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

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

Members Present: Edwin Batongbacal, Dale Butler, Lawrence Cheung, MD, Irene Conway, Reece Fawley, Steven Fugaro, MD, Maria Luz Torre, Greg Wagner, and Emily Webb

Members Absent: Eddie Chan, PharmD, Steve Fields, Roland Pickens, Sabra Matovsky, David Woods, PharmD, and Jian Zhang, DNP, MS, FNP-BC

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 was Eunice Majam-Simpson, attorney with Daponde & Szabo, Chris Pritchard and Rianne Suico, Moss Adams, LLP, and Kate Greer Van Praag, Alto Pharmacy. There were no public comments.

John F. Grgurina, Jr., Chief Executive Officer (CEO), acknowledged Skip Bishop's promotion to Chief Financial Officer (CFO), and Rand Takeuchi's promotion to Director of Accounting. The Board congratulated both of them. In addition, Mr. Grgurina introduced Darin Moore, Interim CIO, to the Board.

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 5, 2018 Governing Board Meeting.

The Board unanimously approved the consent calendar without any issues.

2. Review and Approval of the Annual Independent Auditor's Report for FY2017-18

Recommendation: Review and Approval of the Annual Independent Auditor's Report for FY2017-18.

Chris Pritchard, Partner, Moss Adams, the independent audit firm hired by SFHP, presented the FY 2017-18 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.

Dr. Fugaro stated that the Finance Committee reviewed the report in detail and reminded the Board that the Board is the body responsible for hiring the firm. The auditors also met with the Finance Committee for a detailed discussion, including a discussion without the CEO and CFO present. Reece Fawley, Chair of the Finance Committee, 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, fraud and security issues. Moss Adams agreed they would provide information to SFHP staff on a regular basis regarding known threats that could impact SFHP.

Mr. Fawley stated that the Finance Committee approved the report without any issues and believed that management has done a solid job. He stated that the Finance Committee recommended the Board approve the report as well. Dr. Lawrence Cheung asked why Healthy San Francisco (HSF) is talked about separately. Mr. Grgurina explained that if HSF were included with the health plan business finances, there would be the inclusion of unrelated administrative costs. HSF needs to be separated to capture an accurate health plan administrative expense. Another board member asked why the HSF accounts payable amounts are so high. It was explained that the accounts are not HSF accounts, but are City Option Medical Reimbursement Accounts (MRA). These funds are not SFHP’s or the City’s funds, but are the participating City Option MRA employees’ money. Dr. Fugaro thanked the Board’s engagement in reviewing the report as their involvement and understanding is very important.

The Board unanimously approved the auditor’s report for fiscal year 2017-18.

3. Approval of Unaudited Financial Statements and Investment Reports

Recommendation: Review and approve the unaudited monthly financial statement and investment reports.

Skip Bishop, CFO, reviewed the financial ending September 2018:

1. September 2018 results produced a margin of $1,190,000 versus a budgeted loss of ($4,000). After removing Strategic Use of Reserves (SUR) activity, the actual margin from operations would be $2,101,000 versus a budgeted margin of $1,621,000.

2. On a year-to-date basis, we are showing a loss of ($2,170,000) versus a budgeted margin of $547,000. After removing SUR activity, the actual margin from operations is $4,033,000 versus a budgeted margin of $5,425,000.

3. Variances between September actual results and the budget include:

    1. A net decrease in revenue of ($1,858,000) due to:
        i. $1,189,000 less in premium revenue as the result of 2,045 fewer member months. The reasons for the decrease continue to be a combination of members placed on hold awaiting completion of the annual redetermination

process along with net terminations. 1,307 of these members were in the Adult Expansion category.

ii. $500,000 less in Hepatitis C revenue as the result of 138 fewer Hepatitis C treatment weeks along with a 3.9% decrease in the Hepatitis C reimbursement rate.

iii. $96,000 less in Health Homes Program revenue. This new Medi-Cal program is in the ramping up phase.

iv. $73,000 less in third-party administrative (TPA) revenue. TPA revenue is based on a percentage of capitation. Fewer member months mean less capitation disbursed to providers.

