

**Joint San Francisco Health Authority &  
San Francisco Community Health Authority  
Finance Committee  
Agenda**

Wednesday March 2, 2022 11:00 am – 12:00 pm

**SPECIAL NOTICE: Coronavirus COVID-19**

Due to the COVID-19 public health emergency and in accordance with Governor Newsom's Executive Order N-29-20, San Francisco Health Authority (SFHA) and San Francisco Community Health Authority (SFCHA) Finance Committee members will be attending this meeting via video conference. The meeting will be closed to in-person public attendance. This precaution is being taken to protect members of the Finance Committee, staff and the public. All Finance Committee members will attend the meeting via video conference and will participate in the meeting to the same extent as if they were present.

Members of the Finance Committee and public may connect to the meeting by Microsoft Teams:

- TIME: **11am to 12pm**
- LINK: [Click here to join the meeting](#)
- Or call in (audio only)**
- [+1 323-475-1528,,138364555#](#)
- Phone Conference ID: 138 364 555#

\*\*\*\*\*OPEN SESSION\*\*\*\*\*

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

1. (V) Review and Approval of Minutes from January 5, 2022 Meeting
2. (V) Review and Approval of Year-To-Date Unaudited Financial Statements and Investment Reports (Skip Bishop and Rand Takeuchi)
3. (D) Annual Review of SFHP Administrative Contracts (Kaliki Kantheti)

\*\*\*\*\*CLOSED SESSION\*\*\*\*\*

4. (V) Review and Approval of Medi-Cal Provider Rates  
(Skip Bishop and John F. Grgurina, Jr.)  
*Pursuant to Welfare and Institutions Code Section 14087.36(x)*

5. (D) Review of Medical Groups' Medical Loss Ratios and Discussion of Strategy to Plan and Provider Rates  
(Skip Bishop, Kaliki Kantheti, and John F. Grgurina, Jr.)  
*Pursuant to Welfare and Institutions Code Section 14087.36(x)*

\*\*\*\*\*OPEN SESSION\*\*\*\*\*

6. (D) Report by Chair on Closed Session Action Items (Chair)  
7. Adjourn

**NOTE: NEXT FINANCE COMMITTEE MEETING IS May 4, 2022**

(V) Denotes an Action Item Requiring a Vote (D) Denotes Discussion Item

**Please Note These Up Coming SFHA/SFCHA Meetings**

- |                                  |                                         |
|----------------------------------|-----------------------------------------|
| • Member Advisory Committee:     | March 11, 2022 (1:00 p.m. – 3:00 p.m.)  |
| • Member Advisory Committee:     | April 8, 2022 (1:00 p.m. – 3:00 p.m.)   |
| • Special Governing Board:       | April 1, 2022 (12:00 p.m. – 12:10 p.m.) |
| • Special Governing Board:       | May 2, 2022 (12:00 p.m. – 12:10 p.m.)   |
| • Finance Committee:             | May 4, 2022 (11:00 a.m. – 12:00 p.m.)   |
| • Governing Board:               | May 4, 2022 (12:00 p.m. – 2:00 p.m.)    |
| • Quality Improvement Committee: | June 9, 2022 (7:30 a.m. – 9:00 a.m.)    |

Please note that members of the public will be allowed to make public comments. If a person wishes to make a public comment during the meeting, they may either 1) use Microsoft Teams and will have the option to notify San Francisco Health Plan (SFHP) staff by alerting them via the “Chat” function or they can 2) contact SFHP staff via email at [vhuggins@sfhp.org](mailto:vhuggins@sfhp.org), in which staff would read the comment aloud during the public comment period. Public comments will be limited to two (2) minutes per comment.

If you plan to attend, please contact Valerie Huggins at (415) 615-4235.

If you plan to attend and need to request disability-related modification or accommodation, including auxiliary aids or services, in order to participate in the public meeting, please contact Valerie Huggins at (415) 615-4235.

# Agenda Item 1

## Action Item

### Approval of Minutes from January 5, 2022 Meeting



**Joint San Francisco Health Authority/San Francisco Community Health Authority  
Minutes of the Finance Committee  
January 5, 2022**

**Present:** Reece Fawley, Steven Fugaro, MD, Greg Wagner, and Emily Webb

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

**Absent:** Eddie Chan, Pharm D

**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 November 3, 2021 Finance Committee Meeting**

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

**2. Review and Approval of Year-To Date Unaudited Financial Statements and Investment Reports**

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

Rand Takeuchi, Director, Accounting, reviewed the year-to-date unaudited financial statements for the period ending November 30, 2021.

1. November 2021 had a margin of \$631,000 versus a budgeted loss of (\$653,000). After removing Strategic Use of Reserves (SUR) activity, the actual margin from operations was \$730,000 versus a budgeted loss of (\$448,000).

On a year-to-date basis, SFHP has a margin of \$2,484,000 versus a budgeted margin of \$2,130,000. After removing SUR activity, the actual margin from operations was \$2,961,000 versus a budgeted margin of \$2,754,000.

2. Reasons for variances between November actual results and the budget include:
  - a. A net increase in revenue of \$1.3 million due to:
    - i. \$1.2 million more in Medi-Cal and Healthy Workers premium revenue due to an additional 2,626 member months along with actual premium rates that were 0.8% higher than what was used for the budget projections. Medi-Cal membership mix was also favorable as 90% 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 (pmpm) premium rates are much higher than the Child and Duals categories of aid.
    - ii. \$118,000 more in Maternity revenue. We reported 105 maternity events during November versus a budget of 91 maternity events.
  - b. A net increase in medical expense of \$99,000 due to:
    - i. \$694,000 more in net capitation as the result of having 2,626 more member months as well as a more favorable membership mix than what the budget projected. This additional cost is offset by the revenue SFHP received for these additional members.
    - ii. \$523,000 less in fee-for-service claims. Claims volume during the second half of November was less than anticipated, most likely due to the Thanksgiving holiday break. We accrued the first claims check run in December which is our normal practice, however we did not make up for the shortfall in the volume for November. The expectation is that claims expense for December will end up higher than budget.
    - iii. \$42,000 more in Pharmacy expense. Medi-Cal pharmacy costs were \$204,000 above budget but Healthy Workers pharmacy expense came in \$162,000 below budget. Our Pharmacy department has been working with Magellan on reductions in drug costs. As a reminder, the Medi-Cal pharmacy benefit will transition to the State effective January 1, 2022.
    - iv. \$114,000 less in Health Education and Utilization Management costs. This variance is primarily due to timing issues as it is expected that the actual costs will align with the budget as we get further into the fiscal year.

- c. A net decrease in administrative expenses of \$188,000 primarily due to lower than expected professional fees and consulting costs. This difference is primarily due to timing as it was anticipated that higher costs would be incurred during the first half of the fiscal year. The expectation is that actual spending will align with the budget as we move further into FY 21-22.

Below is a chart highlighting the key income statement categories for November with adjustments for SUR activity to show margin or loss from ongoing operations.

CATEGORY	-----NOV 2021-----				-----FYTD 21-22 THRU NOV-----			
	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	163,954	161,328	2,626	1.6%	814,807	800,826	13,981	1.7%
REVENUE	\$ 59,872,000	\$ 58,588,000	\$ 1,284,000	2.2%	\$ 323,725,000	\$ 425,849,000	\$ (102,124,000)	-24.0%
MEDICAL EXPENSE	\$ 54,282,000	\$ 54,184,000	\$ (98,000)	-0.2%	\$ 298,190,000	\$ 399,874,000	\$ 101,684,000	25.4%
MLR	91.7%	93.6%			93.0%	94.7%		
ADMINISTRATIVE EXPENSE	\$ 4,911,000	\$ 5,099,000	\$ 188,000	3.7%	\$ 22,889,000	\$ 24,053,000	\$ 1,164,000	4.8%
ADMINISTRATIVE RATIO	7.2%	7.6%			6.1%	4.8%		
INVESTMENT INCOME	\$ (48,000)	\$ 42,000	\$ (90,000)		\$ (162,000)	\$ 208,000	\$ (370,000)	
MARGIN (LOSS)	\$ 631,000	\$ (653,000)	\$ 1,284,000		\$ 2,484,000	\$ 2,130,000	\$ 354,000	16.6%
ADD BACK: SUR ACTIVITY	\$ 99,000	\$ 205,000			\$ 477,000	\$ 624,000		
MARGIN (LOSS) FROM OPERATIONS	\$ 730,000	\$ (448,000)	\$ 1,178,000		\$ 2,961,000	\$ 2,754,000	\$ 207,000	7.5%

On a year-to-date basis through November and after the removal of SUR activity, SFHP is reporting a margin of \$2,961,000 which is slightly above budget expectations.

- After removing the Directed Payments funding, premium revenue is above budget by \$7.1 million. This is due to:
  - An overall net increase of 13,981 member months. Member months for the Adult, Adult Expansion and SPD categories of aid are all above budget 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.
  - A Medi-Cal rate increase effective January 1, 2021 that was 0.8% greater than budget expectations.
- After removing SUR activity and Directed Payments funding, medical expense is above budget by \$7.8 million. This increase can be accounted for as follows:
  - Capitation expenses are up \$3,370,000
  - FFS expenses are up \$2,434,000
  - Medi-Cal non-Hep C pharmacy expenses are up \$1,640,000
  - Hepatitis C expenses are up \$ 684,000
  - Healthy Workers pharmacy expenses are down (\$ 328,000)

- Overall administrative expense is below budget by \$1,164,000. Most of this decrease is due to lower costs in the areas of professional services and information technology services. The lower costs are due to timing differences as actual spending is expected to align with the budget more closely as we move through the fiscal year. Overall administrative expense savings has been partially offset by increases in Compensation, Benefits and GASB 68 costs due to a slightly lower attrition rate than what was used for budgeting purposes.

### **PROJECTIONS**

Mr. Bishop reviewed the following financial projections through May 2022.

1. Beginning in July 2021, hospital risk for 16,000 San Francisco Community Clinic Consortium (SFCCC) members became the responsibility of SFHP. SFHP no longer pays capitation to Zuckerberg San Francisco General Hospital 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 remain under capitation. It is estimated that this new risk will cost SFHP approximately \$16 million to \$20 million per year which is built into the FY 21-22 budget. Our draft CY 2022 Medi-Cal rates confirm that DHCS and Mercer have included this added cost in the CY 2022 Medi-Cal rate development process which means SFHP has to absorb the costs only for the period of July through December 2021.

SFHP expects the fee-for-service claims cost to exceed the capitation savings by approximately \$1.5 million per month. Due to the normal pattern of claims lag, SFHP increased its Incurred But Not Reported (IBNR) claims reserve in an amount equal to its projected exposure in order to cover the anticipated claims incurred from July 2021 through November 2021, but not received as of November 30, 2021.

2. SFHP started the new fiscal year with 2,400 more Medi-Cal members versus what was anticipated in the budget. Due to the ongoing COVID-19 pandemic, SFHP anticipates adding another 500 members for December. With some upcoming enrollment changes in certain aid code groups due to CalAIM's Mandatory Managed Care Enrollment, which will be effective on January 1, 2022, SFHP expects to add another 3,000 members. This will increase our Medi-Cal membership to approximately 158,000 members.

It is important to note that with the Public Health Emergency expected to end in April 2022, SFHP anticipates that Medi-Cal membership will begin to gradually decrease during CY 2022 as members will be placed on hold or terminated due to no longer qualifying for the program.

3. The Medi-Cal pharmacy benefit was carved out effective January 1, 2022. This aligns with how SFHP prepared its FY 21-22 budget, i.e., we would have responsibility for this benefit through December 2021. The long-term plan has been for the State to take on this benefit and has selected Magellan as its Pharmacy Benefits Manager (PBM). This will be viewed as a positive development as drug costs have increased now that Magellan is our PBM.
4. Beginning on January 1, 2022, SFHP implements Enhanced Care Management (ECM), Community Supports (formerly known as In Lieu Of Services (ILOS)), and Major Organ Transplants (MOT). Multiple teams within SFHP have been working for several months to prepare for these new programs. Draft rates for ECM and Community Supports were released in early October. Draft rates for MOT were released in November. ECM and MOT benefits will be subject to a risk corridor with DHCS, which will limit SFHP's exposure to gains and losses.
5. Proposition 56 – this program will continue for all of 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**

### **Investment Reports**

Mr. Takeuchi briefly reviewed the investment reports that were provided to the Finance Committee in the packet. Mr. Fawley asked if the projections are that SFHP will see a return of 2% again or will returns remain flat. Mr. Takeuchi stated that returns are expected to remain flat.

Greg Wagner asked where the year-to-date variances are explained in a narrative. Mr. Takeuchi acknowledged that the year-to-date narrative was missing from the memo for the November financials. He stated the explanation of variances on a year-to-date basis will be included next time and going forward.

The Finance Committee complimented the Finance team on the excellent work demonstrated by the tight variance between the budgeted and actual expenses and revenues to date.

The Finance Committee unanimously approved the year-to-date unaudited financial statements and investment reports ending November 30, 2021, for forwarding to the full Governing Board for approval.



### 3. Review and Approval of Contract with Reinsurance Vendor

**Recommendation:** SFHP recommends to contract with a reinsurance vendor for calendar year (CY) 2022 with the rates as proposed.

Mr. Bishop walked the Finance Committee through the options from the reinsurance vendor. He reviewed that SFHP purchases reinsurance to protect SFHP from losses due to high-cost professional and hospital claims and encounters. SFHP has been with our current broker, RGA, and reinsurance carrier since CY 2015.

Mr. Bishop reviewed the following four options for the CY 2022 renewal:

Option #1 – Renew under existing policy terms with no changes. Annual reinsurance premiums would decrease by 2.0% or \$91,000.

Option #2 – Renew under existing policy terms and include coverage for major organ transplants. Annual reinsurance premiums would increase by 0.7% over current rates, or \$33,000.

