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Joint San Francisco Health Authority/San Francisco Community Health Authority
Minutes of the Finance Committee
September 5, 2018

Present: Reece Fawley, Steven Fugaro, MD, Greg Wagner, John F. Grgurina, Jr., John Gregoire, Skip Bishop, Rand Takeuchi, and Nina Maruyama (note taker)

Absent: Eddie Chan, Pharm D., and Emily Webb

Guests: Karen Andrews, Chief Operations Officer and Bob Patton, Sageview Advisory Group

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

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

1. Approval of Minutes from June 13, 2018 Finance Committee Meeting
The minutes of the June 13, 2018 Finance Committee meeting were approved.

2. Review and Approval of the Selected Recordkeeper for the 401 (a) Employee Retirement Program

Recommendation: San Francisco Health Plan (SFHP) recommends the selection of Empower Retirement to replace the current retirement plan recordkeeper, ICMA-RC Retirement, effective December 1, 2018.

John Gregoire, CFO, introduced Bob Patton of Sageview Advisory Group, which was selected as SFHP's employee retirement program advisor.
Mr. Gregoire reminded the Finance Committee of the Board-approved resolution 2018-01, which established the Retirement Plan Committee for Employee Retirement Accounts ("Retirement Plan Committee"), which has the authority to hire a registered investment advisor, record keeper and other vendors, as needed. Mr. Patton stated that 95% of Sageview's revenue is from advising companies on retirement plans, e.g., finding recordkeepers, managing accounts. Sageview's office is located in Woodside, with headquarters in Irvine. Sageview does not receive commissions on products chosen for the retirement program.

Sageview identified opportunities for improved performance in the recordkeeper function in the following areas:

1. Reduced recordkeeping and investment fees
2. Increased employee engagement
3. Simplified investment fund choices

Sageview assisted the Retirement Plan Committee and issued an RFP for recordkeeper services.

Through the RFP process, the following four recordkeepers responded, including the incumbent, ICMA-RC:

1. ICMA-RC
2. Empower Retirement
3. Principal Financial Group
4. Voya

From the RFP responses from these four vendors, Empower and Voya were selected for presentations to the Retirement Plan Committee on July 16, 2018.

Both vendors presented their services to the Retirement Committee and were evaluated on factors including fees and expenses, conversion process, service team, experience with similar organizations and retirement accounts, employee education, tools, and services, including internet services, investment platform, and cultural fit. Between the two vendors, Empower was the better prepared vendor and demonstrated a commitment to providing high-quality services to SFHP employees for their 401(a) retirement account.

Empower's expense ratio is 0.38 compared to ICMA-RC's 1.33. Finance Committee members asked about how this compares to the market benchmark. Mr. Patton stated the 0.85 is the benchmark Morning Star rate, not including administrative expenses; 1.1% is the market average, when including administrative expenses. Empower's year-to-date investment performance is 2.21% compared to ICMA-RC's 1.04%. With the proposed change to a new vendor, it would be expected that SFHP's employees would achieve better investment performance and reduced fees. Employees' investment choices will remain diverse, but would be simplified for easier selection and management.

John F. Grgurina, Jr., CEO, also explained that the current recordkeeper, ICMA, was chosen at the time because it was used by other sister plans. Finance Committee members asked if Empower includes proprietary funds. Mr. Patton stated that Empower does not include proprietary funds.

Mr. Grgurina stated that SFHP recommends the Finance Committee approve the change from ICMA-RC to Empower Retirement for the employee retirement plan recordkeeper for the 401(a) employee retirement plan.

If approved, SFHP would move recordkeeping functions from ICMA-RC to Empower and the transition process would begin, with completion anticipated by December 2018. Empower has significant experience with transitioning retirement accounts from ICMA-RC and working with WageWorks, SFHP's payroll vendor, as well.

Finance Committee members asked how often SFHP works with Sageview. Mr. Grgurina stated SFHP will meet with Sageview at least quarterly. The Committee asked how often funds would change and Mr. Patton stated that the funds would be reviewed every few years.

