SAN FRANCISCO HEALTH PLAN
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Joint San Francisco Health Authority/San Francisco Community Health Authority
Governing Board
September 5, 2018
Meeting Minutes

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

Members
Present: Edwin Batongbacal, Lawrence Cheung, MD, Irene Conway, Reece Fawley, Steve Fields, Steven Fugaro, MD., Roland Pickens, Sabra Matovsky, Maria Luz Torre, Greg Wagner, David Woods, Pharm D., and Jian Zhang, DNP, MS, FNP-BC

Members
Absent: Dale Butler, Eddie Chan, PharmD, and Emily Webb

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, Jonathan Gainor, OPTUM, Dr. Paul Cheung, and Bob Patton, Sageview Advisory Group. There were no public comments.

John F. Grgurina, Jr., CEO, acknowledged Barbara Garcia's retirement from the Department of Public Health and her service on the Governing Board. In addition, Mr. Grgurina also acknowledged John Gregoire's retirement from San Francisco Health Plan (SFHP). The Board thanked Mr. Gregoire for his nine years of service with SFHP.

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 June 13, 2018 Governing Board Meeting.
b. Quality Improvement Committee
c. Credentialing and Recredentialing Recommendations

The Board unanimously approved the consent calendar without any issues.

2. Review and Approval of the Selected Recordkeeper for the 401(a) Employee Retirement Program

Recommendation: SFHP recommended the selection of Empower Retirement to replace the current retirement plan recordkeeper, ICMA-RC Retirement, effective December 1, 2018.

Mr. Gregoire stated the Board-approved resolution 2018-01 established the Retirement Plan Committee for Employee Retirement Accounts (“Retirement Plan Committee”), with the authority to hire a registered investment advisor, record keeper and other vendors, as needed. After the establishment of the Retirement Plan Committee and a request for proposal (RFP) process to select an advisor, Sageview Advisory Group (“Sageview”) was selected to be the registered investment advisor. Mr. Gregoire introduced Bob Patton of Sageview. Mr. Patton stated that Sageview identified opportunities for improved performance in the recordkeeper in the following areas:

1. Reduced recordkeeping and investment fees
2. Increased employee engagement
3. Simplified investment fund choices

Sageview assisted the Retirement Plan Committee and issued an RFP for recordkeeper services. Through the RFP process, the following four recordkeepers responded, including the incumbent, ICMA-RC:

1. ICMA-RC
2. Empower Retirement
3. Principal Financial Group
4. Voya

From these four vendors, Empower Retirement and Voya were chosen as finalists to present to the Retirement Plan Committee on July 16, 2018.

The vendors were evaluated on factors including fees and expenses, conversion process, service team, experience with similar organizations and retirement accounts, employee education, tools, and services, including internet services, investment platform, and cultural fit. Between the two vendors, Empower was the better prepared vendor and demonstrated a commitment to providing high-quality services to SFHP employees for their 401(a) retirement account.

Empower’s expense ratio is 0.38 compared to ICMA-RC’s 1.33. The market benchmark is Morning Star and has an expense ratio of 1.1. Empower’s year-to-date investment performance is 2.21% compared to ICMA-RC’s 1.04%. With the proposed change to a new vendor, it would be expected that SFHP’s employees would achieve better investment performance and reduced fees. Employees’ investment choices will remain diverse, but would be simplified for easier selection and management.

SFHP recommends the Governing Board approve the change from ICMA-RC to Empower Retirement for the employee retirement plan recordkeeper for the 401(a) employee retirement plan. Detailed information on Empower Retirement, the funds proposed, their performance history, and fees were provided in Sageview’s Powerpoint presentation.

Reece Fawley, Chair of the Finance Committee, stated the committee found the recommendation to change recordkeepers to Empower to be straightforward and recommended the Board’s approval.

With the Finance Committee recommendation, the Board unanimously approved the selection of Empower Retirement to replace the current retirement plan recordkeeper, ICMA-RC Retirement.

3. Approval of Year-End 2017-18 and Year-to-Date July 2018 Unaudited Financial Statements and Investment Reports

Recommendation: Review and approve the year-end 2017-18 and year-to-date July 2018 unaudited financial statement and investment reports.

Mr. Gregoire presented the unaudited financial statement and investment reports for the period ending on June 30, 2018. The narrative summaries and financial documents were provided to the Finance Committee for reference.

