

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

Finance Committee Agenda

Wednesday, June 8, 2022

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 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**
- **Join by MS Teams:** [Click here to join the meeting](#)
- **Or call in (audio only)**
- [+1 323-475-1528,,751233677#](#)
- Phone Conference ID: 751 233 677#

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 4, 2022 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 (FY) 2022-2023 (Skip Bishop, Rand Takeuchi, and Yolanda R. Richardson)
4. (V) Review and Approval CalPERS Salary Schedule for FY 2022-2023 (Kate Gormley and Brian Gentner)
5. (V) Review and Approval of Practice Improvement Program (PIP) Funding for FY 2022-2023 (Yolanda R. Richardson)
6. (D) New Medi-Cal Managed Care Populations Effective January 1, 2023 (Skip Bishop)

7. (D) Semi-Annual Compliance Report (Nina Maruyama)
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 9, 2022 (7:30 a.m. – 9:00 a.m.)
- Member Advisory Committee: June 10, 2022 (1:00 p.m. – 3:00 p.m.)
- Special Governing Board: July 8, 2022 (12:00 p.m. – 12:10 p.m.)
- Special Governing Board: August 8, 2022 (12:00 p.m. – 12:10 p.m.)
- Finance Committee: September 7, 2022 (11:00 a.m. – 12:00 p.m.)
- Governing Board: September 7, 2022 (12:00 p.m. – 2:00 p.m.)
- Member Advisory Committee: September 9, 2022 (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 4, 2022 Meeting



**Joint San Francisco Health Authority/San Francisco Community Health Authority
Minutes of the Finance Committee
May 4, 2022**

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

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

Absent: None

Guests: 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

Reece Fawley, Chair, Finance Committee, chaired the meeting and identified that Deneen Hadley, UCSF, as a public guest. Mr. Fawley welcomed Yolanda R. Richardson to the meeting as the new SFHP CEO. He then asked for public comments and there were none.

1. Approval of Minutes from March 2, 2022 Finance Committee Meeting

Mr. Fawley requested changes on page 6 to clarify that Mr. Fawley meant it was a difficult year to project and budget for expenses and revenues due to the unexpected rate increase from DHCS and the new fee-for-service risk for Zuckerberg San Francisco General Hospital and to delete the repeated words on page 8. With these changes, the minutes of the March 2, 2022 Finance Committee meeting were unanimously.

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

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

Ship Bishop, CFO, reviewed the year-to-date unaudited financial statements for the period ending March 30, 2022. He stated that the period ending March 30, 2022, reported a margin of \$3,235,000 versus a budgeted loss of (\$395,000). After removing Strategic Use of Reserves (SUR) activity, the actual margin from operations was \$3,352,000 versus a budgeted loss of (\$291,000).

He said the strong results for March were expected, given the rate increases the Department of Health Care Services (DHCS) and Mercer included in the CY 2022 rate development. Base rates increased by 6.7% and DHCS/Mercer included another 5.2% to cover the net additional costs to SFHP for taking responsibility for the hospital risk related to the San Francisco Community Clinic Consortium (SFCCC) members.

On a year-to-date basis, we have a margin of \$13,414,000 versus a budgeted margin of \$1,343,000. After removing SUR activity, the actual margin from operations was \$14,324,000 versus a budgeted margin of \$2,385,000.

The variances between March actual results and the budget can be explained by the following:

1. Variances between March actual results and the budget include:

a. A net decrease in revenue of \$9.5 million due to:

- i. \$18.0 million less in Directed Payments funding for hospital partners. This is a timing difference. We expected \$18.0 million in March. However, the funding was recorded in February.
- ii. \$8.5 million more in Medi-Cal premium revenue due to an additional 10,764 member months along with the premium rate increases noted above. Membership mix was also favorable as 77% of the additional member months were in the Adult, Adult Expansion and Seniors and Persons with Disabilities (SPD) categories of aid where the per member, per month premium rates are much higher than rates for the Child and Duals categories of aid.

b. A net increase in medical expense of \$13.8 million due to:

- i. \$18.0 million less in Directed Payment funding for hospital partners. Similar to what we saw with the revenue variance, this is a timing

difference. We expected \$18.0 million in March, however, the funding was recorded in February.

- ii. \$2.4 million more in net capitation as the result of having 10,764 more member months plus a more favorable membership mix than what the budget projected. In addition, we continue to see strong growth in Kaiser membership. Kaiser is considered a Global Subcontractor and receives 98% of the premium SFHP receives from DHCS which increases SFHP's capitation expense. Increases in capitation expense are offset by the revenue SFHP receives for these additional members.
 - iii. \$1.8 million more in fee-for-service claims primarily due to five claims payment cycles in March along with increasing membership. Although hospital claims paid in March for members enrolled with the San Francisco Community Clinic Consortium were higher than expected, it is important to note that on a year-to-date basis, including adjustments for claims Incurred But Not Reported (IBNR), actual claims costs are in line with budget expectations.
- c. A net increase in administrative expenses of \$267,000 primarily due to professional fees paid to Russell Reynolds related to the CEO search, Three Tenants for services related to the CEO search, organization development and succession planning, VISIONS for services related to our Diversity, Equity and Inclusion (DEI) initiative and Varis, LLC for services related to inpatient hospital claims auditing and recovery.

Finance Committee members asked if the administrative effort with managing the Kaiser contract was 2% and staff commented that the effort was approximately 2%.

Rand Takeuchi, Director, Accounting, reviewed the chart below that highlights the key income statement categories for March with adjustments for SUR activity to show margin or loss from ongoing operations.

	-----MAR 2022-----				-----FYTD 21-22 THRU MAR-----			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	169,827	159,063	10,764	6.8%	1,485,772	1,442,747	43,025	3.0%
REVENUE	\$ 58,257,000	\$ 67,719,000	\$ (9,462,000)	-14.0%	\$ 682,615,000	\$ 652,605,000	\$ 30,010,000	4.6%
MEDICAL EXPENSE	\$ 49,597,000	\$ 63,424,000	\$ 13,827,000	21.8%	\$ 625,706,000	\$ 608,671,000	\$ (17,035,000)	-2.8%
MLR	86.2%	94.7%			92.6%	94.2%		
ADMINISTRATIVE EXPENSE	\$ 4,999,000	\$ 4,732,000	\$ (267,000)	-5.6%	\$ 42,462,000	\$ 42,966,000	\$ 504,000	1.2%
ADMINISTRATIVE RATIO	7.5%	6.0%			5.3%	5.7%		
INVESTMENT INCOME	\$ (426,000)	\$ 42,000	\$ (468,000)		\$ (1,033,000)	\$ 375,000	\$ (1,408,000)	
MARGIN (LOSS)	\$ 3,235,000	\$ (395,000)	\$ 3,630,000		\$ 13,414,000	\$ 1,343,000	\$ 12,071,000	898.8%
ADD BACK: SUR ACTIVITY	\$ 117,000	\$ 104,000			\$ 910,000	\$ 1,042,000		
MARGIN (LOSS) FROM OPERATIONS	\$ 3,352,000	\$ (291,000)	\$ 3,643,000		\$ 14,324,000	\$ 2,385,000	\$ 11,939,000	500.6%

He stated that on a year-to-date basis through March and after the removal of SUR activity, SFHP is reporting a margin of \$14,324,000 which is significantly above budget expectations. Now that we have entered the second half of the fiscal year, margins will be steadily increasing due to the CY 2022 Medi-Cal rate increases effective January 1, 2022 along with increasing membership.

The variances in revenue and medical expense are due to the impact of new Medi-Cal rates effective January 2022, 43,025 more member months than anticipated and \$2.1 million less in Directed Payments (DP) and Intergovernmental Transfer (IGT)) pass-through funding.

After removing the Directed Payments and IGT funding, premium revenue is above budget by \$32.1 million. This is due to:

- An overall net increase of 43,025 member months. 81% of the additional member months are in the Adult, Adult Expansion and SPD categories of aid which has a favorable impact on revenue due to the fact that the premium rates for these members are much higher than the premium rates for Child and Dual members.
- Rate increases DHCS/Mercer included in the CY 2022 rate development. Base rates increased by 6.7% and DHCS/Mercer included another 5.2% to cover the net additional costs to SFHP for taking responsibility for the hospital risk related to the SFCCC members.

After removing SUR activity, Directed Payments and IGT funding, medical expense is above budget by \$19.3 million. This increase can be accounted for as follows:

○ Capitation expenses are up	\$11,181,000
○ FFS expenses are up	\$ 5,549,000
○ Medi-Cal non-Hep C pharmacy expenses are up	\$ 1,316,000
○ Non-specialty mental health expenses are up	\$ 1,015,000
○ Hepatitis C expenses are up	\$ 686,000
○ CBAS expenses are up	\$ 404,000
○ Healthy Workers pharmacy expenses are down	(\$ 851,000)

Overall administrative expense is below budget by \$504,000. Most of this decrease is due to lower costs in the areas of lease and insurance costs as well as marketing expenses. The lower costs are due more to timing differences as actual spending is now more closely aligned with the budget as we enter the last quarter of the fiscal year.

PROJECTIONS

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

1. SFHP expects to continue to report strong margins through June 2022 due to the Medi-Cal rate increases that were effective January 1, 2022. The

anticipated margins will help SFHP rebuild its reserve balance that was depleted by covering several retroactive rate adjustments implemented by DHCS that resulted in a return of \$12.7 million to DHCS. At the time, SFHP recommended and the Finance Committee and Governing Board approved not to make retroactive recoveries from providers, but rather to use reserves to cover these takebacks.

2. Beginning in July 2021, hospital risk for 16,000 San Francisco Community Clinic Consortium (SFCCC) members became the responsibility of SFHP. SFHP no longer pays capitation to ZSFG for these members. SFHP is responsible for all in-network and out-of-network hospital services under a fee-for-service arrangement – All Patient Refined Diagnosis Related Groups (APR-DRG) for inpatient services and 140% of the Medi-Cal Fee Schedule (MCFS) for outpatient facility services. Primary care and specialty care services remain under capitation. Original estimates showed this new risk would cost SFHP approximately \$18-20 million per year. With SFCCC membership now at 17,500 members as of March 2022, this new risk will cost \$20-22 million per year. CY 2022 Medi-Cal rate increases applied to the increased membership will cover this additional cost.

Now that we have nine months of experience with this new risk, we can begin to see that claims paid along with Incurred but Not Reported (IBNR) estimates are coming in close to expectations. Due to the normal pattern of claims lag, SFHP has increased its IBNR claims reserve to cover the anticipated claims incurred July 2021 through March 2022, but not received as of March 31, 2022.

3. SFHP started the new fiscal year with 2,400 more Medi-Cal members versus what was anticipated in the budget. This differential has grown to 11,000 members through March 2022. Now that the Public Health Emergency has been extended until mid-July, SFHP anticipates adding another 3,000 members through June 2022. This will increase our Medi-Cal membership to approximately 161,000 members.

When the Public Health Emergency ends in mid-July 2022, SFHP anticipates that Medi-Cal membership will begin to gradually decrease starting in the fourth quarter of CY 2022 and into CY 2023 as members will be placed on hold or terminated due to no longer qualifying for the program.

4. The Medi-Cal pharmacy benefit was carved out of Medi-Cal managed care effective January 2022. This aligns with how SFHP prepared its FY 21-22 budget, i.e., we would have responsibility for this benefit through December 2021. SFHP continues to have the risk for the Healthy Workers pharmacy benefit. Although SFHP is positive \$851,000 through March (\$8.04 pmpm), we expect Healthy Workers pharmacy costs to gradually increase. We

project that the \$93.61 pmpm included in the overall Healthy Workers rate should be adequate as move into FY 22-23.

5. Beginning in January 2022, SFHP has taken on responsibility for Enhanced Care Management (ECM), Community Supports (CS), formerly known as In Lieu Of Services (ILOS) and Major Organ Transplants (MOT). Multiple teams within SFHP worked for several months to prepare for these new programs. Final rates for ECM, CS and MOT were released at the end of January. It is important to note that the ECM and MOT benefits will be subject to a risk corridor which will limit SFHP's exposure to gains and losses.
6. Proposition 56 – this program will continue for all of FY 21-22. Proposition 56 provides enhanced payments to medical groups for qualifying physician services, supplemental payments for developmental screenings, adverse childhood experiences screenings, trauma screenings, family planning services and value-based payments related to a variety of health care quality measures. It is important to note that the value-based payments portion of the Proposition 56 program will end June 30, 2022. All other Proposition 56 programs will continue through December 2022.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

Medical Loss Ratio Reporting for Delegated Entities

Mr. Bishop reviewed the DHCS Medi-Cal waiver 1115 and 1915(b) submissions, which the Centers for Medicare and Medicaid Services (CMS) approved and incorporated Special Terms and Conditions (STCs) that target oversight and accountability. More specifically, one of the STCs requires Medical Loss Ratios (MLRs) to be reported at the delegated entity level. Important aspects of MLR reporting at the delegated entity level include:

- CMS is generally concerned about the impact of delegation on access and quality in California.
- The STCs will require MLR reporting down to delegated entity level starting with the rating period of CY 2023 with remittance beginning with the rating period of CY 2025 (at the delegated entity level).
- MLR threshold will be set at 85%.
- It should be noted that state law requires MLR remittance effective CY 2024, but this would be at the plan level. This will be a new and significant requirement on a very aggressive timeline.
- MLR audits to be conducted no sooner than January 2028.
- DHCS will have 6 months to put together work plan to submit to CMS by July 1, 2022.

SFHP as well as representatives from other Medi-Cal managed care plans have been meeting with the Local Health Plans of California (LHPC) on a regular basis to help develop strategies that DHCS can use as it crafts the work plan due to

CMS by July 1, 2022. We continue to have one-on-one conversations with delegated medical groups and hospitals to discuss these new Special Terms and Conditions and pass along new information as the rules are clarified.

Mr. Bishop also reviewed the tangible net equity (TNE) requirements for managed care plans (MCPs) and showed a chart comparing TNE amounts maintained by other Local Health Plans. Mr. Bishop explained the amounts over the minimum TNE amounts were necessary, but that it seemed that the appropriate multiple of the TNE to maintain would be in the six to eight times TNE (in the middle range). Emily Webb requested to have a review of the TNE and comparisons to other plans at the Finance Committee with a regular cadence. Mr. Bishop agreed that would be a good idea and committed to a review of the TNE on a regular basis.

Mr. Fawley expressed concerns and asked if SFHP is tracking the MLR results of the medical groups. Mr. Bishop and Mr. Takeuchi informed the Finance Committee that they are developing a process to review the MLR projections with the medical groups so they understand the future requirement for delegated entities to report their MLR. Eddie Chan also expressed concern with the MLR requirement and impact on providers.

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

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

3. Adjourn

Reece Fawley, Secretary/Treasurer

Agenda Item 2:

Action Item

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

FINANCIAL RESULTS – APRIL 2022

April 2022 reported a margin of \$4,460,000 versus a budgeted margin of \$259,000. After removing Strategic Use of Reserves (SUR) activity, the actual margin from operations was \$4,560,000 versus a budgeted margin of \$463,000.

Once again, the strong results for April were expected given the rate increases DHCS/Mercer included in the CY 2022 rate development. Base rates increased by 6.7% and DHCS/Mercer included another 5.2% to cover the net additional costs to SFHP for taking responsibility for the hospital risk related to the San Francisco Community Clinic Consortium (SFCCC) members.

On a year-to-date basis, we have a margin of \$17,875,000 versus a budgeted margin of \$1,602,000. After removing SUR activity, the actual margin from operations was \$18,885,000 versus a budgeted margin of \$2,849,000.

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

a. A net increase in revenue of \$10.0 million due to:

- i. \$9.2 million more in Medi-Cal premium revenue due to an additional 13,266 member months along with the premium rate increases noted above. Membership mix was also favorable as 79% of the additional member months were in the Adult, Adult Expansion and Seniors and Persons with Disabilities (SPD) categories of aid where the per member, per month premium rates are much higher than rates for the Child and Duals categories of aid.
- ii. \$643,000 more in Other Income due to the receipt of COVID-19 vaccination incentive funding. Effective September 2021, DHCS established a vaccination incentive program for managed care plans designed to increase the vaccination levels among Medi-Cal beneficiaries. As of April 2022, SFHP ranks first in the state with the highest percentage (71%) of Medi-Cal beneficiaries receiving at least one dose of COVID-19 vaccine. SFHP's performance against a variety of measures qualified the plan to receive this incentive funding.
- iii. \$213,000 more in Maternity revenue. We reported 116 maternity events during April versus a budget of 91 maternity events.

b. A net increase in medical expense of \$5.9 million:

- i. \$3.2 million more in net capitation as the result of having 13,266 more member months plus a more favorable membership mix than what the budget projected. In addition, Kaiser's membership remains strong at 15,000 members or 9.4% of SFHP's

total Medi-Cal membership. As discussed at the May Finance Committee meeting, Kaiser is considered a Global Subcontractor and received 98% of the premium SFHP receives from DHCS which increases SFHP's capitation expense. This relationship with Kaiser will remain in place through December 2023. Effective January 2024, Kaiser will have a direct contract with DHCS which means the 15,000 members will transition out of SFHP.

- ii. \$2.6 million more in fee-for-service hospital claims as shown in the chart below.

HOSPITAL FFS - APRIL 2022				
				PCT CHANGE
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	FAV (UNFAV)
HOSPITAL FFS	\$ 9,388,967	\$ 6,770,860	\$ (2,618,107)	-38.7%
MEMBER MONTHS	171,477	158,211	13,266	8.4%
PMPM	\$ 54.75	\$ 42.80	\$ (11.96)	-27.9%
ADDITIONAL FFS COST FOR BUDGETED MEMBER MONTHS			\$ (1,891,747)	
ADDITIONAL FFS COST FOR ADDITIONAL MEMBER MONTHS			\$ (726,360)	
			\$ (2,618,107)	

As we can see in the chart above, hospital fee-for-service cost was up \$11.96 pmpm versus our budget projections. After analyzing the paid claims data, we came away with the following findings:

	-----APRIL 2022-----			
DESCRIPTION	ACTUAL	BUDGET	FAV (UNFAV)	FAV (UNFAV)
# OF CLAIMS PAID	344	275	(69)	-25.1%
COST OF CLAIMS PAID	\$ 4,722,421	\$ 3,060,679	\$ (1,661,742)	-54.3%
AVERAGE COST/CLAIM	\$ 13,728	\$ 11,130	\$ (2,598)	-23.3%

In addition to increases in claims volume and the cost per claim, we saw an increase in the APR-DRG payment weight factor of 8% (1.2169 versus 1.1268). The higher payment weight factor is an indication that on average, the severity of claims paid in April was higher than expected. This would cause the average cost per claim to increase.

We had 7 claims greater than \$100,000 and 3 claims greater than \$200,000. Normally we expect to see only 2-3 claims greater than \$100,000. This increase in large dollar claims was worth \$1.1 million.

- c. A net decrease in administrative expenses of \$392,000 primarily due to lower than expected professional fees. The budget anticipated that several of the professional services/consulting engagements would continue into the last quarter of the fiscal year. For some of these engagements, the total spend was less than anticipated while other engagements ended earlier than expected. We also experienced smaller savings for the insurance and marketing line items. These variances are related to timing differences.

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

CATEGORY	-----APR 2022-----				-----FYTD 21-22 THRU APR-----			
	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	171,477	158,211	13,266	8.4%	1,657,249	1,600,958	56,291	3.5%
REVENUE	\$ 59,516,000	\$ 49,478,000	\$ 10,038,000	20.3%	\$ 742,131,000	\$ 702,083,000	\$ 40,048,000	5.7%
MEDICAL EXPENSE	\$ 50,591,000	\$ 44,676,000	\$ (5,915,000)	-13.2%	\$ 676,297,000	\$ 653,347,000	\$ (22,950,000)	-3.5%
MLR	86.9%	91.6%			92.1%	94.0%		
ADMINISTRATIVE EXPENSE	\$ 4,193,000	\$ 4,584,000	\$ 391,000	8.5%	\$ 46,654,000	\$ 47,550,000	\$ 896,000	1.9%
ADMINISTRATIVE RATIO	4.9%	7.9%			5.3%	5.8%		
INVESTMENT INCOME	\$ (272,000)	\$ 41,000	\$ (313,000)		\$ (1,305,000)	\$ 416,000	\$ (1,721,000)	
MARGIN (LOSS)	\$ 4,460,000	\$ 259,000	\$ 4,201,000	1622.0%	\$ 17,875,000	\$ 1,602,000	\$ 16,273,000	1015.8%
ADD BACK: SUR ACTIVITY	\$ 100,000	\$ 204,000			\$ 1,010,000	\$ 1,247,000		
MARGIN (LOSS) FROM OPERATIONS	\$ 4,560,000	\$ 463,000	\$ 4,097,000	884.9%	\$ 18,885,000	\$ 2,849,000	\$ 16,036,000	562.9%

On a year-to-date basis through April and after the removal of SUR activity, SFHP is reporting a margin of \$18,885,000 which is significantly above budget expectations. Margins will continue to be strong for May and June due to the CY 2022 Medi-Cal rate increases effective January 1, 2022 along with increasing membership.

The variances in revenue and medical expense are due to the impact of new Medi-Cal rates effective January 2022, 56,291 more member months than anticipated and \$2.1 million less in Directed Payments (DP) and Intergovernmental Transfer (IGT) pass-through funding.

After removing the Directed Payments and IGT funding, premium revenue is above budget by \$42.1 million. This is due to:

- An overall net increase of 56,291 member months. 81% of the additional member months are in the Adult, Adult Expansion and SPD categories of aid which has a favorable impact on revenue due to the fact that the premium rates for these members are much higher than the premium rates for Child and Dual members.
- Rate increases DHCS/Mercer included in the CY 2022 rate development. Base rates increased by 6.7% and DHCS/Mercer included another 5.2% to cover the net additional costs to SFHP for taking responsibility for the hospital risk related to the SFCCC members.

After removing SUR activity, Directed Payments and IGT funding, medical expense is above budget by \$25.3 million. This increase can be accounted for as follows:

○ Capitation expenses are up	\$14,381,000
○ FFS expenses are up	\$ 8,149,000
○ Medi-Cal non-Hep C pharmacy expenses are up	\$ 1,267,000
○ Non-specialty mental health expenses are up	\$ 1,139,000
○ Hepatitis C expenses are up	\$ 686,000
○ CBAS expenses are up	\$ 325,000
○ Healthy Workers pharmacy expenses are down	(\$ 865,000)

Overall administrative expense is below budget by \$896,000. Most of this decrease is due to lower costs in the areas of professional fees/consulting, marketing, and insurance. Some of the professional services/consulting engagements ended earlier than expected. The lower costs in the marketing area are due more to timing differences. Actual spending is expected to catch up with the budget projections during May and June.

PROJECTIONS

Financial projections through October 2022:

1. SFHP expects to continue to report strong margins through June 2022 due to the Medi-Cal rate increases that were effective January 1, 2022. The anticipated margins will help SFHP rebuild its reserve balance that was depleted by covering several retroactive rate adjustments implemented by DHCS that resulted in a return of \$12.7 million to DHCS.
2. Beginning in July 2021, hospital risk for 16,000 San Francisco Community Clinic Consortium (SFCCC) members became the responsibility of SFHP. SFHP no longer pays capitation to ZSFG for these members. SFHP is responsible for all in-network and out-of-network hospital services under a fee-for-service arrangement – All Patient Refined Diagnosis Related Groups (APR-DRG) for inpatient services and 140% of the Medi-Cal Fee Schedule (MCFS) for outpatient facility services. Primary care and specialty care services remain under capitation. Original estimates showed this new risk would cost SFHP approximately \$18-20 million per year. With SFCCC membership now at 17,500 members as of April 2022, this new risk will cost \$20-22 million per year. CY 2022 Medi-Cal rate increases applied to the increased membership will cover this additional cost.

