



**Joint San Francisco Health Authority/San Francisco Community Health Authority
Governing Board
March 7, 2018
Meeting Minutes**

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

Members

Present: Eddie Chan, PharmD, Aneeka Chaudhry, Lawrence Cheung, MD, Irene Conway, Reece Fawley, Steven Fugaro, MD, Barbara Garcia, Roland Pickens, Emily Webb, and David Woods, Pharm D.

Members

Absent: Dale Butler, Edwin Batongbacal, Steve Fields, and Maria Luz Torre

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 Heather Claus, attorney with Daponte, Szabo, and Jian Zhang, DNP, MS, FNP-BC, CEO, Chinese Hospital, and Sabra Matovsky, CEO, San Francisco Community Clinic Consortium. There were no public comments.

John F. Grgurina, Jr., CEO, introduced Kate Gormley, Interim Chief Human Resources Officer, to the Board. In addition to this, Mr. Grgurina also introduced Sabra Matovsky and Jian Zhang to the Board; both of their appointments to the SFHP Governing Board were approved by the Rules Committee and are awaiting final approval from the Board of Supervisors.

Lastly, the Board celebrated Reece Fawley and Valerie Huggins' birthdays.

1. 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 January 3, 2018 Governing Board Meeting.
- b. Review and Approval of Minutes Quality Improvement Committee (QIC) Minutes.
- c. Review and Approval of QIC Appointment and Reappointments.
- d. Review and Approval of Credentialing Recommendations.

The Board unanimously approved the consent calendar without any issues.

2. Federal and State Affordable Care Act Update

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. (A detailed PowerPoint presentation with updates was provided in the Board

packet.)

Ms. Sousa also provided the Board with a Children's Health Insurance Program update.

- Children's Health Insurance Program (CHIP) reauthorized for 10 years.
 - Fiscal went down due to impact of elimination of individual mandate penalty.
 - CHIP costs feds less than Medicaid and the Exchange.
- Funding to States Remains High:
 - Normal CHIP match for CA: 66%; ACA increased it +23%.
 - New law: +23% through FY2019; +11.5% FY 2020: normal FY2021-FY 2027.
- State Maintenance of Effort (MOE):
 - Extends state MOE from FY 2019-2027.
 - FY 2020 only kids <300% FPL subject to maintenance of effort (MOE).

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 Gregoire, CFO, presented the year-to-date unaudited financial statement and investment reports investment ending January 31, 2018. (The narrative summaries and financial documents were provided to the Finance Committee for reference.)

The following are key highlights:

1. January 2018 results produced a loss of \$607,000 versus a budgeted loss of \$989,000. This anticipated loss is due to capitation and fee-for-service rate increases implemented January 1, 2018. These rate increases added \$1,046,000 to medical expense in January.
2. Variances between actual versus budget include:
 - a. \$2,432,000 less in revenue due to:
 - i. 3,621 fewer member months mostly due to members placed on hold awaiting completion of the annual redetermination process along with member attrition.
 - ii. 152 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.
 - b. \$974,000 less in Pharmacy expense due to 152 fewer Hepatitis C treatment weeks along with lower Hepatitis C drug costs as a result of converting more members to Mavyret.
 - c. \$1,631,000 less in other medical expenses due to 3,621 fewer member months.
 - d. \$143,000 less in Administrative expenses.
3. On a year-to-date basis, the FY17-18 budget projected SFHP would record \$58 million in revenue and medical expense related to the AB85 to cost provision within the Medi-Cal Expansion category. SFHP received \$38 million in October 2017, however as this funding related to prior periods, audit rules required that

SFHP records this revenue and related medical expense in June 2017. During the month of February 2018, SFHP is expecting to receive \$39.2 million in AB85 to cost funding which will be paid to Zuckerberg San Francisco General Hospital.

4. Below 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 January.

CATEGORY	-----JAN 2018-----				-----FYTD 17-18 THRU JAN-----			
	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
REVENUE	\$ 45,871,000	\$ 48,303,000	\$ (2,432,000)	-5.0%	\$ 336,101,000	\$ 396,138,000	\$ (60,037,000)	-15.2%
LESS: AB85 TO COST	\$ -	\$ -	\$ -		\$ -	\$ 58,232,000	\$ (58,232,000)	
REVENUE - REVISED	\$ 45,871,000	\$ 48,303,000	\$ (2,432,000)	-5.0%	\$ 336,101,000	\$ 337,906,000	\$ (1,805,000)	-0.5%
MLR	93.7%	94.4%			91.7%	92.3%		
ADMINISTRATIVE EXPENSES	\$ 4,374,000	\$ 4,517,000	\$ 143,000	3.2%	\$ 29,506,000	\$ 31,324,000	\$ 1,818,000	5.8%
ADMINISTRATIVE RATIO	8.0%	7.8%			7.4%	6.7%		
MARGIN (LOSS)	\$ (607,000)	\$ (989,000)	\$ 382,000	-38.6%	\$ 4,470,000	\$ 4,797,000	\$ (327,000)	-6.8%
OPERATING ADJUSTMENTS:								
FY15-16 SUR PMTS/ACCRUALS	\$ 260,000	\$ -			\$ 1,185,000	\$ -		
FY16-17 SUR PMTS/ACCRUALS	\$ -	\$ -			\$ 7,877,000	\$ 3,750,000		
MARGIN FROM OPERATIONS	\$ (347,000)	\$ (989,000)			\$ 13,532,000	\$ 8,547,000		
MLR W/O SUR AND AB85 TO COST	93.1%	94.4%			88.9%	89.8%		
ADMIN RATIO WITHOUT AB85 TO COST	8.0%	7.8%			7.4%	8.0%		

