

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

Governing Board Agenda

Wednesday, June 9, 2021, 12 p.m. - 2 p.m.

SPECIAL NOTICE: Coronavirus COVID-19

Due to the COVID-19 public health emergency and in accordance with Governor Newsom's Executive Order N-29-20, San Francisco Health Authority and San Francisco Community Health Authority Governing Board 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 Governing Board, staff, and the public. All Board members will attend the meeting telephonically and will participate in the meeting to the same extent as if they were present.

Members of the Governing Board and public may connect to the meeting with the link below:

- Link: [Click here to join the meeting](#)

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

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

Public Comment on any matters within SFHA/SFCHA purview

1. (V) Approval of Consent Calendar
 - a. Review and Approval of Minutes from May 5, 2021 Board 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 for Fiscal Year 2021-22 (Skip Bishop, Rand Takeuchi and John F. Grgurina, Jr.)
4. (V) Review and Approval of SFHP FY 2021-22 Organizational Goals and Success Criteria Measures (John F. Grgurina, Jr.)
5. Chief Medical Officer's Report (Fiona Donald, MD)
 - (V) a. Review and Approval of an Extension of the Beacon Health Options Contract through June 30, 2024
 - (V) b. Review and Approval of Practice Improvement Program (PIP) Funding for FY 2021-22
6. (V) Review and Approval CalPERS Salary Schedule (Kate Gormley)

7. (D) Review SFHP Staff Remote Work Status
(John F. Grgurina, Jr. and Kate Gormley)
8. (D) State Budget – Governor Newsom’s May Revision (Sumi Sousa)
9. (D) Member Advisory Committee (MAC) Report (Maria Luz Torre & Irene Conway)
10. (D) CEO Report (John F. Grgurina, Jr.)
Highlighted Items – Healthy San Francisco, NCQA Multicultural Health Care
Distinction, Operations, and Information Security Updates
11. Adjourn

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

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

Please Note These Upcoming SFHA/SFCHA Meetings:

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

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

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

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

Agenda Item 1

Action Item

Approval of Consent Calendar:

a. Minutes from May 5, 2021 Meeting



MEMO

Date: June 1, 2021

To	SFHP Governing Board
From	John F. Grgurina, Jr., CEO
Regarding	Consent Calendar Items for Approval

Consent Calendar

All matters listed hereunder constitute a Consent Calendar and are considered to be routine by the Governing Board of the San Francisco Health Authority and San Francisco Community Health Authority Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

Item 1a. Recommendation to Approve Board Minutes

It is recommended that the Governing Board approve the minutes from the Governing Board meeting held on May 5, 2021. The minutes are attached for review and approval.



**Joint San Francisco Health Authority/San Francisco Community Health Authority
Governing Board
May 5, 2021
Meeting Minutes**

Chair: Steven Fugaro, MD
Vice-Chair: Roland Pickens
Secretary-Treasurer: Reece Fawley

Members

Present: Edwin Batongbacal, Eddie Chan, PharmD, Lawrence Cheung, MD, Irene Conway, Reece Fawley, Steve Fields, Steven Fugaro, MD, Sabra Matovsky, Maria Luz Torre, Emily Webb, Greg Wagner, David Woods, PharmD, and Jian Zhang, DNP, MS, FNP-BC

Members

Absent: Dale Butler and Roland Pickens, MHA, FACHE

Due to the ongoing 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 Governing Board Members attended this meeting via teleconference. The meeting was closed to in-person public attendance, but the conference line information was provided on the publicly-posted agenda. This precaution was taken to protect members of the Governing Board, staff, and the public. All Board members, staff members and public attended the meeting via video conference.

Steven Fugaro, MD, Chair, called the meeting to order. He asked if there was anyone from the public in attendance and if there were any public comments. In attendance from the public was Eunice Majam-Simpson, DSR Health Law, Shawn Paxson, Consultant, Lockton, Dr. Marlene Martín, Zuckerberg San Francisco General Hospital, Deborah Walker, VISIONS, and Carolyn Obringer, BlueShield of California. There were no public comments.

1. Approval of Consent Calendar

The following Board items were on the consent calendar for the Board's approval:

- a. Approval of minutes from March 3, 2021 Governing Board Meeting
- b. Approval of Quality Improvement Committee Minutes
- c. Approval of Provider Credentialing and Recredentialing Recommendations

The Board unanimously approved the consent calendar without any issues.

2. Review and Approval of FY 2021-22 Employee Health Benefits Contracts and Rates

Recommendation: San Francisco Health Plan (SFHP) recommends the Governing Board approve the following employee benefit changes for benefit year 2021-2022:

- Renew Kaiser HMO at a 4.9% increase.
- Renew Aetna HMO at 11.8% increase with no plan changes. The Aetna OAMC plan (the PPO-type plan) renews at 1.5% increase and the Aetna/Sutter OAMC JV plan (the PPO-type plan) is a 4.6% decrease. Both OAMC plans include minor plan changes.
- Principal Dental is a 7% decrease after negotiations and guaranteed for 24 months.
- VSP is in the 3rd year of a 48-month rate guarantee.
- Principal Life/AD&D increased 9.2% and LTD increased 11.1%.

Shawn Paxson, Consultant, Lockton, provided the Board with an overview of the employee health benefits. He stated that the initial gross increase was 15.1% or an increase of \$841,677, but after negotiations and plan changes, the total renewal increase will be 6.1% or \$340,245. Mr. Paxson stated the proposed rate increases are reasonable given the size of SFHP's participation in Kaiser HMO and Aetna. He was able to save SFHP a total of 9% or \$501,452 through additional negotiations.

Reece Fawley requested an explanation of the Aetna/Sutter JV OAMC POS Plan rate changes because it appears they initially wanted an increase of 24.9% but ended with a 4.6% decrease. Mr. Paxton stated that was correct and was agreed upon so that all Aetna plans would have the same renewal increase of 11.8%, with a net increase of 8.7% across the three Aetna plans. Mr. Lockton confirmed there are only three SFHP employees in the Aetna/Sutter JV OAMC POS Plan.

John F. Grgurina, Jr., CEO, stated that he is concerned about SFHP's ability to maintain a non-Kaiser option as the majority of employees continues to select Kaiser as their health plan despite the employee cost (\$0) being equal for both HMO products. Currently, it is an almost 60/40 split between Kaiser/Aetna. Most medical insurance providers are not interested in providing a quote because they would like to either have our entire population or a minimum of 50% of our employees. We are considering the following options for future consideration:

- Health Care Savings Account (HSA)
- CalPERS health insurance pool (they have no minimum participation requirements)

Mr. Grgurina stated that he would come back to the Board at future meetings beginning in November and continuing through March to discuss these options.

All Board members voted to approve FY 2021-22 employee health benefits contracts and rates, with the exception of Mr. Fawley, who voted "no."

3. Federal Updates and State Budget and Policy Updates

Sumi Sousa, Chief Policy Development and Coverage Programs Officer, provided the Board with Federal updates and State budget and Policy updates. (Detailed PowerPoint slides were provided in the Board packet.)

Ms. Sousa stated, the pandemic and national racial reckoning has sparked an urgency to address fundamental policy challenges. The Biden Administration proposed broader, less incremental proposals than expected with the American Rescue Plan Act (ARPA), American Jobs Plan, and American Families Plan. These proposals would be historic levels of federal and state resources to support domestic programs, including public health insurance, and other related programs that would impact SFHP's members and providers.

