



**Joint San Francisco Health Authority/San Francisco Community Health Authority
Governing Board
November 1, 2017
Meeting Minutes**

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

Members

Present: Edwin Batongbacal, Dale Butler, Eddie Chan, Pharm D, Aneeka Chaudhry, Lawrence Cheung, MD, Irene Conway, Reece Fawley, Steve Fields, Steven Fugaro, MD, Maria Luz Torre, Roland Pickens, Emily Webb, and David Woods, Pharm D.

Members

Absent: Barbara Garcia and Brenda Yee

Steven Fugaro, MD, Chair, chaired the meeting and called the meeting to order. Dr. Fugaro 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 Rowe, Sabra Matovsky, Chief Executive Officer, San Francisco Community Clinic Consortium (SFCCC). There were no public comments.

John F. Grgurina, Jr., CEO, introduced Sabra Matovsky, SFCCC's new Chief Executive Officer. Ms. Matovsky has been nominated for appointment to the San Francisco Health Plan (SFHP) Governing Board. Her appointment is in process with the Board of Supervisors and we hope to have her join the Governing Board at the January or March 2018 Board meeting. Lastly, Mr. Grgurina announced the departure of Deena Louie, Chief Operating Officer. Ms. Louie has been with SFHP for eight years and has now accepted a position as CEO of Chinese Community Health Plan. Reece Fawley, Secretary/Treasurer for the Board, stated Ms. Louie's new position will be a benefit to providers as well. SFHP and the Board wished Ms. Louie well on her new position.

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 September 6, 2017 Governing Board Meeting.
- b. Minutes from Quality Improvement (QIC) Meeting.
- c. Credentialing and Recredentialing Recommendations.

The Board unanimously approved the consent calendar without any issues.

2. **Review and Approval of San Francisco Health Plan (SFHP) Three-year Operational Strategic Plan**

Recommendation: Approval of SFHP three-year operational strategic plan.

Mr. Grgurina reviewed the planning and development process for the strategic plan and introduced Wendy Todd, Consultant, who was hired to facilitate the process. Ms. Todd reviewed SFHP three-year operational plan with the Governing Board. The purpose of a strategic plan is to communicate to a broad audience the values and future direction of the organization, establish priorities to guide future programmatic and financial decisions. She stated the plan should also galvanize buy-in among staff to work together to achieve common, clearly articulated organizational goals, and lastly, lay a foundation for operational plans. (A full description of the three-year operational strategic plan was provided in the Board packet.)

Ms. Todd explained that the information gathering process concluded before the election, so that the repeal of the Affordable Care Act (ACA) was not identified as a threat. Mr. Grgurina stated that the strategic plan process stalled for a period after the election to determine whether the ACA would be repealed and require a new course for the strategic plan. With the failure of a full scale repeal, we have moved forward with the strategic plan as proposed. Ms. Todd reviewed that strong themes emerged from discussions with the Board members and staff, primarily that all are involved together for the best interests of SFHP. While the vision statement was agreed upon, the mission statement was revised to take into account the feedback received. Ms. Todd reviewed the three-year goals, which are centered on the existing four strategic anchors of the organization, which remain unchanged. Mr. Grgurina asked the Board if any key ideas or priorities were missing.

Steve Fields, Board member, stated that the plan resonated with him and seemed to be accurate. He commented that he thought it was good and concise. He also commented that as an original Board member, the partnerships of the Board are baked into the Two-Plan Model. He felt that if there is a threat to the Two-Plan Model, perhaps the strategic plan should state the commitment of the Board to ensure SFHP remained a public health plan built with unique partnerships in a private-like system. Mr. Grgurina stated that the goal under the Universal Coverage goal could be revised to incorporate “preserving the unique public-private partnership of the plan” into the statement. Other board members agreed with the change.

Maria Luz Torre, Board member, expressed interest in adding a goal to address a single payer plan, but Mr. Grgurina stated that our participation in state and national associations provides an avenue in which to state the principles that would be needed in a single payer system. Emily Webb, Board member, stated that it seems important to prioritize advocacy as part of universal coverage, while Aneeka Chaudhry stated advocacy would also fit with financial viability. Mr. Grgurina agreed that advocacy will be a priority and stated it is addressed in the details of the FY17-18 organizational goals.