PROJECTIONS

Financial projections through July 2018:

- As of January 31, 2018, 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 January 31, 2018, 100% of the remaining \$7,500,000 has been added to the PIP program covering the months of January through December 2017.
- As of January 31, 2018, \$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.
- At the September 2017 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.
- In October 2017, DHCS reduced Hepatitis C reimbursement rates retroactive to July 2017. SFHP has experienced 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 the reimbursement rate. The total estimated impact for FY17-18 is a decrease of \$4.3 million in Hepatitis C revenue. The SFHP Pharmacy department is working

closely with SFHP's 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 April 2018, SFHP expects to receive \$39.2 million related to Assembly Bill (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. SFHP expects to disburse the full \$39.2 million of this AB85 funding to ZSFG in April, pending Governing Board approval in March. For budget purposes, SFHP 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

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

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.

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 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.

DHCS has acknowledged that MCE Dual members should have been paid at a lower premium rate and has informed the health plans of its intention to implement a MCE Dual premium rate retroactive to January 2014. SFHP estimates DHCS will take back approximately \$2.7 million in premium revenue. The chart below estimates the impact to providers if SFHP were to move forward with the recovery of capitation.

	-----CAPITATION RECOVERY----	
	RETROACTIVE TO	RETROACTIVE
PROVIDER	JAN 2014	12 MONTHS
ZUCKERBERG SFG (CHN AND NEMS)	\$ 951,614	\$ 211,985
CLINICAL PRACTICE GROUP (CPG)	\$ 431,469	\$ 92,864
NEMS (CPMC AND ZSFG)	\$ 237,189	\$ 35,156
CPMC	\$ 166,712	\$ 20,130
CHINESE HOSPITAL	\$ 66,842	\$ 13,795
SFCCC	\$ 55,656	\$ 11,806
CCHCA	\$ 55,153	\$ 10,558
BROWN & TOLAND	\$ 21,097	\$ 6,158
HILL PHYSICIANS	\$ 12,278	\$ 5,880
	\$ 1,998,010	\$ 408,332

At this time, SFHP does not have a recommendation of how to handle this DHCS rate action. SFHP will propose a recommendation at the May 2018 Finance Committee and Governing Board meetings. Current options under consideration include:

1. A retroactive recovery of MCE capitation back to January 2014.
2. A retroactive recovery of MCE capitation for the most recent twelve months.
3. No retroactive recovery of MCE capitation; however, this would be done only for this specific issue and not precedent setting in the event the state were to implement future retroactive reductions.

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 January 31, 2018.

The Board unanimously approved the year-to-date unaudited financial statements and investment income reports for the period ending January 31, 2018, 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 Proposed Medi-Cal Rate Reductions for the Medi-Cal Expansion Rate Category

This item was discussed in closed session.

5. Review and Approval of Payment Changes to Zuckerberg San Francisco General Hospital related to AB 85 to Cost Funding

This item was discussed in closed session.

6. Review and Approval to Authorize CEO to Contract with Dignity Health System

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.

7. Chair's Report on Closed Session Items

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

- a. Approved the proposed Medi-Cal rate reductions for the Medi-Cal Expansion rate category.
- b. Approved the recommendation for payment changes to Zuckerberg San Francisco General Hospital related to AB85-to-Cost funding.
- c. Approved the recommendation to authorize the CEO to contract with Dignity Health System at the same rates and terms as with SFHP's other contracted hospital systems.

8. Review and Approval of Proposal for Strategic Use of Reserves for CY2018

Recommendation #1: Practice Improvement Program (PIP) Enhancement

SFHP recommends the Governing Board approve the following recommendations for the Calendar Year 2018 Strategic Use of Reserves (SUR). (A detailed memo was provided in the Board packet.)