Now that we have ten months of experience with this new risk, we can begin to see that claims paid along with Incurred but Not Reported (IBNR) estimates are coming in close to expectations. Due to the normal pattern of claims lag, SFHP has increased its IBNR claims reserve to cover the anticipated claims incurred July 2021 through April 2022, but not received as of April 30, 2022.

3. SFHP began the new fiscal year with 2,400 more Medi-Cal members versus what was anticipated in the budget. This differential has grown to 12,000 members through April 2022. Now that the Public Health Emergency has been extended until mid-July, SFHP anticipates adding another 2,000 members in the months of May and June. This will increase our Medi-Cal membership to approximately 162,000 members.

With the Public Health Emergency expected to end in mid-July 2022, SFHP anticipates that Medi-Cal membership will begin to gradually decrease starting in the fourth quarter of CY 2022 and into CY 2023 as members will be placed on hold or terminated due to no longer qualifying for the program.

4. The Medi-Cal pharmacy benefit was carved out of Medi-Cal managed care effective January 2022. This aligns with how SFHP prepared its FY 21-22 budget, i.e., we would have responsibility for this benefit through December 2021. SFHP continues to have the risk for the Healthy Workers pharmacy benefit. Although SFHP is positive \$865,000 through April (\$7.35 pmpm), we expect Healthy Workers pharmacy costs to gradually increase. We project that the \$93.61 pmpm included in the overall Healthy Workers rate should be adequate as move into FY 22-23.
5. Beginning in January 2022, SFHP has taken on responsibility for Enhanced Care Management (ECM), Community Supports (CS), formerly known as In Lieu Of Services (ILOS) and Major Organ Transplants (MOT). Multiple teams within SFHP worked for several months to prepare for these new programs. Final rates for ECM, CS and MOT were released at the end of January. It is important to note that the ECM and MOT benefits will be subject to a risk corridor which will limit SFHP's exposure to gains and losses.
6. Proposition 56 – Proposition 56 provides enhanced payments to medical groups for qualifying physician services, supplemental payments for developmental screenings, adverse childhood experiences screenings, trauma screenings, family planning services and value-based payments related to a variety of health care quality measures. It is important to note that the value-based payments portion of the Proposition 56 program will end June 30, 2022. All other Proposition 56 programs will continue through December 2022.
7. See income statement charts on subsequent pages. Due to the impact that pass-through funding and the disbursement of Strategic Use of Reserves have on projections, we have included graphs with and without this activity.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

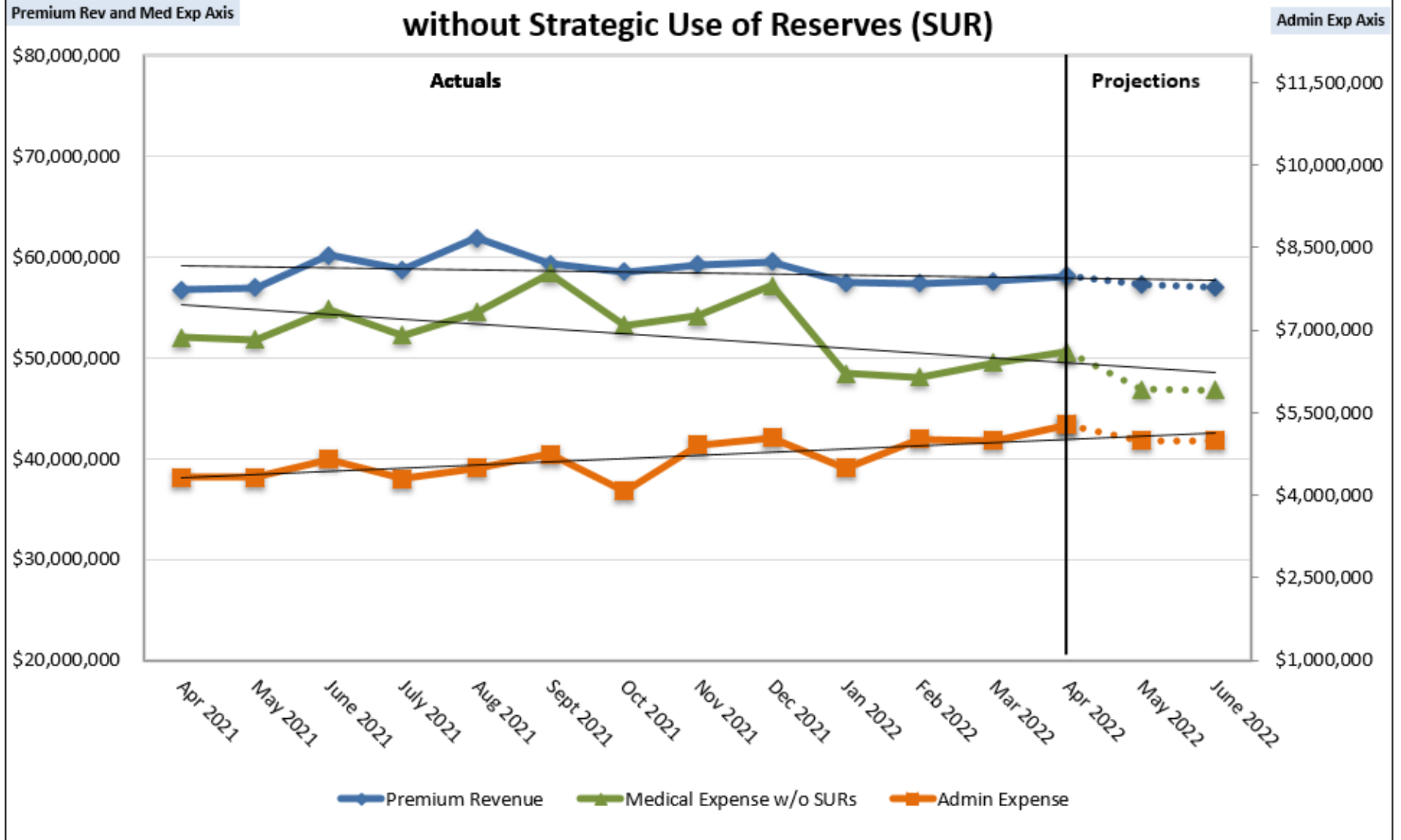
SFHP would like to like to remind providers of the rate increases effective July 1, 2022:

- Base capitation is increasing by a weighted average of 5.0%.
- The Practice Improvement Program (PIP) is increasing from 18.5% to 20.0%.
- Professional FFS rate is increasing from 139% to 150% of the Medi-Cal Fee Schedule.
- CBAS centers and San Francisco Institute on Aging rates are increasing by 10%.

PROVIDER	% INCREASE	-----ANNUAL INCREASE-----		
		BASE CAPITATION	PIP	TOTAL
HEALTHRIGHT 360	5.5%	\$ 90,397	\$ 30,116	\$ 120,514
SOUTH OF MARKET HEALTH CENTER	5.3%	\$ 69,149	\$ 23,396	\$ 92,545
ST. ANTHONY MEDICAL CLINIC	5.3%	\$ 18,492	\$ 6,257	\$ 24,749
MARIN CITY HEALTH AND WELLNESS	5.2%	\$ 11,823	\$ 4,020	\$ 15,843
SAN FRANCISCO COMMUNITY HEALTH CENTER	5.2%	\$ 26,439	\$ 8,990	\$ 35,429
BAART	5.2%	\$ 7,528	\$ 2,556	\$ 10,084
DR. THANH TRAN	5.2%	\$ 8,156	\$ 2,769	\$ 10,924
ZUCKERBERG SAN FRANCISCO GENERAL	5.1%	\$ 4,881,408	\$ -	\$ 4,881,408
CLINICAL PRACTICE GROUP	5.1%	\$ 2,322,260	\$ 794,572	\$ 3,116,832
NATIVE AMERICAN HEALTH CENTER	5.1%	\$ 13,807	\$ 4,742	\$ 18,549
JADE MEDICAL GROUP	5.1%	\$ 206,906	\$ 70,963	\$ 277,869
CHINESE HOSPITAL	5.0%	\$ 641,306	\$ -	\$ 641,306
CHINESE COMMUNITY HEALTH CARE ASSN	5.0%	\$ 239,236	\$ 83,173	\$ 322,409
NORTH EAST MEDICAL SERVICES	4.9%	\$ 2,587,099	\$ 904,472	\$ 3,491,570
CALIFORNIA PACIFIC MEDICAL CENTER	4.9%	\$ 1,726,941	\$ -	\$ 1,726,941
BROWN & TOLAND MEDICAL GROUP	4.9%	\$ 60,327	\$ 21,158	\$ 81,485
HILL PHYSICIANS	4.8%	\$ 68,488	\$ 24,158	\$ 92,647
MISSION NEIGHBORHOOD HEALTH CENTER	4.8%	\$ 178,403	\$ 63,302	\$ 241,705
		\$ 13,158,167	\$ 2,044,644	\$ 15,202,811
SFHP OVERALL	5.0%			
UCSF MEDICAL GROUP				\$ 1,100,000
CBAS/SF IOA				\$ 750,000
				\$ 17,052,811

SFHP - April 2022

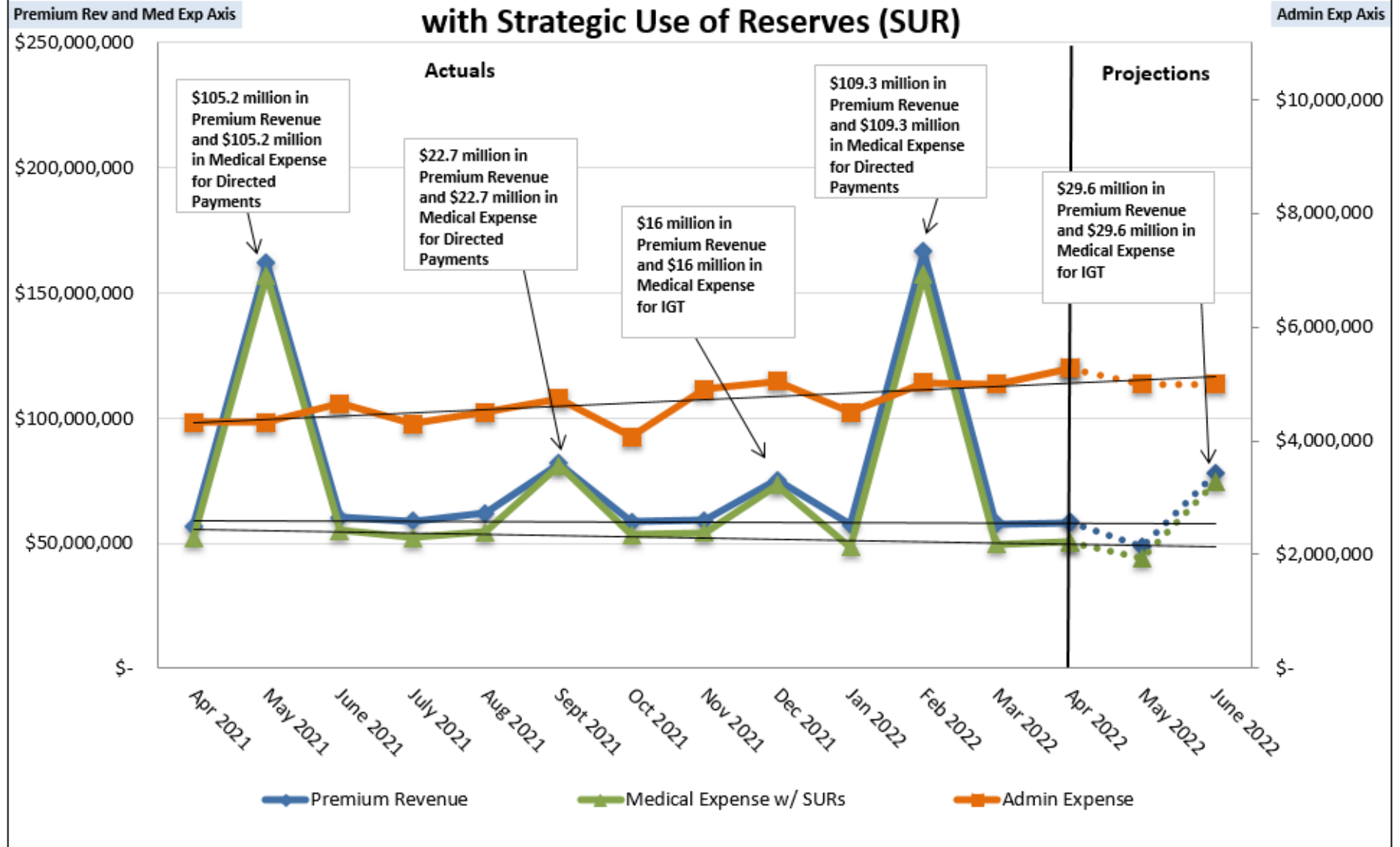
Rolling 12 Month Income Statement & 2 Month Projection without Strategic Use of Reserves (SUR)



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

SFHP - April 2022

Rolling 12 Month Income Statement & 2 Month Projection with Strategic Use of Reserves (SUR)



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

San Francisco Health Plan

Finance Big Picture Dashboard - April 2022

	Apr-22			Apr-21	Fiscal Year to Date (21/22)			FY 20/21
	MTD	MTD	MTD	MTD	FYTD	FYTD	FYTD	FYTD
	Actual	Budget	Fav (Unfav)	Actual	Actual	Budget	Fav (Unfav)	Actual
FINANCIAL POSITION:								
Net Profit/Loss w/o HSF (\$)	4,461,151	258,677	4,202,474	1,145,736	17,874,495	1,602,098	16,272,397	2,448,025
Total Medical Loss Ratio_All LOB	86.9%	91.6%	4.7%	91.7%	92.1%	94.0%	1.9%	94.9%
Admin Expense Ratio	4.9%	7.9%	3.0%	6.4%	5.3%	5.8%	0.5%	4.8%
Number of FTE's	347			354				
Premium Revenue (\$)	58,196,527	48,768,436	9,428,091	56,722,042	734,239,095	694,928,519	39,310,576	714,475,061
Medical Expenses (\$)	50,591,401	44,676,168	(5,915,233)	52,010,205	676,297,355	653,346,783	(22,950,572)	677,749,547
Administration Expenses w/o HSF (\$)	4,192,594	4,584,405	391,811	4,325,359	46,654,475	47,550,493	896,018	41,432,725
Member Months	171,477	158,211	13,266	156,716	1,657,249	1,600,958	56,291	1,508,107
Cash on Hand (Days)	56			31				

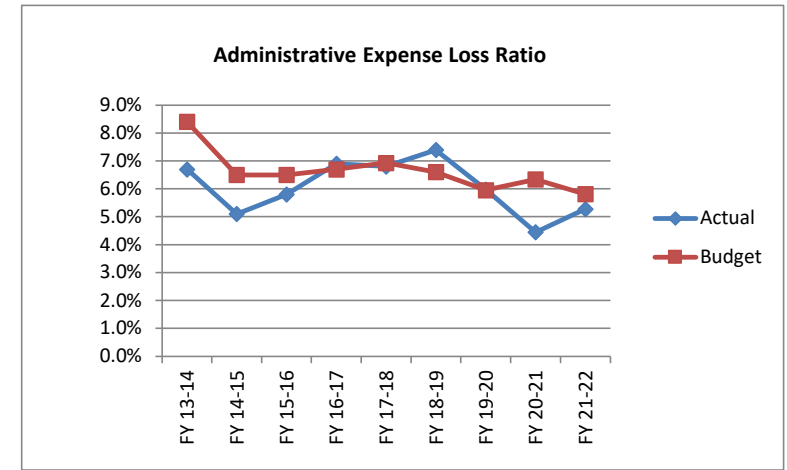
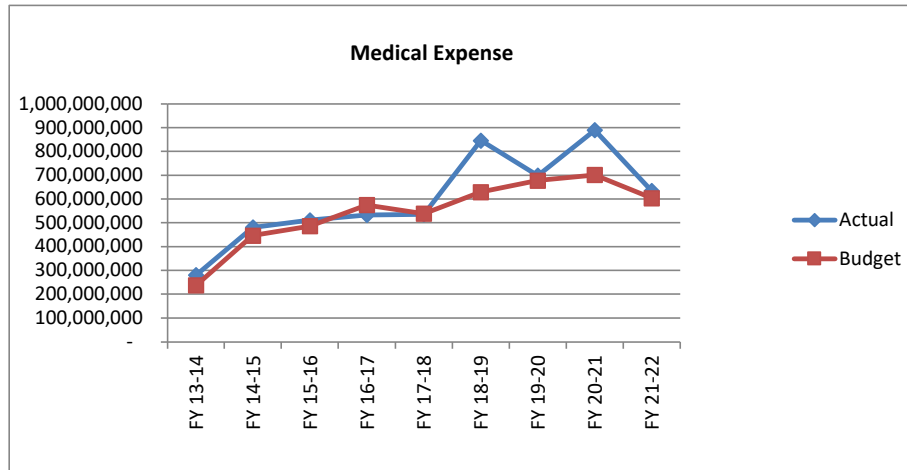
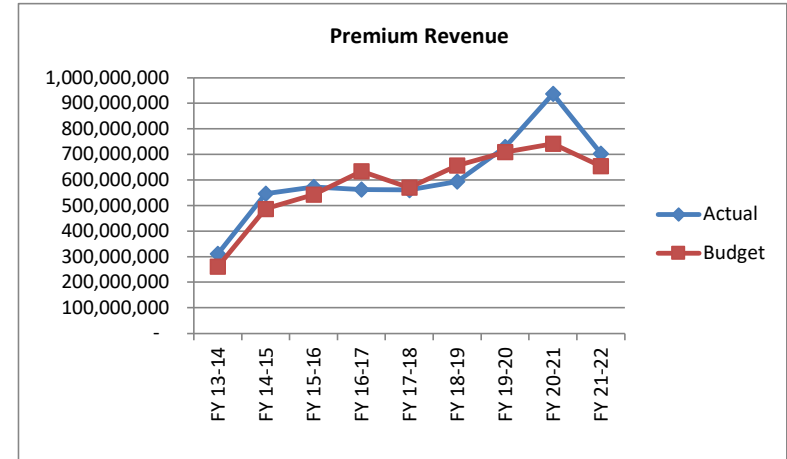
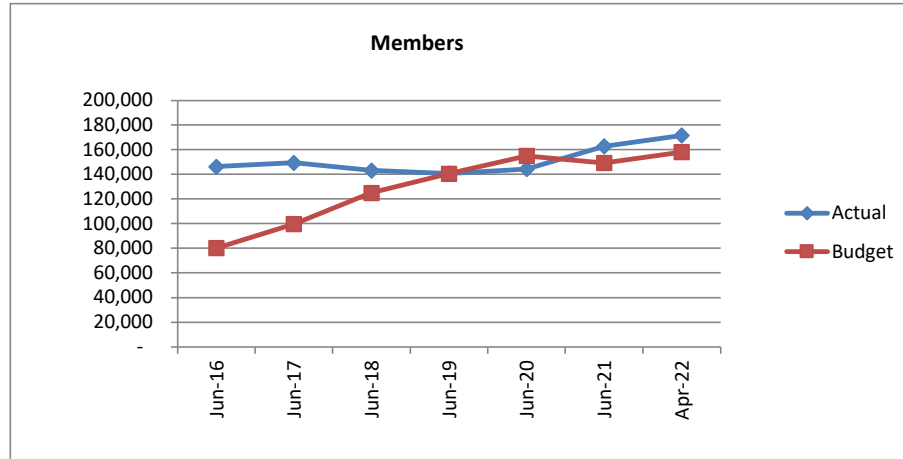
RESERVES:	April-2022	Budget @ 6/30/22	June-2021	June-2020	June-2019	June-2018	June-2017	June-2016
Reserves (\$)	113,482,711	99,037,922	96,977,825	91,960,120	97,935,725	108,542,472	120,761,132	112,637,840
SUR carry-over balance from prior years	(2,306,651)	(2,500,000)	(2,511,173)	(4,145,463)	(6,046,189)	(15,567,350)		
FY18-19 SUR for Medical Groups and Targeted Interv.	(1,741,100)	-	(2,548,975)	(2,945,000)	(6,558,333)	0		
Adjusted Reserve Balance	109,434,960	96,537,922	91,917,677	84,869,657	85,331,203	92,975,122		
Reserve Policy 2x Premium Rev (Rolling 12 month avg)	116,393,054	96,586,486	118,618,434	86,669,751	93,747,256	93,684,010	94,325,464	100,027,410
Reserves Over (Under) 2 x Premium Revenue	(6,958,094)	(48,564)	(28,700,757)	(1,800,095)	(8,416,053)	(708,888)		
DMHC Required TNE	15,255,105	12,000,000	14,662,413	13,951,203	12,597,375	11,960,363	11,818,641	10,744,461
TNE Multiple	7.2	8.3	6.3	6.1	6.8	7.8	10.2	10.5

FINANCIAL TREND:	FY 21/22							
	Original Budget	Change						
Premium Revenue (\$)	694,928,519	39,310,576						
Medical Expenses (\$)	653,346,783	(22,950,572)						
Administration Expenses w/o HSF (\$)	47,550,493	896,018						
	April-2022	June-2021	June-2020	June-2019	June-2018	June-2017	June-2016	
Member Months	171,477	162,666	144,308	140,765	143,096	149,348	146,289	Membership for the Month
Average Monthly Enrollment	164,864	152,436	138,890	142,038	146,847	148,354	144,347	Rolling 12 Month Average

San Francisco Health Plan

Finance Big Picture Dashboard - April 2022

FINANCIAL TREND:
(Rolling 12 months)



San Francisco Health Plan

Finance Dashboard Metrics - April 2022

	Apr-22			Apr-21	Fiscal Year to Date (21/22)			FY 20/21
	Actual	Budget	Fav (Unfav)	Actual	Actual	Budget	Fav (Unfav)	Actual
Member Months	171,477	158,211	13,266 8.4%	156,716	1,657,249	1,600,958	56,291 3.5%	1,508,107
Premium Revenue (\$)	58,196,527	48,768,436	9,428,091 19.3%	56,722,042	734,239,095	694,928,519	39,310,576 5.7%	714,475,061
Administration Expenses w/o HSF (\$)	4,192,594	4,584,405	391,811	4,325,359	46,654,475	47,550,493	896,018	41,432,725
Admin Expense Ratio	4.9%	7.9%		6.4%	5.3%	5.8%		4.8%
Medical Expenses (\$)	50,591,401	44,676,168	(5,915,233)	52,010,205	676,297,355	653,346,783	(22,950,572)	677,749,547
Total Medical Loss Ratio	86.9%	91.6%		91.7%	92.1%	94.0%		94.9%
MC Adult/Child/Dual MLR	85.3%	84.4%		84.2%	90.7%	88.2%		89.4%
MC SPD MLR	89.3%	90.7%		93.0%	93.3%	93.6%		94.5%
MC Expansion MLR	85.1%	94.1%		94.1%	93.1%	96.5%		96.8%
HW MLR	96.8%	98.0%		96.0%	95.1%	96.9%		101.5%
HSF + SFCMRA - TPA Fee (\$)	1,085,512	1,120,255	(34,743) -3.1%	974,731	9,770,935	11,382,879	(1,611,944) -14.2%	8,958,049
Cash on Hand (Days)	56			31				
Maternity Reimb. Performance (\$) (per case pymt, actual vs. budget)	988,133	764,545	223,588 29.2%	773,344	8,455,749	7,645,450	810,299 10.6%	7,787,278
Number of Births	116	91	25	92	1,001	910	91	900
Hep-C Revenue (\$)	0	0	0	396,341	2,660,517	2,055,468	605,049	3,857,592
Hep-C Expense w/rebates (FFS + Cap) (\$)	0	0	0	416,603	2,741,679	2,055,468	686,211	3,938,908
Net Margin (\$)	0	0	0	(20,262)	(81,162)	0	(81,162)	(81,316)
Total Hep-C Treatments	0	0	0	184	1,227	1,026	201	1,659
Total reimbursable Hep-C weeks (exclude Daklinza)	0	0	0	184	1,227	1,026	201	1,659
Net Profit/Loss w/o HSF (\$)	4,461,151	258,677	4,202,474	1,145,736	17,874,495	1,602,098	16,272,397	2,448,025

