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Joint San Francisco Health Authority/San Francisco Community Health Authority
Minutes of the Finance Committee
June 9, 2021

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

Staff: Skip Bishop, Brian Gentner, John F. Grgurina, Jr., Arthur Javier, Millie Sandhu, 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 May 5, 2021 Finance Committee Meeting

The minutes of the May 5, 2021 Finance Committee meeting were unanimously approved as written.

2. 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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Skip Bishop, CFO, reviewed the year-to-date unaudited financial statements for the period ending April 30, 2021. Mr. Takeuchi discussed the following highlights:

1. April 2021 reported a margin of $1,146,000 versus a budgeted margin of $291,000. After removing Strategic Use of Reserves (SUR) activity, the actual margin from operations was $1,161,000 versus a budgeted margin of $707,000.

   On a year-to-date basis, we have a margin of $2,448,000 versus a budgeted loss of ($6,207,000). After removing SUR activity, the actual margin from operations is $3,696,000 versus a budgeted loss ($1,210,000).

2. Variances between April actual results and the budget include:

   a. A net increase in revenue of $12.1 million due to:
      i. $8.2 million more in premium revenue due to the delay of the Medi-Cal pharmacy carve-out. 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 as long as the benefit remains in managed care.
      ii. $1.9 million more in Medi-Cal premium revenue due to rate increases effective January 1, 2021. Member months were 4,976 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 11,416 less than budget, however Adult Expansion member months were 6,439 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.
      iii. $1.6 million more in Healthy Workers premium revenue due to a rate increase effective April 1, 2021. The rate increased from $466.00 pmpm to $588.43 pmpm. Within the overall rate change, the pharmacy component increased from $57.67 pmpm to $93.61 pmpm. This increase helps to eliminate approximately $300,000 in monthly losses SFHP was experiencing on the Healthy Workers pharmacy benefit.
      iv. $396,000 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.

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b. A net increase in medical expense of $11.6 million due to:
    i. $7.7 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.
    ii. $3.2 million more in capitation and hospital fee-for-service claims. This increase was due to 1) $1.0 million more in Healthy Workers capitation expense due to the rate increase effective April 1, 2021; 2) higher capitation expense due to the Medi-Cal membership mix, i.e., more Adult Expansion members and fewer Adult and Child members; and 3) more fee-for-service expense due to membership growth.
    iii. $417,000 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.
    iv. $244,000 more in Healthy Workers pharmacy expense. The actual cost was $86.33 pmpm versus a budget of $65.18 pmpm. Although the actual cost was higher than the budget, we had a margin of $86,000 due to the rate increase effective April 1, 2021.
    v. $196,000 more in Non-Specialty Mental Health (NSMH) expense. This additional cost is due to ongoing utilization that has been higher than expected.
    vi. $156,000 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 Public Health Emergency (PHE).
    vii. $286,000 less in Health Education and Stop Loss expenses. This difference is due to timing. After excluding the impact of Directed Payments, it is expected that actual spending will align with budget expectations as we get closer to year end.

c. A net decrease in administrative expenses of $319,000 primarily due to:
    i. $548,000 less in all administrative expense categories except TPA services. Compensation and Benefits costs were less than budget due to the impact of discontinuing the bonus accrual (the accrual is fully funded for FY 20-21) and not implementing merit increases in FY 20-21.
    ii. $229,000 more in TPA services. We incurred Pharmacy Benefits Manager (PBM) fees due to the delay in the Medi-Cal pharmacy carve-out. We also experienced higher non-specialty mental health administrative fees due to increases in membership.