Reece Fawley, chair of the Finance Committee, asked SFHP staff if there were any concerns. Mr. Grgurina stated that the proposal is a straightforward recommendation and the only issue would be the transition of ICMA to Empower as transitioning data can be difficult. Mr. Grgurina stated, however, that Empower has history with transitions with ICMA, so they have experience that should assist with the transition.

The Committee had no further questions. The Committee voted and unanimously approved the recommendation to change recordkeepers to Empower.

Detailed information on Empower Retirement, the funds proposed, their performance history, and fees are provided in Sageview's Powerpoint presentation.

The Finance Committee adjourned to Closed Session.

3. Review and Approval of Medi-Cal provider Rate Changes

This item was discussed in Closed Session.

The meeting was resumed in Open Session

4. Report on Closed Session Acton items

Mr. Fawley reported that the Finance Committee approved the proposed Medi-Cal Provider Rate Changes for forwarding to the full Governing Board for approval.

5. Review and Approval of Year-End 2017-18 and Year-To-Date July 2018 Unaudited Financial Statements and investment Reports

Recommendation: Review and approve the year-to-date unaudited financial statement and investment reports.

Mr. Gregoire stated he will present unaudited financials for the FY2017-18 year-end and for the year-to-date period ending July 31, 2018. He first presented the year-end 2017-18 unaudited financial statement and investment reports for the period ending June 30, 2018. The narrative summaries and financial documents were provided to the Finance Committee for reference.

Mr. Gregoire stated that the audit firm Moss Adams was on site conducting the annual audit. Mr. Gregoire pointed out the preliminary year-end results for FY17-18 actual show a loss of $12 million. He stated there was no cause for alarm as the loss was due to the distribution of the budgeted strategic use of reserves. SFHP distributed $27.8 million to the provider network. The margin from operations was $15 million compared to the budgeted $13 million margin. Mr. Grgurina stated that some health plans are under scrutiny for having high levels of reserves. The Strategic Use of Reserves (SUR) spending of reserves allows for an appropriate distribution of funds to the provider network for purposes to increase access to services and improve the quality of services to SFHP members. The Committee asked if there are risks to spending the reserves. Mr. Grgurina stated that the risk would be related to DHCS rates and not receiving rate increases in the future. Mr. Fawley stated that would be a need for all parties to find a balance of provider rate increases versus SUR distributions.

Mr. Grgurina also shared that SFHP's member months increased to a high one year ago, but that member months are now down. He showed the enrollment trend among other Local Health Plans and showed that other than Kern, all counties showed a decrease in member months. The downward enrollment trend is likely the new normal due to the improved economy, increase in the minimum wage, and the backlog of renewal cases at the county Medi-Cal officers. Health plans may see a decrease in 2019 since the individual mandate penalty will be removed. This could lead to less Medi-Cal enrollments as there will be less individuals seeking coverage through Covered California, which serves as a gateway for Medi-Cal enrollment.

Greg Wagner stated that public outreach to help encourage individuals to enroll in Medi-Cal would be helpful. Mr. Grgurina stated that California would continue with marketing Covered CA. Mr. Wagner also commented that the AB85 cost-to-budget funding is hard to forecast.

Mr. Gregoire continued to explain the financials for FY17-18:

1. June 2018 results produced a loss of ($2,307,000) versus a budgeted loss of ($5,172,000).
   This loss is primarily due to:
   a. Strategic Use of Reserves (SUR) payments and accruals of $3,840,000.
   b. Retroactive revenue take back of $2,700,000 related to the reclassification of Adult Expansion Dual members to the Full Dual category of aid.
   c. Partial offset due to the recognition of $4,330,000 in AB85 25% funding for FY15-16.
   d. Partial offset due to the positive impact of CY2015 reinsurance recoveries totaling $2,784,000.

   When excluding the activity noted above, the loss would have been ($2,881,000). This adjusted loss is higher than expected due to approximately $1,600,000 in additional hospital fee-for-service claims. Providers made a big push to clear their claims backlog by June 30th.

