Joint San Francisco Health Authority/San Francisco Community Health Authority Governing Board
June 12, 2019
Meeting Minutes

<u>Chair:</u> Steven Fugaro, MD
<u>Vice-Chair:</u> Roland Pickens
<u>Secretary-Treasurer:</u> Reece Fawley

Members
<u>Present:</u> Edwin Batongbacal, Eddie Chan, Irene Conway, Reece Fawley, Steve Fields, Roland Pickens, Maria Luz Torre, Sabra Matovsky, Greg Wagner, Emily Webb, and David Woods, PharmD

Members
<u>Absent:</u> Dale Butler, Lawrence Cheung, MD, Steven Fugaro, MD, and Jian Zhang

Roland Pickens, Vice-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 DSR Health Law, Tiffany Washington, with Anthem Blue Cross, and Phillip Cardona, with Change Healthcare. There were no public comments.

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 May 1, 2019 Governing Board Meeting

The Board unanimously approved the consent calendar without any issues.

2. State Budget – Governor Newsom's May Budget Revision

Sumi Sousa, Officer, Policy Development & Coverage Programs, provided the Board with an update on Governor Newsom's May Budget revision. (Detailed PowerPoint slides were provided in the Board packet.)

Ms. Sousa stated that the overall the Governor's budget is good for our members. The Governor and Legislature reached agreement, so they should meet the June 15, 2019 constitutional deadline. The following are highlights from her presentation:

Healthy Kids HMO Shifts to Medi-Cal:

- Healthy Kids HMO program: Health insurance for documented and undocumented children 266% to 322% of the federal poverty level (FPL).
    - Healthy Kids HMO is only in San Francisco, San Mateo, Santa Clara.
- Governor proposes to move Healthy Kids documented population into Medi-Cal.
    - Undocumented members that have incomes above 300%FPL (~15) are not eligible for transition to Medi-Cal.
- May Revision provides for a more realistic timeframes for transition
    - 2,200 documented kids move to SFHP Medi-Cal, effective October 1, 2019.
    - ~ 15 undocumented children move to other health coverage January 1, 2020 to align with Open Enrollment.
- Per direction from the San Francisco Department of Public Health (DPH), San Francisco Health Plan (SFHP) will close Healthy Kids HMO line of business by January 2020.

Medi-Cal Expansion for Undocumented Adults Aged 19-26 Years:

- Medi-Cal Expansion delayed until January 1, 2020
    - More time needed for eligibility system readiness.
    - Legislature interested in further expanding eligibility (for example, ages 65 years and older).
        - Annual state General Fund cost for 19 to 26-year olds expansion is ~$140 million.
        - Undocumented seniors aged 65 years and over is ~ $100M state General Fund annually.
    - SFHP will continue to monitor these expansion efforts.
    - Level of expansion will be known by June.
        - June 15 is constitutional deadline for passage of state budget.
    - ~500 Healthy San Francisco members will transition from Healthy San Francisco to Medi-Cal under the current proposal to expand to 19 to 26-year old population.
    - SFHP and DPH are working together on transition of HSF

members.

State Individual Mandate & Covered CA Affordability:

- Will be effective for Plan Year 2020.
  - Open Enrollment begins October 2019.
  - Tax penalty will mirror federal model, pay for proposed state subsidies.
- Additional subsidy for individuals 200 – 400% FPL
  - Currently they receive some federal subsidies today.
- State subsidy for individuals 400 – 600% FPL
  - No federal assistance currently for individuals 400% FPL and above.
- $295M for FY 19-20; $330M for FY 20-21; $380M for FY 21-22
  - 75% of annual funding goes to 400 – 600%; 25% to 200 – 400%.
  - Subsidies will need to stay within these annual targets.
- Governor proposes individual mandate and penalty to be permanent; sunsets the state subsidy December 31, 2022.

State Individual Mandate & Covered CA Affordability Proposal:

- Legislature has added $300M annually to Governor's proposal.
- Impact to SFHP:
  - SF Covered MRA program (part of SF City Option) will need to be aligned with new state subsidy.
  - Premium assistance program for SF City Option employees is up to 500% FPL.
  - If approved, resumption of individual mandates may improve SFHP's Medi-Cal enrollment and renewal.

Emily Webb, Board member, asked if there was a communication plan about the individual mandate. Ms. Sousa stated that Covered CA has a robust marketing budget and would be launching a communication campaign. Edwin Batongbacal, Board member, asked if it was time for San Francisco Health Plan (SFHP) to consider participation in Covered CA again. Ms. Sousa stated that the San Francisco market is still dense with five participating health plans, but that SFHP would still conduct its annual review of whether to participate in Covered CA.