The Board unanimously approved the three-year operational strategic plan with the discussed additions.

3. Review and Approval of the Annual Independent Auditor's Report for FY 2016-17

Recommendation: Review and approval of the annual independent auditor's report for FY 2016-17.

Chris Pritchard, Senior Management staff from Moss Adams, the independent audit firm hired by SFHP, presented the FY 2016-17 independent financial audit report. The auditors gave SFHP an "Unmodified Opinion," which is the highest opinion available (also known as a "clean opinion"). There were no significant, or material, comments in the Communication to the Governing Board. There were no required or recommended adjustments to the journal entries. The auditors also met with the Finance Committee for a detailed discussion, including a discussion without the CEO and CFO present. Mr. Fawley stated that during the discussion, the Finance Committee discussed what SFHP could do better, even with no significant comments from the auditors. Mr. Fawley stated that they discussed the importance of protecting against cyber threats. Moss Adams agreed they would provide information to SFHP staff on a regular basis regarding known threats that could impact SFHP.

The Finance Committee was pleased with the report and recommended the Board approve the report. The Board unanimously approved the auditor's report for fiscal year 2016-17.

4. Review and Approval of Unaudited Monthly Financial Statements and Investment Reports

Recommendation: Review and approval of unaudited monthly financial statement and investment reports.

John Gregoire, CFO, presented the unaudited monthly financial statement and investment reports investment ending September 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. September 2017 results produced a margin of \$1,512,000 versus a budgeted margin of \$469,000.
2. September 2017 results are \$1.0 million above budget due to:
 - a. Administrative expenses were \$775,000 below budget. For budget purposes, it was expected that an annual mailing to Medi-Cal members at a cost of \$700,000 would occur in September. As the Department of Health Care Services (DHCS) has delayed revisions to the Medi-Cal Evidence of Coverage document, the new target date for this mailing is now April 2018.
 - b. SFHP recorded 35 more maternity events in September than what was projected in the budget. SFHP providers were catching up with their maternity submissions. These extra birth events added \$315,000 to Medi-Cal revenue.
3. 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 (DPHs) are to be reimbursed in amounts no less than cost for applicable services provided to newly eligible Medi-Cal Expansion members. SFHP

has received the AB 85 to cost funding, however as this funding relates to FY15-16, audit rules required that we record this revenue and related medical expense in June 2017. It is anticipated that \$30.4 million of AB 85 funding will be disbursed to Zuckerberg San Francisco General during October.

- 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 September.

CATEGORY	-----SEP 2017-----				-----FYTD 17-18 THRU SEP-----			
	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
REVENUE	\$ 48,396,000	\$ 86,492,000	\$ (38,096,000)	-44.0%	\$ 147,665,000	\$ 183,017,000	\$ (35,352,000)	-19.3%
LESS: AB85 TO COST	\$ -	\$ 38,232,000	\$ (38,232,000)		\$ -	\$ 38,232,000	\$ (38,232,000)	
REVENUE - REVISED	\$ 48,396,000	\$ 48,260,000	\$ 136,000	0.3%	\$ 147,665,000	\$ 144,785,000	\$ 2,880,000	2.0%
MLR	89.9%	94.7%			91.6%	92.4%		
ADMINISTRATIVE RATIO	7.3%	4.9%			6.9%	6.4%		
MARGIN (LOSS)	\$ 1,512,000	\$ 469,000	\$ 1,043,000	222.4%	\$ 2,711,000	\$ 2,522,000	\$ 189,000	7.5%
OPERATING ADJUSTMENTS:								
FY15-16 SUR PMTS/ACCRUALS	\$ 38,000	\$ -			\$ 38,000	\$ -		
FY16-17 SUR PMTS/ACCRUALS	\$ 625,000	\$ 625,000			\$ 6,002,000	\$ 1,875,000		
MARGIN FROM OPERATIONS	\$ 2,175,000	\$ 1,094,000			\$ 8,751,000	\$ 4,397,000		
MLR W/O SUR AND AB85 TO COST	88.5%	89.0%			87.5%	89.0%		
ADMIN RATIO WITHOUT AB85 TO COST	7.3%	9.0%			6.9%	8.0%		

