,000	\$ 569,171,000	\$ 94,830,000	16.7%
MEDICAL EXPENSE	\$ 112,603,000	\$ 57,868,000	\$ (54,735,000)	-94.6%	\$ 625,739,000	\$ 534,290,000	\$ (91,449,000)	-17.1%
MLR	95.6%	95.1%			95.1%	94.9%		
ADMINISTRATIVE EXPENSE	\$ 4,903,000	\$ 4,661,000	\$ (242,000)	-5.2%	\$ 37,107,000	\$ 41,754,000	\$ 4,647,000	11.1%
ADMINISTRATIVE RATIO	3.6%	6.5%			4.7%	6.3%		
INVESTMENT INCOME	\$ (34,000)	\$ 42,000	\$ (76,000)		\$ 147,000	\$ 375,000	\$ (228,000)	-60.8%
MARGIN (LOSS)	\$ 987,000	\$ (938,000)	\$ 1,925,000		\$ 1,302,000	\$ (6,498,000)	\$ 7,800,000	
ADD BACK: SUR ACTIVITY	\$ 21,000	\$ 416,000			\$ 1,233,000	\$ 4,581,000		
MARGIN (LOSS) FROM OPERATIONS	\$ 1,008,000	\$ (522,000)	\$ 1,530,000		\$ 2,535,000	\$ (1,917,000)	\$ 4,452,000	

On a year-to-date basis through March and after the removal of SUR activity, SFHP is \$2,535,000 ahead of budget expectations.

- After removing the Directed Payments funding, premium revenue is above budget by \$36.3 million. This is due to:
 - \$24.0 million in pharmacy revenue that was not expected as the pharmacy benefit was to be carved out January 1, 2021.
 - Although we have seen an overall net decrease of 4,666 member months, Adult Expansion member months are 46,282 above budget which has a favorable impact on revenue due to the fact that the premium rate for this category of aid is \$388 pmpm compared to \$293 pmpm for the Adult 19 category and \$112 pmpm for the Child 18 category.
 - A Medi-Cal rate increase effective January 1, 2021.
- After removing SUR activity and Directed Payments funding, medical expense is above budget by \$36.2 million. This increase can be accounted for as follows:
 - Medi-Cal pharmacy costs are up \$22.7 million
 - Capitation and FFS expenses are up \$7.9 million
 - Prop 56 supplemental payments are up \$5.3 million
 - Healthy Workers pharmacy costs are up \$1.8 million
 - CBAS expenses are up \$1.3 million
 - Health Education costs are down (\$2.8 million)

Medi-Cal pharmacy costs are up due to the delay in the carve-out. Capitation and FFS expenses are up due to increasing membership as well as some high dollar inpatient hospital claims that we incurred in January. Healthy Workers pharmacy costs are higher as the reimbursement rate established in early 2018 is not sufficient to cover current drug costs and associated utilization. SFHP worked with the San Francisco Department of Public Health and the San Francisco Human Services Agency to secure a pharmacy rate increase for April 1, 2021. The rate increases from \$57.67 pmpm to \$93.61 pmpm. Proposition 56 supplemental payment activity is higher than anticipated, however, this is

not an issue as SFHP has received more than enough funding to cover these costs. CBAS costs are up due to greater utilization caused by the ongoing public health emergency.

- Overall administrative expense is below budget by \$4.6 million. The majority of this decrease is due to the elimination of the monthly bonus accrual, not implementing merit increases and lower costs in the areas of professional services and information technology services. In addition, the budget included dollars for major projects which have not been incurred yet, i.e., CalAIM and CMS Interoperability.

PROJECTIONS

Financial projections through September 2021:

1. Due to the ongoing COVID-19 pandemic, SFHP anticipates continued increases in Medi-Cal membership over the next six months. We projected an increase of approximately 22,000 new members during FY 20-21. Through March, we have added 13,700 new members. These new members have been spread across the Adult, Child and Adult Expansion categories of aid. We will continue to watch membership growth very closely as we develop the budget for FY 21-22.
2. In response to the COVID-19 pandemic and the effect it is having on state of California finances, the State Legislature approved the implementation of a 1.5% rate reduction retroactive to July 2019. This rate reduction was effective for the entire Bridge Period which ran through December 2020. The rate reduction applied to all categories of aid except dual eligible members. SFHP estimated the impact of this rate reduction to be \$3.3 million for the period of July through December 2020. This revenue loss was built into the FY 20-21 budget. SFHP does not expect DHCS to implement a similar reduction for January through June 2021.
3. The Medi-Cal pharmacy benefit carve-out scheduled for January 2021 has been delayed with no transition date established at this point in time. The plan is for the State to take on this benefit and has selected Magellan as its Pharmacy Benefits Manager (PBM). SFHP will see approximately \$8 million dollars of revenue per month along with a similar amount for the associated pharmacy expense for each month that SFHP continues to have responsibility for the benefit.
4. In December 2020, SFHP received final rates for CY 2021. Overall, SFHP received an increase of approximately 4.3% plus the return of the 1.5% Bridge Period rate reduction (1.3% actual). As SFHP looks ahead to future changes coming to Medi-Cal Managed Care, we recognize the need for the health plan to rebuild its reserves that have been reduced by several Strategic Use of Reserves (SUR) programs along with retroactive adjustments implemented by DHCS totaling \$12.7 million.
5. Beginning in July 2021, hospital risk for 16,000 members enrolled with the San Francisco Community Clinic Consortium (SFCCC) will transfer from Zuckerberg San Francisco General (ZSFG) to SFHP. SFHP will no longer pay capitation to ZSFG for these members. SFHP will be responsible for all in-network and out-of-network hospital services under a fee-for-service arrangement – All Patient Refined Diagnosis Related Groups (APR-DRG) for inpatient services and 140% of the Medi-Cal Fee Schedule (MCFS) for outpatient facility services. Primary care and specialty care services will remain under capitation. It is estimated that this new risk will cost SFHP approximately \$16-\$20 million per year. This additional cost will be included in the FY 21-22 budget.

6. Proposition 56 – this program will continue for the remainder of this fiscal year as well as FY 21-22. Proposition 56 provides enhanced payments to medical groups for qualifying physician services, supplemental payments for developmental screenings, adverse childhood experiences screenings, trauma screenings, family planning services and value-based payments related to a variety of health care quality measures.
7. See income statement charts on subsequent pages. Due to the impact that pass-through funding and the disbursement of Strategic Use of Reserves have on projections, we have included graphs with and without this activity.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

PHARMACY MAXIMUM ALLOWABLE COST ADJUSTMENTS

DHCS and its actuary, Mercer, have the ability to adjust premium rates if it is determined that a Medi-Cal Managed Care Plan is not effectively managing pharmacy costs. DHCS and Mercer analyze the effectiveness of each plan's pharmacy cost management through a Maximum Allowable Cost (MAC) avoidable cost analysis. To identify potentially avoidable costs due to reimbursement inefficiencies, DHCS and Mercer utilize the plan's pharmacy data and review the reimbursement contracting for generic products. Each pharmacy claim is compared against a benchmark Medicaid MAC list for the same timeframe to create a cost savings amount for each claim. To calculate the cost savings amount, a derived paid amount which utilizes the unit price from the benchmark MAC list is calculated for each claim and subtracted from the actual paid amount on each claim. The total cost savings for each claim is then combined and aggregated for each plan to calculate the total cost savings for each plan. In instances where the actual paid amount is less than the derived paid amount (negative cost savings), the negative amount is counted against the cost savings amount.

For the last three rate cycles which include July 2018 through June 2019, July 2019 through December 2020 and CY 2021, DHCS and Mercer did not apply a pharmacy MAC adjustment which means our rates were not reduced due to inefficient pharmacy cost management. Our Pharmacy department employs several strategies to ensure effective pharmacy cost management:

- We have PBM contractual obligations requiring aggressive generic pricing.
- We ensure that our MAC list, which is the number of generics managed through MAC reimbursement, is as broad as possible.
- We monitor monthly MAC changes by the PBM and investigate changes that are beyond a 10% increase.

Our actuary, Edrington Health Consulting, estimates that our ability to avoid MAC adjustments would be worth \$3 million to \$5 million annually. This estimate is derived by taking the average range of MAC adjustments for other Medi-Cal plans.

The charts on the next pages show MAC adjustments by Medi-Cal plan for the last three rate cycles. As you can see, SFHP is the only Medi-Cal plan to **not** have its rates reduced due to MAC adjustments.