Ms. Sousa stated that the DHCS is still moving forward with its plans to carve out pharmacy benefits from Medi-Cal managed care plans, with a January 1, 2021 effective date. She stated that the budget did not provide any additional details. The projected savings would be in FY22-23. Ms. Sousa pointed to the Menges study about the carve out that was provided in the Board's packet, which shows an increase in costs to the State. Most states that have carved it out have eventually carved it back into managed care. She stated there will be more to discuss in the future.

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

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

Skip Bishop, CFO, reviewed the financial statements for the period ending April 2019. Mr. Bishop discussed the following highlights:

1. April 2019 results produced a loss of ($858,000) versus a budgeted loss of ($4,754,000). After removing Strategic Use of Reserves (SUR) activity, the actual loss from operations would be ($580,000) versus a budgeted loss of ($638,000). SUR disbursements were projected to be heavy during the fourth quarter of FY18-19.

2. On a year-to-date basis, we are reporting a loss of ($526,000) versus a budgeted loss of ($7,597,000). After removing SUR activity, the actual margin from operations is $9,494,000 versus a budgeted margin of $8,448,000.

3. Variances between April actual results and the budget included the following reasons:

a. A net decrease in revenue of ($3,576,000) due to:

1) $2,070,000 less in Intergovernmental Transfer (IGT) funding. We received $27.9 million in FY17-18 IGT funding in April, which can be claimed as both revenue and medical expense. There was no negative impact to the bottom line as these funds were a straight pass-through to Zuckerberg San Francisco General (ZSFG) and the University of California San Francisco (UCSF).
2) $1,026,000 less in premium revenue as the result of 3,455 fewer member months. The reasons for the decrease continue to be members no longer qualifying due to increased income, an increase in the City of San Francisco minimum wage to $15 per hour and members leaving San Francisco due to the high cost of living. Of the overall decrease in member months, 2,972 of these members were in the Adult Expansion category.
3) $339,000 less in Hepatitis C revenue as the result of 94 fewer Hepatitis C treatment weeks along with a 3.9% decrease in the Hepatitis C reimbursement rate.
4) $61,000 less in Maternity revenue as the result of seven fewer maternity events.
5) $80,000 less in third-party administrative fees which can be attributed to the decrease in membership.

b. A net decrease in medical expense of $6,713,000 due to:

1) $3,838,000 less in SUR activity when compared to the budget. When preparing the FY18-19 budget, we anticipated heavy SUR distributions in the fourth quarter.
2) $2,070,000 less in IGT funding.
3) $952,000 less in capitation and fee-for-service expense. Provider capitation rates increased by an average of 4.2% effective January 2019. The lower capitation and fee-for-service expense is primarily a function of 3,455 fewer member months for April.
4) $145,000 more in pharmacy expense. Non-Hepatitis C pharmacy expense was $689,000 greater than budget due to higher than expected increases in the cost for specialty drugs ($569,000) as well as an accrual correction related to March ($120,000). Most of the increase in non-Hepatitis C pharmacy expense was offset by $543,000 less in Hepatitis C drug costs due to fewer than expected treatment weeks along with the introduction of a generic form Epclusa.

c. A net decrease in administrative expense of $632,000. The budget had anticipated that $400,000 for the annual Medi-Cal member mailing would occur in April. We will no longer incur this expense as the State approved our request for electronic distribution of the materials. The remainder of the savings can be found in professional fees/consulting and information technology support costs.

4. Below is a chart highlighting the key income statement categories with adjustments for SUR activity in order to show margin from ongoing operations for the month of April.

	----------------------APR 2019----------------------------				---------------------FYTD 18-19 THRU APR---------------------------			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
REVENUE	$ 75,722,000	$ 79,297,000	$ (3,575,000)	-4.5%	$ 507,751,000	$ 524,381,000	$ (16,630,000)	-3.2%
MEDICAL EXPENSE	$ 72,664,000	$ 79,377,600	$ 6,713,600	8.5%	$ 466,367,000	$ 489,299,000	$ 22,932,000	4.7%
MLR	96.9%	101.2%			93.2%	94.8%		
ADMINISTRATIVE RATIO	4.6%	5.1%			7.3%	7.0%		
MARGIN (LOSS)	$ (858,000)	$ (4,754,000)	$ 3,896,000	82.0%	$ (526,000)	$ (7,597,000)	$ 7,071,000	93.1%
OPERATING ADJUSTMENTS:								
FY15-16 SUR PMTS	$ -	$ -			$ 915,000	$ -		
FY16-17 SUR PMTS/ACCRUALS	$ -	$ -			$ -	$ -		
FY17-18/CY2018 SUR PAYMENTS/ACCRUALS	$ -	$ 4,116,000			$ 7,993,000	$ 16,044,000		
FY18-19 SUR PMTS/ACCRUALS	$ 278,000	$ -			$ 1,112,000	$ -		
TOTAL SUR	$ 278,000	$ 4,116,000			$ 10,020,000	$ 16,044,000		
MARGIN FROM OPERATIONS	$ (580,000)	$ (638,000)	$ 58,000	9.1%	$ 9,494,000	$ 8,447,000	$ 1,047,000	12.4%
MLR W/O SUR PMTS	96.6%	95.9%			91.2%	91.7%		