Ms. Sousa reviewed the \$1.9 trillion American Rescue Plan (ARP), which was signed by President Biden on March 11, 2021. California's share is \$26.3 billion and San Francisco's share is \$636 million. Among other support, the ARP provides major investments to help people obtain and retain health insurance through premium subsidies, including for Covered California and COBRA.

She stated that with the new administration, the public charge proposal goes away. It would have made enrollment in and use of Medi-Cal a factor when determining legal residency status for individuals, but that will no longer be the case. She reminded the Board that the California v. Texas decision, regarding the Affordable Care Act, will likely be released in June.

Lastly, Ms. Sousa reviewed the status of the Governor's May Revision. It is expected that the State budget May Revision will reflect California's improving economy and huge influx of federal funding and one-time cash. She stated there would likely be potentially ambitious proposals and spending in all areas of state government, but particularly health, human services, housing, education, climate change, and income inequality. These would be in addition to CalAIM, which expands Medi-Cal benefits for high-cost, fragile populations, further streamlines and expands managed care's role in benefit delivery and behavioral health integration.

Lawrence Cheung, MD, asked if there are strings attached to the federal funds provided to California and San Francisco. Ms. Sousa stated that the funds could not be used for tax cuts. Edwin Batongbacal asked if the attempt to recall the Governor requires a simple majority and Ms. Sousa confirmed a simple majority would be needed. Dr. Fugaro thanked Ms. Sousa for her informative presentation.

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

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

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

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

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

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

2. Variances between March actual results and the budget include:
 - a. A net increase in revenue of \$57.0 million due to:
 - i. \$45.2 million in Directed Payments funding related to FY 18-19 and Bridge Period July through December 2019. The additional funding for July through December 2019 was not anticipated to be received during FY 20-21.
 - ii. \$8.0 million more in premium revenue due to the delay of the Medi-Cal pharmacy carve-out to April 1, 2021. The budget assumed the pharmacy carve-out would be effective January 1, 2021, therefore we projected lower revenue due to the transfer of the pharmacy benefit to the State. DHCS built a new pharmacy component into the CY 2021 rates to cover this benefit for the period of January through March 2021.
 - iii. \$2.0 million more in premium revenue due to the Medi-Cal rate increases effective January 1, 2021. Member months were 4,553 less than budget projections, however the rate increases more than offset the shortfall in member months and drove extra revenue. Adult, Child and SPD member months were 10,962 less than budget, however Adult Expansion member months were 6,386

more than budget. Membership continues to be on an upward trend with new members coming in, however we are not adding members at quite the same rate as expected per the budget. Due to the Public Health Emergency (PHE) caused by the COVID-19 pandemic, members are not being placed on hold or terminated.

- iv. \$1.3 million more in premium revenue related to DHCS member reclassification adjustments retroactive to January 2014.
- v. \$439,000 more in Hepatitis C revenue. The budget did not assume any Hepatitis C revenue as the pharmacy carve-out was expected to happen January 1, 2021.
- vi. \$76,000 more in Maternity revenue due to nine more maternity events.

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

- i. \$45.2 million in Directed Payments funding related to FY 18-19 and Bridge Period July through December 2019. The additional funding for July through December 2019 was not anticipated to be received during FY 20-21.
- ii. \$7.8 million more in Medi-Cal non-Hepatitis C pharmacy expense. Much like on the revenue side, the budget assumed the pharmacy carve-out would be effective January 1, 2021, therefore we projected lower medical expense due to the transfer of the pharmacy benefit to the State.
- iii. \$1.4 million more in capitation and hospital fee-for-service claims. This increase was due to 1) heavy claims volume as there were five claims payment cycles in March; and 2) higher capitation expense due to membership mix, i.e., more Adult Expansion members and fewer Adult and Child members.
- iv. \$463,000 more in Hepatitis C drug expense. The budget did not assume any Hepatitis C expense for March as the pharmacy carve-out was expected to happen January 1, 2021.
- v. \$383,000 more in Healthy Workers pharmacy expense. The actual cost was \$97.47 pmpm while the budgeted cost was \$65.18 pmpm. It is important to note that SFHP received only \$57.67 pmpm in the Healthy Workers rate making the true loss \$472,000. There is a new pharmacy rate effective April 1, 2021 which should eliminate the monthly loss on this benefit.
- vi. \$256,000 more in Non-Specialty Mental Health (NSMH) expense. This additional cost is due to higher than expected utilization.
- vii. \$148,000 more in Community-Based Adult Services (CBAS) expense. This increase is due to higher utilization resulting from the implementation of Temporary Alternative Services (TAS) which allows the CBAS centers to submit claims for telephonic and telehealth services provided to Medi-Cal members during the PHE.
- viii. \$973,000 less in Health Education and Stop Loss expenses. This majority of this savings is related to \$750,000 in stop loss recoveries received for CY 2018.

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

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

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

- After removing the Directed Payments funding, premium revenue is above budget by \$36.3 million. This is due to:
 - \$24.0 million in pharmacy revenue that was not expected since the Medi-Cal pharmacy benefit was to be carved out on January 1, 2021, but has been delayed by DHCS.
 - Although we have seen an overall net decrease of 4,666 member months, Adult Expansion member months are 46,282 above budget, which has a favorable impact on revenue due to the fact that the premium rate for this category of aid is \$388 pmpm compared to \$293 pmpm for the Adult 19 category and \$112 pmpm for the Child 18 category.
 - A Medi-Cal rate increase effective January 1, 2021.
- After removing SUR activity and Directed Payments funding, medical expense is above budget by \$36.2 million. This increase can be accounted for as follows:
 - Medi-Cal pharmacy costs are up \$22.7 million
 - Capitation and FFS expenses are up \$7.9 million
 - Prop 56 supplemental payments are up \$5.3 million
 - Healthy Workers pharmacy costs are up \$1.8 million
 - CBAS expenses are up \$1.3 million
 - Health Education costs are down (\$2.8 million)

Medi-Cal pharmacy costs are up due to the delay in the carve-out. Capitation and FFS expenses are up due to increasing membership, as well as some high dollar inpatient hospital claims that we incurred in January. Healthy Workers pharmacy costs are higher as the reimbursement rate established in early 2018 has not been sufficient to cover current drug costs and associated utilization. SFHP worked with the San Francisco Department of Public Health and the San Francisco

Human Services Agency to secure a pharmacy rate increase effective on April 1, 2021. The pharmacy rate increases from \$57.67 pmpm to \$93.61 pmpm. Proposition 56 supplemental payment activity is higher than anticipated, however, this is not an issue as SFHP has received more than enough funding to cover these costs. CBAS costs are up due to greater utilization caused by the ongoing public health emergency.

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

PROJECTIONS

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

1. Due to the impact of the COVID-19 pandemic, SFHP anticipates continued increases in Medi-Cal membership over the next six months. We projected an increase of approximately 22,000 new members during FY 20-21. Through March, we have added 13,700 new members. These new members have been spread across the Adult, Child and Adult Expansion categories of aid. We will continue to watch membership growth very closely as we develop the budget for FY 21-22.
2. In response to the COVID-19 pandemic and the effect it is having on state of California finances, the State Legislature approved the implementation of a 1.5% rate reduction retroactive to July 2019. This rate reduction was effective for the entire Bridge Period which ran through December 2020. The rate reduction applied to all categories of aid except dual eligible members. SFHP estimated the impact of this rate reduction to be \$3.3 million for the period of July through December 2020. This revenue loss was built into the FY 20-21 budget. SFHP does not expect DHCS to implement a similar reduction for January through June 2021.
3. The Medi-Cal pharmacy benefit carve-out scheduled for January 2021 has been delayed with no transition date established at this time. The plan is for the State to take on this benefit and has selected Magellan as its Pharmacy Benefits Manager (PBM). SFHP will see approximately \$8 million dollars of revenue per month along with a similar amount for the associated pharmacy expense for each month that SFHP continues to have responsibility for the benefit.
4. In December 2020, SFHP received final Medi-Cal rates for CY 2021. Overall, SFHP received an increase of approximately 4.3% plus the return of the 1.5% Bridge Period rate reduction (1.3% actual). As SFHP looks ahead to future changes coming to Medi-Cal Managed Care, we recognize the need for the health plan to rebuild its reserves that have been reduced by several SUR

programs along with retroactive adjustments implemented by DHCS totaling \$12.7 million.