San Francisco Health Plan
Consolidated Balance Sheet for SFHA and SFCHA
As of April 30, 2022

	SFHA	HSF	4/30/2022 Total	4/30/2021 Total	Variance
ASSETS					
CURRENT ASSETS					
(1) SFHP Cash and Cash Equivalents	5,742,563		5,742,563	3,923,750	1,818,813
Short Term Investments	150,653,715		150,653,715	87,265,450	63,388,265
HSF Cash and Cash Equivalents		780,646,230	780,646,230	654,182,275	126,463,954
Petty Cash	1,000		1,000	1,000	-
(2) Other Receivables	899,046		899,046	5,967,399	(5,068,352)
Interest Receivable	131,529		131,529	160,976	(29,447)
Grant Funds Receivable	42,669		42,669	-	42,669
(3) Capitation Receivable	60,644,300		60,644,300	60,970,062	(325,762)
HSF Operation Receivable	6,873,885		6,873,885	8,991,497	(2,117,613)
HSF Provider Payment & Advance		2,469,159	2,469,159	2,508,722	(39,563)
(4) HSF Receivables		693,075	693,075	15,422,254	(14,729,179)
Prepaid Insurance	214,003		214,003	88,121	125,882
HSF Prepaid Insurance	3,704		3,704	3,367	337
Prepaid Rent	10,902		10,902	336,637	(325,734)
Prepaid Expenses	3,528,404		3,528,404	2,943,860	584,543
HSF Prepaid Expenses	(15,471)		(15,471)	6,844	(22,315)
CalPERS Deferred Outflow Fund	5,748,961		5,748,961	7,592,229	(1,843,268)
Deposits	79,874		79,874	79,874	-
Total Current Assets	234,559,083	783,808,464	1,018,367,547	850,444,316	167,923,231
OTHER ASSETS					
Long Term Investments	21,506,143		21,506,143	23,349,404	(1,843,262)
Restricted Funds Required by DMHC	300,000		300,000	300,000	-
Total Other Assets	21,806,143	-	21,806,143	23,649,404	(1,843,262)
FIXED ASSETS					
Furniture & Equipment	15,645,003		15,645,003	15,420,811	224,191
Accumulated Depreciation	(13,375,879)		(13,375,879)	(12,235,726)	(1,140,153)
Net Fixed Assets	2,269,124	-	2,269,124	3,185,085	(915,962)
TOTAL ASSETS	258,634,349	783,808,464	1,042,442,813	877,278,806	165,164,007

San Francisco Health Plan
Consolidated Balance Sheet for SFHA and SFCHA
As of April 30, 2022

	SFHA	HSF	4/30/2022 Total	4/30/2021 Total	Variance
LIABILITIES & FUND BALANCE					
CURRENT LIABILITIES					
Accounts Payable	12,878,992		12,878,992	17,772,668	(4,893,676)
HSF Accounts Payable		2,206,817	2,206,817	677,166	1,529,651
Deferred Rent	1,636,408		1,636,408	1,834,686	(198,277)
Salaries/Benefits/PERS Payable	6,865,003		6,865,003	8,372,557	(1,507,554)
CalPERS Unfunded Pension	(395,440)		(395,440)	41,309	(436,749)
CalPERS Pension Deferred Inflow	227,878		227,878	180,387	47,491
Notes Payable - Lease Equipment	64,892		64,892	31,023	33,869
Unearned Premium Revenue	-		-	-	-
(5) DHCS, MCO, IGT, AB-85, SB-335, SB-208 and ACA Payable	43,532,129		43,532,129	24,263,825	19,268,304
HSF Earned Premium - Due to DPH		66,299,369	66,299,369	58,326,574	7,972,795
Waiver, Discount, and Account Write-off		(18,523)	(18,523)	(162,189)	143,667
HSF Unearned Participant Fees		196,046	196,046	546,559	(350,512)
ESR due to DPH		528,443,352	528,443,352	450,255,844	78,187,508
HSF MRA Fund Payable (Claim & Fee)		186,681,404	186,681,404	162,469,299	24,212,105
Capitation Payable	63,175,705		63,175,705	51,989,271	11,186,434
Claims Payable	2,620,600		2,620,600	3,147,725	(527,126)
Claims IBNR	14,545,471		14,545,471	3,537,666	11,007,805
TOTAL LIABILITIES	145,151,637	783,808,464	928,960,101	783,284,367	145,675,734
FUND BALANCE					
Contributed Capital	1,516,840		1,516,840	1,516,840	-
Accumulated Surplus Revenue	94,091,376		94,091,376	90,029,573	4,061,803
Current Year Surplus / Deficit	17,874,495		17,874,495	2,448,025	15,426,470
Fund Balance	113,482,711	-	113,482,711	93,994,439	19,488,273
TOTAL LIABILITIES & FUND BALANCE	258,634,349	783,808,464	1,042,442,813	877,278,806	165,164,007
	=====	=====	=====	=====	=====

**San Francisco Health Plan
Consolidated Balance Sheet for SFHA and SFCHA
As of April 30, 2022**

Notes:

- (1) SFHP Cash, Cash Equivalents and Short Term Investments had a combined balance of \$156.4 million at 4/30/22 as compared to \$91.2 million at 4/30/21. This increase of \$65.2 million is comprised of 1) \$35.0 million of excess Proposition 56, Enhanced Care Management and Major Organ Transplants funding that will need to be returned to DHCS as we will not achieve the required MLR thresholds, 2) \$7.5 million of Managed Care Organization tax to be paid to DHCS, 3) \$6.7 million in Ground Emergency Medical Transportation (GEMT) funding to be paid to hospitals and 4) \$16.0 million in positive cash flow generated from the new Medi-Cal rates effective January 2022.

The days cash on hand as of 4/30/22 was 56 days compared to 53 days at 3/31/22. As expected, April days cash on hand was consistent with March. Days cash on hand continues to gradually increase due to excess funding received for Proposition 56 and CalAIM programs along with increased revenues related to the new Medi-Cal rates that were effective January 2022.

- (2) The \$5.1 million reduction in Other Receivables is due to the collection of advances made to providers during FY 19-20 to assist with cash flow as they worked through the pandemic. Providers were given until June 30, 2021 to repay the advances.
- (3) Capitation Receivable is a combination of Medi-Cal premiums totaling \$60.6 million along with \$65,000 of receivables for the Healthy Workers program.
- (4) In January 2022, SF DPH reimbursed \$14.7 million related to the \$500 grants disbursed to San Francisco City Option MRA holders during August through December 2020.
- (5) The amount payable to SFHP providers and DHCS at 4/30/22 included the following - \$35.0 million in Proposition 56 and CalAIM funding that will have to be returned to DHCS as we will not reach the required MLR of 95% and \$7.5 million in Managed Care Organization (MCO) tax payable to DHCS.

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, 2022

Current Month		Current Month		Fav (Unfav)		Fav (Unfav)		Year to Date		Year to Date		Fav (Unfav)		Fav (Unfav)	
Actual		Budget		Amount (\$)		%		Actual		Budget		(\$)		%	
Member Month															
	21,079	17,025	4,054	23.8%	Medi-Cal - Adult 19			194,162	171,709	22,453	13.1%				
	42,635	41,718	917	2.2%	Medi-Cal - Child 18			420,198	420,760	(562)	(0.1%)				
	15,570	13,847	1,723	12.4%	Medi-Cal - Dual Members			150,083	139,656	10,427	7.5%				
	13,669	13,194	475	3.6%	Medi-Cal SPD			135,275	131,973	3,302	2.5%				
	66,760	60,752	6,008	9.9%	Medi-Cal Expansion			639,908	620,110	19,798	3.2%				
	11,764	11,675	89	0.8%	Healthy Workers			117,623	116,750	873	0.7%				
(1)	171,477	158,211	13,266	8.4%	TOTAL MEMBER MONTH			1,657,249	1,600,958	56,291	3.5%				
REVENUE															
	6,088,380	4,778,291	1,310,089	27.4%	Medi-Cal			79,032,384	67,952,301	11,080,083	16.3%				
	5,341,370	4,872,631	468,739	9.6%	Medi-Cal Child			66,166,354	64,212,897	1,953,458	3.0%				
	2,570,231	2,124,675	445,556	21.0%	Medi-Cal Dual			25,081,764	21,896,829	3,184,936	14.5%				
	12,231,611	10,019,443	2,212,168	22.1%	Medi-Cal SPD			174,525,479	164,045,288	10,480,191	6.4%				
	25,044,748	20,103,476	4,941,272	24.6%	Medi-Cal Expansion			319,685,736	307,693,512	11,992,225	3.9%				
	0	0	0		MC Health Homes			564,860	428,490	136,370	31.8%				
	6,920,188	6,869,920	50,267	0.7%	Healthy Workers			69,182,517	68,699,203	483,314	0.7%				
(2)	58,196,527	48,768,436	9,428,091	19.3%	Total Capitation Revenue			734,239,095	694,928,519	39,310,576	5.7%				
	1,319,876	709,146	610,730	86.1%	Other Income - Admin Svc & TPL			7,828,113	7,154,188	673,924	9.4%				
	0	0			Other Income - Navigator Grant			64,003	0						
	0	0	0		Other Income - BHI			0	0	0					
	1,319,876	709,146	610,730	86.1%	Total Other Income			7,892,116	7,154,188	737,927	10.3%				
	59,516,403	49,477,582	10,038,821	20.3%	TOTAL REVENUE			742,131,211	702,082,707	40,048,503	5.7%				

**San Francisco Health Plan
Income Statement w/o HSF
Consolidated Statement for SFHA and SFCHA
For the Month Ending April 30, 2022**

Current Month	Current Month	Fav (Unfav)	Fav (Unfav)		Year to Date	Year to Date	Fav (Unfav)	Fav (Unfav)	
Actual	Budget	Amount (\$)	%		Actual	Budget	(\$)	%	
EXPENSES									
				Medical Expenses					
18,905,185	17,351,058	(1,554,127)	(9.0%)	Professional	182,501,936	177,144,043	(5,357,893)	(3.0%)	
28,134,528	23,858,855	(4,275,674)	(17.9%)	Hospital	261,268,442	244,327,959	(16,940,483)	(6.9%)	
1,002,860	1,066,978	64,118	6.0%	Pharmacy	59,505,899	58,417,809	(1,088,090)	(1.9%)	
37,542	32,772	(4,771)	(14.6%)	Immunizations	425,447	331,927	(93,520)	(28.2%)	
969,332	830,716	(138,616)	(16.7%)	Vision and Mental Health	9,632,109	8,385,823	(1,246,286)	(14.9%)	
1,541,953	1,535,790	(6,164)	(0.4%)	Health Ed & Stop Loss & Other	162,963,522	164,739,221	1,775,700	1.1%	
(3)	50,591,401	44,676,168	(5,915,233)	(13.2%)	Total Medical Expenses	676,297,355	653,346,783	(22,950,572)	(3.5%)
	86.9%	91.6%		Medical Cost Ratio %	92.1%	94.0%			
				Operating Expenses					
2,395,375	2,403,587	8,212	0.3%	Compensation & Benefits	24,990,014	24,297,981	(692,033)	(2.8%)	
24,653	78,000	53,347	68.4%	GASB-68 CalPERS Contribution	257,381	837,999	580,618	69.3%	
419,217	469,766	50,549	10.8%	Lease, Insurance, D & A	4,448,108	4,921,469	473,361	9.6%	
93,121	128,643	35,521	27.6%	Marketing & Outreach	806,896	997,692	190,797	19.1%	
164,616	146,818	(17,798)	(12.1%)	PBM and Mental Health TPA Fees	2,882,240	2,711,146	(171,094)	(6.3%)	
148,253	423,241	274,988	65.0%	Professional Fees & Consulting	3,779,654	4,526,159	746,505	16.5%	
947,359	934,350	(13,008)	(1.4%)	Other Expenses	9,490,182	9,258,046	(232,136)	(2.5%)	
(4)	4,192,594	4,584,405	391,811	8.5%	Total Operating Expenses	46,654,475	47,550,493	896,018	1.9%
	4.9%	7.9%		Administrative Cost Ratio % (Op Exp-Other Inc/Premium)	5.3%	5.8%			
54,783,995	49,260,572	(5,523,422)	(11.2%)	TOTAL EXPENSES	722,951,830	700,897,276	(22,054,554)	(3.1%)	
4,732,408	217,010	4,515,398	2,080.7%	Operating Surplus / Deficit	19,179,381	1,185,431	17,993,950	1,517.9%	
39,381	41,667	(2,285)	(5.5%)	Interest Income & Realized G/L on Investment	405,987	416,667	(10,680)	(2.6%)	
(311,639)	0	(311,639)		Unrealized Gain / Loss on Investment	(1,710,872)	0	(1,710,872)		
(272,257)	41,667	(313,924)	(753.4%)	Total Interest Income & Realized G/L on Investment	(1,304,886)	416,667	(1,721,552)	(413.2%)	
4,460,151	258,677	4,201,474	1,624.2%	SURPLUS / DEFICIT	17,874,495	1,602,098	16,272,397	1,015.7%	

**San Francisco Health Plan
Income Statement w/o HSF
Consolidated Statement for SFHA and SFCHA
For the Month Ending April 30, 2022**

Notes:

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

April member months were 8.4% ahead of budget which is not surprising given the fact that we started the fiscal year with 2,400 more Medi-Cal members plus we received new enrollment that transitioned over from Medi-Cal Fee-For-Service. Membership is expected to increase slightly over the next two months as the Public

- (1) Health Emergency (PHE) is now expected to end in mid-July 2022. It is important to note that once the PHE ends, we expect a gradual decline in membership as the redetermination process will resume requiring members to be placed on hold or terminated.

- (2) Premium revenue was up \$9.4 million due to an additional 13,266 member months along with premium rate increases that were effective January 2022. It should be noted that a portion of the premium rate increase was to help cover the hospital risk SFHP has had for the SFCCC members since July 2021. Membership mix was also favorable as 79% of the additional member months were in the Adult, Adult Expansion and Seniors and Persons with Disabilities (SPD) categories of aid where the per member, per month premium rates are much higher than the Child and Duals categories of aid. In addition, we now have new revenue streams for Enhanced Care Management, Community Supports and Major Organ Transplants. SFHP also received \$643,000 in COVID-19 vaccination incentive funding.

- (3) Overall medical expense was up \$5.9 million. We had \$3.2 million more in capitation expense as the result of having 13,266 more member months as well as a more favorable membership mix than what the budget projected. This additional cost is offset by the revenue SFHP received for these additional members. We saw \$2.6 million more in hospital fee-for-service claims due to 1) a pmpm cost of \$54.75 versus a budget projection of \$42.80 and 2) an increase in the number of at-risk members for hospital services.

- (4) Overall administrative expenses were down \$392,000 versus the budget. The budget projected that several of the professional services/consulting engagements would continue into the last quarter of the fiscal year. As it turned out, the total spend for some of these engagements was less than anticipated while other engagements ended earlier than expected. We also experienced smaller savings for the insurance and marketing line items. These variances are related to timing differences.

San Francisco Health Plan
Income Statement w/o HSF
Consolidated Statement for SFHA and SFCHA
For the Month Ending April 30, 2022
(\$ PMPM)

Current Month	Current Month	Fav (Unfav)	Fav (Unfav)
Actual	Budget	Amount (\$)	%

Year to Date	Year to Date	Fav (Unfav)	Fav (Unfav)
Actual	Budget	Amount (\$)	%

REVENUE								
288.84	280.66	8.17	2.9%	Medi-Cal - Adult 19	407.04	395.74	11.30	2.9%
125.28	116.80	8.48	7.3%	Medi-Cal - Child 18	157.46	152.61	4.85	3.2%
165.08	153.44	11.64	7.6%	Medi-Cal - Dual Members	167.12	156.79	10.33	6.6%
894.84	759.39	135.45	17.8%	Medi-Cal SPD	1,290.15	1,243.02	47.13	3.8%
375.15	330.91	44.24	13.4%	Medi-Cal Expansion	499.58	496.19	3.39	0.7%
588.25	588.43	(0.18)	(0.0%)	Healthy Workers	588.17	588.43	(0.26)	(0.0%)
339.38	308.25	31.13	10.1%	Total Capitation Revenue	443.05	434.07	8.98	2.1%
7.70	4.48	3.21	71.7%	Other Income - Admin Svc & TPL	4.72	4.47	0.25	5.7%
-	-	-		Other Income - Navigator Grant	0.04	-	0.04	
-	-	-		Other Income - BHI	-	-	-	
7.70	4.48	3.21	71.7%	Total Other Income	4.76	4.47	0.29	6.6%
347.08	312.73	34.35	11.0%	TOTAL REVENUE	447.81	438.54	9.27	2.1%

San Francisco Health Plan
Income Statement w/o HSF
Consolidated Statement for SFHA and SFCHA
For the Month Ending April 30, 2022
(\$ PMPM)

Current Month Actual	Current Month Budget	Fav (Unfav) Amount (\$)	Fav (Unfav) %		Year to Date Actual	Year to Date Budget	Fav (Unfav) Amount (\$)	Fav (Unfav) %
EXPENSES								
				Medical Expenses				
110.25	109.67	(0.58)	(0.5%)	Professional	110.12	110.65	0.53	0.5%
164.07	150.80	(13.27)	(8.8%)	Hospital	157.65	152.61	(5.04)	(3.3%)
5.85	6.74	0.90	13.3%	Pharmacy	35.91	36.49	0.58	1.6%
0.22	0.21	(0.01)	(5.7%)	Immunizations	0.26	0.21	(0.05)	(23.8%)
5.65	5.25	(0.40)	(7.7%)	Vision and Mental Health	5.81	5.24	(0.57)	(11.0%)
8.99	9.71	0.72	7.4%	Health Ed & Stop Loss & Other	98.33	102.90	4.57	4.4%
295.03	282.38	(12.65)	(4.5%)	Total Medical Expenses	408.08	408.10	0.01	0.0%
86.9%	91.6%			Medical Cost Ratio %	92.1%	94.0%		
				Operating Expenses				
13.91	15.19	1.29	8.5%	Compensation & Benefits	15.07	15.18	0.10	0.7%
0.14	0.49	0.35	70.8%	GASB-68 CalPERS Contribution	0.16	0.52	0.37	70.3%
2.44	2.97	0.52	17.7%	Lease, Depreciation & Amortization	2.68	3.07	0.39	12.7%
0.54	0.81	0.27	33.2%	Marketing & Outreach	0.49	0.62	0.14	21.9%
0.96	0.93	(0.03)	(3.4%)	PBM and Mental Health TPA Fees	1.74	1.69	(0.05)	(2.7%)
0.86	2.68	1.81	67.7%	Professional Fees & Consulting	2.28	2.83	0.55	19.3%
5.52	5.91	0.38	6.5%	Other Expenses	5.73	5.78	0.06	1.0%
24.39	28.98	4.59	15.8%	Total Operating Expenses	28.15	29.70	1.56	5.2%
4.9%	7.9%			Administrative Cost Ratio %	5.3%	5.8%		
319.42	311.36	(8.06)	(2.6%)	TOTAL EXPENSES	436.23	437.80	1.57	0.4%
27.66	1.37	26.29	1916.6%	Operating Surplus / Deficit	11.58	0.74	10.84	1463.8%
0.23	0.26	(0.03)	(12.8%)	Interest Income & Realized G/(L) on Investment	0.24	0.26	(0.02)	(5.9%)
(1.82)	-	(1.82)	-	Unrealized Gain / (Loss) on Investment	(1.03)	-	(1.03)	-
(1.59)	0.26	(1.85)			(0.79)	0.26	(1.05)	
26.07	1.64	24.44	1494.7%	SURPLUS / DEFICIT	10.79	1.00	9.79	978.4%

San Francisco Health Plan
Income Statement
Healthy San Francisco & SF Covered MRA
For the Month Ending April 30, 2022

Current Month Actual	Current Month Budget	Fav (Unfav) Amount (\$)	Fav (Unfav) %		Year to Date Actual	Year to Date Budget	Fav (Unfav) (\$)	Fav (Unfav) %
REVENUE								
1,085,512	1,120,255	(34,743)	-3.1%	TPA Fee - HSF + SFCMRA	9,770,935	11,382,879	(1,611,944)	(14.2%)
EXPENSES								
746,223	819,322	73,099	8.9%	Compensation & Benefits	7,895,036	8,373,541	478,505	5.7%
94,316	94,316	-	0.0%	Lease, Insurance, D & A	937,597	943,163	5,566	0.6%
17,860	41,831	23,971	57.3%	Marketing & Outreach	134,000	418,313	284,312	68.0%
160,000	67,167	(92,833)	(138.2%)	Professional Fees & Consulting	169,684	671,667	501,983	74.7%
67,112	97,620	30,507	31.3%	Other Expenses	634,617	976,196	341,579	35.0%
<hr/>								
1,085,512	1,120,255	34,744	3.1%	TOTAL EXPENSES	9,770,935	11,382,879	1,611,944	14.2%
100.0%	100.0%			Administrative Cost Ratio %	100.0%	100.0%		
<hr/>								
-	-	-	0.0%	SURPLUS / DEFICIT	-	-	-	0.0%
<hr/>								