1. June 2018 results produced a loss of ($2,307,000) versus a budgeted loss of ($5,172,000). Mr. Gregoire stated the loss should not cause alarm because of the following factors:
   a. Strategic Use of Reserves (SUR) payments and accruals of $3,840,000.
   b. Retroactive revenue take back of $2,700,000 million related to the reclassification of Adult Expansion Dual members to the Full Dual category of aid (see discussion below).
   c. Partial offset due to the recognition of $4,330,000 in AB85 25% funding for FY15-16.
   d. Partial offset due to the positive impact of CY2015 reinsurance recoveries totaling $2,784,000.

2. Variances between June actual results and the budget include:
   a. A net decrease in revenue of ($1,325,000) due to:
      i. $2,700,000 in retroactive revenue adjustments related to the reclassification of Adult Expansion Dual members to the Full Dual category of aid.
      ii. 6,138 fewer member months mostly due to members placed on hold awaiting completion of the annual redetermination process. 4,384 of these members were in the Adult Expansion category.
      iii. 112 fewer Hepatitis C treatment weeks along with a 32% decrease in the Hepatitis C reimbursement rate. The introduction of the lower cost Hepatitis C drug Mavyret was anticipated by DHCS, therefore the reimbursement rates were decreased accordingly.
      iv. Partial offset due to the recognition of $4,330,000 in AB85 25% funding related to FY15-16.

   b. A net decrease in medical expense of $4,082,000 due to:
      i. SUR activity was $1,304,000 less than the budget.
      ii. Pharmacy expense was $1,133,000 less than budget due to lower than anticipated utilization, especially during the second half of June. In addition, we had 112 fewer Hepatitis C treatment weeks combined with lower Hepatitis C drug costs as a result of transitioning more members to the less expensive drug, Mavyret.
      iii. We recorded $2,784,000 related to CY2015 reinsurance recoveries which contributed to lowering overall medical expense.

3. On a year-to-date basis through June, SFHP had a loss of ($12,015,000) versus a budgeted loss of ($10,752,000). This greater than anticipated loss was due to year-to-date payments and accruals related to the second SUR of $16 million approved during FY17-18.

4. During the month of June, SFHP recorded the impact of reclassifying Adult Expansion Dual members to the Full Dual category of aid. As a result, DHCS pulled back $2,700,000 in premium revenue which was much less than we had feared considering that this change was implemented retroactively to January 2014.

5. The FY17-18 budget projected SFHP would record $58 million in revenue and medical expense related to the AB85 to cost provision within the Medi-Cal Expansion category. SFHP, however, received only $39.2 million in FY16-17 AB85 to cost funding, which was paid to Zuckerberg San Francisco General Hospital (ZSFG).

6. Below is a chart highlighting the key income statement categories with adjustments for SUR and AB 85 to cost in order to show margin from ongoing operations for the month of June.

	----------------------JUN 2018---------------------------				---------------------FYTD 17-18 THRU JUN---------------------------			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
REVENUE	$ 46,970,000	$ 48,295,000	$ (1,325,000)	-2.7%	$ 610,200,000	$ 637,620,000	$ (27,420,000)	-4.3%
LESS: AB85 TO COST	$ -	$ -	$ -		$ 39,178,000	$ 58,232,000	$ (19,054,000)	
REVENUE - REVISED	$ 46,970,000	$ 48,295,000	$ (1,325,000)	-2.7%	$ 571,022,000	$ 579,388,000	$ (8,366,000)	-1.4%
MLR	98.1%	103.8%			95.6%	95.0%		
ADMINISTRATIVE EXPENSES	$ 4,355,000	$ 4,244,000	$ (111,000)	-2.6%	$ 49,805,000	$ 52,805,000	$ 3,000,000	5.7%
ADMINISTRATIVE RATIO	7.60%	7.29%			6.80%	6.93%		
MARGIN (LOSS)	$ (2,307,000)	$ (5,172,000)	$ 2,865,000	-55.4%	$ (12,015,000)	$ (10,752,000)	$ (1,263,000)	11.7%
OPERATING ADJUSTMENTS:								
FY15-16 SUR PAYMENTS/ACCRUALS	$ 1,387,000	$ -			$ 3,435,000	$ -		
FY16-17 SUR PAYMENTS/ACCRUALS	$ -	$ 583,000			$ 8,151,000	$ 10,752,000		
FY17-18 SUR PAYMENTS/ACCRUALS	$ 1,620,000	$ 4,521,000			$ 11,177,000	$ 13,562,000		
CY2018 SUR PAYMENTS/ACCRUALS	$ 833,000	$ -			$ 5,000,000	$ -		
MARGIN FROM OPERATIONS	$ 1,533,000	$ (68,000)			$ 15,748,000	$ 13,562,000		
MLR W/O SUR AND AB85 TO COST	89.7%	93.1%			90.4%	90.2%		
ADMIN RATIO WITHOUT AB85 TO COST	7.60%	7.29%			7.27%	8.00%		