- 1) Establish the designated reserve allocation of an additional \$8 million for professional services to bolster resources available in the Practice Improvement Program (PIP).
- 2) Determine allocation for each entity based on membership as of January 2018.
- 3) Provider funding will be added to high-priority 2018 PIP measures. Each PIP participant will continue improvement work on the measure(s) selected from the FY16-17 SUR PIP Enhancement.
- 4) PIP participants will receive payments contingent upon improvement in the target measure or meeting measure thresholds. Payment will be aligned with PIP timelines, with 25% of available funding to be disseminated each quarter in 2018 unless requested otherwise by the provider group and approved by SFHP. Unearned funds from the first three quarters will be rolled over to the fourth quarter.
- 5) Provide payments directly to providers and groups too small to participate in PIP.

James Glauber, MD, Chief Medical Officer, reviewed the background of the recommendation to the Board.

PIP is SFHP's pay-for-performance incentive program for clinic and medical groups, administering a comprehensive set of measures intended to achieve improvements in patient care and experience, systems improvement, and health outcomes. Several PIP measures directly support SFHP strategic goals and can be further leveraged to drive

improvement in SFHP's priority areas, particularly patient access and important clinical outcomes impacting a significant subset of SFHP membership.

Recommendation #2: Hospital Improvements

SFHP recommends the Governing Board approve the following recommendations for the Calendar Year 2018 SUR:

- 1) Establish the designated reserves allocation of \$8 million for contracted hospitals to supplement support to contracted hospitals to improve member care in the three focus areas identified in the initial FY 17-18 hospital SUR program (approved in November 2017).
- 2) Determined allocations for each entity based on proportion of enrollment as of January 2018.
- 3) SFHP proposes to provide either a 12-month rate increase for FY17-18 or a grant to hospitals that submit proposals with 10% of SUR funding at risk based on agreed upon outcomes. The hospital will choose its payment methodology for the additional SUR funding.
- 4) Hospitals will be invited to submit grant proposals that will be approved by SFHP leadership. Upon approval of grant submissions, 90% of funds will be disbursed. The remaining 10% will be disseminated at the end of the project, based on percent of objectives completed.

Dr. Glauber stated that the SURs are making a difference. An example is NEMS' use of the SUR as seed money to create an internal medicine residency program, which will help to increase access. Mr. Grgurina also stated that it is a good time to implement the SUR program now before the inevitable downturn in state funding. Ms. Garcia agreed that the SURs are creating opportunities for innovative projects to help SFHP members and providers.

Mr. Fawley stated that the Finance Committee approved the recommendation for forwarding to the Board. With the Finance Committee's recommendation, the Board unanimously approved the proposal for Strategic Use of Reserves for CY2018.

9. Review and Approval of Success Criteria Measures for the SFHP Operational Continuous Improvement Projects as Stated in the FY17-18 Organizational Goals

Recommendation: SFHP recommends the approval of specific measures for the FY17-18 organizational goal for continuous improvement.

Mr. Grgurina provided the Board with an overview of the two measures for the Board's review and approval, which are part of the FY17-18 organizational goal for continuous improvement.

FY17-18 Organizational Goals for Continuous Improvement

For FY17-18, SFHP established organizational goals including three related to exemplary service. In June, when the Board approved the FY17-18 organizational goals, which included the continuous improvement projects, Mr. Grgurina stated SFHP did not have the specific measurements. He stated that at that time, the Board was informed they would be provided with the specific details for the measurements at the

January Board meeting. Unfortunately, we did not to present the item to the Board at that time due to other pressing agenda priorities.

The following are the specific measurements for the continuous improvement projects. The projects began soon after the start of fiscal year and are nearly completed.

Continuous Improvement (CI) projects – (10 points)

Complete two CI projects - Operationalize and achieve the efficiency targets for both.

Project One: Benefit Exception Handling

Ensure SFHP has a consistent process for implementing non-covered Medi-Cal benefits that SFHP chooses to cover. This will enable faster turnaround time for benefit determination and claims processing.

Goal 1: Document current process using the Process Management Model by November 1, 2017, 2.5 points - *Completed*

Goal 2: Update the process map with changes based on pricing procedures, write the desktop procedure and train impacted staff by June 1, 2018. 2.5 points

Project Two: APR DRG Pricing

Improve quality of APR DRG pricing and reduce administration time in preparation for the increased APR DRG claims inventory expected after January 1, 2018.

Goal 1: Document SFHP's current process using the process management model, audit claims to determine baseline accuracy and compare pricing allowance between the 3M and State pricing tools. Make recommendation to the Chief Operations Officer as to which tool to use by October 1, 2017. 2.5 points - *Completed*

Goals 2: Implement automation of the DRG grouper selection to improve accuracy of APR DRG priced claims by March 1, 2018. 2.5 points

Mr. Grgurina recommended the Governing Board approve these specific measures for the FY17-18 organizational goal for continuous improvement. In addition, we will ensure we provide the Board with specific measurement details for SFHP organizational goals in a timelier manner in the future.