Option #3 – Renew under existing policy terms and include coverage for gene and cell therapy drugs. Annual reinsurance premiums would increase by 14.8% or \$667,000.

Option #4 – Renew under existing policy terms and include coverage for major organ transplants and gene and cell therapy drugs. Annual reinsurance premiums would increase by 17.5% or \$792,000.

Reinsurance premiums for CY 2021 will be approximately \$4.5 million. Under the options outlined above, premiums for CY 2022 would range from \$4.4 million to \$5.3 million.

The final recovery percentages for CY 2019 and CY 2020 will be in the range of 80% to 85%. For CY 2021, the final recovery percentage is expected to be in the range of 75% to 80%. Reinsurance companies target their premiums to achieve a 70% to 75% loss ratio.

SFHP is working with our Pharmacy department, other Local Health Plans, and the reinsurance broker to evaluate adding coverage for gene and cell therapy drugs. These drugs are very expensive and not part of the Medi-Cal pharmacy carve-out to DHCS. Should we choose to add this coverage, the additional premium would affect the hospital portion of the reinsurance policy.

Mr. Bishop recommended Option 1. With the risk corridor with DHCS, there is no need to include major organ transplants in the reinsurance policy. He also stated that for gene and cell therapy, it is expected that utilization would be very low, so it did not seem necessary to include the therapy in the policy.

The Finance Committee agreed and unanimously approved the contract for reinsurance, with Option 1, for forwarding to the full Governing Board for approval.

#### **4. Review Option to Purchase Employee Health Benefits from CalPERS**

The following information was presented to the Finance Committee for information only. No action was needed at this time.

Brian Gentner, Director, Human Resources, reviewed SFHP's research into purchase of employee health benefits through CalPERS.

Mr. Gentner stated that SFHP has decided to suspend the pursuit of CalPERS Health Benefits because of high costs of the insurance premiums provided through CalPERS, as well as costs associated with Public Employees' Hospital and Medical Care Act (PEMHCA) requirements.

He stated that the option was explored because SFHP's ability to maintain a non-Kaiser option remains in jeopardy as the majority of our employee population continues to select Kaiser as their health plan of choice despite the employee cost (\$0) being equal for both the Kaiser and the Aetna HMO products. Currently, we have a 60/40 split between Kaiser/Aetna, and most medical insurance providers are not interested in providing a quote for us because they would like to either have our entire population or a large majority (60%+) of it. Given all these factors, we felt an obligation to investigate moving to CalPERS as a non-Kaiser option.

He met with a representative from CalPERS to get an overview of the CalPERS medical insurance offerings and below is a summary of the findings:

Pro:

- CalPERS health insurance pool would have no minimum participation requirements.
- Employees would have a wider choice of plans at different price points based on geographical locations.

Con:

- Premium Costs/Fees
  - Premiums increased significantly for 2022 and their lowest cost HMO is now roughly \$300 per member per month above our lowest HMO offering though Kaiser. This would translate to a \$700,000 increase in annual costs.
  - Additional administration fee would be added to total costs of premiums.
- Public Employees' Hospital and Medical Care Act (PEMHCA) Requirements
  - Requires us to offer the same medical benefits to our retirees along with mandatory subsidies that increase over time. This would make it very difficult to project costs.

- Requirement to offer medical plans up to a month earlier than our current practice, as well as maintain them for up to two months after an employee separates from SFHP, which would also increase our costs.

Mr. Gentner stated that he would continue to research alternative medical insurance plan options/policies to allow us to maintain a non-Kaiser option. He states SFHP would be able to keep the current plan options, Kaiser and Aetna, for the next year or two if premiums remain reasonable.

Mr. Fawley asked if this would be reviewed each year and Mr. Grgurina confirmed that they would review the CalPERS health benefit option annually.

The Finance Committee thanked Mr. Gentner for the review.

The Finance Committee Adjourned to Closed Session.

**5. Review Status of Medi-Cal Rate Changes for Provider Contracts**

This item was discussed in Closed Session.

The Finance Committee Resumed to Open Session.

**6. Report by Chair on Closed Session Action Items**

Mr. Fawley stated there were no action items in Closed Session.

**7. Adjourn**

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Reece Fawley, Secretary/Treasurer

**Joint San Francisco Health Authority/San Francisco Community Health Authority**  
**Minutes of the Finance Committee**  
**January 5, 2022**  
**Closed Session**

**1. Review Status of Medi-Cal Rate Changes for Provider Contracts**

San Francisco Health Plan (SFHP) presented the following information regarding changes to current Medi-Cal capitation and fee-for-services rates for discussion only. No action was taken at this time.

John F. Grgurina, Jr., CEO, stated that the Department of Health Care Services (DHCS) released draft CY 2022 Medi-Cal rates at the beginning of October. Although the preliminary rates shared with SFHP appear to be very favorable, DHCS still needs to apply adjustments for program changes as well as for county-wide averaging which have the potential to increase or decrease these draft rates. It is expected that DHCS will release final CY 2022 rates at the end of January 2022.

Skip Bishop, CFO, stated that when compared to our CY 2021 rates for existing benefits, the overall weighted average rate increase for CY 2022 is approximately 6.7%. This increase is projected to be worth \$33 million in additional revenue for January through December 2022. This is an extremely positive development for SFHP as the CY 2018 Rate Development Template (RDT) on which the CY 2022 rates are based indicated that we should receive an increase in the range of 3.0%. This can be viewed as a reflection of the strength of the financial position of the state of California.

In addition to the 6.7% increase noted above, DHCS and its actuary, Mercer, built in 5.2% to cover the net additional medical expense SFHP expects to incur as a result of taking on the hospital risk for the San Francisco Community Clinic Consortium (SFCCC) members effective July 1, 2021. This increase is projected to be worth \$26 million in additional revenue for January through December 2022 and will be retained by SFHP to cover hospital claims for SFCCC members. As mentioned during our meeting in November, SFHP would like to thank DHCS and Mercer for agreeing to include this additional cost in the CY 2022 rate development process. DHCS and Mercer could have waited to consider these costs as part of the normal Medi-Cal RDT submission process which would have pushed these costs into the CY 2023 and CY 2024 rate development cycles. Including a rate adjustment in the CY 2022 rates means SFHP will have to absorb these costs only for the period of July through December 2021.

Highlights of significant changes affecting CY 2022 rates include:

- Elimination of the pharmacy benefit which transfers to the State effective January 1, 2022.
- A new rate increment for Ground Emergency Medical Transportation (GEMT) for public providers.

- A new rate increment for the Community Supports/Whole Person Care (CS/WPC) transition to Medi-Cal managed care.
- A new rate increment for the Enhanced Care Management (ECM) benefit (not included in draft rates).
- A new rate increment for the Major Organ Transplants (MOT) benefit (not included in draft rates).
- Increases in unit cost and utilization trend factors for the various categories of service.
- Increase in administrative load to cover expanded administrative requirements placed on the health plan.
- Restoration of the 0.5% underwriting gain (margin) for the health plan. The underwriting gain was reduced by 0.5% for the Bridge Period (July 2019 through December 2020) as well as for CY 2021.

As we look at the additional revenue SFHP will receive beginning January 2022, we are considering several options including:

- Passing more dollars to the delegated medical groups through increases to the Practice Improvement Program (PIP).
- Passing more dollars to the delegated hospitals through increases in capitation rates.
- Increasing rates for the Community-Based Adult Services (CBAS) providers. The last increase was effective July 1, 2018.
- Increasing the SFHP reserve balance to the Board-approved maximum level of two times premium revenue.
- A new Strategic Use of Reserves (SUR) program for reserves in excess of two times premium revenue.

The Finance Committee asked for clarity about the restoration of a 0.5% underwriting gain. Mr. Bishop stated that the 1.5% rate reduction that DHCS imposed on all managed care plans during the Bridge period included a 0.5% underwriting gain, which was in place during calendar year 2021. Mr. Grgurina and others convinced DHCS to restore the 0.5% to health plans since DHCS did not experience the economic downturn DHCS had expected.

Reece Fawley stated concern about the gap between the encounter data submitted and capitation rates. He stated that it is a priority to close the gap so that SFHP does not give funds back to DHCS.

Mr. Grgurina stated that they would come back to the Finance Committee and Governing Board in March to provide more details about the Medi-Cal rates for CY 2022.

# Agenda Item 2

## Action Item

- Review and Approval of  
Year-to-Date Unaudited Financial  
Statements and  
Investment Reports

## **FINANCIAL RESULTS – JANUARY 2022**

1. January 2022 reported a margin of \$4,809,000 versus a budgeted margin of \$392,000. After removing Strategic Use of Reserves (SUR) activity, the actual margin from operations was \$4,910,000 versus a budgeted margin of \$496,000.

The strong results for January were expected, given the rate increases the Department of Health Care Services (DHCS)/Mercer included in the calendar year (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 San Francisco Community Clinic Consortium (SFCCC) members.

On a year-to-date basis, we have a margin of \$5,785,000 versus a budgeted margin of \$1,075,000. After removing SUR activity, the actual margin from operations was \$6,461,000 versus a budgeted margin of \$1,908,000.

2. Variances between January actual results and the budget include:
  - a. A net increase in revenue of \$7.8 million due to:
    - i. \$7.7 million more in Medi-Cal premium revenue due to an additional 4,669 member months along with the premium rate increases noted above. Membership mix was also favorable as 78% 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.
    - ii. \$111,000 more in Maternity revenue. We reported 104 maternity events during January versus a budget of 91 maternity events.
  - b. A net increase in medical expense of \$3.3 million due to:
    - i. \$1.5 million more in net capitation as the result of having 4,669 more member months as well as a more favorable membership mix than what the budget projected. In addition, we have seen strong growth in Kaiser membership. Kaiser is considered a Global Subcontractor and receives 98% of the premium SFHP receives from DHCS which increases SFHP's capitation expense. Increases in capitation expense are offset by the revenue SFHP receives for these additional members.
    - ii. \$1.6 million more in fee-for-service claims. Claims volume during January was higher than anticipated primarily due to increasing membership, slightly higher than

expected hospital claims for SFCCC members as well as picking up for lower claims volume in December due to the holidays.

- iii. \$235,000 more is Community-Based Adult Services (CBAS) expense. This increase is due to the ongoing 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). We expect this trend to continue for the duration of the PHE.

- c. A net decrease in administrative expenses of \$136,000 primarily due to lower than expected telecommunications and IT systems maintenance/infrastructure costs. Some of these differences are due to timing. It is anticipated that actual costs will align more closely to budget projections as we move through the second half of the fiscal year.

Below is a chart highlighting the key income statement categories for January with adjustments for SUR activity to show margin or loss from ongoing operations.

	-----JAN 2022-----				-----FYTD 21-22 THRU JAN-----			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	165,614	160,945	4,669	2.9%	1,145,852	1,123,679	22,173	2.0%
REVENUE	\$ 58,100,000	\$ 50,250,000	\$ 7,850,000	15.6%	\$ 458,506,000	\$ 534,897,000	\$ (76,391,000)	-14.3%
MEDICAL EXPENSE	\$ 48,532,000	\$ 45,264,000	\$ (3,268,000)	-7.2%	\$ 419,828,000	\$ 500,286,000	\$ 80,458,000	16.1%
MLR	84.5%	91.4%			92.6%	94.4%		
ADMINISTRATIVE EXPENSE	\$ 4,500,000	\$ 4,636,000	\$ 136,000	2.9%	\$ 32,438,000	\$ 33,828,000	\$ 1,390,000	4.1%
ADMINISTRATIVE RATIO	6.7%	7.9%			6.0%	5.4%		
INVESTMENT INCOME	\$ (259,000)	\$ 42,000	\$ (301,000)		\$ (455,000)	\$ 292,000	\$ (747,000)	
MARGIN (LOSS)	\$ 4,809,000	\$ 392,000	\$ 4,417,000	1126.8%	\$ 5,785,000	\$ 1,075,000	\$ 4,710,000	438.1%
ADD BACK: SUR ACTIVITY	\$ 101,000	\$ 104,000			\$ 676,000	\$ 833,000		
MARGIN (LOSS) FROM OPERATIONS	\$ 4,910,000	\$ 496,000	\$ 4,414,000	889.9%	\$ 6,461,000	\$ 1,908,000	\$ 4,553,000	238.6%

On a year-to-date basis through January and after the removal of SUR activity, SFHP is reporting a margin of \$6,461,000 which is significantly above budget expectations. Now that we have entered the second half of the fiscal year, margins will be steadily increasing due to the CY 2022 Medi-Cal rate increases effective January 1, 2022.

The large variances in revenue and medical expense are primarily due to the impact of the Directed Payments (DP) and Intergovernmental Transfer (IGT) funding programs. These programs provide additional revenue streams for our hospital providers. As DHCS financial reporting rules allow plans to record this funding as revenue and medical expense, there is no bottom-line impact to SFHP. The timing of when this funding is released to the plans is hard to predict. For budget purposes, we projected DP and IGT funding based on historical patterns. We budgeted \$132.0 million of DP funding to come in during September 2021, however we only received \$22.7 million. With regard to IGT funding, we did not anticipate receiving funding until June 2022, however \$15.9 million came in during December 2021. In a call with DHCS back in January, DHCS stated that we will see additional DP funding in April 2022 and October 2022. The amount of funding was not known at the time of the call.



After removing the Directed Payments funding, premium revenue is above budget by \$17.0 million. This is due to:

- An overall net increase of 22,173 member months. 83% 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 San Francisco Community Clinic Consortium (SFCCC) members.

After removing SUR activity, Directed Payments and IGT funding, medical expense is above budget by \$13.1 million. This increase can be accounted for as follows:

○ Capitation expenses are up	\$6,781,000
○ FFS expenses are up	\$3,338,000
○ Medi-Cal non-Hep C pharmacy expenses are up	\$1,809,000
○ Non-specialty mental health expenses are up	\$ 801,000
○ Hepatitis C expenses are up	\$ 686,000
○ CBAS expenses are up	\$ 210,000
○ Healthy Workers pharmacy expenses are down	(\$ 479,000)

Overall administrative expense is below budget by \$1,390,000. The majority of this decrease is due to lower costs in the areas of lease and insurance costs, marketing costs and professional services. The lower costs are due more to timing differences as actual spending is expected to align more closely with the budget as we move through the second half of the fiscal year.