San Francisco Health Plan									
Investment Performance									
(excludes balances in SFHA operating accounts)									
April 30, 2022									
	Purchase Date	Quantity	Purchase Price	4/30/22 Price	Market Value 4/30/22	Amortized Prem / Disc	Remaining Cost	Unrealized Gain (Loss)	Estimated Annual Income
Fixed Income Securities									
Local Agency Investment Fund (LAIF) - rate @ .262%			\$ 1,220,852		\$ 1,220,852	\$ -	\$ 1,220,852	\$ -	\$ 3,199
Principal Cash									
Principal Cash		-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City National Rochdale Gov - 0.01%		220,218	\$ 220,218	\$ 1,000	\$ 220,218	\$ 1	\$ 220,219	\$ (1)	\$ 22
Total Cash and Cash Equivalents		\$ 220,218	\$ 220,218		\$ 220,218	\$ 1	\$ 220,219	\$ (1)	\$ 22
U.S. Govt Bonds, Notes, & U.S. Agencies									
US Treasury Note - 2.625% - Mat 02/28/2023	10/6/21	485,000	\$ 501,653	\$ 100.527	\$ 487,556	\$ (4,750)	\$ 496,902	\$ (9,347)	\$ 12,731
US Treasury Note - 1.500% - Mat 03/31/2023	10/6/21	805,000	\$ 820,691	\$ 99.504	\$ 801,007	\$ (4,226)	\$ 816,465	\$ (15,458)	\$ 12,075
US Treasury Note - 2.750% - Mat 04/30/2023	10/30/19	840,000	\$ 871,997	\$ 100.563	\$ 844,729	\$ (30,035)	\$ 841,961	\$ 2,768	\$ 23,100
US Treasury Note - 1.375% - Mat 09/30/2023	10/6/21	990,000	\$ 1,011,579	\$ 98.481	\$ 974,962	\$ (4,351)	\$ 1,007,228	\$ (32,266)	\$ 13,613
US Treasury Note - 2.750% - Mat 11/15/2023	5/7/20	680,000	\$ 738,517	\$ 100.297	\$ 682,020	\$ (29,755)	\$ 708,763	\$ (26,743)	\$ 18,700
US Treasury Note - 0.250% - Mat 11/15/2023	10/6/21	1,010,000	\$ 1,008,738	\$ 96.543	\$ 975,084	\$ 235	\$ 1,008,972	\$ (33,888)	\$ 2,525
US Treasury Note - 2.875% - Mat 11/30/2023	10/6/21	950,000	\$ 1,001,990	\$ 100.453	\$ 954,304	\$ (9,673)	\$ 982,317	\$ (38,014)	\$ 27,313
US Treasury Note - 2.375% - Mat 02/29/2024	12/23/20	125,000	\$ 133,691	\$ 99.484	\$ 124,355	\$ (3,234)	\$ 130,457	\$ (6,102)	\$ 2,969
US Treasury Note - 2.125% - Mat 03/31/2024	6/8/20	585,000	\$ 624,945	\$ 98.930	\$ 578,741	\$ (18,323)	\$ 606,621	\$ (27,881)	\$ 12,431
US Treasury Note - 2.000% - Mat 06/30/2024	10/6/21	785,000	\$ 817,811	\$ 98.398	\$ 772,424	\$ (4,804)	\$ 813,007	\$ (40,582)	\$ 15,700
US Treasury Note - 2.375% - Mat 08/15/2024	5/7/20	570,000	\$ 619,229	\$ 98.977	\$ 564,169	\$ (20,686)	\$ 598,543	\$ (34,374)	\$ 13,538
US Treasury Note - 1.250% - Mat 08/31/2024	3/15/21	985,000	\$ 1,009,122	\$ 96.469	\$ 950,220	\$ (8,480)	\$ 1,000,641	\$ (50,422)	\$ 12,313
US Treasury Note - 2.250% - Mat 12/31/2024	6/2/20	685,000	\$ 745,553	\$ 98.398	\$ 674,026	\$ (23,127)	\$ 722,426	\$ (48,400)	\$ 15,413
US Treasury Note - 0.375% - Mat 04/30/2025	6/2/20	625,000	\$ 626,904	\$ 92.813	\$ 580,081	\$ (678)	\$ 626,226	\$ (46,145)	\$ 2,344
US Treasury Note - 2.875% - Mat 05/31/2025	6/2/20	670,000	\$ 754,430	\$ 99.891	\$ 669,270	\$ (29,559)	\$ 724,871	\$ (55,602)	\$ 19,263
US Treasury Note - 2.750% - Mat 06/30/2025	7/17/20	700,000	\$ 763,218	\$ 99.508	\$ 696,556	\$ (26,426)	\$ 736,792	\$ (40,236)	\$ 19,250
US Treasury Note - 0.250% Mat 07/31/2025	11/3/20	520,000	\$ 516,913	\$ 91.731	\$ 477,001	\$ 861	\$ 517,774	\$ (40,773)	\$ 1,300
US Treasury Note - 2.00% - Mat 08/15/2025	9/10/20	150,000	\$ 162,604	\$ 97.086	\$ 145,629	\$ (3,736)	\$ 158,867	\$ (13,238)	\$ 3,000
US Treasury Note - 0.250% - Mat 09/30/2025	10/6/21	645,000	\$ 631,369	\$ 91.309	\$ 588,943	\$ 1,370	\$ 632,739	\$ (43,796)	\$ 1,613
US Treasury Note - 0.375% - Mat 10/31/2025	12/23/20	250,000	\$ 250,127	\$ 91.285	\$ 228,213	\$ (30)	\$ 250,097	\$ (21,884)	\$ 938
US Treasury Note - 0.375% - Mat 12/31/2025	5/7/21	510,000	\$ 501,732	\$ 91.109	\$ 464,656	\$ 1,453	\$ 503,185	\$ (38,529)	\$ 1,913
US Treasury Note - 0.375% - Mat 01/31/2026	2/16/21	505,000	\$ 502,574	\$ 90.883	\$ 458,959	\$ 509	\$ 503,082	\$ (44,123)	\$ 1,894
US Treasury Note - 2.250% - Mat 03/31/26	10/6/21	355,000	\$ 376,120	\$ 97.406	\$ 345,791	\$ (1,886)	\$ 374,234	\$ (28,442)	\$ 7,988
US Treasury Note - 0.750% - Mat 04/30/2026	5/7/21	575,000	\$ 573,720	\$ 91.727	\$ 527,430	\$ (1,705)	\$ 572,015	\$ (44,585)	\$ 4,313
US Treasury Note - 0.625% - Mat 07/31/2026	8/9/21	965,000	\$ 956,305	\$ 90.703	\$ 875,284	\$ (4,541)	\$ 951,763	\$ (76,479)	\$ 6,031
Federal National Mortgage Assn-2.625% Mat 09/06/2024	10/30/19	790,000	\$ 824,357	\$ 99.627	\$ 787,053	\$ (16,850)	\$ 807,507	\$ (20,454)	\$ 20,738
Total U.S. Govt Bonds, Notes, & U.S. Agencies		\$ 16,755,000	\$ 17,345,887		\$ 16,228,463	\$ (242,430)	\$ 17,103,457	\$ (874,994)	\$ 273,000
Corporate Bonds									
Wells Fargo & Company - 3.750% Mat - 01/24/2024	4/22/19	685,000	\$ 701,050	\$ 100.738	\$ 690,055	\$ (9,607)	\$ 691,442	\$ (1,387)	\$ 25,688
Morgan Stanley - Variable rate 3.737% Mat 04/24/2024	7/25/19	575,000	\$ 599,121	\$ 99.954	\$ 574,736	\$ (13,162)	\$ 585,960	\$ (11,224)	\$ 21,488
United Health Group Inc - 2.375% Mat 08/15/2024	2/17/21	320,000	\$ 341,024	\$ 98.484	\$ 315,149	\$ (6,158)	\$ 334,866	\$ (19,717)	\$ 7,600
JP Morgan Chase - 3.875% Mat 09/10/2024	5/10/21	680,000	\$ 745,151	\$ 100.339	\$ 682,305	\$ (15,534)	\$ 729,617	\$ (47,311)	\$ 26,350
Paccar Financial Corp - 1.80% Mat - 02/06/2025	5/18/20	375,000	\$ 380,438	\$ 96.124	\$ 360,465	\$ (2,027)	\$ 378,410	\$ (17,945)	\$ 6,750
Bank of America Corp - Variable rate 3.458% Mat 03/15/2025	5/12/20	695,000	\$ 742,031	\$ 99.066	\$ 688,509	\$ (17,330)	\$ 724,700	\$ (36,192)	\$ 24,033
3M Company -2.650% Mat 04/15/2025	5/19/20	360,000	\$ 382,644	\$ 98.216	\$ 353,578	\$ (8,150)	\$ 374,494	\$ (20,916)	\$ 9,540
Citigroup Inc - Variable Rate 3.352% Mat 04/24/2025	5/19/20	480,000	\$ 505,618	\$ 98.415	\$ 472,392	\$ (9,220)	\$ 496,397	\$ (24,005)	\$ 16,090
Chevron USA INC - .687% Mat 08/12/2025	2/17/21	505,000	\$ 504,753	\$ 91.909	\$ 464,140	\$ 57	\$ 504,809	\$ (40,669)	\$ 3,469
Comcast Corp- 3.95% Mat 10/15/2025	2/17/21	440,000	\$ 501,675	\$ 101.156	\$ 445,086	\$ (13,583)	\$ 488,091	\$ (43,005)	\$ 17,380
Apple Inc - .700% Mat 02/08/2026	2/17/21	630,000	\$ 629,049	\$ 91.330	\$ 575,379	\$ 196	\$ 629,244	\$ (53,865)	\$ 4,410
Total Corporate Bonds		\$ 5,745,000	\$ 6,032,551		\$ 5,621,794	\$ (94,520)	\$ 5,938,032	\$ (316,238)	\$ 162,797
Foreign Bonds									
BK Montreal Mtn. 3.3% Mat - 02/05/2024	3/29/19	700,000	\$ 709,618	\$ 100.018	\$ 700,126	\$ (5,713)	\$ 703,905	\$ (3,779)	\$ 23,100
Santander UK PLC. 4% Mat - 03/13/2024	10/31/19	565,000	\$ 603,606	\$ 101.156	\$ 571,531	\$ (20,407)	\$ 583,200	\$ (11,668)	\$ 22,600
Total Foreign Bonds		\$ 1,265,000	\$ 1,313,224		\$ 1,271,657	\$ (26,119)	\$ 1,287,105	\$ (15,448)	\$ 45,700
Municipal Bonds									
Wisconsin State - 0.361% Mat-05/01/2024	3/17/2021	545,000	\$ 545,000	\$ 94.958	\$ 517,521	\$ -	\$ 545,000	\$ (27,479)	\$ 1,967
Total Municipal Bonds		\$ 545,000	\$ 545,000		\$ 517,521	\$ -	\$ 545,000	\$ (27,479)	\$ 1,967
Municipal Zero Coupon Bonds									
Total Zero Coupon Bonds		-	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
Total of City National Investments		24,310,000	25,236,663		23,639,435	(363,069)	24,873,594	(1,234,159)	483,465
Total City National Holdings		24,530,218	\$ 25,456,882		\$ 23,859,654	\$ (363,068)	\$ 25,093,814	\$ (1,234,160)	\$ 483,487
Estimated Accrued Income					\$ 109,866.92				
Total of City National Investments					\$ 23,969,520.55				
Mandatory 3 CDs - Assigned to DMHC								\$ (1,597,228)	\$ -
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			\$ 26,977,733		\$ 25,380,505			\$ (1,234,160)	\$ 488,485



April 2022

Portfolio Review

Prepared for: San Francisco Health Authority

Presented by:

Michael Taila

Managing Director, Co-Director Fixed Income

Definition of Terminology

Portfolio Structure Terms

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

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



SFHA – Short Intermediate Portfolio Review Snapshot as of 4/30/2022

Estimated MV + Accrued as of: 3/31/2022 4/30/2022 Change
 \$24,176,427 \$23,969,521 -\$206,906

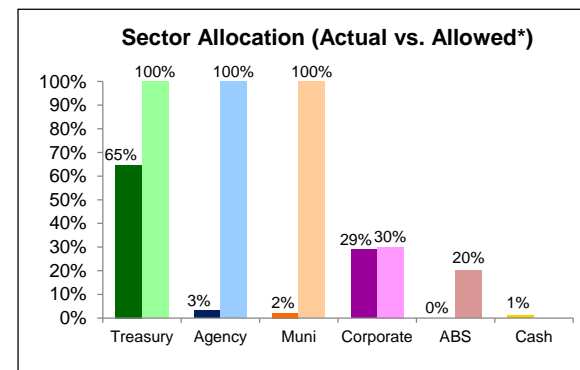
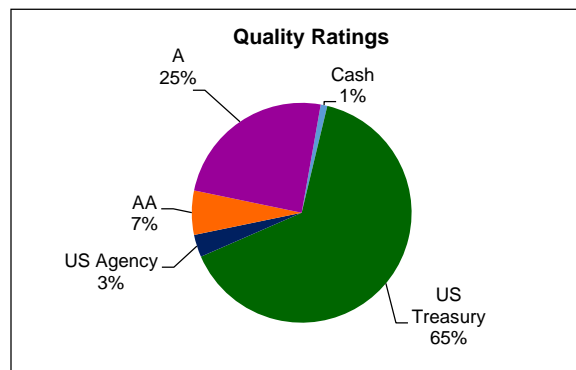
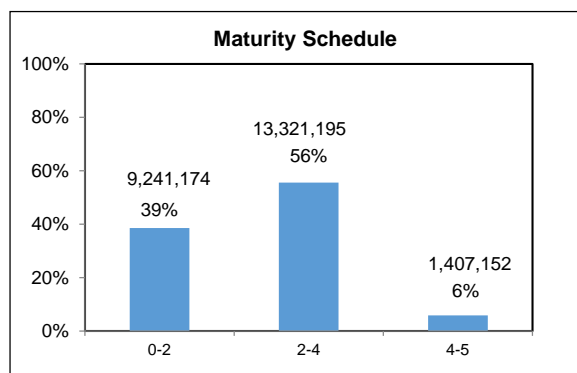
Portfolio Structure
 Yield to Maturity 2.84%
 Yield to Cost 0.87%
 Average Maturity 2.42 Years
 Average Credit Quality AAA-

Fiscal Year Accounting Estimates 6/30/2021 through 4/30/2022:

Beginning Balance (6/30/2021)	\$25,211,795
Contributions	\$0
Withdrawals	\$0
Interest & Dividends Received	\$423,090
Accrued Interest Sold	\$26,098
Accrued Interest Purchased	-\$23,887
Accrued Interest	\$109,867
Fees	-\$67,223
Value Before Market Changes	\$25,679,740
Change in Market Value	-\$1,710,219
Ending Balance (4/30/2022)	\$23,969,521

Historical Total Return Performance as of 4/30/2022:

Time Period	Portfolio	Barclays 1-5 Year Gov't/Credit
Fiscal YTD (6/30/21 – 4/30/2022)	-4.66%	-5.06%
April 2022	-0.83%	-1.00%
Inception to Date (5/31/12 – 4/30/2022)	1.64%	1.22%



*At time of purchase

Credit Issues

There were no credit issues for the month of April.



SFHA – Liquidity Portfolio Review Snapshot as of 4/30/2022

Estimated MV + Accrued as of: 3/31/2022	4/30/2022	Change
\$ 254,292,174	\$147,241,425	-\$107,050,749

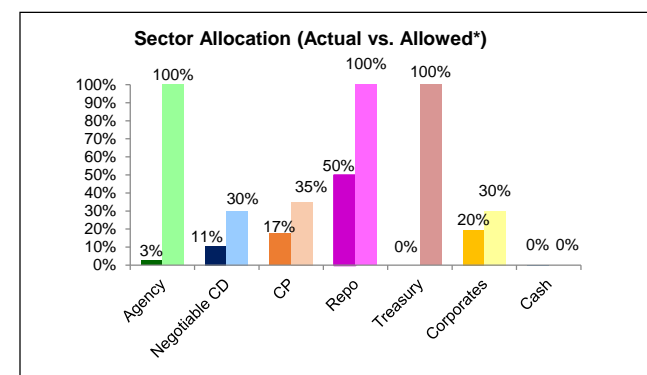
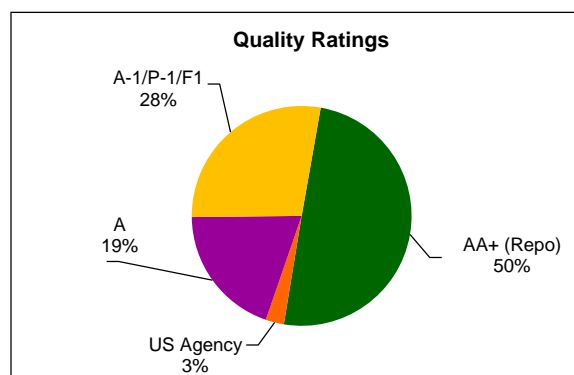
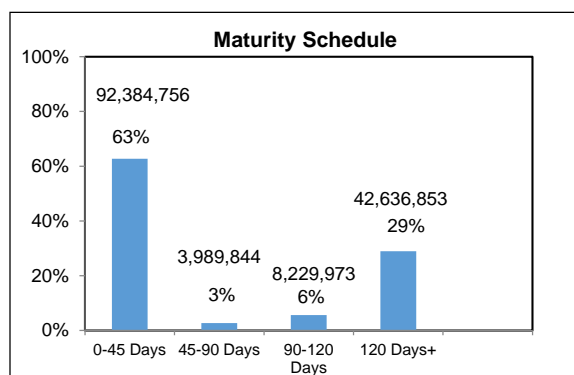
Portfolio Structure	
Yield to Maturity	1.01%
Yield to Cost	0.74%
Average Maturity	101 Days
Average Credit Quality	AA+

Fiscal Year Accounting Estimates 6/30/2021 through 4/30/2022:

Beginning Balance (6/30/2021)	\$96,332,230
Contributions	\$701,000,000
Withdrawals	-\$650,000,000
Interest & Dividends Received	\$240,529
Accrued Interest Sold	\$42,663
Accrued Interest Purchased	-\$98,208
Accrued Interest	\$162,344
Fees	-\$88,943
Value Before Market Changes	\$147,590,615
Change in Market Value	-\$349,190
Ending Balance (4/30/2022)	\$147,241,425

Historical Total Return Performance as of 4/30/2022:

Time Period	Portfolio	Barclays US T-Bill 1-3 Month
Fiscal YTD (6/30/21 – 4/30/2022)	0.01%	0.08%
April 2022	-0.02%	0.02%
Inception to Date (7/3/17 – 4/30/2022)	1.17%	1.07%



*At time of purchase

Credit Issues

There were no credit issues for the month of April.





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Agenda Item 3: Action Item

Review and Approval of Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority Fiscal Year 2022-2023

FY 22-23 SFHP BUDGET – FREQUENTLY ASKED QUESTIONS (FAQs)

For FY 22-23, San Francisco Health Plan (SFHP) projects an overall margin of \$22.3 million. This compares to an anticipated margin of \$21.1 million for FY 21-22. After excluding the impact of Strategic Use of Reserves (SUR) carrying over from prior years, SFHP projects a \$24.4 million margin from operations. This compares to an anticipated margin from operations of \$22.3 million for FY 21-22.

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 22-23.

Background and assumptions used in preparing the FY 22-23 budget include:

- Public Health Emergency (PHE) – for budget purposes, we assumed the PHE would end in mid-July 2022. Once the PHE ends, the Medi-Cal redetermination process will begin which means members will be placed on hold or terminated as they no longer qualify for participation in the Medi-Cal program. As a result, existing membership will gradually decline. In the event that the PHE is extended for another 90 days, membership levels will remain higher through December 2022.
- Dual member integration – Medi-Cal Dual members in San Francisco county currently enrolled in Medi-Cal Fee-For-Service will transition to managed care effective January 2023. SFHP projects adding approximately 13,500 Dual eligible members which will offset the loss of membership due to the redetermination process.
- Long-Term Care (LTC) - SFHP will become responsible for LTC benefit effective January 2023. We project to add 1,000 members to this new line of business. As we have limited experience with the LTC benefit, we have elected to budget fee-for-service costs equal to revenue. LTC will have a MLR of 101.9% due to the allocation of utilization management expenses to this line of business.
- CalAIM - existing as well as new programs related to California Advancing and Innovating Medi-Cal (CalAIM):
 - Enhanced Care Management (ECM) – effective January 2022
 - Community Supports (CS) – effective January 2022
 - Major Organ Transplants (MOT) – effective January 2022
 - Student Behavioral Health Incentive Program (SBHIP) – effective January 2022
 - Housing and Homelessness Incentive Program (HHIP) – effective January 2022
 - Dual member integration – effective January 2023
 - Long-Term Care (LTC) – effective January 2023

- Medi-Cal rates - the budget was prepared using current Medi-Cal revenue rates for July through December 2022. Although our CY 2020 Medi-Cal Rate Development Template (RDT) submission indicates we may receive a 1.7% increase in January 2023, we elected to use current rates for the period January through June 2023. We expect to receive the final CY 2023 rates from the Department of Health Care Services (DHCS) in late December 2022.
- Provider rate increases effective July 2022:
 - A weighted average increase of 5.0% for capitated providers.
 - Increase the Practice Improvement Program (PIP) from 18.5% to 20.0%.
 - Increase Professional fee-for-service rate from 139% to 150% of the Medi-Cal Fee Schedule (MCFS).
 - Increase fee-for-service rates for the Community-Based Adult Services (CBAS) centers by 10%.
 - Increase the rate for the San Francisco Institute on Aging (IOA) by 10%.
- San Francisco Community Clinic Consortium (SFCCC) hospital risk - SFHP will continue to have responsibility for the hospital risk for members enrolled with the SFCCC. Zuckerberg San Francisco General (ZSFG) will continue to be paid on a fee-for-service basis with SFHP covering all out-of-network utilization. The net cost the Plan is projected to be \$20-\$22 million which is covered through the Medi-Cal rates.
- ZSFG risk corridor – covering five specific services – dialysis, radiation/oncology, transgender surgical services, transportation, and trauma. The cost for these services will be compared to what is included in the capitation rates paid to ZSFG. The risk corridor has a cap of \$6.0 million. As current trending indicates actual cost is exceeding the capitation, it is anticipated that SFHP will be paying \$6.0 million to ZSFG.
- Medi-Cal pharmacy – there is no pharmacy revenue or expense included in the budget as this benefit was carved out of Medi-Cal managed care effective January 2022.
- Healthy Workers pharmacy - we will continue to have responsibility for the Healthy Workers pharmacy benefit for FY 22-23. The projected cost is \$89.00 per member, per month (pmpm). The Healthy Workers premium rate includes a pharmacy component of \$93.61 pmpm.

MEDI-CAL MEMBERSHIP INCREASING 2.5% AS PUBLIC HEALTH EMERGENCY ENDS

Medi-Cal membership is projected to be 165,700 on June 30, 2023. This compares to 161,655 on June 30, 2022, representing an increase of 2.5%.

Assuming the PHE ends in mid-July 2022 and the Medi-Cal redetermination process starting in September, one would expect to see an overall decline in membership. Although we do expect existing membership to gradually decline as we move through FY 22-23, the Dual eligible member integration that will happen in January 2023 is expected to add 13,500 new members which will more than offset the loss of members due to the redetermination process.

MEMBER MONTHS INCREASING 5% WHILE REVENUE AND MEDICAL EXPENSE INCREASING 23% AND 25% RESPECTIVELY

With a rather modest increase in member months, one would not expect such significant increases in revenue and medical expense. Factors in play include:

- The Medi-Cal premium rate increases effective January 2022 will be in place for the entire FY 22-23.
- New programs such as Enhanced Care Management (ECM), Community Supports (CS) and Major Organ Transplants (MOT) will be in place for the entire FY 22-23.
- Long-Term Care (LTC) and the Dual eligible member integration will generate an additional \$88 million in revenue and related medical expense for January through June 2023.
- Provider rate increases effective July 2022 will increase medical expense by \$17 million during FY 22-23.
- Enhancements to the Directed Payments program are expected to bring in an additional \$120 million in revenue and related medical expense during FY 22-23. Directed Payments do not impact the bottom line. This funding is passed through to Zuckerberg San Francisco General (ZSFG), University of California San Francisco (UCSF) and contracted private hospitals. DMHC and DHCS allow health plans to record Directed Payments as revenue and medical expense.
- We project a full year of Intergovernmental Transfer (IGT) funding. IGT funding received during FY 21-22 covered only the last six months of the Bridge Period of July through December 2020. A full year of IGT funding will bring in an additional \$22 million in revenue and related medical expense. IGT funding is a pass-through to ZSFG and UCSF. As with Directed Payments, IGT funding does not impact the bottom line and qualifies to be recorded as revenue and medical expense.

HEALTHY WORKERS PHARMACY

Although the Medi-Cal pharmacy benefit is now carved out of managed care, SFHP will continue to have responsibility for the Healthy Workers pharmacy benefit for the entire fiscal year. The pharmacy component of the overall Healthy Workers rate is \$93.61 pmpm. The FY 22-23 budget projects the pharmacy cost to be \$89.00 pmpm. As a result, SFHP projects to at least break even and possibly record a small margin. SFHP believes the \$93.61 pmpm is adequate for FY 22-23, therefore we did not seek an increase when the San Francisco Department of Public Health and the San Francisco Human Services Agency met to decide on a new overall Healthy Workers rate increase proposal for FY 22-23.

ADMINISTRATIVE EXPENSE – REQUEST FOR NEW FTEs

Since FY 17-18, there has been only one budget year where SFHP included a request for new FTEs. That occurred in FY 19-20 when the Plan requested 12 new FTEs to handle the anticipated workload related to the launch of the Health Homes Program (HHP). The HHP generated additional revenue for SFHP to cover the costs of the 12 new FTEs.

The FY 22-23 budget includes a request for 10 new FTEs to handle workload related to the CalAIM initiatives such as Enhanced Care Management, Community Supports, Housing and Homelessness, as well new programs such as Long-Term Care and the Dual eligible member integration. It is anticipated that the majority of the costs for these new FTEs will be covered by increases in SFHP's Medi-Cal rates.

