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Joint San Francisco Health Authority/San Francisco Community Health Authority
Minutes of the Finance Committee
September 2, 2020

Present: Eddie Chan, Pharm D, Steven Fugaro, MD, Emily Webb, Skip Bishop, John F. Grgurina, Jr., Rand Takeuchi, and Nina Maruyama (note taker)

Absent: Reece Fawley and Greg Wagner

Guests: None

Due to the COVID-19 public health emergency and in accordance with Governor Newsom's Executive Order N-29-20, San Francisco Health Authority and San Francisco Community Health Authority Governing Board Members attended this meeting via teleconference. The meeting was closed to in-person public attendance, but the public was provided with the conference line to attend if interested. This precaution was taken to protect members of the Governing Board, staff and the public. The Finance Committee members and staff of the San Francisco Health Plan (SFHP) attended the meeting telephonically.

Reece Fawley, Chair of the Finance Committee, could not attend the meeting so Emily Webb chaired the Finance Committee. Ms. Webb asked for public comments and there were none.

Call to Order and Public Comment on any matters within the SFHA/SFCHA purview

1. Approval of Minutes from June 10, 2020 Finance Committee Meeting

The minutes of the June 10, 2020 Finance Committee meeting were unanimously approved as written.

2. Review and Approval of Year-End 2019-20 Unaudited Financial Statements and Investment Reports

Recommendation: Review and Approval of Year-End 2019-20 Unaudited Financial Statements and Investment Reports.

Skip Bishop, CFO, and Rand Takeuchi, Director, Accounting, reviewed the financial statements for the period ending June 30, 2020. Mr. Bishop discussed the following highlights:

1. June 2020 reported a loss of ($8,166,000) versus a budgeted loss of ($864,000). After removing Strategic Use of Reserves (SUR) activity, the actual loss from operations would be ($7,888,000) versus a budgeted loss of ($586,000).

   In the month of June, SFHP recorded a $6.0 million decrease in revenue due to the impact of the 1.5% Medi-Cal rate reduction that was implemented by the Department

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of Health Care Services (DHCS) retroactive to July 1, 2019. DHCS took this rate action in response to the COVID-19 pandemic that has significantly impaired the state budget. The $6.0 million revenue loss covers the period of July 2019 through June 2020. The 1.5% rate reduction also applies to the period of July 1, 2020 through December 31, 2020. The impact is estimated to be $3.3 million and has been built in to the FY 20-21 budget.

The month of June also includes additional claims accruals needed to maintain adequate reserves for Incurred But Not Reported (IBNR) claims as required by our auditors, Moss Adams. In addition, June administrative expenses are slightly higher than normal as we extended the June month end closing to capture all expenses related to FY 19-20.

2. On a year-to-date basis, SFHP has a loss of ($10,443,000) versus a budgeted loss of ($8,928,000). After removing SUR activity, the actual loss from operations would be ($5,020,000) versus a budget of break even. If the unexpected, retroactive 1.5% Medi-Cal rate reduction was excluded, SFHP would have reported a positive margin of $1.0 million.

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

    a. A net decrease in revenue of $2.6 million due to:
        i. $6.0 million decrease in premium revenue due to the 1.5% Medi-Cal rate reduction retroactive to July 2019 described earlier (see #1 above).
        ii. $294,000 less in Hepatitis C revenue as the result of 108 fewer treatment weeks.
        iii. $102,000 less in third-party administrative fees which can be attributed the phase-out of the Healthy Kids line of business.

    b. A net increase in medical expense of $4,577,000 due to:
        i. $2.9 million more in capitation expense as the result of gaining 8,536 member months.
        ii. $700,000 in accruals to reach an IBNR reserve level at year end as required by the annual audit.
        iii. $600,000 more in accrued medical expenses related to the expansion of the Proposition 56 programs and Ground Emergency Medical Transportation (GEMT) activity.
        iv. $300,000 grant to the San Francisco Community Clinic Consortium (SFCCC) to be used for the purchase of personal protective equipment (PPE) for SFCCC and non-SFCCC providers. This grant will help providers as they continue to deal with the ongoing impact of COVID-19.

    c. A net increase in administrative expenses of $98,000 due to:
        i. Additional professional services in the areas of evaluating and enhancing system security and for executive training/coaching.

