



**Joint San Francisco Health Authority/San Francisco Community Health Authority
Minutes of the Finance Committee
May 6, 2020**

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

Absent: None

Guests: Jake Blackshear, Director of Finance, SOM Vice Dean's Office, UCSF at Zuckerberg San Francisco General

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 Governing Board Members attended this meeting via teleconference. The meeting was closed to in-person public attendance. This precaution was taken to protect members of the Governing Board, staff and the public. The Finance Committee members and staff of the San Francisco Health Plan (SFHP) attended the meeting telephonically.

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

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

1. Approval of Minutes from March 4, 2020 Finance Committee Meeting

The minutes of the March 4, 2020 Finance Committee meeting were unanimously approved as written.

2. Response to COVID-19 and Operational Impact to SFHP

The following information was presented to the Finance Committee for discussion only. No action was required.

John F. Grgurina, Jr., CEO, provided the Finance Committee with an overview of SFHP's response to COVID-19 and operational impact to SFHP. (Detailed memo was provided in the Finance Committee packet.)

Mr. Grgurina informed the committee members that SFHP began monitoring the evolving news regarding the novel coronavirus, COVID-19 in late February for the potential impact to SFHP. We began meeting with staff on March 6th to

identify the key issues that would impact our members, providers and staff. As the public health emergency progressed, we began planning for staff to work remotely. In fact, on March 13th, we advised and encouraged our staff to work from home if they were concerned about health risks or were in a high-risk category.

On March 16, 2020, at approximately 1:00 pm, San Francisco Mayor London Breed issued a “Shelter in Place” order for San Francisco, along five other Bay Area counties.

SFHP took swift action on March 16th by informing all employees about the “shelter in place” or “stay at home” order and instructed all employees that effective, Tuesday, March 17th, they will be required to telecommute until further notice. This meant that everyone would be required to work from home. As a health plan, SFHP is an essential business, but we believed that adhering to the stay at home order would be the safest decision for our employees and our community.

Through our efforts over the past several years to improve our business continuity planning, we made the transition to work on a fully remote basis quickly and smoothly, with no service reduction to our members and providers. Within one week of the stay-at-home order, approximately 95% of SFHP staff completed the transition to working remotely, with no negative impact to service levels to members and providers.

Each area continues to report minimal issues with the telecommuting change and any identified issues are quickly managed by our ITS staff. We continue to have weekly business continuity planning meetings (reduced from twice a week), involving all areas of the organization, to ensure we identify, discuss and address any issues with technology, member, provider and staff communications, and provide updates from local and state sources regarding the COVID-19 public health emergency.

3. Review and Approval of Accelerated Funding for the SFHP Provider Network During the COVID-19 Public Health Emergency

Recommendation: Review and approve the actions taken by the CEO of SFHP to authorize accelerated funding to the SFHP provider network during the COVID-19 public health emergency.

According to SFHP’s external counsel, the CEO has authority per the San Francisco Health Authority and San Francisco Community Health Authority bylaws to take actions in the name of or on behalf of the Authority. To ensure the CEO’s actions in this matter are not voided, we recommend the Finance Committee recommend that the Governing Board ratify the CEO’s actions taken to accelerate payments to the SFHP provider network during the COVID-19 public health emergency.

Mr. Grgurina reviewed the recommendations with the Finance Committee.

In order to support the SFHP provider network, who are responding to the COVID-19 pandemic, SFHP recommends the following accelerated payments, which were communicated to the SFHP provider network in the attached letter dated April 6, 2020.

1. Capitation Advances

Providers in our medical groups were given the option to receive an additional month of capitation payment under our disbursement process. For example, when March 2020 capitation is paid on April 15, 2020, a provider may elect to receive a similar amount as an advance of April 2020 capitation. Providers have the option to repeat this election when capitation disbursements are made on May 15, 2020, i.e., June capitation would be disbursed at the same time. A request to receive a capitation advance with the April 15, 2020 disbursement must be submitted by April 10, 2020. A request to receive a capitation advance with the May 15, 2020 disbursement must be submitted by May 11, 2020. Only one month of capitation would be advanced at any one time.

These accelerated capitation payments would not be loans and no interest would be charged. These were advances towards future capitation earned. Timing and method of recoupment of capitation advances would be determined by SFHP in consultation with the medical group. Providers would be notified of SFHP's intent to commence recoupment with no less than sixty days prior notice. All existing terms and conditions outlined in the contract between SFHP and the provider continue to apply. At a future date, a reconciliation would be performed to true-up actual capitation earned with the amount(s) advanced.

