Joint San Francisco Health Authority/San Francisco Community Health Authority
Minutes of the Finance Committee
September 7, 2022

Present: Eddie Chan, PharmD, Steven Fugaro, MD, Deneen Hadley, Greg Wagner, and Emily Webb

Staff: Skip Bishop, Rand Takeuchi, Yolanda R. Richardson, and Nina Maruyama (note taker)

Absent: None

Guests: Johanna Liu, PharmD

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

Yolanda R. Richardson, CEO, announced that since the office of the Chair is vacant, Steven Fugaro, MD, will chair the meeting. Dr. Fugaro welcomed the Committee members and staff and asked for public comments. There were none. Board member, Johanna Liu, attended the committee as a member of the public.

1. Approval of Minutes from June 8, 2022 Finance Committee Meeting

The minutes of the June 8, 2022 Finance Committee meeting were unanimously approved.

2. Review and Approve Nominations for Secretary/Treasurer and Appointment to the Finance Committee

Recommendation: SFHP recommends the Finance Committee approve for recommendation to the full Governing Board the following actions:

1. Nominate and elect the Secretary and Treasurer of the Board; and
2. Appoint a member of the Governing Board to the Finance Committee.

Reece Fawley's retirement from the Board in June 2022 left a vacancy in the office of the Secretary and Treasurer, who also serves as the Chair of the Finance Committee, and a vacancy on the Finance Committee.

Dr. Fugaro asked for nomination for the office of Secretary and Treasurer. Greg Wagner nominated Emily Webb and Dr. Fugaro seconded the motion. The Finance Committee unanimously approved Ms. Webb's nomination to be the new Secretary and Treasurer for forwarding to the full Board for review and approval. Ms. Webb thanked everyone for the nomination and that she looked forward to serving in the role. She also expressed her appreciation for Mr. Fawley's many years of leadership as the Chair.

The Committee then discussed the vacant seat on the Finance Committee. Mr. Wagner nominated Deneen Hadley to the Finance Committee and Dr. Fugaro seconded the motion. The Committee unanimously approved Ms. Hadley's nomination for forwarding to the full Board for review and approval. Ms. Hadley thanked everyone for the nomination.

3. Review and Approval of Year-End 2021-22 Unaudited Financial Statements and Investment Reports

Recommendation: Review and Approval of Year-End 2021-22 Unaudited Financial Statements and Investment Reports.

Rand Takeuchi, Director, Accounting, reviewed the unaudited financial statements and investment reports for the period ending June 30, 2022. He stated June 2022 reported an overall margin of $17.8 million versus a budgeted loss of ($411,000). Mr. Takeuchi stated the larger than expected margin includes the impact of accounting adjustments required to record CalPERS pension expenses for FY 21-22 as required by Governmental Accounting Standards Board (GASB) Statement 68. The overall net impact of these adjustments was a one-time benefit of $13.7 million. The remaining margin of $4.0 million is attributed to Medi-Cal rate increases that became effective January 1, 2022. After removing the impact of GASB 68 along with Strategic Use of Reserves (SUR) activity, the margin from operations was $4.7 million versus a budgeted loss of ($306,000).

On a year-to-date basis, the year ended with an overall margin of $38.8 million versus a budgeted margin of $2.0 million. After removing the impact of GASB 68 along with SUR activity, the adjusted margin from operations was $26.9 million versus a budgeted margin of $3.5 million.

SFHP is a participating employer in the California Public Employees' Retirement System (CalPERS). SFHP is required to make a series of accounting adjustments on an annual basis to comply with GASB 68 which outlines the rules for the accounting treatment of pension expenses. To assist in the calculation of FY 21-22 pension expense, SFHP retained the services of Bartell Associates, an actuarial firm with expertise with GASB 68 accounting rules.

The measurement date for this series of GASB 68 accounting adjustments is June 30, 2021. One of the key components in the GASB 68 calculations is the change in the value of CalPERS pension assets. CalPERS achieved an investment return of 21.3% for the fiscal year ending June 30, 2021. This is the main reason for the $13.7 million benefit in pension expenses for FY 21-22.

