SAN FRANCISCO HEALTH PLAN

Here for you

Joint Meeting of the San Francisco Health Authority and the San Francisco Community Health Authority

Finance Committee Agenda
Wednesday, June 9, 2021
10:30 a.m. – 12:00 p.m.

SPECIAL NOTICE: Coronavirus COVID-19

Due to the COVID-19 public health emergency and in accordance with Governor Newsom's Executive Orders N-25-20 and N-29-20, San Francisco Health Authority and San Francisco Community Health Authority Finance Committee Members will be attending this meeting via teleconference. 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 of the Finance Committee members will attend the meeting telephonically 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: **10:30 am to 12 pm**
  LINK: Click here to join the meeting

All votes in a teleconferenced meeting shall be conducted by roll call.

*************************************OPEN SESSION *************************************

Public Comment on any matters within SFHA/SFCHA purview

1. (V) Review and Approval of Minutes from May 5, 2021 Finance Committee Meeting
2. (V) Review and Approval of Year-to-Date Unaudited Financial Statements and Investment Reports (Skip Bishop and Rand Takeuchi)
3. (V) Review and Approval of Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority Fiscal Year 2021-2022 (Skip Bishop, Rand Takeuchi and John Grgurina, Jr.)
4. (V) Review and Approval CalPERS Salary Schedule (Kate Gormley and John F. Grgurina, Jr.)
5. (V) Review and Approval of Practice Improvement Program (PIP) Funding for FY 20-21 (Skip Bishop)

*************************************CLOSED SESSION *************************************

6. (D) Review Medi-Cal Provider Contracting and Rate Setting Strategy (Kyle Edrington, Edrington Health Consulting, and Skip Bishop)

**********************************OPEN SESSION ***********************************

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

The San Francisco Health Authority and San Francisco Community Health Authority will meet concurrently.

(V) Denotes An Action Item Requiring A Vote ***(D) Denotes A Discussion Item***

Please Note These Upcoming SFHA/SFCHA Meetings:

- Quality Improvement Committee: June 10, 2021 (7:30 a.m. – 9:00 a.m.)
- Member Advisory Committee: June 11, 2021 (1:00 p.m. – 3:00 p.m.)
- Finance Committee: September 1, 2021 (11:00 a.m. – 12:00 p.m.)
- Governing Board: September 1, 2021 (12:00 p.m. – 2:00 p.m.)
- Member Advisory Committee: September 10, 2021 (1:00 p.m. – 3:00 p. 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, 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 May 5, 2021 Meeting

SAN FRANCISCO HEALTH PLAN
Here for you

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

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

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

Absent: None

Guests: None

Reece Fawley, Chair, Finance Committee, chaired the meeting and identified that there were no public guests. Mr. Fawley asked for public comments and there were none.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

iv. $1.3 million more in premium revenue related to DHCS member reclassification adjustments retroactive to January 2014.

v. $439,000 more in Hepatitis C revenue. The budget did not assume any Hepatitis C revenue as the pharmacy carve-out was expected to happen January 1, 2021.

vi. $76,000 more in Maternity revenue due to nine more maternity events.

b. A net increase in medical expense of $54.7 million due to:

i. $45.2 million in Directed Payments funding related to FY 18-19 and Bridge Period July through December 2019. The additional funding for July through December 2019 was not anticipated to be received during FY 20-21.

ii. $7.8 million more in Medi-Cal non-Hepatitis C pharmacy expense. Much like on the revenue side, the budget assumed the pharmacy carve-out would be effective January 1, 2021, therefore we projected lower medical expense due to the transfer of the pharmacy benefit to the State.

iii. $1.4 million more in capitation and hospital fee-for-service claims. This increase was due to 1) heavy claims volume as there were five claims payment cycles in March; and 2) higher capitation expense due to membership mix, i.e., more Adult Expansion members and fewer Adult and Child members.

iv. $463,000 more in Hepatitis C drug expense. The budget did not assume any Hepatitis C expense for March as the pharmacy carve-out was expected to happen January 1, 2021.

v. $383,000 more in Healthy Workers pharmacy expense. The actual cost was $97.47 pmpm while the budgeted cost was $65.18 pmpm. It is important to note that SFHP received only $57.67 pmpm in the Healthy Workers rate making the true loss $472,000. There is a new pharmacy rate effective April 1, 2021, which should eliminate the monthly loss on this benefit.

vi. $256,000 more in Non-Specialty Mental Health (NSMH) expense. This additional cost is due to higher than expected utilization.

vii. $148,000 more in Community-Based Adult Services (CBAS) expense. This increase is due to higher utilization resulting from the implementation of Temporary Alternative Services (TAS) which allows the CBAS centers to submit claims for telephonic and telehealth services provided to Medi-Cal members during the PHE

viii. $973,000 less in Health Education and Stop Loss expenses. This majority of this savings is related to $750,000 in stop loss recoveries received for CY 2018.

c. A net decrease in administrative expenses of $242,000 primarily due to:

i. $212,000 more in TPA services. We incurred Pharmacy Benefits Manager (PBM) fees due to the delay in the Medi-Cal pharmacy carve-out. We also experienced higher non-specialty mental health administrative fees due to increases in membership.

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

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

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

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

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

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

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

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

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

PROJECTIONS

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

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

2. In response to the COVID-19 pandemic and the effect it is having on state of California finances, the State Legislature approved the implementation of a 1.5% rate reduction retroactive to July 2019. This rate reduction was effective for the entire Bridge Period which ran from July 2019 through December 2020. The rate reduction applied to all categories of aid except dual eligible members. SFHP estimated the impact of this rate reduction to be $3.3 million for the period of July through December 2020. This revenue loss was built into the FY 20-21

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

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

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

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

6. Proposition 56 – this program will continue for the remainder of this fiscal year as well as in FY 21-22. Proposition 56 provides enhanced payments to medical groups for qualifying physician services, supplemental payments for developmental screenings, adverse childhood experiences screenings, trauma screenings, family planning services and value-based payments related to a variety of health care quality measures.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

PHARMACY MAXIMUM ALLOWABLE COST ADJUSTMENTS

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

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

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

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

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

Investment Reports

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

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

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

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

4. Semi-Annual Compliance Report

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

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

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

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

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

Ms. Maruyama informed the Finance Committee that SFHP contracts with Pondera to assist with monitoring claims, provider records, and eligibility files for potential fraud, waste, or abuse. The Compliance and Delegate Oversight team have been fully trained to use the software. Processes have been developed and initial returns have identified system issues and provider training opportunities. On a monthly basis, SFHP provides Pondera with all eligibility, claims, encounters, and provider information and Pondera identifies anomalies and outlier patterns within that data. The Compliance and Oversight department reviews the returned data from Pondera on a weekly basis and prioritizes cases to open based on potential risk and based on available staff resources. While there are hundreds of potential leads to investigate further, due to other projects, external and internal audits, and resource constraints, SFHP Compliance and Oversight team typically manages 40 to 50 cases for investigation. The leads for further investigation are chosen based on priority of the potential risk to SFHP, e.g., high costs or high risk to the plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Privacy Incidents and Breaches

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

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

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

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

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

Adjourn

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Reece Fawley, Secretary/Treasurer

Agenda Item 2:

Action Item

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

SAN FRANCISCO HEALTH PLAN

Here for you

FINANCIAL RESULTS – APRIL 2021

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

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

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

   a. A net increase in revenue of $12.1 million due to:

      i. $8.2 million more in premium revenue due to the delay of the Medi-Cal pharmacy carve-out. The budget assumed the pharmacy carve-out would be effective January 1, 2021, therefore we projected lower revenue due to the transfer of the pharmacy benefit to the State. DHCS built a new pharmacy component into the CY 2021 rates to cover this benefit for as long as the benefit remains in managed care.
      ii. $1.9 million more in Medi-Cal premium revenue due to rate increases effective January 1, 2021. Member months were 4,976 less than budget projections, however the rate increases more than offset the shortfall in member months and drove extra revenue. Adult, Child and SPD member months were 11,416 less than budget, however Adult Expansion member months were 6,439 more than budget. Membership continues to be on an upward trend with new members coming in, however we are not adding members at quite the same rate as expected per the budget. Due to the Public Health Emergency (PHE) created by the COVID-19 pandemic, members are not being placed on hold for purposes of redetermination.
      iii. $1.6 million more in Healthy Workers premium revenue due to a rate increase effective April 1, 2021. The rate increased from $466.00 pmpm to $588.43 pmpm. Within the overall rate change, the pharmacy component increased from $57.67 pmpm to $93.61 pmpm. This increase helps to eliminate approximately $300,000 in monthly losses SFHP was experiencing on the Healthy Workers pharmacy benefit.
      iv. $396,000 more in Hepatitis C revenue. The budget did not assume any Hepatitis C revenue as the pharmacy carve-out was expected to happen January 1, 2021.

b. A net increase in medical expense of $11.6 million primarily due to:

   i. $7.7 million more in Medi-Cal non-Hepatitis C pharmacy expense. Much like on the revenue side, the budget assumed the pharmacy carve-out would be effective January 1, 2021, therefore we projected lower medical expense due to the transfer of the pharmacy benefit to the State.
   ii. $3.2 million more in capitation and hospital fee-for-service claims. This increase was due to 1) $1.0 million more in Healthy Workers capitation expense due to the rate increase effective April 1, 2021; 2) higher capitation expense due to the Medi-Cal membership mix, i.e., more Adult Expansion members and fewer Adult and Child members; and 3) more fee-for-service expense due to membership growth.
   iii. $417,000 more in Hepatitis C drug expense. The budget did not assume any Hepatitis C expense for March as the pharmacy carve-out was expected to happen January 1, 2021.
   iv. $244,000 more in Healthy Workers pharmacy expense. The actual cost was $86.33 pmpm versus a budget of $65.18 pmpm. Although the actual cost was higher than the budget, we had a margin of $86,000 due to the rate increase effective April 1, 2021.
   v. $196,000 more in Non-Specialty Mental Health (NSMH) expense. This additional cost is due to ongoing utilization that has been higher than expected.
   vi. $156,000 more in Community-Based Adult Services (CBAS) expense. This increase is due to higher utilization resulting from the implementation of Temporary Alternative Services (TAS) which allows the CBAS centers to submit claims for telephonic and telehealth services provided to Medi-Cal members during the Public Health Emergency (PHE). The PHE is expected to last until the end of the calendar year.
   vii. $286,000 less in Health Education and Stop Loss expenses. This difference is due to timing. After excluding the impact of Directed Payments, it expected that actual spending will align with budget expectations as we get closer to year end.

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

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

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

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

- After removing the Directed Payments funding, premium revenue is above budget by $48.3 million. This is due to:
  - $32.5 million in pharmacy revenue that was not expected as the pharmacy benefit was to be carved out January 1, 2021.
  - $1.6 million in additional Healthy Workers revenue due to a rate increase effective April 1, 2021.
  - Although we have seen an overall net decrease of 9,642 member months, Adult Expansion member months are 52,721 above budget which has a favorable impact on revenue due to the fact that the premium rate for this category of aid is $388 pmpm compared to $293 pmpm for the Adult 19 category and $112 pmpm for the Child 18 category.
  - A Medi-Cal rate increase effective January 1, 2021.
- After removing SUR activity and Directed Payments funding, medical expense is above budget by $48.2 million. This increase can be accounted for as follows:
  - Medi-Cal pharmacy costs are up $30.8 million
  - Capitation and FFS expenses are up $13.3 million
  - Prop 56 supplemental payments are up $ 3.6 million
  - Healthy Workers pharmacy costs are up $ 2.1 million
  - CBAS expenses are up $ 1.5 million
  - Health Education costs are down ($ 3.1 million)

  Medi-Cal pharmacy costs are up due to the delay in the carve-out. Capitation and FFS expenses are up due to increasing membership, Healthy Workers capitation rate increases as well as some high dollar inpatient hospital claims that we incurred in January. Healthy Workers pharmacy costs are higher due to increasing drug costs and associated utilization, however due to the rate increase effective April 1, 2021, SFHP is no longer losing money on the Healthy Workers pharmacy benefit. Proposition 56 supplemental payment activity is higher than anticipated, however this is not an issue as SFHP has received more than enough funding to cover these costs. CBAS costs are up due to greater utilization caused by the ongoing public health emergency.

- Overall administrative expense is below budget by $5.0 million. The majority of this decrease is due to the elimination of the monthly bonus accrual, not implementing merit increases and lower costs in the areas of professional services and information technology services. In addition, the budget included dollars for major projects which have not been incurred yet, i.e., CalAIM and CMS Interoperability. Overall administrative expense savings has been partially offset by PBM TPA fees as we did not expect to have responsibility for the Medi-Cal pharmacy benefit in CY 2021.

PROJECTIONS

Financial projections through October 2021:

1. Due to the ongoing COVID-19 pandemic, SFHP anticipates continued increases in Medi-Cal membership over the next six months. We projected an increase of approximately 22,000 new members during FY 20-21. Through April, we have added 18,400 new members. These new members have been spread across the Adult, Child and Adult Expansion categories of aid. We continue to watch membership growth very closely as we develop the budget for FY 21-22.

2. In response to the COVID-19 pandemic and the effect it is having on state of California finances, the State Legislature approved the implementation of a 1.5% rate reduction retroactive to July 2019. This rate reduction was effective for the entire Bridge Period which ran through December 2020. The rate reduction applied to all categories of aid except dual eligible members. SFHP estimated the impact of this rate reduction to be $3.3 million for the period of July through December 2020. This revenue loss was built into the FY 20-21 budget. Due to California's strong financial position, SFHP does not expect DHCS to implement a similar reduction for January through June 2021.

3. The Medi-Cal pharmacy benefit carve-out scheduled for January 2021 has been delayed with no transition date established at this point in time. The plan is for the State to take on this benefit and has selected Magellan as its Pharmacy Benefits Manager (PBM). SFHP will see approximately $8 million dollars of revenue per month along with a similar amount for the associated pharmacy expense for each month that SFHP continues to have responsibility for the benefit.

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

5. In December 2020, SFHP received final rates for CY 2021. Overall, SFHP received an increase of approximately 4.3% plus the return of the 1.5% Bridge Period rate reduction (1.3% actual). As SFHP looks ahead to future changes coming to Medi-Cal Managed Care, we recognize the need for the health plan to rebuild its reserves that have been reduced by several Strategic Use of

Reserves (SUR) programs along with retroactive adjustments implemented by DHCS totaling $12.7 million.

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

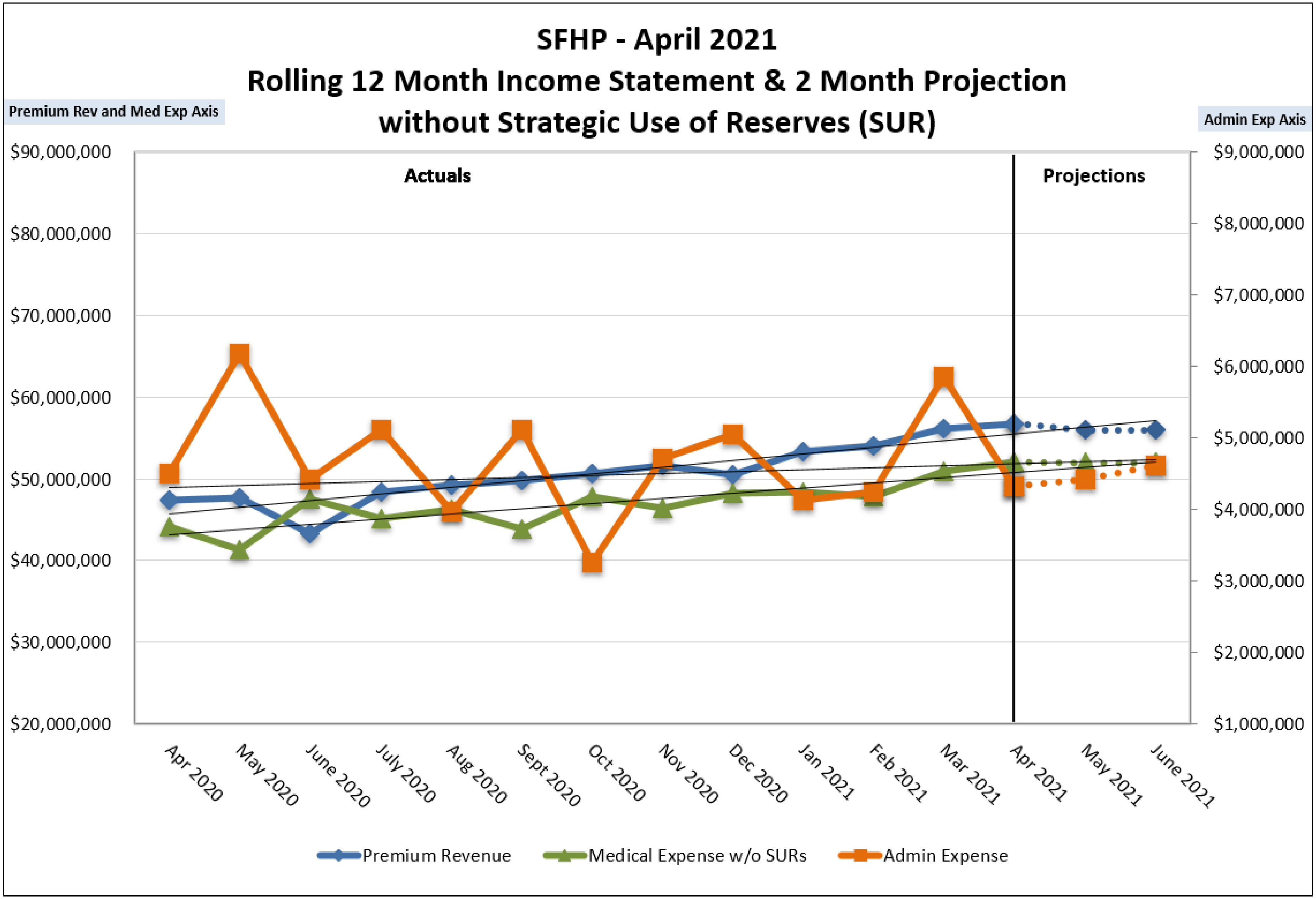
7. Proposition 56 – this program will continue for the remainder of this fiscal year as well as FY 21-22. Proposition 56 provides enhanced payments to medical groups for qualifying physician services, supplemental payments for developmental screenings, adverse childhood experiences screenings, trauma screenings, family planning services and value-based payments related to a variety of health care quality measures.

8. 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

FUTURE OF MEDI-CAL RATE DEVELOPMENT AND THE IMPORTANCE OF ENCOUNTER DATA

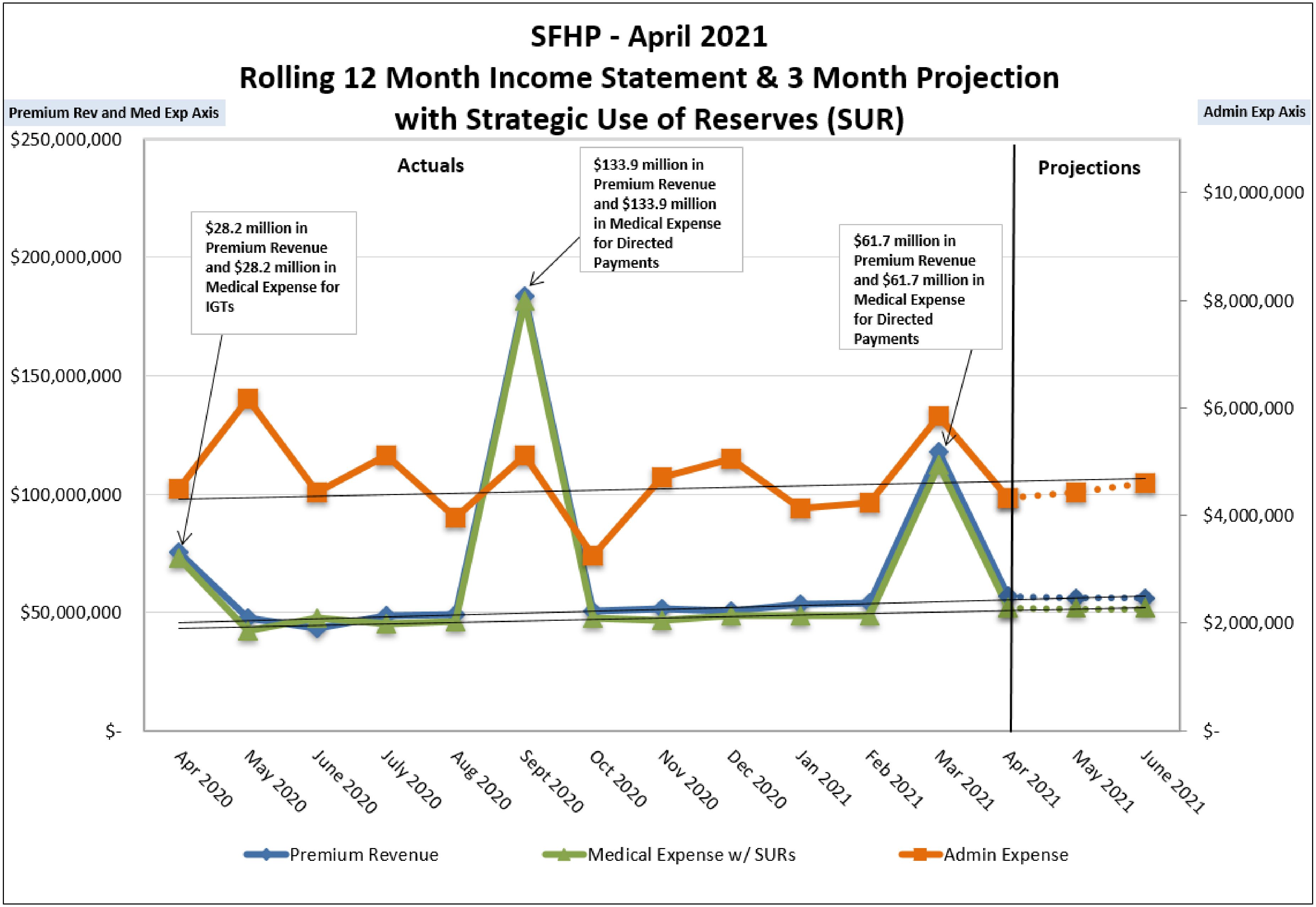
Please refer to the discussion document by Edrington Health Consulting, located in the Closed Session of the Finance Committee packet called, “Review Medi-Cal Provider Contracting and Rate-Setting Strategy.”



