



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

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

**Members**

Present: Edwin Batongbacal, Eddie Chan, Pharm D, Lawrence Cheung, MD, Irene Conway, Steven Fugaro, MD, Reece Fawley, Steve Fields, Barbara Garcia, John Gressman, Roland Pickens, Maria Luz Torre, Emily Webb, David Woods, Pharm D, and Brenda Yee

**Members**

Absent: Dale Butler and John Gressman

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. Heather Claus, Attorney, Daponde, Szabo, and Rowe, was in attendance on behalf of San Francisco Health Plan (SFHP) to provide guidance on board proceedings. Alicia Pimentel was also in attendance as a member of the public. Ms. Pimentel introduced herself to the Board, but did not provide any public comment.

Dr. Fugaro mentioned there was a revision to item number five on the agenda that will be discussed in closed session. Item number five should read "Review and approval of provider rate increase for California Pacific Medical Center" not St. Luke's Hospital.

**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 4, 2017 Governing Board Meeting.
- b. Quality improvement Committee (QIC) Minutes.
- c. Credentialing and Recredentialing 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, gave an update on the Federal and State Affordable Care Act (ACA). On January 20<sup>th</sup> the President's Executive Order related to the ACA expressed the administration's intent to repeal the ACA. It provides broad authority to relevant departments to minimize the economic and regulatory burden of the ACA. Representative Tom Price, confirmed as Health and

Human Services Secretary, will direct legislative and regulatory efforts related to ACA repeal/replace.

Ms. Sousa and John Grgurina, Jr., CEO, joined the national trade association of nonprofit Medicaid managed care plans, Association of Community Affiliated Plans (ACAP), in meetings in early February in Washington, D.C. with key executive, legislative staff on ACA Repeal/Replace activities. The meetings provided an opportunity to educate legislative members and their staff on the economic impact of Medicaid expansion in their districts, e.g., number of people affected. (A detailed slide presentation was provided in the Board packet.)

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

**Recommendation:** Review and approval of unaudited monthly financial statements and investment reports as presented.

John Gregoire, CFO, presented the monthly unaudited financial statements for the period ending January 31, 2017. (The narrative summary and financial documents were provided to the Finance Committee and are incorporated by reference.)

1. January 2017 results produced a positive margin of \$1,981,000 versus a budgeted margin of \$1,231,000.
2. January 2017 results are above budget due to:
  - a. Lower than expected strategic reserve payments compared to previous months; and
  - b. Non-Hepatitis C pharmacy costs were much lower than expected.
3. Other significant items affecting the January margin included:
  - a. SFHP paid \$540,000 to providers related to FY15-16 strategic use of reserves, compared to the previous month's payments of \$2,290,000.
  - b. Effective January 1, 2017, providers received rate increases in their capitation to align with how SFHP is being paid by the Department of Health Care Services (DHCS) and the AIDS category of payment was eliminated.
  - c. Below is a chart highlighting the key income statement categories.

CATEGORY	-----JANUARY 2017-----			
	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
REVENUE	\$ 47,060,000	\$ 53,675,000	\$ (6,615,000)	-12.3%
MLR	88.8%	90.8%		
ADMINISTRATIVE RATIO	7.3%	6.9%		
MARGIN	\$ 1,981,000	\$ 1,231,000	\$ 750,000	60.9%

4. Financial projections through July 31, 2017:
  - a. By June 30, 2017, SFHP projects to pay an additional \$1,300,000 to providers for the FY15-16 strategic use of reserves.
  - b. Estimate 10% rate decrease for the Medi-Cal Adult Expansion rate category effective July 1, 2017 in our premium revenue and capitation expense.
  - c. Administrative expenses projected to decrease due to seasonality trends.
  - d. The income statement chart was provided in the Board packet.

With the Finance Committee recommendation, the Board unanimously approved the monthly financial statements and investment reports for the period ending January 31, 2017, as presented.

The Governing Board adjourned to Closed Session. Ms. Pimental and staff members not involved in the Closed Session items left the room.

**4. Review and Approval of Proposed Medi-Cal Rates Reduction for the Medi-Cal Expansion Rate Category**

This item was discussed in closed session.

**5. Review and Approval of Provider Rate Increase for St. Luke's Hospital**

This item was discussed in closed session.

The Governing Board resumed in Open Session. Staff members and Ms. Pimental joined the meeting again.