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

	APR 2021				FYTD 20-21 THRU APR			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	156,716	161,692	(4,976)	-3.1%	1,508,107	1,517,749	(9,642)	-0.6%
REVENUE	$ 57,409,000	$ 45,338,000	$ 12,071,000	26.6%	$ 721,411,000	$ 614,509,000	$ 106,902,000	17.4%
MEDICAL EXPENSE	$ 52,010,000	$ 40,445,000	$ (11,565,000)	-28.6%	$ 677,750,000	$ 574,735,000	$ (103,015,000)	-17.9%
MLR	91.7%	90.6%			94.9%	94.6%		
ADMINISTRATIVE EXPENSE	$ 4,325,000	$ 4,644,000	$ 319,000	6.9%	$ 41,433,000	$ 46,398,000	$ 4,965,000	10.7%
ADMINISTRATIVE RATIO	6.4%	8.8%			4.8%	6.3%		
INVESTMENT INCOME	$ 72,000	$ 42,000	$ 30,000	71.4%	$ 220,000	$ 417,000	$ (197,000)	-47.2%
MARGIN (LOSS)	$ 1,146,000	$ 291,000	$ 855,000	293.8%	$ 2,448,000	$ (6,207,000)	$ 8,655,000	
ADD BACK: SUR ACTIVITY	$ 15,000	$ 416,000			$ 1,248,000	$ 4,997,000		
MARGIN (LOSS) FROM OPERATIONS	$ 1,161,000	$ 707,000	$ 454,000	64.2%	$ 3,696,000	$ (1,210,000)	$ 4,906,000	

On a year-to-date basis through April and after the removal of SUR activity, SFHP is reporting a margin of $3.7 million which is $4.9 million ahead of budget expectations.

- After removing the Directed Payments funding, premium revenue is above budget by $48.3 million. This is due to:
  - $32.5 million in pharmacy revenue that was not expected as the pharmacy benefit was to be carved out January 1, 2021.
  - $1.6 million in additional Healthy Workers revenue due to a rate increase effective April 1, 2021.
  - Although we have seen an overall net decrease of 9,642 member months, Adult Expansion member months are 52,721 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.
- After removing SUR activity and Directed Payments funding, medical expense is above budget by $48.2 million. This increase can be accounted for as follows:
  - Medi-Cal pharmacy costs are up $30.8 million
  - Capitation and FFS expenses are up $13.3 million
  - Prop 56 supplemental payments are up $ 3.6 million
  - Healthy Workers pharmacy costs are up $ 2.1 million
  - CBAS expenses are up $ 1.5 million
  - Health Education costs are down ($ 3.1 million)

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Medi-Cal pharmacy costs are up due to the delay in the carve-out. Capitation and FFS expenses are up due to increasing membership, Healthy Workers capitation rate increases as well as some high dollar inpatient hospital claims that we incurred in January. Healthy Workers pharmacy costs are higher due to increasing drug costs and associated utilization, however due to the rate increase effective April 1, 2021, SFHP is no longer losing money on the Healthy Workers pharmacy benefit. 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 public health emergency.

- Overall administrative expense is below budget by $5.0 million. Most 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. Overall administrative expense savings has been partially offset by PBM TPA fees as we did not expect to have responsibility for the Medi-Cal pharmacy benefit in CY 2021.

PROJECTIONS

Mr. Bishop reviewed the following financial projections through October 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 April, we have added 18,400 new members. These new members have been spread across the Adult, Child, and Adult Expansion categories of aid. We 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 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 budget. Due to California's strong financial position, SFHP does not expect DHCS to 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. The plan is for

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the State to take on this benefit and has selected Magellan as its Pharmacy Benefits Manager (PBM). SFHP will see approximately $8 million dollars of revenue per month along with a similar amount for the associated pharmacy expense for each month that SFHP continues to have responsibility for the benefit.

4. In April 2021, SFHP received a rate increase for the Healthy Workers pharmacy benefit. The rate increased from $57.67 pmpm to $93.61 pmpm. This will deliver approximately $400,000 in additional revenue and eliminate the monthly loss SFHP has been experiencing with this benefit. The new rate is good through June 30, 2022. SFHP, the San Francisco Department of Public Health and the San Francisco Human Services Agency will be reviewing the Healthy Workers rate on an annual basis and will seek further increases if/when current rates are no longer adequate to cover costs.

5. 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.

6. 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.

7. Proposition 56 – this program will continue for the remainder of this fiscal year as well as 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.