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



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 - April 2021

	Apr-21			Apr-20	Fiscal Year to Date (20/21)			FY 19/20
	MTD	MTD	MTD	MTD	FYTD	FYTD	FYTD	FYTD
	Actual	Budget	Fav (Unfav)	Actual	Actual	Budget	Fav (Unfav)	Actual
FINANCIAL POSITION:								
Net Profit/Loss w/o HSF ($)	1,145,736	291,042	854,694	(871,023)	2,448,025	(6,206,697)	8,654,722	(2,521,581)
Total Medical Loss Ratio_All LOB	91.7%	90.6%	-1.0%	96.4%	94.9%	94.6%	-0.3%	95.4%
Admin Expense Ratio	6.4%	8.8%	2.4%	5.2%	4.8%	6.5%	1.7%	5.4%
Number of FTE's	354			355				
Premium Revenue ($)	56,722,042	44,617,365	12,104,677	75,606,214	714,475,061	607,550,943	106,924,117	637,866,592
Medical Expenses ($)	52,010,205	40,444,447	(11,565,758)	72,895,123	677,749,547	574,734,737	(103,014,810)	608,368,272
Administration Expenses w/o HSF ($)	4,325,359	4,644,005	318,645	4,500,611	41,432,725	46,397,880	4,965,155	41,455,085
Member Months	156,716	161,692	(4,976)	138,319	1,508,107	1,517,749	(9,642)	1,382,557
Cash on Hand (Days)	31			27				

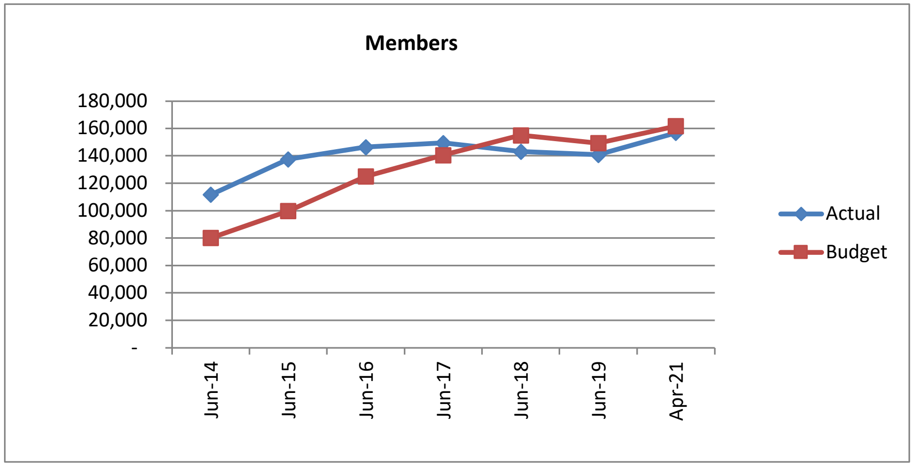
RESERVES:	April-2021	Budget @ 6/30/21	June-2020	June-2019	June-2018	June-2017	June-2016	June-2015
Reserves ($)	93,994,439	86,253,212	91,960,120	97,935,725	108,542,472	120,761,132	112,637,840	82,714,329
SUR carry-over balance from prior years	(2,574,150)	(1,800,000)	(4,145,463)	(6,046,189)	(15,567,350)			
FY18-19 SUR for Medical Groups and Targeted Interv.	(2,945,000)	-	(2,945,000)	(6,558,333)	0			
Adjusted Reserve Balance	88,475,289	84,453,212	84,869,657	85,331,203	92,975,122			
Reserve Policy 2x Premium Rev (Rolling 12 month avg)	113,444,085	90,000,000	86,669,751	93,747,256	93,684,010	94,325,464	100,027,410	51,400,000
Reserves Over (Under) 2 x Premium Revenue	(24,968,796)	(5,546,788)	(1,800,095)	(8,416,053)	(708,888)			
DMHC Required TNE	13,235,027	13,500,000	13,951,203	12,597,375	11,960,363	11,818,641	10,744,461	8,673,851
TNE Multiple	6.7	6.4	6.1	6.8	7.8	10.2	10.5	10.1

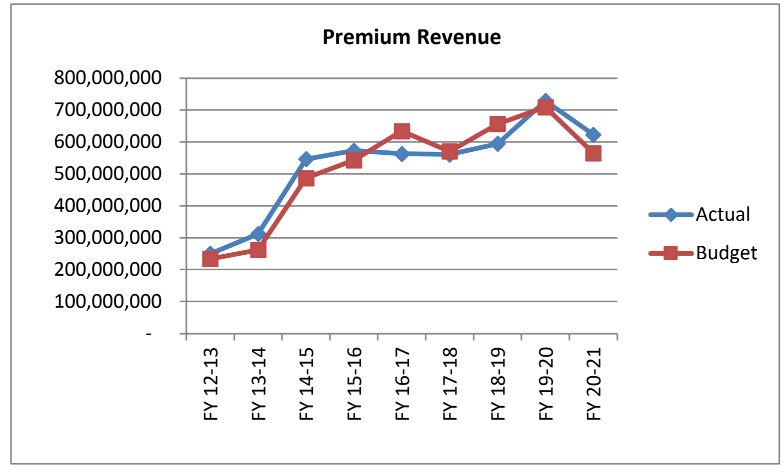
FINANCIAL TREND:	**FY 20/21 Original Budget**	**Change**
Premium Revenue ($)	607,550,943	106,924,117
Medical Expenses ($)	574,734,737	(103,014,810)
Administration Expenses w/o HSF ($)	46,397,880	4,965,155

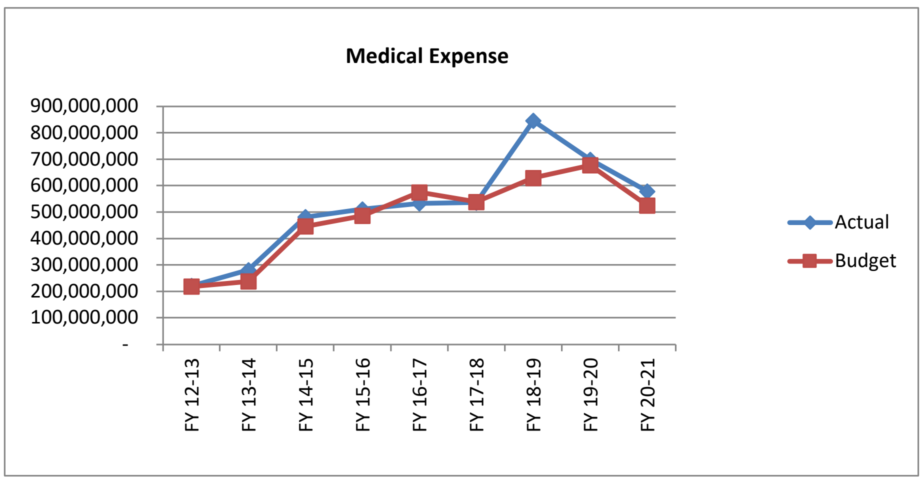
	April-2021	June-2019	June-2018	June-2017	June-2016	June-2015	June-2014	
Member Months	156,716	140,765	143,096	149,348	146,289	137,427	111,590	Membership for the Month
Average Monthly Enrollment	149,352	142,038	146,847	148,354	144,347	130,240	91,587	Rolling 12 Month Average

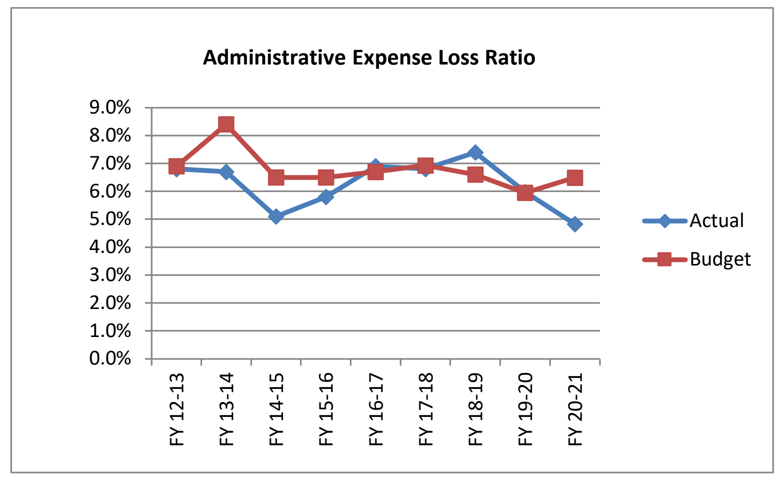
San Francisco Health Plan
Finance Big Picture Dashboard - April 2021

FINANCIAL TREND:
(Rolling 12 months)









San Francisco Health Plan

Finance Dashboard Metrics - April 2021

	Apr-21			Apr-20	Fiscal Year to Date (20/21)			FY 19/20
	Actual	Budget	Fav (Unfav)	Actual	Actual	Budget	Fav (Unfav)	Actual
Member Months	156,716	161,692	(4,976)	138,319	1,508,107	1,517,749	(9,642)	1,382,557
			-3.1%				-0.6%	
Premium Revenue ($)	56,722,042	44,617,365	12,104,677	75,606,214	714,475,061	607,550,943	106,924,117	637,866,592
			27.1%				17.6%	
Administration Expenses w/o HSF ($)	4,325,359	4,644,005	318,645	4,500,611	41,432,725	46,397,880	4,965,155	41,455,085
Admin Expense Ratio	6.4%	8.8%		5.2%	4.8%	6.5%		5.4%
Medical Expenses ($)	52,010,205	40,444,447	(11,565,758)	72,895,123	677,749,547	574,734,737	(103,014,810)	608,368,272
Total Medical Loss Ratio	91.7%	90.6%		96.4%	94.9%	94.6%		95.4%
MC Medical Loss Ratio	84.2%	82.2%		92.1%	89.4%	87.2%		90.4%
MC SPD Medical Loss Ratio	93.0%	96.1%		98.7%	94.5%	99.0%		97.7%
MC Expansion	94.1%	91.3%		97.5%	96.8%	95.6%		96.3%
HW Medical Loss Ratio	96.0%	100.3%		99.0%	101.5%	99.8%		99.4%
HSF + SFCMRA - TPA Fee ($)	974,731	1,138,554	(163,823)	996,171	8,958,049	10,992,558	(2,034,509)	7,949,285
			-14.4%				-18.5%	
Cash on Hand (Days)	31			27				
Maternity Reimb. Performance ($)	773,344	783,132	(9,788)	835,928	7,787,278	7,831,324	(44,046)	7,863,775
(per case pymt, actual vs. budget)			-1.2%				-0.6%	
Number of Births	92	89	3	95	900	890	10	899
Hep-C Revenue ($)	396,341	0		519,644	3,857,592	3,335,442	522,150	5,324,444
Hep-C Expense w/rebates (FFS + Cap) ($)	416,603	0		573,079	3,938,908	3,335,442	603,466	5,159,972
Net Margin ($)	(20,262)	0		(53,435)	(81,316)	0	(81,316)	164,472
Total Hep-C Treatments	184	0		202	1,659	1,320	339	2,102
Total reimbursable Hep-C weeks (exclude Daklinza)	184	0		202	1,659	1,320	339	2,102
Net Profit/Loss w/o HSF ($)	1,145,736	291,042	854,694	(871,023)	2,448,025	(6,206,697)	8,654,722	(2,521,581)

San Francisco Health Plan
Consolidated Balance Sheet for SFHA and SFCHA
As of April 30, 2021

		SFHA	HSF	4/30/2021 Total	4/30/2020 Total	Variance
	ASSETS					
	CURRENT ASSETS					
(1)	SFHP Cash and Cash Equivalents	3,923,750		3,923,750	2,349,996	1,573,754
	Short Term Investments	87,265,450		87,265,450	114,928,954	(27,663,504)
	HSF Cash and Cash Equivalents		654,182,275	654,182,275	578,959,120	75,223,155
	Petty Cash	1,000		1,000	1,000	-
	Other Receivables	5,967,399		5,967,399	4,519,374	1,448,024
	Interest Receivable	160,976		160,976	176,008	(15,032)
	Grant Funds Receivable	-		0	1,426,389	(1,426,389)
(2)	Capitation Receivable	60,970,062		60,970,062	48,660,558	12,309,504
	HSF Operation Receivable	8,991,497		8,991,497	7,987,534	1,003,963
	HSF Provider Payment & Advance		2,508,722	2,508,722	2,322,351	186,371
(3)	HSF Receivables		15,422,254	15,422,254	714,980	14,707,275
	Prepaid Insurance	88,121		88,121	110,482	(22,361)
	HSF Prepaid Insurance	3,367		3,367	3,047	320
	Prepaid Rent	336,637		336,637	329,083	7,554
	Prepaid Expenses	2,943,860		2,943,860	2,938,536	5,324
	HSF Prepaid Expenses	6,844		6,844	6,844	-
	CalPERS Deferred Outflow Fund	7,592,229		7,592,229	7,628,669	(36,440)
	Deposits	79,874		79,874	79,874	-
	Total Current Assets	178,331,065	672,113,252	850,444,316	773,142,798	77,301,518
	OTHER ASSETS					
	Long Term Investments	23,349,404		23,349,404	22,305,248	1,044,157
	Restricted Funds Required by DMHC	300,000		300,000	300,000	-
	Total Other Assets	23,649,404	-	23,649,404	22,605,248	1,044,157
	FIXED ASSETS					
	Furniture & Equipment	15,420,811		15,420,811	15,006,693	414,119
	Accumulated Depreciation	(12,235,726)		(12,235,726)	(10,566,626)	(1,669,100)
	Net Fixed Assets	3,185,085	-	3,185,085	4,440,067	(1,254,981)
	TOTAL ASSETS	**205,165,554**	**672,113,252**	**877,278,806**	**800,188,112**	**77,090,694**

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San Francisco Health Plan
Consolidated Balance Sheet for SFHA and SFCHA
As of April 30, 2021

		SFHA	HSF	4/30/2021 Total	4/30/2020 Total	Variance
	LIABILITIES & FUND BALANCE					
	CURRENT LIABILITIES					
	Accounts Payable	17,772,668		17,772,668	13,840,748.15	3,931,919
	HSF Accounts Payable		677,166	677,166	1,599,099.72	(921,934)
	Deferred Rent	1,834,686		1,834,686	1990495.34	(155,810)
	Salaries/Benefits/PERS Payable	8,372,557		8,372,557	7,026,760.85	1,345,796
	CalPERS Unfunded Pension	41,309		41,309	(1,279,512.91)	1,320,822
	CalPERS Pension Deferred Inflow	180,387		180,387	227,212.64	(46,826)
	Notes Payable - Lease Equipment	31,023		31,023	122,136.48	(91,113)
	Unearned Premium Revenue	-		0	1,771,517.83	(1,771,518)
(4)	Due to DHCS including Provider Pass-throughs	24,263,825		24,263,825	42,446,516.30	(18,182,691)
	HSF Earned Premium - Due to DPH		58,326,574	58,326,574	61,977,320.42	(3,650,747)
	Waiver, Discount, and Account Write-off		(162,189)	(162,189)	(781,420.08)	619,231
	HSF Unearned Participant Fees		546,559	546,559	1,946,544.86	(1,399,986)
	ESR due to DPH		450,255,844	450,255,844	371,899,818.15	78,356,026
	HSF MRA Fund Payable (Claim & Fee)		162,469,299	162,469,299	145,355,088.29	17,114,211
	Capitation Payable	51,989,271		51,989,271	45,427,798.46	6,561,473
	Claims Payable	3,147,725		3,147,725	2,830,549.08	317,176
	Claims IBNR	3,537,666		3,537,666	5,805,828.73	(2,268,163)
	TOTAL LIABILITIES	111,171,116	672,113,252	783,284,367	702,206,502	81,077,865
	FUND BALANCE					
	Contributed Capital	1,516,840		1,516,840	1,516,840.28	-
	Accumulated Surplus Revenue	90,029,573		90,029,573	98,986,350.02	(8,956,777)
	Current Year Surplus / Deficit	2,448,025		2,448,025	(2,521,580.57)	4,969,606
	Fund Balance	93,994,439	0	93,994,439	97,981,610	(3,987,171)
	TOTAL LIABILITIES & FUND BALANCE	**205,165,554**	**672,113,252**	**877,278,806**	**800,188,112**	**77,090,694**

Notes:

(1) SFHP Cash, Cash Equivalents and Short Term Investments had a combined balance of $91.2 million at 4/30/21 as compared to $117.3 million at 4/30/20. This decrease is due to $28.1 million in IGT funding received in April 2020. SFHP did not receive any IGT funding in April 2021.

The days cash on hand as of 4/30/21 was 31 days compared to 31 days at 3/31/21. There is no change from March 2021. All Directed Payments and IGT funding received by SFHP is excluded as these funds are a direct pass-through to providers and therefore not available to fund ongoing operations.

(2) Capitation Receivable is a combination of Medi-Cal premiums totaling $57.6 million along with $3.4 million of receivables for the Healthy Workers program. SFHP and the SF Department of Human Resources are engaged in a weekly dialogue on the payment of the Healthy Workers receivable. We have a verbal confirmation that this amount will be paid as soon as the new contract is executed. The parties are working through final edits.

(3) The majority of this increase is related to the $500 grants disbursed to SF City Option MRA holders. These funds will come back into the HSF SF City Option program at a later date.

(4) The balance at 4/30/20 included $28.1 million of IGT funding that was disbursed in May 2020. SFHP is not holding any IGT funding at this time.

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 April 30, 2021

	Current Month Actual	Current Month Budget	Fav (Unfav) Amount ($)	Fav (Unfav) %		Year to Date Actual	Year to Date Budget	Fav (Unfav) ($)	Fav (Unfav) %
					Member Month				
(1)	72,510	83,248	(10,738)	(12.9%)	Medi-Cal	699,438	758,832	(59,394)	(7.8%)
	13,442	14,120	(678)	(4.8%)	Medi-Cal SPD	133,939	139,940	(6,001)	(4.3%)
	58,917	52,478	6,439	12.3%	Medi-Cal Expansion	553,733	501,012	52,721	10.5%
	11,847	11,846	1	0.0%	Healthy Workers	120,997	117,965	3,032	2.6%
	156,716	161,692	(4,976)	(3.1%)	TOTAL MEMBER MONTH	1,508,107	1,517,749	(9,642)	(0.6%)
					REVENUE				
(2)	13,534,627	13,033,115	501,512	3.8%	Medi-Cal	160,664,745	156,349,202	4,315,543	2.8%
	12,525,349	9,250,136	3,275,213	35.4%	Medi-Cal SPD	183,676,647	146,575,557	37,101,090	25.3%
	23,618,002	16,803,810	6,814,192	40.6%	Medi-Cal Expansion	311,950,857	249,549,382	62,401,476	25.0%
	79,000	116,090	(37,090)	(31.9%)	MC Health Homes	1,363,404	1,160,900	202,504	17.4%
	6,965,064	5,414,214	1,550,850	28.6%	Healthy Workers	56,819,407	53,915,903	2,903,504	5.4%
	56,722,042	44,617,365	12,104,677	27.1%	Total Capitation Revenue	714,475,061	607,550,943	106,924,117	17.6%
	687,447	720,462	(33,015)	(4.6%)	Other Income - Admin Svc & TPL	6,735,718	6,958,310	(222,592)	(3.2%)
	0	0	0		Other Income - BHI	200,000	0	200,000	
	687,447	720,462	(33,015)	(4.6%)	Total Other Income	6,935,718	6,958,310	(22,592)	(0.3%)
	57,409,489	**45,337,827**	**12,071,662**	**26.6%**	**TOTAL REVENUE**	**721,410,779**	**614,509,253**	**106,901,526**	**17.4%**

San Francisco Health Plan
Income Statement w/o HSF
Consolidated Statement for SFHA and SFCHA
For the Month Ending April 30, 2021

	Current Month Actual	Current Month Budget	Fav (Unfav) Amount ($)	Fav (Unfav) %		Year to Date Actual	Year to Date Budget	Fav (Unfav) ($)	Fav (Unfav) %
					EXPENSES				
					Medical Expenses				
(3)	17,345,486	16,028,747	(1,316,739)	(8.2%)	Professional	164,195,164	153,898,536	(10,296,628)	(6.7%)
	23,282,206	21,287,908	(1,994,299)	(9.4%)	Hospital	213,637,902	209,998,138	(3,639,764)	(1.7%)
	9,097,435	778,338	(8,319,097)	(1,068.8%)	Pharmacy	82,972,532	50,165,354	(32,807,178)	(65.4%)
	13,534	43,362	29,828	68.8%	Immunizations	260,873	429,678	168,805	39.3%
	931,412	680,126	(251,286)	(36.9%)	Vision and Mental Health	8,143,763	7,164,218	(979,545)	(13.7%)
(4)	1,340,132	1,625,967	285,835	17.6%	Health Ed & Stop Loss & Other	208,539,313	153,078,813	(55,460,500)	(36.2%)
	52,010,205	**40,444,447**	**(11,565,758)**	**(28.6%)**	**Total Medical Expenses**	**677,749,547**	**574,734,737**	**(103,014,810)**	**(17.9%)**
	91.7%	90.6%			Medical Cost Ratio %	94.9%	94.6%		
					Operating Expenses				
(5)	2,209,326	2,459,578	250,253	10.2%	Compensation & Benefits	22,438,634	23,909,463	1,470,828	6.2%
	157,791	57,860	(99,931)	(172.7%)	GASB-68 CalPERS Contribution	250,788	621,624	370,836	59.7%
	431,983	485,373	53,390	11.0%	Lease, Insurance, D & A	4,494,269	4,708,389	214,120	4.5%
	67,633	123,116	55,483	45.1%	Marketing & Outreach	766,525	949,496	182,971	19.3%
	347,854	118,313	(229,541)	(194.0%)	PBM and Mental Health TPA Fees	3,163,220	2,183,179	(980,041)	(44.9%)
	367,656	412,126	44,470	10.8%	Professional Fees & Consulting	2,556,759	4,171,262	1,614,502	38.7%
	743,117	987,638	244,521	24.8%	Other Expenses	7,762,530	9,854,467	2,091,938	21.2%
	4,325,359	4,644,005	318,645	6.9%	Total Operating Expenses	41,432,725	46,397,880	4,965,155	10.7%
	6.4%	8.8%			Administrative Cost Ratio % (Op Exp-Other Inc/Premium)	4.8%	6.5%		
	56,335,565	**45,088,452**	**(11,247,113)**	**(24.9%)**	**TOTAL EXPENSES**	**719,182,272**	**621,132,617**	**(98,049,655)**	**(15.8%)**
	1,073,924	**249,375**	**824,549**	**330.6%**	**Operating Surplus / Deficit**	**2,228,507**	**(6,623,363)**	**8,851,871**	**(133.6%)**
	30,007	41,667	(11,659)	(28.0%)	Interest Income & Realized G/L on Investment	626,394	416,667	209,727	50.3%
	41,805	0	41,805		Unrealized Gain / Loss on Investment	(406,876)	0	(406,876)	
	71,812	41,667	30,145	72.3%	Total Interest Income & Realized G/L on Investmer	219,518	416,667	(197,149)	(47.3%)
	1,145,736	**291,042**	**854,694**	**293.7%**	**SURPLUS / DEFICIT**	**2,448,025**	**(6,206,697)**	**8,654,722**	**(139.4%)**

San Francisco Health Plan
Income Statement w/o HSF
Consolidated Statement for SFHA and SFCHA
For the Month Ending April 30, 2021

Notes:

Following are key points that impacted our financial performance during April 2021. For a more detailed discussion of each of these points, please refer to the attached FINANCIAL RESULTS-APRIL 2021 memo.