MAC Pricing % Adjustment by Year

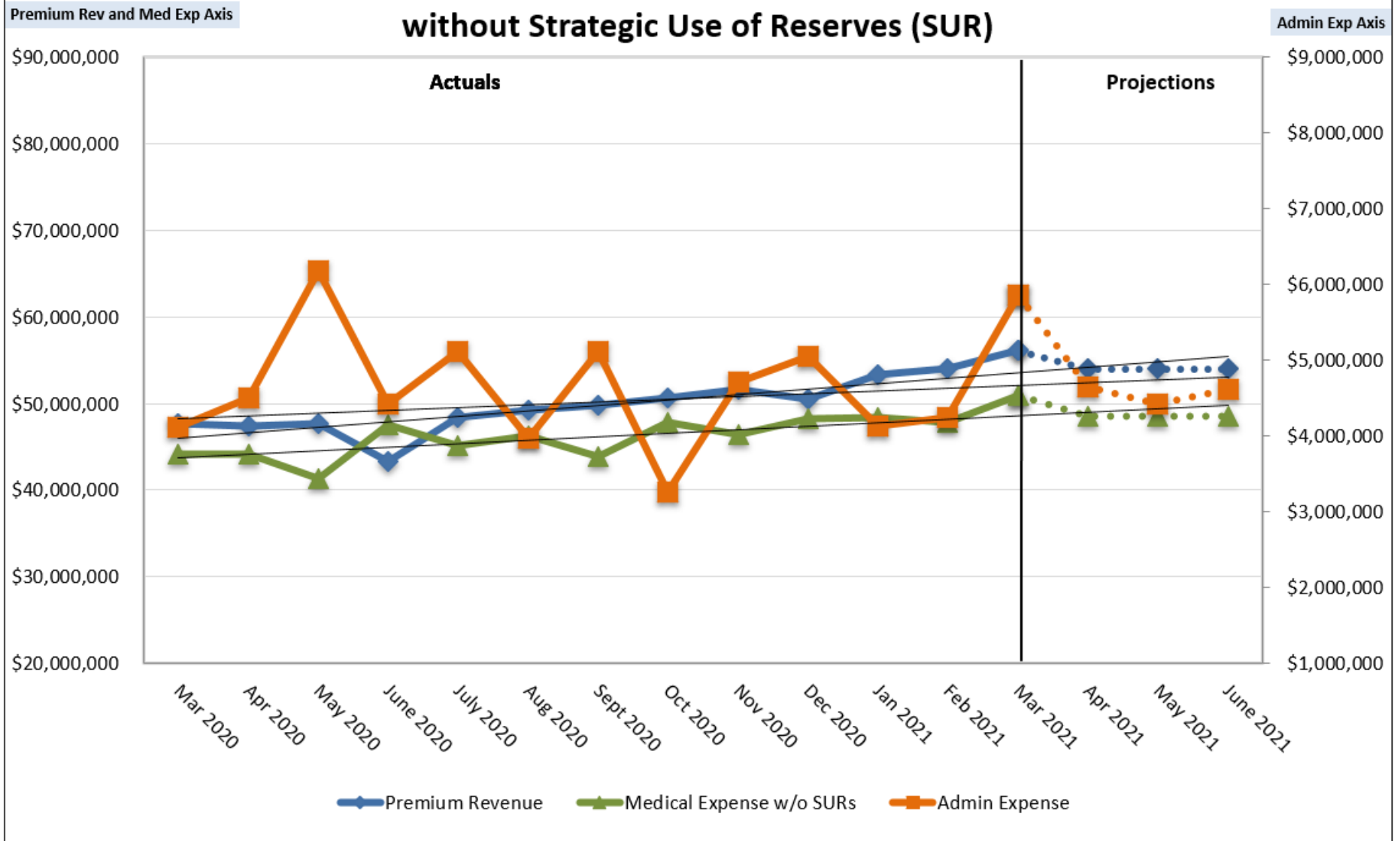
Plan	Rate Period	SFY 18/19	BP 19/20	CY 21
San Francisco Health Plan	Base Data	CY 16 RDT	CY 17 RDT	CY 18 RDT
COA	Child	0.0%	0.0%	0.0%
	Adult	0.0%	0.0%	0.0%
	SPD	0.0%	0.0%	0.0%
	MCE	0.0%	0.0%	0.0%
Health Plan 1	Base Data	CY 16 RDT	CY 17 RDT	CY 18 RDT
COA	Child	0.1%	5.3%	9.7%
	Adult	3.0%	6.1%	8.9%
	SPD	1.8%	4.8%	6.7%
	MCE	2.2%	5.8%	7.5%
Health Plan 2	Base Data	CY 16 RDT	CY 17 RDT	CY 18 RDT
COA	Child	2.7%	10.3%	35.8%
	Adult	4.8%	8.0%	18.9%
	SPD	5.2%	8.5%	16.3%
	MCE	5.0%	7.8%	15.6%
Health Plan 3	Base Data	CY 16 RDT	CY 17 RDT	CY 18 RDT
COA	Child	1.0%	8.0%	16.0%
	Adult	2.0%	4.0%	7.0%
	SPD	1.0%	6.0%	8.0%
	MCE	2.0%	4.0%	7.0%
Health Plan 4	Base Data	CY 16 RDT	CY 17 RDT	CY 18 RDT
COA	Child	2.0%	10.0%	19.0%
	Adult	2.0%	4.0%	7.0%
	SPD	2.0%	4.0%	8.0%
	MCE	2.0%	4.0%	7.0%

Plan	Rate Period	SFY 18/19	BP 19/20	CY 21
Health Plan 5	Base Data	CY 16 RDT	CY 17 RDT	CY 18 RDT
COA	Child	0.00%	0.00%	0.00%
	Adult	0.00%	0.00%	0.70%
	SPD	0.00%	0.00%	0.00%
	MCE	0.00%	0.00%	0.40%
Plan	Rate Period	SFY 18/19	BP 19/20	CY 21
Health Plan 6	Base Data	CY 16 RDT	CY 17 RDT	CY 18 RDT
COA	Child	0.0%	0.0%	0.0%
	Adult	2.3%	3.6%	7.0%
	SPD	1.4%	2.9%	5.1%
	MCE	1.9%	3.4%	5.6%
Plan	Rate Period	SFY 18/19	BP 19/20	CY 21
Health Plan 7	Base Data	CY 16 RDT	CY 17 RDT	CY 18 RDT
COA	Child	0.0%	0.0%	0.0%
	Adult	0.7%	0.0%	0.0%
	SPD	0.4%	0.0%	0.3%
	MCE	0.9%	0.0%	0.0%
Plan	Rate Period	SFY 18/19	BP 19/20	CY 21
Health Plan 8	Base Data	CY 16 RDT	CY 17 RDT	CY 18 RDT
COA	Child	0.0%	6.1%	8.8%
	Adult	0.0%	2.9%	6.3%
	SPD	0.0%	2.0%	3.9%
	MCE	0.0%	3.0%	4.4%
Plan	Rate Period	SFY 18/19	BP 19/20	CY 21
Health Plan 9	Base Data	CY 16 RDT	CY 17 RDT	CY 18 RDT
COA	Child	0.00%	0.80%	3.00%
	Adult	3.80%	3.80%	5.60%
	SPD	0.10%	0.70%	4.20%
	MCE	1.70%	2.50%	3.40%

Plan	Rate Period	SFY 18/19	BP 19/20	CY 21
Health Plan 10	Base Data	CY 16 RDT	CY 17 RDT	CY 18 RDT
COA	Child	3.8%	9.2%	13.0%
	Adult	3.1%	6.3%	8.1%
	SPD	2.2%	5.4%	7.3%
	MCE	2.8%	6.0%	7.5%
Plan	Rate Period	SFY 18/19	BP 19/20	CY 21
Health Plan 11	Base Data	CY 16 RDT	CY 17 RDT	CY 18 RDT
COA	Child		0.4%	5.3%
	Adult		2.2%	4.2%
	SPD		0.9%	3.6%
	MCE		2.1%	4.2%
Plan	Rate Period	SFY 18/19	BP 19/20	CY 21
Health Plan 12	Base Data	CY 16 RDT	CY 17 RDT	CY 18 RDT
COA	Child	0.0%	0.1%	5.4%
	Adult	1.0%	2.2%	3.3%
	SPD	1.4%	2.7%	3.9%
	MCE	1.3%	2.6%	3.2%
Plan	Rate Period	SFY 18/19	BP 19/20	CY 21
Unweighted Average	Base Data	CY 16 RDT	CY 17 RDT	CY 18 RDT
COA	Child	0.8%	3.9%	8.9%
	Adult	1.9%	3.3%	5.9%
	SPD	1.3%	2.9%	5.2%
	MCE	1.7%	3.2%	5.1%

SFHP - March 2021

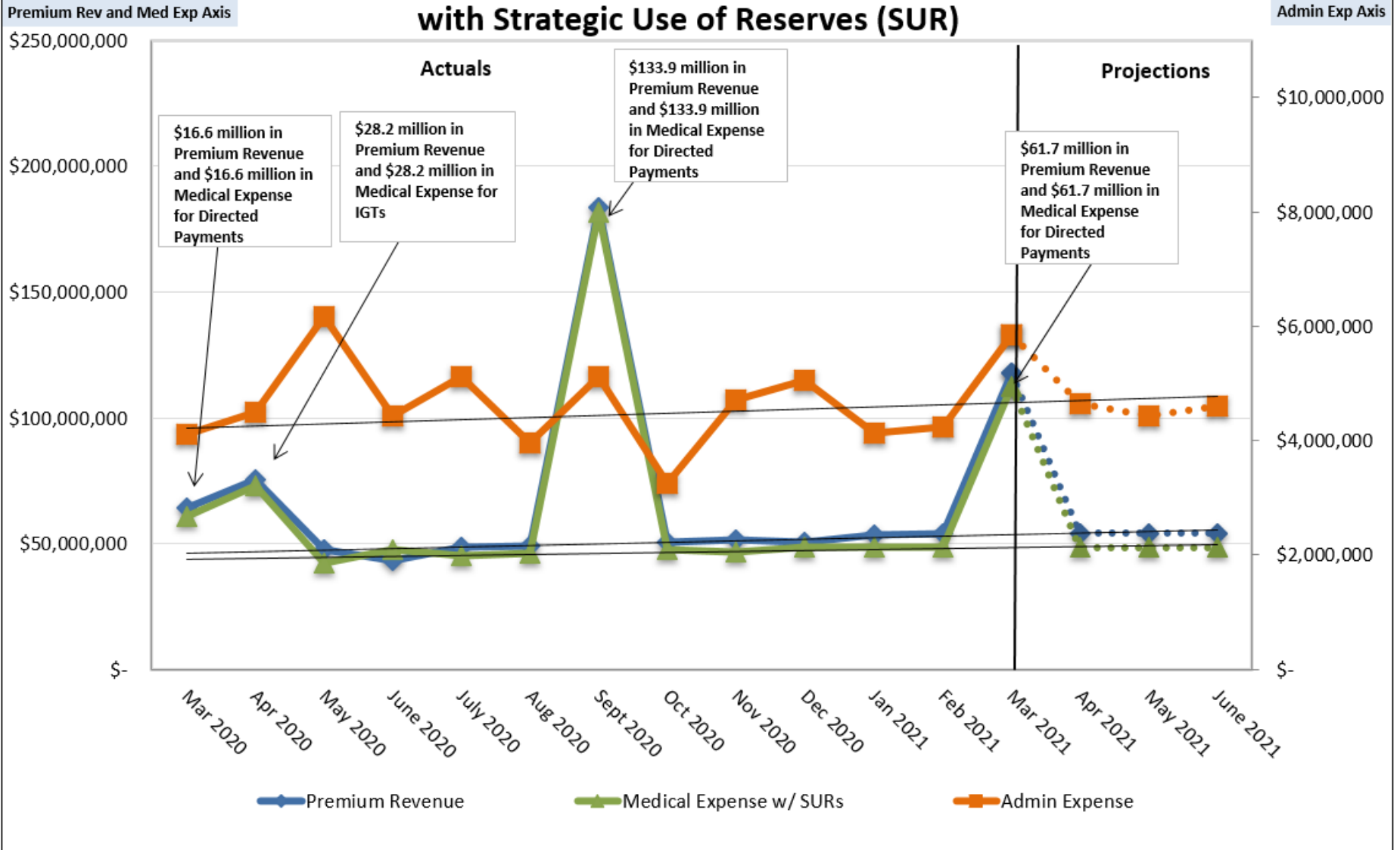
Rolling 12 Month Income Statement & 3 Month Projection without Strategic Use of Reserves (SUR)