PROJECTIONS

Mr. Gregoire reviewed the financial projections through December 2018:

1. As of June 30, 2018, SFHP added $5 million to the Practice Improvement Program (PIP) for CY2018 covering the months of January through June 2018. This accrual was related to both the FY17-18 SUR and the CY2018 SUR. A total of $10 million is to be added to the CY2018 PIP program for professional providers. The remaining $5 million is to be accrued monthly through December 2018.

2. Effective January 1, 2018, SFHP implemented provider capitation and fee-for-service rates for the Medi-Cal and Healthy Kids lines of business. The overall weighted average increase was 6.2%. The FY17-18 budget included $13.2 million to cover these increases. These increased rates will continue through December 2018.

3. Hepatitis C reimbursement rates were reduced again effective July 2018. The rate reduction for non-340B is 3.9% ($155 per treatment week) while the rate reduction for drugs purchased under 340B rules is 3.3% ($99 per treatment week). Even with these rate reductions, SFHP continued to see a small margin on Hepatitis C activity.

4. The overall premium rate for the Healthy Workers program increased 21.7% effective July 1, 2018. SFHP will be working with SFHN to implement new capitation rates.

5. 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 will be working with the eligible governmental entities to determine the level of participation.

6. There are four Directed Payment programs in place for FY17-18:
   a. Proposition 56 – enhanced payments to medical groups for qualifying physician services. Utilization at Federally Qualified Health Centers (FQHCs) is excluded. The first round of disbursements will be made in the first half of August.
   b. Public Hospital Enhanced Payment Program – available to Designated Public Hospitals (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 actual utilization as reported in claims and encounter activity. The timing of payment is estimated to be late FY18-19 or early FY19-20.
   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.
   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 payment is not known at this time.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

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

The Medi-Cal Expansion (MCE) category of aid was introduced January 1, 2014. This MCE population included approximately 300 members who were eligible for both Medi-Cal and Medicare (dual eligible members). When the expansion began, DHCS did not establish a separate premium rate for MCE Dual members. DHCS used the MCE Medi-Cal Only premium rate to pay health plans for MCE Dual members. DHCS acknowledged that MCE Dual members should have been paid at a lower premium rate and informed the health plans of its intention to implement a MCE Dual premium rate retroactive to January 2014.

Medi-Cal premium rates for Dual members are lower because Medicare is the primary payer and Medi-Cal is the secondary payer. For example, the FY17-18 premium rate for a member in the Seniors and Persons with Disabilities (SPD) category of aid (Aged or Disabled) is $752.23, while the FY17-18 premium rate for an Aged Dual or Disabled Dual member is $182.22.

During the month of June, SFHP recorded the impact of reclassifying Adult Expansion Dual members to the Full Dual category of aid. $2.7 million in premium revenue was taken back by DHCS which was much less than we had feared considering that this change was implemented retroactively to January 2014. To lessen the impact of the take back on capitated providers, SFHP elected to recover MCE capitation only for the most recent twelve months. SFHP absorbed the remainder. In accordance with Governing Board approval received in June, SFHP recovered $327,000 from providers in the July capitation.

Unaudited Year-to-Date Financials for July 2018

Mr. Gregoire also presented the unaudited financial statement ending July 31, 2018.