Chart on the next page highlights the key income statement categories for June with adjustments for SUR activity in order to show margin or loss from ongoing operations. This

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chart reflects the impact of $6.0 million revenue loss as the result of the 1.5% Medi-Cal rate reduction.

	JUN 2020				FYTD 19-20 THRU JUN			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	144,308	135,772	8,536	6.3%	1,666,675	1,659,144	7,531	0.5%
REVENUE	$ 43,988,000	$ 46,587,000	$ (2,599,000)	-5.6%	$ 737,385,000	$ 718,481,000	$ 18,904,000	2.6%
MEDICAL EXPENSE	$ 47,866,000	$ 43,288,000	$ (4,578,000)	-10.6%	$ 698,339,000	$ 677,988,000	$ (20,351,000)	-3.0%
MLR	110.5%	94.4%			95.8%	95.6%		
ADMINISTRATIVE EXPENSE	$ 4,427,000	$ 4,330,000	$ (97,000)	-2.2%	$ 52,058,000	$ 51,421,000	$ (637,000)	-1.2%
ADMINISTRATIVE RATIO	8.7%	7.8%			6.0%	6.0%		
INVESTMENT INCOME	$ 139,000	$ 167,000	$ (28,000)	-16.8%	$ 2,569,000	$ 2,000,000	$ 569,000	28.5%
MARGIN (LOSS)	$ (8,166,000)	$ (864,000)	$ (7,302,000)		$ (10,443,000)	$ (8,928,000)	$ (1,515,000)	
ADD BACK: SUR PAYMENTS AND ACCRUALS	$ 278,000	$ 278,000			$ 5,423,000	$ 8,928,000		
MARGIN (LOSS) FROM OPERATIONS	$ (7,888,000)	$ (586,000)	$ (7,302,000)		$ (5,020,000)	$ -	$ (5,020,000)	

On a year-to-date basis through June and after the removal of SUR activity, SFHP reported a loss of ($5,020,000). As mentioned earlier, SFHP absorbed a $6.0 million reduction in revenue due to the DHCS decision to implement a 1.5% premium rate reduction retroactive to July 2019. If the impact of the 1.5% rate reduction were to be excluded, SFHP would have reported a $1.0 million positive margin.

- Overall net revenue is above budget by $18.9 million. After removing the impact of Directed Payments and intergovernmental transfer (IGT) funding, net revenue is up $2.6 million even with the $6.0 million adjustment for the rate reduction. Additional member months and the 1.7% population acuity adjustment helped to offset the 1.5% rate reduction.
- Overall medical expense is above budget by $20.3 million. After removing the impact of Directed Payments, IGT funding and SUR activity, medical expense was $7.6 million above budget due mainly to additional capitation expense related to higher member months, the impact of accrued claims related to the expanded Proposition 56 program and All Patients Refined Diagnosis Related Groups (APR-DRG) inpatient claims.
- Overall administrative expense is above budget by $637,000. This is primarily due to GASB 68 adjustments required by the rules that outline the recording of net pension costs for the full fiscal year.

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PROJECTIONS

Mr. Bishop reviewed the following financial projections through December 2020:

1. As of June 2020, SFHP added $5.0 million to the Practice Improvement Program (PIP) related to the FY 18-19 SUR program. Unpaid SUR commitments of $7.6 million will carry over to future fiscal years, i.e., $5.8 million for FY 20-21, $1.0 million for FY 21-22 and $800,000 for FY 22-23.

2. Due to the impact of the COVID-19 pandemic, SFHP anticipates an increase in Medi-Cal membership between July and December. After working with our actuary, sister plans and the county of San Francisco to gather information to help us develop estimates for the upcoming months, SFHP expects to add approximately 22,000 new members over the next twelve months. These new members would be spread across the Adult, Child and Adult Expansion categories of aid.

3. In response to the COVID-19 pandemic and the effect it is having on state of California finances, the State Legislature approved the implementation of a 1.5% rate reduction retroactive to July 2019. This rate reduction is effective for the entire Bridge Period which runs through December 31, 2020. The rate reduction applies to all categories of aid except dual eligible members. SFHP estimates the impact of this rate reduction to be $3.3 million for the period of July through December 2020. At this time, SFHP does not plan to adjust provider rates and plans to absorb the $3.3 million loss of revenue, pending approval by the Finance Committee and Governing Board.