## **PROJECTIONS**

Financial projections through July 2022:

1. SFHP expects to report strong margins through June 2022 due to the Medi-Cal rate increases that were effective January 1, 2022. The anticipated margins will help SFHP rebuild its reserve balance that was depleted by covering several retroactive rate adjustments implemented by DHCS that resulted in a return of \$12.7 million to DHCS. At the time, SFHP recommended and the Finance Committee and Governing Board approved not to make retroactive recoveries from providers, but rather to use reserves to cover these takebacks.
2. Beginning in July 2021, hospital risk for 16,000 San Francisco Community Clinic Consortium (SFCCC) members became the responsibility of SFHP. SFHP no longer pays capitation to Zuckerberg San Francisco General 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. Original estimates showed this new risk would cost SFHP approximately \$18 million to \$20 million per year. With SFCCC membership now at 19,400 members as of January 2022, this new risk will cost \$23 million to \$27 million per year. CY 2022 Medi-Cal rate increases that SFHP received will cover this additional cost.

Now that we have seven months of experience with this new risk, we can begin to see that claims paid along with Incurred But Not Reported (IBNR) estimates are coming in close to expectations. Due to the normal pattern of claims lag, SFHP has increased its IBNR claims reserve to cover the anticipated claims incurred July through January, but not received as of January 2022.

3. SFHP started the new fiscal year with 2,400 more Medi-Cal members versus what was anticipated in the budget. This differential has grown to 7,000 members through January 2022. Due to the ongoing Public Health Emergency, SFHP anticipates adding another 1,500 members through April 2022. This will increase our Medi-Cal membership to approximately 158,000 members.

It is important to note that with the Public Health Emergency expected to end in mid-April 2022, Medi-Cal membership will begin to gradually decrease during the second half of CY 2022 as members will again be placed on hold or terminated due to no longer qualifying for the program.

4. The Medi-Cal pharmacy benefit was carved out of Medi-Cal managed care effective January 2022. This aligns with how SFHP prepared its FY 21-22 budget, i.e., we would have responsibility for this benefit through December 2021. SFHP continues to have the risk for the Healthy Workers pharmacy benefit.
5. Beginning in January 2022, SFHP has taken on responsibility for Enhanced Care Management (ECM), Community Supports (CS), formerly known as In Lieu Of Services (ILOS) and Major Organ Transplants (MOT). Multiple teams within SFHP worked for several months to prepare for these new programs. Final rates for ECM, CS and MOT were released at the end of January. It is important to note that the ECM and MOT benefits will be subject to a risk corridor which will limit SFHP's exposure to gains and losses.
6. Proposition 56 – this program will continue for all of 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. It is important to note that the value-based payments portion of the Proposition 56 program will end June 30, 2022. All other Proposition 56 programs will continue at least through December 2022.
7. See income statement charts on subsequent pages. Due to the impact that pass-through funding and the disbursement of Strategic Use of Reserves have on projections, we have included graphs with and without this activity.

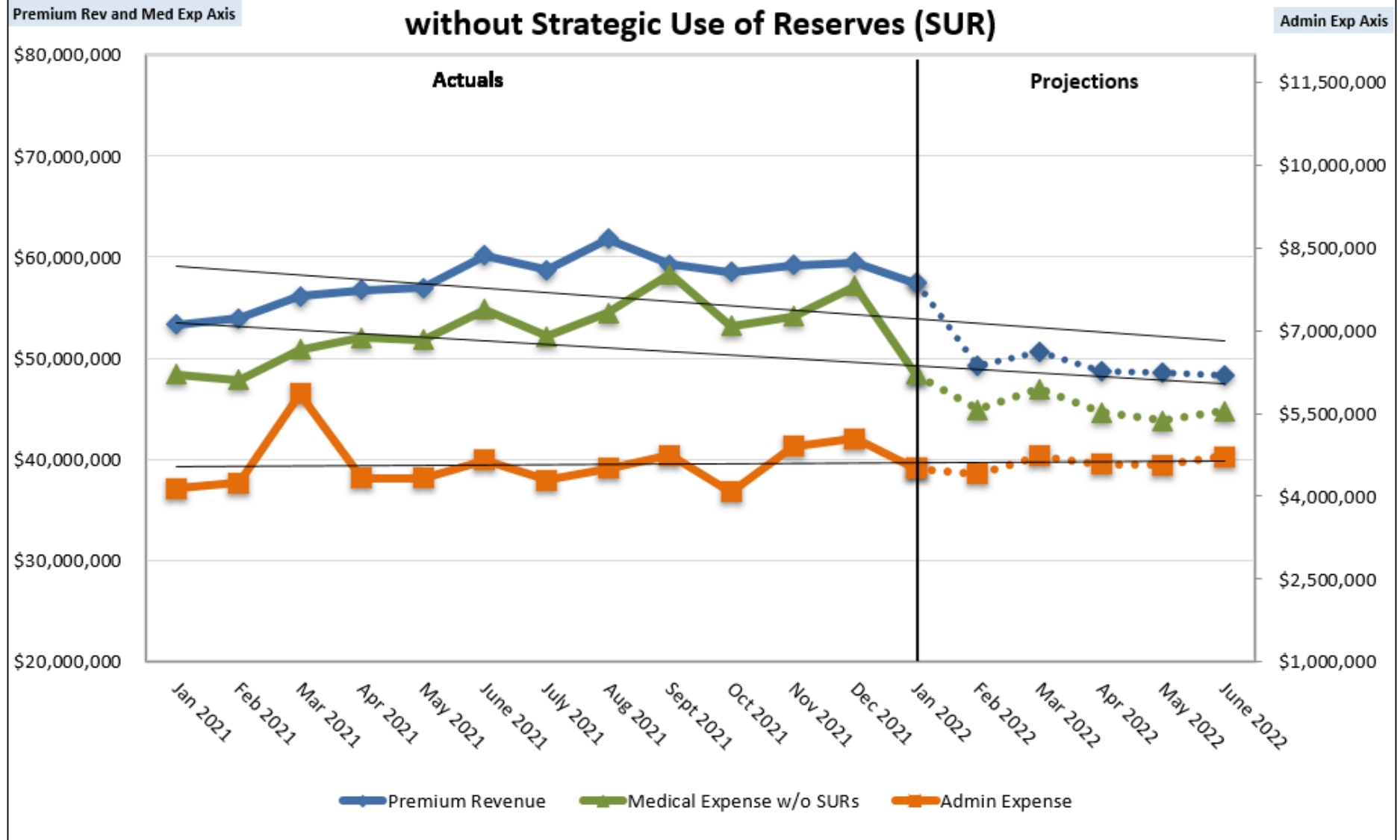
## **HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS**

### **Provider Rate Changes and MLR Reporting For Delegated Entities**

Please see separate memos – Finance Committee Agenda Items 4 and 5 and Governing Board Agenda Items 8 and 9.

# SFHP - January 2022

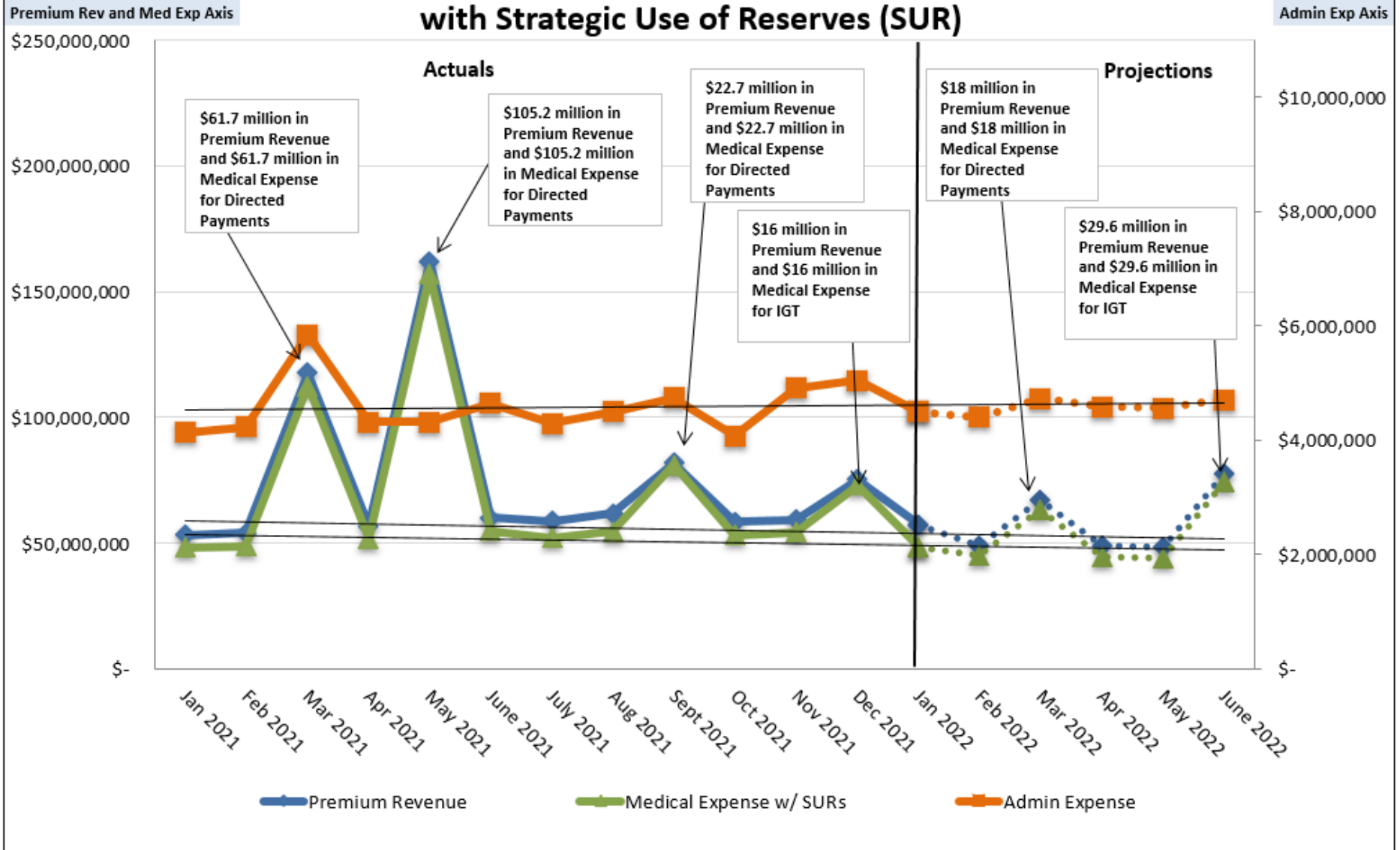
## Rolling 12 Month Income Statement & 5 Month Projection without Strategic Use of Reserves (SUR)



- 1) Medical Expense **without** Strategic Use of Reserves (SUR)
- 2) Dual axis chart
- 3) Trend line **without** impact of Strategic Use of Reserves (SUR) or pass-throughs

## SFHP - January 2022

### Rolling 12 Month Income Statement & 5 Month Projection with Strategic Use of Reserves (SUR)



- 1) Medical Expense **with** Strategic Use of Reserves (SUR) and pass-throughs
- 2) Dual axis chart
- 3) Trend line **without** impact of Strategic Use of Reserves (SUR) or pass-throughs

# San Francisco Health Plan

## Finance Big Picture Dashboard - January 2022

	Jan-22			Jan-21	Fiscal Year to Date (21/22)			FY 20/21
	MTD	MTD	MTD	MTD	FYTD	FYTD	FYTD	FYTD
	Actual	Budget	Fav (Unfav)	Actual	Actual	Budget	Fav (Unfav)	Actual
<b>FINANCIAL POSITION:</b>								
<b>Net Profit/Loss w/o HSF (\$)</b>	4,808,546	391,803	4,416,743	1,655,990	5,784,964	1,075,143	4,709,820	(1,153,672)
<b>Total Medical Loss Ratio_All LOB</b>	84.5%	91.4%	6.9%	90.8%	92.6%	94.4%	1.8%	95.5%
<b>Admin Expense Ratio</b>	6.7%	7.9%	1.2%	6.1%	6.0%	5.4%	-0.6%	4.7%
<b>Number of FTE's</b>	350			348				
<b>Premium Revenue (\$)</b>	57,431,911	49,531,782	7,900,128	53,342,122	453,294,630	529,879,441	(76,584,811)	485,941,359
<b>Medical Expenses (\$)</b>	48,532,675	45,264,131	(3,268,544)	48,427,296	419,827,714	500,285,456	80,457,742	464,295,775
<b>Administration Expenses w/o HSF (\$)</b>	4,500,047	4,636,172	136,125	4,137,708	32,438,069	33,827,968	1,389,899	27,965,992
<b>Member Months</b>	165,614	160,945	4,669	151,548	1,145,852	1,123,679	22,173	1,041,683
<b>Cash on Hand (Days)</b>	52			31				