1. July 2018 results produced a margin of $993,000 versus a budgeted margin of $297,000. After adding back Strategic Use of Reserves (SUR) activity of $1,261,000, the actual margin from operations would be $2,254,000 versus a budgeted margin of $1,922,000.
2. Variances between actual results and the budget include:
    a. A net decrease in revenue of ($1,771,000) due to:
        i. 1,705 fewer member months mostly due to members placed on hold awaiting completion of the annual redetermination process. 1,144 of these members were in the Adult Expansion category.
        ii. 108 fewer Hepatitis C treatment weeks along with a 3.9% decrease in the Hepatitis C reimbursement rate.
        iii. 27 fewer maternity events.
    b. A net decrease in medical expense of $2,246,000 due to:
        i. Fee-for-service claims activity was $1,987,000 less than budget. In June, providers made a big push to clear their claims backlog by June 30th resulting in a lower volume of claims paid in July.
        ii. SUR activity was $364,000 less than the budget.
        iii. The cost savings noted above was partially offset by a $105,000 increase in non-specialty mental health utilization.
    c. Administrative expenses were $230,000 less than budget. The month of July followed the typical pattern for administrative expenses, i.e., carryover of expenses from June was virtually eliminated and expenses tend to be budgeted a little heavier in the early months of the fiscal year.

3. 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 July.

CATEGORY	JUL 2018 ACTUAL	JUL 2018 BUDGET	JUL 2018 FAV (UNFAV)	JUL 2018 % FAV (UNFAV)	FYTD 18-19 THRU JUL ACTUAL	FYTD 18-19 THRU JUL BUDGET	FYTD 18-19 THRU JUL FAV (UNFAV)	FYTD 18-19 THRU JUL % FAV (UNFAV)
REVENUE	$ 47,818,000	$ 49,588,000	$ (1,770,000)	-3.6%	$ 47,818,000	$ 49,588,000	$ (1,770,000)	-3.6%
MLR	91.5%	92.8%			91.5%	92.8%		
ADMINISTRATIVE RATIO	6.7%	6.9%			6.7%	6.9%		
MARGIN (LOSS)	$ 993,000	$ 297,000	$ 696,000	234.3%	$ 993,000	$ 297,000	$ 696,000	234.3%
OPERATING ADJUSTMENTS:								
FY15-16 SUR PMTS	$ 427,000	$ -			$ 427,000	$ -		
FY16-17 SUR PMTS/ACCRUALS	$ -	$ -			$ -	$ -		
FY17-18/CY2018 SUR PAYMENTS/ACCRUALS	$ 834,000	$ 1,625,000			$ 834,000	$ 1,625,000		
MARGIN FROM OPERATIONS	$ 2,254,000	$ 1,922,000			$ 2,254,000	$ 1,922,000		
MLR W/O SUR PMTS	90.6%	92.8%			90.6%	92.8%		

PROJECTIONS

Financial projections through January 2019:

1. As of July 31, 2018, SFHP has added $5,834,000 to the PIP program for CY2018 covering the months of January through July 2018. This accrual is related to both the FY17-18 SUR and the CY2018 SUR. A total of $10 million is to be added to the CY2018 PIP program for professional providers. The remaining $4,166,000 will be accrued monthly through December 2018.
2. SFHP received final Medi-Cal rates from the DHCS, effective for SFHP as of 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 is an extremely favorable development for the health plan and its providers.
3. Based on the new DHCS rates, SFHP anticipates increasing provider capitation rates effective January 1, 2019.
4. Hepatitis C reimbursement rates have been reduced again effective July 2018. The rate reduction for non-340B is 3.9% ($155 per treatment week) while the rate reduction for drugs purchased under 340B rules is 3.3% ($99 per treatment week). Even with these rate reductions, SFHP will continue to see a small margin on Hepatitis C activity.
5. The overall premium rate for the Healthy Workers program increased 21.7% effective July 1, 2018. SFHP is working with SFHN to implement new capitation rates.
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 will be working with the eligible governmental entities to determine the level of participation.
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 as described in detail in the projections provided in the unaudited year-end financials - Proposition 56, Public Hospital Enhanced Payment Program, Public Hospital Quality Incentive Pool and Private Hospital Directed Payments.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

RECAP OF STRATEGIC USE OF RESERVES PROGRAMS

In the last three fiscal years, the Governing Board approved four Strategic Use of Reserves programs for FY15-16, FY16-17, FY17-18 and CY2018. These distributions totaled $74.6 million. The tables on the following pages summarize the SUR each year.