- 1) Medical Expense **without** Strategic Use of Reserves (SUR)
- 2) Dual axis chart
- 3) Trend line **without** impact of Strategic Use of Reserves (SUR) or pass-throughs

SFHP - March 2021

Rolling 12 Month Income Statement & 3 Month Projection with Strategic Use of Reserves (SUR)



- 1) Medical Expense **with** Strategic Use of Reserves (SUR) and pass-throughs
- 2) Dual axis chart
- 3) Trend line **without** impact of Strategic Use of Reserves (SUR) or pass-throughs

San Francisco Health Plan Finance Big Picture Dashboard - March 2021

	Mar-21			Mar-20	Fiscal Year to Date (20/21)			FY 19/20
	MTD	MTD	MTD	MTD	FYTD	FYTD	FYTD	FYTD
	Actual	Budget	Fav (Unfav)	Actual	Actual	Budget	Fav (Unfav)	Actual
FINANCIAL POSITION:								
Net Profit/Loss w/o HSF (\$)	986,799	(938,036)	1,924,835	(631,279)	1,302,289	(6,497,739)	7,800,027	(1,650,558)
Total Medical Loss Ratio_All LOB	95.6%	95.1%	-0.4%	95.8%	95.1%	94.9%	-0.2%	95.2%
Admin Expense Ratio	3.6%	6.5%	2.9%	5.5%	4.7%	6.3%	1.6%	5.4%
Number of FTE's	351			351				
Premium Revenue (\$)	117,842,525	60,831,632	57,010,892	63,662,914	657,753,019	562,933,578	94,819,440	562,260,379
Medical Expenses (\$)	112,602,909	57,867,979	(54,734,930)	61,003,661	625,739,342	534,290,290	(91,449,052)	535,473,149
Administration Expenses w/o HSF (\$)	4,902,978	4,660,831	(242,148)	4,107,884	37,107,365	41,753,875	4,646,509	36,954,473
Member Months	156,018	160,571	(4,553)	136,691	1,351,391	1,356,057	(4,666)	1,244,238
Cash on Hand (Days)	31			39				

RESERVES:	March-2021	Budget @ 6/30/21	June-2020	June-2019	June-2018	June-2017	June-2016	June-2015
	Reserves (\$)	92,848,702	86,253,212	91,960,120	97,935,725	108,542,472	120,761,132	112,637,840
SUR carry-over balance from prior years	(2,707,719)	(1,800,000)	(4,145,463)	(6,046,189)	(15,567,350)			
FY18-19 SUR for Medical Groups and Targeted Interv.	(2,945,000)	-	(2,945,000)	(6,558,333)	0			
Adjusted Reserve Balance	87,195,983	84,453,212	84,869,657	85,331,203	92,975,122			
Reserve Policy 2x Premium Rev (Rolling 12 month avg)	112,339,067	90,000,000	86,669,751	93,747,256	93,684,010	94,325,464	100,027,410	51,400,000
Reserves Over (Under) 2 x Premium Revenue	(25,143,084)	(5,546,788)	(1,800,095)	(8,416,053)	(708,888)			
DMHC Required TNE	13,155,490	13,500,000	13,951,203	12,597,375	11,960,363	11,818,641	10,744,461	8,673,851
TNE Multiple	6.6	6.4	6.1	6.8	7.8	10.2	10.5	10.1

FINANCIAL TREND:	FY 20/21								
	Original Budget	Change	March-2021	June-2019	June-2018	June-2017	June-2016	June-2015	June-2014
Premium Revenue (\$)	562,933,578	94,819,440							
Medical Expenses (\$)	534,290,290	(91,449,052)							
Administration Expenses w/o HSF (\$)	41,753,875	4,646,509							
Member Months	156,018		156,018	140,765	143,096	149,348	146,289	137,427	111,590
Average Monthly Enrollment	147,819		147,819	142,038	146,847	148,354	144,347	130,240	91,587

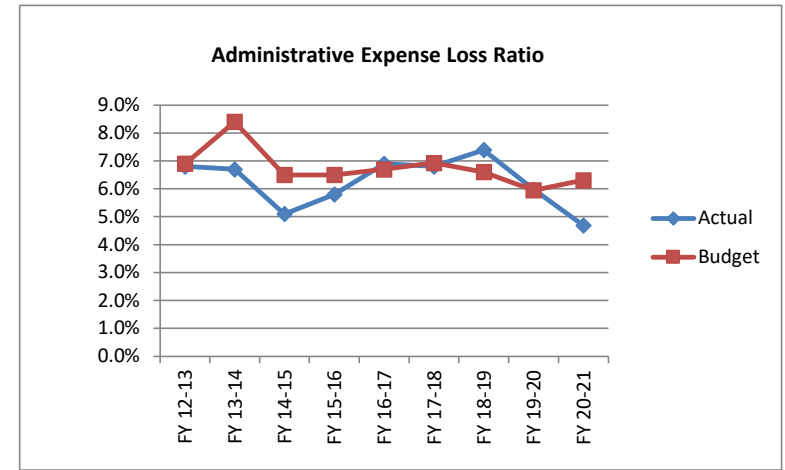
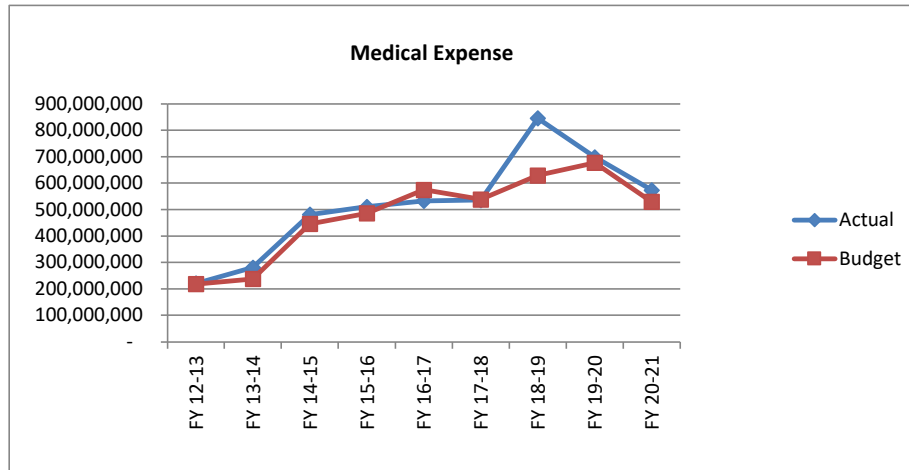
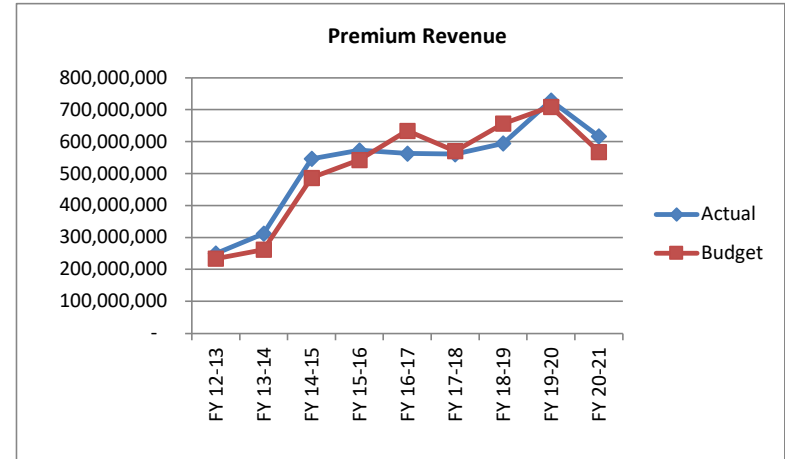
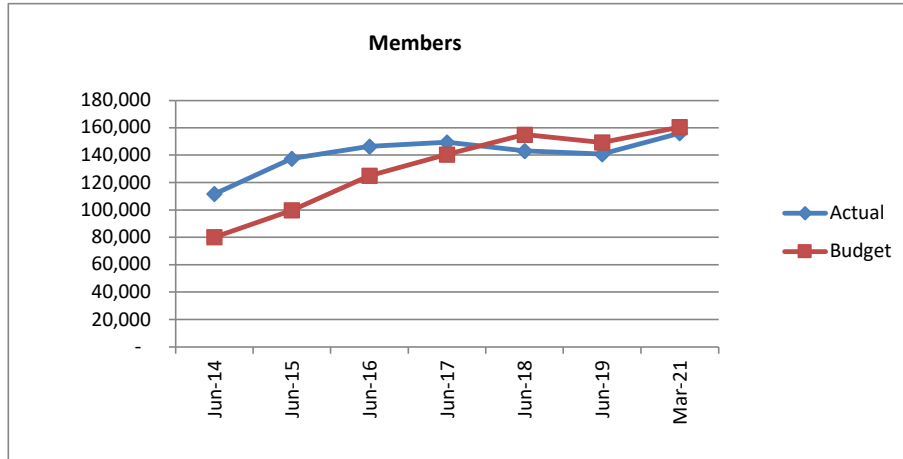
Membership for the Month

Rolling 12 Month Average

San Francisco Health Plan

Finance Big Picture Dashboard - March 2021

FINANCIAL TREND:
(Rolling 12 months)



