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SAN FRANCISCO HEALTH PLAN
Here for you

Joint San Francisco Health Authority/San Francisco Community Health Authority
Minutes of the Finance Committee
May 5, 2021

Present: Eddie Chan, Pharm D, Reece Fawley, Steven Fugaro, MD, Greg Wagner, and Emily Webb

Staff: Skip Bishop, John F. Grgurina, Jr., Rand Takeuchi, and Nina Maruyama (note taker)

Absent: None

Guests: None

Reece Fawley, Chair, Finance Committee, chaired the meeting and identified that there were no public guests. Mr. Fawley asked for public comments and there were 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 Finance Committee 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 Finance Committee, staff and the public. The Finance Committee members and staff of the San Francisco Health Plan (SFHP) attended the meeting via video conference.

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

1. Approval of Minutes from March 3, 2021 Finance Committee Meeting

The minutes of the March 3, 2021 Finance Committee meeting were unanimously approved as written.

2. Approval of Minutes from April 7, 2021 Special Meeting.

The minutes of April 7, 2021 special Finance Committee meeting were unanimously approved as written.

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

Recommendation: Review and Approval of Year-To-Date Unaudited Financial Statements and Investment Reports.

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Rand Takeuchi, Director, Accounting, reviewed year-to-date unaudited financial statements for the period ending March 31, 2021. Mr. Takeuchi discussed the following highlights:

1. March 2021 reported a margin of $987,000 versus a budgeted loss of ($938,000). After removing Strategic Use of Reserves (SUR) activity, the actual margin from operations was $1,008,000 versus a budgeted loss of ($522,000).

   On a year-to-date basis, we have a margin of $1,302,000 versus a budgeted loss of ($6,498,000). After removing SUR activity, the actual margin from operations is $2,535,000 versus a budgeted loss ($1,917,000).

   In March, we received $61.7 million in Directed Payments funding related to the periods of January through June 2019 and July through December 2019. The FY 20-21 budget projected Directed Payments funding of $16.4 million for March. Total Directed Payments funding for FY 20-21 is $195.6 million versus a budget expectation of $137.0 million. The variance is due to the fact that SFHP did not anticipate receiving Directed Payments related to the first half of FY 19-20. Directed Payments represent pass-through funding for Zuckerberg San Francisco General (ZSFG), University of California San Francisco (UCSF) and private hospitals. The Department of Health Care Services (DHCS) and the Department of Managed Health Care (DMHC) allow Directed Payments funding to be treated as revenue and medical expense.

2. Variances between March actual results and the budget include:
   a. A net increase in revenue of $57.0 million due to:
      i. $45.2 million in Directed Payments funding related to FY 18-19 and Bridge Period July through December 2019. The additional funding for July through December 2019 was not anticipated to be received during FY 20-21.
      ii. $8.0 million more in premium revenue due to the delay of the Medi-Cal pharmacy carve-out to April 1, 2021. The budget assumed the pharmacy carve-out would be effective January 1, 2021, therefore we projected lower revenue due to the transfer of the pharmacy benefit to the State. DHCS built a new pharmacy component into the CY 2021 rates to cover this benefit for the period of January through March 2021.
      iii. $2.0 million more in premium revenue due to the Medi-Cal rate increases effective January 1, 2021. Member months were 4,553 less than budget projections, however the rate increases more than offset the shortfall in member months and drove extra revenue. Adult, Child and SPD member months were 10,962 less than budget, however Adult Expansion member months were 6,386 more than budget. Membership continues to be on an upward trend with new members coming in, however we are not adding members at quite the same rate as expected per the budget. Due to the Public Health Emergency (PHE) created by the COVID-19 pandemic, members are not being placed on hold for purposes of redetermination. DHCS has

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ceased negative actions, which allows members to have continued eligibility in the Medi-Cal program until the end of the PHE.

iv. $1.3 million more in premium revenue related to DHCS member reclassification adjustments retroactive to January 2014.
v. $439,000 more in Hepatitis C revenue. The budget did not assume any Hepatitis C revenue as the pharmacy carve-out was expected to happen January 1, 2021.
vi. $76,000 more in Maternity revenue due to nine more maternity events.