		Total Approved	Remaining To Be Paid
FY15-16	Strategic Use of Reserves	$15,000,000	$ 1,439,000
FY16-17	Strategic Use of Reserves	$30,000,000	$ 3,050,000
FY17-18/CY2018	Strategic Use of Reserves	$29,600,000	$16,524,000
Total		$74,600,000	$21,013,000

PROVIDER STRATEGIC USE OF RESERVES FY15-16			
	SUR		
HOSPITAL	FY15-16	PAYMENTS	BALANCE
CHINESE HOSPITAL	$ 605,412	$ 605,412	$ -
CPMC	$ 1,807,173	$ 1,781,715	$ 25,458
S.F. GENERAL (CHN AND NMS)	$ 3,939,009	$ 3,472,745	$ 466,264
ST. LUKE (HILL AND BROWN & TOLAND)	$ 517,530	$ 310,518	$ 207,012
UCSF MEDICAL CENTER	$ 630,876	$ 567,790	$ 63,086
TOTAL DISTRIBUTION - HOSPITAL	$ 7,500,000	$ 6,738,180	$ 761,820
	SUR		
PROFESSIONAL	FY15-16	PAYMENTS	BALANCE
CCHCA	$ 605,412	$ 496,436	$ 108,976
NEMS	$ 1,922,515	$ 1,922,515	$ 0
CPG	$ 1,847,754	$ 1,687,493	$ 160,261
SFHN	$ 1,632,622	$ 1,566,969	$ 65,653
SFCCC	$ 343,291	$ 343,291	$ (0)
HILL PHYSICIANS	$ 262,299	$ 183,609	$ 78,690
BROWN & TOLAND	$ 255,231	$ -	$ 255,231
UCSF MEDICAL GROUP	$ 630,876	$ 622,548	$ 8,328
TOTAL DISTRIBUTION - PROFESSIONAL	$ 7,500,000	$ 6,822,860	$ 677,140
TOTAL DISTRIBUTION	$ 15,000,000	$ 13,561,040	$ 1,438,960
DISTRIBUTION % TO DATE		90.4%	

PROVIDER STRATEGIC USE OF RESERVES FY16-17			
	SUR		
HOSPITAL	FY16-17	PAYMENTS	BALANCE
CHINESE HOSPITAL	$ 1,165,703	$ 1,049,133	$ 116,570
CPMC	$ 3,586,515	$ 3,227,864	$ 358,651
S.F. GENERAL (CHN AND NMS)	$ 7,949,596	$ 7,949,596	$ -
ST. LUKE (HILL AND BROWN & TOLAND)	$ 999,281	$ 899,353	$ 99,928
UCSF MEDICAL CENTER	$ 1,298,905	$ 1,169,015	$ 129,891
TOTAL DISTRIBUTION - HOSPITAL	$ 15,000,000	$ 14,294,960	$ 705,040
	SUR		
PROFESSIONAL	FY16-17	PAYMENTS	BALANCE
CCHCA	$ 1,165,695	$ 582,848	$ 582,848
NEMS	$ 3,952,018	$ 3,952,018	$ -
CPG	$ 3,727,828	$ 3,727,828	$ -
SFHN	$ 3,180,590	$ 2,128,759	$ 1,051,831
SFCCC	$ 675,699	$ 524,127	$ 151,572
HILL PHYSICIANS	$ 490,184	$ 449,335	$ 40,849
BROWN & TOLAND	$ 509,090	$ 275,757	$ 233,333
UCSF MEDICAL GROUP	$ 1,298,896	$ 1,014,763	$ 284,134
TOTAL DISTRIBUTION - PROF (PIP ENHANCEMENT)	$ 15,000,000	$ 12,655,435	$ 2,344,565
TOTAL DISTRIBUTION	$ 30,000,000	$ 26,950,395	$ 3,049,605
DISTRIBUTION % TO DATE		89.8%	