2. Variances between June actual results and the budget include:
   a. A net decrease in revenue of ($1,325,000) due to:

      i. $2,700,000 in retroactive revenue adjustments related to the reclassification of Adult Expansion Dual members to the Full Dual category of aid.
      ii. 6,138 fewer member months mostly due to members placed on hold awaiting completion of the annual redetermination process. 4,384 of these members were in the Adult Expansion category.
      iii. 112 fewer Hepatitis C treatment weeks along with a 32% decrease in the Hepatitis C reimbursement rate. The introduction of the

lower cost Hepatitis C drug Mavyret was anticipated by DHCS, therefore the reimbursement rates were decreased accordingly.

iv. Partial offset due to the recognition of $4,330,000 in AB85 25% funding related to FY15-16.

b. A net decrease in medical expense of $4,082,000 due to:

i. SUR activity was $1,304,000 less than the budget.

ii. Pharmacy expense was $1,133,000 less than budget due to lower than anticipated utilization, especially during the second half of June. In addition, we had 112 fewer Hepatitis C treatment weeks combined with lower Hepatitis C drug costs as a result of transitioning more members to Mavyret.

iii. We recorded $2,784,000 related to CY2015 reinsurance recoveries which contributed to lowering overall medical expense.

3. On a year-to-date basis through June, there was a loss of ($12,015,000) versus a budgeted loss of ($10,752,000). This greater than anticipated loss was due to year-to-date payments and accruals related to the second SUR of $16 million approved during FY17-18.

4. During the month of June, we recorded the impact of reclassifying Adult Expansion Dual members to the Full Dual category of aid. As a result, DHCS pulled back $2,700,000 in premium revenue which was much less than we had feared considering that this change was implemented retroactively to January 2014.

5. It is important to note that the FY17-18 budget projected we would record $58 million in revenue and medical expense related to the AB85 to cost provision within the Medi-Cal Expansion category. SFHP received only $39.2 million in FY16-17 AB85 to cost funding which was paid to Zuckerberg San Francisco General Hospital.

6. The following chart highlights the key income statement categories with adjustments for SUR and AB 85 to cost in order to show margin from ongoing operations for the month of June.

	JUN 2018				FYTD 17-18 THRU JUN			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
REVENUE	$ 46,970,000	$ 48,295,000	$ (1,325,000)	-2.7%	$ 610,200,000	$ 637,620,000	$ (27,420,000)	-4.3%
LESS: AB85 TO COST	$ -	$ -	$ -		$ 39,178,000	$ 58,232,000	$ (19,054,000)	
REVENUE - REVISED	$ 46,970,000	$ 48,295,000	$ (1,325,000)	-2.7%	$ 571,022,000	$ 579,388,000	$ (8,366,000)	-1.4%
MLR	98.1%	103.8%			95.6%	95.0%		
ADMINISTRATIVE EXPENSES	$ 4,355,000	$ 4,244,000	$ (111,000)	-2.6%	$ 49,805,000	$ 52,805,000	$ 3,000,000	5.7%
ADMINISTRATIVE RATIO	7.60%	7.29%			6.80%	6.93%		
MARGIN (LOSS)	$ (2,307,000)	$ (5,172,000)	$ 2,865,000	-55.4%	$ (12,015,000)	$ (10,752,000)	$ (1,263,000)	11.7%
OPERATING ADJUSTMENTS:								
FY15-16 SUR PAYMENTS/ACCRUALS	$ 1,387,000	$ -			$ 3,435,000	$ -		
FY16-17 SUR PAYMENTS/ACCRUALS	$ -	$ 583,000			$ 8,151,000	$ 10,752,000		
FY17-18 SUR PAYMENTS/ACCRUALS	$ 1,620,000	$ 4,521,000			$ 11,177,000	$ 13,562,000		
CY2018 SUR PAYMENTS/ACCRUALS	$ 833,000	$ -			$ 5,000,000	$ -		
MARGIN FROM OPERATIONS	$ 1,533,000	$ (68,000)			$ 15,748,000	$ 13,562,000		
MLR W/O SUR AND AB85 TO COST	89.7%	93.1%			90.4%	90.2%		
ADMIN RATIO WITHOUT AB85 TO COST	7.60%	7.29%			7.27%	8.00%		