**6. Report on Closed Session Action Items**

Steven Fugaro, MD, Chair, reported that the Governing Board approved the following action items in Closed Session:

- a. Approved the provider rate reductions for Medi-Cal Expansion aid code categories, which will reflect the rates SFHP receives and will be effective July 1, 2017.
- b. Approved the rate changes for the California Pacific Medical Centers for services provided to members assigned to Hill Physicians and Brown and Toland Medical Group.

**7. Review and Approval of Proposal for Strategic Use of Reserves**

**Recommendation:** SFHP recommends the Finance Committee and Governing Board approve the following recommendations for the FY16-17 strategic use of reserves (SUR):

1. Establish the designated reserve allocation to be \$30 million for FY16-17, with \$15 million for professional services and \$15 million for hospitals.
2. Determine allocation for each entity based on membership in December 2016.
3. Provider funding will be added to high priority 2017 Practice Improvement Program (PIP) measures. Each provider will select at least one of the four priority measures listed below. A provider may select more than one measure.

4. 50% of the provider funding will be paid upon the mutual agreement between SFHP and the provider selecting their measure(s) and 50% will be paid based on the outcomes of the measures selected compared to the outcomes metrics already established in the 2017 PIP.
5. Unearned funds from this SUR will roll over into the PIP Reserve account for future use on improvement projects related to established PIP measures.
6. Provide payments directly to providers and groups too small to participate in the PIP program.
7. The \$15 million for a hospital proposal to improve services for our members will be brought to the Governing Board at the May meeting.

John F. Grgurina, Jr., CEO, and James Glauber, MD, CMO, reviewed the background with the Governing Board. The Practice Improvement Program (PIP) is SFHP’s pay-for-performance incentive program for clinics 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.

SFHP recommends dedicating \$15 million of SFHP’s FY 16-17 SUR funds to enhance performance on four PIP measures, with the intent to drive further improvement in organizational priority areas. Each participating clinic and SFHP will agree upon which of the proposed measures (from 1-4) will receive enhanced funding based on their current performance and improvement opportunity.

The following table lists the four priority measures:

Measure	Rationale
Third Next Available Appointment (TNAA)	TNAA is considered an overarching access measure but 38% of PIP participants do not meet the required threshold for TNAA.
Routine Cervical Cancer Screening	Cervical Cancer can be detected in its early stages by regular screening of active patients with cervixes ages 24-64 years old. Currently, the SFHP clinical outcome rate for this measure is below the Medicaid HEDIS 75 <sup>th</sup> percentile (63.88%).
Controlling High Blood Pressure	Controlling blood pressure for patients with hypertension can lower morbidity and mortality of diseases such as diabetes; however, 25% of the general SFHP member population does not have their blood pressure controlled.
Adolescent Immunizations	Low adolescent immunization rates have the potential to cause outbreaks of preventable diseases that affects other patient populations and may lead to preventable cancers. Currently, the SFHP clinical outcome rate for this measure is performing below the Medicaid HEDIS 75 <sup>th</sup> percentile (82.09%).

**Methodology:**

SUR PIP project funding will be used to provide seed funding and incentivize PIP participants to focus additional improvement efforts on one of the SFHP priority measures described above. PIP participants will choose one measure on which to

focus. NCQA 90% Commercial HEDIS benchmarks will be used when there are clinically impactful measures for which:

- a. The PIP participant's current performance is greater than the 90th Medicaid Percentile; and
- b. There is a significant gap between 90% Medicaid and 90% Commercial percentiles.

The amount of the SUR funding available for participants will be based on Medi-Cal membership as of December 2016. Of the total funding, 50% of the SUR project funds will be disbursed during the 2016-17 fiscal year to provide seed funding for new or enhanced improvement activities. Remaining funds will be disbursed in payments made during the 2017-18 fiscal year. For the first payment, all participants will receive 100% of their eligible payment. For the remaining payments, participants will receive payment contingent upon improvement in the targeted measure (per PIP measure specifications). This payment structure allows SFHP to distribute significant seed funding to providers during the current fiscal year, while continuing to incentivize improvement in the measures through December 2017. Unearned funds from this enhanced PIP program will roll over into the PIP Reserve account. SFHP will bring a proposal for the hospital SUR to the May Governing Board meeting.

With the Finance Committee recommendation, the Board approved the recommendations for the FY16-17 SUR.

#### **8. Annual Review of SFHP Administrative Contracts**

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

Deena Louie, Chief Operations Officer, reviewed the calendar year administrative contracts with the Governing Board. (Detailed memo was provided in the Board packet.)

#### **History**

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.