b. A net increase in medical expense of $54.7 million due to:
   i. $45.2 million in Directed Payments funding related to FY 18-19 and Bridge Period July through December 2019. The additional funding for July through December 2019 was not anticipated to be received during FY 20-21.
   ii. $7.8 million more in Medi-Cal non-Hepatitis C pharmacy expense. Much like on the revenue side, the budget assumed the pharmacy carve-out would be effective January 1, 2021, therefore we projected lower medical expense due to the transfer of the pharmacy benefit to the State.
   iii. $1.4 million more in capitation and hospital fee-for-service claims. This increase was due to 1) heavy claims volume as there were five claims payment cycles in March; and 2) higher capitation expense due to membership mix, i.e., more Adult Expansion members and fewer Adult and Child members.
   iv. $463,000 more in Hepatitis C drug expense. The budget did not assume any Hepatitis C expense for March as the pharmacy carve-out was expected to happen January 1, 2021.
   v. $383,000 more in Healthy Workers pharmacy expense. The actual cost was $97.47 pmpm while the budgeted cost was $65.18 pmpm. It is important to note that SFHP received only $57.67 pmpm in the Healthy Workers rate making the true loss $472,000. There is a new pharmacy rate effective April 1, 2021, which should eliminate the monthly loss on this benefit.
   vi. $256,000 more in Non-Specialty Mental Health (NSMH) expense. This additional cost is due to higher than expected utilization.
   vii. $148,000 more in Community-Based Adult Services (CBAS) expense. This increase is due to higher utilization resulting from the implementation of Temporary Alternative Services (TAS) which allows the CBAS centers to submit claims for telephonic and telehealth services provided to Medi-Cal members during the PHE
   viii. $973,000 less in Health Education and Stop Loss expenses. This majority of this savings is related to $750,000 in stop loss recoveries received for CY 2018.

c. A net decrease in administrative expenses of $242,000 primarily due to:
   i. $212,000 more in TPA services. We incurred Pharmacy Benefits Manager (PBM) fees due to the delay in the Medi-Cal pharmacy

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carve-out. We also experienced higher non-specialty mental health administrative fees due to increases in membership.

ii. $161,000 more in Professional Fees and Consulting related to projects with Sellers-Dorsey, a consulting firm contracted to provide CalAIM assistance for the San Francisco Department of Public Health (SF DPH), Visions, Inc. (diversity, equity and inclusion consulting work for SFHP) and Three Tenants (leadership development consultant).

iii. $95,000 less in Compensation and Benefits due to adjustments related to the recording of pension expense in accordance with GASB 68 rules, which were offset by discontinuing the bonus accrual (the accrual is fully funded for FY 20-21) and not implementing merit increases in FY 20-21.

Mr. Takeuchi reviewed the chart below highlighting the key income statement categories for March with adjustments for SUR activity in order to show margin or loss from ongoing operations.

	MAR 2021				FYTD 20-21 THRU MAR			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	156,018	160,571	(4,553)	-2.8%	1,351,391	1,356,057	(4,666)	-0.3%
REVENUE	$ 118,527,000	$ 61,549,000	$ 56,978,000	92.6%	$ 664,001,000	$ 569,171,000	$ 94,830,000	16.7%
MEDICAL EXPENSE	$ 112,603,000	$ 57,868,000	$ (54,735,000)	-94.6%	$ 625,739,000	$ 534,290,000	$ (91,449,000)	-17.1%
MLR	95.6%	95.1%			95.1%	94.9%		
ADMINISTRATIVE EXPENSE	$ 4,903,000	$ 4,661,000	$ (242,000)	-5.2%	$ 37,107,000	$ 41,754,000	$ 4,647,000	11.1%
ADMINISTRATIVE RATIO	3.6%	6.5%			4.7%	6.3%		
INVESTMENT INCOME	$ (34,000)	$ 42,000	$ (76,000)		$ 147,000	$ 375,000	$ (228,000)	-60.8%
MARGIN (LOSS)	$ 987,000	$ (938,000)	$ 1,925,000		$ 1,302,000	$ (6,498,000)	$ 7,800,000	
ADD BACK: SUR ACTIVITY	$ 21,000	$ 416,000			$ 1,233,000	$ 4,581,000		
MARGIN (LOSS) FROM OPERATIONS	$ 1,008,000	$ (522,000)	$ 1,530,000		$ 2,535,000	$ (1,917,000)	$ 4,452,000	

On a year-to-date basis through March and after the removal of SUR activity, SFHP is $2,535,000 ahead of budget expectations.

