



**Joint San Francisco Health Authority/San Francisco Community Health Authority
Governing Board
January 3, 2018
Meeting Minutes**

Chair: Steven Fugaro, MD
Vice-Chair: Barbara Garcia
Secretary-Treasurer: Reece Fawley

Members

Present: Edwin Batongbacal, Dale Butler, Irene Conway, Reece Fawley, Steve Fields, Steven Fugaro, MD, Barbara Garcia, Maria Luz Torre, Roland Pickens, Emily Webb, and David Woods, Pharm D.

Members

Absent: Eddie Chan, Lawrence Cheung, MD, and Aneeka Chaudhry

Steven Fugaro, MD, Chair, chaired the meeting and called the meeting to order. He asked if there was anyone from the public in attendance that wanted to make any comments.

In attendance from the public were Wendy Todd, Consultant, Heather Claus, attorney with Daponde, Szabo, and Craig B. Keizur, Milliman. There were no public comments.

John F. Grgurina, Jr., CEO, introduced Karen Andrews, our Interim COO, to the Board.

1. Election of officers for San Francisco Health Authority and San Francisco Community Health Authority

Recommendation: We recommend that the Governing Board of the San Francisco Health Authority and San Francisco Community Health Authority conduct its annual election of its Governing Board officers.

Steven Fugaro, MD, stated it was time for the annual election of officers and opened the floor for nominations for the Board Chairperson. Reece Fawley nominated Dr. Fugaro to serve as Chair. His nomination was seconded and unanimously approved. Steven Fugaro, MD, then opened the floor for nominations for the Vice-Chair. Steven Fugaro, MD nominated Barbara Garcia. Her nomination was unanimously approved as well. Dr. Fugaro then opened the floor for nominations for the position of Secretary/Treasurer. Steve Fields nominated Reece Fawley. Mr. Fawley was re-elected unanimously.

2. Approval of Consent Calendar

The following Board items were on the consent calendar for the Board's approval:

- a. Review and Approval of Minutes from November 1, 2017 Governing Board

- Meeting.
- b. Review and Approval of Minutes Quality Improvement Committee (QIC) Minutes.
 - c. Review and Approval of Credentialing and Recredentialing Recommendations.

The Board unanimously approved the consent calendar without any issues.

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

Recommendation: Review and approval of year-to-date unaudited financial statement and investment reports.

John A. Gregoire, CFO, presented the year-to-date unaudited financial statement and investment reports investment ending November 30, 2017. (The narrative summaries and financial documents were also provided to the Finance Committee and are incorporated in the Board packet for reference.)

The following are key highlights:

1. November 2017 results produced a margin of \$735,000 versus a budgeted margin of \$1,061,000.
2. November 2017 results are \$326,000 below budget due to:
 - a. \$1,106,000 less in revenue due to an increase in the number of Medi-Cal members placed on hold awaiting completion of the annual redetermination process.
 - b. \$962,000 less in Pharmacy expense due to a decrease in utilization during the second half of November.
 - c. Paid \$153,000 in Strategic Use of Reserves (SUR) payments related to FY15-16.
3. When looking at year-to-date results, Mr. Gregoire stated it is important to note that the FY17-18 budget projected we would record \$38 million in revenue and medical expense during September related to the Assembly Bill (AB) 85 to cost provision within the Medi-Cal Expansion category. Per AB 85, Designated Public Hospitals (DPH's) are to be reimbursed in amounts no less than cost for applicable services provided to newly eligible Medi-Cal Expansion members. SFHP received the AB 85 to cost funding, however as this funding related to FY15-16, audit rules required that we record this revenue and related medical expense in June 2017. \$30.6 million of AB 85 funding was disbursed to Zuckerberg San Francisco General in early December.
4. On the next page is a chart highlighting the key income statement categories with adjustments for Strategic Use of Reserves (SUR) and AB 85 to cost in order to show margin from ongoing operations for the month of November.