2. Practice Improvement Program (PIP)

PIP disbursements for the fourth quarter of 2019 were released on April 2, 2020. The following disbursement schedule would be used for future PIP payments:

- PIP Q1 2020 – payment to be made by April 30, 2020. The actual percentage earned during CY2019 would be used to calculate the Q1 2020 payment. At a future date, SFHP would perform a reconciliation to true-up the amount actually earned for Q1 2020 with the amount paid. In order to perform the reconciliation, providers would be required to submit PIP data for this quarter. If the reconciliation shows the provider earned more PIP dollars than what was paid, a payment for the additional amount would be made to the provider. If the reconciliation shows the provider earned less PIP dollars than what was paid, SFHP would not seek to recover the overpayment.

- PIP Q2 2020 – rather than releasing one payment by September 30, 2020 covering three months, payment would be made monthly in order to provide the funds sooner than later:
 - April PIP to be paid by May 31, 2020
 - May PIP to be paid by June 30, 2020
 - June PIP to be paid by July 31, 2020

The same methodology and reconciliation approach used to determine the Q1 2020 payments would also apply to the payments for Q2 2020.

In addition to the funding options above, SFHP took the following actions to support SFHP providers:

1. \$300,000 was provided to the San Francisco Community Clinic Consortium (SFCCC) to purchase personal protective equipment for SFCCC clinics, as well as providers outside of SFCCC.
2. Capitation advance was provided to Chinese Hospital to support the hospital's cash flow needs.
3. SFHP continues to find ways to support our providers through these difficult times. In addition to the above actions, we recommend the Finance Committee also approve \$300,000 to SFCCC to purchase additional supplies of PPE for providers at SFCCC clinics and non-SFCCC, SFHP providers.

The Finance Committee unanimously approved the actions of the CEO for forwarding to the Governing Board for approval.

4. Review and Approval of Modifications to \$1.79 Million Practice Improvement Program and Strategic Use of Reserves Funds for Assistance to Safety Net Providers During COVID-19 Public Health Emergency

Recommendation: SFHP recommends the Finance Committee approve the recommendation to modify the FY 19-20 use of unearned dollars from the previously approved use of PIP and SUR investments totaling \$1.79 million. This recommendation would supersede the memo approved by the Governing Board on March 4, 2020 by adding a fourth project related to COVID-19 response activities.

Mr. Bishop reviewed the recommendation to add a fourth option to use the PIP and SUR surplus dollars to help providers with activities related to COVID-19. The recommendation also increases the total distribution amount to \$1.79 million (from \$1.76 million) to add two more clinics.

The Finance Committee unanimously approved the recommendation for forwarding to the Governing Board for approval.

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

Recommendation: Review and Approval of Unaudited Monthly Financial Statements and Investment Reports

Mr. Bishop and Rand Takeuchi, Director, Accounting, reviewed the financial statements for the period ending March 31, 2020. Mr. Bishop discussed the following highlights:

1. The month ending March 31, 2020 reported a loss of (\$631,000) versus a budgeted loss of (\$690,000). After removing Strategic Use of Reserves (SUR) activity, the actual loss from operations would be (\$353,000) versus a budgeted loss of (\$412,000).

In March, we received \$16.6 million in Directed Payments funding related to FY17-18. The FY19-20 budget projected Directed Payments funding of \$74.2 million to be received in March. For all of FY19-20, we projected total Directed Payments of \$148.4 million, with 50% to be received in September 2019 and 50% to be received in March 2020. The Department of Health Care Services (DHCS) staggered the payments differently than expected. When combining the Directed Payments amount we received in March with the \$119.9 million received in September 2019, the grand total is \$136.5 million.

The Directed Payments funds were disbursed to Zuckerberg San Francisco General (ZSFG), UCSF Medical Center and other private hospitals. Per DHCS, health plans are allowed to treat this funding as revenue and medical expense.

2. On a year-to-date basis, SFHP has a loss of (\$1,651,000) versus a budgeted loss of (\$7,730,000). The FY19-20 budget assumed \$4.6 million in SUR funding would be disbursed in July 2019. Providers qualified for these SUR dollars earlier than expected so the funds were paid in June 2019 and were included in FY18-19 medical expenses. After removing SUR activity, the actual margin from operations would be \$2,194,000 versus a budgeted margin of \$365,000.
3. Variances between March 2020 actual results and the budget include:
 - a. A net decrease in revenue of (\$57.0 million) due to:
 - i. \$57.6 million less in Directed Payments related to FY17-18.
 - ii. \$887,000 increase in premium revenue due to an increase in Proposition 56 rates retroactive to July 2019 as well as changes in the membership mix. Member months were 371 less than budget, mostly due to retroactive adjustments related to February 2020 membership.