PROVIDER STRATEGIC USE OF RESERVES FY17-18 AND CY2018			
	SUR		
GROUP	FY17-18 AND CY2018	PAYMENTS	BALANCE
HOSPITAL			
CHINESE HOSPITAL	$ 503,527	$ 453,174	$ 50,353
CALIFORNIA PACIFIC MEDICAL CENTER/ST. LUKE'S	$ 3,919,570	$ 1,388,767	$ 2,530,803
SAN FRANCISCO GENERAL HOSPITAL	$ 4,349,196	$ 3,734,277	$ 614,919
UCSF MEDICAL CENTER	$ 1,756,094	$ 1,580,484	$ 175,610
	$ 10,528,387	$ 7,156,702	$ 3,371,685
PROFESSIONAL			
CCHCA	$ 777,936	$ 27,271	$ 750,665
NEMS	$ 3,223,604	$ 1,019,158	$ 2,204,446
CPG	$ 4,794,874	$ 2,750,376	$ 2,044,498
SFHN	$ 2,759,141	$ 806,012	$ 1,953,129
SFCCC	$ 1,893,219	$ 986,719	$ 906,500
HILL PHYSICIANS	$ 363,511	$ 44,841	$ 318,670
BROWN & TOLAND	$ 363,865	$ 29,270	$ 334,595
UCSF MEDICAL GROUP	$ 990,463	$ 248,712	$ 741,751
	$ 15,166,613	$ 5,912,358	$ 9,254,255
TOTAL DISTRIBUTION	$ 25,695,000	$ 13,069,060	$ 12,625,940
DISTRIBUTION % TO DATE		50.9%	
RETENTION			
CHIROPRACTIC/MEMBER INCENTIVES	$ 2,600,000	$ -	$ 2,600,000
VENDOR/IMPLEMENTATION COSTS (SURVEYS/PREMANAGE/PALLIATIVE CARE)	$ 1,055,000	$ 6,900	$ 1,048,100
POPULATION HEALTH MANAGEMENT TOOL	$ 250,000	$ -	$ 250,000
	$ 3,905,000	$ 6,900	$ 3,898,100
	$ 29,600,000	$ 13,075,960	$ 16,524,040

Reece Fawley, Chair, Finance Committee, stated the Finance Committee reviewed and discussed the financials in detail at the Finance Committee meeting. The Board discussed the decrease in member months, which directly impacts SFHP's revenues. The Board asked if this would be the new normal. Mr. Grgurina stated it was likely. He shared that SFHP is not alone in experiencing the declining member months. He showed the board a chart of enrollment among Local Health Plans. There were increases for only two health plans. The declining membership in Medi-Cal was due to an improved economy, increase in the minimum wage, and a backlog at county Medi-Cal offices to process renewals. Mr. Grgurina also stated that the upcoming removal of the federal individual mandate would also have an impact on Medi-Cal enrollment.

Mr. Fawley stated the Finance Committee was pleased with the year-end financials. He stated the committee discussed the rate increases and SUR distributions. He stated that SFHP has achieved a good balance for FQHCs and non-FQHCs in managing rate increases and SUR distributions. He stated that it would be important to remind ourselves that while the plan's financial status is good at this time, there will likely be a downward change in coming years.

Mr. Fawley recommended the Board approve the unaudited year-end 2017-18 and year-to-date unaudited monthly financial statements and investment income reports for the period ending July 31, 2018.

The Board unanimously approved the unaudited year-end 2017-18 and year-to-date unaudited financial statements and investment income reports for the period ending July 31, 2018, as presented.

4. Review and Approval of the Organization score for the Board-Approved FY17-18 Organizational Goals and FY 17-18 Year-End Staff Bonus

Recommendation: SFHP completed FY17-18 successfully by achieving an organization score of 91% for the success criteria approved by the Governing Board. It is recommended that the Finance Committee and Governing Board consider approval of the following items:

1) With the FY17-18 financial position meeting the sufficient requirement to pay the staff bonus and bonus funds were budgeted in the year-end statements, approval of distribution of staff bonuses, according to the organizational score and individual performance.
2) Approval of organization score of 91% (details provided in the table below and on subsequent pages).

John F. Grgurina, Jr., CEO, reviewed the 2017-18 financial performance, organizational scores and staff bonus with the Board. He stated the SFHP FY17-18 financial year ended with a positive margin of $15.7 million in operations. The overall financial year-end was a loss of $12 million due to the Board-approved expenditures for the strategic use of reserves (SUR) of $27.7 million. While there is technically a negative margin of $12 million in FY17-18, it is due to the deliberate expenditure of $27.7 million from the health plan's reserves. The Board-approved expenditure of $27.7 million from the health plan's reserves was used to distribute additional funds to network providers for strategic uses that benefit members' access to services or other quality improvement activities. The expenditure also aligns the health plan's reserves with the Board-approved maximum level for the health plan's tangible net equity, which is two months of capitation payment.

Given this year-end financial performance, we believe the FY 17-18 financial position meets the sufficient requirement to pay the staff bonuses that were budgeted for FY17-18.

Mr. Grgurina reviewed the following scores for the organizational success criteria in FY17-18, which resulted in a total score of 91%.