5. Beginning on July 1, 2021, hospital risk for 16,000 members enrolled with the San Francisco Community Clinic Consortium (SFCCC) will transfer from Zuckerberg San Francisco General (ZSFG) to SFHP. SFHP will no longer pay capitation to ZSFG for these members. SFHP will be responsible for all in-network and out-of-network hospital services under a fee-for-service arrangement – All Patient Refined Diagnosis Related Groups (APR-DRG) for inpatient services and 140% of the Medi-Cal Fee Schedule (MCFS) for outpatient facility services. Primary care and specialty care services will remain under capitation. It is estimated that this new risk will cost SFHP approximately \$16-\$20 million per year. This additional cost will be included in the FY 21-22 budget.
6. Proposition 56 – This program will continue for the remainder of this fiscal year as well as FY 21-22. Proposition 56 provides enhanced payments to medical groups for qualifying physician services, supplemental payments for developmental screenings, adverse childhood experiences screenings, trauma screenings, family planning services and value-based payments related to a variety of health care quality measures.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

PHARMACY MAXIMUM ALLOWABLE COST ADJUSTMENTS

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

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

- We have PBM contractual obligations requiring aggressive generic pricing.

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

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

Mr. Bishop reviewed several charts that were included in the memo that show MAC adjustments by Medi-Cal plan for the last three rate cycles. He pointed out that SFHP is the only Medi-Cal plan to **not** have its rates reduced due to MAC adjustments for all three years.

Investment Reports

Due to time constraints, Mr. Takeuchi did not review the investment reports in detail but directed the Board's attention to the reports included in the Board packet.

Mr. Fawley, Chair of the Finance Committee, stated the Finance Committee reviewed the finances in detail and the expenses and revenues are tracking to the budget as expected. He stated that the fiscal year finances are showing good results. He reported that the Finance Committee recommends approval of the year-to-date unaudited financial statements and investment reports.

With the Finance Committee's recommendation for approval, the Board unanimously approved the year-to-date unaudited financial statements and investment reports without any issues.

5. Member Advisory Committee (MAC) Report

Maria Luz Torre and Irene Conway provided the Board with a MAC report. The Committee hosted their meetings virtually via Zoom. Ms. Luz Torre stated that the Committee met in April 2021.

The Committee did a wellness check and had presentations from health plan staff. Dr. Fiona Donald, CMO, attended the meeting to discuss COVID-19 vaccines updates and SFHP activities to support the vaccine efforts. In addition, staff from the Health Education department attended the Committee's meeting to discuss developing a chronic conditions incentive program.

The co-chairs stated that the MAC members appreciated both presentations by staff.

6. Chief Medical Officer's Report

a. COVID -19 Vaccine Update

Dr. Donald provided the Board with COVID-19 vaccine updates and SFHP activities. (Detailed PowerPoint slides were provided in the Board packets.) Dr. Donald reviewed the goals of the COVID-19 efforts in San Francisco. She stated that SFHP supports San Francisco Department of Public Health (SFDPH) goals of equitable vaccine access to impacted communities, align communications, support outreach and scheduling for SFHP members and populations served by our providers, and address barriers to vaccine access and hesitancy.

SFHP has been working in close collaboration with the SF DPH, San Francisco Health Network, Public Authority for IHSS, Human Service Agency, pharmacies, North East Medical Services, San Francisco Community Clinic Consortium leadership and the City's COVID Command Center (C3).

SFHP has updated its member and provider web pages to provide links to information sources and vaccine locations. SFHP has also been developing a database and dashboard to be able to monitor and analyze vaccine data as the data are made available by the California Immunization Registry (CAIR) and DHCS.

Dr. Donald then provided the Board with a review of CalAIM's three primary goals:

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

Dr. Donald reviewed SFHP's efforts to prepare for the implementation of CalAIM's Enhanced Case Management and In Lieu of Services programs, as well as major organ transplants. The effective date of these new programs is January 1, 2022.

Dr. Donald also provided the Board with a Medi-Cal Rx update. DHCS states it will provide an update regarding the implementation date in late May 2021. DHCS is requiring a conflict avoidance plan from Magellan by the first week of May. The Department of Managed Health Care (DMHC) determined the acquisition to be a major transaction requiring public meetings and independent analysis (per H&S 1399.65). SFHP continues to provide pharmacy benefits for Medi-Cal until the implementation of Medi-Cal Rx.

Dr. Donald then provided the Board with some highlights of the Strategic Use of Reserves (SUR) funding of Inpatient Addiction Medicine Treatment support

at Zuckerberg San Francisco General Hospital (ZSFGH). Dr. Donald introduced Marlene Martín, MD, Director, Addition Care Team (ACT) and Associate Professor of Clinical Medicine, ZSFGH.

Dr. Martín presented the model of emergency department and hospital-based addiction care. (A detailed PowerPoint presentation was provided in the Board packet). Dr. Martín reviewed the program's mission to provide compassionate and equitable care to people with unhealthy substance use through harm reduction, linkages to care, and evidence-base treatment. She stated the vision is to provide excellent, person-centered care to individuals who use substances and eliminate stigma.

Dr. Martín reviewed how the ACT program was developed, launched, and expanded over the past two years. She reviewed how individuals are admitted into the program and triaged into the appropriate levels of care within the ACT. In 2019 they served 463 people and in 2020, this number grew to 1,422, an increase of 316%. There has also been an increase in successful discharges to residential treatment from 22 in 2019 to 74 in 2020 (236% increase).

Dr. Martín stated that over 90% of individuals want ACT's help. 40% have a mental health diagnosis, 50% are not connected to care and 50% experience homelessness. ACT works with many other programs across the County system for a collaborative approach. The program will produce a report based on outcomes data in the Summer of 2021.

Mr. Grgurina and the Board thanked Dr. Martin for the presentation and the work by Dr. Martin and the team at ZSFGH.

7. CEO Report – Highlighted Items- Operations Updates, State Audits, ITS/Security, and Interoperability Rule

Due to time constraints, the CEO report was not discussed.

8. Adjourn

Dr. Fugaro adjourned the meeting.