San Francisco Health Plan

Finance Dashboard Metrics - March 2021

	Mar-21			Mar-20	Fiscal Year to Date (20/21)			FY 19/20
	Actual	Budget	Fav (Unfav)	Actual	Actual	Budget	Fav (Unfav)	Actual
Member Months	156,018	160,571	(4,553) -2.8%	136,691	1,351,391	1,356,057	(4,666) -0.3%	1,244,238
Premium Revenue (\$)	117,842,525	60,831,632	57,010,892 93.7%	63,662,914	657,753,019	562,933,578	94,819,440 16.8%	562,260,379
Administration Expenses w/o HSF (\$)	4,902,978	4,660,831	(242,148)	4,107,884	37,107,365	41,753,875	4,646,509	36,954,473
Admin Expense Ratio	3.6%	6.5%		5.5%	4.7%	6.3%		5.4%
Medical Expenses (\$)	112,602,909	57,867,979	(54,734,930)	61,003,661	625,739,342	534,290,290	(91,449,052)	535,473,149
Total Medical Loss Ratio	95.6%	95.1%		95.8%	95.1%	94.9%		95.2%
MC Medical Loss Ratio	91.5%	88.2%		91.3%	89.8%	87.7%		90.1%
MC SPD Medical Loss Ratio	91.9%	100.5%		100.1%	94.6%	99.2%		97.6%
MC Expansion	99.2%	95.7%		94.5%	97.0%	96.0%		96.1%
HW Medical Loss Ratio	105.1%	100.3%		101.5%	102.3%	99.8%		99.4%
HSF + SFCMRA - TPA Fee (\$)	948,958	1,170,227	(221,269) -18.9%	831,710	7,983,318	9,854,004	(1,870,686) -19.0%	6,953,115
Cash on Hand (Days)	31			39				
Maternity Reimb. Performance (\$) (per case pymt, actual vs. budget)	824,946	783,132	41,814 5.3%	827,129	7,013,934	7,048,191	(34,257) -0.5%	7,027,847
Number of Births	98	89	9	94	808	801	7	804
Hep-C Revenue (\$)	439,222	-		486,282	3,461,251	3,335,442	125,809	4,804,800
Hep-C Expense w/rebates (FFS + Cap) (\$)	462,794	-		458,419	3,522,305	3,335,442	186,863	4,586,893
Net Margin (\$)	(23,572)	-		27,863	(61,054)	-	(61,054)	217,907
Total Hep-C Treatments	214	-		192	1,475	1,320	155	1,900
Net Profit/Loss w/o HSF (\$)	986,799	(938,036)	1,924,835	(631,279)	1,302,289	(6,497,739)	7,800,027	(1,650,558)

**San Francisco Health Plan
Consolidated Balance Sheet for SFHA and SFCHA
As of March 31, 2021**

	SFHA	HSF	3/31/2021 Total	3/31/2020 Total	Variance
ASSETS					
CURRENT ASSETS					
(1) SFHP Cash, Cash Equivalents and Short Term Investments	157,611,015		157,611,015	106,620,333	50,990,682
HSF Cash and Cash Equivalents		648,053,906	648,053,906	575,759,342	72,294,564
Petty Cash	1,000		1,000	1,000	-
Other Receivables	6,797,324		6,797,324	3,170,417	3,626,907
Interest Receivable	174,122		174,122	157,921	16,201
Grant Funds Receivable	-		-	1,471,675	(1,471,675)
(2) Capitation Receivable	60,282,607		60,282,607	62,181,272	(1,898,665)
HSF Operation Receivable	8,016,766		8,016,766	11,126,966	(3,110,199)
HSF Provider Payment & Advance		2,205,706	2,205,706	1,882,053	323,652
(3) HSF Receivables		17,772,122	17,772,122	626,984	17,145,138
Prepaid Insurance	106,082		106,082	129,467	(23,384)
HSF Prepaid Insurance	5,050		5,050	4,570	480
Prepaid Rent	336,637		336,637	329,083	7,554
Prepaid Expenses	3,181,195		3,181,195	3,166,007	15,187
HSF Prepaid Expenses	8,213		8,213	8,213	-
CalPERS Deferred Outflow Fund	7,743,117		7,743,117	7,590,457	152,660
Deposits	79,874		79,874	79,874	-
Total Current Assets	244,343,000	668,031,733	912,374,734	774,305,632	138,069,102
OTHER ASSETS					
Long Term Investments	24,848,967		24,848,967	22,023,034	2,825,932
Restricted Funds Required by DMHC	300,000		300,000	300,000	-
Total Other Assets	25,148,967	-	25,148,967	22,323,034	2,825,932
FIXED ASSETS					
Furniture & Equipment	15,420,811		15,420,811	14,787,576	633,235
Accumulated Depreciation	(12,091,704)		(12,091,704)	(10,384,878)	(1,706,826)
Net Fixed Assets	3,329,107	-	3,329,107	4,402,698	(1,073,590)
TOTAL ASSETS	272,821,074	668,031,733	940,852,808	801,031,364	139,821,444

**San Francisco Health Plan
Consolidated Balance Sheet for SFHA and SFCHA
As of March 31, 2021**

	SFHA	HSF	3/31/2021 Total	3/31/2020 Total	Variance
LIABILITIES & FUND BALANCE					
CURRENT LIABILITIES					
Accounts Payable	22,638,093		22,638,093	20,364,427	2,273,666
HSF Accounts Payable		1,776,511	1,776,511	911,329	865,182
Deferred Rent	1,849,742		1,849,742	1,995,979	(146,237)
Salaries/Benefits/PERS Payable	8,360,460		8,360,460	7,509,731	850,729
CalPERS Unfunded Pension	41,309		41,309	(1,279,513)	1,320,822
CalPERS Pension Deferred Inflow	180,387		180,387	227,213	(46,826)
Notes Payable - Lease Equipment	38,985		38,985	129,451	(90,466)
Unearned Premium Revenue	-		-	1,771,518	(1,771,518)
(4) Due to DHCS including Provider Pass-throughs	92,912,299		92,912,299	32,670,240	60,242,059
HSF Earned Premium - Due to DPH		58,033,006	58,033,006	61,561,245	(3,528,240)
Waiver, Discount, and Account Write-off		(132,988)	(132,988)	(647,727)	514,739
HSF Unearned Participant Fees		676,710	676,710	1,991,931	(1,315,221)
ESR due to DPH		444,844,417	444,844,417	364,822,300	80,022,118
HSF MRA Fund Payable (Claim & Fee)		162,834,077	162,834,077	149,629,300	13,204,777
Capitation Payable	47,141,908		47,141,908	52,315,306	(5,173,398)
Claims Payable	3,471,524		3,471,524	2,400,172	1,071,352
Claims IBNR	3,337,666		3,337,666	5,805,829	(2,468,163)
TOTAL LIABILITIES	179,972,372	668,031,733	848,004,106	702,178,731	145,825,374
FUND BALANCE					
Contributed Capital	1,516,840		1,516,840	1,516,840	-
Accumulated Surplus Revenue	90,029,573		90,029,573	98,986,350	(8,956,777)
Current Year Surplus / Deficit	1,302,289		1,302,289	(1,650,558)	2,952,846
Fund Balance	92,848,702	-	92,848,702	98,852,633	(6,003,930)
TOTAL LIABILITIES & FUND BALANCE	272,821,074	668,031,733	940,852,808	801,031,364	139,821,444

**San Francisco Health Plan
Consolidated Balance Sheet for SFHA and SFCHA
As of March 31, 2021**

Notes:

- (1) SFHP Cash, Cash Equivalents and Short Term Investments had a combined balance of \$157.6 million at 3/31/21 as compared to \$106.6 million at 3/31/20. This increase is due to Directed Payments funding received in March 2021 and paid in April 2021.

The days cash on hand as of 3/31/21 was 31 days compared to 31 days at 1/31/21. There is no change from January 2021. Directed Payments funding is excluded as these funds are a direct pass-through to providers and therefore not available to fund ongoing operations.

- Capitation Receivable is a combination of Medi-Cal premiums totaling \$57.0 million along with \$3.3 million of receivables for the Healthy Workers program. SFHP and the SF Department of Human Resources are engaged in a weekly dialogue on the payment of the HW receivable. We have a verbal confirmation that this amount will be paid as soon as the new contract is executed. The new contract should be signed in early May.
- (2)
- (3) The majority of this increase is related to the \$500 grants disbursed to SF City Option MRA holders. These funds will come back into the HSF SF City Option program at a later date.

- The additional \$60.2 million is related to Directed Payments funding received in March 2021 and paid in April 2021. This funding is disbursed
- (4) to Zuckerberg San Francisco General (ZSFG) hospital, University of California San Francisco (UCSF) Medical Center and other contracted private hospitals in the SFHP network.

All other asset and liability account balances appear to be reasonable.

**San Francisco Health Plan
Income Statement w/o HSF
Consolidated Statement for SFHA and SFCHA
For the Month Ending March 31, 2021**

	Current Month		Fav (Unfav)			Year to Date		Fav (Unfav)	
	Actual	Budget	Amount (\$)	%		Actual	Budget	(\$)	%
Member Month									
(1)	72,378	82,430	(10,052)	(12.2%)	Medi-Cal	626,928	675,584	(48,656)	(7.2%)
	13,182	14,092	(910)	(6.5%)	Medi-Cal SPD	120,497	125,820	(5,323)	(4.2%)
	58,600	52,214	6,386	12.2%	Medi-Cal Expansion	494,816	448,534	46,282	10.3%
	11,858	11,835	23	0.2%	Healthy Workers	109,150	106,119	3,031	2.9%
	156,018	160,571	(4,553)	(2.8%)	TOTAL MEMBER MONTH	1,351,391	1,356,057	(4,666)	(0.3%)
REVENUE									
(2)	25,071,196	16,402,340	8,668,856	52.9%	Medi-Cal	147,130,118	143,316,087	3,814,031	2.7%
	36,544,217	13,908,162	22,636,055	162.8%	Medi-Cal SPD	171,151,298	137,325,421	33,825,877	24.6%
	50,715,955	24,995,854	25,720,101	102.9%	Medi-Cal Expansion	288,332,855	232,745,572	55,587,283	23.9%
	95,000	116,090	(21,090)	(18.2%)	MC Health Homes	1,284,404	1,044,810	239,594	22.9%
	5,416,157	5,409,187	6,970	0.1%	Healthy Workers	49,854,344	48,501,689	1,352,655	2.8%
	117,842,525	60,831,632	57,010,892	93.7%	Total Capitation Revenue	657,753,019	562,933,578	94,819,440	16.8%
	684,647	717,475	(32,828)	(4.6%)	Other Income - Admin Svc & TPL	6,048,271	6,237,848	(189,576)	(3.0%)
	-	-	-		Other Income - BHI	200,000	-	200,000	
	684,647	717,475	(32,828)	(4.6%)	Total Other Income	6,248,271	6,237,848	10,424	0.2%
	118,527,172	61,549,107	56,978,064	92.6%	TOTAL REVENUE	664,001,290	569,171,426	94,829,864	16.7%

**San Francisco Health Plan
Income Statement w/o HSF
Consolidated Statement for SFHA and SFCHA
For the Month Ending March 31, 2021**