2. A net decrease in medical expense of ($2,845,000) due to:

   i. $919,000 less in fee-for-service claims activity due to slightly lower claims volume. No adjustment to our Incurred But Not Reported (IBNR) accrual was necessary as the IBNR reserve balance is in line with the Milliman model.

   ii. $715,000 less in SUR activity when compared to the budget. The FY18-19 budget anticipated a smoother outflow of SUR funds throughout the fiscal year.

   iii. $687,000 less in pharmacy expense due to fewer business days in September. Pharmacy claims expense typically averages $365,000 per business day. Our budget practice in FY18-19 was to project a per member, per month cost for pharmacy which resulted in a much smoother month-to-month claims expense. There were 19 business days in September which drove actual pharmacy expense lower than what was included in the budget.

   iv. $417,000 less in capitation expense due to fewer member months.

   v. $107,000 less in vision, mental health and health education expenses.

3. A net decrease in administrative expense of ($194,000). Compensation and benefits were $170,000 higher than projected due to filling some positions earlier than expected. This additional expense was more than offset by $317,000 less in professional fees/consulting and information technology support costs.

4. The chart on the following page highlights the key income statement categories with adjustments for SUR activity in order to show margin from ongoing operations for the month of September. For the first three months of the year, SFHP is $1,392,000 below budget on margin from operations. After completing a more in-depth analysis, we have found that one-third of the variance is due to margin lost on lower revenue while the remaining two-thirds is due to higher non-Hepatitis C pharmacy costs. We are working with the pharmacy team to better understand what is driving the increase in pharmacy expense, i.e., higher than expected drug costs, higher than expected utilization, etc.

	----------SEP 2018----------				----------FYTD 18-19 THRU SEP----------			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
REVENUE	$ 47,651,000	$ 49,509,000	$ (1,858,000)	-3.8%	$ 143,920,000	$ 148,652,000	$ (4,732,000)	-3.2%
MLR	90.6%	93.1%			94.7%	92.9%		
ADMINISTRATIVE RATIO	7.3%	7.3%			7.2%	7.0%		
MARGIN (LOSS)	$ 1,190,000	$ (4,000)	$ 1,194,000	29850.0%	$ (2,170,000)	$ 547,000	$ (2,717,000)	-496.7%
OPERATING ADJUSTMENTS:								
FY15-16 SUR PMTS	$ 77,000	$ -			$ 915,000	$ -		
FY16-17 SUR PMTS/ACCRUALS	$ -	$ -			$ -	$ -		
FY17-18/CY2018 SUR PAYMENTS/ACCRUALS	$ 834,000	$ 1,625,000			$ 5,288,000	$ 4,878,000		
MARGIN FROM OPERATIONS	$ 2,101,000	$ 1,621,000	$ 480,000	29.6%	$ 4,033,000	$ 5,425,000	$ (1,392,000)	-25.7%
MLR W/O SUR PMTS	88.6%	89.8%			90.3%	89.6%		

PROJECTIONS

Financial projections through March 2019:

1. As of September 30, 2018, SFHP has added $7,500,000 to the Practice Improvement Program (PIP) for CY2018 covering the months of January through September 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 for professional providers. The remaining $2,500,000 will be accrued monthly through December 2018.

2. SFHP received final Medi-Cal rates from the Department of Health Care Services (DHCS). These rates were effective July 2018. The overall impact was an increase of 4.2%. The rate for the Medi-Cal Adult Expansion category of aid increased by 9.7% which was an extremely favorable development for the health plan and its providers.

3. SFHP will be increasing provider capitation rates effective January 1, 2019. The weighted average increase is 4.2%.

4. Hepatitis C reimbursement rates were reduced again effective July 2018. The rate reduction for non-340B was 3.9% ($155 per treatment week) while the rate reduction for drugs purchased under 340B rules was 3.3% ($99 per treatment week). With these rate reductions, SFHP is running at break even on Hepatitis C activity through September.

5. The overall premium rate for the Healthy Workers program increased 21.7% effective July 1, 2018. SFHP has implemented new capitation rates for the San Francisco Health Network (SFHN) and San Francisco Behavioral Health Services (SFBHS).

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 worked with the eligible governmental entities to determine the level of participation and submitted its proposal to DHCS. This funding should be received in early 2019.

7. During FY18-19, DHCS will be working with the Medi-Cal managed care plans on four Directed Payment programs related to rate year FY17-18:

    1) Proposition 56 – enhanced payments to medical groups for qualifying physician

services. Utilization at Federally Qualified Health Centers (FQHCs) is excluded. Two rounds of disbursements were made during August and September.