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 2021

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

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

2. Variances between April actual results and the budget include:
 - a. A net increase in revenue of \$12.1 million due to:
 - i. \$8.2 million more in premium revenue due to the delay of the Medi-Cal pharmacy carve-out. The budget assumed the pharmacy carve-out would be effective January 1, 2021, therefore we projected lower revenue due to the transfer of the pharmacy benefit to the State. DHCS built a new pharmacy component into the CY 2021 rates to cover this benefit for as long as the benefit remains in managed care.
 - ii. \$1.9 million more in Medi-Cal premium revenue due to rate increases effective January 1, 2021. Member months were 4,976 less than budget projections, however the rate increases more than offset the shortfall in member months and drove extra revenue. Adult, Child and SPD member months were 11,416 less than budget, however Adult Expansion member months were 6,439 more than budget. Membership continues to be on an upward trend with new members coming in, however we are not adding members at quite the same rate as expected per the budget. Due to the Public Health Emergency (PHE) created by the COVID-19 pandemic, members are not being placed on hold for purposes of redetermination.
 - iii. \$1.6 million more in Healthy Workers premium revenue due to a rate increase effective April 1, 2021. The rate increased from \$466.00 pmpm to \$588.43 pmpm. Within the overall rate change, the pharmacy component increased from \$57.67 pmpm to \$93.61 pmpm. This increase helps to eliminate approximately \$300,000 in monthly losses SFHP was experiencing on the Healthy Workers pharmacy benefit.
 - iv. \$396,000 more in Hepatitis C revenue. The budget did not assume any Hepatitis C revenue as the pharmacy carve-out was expected to happen January 1, 2021.

- b. A net increase in medical expense of \$11.6 million primarily due to:
- i. \$7.7 million more in Medi-Cal non-Hepatitis C pharmacy expense. Much like on the revenue side, the budget assumed the pharmacy carve-out would be effective January 1, 2021, therefore we projected lower medical expense due to the transfer of the pharmacy benefit to the State.
 - ii. \$3.2 million more in capitation and hospital fee-for-service claims. This increase was due to 1) \$1.0 million more in Healthy Workers capitation expense due to the rate increase effective April 1, 2021; 2) higher capitation expense due to the Medi-Cal membership mix, i.e., more Adult Expansion members and fewer Adult and Child members; and 3) more fee-for-service expense due to membership growth.
 - iii. \$417,000 more in Hepatitis C drug expense. The budget did not assume any Hepatitis C expense for March as the pharmacy carve-out was expected to happen January 1, 2021.
 - iv. \$244,000 more in Healthy Workers pharmacy expense. The actual cost was \$86.33 pmpm versus a budget of \$65.18 pmpm. Although the actual cost was higher than the budget, we had a margin of \$86,000 due to the rate increase effective April 1, 2021.
 - v. \$196,000 more in Non-Specialty Mental Health (NSMH) expense. This additional cost is due to ongoing utilization that has been higher than expected.
 - vi. \$156,000 more in Community-Based Adult Services (CBAS) expense. This increase is due to higher utilization resulting from the implementation of Temporary Alternative Services (TAS) which allows the CBAS centers to submit claims for telephonic and telehealth services provided to Medi-Cal members during the Public Health Emergency (PHE). The PHE is expected to last until the end of the calendar year.
 - vii. \$286,000 less in Health Education and Stop Loss expenses. This difference is due to timing. After excluding the impact of Directed Payments, it expected that actual spending will align with budget expectations as we get closer to year end.
- c. A net decrease in administrative expenses of \$319,000 primarily due to:
- i. \$548,000 less in all administrative expense categories with the exception of TPA services. Compensation and Benefits costs were less than budget due to the impact of discontinuing the bonus accrual (the accrual is fully funded for FY 20-21) and not implementing merit increases in FY 20-21.
 - ii. \$229,000 more in TPA services. We incurred Pharmacy Benefits Manager (PBM) fees due to the delay in the Medi-Cal pharmacy carve-out. We also experienced higher non-specialty mental health administrative fees due to increases in membership.

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

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

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

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

Medi-Cal pharmacy costs are up due to the delay in the carve-out. Capitation and FFS expenses are up due to increasing membership, Healthy Workers capitation rate increases as well as some high dollar inpatient hospital claims that we incurred in January. Healthy Workers pharmacy costs are higher due to increasing drug costs and associated utilization, however due to the rate increase effective April 1, 2021, SFHP is no longer losing money on the Healthy Workers pharmacy benefit. Proposition 56

supplemental payment activity is higher than anticipated, however this is not an issue as SFHP has received more than enough funding to cover these costs. CBAS costs are up due to greater utilization caused by the ongoing public health emergency.

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

PROJECTIONS

Financial projections through October 2021:

1. Due to the ongoing COVID-19 pandemic, SFHP anticipates continued increases in Medi-Cal membership over the next six months. We projected an increase of approximately 22,000 new members during FY 20-21. Through April, we have added 18,400 new members. These new members have been spread across the Adult, Child and Adult Expansion categories of aid. We continue to watch membership growth very closely as we develop the budget for FY 21-22.
2. In response to the COVID-19 pandemic and the effect it is having on state of California finances, the State Legislature approved the implementation of a 1.5% rate reduction retroactive to July 2019. This rate reduction was effective for the entire Bridge Period which ran through December 2020. The rate reduction applied to all categories of aid except dual eligible members. SFHP estimated the impact of this rate reduction to be \$3.3 million for the period of July through December 2020. This revenue loss was built into the FY 20-21 budget. Due to California's strong financial position, SFHP does not expect DHCS to implement a similar reduction for January through June 2021.
3. The Medi-Cal pharmacy benefit carve-out scheduled for January 2021 has been delayed with no transition date established at this point in time. The plan is for the State to take on this benefit and has selected Magellan as its Pharmacy Benefits Manager (PBM). SFHP will see approximately \$8 million dollars of revenue per month along with a similar amount for the associated pharmacy expense for each month that SFHP continues to have responsibility for the benefit.
4. In April 2021, SFHP received a rate increase for the Healthy Workers pharmacy benefit. The rate increased from \$57.67 pmpm to \$93.61 pmpm. This will deliver approximately \$400,000 in additional revenue and eliminate the monthly loss SFHP has been experiencing with this benefit. The new rate is good through June 30, 2022. SFHP, the San Francisco Department of Public Health and the San Francisco Human Services Agency will be reviewing the Healthy Workers rate on an annual basis and will seek further increases if/when current rates are no longer adequate to cover costs.
5. In December 2020, SFHP received final rates for CY 2021. Overall, SFHP received an increase of approximately 4.3% plus the return of the 1.5% Bridge Period rate reduction (1.3% actual). As SFHP looks ahead to future changes coming to Medi-Cal Managed Care, we recognize the need for the health plan to rebuild its reserves that have been reduced by several Strategic Use of

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

6. Beginning in July 2021, hospital risk for 16,000 members enrolled with the San Francisco Community Clinic Consortium (SFCCC) will transfer from Zuckerberg San Francisco General (ZSFG) to SFHP. SFHP will no longer pay capitation to ZSFG for these members. SFHP will be responsible for all in-network and out-of-network hospital services under a fee-for-service arrangement – All Patient Refined Diagnosis Related Groups (APR-DRG) for inpatient services and 140% of the Medi-Cal Fee Schedule (MCFS) for outpatient facility services. Primary care and specialty care services will remain under capitation. It is estimated that this new risk will cost SFHP approximately \$16-\$20 million per year. This additional cost will be included in the FY 21-22 budget.
7. Proposition 56 – this program will continue for the remainder of this fiscal year as well as FY 21-22. Proposition 56 provides enhanced payments to medical groups for qualifying physician services, supplemental payments for developmental screenings, adverse childhood experiences screenings, trauma screenings, family planning services and value-based payments related to a variety of health care quality measures.
8. See income statement charts on subsequent pages. Due to the impact that pass-through funding and the disbursement of Strategic Use of Reserves have on projections, we have included graphs with and without this activity.