For the first ten months of the fiscal year, SFHP is $1,047,000 above budget on margin from operations:

- Overall revenue is down $16.6 million due to 25,830 fewer member months, 936 fewer Hepatitis C treatment weeks and 125 fewer maternity events. In addition, IGT funding was $2.1 million less than expected.
- Overall medical expense is down $22.9 million due to a combination of factors outlined below:
  - Capitation and fee-for-services expenses are down by $11.5 million due to the decrease in membership.
  - $4.3 million reduction in medical expense due to the favorable result from the Adult Expansion Medical Loss Ratio audit.
  - SUR disbursement activity is $6.0 million less than anticipated.
  - IGT funding is down $2.1 million from budget projections.
  - Total pharmacy costs are down $824,000. Hepatitis C drug costs are down $3,865,000 due to fewer treatment weeks, however non-Hepatitis C drug costs are running $3,041,000 above budget due to an 18.7% increase in specialty drug costs and a 1.4% increase in utilization. Even with a decrease in membership, we are seeing a slight increase in utilization.
  - Community-Based Adult Services (CBAS) costs are $1,137,000 above budget due to a 20% increase in provider rates (CBAS providers had not received a rate increase in nearly 10 years) and $278,000 in FY17-18 claims that carried over into July and August 2018.
  - Non-Specialty Mental Health (NSMH) costs are $667,000 above budget. This is not unexpected given the effort made to increase utilization among the Medi-Cal population.
- Administrative expenses are running $70,000 below budget. During FY18-19, we were required to expense prior year Analytic Data Warehouse costs of $1.2 million that we expected to capitalize. These ADW costs have been offset by lower than expected costs in marketing, member materials and information technology support costs.

PROJECTIONS

Financial projections through October 2019:

1. As of April 2019, SFHP has added $1,112,000 to the Practice Improvement Program (PIP) related to the FY18-19 Strategic Use of Reserves (SUR) program. A total of $5 million will be added to the CY2019 PIP program for professional providers. The remaining $3,888,000 will be accrued over the period of May 2019 through June 2020.

2. Beginning January 2019, provider capitation rates increased by an average of 4.2%.

3. Hepatitis C reimbursement rates were reduced 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). Even with these rate reductions, SFHP is running a 95.5% MLR on Hepatitis C activity through April. SFHP expects to be positive on Hepatitis C for the entire FY18-19.

4. 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:

    a) Proposition 56 – enhanced payments to medical groups for qualifying physician services. Utilization at Federally Qualified Health Centers (FQHCs) is excluded. SFHP continues to make disbursements for FY17-18 as well as FY18-19. The average monthly disbursement is $400,000.
    b) Public Hospital Enhanced Payment Program (EPP) – available to Designated Public Hospitals (DPHs) and University of California (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. Per DHCS, the timing of the first payment is estimated to be September 2019. The timing of the second payment is estimated to be March 2020.
    c) 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 or early in FY19-20.
    d) 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 payments is expected to match that of the Enhanced Payment Program.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

New Medi-Cal Rates for July 2019 through December 2020

DHCS is transitioning the Medi-Cal rate cycle from fiscal year (July – June) to calendar year. Therefore the rates effective July 1, 2019 will be effective for an 18-month period, i.e., the rates will be good through December 31, 2020. Calendar year rates will begin January 2021.

Overall, SFHP received a 1% rate increase. The table below shows the rate changes by category of aid. It is important to note that DHCS recognized the continued increase in pharmacy costs. On a weighted average basis, the pharmacy component of the overall rates increased by 11%. This increase was essentially offset by reductions in the rate components for hospital services, physician services and transportation. SFHP will be discussing these rate changes and the potential impact to provider rates at the September meeting.