The Board did not have any questions. The Board unanimously approved the two specific measures for the FY17-18 organizational goal for continuous improvement.

10. Member Advisory Committee (MAC) Report

Recommendation: Approval of CY2018 Committee Goals.

Irene Conway, Co-Chair of the Member Advisory Committee (MAC), reported that the Committee completed their CY2017 goals. In addition, Ms. Conway briefly reviewed the Committee's CY2018 goals to the Board for approval. (A list of the Committee goals were provided in the Board packet.)

Lastly, Ms. Conway reported that the Committee met in January and February. Staff attended the February meeting to receive feedback on the new Adult Preventive Screening Incentive Program to be launched this spring.

Ms. Garcia thanked Ms. Conway for the hard work and valuable input from MAC and for the leadership of Ms. Conway and Maria Luz Torre.

The Board unanimously approved the Members Advisory Committee CY2018 goals.

11. Annual Review of San Francisco Health Plan (SFHP) Administrative Contracts

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

Ms. Andrews provided a background of the SFHP administrative contracts. A detailed memo with a list of contracts was provided in the Board packet.

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 agreement, at the March 2018 Governing Board meeting, the SFHP staff presented 58 contracts valued at \$100,000 or greater from 2017, to the Board for review.

- In 2017, there were nine contracts whose total spend was over \$1,000,000. Eight contracts complied with the Governing Board-approved SFHP Contract Approval policy. One contract was out of compliance with the Governing Board-approved policy and will be brought to the Board for review and approval in May 2018.
- The following contracts over \$1 million were either approved by the Governing Board or were grandfathered, i.e., existed prior to March 2015.
 - SFHP Staff Benefits:
 - Aetna Life Insurance for Health Benefits
 - Kaiser Permanente Health Benefits
 - CalPERS Defined Pension Plan
 - CalPERS 457
 - 401(a) pension plan through ICMA-RC
 - RSC Insurance Brokerage – stop loss premiums
 - 50 Beale St LLC – main office rent
 - 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 benefit manager administrative fees

There was one contract that exceeded \$1 million that had not been brought to the Board for approval. Change Healthcare Solutions, LLC (CHC) provides technical expertise and project management resources for ITS and Operations in support of regulatory mandates and strategic priorities. Mr. Grgurina stated that he would bring the CHC contract for the Board's approval in May if the projected expenses in CY2018 are expected to be over \$1 million, or an update if below \$1 million.

12. Chief Medical Officer's (CMO) Report

a. Medi-Cal Palliative Care Benefit Update

James Glauber, MD, MPH, CMO, gave a brief update on the new Medi-Cal palliative care benefit. (PowerPoint slides were provided in the Board packet.) This was a discussion item only. No action was required.

Dr. Glauber shared data that of those eligible, most have chronic obstructed pulmonary disease and that while only 6% of SFHP's Medi-Cal members are African American, 30% of those eligible for palliative care are African American. Ms. Garcia suggested an Afro-centric program. Dr. Glauber agreed, but cited potential barriers and that primary care providers and specialists will need to start the conversation with their patients first. Board members asked about referrals to the program and Dr. Glauber stated there was one referral to date. His staff will be sending lists of eligible members to providers for medical groups to outreach to their members about the new benefit. Lawrence Cheung, MD, asked for an estimated cost of the new benefit. Dr. Glauber stated DHCS' expectation is that the cost of the new benefit would be offset by savings in decreased inpatient admissions.

b. Strategic Use of Reserves Project Highlight - PreManage

Dr. Glauber also provided an update on PreManage. (Slides were provided in the Board packet.) This was a discussion item only. No action was required.

PreManage is an information sharing platform that allows providers from different systems to see pertinent patient information.

PreManage ED (Hospitals)

- In final year of SUR funding for FY 15-16 project.
- Success includes go-live for each hospital and consensus on Care Plan guidelines.
- Non-network hospitals (Kaiser and Dignity) in process of adopting PreManage ED.
- A small number of care plans have been completed due to provider time constraints, though hospitals are likely using PreManage in other ways.
- Plan to use SUR 17-18 to promote further utilization, including a consensus committee.

PreManage Community (Primary Care)

- Rolling implementation to begin in March.

13. Semi-Annual Compliance Report

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

Nina Maruyama, Officer, Compliance and Regulatory Affairs, provided a report to the Board. (Full report was included in the Board packet.)

14. CEO Report

Mr. Grgurina discussed a few highlights from the CEO report. Mr. Grgurina gave a brief update on the Strategic Plan and reminded the Board to complete their Form 700 and Sunshine Ordinance trainings by the April 2nd deadline. (The March 2018 CEO Report is incorporated as a reference document in the Board packet.)

15. Adjourn

The meeting was adjourned.

Reece Fawley, Secretary