(1) April member months were 3.1% below budget. When preparing the FY 20-21 budget, SFHP assumed there would be stronger growth during the middle part of the fiscal year due to the COVID-19 pandemic. Although Adult and Child member months were short of budget projections, Adult Expansion member months came in 6,439 ahead of budget which helped drive additional revenue for SFHP and additional capitation for providers. SFHP expects continued growth in membership, however the growth will not be as robust and will fall short of budget expectations. On a year-to-date basis, member months are 0.6% below budget. It is expected that member months will fall slightly short of the full fiscal year target, however membership mix and the Medi-Cal rate increase will help us achieve revenue projections.

(2) Premium revenue for the month of April was $12.1 million higher than the budget due to a combination of additional pharmacy revenue that was expected to end 12/31/20, the Medi-Cal rate increase that was effective 1/1/21 and the Healthy Workers rate increase that was effective 4/1/21. Year-to-date revenue included $195.6 million in Directed Payments funding related to FY 18-19 as well as July through December 2019. The FY 20-21 budget projected $137.0 million. This funding is a direct pass-through to hospital providers. DHCS and DMHC allow health plans to treat this funding as revenue and medical expense. Year-to-date and excluding Directed Payments funding, premium revenue is $48.3 million above budget. This is due to $32.5 million in unanticipated pharmacy revenue, Medi-Cal and Healthy Workers rate increases and a favorable membership mix.

(3) Additional professional and hospital expenses were driven by increased capitation due to more Adult Expansion membership, additional Healthy Workers capitation for SF DPH as well as some high dollar inpatient hospital claims received in January. SFHP continues to see increases in CBAS and Prop 56 claims expense. SFHP did not budget for pharmacy costs in April as the pharmacy carve-out was expected to occur January 2021. On a year-to-date basis and excluding Directed Payments and Strategic Use of Reserves activity, medical expense is $48.2 million above budget. This is due to $30.8 million in unanticipated pharmacy expense, higher capitation due to membership mix, higher than expected fee-for-service costs and increases in CBAS, non-specialty mental health and Proposition 56 services.

(4) The Health Education, Stop Loss and Other Medical Expenses line item includes Directed Payment funding. On a year-to-date basis, SFHP has received $195.6 million versus a projected amount of $137.0 million.

(5) The Compensation and Benefits line item is lower than budget due to discontinuing the monthly bonus accrual as well as not implementing the annual merit increase. As no bonus was paid for FY 19-20, the bonus accrual is fully funded for FY 20-21. GASB 68 expense reflects ongoing pension expense adjustments as required by GASB rules. Pharmacy Benefit Manager (PBM) costs are higher as we expected the Medi-Cal pharmacy benefit to be carved out effective January 2021. Other Expenses such as telecommunications, systems maintenance and systems support costs have come in lower than expected. This variance is related to timing issues as it is expected these costs will be heavier during May and June.

San Francisco Health Plan
Income Statement w/o HSF
Consolidated Statement for SFHA and SFCHA
For the Month Ending April 30, 2021
($ 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) %
				REVENUE				
186.66	156.56	30.10	19.2%	Medi-Cal	229.71	206.04	23.67	11.5%
931.81	655.11	276.70	42.2%	Medi-Cal SPD	1,371.35	1,047.42	323.93	30.9%
400.87	320.21	80.66	25.2%	Medi-Cal Expansion	563.36	498.09	65.27	13.1%
587.92	457.05	130.87	28.6%	Healthy Workers	469.59	457.05	12.54	2.7%
361.44	**275.94**	**85.50**	**31.0%**	**Total Capitation Revenue**	**472.85**	**400.30**	**72.55**	**18.1%**
4.39	4.46	(0.07)	(1.6%)	Other Income - Admin Svc & TPL	4.47	4.58	(0.12)	(2.6%)
0.00	0.00	0.00		Other Income - BHI	0.13	0.00	0.13	
4.39	**4.46**	**(0.07)**	**(1.6%)**	**Total Other Income**	**4.60**	**4.58**	**0.01**	**0.3%**
365.82	**280.40**	**85.43**	**30.5%**	**TOTAL REVENUE**	**477.45**	**404.88**	**72.57**	**17.9%**

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San Francisco Health Plan
Income Statement w/o HSF
Consolidated Statement for SFHA and SFCHA
For the Month Ending April 30, 2021
($ 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) %
				EXPENSES				
				Medical Expenses				
110.68	99.13	(11.55)	(11.7%)	Professional	108.88	101.40	(7.48)	(7.4%)
148.56	131.66	(16.91)	(12.8%)	Hospital	141.66	138.36	(3.30)	(2.4%)
58.05	4.81	(53.24)	(1,105.9%)	Pharmacy	55.02	33.05	(21.97)	(66.5%)
0.09	0.27	0.18	67.8%	Immunizations	0.17	0.28	0.11	38.9%
5.94	4.21	(1.74)	(41.3%)	Vision and Mental Health	5.40	4.72	(0.68)	(14.4%)
8.55	10.06	1.50	15.0%	Health Ed & Stop Loss & Other	138.28	100.86	(37.42)	(37.1%)
331.88	**250.13**	**(81.74)**	**(32.7%)**	**Total Medical Expenses**	**449.40**	**378.68**	**(70.73)**	**(18.7%)**
91.8%	90.6%			Medical Cost Ratio %	95.0%	94.6%		
				Operating Expenses				
14.10	15.21	1.11	7.3%	Compensation & Benefits	14.88	15.75	0.87	5.6%
1.01	0.36	(0.65)	(181.4%)	GASB-68 CalPERS Contribution	0.17	0.41	0.24	59.4%
2.76	3.00	0.25	8.2%	Lease, Depreciation & Amortization	2.98	3.10	0.12	3.9%
0.43	0.76	0.33	43.3%	Marketing & Outreach	0.51	0.63	0.12	18.8%
2.22	0.73	(1.49)	(203.3%)	PBM and Mental Health TPA Fees	2.10	1.44	(0.66)	(45.8%)
2.35	2.55	0.20	8.0%	Professional Fees & Consulting	1.70	2.75	1.05	38.3%
4.74	6.11	1.37	22.4%	Other Expenses	5.15	6.49	1.35	20.7%
27.60	**28.72**	**1.12**	**3.9%**	**Total Operating Expenses**	**27.47**	**30.57**	**3.10**	**10.1%**
6.4%	8.8%			Administrative Cost Ratio %	4.8%	6.5%		
359.48	**278.85**	**(80.62)**	**(28.9%)**	**TOTAL EXPENSES**	**476.88**	**409.25**	**(67.63)**	**(16.5%)**
6.35	**1.54**	**4.81**	**311.6%**	**Operating Surplus / Deficit**	**0.57**	**(4.36)**	**4.94**	**-113.1%**
0.19	0.26	(0.07)	(25.7%)	Interest Income & Realized G/(L) on Investmer	0.42	0.27	0.14	51.3%
0.27	0.00	0.27	-	Unrealized Gain / (Loss) on Investment	(0.27)	0.00	(0.27)	-
0.00	0.00	0.00	-	Realized Gain / (Loss) on Lease Equipments	0.00	0.00	0.00	-
0.46	0.26				0.15	0.27		
6.81	**1.80**	**5.01**	**278.2%**	**SURPLUS / DEFICIT**	**0.72**	**(4.09)**	**4.81**	**-117.6%**

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San Francisco Health Plan
Income Statement
Healthy San Francisco & SF Covered MRA
For the Month Ending April 30, 2021

Current Month Actual	Current Month Budget	Fav (Unfav) Amount ($)	Fav (Unfav) %		Year to Date Actual	Year to Date Budget	Fav (Unfav) ($)	Fav (Unfav) %
				REVENUE				
974,731	**1,138,554**	**(163,823)**	**-14.4%**	**TPA Fee - HSF + SFCMRA**	**8,958,049**	**10,992,558**	**(2,034,509)**	**(18.5%)**
				EXPENSES				
816,944	816,162	(782)	(0.1%)	Compensation & Benefits	7,284,607	7,768,638	484,030	6.2%
88,581	121,564	32,982	27.1%	Lease, Insurance, D & A	885,812	1,215,636	329,825	27.1%
17,813	36,921	19,108	51.8%	Marketing & Outreach	119,174	369,213	250,040	67.7%
19,155	69,250	50,095	72.3%	Professional Fees & Consulting	241,619	692,500	450,881	65.1%
32,238	94,657	62,419	65.9%	Other Expenses	426,838	946,571	519,733	54.9%
974,731	**1,138,554**	**163,823**	**14.4%**	**TOTAL EXPENSES**	**8,958,049**	**10,992,558**	**2,034,509**	**18.5%**
100.0%	100.0%			Administrative Cost Ratio %	100.0%	100.0%		
-	**-**	**-**	**0.0%**	**SURPLUS / DEFICIT**	**-**	**-**	**-**	**0.0%**

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San Francisco Health Plan
Investment Performance
(excludes balances in SFHA operating accounts)
April 30, 2021

Fixed Income Securities	Purchase Date	Quantity	Purchase Price	4/30/21 Price	Market Value 4/30/21	Amortized Prem / Disc	Remaining Cost	Unrealized Gain (Loss)	Estimated Annual Income
Local Agency Investment Fund (LAIF) - rate @ .540%			$ 1,217,594		**$ 1,217,594**	$ -	$ 1,217,594	$ -	$ 6,575
Principal Cash									
Principal Cash		-	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CNB Deposit Sweep (TBSCNBM) - Variable Rate 0.01%		86,176	$ 86,176	$ 1.000	$ 86,176	$ -	$ 86,176	$ -	$ 9
Total Cash and Cash Equivalents		**$ 86,176**	**$ 86,176**		**$ 86,176**	**$ -**	**$ 86,176**	**$ -**	**$ 9**
U.S. Govt Bonds, Notes, & U.S. Agencies									
US Treasury Note - 2.375% - Mat 03/15/2022	6/8/20	160,000	$ 166,131	$ 102.008	$ 163,213	$ (3,094)	$ 163,037	$ 176	$ 3,800
US Treasury Note - 1.75% - Mat 04/30/2022	10/5/18	825,000	$ 790,453	$ 101.664	$ 838,728	$ 24,859	$ 815,312	$ 23,416	$ 14,438
US Treasury Note - 1.875% - Mat 05/31/2022	6/23/17	710,000	$ 713,605	$ 101.934	$ 723,731	$ (3,627)	$ 709,978	$ 13,753	$ 13,313
US Treasury Note - 2.000% - Mat 11/30/2022	6/17/19	715,000	$ 720,019	$ 102.945	$ 736,057	$ (2,840)	$ 717,179	$ 18,878	$ 14,300
US Treasury Note - 1.500% - Mat 01/15/2023	5/7/20	600,000	$ 620,273	$ 102.313	$ 613,878	$ (7,272)	$ 613,002	$ 876	$ 9,000
US Treasury Note - 2.750% - Mat 04/30/2023	10/30/19	575,000	$ 596,428	$ 105.125	$ 604,469	$ (9,202)	$ 587,226	$ 17,243	$ 15,813
US Treasury Note - 0.125% - Mat 07/15/2023	12/23/20	970,000	$ 969,621	$ 99.836	$ 968,409	$ 51	$ 969,672	$ (1,263)	$ 1,213
US Treasury Note - 2.750% - Mat 11/15/2023	5/7/20	680,000	$ 738,517	$ 106.309	$ 722,901	$ (16,090)	$ 722,428	$ 474	$ 18,700
US Treasury Note - 2.375% - Mat 02/29/2024	12/23/20	125,000	$ 133,691	$ 105.820	$ 132,275	$ (961)	$ 132,731	$ (456)	$ 2,969
US Treasury Note - 2.125% - Mat 03/31/2024	6/8/20	585,000	$ 624,945	$ 105.203	$ 615,438	$ (9,598)	$ 615,347	$ 91	$ 12,431
US Treasury Note - 2.375% - Mat 08/15/2024	5/7/20	570,000	$ 619,229	$ 106.406	$ 606,514	$ (11,186)	$ 608,044	$ (1,529)	$ 13,538
US Treasury Note - 1.250% - Mat 08/31/2024	3/15/21	615,000	$ 631,216	$ 102.711	$ 631,673	$ (592)	$ 630,624	$ 1,048	$ 7,688
US Treasury Note - 2.250% - Mat 12/31/2024	6/2/20	685,000	$ 745,553	$ 106.316	$ 728,265	$ (12,114)	$ 733,439	$ (5,174)	$ 15,413
US Treasury Note - 0.375% - Mat 04/30/2025	6/2/20	625,000	$ 626,904	$ 99.070	$ 619,188	$ (355)	$ 626,549	$ (7,362)	$ 2,344
US Treasury Note - 2.875% - Mat 05/31/2025	6/2/20	670,000	$ 754,430	$ 109.102	$ 730,983	$ (15,483)	$ 738,947	$ (7,964)	$ 19,263
US Treasury Note - 2..750% - Mat 06/30/2025	7/17/20	225,000	$ 252,211	$ 108.629	$ 244,415	$ (5,042)	$ 247,169	$ (2,754)	$ 6,188
US Treasure Note - 0.250% Mat 07/31/2025	11/3/20	520,000	$ 516,913	$ 98.195	$ 510,614	$ 318	$ 517,231	$ (6,617)	$ 1,300
US Treasury Note - 2.00% - Mat 08/15/2025	9/10/20	150,000	$ 162,604	$ 105.594	$ 158,391	$ (1,625)	$ 160,978	$ (2,587)	$ 3,000
US Treasury Note - 0.375% - Mat 11/30/2025	12/23/20	250,000	$ 250,127	$ 98.242	$ 245,605	$ (9)	$ 250,118	$ (4,513)	$ 938
US Treasury Note - 0.375% - Mat 01/31/2026	2/16/21	505,000	$ 502,574	$ 97.977	$ 494,784	$ 101	$ 502,674	$ (7,890)	$ 1,894
Federal National Mortgage Assn-1.875% Mat 04/05/2022	7/25/19	675,000	$ 675,745	$ 101.660	$ 686,205	$ (475)	$ 675,269	$ 10,936	$ 12,656
Federal National Mortgage Assn - 2.375% Mat - 01/19/2023	4/5/18	815,000	$ 803,016	$ 103.793	$ 845,913	$ 7,700	$ 810,716	$ 35,197	$ 19,356
Federal National Mortgage Assn - 2.75% Mat - 06/19/2023	7/11/18	575,000	$ 572,033	$ 105.412	$ 606,119	$ 1,674	$ 573,707	$ 32,412	$ 15,813
Federal National Mortgage Assn - 2.875% Mat - 09/12/2023	1/18/19	685,000	$ 695,533	$ 106.276	$ 727,991	$ (5,398)	$ 690,135	$ 37,856	$ 19,694
Federal Farm Credit Bank - 0.200% Mat - 10/02/2023	10/2/20	750,000	$ 749,123	$ 99.862	$ 748,965	$ 169	$ 749,291	$ (326)	$ 1,500
Federal National Mortgage Assn- 2.5% Mat 02/05/2024	3/5/19	695,000	$ 695,078	$ 106.047	$ 737,027	$ (152)	$ 694,926	$ 42,101	$ 17,375
Federal National Mortgage Assn-2.625% Mat 09/06/2024	10/30/19	790,000	$ 824,357	$ 107.334	$ 847,939	$ (11,033)	$ 813,324	$ 34,614	$ 20,738
Total U.S. Govt Bonds, Notes, & U.S. Agencies		**$ 15,745,000**	**$ 16,150,328**		**$ 16,289,688**	**$ (81,274)**	**$ 16,069,054**	**$ 220,634**	**$ 284,669**
Corporate Bonds									
Goldman Sachs Group - 3.625% Mat 01/22/2023	7/25/19	705,000	$ 733,188	$ 105.571	$ 744,276	$ (15,610)	$ 717,578	$ 26,698	$ 25,556
Wells Fargo & Company - 3.750% Mat - 01/24/2024	4/22/19	685,000	$ 701,050	$ 108.184	$ 741,060	$ (6,806)	$ 694,243	$ 46,817	$ 25,688
Morgan Stanley - Variable rate 3.737% Mat 04/24/2024	7/25/19	575,000	$ 599,121	$ 106.163	$ 610,437	$ (8,947)	$ 590,175	$ 20,263	$ 21,488
United Health Group Inc - 2.375% Mat 08/15/2024	2/17/21	320,000	$ 341,024	$ 105.762	$ 338,438	$ -	$ 341,024	$ (2,586)	$ 7,600
Paccar Financial Corp - 1.80% Mat - 02/06/2025	5/18/20	375,000	$ 380,438	$ 103.001	$ 386,254	$ (1,081)	$ 379,357	$ 6,897	$ 6,750
Bank of America Corp - Variable rate 3.458% Mat 03/15/2025	5/12/20	695,000	$ 742,031	$ 107.193	$ 744,991	$ (9,312)	$ 732,719	$ 12,273	$ 24,033
3M Company -2.650% Mat 04/15/2025	5/19/20	360,000	$ 382,644	$ 106.748	$ 384,293	$ (4,339)	$ 378,305	$ 5,988	$ 9,540
Citigroup Inc - Variable Rate 3.352% Mat 04/24/2025	5/19/20	480,000	$ 505,618	$ 107.264	$ 514,867	$ (4,909)	$ 500,709	$ 14,159	$ 16,090
Chevron USA INC - .687% Mat 08/12/2025	2/17/21	505,000	$ 504,753	$ 98.817	$ 499,026	$ 11	$ 504,764	$ (5,738)	$ 3,469
Comcast Corp- 3.95% Mat 10/15/2025	2/17/21	440,000	$ 501,675	$ 112.173	$ 493,561	$ (2,654)	$ 499,021	$ (5,459)	$ 17,380
Apple Inc - .700% Mat 02/08/2026	2/17/21	630,000	$ 629,049	$ 98.720	$ 621,936	$ 38	$ 629,087	$ (7,151)	$ 4,410
Total Corporate Bonds		**5,770,000**	**6,020,588**		**6,079,140**	**(53,609)**	**5,966,979**	**112,160**	**162,004**
Foreign Bonds									
BK Montreal Mtn. 3.3% Mat - 02/05/2024	3/29/19	700,000	$ 709,618	$ 107.550	$ 752,850	$ (4,085)	$ 705,533	$ 47,317	$ 23,100
Santander UK PLC. 4% Mat - 03/13/2024	10/31/19	565,000	$ 603,606	$ 109.720	$ 619,918	$ (13,127)	$ 590,480	$ 29,438	$ 22,600
Total Foreign Bonds		**1,265,000**	**$ 1,313,224**		**$ 1,372,768**	**$ (17,212)**	**$ 1,296,012**	**$ 76,756**	**$ 45,700**
Municipal Bonds									
Wisconsin State - 0.361% Mat-05/01/2024	3/17/2021	545,000	$ 545,000	$ 99.820	$ 544,019	$ -	$ 545,000	$ (981)	$ 1,967
Florida State Brd Admin - 1.258% Mat-07/01/2025	9/16/20	745,000	$ 747,776	$ 100.931	$ 751,936	$ (394)	$ 747,382	$ 4,554	$ 9,372
Total Municipal Bonds		**1,290,000**	**1,292,776**		**1,295,955**	**(394)**	**1,292,382**	**3,573**	**11,340**
Municipal Zero Coupon Bonds									
Total Zero Coupon Bonds		**-**	**$ -**		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total of City National Investments		**24,070,000**	**24,776,917**		**25,037,551**	**(152,489)**	**24,624,428**	**413,123**	**503,712**
Total City National Holdings		**24,156,176**	**$ 24,863,093**		**$ 25,123,726**	**$ (152,489)**	**$ 24,710,604**	**$ 413,123**	**$ 503,720**
Estimated Accrued Income					$ 104,588.89				
Total of City National Investments					**$ 25,228,315.30**				
				Unrealized G/L of Market Value				**$ 260,634**	$ (0)
Mandatory 3 CDs - Assigned to DMHC									
Banc of California - # 3030018015 - Mat 08/3/2020 - 1.40%	8/3/19	1	$ 100,000	$ 100,000	$ 100,000	$ -	$ -	$ -	$ 1,400
City National Bank - # 432928519 - Mat - 10/16/2020- 0.10%	10/16/19	1	$ 100,000	$ 100,000	$ 100,000	$ -	$ -	$ -	$ 100
Beacon Business Bank # 1507765 - Mat 09/21/20 - 0.30%	9/22/19	1	$ 100,000	$ 100,000	$ 100,000	$ -	$ -	$ -	$ 300
Total of Time Deposits			**$ 300,000**		**$ 300,000**			**$ -**	**$ 1,800**
Total of Investments			**$ 26,380,687**		**$ 26,641,321**			**$ 413,123**	**$ 512,095**