Goal and Success Criteria	Possible Points	Score
Goal 1: *Universal Coverage Through Partnerships* 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, community providers and our trade associations to support the Medi-Cal program and health care coverage for all.		
1.1.1 Ensure San Francisco Health Plan's (SFHP) readiness for local, state and federal mandates, including major program changes that may come about due to the American Health Care Act (AHCA), and meet established or negotiated deadlines. Depending on the details of the AHCA that is passed, if passed, the organizational goals for SFHP may need to be revised. If the AHCA does not pass, the 10 points will be split with 5 points each allocated to Measures 1.1.2 and 2.3.1 below.	n/a	**n/a**
1.1.2 Meet or exceed annual Department of Public Health (DPH) End-of-Fiscal Year measures that evaluate SFHP's service levels for the HSF, HK and City Option programs. Scores are determined by the DPH and are from a score of "1" to "4" ("4" is the highest score). *Revised with 5 additional points from 1.1.1:* **Stretch: Score of 4 = ~~5~~ 10 points** Meets: Score of 3 = 3.5 7 points Minimum: Less than 3 = 0 points	10	**10**
Goal 2: *Quality Care and Access for Members and Participants* We recognize that our members and program participants must have excellent access to care to achieve positive health outcomes. We support a range of efforts to improve access to high-quality health care.		
2.1 SFHP will remain the highest ranked public Medi-Cal plan by DHCS based on aggregated quality measures. 2.1.1. Increase percentage of continuously-enrolled members with a primary care visit in the past year by the following absolute increase over the baseline measure of 64%:	10	**8**

Stretch: 3% - 10 points **Meets: 2% - 8 points** Minimum: 1% - 6 points (Below 1% would be "0" points) In other words, to achieve the Stretch goal, the percentage of continuously enrolled members with a primary visit would have to be 67%, a three percentage increase over 64%.		
2.2 SFHP will obtain at least 80% of available points for HEDIS and CAHPS when we pursue full NCQA accreditation in 2019 2.2.1 Access Domain #1: Getting Care Quickly – Achieve increase over 2017score of 68.10%. 5 points **Stretch goal: 3% improvement – 5 points** Meets goal: 2% improvement – 4 points Minimum goal: 1% improvement – 3 pointsAccess Domain #2: Getting Needed Care - Achieve increase over 2017 score of 68.52%. 5 points Stretch goal: 3% improvement – 5 points Meets goal: 2% improvement – 4 points Minimum goal: 1% improvement – 3 points **Did not achieve this goal.**	5 5	**5** **0**
2.3 Improve access to adult non-specialty mental health services for Medi-Cal members. 2.3.1 Increase the adult non-specialty mental health penetration rate from the baseline measure of 3.20%, measured from 4/1/17 to 6/30/18, paid through 9/30/18. *Revised with 5 additional points from 1.1.1:* (Medi-Cal non-dual members only) - **Stretch – Increase penetration to 4.5%** – ~~5~~ **10 points** Meet – Increase penetration to 4.0% – ~~4~~ 8 points Minimum – Increase penetration to 3.5% -~~2~~ 2 points	10	**10**
Goal 3: *Exemplary Service to Members and Stakeholders* - We are committed to providing exemplary service and support to our members, participants, purchasers, physicians and other health care providers, and each other.		
3.1 SFHP will implement the appropriate organizational infrastructure to obtain NCQA Renewal Accreditation in 2021 and going forward. Transition the accreditation project to an operational program to prepare SFHP for renewal surveys every three years in a manner that is coordinated with DHCS and DMHC audit preparations.	10	**10**