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Investment Reports

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

Mr. Fawley stated that the financial position of SFHP is very good and the Finance team has put a lot of thought into many moving parts. The budget tracked amazingly well to actual revenue and expenses. Mr. Bishop added that the projections, including the additional fee-for-service risk taken on by SFHP for ZSFG, were provided to DHCS for DHCS consider as they develop the rates effective January 1, 2022.

Steven Fugaro, MD, asked if the year-end margin would be added to reserve funds and Mr. Bishop confirmed that the positive margin would be added to the health plan reserves.

Mr. Grgurina also expressed his appreciation to the Finance Team. The Finance Committee unanimously approved the year-to-date unaudited financial statements and investment reports ending April 30, 2021, for forwarding to the full Governing Board for approval.

3. Review and Approval of Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority FY 2021-2022

Recommendation: Approve the Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority Fiscal Year 2021-2022.

Mr. Grgurina introduced Arthur Javier, Supervisor, Accounting and Millie Sandu, Senior Budget and Reporting Analyst, who are on the Finance staff and assisted Mr. Bishop and Mr. Takeuchi with the FY 21-22 budget.

Mr. Grgurina reviewed the new frequently asked questions (FAQ) document that was developed to address the anticipated questions regarding inconsistent patterns between membership, revenue, medical expense, administrative expense, staffing and margin. He stated that given the ongoing uncertainty of the COVID-19 pandemic, the SFHP FY 21-22 budget presumes the following:

- The Public Health Emergency (PHE) is expected to continue for the remainder of calendar year 2021. As a result, we project membership to increase during the period July through December 2021.
- We anticipate the PHE to end December 31, 2021 and when the redetermination process resumes in January 2022, we expect membership to gradually decline as some members will be placed on hold and other members will be terminated as they will no longer qualify for participation in the Medi-Cal program.
- Effective July 1, 2021, the hospital risk for members enrolled with the San Francisco Community Clinic Consortium (SFCCC) will transfer from

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Zuckerberg San Francisco General (ZSFG) to SFHP. This change is projected to cost the Plan an additional $18 million in medical expense during FY 21-22.

- The budget was prepared using current Medi-Cal revenue rates for July through December 2021. For the period January through June 2022, we assumed a conservative premium revenue rate increase of 1%. We expect to receive the final CY 2022 rates from the Department of Health Care Services (DHCS) in late December 2021.
- The budget assumes we will continue to have responsibility for the Medi-Cal pharmacy benefit for July through December 2021. We expect the pharmacy benefit to transfer to the State beginning January 1, 2022.
- Due to significant unknowns such as rates and volume, the budget does not include the following new programs that are scheduled to begin on January 1, 2022. It should be noted that SFHP expects to break even on these new programs:
    - Enhanced Care Management/In Lieu Of Services (ECM/ILOS)
    - Major Organ Transplants
    - Student Behavioral Health
    - New Members Transitioning from Medi-Cal Fee-For-Service (number of members is unknown at this time – an update will be provided at the Finance Committee/Governing Board meeting)

Mr. Bishop reviewed the following information with the Finance Committee.

MEMBERSHIP DECREASING FOM JUNE 2021 TO JUNE 2022

Medi-Cal membership is projected to be 144,788 on June 30, 2022. This compares to 146,594 on June 30, 2021, representing a decrease of 1.1%.

With the PHE expected to end December 31, 2021, the redetermination process will resume in January 2022. As a result, we expect to see a gradual decline in membership during the second half of FY 21-22. Although we expect to have fewer members by June 30, 2022, total member months for the fiscal year will be greater than FY 20-21 due to higher membership levels in the earlier months of the fiscal year.

MEMBER MONTHS INCREASING, REVENUE AND MEDICAL EXPENSE DECREASING FROM JUNE 2021 TO JUNE 2022

In an increasing member months environment, we expect to see corresponding increases in revenue and medical expense. Instead, revenue is decreasing by $7 million due to the following:

- $48 million decrease in Medi-Cal pharmacy revenue and expense as we expect the pharmacy benefit to transfer to the State effective January 1, 2022.