2) Public Hospital Enhanced Payment Program – available to Designated Public Hospitals (DPHs) and UC Systems. DHCS will instruct SFHP on how much to pay to ZSFG and UCSF. Utilization at FQHCs is excluded. Payments will be based on actual utilization as reported in claims and encounter activity. The timing of payment is estimated to be late FY18-19 or early FY19-20.
3) 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 is excluded. 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.
4) Private Hospital Directed Payments – available to private hospitals. DHCS will instruct SFHP how much to pay to the private hospitals. Utilization at FQHCs 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

Provider Rates Changes Proposed for January 1, 2019

The Governing Board was reminded of the Board-approved capitation rate changes effective January 1, 2019. The overall weighted average increase will be 4.2%. The range for SFHP providers is an increase of 1.7% to 4.5%. The range is due to the differences in the distribution of membership by aid category.

For the capitated providers, the actual overall rate change for each provider group will differ based on membership in each of the Medi-Cal categories of aid. Each provider network is paid the same rate by 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.

Overall estimated provider rate increases based on May 2018 enrollment:

SFHP overall	4.2%
Zuckerberg San Francisco General	4.5%
Clinical Practice Group	4.5%
San Francisco Community Clinic Consortium	4.2%
NEMS	4.0%
Jade Medical Group	4.0%
CPMC	3.8%
CCHCA	3.7%
Chinese Hospital	3.7%
Brown & Toland Medical Group	2.4%
Hill Physicians	1.7%

Rates for the fee-for-services providers (UCSF and CPMC/St. Luke's) will not change. These providers will continue to be paid under APR-DRG rules.

Board member, Edwin Batongbacal, asked why member months were going down.

Mr. Grgurina stated that there are several factors, but the main issues are the improving economy, minimum wage increase in San Francisco, and a backlog of renewal cases at the County Medi-Cal offices. He stated the membership may further decline with the loss of the individual mandate because when individuals sought to purchase individual coverage because of the mandate, many found they were eligible for and enrolled in Medi-Cal. The individual mandated resulted in an increase in Medi-Cal enrollment, so without the mandate, Medi-Cal enrollment will likely decline. Mr. Fawley also stated that as a result, those that need and use health care services are the ones that will likely remain enrolled. He recommended that this issue to be raised during rate discussions with DHCS. Mr. Grgurina stated that health plans in Covered California added an overall 4% increase to rates to anticipate higher costs of remaining, potentially high utilizers of health care services.

Rand Takeuchi, Director, Accounting, reviewed the investment reports. He stated that overall, the SFHP investment portfolio is doing well. Maria Luz Torre asked who decides which investments are good and socially responsible. Mr. Takeuchi stated that as a Knox-Keene licensed health plan, SFHP is required to ensure its investments are following Department of Managed Health Care requirements. The Board approved an investment policy, which City National follows to ensure investments are made according to the policy. Socially responsible investments are encouraged, but there is no stated percentage that is required to be socially responsible. Mr. Batongonical asked if the percentages on page 109 were the interest rates. Mr. Takeuchi confirmed that the numbers were interest rates.

Mr. Fawley stated that the Finance Committee found that financials are fine overall, but there are concerns about pharmacy expense increases. He recommended monitoring pharmacy costs. Mr. Grgurina stated that the Finance staff will spend more time on analytics to identify any risks. Dr. Fugaro requested member month projections if possible.

Mr. Fawley recommended the Board approve the unaudited monthly financial statements and investment income reports for the period ending September 30, 2018.

The Board unanimously approved the unaudited monthly financial statements and investment income reports for the period ending September 30, 2018, as presented.

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

4. Discussion of Corrective Action Plans with Jade Medical Group and Chinese Community Health Care Association Provider Contracts

This item was discussed in closed session.

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

5. Chair's Report on Closed Session Items

There were no action items to report.

6. Discussion of the Performance of the Analytic Data Warehouse (ADW) Contract and next Steps

The following information is provided to the Governing Board for discussion only. No

action is required at this time.

Mr. Grgurina provided an overview of the ADW project. Mr. Grgurina informed the Governing Board of a change to the current approach of the ADW project. As we discussed with the Board over the past year and half, the ADW project is a large and complex multi-million dollar, multi-year project. The approach taken was to contract with a vendor to build a new data warehouse to enhance SFHP's analytic capabilities. We struggled mightily to hit a minimum standard on the FY 17-18 organizational goal for the ADW. SFHP hired a consultant to assess our progress with the project and, as a result, we have decided to re-evaluate our approach.

To improve SFHP's use of data and capabilities to quickly and efficiently put information and analytical tools in the hands of the business units, SFHP needs to develop a data analytics program that consists of several small projects with defined deliverables over a period of time.