Although GASB 68 accounting adjustments added $13.7 million to SFHP reserves, this amount should not be seen as available for use in SFHP operations. GASB 68 calculations are made on an annual basis and influenced by investment returns. SFHP will likely see a negative impact in FY 22-23 because CalPERS announced a preliminary investment rate of return of -6.1% for FY 21-22.

Mr. Takeuchi then highlighted the following reasons for variances between the actual results and the budgeted amounts for the period ending June 30, 2022:

a. A net decrease in revenue of $19.2 million due to:
    i. $29.6 million less in Intergovernmental Transfer (IGT) funding. This is a timing difference as the budget projected we would receive this IGT funding during the month of June, however this funding will now arrive during FY 22-23. There is no impact to the bottom line as IGT funding is treated as both revenue and medical expense.
    ii. $10.4 million more in Medi-Cal premium revenue due to an additional 17,896 member months along with the premium rate increases noted above. Membership mix was also favorable as 80% of the additional member months were in the Adult, Adult Expansion and Seniors and Persons with Disabilities (SPD) categories of aid where the per member, per month premium rates are much higher than rates for the Child and Duals categories of aid.

b. A net decrease in medical expense of $24.0 million due to:
    i. $29.6 million less in IGT funding. As noted above, this funding was expected in June, however funding is now expected during FY 22-23.
    ii. $4.3 million more in net capitation as the result of having 17,896 more member months plus a more favorable membership mix than what the budget projected. Increases in capitation expense are offset by the revenue received by SFHP for these additional members.
    iii. $2.3 million more in fee-for-service hospital claims primarily due to five claims payment cycles in June along with increasing membership. Hospital claims paid in June for members enrolled with the San Francisco Community Clinic Consortium (SFCCC) were in line with expectations.
    iv. $1.0 million less in pharmacy expense due to rebates received from Magellan Rx, SFHP's Pharmacy Benefits Management (PBM). The rebates relate to the period of October through December 2021.

c. A net decrease in administrative expenses of $13.7 million due to the impact of the GASB 68 adjustments for pension expense. After removing the impact of GASB 68, total administrative expense for June was $4.8 million compared to a budget projection of $4.7 million.

Mr. Takeuchi reviewed the chart below of key income statement categories for June with adjustments for GASB 68, as well as SUR activity to show margin or loss from ongoing operations.

	JUN 2022				FYTD 21-22 THRU JUN			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	174,359	156,463	17,896	11.4%	2,003,502	1,914,745	88,757	4.6%
REVENUE	$ 59,429,000	$ 78,618,000	$ (19,189,000)	-24.4%	$ 858,062,000	$ 829,935,000	$ 28,127,000	3.4%
MEDICAL EXPENSE	$ 50,392,000	$ 74,359,000	$ 23,967,000	32.2%	$ 775,680,000	$ 771,560,000	$ (4,120,000)	-0.5%
MLR	85.8%	95.4%			91.4%	93.9%		
ADMINISTRATIVE EXPENSE	$ (8,976,000)	$ 4,712,000	$ 13,688,000		$ 42,257,000	$ 56,830,000	$ 14,573,000	25.6%
ADMINISTRATIVE RATIO	-16.5%	5.1%			3.9%	5.9%		
INVESTMENT INCOME	$ (242,000)	$ 42,000	$ (284,000)		$ (1,329,000)	$ 500,000	$ (1,829,000)	
MARGIN (LOSS)	$ 17,771,000	$ (411,000)	$ 18,182,000		$ 38,796,000	$ 2,045,000	$ 36,751,000	1797.1%
ADJUST FOR GASB 68	$ (13,744,000)	$ -			$ (13,744,000)	$ -		
ADJUST FOR SUR ACTIVITY	$ 636,000	$ 105,000			$ 1,838,000	$ 1,456,000		
MARGIN (LOSS) FROM OPERATIONS	$ 4,663,000	$ (306,000)	$ 4,969,000		$ 26,890,000	$ 3,501,000	$ 23,389,000	668.1%

On a year-to-date basis through June and after the removal of GASB 68 and SUR activity, SFHP is reporting a margin of $26.9 million which is significantly above budget expectations. As we have discussed in previous months, the strong margin is result of the CY 2022 Medi-Cal rate increases along with increasing membership due in large part to the ongoing Public Health Emergency (PHE).