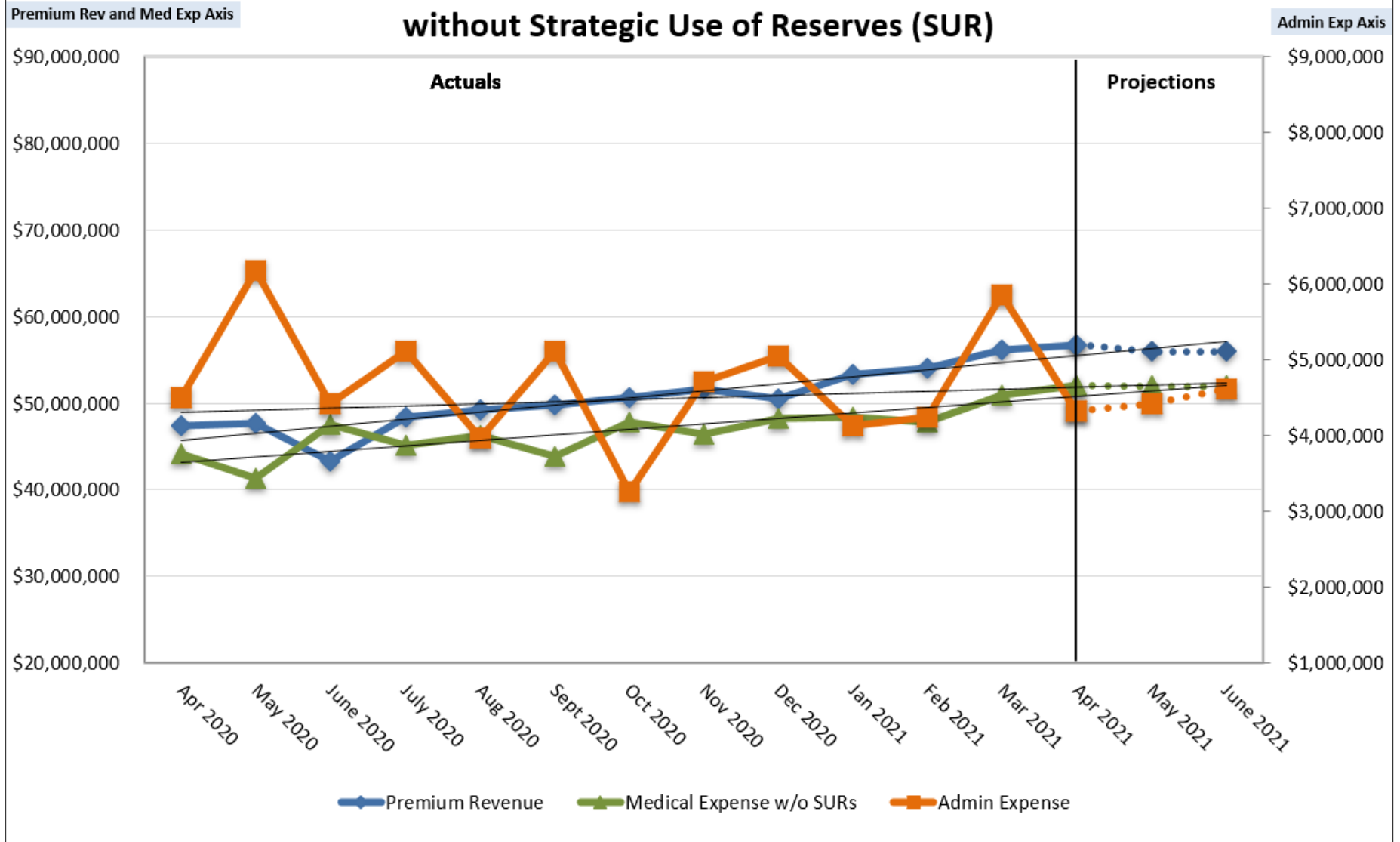
HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

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

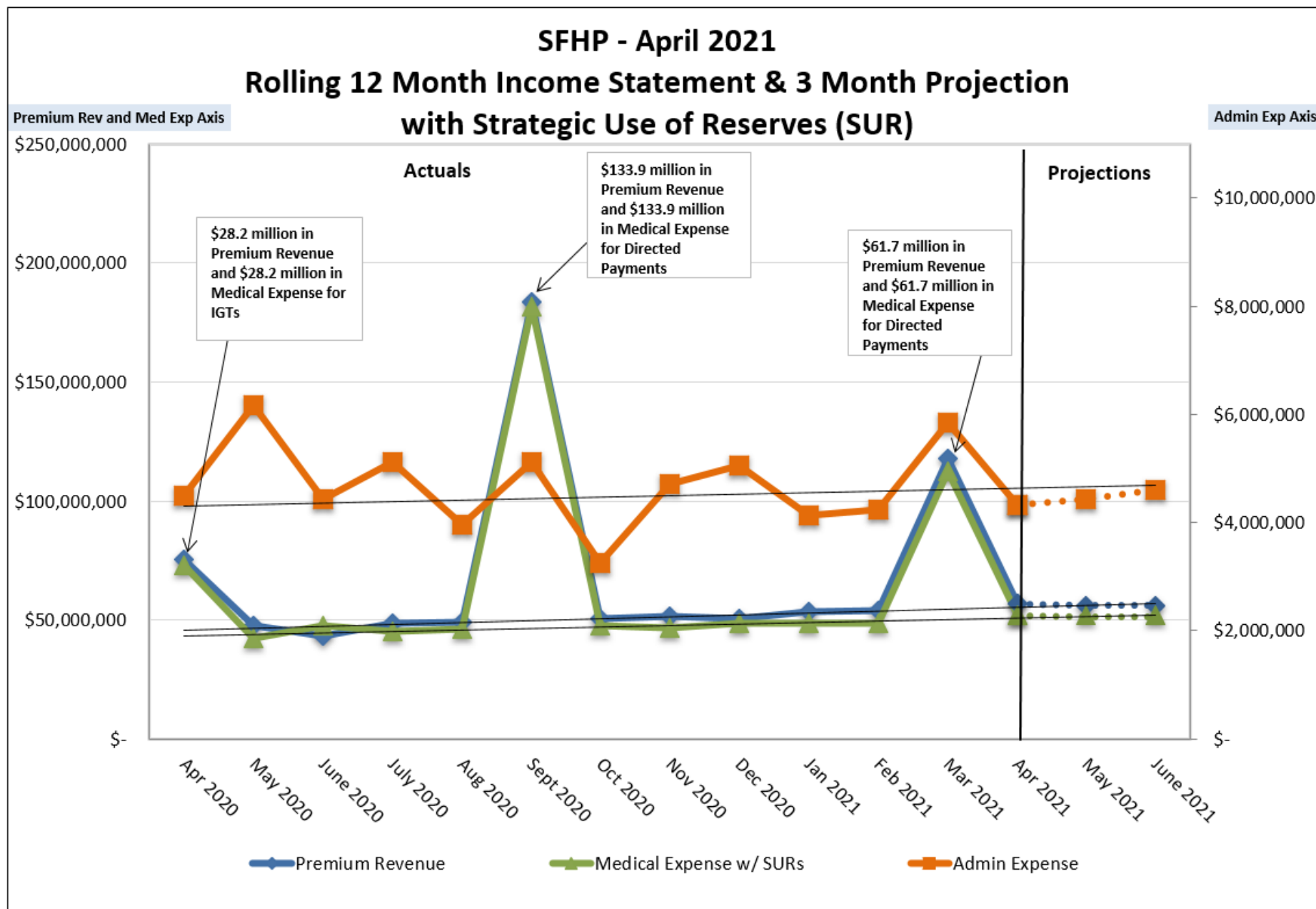
Please refer to the discussion document by Edrington Health Consulting, located in the Closed Session of the Finance Committee packet called, “Review Medi-Cal Provider Contracting and Rate-Setting Strategy.”