CATEGORY	-----NOV 2017-----				-----FYTD 17-18 THRU NOV-----			
	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
REVENUE	\$ 47,188,000	\$ 48,294,000	\$ (1,106,000)	-2.3%	\$ 243,060,000	\$ 279,574,000	\$ (36,514,000)	-13.1%
LESS: AB85 TO COST	\$ -	\$ -	\$ -		\$ -	\$ 38,232,000	\$ (38,232,000)	
REVENUE - REVISED	\$ 47,188,000	\$ 48,294,000	\$ (1,106,000)	-2.3%	\$ 243,060,000	\$ 241,342,000	\$ 1,718,000	0.7%
MLR	91.2%	90.4%			91.6%	91.7%		
ADMINISTRATIVE EXPENSES	\$ 4,256,000	\$ 4,374,000	\$ 118,000	2.7%	\$ 20,736,000	\$ 22,602,000	\$ 1,866,000	8.3%
ADMINISTRATIVE RATIO	7.6%	7.6%			7.2%	6.8%		
MARGIN (LOSS)	\$ 735,000	\$ 1,061,000	\$ (326,000)	-30.7%	\$ 3,942,000	\$ 4,560,000	\$ (618,000)	-13.6%
OPERATING ADJUSTMENTS:								
FY15-16 SUR PMTS/ACCRUALS	\$ 153,000	\$ -			\$ 925,000	\$ -		
FY16-17 SUR PMTS/ACCRUALS	\$ 625,000	\$ 625,000			\$ 7,252,000	\$ 3,125,000		
MARGIN FROM OPERATIONS	\$ 1,513,000	\$ 1,686,000			\$ 12,119,000	\$ 7,685,000		
MLR W/O SUR AND AB85 TO COST	89.5%	89.1%			88.2%	89.1%		
ADMIN RATIO WITHOUT AB85 TO COST	7.6%	7.6%			7.2%	8.0%		

PROJECTIONS

Financial projections through May 2018:

1. As of November 30, 2017, SFHP has recorded \$7,500,000 (50% of \$15,000,000) for the medical groups related to the FY16-17 Strategic Use of Reserves. Also as of November 30, 2017, 92% of the remaining \$7,500,000 has been added to the PIP program covering the months of January through November 2017. Another \$625,000 will be added to the PIP program for December 2017 for a grand total of \$7,500,000.
2. As of November 30, 2017, \$14,295,000 was either paid to or accrued for the hospitals related to the FY16-17 Strategic Use of Reserves. It is anticipated another \$705,000 will be paid or accrued by the end of the fiscal year.
3. At the September meeting, the Governing Board approved SFHP's recommendation to increase provider capitation and fee-for-service rates for Medi-Cal and Healthy Kids, effective January 1, 2018. The overall weighted average change is an increase of 6.2%. The FY17-18 budget included \$13.2 million to cover these increases.
4. In October 2017, DHCS reduced Hepatitis C reimbursement rates retroactive to July 2017. SFHP will experience a 3.2% decrease in Hepatitis C reimbursements for the period of July through December 2017. For the period of January through June 2018, SFHP will see a 32.1% decrease in reimbursements. The total impact for FY17-18 is a decrease of \$4.3 million in Hepatitis C revenue. Our Pharmacy department is working closely with the provider network to increase the use of Mavyret as this is the new low-cost Hepatitis C drug that is driving the reduction in reimbursement rates. The goal will be to have Hepatitis C drug cost reductions offset the loss in reimbursement revenue.
5. In February 2018, SFHP expects to receive \$39.2 million related to AB 85 funding intended to bring the public hospital, Zuckerberg San Francisco General Hospital (ZSFG), up to cost for services provided to the Medi-Cal Expansion population during FY16-17. We expect to disburse \$33.9 million of this AB 85 funding to ZSFG in February. For budget purposes, we estimated that \$20.0 million in revenue and a similar amount in medical expense related to AB 85 would be recorded in December 2017.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

RECAP OF STRATEGIC USE OF RESERVES PROGRAMS

In the last six fiscal years, the Governing Board approved one PIP Block Grant program for FY12-13, one Provider Distribution for FY14-15 and three Strategic Use of Reserves (SUR) programs for FY15-16, FY16-17 and FY17-18. These distributions total \$78.6 million. Below is a summary of each program. SFHP has budgeted \$13.6 million for the FY17-18 SUR program. SUR allocations have not yet been determined.