SFHA – Short Intermediate Portfolio Review Snapshot as of 4/30/2021

Estimated MV + Accrued as of: 3/31/2021	4/30/2021	Change
$25,168,196	$25,228,315	$60,119

Portfolio Structure

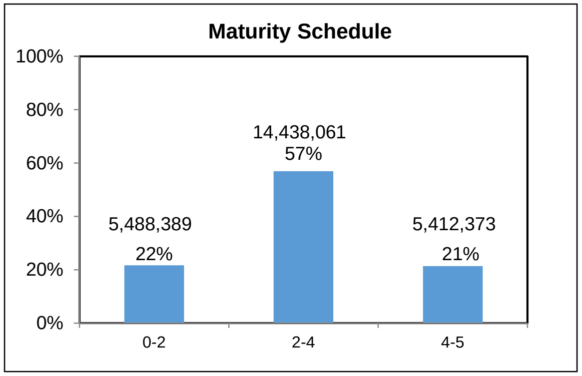
Yield to Maturity	0.47%
Yield to Cost	1.36%
Average Maturity	2.90 Years
Average Credit Quality	AAA-

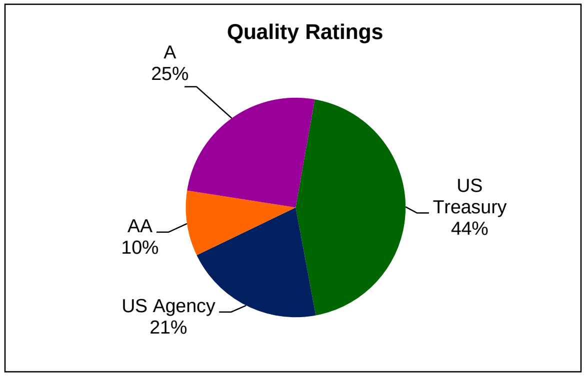
Fiscal Year Accounting Estimates 6/30/2020 through 4/30/2021:

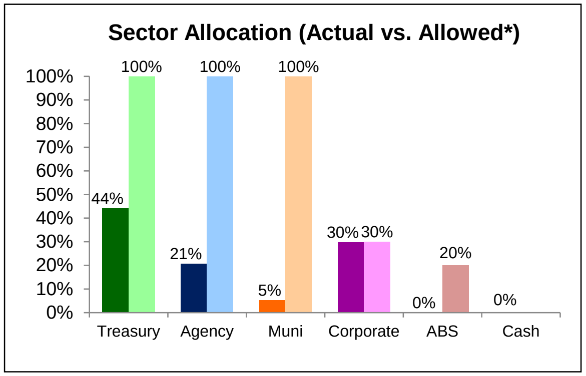
Beginning Balance (6/30/2020)	**$25,063,094**
Contributions	$0
Withdrawals	$0
Interest & Dividends Received	$482,367
Accrued Interest Sold	$57,728
Accrued Interest Purchased	-$9,330
Accrued Interest	$104,589
Fees	-$67,760
Value Before Market Changes	**$25,630,688**
Change in Market Value	-$402,373
Ending Balance (4/30/2021)	**$25,228,315**

Historical Total Return Performance as of 4/30/2021:

Time Period	Portfolio	Barclays 1-5 Year Gov't/Credit
Fiscal YTD (6/30/20 – 4/30/2021)	0.28%	0.37%
April 2021	0.27%	0.25%
Inception to Date (5/31/12 – 4/30/2021)	2.37%	1.94%







*At time of purchase

Credit Issues

There were no credit issues for the month of April.

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.

City National Rochdale
INVESTMENT MANAGEMENT

SFHA – Liquidity Portfolio Review Snapshot as of 4/30/2021

Estimated MV + Accrued as of: 3/31/2021	4/30/2021	Change
$157,320,914	$84,325,920	-$72,994,994

Portfolio Structure

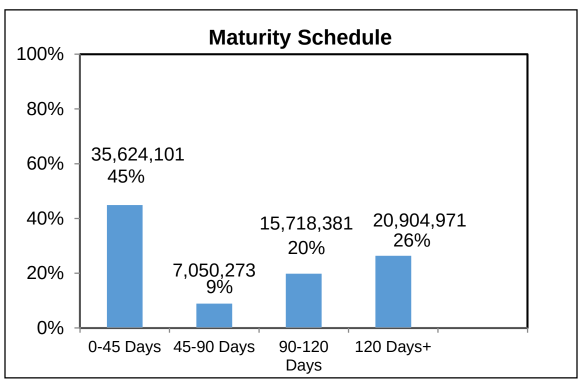
Yield to Maturity	0.11%
Yield to Cost	0.17%
Average Maturity	106 Days
Average Credit Quality	AA+

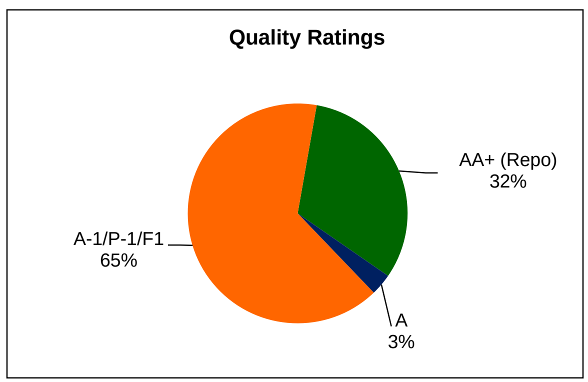
Fiscal Year Accounting Estimates 6/30/2020 through 4/30/2021:

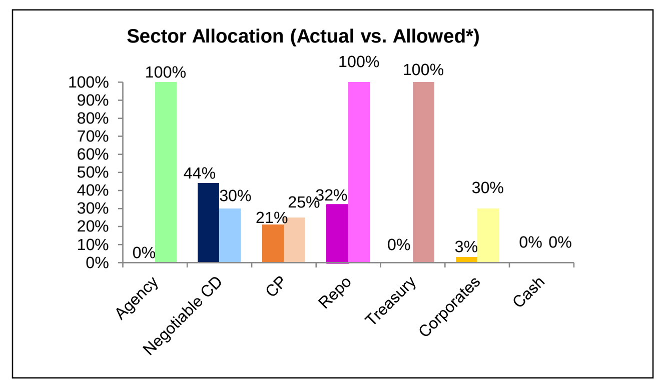
Beginning Balance (6/30/2020)	**$73,249,685**
Contributions	$633,000,000
Withdrawals	-$622,000,000
Interest & Dividends Received	$117,344
Accrued Interest Sold	$14,107
Accrued Interest Purchased	-$9,588
Accrued Interest	$52,660
Fees	-$72,389
Value Before Market Changes	**$84,351,819**
Change in Market Value	-$25,899
Ending Balance (4/30/2021)	**$84,325,920**

Historical Total Return Performance as of 4/30/2021:

Time Period	Portfolio	Barclays US T-Bill 1-3 Month
Fiscal YTD (6/30/20 – 4/30/2021)	0.16%	0.07%
April 2021	0.01%	0.00%
Inception to Date (7/3/17 – 4/30/2021)	1.47%	1.33%







*At time of purchase

Credit Issues

There were no credit issues for the month of April. Strategy remains focused on improving yield while meeting cash flow estimates.

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:
Action Item

Review and Approval of Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority Fiscal Year 2021-2022

SAN FRANCISCO HEALTH PLAN
Here for you

FY 21-22 SFHP BUDGET – FREQUENTLY ASKED QUESTIONS (FAQs)

For FY 21-22, San Francisco Health Plan (SFHP) projects an overall margin of $2.0 million. This compares to an anticipated margin of $3.6 million for FY 20-21. After excluding the impact of Strategic Use of Reserves (SUR) carrying over from prior years, SFHP projects a $3.5 million margin from operations. This compares to an anticipated margin from operations of $5.3 million for FY 20-21.

While reading through the PowerPoint presentation, Finance Committee and Governing Board members are likely to have questions regarding inconsistent patterns between membership, revenue, medical expense, administrative expense, staffing and margin. The purpose of this FAQ document is to address the anticipated questions and put context around the trends we project to see during FY 21-22.

Given the ongoing uncertainty of the COVID-19 pandemic, the SFHP FY 21-22 budget presumes the following:

- The Public Health Emergency (PHE) is expected to continue for the remainder of calendar year 2021. As a result, we project membership to increase during the period July through December 2021.
- We anticipate the PHE to end December 31, 2021 and when the redetermination process resumes in January 2022, we expect membership to gradually decline as some members will be placed on hold and other members will be terminated as they will no longer qualify for participation in the Medi-Cal program.
- Effective July 1, 2021, the hospital risk for members enrolled with the San Francisco Community Clinic Consortium (SFCCC) will transfer from Zuckerberg San Francisco General (ZSFG) to SFHP. This change is projected to cost the Plan an additional $18 million in medical expense during FY 21-22.
- The budget was prepared using current Medi-Cal revenue rates for July through December 2021. For the period January through June 2022, we assumed a conservative premium revenue rate increase of 1%. We expect to receive the final CY 2022 rates from the Department of Health Care Services (DHCS) in late December 2021.
- The budget assumes we will continue to have responsibility for the Medi-Cal pharmacy benefit for July through December 2021. We expect the pharmacy benefit to transfer to the State beginning January 1, 2022.

- Due to significant unknowns such as rates and volume, the budget does not include the following new programs that are scheduled to begin on January 1, 2022. It should be noted that SFHP expects to break even on these new programs:
    - Enhanced Care Management/In Lieu Of Services (ECM/ILOS)
    - Major Organ Transplants
    - Student Behavioral Health
    - New Members Transitioning from Medi-Cal Fee-For-Service (number of members is unknown at this time – an update will be provided at the Finance Committee/Governing Board meeting)

MEMBERSHIP DECREASING FROM JUNE 2021 TO JUNE 2022

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

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

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

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

- $48 million decrease in Medi-Cal pharmacy revenue and expense as we expect the pharmacy benefit to transfer to the State effective January 1, 2022.
- $46 million decrease in Directed Payments funding. Directed Payments received during FY 20-21 covered 18 months. It is expected that Directed Payments to be received during FY 21-22 will cover only 12 months. Directed Payments do not impact the bottom line. This funding is passed through to ZSFG, University of California San Francisco (UCSF) and contracted private hospitals. The Department of Managed Health Care (DMHC) and DHCS allow health plans to record Directed Payments as revenue and medical expense.
- $15 million decrease in Intergovernmental Transfer (IGT) funding. IGT funding received during FY 20-21 covered the full Bridge Period of July 2019 through December 2020. It is expected that IGT funding to be received during FY 21-22 will cover only 12 months. IGT funding does not impact the bottom line. IGT funding is a pass-through to ZSFG and UCSF. As with Directed Payments, DMHC and DHCS allow health plans to record IGT funding as revenue and medical expense.

- The decreases noted above are mostly offset by an increase in member months, changes in membership mix and the increase in the Healthy Workers premium rate that was effective April 1, 2021.

HEALTHY WORKERS PHARMACY

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

MEMBER MONTHS INCREASING, REVENUE PMPM DECREASING

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

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

ADMINISTRATIVE EXPENSE INCREASING BY $5.8 MILLION

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

- Reestablishing the bonus accrual ($3.3 million). Actual administrative expenses for FY 20-21 did not include bonus expense as the accrual was fully funded from the previous year.
- Projecting a merit increase effective September 1, 2021 ($1.1 million). Actual administrative expenses for FY 20-21 did not include additional salary costs related to merit as we did not move forward with a merit increase effective September 1, 2020.

- Lowering the employee attrition factor from 11% to 10% ($1.0 million). Employee turnover is expected to remain low due to the ongoing impact of the COVID-19 pandemic.
- Increases in the cost of employee benefits ($300,000). Aetna medical premiums increased by 8.7% and Kaiser medical premiums increased by 4.9%.

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

SAN FRANCISCO HEALTH PLAN

PROPOSED OPERATING AND CAPITAL BUDGETS

FY 2021-2022

SAN FRANCISCO HEALTH PLAN
Here for you
NCQA Accredited Medicaid HMO Health Plan

RECOMMENDATION

- **Approve FY 2021-22 SFHP Operating and Capital Budgets.**

Board decision at January/March 2022 meeting:

- **Approve possible Medi-Cal provider rate changes for July 2022 based on rates received from DHCS (final rates expected in late December).**

BUDGET PRESENTATION INDEX

SAN FRANCISCO HEALTH PLAN
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NCQA Accredited Medicaid HMO Health Plan

SFHP FY 21-22 BUDGET SUMMARY

- Given the ongoing uncertainty caused by the COVID-19 pandemic as well as the transfer of hospital risk for members enrolled with the San Francisco Community Clinic Consortium (SFCCC) from Zuckerberg San Francisco General (ZSFG) to SFHP, we are proposing a small margin of $3.5 million from operations.

- Overall, we are projecting a margin of $2.0 million due to the carryover of Strategic Use of Reserves (SUR) programs from prior years.

- At this time, we are not proposing a new SUR program for FY 21-22:
  - $1.5 million carrying over to FY 21-22
  - $2.5 million expected to carry over to FY 22-23

See budget slides 63-71 for background and assumptions

SFHP FY 21-22 BUDGET SUMMARY

The FY 21-22 budget does not include the following programs scheduled to begin January 2022 as rates are unknown at this time:

- Enhanced Care Management/In Lieu Of Services (ECM/ILOS)
- Major Organ Transplants
- Student Behavioral Health
- New Members Transitioning from Medi-Cal Fee-For-Service (number of members is unknown at this time – an update will be provided at the Finance Committee/Governing Board meeting)
- Medi-Cal Pharmacy Benefit January through June 2022

SFHP projects to break even on these new programs. SFHP will have a need for additional staff for these programs, however there is not enough information at this time to determine staffing needs.

See budget slides 63-71 for background and assumptions

SFHP FY 21-22 BUDGET SUMMARY

CATEGORY	FY 21-22 BUDGET	FY 20-21 PROJECTED	--FAVORABLE (UNFAVORABLE)-- DIFFERENCE	PERCENT
MEMBER MONTHS	1,914,744	1,824,229	90,516	5%
REVENUE (IN 000s)	$ 829,928	$ 836,611	$ (6,683)	-1%
MEDICAL EXPENSE (IN 000s)	$ 771,538	$ 782,151	$ 10,613	1%
MEDICAL LOSS RATIO (MLR)	93.9%	94.5%		
ADMINISTRATIVE EXPENSE	$ 56,830	$ 51,040	$ (5,790)	-11%
ADMINISTRATIVE RATIO	5.9%	5.1%		
MARGIN (LOSS) (IN 000s)	$ 2,060	$ 3,618	$ (1,558)	-43%
ADD BACK: SUR ACTIVITY (IN 000s)	$ 1,456	$ 1,683	$ 227	13%
MARGIN (LOSS) FROM OPERATIONS (IN 000s)	$ 3,516	$ 5,300	$ (1,784)	-34%
STAFFING (FTEs)				
HEALTH PLAN	317	317	-	0%
HEALTH HOMES (COVERED BY SPECIAL MEDI-CAL FUNDING)	6	6	-	0%
TPA (HSF/SFCO/SFCMRA/HK) - CITY FUNDED AND APPROVED	77	77	-	0%
TOTAL	400	400	-	0%
RESERVES (IN 000s)				
RESERVE BALANCE	$ 97,224	$ 95,164	$ 2,060	2%
STRATEGIC USE OF RESERVES CARRYOVER	$ (2,526)	$ (3,982)	$ 1,456	37%
ADJUSTED RESERVE BALANCE	$ 94,698	$ 91,182	$ 3,516	4%
RESERVE POLICY 2 X PREMIUM REV (ROLLING 12 MONTH AVG)	$ 97,054	$ 113,016	$ (15,962)	-14%
OVER (UNDER) RESERVE POLICY	$ (2,356)	$ (21,834)	$ (19,478)	-89%
TNE REQUIREMENT (IN 000s)	$ 12,000	$ 13,856	$ 1,856	13%
TNE MULTIPLE	8.10	6.87	1.23	18%

See budget slides 63-71 for background and assumptions

SAN FRANCISCO HEALTH PLAN
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SFHP FY 21-22 BUDGET SUMMARY

- **Change versus FY 20-21.**

Revenue Decrease	(1%)
Medical Expense Decrease	(1%)
Member Month Increase	5%
SFHP Staffing for Insured Lines of Business	317 FTEs
SFHP Staffing for Health Homes (funded by DHCS)	6 FTEs
SFHP Staffing for TPA Contracts (City funded and approved)	77 FTEs

- Revenue and medical expense decreases due to the loss of the Medi-Cal pharmacy benefit beginning January 2022 plus less funding for Directed Payments and Intergovernmental Transfers (IGTs).
- SFHP administrative ratio at 5.9%. (FY 20-21 approved budget 6.3%, FY 20-21 projected to be 5.1%). FY 21-22 higher due to the inclusion of a bonus accrual, anticipated merit increase and project costs rolling over from FY 20-21, i.e., CalAIM.

See budget slides 63-71 for background and assumptions

KEY IMPACTS TO FY 21-22 BUDGET

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

- **Pharmacy**
  - SFHP expects to have risk for the Medi-Cal pharmacy benefit for the period of July through December 2021. We anticipate the pharmacy benefit will be carved out of Medi-Cal managed care effective January 1, 2022. The loss of pharmacy represents a $48.0 million revenue reduction for 6 months.
  - A new premium rate for the Healthy Workers (HW) program includes an increase in the pharmacy rate from $57.67 pmpm to $93.61 pmpm. This increase should allow SFHP to achieve at least break even for the HW pharmacy benefit.

See budget slides 63-71 for background and assumptions

SFHP MEMBERSHIP – AS OF JUNE 30TH

	FY 21-22	FY 20-21	---FAVORABLE (UNFAVORABLE)----		FY 20-21
LINE OF BUSINESS	BUDGET	PROJECTED	MEMBERS	PERCENT	BUDGET
MEDI-CAL	72,048	72,776	(728)	-1%	84,066
MEDI-CAL SPD	13,200	13,219	(19)	0%	14,176
MEDI-CAL EXPANSION	59,540	60,598	(1,058)	-2%	52,743
TOTAL MEDI-CAL	144,788	146,594	(1,806)	-1%	150,985
HEALTHY WORKERS	11,675	11,835	(160)	-1%	11,868
ALL LOB	156,463	158,429	(1,966)	-1%	162,853

See budget slides 72-77 for background and assumptions

HEALTH PLAN REVENUE (IN 000s)

	FY 21-22	FY 20-21	--FAVORABLE (UNFAVORABLE)--		FY 20-21
LINE OF BUSINESS	BUDGET	PROJECTED	$$$	%	BUDGET
MEDI-CAL	$ 188,299	$ 189,117	$ (818)	0%	$ 198,586
MEDI-CAL SPD	$ 191,797	$ 208,888	$ (17,091)	-8%	$ 177,492
MEDI-CAL EXPANSION	$ 358,830	$ 359,297	$ (467)	0%	$ 301,197
TOTAL MEDI-CAL	$ 738,926	$ 757,302	$ (18,376)	-2%	$ 677,275
HEALTHY WORKERS	$ 82,439	$ 70,772	$ 11,667	16%	$ 64,759
TOTAL PREMIUM REVENUE	$ 821,365	$ 828,074	$ (6,709)	-1%	$ 742,034
OTHER INCOME/TPA SERVICES	$ 8,563	$ 8,537	$ 26	0%	$ 8,406
TOTAL REVENUE	$ 829,928	$ 836,611	$ (6,683)	-1%	$ 750,440

FY 21-22 REVENUE INCLUDES $150 MILLION IN DIRECTED PAYMENTS FUNDING PLUS $29.6 MILLION IN IGT FUNDING.

THE PHARMACY BENEFIT IS CARVED OUT OF MEDI-CAL MANAGED CARE EFFECTIVE 1/1/22.
TOTAL REVENUE LOSS FOR JANUARY THRU JUNE 2022 IS PROJECTED TO BE $48.0 MILLION.

See budget slides 78-83 for background and assumptions

HEALTH PLAN MEDICAL EXPENSE (IN 000s)

LINE OF BUSINESS	FY 21-22 BUDGET	FY 20-21 PROJECTED	--FAVORABLE (UNFAVORABLE)-- $$$	%	FY 20-21 BUDGET
MEDI-CAL	$ 166,352	$ 168,182	$ 1,830	1%	$ 173,578
MEDI-CAL SPD	$ 179,508	$ 196,902	$ 17,394	9%	$ 175,531
MEDI-CAL EXPANSION	$ 345,679	$ 345,571	$ (108)	0%	$ 287,550
TOTAL MEDI-CAL	$ 691,539	$ 710,655	$ 19,116	3%	$ 636,660
HEALTHY WORKERS	$ 79,999	$ 71,496	$ (8,503)	-12%	$ 64,550
TOTAL MEDICAL EXPENSE	$ 771,538	$ 782,151	$ 10,613	1%	$ 701,210
MEDICAL LOSS RATIO (MLR)	93.9%	94.5%			94.5%
MLR FROM OPERATIONS					
MEDI-CAL	88.3%	88.9%			87.4%
MEDI-CAL SPD	93.6%	94.3%			98.9%
MEDI-CAL EXPANSION	96.3%	96.2%			95.5%
TOTAL MEDI-CAL	93.6%	93.8%			94.0%
HEALTHY WORKERS	97.0%	101.0%			99.7%

FY 21-22 MEDICAL EXPENSE INCLUDES $150 MILLION IN DIRECTED PAYMENTS FUNDING PLUS $29.6 MILLION IN IGT FUNDING.