	Current Month Actual	Current Month Budget	Fav (Unfav) Amount (\$)	Fav (Unfav) %		Year to Date Actual	Year to Date Budget	Fav (Unfav) (\$)	Fav (Unfav) %
EXPENSES									
Medical Expenses									
(3)	17,032,906	15,945,575	(1,087,331)	(6.8%)	Professional	146,849,678	137,869,789	(8,979,889)	(6.5%)
	22,657,354	22,161,999	(495,355)	(2.2%)	Hospital	190,355,696	188,710,231	(1,645,465)	(0.9%)
	9,493,847	813,717	(8,680,130)	(1,066.7%)	Pharmacy	73,875,097	49,387,016	(24,488,081)	(49.6%)
	18,436	45,333	26,897	59.3%	Immunizations	247,339	386,316	138,977	36.0%
	1,031,344	792,034	(239,310)	(30.2%)	Vision and Mental Health	7,212,352	6,484,092	(728,259)	(11.2%)
(4)	62,369,022	18,109,321	(44,259,701)	(244.4%)	Health Ed & Stop Loss & Other	207,199,181	151,452,846	(55,746,335)	(36.8%)
	112,602,909	57,867,979	(54,734,930)	(94.6%)	Total Medical Expenses	625,739,342	534,290,290	(91,449,052)	(17.1%)
	95.6%	95.1%			Medical Cost Ratio %	95.1%	94.9%		
Operating Expenses									
(5)	2,313,184	2,560,733	247,549	9.7%	Compensation & Benefits	20,229,309	21,449,884	1,220,576	5.7%
	217,993	65,412	(152,581)	(233.3%)	GASB-68 CalPERS Contribution	92,997	563,764	470,767	83.5%
	469,970	485,373	15,403	3.2%	Lease, Insurance, D & A	4,062,286	4,223,016	160,730	3.8%
	81,997	56,689	(25,308)	(44.6%)	Marketing & Outreach	698,892	826,380	127,488	15.4%
	330,535	118,678	(211,857)	(178.5%)	PBM and Mental Health TPA Fees	2,815,365	2,064,866	(750,499)	(36.3%)
	575,722	414,626	(161,096)	(38.9%)	Professional Fees & Consulting	2,189,104	3,759,136	1,570,032	41.8%
	913,577	959,319	45,742	4.8%	Other Expenses	7,019,413	8,866,829	1,847,416	20.8%
	4,902,978	4,660,831	(242,148)	(5.2%)	Total Operating Expenses	37,107,365	41,753,875	4,646,509	11.1%
	3.6%	6.5%			Administrative Cost Ratio %	4.7%	6.3%		
	117,505,888	62,528,810	(54,977,078)	(87.9%)	TOTAL EXPENSES	662,846,707	576,044,165	(86,802,542)	(15.1%)
	1,021,284	(979,702)	2,000,987		Operating Surplus / Deficit	1,154,583	(6,872,739)	8,027,321	
	46,809	41,667	5,142	12.3%	Interest Income & Realized G/L on Investment	596,387	375,000	221,387	59.0%
	(81,294)	-	(81,294)		Unrealized Gain / Loss on Investment	(448,681)	-	(448,681)	
	(34,485)	41,667	(76,152)		Total Interest Income & Realized G/L on Investment	147,706	375,000	(227,294)	(60.6%)
	986,799	(938,036)	1,924,835		SURPLUS / DEFICIT	1,302,289	(6,497,739)	7,800,027	

San Francisco Health Plan
Income Statement w/o HSF
Consolidated Statement for SFHA and SFCHA
For the Month Ending March 31, 2021

Notes:

Following are key points that impacted our financial performance during March 2021. For a more detailed discussion of each of these points, please refer to the attached FINANCIAL RESULTS-MARCH 2021 memo.

(1) March member months were 2.8% below budget. When preparing the FY 20-21 budget, SFHP assumed there would be stronger growth during the middle part of the fiscal year due to the COVID-19 pandemic. Although Adult and Child member months were short of budget projections, Adult Expansion member months came in 6,386 ahead of budget which helped drive additional revenue for SFHP and additional capitation for providers. SFHP expects continued growth in membership, however the growth will not be as robust and will fall short of budget expectations. On a year-to-date basis, member months are 0.3% below budget. It is expected that member months will fall slightly short of the full fiscal year target, however membership mix will help us achieve revenue projections.

(2) Premium revenue for the month of March was \$57.0 million higher than the budget due to a combination of Directed Payments funding, additional pharmacy revenue that was expected to end 12/31/20 and the Medi-Cal rate increase that was effective 1/1/21. Year-to-date revenue included \$195.6 million in Directed Payments funding related to FY 18-19 as well as July through December 2019. The FY 20-21 budget projected \$137.0 million. This funding is a direct pass-through to hospital providers. DHCS and DMHC allow health plans to treat this funding as revenue and medical expense. On a year-to-date basis and excluding Directed Payments funding, premium revenue is \$36.3 million above budget. This is due to \$24.0 million in unanticipated pharmacy revenue, a rate increase effective January 2021 and favorable membership mix.

(3) Additional professional and hospital expense was driven by increased capitation due to more Adult Expansion membership as well as some high dollar inpatient hospital claims. SFHP has also seen increases in CBAS and Prop 56 claims expense. SFHP did not budget for pharmacy costs in March as the pharmacy carve-out was expected to occur January 2021. On a year-to-date basis and excluding Directed Payments and Strategic Use of Reserves activity, medical expense is \$36.2 million above budget. This is due to \$22.7 million in unanticipated pharmacy expense, higher capitation due to membership mix, higher than expected fee-for-service costs and increases in CBAS, non-specialty mental health and Proposition 56 services.

(4) The Health Education, Stop Loss and Other Medical Expenses line item includes Directed Payment funding. For March, SFHP received \$61.7 million versus a budget of \$16.5 million. On a year-to-date basis, SFHP received \$195.6 million versus a projected amount of \$137.0 million.

(5) The Compensation and Benefits line item is lower than budget due to discontinuing the monthly bonus accrual as well as not implementing the annual merit increase. As no bonus was paid for FY 19-20, the bonus accrual is fully funded for FY 20-21. GASB 68 expense reflects a pension expense adjustment as required by GASB rules. Pharmacy Benefit Manager (PBM) costs are higher as we expected the Medi-Cal pharmacy benefit to be carved out effective January 2021. Professional Fees and Consulting expense is higher than the budget due to project costs related to CalAIM assistance for the San Francisco Department of Public Health, a diversity, equity and inclusion initiative and a leadership development program. Other Expenses such as telecommunications, systems maintenance and systems support costs have come in lower than expected. This is related to timing issues as it is expected that actual spending and budget projections will align more closely during the final quarter of the fiscal year.

San Francisco Health Plan
Income Statement w/o HSF
Consolidated Statement for SFHA and SFCHA
For the Month Ending March 31, 2021
(\$ PMPM)

Current Month Actual	Current Month Budget	Fav (Unfav) Amount (\$)	Fav (Unfav) %		Year to Date Actual	Year to Date Budget	Fav (Unfav) Amount (\$)	Fav (Unfav) %
REVENUE								
346.39	198.99	147.41	74.1%	Medi-Cal	234.68	212.14	22.55	10.6%
2,772.28	986.95	1,785.33	180.9%	Medi-Cal SPD	1,420.38	1,091.44	328.93	30.1%
865.46	478.72	386.74	80.8%	Medi-Cal Expansion	582.71	518.90	63.80	12.3%
456.75	457.05	(0.30)	(0.1%)	Healthy Workers	456.75	457.05	(0.30)	(0.1%)
754.70	378.85	375.86	99.2%	Total Capitation Revenue	485.77	415.13	70.65	17.0%
4.39	4.47	(0.08)	(1.8%)	Other Income - Admin Svc & TPL	4.48	4.60	(0.12)	(2.7%)
-	-	-		Other Income - BHI	0.15	-	0.15	
4.39	4.47	(0.08)	(1.8%)	Total Other Income	4.62	4.60	0.02	0.5%
759.09	383.31	375.78	98.0%	TOTAL REVENUE	490.40	419.73	70.67	16.8%

**San Francisco Health Plan
Income Statement w/o HSF
Consolidated Statement for SFHA and SFCHA
For the Month Ending March 31, 2021
(\$ PMPM)**

Current Month Actual	Current Month Budget	Fav (Unfav) Amount (\$)	Fav (Unfav) %		Year to Date Actual	Year to Date Budget	Fav (Unfav) Amount (\$)	Fav (Unfav) %	
EXPENSES									
Medical Expenses									
109.17	99.31	(9.87)	(9.9%)	Professional	108.67	101.67	(7.00)	(6.9%)	
145.22	138.02	(7.20)	(5.2%)	Hospital	140.86	139.16	(1.70)	(1.2%)	
60.85	5.07	(55.78)	(1,100.8%)	Pharmacy	54.67	36.42	(18.25)	(50.1%)	
0.12	0.28	0.16	58.1%	Immunizations	0.18	0.28	0.10	35.8%	
6.61	4.93	(1.68)	(34.0%)	Vision and Mental Health	5.34	4.78	(0.56)	(11.6%)	
399.76	112.78	(286.97)	(254.5%)	Health Ed & Stop Loss & Other	153.32	111.69	(41.64)	(37.3%)	
721.73	360.39	(361.34)	(100.3%)	Total Medical Expenses	463.03	394.00	(69.03)	(17.5%)	
95.6%	95.1%			Medical Cost Ratio %	95.3%	94.9%			
Operating Expenses									
14.83	15.95	1.12	7.0%	Compensation & Benefits	14.97	15.82	0.85	5.4%	
1.40	0.41	(0.99)	(243.0%)	GASB-68 CalPERS Contribution	0.07	0.42	0.35	83.4%	
3.01	3.02	0.01	0.3%	Lease, Depreciation & Amortization	3.01	3.11	0.11	3.5%	
0.53	0.35	(0.17)	(48.9%)	Marketing & Outreach	0.52	0.61	0.09	15.1%	
2.12	0.74	(1.38)	(186.6%)	PBM and Mental Health TPA Fees	2.08	1.52	(0.56)	(36.8%)	
3.69	2.58	(1.11)	(42.9%)	Professional Fees & Consulting	1.62	2.77	1.15	41.6%	
5.86	5.97	0.12	2.0%	Other Expenses	5.19	6.54	1.34	20.6%	
31.43	29.03	(2.40)	(8.3%)	Total Operating Expenses	27.46	30.79	3.33	10.8%	
3.6%	6.5%			Administrative Cost Ratio %	4.7%	6.3%			
753.16	389.42	(363.74)	(93.4%)	TOTAL EXPENSES	490.49	424.79	(65.70)	(15.5%)	
5.94	(6.10)	12.04		Operating Surplus / Deficit	(0.10)	(5.07)	4.97		
0.30	0.26	0.04	15.6%	Interest Income & Realized G/(L) on Investmer	0.44	0.28	0.16	59.6%	
(0.52)	-	(0.52)	-	Unrealized Gain / (Loss) on Investment	(0.33)	-	(0.33)	-	
(0.22)	0.26	(0.48)			0.11	0.28	(0.17)		
5.72	(5.84)	11.56		SURPLUS / DEFICIT	0.01	(4.79)	4.80		