SFHP - April 2021

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



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

San Francisco Health Plan

Finance Big Picture Dashboard - April 2021

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

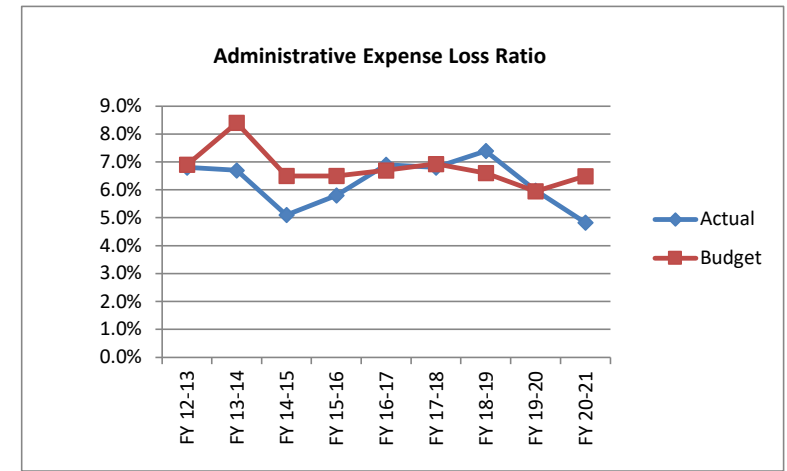
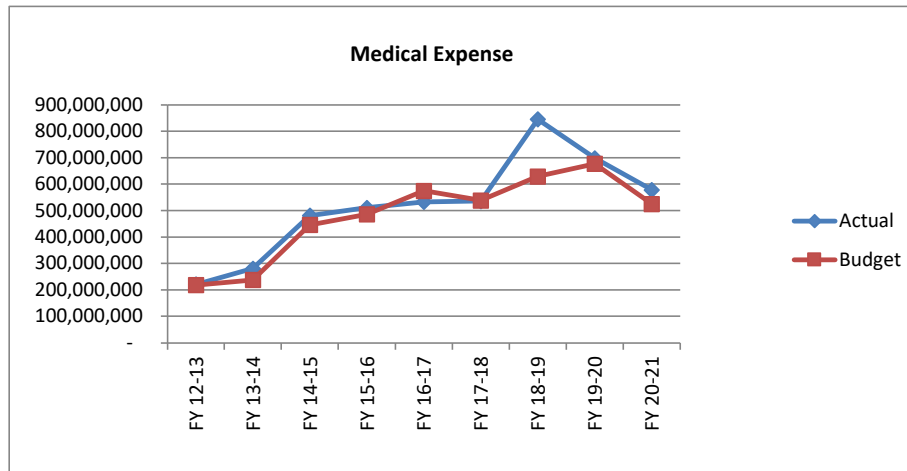
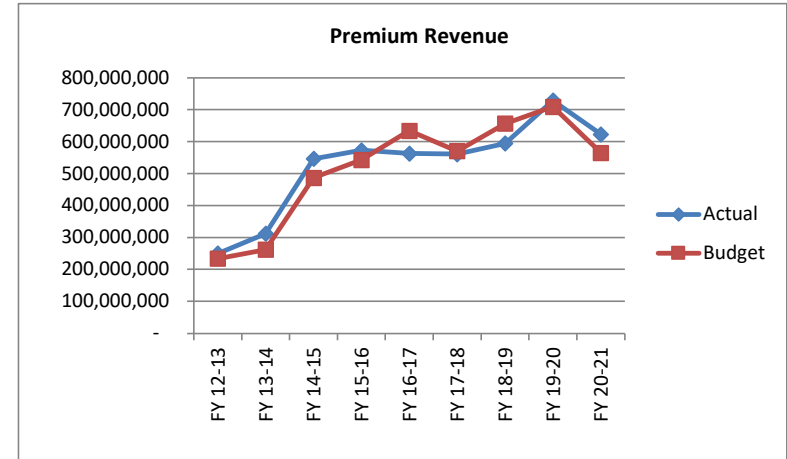
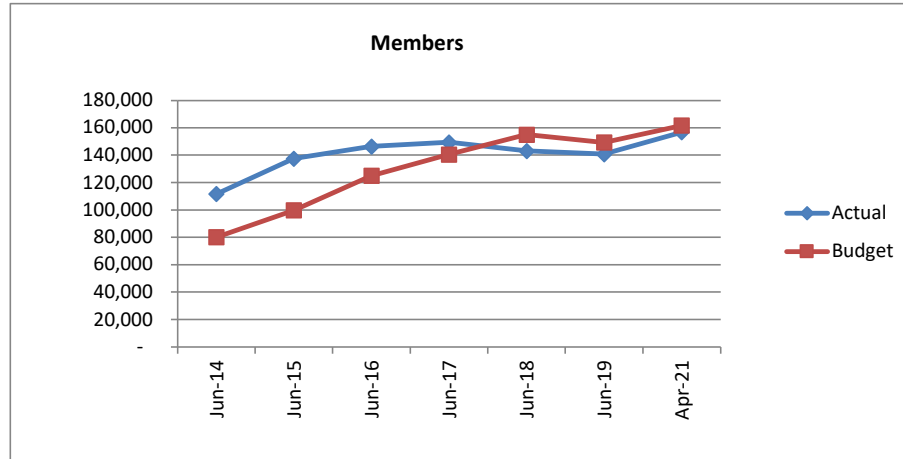
RESERVES:	April-2021	Budget @ 6/30/21	June-2020	June-2019	June-2018	June-2017	June-2016	June-2015
Reserves (\$)	93,994,439	86,253,212	91,960,120	97,935,725	108,542,472	120,761,132	112,637,840	82,714,329
SUR carry-over balance from prior years	(2,574,150)	(1,800,000)	(4,145,463)	(6,046,189)	(15,567,350)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

FINANCIAL TREND:	FY 20/21							
	Original Budget	Change						
Premium Revenue (\$)	607,550,943	106,924,117						
Medical Expenses (\$)	574,734,737	(103,014,810)						
Administration Expenses w/o HSF (\$)	46,397,880	4,965,155						
	April-2021	June-2019	June-2018	June-2017	June-2016	June-2015	June-2014	
Member Months	156,716	140,765	143,096	149,348	146,289	137,427	111,590	Membership for the Month
Average Monthly Enrollment	149,352	142,038	146,847	148,354	144,347	130,240	91,587	Rolling 12 Month Average

San Francisco Health Plan

Finance Big Picture Dashboard - April 2021

FINANCIAL TREND:
(Rolling 12 months)



San Francisco Health Plan

Finance Dashboard Metrics - April 2021

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

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

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

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

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

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

Notes:

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

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

- (2) Capitation Receivable is a combination of Medi-Cal premiums totaling \$57.6 million along with \$3.4 million of receivables for the Healthy Workers program. SFHP and the SF Department of Human Resources are engaged in a weekly dialogue on the payment of the Healthy Workers receivable. We have a verbal confirmation that this amount will be paid as soon as the new contract is executed. The parties are working through final edits.
- (3) The majority of this increase is related to the \$500 grants disbursed to SF City Option MRA holders. These funds will come back into the HSF SF City Option program at a later date.
- (4) The balance at 4/30/20 included \$28.1 million of IGT funding that was disbursed in May 2020. SFHP is not holding any IGT funding at this time.