#### **2016 Contract List**

In keeping with this agreement, Ms. Louie reviewed the administrative contracts valued at \$100,000 or more in 2016. Items of note:

- In 2016, there were nine contracts over \$1,000,000. All contracts complied with the Governing Board-approved SFHP Contract Approval policy. All contracts over \$1 million were either approved by the Governing Board or were grandfathered, i.e., existed prior to March 2015.
- The following contracts were approved by the Governing Board in 2015 or in prior years:
  - 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
- 50 Beale St., LLC – Main office rent
- Assistance Plus – Vendor for printed member material mailings. Much of the print projects have been transitioned in the current fiscal year from Assistance Plus to less expensive vendors, e.g., Cenveo and KP, LLC (KP, LLC is the company's name, and it is NOT Kaiser Permanente, nor related to Kaiser).

**9. Member Advisory Committee (MAC) Report**

**a. Review and Approval of 2017 MAC goals**

**Recommendation:** Review and approval of the Member Advisory Committee 2017 goals.

Maria Luz Torre and Irene Conway walked the Board through their 2017 annual goals. (List of 2016 and 2017 goals was provided in the Board packet.)

The Board unanimously approved the Member Advisory Committee 2017 annual goals.

**10. Chief Medical Officer's Report**

**a. Review and Approval of Extension of Specialty Pharmacy Contract**

**Recommendation:** Review and approval of extension of specialty pharmacy contract.

Lisa Ghotbi, Director of Pharmacy, briefly reviewed the background to the Board. (Detailed slides were provided in the Board packet.)

In 2013, SFHP contracted with US Bioservices to fill prescriptions for a list of high-cost specialty medications on an exclusive basis.

- In March 2016, SFHP completed a Specialty Pharmacy request for proposal process with Walgreens selected as the top bidder.
- In March 2016, the SFHP Governing Board approved SFHP to move with Walgreens as our non-exclusive Specialty Pharmacy.
- Non-exclusivity allowed SFHP to contract with select local pharmacies to fill some high-cost specialty medications.

A team from SFHP pharmacy services, administrative contracts and legal, and an external consultant worked toward a final contract with Walgreens. After six months of negotiations with Walgreens, significant gaps remained in service expectations and contract requirements. SFHP was required to extend the existing contract with US Bioservices.

In November 2016, US Bioservices was asked to match the top bidder pricing and accept the new SFHP contract terms. Effective 1/1/2017, a new six-month amendment with US Bioservices was signed.

The Board unanimously approved the extension of specialty pharmacy contract.

**b. Behavioral Health Update: Non- Specialty and Specialty Mental Health Penetration Rates**

Due to time constraints, this item will be calendared and discussed at the May Board meeting.

**11. Semi-Annual Compliance Report**

Due to time constraint this item was not discussed. (Full Report was included in the Board packet for the Board's review.)

**12. CEO Report**

Mr. Grgurina highlighted the following items within the CEO Report:

- Health Homes is back on and we will be informed when it is fully funded and will be implemented.
- Secondly, Mr. Grgurina reminded the Board to get their form 700 in on time. Valerie Huggins will be sending out a reminder notice to do so.
- Lastly, Mr. Grgurina highlighted the great work from two of our Board members during the last several months. The first project was the change in the Healthy Workers pharmacy benefit administration to SFHP's pharmacy benefit management vendor to provide a broader formulary and after-hours access to be compliant with state requirements. This required a significant effort David Woods, Pharm D, and his pharmacy team to identify a way to include 340B pricing into the Healthy Workers program. We appreciate their time and efforts with this benefit.

The second project was a new audit by the Department of Managed Health Care (DMHC) regarding the federal mental health parity requirement for the Healthy Workers program. As a new audit, the requirements were unfamiliar and challenging. Unlike Medi-Cal, the Healthy Workers mental health benefit is provided by the Community Behavioral Health Services (CBHS) and county clinics. Throughout the audit, which included submission of materials to the DMHC and a three-day period of teleconferences and emails with the auditors in January, Eddie Batongbacal, staff at CBHS and SFHN clinics and Zuckerberg San Francisco General Hospital were critical in providing the information requested by the DMHC auditors. We are very grateful for their extensive time and expertise during the interview and materials submission.

For both projects, Stella Cao and Kathleen Abanilla from the Office of Managed Care were also very helpful to staff at SFHP. We greatly appreciate their assistance.

**13. Adjourn**

The meeting was adjourned.

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Reece Fawley, Secretary