**San Francisco Health Plan
Income Statement
Healthy San Francisco & SF Covered MRA
For the Month Ending March 31, 2021**

Current Month		Fav (Unfav)		Year to Date		Fav (Unfav)	
Actual	Budget	Amount (\$)	%	Actual	Budget	(\$)	%
REVENUE							
948,958	1,170,227	(221,269)	-18.9%	TPA Fee - HSF + SFCMRA	7,983,318	9,854,004	(1,870,686) (19.0%)
EXPENSES							
806,935	847,835	40,900	4.8%	Compensation & Benefits	6,467,663	6,952,475	484,812 7.0%
88,581	121,564	32,982	27.1%	Lease, Insurance, D & A	797,230	1,094,073	296,842 27.1%
548	36,921	36,373	98.5%	Marketing & Outreach	101,361	332,292	230,931 69.5%
-	69,250	69,250	100.0%	Professional Fees & Consulting	222,464	623,250	400,786 64.3%
52,894	94,657	41,763	44.1%	Other Expenses	394,600	851,914	457,314 53.7%
948,958	1,170,227	221,269	18.9%	TOTAL EXPENSES	7,983,318	9,854,004	1,870,686 19.0%
100.0%	100.0%			Administrative Cost Ratio %	100.0%	100.0%	
-	-	-	0.0%	SURPLUS / DEFICIT	-	-	0.0%

San Francisco Health Plan										
Investment Performance										
(excludes balances in SFHA operating accounts)										
March 31, 2021										
	Purchase Date	Quantity	Purchase Price	3/31/21 Price	Market Value 3/31/21	Amortized Prem / Disc	Remaining Cost	Unrealized Gain (Loss)	Estimated Annual Income	
Fixed Income Securities										
Local Agency Investment Fund (LAIF) - rate @ .540%			\$ 1,217,594		\$ 1,217,594	\$ -	\$ 1,217,594	\$ -	\$ 6,575	
Principal Cash										
Principal Cash			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
CNB Deposit Sweep (TBSCNBM) - Variable Rate 0.01%		37,312	\$ 37,312	\$ 1,000	\$ 37,312	\$ -	\$ 37,312	\$ -	\$ 4	
Total Cash and Cash Equivalents		\$ 37,312	\$ 37,312		\$ 37,312	\$ -	\$ 37,312	\$ -	\$ 4	
U.S. Govt Bonds, Notes, & U.S. Agencies										
US Treasury Note - 2.375% - Mat 03/15/2022	6/8/20	160,000	\$ 166,131	\$ 102,168	\$ 163,469	\$ (2,813)	\$ 163,318	\$ 151	\$ 3,800	
US Treasury Note - 1.75% - Mat 04/30/2022	10/5/18	825,000	\$ 790,453	\$ 101,770	\$ 839,603	\$ 24,053	\$ 814,506	\$ 25,096	\$ 14,438	
US Treasury Note - 1.875% - Mat 05/31/2022	6/23/17	710,000	\$ 713,605	\$ 102,059	\$ 724,619	\$ (3,549)	\$ 710,057	\$ 14,562	\$ 13,313	
US Treasury Note - 2.000% - Mat 11/30/2022	6/17/19	715,000	\$ 720,019	\$ 103,078	\$ 737,008	\$ (2,713)	\$ 717,306	\$ 19,702	\$ 14,300	
US Treasury Note - 1.500% - Mat 01/15/2023	5/7/20	600,000	\$ 620,273	\$ 102,398	\$ 614,388	\$ (6,654)	\$ 613,620	\$ 768	\$ 9,000	
US Treasury Note - 2.750% - Mat 04/30/2023	10/30/19	575,000	\$ 596,428	\$ 105,309	\$ 605,527	\$ (8,692)	\$ 587,736	\$ 17,791	\$ 15,813	
US Treasury Note - 0.125% - Mat 07/15/2023	12/23/20	970,000	\$ 969,621	\$ 99,793	\$ 967,992	\$ 39	\$ 969,660	\$ (1,668)	\$ 1,213	
US Treasury Note - 2.750% - Mat 11/15/2023	5/7/20	680,000	\$ 738,517	\$ 106,484	\$ 724,091	\$ (14,723)	\$ 723,794	\$ 297	\$ 18,700	
US Treasury Note - 2.375% - Mat 02/29/2024	12/23/20	125,000	\$ 133,691	\$ 105,891	\$ 132,364	\$ (733)	\$ 132,958	\$ (594)	\$ 2,969	
US Treasury Note - 2.125% - Mat 03/31/2024	6/8/20	585,000	\$ 624,945	\$ 105,242	\$ 615,666	\$ (8,725)	\$ 616,219	\$ (553)	\$ 12,431	
US Treasury Note - 2.375% - Mat 08/15/2024	5/7/20	570,000	\$ 619,229	\$ 106,398	\$ 606,469	\$ (10,236)	\$ 608,994	\$ (2,525)	\$ 13,538	
US Treasury Note - 1.250% - Mat 08/31/2024	3/15/21	615,000	\$ 631,216	\$ 102,574	\$ 630,830	\$ (201)	\$ 631,014	\$ (184)	\$ 7,688	
US Treasury Note - 2.250% - Mat 12/31/2024	6/2/20	685,000	\$ 745,553	\$ 106,203	\$ 727,491	\$ (11,013)	\$ 734,540	\$ (7,050)	\$ 15,413	
US Treasury Note - 0.375% - Mat 04/30/2025	6/2/20	625,000	\$ 626,904	\$ 98,707	\$ 616,919	\$ (323)	\$ 626,581	\$ (9,663)	\$ 2,344	
US Treasury Note - 2.875% - Mat 05/31/2025	6/2/20	670,000	\$ 754,430	\$ 108,902	\$ 729,643	\$ (14,076)	\$ 740,355	\$ (10,711)	\$ 19,263	
US Treasury Note - 2.750% - Mat 06/30/2025	7/17/20	225,000	\$ 252,211	\$ 108,453	\$ 244,019	\$ (4,583)	\$ 247,628	\$ (3,608)	\$ 6,188	
US Treasury Note - 0.250% Mat 07/31/2025	11/3/20	520,000	\$ 516,913	\$ 97,777	\$ 508,440	\$ 264	\$ 517,177	\$ (8,736)	\$ 1,300	
US Treasury Note - 2.00% - Mat 08/15/2025	9/10/20	150,000	\$ 162,604	\$ 105,324	\$ 157,986	\$ (1,414)	\$ 161,189	\$ (3,203)	\$ 3,000	
US Treasury Note - 0.375% - Mat 11/30/2025	12/23/20	250,000	\$ 250,127	\$ 97,770	\$ 244,425	\$ (7)	\$ 250,120	\$ (5,695)	\$ 938	
US Treasury Note - 0.375% - Mat 01/31/2026	2/16/21	505,000	\$ 502,574	\$ 97,469	\$ 492,218	\$ 60	\$ 502,633	\$ (10,415)	\$ 1,894	
Federal National Mortgage Assn - 1.875% Mat 04/05/2022	7/25/19	675,000	\$ 675,745	\$ 101,768	\$ 686,934	\$ (453)	\$ 675,292	\$ 11,642	\$ 12,656	
Federal National Mortgage Assn - 2.375% Mat - 01/19/2023	4/5/18	815,000	\$ 803,016	\$ 103,979	\$ 847,430	\$ 7,491	\$ 810,507	\$ 36,922	\$ 19,356	
Federal National Mortgage Assn - 2.75% Mat - 06/19/2023	7/11/18	575,000	\$ 572,033	\$ 105,809	\$ 607,252	\$ 1,624	\$ 573,657	\$ 33,594	\$ 15,813	
Federal National Mortgage Assn - 2.875% Mat - 09/12/2023	1/18/19	685,000	\$ 695,533	\$ 106,402	\$ 728,854	\$ (5,201)	\$ 690,332	\$ 38,522	\$ 19,694	
Federal Farm Credit Bank - 0.200% Mat - 10/02/2023	10/2/20	750,000	\$ 749,123	\$ 99,826	\$ 748,695	\$ 144	\$ 749,267	\$ (572)	\$ 1,500	
Federal National Mortgage Assn - 2.5% Mat 02/05/2024	3/5/19	695,000	\$ 695,078	\$ 106,214	\$ 738,187	\$ (146)	\$ 694,932	\$ 43,255	\$ 17,375	
Federal National Mortgage Assn - 2.625% Mat 09/06/2024	10/30/19	790,000	\$ 824,357	\$ 107,461	\$ 848,942	\$ (10,451)	\$ 813,906	\$ 35,036	\$ 20,738	
Total U.S. Govt Bonds, Notes, & U.S. Agencies		\$ 15,745,000	\$ 16,150,328		\$ 16,289,459	\$ (73,031)	\$ 16,077,297	\$ 212,162	\$ 284,669	
Corporate Bonds										
Goldman Sachs Group - 3.625% Mat 01/22/2023	7/25/19	705,000	\$ 733,188	\$ 105,438	\$ 743,338	\$ (14,875)	\$ 718,313	\$ 25,025	\$ 25,556	
Wells Fargo & Company - 3.750% Mat - 01/24/2024	4/22/19	685,000	\$ 701,500	\$ 108,129	\$ 740,684	\$ (6,526)	\$ 694,523	\$ 46,160	\$ 25,688	
Morgan Stanley - Variable rate 3.737% Mat 04/24/2024	7/25/19	575,000	\$ 599,121	\$ 106,306	\$ 611,260	\$ (8,525)	\$ 590,596	\$ 20,663	\$ 21,488	
United Health Group Inc - 2.375% Mat 08/15/2024	2/17/21	320,000	\$ 341,024	\$ 105,370	\$ 337,184	\$ -	\$ 341,024	\$ (3,840)	\$ 7,600	
Paccar Financial Corp - 1.800% Mat - 02/06/2025	5/18/20	375,000	\$ 380,438	\$ 102,243	\$ 383,411	\$ (986)	\$ 379,451	\$ 3,960	\$ 6,750	
Bank of America Corp - Variable rate 3.458% Mat 03/15/2025	5/12/20	695,000	\$ 742,031	\$ 107,369	\$ 746,215	\$ (8,510)	\$ 733,521	\$ 12,694	\$ 24,033	
3M Company - 2.650% Mat 04/15/2025	5/19/20	360,000	\$ 382,644	\$ 106,174	\$ 382,226	\$ (3,958)	\$ 378,686	\$ 3,541	\$ 9,540	
Citigroup Inc - Variable Rate 3.352% Mat 04/24/2025	5/19/20	480,000	\$ 505,618	\$ 106,871	\$ 512,981	\$ (4,478)	\$ 501,140	\$ 11,841	\$ 16,090	
Chevron USA INC - .687% Mat 08/12/2025	2/17/21	505,000	\$ 504,753	\$ 98,046	\$ 495,132	\$ 7	\$ 504,759	\$ (9,627)	\$ 3,469	
Comcast Corp - 3.95% Mat 10/15/2025	2/17/21	440,000	\$ 501,675	\$ 111,547	\$ 490,807	\$ (1,561)	\$ 500,114	\$ (9,307)	\$ 17,380	
Apple Inc - .700% Mat 02/08/2026	2/17/21	630,000	\$ 629,049	\$ 98,057	\$ 617,759	\$ 22	\$ 629,071	\$ (11,312)	\$ 4,410	
Total Corporate Bonds		5,770,000	6,020,588		6,060,996	(49,391)	5,971,198	89,798	162,004	
Foreign Bonds										
BK Montreal Mtn. 3.3% Mat - 02/05/2024	3/29/19	700,000	\$ 709,618	\$ 107,133	\$ 749,931	\$ (3,922)	\$ 705,696	\$ 44,235	\$ 23,100	
Santander UK PLC. 4% Mat - 03/13/2024	10/31/19	565,000	\$ 603,606	\$ 109,111	\$ 616,477	\$ (12,399)	\$ 591,207	\$ 25,270	\$ 22,600	
Total Foreign Bonds		1,265,000	\$ 1,313,224		\$ 1,366,408	\$ (16,321)	\$ 1,296,903	\$ 69,505	\$ 45,700	
Municipal Bonds										
Wisconsin State - 0.361% Mat-05/01/2024	3/17/2021	545,000	\$ 545,000	\$ 99,754	\$ 543,659	\$ -	\$ 545,000	\$ (1,341)	\$ 1,967	
Florida State Brd Admin - 1.258% Mat-07/01/2025	9/16/20	745,000	\$ 747,776	\$ 100,928	\$ 751,914	\$ (341)	\$ 747,435	\$ 4,479	\$ 9,372	
Total Municipal Bonds		1,290,000	1,292,776		1,295,573	(341)	1,292,435	3,138	11,340	
Municipal Zero Coupon Bonds										
Total Zero Coupon Bonds		-	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	
Total of City National Investments		24,070,000	24,776,917		25,012,437	(139,084)	24,637,832	374,604	503,712	
Total City National Holdings		24,107,312	\$ 24,814,229		\$ 25,049,748	(139,084)	\$ 24,675,144	\$ 374,604	\$ 503,716	
Estimated Accrued Income					\$ 118,448.26					
Total of City National Investments					\$ 25,168,196.74					
								\$ 235,520	\$ (0)	
Mandatory 3 CDs - Assigned to DMHC										
Banc of California - # 3030018015 - Mat 08/3/2020 - 1.40%	8/3/19	1	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ 1,400	
City National Bank - # 432928519 - Mat - 10/16/2020 - 0.10%	10/16/19	1	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ 100	
Beacon Business Bank # 1507785 - Mat 09/21/20 - 0.30%	9/22/19	1	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ 300	
Total of Time Deposits			\$ 300,000		\$ 300,000				\$ 1,800	
Total of Investments			\$ 26,331,823		\$ 26,567,343			\$ 374,604	\$ 512,091	