THE PHARMACY BENEFIT IS CARVED OUT OF MEDI-CAL MANAGED CARE EFFECTIVE 1/1/22.
TOTAL DECREASE IN MEDICAL EXPENSE IS PROJECTED TO BE $46.0 MILLION.

See budget slides 84-88 for background and assumptions

HEALTH PLAN ADMINISTRATIVE EXPENSE (IN 000s)

	FY 21-22	FY 20-21	--FAVORABLE (UNFAVORABLE)--		FY 20-21
CATEGORY	BUDGET	PROJECTED	$$$	%	BUDGET
COMPENSATION, BENEFITS AND PENSION	$ 30,325	$ 27,096	$ (3,229)	-12%	$ 29,468
LEASE, INSURANCE, DEPRECIATION AND AMORTIZATION	$ 5,861	$ 5,416	$ (445)	-8%	$ 5,679
MARKETING AND OUTREACH	$ 1,110	$ 932	$ (178)	-19%	$ 1,061
TPA FEES - PBM, MENTAL HEALTH AND TELEMEDICINE	$ 3,003	$ 3,754	$ 751	20%	$ 2,419
PROFESSIONAL FEES AND CONSULTING	$ 5,371	$ 3,919	$ (1,452)	-37%	$ 4,998
TELECOMMUNICATIONS, IT SUPPORT AND GENERAL OFFICE	$ 11,159	$ 9,923	$ (1,236)	-12%	$ 11,813
TOTAL ADMINISTRATIVE EXPENSE	$ 56,829	$ 51,040	$ (5,789)	-11%	$ 55,438
ADMINISTRATIVE EXPENSE RATIO	5.9%	5.1%			6.3%
STAFFING (FTEs)					
HEALTH PLAN	317	317	-	0%	316
HEALTH HOMES (SEPARATE MEDI-CAL FUNDING)	6	6	-	0%	6
TPA SERVICES (HSF/SFCMRA)	77	77	-	0%	77
TOTAL	400	400	-	0%	399
OVERALL INCREASE DUE TO THE INCLUSION OF A BONUS ACCRUAL, ANTICIPATED MERIT INCREASE, GASB 68 PENSION EXPENSE					
ADJUSTMENTS AND PROJECT COSTS ROLLING OVER FROM FY 20-21, I.E., CALAIM AND CLAIMS EDITING SOFTWARE.					

See budget slides 89-98 for background and assumptions

SAN FRANCISCO HEALTH PLAN
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FY 21-22 SFHP ADMIN EXPENSE – KEY POINTS

- Administrative ratio of 5.9% (FY 20-21 budgeted at 6.3%. Projected to end FY 20-21 at 5.1%).

- No new staffing requested for FY 21-22. Staffing projected to remain at FY 20-21 levels (400 FTEs).
  - Health Plan 317 FTEs
  - Health Homes Program (funded by DHCS) 6 FTEs
  - HSF/SF City Option (funded by SF DPH) 77 FTEs

- Merit increase of 0-5.0%.
  - 60% of employees receive 3.0-3.5%.
  - 30% of employees receive 4.0%.
  - 5% of employees receive 5.0%.
  - 5% of employees receive 0.0-2.5%.

- $3.3 million accrual for potential Administrative and Health Services staff bonuses for FY 21-22 to be paid in September 2022 contingent on achieving Board-approved goals as well as the financial health of SFHP.

- $1.4 million for new and carry-over projects related to software upgrades and system configuration.

See budget slides 89-98 for background and assumptions

P&L SUMMARY – HSF AND SF CITY OPTION (IN 000s)

DESCRIPTION	HSF SF CITY OPTION FY 21-22 BUDGET	HSF SF CITY OPTION FY 20-21 PROJECTED	--FAVORABLE (UNFAVORABLE)-- DOLLARS	PERCENT	HSF SF CITY OPTION FY 20-21 BUDGET
REVENUE					
TPA FEES	$ 14,473	$ 12,421	$ 2,052	17%	$ 13,075
ADMINSTRATIVE EXPENSE					
COMPENSATION AND BENEFITS	$ 10,061	$ 9,235	$ (826)	-9%	$ 9,721
ADMINISTRATIVE AND POLICY	$ 2,784	$ 1,998	$ (786)	-39%	$ 2,103
MARKETING AND OUTREACH	$ 1,073	$ 850	$ (223)	-26%	$ 895
CUSTOMER SERV AND ENROLLMENT	$ 51	$ 49	$ (2)	-3%	$ 52
ITS	$ 504	$ 289	$ (215)	-75%	$ 304
TOTAL ADMINISTRATIVE EXPENSE	$ 14,473	$ 12,421	$ (2,052)		$ 13,075
SURPLUS (DEFICIT)	$ -	$ -			$ -
17% DUE TO ADDITIONAL FUNDING FOR HSF AND SF CITY OPTION. ADDITIONAL FUNDING HAS BEEN APPROVED BY SF DEPT. OF PUBLIC HEALTH AND SF HEALTH COMMISSION.					

See budget slides 99-100 for background and assumptions

CAPITAL EXPENDITURE REQUESTS

	FY 21-22	FY 20-21	-----FAVORABLE (UNFAVORABLE)--		FY 20-21
CAPITAL EXPENDITURE REQUEST	BUDGET	PROJECTED	DOLLARS	PERCENT	BUDGET
COMPUTER HARDWARE	$ 665,000	$ 502,000	$ (163,000)	-32%	$ 722,000
INCLUDES SERVER BLADE REPLACEMENT, DOMAIN CONTROLLER REPLACEMENT AND VIDEO CONFERENCING ENHANCEMENTS					
COMPUTER SOFTWARE	$ 1,350,000	$ 570,000	$ (780,000)	-137%	$ 720,000
INCLUDES SOLUTION TO MANAGE AND RISK ASSESS SFHP THIRD-PARTY VENDORS, ENDPOINT MGMT SOLUTION TO ACCOMMODATE INCREASED REMOTE WORK ACTIVITY, NUTANIX UPGRADE TO ACCOMMODATE INCREASED USE OF VDI, PASSWORD MGMT SECIRITY TOOL, ONE-TIME LICENSE FEE FOR QNXT DofR MODULE, ENHANCEMENT TO EDI TOOL TO ENSURE COMPLIANCE WITH HIPAA AND ACA MANDATES					
TOTAL CAPITAL EXPENDITURES	$ 2,015,000	$ 1,072,000	$ (943,000)	-88%	$ 1,442,000
NOTE - THE FY 21-22 TOTAL INCLUDES $220,000 OF APPROVED PROJECTS ROLLING OVER FROM FY 20-21 (VIDEO CONFERENCING ENHANCEMENTS).					

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See budget slide 101 for background and assumptions

SAN FRANCISCO HEALTH PLAN RECOMMENDATION TO BOARD

RECOMMENDATION

- Approve FY 2021-22 SFHP Operating and Capital Budgets.

Board decision at January/March 2022 meeting:

- Approve possible Medi-Cal provider rate changes for July 2022 based on rates on received from DHCS (final rates to be received in late December).

SAN FRANCISCO HEALTH PLAN

FY 2021-2022 OPERATING AND CAPITAL BUDGETS

BACKGROUND AND ASSUMPTIONS

FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

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

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

FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

- Due to the ongoing uncertainty of the COVID-19 pandemic as well as SFHP taking hospital risk for SFCCC members, SFHP is projecting a small margin from operations of $3.5 million.

- Overall, we are projecting a margin of $2.0 million due to the carryover of Strategic Use of Reserves (SUR) programs from prior years.

- The budget was prepared using Medi-Cal rates for July through December 2021. Rates for January through June 2022 assume a 1% rate increase.

- SFHP anticipates receiving draft rates for January 2022 in October or November 2021.

FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

- The budget assumes:
  - A 1.1% decrease in Medi-Cal membership (June 2022 compared to June 2021) as the Public Health Emergency is expected to end December 31, 2021.
  - A 1.4% decrease in Healthy Workers membership.
  - SFHP will retain Medi-Cal pharmacy risk for July through December 2021.
  - Break even for new benefits related to Enhanced Care Management/In Lieu Of Services (ECM/ILOS), major organ transplants and student behavioral health.

- The budget includes $18M in hospital expense to cover the additional cost related to the transition of the hospital risk from ZSFG to SFHP for the SFCCC members.

- The budget includes the payment of $1.5 million in Strategic Use of Reserves carrying over from prior years.

- We are projecting a Medical Loss Ratio (MLR) of 93.9% for all lines of business.

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FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

- The budget projects revenues of $830.0 million and a margin of $2.0 million (0.2% margin). After removing SUR disbursements, the margin from operations is $3.5 million (0.4% margin).

- The budget includes $150.0 million in Directed Payments and $29.6 million in IGT funding.

- The budget projects an administrative expense ratio of 5.9%.

- The budget includes $1.4 million for new and carry-over projects related to software upgrades and system configuration.

FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

- **Medi-Cal (excluding SPD and MCE):**
  - Use current rates for July through December 2021.
  - Use projected rates for January through June 2022 that include a 1.7% decrease.
  - Membership expected to decrease by 1.0% (72,048 members at 6/30/22 compared to 72,777 members at 6/30/21).
  - Member months projected to increase by 3.8% (876,485 member months for FY 21-22 compared to 844,430 member months for FY 20-21).
  - Projecting $20.36 pmpm for Pharmacy costs July through December 2021 including estimates for Hepatitis C drugs. We expect the Pharmacy benefit will be carved out of Medi-Cal managed care effective January 2022.
  - Continue with 18.5% Practice Improvement Program (PIP) incentive for the entire year.
  - Projecting an 88.3% Medical Loss Ratio (MLR) due to Strategic Use of Reserves carryover from FY 20-21 as well as funding related to Directed Payments and IGTs.

FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

- **Medi-Cal Seniors and Persons with Disabilities (SPD):**
  - Use current rates for July through December 2021.
  - Use projected rates for January through June 2022 that include a 0.7% increase.
  - Membership expected to decrease by 0.1% (13,200 members at 6/30/22 compared to 13,219 members at 6/30/21).
  - Member months projected to decrease by 1.1% (158,370 member months for FY 21-22 compared to 160,124 member months for FY 20-21).
  - Projecting $181.60 pmpm in Pharmacy costs July through December 2021 including estimates for Hepatitis C drugs. We expect the Pharmacy benefit will be carved out of Medi-Cal managed care effective January 2022.
  - Continue with 18.5% PIP incentive for the entire year.
  - Projecting a 93.6% Medical Loss Ratio (MLR) due Strategic Use of Reserves carryover from FY 20-21 as well as funding for Directed Payments and IGTs.

FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

- **Medi-Cal Expansion (MCE):**
  - Use current rates for July through December 2021.
  - Use projected rates for January through June 2022 that include a 1.4% increase.
  - Membership expected to decrease by 1.7% (59,540 members at 6/30/22 compared to 60,598 members at 6/30/21).
  - Member months projected to increase by 9.5% (739,789 member months for FY 21-22 compared to 675,345 member months for FY 20-21).
  - Projecting $66.39 pmpm for Pharmacy costs July through December 2021 including estimates for Hepatitis C drugs. We expect the Pharmacy benefit will be carved out of Medi-Cal managed care effective January 2022.
  - Continue with 18.5% Practice Improvement Program (PIP) incentive for the entire year.
  - Projecting a 96.3% Medical Loss Ratio (MLR) due to Strategic Use of Reserves carryover from FY 20-21 as well as funding for Directed Payments and IGTs.

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FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

- **Healthy Workers (HW):**
  - Using the new premium rate of $588.43 that was effective April 1, 2021.
  - Membership expected to decrease by 1.4% (11,675 members at 6/30/22 compared to 11,835 members at 6/30/21).
  - Member months projected to decrease by 2.9% (140,100 member months for FY 21-22 compared to 144,330 member months for FY 20-21).
  - SFHP will continue to be at-risk for pharmacy throughout FY 21-22. Projecting a cost of $88.90 pmpm. The new premium rate includes a pharmacy component of $93.61 pmpm compared to the old component of $57.67 pmpm. This should allow SFHP to achieve at least break even on the pharmacy benefit.
  - Projecting a 97.0% Medical Loss Ratio (MLR).

FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

- **Healthy San Francisco and SF City Option**
  - Contracted TPA budget of $14.5 million.

HEALTHY SAN FRANCISCO / SF CITY OPTION/SF COVERED MRA	FY 21-22 PROJECTED AT 6/30/22	FY 20-21 PROJECTED AT 6/30/21
NO. OF HSF PARTICIPANTS	16,407	15,968
SF CITY OPTION - NO. OF CONTRIBUTING EMPLOYERS	1,934	1,919
(NO. OF ACTIVE EMPLOYERS WITH AT LEAST ONE CONTRIBUTION WIITHIN THE LAST YEAR)		
NO. OF UNIQUE EMPLOYEES RECEIVING CONTRIBUTIONS (PROGRAM TO DATE)	391,495	381,912
NO. OF SF MEDICAL REIMBURSEMENT ACCOUNTS (SF MRA)	260,663	252,302
NO. OF SF COVERED MEDICAL REIMBURSEMENT ACCOUNTS (SF COVERED MRA)	-	118

FY 21-22 MEMBERSHIP – KEY POINTS

- Total membership projected to decrease by 1,966 members or 1.2% (June 2022 compared to June 2021):

Medi-Cal excluding SPD and MCE	(728)	(1.0%)
Medi-Cal MCE	(1,058)	(1.7%)
Medi-Cal SPD	(19)	(0.1%)
Healthy Workers	(160)	(1.4%)

- Total member months projected to increase by 90,515 or 5.0%:

Medi-Cal excluding SPD and MCE	32,055	3.8%
Medi-Cal MCE	64,444	9.5%
Medi-Cal SPD	(1,754)	(1.1%)
Healthy Workers	(4,230)	(2.9%)

- Total membership of 156,463 by June 2022 compared to 158,429 at June 2021, a decrease of (1.2%).

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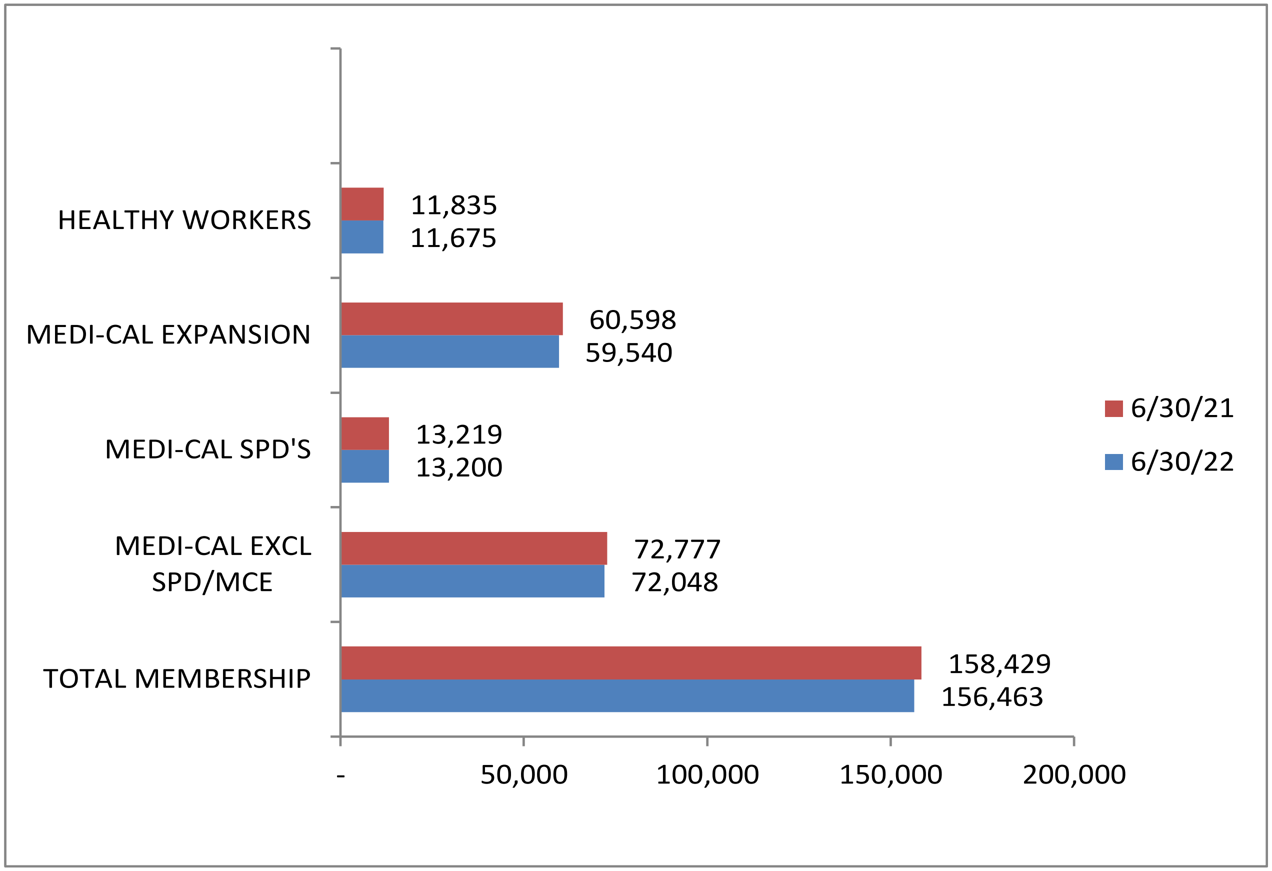
SFHP MEMBERSHIP – AS OF JUNE 30TH



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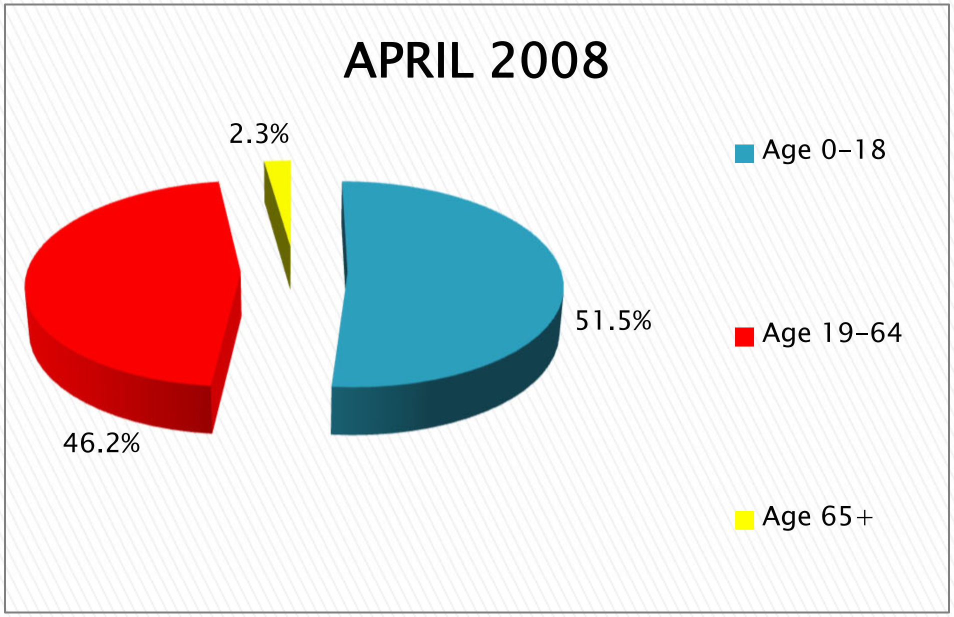
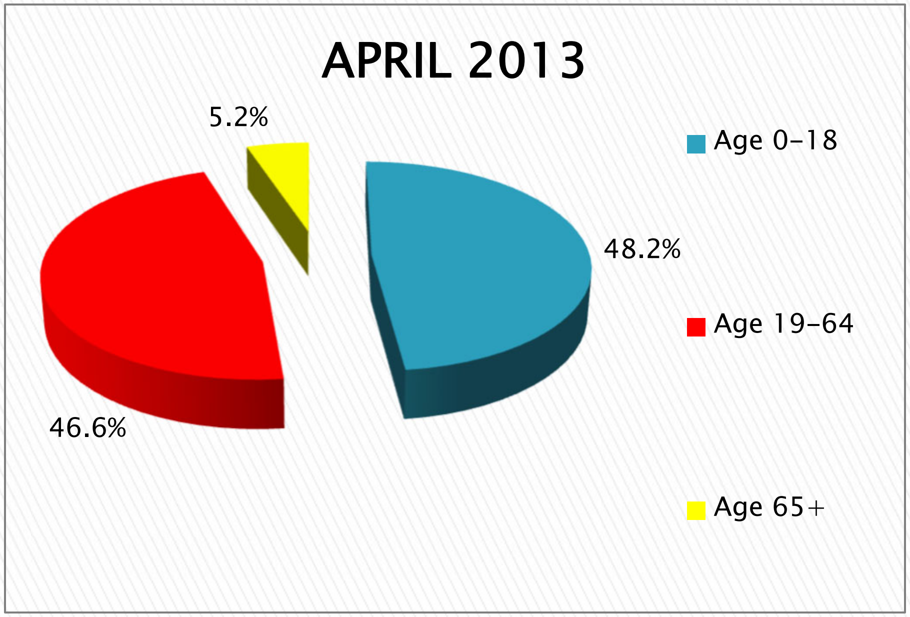
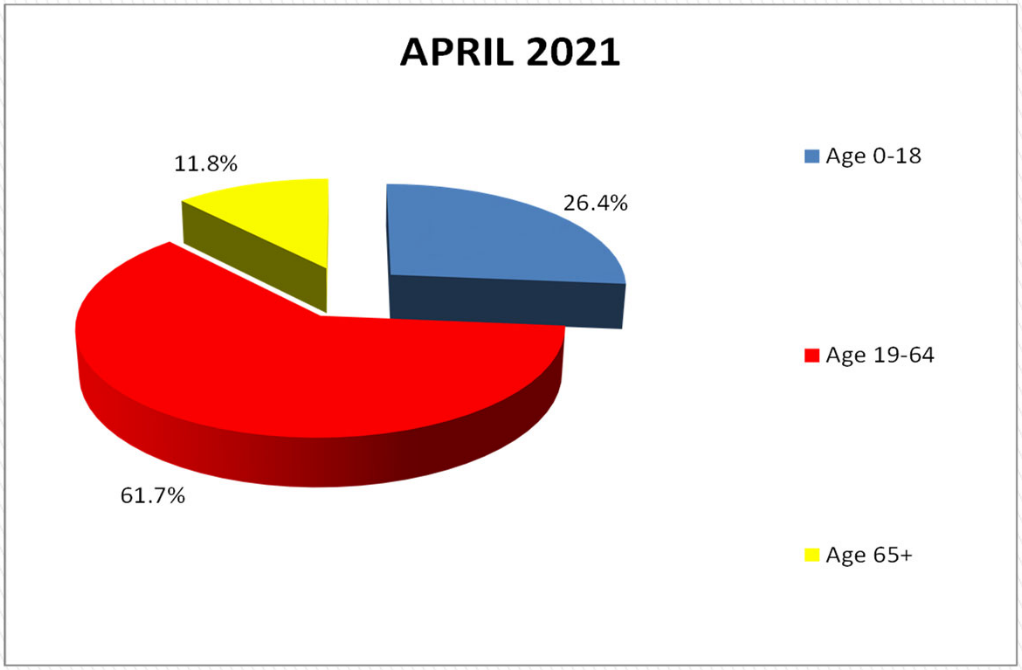
SFHP MEMBERSHIP BY AGE (ALL LINES OF BUSINESS)