PROJECTIONS

Mr. Gregoire reviewed the financial projections through December 2018:

1. As of June 30, 2018, SFHP has added $5 million to the Practice Improvement Program (PIP) for CY2018 covering the months of January through June 2018. This accrual is related to both the FY17-18 SUR and the CY2018 SUR. A total of $10 million will be added to the CY2018 PIP program for professional providers. The remaining $5 million will be accrued monthly through December 2018.

2. Effective January 1, 2018, SFHP implemented provider capitation and fee-for-service rates for the Medi-Cal and Healthy Kids lines of business. The overall weighted average increase was 6.2%. The FY17-18 budget included $13.2 million to cover these increases. These increased rates will continue through December 2018.

3. At the end of April, DHCS released draft rates for FY18-19. SFHP rates increased in some categories of aid while rates for other categories of aid decreased.

4. Hepatitis C reimbursement rates have been reduced again effective July 2018. The rate reduction for non-340B is 3.9% ($155 per treatment week) while the rate reduction for drugs purchased under 340B rules is 3.3% ($99 per treatment week). Even with these rate reductions, SFHP will continue to see a small margin on Hepatitis C activity.

5. The overall premium rate for the Healthy Workers program increased 21.7% effective July 1, 2018. SFHP will be working with SFHN to implement new capitation rates.

6. There will be a FY18-19 Rate Range Intergovernmental Transfer (IGT) program for eligible governmental funding entities. Total estimated funding available is $28.7 million.

7. There were four Directed Payment programs in place for FY17-18:
   a. Proposition 56 – enhanced payments to medical groups for qualifying physician services. Utilization at Federally Qualified Health Centers (FQHCs) and Rural Health Centers (RHCs) is excluded. The first round of disbursements will be made in the first half of August.
   b. Public Hospital Enhanced Payment Program – available to Designated Public Hospitals (DPHs) and UC Systems. DHCS will instruct SFHP how much to pay to ZSFG and UCSF. The timing of payment is estimated to be late FY18-19 or early FY19-20.
   c. Public Hospital Quality Incentive Pool - available to DPHs and UC Systems. DHCS will instruct SFHP how much to pay to ZSFG and UCSF. Utilization at FQHCs. Payments will be based on how the DPHs and UC Systems are performing against 20 to 25 quality measures. The timing of payment is estimated to be late in FY18-19.
   d. Private Hospital Directed Payments – available to private hospitals. DHCS will instruct SFHP how much to pay to the private hospitals. Utilization at FQHCs and RHCs is excluded. Payments will be based on actual utilization as reported in claims and encounter activity. The timing of payment is not known at this time.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

DHCS IMPLEMENTS MEDI-CAL EXPANSION DUAL RATE RETROACTIVE TO JANUARY 2014

Mr. Gregoire reviewed that the Medi-Cal Expansion (MCE) category of aid was introduced January 1, 2014. This MCE population included approximately 300 members who were eligible for both Medi-Cal and Medicare (dual eligible members). When the expansion began, DHCS did not establish a separate premium rate for MCE Dual members. DHCS used the MCE Medi-Cal Only premium rate to pay health plans for MCE Dual members. DHCS acknowledged that MCE Dual members should have been paid at a lower premium rate and informed the health plans of its intention to implement a MCE Dual premium rate retroactive to January 2014.

Medi-Cal premium rates for Dual members are typically much lower as Medicare is considered the primary payer while the health plan pays as secondary. For example, the FY17-18 premium rate for a member in the Seniors and Persons with Disabilities (SPD) category of aid (Aged or Disabled) is $752.23 while the FY17-18 premium rate for an Aged Dual or Disabled Dual member is $182.22.