ADMINISTRATIVE EXPENSE INCREASING 1.8%, ADMIN RATIO DECREASING FROM 5.7% TO 4.7%

FY 22-23 administrative expenses are projected to increase by \$1.0 million primarily in the area of Information Technology costs such as software licensing, system security and systems infrastructure maintenance and support.

With an overall increase in administrative expenses, one would expect that the administrative ratio would increase, however the ratio is projected to decrease from 5.7% to 4.7%. The primary drivers for this change are the increases in revenues:

- A full 12-month impact of Medi-Cal rate increases that were effective January 2022.
- A full 12-month impact of revenue from CalAIM programs that began January 2022 – Enhanced Care Management, Community Supports and Major Organ Transplants.
- Six months of revenue from Long-Term Care and the Dual eligible member integration effective January 2023.
- Increases in pass-through funding from Directed Payments and IGT programs.

SAN FRANCISCO HEALTH PLAN

PROPOSED OPERATING AND CAPITAL BUDGETS

FY 2022-2023

SAN FRANCISCO HEALTH PLAN RECOMMENDATION TO BOARD

RECOMMENDATION

- **SFHP recommends that the Finance Committee and Governing Board approve the FY 2022-23 Operating and Capital Budgets.**

Note – SFHP plans to have discussions with the Finance Committee and Governing Board regarding possible Medi-Cal provider rate changes for July 2023. These discussions are likely to take place during the March 2023 meeting as final rates for CY 2023 are not expected until late December 2022.

BUDGET PRESENTATION INDEX

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Potential Impacts to Budget	Page 54
Health Plan Membership	Page 55
Health Plan Revenue	Page 56
Health Plan Medical Expense	Page 57
Health Plan Administrative Expense	Pages 58-59
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Capital Expenditure Request	Page 61
Recommendations and Vote	Page 62
Budget Background and Assumptions	Pages 63-103

SFHP FY 22-23 BUDGET SUMMARY

- SFHP is projecting a margin of \$22.3 million for FY 22-23. This strong margin is made possible by the 11.9% increase in Medi-Cal rates effective January 2022. Of the overall increase, 6.7% is related to existing Medi-Cal benefits while the remaining 5.2% is to cover SFHP hospital risk for San Francisco Community Clinic Consortium (SFCCC) members.
- The margin will be used to build reserves as we prepare to take on the responsibility for the Long-Term Care benefit as well as the Dual member integration beginning January 1, 2023. We project our reserve balance to be \$142 million by June 30, 2023.
- The FY 22-23 budget includes the following provider increases effective July 1, 2022. These increases are worth \$17 million for the full fiscal year.
 - A weighted average increase of 5.0% for capitated providers.
 - Increase the Practice Improvement Program (PIP) from 18.5% to 20.0%.
 - Increase Professional fee-for-service rate from 139% to 150% of the Medi-Cal Fee Schedule (MCFS).
 - Increase fee-for-service rates for the Community-Based Adult Services (CBAS) centers by 10%.
 - Increase the rate for the San Francisco Institute on Aging (IOA) by 10%.

See budget slides 64-74 for background and assumptions



SFHP FY 22-23 BUDGET SUMMARY

- One key assumption used in preparing the budget is that the Public Health Emergency (PHE) that was declared in response to the COVID-19 pandemic is expected to end in mid-July 2022. The Medi-Cal redetermination process will begin in September 2022 which will result in a gradual decline in existing membership during FY 22-23. Losses in existing membership will be offset by Dual eligible members transitioning into managed care effective January 2023.
- At this time, we are not proposing any new Strategic Use of Reserves (SUR) programs for FY 22-23:
 - \$2.1 million carrying over to FY 22-23
 - \$1.9 million expected to carry over to FY 23-24

See budget slides 64-74 for background and assumptions

SFHP FY 22-23 BUDGET SUMMARY

The FY 22-23 budget includes the following programs that began January 2022 plus new programs effective January 2023:

- Enhanced Care Management (ECM) (January 2022)
- Community Supports (CS) (January 2022)
- Major Organ Transplants (MOT) (January 2022)
- Student Behavioral Health Incentive Program (SBHIP) (January 2022)
- Housing and Homelessness Incentive Program (HHIP) (January 2022)
- Dual member integration (January 2023)
- Long-Term Care (LTC) (January 2023)

Due to the upside and downside protection provided by risk corridors, SFHP projects to break even or report a small margin on these new programs. SFHP will have a need for additional staff for these programs which is outlined in the headcount slides.



SFHP FY 22-23 BUDGET SUMMARY

Other important components of the FY 22-23 budget include:

Hospital Risk with Zuckerberg San Francisco General (ZSFG):

- SFHP continues to have the hospital risk for 17,500 members enrolled with the SFCCC. ZSFG transitioned from capitation to fee-for-service for these members effective July 1, 2021. Projected net cost to SFHP is \$20-\$22 million.
- SFHP and ZSFG have a risk corridor in place for members assigned to the San Francisco Department of Public Health (DPH) clinics. The risk corridor is in place for CY 2022 and CY 2023 and covers five specific services – dialysis, radiation/oncology, transgender surgical services, transportation and trauma. The risk corridor has a maximum exposure of \$6.0 million.



SFHP FY 22-23 BUDGET SUMMARY

Other important components of the FY 22-23 budget include:

Pharmacy

- The Medi-Cal pharmacy benefit is excluded as it was carved out of managed care effective January 1, 2022. This removes \$104.4 million in revenue and related medical expense from the budget.
- SFHP continues to have responsibility for the Healthy Workers pharmacy benefit which has an estimated cost of \$12.5 million.



SFHP FY 22-23 BUDGET SUMMARY

Other important components of the FY 22-23 budget include:

Pass-Through Programs

- \$251.4 million in Directed Payments. This represents pass-through funding to public, UC system and private hospitals.
- \$38.2 million in Intergovernmental Transfers (IGT). This represents pass-through funding to ZSFG and the University of California San Francisco (UCSF).
- Department of Health Care Services (DHCS) and the Department of Managed Health Care (DMHC) allow health plans to treat these payments as revenue and medical expense.



SFHP FY 22-23 BUDGET SUMMARY

CATEGORY	FY 22-23	FY 21-22	--FAVORABLE (UNFAVORABLE)--	
	BUDGET	PROJECTED	DIFFERENCE	PERCENT
MEMBER MONTHS	2,098,164	2,001,772	96,392	5%
REVENUE (IN 000s)	\$ 1,055,732	\$ 857,322	\$ 198,410	23%
MEDICAL EXPENSE (IN 000s)	\$ 973,695	\$ 777,080	\$ (196,615)	-25%
MEDICAL LOSS RATIO (MLR)	92.9%	92.6%		
ADMINISTRATIVE EXPENSE	\$ 57,894	\$ 56,862	\$ (1,032)	-2%
ADMINISTRATIVE RATIO	4.7%	5.7%		
MARGIN (LOSS) (IN 000s)	\$ 22,287	\$ 21,070	\$ 1,217	6%
ADD BACK: SUR ACTIVITY (IN 000s)	\$ 2,128	\$ 1,270	\$ (858)	-68%
MARGIN (LOSS) FROM OPERATIONS (IN 000s)	\$ 24,415	\$ 22,340	\$ 2,075	9%
STAFFING (FTEs)				
HEALTH PLAN - EXISTING	323	323	-	0%
FUNDED BY NEW PROGRAMS - CALAIM, LONG TERM CARE, DUALS	10	-	10	
TPA (HSF/SF CITY OPTION) - CITY FUNDED AND APPROVED	77	77	-	0%
TOTAL	410	400	10	3%
<u>RESERVES (IN 000s)</u>				
RESERVE BALANCE	\$ 142,287	\$ 120,000	\$ 22,287	19%
STRATEGIC USE OF RESERVES CARRYOVER	\$ (1,909)	\$ (4,037)	\$ 2,128	53%
ADJUSTED RESERVE BALANCE	\$ 140,378	\$ 115,963	\$ 24,415	21%
RESERVE POLICY 2 X PREMIUM REV (ROLLING 12 MONTH AVG)	\$ 143,000	\$ 117,000	\$ 26,000	22%
OVER (UNDER) RESERVE POLICY	\$ (2,622)	\$ (1,037)	\$ 1,585	153%
TNE REQUIREMENT (IN 000s)	\$ 20,500	\$ 15,200	\$ (5,300)	-35%
TNE MULTIPLE	6.94	7.89	(0.95)	-12%

SFHP FY 22-23 BUDGET SUMMARY

➤ FY 22-23 Projected versus FY 21-22:

- | | |
|--|----------|
| ■ Revenue Increase (favorable) | 23% |
| ■ Medical Expense Increase (unfavorable) | (25%) |
| ■ Member Month Increase (favorable) | 5% |
| ■ SFHP Staffing for Insured Lines of Business | 323 FTEs |
| ■ SFHP Staffing for New Programs | 10 FTEs |
| ■ SFHP Staffing for TPA Contracts (City funded and approved) | 77 FTEs |
- Revenue and medical expense increases due to the impact of Long-Term Care, the Dual member integration beginning January 2023 plus increased funding for Directed Payments and Intergovernmental Transfers (IGTs).
 - SFHP administrative ratio at 4.7%. (FY 21-22 approved budget 5.9%, FY 21-22 projected to be 5.7%). Decrease is due to the impact of significant increases in revenue related to Long-Term Care, Dual member integration and pass-through funding to hospitals.



KEY IMPACTS TO FY 22-23 BUDGET

➤ Medi-Cal

- Membership projected to increase by 2.5% between June 2022 and June 2023.
- Public Health Emergency is assumed to end mid-July 2022 which will remove the hold on the redetermination process. As a result, we will see a gradual decrease in existing Medi-Cal enrollment.
- SFHP will take responsibility for the Long-Term Care benefit effective January 2023. We project to have 1,000 members in long-term care facilities.
- Dual eligible members currently in Medi-Cal Fee-For-Service will transition to managed care effective January 2023. As a result, we expect to add approximately 13,500 new Dual eligible members.
- SFHP did not assume any change to current Medi-Cal rates effective January 2023. Although our 2020 Rate Development Template (RDT) submission indicates we may receive an increase of 1.7%, we have decided to remain conservative and keep rates at CY 2022 levels.

➤ Pharmacy

- The Medi-Cal pharmacy benefits remains carved out of managed care for FY 22-23. This removes \$104.4 million from revenue and medical expense.
- SFHP will continue to have responsibility for the Healthy Workers pharmacy benefit during FY 22-23. We project pharmacy expense at \$89.00 pmpm while the Healthy Workers premium rate includes \$93.61 pmpm. Estimated annual cost of \$12.5 million.



SFHP MEMBERSHIP – AS OF JUNE 30TH

	FY 22-23	FY 21-22	---FAVORABLE (UNFAVORABLE)---		FY 21-22
LINE OF BUSINESS	BUDGET	PROJECTED	MEMBERS	PERCENT	BUDGET
MEDI-CAL ADULT/CHILD/DUAL	92,845	82,398	10,447	12.7%	72,048
MEDI-CAL SPD	13,277	13,303	(26)	-0.2%	13,200
MEDI-CAL EXPANSION	58,578	65,954	(7,376)	-11.2%	59,540
MEDI-CAL LONG TERM CARE	1,000	-	1,000		-
TOTAL MEDI-CAL	165,700	161,655	4,045	2.5%	144,788
HEALTHY WORKERS	11,726	11,726	-	0.0%	11,675
ALL LOB	177,426	173,381	4,045	2.3%	156,463



HEALTH PLAN REVENUE (IN 000s)

LINE OF BUSINESS	FY 22-23	FY 21-22	--FAVORABLE (UNFAVORABLE)--		FY 21-22
	BUDGET	PROJECTED	\$\$\$	%	BUDGET
MEDI-CAL ADULT/CHILD/DUAL	\$ 252,199	\$ 198,069	\$ 54,130	27.3%	\$ 188,299
MEDI-CAL SPD	\$ 216,839	\$ 198,059	\$ 18,780	9.5%	\$ 191,797
MEDI-CAL EXPANSION	\$ 419,724	\$ 369,541	\$ 50,183	13.6%	\$ 358,830
MEDI-CAL LONG TERM CARE	\$ 75,000	\$ -	\$ 75,000		\$ -
TOTAL MEDI-CAL	\$ 963,762	\$ 765,669	\$ 198,093	25.9%	\$ 738,926
HEALTHY WORKERS	\$ 82,799	\$ 83,069	\$ (270)	-0.3%	\$ 82,439
TOTAL PREMIUM REVENUE	\$ 1,046,561	\$ 848,738	\$ 197,823	23.3%	\$ 821,365
OTHER INCOME/TPA SERVICES	\$ 9,171	\$ 8,584	\$ 587	6.8%	\$ 8,564
TOTAL REVENUE	\$ 1,055,732	\$ 857,322	\$ 198,410	23.1%	\$ 829,929
FY 22-23 REVENUE INCLUDES \$251.4 MILLION IN DIRECTED PAYMENTS FUNDING PLUS \$38.2 MILLION					
IN IGT FUNDING.					

HEALTH PLAN MEDICAL EXPENSE (IN 000s)

LINE OF BUSINESS	FY 22-23	FY 21-22	--FAVORABLE (UNFAVORABLE)--		FY 21-22
	BUDGET	PROJECTED	\$\$\$	%	BUDGET
MEDI-CAL ADULT/CHILD/DUAL	\$ 229,198	\$ 175,715	\$ (53,483)	-30.4%	\$ 166,352
MEDI-CAL SPD	\$ 199,279	\$ 182,660	\$ (16,619)	-9.1%	\$ 179,508
MEDI-CAL EXPANSION	\$ 388,346	\$ 340,598	\$ (47,748)	-14.0%	\$ 345,679
MEDI-CAL LONG TERM CARE	\$ 76,357	\$ -	\$ (76,357)		\$ -
TOTAL MEDI-CAL	\$ 893,180	\$ 698,973	\$ (194,207)	-27.8%	\$ 691,539
HEALTHY WORKERS	\$ 80,515	\$ 78,107	\$ (2,408)	-3.1%	\$ 79,999
TOTAL MEDICAL EXPENSE	\$ 973,695	\$ 777,080	\$ (196,615)	-25.3%	\$ 771,538
MEDICAL LOSS RATIO (MLR)	92.9%	92.6%			93.9%
MLR FROM OPERATIONS					
MEDI-CAL ADULT/CHILD/DUAL	90.9%	88.3%			88.3%
MEDI-CAL SPD	91.9%	93.6%			93.6%
MEDI-CAL EXPANSION	92.5%	93.8%			96.3%
MEDI-CAL LONG TERM CARE	101.9%	N/A			N/A
TOTAL MEDI-CAL	92.5%	92.3%			93.6%
HEALTHY WORKERS	97.4%	94.9%			97.0%
FY 22-23 MEDICAL EXPENSE INCLUDES \$251.4 MILLION IN DIRECTED PAYMENTS FUNDING PLUS \$38.2 MILLION IN IGT FUNDING.					



HEALTH PLAN ADMINISTRATIVE EXPENSE (IN 000s)

CATEGORY	FY 22-23	FY 21-22	--FAVORABLE (UNFAVORABLE)--		FY 21-22
	BUDGET	PROJECTED	\$\$\$	%	BUDGET
COMPENSATION, BENEFITS AND PENSION	\$ 31,478	\$ 31,158	\$ (320)	-1.0%	\$ 30,325
LEASE, INSURANCE, DEPRECIATION AND AMORTIZATION	\$ 5,354	\$ 5,226	\$ (128)	-2.4%	\$ 5,861
MARKETING AND OUTREACH	\$ 1,148	\$ 879	\$ (269)	-30.6%	\$ 1,110
TPA FEES - PBM, MENTAL HEALTH AND TELEMEDICINE	\$ 2,083	\$ 3,210	\$ 1,127	35.1%	\$ 3,003
PROFESSIONAL FEES AND CONSULTING	\$ 4,445	\$ 5,557	\$ 1,112	20.0%	\$ 5,371
TELECOMM, SYSTEMS LICENSING/SUPPORT AND GENERAL OFFICE	\$ 13,386	\$ 10,832	\$ (2,554)	-23.6%	\$ 11,159
TOTAL ADMINISTRATIVE EXPENSE	\$ 57,894	\$ 56,862	\$ (1,032)	-1.8%	\$ 56,829
ADMINISTRATIVE EXPENSE RATIO	4.7%	5.7%			5.9%
STAFFING (FTEs)					
HEALTH PLAN	323	323	-	0.0%	323
FUNDING FROM NEW PROGRAMS - CALAIM, LONG-TERM CARE, DUALS	10	-	(10)		-
TPA SERVICES (HSF/SF CITY OPTION)	77	77	-	0.0%	77
TOTAL	410	400	(10)	-2.5%	400



FY 22-23 SFHP ADMIN EXPENSE – KEY POINTS

- ▶ Administrative ratio of 4.7% (FY 21-22 budgeted at 5.9%. Projected to end FY 21-22 at 5.7%).
- ▶ 10 new FTEs requested for FY 22-23. The majority of these positions will be funded by new Medi-Cal programs related to CalAIM, Long-Term Care and the Dual member integration:
 - Health Plan 323 FTEs
 - New Medi-Cal programs (funded by DHCS) 10 FTEs
 - HSF/SF City Option (funded by SF DPH) 77 FTEs
 - 410 FTEs
- ▶ Merit increase of 0-6.0%.
 - 60% of employees receive 4.0-4.5%.
 - 30% of employees receive 5.0%.
 - 5% of employees receive 6.0%.
 - 5% of employees receive 0.0-2.5%.
- ▶ \$3.7 million accrual for potential Administrative and Health Services staff bonuses for FY 22-23 to be paid in September 2023 contingent on achieving Board-approved goals as well as the financial health of SFHP.
- ▶ \$600,000 for new and carry-over projects related to software upgrades and system configuration.

See budget slides 90-100 for background and assumptions

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

	HSF		HSF			HSF
	SF CITY OPTION		SF CITY OPTION			SF CITY OPTION
	FY 22-23		FY 21-22	--FAVORABLE (UNFAVORABLE)--		FY 21-22
DESCRIPTION	BUDGET		PROJECTED	DOLLARS	PERCENT	BUDGET
<u>REVENUE</u>						
TPA FEES	\$ 14,974		\$ 14,184	\$ 790	5.6%	\$ 14,473
<u>ADMINISTRATIVE EXPENSE</u>						
COMPENSATION AND BENEFITS	\$ 10,413		\$ 9,860	\$ (553)	-5.6%	\$ 10,061
ADMINISTRATIVE AND POLICY	\$ 3,186		\$ 2,728	\$ (458)	-16.8%	\$ 2,784
MARKETING AND OUTREACH	\$ 1,020		\$ 1,052	\$ 32	3.0%	\$ 1,073
CUSTOMER SERV AND ENROLLMENT	\$ 51		\$ 50	\$ (1)	-2.0%	\$ 51
ITS	\$ 304		\$ 494	\$ 190	38.5%	\$ 504
TOTAL ADMINISTRATIVE EXPENSE	\$ 14,974		\$ 14,184	\$ (790)		\$ 14,473
SURPLUS (DEFICIT)	\$ -		\$ -			\$ -
ADDITIONAL FUNDING HAS BEEN APPROVED BY THE SF DEPARTMENT OF PUBLIC HEALTH AND THE SF HEALTH COMMISSION.						



CAPITAL EXPENDITURE REQUESTS

	FY 22-23	FY 21-22	-----FAVORABLE (UNFAVORABLE)---		FY 21-22
CAPITAL EXPENDITURE REQUEST	BUDGET	PROJECTED	DOLLARS	PERCENT	BUDGET
COMPUTER HARDWARE	\$ 1,305,000	\$ 665,000	\$ (640,000)	-96%	\$ 665,000
INCLUDES SERVER BLADE REPLACEMENT, FIREWALL REPLACEMENT, HARDWARE TO SUPPORT WIRELESS INFRASTRUCTURE, INCREASE NUTANIX PLATFORM CAPACITY TO SUPPORT VDI USERS					
COMPUTER SOFTWARE	\$ 200,000	\$ 1,350,000	\$ 1,150,000	85%	\$ 1,350,000
REPLACE DATA DE-IDENTIFICATION SOFTWARE					
TOTAL CAPITAL EXPENDITURES	\$ 1,505,000	\$ 2,015,000	\$ 510,000	25%	\$ 2,015,000

See budget slide 103 for background and assumptions



SAN FRANCISCO HEALTH PLAN RECOMMENDATION TO BOARD

RECOMMENDATION

- **SFHP recommends that the Finance Committee and Governing Board approve the FY 2022-23 Operating and Capital Budgets.**

Note – SFHP plans to have discussions with the Finance Committee and Governing Board regarding possible Medi-Cal provider rate changes for July 2023. These discussions are likely to take place during the March 2023 meeting as final rates for CY 2023 are not expected until late December 2022.

SAN FRANCISCO HEALTH PLAN

FY 2022-2023 OPERATING AND CAPITAL BUDGETS

BACKGROUND AND ASSUMPTIONS



FY 22-23 BUDGET BACKGROUND AND ASSUMPTIONS

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

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

FY 22-23 BUDGET BACKGROUND AND ASSUMPTIONS

- ▶ Due to the Medi-Cal rate increases effective January 2022 along with strong membership, SFHP is projecting a margin of \$22.3 million.
- ▶ When excluding the impact of Strategic Use of Reserves (SUR) programs from prior years, the margin is projected to be \$24.4 million.
- ▶ The budget was prepared using current Medi-Cal rates for July through December 2022. Rates for January through June 2023 are assumed to remain at CY 2022 levels.
- ▶ SFHP anticipates receiving draft rates for January 2023 in October 2022. Final rates for CY 2023 are expected in late December 2022.

FY 22-23 BUDGET BACKGROUND AND ASSUMPTIONS

- A 2.5% increase in Medi-Cal membership (June 2023 compared to June 2022). We assumed the PHE will end mid-July 2022, however the Dual member integration happening in January 2023 will more than offset member losses due to the redetermination process.
- Healthy Workers membership is projected to remain at FY 21-22 levels.
- SFHP will continue to have the hospital risk for the members enrolled with the SFCCC. Net cost to SFHP of \$20-\$22 million.
- SFHP and ZSFG will have a risk corridor in place for five specific services – dialysis, radiation/oncology, transgender surgical services, transportation and trauma. The cost for these services will be compared to the amount included in capitation paid to ZSFG. The risk corridor has a cap of \$6.0 million.

FY 22-23 BUDGET BACKGROUND AND ASSUMPTIONS

- SFHP will continue to have pharmacy risk for the Healthy Workers program for FY 22-23. The pharmacy rate of \$93.61 pmpm is expected to cover drug costs.
- Small margin for benefits related to Enhanced Care Management, Community Supports, Major Organ Transplants and the Dual member integration. Long-Term Care is budgeted at a small loss due to the allocation of UM expenses.

FY 22-23 BUDGET BACKGROUND AND ASSUMPTIONS

- ▶ The budget projects revenues of \$1.1 billion and a margin of \$22.3 million (2.1% margin). After removing SUR disbursements, the margin from operations is \$24.4 million (2.3% margin).
- ▶ The budget includes \$251.4 million in Directed Payments and \$38.2 million in IGT funding.
- ▶ The budget includes \$2.1 million is SUR carry-over costs related to prior year SUR programs.
- ▶ The budget projects an overall Medical Loss Ratio of 92.9%.
- ▶ The budget projects an administrative expense ratio of 4.7%.
- ▶ The budget includes \$600,000 for new and carry-over projects related to software upgrades and system configuration.

FY 22-23 BUDGET BACKGROUND AND ASSUMPTIONS

➤ **Medi-Cal Adult/Child/Dual:**

- Use current rates for July through December 2022.
- Use CY 2022 rates for January through June 2023 (assumes no rate increase).
- Membership expected to increase by 12.7% (92,845 members at 6/30/23 compared to 82,398 members at 6/30/22).
- Member months projected to increase by 12.5% (1,049,368 member months for FY 22-23 compared to 932,834 member months for FY 21-22).
- Practice Improvement Program (PIP) incentive of 20.0% for the entire year.
- Projecting an 90.9% Medical Loss Ratio (MLR).