- iii. 192,000 less in Hepatitis C revenue as the result of 68 fewer treatment weeks.
 - iv. \$127,000 less in third-party administrative fees which can be attributed to a decrease in Community Health Network (CHN) membership and related capitation, plus the phase-out of the Healthy Kids line of business.
- b. A net decrease in medical expense of (\$56.8 million) due to:
- i. \$57.6 million less in Directed Payments related to FY17-18.
 - ii. \$927,000 more in fee-for-service expense, primarily in the area of inpatient hospital claims paid under the All Patients Refined-Diagnosis Related Groups (APR-DRG) methodology. SFHP has shared a file of APR-DRG paid claims to Varis LLC. Varis will begin conducting an independent review of these claims to identify potential overpayments.
 - iii. \$300,000 more in accrued medical expenses related to Proposition 56 and Ground Emergency Medical Transportation (GEMT) activity.
 - iv. \$480,000 less in pharmacy expense. Utilization continues to run slightly lower than anticipated. Total pharmacy expense for March 2020 was equal to what it was a year ago.
 - v. \$70,000 more in non-specialty mental health costs due to higher than expected utilization.
 - vi. \$16,000 less in health education costs. This area of medical expense continues to trend slightly below budget expectations.
- c. A net decrease in administrative expenses of \$224,000 was due to:
- i. \$122,000 less in Compensation and Benefits due mainly to staff attrition, as well as the impact of GASB 68 adjustments.
 - ii. \$117,000 less when combining professional fees and systems maintenance and support costs.

On a year-to-date basis through March 2020 and after the removal of SUR activity, SFHP was \$1.8 million above budget on margin. This improvement over budget projections was due to the unexpected 1.7% Medi-Cal rate increase related to the population acuity adjustment.

- Overall net revenue is below budget by \$9.4 million. After removing the impact of Directed Payments, net revenue is up \$2.5 million due mainly to the increase in Proposition 56 funding.
- Overall medical expense is below budget by \$13.4 million. After removing the impact of Directed Payments and SUR activity, medical expense was \$2.7 million above budget due mainly to APR-DRG inpatient claims and the impact of accrued claims related to the expanded Proposition 56 program.
- Overall administrative expense was below budget by \$1.7 million. Slightly lower Compensation and Benefits costs, favorable GASB 68 adjustments, lower than expected Professional Fees and Consulting, plus the \$277,000

PBM implementation credit recorded in November 2019, represented the majority of these savings.

PROJECTIONS

Mr. Bishop shared highlights of the financial projections through September 2020:

1. As of March 2020, SFHP added \$4.2 million to the Practice Improvement Program (PIP) related to the FY18-19 Strategic Use of Reserves (SUR) program. A total of \$5.0 million will be added to the CY2019 PIP for professional providers. The CY2019 PIP runs for 18 months (from January 2019 through June 2020), therefore the remaining \$800,000 will be accrued over the period from April through June 2020.
2. Due to the impact of the COVID-19 pandemic, SFHP anticipates an increase in Medi-Cal membership between May and December 2020. We are working with our actuary, sister plans and the county of San Francisco to gather information to help develop estimates for the remainder of this fiscal year, as well as for the FY20-21 budget. At this point in time, a conservative estimate would be in the range of an additional 10,000 members.
3. Effective July 2019, SFHP's Medi-Cal premium rates increased by a weighted average of 0.8%. In September 2019, DHCS informed SFHP that premium rates would increase 1.7% as the result of a population acuity adjustment. This increase was retroactive to July 2019 and will deliver an additional \$8 million in revenue for FY19-20.
4. At the March 2020 meeting, the Governing Board approved the to decrease the capitation rates for the Dual member category of aid. The overall impact of this rate decrease is 0.9% and will be effective July 1, 2020.
5. Hepatitis C reimbursement rates were reduced effective July 2019. The rate reduction for non-340B Hepatitis C drugs was 30.9% (\$1,169 per treatment week) while the rate reduction for drugs purchased under 340B rules was 23.3% (\$683 per treatment week). DHCS reduced the Hepatitis C rates as lower cost generic drugs continued to enter the marketplace. The medical loss ratio through March is 96.0%. SFHP was slightly above break-even as members transitioned to the lower cost generic drugs and pharmacy rebates increased.
6. Proposition 56 – enhanced payments to medical groups for qualifying physician services. Utilization at Federally Qualified Health Centers (FQHCs) was excluded. SFHP continued to make disbursements for FY18-19, as well as FY19-20. Effective January 2020, Prop 56 expanded to include supplemental payments for developmental screenings and adverse childhood experiences screenings.