SFHP MEMBERSHIP HISTORY – AS OF JUNE 30TH

	FY 21-22	FY 20-21	----------ACTUAL----------									
LINE OF BUSINESS	BUDGET	PROJECTED	FY 19-20	FY 18-19	FY 17-18	FY 16-17	FY 15-16	FY 14-15	FY 13-14	FY 12-13	FY 11-12	FY 10-11
MEDI-CAL	72,048	72,776	65,752	62,082	62,414	64,590	62,021	61,174	59,443	55,446	43,109	39,967
MEDI-CAL SPD	13,200	13,219	13,496	13,720	13,598	14,125	14,480	14,488	14,381	12,513	13,375	3,394
MEDI-CAL EXPANSION	59,540	60,598	50,257	51,444	53,848	58,084	56,386	47,887	26,006	-	-	-
TOTAL MEDI-CAL	144,788	146,594	129,505	127,246	129,860	136,799	132,887	123,549	99,830	67,959	56,484	43,361
HEALTHY FAMILIES	-	-	-	-	-	-	-	-	-	-	7,059	7,514
HEALTHY WORKERS	11,675	11,835	12,065	11,569	11,462	11,238	11,352	11,830	12,291	11,565	11,374	11,172
HEALTHY KIDS	-	-	-	2,300	2,049	1,309	2,050	2,048	2,170	2,300	2,619	2,921
ALL LOB	156,463	158,429	141,570	141,115	143,371	149,346	146,289	137,427	114,291	81,824	77,536	64,968

NOTE - HEALTHY KIDS MEMBERSHIP TRANSITIONED TO MEDI-CAL EFFECTIVE OCTOBER 1, 2019.

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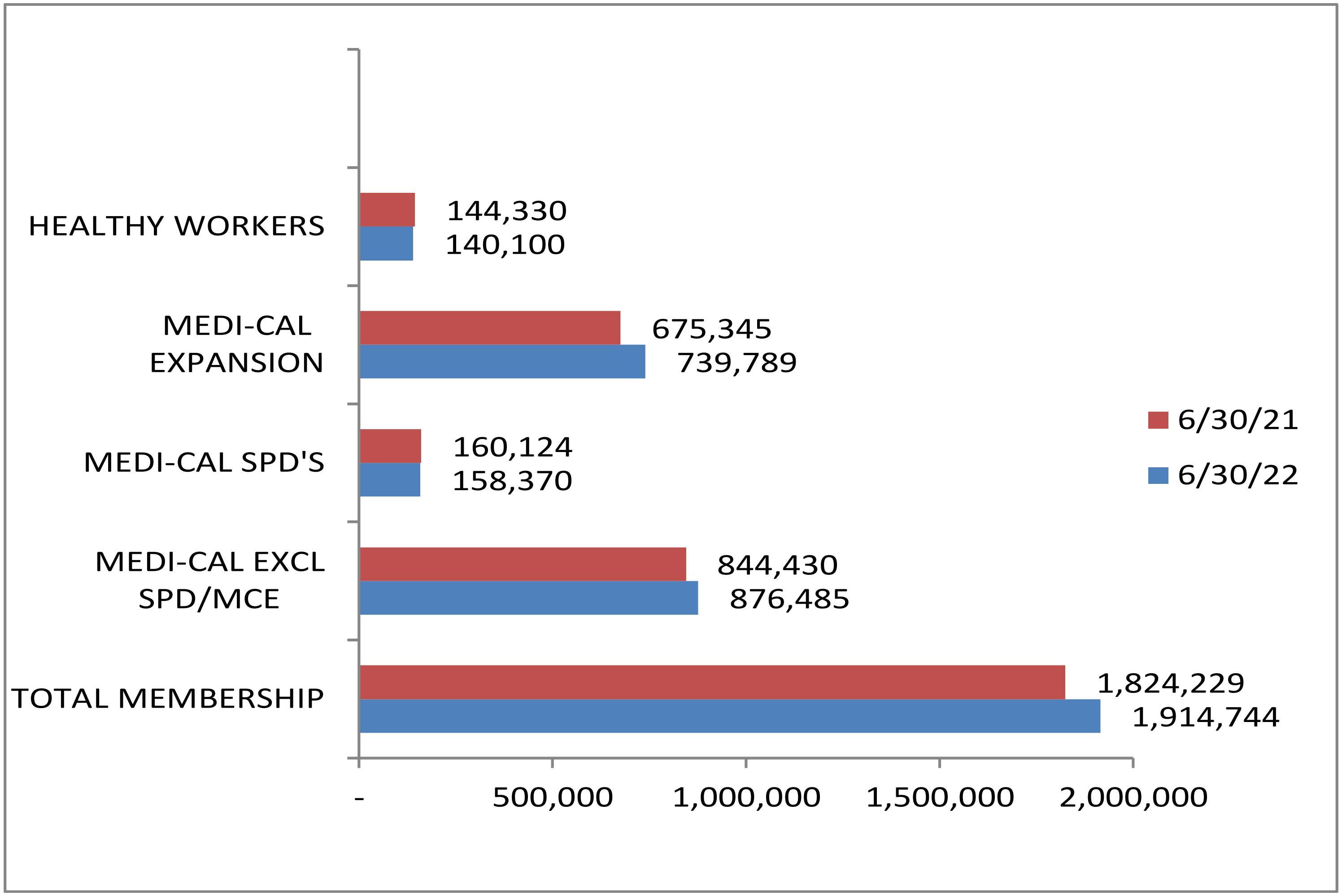
SFHP MEMBER MONTHS

LINE OF BUSINESS	BUDGET FY 21-22	PROJECTED FY 20-21	BUDGET FY 20-21	FY 21-22 BUDGET VERSUS FY 20-21 PROJ
MEDI-CAL EXCL SPD/MCE	876,485	844,430	926,963	3.8%
MEDI-CAL SPD	158,370	160,124	168,264	-1.1%
MEDI-CAL EXPANSION	739,789	675,345	606,498	9.5%
TOTAL MEDI-CAL	1,774,644	1,679,899	1,701,725	5.6%
HEALTHY WORKERS	140,100	144,330	141,690	-2.9%
ALL LOB	1,914,744	1,824,229	1,843,415	5.0%

SFHP MEMBER MONTHS



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FY 21-22 REVENUE – KEY POINTS

- Premium Revenue down (1%). Includes:
  - $150 million in directed payments for designated public hospitals (ZSFG), UC Systems (UCSF) and private hospitals.
  - $30 million in Intergovernmental Transfers (IGTs) for ZSFG and UCSF.

- Total budget including Healthy San Francisco and SF City Option is $844 million.

- Revenue per member, per month is down 6% due to a change in membership mix, a decrease in Directed Payments/IGT funding and the loss of pharmacy revenue for January through June 2022:
  - FY 21-22 $429.00 pmpm
  - FY 20-21 $454.00 pmpm

OPERATING REVENUES OF $830M
(EXCLUDES HSF AND SF CITY OPTION REVENUE)

- FY 21-22 revenues are expected to decrease by (1%).
  - $7 million decrease over projected FY 20-21.
    - Decrease is due to less Directed Payments/IGT funding and the loss of pharmacy revenue for the second half of the fiscal year. This decrease is partially offset by additional revenue generated by more member months.
  - Projecting $8.6 million in other income from third-party administrative (TPA) services.

OPERATING REVENUES OF $830M
HEALTH HOMES PROGRAM (HHP)

- New Medi-Cal program that was effective July 2018 designed to serve members with chronic conditions who are frequent utilizers of services and who may benefit from enhanced care management and coordination.

- Three-and-a-half-year program covering FY 18-19, FY 19-20, FY 20-21 and July through December 2021.

- SFHP has assumed a break-even budget - $428,000 in revenues and $428,000 in medical expense.

- Health Homes will be replaced by the Enhanced Care Management and In Lieu Of Services (ECM/ILOS) program effective January 2022.

SFHP REVENUE PMPM

(EXCLUDES $150M IN DIRECTED PAYMENTS AND $30M IN IGT)

LINE OF BUSINESS	FY 21-22 BUDGET PREMIUM PMPM	FY 20-21 PROJECTED PREMIUM PMPM	% CHANGE
MEDI-CAL EXCL SPD	$173.17	$172.32	0.5%
MEDI-CAL SPD	$865.75	$983.98	-12.0%
MEDI-CAL EXPANSION	$365.53	$403.43	-9.4%
HEALTHY WORKERS	$588.43	$490.35	20.0%
ALL LOB	$335.16	$354.29	-5.4%
AVERAGE RATES ARE IMPACTED BY ADDITIONAL REVENUE FROM MATERNITY KICK, HEPATITIS C, BEHAVIORAL HEALTH TREATMENT AND HEALTH HOMES PROGRAM REIMBURSEMENTS.			
AVERAGE RATES ARE ALSO IMPACTED BY THE LOSS OF MEDI-CAL PHARMACY REVENUE FOR JANUARY THROUGH JUNE 2022.			

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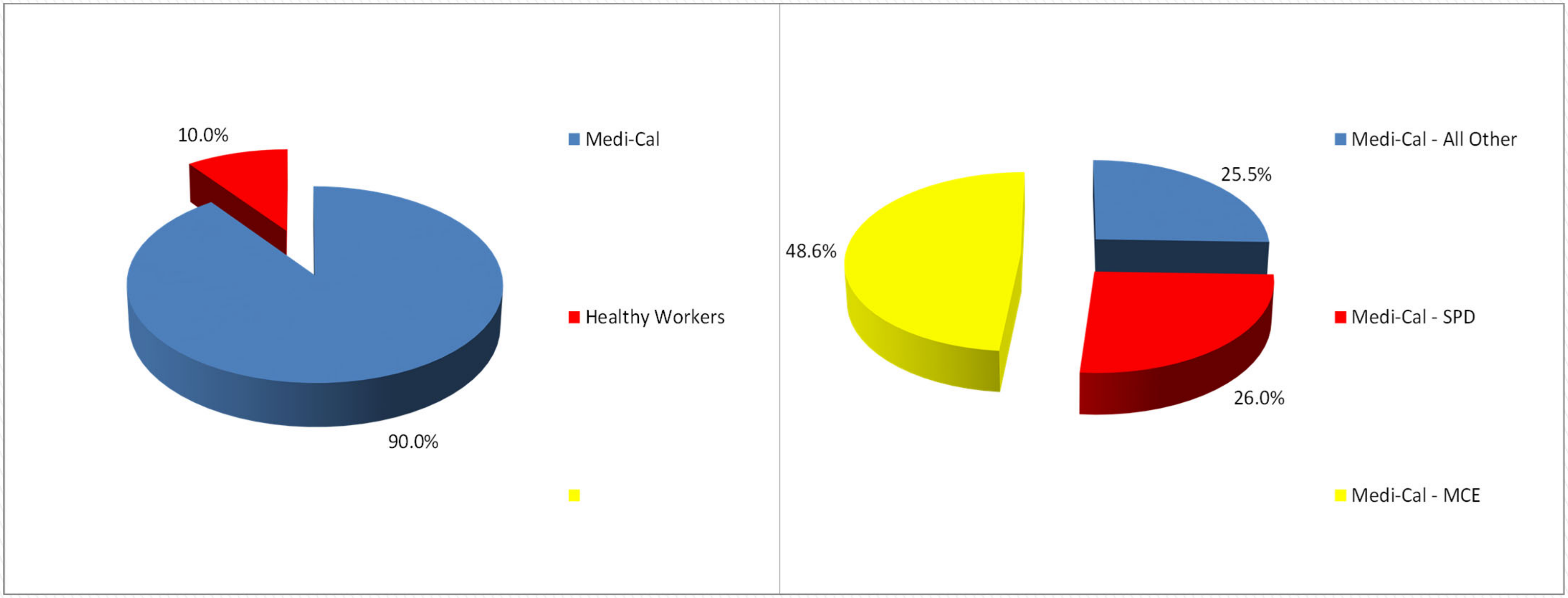
FY 21-22 SFHP PREMIUM REVENUE



ALL LINES OF BUSINESS

MEDI–CAL ONLY

INVESTMENT INCOME

For FY 21-22, SFHP has budgeted $500,000 in interest income from the following sources:

- SFHP will continue to work with City National Bank on a Liquidity Management Portfolio (LMP) account in order to increase the earnings potential for excess available funds. Given the extremely low interest rate environment, SFHP expects to earn approximately the same interest as in FY 20-21.

- With a current Federal Funds target rate of 0.0-0.25%, it is expected SFHP will earn less than 0.25% on funds in the Liquidity Management Portfolio account. The yield to maturity for April 2021 was 0.11%.

- Funds in the Liquidity Management Portfolio account are invested in extremely low-risk securities and can be liquidated at any time upon SFHP request.

- SFHP will maintain an investment of $25M in low-risk government and corporate bonds in accordance with the SFHP Investment policy. The yield to maturity for April 2021 was 0.47%.

FY 21-22 MEDICAL EXPENSE – KEY POINTS

- Medical Expense down (1%) due to less Directed Payments/IGT funding and the loss of the Medi-Cal pharmacy benefit. Decreases in these areas are partially offset by costs related to additional member months as well as $18 million in additional fee-for-service expense related to taking on SFCCC hospital risk.

- Overall Medical Loss Ratio (MLR) of 93.9%.

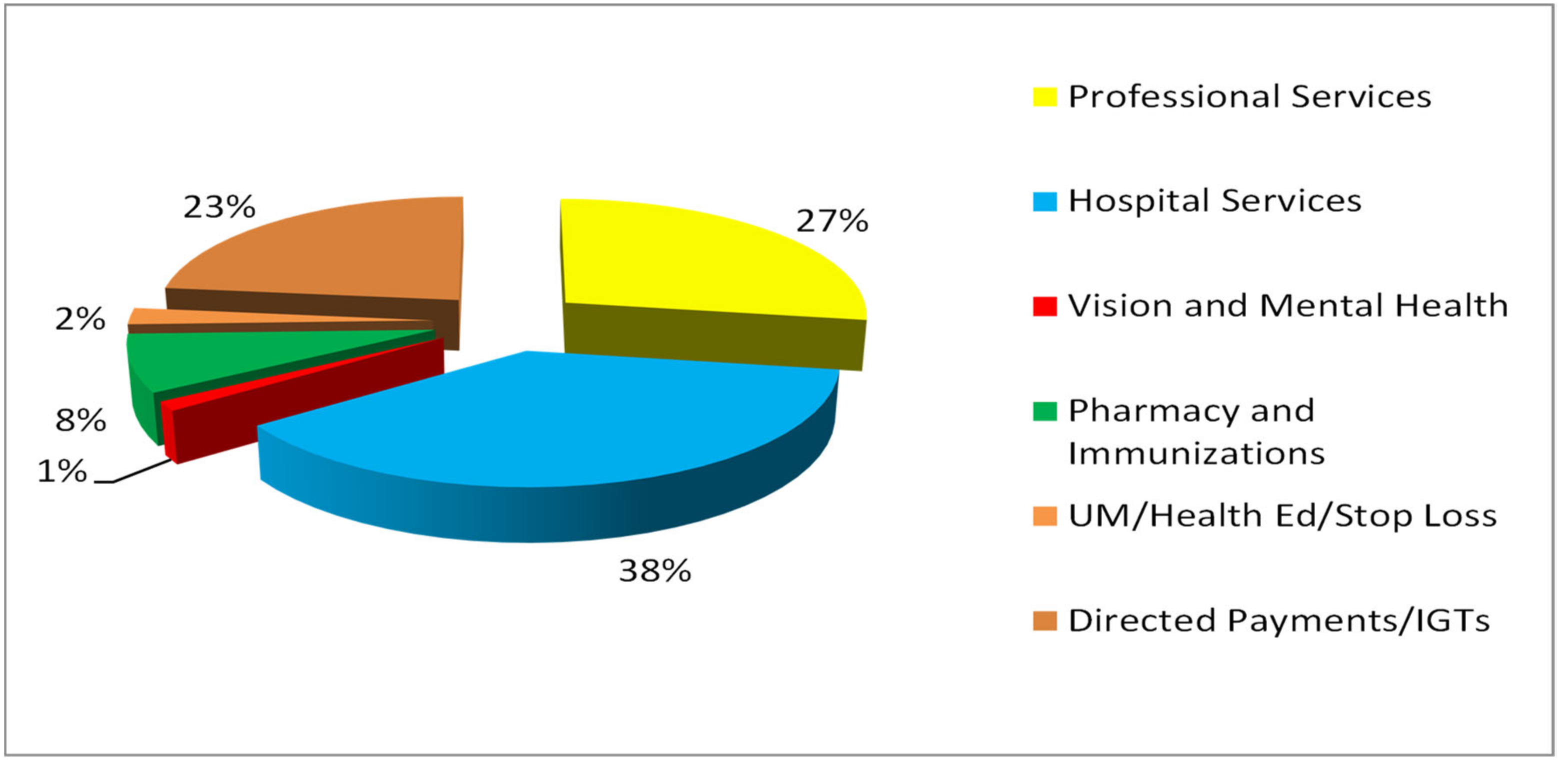
- $150 million in Directed Payments for designated public hospitals (ZSFG), UC Systems (UCSF) and private hospitals.

- $30 million in IGT funding for ZSFG and UCSF.

- Continuation of the Practice Improvement Program (PIP) - 18.5% for Medi-Cal.

- Includes $1.5 million of Strategic Use of Reserves carrying over from prior years.

SFHP MEDICAL EXPENSE DISTRIBUTION



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SFHP MEDICAL EXPENSES OF $772M

- **Assumptions:**
  - Continue to accrue PIP funds – 18.5% for Medi-Cal for the entire year.
  - Project 94% MLR for all lines of business.
  - Project 88% MLR for Medi-Cal excluding SPD and MCE.
  - Project 94% MLR for SPD.
  - Project 96% MLR for MCE.
  - Project 97% MLR for Healthy Workers.
  - Additional $18M in hospital expense due to transition of SFCCC members from capitation to fee-for-service.
  - Pharmacy costs July through December (including Hepatitis C):
    - Medi-Cal excluding SPD/MCE $ 20.36 pmpm (July-Dec 2021)
    - Medi-Cal SPD $181.60 pmpm (July-Dec 2021)
    - Medi-Cal MCE $ 66.39 pmpm (July- Dec 2021)
    - Healthy Workers $ 88.90 pmpm (July 21-June 22)
  - 70% reinsurance recovery rate

SFHP MEDICAL EXPENSES OF $772M

Pharmacy

- FY 21-22 budget of $61 million, including $2 million for Hepatitis C drugs.
- Budget covers July through December 2021 as we anticipate that the Pharmacy benefit will be carved out of Medi-Cal managed care effective January 2022.
- Assumes trend factors used by DHCS/Mercer for changes in drug costs and utilization.
- Medicaid Maximum Allowable Cost (MAC) Efficiency Adjustment Factor (a score of 1.0 indicates achieving reimbursement efficiency for generic drug products):
    - FY 20-21 1.0
    - FY 19-20 1.0
    - FY 18-19 1.0
    - FY 17-18 1.0
- SFHP Generic Dispensing Rate (GDR) is 87.5% which is comparable to other Medi-Cal Managed Care Plans (MMCP's) in California.

SFHP MEDICAL EXPENSES OF $772M

Pharmacy

- Hepatitis C - current reimbursement rates will remain the same for July through December 2021:
  - Non-340B $2,184 per treatment week
  - 340B $1,723 per treatment week
- Hepatitis C rates have decreased over time as more lower cost brand drugs and generics entered the market.
- SFHP Pharmacy department continues to work closely with our providers to ensure that generic forms of Hep C are prescribed whenever possible to SFHP members enrolled in treatment programs. SFHP expects to incur a small loss ($123,000) on Hep C for FY 21-22.
- Hep C MLR for FY 21-22 is expected to be 106%.

SFHP ADMINISTRATIVE EXPENSE – KEY POINTS

$1.4M IN PROJECT COSTS INCLUDED IN FY 21-22 BUDGET

SFHP reviewed business cases and included $1.4M in project costs for new projects and carry-over projects.