4. At the Governing Board meeting in March 2020, a recommendation to decrease capitation rates for the Dual member category of aid was approved. This rate decrease became effective July 1, 2020. The overall impact of this rate decrease will be 0.9%.

5. Proposition 56 – This program provides enhanced payments to medical groups for qualifying physician services and supplemental payments for developmental screenings, adverse childhood experiences screenings, trauma screenings and value-based payments related to a variety of health care quality measures. Due to the impact of COVID-19 on the state budget, the Governor proposed to eliminate Proposition 56 programs effective July 1, 2020. The State Legislature, however, did not approve the Governor’s proposal and the Proposition 56 programs will continue.

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HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

$2.6 Million Receivable from the City of San Francisco Department of Human Resources

The Healthy Workers program has approximately 12,000 members enrolled with SFHP. This block of membership consists of two groups – 11,800 In-Home Supportive Services (IHSS) workers with the Public Authority for IHSS and approximately 200 As-Needed Workers, part-time employees with the Department of Human Resources (DHR). The Public Authority for IHSS funds the premiums for the IHSS Workers and the DHR funds the premiums for the As-Needed Workers.

Due to excessive delays with DHR issuing a previous amendment and new contract to continue enrollment and health care benefits for the As-Needed Workers, SFHP is carrying a $2.6 million receivable from DHR for unpaid premiums dating back to August 2017. During this time, SFHP has continued to keep the As-Needed Workers enrolled in Healthy Workers based on the understanding that both SFHP and the DHR intended to continue the contractual relationship. SFHP understood that formal contract extensions documenting the new rates to which the parties agreed and payment of premiums owed were imminently forthcoming.

To fulfill its contractual obligations and ensure As-Needed Workers would have uninterrupted access to primary care, hospital, mental health, and vision services, SFHP has paid monthly capitation to the San Francisco Department of Public Health, Community Behavioral Health Services, and Vision Service Plan. In addition, as SFHP is at risk for the pharmacy benefits available to the As-Needed Workers, SFHP has continued to cover the cost for prescription drugs for these individuals. SFHP has continued to make these monthly capitation payments and pay for prescription drugs since August 2017. The DHR, however, has not paid any premiums owed from and after August 1, 2017.

During this period of nonpayment, SFHP has made ongoing inquiries with the DHR regarding the status of the contract extension and the plans to pay all premiums owed. While representatives of the DHR would engage in conversations, there has been no movement. On July 24, 2020, SFHP sent a formal letter to the Deputy Managing Director of the DHR requesting a definitive timeline for when premium payments will be made and when a formal contract extension will be executed. If the DHR does not provide SFHP with the requested timelines, incorporating reasonable and satisfactory commitments, SFHP will be forced to cancel the parties' agreement and terminate coverage for the As-Needed Workers. SFHP will also formally pursue a claim with the City and County of San Francisco for all premiums owed to date.

On August 3, 2020, SFHP received a response from the Deputy Managing Director of the DHR. In the response, the DHR committed to sending a draft of the contract to the City Attorney by August 7, 2020 with a further expectation that the draft contract would be provided to SFHP by late August. Both SFHP and the DHR have agreed to participate in weekly update meetings until this issue is resolved.

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Investment Reports

Mr. Takeuchi then reviewed the investment reports that were provided to the Finance Committee in the packet.

The Finance Committee unanimously approved the year-end 2019-20 unaudited financial statements and investment reports for forwarding to the full Governing Board for approval.

3. Review and Approval of Year-To-Date July 2020 Unaudited Financial Statements and Investment Reports

Recommendation: Review and Approval of Unaudited Monthly Financial Statements and Investment Reports

Mr. Bishop and Mr. Takeuchi reviewed the financial statements for the period ending July 30, 2020. Mr. Bishop discussed the following highlights:

1. July 2020 reported a loss of ($236,000) versus a budgeted loss of ($1,677,000). After removing Strategic Use of Reserves (SUR) activity, the actual loss from operations would be ($236,000) versus a budgeted loss of ($1,114,000). The budget assumed five claims disbursement cycles in July. FY 19-20 accruals pushed the majority of this claims expense in June.