After removing the impact of Directed Payments and IGT funding, premium revenue is above budget by $60.0 million. This is due to:

- An overall net increase of 88,757 member months. 81% of the additional member months are in the Adult, Adult Expansion and SPD categories of aid which has a favorable impact on revenue due to the fact that the premium rates for these members are much higher than the premium rates for Child and Dual members.
- Rate increases DHCS/Mercer included in the CY 2022 rate development. Base rates increased by 6.7% and DHCS/Mercer included another 5.2% to cover the net additional costs to SFHP for taking responsibility for the hospital risk related to the SFCCC members.

After removing SUR activity, Directed Payments and IGT funding, medical expenses are above budget by $35.4 million. This increase can be accounted for as follows:

- Capitation expenses are up $22,675,000
- FFS expenses are up $10,449,000
- Non-specialty mental health expenses are up $ 1,522,000

○ Hepatitis C expenses are up	$	686,000
○ CBAS expenses are up	$	567,000
○ Medi-Cal non-Hep C pharmacy expenses are up	$	513,000
○ Healthy Workers pharmacy expenses are down	($	993,000)

Overall administrative expense is below budget by $14.6 million. The majority of this decrease is due to the $13.7 million GASB 68 adjustment. After removing the impact of GASB 68, administrative expense is below budget by $829,000 due to lower costs in the areas of professional fees/consulting, marketing, and insurance.

PROJECTIONS

Mr. Takeuchi reviewed the financial projections through December 2022:

1. SFHP expects to continue to report good margins through December 2022 due to the Medi-Cal rate increases that were effective January 1, 2022. The FY 22-23 budget through December 2022 projects a margin of $9.4 million. This anticipated margin will help SFHP continue to rebuild its reserve balance that was depleted by covering several retroactive rate adjustments that resulted in a return of $12.7 million to DHCS. Building reserves is very important due to new programs that will bring additional risk to SFHP beginning in January 2023, i.e., Long-Term Care and the Dual Member Integration.

2. SFHP will continue to have hospital risk for 17,500 San Francisco Community Clinic Consortium (SFCCC) members. SFHP no longer pays capitation to Zuckerberg San Francisco General (ZSFG) for these members. SFHP is 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 remain under capitation. CY 2022 Medi-Cal rate increases applied to the increased membership will cover this additional cost.

3. SFHP began the new fiscal year with 3,000 more Medi-Cal members versus what was anticipated in the FY 22-23 budget. The ongoing PHE has lasted longer than expected and now anticipated to end in mid-October. With the redetermination process expected to restart in January 2023, Medi-Cal membership will gradually decrease starting in the first quarter of CY 2023 as members will be placed on hold or terminated due to no longer qualifying for Medi-Cal.

4. SFHP continues to have the risk for the Healthy Workers pharmacy benefit. We project that the $93.61 pmpm included in the overall Healthy Workers rate should be adequate as move into FY 22-23. The Medi-Cal pharmacy benefit was carved out effective January 1, 2022.

5. California Advancing and Innovating Medi-Cal (CalAIM) programs such Enhanced Care Management (ECM), Community Supports (CS), and Major

Organ Transplants (MOT) began on January 1, 2022. ECM and MOT benefits will be subject to a risk corridor that will limit SFHP's exposure to gains and losses.