Projected Rate Change Summary: FY18-19 to FY19-20

Rate Change Summary (Excluding Supplementals)	DHCS Proj MM: FY19-20	FY18-19 Rates	FY19-20 Estimated Rates with RAR	% Change
Child	446,703	$ 100.76	$ 114.50	13.6%
Adult	165,077	$ 234.74	$ 252.98	7.8%
ACA Optional Expansion	616,454	$ 367.48	$ 356.65	-2.9%
SPD	160,160	$ 798.33	$ 821.14	2.9%
SPD/Full-Dual	133,453	$ 169.88	$ 158.74	-6.6%
BCCTP	199	$ 1,116.70	$ 1,125.97	0.8%
Maternity	1,120	$ 8,779.93	$ 8,799.24	0.2%
ACA OE Rate Range	616,454	$ 6.30	$ 6.27	-0.5%
All Combined	**1,522,046**	**$ 311.93**	**$ 314.98**	**1.0%**

EXCLUDES: Rate Range (does include 25% ACA OE plan arrangement), HQAF, Prop 56, EPP, PHDP, QIP, MCO Tax
INCLUDES: Assumption for Risk-Adjustment Impact and GEMT/NMT Funding
ASSUMES: Risk scores same as FY18-19, 25% ACA OE 'Plan Arrangement' Continues, GEMT and NMT at FY18-19 rate levels

Maria Luz Torre, Board member, stated she learned from someone that they are undergoing a treatment for Hepatitis C that costs $24,000 for two months. She asked if this was similar to the Hepatitis C costs SFHP has experienced. Mr. Bishop stated that it was similar to treatment costs for SFHP.

Mr. Pickens asked Mr. Fawley for the Finance Committee's recommendation. Mr. Fawley stated that the Finance Committee found that the financials were acceptable and were approved with no issues. He stated the Finance Committee believed SFHP was in a good place and financial results to date were as expected. Mr. Fawley stated the Finance Committee approved the financials and investment reports and recommended approval by the Board.

The Governing Board approved the unaudited financials and investment reports without any issues.

4. Review and Approval of Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority for Fiscal Year 2019-20

Recommendation: Approval of Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority Fiscal Year 2019-2020

FY19-20 BUDGET – FREQUENTLY ASKED QUESTIONS (FAQs)
John F. Grgurina, Jr., CEO, reviewed FY19-20 operational budget recommendation. He stated SFHP is projecting an overall loss of $8.9 million due to the amount of Strategic Use of Reserves (SUR) carrying over from previous years.

He stated that the Finance staff prepared a summary in the format of a Frequently Asked Questions (FAQ) in anticipation of questions the Governing Board members may have regarding inconsistent patterns between membership, revenue, medical expense, administrative expense, staffing and margin. The purpose of the FAQ document was to address the anticipated questions and put context around the trends we project to see during FY19-20.

Skip Bishop, CFO, proceeded to review the PowerPoint slides with the Board. (Detailed presentation was included in the packet for the Board's reference.)

<u>MEMBERSHIP DECREASING, REVENUE AND MEDICAL EXPENSE INCREASING</u>

Overall membership is expected to decline by 4%. The reduction is due to:

- An improved economy.
- An increase in the minimum wage to $15.00 per hour in San Francisco.
- The high cost of living in San Francisco.
- The elimination of the mandate to purchase health insurance.

In a declining membership environment, one would expect to see corresponding decreases in revenue and medical expense, however the proposed budget reflected that during FY19-20, SFHP would expect to receive approximately $148 million dollars in pass-through funding which will be accounted for as both revenue and medical expense. This funding is for contracted hospitals and is related to the Enhanced Payment Program (EPP), the Quality Incentive Program (QIP) and the Private Hospital Directed Payment (PHDP) program. These programs replace the traditional Medi-Cal Intergovernmental Transfers (IGTs), the AB85 75% rate range for Medi-Cal Adult Expansion members and AB85 to cost funding for the public hospitals serving Medi-Cal Adult Expansion members.

As 100% of the $148 million would be passed through to contracted hospitals, the overall Medical Loss Ratio (MLR) for each Medi-Cal line of business would be higher than expected.

Mr. Fawley stated that the IGT funding is significant for UCSF and that they depend on the funding. He stated that Anthem Blue Cross retains two percent of the IGT funds, which is allowed by DHCS, but that SFHP does not. He expressed gratitude for SFHP's approach to not retain the two percent of the IGT funds.

STAFF INCREASING, MEMBERSHIP DECREASING

SFHP staffing will increase from 367 FTEs to 405 FTEs. Normally staffing would not be increasing with a projected decrease in membership. Various funding sources, however, cover the increased salary and benefits costs:

- Five new positions within the SFHP health plan side would be funded through savings from reductions in consulting services and vendor administrative fees.
- Twelve new positions on the Plan side would be for the Health Homes Program. These positions would be limited term and would be funded by additional Medi-Cal premiums received from DHCS for the Health Homes Program (HHP).
- Twenty-one new positons were proposed to handle increasing TPA responsibilities for the HSF and SF City Options. The majority of the positions would cover growth in the SF City Options program. All positions would be funded and approved by the San Francisco Department of Public Health and the San Francisco Health Commission.