PROJECTIONS

Financial projections through March 2018:

- As of September 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 September 30, 2017, 75% of the remaining \$7,500,000 has been added to the Practice Improvement Program (PIP) program covering the months of January through September 2017. A monthly amount of \$625,000 will continue to be added to the PIP program for the period of October through December 2017 for a grand total of \$7,500,000.
- As of September 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 over the next six months.
- SFHP received final Medi-Cal rates from the DHCS. These rates are effective for SFHP as of July 2017. The overall impact is an increase of 0.7%. The rate for the Medi-Cal Expansion category of aid decreased by 0.9% which was much less than anticipated.
- 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.
- SFHP expects to receive \$39.2 million in February 2018 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. The estimated distribution to ZSFG is \$33.9 million. For budget purposes, we estimated that in December 2017 SFHP would receive \$20.0 million in revenue and distribute a similar amount in medical expense related to AB 85.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

Capitation, Fee-For-Service and Reciprocity Rates Changes Approved for January 1, 2018

At the September 15, 2017 meeting, the Finance Committee and Governing Board approved increasing 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 range for SFHP providers is an increase of 5.4% to 7.9%. The range is due to the differences in the distribution of membership by aid category.

For capitated providers, each provider group's actual overall rate change will differ based on their own membership in each of the Medi-Cal categories of aid and Healthy Kids. Each provider group is paid the same for each aid code category. The differences in the distribution of membership by aid category, however, can cause differences in per member per month rates as well as overall funding changes.

For fee-for-service providers, SFHP will move to the All Patients Refined-Diagnosis Related Group (APR-DRG) methodology for pricing inpatient hospital claims and 140% of the Medi-Cal Fee Schedule (MCFS) for outpatient facility claims. APR-DRG is the generally accepted method for paying claims for Medi-Cal beneficiaries and is how the state pays for inpatient services to non-managed care, fee-for-service Medi-Cal members. APR-DRG will be the floor for SFHP's fee-for-service providers. University of California San Francisco (UCSF) will move to APR-DRG rates and 140% of the MCFS effective January 1, 2018. Sutter-California Pacific Medical Center (CPMC) facilities providing services to Hill Physicians and Brown & Toland members moved to APR-DRG rates and 140% of the MCFS effective July 1, 2017.

Effective January 1, 2018, SFHP reciprocity rates for services provided to SFHP members will also move to APR-DRG rates for inpatient services and 140% of the MCSF for outpatient facility services. Details of projected impact on medical groups was reviewed and included in the Board packet.

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 September 30, 2017.

The Board unanimously approved the unaudited monthly financial statements and investment income reports for the period ending September 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.

5. Review and Approval of Proposal for an Alternative Payment Model Contract Amendment with University of California, San Francisco

This item was discussed in closed session.

6. Discussion Regarding Contract, Rates, and Start Date with Jade Medical Group

This item was discussed in closed session.

7. Review and Approval of Payment of Expenses for Executive Team Due to Payroll Vendor Errors in Reported Taxable Income for Calendar Year 2016

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.

8. Chair's Report on Closed Session Items

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

- a. Approved the CEO to move forward to develop an alternative payment methodology with University of California, San Francisco, as required by the Department of Health Care Services.
- b. Approved the payment of expenses and tax penalties for the Executive Team incurred due to taxable income errors reported for calendar year 2016.

9. Member Advisory Committee Report

Due to time constraints the MAC report was not discussed.

10. Review and Approval of SFHP Strategic Use of Reserves for FY17-18 and FY18-19 Hospital and Physician Practice improvement Program and Member-Focused Services

Recommendations: SFHP recommends the approval of \$13.6 million from the Strategic Use of Reserves (SUR) for distribution in in FY 2017-18 and FY 2018-19 to support contracted hospitals, professional services, and member benefits/services to improve member care.