During the month of June, SFHP recorded the impact of reclassifying Adult Expansion Dual members to the Full Dual category of aid. $2.7 million in premium revenue was taken back by DHCS which was much less than we had feared considering that this change was implemented retroactively to January 2014.

To lessen the impact to capitated providers, SFHP received Board approval to recover MCE capitation only for the most recent twelve months, with the health plan absorbing the remainder. In accordance with Governing Board approval received in June, SFHP recovered $327,000 from providers in the July capitation.

Unaudited Year-to-Date Financials for July 2018

Mr. Gregoire also presented the unaudited financial statements for the period ending July 31, 2018. The following are highlights:

1. July 2018 results produced a margin of $993,000 versus a budgeted margin of $297,000. After adding back Strategic Use of Reserves (SUR) activity of $1,261,000, the actual margin from operations would be $2,254,000 versus a budgeted margin of $1,922,000.
2. Variances between actual results and the budget include:
   a. A net decrease in revenue of ($1,771,000) due to:
      i. 1,705 fewer member months mostly due to members placed on hold awaiting completion of the annual redetermination process. 1,144 of these members were in the Adult Expansion category.
      ii. 108 fewer Hepatitis C treatment weeks along with a 3.9% decrease in the Hepatitis C reimbursement rate.
      iii. 27 fewer maternity events.
   b. A net decrease in medical expense of $2,246,000 due to:
      i. Fee-for-service claims activity was $1,987,000 less than budget. In June, providers made a big push to clear their claims backlog by June 30th resulting in a lower amount of claims paid in July.
      ii. SUR activity was $364,000 less than the budget.
      iii. The cost savings noted above was partially offset by a $105,000 increase in non-specialty mental health utilization.
   c. Administrative expenses were $230,000 less than budget. The month of July followed the typical pattern for administrative expenses, i.e., carryover of expenses from June was virtually eliminated and expenses tend to be budgeted a little heavier in the early months of the fiscal year.

2. The chart below highlights the key income statement categories with adjustments for SUR activity in order to show margin from ongoing operations for the month of July.

	---JUL 2018---				---FYTD 18-19 THRU JUL---			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
REVENUE	$ 47,818,000	$ 49,588,000	$ (1,770,000)	-3.6%	$ 47,818,000	$ 49,588,000	$ (1,770,000)	-3.6%
MLR	91.5%	92.8%			91.5%	92.8%		
ADMINISTRATIVE RATIO	6.7%	6.9%			6.7%	6.9%		
MARGIN (LOSS)	$ 993,000	$ 297,000	$ 696,000	234.3%	$ 993,000	$ 297,000	$ 696,000	234.3%
OPERATING ADJUSTMENTS:								
FY15-16 SUR PMTS	$ 427,000	$ -			$ 427,000	$ -		
FY16-17 SUR PMTS/ACCRUALS	$ -	$ -			$ -	$ -		
FY17-18/CY2018 SUR PAYMENTS/ACCRUALS	$ 834,000	$ 1,625,000			$ 834,000	$ 1,625,000		
MARGIN FROM OPERATIONS	$ 2,254,000	$ 1,922,000			$ 2,254,000	$ 1,922,000		
MLR W/O SUR PMTS	90.6%	92.8%			90.6%	92.8%		

PROJECTIONS

Mr. Gregoire briefly reviewed the financial projections through January 2019:

1. As of July 31, 2018, SFHP has added $5,834,000 to the PIP program for CY2018 covering the months of January through July 2018. This accrual is related to both the FY17-18 SUR and the CY2018 SUR. A total of $10 million will be added to the CY2018 PIP program for professional providers. The remaining $4,166,000 will be accrued monthly through December 2018.
2. SFHP received final Medi-Cal rates from the Department of Health Care Services (DHCS). These rates are effective for SFHP as of July 2018. The overall impact is an increase of 4.2%. The rate for the Medi-Cal Adult Expansion category of aid increased by 9.7%, which is an extremely favorable development for the health plan and its providers.
3. Hepatitis C reimbursement rates have been reduced again effective July 2018. The rate reduction for non-340B is 3.9% ($155 per treatment week) while the rate reduction for drugs purchased under 340B rules is 3.3% ($99 per treatment week). Even with these rate reductions, SFHP will continue to see a small margin on Hepatitis C activity.
4. The overall premium rate for the Healthy Workers program increased 21.7% effective July 1, 2018. SFHP is still working with SFHN to implement new capitation rates.
6. There will be a FY18-19 Rate Range Intergovernmental Transfer (IGT) program for eligible governmental funding entities. Total estimated funding available is $28.7 million. SFHP will be working with the eligible governmental entities to determine the level of participation.
7. During FY18-19, DHCS continue working with the Medi-Cal managed care plans on four Directed Payment programs related to rate year FY17-18 described earlier- Proposition 56, Public Hospital Enhanced Payment Program, Public Hospital Quality Incentive Pool and Private Hospital Directed Payments.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

RECAP OF STRATEGIC USE OF RESERVES PROGRAMS

Mr. Gregoire reviewed the following recap of SUR distributions by year. In the last three fiscal years, the Governing Board approved four Strategic Use of Reserves programs for FY15-16, FY16-17, FY17-18 and CY2018. These distributions total $74.6 million. Mr. Grgurina stated that in the future it is not likely that SFHP will be able to distribute another $75 million in SUR payments in three years. The Finance Committee members stated the SUR information is presented in a good format. Mr. Grgurina stated that the Finance Committee and Board will be presented with another SUR proposal. Below is a summary of each program.

		Total Approved	Remaining To Be Paid
FY15-16	Strategic Use of Reserves	$15,000,000	$ 1,439,000

FY16-17	Strategic Use of Reserves	$30,000,000	$ 3,050,000
FY17-18/CY2018	Strategic Use of Reserves	$29,600,000	$16,524,000
Total		$74,600,000	$21,013,000

PROVIDER STRATEGIC USE OF RESERVES FY15-16			
	SUR		
HOSPITAL	**FY15-16**	**PAYMENTS**	**BALANCE**
CHINESE HOSPITAL	$ 605,412	$ 605,412	$ -
CPMC	$ 1,807,173	$ 1,781,715	$ 25,458
S.F. GENERAL (CHN AND NMS)	$ 3,939,009	$ 3,472,745	$ 466,264
ST. LUKE (HILL AND BROWN & TOLAND)	$ 517,530	$ 310,518	$ 207,012
UCSF MEDICAL CENTER	$ 630,876	$ 567,790	$ 63,086
TOTAL DISTRIBUTION - HOSPITAL	$ 7,500,000	$ 6,738,180	$ 761,820
	SUR		
PROFESSIONAL	**FY15-16**	**PAYMENTS**	**BALANCE**
CCHCA	$ 605,412	$ 496,436	$ 108,976
NEMS	$ 1,922,515	$ 1,922,515	$ 0
CPG	$ 1,847,754	$ 1,687,493	$ 160,261
SFHN	$ 1,632,622	$ 1,566,969	$ 65,653
SFCCC	$ 343,291	$ 343,291	$ (0)
HILL PHYSICIANS	$ 262,299	$ 183,609	$ 78,690
BROWN & TOLAND	$ 255,231	$ -	$ 255,231
UCSF MEDICAL GROUP	$ 630,876	$ 622,548	$ 8,328
TOTAL DISTRIBUTION - PROFESSIONAL	$ 7,500,000	$ 6,822,860	$ 677,140
TOTAL DISTRIBUTION	$ 15,000,000	$ 13,561,040	$ 1,438,960
DISTRIBUTION % TO DATE		90.4%	