		<u>Total Approved</u>	<u>Remaining To Be Paid</u>
FY12-13	PIP Block Grants	\$8,000,000	\$136,000
FY14-15	Provider Distribution	\$12,000,000	\$0
FY15-16	Strategic Use of Reserve	\$15,000,000	\$4,205,000
FY16-17	Strategic Use of Reserves	\$30,000,000	\$6,648,000
FY17-18	Strategic Use of Reserves	<u>\$13,600,000</u>	<u>\$13,600,000</u>
Total		\$78,600,000	\$24,589,000

Reece Fawley, Chair of the Finance Committee, stated the Finance Committee reviewed and discussed the financials in detail at the Finance Committee meeting. Mr. Fawley recommended the Board approve the unaudited monthly financial statements and investment income reports for the period ending November 30, 2017.

The Board unanimously approved the year-to-date unaudited financial statements and investment income reports for the period ending November 30, 2017, as presented.

The Governing Board adjourned to Closed Session. Guests from the public and staff members not involved in the Closed Session items left the room.

4. Review and Approval of Recommendation Regarding a Potential Qualified Health Plan Bid in 2019

This item was discussed in closed session.

5. Review and Approval of Recommendation Regarding a Potential Dual-Eligible Special Needs Plan Bid in 2020

This item was discussed in closed session.

The Governing Board resumed in Open Session. Staff members and members of the public joined the meeting again.

6. Chair's Report on Closed Session Items

Dr. Fugaro reported on the following closed session action items:

- a. Approved the recommendation to not pursue a Qualified Health Plan Bid in 2019 in Covered California.
- b. Approved the recommendation to not pursue a Medicare Dual-Eligible Special needs Plan Bid in 2020.

7. Review and Approval of Resolution to Establish an SFHP Retirement Plan Committee for Employee Retirement Investment Accounts

Recommendation:

SFHP requested the Governing Board approve SFHP to establish an SFHP Retirement Plan Committee for Employee Retirement Investment Accounts.

Background:

Mr. Gregoire reviewed the background with the Board. SFHP established 401(a) and 457 retirement investment accounts for its employees, both active and terminated. SFHP is the fiduciary of the participants' retirement investment accounts and retains the responsibility to ensure investments are made in the best interests of participants and to act prudently.

Based on recent research, SFHP has determined that the establishment of an administrative committee, to be called the "Retirement Plan Committee for Employee Retirement Accounts," would be in the best interests of SFHP and its employees and is a best practice for companies.

We proposed the establishment of the Retirement Plan Committee and the CEO would appoint the members, including a secretary, and that the Retirement Plan Committee would be initially comprised of at least three members, with the CFO named as the chair. Among the key responsibilities, the committee would establish a charter and investment policy and hire a registered investment advisor and record keeper for the 401(a) accounts. The Committee would meet at least twice a year.

Dale Butler asked if there was there an offset of social security. Mr. Grgurina stated that SFHP employees do not pay into Social Security and therefore there was an offset of social security. Mr. Gregoire described the windfall elimination calculation, in which if an individual has 30 years of contribution into Social Security there would be no reduction in Social Security. He further explained that there could not be an offset more than 50% of Social Security for those with less than 30 years paid into Social Security. Mr. Butler stated that many defined benefit plans are going broke. What will happen if the plan is gone? Under new rules, SFHP is required to fully fund the benefit, which is why we have the CalPERS unfunded liability payment.

Maria Luz Torre asked if employees have a choice. Mr. Grgurina stated that participation in the 457 plan is optional for employees and the 401(a) is employer based and paid, so employees do not have to pay.

We will provide the Finance Committee and Governing Board with updates as needed.

We recommend the Finance Committee and Governing Board approve Resolution 18-01 to establish the Retirement Plan Committee for employee retirement accounts.

With the Finance Committee recommendation, the Board unanimously approved resolution 18-01 to establish an SFHP Retirement Plan Committee for Employee Retirement Investment Accounts.

8. Chief Medical Officer's (CMO) Report

- a. Review and Approval of Evaluation of SFHP's 2017 Quality Improvement Program (QIP)

Recommendation: Review and approve the evaluation of SFHP's 2017 QIP.