This program will be established by conducting a 90-day project to build out the long-term program (see attached "90-Day Plan – Develop a Data Analytics Program"). This program approach will be based on monthly deliverables building towards the one-year detailed goals and two to three-year goals. We will bring an updated FY 18-19 ADW organizational goal for the second half of the fiscal year at the January 9, 2019 Board meeting.

An outside expert resource was hired to complete an assessment of the current state of the ADW and to provide a path for moving forward. An external expert was needed because we struggled to achieve the minimum goal and only achieved it by having staff working overtime during the week and on weekends in the last two months of the fiscal year. Additionally, there was lack of confidence from staff regarding its ability to be successful in the long run.

Darin Moore, interim CIO, provided an overview of his assessment and the key concerns with the ADW architecture.

To complete the assessment for SFHP, Mr. Moore conducted at least 15 interviews with business users, Business Intelligence, and ITS representatives and reviewed numerous project artifacts. These artifacts included but were not limited to budgets, project updates, project plans, and design documents. He also leveraged outside enterprise architects that had years of data warehouse development experience to assist in assessing the data model being built and its architecture. Mr. Moore highlighted the following reasons for the ADW's failure and need to cancel the contract with the ADW vendor immediately:

- The stability and maintainability of the tool was in question. ADW Team staff voiced concerns that the tool would be problematic and hard to maintain and use.
- The data model was not an industry standard data model and its design would make using standard Business Intelligence tools almost impossible.
- The amount of contextual knowledge that users would need to have and apply to this model raises the risk that they would create misleading analytics.
- The data model failed to meet the accessibility standard because of a table structure that was overly cumbersome for non-developers to use. In its current form the model would prevent self-service by business areas.

- The performance of the tool was very slow. It took over an hour to load a few hundred updated member records. A well-functioning ADW should be able to perform a similar data load in seconds.

Mr. Grgurina reviewed lessons learned to the Board and Mr. Moore reviewed a 90-day plan. (Detailed memo was provided in the Board packet.)

Lastly, Mr. Grgurina stated that we have begun working on this goal and have started the 90-day plan going forward. He stated he will bring an update on the plan and goals for the rest of the fiscal year at the January 9, 2019 Governing Board meeting.

Ms. Luz Torre asked if any of the terminated contractor's work was salvageable. Mr. Moore stated that the data are usable. A board member asked how much money had been spent. Mr. Grgurina stated that $2 million of the projected $5 million had been spent. Emily Webb asked if there were lessons learned from the request for proposals process and Mr. Grgurina and Mr. Moore stated that there were. Mr. Fawley stated that it was a good organizational decision to stop the project when it was stopped, which is difficult to do. Some organizations with similar types of problematic contracts do not stop and experience significant negative impacts. Dr. Fugaro stated he appreciated the staff's self reflection and self criticism through the process. Ms. Luz Torre asked about other sister plans and their analytic data warehouses. Mr. Grgurina stated that most other sister plans face similar or other challenges with their data warehouses because it is a difficult and complex undertaking.

7. Member Advisory Committee Report

Maria Luz Torre and Irene Conway both reported on the Member Advisory Committee meetings.

Ms. Torre reported at the September meeting, SFHP staff, Monica Baldzikowski, attended the Committee's meeting to give an overview of dementia. Ms. Baldzikowski provided handouts to the Committee. The Committee thanked Ms. Baldzikowski for providing information on dementia which is also one of the Committee's goals. In addition to this, other SFHP staff members, Yves Gibbons and Amy Petersen, attended the Committee meeting to discuss the member satisfaction survey CAHP scores and to also reach out to members about some of their experiences with customer service. Ms. Conway stated that MAC provided input on how to get member input.

Ms. Conway reported at the October meeting, SFHP staff member, Joann Lee attended the Committee meeting to discuss SFHP Member Outreach programs. These programs target areas were member participation needed improvement like prenatal care in the first trimester and diabetes check-ups. Ms. Lee passed out materials to the Committee and answered most of their questions. Ms. Conway stated that SFHP really listens to its members and takes MAC's feedback.

Lastly, at the November meeting, the Committee discussed emergency preparedness. Neighborhood Emergency Response Team (NERT) was unable to attend. The Committee requested if a link to emergency preparedness could be added in the newsletter.

8. Chief Medical Officer's Report

a. Review and Approval of Practice Improvement Program Funding and Fiscal Year Alignment.

Recommendation: Approval of Practice Improvement Program Funding and Fiscal Year Alignment.