A question was asked about the HHP funding. How long is HHP funding and what happens to the staffing if the funding is eliminated? Mr. Grgurina stated that HHP is scheduled for two years, but that it would likely get extended. Funding is projected to be break-even, with four to five percent for administration, including staffing. The HHP rates are also separate from other Medi-Cal rates. The current funding for HHP is 90% federal funds and 10% from the California Endowment. With the two-year term for the program, staff are hired as limited term employees.

Mr. Bishop also stated that the budget for HSF and SF City Options is a break-even budget.

ADMINISTRATIVE EXPENSE DECREASING

Administrative expenses are projected to decrease by 3%. In FY19-20, SFHP expects to save a total of $3.7 million on CalPERS pensions costs (GASB 68 pension accounting) and one-time Analytic Date Warehouse costs. This savings will be partially offset by increases in salary and benefits as well as ITS support costs.

Our administrative expense ratio is projected to decrease from 7.4% to 6.0%. This decrease is driven by the additional $148 million in revenue (directed payments) as well as the decrease in overall administrative expenses.

MARGIN DECREASING, REVENUE INCREASING

Although revenue is projected to increase by $114 million due to the directed payments program, margin is projected to decrease. SFHP would not see any margin from the $148 million in directed payments as 100% of these funds would be passed through to contracted hospitals. SFHP anticipates a margin decline as the result of lower membership and a lower than expected Medi-Cal rate increase of 1%, effective July 2019.

The following key budget assumptions for the proposed budget were presented:

1) Growth:
   a. Revenue Growth: 21%
   b. Medical Expense Growth: 22%
   c. Member Month Reduction (all LOBs) 3%
   d. SFHP Staffing for insured lines of business 5.0 FTEs
   e. SFHP Staffing for Health Homes (funded by DHCS) 12.0 FTEs
   f. SFHP Staffing for TPA Contracts (City funded approved) 21.0 FTEs

2) Revenue:
   a. Premium Revenue up 21%
   b. Total budget including HSF/SFCMRA/HK is $732 million.
   c. Per Member Per Month Revenue up 23% (largely due to directed payments)
      - FY 19-20 $427.50 pmpm
      - FY 18-19 $347.40 pmpm

Mr. Fawley stated the Finance Committee reviewed the proposed budget in detail and they found it to be well thought out. He stated that they see the DHCS rate increase of one percent as very tight and that the strategic use of reserves have likely run their course for now. He stated the Finance Committee recommends approval of the proposed budget without changes. Eddie Chan, Board member and Finance Committee member, agreed with Mr. Fawley and stated that all of their questions were answered.

After reviewing the budget in detail, and with the Finance Committee’s recommendation, the Board unanimously approved the Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority Fiscal Year 2019-2020 as presented.

5. **Review and Approval of Staff Salary Ranges for FY19-20**

Recommendation: SFHP recommends the Governing Board approve the adoption of the SFHP FY 2019-2020 Salary Schedule to meet CalPERS requirements regarding retiree salary computation. The Salary Schedule changes include increasing the ranges by 3.3%.

Brian Gentner, Director of Human Resources, reviewed the background with the Board.

Background: To satisfy CalPERS requirements, on an annual basis we must provide CalPERS with a copy of our Salary Ranges and Positions by Grade Level ("Salary Schedule"), with a formal approval by the Governing Board. (Detailed memo was provided in the Board packet.)

2019 – 2020 Compensation Philosophy and Program Review:
SFHP's compensation philosophy is to pay at the mid-range (middle of the pay scale) of the market for both base and bonus compensation. We provide merit increases based on performance, not on years of service. We have continued to gauge our compensation program against the marketplace.

Additionally, to ensure proper market pricing for all SFHP positions, we continue to employ a number of sources for market salary data:

- The Warren Survey: We continue to participate in the semi-annual Warren Surveys. Warren participants are 360+ HMO, managed care, hospital systems, health plans and other related organizations in over 1,000 locations nationwide and include over 100,000 incumbents.
- Kenexa's Comp Analyst: This survey augments our market data for non-health services-related positions, as we continue to face fierce competition for these positions. This tool allows data slices by regional area, industry, and/or organization size, thus tailoring each position review to our specific situation.
- LHPC: The survey provides compensation data for executives and directors in local health plans.
- Culpepper: The Culpepper survey focuses on Healthcare and Healthcare IT.
- Mercer Healthcare Survey: The Mercer survey focuses on healthcare executives and healthcare operations.
- Radford: Radford is Silicon Valley's iconic high tech / biotech survey, and has recently branched into healthcare.
- ACAP Survey Report: We continue to participate in this survey, which provides data for executive and director level positions based on input from 25 community affiliated plans nationwide.