Adam Sharma, Director of Health Outcomes Improvement, gave a brief overview of the process to evaluate 2017 QIP. (A detailed PowerPoint presentation was provided in the Board packet.) He stated that SFHP's HEDIS scores continue to be strong. Regarding the opiate use decrease, Ms. Garcia stated the City has made great strides in dealing with the opioid problem. She also asked for more details about the cause of the drop in the HEDIS score for coordination of care. Mr. Sharma stated he would follow up and send her a detailed explanation.

The Board unanimously approved the Evaluation of SFHP's 2017 Quality Improvement Program.

- b. Review and Approval of SFHP's 2018 QIP Workplan

Recommendation: Review and approve SFHP's 2018 QIP Workplan.

Mr. Sharma then briefly reviewed highlights and recommendations to SFHP's 2018 QIP Workplan. (A detailed PowerPoint presentation was provided in the Board packet.) Roland Pickens stated he appreciated SFHP efforts to work with providers on the QI Workplan. Mr. Sharma stated there will be efforts to increase outreach to providers and increase depression screening through provider education. Delegated medical groups are unfamiliar with how to refer patients to Beacon. SFHP will offer provider education through events like lunchtime webinars. Board members stated the increase in depression screening is a welcomed measure, which should also be acceptable to FQHCs. Some medical groups may find coding difficult and SFHP stated this would be researched.

The Board unanimously approved SFHP's 2018 QIP Workplan.

- c. Review of 2018 Practice Improvement Program (PIP) Measures

Dr. James Glauber, CMO, briefly discussed the 2018 Practice Improvement (PIP) measures to the Board. (Detailed PowerPoint slides were provided in the Board packet.) Mr. Pickens stated that the San Francisco Health Network is looking at how they can increase primary care visits.

d. Update on Teladoc Telemedicine Benefit

Dr. Glauber gave a brief update on Teladoc Telemedicine Benefit and reviewed the background with the Board.

SFHP has partnered with Teladoc to provide telemedicine access for members. Teladoc provides video and telephonic visits with a doctor, with an average wait time of eight minutes. Teladoc does not replace a member's primary care provider, but rather adds value to the total care team. Lastly, Teladoc provides episodic care for simple primary care problems and longitudinal non-specialty mental health care. (Detailed PowerPoint slides were provided in the Board packet.)

Maria Luz Torre asked if members register for Teladoc in advance or upon need. Dr. Glauber stated it can be either case, in advance or at the time a member requests an appointment. Registration is only needed once.

Ms. Garcia stated she was impressed with one of the examples described of a member utilizing the service. The member was homeless and was able to use the service. Dr. Glauber explained that without Teladoc, it is likely the member would have accessed the emergency room, or may not have sought care. She asked if Teladoc would be able to have a booth at the City's Project Homeless Connect program. Dr. Glauber stated he will follow up with her staff and Teladoc.

Ms. Luz Torre asked how Teladoc is paid and was informed they are paid an administrative rate as well as a per visit flat fee.

9. Review and Approval of Contract with Reinsurance Vendor, RGA Reinsurance Company

Recommendation: SFHP requested the Governing Board approve SFHP to contract with the reinsurance vendor, RGA Reinsurance Company, not to exceed a 15% premium rate increase, for calendar year 2018.

Mr. Gregoire briefly reviewed the background and passed out an additional document to the Board. SFHP purchases reinsurance to protect from losses due to high-cost professional, hospital and pharmacy claims and encounters.

SFHP has reviewed its options and has elected to stay with our current broker, Re-Solutions, and our current carrier, RGA Reinsurance Company, for the calendar year (CY) 2018. We have been with our current broker and carrier since CY 2015.

The total CY 2017 premiums are estimated to be approximately \$6.3 million. The recovery percentage from CY 2015 and CY 2016 was 135% and 122%, respectively. For CY 2017, total claims submissions and review are not yet complete, however, the recovery percentage is expected to trend similarly above 100%. Reinsurance companies target their premiums to achieve a 70% to 75% loss ratio.

Based on the historical recovery percentages, we expect that coverage terms will change from CY 2017, with respect to deductible limits. Any changes to coverage

terms will be used to control possible premium rate increases for CY 2018 and maximize potential recoveries.