2. Variances between July actual results and the budget include:
    a. A net increase in revenue of $510,000 due to:
        i. $785,000 increase in premium revenue due to 2,395 more member months when compared to the budget. Membership has been on an upward trend mostly due to members not placed on hold. Due to the COVID-19 pandemic, the DHCS has ceased negative eligibility actions against beneficiaries. Adult Expansion member months were 3,786 more than budget.
        ii. $275,000 less in Hepatitis C revenue as the result of 107 fewer treatment weeks.

    b. A net decrease in medical expense of $440,000 due to:
        i. $563,000 less in SUR activity. This is a timing issue as it is expected that SUR disbursements will align with the budget as we get deeper into the fiscal year.
        ii. $406,000 less in Pharmacy expense. Of this amount, $275,000 was related to 107 fewer Hepatitis C treatment weeks. The remainder of $131,000 was related to slightly lower utilization than expected.
        iii. $529,000 more in capitation expense as the result of 2,395 more member months.

    c. A net decrease in administrative expenses of $439,000 due to:
        i. $186,000 more in Compensation and Benefits. SFHP assumed a 12% attrition factor for FY 20-21. Due to the COVID-19 pandemic, we are seeing less staff turnover and therefore a greater percentage of positions are filled on a month-to-month basis.

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ii. $625,000 less in professional services, as well as in systems maintenance, telecommunications, and system support costs. The month of July followed the typical pattern for administrative expenses, i.e., the 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.

The chart below highlights the key income statement categories for July with adjustments for SUR activity in order to show margin or loss from ongoing operations.

	JUL 2020				FYTD 19-20 THRU JUL			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	144,252	141,857	2,395	1.7%	144,252	141,857	2,395	1.7%
REVENUE	$ 49,068,000	$ 48,558,000	$ 510,000	1.1%	$ 49,068,000	$ 48,558,000	$ 510,000	1.1%
MEDICAL EXPENSE	$ 45,093,000	$ 45,533,000	$ 440,000	1.0%	$ 45,093,000	$ 45,533,000	$ 440,000	1.0%
MLR	93.1%	95.1%			93.1%	95.1%		
ADMINISTRATIVE EXPENSE	$ 4,305,000	$ 4,744,000	$ 439,000	9.3%	$ 4,305,000	$ 4,744,000	$ 439,000	9.3%
ADMINISTRATIVE RATIO	7.5%	8.5%			7.5%	8.5%		
INVESTMENT INCOME	$ 94,000	$ 42,000	$ 52,000	123.8%	$ 94,000	$ 42,000	$ 52,000	123.8%
MARGIN (LOSS)	$ (236,000)	$ (1,677,000)	$ 1,441,000		$ (236,000)	$ (1,677,000)	$ 1,441,000	
ADD BACK: SUR PAYMENTS AND ACCRUALS	$ -	$ 563,000			$ -	$ 563,000		
MARGIN (LOSS) FROM OPERATIONS	$ (236,000)	$ (1,114,000)	$ 878,000		$ (236,000)	$ (1,114,000)	$ 878,000	

PROJECTIONS

Mr. Bishop reviewed the following financial projections through January 2021:

1. Due to the impact of the COVID-19 pandemic, SFHP anticipates an increase in Medi-Cal membership over the next six months. After working with our actuary, sister plans and the county of San Francisco to gather information to help us develop estimates for the upcoming months, SFHP expects to add approximately 22,000 new members during FY 20-21. These new members would be spread across the Adult, Child and Adult Expansion categories of aid. July membership was 2,395 members greater than budget projections.

2. In response to the COVID-19 pandemic and the effect it is having on state of California finances, the State Legislature approved the implementation of a 1.5% rate reduction retroactive to July 2019. This rate reduction is effective for the entire Bridge Period which runs through December 2020. The rate reduction applies to all categories of aid except dual eligible members. SFHP estimates the impact of this rate reduction to be

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$3.3 million for the period of July through December 2020. This revenue loss was built into the FY 20-21 budget.

3. Beginning January 1, 2021, the pharmacy benefit will be carved out of Medi-Cal managed care. The State will take on this benefit and has selected Magellan as its Pharmacy Benefits Manager (PBM). For the period of January through June 2021, SFHP will see a revenue reduction of $44 million and an expense reduction of $43 million. The carve-out of the pharmacy benefit was built into the FY 20-21 budget.