6. Proposition 56 – 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. It is important to note that the value-based payments portion of the Proposition 56 program ended June 30, 2022. All other Proposition 56 programs will continue through December 2022.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

Medical Loss Ratio Reporting for Delegated Entities

As discussed at previous meetings, the Centers for Medicare and Medicaid Services (CMS) incorporated Special Terms and Conditions (STCs) language into the final approved versions of the most recent Medi-Cal waiver submissions 1115 and 1915(b). Included in these STCs are requirements for targeted oversight and accountability. More specifically, one of the STCs requires Medical Loss Ratios (MLRs) to be reported at the delegated entity level.

Important aspects of MLR reporting at the delegated entity level include:

- CMS is generally concerned about the impact of delegation on access and quality in California.
- The STCs will require MLR reporting down to the delegated entity level starting with the rating period of CY 2023 with remittance beginning with the rating period of CY 2025 (at the delegated entity level).
- Although not yet confirmed, providers that do not assume risk for services provided beyond their own entity, i.e., subcontract to others, may be excluded from the MLR reporting requirement.
- The MLR threshold will be set at 85%.
- It should be noted that state law requires MLR remittance effective CY 2024, but this would be at the plan level. This will be a new and significant requirement on a very aggressive timeline.
- MLR audits to be conducted no sooner than January 2028.

SFHP, as well as representatives from other Medi-Cal managed care plans, meet with the Local Health Plans of California (LHPC) on a regular basis to help develop recommendations for DHCS as it moves forward with implementing the work plan that was submitted to CMS at the end of June 2022. We continue to have one-on-one conversations with delegated medical groups and hospitals to discuss these new requirements and pass along new information as the rules are clarified.

Mr. Bishop provided updated MLR results in the table on the next page. The analysis shows quarterly results for January 2021 through March 2022. Results for the quarter ending June 2022 are not available yet due to the allowance for claim/encounter lag. A low encounter value relative to capitation will greatly impact

and would likely decrease future SFHP Medi-Cal rates when DHCS and Mercer begin to use encounters as the primary data source for rate development.