PROVIDER STRATEGIC USE OF RESERVES FY16-17			
	SUR		
HOSPITAL	FY16-17	PAYMENTS	BALANCE
CHINESE HOSPITAL	$ 1,165,703	$ 1,049,133	$ 116,570
CPMC	$ 3,586,515	$ 3,227,864	$ 358,651
S.F. GENERAL (CHN AND NMS)	$ 7,949,596	$ 7,949,596	$ -
ST. LUKE (HILL AND BROWN & TOLAND)	$ 999,281	$ 899,353	$ 99,928
UCSF MEDICAL CENTER	$ 1,298,905	$ 1,169,015	$ 129,891
TOTAL DISTRIBUTION - HOSPITAL	$ 15,000,000	$ 14,294,960	$ 705,040
	SUR		
PROFESSIONAL	FY16-17	PAYMENTS	BALANCE
CCHCA	$ 1,165,695	$ 582,848	$ 582,848
NEMS	$ 3,952,018	$ 3,952,018	$ -
CPG	$ 3,727,828	$ 3,727,828	$ -
SFHN	$ 3,180,590	$ 2,128,759	$ 1,051,831
SFCCC	$ 675,699	$ 524,127	$ 151,572
HILL PHYSICIANS	$ 490,184	$ 449,335	$ 40,849
BROWN & TOLAND	$ 509,090	$ 275,757	$ 233,333
UCSF MEDICAL GROUP	$ 1,298,896	$ 1,014,763	$ 284,134
TOTAL DISTRIBUTION - PROF (PIP ENHANCEMENT)	$ 15,000,000	$ 12,655,435	$ 2,344,565
TOTAL DISTRIBUTION	$ 30,000,000	$ 26,950,395	$ 3,049,605
DISTRIBUTION % TO DATE		89.8%	

PROVIDER STRATEGIC USE OF RESERVES FY17-18 AND CY2018			
	SUR		
GROUP	FY17-18 AND CY2018	PAYMENTS	BALANCE
HOSPITAL			
CHINESE HOSPITAL	$ 503,527	$ 453,174	$ 50,353
CALIFORNIA PACIFIC MEDICAL CENTER/ST. LUKE'S	$ 3,919,570	$ 1,388,767	$ 2,530,803
SAN FRANCISCO GENERAL HOSPITAL	$ 4,349,196	$ 3,734,277	$ 614,919
UCSF MEDICAL CENTER	$ 1,756,094	$ 1,580,484	$ 175,610
	$ 10,528,387	$ 7,156,702	$ 3,371,685
PROFESSIONAL			
CCHCA	$ 777,936	$ 27,271	$ 750,665
NEMS	$ 3,223,604	$ 1,019,158	$ 2,204,446
CPG	$ 4,794,874	$ 2,750,376	$ 2,044,498
SFHN	$ 2,759,141	$ 806,012	$ 1,953,129
SFCCC	$ 1,893,219	$ 986,719	$ 906,500
HILL PHYSICIANS	$ 363,511	$ 44,841	$ 318,670
BROWN & TOLAND	$ 363,865	$ 29,270	$ 334,595
UCSF MEDICAL GROUP	$ 990,463	$ 248,712	$ 741,751
	$ 15,166,613	$ 5,912,358	$ 9,254,255
TOTAL DISTRIBUTION	$ 25,695,000	$ 13,069,060	$ 12,625,940
DISTRIBUTION % TO DATE		50.9%	
RETENTION			
CHIROPRACTIC/MEMBER INCENTIVES	$ 2,600,000	$ -	$ 2,600,000
VENDOR/IMPLEMENTATION COSTS (SURVEYS/PREMANAGE/PALLIATIVE CARE)	$ 1,055,000	$ 6,900	$ 1,048,100
POPULATION HEALTH MANAGEMENT TOOL	$ 250,000	$ -	$ 250,000
	$ 3,905,000	$ 6,900	$ 3,898,100
	$ 29,600,000	$ 13,075,960	$ 16,524,040

The Finance Committee unanimously approved the year-end unaudited 2017-18 and year-to-date unaudited financial statements and investment reports for the period ending July 30, 2018, for forwarding to the full Governing Board for approval.