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- $46 million decrease in Directed Payments funding. Directed Payments received during FY 20-21 covered 18 months. It is expected that Directed Payments to be received during FY 21-22 will cover only 12 months. Directed Payments do not impact the bottom line. This funding is passed through to ZSFG, University of California San Francisco (UCSF) and contracted private hospitals. The Department of Managed Health Care (DMHC) and DHCS allow health plans to record Directed Payments as revenue and medical expense.
- $15 million decrease in Intergovernmental Transfer (IGT) funding. IGT funding received during FY 20-21 covered the full Bridge Period of July 2019 through December 2020. It is expected that IGT funding to be received during FY 21-22 will cover only 12 months. IGT funding does not impact the bottom line. IGT funding is a pass-through to ZSFG and UCSF. As with Directed Payments, DMHC and DHCS allow health plans to record IGT funding as revenue and medical expense.
- The decreases noted above are mostly offset by an increase in member months, changes in membership mix and the increase in the Healthy Workers premium rate that was effective April 1, 2021.

HEALTHY WORKERS PHARMACY

Although we anticipate that the Medi-Cal pharmacy benefit will be carved out of Medi-Cal managed care effective January 1, 2022, SFHP will continue to have responsibility for the Healthy Workers pharmacy benefit for the entire fiscal year. The pharmacy rate increased from $57.67 per member, per month (pmpm) to $93.61 pmpm effective April 1, 2021. The FY 21-22 budget projects the pharmacy cost to be $88.90 pmpm. As a result, SFHP expects monthly losses to be eliminated and projects a small margin going forward. SFHP, the San Francisco Department of Public Health and the San Francisco Human Services Agency will be reviewing the Healthy Workers rate on an annual basis and will seek further increases if/when current rates are no longer adequate to cover costs.

MEMBER MONTHS INCREASING, REVENUE PMPM DECREASING

Revenue on a per member, per month basis is decreasing for Seniors and Persons with Disabilities (SPD) and Medi-Cal Expansion (MCE) members due to reductions in Directed Payments and IGT funding as well as from the loss of revenue when the Medi-Cal pharmacy benefit is transferred to the State effective January 1, 2022.

	FY 21-22	FY 20-21	% Change
Medi-Cal SPD	$865.75	$983.98	(12%)
Medi-Cal MCE	$365.53	$403.43	(9.4%)

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ADMINISTRATIVE EXPENSE INCREASING BY $5.8 MILLION

FY 21-22 administrative expenses are projected to increase by $5.8 million which represents a 11% increase over FY 20-21. This increase is due to:

- Reestablishing the bonus accrual ($3.3 million). Actual administrative expenses for FY 20-21 did not include bonus expense as the accrual was fully funded from the previous year.
- Projecting a merit increase effective September 1, 2021 ($1.1 million). Actual administrative expenses for FY 20-21 did not include additional salary costs related to merit as we did not move forward with a merit increase effective September 1, 2020.
- Lowering the employee attrition factor from 11% to 10% ($1.0 million). Employee turnover is expected to remain low due to the ongoing impact of the COVID-19 pandemic.
- Increases in the cost of employee benefits ($300,000). Aetna medical premiums increased by 8.7% and Kaiser medical premiums increased by 4.9%.

It is important to note that SFHP is not requesting any new Full-Time Equivalents (FTEs) for FY 21-22. Our staffing is projected to remain at 400 FTEs which is the same level as FY 20-21. We will have a need for additional staff to handle the new programs scheduled to begin January 1, 2022 (Enhanced Care Management/In Lieu of Services (ECM/ILOS), Major Organ Transplants, and Student Behavioral Health), however there is not enough information available at this time to determine staffing needs.