FY 22-23 BUDGET BACKGROUND AND ASSUMPTIONS

➤ **Medi-Cal Seniors and Persons with Disabilities (SPD):**

- Use current rates for July through December 2022.
- Use CY 2022 rates for January through June 2023 (assumes no rate increase).
- Membership expected to decrease by 0.2% (13,277 members at 6/30/23 compared to 13,303 members at 6/30/22).
- Member months projected to decrease by 0.9% (159,286 member months for FY 22-23 compared to 160,761 member months for FY 21-22).
- Practice Improvement Program (PIP) incentive of 20.0% for the entire year.
- Projecting a 91.9% Medical Loss Ratio (MLR).

FY 22-23 BUDGET BACKGROUND AND ASSUMPTIONS

➤ **Medi-Cal Adult Expansion (MCE):**

- Use current rates for July through December 2022.
- Use CY 2022 rates for January through June 2023 (assumes no increase).
- Membership expected to decrease by 11.1% (58,578 members at 6/30/23 compared to 65,954 members at 6/30/22).
- Member months projected to decrease by 3.2% (742,798 member months for FY 22-23 compared to 767,010 member months for FY 21-22).
- Practice Improvement Program (PIP) incentive of 20.0% for the entire year.
- Projecting a 92.5% Medical Loss Ratio (MLR).

FY 22-23 BUDGET BACKGROUND AND ASSUMPTIONS

➤ **Medi-Cal Long-Term Care (LTC):**

- SFHP takes responsibility for the Long-Term Care (LTC) benefit effective January 1, 2023.
- SFHP projects 1,000 members will be in LTC facilities.
- With assistance from Edrington Health Consulting, we estimate the LTC rate to be approximately \$12,500 per member, per month.
- SFHP expects to pay LTC providers on a fee-for-service basis.
- The State has provided rate protection for the managed care plans as contracted LTC providers will have to accept State LTC rates.
- As SFHP has limited experience with LTC, we are budgeting fee-for-service costs equal to revenue. LTC will have a MLR of 101.9% due to the allocation of UM expenses.

FY 22-23 BUDGET BACKGROUND AND ASSUMPTIONS

➤ **Healthy Workers (HW):**

- Using the premium rate of \$588.43 that was effective April 1, 2021.
- Membership expected to remain flat (11,726 members at 6/30/23 compared to 11,726 members at 6/30/22).
- Member months projected to decrease by 0.3% (140,712 member months for FY 22-23 compared to 141,167 member months for FY 21-22).
- SFHP will continue to be at-risk for pharmacy throughout FY 22-23. Projecting a cost of \$89.00 pmpm. The premium rate includes a pharmacy component of \$93.61 pmpm. This should allow SFHP to achieve at least break even or a small margin on the pharmacy benefit.
- Projecting a 97.2% Medical Loss Ratio (MLR).

FY 22-23 BUDGET BACKGROUND AND ASSUMPTIONS

► Healthy San Francisco and SF City Option

❖ Contracted TPA budget of \$15.0 million.

	FY 22-23	FY 21-22
	PROJECTED	PROJECTED
HEALTHY SAN FRANCISCO / SF CITY OPTION/SF COVERED MRA	AT 6/30/23	AT 6/30/22
NO. OF HSF PARTICIPANTS	10,298	16,148
SF CITY OPTION - NO. OF CONTRIBUTING EMPLOYERS (NO. OF ACTIVE EMPLOYERS WITH AT LEAST ONE CONTRIBUTION WITHIN THE LAST YEAR)	1,837	1,804
NO. OF UNIQUE EMPLOYEES RECEIVING CONTRIBUTIONS (PROGRAM TO DATE)	429,585	401,852
NO. OF SF MEDICAL REIMBURSEMENT ACCOUNTS (SF MRA)	68,836	61,641



FY 22-23 MEMBERSHIP – KEY POINTS

- ▶ Total membership projected to increase by 4,045 members or 2.3% (June 2023 compared to June 2022):

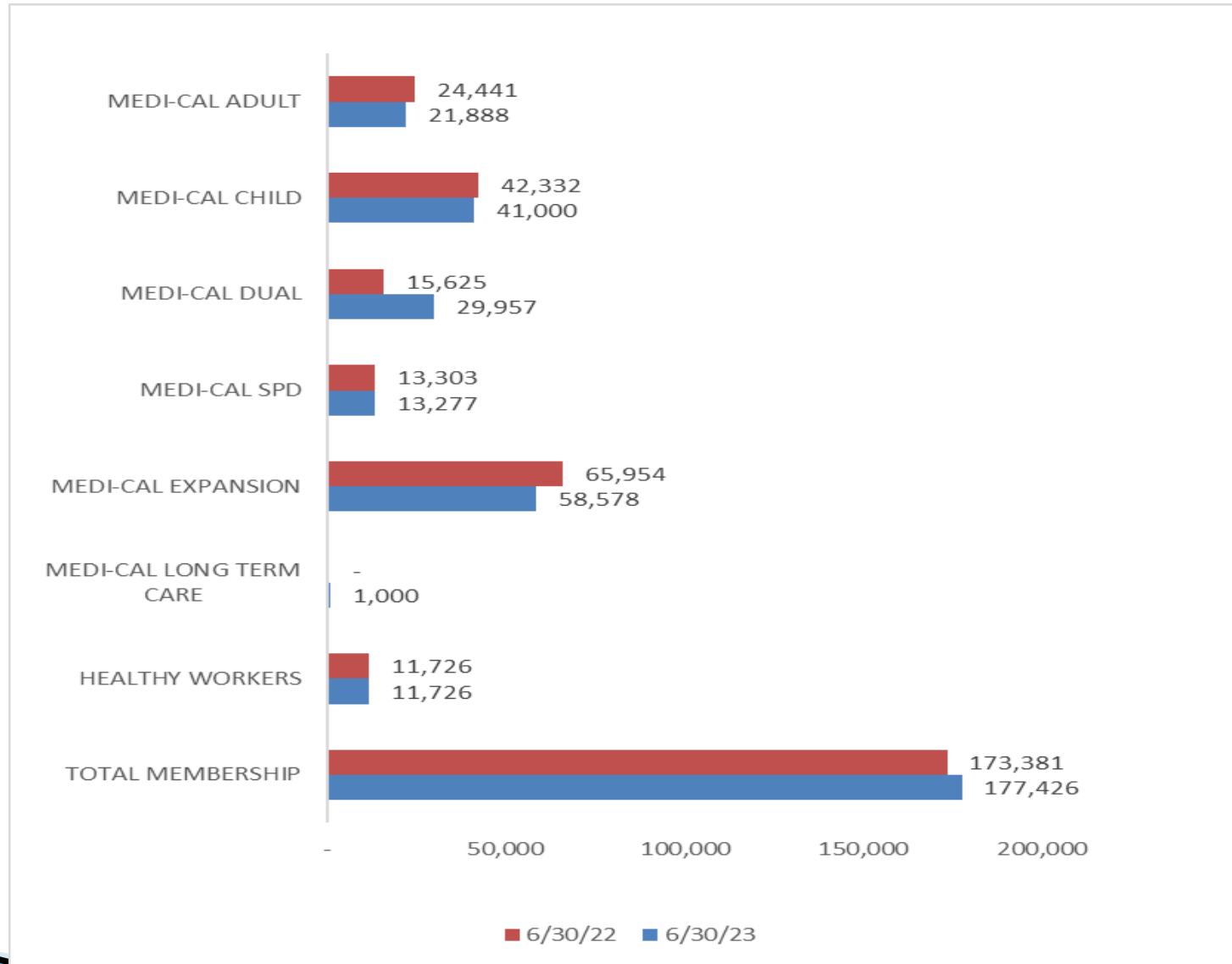
■ Medi-Cal Adult/Child/Dual	10,447	12.7%
■ Medi-Cal SPD	(26)	(0.0%)
■ Medi-Cal MCE	(7,376)	(11.1%)
■ Medi-Cal LTC	1,000	N/A
■ Healthy Workers	no change	

- ▶ Total member months projected to increase by 96,392 or 4.5%:

■ Medi-Cal Adult/Child/Dual	116,534	12.5%
■ Medi-Cal SPD	(1,475)	(0.9%)
■ Medi-Cal MCE	(24,212)	(3.2%)
■ Medi-Cal LTC	6,000	N/A
■ Healthy Workers	(455)	(0.3%)

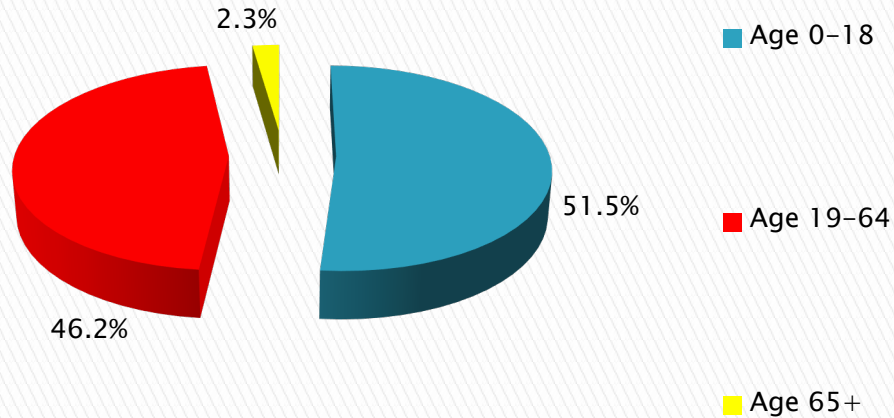
- ▶ Total membership of 177,426 by June 2023 compared to 173,381 at June 2022, an increase of 2.3%.

SFHP MEMBERSHIP – AS OF JUNE 30TH

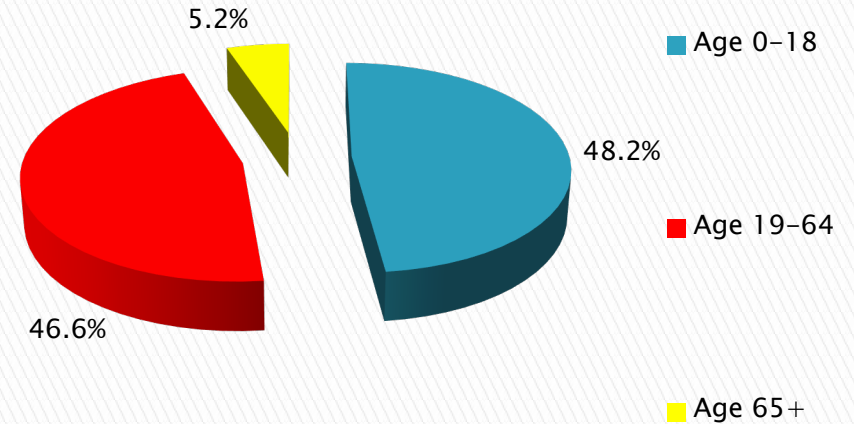


SFHP MEMBERSHIP BY AGE (ALL LINES OF BUSINESS)

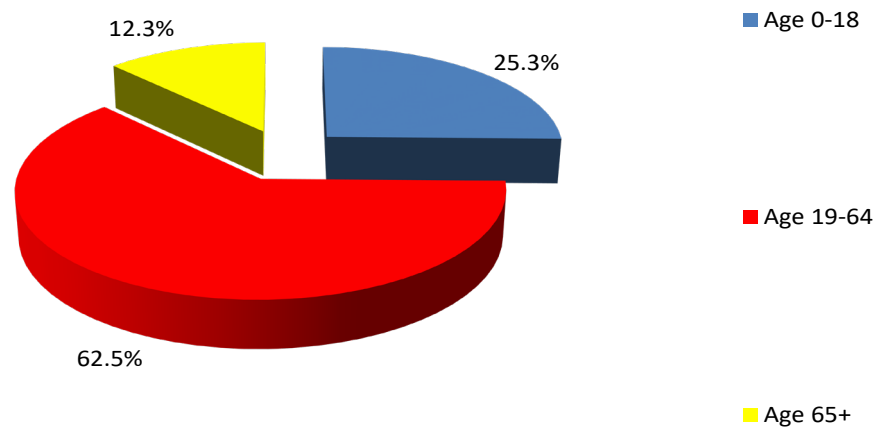
APRIL 2008



APRIL 2013



APRIL 2022



SFHP MEMBERSHIP HISTORY – AS OF JUNE 30TH

	FY 22-23	FY 21-22	-----ACTUAL-----									
LINE OF BUSINESS	BUDGET	PROJECTED	FY 20-21	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
MEDI-CAL ADULT/CHILD/DUAL	92,845	82,398	72,776	65,752	62,082	62,414	64,590	62,021	61,174	59,443	55,446	43,109
MEDI-CAL SPD	13,277	13,303	13,219	13,496	13,720	13,598	14,125	14,480	14,488	14,381	12,513	13,375
MEDI-CAL EXPANSION	58,578	65,954	60,598	50,257	51,444	53,848	58,084	56,386	47,887	26,006	-	-
MEDI-CAL LONG-TERM CARE	1,000	-	-	-	-	-	-	-	-	-	-	-
TOTAL MEDI-CAL	165,700	161,655	146,594	129,505	127,246	129,860	136,799	132,887	123,549	99,830	67,959	56,484
HEALTHY FAMILIES	-	-	-	-	-	-	-	-	-	-	-	7,059
HEALTHY WORKERS	11,726	11,726	11,835	12,065	11,569	11,462	11,238	11,352	11,830	12,291	11,565	11,374
HEALTHY KIDS	-	-	-	-	2,300	2,049	1,309	2,050	2,048	2,170	2,300	2,619
ALL LOB	177,426	173,381	158,429	141,570	141,115	143,371	149,346	146,289	137,427	114,291	81,824	77,536
NOTE - HEALTHY KIDS MEMBERSHIP TRANSITIONED TO MEDI-CAL EFFECTIVE OCTOBER 1, 2019.												

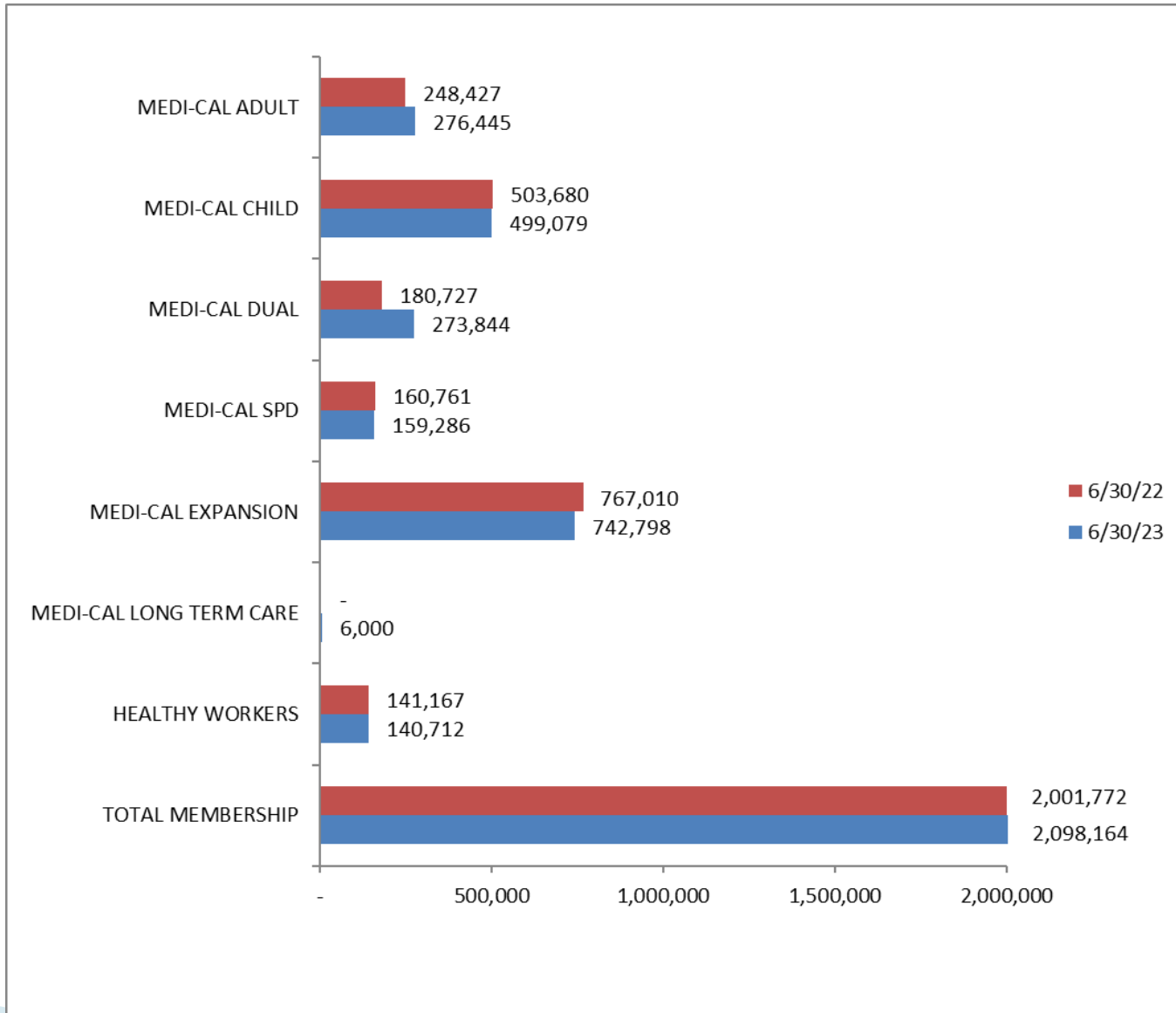


SFHP MEMBER MONTHS

LINE OF BUSINESS	BUDGET	PROJECTED	---FAVORABLE (UNFAVORABLE)--		BUDGET
	FY 22-23	FY 21-22	MEMBERS	PERCENT	FY 21-22
MEDI-CAL ADULT/CHILD/DUAL	1,049,368	932,834	116,534	12.5%	876,485
MEDI-CAL SPD	159,286	160,761	(1,475)	-0.9%	158,370
MEDI-CAL EXPANSION	742,798	767,010	(24,212)	-3.2%	739,789
MEDI-CAL LONG TERM CARE	6,000	-	6,000		-
TOTAL MEDI-CAL	1,957,452	1,860,605	96,847	5.2%	1,774,644
HEALTHY WORKERS	140,712	141,167	(455)	-0.3%	140,100
ALL LOB	2,098,164	2,001,772	96,392	4.8%	1,914,744



SFHP MEMBER MONTHS



FY 22-23 REVENUE – KEY POINTS

- Premium Revenue increases 23.3%. Includes:
 - \$75.0 million for the Long-Term Care benefit.
 - \$13.4 million for the Dual eligible member integration.
 - \$251.4 million in directed payments for designated public hospitals (ZSFG), UC Systems (UCSF) and private hospitals.
 - \$38.2 million in Intergovernmental Transfers (IGTs) for ZSFG and UCSF.
- Total budget including Healthy San Francisco and SF City Option is \$1.1 billion.
- Revenue per member, per month is up 17.6% due to a change in membership mix, an increase in Directed Payments/IGT funding and the Long-Term Care benefit effective January 2023 :

■ FY 22-23	\$499.00 pmpm
■ FY 21-22	\$424.00 pmpm

OPERATING REVENUES OF \$1.1B

(EXCLUDES HSF AND SF CITY OPTION REVENUE)

- ▶ FY 22-23 revenues are expected to increase by 23.1%.
 - \$198.4 million increase over projected FY 21-22.
 - Increase is due to a full 12-month impact of the CY 2022 Medi-Cal rates, a greater number of member months, more Directed Payments/IGT funding, the new Long-Term Care benefit and the Dual eligible member integration.
 - Projecting \$9.2 million in other income from third-party administrative (TPA) services.

OPERATING REVENUES OF \$1.1B

CaAIM AND OTHER PROGRAMS

- Enhanced Care Management (effective January 2022)
- Community Supports (effective January 2022)
- Student Behavioral Health Incentive Program (effective January 2022)
- Major Organ Transplants (effective January 2022)
- Housing and Homelessness Incentive Program (January 2022)
- Long-Term Care (effective January 2023)
- Dual member integration (effective January 2023)



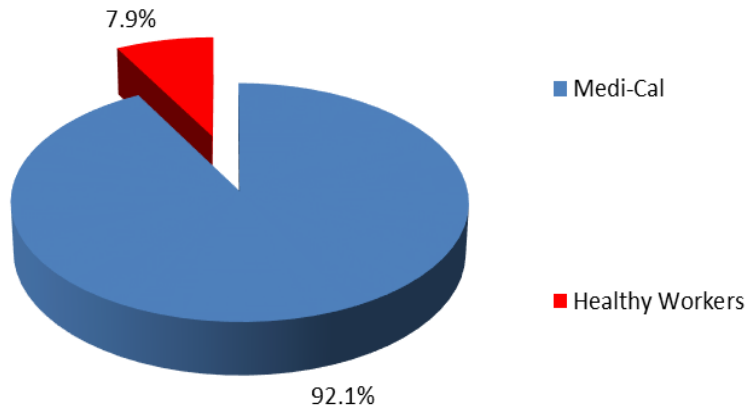
SFHP REVENUE PMPM

(EXCLUDES DIRECTED PAYMENTS AND IGT)

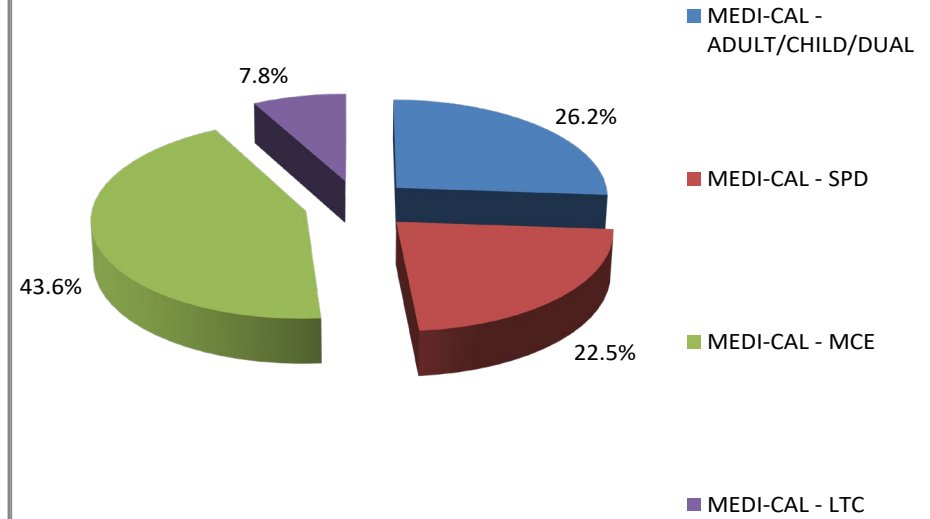
	FY 22-23 BUDGET	FY 21-22 PROJECTED	%
LINE OF BUSINESS	PREMIUM PMPM	PREMIUM PMPM	CHANGE
MEDI-CAL ADULT/CHILD/DUAL	\$ 172	\$ 178	-3.5%
MEDI-CAL SPD	\$ 889	\$ 938	-5.3%
MEDI-CAL EXPANSION	\$ 373	\$ 392	-4.8%
MEDI-CAL LONG-TERM CARE	\$ 12,500	\$ -	
HEALTHY WORKERS	\$ 588	\$ 588	0.0%
ALL LOB	\$ 499	\$ 424	17.6%
AVERAGE RATES ARE IMPACTED BY ADDITIONAL REVENUE FROM			
MATERNITY KICK, BEHAVIORAL HEALTH TREATMENT AND			
CALAIM REIMBURSEMENTS.			
FY 22-23 PMPMs ARE IMPACTED BY THE LOSS OF MEDI-CAL PHARMACY REVENUE.			