	Budget							
	January-2022	@ 6/30/22	June-2021	June-2020	June-2019	June-2018	June-2017	June-2016
<b>RESERVES:</b>								
<b>Reserves (\$)</b>	101,393,180	99,037,922	96,977,825	91,960,120	97,935,725	108,542,472	120,761,132	112,637,840
<b>SUR carry-over balance from prior years</b>	(2,387,620)	(2,500,000)	(2,511,173)	(4,145,463)	(6,046,189)	(15,567,350)		
<b>FY18-19 SUR for Medical Groups and Targeted Interv.</b>	(2,007,625)	-	(2,548,975)	(2,945,000)	(6,558,333)	0		
<b>Adjusted Reserve Balance</b>	96,997,934	96,537,922	91,917,677	84,869,657	85,331,203	92,975,122		
<b>Reserve Policy 2x Premium Rev (Rolling 12 month avg)</b>	114,863,822	96,586,486	118,618,434	86,669,751	93,747,256	93,684,010	94,325,464	100,027,410
<b>Reserves Over (Under) 2 x Premium Revenue</b>	(17,865,888)	(48,564)	(28,700,757)	(1,800,095)	(8,416,053)	(708,888)		
<b>DMHC Required TNE</b>	16,528,352	12,000,000	14,662,413	13,951,203	12,597,375	11,960,363	11,818,641	10,744,461
<b>TNE Multiple</b>	5.9	8.3	6.3	6.1	6.8	7.8	10.2	10.5

<b>FINANCIAL TREND:</b>							
	<b>FY 21/22</b>						
	<b>Original</b>						
	<b>Budget</b>	<b>Change</b>					
<b>Premium Revenue (\$)</b>	529,879,441	(76,584,811)					
<b>Medical Expenses (\$)</b>	500,285,456	80,457,742					
<b>Administration Expenses w/o HSF (\$)</b>	33,827,968	1,389,899					
	January-2022	June-2021	June-2020	June-2019	June-2018	June-2017	June-2016
<b>Member Months</b>	165,614	162,666	144,308	140,765	143,096	149,348	146,289
<b>Average Monthly Enrollment</b>	161,116	152,436	138,890	142,038	146,847	148,354	144,347

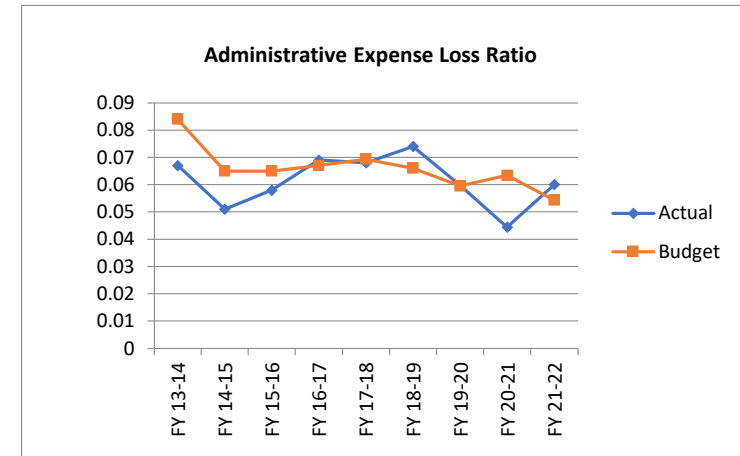
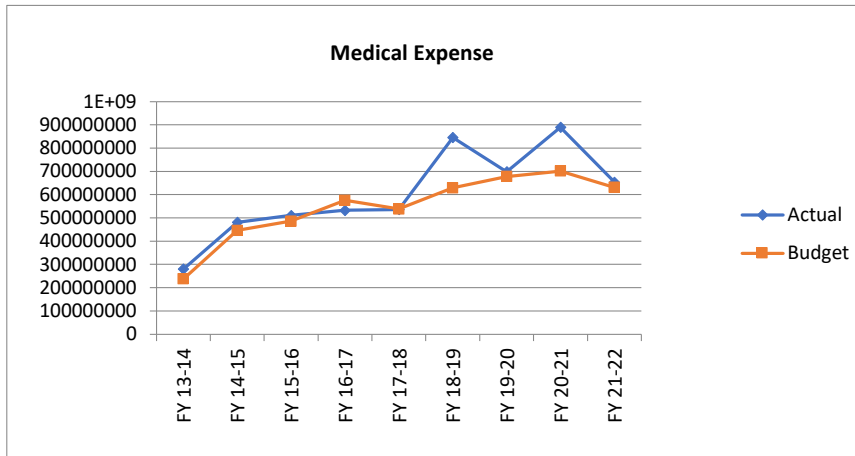
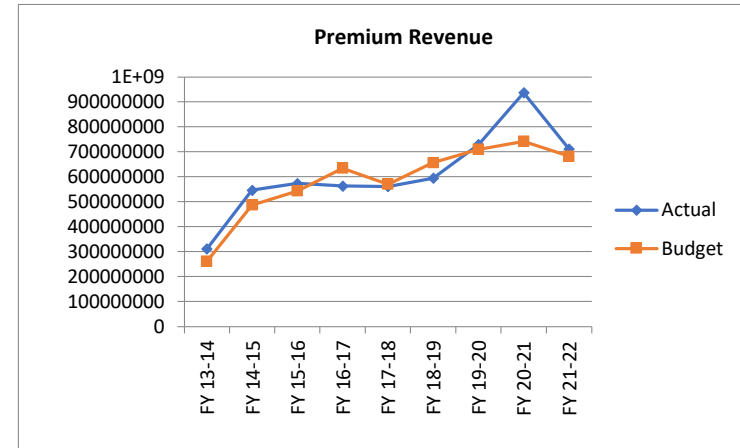
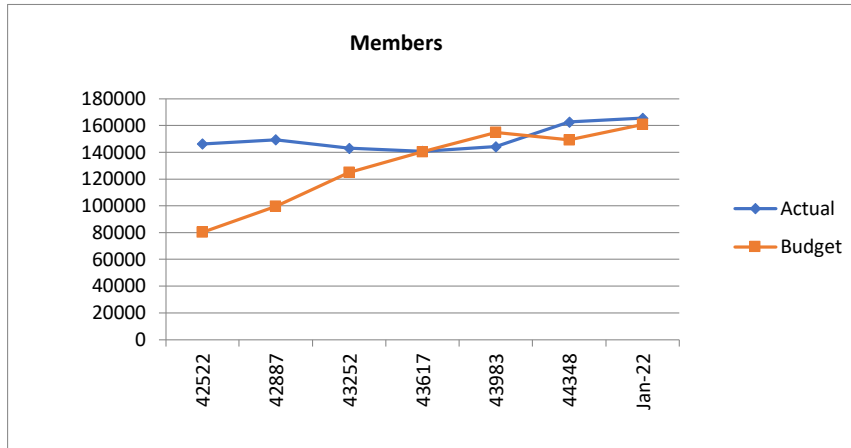
Membership for the Month

Rolling 12 Month Average

# San Francisco Health Plan

## Finance Big Picture Dashboard - January 2022

**FINANCIAL TREND:**  
(Rolling 12 months)



# San Francisco Health Plan

## Finance Dashboard Metrics - January 2022

	Jan-22			Jan-21	Fiscal Year to Date (21/22)			FY 20/21
	Actual	Budget	Fav (Unfav)	Actual	Actual	Budget	Fav (Unfav)	Actual
<b>Member Months</b>	165,614	160,945	4,669 2.9%	151,548	1,145,852	1,123,679	22,173 2.0%	1,041,683
<b>Premium Revenue (\$)</b>	57,431,911	49,531,782	7,900,128 15.9%	53,342,122	453,294,630	529,879,441	(76,584,811) -14.5%	485,941,359
<b>Administration Expenses w/o HSF (\$)</b>	4,500,047	4,636,172	136,125	4,137,708	32,438,069	33,827,968	1,389,899	27,965,992
<b>Admin Expense Ratio</b>	6.7%	7.9%		6.1%	6.0%	5.4%		4.7%
<b>Medical Expenses (\$)</b>	48,532,675	45,264,131	(3,268,544)	48,427,296	419,827,714	500,285,456	80,457,742	464,295,775
<b>Total Medical Loss Ratio</b>	84.5%	91.4%		90.8%	92.6%	94.4%		95.5%
<b>MC Medical Loss Ratio</b>	82.1%	84.2%		83.6%	88.3%	89.0%		90.1%
<b>MC SPD Medical Loss Ratio</b>	84.6%	90.5%		86.3%	94.0%	93.8%		96.2%
<b>MC Expansion</b>	82.0%	93.9%		94.6%	93.7%	96.9%		96.9%
<b>HW Medical Loss Ratio</b>	98.3%	97.6%		103.0%	95.3%	96.6%		101.9%
<b>HSF + SFCMRA - TPA Fee (\$)</b>	930,341	1,139,771	(209,429) -18.4%	897,659	6,754,023	7,987,395	(1,233,372) -15.4%	6,200,637
<b>Cash on Hand (Days)</b>	52			31				
<b>Maternity Reimb. Performance (\$)</b> (per case pymt, actual vs. budget)	885,175	764,545	120,630 15.8%	745,305	5,959,736	5,351,815	607,921 11.4%	5,558,471
<b>Number of Births</b>	104	91	13	88	708	637	71	635
<b>Hep-C Revenue (\$)</b>	0	0	0	252,379	2,660,517	2,055,468	605,049	2,732,979
<b>Hep-C Expense w/rebates (FFS + Cap) (\$)</b>	0	0	0	279,856	2,741,679	2,055,468	(686,211)	2,760,874
<b>Net Margin (\$)</b>	0	0	0	(27,477)	(81,162)	0	(81,162)	(27,895)
<b>Total Hep-C Treatments</b>	0	0	0	124	1,227	1,026	201	1,121
<b>Total reimbursable Hep-C weeks</b> (exclude Daklinza)	0	0	0	124	1,227	1,026	201	1,121
<b>Net Profit/Loss w/o HSF (\$)</b>	4,808,546	391,803	4,416,743	1,655,990	5,784,964	1,075,143	4,709,820	(1,153,672)

**San Francisco Health Plan**  
**Consolidated Balance Sheet for SFHA and SFCHA**  
**As of January 31, 2022**

	SFHA	HSF	1/31/2022 Total	1/31/2021 Total	Variance
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
SFHP Cash and Cash Equivalents	\$ 7,855,046		\$ 7,855,046	\$ 1,327,531	\$ 6,527,515
Short Term Investments	\$ 133,535,669		\$ 133,535,669	\$ 98,307,672	\$ 35,227,997
HSF Cash and Cash Equivalents		\$ 745,167,869	\$ 745,167,869	\$ 622,305,052	\$ 122,862,817
Petty Cash	\$ 1,000		\$ 1,000	\$ 1,000	\$ -
Other Receivables	\$ 56,500		\$ 56,500	\$ 7,042,376	\$ (6,985,876)
Interest Receivable	\$ 151,101		\$ 151,101	\$ 191,906	\$ (40,805)
Grant Funds Receivable	\$ 128,169		\$ 128,169	\$ -	\$ 128,169
Capitation Receivable	\$ 60,706,805		\$ 60,706,805	\$ 61,266,930	\$ (560,125)
HSF Operation Receivable	\$ 3,856,973		\$ 3,856,973	\$ 6,234,085	\$ (2,377,112)
HSF Provider Payment & Advance		\$ 1,402,840	\$ 1,402,840	\$ 1,623,786	\$ (220,946)
HSF Receivables		\$ 678,154	\$ 678,154	\$ 17,775,522	\$ (17,097,367)
Prepaid Insurance	\$ 370,615		\$ 370,615	\$ 142,004	\$ 228,610
HSF Prepaid Insurance	\$ 9,259		\$ 9,259	\$ 8,417	\$ 842
Prepaid Rent	\$ 360,647		\$ 360,647	\$ 338,636	\$ 22,012
Prepaid Expenses	\$ 4,319,123		\$ 4,319,123	\$ 3,195,029	\$ 1,124,094
HSF Prepaid Expenses	\$ 21,236		\$ 21,236	\$ 10,950	\$ 10,286
CalPERS Deferred Outflow Fund	\$ 5,867,112		\$ 5,867,112	\$ 7,949,676	\$ (2,082,564)
Deposits	\$ 79,874		\$ 79,874	\$ 79,874	\$ -
Total Current Assets	\$ 217,319,127	\$ 747,248,864	\$ 964,567,991	\$ 827,800,447	\$ 136,767,544
<b>OTHER ASSETS</b>					
Long Term Investments	\$ 24,509,879		\$ 24,509,879	\$ 23,381,333	\$ 1,128,546
Restricted Funds Required by DMHC	\$ 300,000		\$ 300,000	\$ 300,000	\$ -
Total Other Assets	\$ 24,809,879	\$ -	\$ 24,809,879	\$ 23,681,333	\$ 1,128,546
<b>FIXED ASSETS</b>					
Furniture & Equipment	\$ 15,448,397		\$ 15,448,397	\$ 15,420,811	\$ 27,586
Accumulated Depreciation	\$ (13,380,170)		\$ (13,380,170)	\$ (11,799,427)	\$ (1,580,743)
Net Fixed Assets	\$ 2,068,227	\$ -	\$ 2,068,227	\$ 3,621,384	\$ (1,553,157)
<b>TOTAL ASSETS</b>	<b>\$ 244,197,233</b>	<b>\$ 747,248,864</b>	<b>\$ 991,446,097</b>	<b>\$ 855,103,164</b>	<b>\$ 136,342,933</b>