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

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

Current Month		Current Month	Fav (Unfav)	Fav (Unfav)		Year to Date	Year to Date	Fav (Unfav)	Fav (Unfav)
Actual		Budget	Amount (\$)	%		Actual	Budget	(\$)	%
Member Month									
(1)	72,510	83,248	(10,738)	(12.9%)	Medi-Cal	699,438	758,832	(59,394)	(7.8%)
	13,442	14,120	(678)	(4.8%)	Medi-Cal SPD	133,939	139,940	(6,001)	(4.3%)
	58,917	52,478	6,439	12.3%	Medi-Cal Expansion	553,733	501,012	52,721	10.5%
	11,847	11,846	1	0.0%	Healthy Workers	120,997	117,965	3,032	2.6%
	156,716	161,692	(4,976)	(3.1%)	TOTAL MEMBER MONTH	1,508,107	1,517,749	(9,642)	(0.6%)
REVENUE									
(2)	13,534,627	13,033,115	501,512	3.8%	Medi-Cal	160,664,745	156,349,202	4,315,543	2.8%
	12,525,349	9,250,136	3,275,213	35.4%	Medi-Cal SPD	183,676,647	146,575,557	37,101,090	25.3%
	23,618,002	16,803,810	6,814,192	40.6%	Medi-Cal Expansion	311,950,857	249,549,382	62,401,476	25.0%
	79,000	116,090	(37,090)	(31.9%)	MC Health Homes	1,363,404	1,160,900	202,504	17.4%
	6,965,064	5,414,214	1,550,850	28.6%	Healthy Workers	56,819,407	53,915,903	2,903,504	5.4%
	56,722,042	44,617,365	12,104,677	27.1%	Total Capitation Revenue	714,475,061	607,550,943	106,924,117	17.6%
	687,447	720,462	(33,015)	(4.6%)	Other Income - Admin Svc & TPL	6,735,718	6,958,310	(222,592)	(3.2%)
	0	0	0		Other Income - BHI	200,000	0	200,000	
	687,447	720,462	(33,015)	(4.6%)	Total Other Income	6,935,718	6,958,310	(22,592)	(0.3%)
	57,409,489	45,337,827	12,071,662	26.6%	TOTAL REVENUE	721,410,779	614,509,253	106,901,526	17.4%
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**San Francisco Health Plan
Income Statement w/o HSF
Consolidated Statement for SFHA and SFCHA
For the Month Ending April 30, 2021**

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

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

Notes:

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

- April member months were 3.1% below budget. When preparing the FY 20-21 budget, SFHP assumed there would be stronger growth during the middle part of the fiscal year due to the COVID-19 pandemic. Although Adult and Child member months were short of budget projections, Adult Expansion member months came in 6,439 ahead of budget which helped drive additional revenue for SFHP and additional capitation for providers. SFHP expects continued growth in membership,
- (1) however the growth will not be as robust and will fall short of budget expectations. On a year-to-date basis, member months are 0.6% below budget. It is expected that member months will fall slightly short of the full fiscal year target, however membership mix and the Medi-Cal rate increase will help us achieve revenue projections.
- Premium revenue for the month of April was \$12.1 million higher than the budget due to a combination of additional pharmacy revenue that was expected to end 12/31/20, the Medi-Cal rate increase that was effective 1/1/21 and the Healthy Workers rate increase that was effective 4/1/21. Year-to-date revenue included \$195.6 million in Directed Payments funding related to FY 18-19 as well as July through December 2019. The FY 20-21 budget projected \$137.0 million. This funding is a
- (2) direct pass-through to hospital providers. DHCS and DMHC allow health plans to treat this funding as revenue and medical expense. Year-to-date and excluding Directed Payments funding, premium revenue is \$48.3 million above budget. This is due to \$32.5 million in unanticipated pharmacy revenue, Medi-Cal and Healthy Workers rate increases and a favorable membership mix.
- Additional professional and hospital expenses were driven by increased capitation due to more Adult Expansion membership, additional Healthy Workers capitation for
- (3) SF DPH as well as some high dollar inpatient hospital claims received in January. SFHP continues to see increases in CBAS and Prop 56 claims expense. SFHP did not budget for pharmacy costs in April as the pharmacy carve-out was expected to occur January 2021. On a year-to-date basis and excluding Directed Payments and Strategic Use of Reserves activity, medical expense is \$48.2 million above budget. This is due to \$30.8 million in unanticipated pharmacy expense, higher capitation due to membership mix, higher than expected fee-for-service costs and increases in CBAS, non-specialty mental health and Proposition 56 services.
- (4) The Health Education, Stop Loss and Other Medical Expenses line item includes Directed Payment funding. On a year-to-date basis, SFHP has received \$195.6 million versus a projected amount of \$137.0 million.
- The Compensation and Benefits line item is lower than budget due to discontinuing the monthly bonus accrual as well as not implementing the annual merit increase. As no bonus was paid for FY 19-20, the bonus accrual is fully funded for FY 20-21. GASB 68 expense reflects ongoing pension expense adjustments as required by
- (5) GASB rules. Pharmacy Benefit Manager (PBM) costs are higher as we expected the Medi-Cal pharmacy benefit to be carved out effective January 2021. Other Expenses such as telecommunications, systems maintenance and systems support costs have come in lower than expected. This variance is related to timing issues as it is expected these costs will be heavier during May and June.

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

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

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

REVENUE								
186.66	156.56	30.10	19.2% Medi-Cal	229.71	206.04	23.67	11.5%	
931.81	655.11	276.70	42.2% Medi-Cal SPD	1,371.35	1,047.42	323.93	30.9%	
400.87	320.21	80.66	25.2% Medi-Cal Expansion	563.36	498.09	65.27	13.1%	
587.92	457.05	130.87	28.6% Healthy Workers	469.59	457.05	12.54	2.7%	
361.44	275.94	85.50	31.0% Total Capitation Revenue	472.85	400.30	72.55	18.1%	
4.39	4.46	(0.07)	(1.6%) Other Income - Admin Svc & TPL	4.47	4.58	(0.12)	(2.6%)	
0.00	0.00	0.00	Other Income - BHI	0.13	0.00	0.13		
4.39	4.46	(0.07)	(1.6%) Total Other Income	4.60	4.58	0.01	0.3%	
365.82	280.40	85.43	30.5% TOTAL REVENUE	477.45	404.88	72.57	17.9%	