- After removing the Directed Payments funding, premium revenue is above budget by $36.3 million. This is due to:
  - $24.0 million in pharmacy revenue that was not expected as the pharmacy benefit was to be carved out January 1, 2021.
  - Although we have seen an overall net decrease of 4,666 member months, Adult Expansion member months are 46,282 above budget which has a favorable impact on revenue due to the fact that the premium rate for this category of aid is $388 pmpm compared to $293 pmpm for the Adult 19 category and $112 pmpm for the Child 18 category.
  - A Medi-Cal rate increase effective January 1, 2021.

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- After removing SUR activity and Directed Payments funding, medical expense is above budget by $36.2 million. This increase can be accounted for as follows:
  - Medi-Cal pharmacy costs are up $22.7 million
  - Capitation and FFS expenses are up $7.9 million
  - Prop 56 supplemental payments are up $5.3 million
  - Healthy Workers pharmacy costs are up $1.8 million
  - CBAS expenses are up $1.3 million
  - Health Education costs are down ($2.8 million)

  Medi-Cal pharmacy costs are up due to the delay in the carve-out. Capitation and FFS expenses are up due to increasing membership as well as some high dollar inpatient hospital claims that we incurred in January. Healthy Workers pharmacy costs are higher as the reimbursement rate established in early 2018 is not sufficient to cover current drug costs and associated utilization. SFHP worked with the SF DPH and the San Francisco Human Services Agency to secure a pharmacy rate increase for April 1, 2021. The rate increases from $57.67 pmpm to $93.61 pmpm. Proposition 56 supplemental payment activity is higher than anticipated, however, this is not an issue as SFHP has received more than enough funding to cover these costs. CBAS costs are up due to greater utilization caused by the ongoing PHE.

- Overall administrative expense is below budget by $4.6 million. The majority of this decrease is due to the elimination of the monthly bonus accrual, not implementing merit increases and lower costs in the areas of professional services and information technology services. In addition, the budget included dollars for major projects which have not been incurred yet, i.e., CalAIM and CMS Interoperability.

PROJECTIONS

Mr. Takeuchi reviewed the following financial projections through September 2021:

1. Due to the ongoing COVID-19 pandemic, SFHP anticipates continued increases in Medi-Cal membership over the next six months. We projected an increase of approximately 22,000 new members during FY 20-21. Through March, we have added 13,700 new members. These new members have been spread across the Adult, Child and Adult Expansion categories of aid. We will continue to watch membership growth very closely as we develop the budget for FY 21-22.

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 was effective for the entire Bridge Period which ran from July 2019 through December 2020. The rate reduction applied to all categories of aid except dual eligible members. SFHP estimated the impact of this rate reduction to be $3.3 million for the period of July through December 2020. This revenue loss was built into the FY 20-21

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budget. DHCS will not implement a similar reduction for January through June 2021.

3. The Medi-Cal pharmacy benefit carve-out scheduled for January 2021 has been delayed with no transition date established at this time. SFHP estimates approximately $8 million dollars of revenue per month along with a similar amount for the associated pharmacy expenses for each month that SFHP continues to have responsibility for the benefit.

4. In December 2020, SFHP received final rates for CY 2021. Overall, SFHP received an increase of approximately 4.3%, plus the return of the 1.5% Bridge Period rate reduction (1.3% actual). As SFHP looks ahead to future changes coming to Medi-Cal Managed Care, we recognize the need for the health plan to rebuild its reserves that have been reduced by several Strategic Use of Reserves (SUR) programs along with retroactive adjustments implemented by DHCS totaling $12.7 million.

5. Beginning in July 2021, hospital risk for 16,000 members enrolled with the San Francisco Community Clinic Consortium (SFCCC) will transfer from Zuckerberg San Francisco General (ZSFG) to SFHP. SFHP will no longer pay capitation to ZSFG for these members. SFHP will be responsible for all in-network and out-of-network hospital services under a fee-for-service arrangement – All Patient Refined Diagnosis Related Groups (APR-DRG) for inpatient services and 140% of the Medi-Cal Fee Schedule (MCFS) for outpatient facility services. Primary care and specialty care services will remain under capitation. It is estimated that this new risk will cost SFHP approximately $16-$20 million per year. This additional cost will be included in the FY 21-22 budget.