FY 22-23 SFHP PREMIUM REVENUE



ALL LINES OF BUSINESS



MEDI-CAL ONLY

INVESTMENT INCOME

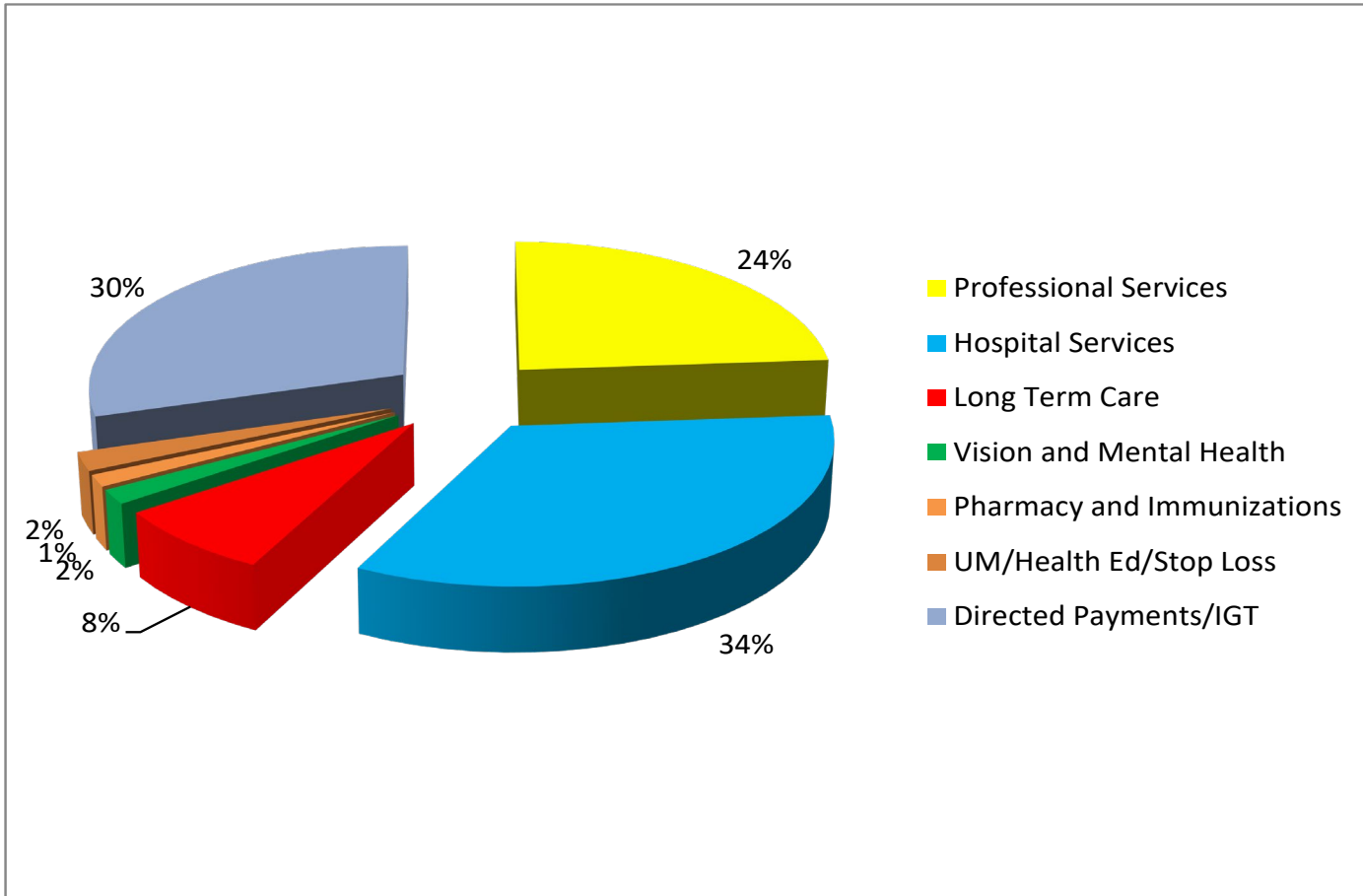
For FY 22-23, SFHP has budgeted \$800,000 in interest income from the following sources:

- 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 that we have transitioned to a rising interest rate environment, SFHP expects to earn \$300,000 more than in FY 21-22.
- For FY 22-23, the yield to maturity for the Liquidity Management Portfolio account is projected to be in the range of 1.0-2.0%.
- 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 \$25 million in low-risk government securities and corporate bonds in accordance with the SFHP Investment policy. The yield to maturity is projected to be in the range of 1.5-2.5%.

FY 22-23 MEDICAL EXPENSE – KEY POINTS

- ▶ Medical Expenses increase (25.3%) due to:
 - Increasing member months
 - Provider rate increases
 - Long-Term Care benefit
 - CalAIM programs
 - Greater Directed Payments/IGT funding
- ▶ Overall Medical Loss Ratio (MLR) of 92.9%.
- ▶ \$75.0 million in Long-Term Care fee-for-service costs.
- ▶ \$251.4 million in Directed Payments for designated public hospitals (ZSFG), UC System (UCSF) and private hospitals.
- ▶ \$38.2 million in IGT funding for ZSFG and UCSF.
- ▶ Practice Improvement Program (PIP) increases from 18.5% to 20.0% for Medi-Cal.
- ▶ Includes \$2.1 million of Strategic Use of Reserves carrying over from prior years.

SFHP MEDICAL EXPENSE DISTRIBUTION



SFHP MEDICAL EXPENSES OF \$974M

► Assumptions:

- Accrue PIP funds at 20.0% for Medi-Cal for the entire year.
- Project 92.9% MLR for all lines of business.
- Project 90.9% MLR for Medi-Cal excluding SPD and MCE.
- Project 91.9% MLR for SPD.
- Project 92.5% MLR for MCE.
- Project 101.9% MLR for LTC.
- Project 97.2% MLR for Healthy Workers.
- Additional \$20-\$22M in hospital expense related to SFCCC members.
- ZSFG risk corridor of \$6.0 million related to specific services for SFHN members.
- Healthy Workers pharmacy cost of \$89.00 pmpm.
- 70% reinsurance recovery rate.

SFHP ADMINISTRATIVE EXPENSE – KEY POINTS

\$600,000 IN PROJECT COSTS INCLUDED IN FY 22-23 BUDGET

SFHP reviewed business cases and included \$600,000 in project costs for new projects and carry-over projects.

New Requests for FY 22–23	Budget Request	Description
Provider Credentialing Software	\$123,000	Track provider qualifications, licensing, etc.
Essette Upgrade	\$160,000	Authorization software
myQNXT Implementation	\$40,000	QNXT user customization of layout and content
Microsoft Dynamics (GP) Upgrade	<u>\$25,000</u>	Accounting software
Total	\$348,000	
Carry-Over Projects from FY 21–22	Budget Request	Description
Claims Editing Software	\$252,000	Front-End Claims Edits
Total	\$252,000	
Grand Total	<u>\$600,000</u>	



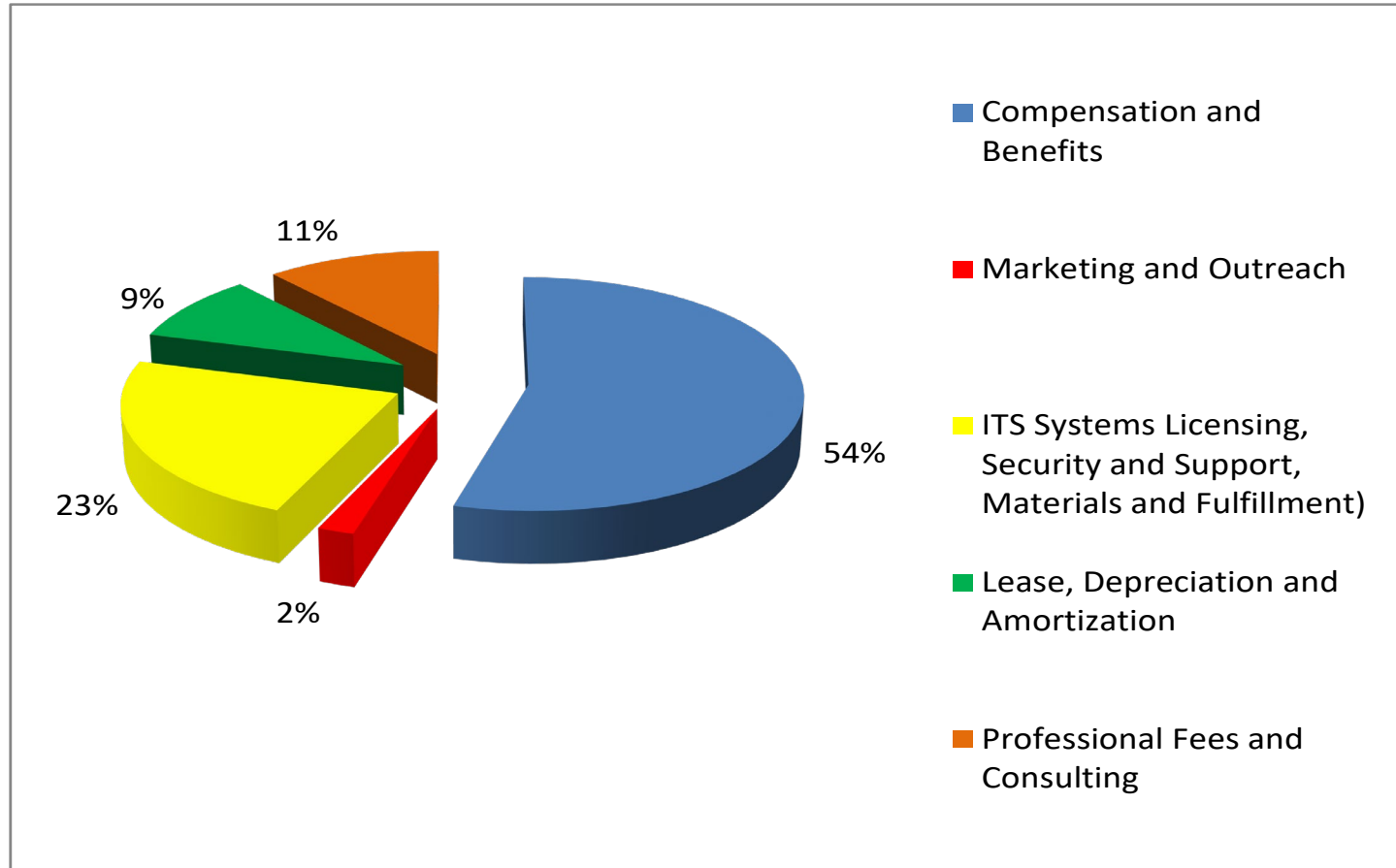
SFHP ADMIN EXPENSE HISTORY (EXCLUDES HSF/SF CITY OPTION)

▶ Percentage of Premium Revenue:

■ FY 2022-23 (budgeted)	4.7%
■ FY 2021-22 (projected)	5.7%
■ FY 2020-21	4.6%
■ 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



SFHP EMPLOYEE HEADCOUNT (FTEs)

SFHP is requesting 10 new FTEs for FY 22-23 to support CalAIM programs, Long-Term Care and the Dual member integration. These programs will provide additional funding to help cover the cost of the new FTEs.

Full-Time Equivalents (FTEs) proposed for FY 22-23:

• Health Plan (existing)	323 FTEs
• CalAIM, LTC, Duals (funded with Medi-Cal rates)	10 FTEs
• TPA for HSF/SF City Option (City funded and approved)	<u>77 FTEs</u>
	410 FTEs

A 9% attrition factor has been built into the budget to account for employee turnover and open positions. We are experiencing a 9% attrition rate for FY 21-22.

SFHP EMPLOYEE HEADCOUNT (FTEs)

10 new FTEs for FY 22-23:

• CalAIM Manager	1.0 FTE
• LTC Nurse Supervisor	1.0 FTE
• Senior Software Engineer	1.0 FTE
• Release Manager Specialist	1.0 FTE
• Claims Quality Assurance Analyst	1.0 FTE
• Claims Examiner	1.0 FTE
• Customer Service Representative	1.0 FTE
• Member Data Coordinator	1.0 FTE
• Provider Network Development Manager	1.0 FTE
• Compliance Analyst	1.0 FTE

Total estimated annual salary of \$967,000.



SFHP ADMINISTRATIVE EXPENSE

AVERAGE MERIT SALARY INCREASES - RECENT HISTORY			
SFHP DOES NOT OFFER COST OF LIVING ADJUSTMENTS (COLA)			
	MERIT	MARKET	TOTAL
FISCAL YEAR	INCREASE	ADJUSTMENT	INCREASE
FY 22-23 (BUDGETED)	4.41%	0.59%	5.00%
FY 21-22	3.52%	0.70%	4.22%
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.			



SFHP ADMINISTRATIVE EXPENSE

- Applied a 9% salary attrition factor (savings of \$4.7 million). Current position vacancy rate is running at 9%.
- Effective Sept. 1, 2022, overall average merit increase of 4.41% based on performance (range 0-6.0%). In addition to merit, estimated market adjustments of .59%. Total impact of \$1.4 million.
- 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 6.8%. 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 10.34% to 10.32% for employees hired before 1/1/13 (decrease of 0.2% or \$2,000). Employer contribution rate for employees hired after 12/31/12 will decrease from 7.59% to 7.47% (decrease of 1.6% or \$36,000). CalPERS rate history:

	-----CALPERS CLASSIC-----				-----CALPERS PEPRA-----		
	PERCENTAGE				PERCENTAGE		
FISCAL	EMPLOYER	INCREASE	DOLLAR		EMPLOYER	INCREASE	DOLLAR
YEAR	CONTRIBUTION	(DECREASE)	IMPACT		CONTRIBUTION	(DECREASE)	IMPACT
FY 22-23	10.320%	-0.2%	\$ (2,000)		7.470%	-1.6%	\$ (36,000)
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 = 18% CLASSIC , 82% PEPRA							



SFHP ADMINISTRATIVE EXPENSE

- Medical/dental/ancillary benefits rate changes for FY 22-23:
 - Aetna 5.0% increase impact \$159K
 - Kaiser 3.9% increase impact \$ 96K
 - Dental (5.0%) decrease impact (\$ 16K)
 - Life/LTD (19.3%) decrease impact (\$ 23K)
 - Vision No change

- Staff Bonus of \$3.7 million will be accrued during FY 22-23 for potential disbursement in September 2023.

- \$700,000 in annual depreciation and amortization for Managed Care System (TriZetto QNXT), IT equipment, leasehold improvements, office furnishings, etc.

SFHP ADMINISTRATIVE EXPENSE

➤ \$6.5 million in ITS Hardware/Software Licensing, Maintenance and Support. Major items include:

- Annual software and system maintenance contracts \$5.395M

VENDOR	AMOUNT	VENDOR	AMOUNT	
MICROSOFT	\$ 480,000	CISCO SMARTNET	\$ 83,000	
EDIFICS SMART TRADING	\$ 461,000	IBM/HP	\$ 80,000	
EDIFICS ENCOUNTER MGMT	\$ 307,000	TABLEAU	\$ 80,000	
PONDERA	\$ 284,000	SFTP FILE TRANSFER SOLUTION	\$ 73,000	
ESSETTE	\$ 241,000	SECURITY MONITORING/SCANNING	\$ 70,000	
PREMANAGE	\$ 235,000	DISASTER RECOVERY/BC	\$ 65,000	
ILLUMIO	\$ 218,000	TEAMDYNAMIX	\$ 57,000	
COTIVITI	\$ 200,000	PURE STORAGE	\$ 54,000	
FIRST DATA BANK	\$ 200,000	ARCTIC WOLF	\$ 54,000	
CLEARWATER	\$ 180,000	VMWARE	\$ 47,000	
CLARIZEN	\$ 167,000	3M GROUPE	\$ 45,000	
XES	\$ 165,000	PALO ALTO NETWORKS	\$ 45,000	
CROWDSTRIKE	\$ 142,000	ZSCALER	\$ 45,000	
CAQH CORE	\$ 121,000	ADOBE ACROBAT	\$ 44,000	
OKTA	\$ 110,000	TELX	\$ 43,000	
FORCE POINT	\$ 100,000	FUSION STORM	\$ 42,000	
ADAPT	\$ 99,000	SECURE ENDS	\$ 41,000	
CMAS	\$ 98,000	MIMECAST	\$ 41,000	
BIZTALK	\$ 90,000	AZURE	\$ 36,000	
DEVCOOL	\$ 85,000	ALL OTHERS	\$ 367,000	
	\$ 3,983,000		\$ 1,412,000	\$ 5,395,000



SFHP ADMINISTRATIVE EXPENSE

➤ \$6.5 million in ITS Hardware/Software Licensing, Maintenance and Support. Major items include:

■ QNXT annual support and maintenance	\$ 574,000
■ Disaster Recovery costs (Virginia site/Agility)	\$ 280,000
■ Hardware/software upgrades and refreshes	<u>\$ 203,000</u>
	\$1,057,000

HSF AND SF CITY OPTION ADMINISTRATIVE EXPENSE

Total Budget = \$15.0 million

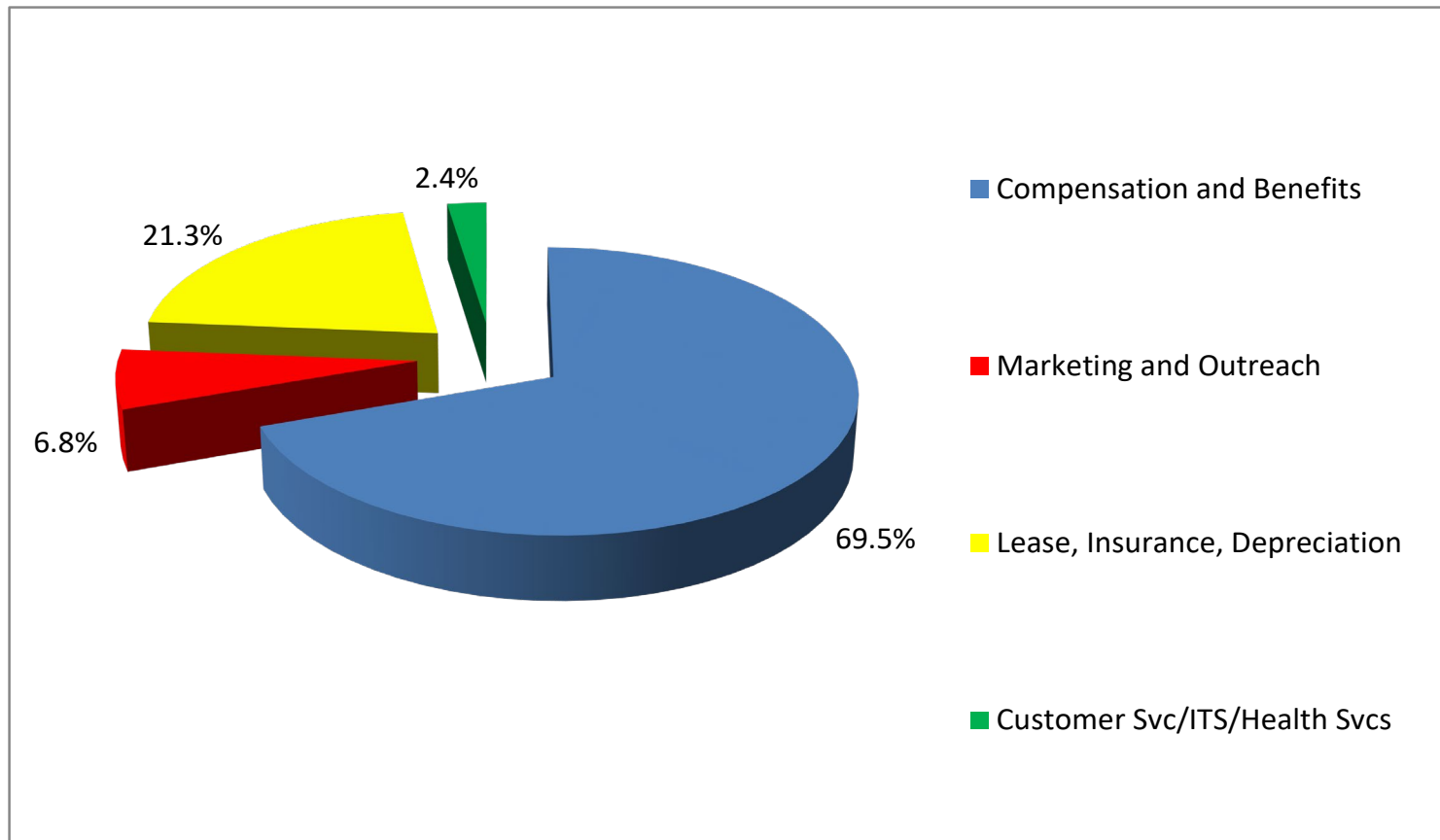
- SF City Option \$8.8 million
- HSF \$6.2 million

- 77 FTEs for FY 22-23 (City funded and approved):
 - 44 FTEs for SF City Option
 - 33 FTEs for HSF

- Highlights:
 - \$10.4 million in Personnel costs.
 - \$ 3.6 million in Administrative/Policy/ITS/Customer Service costs – office lease space, consulting, vendor support and engagement, insurance, outbound call center.
 - \$ 1.0 million in Marketing costs – collateral, website, mailings.

- Management fee allocation of \$888K included in Personnel costs.

FY 22-23 HSF AND SF CITY OPTION ADMIN EXPENSE DISTRIBUTION



SFHP FY 22-23 CAPITAL BUDGET

FY 22-23 Capital budget request is \$1,505,000

Recent history of capital budget requests:

➤ FY 21-22	\$2,015,000
➤ 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 22-23 includes \$1,305,000 for computer hardware and \$200,000 for computer software solutions.

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.



Agenda Item 4: Action Item

Review and Approval CalPERS Salary Schedule

MEMO

Date June 1, 2022
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 2022-2023 Salary Schedule (Attachment A) to meet CalPERS requirements regarding retiree salary computation. The Salary Schedule changes include increasing the ranges by 4.0%.

Background: To satisfy CalPERS requirements and protect our retirees' pension eligibility, 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.

2022 – 2023 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 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 27 community affiliated plans nationwide.

Current Landscape and Outlook: Over the last 6 months, the U.S. economy has experienced significant inflation in every sector. Additionally, as we return to a “New Normal”, the job market has picked up significantly resulting in higher turnover and heavy competition for attracting and retaining talent. Projections for 2022-2023 salary budget increases in the San Francisco Bay Area continue to rise steadily and accurate data is elusive given the lag in salary survey data reporting.

Source (Data 3-12 Months Old)	2023 Projected Salary Increases
Culpepper - SF Bay Area	4.42%
Economic Research Institute - US Wide	4.4%
Korn Ferry / Hay - US Wide	3.5%
Mercer - US Wide (Projected Adjustment Rate)	6.0%
Salary.com - US Wide	4.0%
The Conference Board – US Wide	3.9%
WorldatWork - US Wide (mean/median)	5.0%
HR Management Association – US Wide	4.0%
Society for Human Resources Management – US Wide	5.0%
Consumer Price Index - SF Bay Area	5.2%

LHPC Sister Plan Changes: We also consulted with our LHPC sister plans on what they are planning for 2022-2023 salary range and merit increases.

Plan	Merit / Range Change
#1	6% Merit
#2	5.5% Merit
#3	5% Merit
#4	Undecided, Moving towards 5%
#5	5% (Proposed)
#6	4% (Proposed)
#7	5% Merit
#8	4% Merit
#9	4% Merit

2022 - 2023 Salary Range Movement: Based on the survey sources, and the anticipated outlook we recommend increasing our 2022-2023 salary ranges by 4.0%.