4. It is expected that SFHP will receive preliminary CY 2021 rates in September or October 2020. DHCS and Mercer plan to use multiple efficiency factors when developing the rates which, when combined with the ongoing impact of COVID-19 on state finances, make it difficult to predict what will happen to our rates. To take a conservative approach, SFHP assumed a 2% rate reduction effective January 2021.

5. Proposition 56 – This program will continue for FY 20-21 and will provide enhanced payments to medical groups for qualifying physician services, supplemental payments for developmental screenings, adverse childhood experiences screenings, trauma screenings, family planning services and value-based payments related to a variety of health care quality measures.

6. Directed Payments – SFHP projects to receive $136 million in Directed Payments funding during FY 20-21. These funds will be disbursed to Zuckerberg San Francisco General, UCSF, as well as private hospitals. 50% of this funding is expected to be received in September.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

$40 Million Increase in Line of Credit

Due to the uncertainty created by the COVID-19 pandemic, potential delays with Medi-Cal payments and upcoming Managed Care Organization (MCO) tax obligations, SFHP approached City National Bank (CNB) with a request to increase the current $40 million line of credit to $80 million. After much due diligence on the part of CNB, our request was approved. CNB agreed to allow our line of credit to flex to as much as $80 million if warranted by negative changes in cash flow.

In a worst-case scenario where delays could occur with the monthly Medi-Cal premium payments as well as SFHP having to make $38 million in MCO tax payments before receiving the tax funding from DHCS, SFHP projected it would need approximately $72 million to bridge the gap created by timing delays. Should SFHP need to access funds through the line of credit, the interest rate would be 2.5%.

SFHP is cautiously optimistic that it will not be necessary to draw down on the additional $40 million. The June Medi-Cal premium payment was received on schedule (mid-July). DHCS has indicated it intends to include the MCO tax component in health plan rates before health plans are required to make the first tax payment by

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September 15, 2020. DHCS must receive CMS approval before disbursing the tax component to the health plans.

CNB has been SFHP's banking partner since July 2012. Not long after establishing this new relationship, SFHP was able to secure a $40 million line of credit to help cover potential delays in Medi-Cal premium payments. Only once has SFHP needed to access line of credit funding in the last eight years. In 2019, it was necessary to use a portion of the line of credit for five days to cover an unanticipated delay in Medi-Cal payments.

Investment Report

Mr. Takeuchi then reviewed the investment reports that were provided to the Finance Committee in the packet. The Finance Committee unanimously approved the unaudited monthly financial statements and investment reports for forwarding to the full Governing Board for approval.

4. Review and Approval of Modifications to Practice Improvement Program (PIP) Payments to Providers During the COVID-19 Public Health Emergency

Recommendation: Review and Approval of Modifications to Practice Improvement Program (PIP) Payments to Providers during the COVID-19 Public Health Emergency.

John F. Grgurina, Jr., CEO, reviewed the recommendation to approve the change to the PIP payment structure for FY 20-21 during the COVID-19 public health emergency:

1. Allocate 50% of capitation withhold to traditional PIP payments.
2. Allocate 50% of capitation withhold to Quality Improvement Projects (QIP) to increase primary care visit utilization to pre-COVID levels, use of telehealth modalities, engage with high-risk COVID members, identify care disparities caused by race-based clinical algorithms, review SFHP-provided list of members on multiple chronic medications for whom continuity of care may be impacted by the Medi-Cal Rx transition, or another quality-related project of the participants' choosing.

COVID-19 has significantly impacted the way care is delivered in the health care system. Mandates from Governor Newsom, changes in individual behavior, and shifting provider priorities have not only limited PIP's influence on provider clinical priorities and motivation, but have also had severe financial impacts on the SFHP provider network.

Furthermore, the DHCS financial incentive and Pay-for-Performance payment policy for federally qualified health centers (FQHCs) requires PIP payments to enumerate specific metrics and/or performance terms for FQHCs attain the FQHC payment.

The following PIP programmatic adjustments have been approved by the Chief Medical Officer to ease the PIP reporting burden for FY 2020-21:

1. Decrease measure set from 28 total measures to 13 total measures based on clinical importance. See attached for list of measures.
2. Update quarterly scoring methodology:

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a. Reduce performance requirements of Priority Five Continuous Quality measures.
b. Maintain scoring methodology of non-priority five measures.
c. Pay for reporting on new measures (Breast Cancer Screening and Depression Screening).