SFHA – Short Intermediate Portfolio Review Snapshot as of 3/31/2021

Estimated MV + Accrued as of:	2/28/2021	3/31/2021	Change
	\$25,214,225	\$25,168,196	-\$46,029

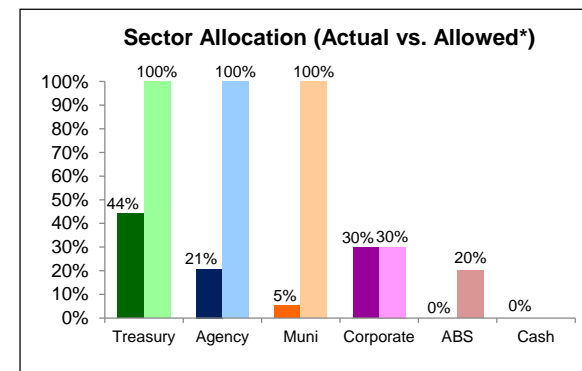
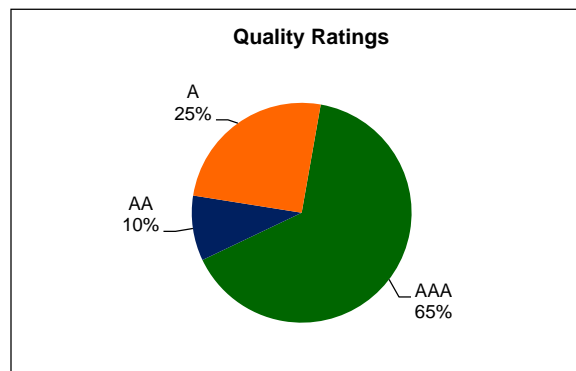
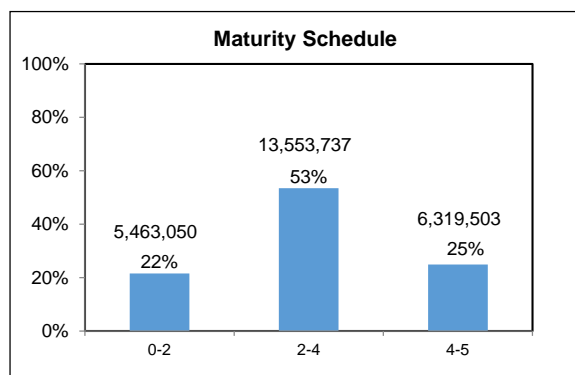
Portfolio Structure	
Yield to Maturity	0.54%
Yield to Cost	1.37%
Average Maturity	2.98 Years
Average Credit Quality	AAA-

Fiscal Year Accounting Estimates 6/30/2020 through 3/31/2021:

Beginning Balance (6/30/2020)	\$25,063,094
Contributions	\$0
Withdrawals	\$0
Interest & Dividends Received	\$426,740
Accrued Interest Sold	\$57,728
Accrued Interest Purchased	-\$9,330
Accrued Interest	\$118,448
Fees	-\$60,997
Value Before Market Changes	\$25,595,683
Change in Market Value	-\$427,487
Ending Balance (3/31/2021)	\$25,168,196

Historical Total Return Performance as of 3/31/2021:

Time Period	Portfolio	Barclays 1-5 Year Gov't/Credit
Fiscal YTD (6/30/20 – 3/31/2021)	0.01%	0.12%
March 2021	-0.16%	-0.24%
Inception to Date (5/31/12 – 3/31/2021)	2.37%	1.93%



*At time of purchase

Credit Issues

There were no credit issues for the month of March.

Definition of Terminology

Portfolio Structure Terms

- a) **Yield to Maturity:** The annual return that an investor earns on a bond, if the investor purchases the bond today and holds it until maturity. It takes into account the cash flow the investor receives as well as the adjustment of a bond's premium or discount.

Definitions are cited from the CFA Institute's Program Curriculum.

SFHA – Liquidity Portfolio Review Snapshot as of 3/31/2021

Estimated MV + Accrued as of: 2/28/2021	3/31/2021	Change
\$77,322,574	\$157,320,914	\$79,998,340

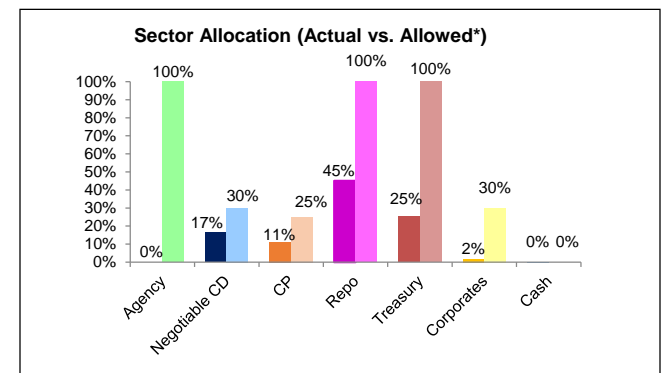
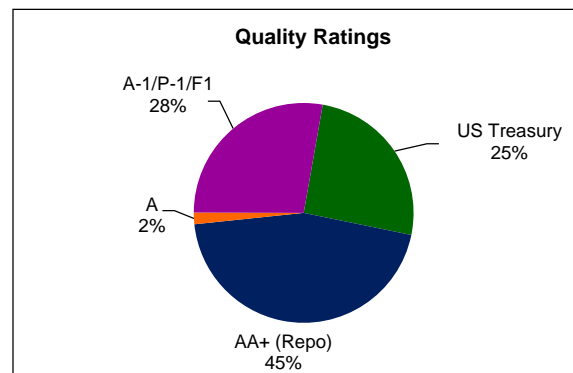
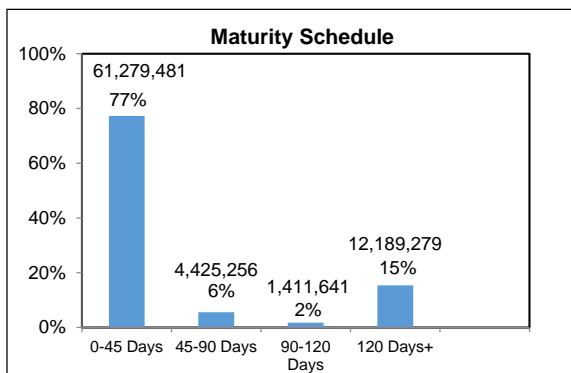
Portfolio Structure	
Yield to Maturity	0.05%
Yield to Cost	0.08%
Average Maturity	35 Days
Average Credit Quality	AAA-

Fiscal Year Accounting Estimates 6/30/2020 through 3/31/2021:

Beginning Balance (6/30/2020)	\$73,249,685
Contributions	\$608,000,000
Withdrawals	-\$524,000,000
Interest & Dividends Received	\$111,899
Accrued Interest Sold	\$11,532
Accrued Interest Purchased	-\$9,265
Accrued Interest	\$43,066
Fees	-\$63,728
Value Before Market Changes	\$157,343,189
Change in Market Value	-\$22,275
Ending Balance (3/31/2021)	\$157,320,914

Historical Total Return Performance as of 3/31/2021:

Time Period	Portfolio	Barclays US T-Bill 1-3 Month
Fiscal YTD (6/30/20 – 3/31/2021)	0.15%	0.07%
March 2021	0.01%	0.00%
Inception to Date (7/3/17 – 3/31/2021)	1.50%	1.36%



*At time of purchase

Credit Issues

There were no credit issues for the month of March. Strategy remains focused on improving yield while meeting cash flow estimates.