The estimated CY 2018 renewal premium range is between \$6.3 million and \$7.2 million (based on CY 2017 actual membership), based on cost trends, member growth, and adjustments to achieve the 70-75% loss ratio.

SFHP recommends approval from the Governing Board to purchase reinsurance coverage as described for CY 2018, not to exceed a 15% premium rate increase from CY 2017. With the Finance Committee's recommendation, the Board unanimously approved SFHP to contract with the reinsurance vendor, RGA Reinsurance Company, not to exceed a 15% premium rate increase, for calendar year 2018.

10. Review and Approval of Payment of CalPERS Unfunded Liability

Recommendation: SFHP recommended payment of the entire projected amount of SFHP's CalPERS pension unfunded accrued liability estimated to be \$2,691,425 as of June 30, 2018. If approved, payment will be made by February 1, 2018.

Mr. Grgurina briefly reviewed the background to the Board. The Government Accounting Standards Board (GASB) Statement number 27 (GASB 27) is in reference to an accounting standard for pension by State and Local Government Employers. It specifies that an employer's fiscal years ending on or after 2015 must accrue for unfunded pension liabilities.

SFHP is a government employer in the 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. According to CalPERS statements dated August 2017 and attached to this memo, SFHP's projected unfunded accrued liability as of June 30, 2018 is as follows:

• Classic Miscellaneous Plan	\$2,224,839
• PEPRA Miscellaneous Plan	<u>\$ 466,586</u>
Total unfunded accrued liability	\$2,691,425

When projecting how future year pension obligations will be met, CalPERS assumed a 7.5% annual rate of return on its investment portfolio. For the year ending June 30, 2016, CalPERS achieved only a 0.61% return which is the main driver behind the increase in SFHP's unfunded accrued liability balance.

This payment will be treated as Prepaid Pension Expense for FY17-18. The Prepaid Pension Expense will be amortized and recorded as an administrative expense during FY18-19.

CalPERS is offering the following options to pay off the unfunded accrued liability:

- 1) Pay it back over a 30-year period with annual interest payments of 7.375% (this is the assumed annual investment rate of return CalPERS is using for all pension funds). This would mean total payments of \$6,520,636 over 30 years (interest payments would be \$3.8 million of this total amount).

- 2) Pay it back over a 25-year or 20-year period or whatever shortened time period the organization selects.
- 3) Pay it all in one payment.

SFHP recommended the Governing Board to pay off the entire amount in one payment to be made by February 1, 2018 for the following reasons:

- 1) It is financially advantageous to pay the entire amount to avoid the annual 7.375% interest payments (totaling \$3.8 Million over 30 years) versus keeping the cash in our Liquid Management Portfolio account at a current annual investment return of 1.15%.
- 2) Because of SFHP's strong financial balance sheet, we currently have the cash to pay off the entire amount in one payment.
- 3) Paying off the unfunded accrued liability would place SFHP's CalPERS pension funding level at approximately 100% (currently at 90.3%).

CalPERS reported an 11.2% net return on investments for the 12-month period ending June 30, 2017. This level of return along with paying off the unfunded accrued liability should put SFHP in an overfunded situation when the June 30, 2017 annual valuation report is released. This will put SFHP in a stronger position should future year rates of return fall below the CalPERS targets which are 7.375% for FY2018-19, 7.25% for FY2019-20 and 7.00% for FY2020-21.

With the Finance Committee's recommendation to approve, the Board unanimously approved payment of CalPERS Unfunded Liability in one payment by February 1, 2018.

11. **Review and Approval of Revisions to the 2018 Employee Handbook**

Recommendation: We recommend the Governing Board approve the proposed revisions to the San Francisco Health Plan (SFHP) Employee Handbook for calendar year 2018.

Peggy McCrea, Chief Human Resources Officer, provided the Board with an overview of the revisions to the SFHP Employee Handbook for calendar year 2018. She highlighted the following changes:

- Established a 20-year service recognition award.
 - \$2,000 and a one-time award of 40 hours of paid time off.
- Updated the policy for non-exempt employees working on holidays to make it more equitable.
 - In addition to receiving holiday pay, non-exempt employees will be paid double time for actual time worked rather than receiving a PTO day.