6. Review and Approval SFHP FY 17-18 Organizational Score and FY17-18 Year-End Staff Bonus

Recommendation: SFHP completed FY17-18 successfully by achieving an organization score of 91% for the success criteria approved by the Governing Board. It is recommended that the Finance Committee and Governing Board consider approval of the following items:

1) With the FY17-18 financial position meeting the sufficient requirement to pay the staff bonus and bonus funds were budgeted in the year-end statements, approval of distribution of staff bonuses, according to the organizational score and individual performance.

2) Approval of organization score of 91% (details provided in the table below and on subsequent pages).

Summary of SFHP's FY17-18 Financial Position

The SFHP FY17-18 financial year ended with a positive margin of $15.7 million in operations. The overall financial year-end was a loss of $12 million due to the Board-approved expenditures for the strategic use of reserves (SUR) of $27.7 million. While there is technically a negative margin of $12 million in FY17-18, it is due to the deliberate expenditure of $27.7 million from the health plan's reserves. The Board-approved expenditure of $27.7 million from the health plan's reserves was used to distribute additional funds to network providers for strategic uses that benefit members' access to services or other quality improvement activities. The expenditure also aligns the health plan's reserves with the Board-approved maximum level for the health plan's tangible net equity, which is two months of capitation payment.

Given this year-end financial performance, we believe the FY 17-18 financial position meets the sufficient requirement to pay the staff bonuses that were budgeted for FY17-18.

Based on these results in FY17-18, SFHP recommends the following for Finance Committee and Board approval:

1) FY 17-18 financial position meets the sufficient requirement to pay the staff bonuses that were budgeted for FY17-18.
2) Distribution of staff bonuses, according to the organization score of 91% and individual and department performances.

The Finance Committee unanimously approved the organizational score of 91% and SFHP's FY17-18 financial performance that would allow the distribution of staff bonuses. The recommendation will be forwarded to the full Board for approval.

7. Review Administrative Contracts with Fusion Storm, Change healthcare, and Insight Global with Current Calendar Year Expenditures

The following information was provided to the Finance Committee for discussion only. No action was needed at this time.

SFHP identified the following vendors where the projected calendar year expenditure was approaching the $1 million threshold, but not expected to exceed the threshold. The identified vendors were 1) FusionStorm, 2) Change Healthcare and 3) Insight Global.

SFHP's policy states that any acquisition of products or services exceeding $5,000 requires multiple vendor bids to ensure competitive pricing and products and services over $50,000 require a competitive bidding process, such as a Request for Information and/or Request for Proposal. As part of the acquisition process, SFHP takes into account the continuity of any prior services provided, quality of the services being provided, competency in providing that service, and the pricing of the services. Ultimately, the contract is awarded to the vendor that best meets all four of the criteria described above. In all cases, SFHP takes into account the approved budgets and stays within the approved budget amounts. The table below provides the total actual and projected spends for the three vendors in CY 2018.

Vendor	Actual, 1/18-6/18	*Projected, 7/18-12/18	Total, CY 2018
FusionStorm	$ 532,671	$ 327,329	$860,000
Change Healthcare	$ 735,203	$236,370	$971,573
Insight Global	$ 385,881	$523,014	$908,896

- **FusionStorm** is a reseller of technology solutions on the behalf of larger technology vendors such as Hewlett Packard, Microsoft and Cisco. These companies rely on FusionStorm to provide technology solutions and services, such as implementation support, maintenance services, licensing and billing services.
- **Change Healthcare** provides healthcare expertise, system configuration and project management support. They are currently supporting the implementation of the Health Homes Program SPA2.
- **Insight Global** provides staff augmentation services at competitive rates.

Staff does not anticipate the spending of each of these vendors to exceed the $1 million threshold during CY 2018 based on known workload. If the expected expenditure approaches $1 million CY2019 again, SFHP will come to Finance Committee and Board for approval.

8. Adjourn

Reece Fawley, Secretary