3.1.1 Achieve 1st Year accreditation with the National Committee for Quality Assurance (NCQA) by January 31, 2018 and implement work plan to establish an infrastructure to support achieving renewal accreditation every three years. **Pass: 10 points** Fail: 0 points		
3.2 Foster a culture of ownership, accountability and continuous improvement within SFHP. 3.2.1 Complete two projects to strengthen core operations and processes. Each project will be measured and scored for meeting outcome-based success criteria. At the end of the fiscal year 2018, the results of the projects will be compiled and scored against the stretch, meets and minimum measurements.		
3.2.1a - The Analytic Data Warehouse (ADW) project success will be based on outcomes that focus on 4 topic areas: 1) Increase adoption of ADW via a BI Tool that will enhance decision-making; 2) Shorten report development TAT (Turn Around Time); 3) Create standardization; and 4) Improve accuracy and completeness of data available in ADW. Each topic area will have specific measures with equal weights across all measurements. Stretch: Meet >= 90% of project success criteria (5 pts) Meets: Meet 85% of project success criteria (4 pts) Minimum: Meet 80% of project success criteria **(3 pts)**	5	**3**
3.2.1b - QNXT Improvements Reduction in manual interventions related to authorization and claims matching, available units for medical services and/ or supplies and benefits requiring authorization. Manual administrative hours relating to these activities will be reduced by 75 to 120 hours per month. Stretch: Reduce claim lines firing UM edits to reduce manual hours by 120 hours each month **(5 points)** Meets: Reduce claims lines firing UM edits to reduce manual hours by 100 hours each month (4 points) Min: Reduce claim lines firing UM edits to reduce manual hours by 75 hours each month (3 points)	5	**5**
3.2.2 Complete the two identified Continuous Improvement (CI) projects. Operationalize and achieve the efficiency targets for both: 3.2.2.a Benefit Exception Handling - Ensure we have a consistent process for implementing non-covered Medi-Cal benefits that SFHP chooses to cover. This will enable faster turnaround time for benefit determination and claims processing.	5	**5**

Goal 1: Document current process using the Process Management Model By November 1, 2017- **2.5 points** Goal 2: Update process map with changes based on pricing procedures, write DTP and train impacted staff by June 1, 2018 - **2.5 points**		
3.2.2.b APR DRG Improve quality of APR DRG pricing and reduce administration time in preparation for increase in inventory after January 1, 2018 Goal 1: Document current process using process management model, audit claims to determine baseline accuracy and compare pricing allowance between 3M and state pricing tools. Make recommendation to COO as to which tool to use by October 1, 2017. **2.5 points** Goal 2: Implement automation of DRG grouper selection to improve accuracy of APR DRG priced claims by March 1, 2018. **2.5 points**	5	**5**
Goal 4: *Financial Viability for Plan and Safety Net* 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. 4.1 Optimize SFHP performance and provider reimbursements.		
4.1.1 No later than January 1, 2018, implement changes to provider reimbursement rates as approved by the Governing Board. Pass: **5 points** Fail: 0 points	**5**	**5**
4.1.2 Adhere to Board-approved reserve policy. Any additional reserves over the threshold amount will be tracked and managed as a Strategic Use of Reserves (SUR) according to Board-approved distribution plans for SUR. **Pass: 5 points** Fail : 0 points	**5**	**5**
4.1.3 Ensure administrative expenses meet the following thresholds: **(1) At or below 6.9% - 5 points** **(2) At or below $52.5 million - 5 points** Each measure will be on a pass/fail basis. For example, if administrativeexpenses come in at or below 6.9%, but are above $52.5 million, theorganizational score will be only 5 points. If both thresholds are met, the organizational score will be **10 points.**	**10**	**10**

4.1.4 At the January 2018 Governing Board meeting, present the Governing Board with a "go/no go" recommendation for a 2020 Medicare DSNP. Pass: **10 points** Fail: 0 points	**10**	**10**
Total	100	**91 points**

With the Finance Committee recommendation, the Board unanimously approved the FY 2017-18 organizational score and staff bonuses.

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 Medi-Cal provider Rate Changes

This item was discussed in closed session.

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

This item was discussed in closed session.

7. Review and Approval of Annual Performance Evaluation of CEO

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.

8. Report on Closed Session Action Items

Dr. Fugaro reported on the following actions taken during Closed Session:

a. Approved the Medi-Cal provider rate changes, which were an overall weighted average increase of 4.2%.
b. Approved the Annual Performance Evaluation of CEO with a rating of Exemplary/Outstanding and a public announcement of the CEO’s salary and annual bonus of $77,138.

9. Oral Report and Vote on Governing Board’s CEO Compensation Recommendations

The Board discussed and voted on the CEO compensation recommendations.

10. Review Administrative Contracts with Fusion Storm, Change healthcare, and Insight Global with Current Calendar Year Expenditures

Due to time constraints this item was not discussed.

11. Chief Medical Officer’s (CMO) Report

Due to time constraints this item was not discussed.

12. Federal and State Legislative and Budget Updates

Due to time constraints this item was not discussed.

13. Member Advisory Committee Report

Due to time constraints this item was not discussed.

14. CEO Report – Annual Provider Recognition Dinner, Annual Employee Survey, Board Update, Staff update, Department of managed Health Care Financial Solvency Board Update

Due to time constraints this item was not discussed.

15. Adjourn