New/Revised Policies

- Page 33 – Memorialized our existing practice of how we recognize significant employee anniversaries. Also added a new anniversary recognition award for our employees who will be reaching their 20-year anniversary in 2018 and beyond.
- Page 38 – Changed our Holiday Pay Policy for non-exempt employees so that they receive double time pay for any hours worked on a holiday regardless if it actually constitutes overtime. Previously, employees were paid straight time or overtime if it was applicable, and a paid time off (PTO)

day. The change was made to make the policy more equitable. Added language to clarify notification requirements and referenced nurses and doctors as examples of exempt employees who work an “approved alternate work schedule.”

Updates to Current Practices

- Page 17 – Updated our Internal Applicant Recruiting procedure and updated department name.
- Page 36 – Added language that clarifies eligibility for the PTO Donation Policy.
- Page 38 – Added language to our Bereavement Policy that states that the paid time off for bereavement must be used within two weeks of the date of the death. Also clarifies that parents of the employees are included in the policy.
- Page 46 – Updated language to mirror last year’s title change of the “Parental Leave Benefit” to “SFHP New Parent Two Week Paid Leave Benefit”. This title change occurred in last year’s handbook revision and we missed this reference to it in the “Integration with Other Benefits Policy.”

Legal Updates/Requirements and Recommendations by Attorney

- Pages 8-9 – New language that complies with San Francisco Lactation Policy updates.
- Page 15 – Updated language for the Religious Accommodation Policy.
- Page 19 – Additional language inserted to clarify that we do not release salary information for a reference request without written authorization.
- Pages 22-23 – Inserted additional language regarding the Overtime Policy.
- Pages 23-24 – Inserted additional language to clarify our Electronic Time Keeping Policy.
- Pages 25-26 – Additional clarification that describes timekeeping requirements for non-exempt Teleworkers.
- Page 26 – Added a reference to the policy and procedure for the proper handling of protected health information.

Dale Butler recommended SFHP consider providing employees with a minimum of four hours of work when they are required to work onsite on holidays. He stated that there have been issues in the past that staff that have had to work for one hour, for example, was a hardship because the time and effort to come into work exceeded the actual time worked. The issue was resolved by establishing a four-hour minimum for such cases. Mr. Grgurina expressed appreciation for the suggestion and stated they will consider that policy change for calendar year 2019.

The Board unanimously approved the revisions to the 2018 Employee Handbook as presented.

12. Member Advisory Committee Report

Maria Luz Torre and Irene Conway, Co-Chairs of the Member Advisory Committee (MAC), reported that the Committee met in November 2017 and SFHP staff attended their meeting to discuss the High Risk Assessment (HRA) Tool to receive feedback from the Committee on this service. She stated the MAC will present the 2018 MAC goals at the March Board meeting.

The Committee also had their year-end annual holiday party in December.

13. Federal Affordable Care Act Repeal/Replace Activities and State Updates

Sumi Sousa, Officer of Policy Development & Coverage Programs, provided the Board with a brief update on Federal Affordable Care Act Repeal/Replace activities and State updates.

The final agreement on Federal Tax Reforms includes Zeroing out of individual mandate penalty in 2019. Senate/House compromise likely to pass and signed into law by the President around Christmas. 2018 will be the last year individuals will be required to have continuous health insurance or pay the tax penalty (greater of \$695 or 2.5% of income).

Ms. Sousa also provided the Board with a Children's Health Insurance Program (CHIP) update. CHIP funding expired October 1, 2017.

- Short-term funding bill to move in late December with short-term funding to states through mid-January.
- Impacts 1.3 million children and 700,000 women in Medi-Cal, including SF Healthy Kids Program.
- California runs out of money in January 2018.
- No Congressional agreement yet on long-term funding sources for five-year reauthorization. (A detailed PowerPoint presentation with updates was provided in the Board packet.)

14. CEO Report

Mr. Grgurina discussed a few highlights from the CEO report. Mr. Grgurina mentioned that SFHP received NCQA accreditation and that the Affordable Care Act continues to be a rollercoaster. SFHP will continue to keep the Board updated. The November 2017 CEO Report is incorporated as a reference document in the Board packet.

15. Adjourn

The meeting was adjourned.

Reece Fawley, Secretary