2019 - 2020 Salary Range Movement: The economy, and particularly the San Francisco Bay Area, had yet another strong financial year, with the job market continuing to provide a challenge for employers to attract and retain talent. Projections for 2019-2020 salary budget increases in the San Francisco Bay Area continue to outpace US-wide projections. While the market data varies, based on the survey sources we believe best represent our job market, we recommend increasing our 2019-2020 salary ranges by 3.3%, a 0.1% increase over our 2018-2019 salary range increase.

Irene Conway, Board member, asked if increases would be based on staff performance and Mr. Gentner confirmed that increases are based on staff performance. Mr. Batongbacal asked if there were increases in the salary ranges and Mr. Gentner replied that there were increases. Mr. Batongbacal asked if CalPERS dictated salary ranges. Mr. Gentner said that CalPERS did not dictate the salary ranges. Mr. Luz Torre asked where the majority of staff fall within the ranges. Mr. Gentner stated that most staff fall within the low to mid-range.

With the Finance Committee's recommendation to approve the salary ranges, the Board unanimously approved SFHP salary ranges for FY19-20.

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

6. Chinese Community Health Care Association (CCHCA) Corrective Action Plan Update

This item was discussed in closed session.

7. Review and Approval of Strategic Use of Reserves Funding to Assist North East Medical Services with CCHCA Management Services Organization Implementation

This item was discussed in closed session.

8. Review Long-Term Succession Plan for the Chief Executive Officer - Part 2

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.

9. Report on Closed Session Action Items

Roland Pickens reported on the following Closed Session actions:

a. Approved a proposal for the strategic use of reserves to provide North East Medical Services (NEMS) with a grant to assist with the implementation of their management services organization (MSO) contract with CCHCA.

10. Review and Approval of SFHP FY 19-20 Organizational Goals and Success Criteria Measures

Recommendation: SFHP recommends the Governing Board approve the annual organizational performance goals and success criteria for fiscal year 2019-2020 (FY19-20). Several goals are presented to the Board in concept so that we move forward and develop the goals and success criteria in greater detail when SFHP obtains more data in the next two months.

Mr. Grgurina briefly reviewed FY 2019-20 organizational goals and success criteria to the Board. (A detailed memo was provided in the Board packet.)

Proposed FY19-20 Goals
Depending on the financial results at the end of the FY19-20, the Board will determine whether staff bonuses are appropriate, and if so, the following Organizational Goals success criteria would be used to determine the final score to be used to calculate the staff bonus. The organizational goals for FY19-20 are structured around our four organizational strategic anchors.

Strategic Anchor 1: Universal Coverage – 15 points
We believe every adult and child in San Francisco should have health coverage. Our strategic anchor of universal coverage recognizes that the health plan alone cannot provide coverage for everyone. Therefore, we work in partnership with the public health system, San Francisco Health Network (SFHN), community providers and our trade associations to support the Medi-Cal program and health care coverage for all.

Goal 1: Provide outstanding third party administrator services (TPA) to Healthy San Francisco, City Option and Healthy Kids programs that fill in health insurance coverage gaps for San Francisco residents. Measure service levels that are evaluated by the DPH on the annual End of Fiscal Year Monitoring report.

Score of 4 (Stretch) = 15 points
Score of 3 (Meets) = 9 points
Less than 3 = 0 points

Strategic Anchor 2:
Quality Care and Access for Members and Participants – 30 points

Goal 2: HEDIS and CAPHS Performance

We recognize that our members and program participants must have excellent access to care to achieve positive health outcomes. The following goals are established to support a range of efforts to improve access to high-quality health care.

<u>HEDIS Performance – 15 points</u>

Obtain high performance in HEDIS scores as measured by NCQA HEDIS points earned for Measurement Year (MY) 2019. Measurement will be based on NCQA-defined points earned methodology and the results from MY 2018, which will be known in July 2019. We will come back to the Governing Board at the September meeting with the details.

<u>CAHPS Performance – 15 points</u>

SFHP proposes the following two sets of measures related to SFHP's CAHPS performance:

1) CAHPS scores – 7 points
2) Interventions implemented to help improve SFHP's CAHPS scores - 8 points

1. CAHPS Scores – 7 points

Numerator: # of NCQA points earned for CAHPS
Denominator: # of NCQA points reserved for CAHPS
2018 Performance: 23% (3.03 of 13 points)
2019 Performance: Available July 2019

Scoring:
- Min: Increase by 3% over 2019 Performance - 5 points
- Meets: Increase by 6% over 2019 Performance - 6 points
- Stretch: Increase by 9% over 2019 Performance - 7 points

Scoring increments of 3% are recommended as SFHP will earn an additional 3% (0.43/13 pts) for each threshold passed (25^{th}, 50^{th}, 75^{th}, and 90^{th} percentiles). The final scoring will be based on the results of the 2019 Performance results. In September, we will present the final scoring to the Board based on the 2019 results.