The Finance Committee unanimously approved the modifications to PIP payments to Providers during the COVID-19 Public Health Emergency for forwarding to the Board for approval.

5. Review and Approval of No Cash Bonus Payments to SFHP Employees for FY 19-20

Recommendation: SFHP completed FY19-20 successfully by achieving an organization score of 89% for the success criteria for the organizational goals approved by the Governing Board.

However, with the impact of COVID-19 on the state budget, SFHP incurred an unexpected 1.5% Medi-Cal rate cut, retro-active to June 2019, which resulted in a year-end loss of ($5,020,000). Distribution of the FY 19-20 staff cash bonus is not recommended this year.

Mr. Grgurina reviewed the recommendation to the Finance Committee. He stated that SFHP's performance against the organizational goals and success criteria yielded a successful score of 89%. He then stated that SFHP, however, ended FY 19-20 with a loss of ($10,443,000) versus a budgeted loss of ($8,928,000). After removing SUR activity, the actual loss from operations would be ($5,020,000) versus a budget of break even. The loss is due to the Medi-Cal health plan rate cut of 1.5% retroactive to June 2019. If we exclude the loss of the unexpected 1.5% Medi-Cal rate reduction, SFHP would have reported a positive margin of $1.0 million.

Due to this financial result, Mr. Grgurina stated that SFHP does not recommend the distribution of a staff cash bonus in FY 19-20.

The Finance Committee approved the recommendation for forwarding to the full Governing Board for approval.

6. Review and Approval of Staff Salary Ranges and No Merit Increase for FY20-21

Recommendation: SFHP recommends the Finance Committee approve the adoption of the SFHP FY 2020-2021 Salary Schedule to meet CalPERS requirements regarding retiree salary computation. Please note that, due to current market conditions, we are not recommending any changes to our current ranges but are instead recommending keeping them at the FY 2019-2020 levels. As such, the Salary Schedule changes from last year are minimal.

To satisfy CalPERS requirements, on an annual basis we must provide CalPERS with a copy of our Salary Ranges and Positions by Grade Level with a formal approval by the Governing Board. Our salary ranges will continue to be very broad to allow for

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management flexibility, as well as to ensure that all incumbents' base pay falls within the market-driven, Governing Board-approved salary ranges to meet CalPERS requirements. Upon retirement, the retiree's highest three years of salary must be included within the range of his/her position to initiate retirement benefits.

Despite a strong financial year in 2019, the job market reversed course significantly as the effects of COVID-19 began to hit in March of 2020. Given the uncertainty of the economy's future, many if not most employers are postponing salary range increases, salary increases and bonus payouts. Accordingly, and with an abundance of caution regarding what may lie ahead, we recommend no increases to our FY 2020-2021 salary ranges. We also do not recommend fiscal year-end (FYE) 2020 merit increases or FYE 2020 cash bonus payments to SFHP staff.

We will, however, be granting promotions and making market adjustments to address internal and external inequities. As a result, 27 employees (approximately 7.7% of the staff) will receive a market adjustment, totaling $86,164, which is 0.24% of our annual payroll budget. For context, we provided 39 employees with a market adjustment last fiscal year, totaling $152,365 or 0.44% of last year's annual payroll budget.

The Finance Committee approved the adoption of the SFHP FY 2020-2021 Salary Schedule as presented for forwarding to the full Governing Board for approval.

The Finance Committee adjourned to Closed Session.

7. **Review and Approval of Recommendation Not to Impose a 1.5% Rate Reduction for Medi-Cal Providers and Not to Pursue Litigation Against the Department of Health Care Services**

Recommendation: SFHP recommends not adjusting provider rates retroactively or prospectively and will absorb the $9.3 million loss of revenue. Reducing provider rates at this time would place an undue burden on providers as they continue to deal with the severe impacts of the COVID-19 pandemic. This recommendation is not intended to be precedent-setting.

This item was discussed in closed session.

The Finance Committee Resumed to open session.

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

Adjourn

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Reece Fawley
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Reece Fawley, Secretary/Treasurer