Adam Sharma, Director, Health Outcomes Improvement, provided the following recommendations and reviewed the background with the Board:

1. SFHP recommends that the Governing Board approve the continuation of previous Practice Improvement Program (PIP) funding with capitation withholds in the amounts of 18.5% for Medi-Cal and 5% for Healthy Kids.
2. SFHP also recommends aligning the PIP with the fiscal year calendar, beginning fiscal year 2020-21. This recommendation is strongly supported by PIP participants because it will better support participants' organizational planning and budgeting. SFHP proposes operationalizing the 2019 program year as an 18-month cycle, lasting from 1/1/2019 to 6/30/2020, and resuming the twelve-month cycle beginning 7/1/2020.

The PIP is SFHP's pay-for-performance incentive program for Medi-Cal clinics and medical groups to achieve improvements in system and health outcomes. Funding is sourced from withholding a percentage from the provider's capitation rates, which has historically been 18.5% of Medi-Cal and 5% of Healthy Kids professional capitation rates. The PIP funding has been an effective incentive to achieve quality performance measures among the medical groups.

SFHP's PIP has been run on a calendar year basis (January-December) since its inception. SFHP's operations and budgeting is on a fiscal year basis (July to June). This difference has caused administrative complications for staff that manage the PIP. To simplify monitoring of medical groups' performance and distribution of PIP payments, SFHP recommends moving the PIP to also follow a fiscal year. To make this transition, the upcoming PIP would be an 18-month program, from January 1, 2019 through June 30, 2020.

Mr. Fawley stated the Finance Committee members were happy to continue the PIP funding and to synch the program with the fiscal year. Ms. Luz Torre asked if the providers will received more money as a result of the longer period of time. Mr. Grgurina stated that the providers would get more money than the typical year with the longer program period of 18 months. The Board unanimously approved the 2019 Practice Improvement Program (PIP) Funding and fiscal year alignment recommendation.

b. HEDIS and CAHPS Results Report

Mr. Sharma reviewed the slides with the Board to review SFHP's HEDIS and CAHPS results. Mr. Sharma passed out a new page with updated results that show SFHP's ranking among all other Medicaid health plans in the United Sates. (Detailed slides were provided in the Board packet.)

c. 340B Drug Pricing Program Update

Lisa Ghotbi, Pharm.D, Director, Pharmacy Services, reviewed slides with the Board to provide an update on the 340B drug pricing program. (Detailed slides were provided in the Board packet.) SFHP is still waiting for the release of DHCS' final All Plan Letter for guidance.

d. Pharmacy Benefit Manager Implementation Status

Ms. Ghotbi reviewed slides to the Board to provide the status of implementation of the pharmacy benefit manager, effective January 1, 2019. (Detailed slides were provided in the Board packet.) Ms. Ghotbi stated that implementation with PerformRx is on track. There will be service improvements, including after-hours assistance for members. Also, if the member does not have their SFHP ID card or member ID number, the pharmacy will be able to verify eligibility using the member's social security number as well.

e. Medi-Cal Health Homes Program Update

Fiona Donald, MD, Medical Director, provided an update on the Health Homes Program. (Detailed slides were provided in the Board packet.)

9. Federal and State Election Updates

Sumi Sousa, Officer, Policy and Coverage Programs, presented on overview of the recent federal and state elections and the impact to SFHP. (Detailed slides were provided in the Board packet.)

Ms. Sousa stated the Trump administration released draft regulations regarding the definition of public charge. We do not know when the regulations will be finalized. If an individual is determined to be a public charge, the individual would be denied admission into United States or denied ability to gain legal permanent residence (green card) status for themselves and their relatives. Dr. Cheung stated that the California Medical Association is concerned about the public charge issue.

Ms. Sousa stated the impact would be significant on SFHP members if approved. Many individuals would likely disenroll from Medi-Cal. Ms. Sousa also stated that with the federal election results, with the Democrats winning the House of Representatives, there would unlikely be a repeal and replace of the Affordable Care Act for the next two year. On the state level, there was no surprise that Gavin Newsome was elected as governor. Ms. Sousa stated he is already working on the state budget. It is likely that Medi-Cal would not see any budget cuts. We should expect a focus on the homeless and health care and closing the gap of uninsured. There will likely be a two-thirds majority in both the State Assembly and Senate.

10. CEO Report – Annual Provider Recognition Dinner, Information Security Management, Operational updates, Compliance Report, and Executive staff updates

Due to time constraints this item was not discussed.

11. Adjourn

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Reece Fawley, Secretary