6. Proposition 56 – this program will continue for the remainder of this fiscal year as well as in FY 21-22. Proposition 56 provides 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.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

PHARMACY MAXIMUM ALLOWABLE COST ADJUSTMENTS

Skip Bishop, CFO, reviewed that DHCS and its actuary, Mercer, adjusts health plan premium rates if it is determined that a Medi-Cal Managed Care Plan is not effectively managing pharmacy costs. DHCS and Mercer analyze the effectiveness of each plan's pharmacy cost management through a Maximum Allowable Cost (MAC) avoidable cost analysis. To identify potentially avoidable costs due to reimbursement inefficiencies, DHCS and Mercer utilize the plan's pharmacy data and review the reimbursement contracting for generic products. Each pharmacy claim is compared against a benchmark Medicaid MAC list for the same timeframe to create a cost savings amount for each claim. To calculate the cost savings amount, a derived paid amount which utilizes the unit price

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from the benchmark MAC list is calculated for each claim and subtracted from the actual paid amount on each claim. The total cost savings for each claim is then combined and aggregated for each plan to calculate the total cost savings for each plan. In instances where the actual paid amount is less than the derived paid amount (negative cost savings), the negative amount is counted against the cost savings amount.

For the last three rate cycles which include July 2018 through June 2019, July 2019 through December 2020 and CY 2021, DHCS and Mercer did not apply a pharmacy MAC adjustment, which means our rates were not reduced due to inefficient pharmacy cost management. Our Pharmacy department employs several strategies to ensure effective pharmacy cost management:

- We have PBM contractual obligations requiring aggressive generic pricing.
- We ensure that our MAC list, which is the number of generics managed through MAC reimbursement, is as broad as possible.
- We monitor monthly MAC changes by the PBM and investigate changes that are beyond a 10% increase.

Our actuary, Edrington Health Consulting, estimates that our ability to avoid MAC adjustments would be worth $3 million to $5 million annually. This estimate is derived by taking the average range of MAC adjustments for other Medi-Cal plans.

Mr. Bishop reviewed several charts that show MAC adjustments by Medi-Cal plan for the last three rate cycles. He highlighted that SFHP was the only Medi-Cal plan to **not** have its rates reduced due to MAC adjustments for all three years.

Investment Reports

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

Mr. Fawley stated that based on the report, the second half of the fiscal year appears to look good. Steven Fugaro, MD, asked if the increased administrative cost of $212,000 was due to the unbudgeted PBM costs, due to the delay with Medi-Cal Rx. Mr. Bishop confirmed that was the case and that DHCS has not yet set a new implementation date for Medi-Cal Rx.

John F. Grgurina, Jr., noted that a concern coming up will be DHCS' move toward regional rates and reliance on encounter data. Mr. Bishop added that Kyle Edrington would be coming to the Finance Committee in June to discuss the impact encounter data will have on health plan rates.

The Finance Committee unanimously approved the year-to-date unaudited financial statements and investment reports ending March 31, 2021, for forwarding to the full Governing Board for approval.

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4. Semi-Annual Compliance Report

Nina Maruyama, Chief, Compliance and Regulatory Affairs Officer, reviewed the semi-annual Compliance Report with the Finance Committee for the period from November 2020 to April 2021.

Ms. Maruyama stated that on an annual basis, the SFHP Compliance and Learning and Development departments provide training for all SFHP staff. All employees are required to participate in an online training course dedicated to fraud, waste, and abuse and HIPAA privacy and security rules. The training course emphasizes that it is everyone's responsibility to report any suspicion of possible fraud, waste, abuse (FWA) and/or misconduct and be HIPAA compliant. The FWA topics include the following: 1) definition of fraud, waste, and abuse, 2) detecting fraud, waste, and abuse; and 3) reporting fraud, waste, and abuse. In 2020, one hundred (100%) of all employees, including temporary employees, completed the training. The training for 2021 is currently underway, with a due date of May 21, 2021.