FY 21-22 Budget Background and Assumptions

The following slides provide the background and assumptions used to create the budget:

- Membership
- Revenue
- Medical Expense
- Administrative Expense
- Capital Expenditures
- Coverage programs

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Rand Takeuchi, Director of Finance, followed with an explanation of the following assumptions that were among several used to develop the FY 21-22 budget:

Medi-Cal Membership:

- Membership projected to decrease by 1.1% between June 2021 and June 2022.
- Public Health Emergency is expected to end December 31, 2021, which will remove the hold on the redetermination process. As a result, we will see a gradual decrease in Medi-Cal enrollment.
- Conservative estimate of an 1.0% premium rate increase for the period of January through June 2022. We expect to receive CY 2022 draft rates in October or November 2021, with final rates expected in late December.

Pharmacy:

- SFHP expects to have risk for the Medi-Cal pharmacy benefit for the period of July through December 2021. We anticipate the pharmacy benefit will be carved out of Medi-Cal managed care effective January 1, 2022. The carve out of the pharmacy benefit represents a $48.0 million revenue reduction for six months.
- The premium rate for the Healthy Workers (HW) program effective on April 1, 2021 includes an increase in the pharmacy rate from $57.67 pmpm to $93.61 pmpm. This increase is projected to allow SFHP to achieve at least break even for the HW pharmacy benefit.

Mr. Fawley stated the budget was put together well and mentioned that the change in the health plan members' age from a predominantly children and mothers' health plan in 2008 to mostly adults and older adults in 2022.

Eddie Chan, Pharm.D., asked if DHCS has still not finalized the implementation of Medi-Cal Rx and Mr. Takeuchi confirmed that the date is not yet known, but SFHP has budgeted to continue to assume the Medi-Cal pharmacy benefit through December 2021.

Mr. Fawley remarked that the health plan's administrative percentage was great and the medical loss ratios over 90% is very different from that of for-profit health plans, which is around 85%. He stated that this means $50 million to $70 million more to health care providers.

Greg Wagner stated that the budget does a good job planning for the uncertainties of Medi-Cal. Mr. Grgurina stated that he continues to have concerns about the low amount of $3.2 million that SFHP is project to receive for ECM/ILOS, but that he is also advocating for a risk corridor that would help protect the health pan.

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After reviewing the budget in detail, the Finance Committee unanimously approved the Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority Fiscal Year 2021-2022 as presented, for forwarding to the full Board for approval.

4. Review and Approval CalPERS Salary Schedule

Recommendation: SFHP recommends the Finance Committee approve the adoption of the SFHP FY 2021-2022 Salary Schedule to meet CalPERS requirements regarding retiree salary computation. The Salary Schedule changes include increasing the ranges by 3.0%.

Brian Gentner, Director, Human Resources, presented the CalPERS salary schedule on behalf of Kate Gormley, Chief Human Resources Officer. Mr. Gentner stated that to satisfy CalPERS requirements, SFHP must provide CalPERS with a copy of our Salary Ranges and Positions by Grade Level ("Salary Schedule") on an annual basis, with a formal approval of the schedule by the Governing Board.

2021 – 2022 Compensation Philosophy and Program Review:
Mr. Gentner stated that SFHP's compensation philosophy is to pay at the mid-range (middle of the pay scale) of the market for both base and bonus compensation. We provide merit increases based on performance, not on years of service. Additionally, to ensure proper market pricing for all SFHP positions, we continue to employ several sources for market salary data:

- The Warren Survey: We continue to participate in the semi-annual Warren Surveys. Warren participants are 300+ HMO, managed care, hospital systems, health plans and other related organizations in over 630 locations nationwide and include over 370,000 incumbents.
- Kenexa's Comp Analyst: This survey augments our market data for non-health services-related positions, as we continue to face fierce competition for these positions. This tool allows data slices by regional area, industry, and/or organization size, thus tailoring each position review to our specific situation.
- Local Health Plans of California (LHPC): The survey provides compensation data for executives and directors in local health plans.
- Culpepper: The Culpepper survey focuses on Healthcare and Healthcare IT.
- Radford: Radford is Silicon Valley's iconic high tech / biotech survey and has recently branched into healthcare.
- ACAP Survey Report: We continue to participate in this survey, which provides data for executive and director level positions based on input from 23 community affiliated plans nationwide.