**San Francisco Health Plan**  
**Consolidated Balance Sheet for SFHA and SFCHA**  
**As of January 31, 2022**

	SFHA	HSF	1/31/2022 Total	1/31/2021 Total	Variance
<b>LIABILITIES &amp; FUND BALANCE</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable	\$ 16,559,499		\$ 16,559,499	\$ 16,847,605	\$ (288,106)
HSF Accounts Payable		\$ 721,800	\$ 721,800	\$ 674,716	\$ 47,084
Deferred Rent	\$ 1,692,988		\$ 1,692,988	\$ 1,881,791	\$ (188,803)
Salaries/Benefits/PERS Payable	\$ 7,300,358		\$ 7,300,358	\$ 8,700,218	\$ (1,399,860)
CalPERS Unfunded Pension	\$ (395,440)		\$ (395,440)	\$ (208,691)	\$ (186,749)
CalPERS Pension Deferred Inflow	\$ 227,878		\$ 227,878	\$ 180,387	\$ 47,491
Notes Payable - Lease Equipment	\$ (6,519)		\$ (6,519)	\$ 54,636	\$ (61,155)
Unearned Premium Revenue	\$ -		\$ -	\$ -	\$ -
DHCS, MCO, IGT, AB-85, SB-335, SB-208 and ACA Payable	\$ 44,585,090		\$ 44,585,090	\$ 38,953,996	\$ 5,631,094
HSF Earned Premium - Due to DPH		\$ 66,900,166	\$ 66,900,166	\$ 58,896,117	\$ 8,004,048
Waiver, Discount, and Account Write-off		\$ (87,236)	\$ (87,236)	\$ (193,672)	\$ 106,437
HSF Unearned Participant Fees		\$ 175,087	\$ 175,087	\$ 985,016	\$ (809,929)
ESR due to DPH		\$ 498,467,052	\$ 498,467,052	\$ 424,167,673	\$ 74,299,380
HSF MRA Fund Payable (Claim & Fee)		\$ 176,071,994	\$ 176,071,994	\$ 157,174,510	\$ 18,897,484
Capitation Payable	\$ 60,560,272		\$ 60,560,272	\$ 51,041,620	\$ 9,518,652
Claims Payable	\$ 2,934,458		\$ 2,934,458	\$ 2,716,834	\$ 217,624
Claims IBNR	\$ 14,345,471		\$ 14,345,471	\$ 2,837,667	\$ 11,507,804
<b>TOTAL LIABILITIES</b>	<b>\$ 147,804,053</b>	<b>\$ 742,248,864</b>	<b>\$ 890,052,917</b>	<b>\$ 764,710,423</b>	<b>\$ 125,342,494</b>
<b>FUND BALANCE</b>					
Contributed Capital	\$ 1,516,840		\$ 1,516,840	\$ 1,516,840	\$ -
Accumulated Surplus Revenue	\$ 94,091,376		\$ 94,091,376	\$ 90,029,573	\$ 4,061,803
Current Year Surplus / Deficit	\$ 5,784,964		\$ 5,784,964	\$ (1,153,672)	\$ 6,938,636
<b>Fund Balance</b>	<b>\$ 101,393,180</b>	<b>\$ -</b>	<b>\$ 101,393,180</b>	<b>\$ 90,392,741</b>	<b>\$ 11,000,439</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 249,197,233</b>	<b>\$ 742,248,864</b>	<b>\$ 991,446,097</b>	<b>\$ 855,103,164</b>	<b>\$ 136,342,933</b>

**San Francisco Health Plan  
Consolidated Balance Sheet for SFHA and SFCHA  
As of January 31, 2022**

**Notes:**

SFHP Cash, Cash Equivalents and Short Term Investments had a combined balance of \$146.4 million at 1/31/22 as compared to \$99.6 million at 1/31/21. This increase of \$41.8 million includes \$15.9 million in IGT funding for ZSFG and UCSF, \$10.4 million in HQAF funding for public and private hospitals plus \$15.0 million in excess Proposition 56 cash that has been accumulating and will have to be returned to DHCS as we will not reach the 95% MLR threshold.

The days cash on hand as of 1/31/21 was 52 days compared to 14 days at 11/30/21. November days cash on hand was unusually low as the October Medi-Cal premium payment did not arrive until December. In addition, IGT and HQAF pass-through funding totaling \$26.3 million was in the cash balance at the end of January. These funds were disbursed in February.

The \$7.0 million reduction in Other Receivables is due to the collection of \$4.5 million in provider advances made during FY 19-20 to assist providers with cash flow as they worked through the pandemic. The remainder represents an amount collected from Kaiser. This amount was related to timing differences on capitation payments (SFHP pays Kaiser 98% of the final premium rates from DHCS).

Capitation Receivable is a combination of Medi-Cal premiums totaling \$60.5 million along with \$206,000 of receivables for the Healthy Workers program.

In January, SF DPH reimbursed \$14.7 million related to the \$500 grants disbursed to San Francisco City Option MRA holders during August through December 2020.

The balance at 1/31/22 included the following - \$24.9 million in Proposition 56 funding that will have to be returned to DHCS as we will not reach the required MLR of 95%, \$10.4 million in HQAF funding payable to hospitals, \$6.3 million in Managed Care Organization (MCO) tax payable to DHCS and \$2.0 million related to new programs effective January 2022 (Enhanced Care Management, Community Supports and Major Organ Transplants),

All other asset and liability account balances appear to be reasonable.

**San Francisco Health Plan  
Income Statement w/o HSF  
Consolidated Statement for SFHA and SFCHA  
For the Month Ending January 31, 2022**

Current Month Actual	Current Month Budget	Fav (Unfav) Amount (\$)	Fav (Unfav) %		Year to Date Actual	Year to Date Budget	Fav (Unfav) (\$)	Fav (Unfav) %
<b>Member Month</b>								
19,351	17,209	2,142	12.4%	Medi-Cal - Adult 19	132,472	120,462	12,010	10.0%
41,909	42,170	(261)	(0.6%)	Medi-Cal - Child 18	292,347	295,185	(2,838)	(1.0%)
15,415	13,997	1,418	10.1%	Medi-Cal - Dual Members	103,978	97,976	6,002	6.1%
13,478	13,208	270	2.0%	Medi-Cal SPD	94,547	92,378	2,169	2.3%
63,926	62,686	1,240	2.0%	Medi-Cal Expansion	440,162	435,953	4,209	1.0%
11,535	11,675	(140)	(1.2%)	Healthy Workers	82,346	81,725	621	0.8%
165,614	160,945	4,669	2.9%	<b>TOTAL MEMBER MONTH</b>	1,145,852	1,123,679	22,173	2.0%
<b>REVENUE</b>								
5,718,715	4,823,029	895,686	18.6%	Medi-Cal	50,103,976	51,978,376	(1,874,400)	(3.6%)
5,020,310	4,921,824	98,486	2.0%	Medi-Cal Child	41,269,082	48,032,059	(6,762,977)	(14.1%)
2,593,041	2,147,691	445,350	20.7%	Medi-Cal Dual	17,522,510	15,480,373	2,042,137	13.2%
12,573,286	10,029,945	2,543,341	25.4%	Medi-Cal SPD	104,231,164	128,339,277	(24,108,113)	(18.8%)
24,741,055	20,739,373	4,001,682	19.3%	Medi-Cal Expansion	191,172,268	237,531,423	(46,359,155)	(19.5%)
-	-	-		MC Health Homes	564,860	428,490	136,370	31.8%
6,785,503	6,869,920	(84,417)	(1.2%)	Healthy Workers	48,430,770	48,089,442	341,328	0.7%
57,431,911	49,531,782	7,900,128	15.9%	<b>Total Capitation Revenue</b>	453,294,630	529,879,441	(76,584,811)	(14.5%)
668,343	718,658	(50,314)	(7.0%)	Other Income - Admin Svc & TPL	5,168,214	5,017,460	150,755	3.0%
-	-	-		Other Income - Navigator Grant	42,669	-	-	-
-	-	-		Other Income - BHI	-	-	-	-
668,343	718,658	(50,314)	(7.0%)	<b>Total Other Income</b>	5,210,883	5,017,460	193,423	3.9%
58,100,254	50,250,440	7,849,814	15.6%	<b>TOTAL REVENUE</b>	458,505,513	534,896,900	(76,391,387)	(14.3%)

**San Francisco Health Plan  
Income Statement w/o HSF  
Consolidated Statement for SFHA and SFCHA  
For the Month Ending January 31, 2022**

Current Month Actual	Current Month Budget	Fav (Unfav) Amount (\$)	Fav (Unfav) %		Year to Date Actual	Year to Date Budget	Fav (Unfav) (\$)	Fav (Unfav) %
<b>EXPENSES</b>								
				Medical Expenses				
18,765,839	17,552,791	(1,213,048)	(6.9%)	Professional	126,606,741	124,933,192	(1,673,549)	(1.3%)
26,502,786	24,235,698	(2,267,089)	(9.4%)	Hospital	179,965,828	171,907,275	(8,058,553)	(4.7%)
784,207	1,042,111	257,904	24.7%	Pharmacy	57,256,968	55,241,742	(2,015,226)	(3.6%)
33,867	33,393	(474)	(1.4%)	Immunizations	283,491	233,009	(50,482)	(21.7%)
901,935	841,926	(60,010)	(7.1%)	Vision and Mental Health	6,782,583	5,882,885	(899,698)	(15.3%)
1,544,041	1,558,214	14,173	0.9%	Health Ed & Stop Loss & Other	48,932,102	142,087,352	93,155,250	65.6%
<b>48,532,675</b>	<b>45,264,131</b>	<b>(3,268,544)</b>	<b>(7.2%)</b>	<b>Total Medical Expenses</b>	<b>419,827,714</b>	<b>500,285,456</b>	<b>80,457,742</b>	<b>16.1%</b>
84.5%	91.4%			Medical Cost Ratio %	92.6%	94.4%		
				Operating Expenses				
2,507,315	2,454,375	(52,940)	(2.2%)	Compensation & Benefits	17,390,036	16,969,422	(420,614)	(2.5%)
21,924	67,819	45,895	67.7%	GASB-68 CalPERS Contribution	198,565	573,458	374,893	65.4%
439,220	461,807	22,588	4.9%	Lease, Insurance, D & A	3,192,322	3,520,097	327,776	9.3%
92,372	147,864	55,491	37.5%	Marketing & Outreach	566,909	747,248	180,339	24.1%
160,165	149,149	(11,016)	(7.4%)	PBM and Mental Health TPA Fees	2,390,972	2,268,434	(122,538)	(5.4%)
185,142	421,991	236,849	56.1%	Professional Fees & Consulting	2,210,475	3,257,686	1,047,211	32.1%
1,093,910	933,167	(160,743)	(17.2%)	Other Expenses	6,488,791	6,491,622	2,831	0.0%
<b>4,500,047</b>	<b>4,636,172</b>	<b>136,125</b>	<b>2.9%</b>	<b>Total Operating Expenses</b>	<b>32,438,069</b>	<b>33,827,968</b>	<b>1,389,899</b>	<b>4.1%</b>
6.7%	7.9%			Administrative Cost Ratio % (Op Exp-Other Inc/Premium)	6.0%	5.4%		
<b>53,032,722</b>	<b>49,900,303</b>	<b>(3,132,419)</b>	<b>(6.3%)</b>	<b>TOTAL EXPENSES</b>	<b>452,265,783</b>	<b>534,113,424</b>	<b>81,847,640</b>	<b>15.3%</b>
<b>5,067,531</b>	<b>350,136</b>	<b>4,717,395</b>	<b>1,347.3%</b>	<b>Operating Surplus / Deficit</b>	<b>6,239,730</b>	<b>783,477</b>	<b>5,456,253</b>	<b>696.4%</b>
12,256	41,667	(29,411)	(70.6%)	Interest Income & Realized G/L on Investment	310,914	291,667	19,247	6.6%
(271,242)	-	(271,242)		Unrealized Gain / Loss on Investment	(765,680)	-	(765,680)	
(258,986)	41,667	(300,652)	(721.6%)	Total Interest Income & Realized G/L on Investment	(454,766)	291,667	(746,433)	(255.9%)
<b>4,808,546</b>	<b>391,803</b>	<b>4,416,743</b>	<b>1,127.3%</b>	<b>SURPLUS / DEFICIT</b>	<b>5,784,964</b>	<b>1,075,143</b>	<b>4,709,820</b>	<b>438.1%</b>

**San Francisco Health Plan  
Income Statement w/o HSF  
Consolidated Statement for SFHA and SFCHA  
For the Month Ending January 31, 2022**

**Notes:**

Following are key points that impacted our financial performance during January 2022. For a more detailed discussion of each of these points, please refer to the attached FINANCIAL RESULTS-JANUARY 2022 memo.

January member months were 2.9% ahead of budget which is not surprising given the fact that we started the fiscal year with 2,400 more Medi-Cal members plus we received new enrollment that transitioned over from Medi-Cal Fee-For-Service. Membership is expected to increase slightly over the next three months as the Public Health Emergency (PHE) will remain in place until at least mid-April 2022. It is important to note that once the PHE ends, we expect a gradual decline in membership as the redetermination process will resume which means members will be placed on hold or terminated.

Premium revenue was up \$7.9 million due to an additional 4,669 member months along with premium increases that were effective January 2022. It should be noted that a portion of the premium rate increase is to help cover the hospital risk SFHP has had for the SFCCC members since July 2021. Membership mix was also favorable as 78% 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 the Child and Duals categories of aid. In addition, we now have new revenue streams for Enhanced Care Management, Community Supports and Major Organ Transplants.

Overall medical expense was up \$3.3 million. We had \$1.5 million more in capitation expense as the result of having 4,669 more member months as well as a more favorable membership mix than what the budget projected. This additional cost is offset by the revenue SFHP received for these additional members. We saw \$1.6 million more in fee-for-service claims. Claims volume during January was higher than anticipated primarily due to increasing membership, slightly higher than expected hospital claims for SFCCC members as well as picking up for lower claims volume in December due to the holidays. CBAS costs were \$235,000 higher than budget due to the impact of the ongoing PHE.

Overall administrative expenses came in \$136,000 less than budget. This is primarily due to lower than expected telecommunications and IT system maintenance and infrastructure costs. Some of these differences are due to timing. It is expected that actual expenses will align more closely with the budget as we move through the second half of the fiscal year.