2. Interventions to Improve CAHPS – 8 points

The following interventions and success criteria are proposed to improve SFHP's CAHPS performance.

Improve Data

Goal	Min	Meets	Stretch
Improve survey response rates. Activities include reminder post cards, conducting survey in additional languages, adding telephone/Email survey.	Maintain 2019 response rate (0.5 pts)	Achieve 1% increase over 2019 response rate (1 pt)	Achieve 2% increase over 2019 response rate (2 pts)

Improve Perception of Access

Goal	Min	Meets	Stretch
Increase % of members registered for Teladoc.	Achieve 0.5% increase compared to FY17-18 (0.5 pts)	Achieve 1% increase compared to FY 17-18 (1 pt)	Achieve 2% increase compared to FY 17-18 (2 pts)

Improve Perception of Customer Service

Goal	Min	Meets	Stretch
Update info on "who do I call" grid to include more information on role of medical groups. Post in more places (website, handbook, portal). Tailor and co-develop with specific DMGs (exclude KSR).	Develop tailored grid for 6 provider groups (0.5 pt)	Develop tailored grid for 7 provider groups (1 pt)	Develop tailored grid for 8 provider groups (2 pts)

Improve Perception of Member Materials

Goal	Min	Meets	Stretch
Improve readability of member-specific written materials by improving letter language (UM Approval, UM Denial, and Appeal). Exclude language that references clinical determination and specific mandated sections. Implement changes to letter templates.	Achieves 10th grade reading level for stock language in UM and Appeal letters (0.5 pt)	Achieves 9th grade reading level for stock language in UM and Appeal letters (1 pt)	Achieves 8th grade reading level for stock language in UM and Appeal letters (2 pts)

Strategic Anchor 3:
Exemplary Service to Members and Stakeholders – 25 points (25%)

We are committed to providing exemplary service and support to our members, participants, purchasers, physicians and other health care providers, and each other. SFHP fosters a culture of ownership, accountability and continuous improvement (CI) within SFHP.

Goal 3: Department of Health Care Services (DHCS) Encounter Stoplight Report.

For FY19-20, the Exemplary Service goal will be based on how SFHP does on the new quarterly Department of Health Care Services (DHCS) Encounter Stoplight Report. In February 2019 DHCS implemented a new Encounter Data Completeness Monitoring process. The objective of DHCS' monitoring is to improve the reporting of encounter data completeness as federally and contractually required. In addition, the monitoring will improve the discrepancies between the submitted Encounter Data Utilization and to allow DHCS to increase its reliance on encounter data in rate development.

SFHP's first two quarterly Encounter Data Completeness Reports had the following results:

Quarter 1 2019 (based on data from January 2016 to December 2017):

- Of 32 areas scored for direct (SFHP and non-Kaiser data) and global (Kaiser) encounters, SFHP had the following scores:

Stoplight Indicator	SFHP and non-Kaiser Encounter Data	Kaiser Encounter Data
	4	9
	3	4
	9	3

Quarter 2 2019 (based on data from July 2016 to June 2018):

- Of 32 areas scored for direct (SFHP and non-Kaiser data) and global (Kaiser) encounters, SFHP had the following scores:

Stoplight Indicator	SFHP and non-Kaiser Encounter Data	Kaiser Encounter Data
	0	10
	2	2
	14	4

- Red indicates major encounter completeness challenges, with completeness less than 70%.
- Yellow indicates moderate encounter completeness or other reporting challenges; ECP is between 70-90% or above 110%.
- Green indicates that there are no clear encounter completeness challenges; ECP is between 90-110%.

This process is separate from the QMED reports that we have provided to the Board in the past. Starting in 2019 Quarter 3, DHCS will utilize these results to identify significant data completeness gaps and problems for data reporting. If DHCS determines that Encounter Data reporting has not been compliant to the requirements set forth, DHCS will impose a Corrective Action Plan (CAP) and potential fines. With this increased oversight of DHCS regarding SFHP's encounter data and the impact to SFHP's rate development and potential fines, SFHP proposes to establish an Exemplary Service Organizational Goal related to establishing a process to monitor SFHP's submission encounter and reconciliation with the results of the Stoplight reports.

With only the two above reports to date, SFHP does not yet have a baseline measurement from which to set goals for improvement and DHCS has stated that there may be changes in the next several months, including how it will factor in Kaiser's encounter data when they are a sub-contractor to a health plan. For FY19-20 we propose to set Organizational Goals and Success Criteria related to the implementation of a plan for monitoring and managing SFHP's encounter data results from the DHCS Stoplight reports. SFHP will bring the proposed plan for the goal to the Board's September meeting.

Strategic Anchor 4: Financial Viability for Plan and Safety Net – 30 points

The fiscal environment in which we and our safety net providers operate is often in flux. Therefore, we maintain a strategic focus on the organization's financial viability and the economic sustainability of our safety net provider partners.