Definition of Terminology

Portfolio Structure Terms

- a) **Yield to Maturity:** The annual return that an investor earns on a bond, if the investor purchases the bond today and holds it until maturity. It takes into account the cash flow the investor receives as well as the adjustment of a bond's premium or discount.

Definitions are cited from the CFA Institute's Program Curriculum.

Agenda Item 4

Discussion Item

- **Semi-Annual Compliance Report**



Semi-Annual Compliance Report – April 2021

San Francisco Health Plan (“SFHP”) submits the following semi-annual Compliance Report to the Finance Committee and Governing Board for the period from November 2020 to April 2021.

I. Plan Anti-Fraud Efforts

Training Efforts

On an annual basis, the SFHP Compliance and Learning and Development departments provide training for all SFHP staff. All employees are required to participate in an online training course dedicated to fraud, waste, and abuse and HIPAA privacy and security rules. The training course emphasizes that it is everyone’s responsibility to report any suspicion of possible fraud, waste, abuse (FWA) and/or misconduct and be HIPAA compliant. The FWA topics include the following: 1) definition of fraud, waste, and abuse, 2) detecting fraud, waste, and abuse; and 3) reporting fraud, waste, and abuse. In 2020, one hundred (100%) of all employees, including temporary employees, completed the training. The training for 2021 is currently underway, with a due date of May 21, 2021.

Auditing and Monitoring

The Compliance Department is responsible for providing oversight to all auditing and monitoring activities. SFHP implemented an Audit Plan to monitor internal departments for compliance with regulatory and contractual requirements, including potential fraud, waste, or abuse. In 2020, 11 internal audits of SFHP operations were conducted. No instances of fraud or abuse were found from these audits.

- Provider Preventable Conditions
- Ground Emergency Medical Transportation
- Bundled procedures
- Non-Specialty Mental Health Vendor Claims Audit
- Two Clinical Grievance and Appeal Audits
- Member Exempt Grievance Review
- Two Member Non-Clinical Grievance Audits
- Member Correspondence Audit
- Preventive Services/IHA Audit

Although no instances of fraud were found as the result of these audits, coding errors and system configuration issues were found and system reconfiguration and education, for both providers and internal employees, is in process.

Anti-Fraud Software Vendor

SFHP contracts Pondera to assist with monitoring claims, provider records, and eligibility files for potential fraud, waste, or abuse. The Compliance and Delegate Oversight team have been fully trained to use the software. Processes have been developed and initial returns have identified system issues and provider training opportunities. On a monthly basis, SFHP provides Pondera with all eligibility, claims, encounters, and provider information and Pondera identifies anomalies and outlier patterns within that data. The Compliance and Oversight department reviews the returned data from Pondera on a weekly basis and prioritizes cases to open based on potential risk and based on available staff resources. While there are hundreds of potential leads to investigate further, due to other projects, external and internal audits, and resource constraints, SFHP Compliance and Oversight team typically manages 40 to 50 cases for investigation. The leads for further investigation are chosen based on priority of the potential risk to SFHP.

Suspected Fraud and Abuse Cases

In addition to the Pondera data returns, the Compliance and Oversight department also monitors the SFHP toll-free confidential hotline and the Compliance e-mail in-box for suspected fraud, waste, and abuse cases. In late 2020 through April 2021, there were no reports of suspected fraud reported via the hotline. Of the leads received, there were nine allegations of suspected fraud that were reported to the Department of Health Care Services (DHCS) as potential fraud.

Investigation Type	Number of Cases
Pharmacy/Drug Issue	1
Provider Billing Issues	6
Member Eligibility Issue	1
Other	1
Total	9

DHCS has not notified SFHP of the status of their investigation of these cases. Seven of these cases are still open with SFHP as well. The following is a brief summary of each case.

Case Number: 2010051
Provider Name: Mini Pharmacy Enterprises
Type: Pharmacy
Date Received: 10/29/20
Referral Source: DHCS

Summary: Pharmacy in Los Angeles was found to be automatically delivering refills of diabetic medications to patients' homes without patient request or knowledge. *Investigation still in progress.*

Case Number: 2010052
Provider Name: Mobility Express
Type: Provider Billing
Date Received: 11/02/20
Referral Source: Anonymous Caller

Summary: Anonymous caller alleged that provider was “scamming” SFHP by billing SFHP for rides when members were not provided. In addition, caller alleged that provider has not had insurance since June 2020. Caller provided specific names of callers that were billed without transport. *Investigation still in progress.*

Case Number: 2010057
Member Name: Redacted
Type: Member Eligibility
Date Received: 12/16/20
Referral Source: Internal-MEM Employee

Summary: Claims appeared to be paid after the member’s DOD, based on data from Medi-Cal. A hospital called to state that the member was being admitted. Investigation confirmed that the member is not deceased. SFHP informed DHCS to update the date of death. **Case is closed with no finding of fraud.**

Case Number: 2110081
Provider Name: SL Consulting
Type: Provider Billing
Date Received: 01/13/21
Referral Source: Internal-Clinical Ops employee

Summary: A non-contracted laboratory, Global Research Institute, submitted a high volume of provider dispute resolutions (PDRs). Upon further review of the claims, SFHP noticed that Global Research Institute billed SFHP for COVID testing and many other lab services that do not require authorization. *Case is still under investigation.*

Case Number: 2110084
Provider Name: Talkdoc
Type: Other
Date Received: 02/08/21
Referral Source: Internal-Care Management Employee

Summary: External website for a company called Talkdoc advertised as telehealth for behavioral health. The website had SFHP’s logo on their website, without SFHP’s permission. SFHP was not directly contracted with the company. The phone number on the website was for health supplements and it denied it

had anything to do with mental health. Beacon investigated and determined the provider is a Beacon provider. The phone number posted had an error in the last digit. They have since fixed their phone number and have removed all plan logos. **Case is closed with no finding of fraud.**

Case Number: 2110086
Provider Name: D. W.
Type: Provider Billing
Date Received: 02/26/21
Referral Source: Beacon SIU

Summary: Beacon's SIU data mining identified this provider billing HCPCs Q3014, a facility-based code for telehealth services. Beacon sent a MC609 to DHCS. *Investigation is still in progress.*

Case Number: 2110087
Provider Name: Care DX, Inc.
Type: Provider Billing
Date Received: 02/22/21
Referral Source: DHCS

Summary: DHCS received a fraud referral from an employee of Care Dx who alleged inappropriate conduct, including kickbacks. *Investigation in progress.*

Case Number: 2110090
Provider Name: D.S.
Type: Provider Billing
Date Received: 03/24/21
Referral Source: Internal-Compliance

Summary: Internal email regarding a media article that the provider was charged with unlawfully distributing oxycodone and hydrocodone. Claims report ran and found exposure. *Investigation is still in progress.*

Case Number: 2110092
Provider Name: Alvaro Cesar Rodriguez
Type: Provider Billing
Date Received: 04/09/21
Referral Source: Pondera-Fraud Detection Software

Summary: Received an alert from Pondera that a provider's license was suspended but claims were identified. Analysis verified that over \$2,000 were paid to the provider for COVID testing after the license was suspended. Delegated providers have been alerted about the provider as well. *Investigation is still in progress.*

HIPAA Privacy and Security Updates

Policies and Procedures

Since November 2020, the following policies and procedures related to ITS security and HIPAA compliance were reviewed and updated:

- CRA-06: PHI Breach Investigation and Reporting Coverage
- CRA-07: PHI Breach Notification
- IS-26: Software Development Life Cycle (SDLC) Securing Coding Requirements
- IS-25: Password Policy

Compliance and Regulatory Affairs and ITS staff work collaboratively throughout the year to ensure compliance with these policies and procedures.

Training Efforts

In addition to the organization-wide annual training, Compliance and Regulatory Affairs and ITS departments developed a new policy and subsequent staff training for all staff regarding Remote Work Security was also created to reinforce the importance of HIPAA compliance as staff work remotely. We will be starting virtual privacy rounding, which will be a review of remote setups and provide consultation as needed to improve the security of their home work environments.

Privacy Incidents and Breaches

From the period November 2020 to present, SFHP did not have any reportable breaches, but we reported an incident to DHCS in December 2020. On December 14, 2020 there was a widely published Cyber Security attack on users of the Solarwinds Network Monitoring product. The attack involved malware that compromised an update to Solarwinds software. That malware was incorporated into the Solarwinds product, which was then used to update Solarwinds' customers' products. SFHP is a user of the Solarwinds product.

On May 6, 2020 SFHP updated its Solarwinds network monitoring product to the version that was reportedly compromised on the Solarwinds server. Once SFHP was alerted by its security vendors of the potential compromise, SFHP took the Solarwinds server and application out of service. In conjunction with its security vendors, CrowdStrike and Arcticwolf, SFHP looked for indications of compromise in the SFHP environment.

It was verified that SFHP had the compromised version of Solarwinds installed. However, the Solarwinds product was not and has not been connected to the Internet. As a result, the compromised Solarwinds application was unable to download additional malware, access any internal data or connect to any external servers. SFHP and its security vendors thoroughly assessed the impact and determined that no SFHP data

were ex-filtrated or accessed inappropriately. SFHP data and systems were not breached.

SFHP Compliance and Regulatory Affairs will provide the next semi-annual Compliance Report in November 2021, including the status of the suspected fraud cases that are reported as still in progress in this report.