San Francisco Health Plan  
Income Statement w/o HSF  
Consolidated Statement for SFHA and SFCHA  
For the Month Ending January 31, 2022  
(\$ PMPM)

Current Month Actual	Current Month Budget	Fav (Unfav) Amount (\$)	Fav (Unfav) %		Year to Date Actual	Year to Date Budget	Fav (Unfav) Amount (\$)	Fav (Unfav) %
<b>REVENUE</b>								
295.53	280.26	15.26	5.4%	Medi-Cal - Adult 19	378.22	431.49	(53.27)	(12.3%)
119.79	116.71	3.08	2.6%	Medi-Cal - Child 18	141.16	162.72	(21.55)	(13.2%)
168.22	153.44	14.78	9.6%	Medi-Cal - Dual Members	168.52	158.00	10.52	6.7%
932.87	759.38	173.49	22.8%	Medi-Cal SPD	1,102.43	1,389.28	(286.86)	(20.6%)
387.03	330.85	56.18	17.0%	Medi-Cal Expansion	434.32	544.86	(110.53)	(20.3%)
588.25	588.43	(0.18)	(0.0%)	Healthy Workers	588.14	588.43	(0.29)	(0.0%)
<b>346.78</b>	<b>307.76</b>	<b>39.03</b>	<b>12.7%</b>	<b>Total Capitation Revenue</b>	<b>395.60</b>	<b>471.56</b>	<b>(75.96)</b>	<b>(16.1%)</b>
4.04	4.47	(0.43)	(9.6%)	Other Income - Admin Svc & TPL	4.51	4.47	0.05	1.0%
-	-	-		Other Income - Navigator Grant	0.04	-	-	
-	-	-		Other Income - BHI	-	-	-	
<b>4.04</b>	<b>4.47</b>	<b>(0.43)</b>	<b>(9.6%)</b>	<b>Total Other Income</b>	<b>4.55</b>	<b>4.47</b>	<b>0.08</b>	<b>1.8%</b>
<b>350.82</b>	<b>312.22</b>	<b>38.60</b>	<b>12.4%</b>	<b>TOTAL REVENUE</b>	<b>400.14</b>	<b>476.02</b>	<b>(75.88)</b>	<b>(15.9%)</b>
=====	=====	=====	=====		=====	=====	=====	=====

San Francisco Health Plan  
Income Statement w/o HSF  
Consolidated Statement for SFHA and SFCHA  
For the Month Ending January 31, 2022  
(\$ PMPM)

Current Month Actual	Current Month Budget	Fav (Unfav) Amount (\$)	Fav (Unfav) %		Year to Date Actual	Year to Date Budget	Fav (Unfav) Amount (\$)	Fav (Unfav) %
<b>EXPENSES</b>								
				Medical Expenses				
113.31	109.06	(4.25)	(3.9%)	Professional	110.49	111.18	0.69	0.6%
160.03	150.58	(9.44)	(6.3%)	Hospital	157.06	152.99	(4.07)	(2.7%)
4.74	6.47	1.74	26.9%	Pharmacy	49.97	49.16	(0.81)	(1.6%)
0.20	0.21	0.00	1.4%	Immunizations	0.25	0.21	(0.04)	(19.3%)
5.45	5.23	(0.21)	(4.1%)	Vision and Mental Health	5.92	5.24	(0.68)	(13.1%)
9.32	9.68	0.36	3.7%	Health Ed & Stop Loss & Other	42.70	126.45	83.74	66.2%
<b>293.05</b>	<b>281.24</b>	<b>(11.81)</b>	<b>(4.2%)</b>	<b>Total Medical Expenses</b>	<b>366.39</b>	<b>445.22</b>	<b>78.83</b>	<b>17.7%</b>
84.5%	91.4%			Medical Cost Ratio %	92.6%	94.4%		
				Operating Expenses				
15.14	15.25	0.11	0.7%	Compensation & Benefits	15.18	15.10	(0.07)	(0.5%)
0.13	0.42	0.29	68.6%	GASB-68 CalPERS Contribution	0.17	0.51	0.34	66.0%
2.65	2.87	0.22	7.6%	Lease, Depreciation & Amortization	2.79	3.13	0.35	11.1%
0.56	0.92	0.36	39.3%	Marketing & Outreach	0.49	0.67	0.17	25.6%
0.97	0.93	(0.04)	(4.4%)	PBM and Mental Health TPA Fees	2.09	2.02	(0.07)	(3.4%)
1.12	2.62	1.50	57.4%	Professional Fees & Consulting	1.93	2.90	0.97	33.5%
6.61	5.80	(0.81)	(13.9%)	Other Expenses	5.66	5.78	0.11	2.0%
<b>27.17</b>	<b>28.81</b>	<b>1.63</b>	<b>5.7%</b>	<b>Total Operating Expenses</b>	<b>28.31</b>	<b>30.10</b>	<b>1.80</b>	<b>6.0%</b>
6.7%	7.9%			Administrative Cost Ratio %	6.0%	5.4%		
<b>320.22</b>	<b>310.05</b>	<b>(10.17)</b>	<b>(3.3%)</b>	<b>TOTAL EXPENSES</b>	<b>394.70</b>	<b>475.33</b>	<b>80.63</b>	<b>17.0%</b>
<b>30.60</b>	<b>2.18</b>	<b>28.42</b>	<b>1306.5%</b>	<b>Operating Surplus / Deficit</b>	<b>5.45</b>	<b>0.70</b>	<b>4.75</b>	<b>681.0%</b>
0.07	0.26	(0.18)	(71.4%)	Interest Income & Realized G/(L) on Investment	0.27	0.26	0.01	4.5%
(1.64)	-	(1.64)	-	Unrealized Gain / (Loss) on Investment	(0.67)	-	(0.67)	-
-	-	-	-	Realized Gain / (Loss) on Lease Equipments	-	-	-	-
(1.56)	0.26				(0.40)	0.26		
<b>29.03</b>	<b>2.43</b>	<b>26.60</b>	<b>1092.7%</b>	<b>SURPLUS / DEFICIT</b>	<b>5.05</b>	<b>0.96</b>	<b>4.09</b>	<b>427.7%</b>

San Francisco Health Plan  
Income Statement  
Healthy San Francisco & SF Covered MRA  
For the Month Ending January 31, 2022

Current Month	Current Month	Fav (Unfav)	Fav (Unfav)		Year to Date	Year to Date	Fav (Unfav)	Fav (Unfav)
Actual	Budget	Amount (\$)	%		Actual	Budget	(\$)	%
<b>REVENUE</b>								
930,341	1,139,771	(209,430)	-18.4%	TPA Fee - HSF + SFCMRA	6,754,023	7,987,395	(1,233,372)	(15.4%)
<b>EXPENSES</b>								
786,741	838,837	52,096	6.2%	Compensation & Benefits	5,581,752	5,880,858	299,106	5.1%
94,316	94,316	(0)	(0.0%)	Lease, Insurance, D & A	654,648	660,214	5,566	0.8%
45	41,831	41,786	99.9%	Marketing & Outreach	81,132	292,819	211,687	72.3%
565	67,167	66,602	99.2%	Professional Fees & Consulting	1,907	470,167	468,260	99.6%
48,674	97,620	48,946	50.1%	Other Expenses	434,585	683,337	248,752	36.4%
930,341	1,139,771	209,429	18.4%	<b>TOTAL EXPENSES</b>	6,754,023	7,987,395	1,233,372	15.4%
100.0%	100.0%			Administrative Cost Ratio %	100.0%	100.0%		
-	-	-	0.0%	<b>SURPLUS / DEFICIT</b>	-	-	-	0.0%
=====	=====	=====	=====		=====	=====	=====	=====





## SFHA – Short Intermediate Portfolio Review Snapshot as of 1/31/2022

Estimated MV + Accrued as of: 12/31/2021	1/31/2022	Change
\$24,985,703	\$24,740,355	-\$245,348

### Portfolio Structure

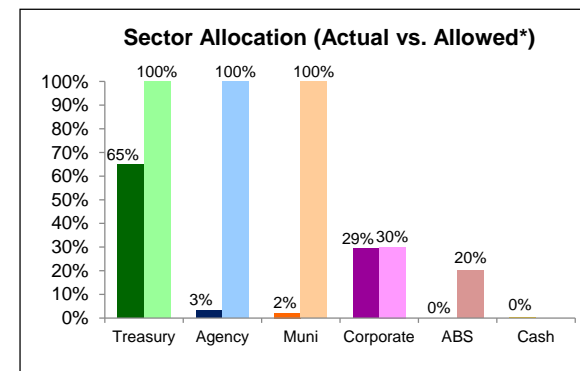
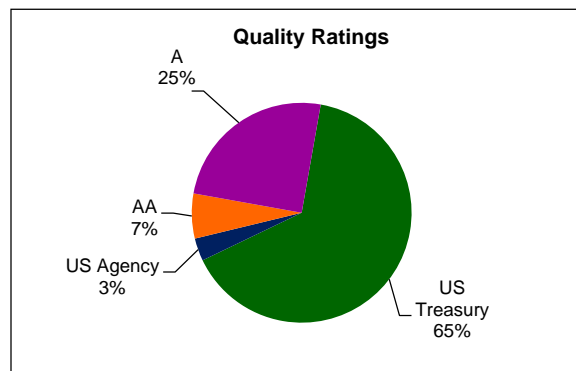
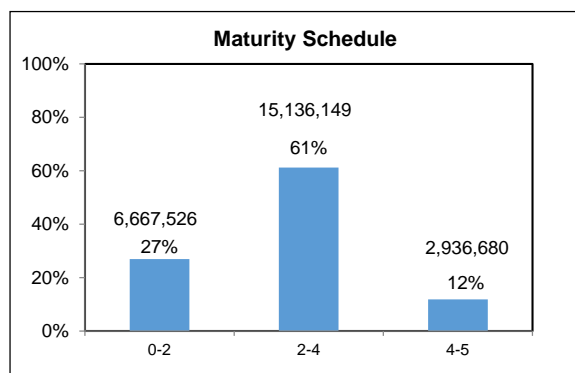
Yield to Maturity	1.40%
Yield to Cost	0.88%
Average Maturity	2.69 Years
Average Credit Quality	AAA-

### Fiscal Year Accounting Estimates 6/30/2021 through 1/31/2022:

<b>Beginning Balance (6/30/2021)</b>	<b>\$25,211,795</b>
Contributions	\$0
Withdrawals	\$0
Interest & Dividends Received	\$275,179
Accrued Interest Sold	\$26,098
Accrued Interest Purchased	-\$23,887
Accrued Interest	\$138,275
Fees	-\$47,328
<b>Value Before Market Changes</b>	<b>\$25,580,132</b>
Change in Market Value	-\$839,777
<b>Ending Balance (1/31/2022)</b>	<b>\$24,740,355</b>

### Historical Total Return Performance as of 1/31/2022:

Time Period	Portfolio	Barclays 1-5 Year Gov't/Credit
Fiscal YTD (6/30/21 – 1/31/2022)	-1.68%	-1.68%
January 2022	-0.95%	-1.01%
Inception to Date (5/31/12 – 1/31/2022)	2.01%	1.61%



\*At time of purchase

### Credit Issues

There were no credit issues for the month of January.

## Definition of Terminology

### Portfolio Structure Terms

- a) **Yield to Maturity:** The annual return that an investor earns on a bond, if the investor purchases the bond today and holds it until maturity. It takes into account the cash flow the investor receives as well as the adjustment of a bond's premium or discount.

Definitions are cited from the CFA Institute's Program Curriculum.

## SFHA – Liquidity Portfolio Review Snapshot as of 1/31/2022

Estimated MV + Accrued as of:	12/31/2021	1/31/2022	Change
	\$156,326,267	\$132,313,796	-\$24,012,471

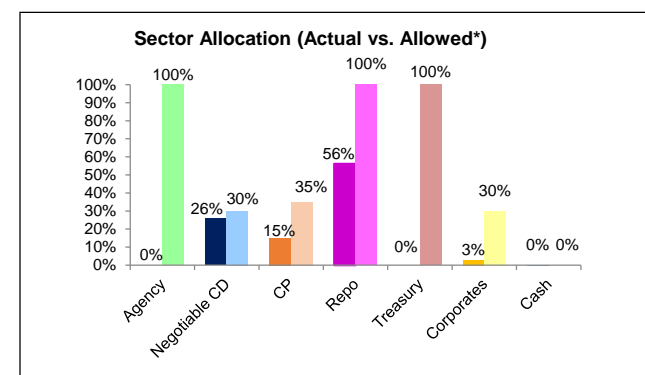
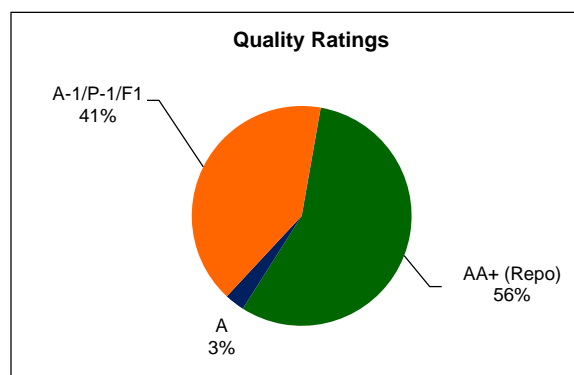
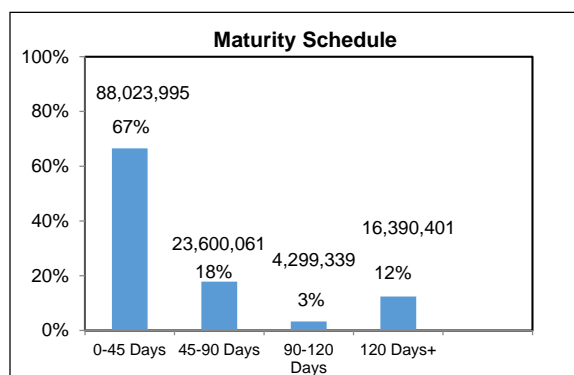
Portfolio Structure	
Yield to Maturity	0.15%
Yield to Cost	0.11%
Average Maturity	41 Days
Average Credit Quality	AAA-

### Fiscal Year Accounting Estimates 6/30/2021 through 1/31/2022:

Beginning Balance (6/30/2021)	\$96,332,230
Contributions	\$436,000,000
Withdrawals	-\$400,000,000
Interest & Dividends Received	\$96,174
Accrued Interest Sold	\$42,663
Accrued Interest Purchased	-\$12,858
Accrued Interest	\$91,453
Fees	-\$53,722
<b>Value Before Market Changes</b>	<b>\$132,495,940</b>
Change in Market Value	-\$182,144
<b>Ending Balance (1/31/2022)</b>	<b>\$132,313,796</b>

### Historical Total Return Performance as of 1/31/2022:

Time Period	Portfolio	Barclays US T-Bill 1-3 Month
Fiscal YTD (6/30/21 – 1/31/2022)	0.04%	0.03%
January 2022	0.00%	0.00%
Inception to Date (7/3/17 – 1/31/2022)	1.24%	1.12%



\*At time of purchase

### Credit Issues

There were no credit issues for the month of January.