Mr. Gentner stated the economy has had an impact on employee compensation in most industries. Projections for 2021-2022 salary budget increases in the San

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Francisco Bay Area vary between 2.6% and 3.0%, with the consumer price index for the San Francisco Bay area coming in at 3.7%. While the market data varies, based on the survey sources we believe best represent our job market, we recommend increasing our 2021-2022 salary ranges by 3.0%. This will be the first salary range change since September of 2019, as we did not move the ranges or provide merit increases in September of 2020.

Source	2021 Projected Salary Increases
Culpepper - Health Plans US Wide (mean/median)	2.11% / 2.0%
Culpepper - SF Bay Area (mean/median)	2.6% / 3.0%
Economic Research Institute - US Wide	3.0%
Korn Ferry / Hay - US Wide	2.5%
Mercer - US Wide	2.8%
PayScale - US Wide	3.0%
Salary.com - US Wide	3.0%
The Conference Board	2.5%
Willis Towers Watson - US Wide	3.0%
WorldatWork - US Wide (mean/median)	3.1% / 3.0%
Consumer Price Index - SF Bay Area	***3.7%***

Mr. Gentner stated that they also consulted with the other LHPC health plans on what they are planning for 2021-2022 salary range and merit increases.

Plan	Merit / Range Change
#1	4.11% Merit / No Info on Range Movement
#2	2.05% Range Increase
#3	Undecided
#4	3% Merit / No Info on Range Movement
#5	3% Merit / No Info on Range Movement
#6	3% Merit / No Info on Range Movement
#7	4% Range Increase / 3% Merit
#8	3.5% Merit / No Info on Range Movement
#9	2.0% Range Increase; 0% Merit for C-Suite 2% Merit for Directors; 3% Merit for All Other EEs
#10	2% Merit / 3% Range Increase

SFHP's salary ranges will continue to be very broad to allow for 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 consecutive years of salary must be

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within the range of their position to initiate retirement benefits). SFHP will budget a 3.46% overall merit increase for 2021-2022, although individual increases will vary between 0% and 5.0% depending upon the individual's performance score.

SFHP Salary Increase Matrix

Performance Rating	Score		Expected Distribution	Salary Increase
Outstanding Performance	5	4.5 - 5.0	~ 5%	5.0%
Exceeds Expectations	4	3.75 - 4.49	~ 30%	4.0%
Successful Contributor	3	3.5 - 3.74	~ 60%	Up to 3.5%
		3.0 - 3.49		3.0%
Some Improvement Needed	2	2.5 - 2.9*	~ 5%	Up to 2.5%
		1.0 - 2.49		0%

* Merit increase for scores from 2.5 - 2.9 are at the discretion of department executive.

Additionally, Mr. Gentner stated that as in prior years, we will be making market adjustments to keep pace with the job market, requiring an additional 0.2% to provide 68 employees (approximately 19.4% of the staff) with a market adjustment. This brings the 2021-2022 salary increase budget to 3.66% for merit increases and market adjustments. He requested the Finance Committee's approval for forwarding to the Governing Board.

The Finance Committee unanimously approved the CalPERS salary schedule, for forwarding to the full Board for approval.

5. Review and Approval of Practice Improvement Program (PIP)

Recommendation: SFHP recommends that the Finance Committee approve the continuation of previous Practice Improvement Program (PIP) funding with capitation withholds in the amounts of 18.5% for Medi-Cal.

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

We request the Finance Committee and Governing Board continue with funding the PIP with the 18.5% withhold of professional capitation rates.

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The Finance Committee agreed with the benefits of the PIP for the medical groups. With no issues, the Finance Committee unanimously approved funding for the Practice Improvement Program FY 20-21, for forwarding to the full Board for approval.

The Finance Committee Adjourned to Closed Session.

6. Review Medi-Cal Provider Contracting and Rate Setting Strategy

The Finance Committee Resumed to Open Session.

7. Report by Chair on Closed Session Action Items

Adjourn

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Reece Fawley
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Reece Fawley, Secretary/Treasurer