7. The remaining \$16.6 million in Directed Payments funding related to FY17-18 was received in March 2020. This funding covers the Enhanced Payment Program (EPP), Quality Incentive Pool (QIP) and Private Hospital Directed Payments (PHDP). Disbursements to the hospitals were made in April 2020.

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

The Finance Committee unanimously approved the unaudited monthly financial statements and investment reports for forwarding to the full Governing Board for approval.

6. Review and Approval of Check Signing Policy Change

Recommendation

SFHP recommends the Finance Committee approve the action taken by the CEO to change the check signing policy because of the limited access to the office due to the city and statewide order to shelter in place.

Mr. Bishop explained that with the limited access to SFHP offices, the SFHP CEO took the action to change to the check signing policy in order to ensure payments to providers and vendors were not delayed.

Under normal operations, two signatures are required on vendor and SF City Option checks over \$5,000 and provider checks over \$10,000. With the change made due to the shelter-in-place orders, these checks now require only the CEO's electronic signature.

Mr. Bishop stated that the change would be changed on a temporary basis. SFHP will monitor this change and discuss future changes with the Finance Committee and Governing Board when SFHP returns to normal business operations.

Mr. Bishop also reviewed the following controls in place associated with this change that address fraud prevention:

- Check registers are given to an authorized check signer to review. Checks requiring a more detailed review will be placed on hold pending a review of supporting detail.
- Continue using the City National Bank (CNB) Treasury Net Positive Pay feature to validate checks presented for payment.
- Executive Team members will continue to review the vendor payment report.
- Continue following the best practice of preventing Finance management personnel from creating vendor cards in SFHP's accounting software.

SFHP also has a formal review and approval process for vendor invoices, provider claims and SF City Option employer refunds. Vendor invoices are

routed to appropriate management personnel to assign proper budget coding and approve for payment. Approval limits are as follows:

- Invoices < \$5,000 – Managers
- Invoices \$5,000 - \$24,999 – Directors
- Invoices \$25,000 - \$49,999 – Executives
- Invoices \$50,000 and above - CEO

Provider claims are processed through SFHP's QNXT Managed Care system. Payment rules are based on contract terms with providers. Claims with missing information or information that conflicts with pre-approved rules are placed in pending status for review. System edits are reviewed by Claims department personnel and the claims are then either approved for payment or denied.

Coverage Programs staff initiate all refund requests for SF City Option employers. Refund requests along with all relevant supporting detail are forwarded to the Finance department for review and payment.

SFHP Finance staff continues to work with vendors and providers to convert them to the electronic, automated clearing house (ACH) form of payment. Since the implementation of the shelter-in-place order, over 150 payees have been converted to electronic payment. In addition, SFHP is working with CNB on the potential use of CNB Bill Pay and to convert to fully electronic check print services.

With the controls and checks as described and in place, the Finance Committee unanimously approved the recommended change to the check signing policy for forwarding to the Governing Board.

7. Semi-Annual Compliance Report

Nina Maruyama, Officer Compliance and Regulatory Affairs, provided the Finance Committee with the following updates from the SFHP compliance program, for the period from November 2019 through May 2020 (a detailed memo was provided to the Finance Committee in the packet):

- The annual mandatory HIPAA and fraud, waste and abuse awareness training was underway, with completion required by the end of April.
- SFHP completed the monitoring of the process to review the provider exclusion lists to ensure SFHP did not pay providers that were excluded for the Medi-Cal program or on federal exclusion lists.
- Completed 12 post-payment claim audits were conducted. There were no findings of any fraud from these audits.
- Developed an Internal Anti-Fraud Work Plan for implementation during FY 2019-20. The work plan includes proactive data monitoring activities, audits, and training development, conducted by the internal and cross-functional Anti-Fraud Work Group. In 2019 the Workgroup conducted the seven audits. 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 provider education is in process.

- In 2019, SFHP contracted with a fraud detection software (FDaaS) vendor, Pondera, to assist the plan in monitoring claims, provider records, and eligibility files for potential fraud, waste, or abuse. Pondera was partially implemented on August 1, 2019, and fully implemented on October 14, 2019. The Compliance and Regulatory Affairs team trained three Audit Analysts, the Compliance and Oversight Manager, and the Oversight Specialist on how to use the software. Processes have been developed and initial returns have identified system issues and provider training opportunities. Report templates are being finalized to minimize the reporting of false positives.

The memo also provided the Committee with HIPAA privacy updates as well. SFHP Compliance and Regulatory Affairs will provide the next semi-annual compliance report in November 2020.

8. Adjourn

Reece Fawley, Secretary