The Compliance Department is responsible for providing oversight to all auditing and monitoring activities. SFHP implemented an Audit Plan to monitor internal departments for compliance with regulatory and contractual requirements, including potential fraud, waste, or abuse. In 2020, 11 internal audits of SFHP operations were conducted. No instances of fraud or abuse were found from these audits.

- Provider Preventable Conditions
- Ground Emergency Medical Transportation
- Bundled procedures
- Non-Specialty Mental Health Vendor Claims Audit
- Two Clinical Grievance and Appeal Audits
- Member Exempt Grievance Review
- Two Member Non-Clinical Grievance Audits
- Member Correspondence Audit
- Preventive Services/IHA Audit

Although no instances of fraud were found as the result of these audits, coding errors and system configuration issues were found and system reconfiguration and education, for both providers and internal employees, is in process.

Ms. Maruyama informed the Finance Committee that SFHP contracts with Pondera to assist with monitoring claims, provider records, and eligibility files for potential fraud, waste, or abuse. The Compliance and Delegate Oversight team have been fully trained to use the software. Processes have been developed and initial returns have identified system issues and provider training opportunities. On a monthly basis, SFHP provides Pondera with all eligibility, claims, encounters, and provider information and Pondera identifies anomalies and outlier patterns within that data. The Compliance and Oversight department reviews the returned data from Pondera on a weekly basis and prioritizes cases to open based on potential risk and based on available staff resources. While there are hundreds of potential leads to investigate further, due to other projects, external and internal audits, and

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resource constraints, SFHP Compliance and Oversight team typically manages 40 to 50 cases for investigation. The leads for further investigation are chosen based on priority of the potential risk to SFHP, e.g., high costs or high risk to the plan.

In addition to the Pondera data returns, the Compliance and Oversight department also monitors the SFHP toll-free confidential hotline and the Compliance e-mail in-box for suspected fraud, waste, and abuse cases. In late 2020 through April 2021, there were no reports of suspected fraud reported via the hotline. Of the leads received, there were nine allegations of suspected fraud that were reported to DHCS as potential fraud.

Investigation Type	Number of Cases
Pharmacy/Drug Issue	1
Provider Billing Issues	6
Member Eligibility Issue	1
Other	1
Total	**9**

DHCS has not notified SFHP of the status of their investigation of these cases. Seven of these cases are still open with SFHP as well. The following is a brief summary of each case.

Case Number: 2010051
Provider Name: Mini Pharmacy Enterprises
Type: Pharmacy
Date Received: 10/29/20
Referral Source: DHCS

Summary: Pharmacy in Los Angeles was found to be automatically delivering refills of diabetic medications to patients' homes without patient request or knowledge. *Investigation still in progress.*

Case Number: 2010052
Provider Name: Mobility Express
Type: Provider Billing
Date Received: 11/02/20
Referral Source: Anonymous Caller

Summary: Anonymous caller alleged that provider was "scamming" SFHP by billing SFHP for rides when members were not provided. In addition, caller alleged that provider has not had insurance since June 2020. Caller provided specific names of callers that were billed without transport. *Investigation still in progress.*

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Case Number: 2010057
Member Name: Redacted
Type: Member Eligibility
Date Received: 12/16/20
Referral Source: Internal-MEM Employee

Summary: Claims appeared to be paid after the member's DOD, based on data from Medi-Cal. A hospital called to state that the member was being admitted. Investigation confirmed that the member is not deceased. SFHP informed DHCS to update the date of death. **Case is closed with no finding of fraud.**

Case Number: 2110081
Provider Name: SL Consulting
Type: Provider Billing
Date Received: 01/13/21
Referral Source: Internal-Clinical Ops employee

Summary: A non-contracted laboratory, Global Research Institute, submitted a high volume of provider dispute resolutions (PDRs). Upon further review of the claims, SFHP noticed that Global Research Institute billed SFHP for COVID testing and many other lab services that do not require authorization. *Case is still under investigation.*

Case Number: 2110084
Provider Name: Talkdoc
Type: Other
Date Received: 02/08/21
Referral Source: Internal-Care Management Employee

Summary: External website for a company called Talkdoc advertised as telehealth for behavioral health. The website had SFHP's logo on their website, without SFHP's permission. SFHP was not directly contracted with the company. The phone number on the website was for health supplements and it denied it had anything to do with mental health. Beacon investigated and determined the provider is a Beacon provider. The phone number posted had an error in the last digit. They have since fixed their phone number and have removed all plan logos. **Case is closed with no finding of fraud.**