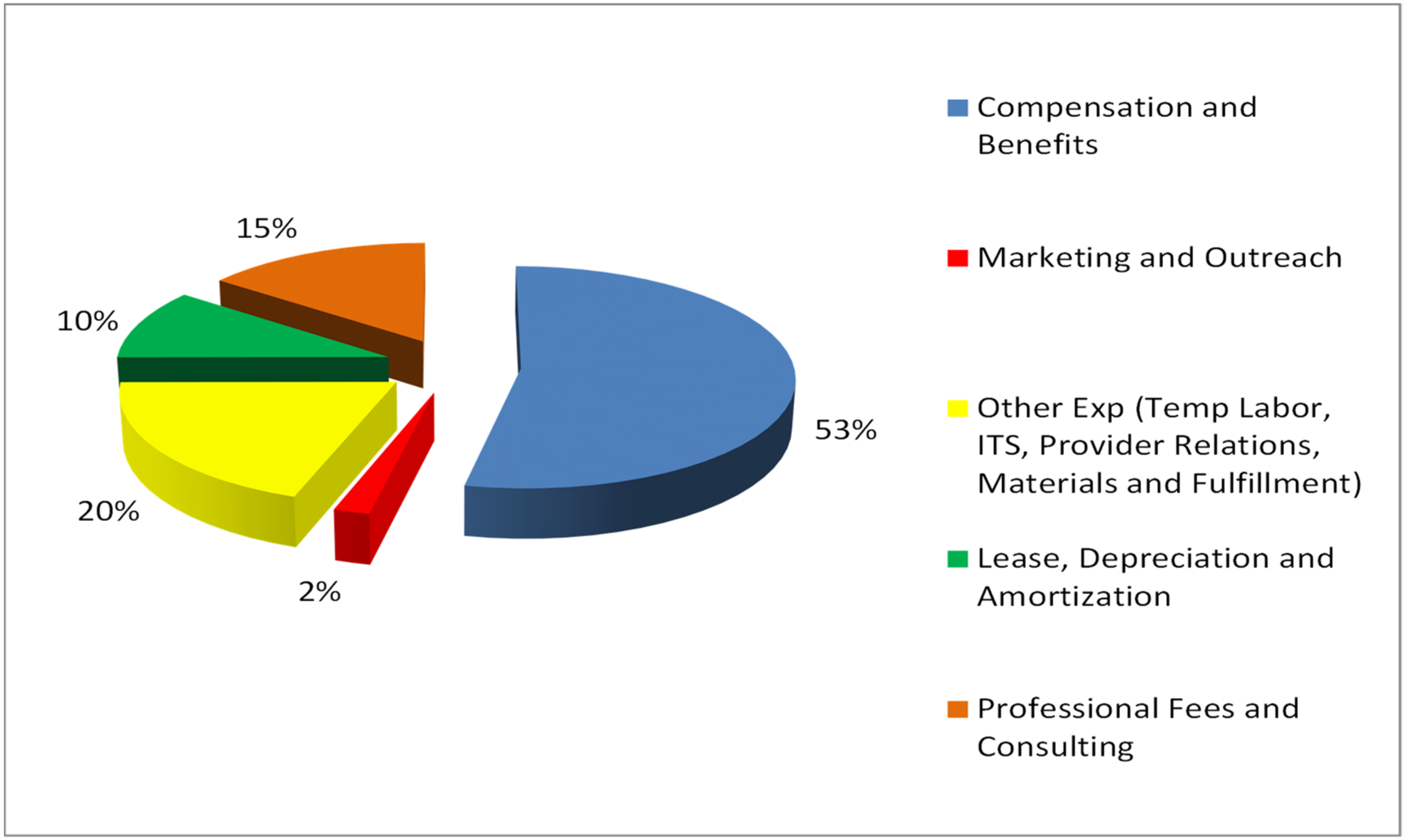
New FY 21-22 Requests	Budget Request	Description
Smart Trading	$550,000	Encounter Management Software
QNXT DOFR Module	$105,208	DOFR Flexibility
QNXT Upgrade	$5,000	Upgrade support
Total	$660,208	
FY 20-21 Carry-Over Projects	**Budget Request**	**Description**
Claims Editing Software	$640,820	Front-End Claims Edits
Healthy Workers BH Benefit Move	$100,000	Transition risk to SFHP
Total	$740,820	
Grand Total	$1,401,028	

SFHP ADMIN EXPENSE HISTORY (EXCLUDES HSF/SF CITY OPTION)

- Percentage of Premium Revenue:

FY 2021-22 (budgeted)	5.9%
FY 2020-21 (projected)	5.1%
FY 2019-20	5.9%
FY 2018-19	6.7%
FY 2017-18	6.7%
FY 2016-17	5.7%
FY 2015-16	5.7%
FY 2014-15	5.5%
FY 2013-14	6.7%
FY 2012-13	6.8%
FY 2011-12	7.7%
FY 2010-11	8.4%
FY 2009-10	6.9%

SFHP ADMINISTRATIVE EXPENSE DISTRIBUTION



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SFHP EMPLOYEE HEADCOUNT (FTEs)

SFHP is not requesting any new FTEs for FY 21-22.

Full-Time Equivalents (FTEs) proposed for FY 21-22:

• Health Plan	317 FTEs
• Health Homes Program (funded by DHCS)	6 FTEs
• TPA for HSF/SF City Option (City funded and approved)	77 FTEs
	400 FTEs

A 10% attrition factor has been built into the budget to account for employee turnover and open positions. We are experiencing an 11% attrition rate for FY 20-21 and expect employee turnover to remain low due to the ongoing impact of the COVID-19 pandemic.

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SFHP ADMINISTRATIVE EXPENSE

AVERAGE MERIT SALARY INCREASES - RECENT HISTORY			
SFHP DOES NOT OFFER COST OF LIVING ADJUSTMENTS (COLA)			
FISCAL YEAR	MERIT INCREASE	MARKET ADJUSTMENT	TOTAL INCREASE
FY 21-22 (BUDGETED)	3.46%	0.20%	3.66%
FY 20-21	0.00%	0.25%	0.25%
FY 19-20	4.09%	0.66%	4.75%
FY 18-19	3.81%	0.39%	4.20%
FY 17-18	4.03%	0.17%	4.20%
FY 16-17	3.83%	0.37%	4.20%
FY 15-16	4.00%		4.00%
FY 14-15	4.50%		4.50%
FY 13-14	3.00%		3.00%
FY 12-13	3.00%		3.00%
FY 11-12	3.00%		3.00%
FY 10-11	3.50%		3.50%
FY 09-10	0.00%		0.00%
FY 08-09	3.00%		3.00%
SFHP BEGAN ADDING A MARKET ADJUSTMENT COMPONENT TO MERIT IN FY 16-17.			

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SFHP ADMINISTRATIVE EXPENSE

- Applied a 10% salary attrition factor (savings of $5.0 million). Current position vacancy rate is running at 11%. Employee turnover is expected to remain low due to the ongoing impact of the COVID-19 pandemic.

- 3.46% average increase in salaries effective Sept. 1, 2021 ($1.1 million). Merit increase based on performance (range 0-5.0%). In addition to merit, the overall increase is being driven by market adjustments of .20%.

- Beginning with FY 15-16, CalPERS removed the portion of the employer contribution rate that goes towards paying down the Plan's unfunded accrued liability (UAL) balance. Participating employers had the option to pay the UAL in full or amortize the balance over 30 years at an interest rate of 7.5% (now 7.0%). With Finance Committee and Governing Board approval, SFHP elected to pay previous UAL balances in full. Future UAL balances will be discussed with the Finance Committee and Governing Board on an as-needed basis.

SFHP ADMINISTRATIVE EXPENSE

CalPERS employer contribution rate decreases from 10.484% to 10.340% for employees hired before 1/1/13 (decrease of 1.4% or $11,000). Employer contribution rate for employees hired after 12/31/12 will be 7.590% (decrease of 1.8% or $42,000K). CalPERS rate history:

	--------------CALPERS CLASSIC-----------------				--------------CALPERS PEPRA-----------------		
		PRECENTAGE				PRECENTAGE	
FISCAL YEAR	EMPLOYER CONTRIBUTION	INCREASE (DECREASE)	DOLLAR IMPACT		EMPLOYER CONTRIBUTION	INCREASE (DECREASE)	DOLLAR IMPACT
FY 21-22	10.340%	-1.4%	$ (11,000)		7.590%	-1.8%	$ (42,000)
FY 20-21	10.484%	8.3%	$ 60,000		7.732%	10.7%	$ 213,000
FY 19-20	9.680%	8.9%	$ 64,000		6.985%	2.1%	$ 41,000
FY 18-19	8.892%	5.6%	$ 37,000		6.842%	4.8%	$ 89,000
FY 17-18	8.417%	0.5%	$ 4,000		6.530%	4.5%	$ 80,000
FY 16-17	8.377%	4.7%	$ 34,000		6.250%	0.0%	$ -
FY 15-16	8.003%	-27.5%	$ (337,000)		6.250%	0.0%	$ -
FY 14-15	11.032%	7.3%	$ 91,000		6.250%	0.0%	$ -
FY 13-14	10.282%	5.8%	$ 67,000		6.250%		
FY 12-13	9.716%	1.3%	$ 21,000				
FY 11-12	9.593%	12.4%	$ 110,000				
FY 10-11	8.537%	3.8%	$ 32,000				
FY 09-10	8.227%						
CLASSIC EMPLOYEES HIRED PRIOR TO JANUARY 1, 2013							
PEPRA EMPLOYEES HIRED JANUARY 1, 2013 AND AFTER							
CURRENT STAFF = 19% CLASSIC , 81% PEPRA							

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SFHP ADMINISTRATIVE EXPENSE

- Medical/dental/ancillary benefits rate changes for FY 21-22:
  - Aetna 8.7% increase impact $224K
  - Kaiser 4.9% increase impact $108K
  - Dental 7.0% decrease impact ($ 17K)
  - Life/LTD 9.2% increase impact $ 4K
  - Vision No change

- Staff Bonus of $3.3 million will be accrued during FY 21-22 for potential disbursement in September 2022.

- Annual Depreciation and Amortization for Managed Care System (TriZetto QNXT), IT equipment, leasehold improvements, office furnishings, etc. = $1.7 million.

SFHP ADMINISTRATIVE EXPENSE

- $5.9 million in ITS Hardware/Software Licensing, Maintenance and Support. Major items include:
  - Annual software and system maintenance contracts $4.633M

VENDOR	AMOUNT	VENDOR	AMOUNT	
MICROSOFT	$ 430,000	IBM/HP	$ 80,000	
EDIFECS EMS	$ 298,000	VMWARE	$ 75,000	
PONDERA	$ 284,000	AZURE	$ 75,000	
EDIFECS SMART TRADING	$ 284,000	TABLEAU	$ 60,000	
ESSETTE	$ 241,000	ARCTIC WOLF	$ 54,000	
PREMANAGE	$ 235,000	ILLUMIO	$ 51,000	
RISK MGMT - VENDOR TBD	$ 200,000	MICROSTRATEGY	$ 46,000	
COTIVITI	$ 200,000	EDIFECS XENGINE	$ 46,000	
CLARIZEN	$ 167,000	ZSCALER	$ 45,000	
CLEARWATER	$ 164,000	ADOBE ACROBAT	$ 44,000	
CROWDSTRIKE	$ 142,000	TELX	$ 43,000	
FUSION STORM	$ 106,000	MIMECAST	$ 35,000	
FIRST DATA BANK	$ 100,000	3M GROUPER	$ 32,000	
ADAPT TELEPHONY	$ 99,000	QUALYS	$ 25,000	
BIZTALK	$ 90,000	CONTROL M	$ 25,000	
DEVCOOL	$ 85,000	DUO SECURITY	$ 21,000	
REMEDY FORCE	$ 84,000	NUTANIX	$ 20,000	
CISCO	$ 83,000	ALL OTHERS	$ 564,000	
	$ 3,292,000		$ 1,341,000	$ 4,633,000

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SFHP ADMINISTRATIVE EXPENSE

- $5.9 million in ITS Hardware/Software Licensing, Maintenance and Support. Major items include:

QNXT annual support and maintenance	$ 585,000
Disaster Recovery costs (Virginia site/Agility)	$ 329,000
Hardware/software upgrades and refreshes	$ 312,000
	$1,226,000

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HSF AND SF CITY OPTION ADMINISTRATIVE EXPENSE

Total Budget = $14.5 million

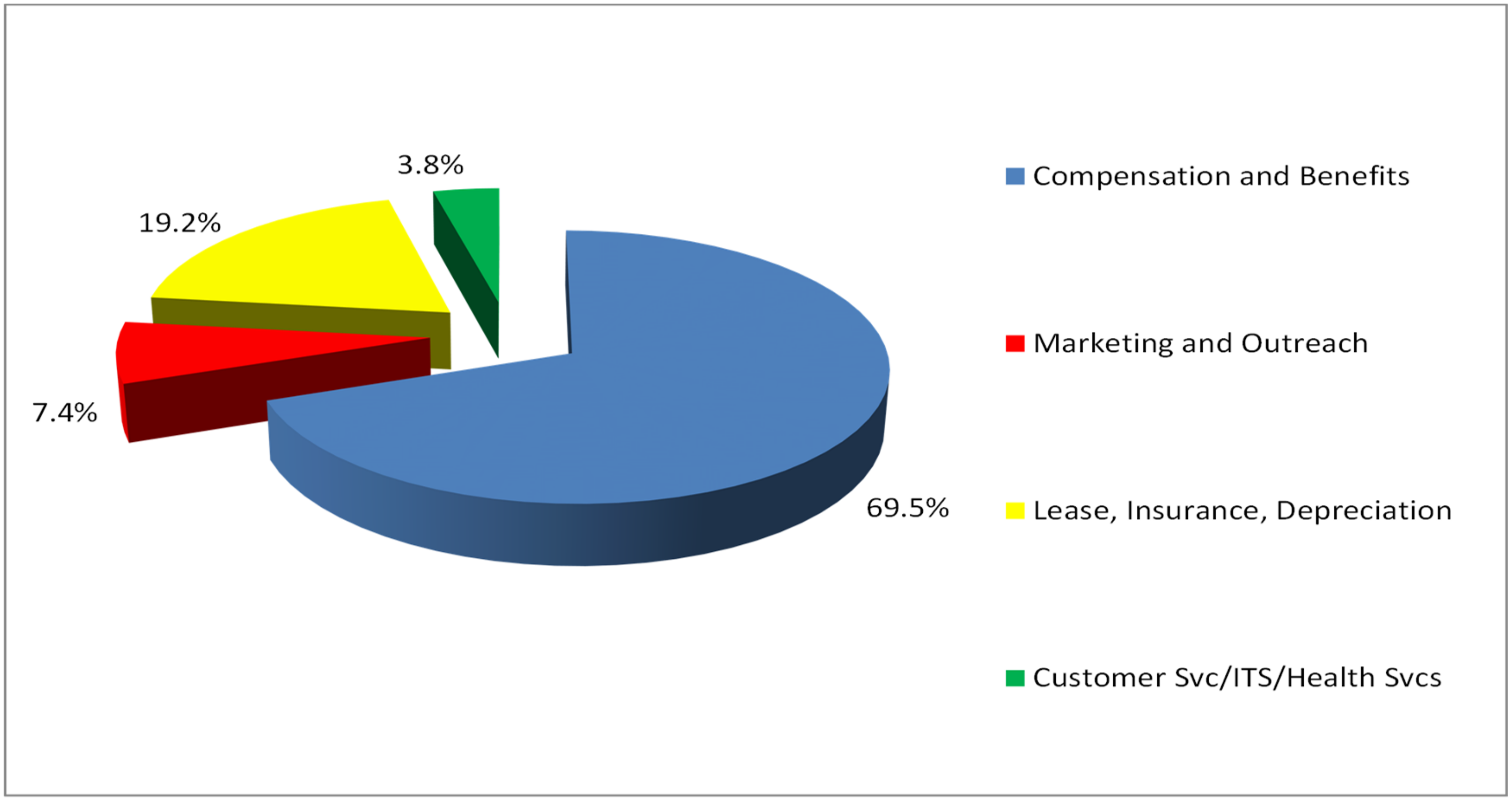
- SF City Option $8.3 million
- HSF $6.2 million

- 77 FTEs for FY 21-22 (City funded and approved):
  - 44 FTEs for SF City Option
  - 33 FTEs for HSF

- Highlights:
  - $10.1 million in Personnel costs.
  - $3.3 million in Administrative/Policy/IT/Customer Service costs – office lease space, consulting, vendor support and engagement, insurance, outbound call center.
  - $1.1 million in Marketing costs – collateral, website, mailings.

- Management fee allocation of $858K included in Personnel costs.

FY 21-22 HSF AND SF CITY OPTION ADMIN EXPENSE DISTRIBUTION



SFHP FY 21-22 CAPITAL BUDGET

FY 21-22 Capital budget request is $2,015,000

Recent history of capital budget requests:

FY 20-21	$1,442,000
FY 19-20	$ 828,000
FY 18-19	$3,018,000
FY 17-18	$ 50,000
FY 16-17	$ 452,000
FY 15-16	$ 354,000
FY 14-15	$1,102,000

FY 21-22 includes $1,350,000 for computer software solutions and $665,000 for computer hardware. $220,000 of this total is rolling over from FY 20-21.

FY 18-19 included $2.0 million for Analytic Data Warehouse (ADW) Phase II. SFHP decided not to move forward with Phase II. SFHP selected Edifecs for its data warehouse solution.

FY 14-15 included requests for new data center ($908,000) and new office ($194,000).

Agenda Item 4:
Action Item

Review and Approval
CalPERS Salary Schedule

SAN FRANCISCO HEALTH PLAN
Here for you

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San Francisco, CA 94119
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1(415) 547-7821 FAX
www.sfhp.org

MEMO

Date	**June 1, 2021**
To	**SFHP Finance Committee** **SFHP Governing Board**
From	**Kate Gormley, Chief Human Resources Officer**
Regarding	**Approval of SFHP Salary Schedule (CalPERS Required)**

Recommendation: San Francisco Health Plan (SFHP) recommends the Finance Committee and Governing Board approve the adoption of the SFHP FY 2021-2022 Salary Schedule to meet CalPERS requirements regarding retiree salary computation. The Salary Schedule changes include increasing the ranges by 3.0%.

Background: To satisfy CalPERS requirements, we must provide CalPERS with a copy of our Salary Ranges and Positions by Grade Level ("Salary Schedule") on an annual basis, with a formal approval by the Governing Board.

2021 – 2022 Compensation Philosophy and Program Review:
SFHP's compensation philosophy is to pay at the mid-range (middle of the pay scale) of the market for both base and bonus compensation. We provide merit increases based on performance, not on years of service. We have continued to gauge our compensation program against the marketplace.

Additionally, to ensure proper market pricing for all SFHP positions, we continue to employ several sources for market salary data:

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

- ACAP Survey Report: We continue to participate in this survey, which provides data for executive and director level positions based on input from 23 community affiliated plans nationwide.

2021 - 2022 Salary Range Movement: The economy has had an unprecedented and challenging past year due to COVID which impacted employee compensation in most industries. Indications are that the economy is settling, and that those employers who paused salary range and merit increases are resuming both. Projections for 2021-2022 salary budget increases in the San Francisco Bay Area vary between 2.6% and 3.0%, with the consumer price index for the San Francisco Bay area coming in at 3.7%. While the market data varies, based on the survey sources we believe best represent our job market, we recommend increasing our 2021-2022 salary ranges by 3.0%. This will be the first salary range change since September of 2019, as we did not move the ranges or provide merit increases in September of 2020.

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

LHPC Sister Plan Changes: We also consulted with our LHPC sister plans on what they are planning for 2021-2022 salary range and merit increases.

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

2021 – 2022 Salary Range Structure: Our salary ranges will continue to be very broad to allow for management flexibility as well as to ensure that all incumbents' base pay falls within the market driven, Governing Board-approved salary ranges to meet CalPERS requirements (upon retirement, the retiree's highest three consecutive years of salary must be within the range of their position to initiate retirement benefits).

Currently, SFHP has 60 compensation categories to simplify administration. Please reference Attachment A.

2021 – 2022 Merit Increases: We are budgeting a 3.46% overall merit increase for 2021-2022, although individual increases will vary between 0% and 5.0% depending upon the individual's performance score:

SFHP Salary Increase Matrix

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

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

Additionally, as we have done in years prior, we will be making market adjustments to keep pace with the job market, requiring an additional 0.2% to provide 68 employees (approximately 19.4% of the staff) with a market adjustment. This brings the 2021-2022 salary increase budget to 3.66% for merit increases and market adjustments.

Please feel free to reach out to John or me with any questions.

ATTACHMENT A
SAN FRANCISCO HEALTH PLAN
SALARY SCHEDULE EFFECTIVE 9/1/2021

Market Level	CalPERS Comp Title from Master Job Table	MIN	Q2	MID	Q4	MAX	Range Spread	Mid Point Jump
14	CEO	343,158	386,053	428,947	471,842	514,737	50%	30%
13	Executive II	263,968	296,963	329,959	362,955	395,951	50%	25%
12	Executive I	211,174	237,571	263,968	290,364	316,761	50%	25%
11	Director II	168,939	190,057	211,174	232,291	253,409	50%	12%
10	Director I	150,839	169,693	188,548	207,403	226,258	50%	12%
	Manager V							
	Senior Manager IV							
9	Analyst VII	134,677	151,512	168,347	185,181	202,016	50%	12%
	IT Systems Administrator IV							
	Manager IV							
	Pharmacist I							
	Senior Manager III							
	Supervisor V							
8	Analyst VI	120,248	135,279	150,310	165,340	180,371	50%	12%
	IT Systems Administrator III							
	Manager III							
	Nurse III							
	Program Manager V							
	Project Manager V							
	Senior Analyst IV							
	Senior Manager II							
	Supervisor IV							
7	Analyst V	107,364	120,784	134,205	147,625	161,046	50%	16%
	IT Systems Administrator II							
	Manager II							
	Nurse II							
	Program Manager IV							
	Project Manager IV							
	Senior Analyst III							
	Senior Manager I							
	Supervisor III							
6	Accountant II	92,555	104,125	115,694	127,263	138,833	50%	16%
	Analyst IV							
	IT Systems Administrator I							
	Manager I							
	Nurse I							
	Program Manager III							
	Senior Analyst II							
	Supervisor II							
5	Accountant I	79,789	89,763	99,736	109,710	119,683	50%	16%
	Administrative Support V							
	Analyst III							
	Marketing III							
	Program Manager II							
	Project Manager II							
	Senior Analyst I							
	Specialist III							
	Supervisor I							
4	Analyst II	68,784	77,381	85,979	94,577	103,175	50%	16%
	Marketing II							
	Program Manager I							
	Project Manager I							
	Specialist II							
3	Analyst I	59,296	66,708	74,120	81,532	88,944	50%	16%
	Coordinator II							
	Intern I							
	Marketing I							
	Specialist I							
2	Coordinator I	51,117	57,507	63,897	70,286	76,676	50%	16%
1	Administrative Support I	44,067	49,575	55,083	60,592	66,100	50%	0%

Agenda Item 5:
Action Item

Review and Approval of Practice Improvement Program (PIP) Funding for FY 2021-22

SAN FRANCISCO HEALTH PLAN
Here for you

MEMO

Date: June 1, 2021

To	**Finance Committee and Governing Board**
From	**Fiona Donald, MD, CMO**
Regarding	**Review and Approval of FY 21-22 Practice Improvement Program (PIP) Funding**

Recommendation:

San Francisco Health Plan (SFHP) recommends that the Finance Committee and Governing Board approve the continuation of previous Practice Improvement Program (PIP) funding with capitation withholds in the amounts of 18.5% for Medi-Cal.