	VALUE OF ENCOUNTERS AS A PERCENTAGE OF CAPITATION (INCL PIP)				
MEDICAL GROUP AND CLINICS	JAN-MAR 21	APR-JUN 21	JUL-SEP 21	OCT-DEC 21	JAN-MAR 22
BAART PROGRAMS	8.6%	10.6%	5.3%	5.5%	7.8%
BROWN & TOLAND PHYSICIANS	33.0%	33.2%	26.3%	31.7%	43.7%
CHINESE COMMUNITY HEALTH CARE ASSOCIATION	41.3%	44.8%	44.0%	84.9%	25.3%
CLINICAL PRACTICE GROUP - SPECIALTY CARE FOR MEMBERS WITH COPC	58.0%	60.2%	59.7%	49.6%	57.5%
CLINICAL PRACTICE GROUP - SPECIALTY CARE FOR MEMBERS WITH HBC	93.1%	102.0%	77.3%	83.7%	88.0%
CLINICAL PRACTICE GROUP - SPECIALTY CARE FOR MEMBERS WITH SFCCC	41.8%	35.9%	37.4%	35.9%	36.0%
DR. THANH TRAN	3.5%	2.4%	2.0%	4.4%	2.2%
HEALTHRIGHT 360	15.7%	15.3%	12.1%	10.7%	9.5%
HILL PHYSICIANS	49.1%	45.0%	44.2%	43.8%	46.5%
JADE HEALTH CARE MEDICAL GROUP	50.9%	67.8%	66.3%	65.7%	63.4%
KAISER FOUNDATION HEALTH PLAN	56.9%	64.2%	63.7%	63.7%	50.7%
MARIN CITY HEALTH AND WELLNESS	13.5%	7.9%	9.4%	7.7%	9.0%
MISSION NEIGHBORHOOD HEALTH CENTER	27.8%	23.9%	29.3%	24.7%	22.5%
NATIVE AMERICAN HEALTH CENTER	13.2%	13.1%	15.2%	14.2%	11.5%
NORTH EAST MEDICAL SERVICES WITH CALIFORNIA PACIFIC MEDICAL CENTER	44.4%	48.2%	45.6%	45.2%	45.3%
NORTH EAST MEDICAL SERVICES WITH ZUCKERBERG SAN FRANCISCO GENERAL	26.7%	26.9%	26.4%	24.9%	26.1%
SAN FRANCISCO COMMUNITY HEALTH CENTER	16.5%	17.2%	19.8%	17.1%	15.6%
SFHN - PRIMARY CARE FOR MEMBERS WITH COMMUNITY ORIENTED PRIMARY CARE CLINICS (COPC)	20.9%	21.7%	21.2%	18.0%	20.0%
SFHN - PRIMARY CARE FOR MEMBERS WITH HOSPITAL BASED CLINICS (HBC)	23.9%	24.1%	23.0%	20.7%	24.7%
SOUTH OF MARKET HEALTH CENTER	7.1%	7.3%	7.9%	7.2%	8.1%
ST. ANTHONY MEDICAL CLINIC	17.7%	18.3%	24.5%	20.2%	18.4%
	VALUE OF ENCOUNTERS AS A PERCENTAGE OF CAPITATION				
HOSPITALS	JAN-MAR 21	APR-JUN 21	JUL-SEP 21	OCT-DEC 21	JAN-MAR 22
CALIFORNIA PACIFIC MEDICAL CENTER	108.2%	112.7%	139.8%	132.0%	128.6%
CHINESE HOSPITAL WITH CHINESE COMMUNITY HEALTH CARE ASSOCIATION	128.6%	115.9%	98.8%	80.5%	56.6%
CHINESE HOSPITAL WITH JADE HEALTH CARE MEDICAL GROUP	69.6%	74.4%	75.2%	56.9%	48.3%
KAISER FOUNDATION HEALTH PLAN	72.4%	74.6%	85.1%	72.2%	49.9%
ZUCKERBERG SAN FRANCISCO GENERAL - SFHN MEMBERS	164.2%	158.4%	172.1%	160.5%	156.7%
ZUCKERBERG SAN FRANCISCO GENERAL - SFCCC MEMBERS	221.5%	182.6%	N/A	N/A	N/A
ZUCKERBERG SAN FRANCISCO GENERAL WITH NORTH EAST MEDICAL SERVICES	116.8%	133.2%	129.8%	139.9%	114.7%

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

The Finance Committee unanimously approved the year-end unaudited financial statements and investment reports ending June 30, 2022, for forwarding to the full Governing Board for approval.

4. Review and Approval of Year-To Date July 2022 Unaudited Financial Statements and Investment Reports

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

Mr. Takeuchi then reviewed the year-to-date unaudited financial statements for the period ending July 30, 2022. He stated that the period ending July 30, 2022, reported an overall margin of $2.2 million versus a budgeted margin of $2.1 million. After removing the impact of Strategic Use of Reserves (SUR) activity, the actual margin from operations was $2.3 million versus a budgeted margin of $2.3 million.

2. Variances between July actual results and the budget include:
    a. A net decrease in revenue of $1.4 million due to:
        i. $1.2 million more in Medi-Cal premium revenue due to an additional 1,762 member months. Membership mix was very favorable as we had 3,353 more Adult Expansion member months and 525 more Seniors and Persons with Disabilities (SPD) member months versus budget projections. These two categories of aid have much higher premium rates when compared to the Adult, Child, and Duals categories of aid.
        ii. $213,000 more in Maternity revenue due to 25 more maternity events.
    b. A net increase in medical expense of $2.1 million due to:
        i. $2.0 million more in fee-for-service hospital claims primarily due to five claims payment cycles in July along with increasing membership.
        ii. $500,000 more in net capitation as the result of having 1,762 more member months in categories of aid where SFHP pays higher capitation rates. Increases in capitation expense are offset by the revenue received by SFHP for these additional members.
        iii. $500,000 less in vision and mental health expenses. Mental health claims during July were much lower than anticipated. Utilization is expected to increase as we move through the fiscal year.
    c. A net decrease in administrative expenses of $263,000. This difference is primarily due to timing, i.e., it was anticipated that more professional fees and system maintenance/infrastructure costs would be incurred in the earlier part of the fiscal year. The expectation is that actual spending will align with the budget as we move further into FY 22-23.