Case Number: 2110086
Provider Name: D. W.
Type: Provider Billing
Date Received: 02/26/21
Referral Source: Beacon SIU

Summary: Beacon's SIU data mining identified this provider billing HCPCs Q3014, a facility-based code for telehealth services. Beacon sent a MC609 to DHCS. *Investigation is still in progress.*

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Case Number: 2110087
Provider Name: Care DX, Inc.
Type: Provider Billing
Date Received: 02/22/21
Referral Source: DHCS

Summary: DHCS received a fraud referral from an employee of Care Dx who alleged inappropriate conduct, including kickbacks. *Investigation in progress.*

Case Number: 2110090
Provider Name: D.S.
Type: Provider Billing
Date Received: 03/24/21
Referral Source: Internal-Compliance

Summary: Internal email regarding a media article that the provider was charged with unlawfully distributing oxycodone and hydrocodone. Claims report ran and found exposure. *Investigation is still in progress.*

Case Number: 2110092
Provider Name: Alvaro Cesar Rodriguez
Type: Provider Billing
Date Received: 04/09/21
Referral Source: Pondera-Fraud Detection Software

Summary: Received an alert from Pondera that a provider's license was suspended but claims were identified. Analysis verified that over $2,000 were paid to the provider for COVID testing after the license was suspended. Delegated providers have been alerted about the provider as well. *Investigation is still in progress.*

Ms. Maruyama also stated that SFHP maintains its policies and procedures up to date. Since November 2020, the following policies and procedures related to ITS security and HIPAA compliance were reviewed and updated:

- CRA-06: PHI Breach Investigation and Reporting Coverage
- CRA-07: PHI Breach Notification
- IS-26: Software Development Life Cycle (SDLC) Securing Coding Requirements
- IS-25: Password Policy

Compliance and Regulatory Affairs and ITS staff work collaboratively throughout the year to ensure compliance with these policies and procedures. In addition to the organization-wide annual training, Compliance and Regulatory Affairs and ITS departments developed a new policy and related staff training for all staff regarding Remote Work Security was also created to reinforce the importance of HIPAA compliance as staff work remotely. We will be starting virtual privacy rounding, which will be a review of remote setups and provide consultation as needed to improve the security of their home work environments.

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Privacy Incidents and Breaches

From the period November 2020 to present, SFHP did not have any reportable breaches, but we reported an incident to DHCS in December 2020. On December 14, 2020 there was a widely published Cyber Security attack on users of the Solarwinds Network Monitoring product. The attack involved malware that compromised an update to Solarwinds software. That malware was incorporated into the Solarwinds product, which was then used to update Solarwinds' customers' products. SFHP is a user of the Solarwinds product.

On May 6, 2020 SFHP updated its Solarwinds network monitoring product to the version that was reportedly compromised on the Solarwinds server. Once SFHP was alerted by its security vendors of the potential compromise, SFHP took the Solarwinds server and application out of service. In conjunction with its security vendors, Crowdstrike and Arcticwolf, SFHP looked for indications of compromise in the SFHP environment.

It was verified that SFHP had the compromised version of Solarwinds installed. However, the Solarwinds product was not and has not been connected to the Internet. As a result, the compromised Solarwinds application was unable to download additional malware, access any internal data or connect to any external servers. SFHP and its security vendors thoroughly assessed the impact and determined that no SFHP data were ex-filtrated or accessed inappropriately. SFHP data and systems were not breached.

Greg Wagner asked how SFHP ensures the staff do not have conflicts of interest when contracting with vendors. Ms. Maruyama stated that while Directors and above are required to complete and submit the Form 700, it was not sufficient since it is only a point in time and does not cover staff that are not Directors that may also be involved in the vendor selection process. She thanked Mr. Wagner for bringing up the issue and that we would work on updating SFHP's vendor selection process to address the need to identify and mitigate any potential conflicts of interests in the contracting process. She will provide the Committee with an update at a future meeting.

Ms. Maruyama stated that she will provide the next semi-annual Compliance Report in November 2021, including the status of the suspected fraud cases that are reported as still in progress in this report.

Adjourn

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Reece Fawley
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Reece Fawley, Secretary/Treasurer