James Glauber, MD, MPH, Chief Medical Officer, reviewed the recommendation to the Governing Board regarding the distribution of \$13.6 million from the Strategic Use of Reserves (SUR) for distribution in in FY 2017-18 and FY 2018-19. The funds would support contracted hospitals, professional services, and member benefits/services to improve member care. (Detailed memo was provided in the Board packet.)

With the Finance Committee's recommendation for approval, the Governing Board unanimously approved the CY 2018 Practice Improvement Program funding.

11. SFHP Administrative Contracts

a. Review and Approval of Three-Year Contract Extension with KP, LLC for Printing Services

Recommendation: SFHP recommends the Governing Board approve a three-year extension of the contract with our current print, ID card and mail house vendor, KP LLC, to be utilized for all lines of business. The pricing for the three-year extension is the same pricing we are currently paying. The approximate annual spend for the Medi-Cal, Healthy Workers and Healthy Kids programs is \$1.8 million and for the Third-Party Administrator lines of business it is \$1.7 million, totaling \$3.5 million annually.

Deena Louie, COO, and Valerie Miller, Director, Marketing and Communications,

briefly reviewed the three-year contract recommendation. (Detailed memo was provided in the Board packet.)

SFHP utilizes print and mail house vendors in order to complete mandated member communications for the Medi-Cal line of business, including welcome kits, provider directories, newsletters, grievance letters, continuity of care letters, health education and incentive programs, ID cards and more. These vendors also serve all the print and mail house requirements for our third-party administrator (TPA) lines of business including Healthy San Francisco, SF City Option and SF Covered MRA, as well as our two other licensed health plan lines of business, Healthy Kids HMO and Healthy Workers HMO.

The proposed vendor, KP, LLC, is the existing vendor, who revalidated their current pricing. Ms. Miller stated that the SFHP recommends extending the contract with KP, LLC for three years.

The Board unanimously approved the three-year contract extension with the print and mail house vendor, KP, LLC.

b. Review Strategy to Release a Request for Proposal for Pharmacy Benefits Management Services

Due to time constraints, the strategy to release a request for proposal for pharmacy benefits management services was not discussed.

c. Review and Approval of One-or Two-Year Contract Extension with Beacon Health Strategies

Recommendation: SFHP recommends moving forward with negotiations of a one-to two-year extension of the current Beacon Health Options (Beacon) performance-based contract, through June 30, 2019 or June 30, 2020. The duration will be subject to negotiation and the strength of Beacon's proposal.

Dr. Glauber, briefly reviewed the background of the recommendation with the Board. (A detailed memo was provided in the Board packet.) Dr. Glauber provided a summary of Beacon's progress with providing non-specialty mental health services to SFHP's Medi-Cal members. Together with Beacon, barriers to utilization have been identified and Dr. Glauber stated SFHP would like to continue to move forward with Beacon on improving access to non-specialty mental health rather than releasing an RFP for another vendor. Mr. Grgurina also stated that the list of potential other vendors is short and that one such vendor did not have a good record with a sister plan.

The Board unanimously approved the contract extension with Beacon.

12. Chief Medical Officer's (CMO) Report

Dr. Glauber reviewed the CY 2018 Funding for the SFHP Practice Improvement Program (PIP). There were no changes from the previous year. The Board unanimously approved the 18.5% funding for the PIP program in CY 2018.

Due to time constraints the discussion items in the CMO report were not reviewed.

13. Federal and State Updates on Affordable Care Act (ACA) Repeal/Replace Activities

Due to time constraints the Federal and State updates on ACA repeal/replace activities were not discussed. The federal and state activities summary was incorporated as a reference document in Board packet.

14. CEO Report

Due to time constraints the CEO report was not discussed. The November 2017 CEO Report is incorporated as a reference document in the Board packet.

15. Adjourn

The meeting was adjourned.

Reece Fawley, Secretary