## Definition of Terminology

### Portfolio Structure Terms

- a) **Yield to Maturity:** The annual return that an investor earns on a bond, if the investor purchases the bond today and holds it until maturity. It takes into account the cash flow the investor receives as well as the adjustment of a bond's premium or discount.

Definitions are cited from the CFA Institute's Program Curriculum.

# Agenda Item 3

## Discussion Item

- Annual Review of SFHP Administrative Contracts



## MEMO

Date: February 23, 2022

<b>To</b>	<b>Finance Committee and Governing Board</b>
<b>From</b>	<b>Kaliki Kantheti, Chief Operations Officer</b>
<b>Regarding</b>	<b>Annual Review of SFHP Administrative Contracts</b>

The following is presented to the Finance Committee and Governing Board for discussion only. No action is required.

### History

At the March 4, 2015 San Francisco Health Plan (SFHP) Governing Board meeting, the Board approved a policy to require Board approval for administrative contracts with a value of \$1 million or more. Additionally, with the approval of this policy, SFHP staff agreed to provide the Governing Board with a list of contracts valued at over \$100,000 on an annual basis.

In keeping with this policy, the SFHP staff presents for the Board's review the 59 contracts from calendar year (CY) 2021 that were valued at \$100,000 or greater.

### CY 2021 Contract List

Attached to this memo is full list of SFHP contracts valued at \$100,000 or more in 2021. The following are some highlighted contracts:

- In CY 2021, there were ten contracts whose total spend was over \$1,000,000. All contracts complied with the Governing Board-approved SFHP Contract Approval policy.
- The following contracts over \$1 million were either approved by the Governing Board or were grandfathered, i.e., existed prior to the March 2015 policy:
  - SFHP Employee Benefits:
    - Aetna Life Insurance for Health Benefits
    - Kaiser Permanente Health Benefits
    - CalPERS Defined Pension Plan
    - CalPERS 457
    - 401(a) pension plan through Great-West Life
  - RSC Insurance Brokerage – stop loss premiums

- 50 Beale St., LLC – main office rent agreement
- KP, LLC – vendor for printed member material and mailings (KP, LLC is the company's name. It is NOT Kaiser Permanente and not related to Kaiser)
- Perform Rx – pharmacy benefits manager administrative fees
- Edifecs, Inc. – encounter management and interoperability

In addition to presenting new contracts valued above \$1 million to the Board for approval, SFHP staff also determines if a contract previously valued under \$1 million approaches actual costs above \$1 million that will require Board approval. The SFHP Finance staff reviews the list of contracts on a quarterly basis to project the year-end totals (see attached list). The Finance staff sends the list to all executives for review and comments, as needed. If approaching \$1 million, the executive responsible for the contract will present the contract to the Board for approval. Currently, there are no contracts to bring to the Board for approval.

## **Procurement Policy**

SFHP established procurement policy with guidelines for the requisition and purchase of goods and services procured from external sources. It clearly defines roles, responsibilities, and procedures for the requisition and purchase of goods and services, as well as ensures there are no conflicts of interest in connection with any contract awarded, granted, or entered into by SFHP, irrespective of the value of the contract. Expenditures for goods or services above \$5,000 and up to \$50,000, require a quote evaluation, selection and approval process. The purchase of any new goods or services over \$50,000 and any new software purchases over \$20,000 must go through a competitive bidding process, which includes the development of a Request for Information (RFI) and/or Request for Proposal (RFP). Approval by the Executive that is responsible for the budgeted item is required before the RFI/RFP can be initiated.



**Vendor Payments for \$1M Analysis - Cash Basis above \$100K**

**Cash Payments to All Non-Medical Vendors over \$100K for the period January 1, 2021 to December 31, 2021**

Vendor Name	Amount	Comments	Governing Board Approved
Public Employees' Retirement	\$ 5,136,068.81	CalPERS	Grandfathered
RSC Insurance Brokerage, Inc.	\$ 4,850,382.48	Business Insurance	January 2017, 2018, 2019, 2020, 2021
50 Beale Street LLC	\$ 4,164,778.16	Rent	May 2014
Aetna - EE Benefit	\$ 2,981,321.33	EE Medical	May 2016, 2017, 2018, 2019, 2020, 2021
Kaiser Permanente - EE Benefit	\$ 2,405,951.02	EE Medical	May 2016, 2017, 2018, 2019, 2020, 2021
KP LLC	\$ 2,017,642.17	Marketing	May 2016, Nov 2017, Mar 2020
Great-West Life & Annuity Insurance Company	\$ 1,837,810.19	Insurance	September 2018
CalPERS Supplemental Income 457 Plan	\$ 1,720,841.95	CalPERS 457	Grandfathered
PerformRx	\$ 1,459,577.46	Pharmacy PBM	May 2014
Edifecs, Inc	\$ 1,411,111.83	Encounter Data Management	May 2019
Health Management Systems, Inc.	\$ 953,996.46	Coordination of Benefits Vendor	September 2019
Tactical TeleSolutions Inc.	\$ 869,357.09	Call Center - COVID Vaccination Support	
Beacon Health Strategies LLC	\$ 857,882.56	Non-Specialty Mental Health Admin	January 2019, 2020
General Datatech LP	\$ 806,167.45	ITS	May 2019
IG Igloo Holdings, Inc	\$ 671,550.00	ITS Consulting	March 2020
GO-Brickman 550 Kearny Owner LLC	\$ 547,404.71	Service Center Rent	September 2014
Principal Life Insurance (EE Benefit)	\$ 516,848.95	EE Dental, Life, Disability	May 2016, 2017, 2018, 2019, 2020, 2021
Cognizant TriZetto Software Group, Inc.	\$ 513,546.01	QNXT Core Maintenance	2010
Smith-Jennings, Inc.	\$ 423,346.21	Consulting	
Bridge It Consulting	\$ 421,017.99	ITS	May 2019
The Day & Zimmermann Group, Inc.	\$ 400,205.02	Consulting	
Synoptek	\$ 378,776.04	ITS	
Comdata, Inc.	\$ 363,852.50	Marketing	
College Health IPA	\$ 353,425.24	Non-Specialty Mental Health Admin	January 2019, 2020
HealthTrio, LLC	\$ 330,272.56	Member/Provider Portal	
Optum 360, LLC	\$ 325,504.08	Claims Editing Software	
Sellers Dorsey & Associates	\$ 314,729.00	Consulting	
Antage Incorporated	\$ 291,000.00	Consulting	
CDW Government LLC	\$ 288,341.20	ITS	May 2019
Pondera Solution Holdings, LLC	\$ 283,618.13	Fraud, Waste and Abuse Software	
Vigorous Interventions In Ongoing Natural Settings	\$ 282,037.50	DEI Vendor	
MCG Health LLC	\$ 262,394.75	Clinical Operations Software	
Teladoc, Inc.	\$ 255,801.75	Telehealth Services	May 2016
City National Bank	\$ 244,391.06	Bank Fees	March 2012
U.S. TelePacific Corp	\$ 229,302.28	TPX Telecom	
ThreeTenets, Inc.	\$ 218,324.20	Consulting	
IDM Works, LLC	\$ 205,273.86	Consulting	
Via Inc.	\$ 186,910.56	Marketing	
Russell Reynolds Associates	\$ 184,000.00	Consulting	Approved by Search Committee
Onward Search LLC	\$ 183,300.00	Marketing	
Cotiviti, Inc.	\$ 182,500.00	Healthcare Analytics	
Collective Medical Technologies, Inc.	\$ 178,040.19	ITS/Health Services	
Digital Realty Trust, LP	\$ 168,492.85	ITS	
Clearlink Partners	\$ 165,830.00	Consulting	
Clarizen Inc.	\$ 163,956.00	Project Management	
Moss-Adams LLP	\$ 156,464.75	Audit and Consulting	
Clearwater Compliance LLC	\$ 156,060.00	ITS	
Intersection Media Holdings, Inc.	\$ 152,937.35	Marketing	
ComputaCenter United States, INC.	\$ 149,621.93	ITS Systems Security	
Dapond Simpson Rowe PC	\$ 127,229.70	Legal	
Language Line Services	\$ 123,818.86	Call Interpreter	
Avtex Solutions LLC	\$ 123,738.14	CRM	
Korn/Ferry International	\$ 120,064.00	Consulting	
Clear Channel Outdoor Inc.	\$ 119,748.26	Marketing	
Level 3 Financing, Inc	\$ 117,113.77	ITS	
AT&T	\$ 111,381.23	Telecommunications	
Integrated Healthcare Association	\$ 109,776.25	Health Services Provider Data	
Lockton Companies	\$ 104,000.00	Employee Benefits Broker	
First Data Bank	\$ 101,136.67	Healthcare Data Management	

Closed Session

Agenda Item 4

Action Item

- Review and Approval of  
Medi-Cal Provider Rates



## MEMO

<b>Date</b>	February 23, 2022
<b>To</b>	SFHP Finance Committee and Governing Board
<b>From</b>	Skip Bishop, Chief Financial Officer and John F. Grgurina Jr., Chief Executive Officer
<b>Regarding</b>	Review and Approval of Medi-Cal Rate Changes Effective July 1, 2022

### Recommendation:

San Francisco Health Plan (SFHP) recommends the Finance Committee and Governing Board approve the following changes to Medi-Cal provider capitation and fee-for-service rates:

- Increase capitation rates by a weighted average of 5.0%.
- Increase the Practice Improvement Program (PIP) from 18.5% to 20.0%.
- Increase Professional fee-for-service rate from 139% to 150% of the Medi-Cal Fee Schedule.
- Increase fee-for-service rates paid to Community-Based Adult Services centers by 10%.
- Increase the rate paid to the San Francisco Institute on Aging by 10%.

The overall weighted average change for capitated providers is an increase of 5.0%. The range for SFHP providers is an increase of 4.8% to 5.5%. The range is due to the differences in the distribution of membership by category of aid. If approved, the proposed rate changes would be effective July 1, 2022.

### Proposed Rate Changes (including PIP)

	-----MEDI-CAL CATEGORY OF AID-----							
	ADULT 19	CHILD 18	SPD	SPD	ADULT	AGED	DISABLED	ADULT EXP
DESCRIPTION	& OVER	& UNDER	AGED	DISABLED	EXPANSION	DUAL	DUAL	DUAL
MEMBERS - JANUARY 2022	17,304	38,694	3,836	8,965	59,597	9,206	3,708	741
PROPOSED RATE	\$ 210.65	\$ 79.93	\$ 573.34	\$ 573.34	\$ 283.27	\$ 84.46	\$ 84.46	\$ 84.46
CURRENT RATE	\$ 205.40	\$ 77.18	\$ 543.08	\$ 543.08	\$ 268.32	\$ 80.00	\$ 80.00	\$ 80.00
INCREASE (DECREASE)	\$ 5.25	\$ 2.75	\$ 30.26	\$ 30.26	\$ 14.95	\$ 4.46	\$ 4.46	\$ 4.46
% CHANGE	2.6%	3.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%

## **Capitated Providers**

Each provider group's actual overall rate change will differ based on their own membership in each of the Medi-Cal categories of aid. Each provider group is paid the same for each aid code category, however differences in the distribution of membership by category of aid can cause differences in per member per month rates as well as overall funding changes. For example, provider groups with a higher percentage of "Adult 19 & Over" and "Child 18 & Under" categories of aid members will experience a smaller increase in capitation, while provider groups with a higher percentage of Seniors and Persons with Disabilities (SPD) and Adult Expansion members will experience a larger increase in capitation.

For the delegated medical groups, the Practice Improvement Program (PIP) will increase from 18.5% to 20.0%

## **Fee-For-Service Providers**

Rates paid to the University of California San Francisco Medical Group (UCSF) for professional services will increase from 139% to 150% of the Medi-Cal Fee Schedule. This change will apply to reciprocity rates as well.

Rates paid to Community-Based Adult Services (CBAS) centers will increase by 10%. In addition, fees paid to the San Francisco Institute on Aging (IOA) will increase by 10%. IOA is contracted with SFHP to provide CBAS eligibility determination and authorization services for SFHP members. The last rate increase for the CBAS centers occurred in July 2018.

During FY 17-18, SFHP converted fee-for-service hospital providers to the All Patients Refined-Diagnosis Related Group (APR-DRG) for inpatient hospital services and 140% of the Medi-Cal fee schedule for outpatient facility services. This change in payment methodology included reciprocity activity as well. APR-DRG is the generally accepted method for paying claims for Medi-Cal beneficiaries and is the state's payment method for inpatient services to non-managed care, fee-for-service Medi-Cal members.

## **Background**

SFHP received final calendar year (CY) 2022 rates on January 31, 2022. When compared to our CY 2021 rates for existing benefits, the overall weighted average rate increase for CY 2022 is approximately 6.7%. With actual membership trending 8% to 10% higher than fiscal year (FY) 21-22 budget projections, this increase is now projected to be worth \$44 million in additional revenue for January through December 2022. This is an extremely positive development for SFHP as the CY 2018 Rate Development Template (RDT) on which the CY 2022 rates are based indicated that we would receive an increase in the range of 3.0%. This can be viewed as a reflection of the strength of the financial position of the state of California.