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

	JUL 2022				FYTD 22-23 THRU JUL			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	174,360	172,598	1,762	1.0%	174,360	172,598	1,762	1.0%
REVENUE	$ 84,478,000	$ 83,032,000	$ 1,446,000	1.7%	$ 84,478,000	$ 83,032,000	$ 1,446,000	1.7%
MEDICAL EXPENSE	$ 78,431,000	$ 76,316,000	$ (2,115,000)	-2.8%	$ 78,431,000	$ 76,316,000	$ (2,115,000)	-2.8%
MLR	93.5%	92.8%			93.5%	92.8%		
ADMINISTRATIVE EXPENSE	$ 4,232,000	$ 4,495,000	$ 263,000	5.9%	$ 4,232,000	$ 4,495,000	$ 263,000	5.9%
ADMINISTRATIVE RATIO	4.3%	4.5%			4.3%	4.5%		
INVESTMENT INCOME	$ 413,000	$ (171,000)	$ 584,000		$ 413,000	$ (171,000)	$ 584,000	
MARGIN (LOSS)	$ 2,228,000	$ 2,050,000	$ 178,000	8.7%	$ 2,228,000	$ 2,050,000	$ 178,000	8.7%
ADJUST FOR SUR ACTIVITY	$ 94,000	$ 280,000			$ 94,000	$ 280,000		
MARGIN (LOSS) FROM OPERATIONS	$ 2,322,000	$ 2,330,000	$ (8,000)	-0.3%	$ 2,322,000	$ 2,330,000	$ (8,000)	-0.3%

PROJECTIONS

Mr. Takeuchi reviewed the following financial projections through January 2023.

1. SFHP expects to continue reporting good margins through January 2023 due to the Medi-Cal rate increases that were effective January 1, 2022. The FY 22-23 budget through January 2023 projects a margin of $11.4 million. This anticipated margin will help SFHP continue rebuilding its reserve balance that was depleted by covering several retroactive rate adjustments that resulted in a return of $12.7 million to DHCS. Building reserves is very important due to new programs that will bring additional risk to SFHP beginning in January 2023, i.e., Long-Term Care and the Dual Member Integration. Medi-Cal rates will change effective January 1, 2023, however the impact of those changes is not yet known.

2. SFHP's CY 2022 Medi-Cal rate increases is expected to cover SFHP's hospital risk for the 17,500 San Francisco Community Clinic Consortium (SFCCC) members. SFHP is at risk for hospital services at Zuckerberg San Francisco General (ZSFG) for these SFCCC members. Primary care and specialty care services remain under capitation.

3. As of July, SFHP had 2,000 more Medi-Cal members versus the projected enrollment. The PHE has lasted longer than expected and is anticipated to end in mid-October. With the redetermination process expected to resume in January 2023, Medi-Cal membership will begin to gradually decrease starting in the first quarter of CY 2023 as members will be placed on hold or terminated due to no longer qualifying for the program.

4. Pharmacy rate for Healthy Workers of $93.61 pmpm, which was included in the Healthy Workers rate increase, is expected to be adequate for FY 22-23. The pharmacy cost for July was $91.41 pmpm. The Medi-Cal pharmacy benefit is carved out of from Medi-Cal managed care and is no longer SFHP's responsibility.

5. CalAIM programs such Enhanced Care Management (ECM), Community Supports (CS) and Major Organ Transplants (MOT) are new benefits, effective January 1, 2022. We are aware of three potential transplant events that may take place during the second half of CY 2022. ECM and MOT benefits are subject to a risk corridor that will limit SFHP's exposure to gains and losses.