Background:

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

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

PIP Modifications

The following is a description of PIP modifications provided as information only and does not require approval.

In FY 20-21, the PIP program was modified to support changes experienced in delivery of health care as the result of the COVID-19 pandemic. During the public health emergency, SFHP and PIP program has supported the achievement of quality metrics to pre-pandemic levels through the inclusion of a Quality Improvement Program (QIP) in addition to traditional PIP payments. The threshold for PIP full points for Clinical Quality measures was also modified from 90th percentile to 75th percentile. In the wake of COVID-19 impacts on health care delivery, the CMO and the PIP Advisory Committee agreed to continue the QIP. The QIP will identify and focus on opportunities to address health inequities and re-instate previous points for clinical quality metrics.

The inclusion of the QIP in addition to traditional PIP metrics is aligned with the Department of Health Care Services' (DHCS') federally qualified health centers (FQHC) Financial Incentive and Pay-for-Performance Payment Policy requirements: PIP payments to enumerate specific metrics and/or performance terms for FQHCs to attain the payment.

In FY 21-22, with the approval of the PIP funding, the funding will be allocated in the following way:

a. Allocate 50% of capitation withhold to traditional PIP payments.
b. Re-instate maximum points for achieving HEDIS 90^{th} percentile improvement and partial points for HEDIS 75^{th} percentile for Clinical Quality measures.
c. Allocate 50% of capitation withhold to QIP projects aimed at addressing health inequities. Participants may choose to address broad systemic issues (e.g. developing a strategic plan to improve quality and address disparities, collecting provider or member race/ethnicity data, or stratifying measures by race/ethnicity/language) or a particular disparity they have identified (e.g. population management in diabetes, preventable readmissions, colorectal cancer screening).

**Participants may opt out of QIP if they would prefer to only be scored on PIP performance.*

These changes were discussed and approved by the PIP Advisory Committee on May 10, 2021.

Projected QIP Submission Dates and Requirements:

a. October 2021: Participants to a submit a QIP application with planned activities and project outcome goal.
b. January, April, & July 2022: Participants to submit status updates.
c. October 2022: Participants to submit final update with accomplishments, lessons learned, and performance in meeting the project's outcome goal.

Closed Session
Agenda Item 6:
Discussion Item

Review Medi-Cal Provider Contracting and Rate Setting Strategy

SAN FRANCISCO HEALTH PLAN

Here for you

Finance Committee

MEMO

CONFIDENTIAL

Date:	June 1, 2021
To:	Finance Committee
From:	John F. Grgurina Jr., Chief Executive Officer and Skip Bishop, Chief Financial Officer
Re:	Discussion – Future of Medi-Cal Rate Development and the Importance of Encounter Data

The following information is provided to the Finance Committee as information for discussion only. No action is needed at this time.

Background:

The Centers for Medicare and Medicaid Services (CMS) continues to apply pressure on the California Department of Health Care Services (DHCS) to use encounter data as the primary source for rate development. In turn, DHCS continues to place a stronger emphasis on encounter data and has communicated to the Medi-Cal Managed Care Plans (MMCPs) that in the coming years, encounters will become the primary data source used in the annual rate-setting process. The ability for the MMCPs to continue to receive dollar-for-dollar credit for capitation paid to medical groups and hospitals will become a secondary component of rate development.

San Francisco Health Plan's (SFHP's) goal is to protect current Medi-Cal rate levels in order to maximize payments to providers. Working with providers to ensure complete and timely encounter submissions will be key to achieving this goal.

In order to maintain a strategic focus on the organization's financial viability and the economic sustainability of our safety net provider partners, the SFHP Governing Board approved the following organizational goal for FY 20-21:

Encounter Management

1. Establish a baseline of priced encounters as a percentage of capitation paid for each capitated medical group and hospital.
2. For those capitated medical groups and hospitals where the comparable value of priced encounters is low relative to capitation, develop a corrective action plan to evaluate and improve the completeness of future encounter submissions.

In response to this ongoing pressure from DHCS along with the understanding that the long-term view of rate development includes the transition to encounters, SFHP has performed an analysis of encounter value versus capitation paid. The analysis covers CY 2018, CY 2019, and CY 2020. 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 (INCL PIP)		
MEDICAL GROUP AND CLINICS	**CY 2018**	**CY 2019**	**CY 2020**
BAART PROGRAMS	14.6%	13.6%	12.2%
BROWN & TOLAND PHYSICIANS	68.7%	75.0%	49.5%
CHINESE COMMUNITY HEALTH CARE ASSOCIATION	47.4%	41.2%	36.4%
CLINICAL PRACTICE GROUP - SPECIALTY CARE FOR MEMBERS WITH COPC	55.2%	54.0%	50.9%
CLINICAL PRACTICE GROUP - SPECIALTY CARE FOR MEMBERS WITH HBC	88.8%	77.8%	76.0%
CLINICAL PRACTICE GROUP - SPECIALTY CARE FOR MEMBERS WITH SFCCC	35.0%	39.3%	38.0%
DR. DOAN KHONG	12.7%	13.0%	N/A
DR. THANH TRAN	9.4%	12.1%	8.1%
HEALTHRIGHT 360	18.7%	15.1%	12.4%
HILL PHYSICIANS	53.4%	59.0%	44.3%
JADE HEALTH CARE MEDICAL GROUP	68.6%	58.2%	57.9%
KAISER FOUNDATION HEALTH PLAN	60.1%	61.3%	54.4%
MARIN CITY HEALTH AND WELLNESS	19.7%	21.4%	10.9%
MISSION NEIGHBORHOOD HEALTH CENTER	25.6%	25.2%	23.6%
NATIVE AMERICAN HEALTH CENTER	22.2%	19.0%	15.2%
NORTH EAST MEDICAL SERVICES WITH CALIFORNIA PACIFIC MEDICAL CENTER	44.2%	44.4%	39.8%
NORTH EAST MEDICAL SERVICES WITH ZUCKERBERG SAN FRANCISCO GENERAL	29.0%	26.8%	23.3%
SAN FRANCISCO COMMUNITY HEALTH CENTER	11.8%	16.7%	13.7%
SFHN - PRIMARY CARE FOR MEMBERS WITH COMMUNITY ORIENTED PRIMARY CARE CLINICS (COPC)	23.2%	20.5%	17.7%
SFHN - PRIMARY CARE FOR MEMBERS WITH HOSPITAL BASED CLINICS (HBC)	27.3%	23.0%	19.2%
SOUTH OF MARKET HEALTH CENTER	11.8%	9.6%	7.3%
ST. ANTHONY MEDICAL CLINIC	22.9%	20.8%	16.1%

	VALUE OF ENCOUNTERS AS A PERCENTAGE OF CAPITATION (INCL PIP)		
HOSPITALS	**CY 2018**	**CY 2019**	**CY 2020**
CALIFORNIA PACIFIC MEDICAL CENTER	90.6%	101.1%	99.6%
CHINESE HOSPITAL WITH CHINESE COMMUNITY HEALTH CARE ASSOCIATION	80.6%	92.3%	93.2%
CHINESE HOSPITAL WITH JADE HEALTH CARE MEDICAL GROUP	59.3%	70.6%	90.2%
KAISER FOUNDATION HEALTH PLAN	58.3%	75.5%	72.4%
ZUCKERBERG SAN FRANCISCO GENERAL - DPH MEMBERS	142.9%	153.0%	157.1%
ZUCKERBERG SAN FRANCISCO GENERAL - SFCCC MEMBERS	193.3%	206.0%	204.0%
ZUCKERBERG SAN FRANCISCO GENERAL WITH NORTH EAST MEDICAL SERVICES	115.2%	155.7%	169.2%

SFHP is currently engaged in conversations with providers to understand these results and seeks provider assistance to determine whether:

1. Anything was missed in the approach and/or in the calculation of the value of the encounters; or

2. There were any issues with encounter completeness, unusually low utilization, or a combination of both.

SFHP has invited Kyle Edrington, Managing Partner of Edrington Health Consulting, to speak to the Finance Committee on the importance of encounter data and its future role in the Medi-Cal rate development process. Kyle Edrington's memo for discussion with the Finance Committee is attached.

SFHP Encounter Data Considerations

Background and Financial Implications

San Francisco Health Plan (SFHP) has requested Edrington Health Consulting (EHC) to provide this paper discussing provider encounter data and its historical and future role in the development of Medi-Cal capitation rates. EHC staff have worked with SFHP and many other Local Medi-Cal health plans since 2007 and have developed actuarially sound capitation rates in other states.

Background and Key Discussion Points

Since FY 2009-10 DHCS and its actuaries, Mercer, have relied on aggregated financial information, referred to as the Rate Development Template (RDT), to develop actuarially sound capitation rates for the Medi-Cal program. This reported information has broadly outlined actual expenditures paid by the health plan along with aggregated utilization information and other statistics relevant for rate development. To date, this information has dominantly guided capitation rates developed for SFHP. Beginning with CY 2021 capitation rates, DHCS and Mercer have begun to rely more on encounter data to supplement its rate development efforts.

In the coming years, we anticipate a fundamental shift away from the RDT approach which has paid SFHP for what it historically spent to an approach where the underlying encounters allow DHCS and Mercer to develop rates based on what they perceive “should have” been spent.

As part of this transition, we recommend that SFHP continues to

- ensure all encounters and underlying dimensions are reported to DHCS,
- work with any providers with incomplete or inaccurate encounter submissions,
- understand how DHCS may perceive the value of its Fee-For-Service (FFS) and subcapitation contracts, and
- potentially refine contracts or expectations with providers to mitigate future rate issues

This paper outlines the context and consideration to support these recommendations.

How are Encounters Used Today?

SFHP has provided DHCS with encounter data for many years, but DHCS began more formally monitoring the completeness, accuracy, reasonability, and timeliness of this information in 2015 as part of larger quality initiatives and federal regulations. Prior to this, encounter data was not credible for use in capitation rate development since the volume of records was much less than the true number of services delivered for most health plans. Around this time, DHCS and Mercer broadly made it known that this information would begin to be utilized in rate development after a reasonable amount of time passed for providers, health plans, and DHCS to work together to improve encounter reporting.

Prior to the CY 2021 capitation rates, encounter data was utilized very minimally in DHCS and Mercer’s approach. Beginning in CY 2021 (which relied on CY 2018 RDTs and encounter data), we have observed more reliance on encounter data to complement the RDT process – likely due to a few reasons. Multiple years had passed since DHCS’ initial emphasis on reporting improvements. COVID-19 impacted certain rate development considerations and the “need” for efficiency adjustments only supported by encounter data. We also suspect, based on our experience providing similar support in other states, that DHCS and Mercer need to explain to CMS why encounters aren't used as a primary rate development source each year (potentially instead of RDTs) and likely need to demonstrate progress in order for CMS to approve the capitation rate development methodology.

In the current environment, encounter data is utilized in order to complement and broadly validate the reasonableness of RDT reporting, including

1. comparisons of RDT-reported utilization to encounter volume,
2. potential removal of benefits or providers not covered by Medi-Cal otherwise in the RDT,
3. Inpatient, Emergency Room (ER), and Pharmacy "efficiency" adjustments, and
4. Risk assessment to adjust plan revenue according to member acuity (Pharmacy data only)

The rate development applications rely on encounter data to supplement the existing RDT process, mainly to identify inefficient or inappropriate RDT reporting, but do not use the volume of encounters directly to fund reimbursement paid to SFHP.

Future Rate Development Implications
As discussed above, DHCS and Mercer have begun to implement new ways to introduce encounters into the Medi-Cal rate development process. While the applications have increased in recent years as encounters have become more broadly credible across Medi-Cal Managed Care, the full implementation of encounter data has not yet materialized. The current applications mostly identify areas of RDT reporting which might require adjustment or review. Relying on our background working in other states as well as feedback DHCS and CMS have provided in the past, we speculate that the use of encounter data will likely become much more refined and explicit in coming years.

Within a more traditional, national Medicaid rate development process that we suspect DHCS and CMS are working toward, we would expect encounter data to inform the following rate development dimensions in the coming years.

1. Capitation rates based on a blend of RDT and encounter information
    - Instead of relying in full on RDT reporting as being reasonable, DHCS may gradually introduce weight to the value of the encounters – a phase-in approach would recognize the ongoing efforts health plans are conducting to ensure complete and accurate encounters and would also mitigate financial impacts of introducing encounters as an explicit data source.
    - This process will likely occur over multiple years and could eventually yield a scenario where encounters fully drive future capitation rate calculations. However, we would not expect this to happen for 5-10 years.
2. Additional review of each health plan's FFS and subcapitation contracted rates
    - Once encounters are determined reasonably complete and accurate, DHCS and Mercer may review payments to providers and subcapitated delegates to confirm that levels align with goals of the Medi-Cal program.
    - To the extent that SFHP is perceived as paying more for services than its population and geography support, this could yield reductions to SFHP's revenue.
    - For a health plan with a large degree of subcapitation like SFHP, many of the encounters submitted to DHCS may not contain payment information. This may force DHCS and Mercer to develop a "reasonable" benchmark fee schedule to assess the volume of encounter data which may or may not align with SFHP's existing payment levels.

3. Introduction of a capitation rate withhold or other mechanism to incentivize health plans to ensure complete and accurate reporting
   - DHCS is likely to introduce a quality withhold in the coming years relying on HEDIS scores and other programmatic goals which would incorporate encounter data.
4. Implementation of a new risk adjustment grouper that will utilize more than the Pharmacy utilization data relied upon today. This will likely leverage Hospital and Professional diagnosis codes to more accurately identify member acuity and resulting risk adjusted rates.
   - With the introduction of regional capitation rates in the coming years, the reliance on risk adjustment will be even more pronounced since more health plans will be aggregated and subject to the adjustment.
   - To the extent that providers are not submitting complete encounters with all available Diagnosis information, SFHP's relative acuity and resulting capitation rates will be reduced.
5. Development of additional utilization or "efficiency" adjustments similar to the Inpatient, ER, and Pharmacy analyses conducted today.
   - Once DHCS and Mercer have a credible, statewide encounter database, the level of insights and "efficiencies" available to review become somewhat unlimited.
6. Additionally, it should be noted that the State's CalAim initiatives will introduce new areas of opportunity and attention for SFHP and the rest of the Medi-Cal Managed Care infrastructure. As part of this, specific awareness should be placed on new providers or benefits to ensure that complete and accurate encounters are reported for non-traditional Medi-Cal benefits, as applicable. These non-traditional providers may require additional support and investment from SFHP and the State to ensure that capitation rates remain appropriate.

In summary, over the next ten years, we expect DHCS and Mercer to gradually increase reliance on encounter data until what SFHP actually spends on medical benefits becomes the anecdote (instead of the source of truth in the past) and what DHCS and Mercer perceive should have been spent based on plan encounter experience becomes the reality of future reimbursement.

How can SFHP Prepare for Encounter-based Rates?
While we do not expect the significant implications of encounter-based rates to materialize for at least a few years, there remains little time to prepare since capitation rates are typically based on past experience lagged three years. That is, encounter data developed today (CY 2021) will influence CY 2024 capitation rates. So, while the financial impacts may not be realized in full in the short term, the environment created today has wide implications for the future.

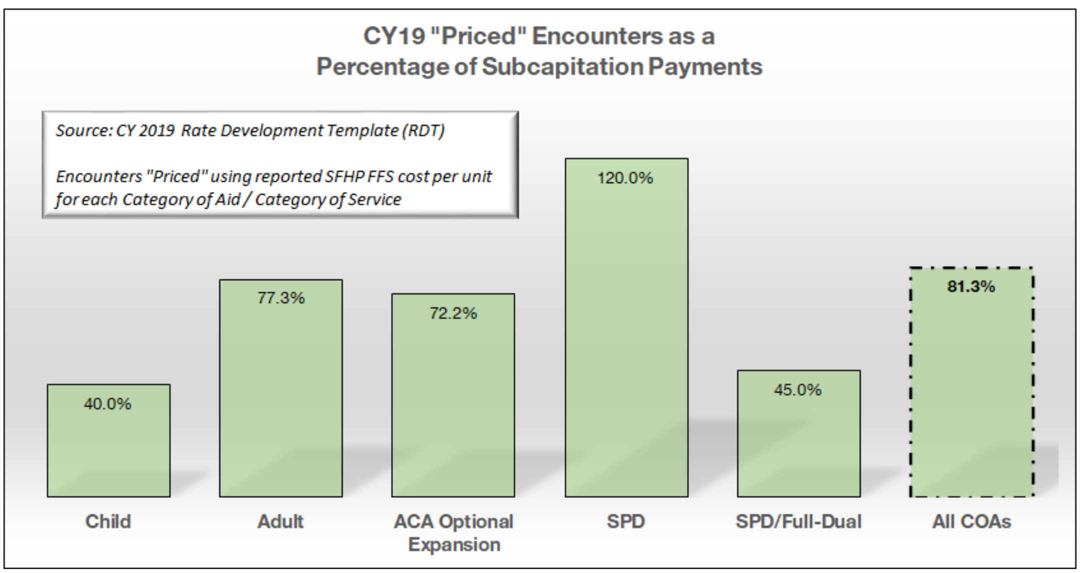
As part of its ongoing management and to mitigate those future risks, we recommend that SFHP considers the following reviews and discussions.

1. Perform a detailed review of historical and emerging utilization and cost levels supported by the encounter data. We understand SFHP has already begun this effort. COVID-19 will impact certain periods of time for this review, so we recommend reviewing CY 2019 as well as emerging CY 2021 experience.
   a. This review should consider payment levels for FFS contracts to ensure that agreements align with Medi-Cal "market rates" adjusted for SFHP's geography.
   b. This should also broadly assess the reasonableness of capitation payments made to delegated providers by pricing the encounters at a reasonable "market rate", allowing for any appropriate non-medical expenditures, and comparing to existing payments to each delegated entity.

2. Review encounter volume and quality/detail from each provider network.
    a. To the extent any providers suggest material, missing volume or details (eg. diagnosis information which would help SFHP in risk adjustment), then SFHP should work with those providers to improve reporting.
3. SFHP could consider introducing mechanisms for its provider community similar to those DHCS and Mercer may be imposing on Medi-Cal health plans to drive continued performance or improvement including concepts outlined below.
    a. Risk adjusted capitation rates for delegated providers
    b. Risk corridor or MLR reconciliations for capitated providers based on either a "market level" repricing of available encounters or separate financial data provided by the capitated entities outlining total benefit expense for covered populations
    c. Payment withholds or incentives to drive continued performance or improvement
    d. To the extent otherwise feasible and if it would otherwise limit potential rate reductions to SFHP, discussions to transition certain, existing capitation contracts to FFS arrangements may be appropriate

SFHP's continued partnership with its providers will be critical to ensure that future capitation funding from DHCS continues to support the goals of SFHP, its providers, and the broader Medi-Cal stakeholder community.

Illustration: Subcapitated Encounters
As an example for the type of insight which could be reviewed and adjusted for in future capitation rates, we have compiled broad information DHCS and Mercer can already digest from the CY 2019 RDT currently being utilized within the development of SFHP's CY 2022 capitation rates. This is similar to item 1b in the preceding section in that we broadly used SFHP's FFS costs per service for each Category of Aid (COA) and Category of Service (COS) to "price" subcapitated units to compare with payments made in CY 2019 to delegated entities.



In total, this general analysis suggested that 81.3% of total subcapitation payments could be supported by available encounters and this high level repricing. While this should not approach 100% since there may be non-medical responsibilities of each delegate, DHCS and Mercer may conclude that this difference is material and reason to perceive SFHP's subcapitated arrangements as healthy. What is most interesting, though, is the level of difference among the

COAs which is an area we suspect SFHP will refine and understand more clearly when a more complete and credible analysis is conducted.

While this high-level analysis requires a much more refined approach to price the encounter utilization, the resulting conclusions are likely sufficient for broad digestion – especially under the construct of how DHCS and Mercer may already be perceiving SFHP's historical capitation payments. We do not believe DHCS and Mercer will implement any rate development adjustments in CY 2022 for this type of analysis, but it is possible and more likely as each year passes. So, we recommend SFHP remains prepared since DHCS and Mercer already contain enough information to implement these types of considerations at their discretion.

Closing Remarks

We appreciate the opportunity to support SFHP in its efforts to best position itself and its provider community for the changes likely to materialize in Medi-Cal Managed Care rate development in the coming years. We recognize that SFHP and its providers have consistently maintained excellence in quality and member outcomes and want to ensure that the capitation rates reflect that continued investment as additional information and insights become available to DHCS and Mercer in its evaluation of Medi-Cal financing.

Agenda Item 7:
Discussion Item

Report by Chair on Closed Session Action Items (Verbal Report)