Goal 4: SFHP's organizational goals for Financial Viability are proposed to comprise of the following three parts:

1. Financial Viability starts with the SFHP's financial performance regarding a positive margin or break even. If SFHP's fiscal year-end performance results in a negative margin (excluding Strategic Use of Reserves (SUR)), then SFHP would lose all 30 points.

If SFHP does not have a negative margin, then the following points would be allocated for the Financial Viability goals and success criteria:

2. Establish criteria of the Practice Improvement Program (PIP) to ensure the program is acceptable by the Department of Health Care Services' audit for

the Prospective Payment System (includes analysis and write up of outcomes by participating providers) - 10 points

3. Maintain the medical loss ratio (MLR) of at least 85% for Medi-Cal Expansion and overall Medi-Cal – 20 points

The Board unanimously approved SFHP FY 19-20 Organizational Goals and Success Criteria Measures as presented.

11. Review and Approval of Revision to SFHP Employee Bonus Program

Recommendation: SFHP recommends the following changes to the employee bonus program, effective beginning in the FY19-20:

1. Document the policy that SFHP's financial performance cannot have a significant operating loss (as determined by the Board) in order for the bonuses to be distributed to employees.
2. If SFHP misses the financial organizational goal to have a positive margin or break even as budgeted, the points for the other organizational goals may still be used to calculate a bonus for the employees as long as there are not significant losses.

Mr. Grgurina reviewed the background with the Board.

The current SFHP staff bonus program was revised and approved in September 2014. The key principles suggested by the Finance Committee and approved by the Governing Board are still in place today:

1) Bonus should be tied to SFHP's performance against goals.
2) Bonus should be built into the budget.
3) Bonus should be tied to an individual's performance.

The following are the current steps to the bonus program calculation:

1) Determine the how SFHP performed financially for the fiscal year.
2) Determine SFHP's performance against Governing Board approved goals and success criteria.
3) Determine each individual's performance against individual goals and their department's performance against goals (weights for final calculation vary by employee level – see chart below).
4) Determine each individual's time with SFHP during the Fiscal Year (e.g. employee working 6 months of the year is eligible for 50% of bonus total).

Weights	Executive	Director	Manager	Staff-Individual Contributor
Organization score	50%	40%	34%	25%
Department score	25%	35%	33%	25%
Individual Goals score:	25%	25%	33%	50%
Total	100%	100%	100%	100%

Recommended Changes:

1. Document the policy that SFHP's financial performance cannot have a significant operating loss (as determined by the Board) in order for the bonuses to be distributed to employees. SFHP's performance must either have a positive margin or break even year-end result.

   SFHP's financial performance cannot have a significant operating loss. The Board would be able to exercise its discretion to eliminate the Bonus Program in its entirety due to significant losses. An example of this was in FY11-12 where no cash bonuses were paid due to an overall loss of $4.4 million (2.3%) due to the low rates paid by the Department of Health Care Services for the Seniors and Persons with Disabilities. While this has been the policy in practice, the policy had not been documented.

2. If SFHP's financial performance justifies a staff bonus program, but SFHP misses the financial organizational goal, the points for the other organizational goals may still be used to calculate a bonus for the employees.

   SFHP recommends a policy that if SFHP's fiscal year-end performance results in a negative margin (excluding Strategic Use of Reserves (SUR)), then SFHP would lose all 30 points. For FY19-20, the total number of points for Goals 1 through 3 is 70 points.

The change in policy establishes that instead of eliminating the whole bonus program for missing the Financial Viability goal, only the Financial Viability section would have a score of zero. That would mean that before SFHP could grade its financial goals under Financial Viability, we would have to pass the test that we do not have a negative margin (not counting any strategic use of reserve (SUR) dollars approved by the Board). If SFHP fails to get the points for the Financial Viability goal, SFHP would lose 30 points in FY19-20, but could still receive points in the other Organizational Goals, up to only 70 points, depending on not having significant operating losses.

The other portions of the bonus calculation for the different staff levels would remain the same.

If SFHP experiences a significant operating loss (as determined by the Board), the Board may still exercise its discretion to eliminate the Bonus Program in its entirety due to the significant losses.

The Board unanimously approved the revisions to the staff bonus program.

12. Chief Medical Officer's Report

a. Update on Practice Improvement Program Clinical Quality Metrics

Due to time constraints this item was not discussed.

13. Member Advisory Committee (MAC)

Due to time constraints this item was not discussed.

14. CEO Report Highlighted Items – Information Security Update, Employee Survey Results, Operations updates and media summary

Due to time constraints this item was not discussed.

15. Adjourn

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Reece Fawley, Secretary