6. Proposition 56 – 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. The value-based

payments portion of the Proposition 56 program ended June 30, 2022. All other Proposition 56 programs will continue through December 2022.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

Mr. Takeuchi reviewed CalAIM's three key goals for Medi-Cal, which include:

- Identify and manage member risk and needs through Whole Person Care approaches and addressing Social Determinants of Health.
- Move Medi-Cal to a more consistent and seamless system by reducing complexity and increasing flexibility.
- Improve quality outcomes and drive delivery system transformation through value-based initiatives, modernization of systems and payment reform.

The table below highlights some of the more significant CalAIM initiatives impacting the health plan and providers. Some of these initiatives began January 1, 2022 while others will be introduced in future years.

PROGRAM	DESCRIPTION	EFFECTIVE DATE	TIMELINE	FUNDING	RISK CORRIDOR	PAYMENT TO PROVIDERS
ENHANCED CARE MANAGEMENT (ECM)	WHOLE PERSON APPROACH TO CARE FOR HIGH-NEED MEMBERS	1/1/2022	ONGOING	IN MEDI-CAL RATES - ESTIMATE $7.3M FOR CY 2022	YES	FEE-FOR-SERVICE
COMMUNITY SUPPORTS (CS)	14 ALTERNATIVE SERVICES TO ADDRESS MEDICAL OR SOCIAL DETERMINANTS OF HEALTH NEEDS	1/1/2022	ONGOING	IN MEDI-CAL RATES - ESTIMATE $6.0M FOR CY 2022	NO	FEE-FOR-SERVICE
MAJOR ORGAN TRANSPLANTS (MOT)	TRANSITION FROM MEDI-CAL FFS TO MANAGED CARE. SMALL VOLUME (10-15 CASES PER YEAR)	1/1/2022	ONGOING	IN MEDI-CAL RATES - ESTIMATE $10.7M FOR CY 2022	YES - PARTIAL	FEE-FOR-SERVICE
ECM/CS INCENTIVE PAYMENT PROGRAM (IPP)	TO FUND CAPACITY BUILDING FOR DELIVERY SYSTEM, ECM PROVIDER NETWORK AND CS PROVIDER NETWORK (66 MEASURES)	1/1/2022	PROGRAM YEAR 1 (CY 2022)	MAXIMUM $7.7 MILLION ($6.4 MILLION ACHIEVABLE)	N/A	GRANTS
			PROGRAM YEAR 2 (CY 2023)	TBD	N/A	GRANTS
STUDENT BEHAVIORAL HEALTH INCENTIVE PROGRAM (SBHIP)	BEHAVIOR HEALTH WELLNESS AND EARLY INTERVENTIONS FOR STUDENTS, BUILD CAPACITY AND INFRASTRUCTURE	1/1/2022	CY 2022, CY 2023 AND CY 2024	MAXIMUM $3.4 MILLION ($3.4 MILLION ACHIEVABLE)	N/A	GRANTS
HOUSING AND HOMELESSNESS INCENTIVE PROGRAM (HHIP)	INCENTIVE FUNDING TO IMPROVE HEALTH OUTCOMES AND ACCESS BY ADDRESSING HOMELESSNESS AND HOUSING INSECURITY (48 MEASURES)	1/1/2022	PROGRAM YEAR 1 (CY 2022)	MAXIMUM $17.5 MILLION ($14.8 MILLION ACHIEVABLE)	N/A	INVESTMENT GRANTS
			PROGRAM YEAR 2 (CY 2023)	MAXIMUM $21.4 MILLION ($13.3 MILLION ACHIEVABLE)	N/A	INVESTMENT GRANTS
LONG-TERM CARE (LTC)	TRANSITION FROM MEDI-CAL FFS TO MANAGED CARE (700-1,000 MEMBERS)	1/1/2023	ONGOING	IN MEDI-CAL RATES - ESTIMATE $150.0 M FOR CY 2023	YES - PARTIAL	FEE-FOR-SERVICE
DUAL ELIGIBLE MEMBER INTEGRATION	TRANSITION FROM MEDI-CAL FFS TO MANAGED CARE (13,500-25,000 MEMBERS)	1/1/2023	ONGOING	IN MEDI-CAL RATES - ESTIMATE $26.0 M FOR CY 2023	NO	FEE-FOR-SERVICE
DUAL-SPECIAL NEEDS PLAN (D-SNP)	ESTABLISH D-SNP TO COORDINATE CARE FOR DUAL ELIGIBLE MEMBERS (MEDI-CAL AND MEDICARE)	1/1/2026	ONGOING	FROM MEDICARE	NO	FEE-FOR-SERVICE