In addition to the 6.7% increase noted above, the Department of Health Care Services (DHCS) and its actuary, Mercer, built in 5.2% to cover the net additional medical expense SFHP expects to incur as a result of taking on the hospital risk for the San Francisco Community Clinic Consortium (SFCCC) members effective July 1, 2021. With actual membership trending 8% to 10% higher than FY 21-22 budget projections, this increase is now projected to be worth \$34 million in additional revenue for

January through December 2022. As mentioned during our meeting in November 2021, SFHP appreciates DHCS and Mercer for agreeing to include this additional cost in the CY 2022 rate development process. DHCS and Mercer could have waited to consider these costs as part of the normal Medi-Cal rate development submission process, which would have pushed these costs into the CY 2023 and CY 2024 rate development cycles. Including a rate adjustment in the CY 2022 rates means SFHP had to absorb these costs only for the period of July 2021 through December 2021.

The State is still waiting for the Centers for Medicare and Medicaid Services (CMS) to approve the CY 2022 rates.

The schedule below shows that the increases to the Medi-Cal base premium rates will generate \$78.3 million annually. The increases in medical expenses of \$49.8 million represents 64% of the increase in revenue. The remaining \$28.5 million will be used to build reserves during CY 2022 and CY 2023. The reserve policy as approved by the Governing Board is two times the monthly premium revenue. The reserve balance as of January 31, 2022 is \$100.5 million. Beginning in January 2023, the Long-Term Care (LTC) benefit, as well as Medi-Cal Fee-For-Service Dual members, will transition to SFHP. This additional business is expected to generate \$100 million to \$150 million in revenue annually and raises the required reserve balance to \$146.0 million, to meet the requirements of the Board-approved policy to maintain a reserve of two times SFHP's monthly premium revenue.

DESCRIPTION	MONTHLY	ANNUAL
<b><u>MEDI-CAL REVENUE CHANGE WITH CY 2022 RATES</u></b>		
MEDI-CAL REVENUE EFFECTIVE JAN 2022 (BASE+MAT+BHT)	\$ 48,921,474	\$ 587,057,684
MEDI-CAL REVENUE DEC 2021 (BASE+MAT+BHT, EXCL MC RX, HEALTH HOMES, IGT)	\$ 42,395,812	\$ 508,749,742
	\$ 6,525,662	\$ 78,307,942
<b><u>INCREASES IN MEDICAL EXPENSE</u></b>		
ZSFG SFCCC HOSPITAL RISK INCLUDED IN CY 2022 RATES (HAPPENING NOW)	\$ (2,230,240)	\$ (26,762,874)
5% CAPITATION INCREASE + INCREASE PIP TO 20%	\$ (1,266,901)	\$ (15,202,811)
ZSFG RISK CORRIDOR - 5 CARVE-OUT SERVICES (HAPPENING NOW)	\$ (500,000)	\$ (6,000,000)
INCREASE PROFESSIONAL FFS FROM 140% TO 150% OF MCFS	\$ (91,667)	\$ (1,100,004)
INCREASE CBAS AND IOA RATES BY 10%	\$ (61,581)	\$ (738,972)
	\$ (4,150,388)	\$ (49,804,661)
MARGIN - NEEDED FOR BUILDING RESERVES	\$ 2,375,273	\$ 28,503,281
RESERVE BALANCE REQUIRED IN JANUARY 2023 (TWO TIMES PREMIUM REVENUE)		\$ 146,000,000
PROJECTED RESERVE BALANCE AT 6/30/22		\$ 123,000,000
MARGIN NEEDED TO REACH TWO TIMES PREMIUM BY JAN 2023 (JUL 22-JAN 23)	\$ 3,285,714	\$ 23,000,000

## Capitation Calculation

The following are the key assumptions in the setting of Medi-Cal rates:

- 1) Based on previous Governing Board approval, SFHP's retention for administration and margin is proposed at 10.0%. This will allow SFHP to cover administrative costs and achieve a margin to build reserves.
- 2) The proposed PIP amount of 20.0% will be set aside for PIP funding.
- 3) Removal of the increase DHCS/Mercer included for the hospital risk associated with San Francisco Community Clinic Consortium (SFCCC) members.
- 4) Removal of plan-responsible costs for vision, mental health, immunizations, CBAS, health education, utilization management and quality improvement.
- 5) Exclusion of funding for new programs such as Enhanced Care Management (ECM), Community Supports (CS) and Major Organ Transplants (MOT). These services are not delegated and will be paid on a fee-for-service basis.
- 6) Exclusion of "pass-through" funding such as the managed care organization tax, intergovernmental transfers and public/private hospital directed payments.

Overall estimated provider rate changes based on January 2022 Medi-Cal members:

PROVIDER	% INCREASE	-----ANNUAL INCREASE-----		
		BASE CAPITATION	PIP	TOTAL
HEALTHRIGHT 360	5.5%	\$ 90,397	\$ 30,116	\$ 120,514
SOUTH OF MARKET HEALTH CENTER	5.3%	\$ 69,149	\$ 23,396	\$ 92,545
ST. ANTHONY MEDICAL CLINIC	5.3%	\$ 18,492	\$ 6,257	\$ 24,749
MARIN CITY HEALTH AND WELLNESS	5.2%	\$ 11,823	\$ 4,020	\$ 15,843
SAN FRANCISCO COMMUNITY HEALTH CENTER	5.2%	\$ 26,439	\$ 8,990	\$ 35,429
BAART	5.2%	\$ 7,528	\$ 2,556	\$ 10,084
DR. THANH TRAN	5.2%	\$ 8,156	\$ 2,769	\$ 10,924
ZUCKERBERG SAN FRANCISCO GENERAL	5.1%	\$ 4,881,408	\$ -	\$ 4,881,408
CLINICAL PRACTICE GROUP	5.1%	\$ 2,322,260	\$ 794,572	\$ 3,116,832
NATIVE AMERICAN HEALTH CENTER	5.1%	\$ 13,807	\$ 4,742	\$ 18,549
JADE MEDICAL GROUP	5.1%	\$ 206,906	\$ 70,963	\$ 277,869
CHINESE HOSPITAL	5.0%	\$ 641,306	\$ -	\$ 641,306
CHINESE COMMUNITY HEALTH CARE ASSN	5.0%	\$ 239,236	\$ 83,173	\$ 322,409
NORTH EAST MEDICAL SERVICES	4.9%	\$ 2,587,099	\$ 904,472	\$ 3,491,570
CALIFORNIA PACIFIC MEDICAL CENTER	4.9%	\$ 1,726,941	\$ -	\$ 1,726,941
BROWN & TOLAND MEDICAL GROUP	4.9%	\$ 60,327	\$ 21,158	\$ 81,485
HILL PHYSICIANS	4.8%	\$ 68,488	\$ 24,158	\$ 92,647
MISSION NEIGHBORHOOD HEALTH CENTER	4.8%	\$ 178,403	\$ 63,302	\$ 241,705
		\$ 13,158,167	\$ 2,044,644	\$ 15,202,811
SFHP OVERALL	5.0%			

Hospital fee-for-services providers (UCSF and Sutter-CPMC) will continue to be paid under APR-DRG rules.

Closed Session

Agenda Item 5

Discussion Item

- Review of Medical Groups' Medical Loss Ratios and Discussion of Strategy to Plan and Provider Rates

## MEMO

## CONFIDENTIAL

<b>Date</b>	<b>February 23, 2022</b>
<b>To</b>	<b>Finance Committee and Governing Board</b>
<b>From</b>	<b>Skip Bishop, Chief Financial Officer and John F. Grgurina Jr., Chief Executive Officer</b>
<b>Regarding</b>	<b>Discussion re: Reporting Medical Loss Ratios for Delegated Entities</b>

San Francisco Health Plan (SFHP) presents the following information to the Finance Committee and Governing Board for information only. No action is needed at this time.

### **Background:**

In connection with the approval of the Department of Health Care Services (DHCS) most recent Medi-Cal waiver submissions 1115 and 1915(b), the Centers for Medicare and Medicaid Services (CMS) incorporated Special Terms and Conditions (STCs) language into the final approved versions that target 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 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).
- 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 by DHCS will be conducted no sooner than January 2028.
- DHCS will have six months to put together work plan to submit to CMS by July 1, 2022.

While CMS acknowledges they have previously issued MLR guidance, they believe they have the authority to require the changes that are included in the STCs.



## **Key Considerations**

- SFHP has a heavily delegated network where providers receive capitation payments for their membership.
- Over the last few years, we developed Encounter Data to Capitation MLR reports and have shared these with our delegated medical groups and hospitals. For the medical groups, the results show very low MLRs, which puts SFHP and the medical groups at significant risk of having to return funds to DHCS for failing to meet minimum MLR threshold requirements.
- As of today, however, we do not know have the minimum MLR requirements.
- Existing contracts include language requiring delegated entities to follow Federal and State law.

## **Potential Impacts**

- Transition to fee-for-service for impacted medical groups and hospitals.
- Tangible Net Equity (TNE) impact with increased financial risk to the health plan.
- Potential significant downside impact on future Medi-Cal rate development.

Over the past two years, SFHP has been monitoring MLRs and meeting with delegated medical groups and hospitals to discuss results. Now that the requirement to report MLRs at a delegated entity level has been included in the final CMS-approved waiver language, SFHP will continue to meet with delegated entities to learn more about the services provided to members that are not captured through encounter data reporting. SFHP intends to strongly advocate on behalf of providers by communicating our concerns to DHCS through our association, the Local Health Plans of California (LHPC).

Updated MLR results are shown in the table below. The analysis covers CY 2018, CY 2019, CY 2020, and CY 2021 year-to-date through October. It is important to note that CY 2020 results may be skewed due to the impact of the COVID-19 pandemic. A low encounter value relative to capitation will greatly impact and likely decrease future SFHP Medi-Cal rates.

	VALUE OF ENCOUNTERS AS A PERCENTAGE OF CAPITATION (INCLUDING PIP)			
MEDICAL GROUPS AND CLINICS	CY 2018	CY 2019	CY 2020	CY 2021 THRU OCT
BAART PROGRAMS	14.6%	13.6%	12.5%	7.8%
BROWN & TOLAND MEDICAL GROUP	68.7%	75.0%	46.9%	29.2%
CHINESE COMMUNITY HEALTH CARE ASSOCIATION	47.4%	41.2%	37.5%	41.5%
CLINICAL PRACTICE GROUP - SPECIALTY CARE FOR MEMBERS WITH COPC	54.5%	53.3%	49.7%	58.0%
CLINICAL PRACTICE GROUP - SPECIALTY CARE FOR MEMBERS WITH HBC	88.8%	77.8%	76.9%	89.8%
CLINICAL PRACTICE GROUP - SPECIALTY CARE FOR MEMBERS WITH SFCCC	35.0%	39.3%	38.1%	38.2%
DR. DOAN KHONG	12.7%	13.0%	N/A	N/A
DR. THANH TRAN	9.4%	12.1%	8.0%	2.8%
HEALTHRIGHT 360	18.7%	15.1%	12.9%	13.9%
HILL PHYSICIANS	53.4%	59.0%	45.3%	44.9%
JADE HEALTH CARE MEDICAL GROUP	68.6%	58.2%	57.4%	61.2%
KAISER FOUNDATION HEALTH PLAN	60.1%	61.3%	55.6%	60.7%
MARIN CITY HEALTH AND WELLNESS	19.7%	21.4%	10.5%	9.9%
MISSION NEIGHBORHOOD HEALTH CENTER	25.6%	25.2%	24.0%	27.0%
NATIVE AMERICAN HEALTH CENTER	22.2%	19.0%	15.5%	13.9%
NORTH EAST MEDICAL SERVICES W/CALIFORNIA PACIFIC MEDICAL CENTER	44.2%	44.4%	40.4%	45.6%
NORTH EAST MEDICAL SERVICES W/ZUCKERBERG SAN FRANCISCO GENERAL	29.0%	26.8%	23.9%	26.4%
SAN FRANCISCO COMMUNITY HEALTH CENTER	11.8%	16.7%	14.8%	18.1%
SFHN - PRIMARY CARE FOR MEMBERS WITH COMMUNITY ORIENTED PRIMARY CARE CLINICS (COPC)	24.8%	21.8%	18.9%	21.1%
SFHN - PRIMARY CARE FOR MEMBERS WITH HOSPITAL-BASED CLINICS (HBC)	27.3%	23.0%	19.7%	23.2%
SOUTH OF MARKET HEALTH CENTER	11.8%	9.6%	7.2%	7.4%
ST. ANTHONY MEDICAL CLINIC	22.9%	20.8%	16.0%	20.0%
	VALUE OF ENCOUNTERS AS A PERCENTAGE OF CAPITATION (INCLUDING PIP)			
HOSPITALS	CY 2018	CY 2019	CY 2020	CY 2021 THRU OCT
CALIFORNIA PACIFIC MEDICAL CENTER	90.6%	101.1%	101.4%	119.8%
CHINESE HOSPITAL WITH CHINESE COMMUNITY HEALTH CARE ASSOCIATION	80.6%	92.3%	112.2%	112.4%
CHINESE HOSPITAL WITH JADE HEALTH CARE MEDICAL GROUP	59.3%	70.6%	98.9%	70.8%
KAISER FOUNDATION HEALTH PLAN	58.3%	75.5%	81.0%	74.3%
ZUCKERBERG SAN FRANCISCO GENERAL - DPH MEMBERS	142.9%	153.0%	160.9%	161.6%
ZUCKERBERG SAN FRANCISCO GENERAL - SFCCC MEMBERS	193.3%	206.0%	206.7%	N/A
ZUCKERBERG SAN FRANCISCO GENERAL WITH NORTH EAST MEDICAL SERVICES	116.9%	155.7%	173.7%	120.1%

SFHP is currently engaged in conversations with providers to understand these results and seeks provider assistance to determine if anything was missed in the approach or in the calculation of the value of the encounters, as well as whether there is an issue with encounter completeness, unusually low utilization, or a combination of both.

## Agenda Item 6

- Chair's Report on Closed Session Action Items  
(Verbal report only)