2022 – 2023 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. Currently, SFHP has 62 compensation categories to simplify administration. Please reference Attachment A.

September 2022 Merit Increases: We are budgeting a 4.41% overall merit increase, although individual increases will vary between 0% and 6.0% 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%	6.0%
Exceeds Expectations	4	3.75 - 4.49	~ 30%	5.0%
Successful Contributor	3	3.5 - 3.74	~ 60%	4.5%
		3.0 - 3.49		4.0%
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 and internal equity adjustments to keep pace with the job market, requiring an additional .59% of the budget to help bring current employees closer to market rates. This brings the 2022-2023 salary increase budget to 5% for merit increases and market/equity adjustments.

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

ATTACHMENT A
SAN FRANCISCO HEALTH PLAN
SALARY SCHEDULE EFFECTIVE 9/1/2022

Market Level	CalPERS Comp Title from Master Job Table	MIN	Q2	MID	Q4	MAX	Range Spread	Mid Point Jump
14	CEO	346,489	389,801	433,112	476,423	519,734	50%	30%
13	Executive II	266,530	299,847	333,163	366,479	399,796	50%	25%
12	Executive I	213,224	239,877	266,530	293,183	319,836	50%	25%
	Director III							
11	Director II	170,579	191,902	213,224	234,547	255,869	50%	12%
	Director I	152,303	171,341	190,379	209,417	228,455	50%	12%
10	Manager V							
	Senior Manager IV							
	Analyst VII	135,985	152,983	169,981	186,979	203,977	50%	12%
9	IT Systems Administrator IV							
	Manager IV							
	Pharmacist I							
	Senior Manager III							
	Supervisor V	121,415	136,592	151,769	166,946	182,123	50%	12%
8	Analyst VI							
	IT Systems Administrator III							
	Manager III							
	Nurse III							
	Program Manager V							
	Project Manager V							
	Senior Analyst IV							
	Senior Manager II							
	Supervisor IV	108,406	121,957	135,508	149,059	162,609	50%	16%
7	Analyst V							
	IT Systems Administrator II							
	Manager II							
	Nurse II							
	Program Manager IV							
	Project Manager IV							
	Senior Analyst III							
	Senior Manager I							
	Supervisor III	93,454	105,135	116,817	128,499	140,181	50%	16%
6	Accountant II							
	Analyst IV							
	IT Systems Administrator I							
	Manager I							
	Nurse I							
	Program Manager III							
	Senior Analyst II							
	Supervisor II							
	Project Manager III	80,564	90,634	100,704	110,775	120,845	50%	16%
5	Accountant I							
	Administrative Support V							
	Analyst III							
	Marketing III							
	Program Manager II							
	Project Manager II							
	Senior Analyst I							
	Specialist III							
	Supervisor I	69,451	78,133	86,814	95,496	104,177	50%	16%
4	Analyst II							
	Marketing II							
	Program Manager I							
	Project Manager I							
	Specialist II	59,872	67,356	74,840	82,324	89,808	50%	16%
3	Analyst I							
	Coordinator II							
	Intern I							
	Marketing I							
	Specialist I	51,614	58,065	64,517	70,969	77,420	50%	16%
2	Coordinator I							
1	Administrative Support I	44,495	50,056	55,618	61,180	66,742	50%	16%

Agenda Item 5:

Action Item

Review and Approval of Practice Improvement Program (PIP) Funding for FY 2022-23



MEMO

Date June 1, 2022
To Finance Committee and Governing Board
From Yolanda Richardson, Chief Operating Officer
Regarding Review and Approval of FY 2022-2023 Practice Improvement Program (PIP) Funding

Recommendations:

San Francisco Health Plan (SFHP) recommends that the Finance Committee and Governing Board approve:

1. Continuation of previous Practice Improvement Program (PIP) funding with capitation withholds in the amounts of 20% for Medi-Cal for the 2022-2023 fiscal year (FY); and
2. A new attestation process for Quality Improvement Program (QIP) projects, to be submitted by October 31, 2022.

Background:

The Practice Improvement Program (PIP) is SFHP's 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 increases to 20% effective July 1, 2022. The increase was due to provider rate increases approved by the Governing Board at the March 2022 Board meeting. The PIP funding has been an effective incentive to achieve quality performance measures among the medical groups. SFHP's PIP will continue to run and align on a fiscal year (July – June) with operations and the San Francisco Health Network.

Additionally, SFHP will implement a new attestation for QIP projects to streamline provider activities to enhance access to care for our members.

SFHP requests continuation of funding of PIP funding for FY 2022-2023, at 20% effective July 1, 2022.

2022-23 Practice Improvement Program (PIP)



- The Practice Improvement Program (PIP) Advisory Committee approved the following measures for the period from July 1, 2022 through June 30, 2023:
- Quality Improvement Projects (attestation)
- Reporting and performance measures
 - ✓ 15 Existing Measures
 - ✓ 1 Modified Measure
 - ✓ No new measures

2022-23 PIP Measures

Measure	Status
Clinical Quality Domain	
CQ02 Diabetes HbA1c <8 (Good Control)	Existing
CQ04 Routine Cervical Cancer Screening	Existing
CQ05 Routine Colorectal Cancer Screening	Existing
CQ06 Breast Cancer Screenings	Existing
CQ08 Controlling High Blood Pressure (Hypertension)	Existing
CQ09 Adolescent Immunizations	Existing
CQ10 Childhood Immunizations	Modified
CQ11 Well Child Visits for Children 3-6 Years of Age	Existing
CQ12 Chlamydia Screening	Existing
CQ16 Well Child Visits in the First 15 Months of Life	Existing
CQ17 Well Child Visits in Children 15-30 Months of Age	Existing

2022-23 PIP Measures

Measure	Status
Data Quality Domain	
DQ1 Provider Roster Updates	Existing
Patient Experience Domain	
SI1 Depression Screening and Follow-up	Existing
SI2 Follow-Up Visit After Hospital Discharge	Existing
SI3 Opioid Safety	Existing
SI5 Percent of Members with a Primary Care Visit	Existing

Practice Improvement Program Advisory Committee Meeting

June 03, 2022

SFHP



Practice Improvement Program
Partnering to prepare for the future

Today's Agenda

Time	Agenda Item
11:00-11:10	➤ Agenda Review and Introductions
11:10-11:20	➤ Review 2022-23 Programmatic Changes
11:20-11:30	➤ Review 2022-23 Measure Set
11:30-11:35	➤ Quality Improvement Projects
11:35-11:50	➤ Questions & Closing

Introductions & Icebreaker

Name

Organization

Answer One of the Following:

- Describe your dream holiday
- If you could have an extra hour of free time everyday, how would you use it?



2022-23 Programmatic Updates

SFHP

FY 2022-2023 PIP Overview

	FY 2021-22	FY 2022-23
Medi-Cal Capitation Withhold	18.5%	20%
Priority Five Measures	Reset to 5 lowest performing measures	Remain the same as 21-22 to support sustainability of improvements
CQ 11, 16, and 17	Pay-for-reporting	Pay-for-reporting
CQ10 Childhood Immunizations	Pay-for-reporting	Maintain >5% RI over baseline
Quality Improvement Projects (QIPs)	Application due in Q1, updates due in Q2 & Q3, outcome objective due in Q4	Attestation due in Q1



2022-23 Measure Set

SFHP

2022-23 Measure Set

15 existing measures
1 modified measure
0 new measures

Measure	Community Clinic	Clinic-Based RBO	IPA	Academic Medical Center
Clinical Quality Domain				
CQ02 Diabetes HbA1c <8 (Good Control)	X	X	X	X
CQ04 Routine Cervical Cancer Screening	X	X	X	X
CQ05 Routine Colorectal Cancer Screening	X	X		
CQ06 Breast Cancer Screenings	X	X	X	X
CQ08 Controlling High Blood Pressure (Hypertension)	X	X	X	X
CQ09 Adolescent Immunizations	X	X	X	X
CQ10 Childhood Immunizations	X	X	X	X
CQ11 Well Child Visits for Children 3-6 Years of Age	X	X	X	X
CQ12 Chlamydia Screening	X	X	X	X
CQ16 Well Child Visits in the First 15 Months of Life	X	X	X	X
CQ17 Well Child Visits in Children 15-30 Months of Age	X	X	X	X
Data Quality Domain				
DQ1 Provider Roster Updates			X	X
Patient Experience Domain				
Systems Improvement Domain				
SI1 Depression Screening and Follow-up	X	X	X	X
SI2 Follow-Up Visit After Hospital Discharge	X	X	X	X
SI3 Opioid Safety	X	X		X
SI5 Percent of Members with a Primary Care Visit	X	X	X	X

CQ Scoring

Measure	90 th percentile	75 th percentile
CQ01 Diabetes HbA1c Test	-	-
CQ02 Diabetes HbA1c <8	55.23	51.34
CQ03 Diabetes Eye Exam	-	-
CQ04 Cervical Cancer Screening	67.99	63.66
CQ06 Breast Cancer Screening	63.77	58.7
CQ08 Controlling High Blood Pressure	66.79	62.53
CQ09 Adolescent Immunizations	50.61	43.55
CQ10 Childhood Immunizations	53.66	45.50
CQ11 Child and Adolescent Well-Care Visits	P4R	P4R
CQ12 Chlamydia Screening	66.15	61.75
CQ13 Timely Access to Prenatal Care	-	-
CQ14 Postpartum Care	-	-
CQ15 Asthma Medication Ratio	-	-
CQ 16: Well Child Visits in the First 15 Months of Life	P4R	P4R
CQ 17: Well Child Visits for Children 15-30 Months of Age	P4R	P4R
Measure	75 th percentile	60 th percentile
CQ05 Colorectal Screening	60.66	37.95



2021-22 Quality Improvement Projects

SFHP

QIP Attestation

- Attestations will be due in Q2 (October 31, 2022)

Thank you!
Questions?

SFHP

Agenda Item 6: Discussion Item

New Medi-Cal Managed Care Populations Effective January 1, 2023



Finance Committee & Governing Board

MEMO

Date:	June 1, 2022
To:	Finance Committee and Governing Board
From:	Yolanda R. Richardson, Chief Executive Officer and Skip Bishop, Chief Financial Officer
Regarding:	New Medi-Cal Managed Care Populations Effective January 1, 2023

The following information is presented to the Finance Committee and Governing Board for information only. No action is needed at this time.

Background:

Effective January 1, 2022, the Department of Health Care Services (DHCS) launched California Advancing and Innovating Medi-Cal (CalAIM), which is a multi-year initiative to transform and strengthen the Medi-Cal program. As outlined in CalAIM, the following two new populations of members will transition from Medi-Cal Fee-For-Service to Medi-Cal Managed Care effective January 1, 2023:

- Members residing in Long-Term Care (LTC) facilities.
- Dual eligible members, i.e., members that are eligible for both Medi-Cal and Medicare.

SFHP's overall strategy to maintain the coordination of care and benefits for these two new populations of members includes the Plan retaining financial risk for the services utilized.

Long-Term Care (LTC)

As LTC is a complex benefit with high financial risk and numerous administrative challenges, SFHP intends on consolidating management of this benefit with the Plan for the following reasons:

- Leverage relationships with existing Skilled Nursing Facilities (SNF) to optimize bed placements.
- Continuity for SNF providers such as Laguna Honda Hospital:
 - One single payer for all members enrolled with SFHP.
 - One consistent authorization process for all members enrolled with SFHP.
- Members transitioning between different levels of care, i.e., acute care, skilled nursing and custodial care.

- Financial risk management:
 - Tracking eligibility and reconciling with the State for members with LTC aid codes.
 - Potential risk corridor considerations.

Dual Eligible Member Integration

Reasons for SFHP to retain management and financial risk for these members include:

- Alignment with the LTC population (a majority of the LTC population is Dual eligible).
- SFHP will be required to have a Dual-Special Needs Plan (D-SNP) by January 2026 to coordinate all Medi-Cal and Medicare benefits for Dual eligible members.
- Coordination of benefits and administrative functions can be challenging. SFHP has existing processes in place with COBA (Coordination of Benefits of Agreement) for Medicare claims processing.

Next Steps

- In the coming months, SFHP will meet with provider partners to discuss operational processes and solicit feedback.
- Any updates or revisions to this approach will be shared at the Governing Board meeting in September 2022.

Agenda Item 7: Discussion Item

Semi-Annual Compliance Report



Semi-Annual Compliance Report – June 2022

San Francisco Health Plan (“SFHP”) submits the following semi-annual Compliance Report to the Finance Committee and Governing Board for the period from November 2021 through May 2022.

Annual Employee Training Program

Development and implementation of an updated annual employee training program was completed by January 2022, with all project milestones met on time. Employees are required to complete the training by June 6, 2022. This training also included on Health Insurance Portability and Accountability Act (HIPAA) privacy and security awareness. Employees that do not complete the training will not be eligible for their bonus, should bonuses be approved by the Board in September.

SFHP Member Fraud Awareness Education Program

A member-focused fraud awareness education page was developed in June 2021 to provide education to members about fraud, waste, and abuse. The material is currently under review by the Department of Health Care Services (DHCS). The www.sfhp.org website was updated with this information for members. In addition, an article titled “Member Fraud Awareness” was published in the 2022 Winter Member Newsletter.

FWA Detection Program - Pondera

The Compliance and Oversight department utilizes the Pondera Fraud-Detection-as-a-Solution (FDaaS) vendor to provide monthly “Alerts” based on aberrant claims or eligibility behavior. SFHP meets with Pondera on a quarterly basis to review new developments, trends in the industry, and trends they noticed in SFHP’s data. At the most recent meeting in late May, Pondera reported the following highlights:

- Provided SFHP with special investigation assistance with a provider case that may involve a violation of the law that prohibits self-referrals. The investigation is ongoing.
- Adjusted alerts to decrease false positive reports.
- Improved case tracking module to assist staff with tracking progress of investigations.

The contract with Pondera was extended for one year, through November 2023. SFHP Compliance staff will continue to evaluate the effectiveness of the software to determine next contract extension.

FWA Investigations

Compliance and Oversight received 1,901 alert results from Pondera since November 2021 and reviewed or cleared 493 results. The remaining large volume of results were not investigated for the following reasons:

- Due to issues with the encounter data, misidentification of providers, and the NPI numbers for the billing versus the rendering provider are still causing a larger number of false alarm alerts in Pondera. The Compliance and Oversight team is working with Pondera to reduce these false positives. Progress in this area has reduced false positives by an average of 2,500 Alerts per month.
- The lack of claims editing software resulted in thousands of Alerts. These are time-intensive reviews that could not be reviewed due to lack of employee resources. A claims editing software has been selected by the Claims department for implementation in FY 22-23, which should decrease the number of false positive Alerts.
- Three regulatory audits during the past six months limited staff availability to focus on program integrity activities.

From the Alerts that were reviewed, 88 cases were opened as leads to be investigated. From the leads, there are 15 cases currently open, with all 15 allegations of suspected fraud. These were reported to the Department of Health Care Services (DHCS) as potential Medi-Cal fraud. The 15 cases include nine cases that were previously reported to the Finance Committee and Governing Board in the November 2021 semi-annual compliance report. Of these nine cases, three cases were closed with no findings of fraud, four are awaiting funds to be returned and then will be closed, and two cases remain open.

The following table provides updates on the previously reported cases and six new cases. A typical investigation takes six to nine months. Several cases, however, remain open due to delays in provider or member responses and other staff priorities, e.g., State audits. Two of the six new cases have been closed, with findings in both cases and a total recovery of over \$9,000.

#	Date Received Case #	Provider/ Member	Summary	Status
1	10/29/2020 <i>2010051 (previously reported)</i>	Mini Pharmacy Enterprises	Pharmacy in Los Angeles was found to be automatically delivering refills of diabetic medications to patients' homes without patient request or knowledge.	Update: Also referred to Department of Justice (DOJ). Case Closed with no Findings.
2	11/02/2020 <i>2010052 (previously reported)</i>	Mobility Express	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. Multiple	Update: SFHP is conducting member outreach, to determine if members received rides on the dates of services that were billed and paid. Data Analytics provided over

#	Date Received Case #	Provider/ Member	Summary	Status
			allegations are being investigated: lack of insurance, lack of vehicle registration, unlicensed drivers, and submission of false claims. Investigation currently in progress.	300 transportation claims that do not have a valid medical destination and the investigator is working with the Provider to obtain documentation of active licensure, registration, and insurance. Case remains open.
3	01/13/21 <i>2110081 (previously reported)</i>	SL Consulting	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.	Update: Findings Confirmed. Also referred to DOJ. SFHP has confirmed that the provider did not receive the appropriate orders for the non-COVID related tests and is requesting a refund on identified claims. Case will remain open until monies are received.
4	02/22/21 <i>2110087 (previously reported)</i>	Care DX, Inc.	DHCS received a fraud referral from an employee of Care Dx who alleged inappropriate conduct, including kickbacks. Case referred to Pondera SIU for additional assistance in background investigation into Care Dx.	Update: Case Closed with no finding of Fraud.
5	02/26/21 <i>2110086 (previously reported)</i>	D. W.	Beacon's SIU data mining identified this provider billing HCPCs Q3014, a facility-based code for telehealth services. Beacon sent a MC609 to DHCS. Reviewed 98 claims for procedure code 90837 and telehealth facility code Q3014 for the total paid amount of \$7,349.90. Telehealth facility code was supported, and procedure code 90837 was supported by recorded service length. There were 51 claims that were not supported by documentation due to a computer crash and some records were unrecoverable. The provider submitted a copied receipt of the computer repair. The evidence supports the claim. These monies were not recovered. An education letter was sent to Provider.	Update: Case Closed with education provided to Provider and no finding of fraud.
6	04/09/21 <i>2110092 (previously reported)</i>	A.C.R	Received an alert from Pondera that a provider's license was suspended but claims were identified. Analysis verified that	Update: Requested money back from Provider. Referred case to the DOJ, too. SFHP has

#	Date Received Case #	Provider/ Member	Summary	Status
			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.	requested funds back from provider. Case will remain open until monies received back.
7	7/28/2021 <i>2110106 (Previously Reported)</i>	Bright Heart Health	Beacon SIU conducted data mining that indicated the provider is billing impossible services in a day. Two rendering providers billing over 50 visits in a day on multiple dates of service. San Francisco Health Plan exposure \$2,702.16.	Update: Findings confirmed. Money requested from provider. Case will remain open until monies received.
8	07/07/21 <i>2110100 (Previously Reported)</i>	BHC Sierra Vista Hospital	DHCS received a fraud referral from an employee of Sierra Vista who alleged inappropriate conduct, including claim fraud by changing the patient's hospital arrival time.	Update: Third and final medical record request sent on 5/24/22, if records are not received by June 1st, monies will be recouped.
9	8/3/2021 <i>2110107 (Previously Reported)</i>	M.D.L. Community Psychiatry	Through the Beacon Monthly Reimbursement Report review, there was an anomaly found on one of the Beacon Providers. There was one Provider, Mark David Levine, MD (who is part of Community Psychiatry) that was only billing 99214 or 99215 during a period between June 2020 - September 2020 and was reimbursed at a much higher rate than the Medi-Cal Fee Schedule.	Update: After two requests of medical records, and a significant delay, SFHP received the records and E&M audit of medical records in progress.
10	07/07/21 <i>2110115 (New)</i>	Roman Empire	Beacon SIU received an internal referral that the provider was billing under a different BCBA than was identified as the actual rendering provider. Clinical educated provided on multiple occasions but continues to bill improperly. Findings letter issued on 10/20/21. SFHP exposure for 1 year \$9,093.00. SFHP recovered a total of \$9,093.00.	SFHP Recovered \$9,093.00 Case will remain open for six (6) months for monitoring,
11	07/07/21 <i>2110116 (New)</i>	I-CAN B	Beacon SIU conducted data mining that indicated the provider is a high utilizer, ratio of BCBAs to patients (3 to 85 all plans) seems to be excessive case load and possible impossible services in a day. SFHP potential exposure for 1 year \$34,197.50.	Medical Record Review in process.

#	Date Received Case #	Provider/ Member	Summary	Status
12	01/21/22 2210121 (New)	R.S.N	Beacon SIU received internal referrals that provider is billing for services not provided. Claims data review (7/1/21-1/1/22) identified many dates of services with impossible # of units. SFHP potential exposure for 1 year paid \$80,659.00 and 10 members.	Medical Record Review in process.
13	01/21/22 2210117 (New)	Ron Gordon Corporation	Internal lead regarding allegations of possible misrepresentation of diagnosis to elicit payment approval and suspicious of a possible kickback agreement. Pondera's SIU team assisting in potential Stark Law violation investigation. Case also under review by SFHP Medical Director, Dr. Wayne Pan, for Medical Necessity review. Investigation in progress.	Investigation in progress
14	01/21/22 2210119 (New)	Member Name Redacted	Internal lead indicated that member had claims from Sincere Care Medical Supply after member's date of death (DOD). Member's DOD is 2/19/2021 and Sincere submitted claims for DOS: 2/25/21, 3/25/21, 4/24/21, 5/25/21, and 6/25/21.	Received payment from Sincere Care Management in the amount of \$214.55. Claims were re-adjudicated and reversed. Case is closed.
15	03/16/22 2210129 (New)	Member Name Redacted	Member believes someone else is using her medical insurance to get care. Member interview conducted. Member unable to provide the dates she alleges someone else was getting care using her insurance. Medical records requested for all the claims SFHP had been billed to date. Provided member the report of all services billed to SFHP and awaiting member's response.	Investigation in progress.

Internal Audit Program

The Compliance and Oversight Department identifies risk areas with the Program Integrity Workgroup and surveys subject matter experts across the organization. As a result of the assessment of the risk areas, an internal audit schedule is established for the fiscal year. The following are areas that have been or will be audited this fiscal year:

1. Documentation of requests for expedited grievances
2. Non-clinical grievances
3. Clinical grievances

4. Appeals
5. Provider preventable conditions
6. Pediatric and adult preventive services
7. Beacon claims processing
8. SFHP's third-party administration role for SFHN
9. Processing of members' personal representative forms
10. Medicare Coordination of Benefits Administration (COBA) misdirects
11. Encounter Data Validation
12. Cost Avoidance-Overpayment Recoveries
13. Member Correspondence

Delegation Oversight Program

SFHP's Compliance and Oversight department is also responsible to audit medical groups and vendors that have been delegated health plan functions, such as claims, authorizations, and credentialing. The following annual audits have been completed or are scheduled this fiscal year. All audits are conducted via web conferencing and desk audits:

1. American Specialty Health (ASH)-Full Scope
2. Beacon Health Services-Full Scope
3. Brown and Toland-Full Scope
4. Laguna Honda-Subdelegate of SFHN-Full Scope
5. San Francisco Health Network (SFHN)-Full Scope
6. San Francisco Behavioral Health Services-Full Scope
7. University of California San Francisco (UCSF)-Full Scope
8. Pre-Delegation Audit of Jade MSO Network Medical Management
9. Pre-Contract Assessment of CareNet Nurse Advice Line

Privacy and Security Updates

There were no direct SFHP privacy or security breaches during the past year. MRloA, one of SFHP's contracted vendors providing external medical review, reported a breach, but SFHP staff and systems did not experience a breach. It experienced a ransomware attack in November 2021 that impacted 58 SFHP members. Members were notified in early January.

The new hire and annual trainings were updated to include training on privacy and security requirements for working from home. Compliance and IT staff worked together to develop a virtual privacy survey. This is the virtual alternative to in-office privacy checks conducted by Compliance staff to check staff workstations and file cabinets. With the virtual privacy checks a team of Compliance and IT staff will schedule time with all staff over the course of several months to survey staff about their home office. With these virtual privacy checks IT and Compliance staff will provide staff with guidance to ensure their home offices are set up securely. Virtual privacy checks began in October 2021 and will continue on an ongoing basis.