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

Ms. Webb complimented the Finance staff for their good work. The Finance Committee unanimously approved the year-to-date unaudited financial statements and investment reports ending July 30, 2022, for forwarding to the full Governing Board for approval.

5. Review and Approval of FY 21-22 Year-End Staff Bonus

Recommendation: SFHP completed FY 21-22 successfully by achieving an organization score of 100% for all of the success criteria approved by the Governing Board. It is recommended that the Finance Committee and Governing Board consider approval of the following items:

1) With the FY 21-22 financial position meeting the sufficient requirement to pay the staff bonus and bonus funds were budgeted in the year-end statements, approval of distribution of staff bonuses, according to the organizational score and individual performance.

2) Approval of organization score of 100% (details provided in tables on subsequent pages).

The SFHP FY 21-22 fiscal year ended with a positive margin of $26.9 million in operations, after removing the Strategic Use of Reserves (SUR) activity.

Given this year-end financial performance, we believe the FY 21-22 financial position meets the sufficient requirement to pay the staff bonuses that were budgeted for FY 21-22.

Ms. Richardson reviewed the detailed scores for each of the FY 21-22 organizational goals and success criteria. (A detailed summary of the results was provided in the Finance Committee and Board packet.)

The Finance Committee unanimously approved for forwarding to the full Board for approval that SFHP ended FY21-22 in a positive financial position to support the distribution of the budgeted year-end staff bonus.

6. Review and Approval of Medi-Cal CalAIM Housing and Homelessness Incentive Program (HHIP) Investment Plan

Recommendation: SFHP recommends the Finance Committee and Governing Board approve $25.0 million in an initial investment for targeted initiatives as part of the Department of Health Care Services' (DHCS) Housing & Homelessness Incentive Program (HHIP), which allocates $38.98 million for SFHP. It is expected that the HHIP incentive funding will cover 100% of SFHP's HHIP Investment Plan expenditures. We may request additional investments in the future up to the full amount of $38.98 million allocated by DHCS for SFHP.

Skip Bishop, CFO, and Ms. Richardson reviewed the background to the Finance Committee. In January 2022, the DHCS launched CalAIM. One of CalAIM's goals is to identify and manage member risks and needs through Whole Person Care approaches and addressing social determinants of health. To achieve this goal, SFHP proposes to improve health outcomes by addressing homelessness and housing insecurity as social drivers of health and health disparities. DHCS' allocated funds in earnable dollars for SFHP are tied to four program deliverables and 48

measures. Payment for deliverables is contingent upon achieving the measures. (A detailed memo summarizing allocation was provided in the Finance Committee and Board packet.) Ms. Richardson stated staff are confident SFHP would be able to earn back the investment and receive the allocated funds from DHCS. She stated the risk to SFHP is very low.

Ms. Webb recommended that SFHP contact providers and explore the housing gap for homeless patients that need housing assistance on a post-discharge basis. Ms. Richardson stated SFHP would explore this area.

The City and County of San Francisco Department of Public Health will likely be a recipient of the funds so Mr. Wagner recused himself. The other Finance Committee members unanimously approved the Housing & Homelessness (HHIP) Incentive Investment Plan, for forwarding to the full Board for approval.

7. Adjourn

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Secretary/Treasurer