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

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

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

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

San Francisco Health Plan Investment Performance (excludes balances in SFHA operating accounts) April 30, 2021									
	Purchase Date	Quantity	Purchase Price	4/30/21 Price	Market Value 4/30/21	Amortized Prem / Disc	Remaining Cost	Unrealized Gain (Loss)	Estimated Annual Income
Fixed Income Securities									
Local Agency Investment Fund (LAIF) - rate @ .540%			\$ 1,217,594		\$ 1,217,594	\$ -	\$ 1,217,594	\$ -	\$ 6,575
Principal Cash									
Principal Cash		-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CNB Deposit Sweep (TBSCNBM) - Variable Rate 0.01%		86,176	\$ 86,176	\$ 1,000	\$ 86,176	\$ -	\$ 86,176	\$ -	\$ 9
Total Cash and Cash Equivalents		\$ 86,176	\$ 86,176		\$ 86,176	\$ -	\$ 86,176	\$ -	\$ 9
U.S. Govt Bonds, Notes, & U.S. Agencies									
US Treasury Note - 2.375% - Mat 03/15/2022	6/8/20	160,000	\$ 166,131	\$ 102.008	\$ 163,213	\$ (3,094)	\$ 163,037	\$ 176	\$ 3,800
US Treasury Note - 1.75% - Mat 04/30/2022	10/5/18	825,000	\$ 790,453	\$ 101.664	\$ 838,728	\$ 24,859	\$ 815,312	\$ 23,416	\$ 14,438
US Treasury Note - 1.875% - Mat 05/31/2022	6/23/17	710,000	\$ 713,605	\$ 101.934	\$ 723,731	\$ (3,627)	\$ 709,978	\$ 13,753	\$ 13,313
US Treasury Note - 2.000% - Mat 11/30/2022	6/17/19	715,000	\$ 720,019	\$ 102.945	\$ 736,057	\$ (2,840)	\$ 717,179	\$ 18,878	\$ 14,300
US Treasury Note - 1.500% - Mat 01/15/2023	5/7/20	600,000	\$ 620,273	\$ 102.313	\$ 613,878	\$ (7,272)	\$ 613,002	\$ 876	\$ 9,000
US Treasury Note - 2.750% - Mat 04/30/2023	10/30/19	575,000	\$ 596,428	\$ 105.125	\$ 604,469	\$ (9,202)	\$ 587,226	\$ 17,243	\$ 15,813
US Treasury Note - 0.125% - Mat 07/15/2023	12/23/20	970,000	\$ 969,621	\$ 99.836	\$ 968,409	\$ 51	\$ 969,672	\$ (1,263)	\$ 1,213
US Treasury Note - 2.750% - Mat 11/15/2023	5/7/20	680,000	\$ 738,517	\$ 106.309	\$ 722,901	\$ (16,090)	\$ 722,428	\$ 474	\$ 18,700
US Treasury Note - 2.375% - Mat 02/29/2024	12/23/20	125,000	\$ 133,691	\$ 105.820	\$ 132,275	\$ (961)	\$ 132,731	\$ (456)	\$ 2,969
US Treasury Note - 2.125% - Mat 03/31/2024	6/8/20	585,000	\$ 624,945	\$ 105.203	\$ 615,438	\$ (9,598)	\$ 615,347	\$ 91	\$ 12,431
US Treasury Note - 2.375% - Mat 08/15/2024	5/7/20	570,000	\$ 619,229	\$ 106.406	\$ 606,514	\$ (11,186)	\$ 608,044	\$ (1,529)	\$ 13,538
US Treasury Note - 1.250% - Mat 08/31/2024	3/15/21	615,000	\$ 631,216	\$ 102.711	\$ 631,673	\$ (592)	\$ 630,624	\$ 1,048	\$ 7,688
US Treasury Note - 2.250% - Mat 12/31/2024	6/2/20	685,000	\$ 745,553	\$ 106.316	\$ 728,265	\$ (12,114)	\$ 733,439	\$ (5,174)	\$ 15,413
US Treasury Note - 0.375% - Mat 04/30/2025	6/2/20	625,000	\$ 626,904	\$ 99.070	\$ 619,188	\$ (355)	\$ 626,549	\$ (7,362)	\$ 2,344
US Treasury Note - 2.875% - Mat 05/31/2025	6/2/20	670,000	\$ 754,430	\$ 109.102	\$ 730,983	\$ (15,483)	\$ 738,947	\$ (7,964)	\$ 19,263
US Treasury Note - 2.750% - Mat 06/30/2025	7/17/20	225,000	\$ 252,211	\$ 108.629	\$ 244,415	\$ (5,042)	\$ 247,169	\$ (2,574)	\$ 6,188
US Treasury Note - 0.250% Mat 07/31/2025	11/3/20	520,000	\$ 516,913	\$ 98.195	\$ 510,614	\$ 318	\$ 517,231	\$ (6,171)	\$ 1,300
US Treasury Note - 2.00% - Mat 08/15/2025	9/10/20	150,000	\$ 162,604	\$ 105.594	\$ 158,391	\$ (1,625)	\$ 160,978	\$ (2,587)	\$ 3,000
US Treasury Note - 0.375% - Mat 11/30/2025	12/23/20	250,000	\$ 250,127	\$ 98.242	\$ 245,605	\$ (9)	\$ 250,118	\$ (4,513)	\$ 938
US Treasury Note - 0.375% - Mat 01/31/2026	2/16/21	505,000	\$ 502,574	\$ 97.977	\$ 494,784	\$ 101	\$ 502,674	\$ (7,890)	\$ 1,894
Federal National Mortgage Assn-1.875% Mat 04/05/2022	7/25/19	675,000	\$ 675,745	\$ 101.660	\$ 686,205	\$ (475)	\$ 675,269	\$ 10,936	\$ 12,656
Federal National Mortgage Assn - 2.375% Mat - 01/19/2023	4/5/18	815,000	\$ 803,016	\$ 103.793	\$ 845,913	\$ 7,700	\$ 810,716	\$ 35,197	\$ 19,356
Federal National Mortgage Assn - 2.75% Mat - 06/19/2023	7/11/18	575,000	\$ 572,033	\$ 105.412	\$ 606,119	\$ 1,674	\$ 573,707	\$ 32,412	\$ 15,813
Federal National Mortgage Assn - 2.875% Mat - 09/12/2023	1/18/19	685,000	\$ 695,533	\$ 106.276	\$ 727,991	\$ (5,398)	\$ 690,135	\$ 37,856	\$ 19,694
Federal Farm Credit Bank - 0.200% Mat - 10/02/2023	10/2/20	750,000	\$ 749,123	\$ 99.862	\$ 748,965	\$ 169	\$ 749,291	\$ (326)	\$ 1,500
Federal National Mortgage Assn- 2.5% Mat 02/05/2024	3/5/19	695,000	\$ 695,078	\$ 106.047	\$ 737,027	\$ (152)	\$ 694,926	\$ 42,101	\$ 17,375
Federal National Mortgage Assn-2.625% Mat 09/06/2024	10/30/19	790,000	\$ 824,357	\$ 107.334	\$ 847,939	\$ (11,033)	\$ 813,324	\$ 34,614	\$ 20,738
Total U.S. Govt Bonds, Notes, & U.S. Agencies		\$ 15,745,000	\$ 16,150,328		\$ 16,289,688	\$ (81,274)	\$ 16,069,054	\$ 220,634	\$ 284,669
Corporate Bonds									
Goldman Sachs Group - 3.625% Mat 01/22/2023	7/25/19	705,000	\$ 733,188	\$ 105.571	\$ 744,276	\$ (15,610)	\$ 717,578	\$ 26,698	\$ 25,556
Wells Fargo & Company - 3.750% Mat - 01/24/2024	4/22/19	685,000	\$ 701,050	\$ 108.184	\$ 741,060	\$ (6,806)	\$ 694,243	\$ 46,817	\$ 25,688
Morgan Stanley - Variable rate 3.737% Mat 04/24/2024	7/25/19	575,000	\$ 599,121	\$ 106.163	\$ 610,437	\$ (8,947)	\$ 590,175	\$ 20,263	\$ 21,488
United Health Group Inc - 2.375% Mat 08/15/2024	2/17/21	320,000	\$ 341,024	\$ 105.762	\$ 338,438	\$ -	\$ 341,024	\$ (2,586)	\$ 7,600
Paccar Financial Corp - 1.80% Mat - 02/06/2025	5/18/20	375,000	\$ 380,438	\$ 103.001	\$ 386,254	\$ (1,081)	\$ 379,357	\$ 6,897	\$ 6,750
Bank of America Corp - Variable rate 3.458% Mat 03/15/2025	5/12/20	695,000	\$ 742,031	\$ 107.193	\$ 744,991	\$ (9,312)	\$ 732,719	\$ 12,273	\$ 24,033
3M Company -2.650% Mat 04/15/2025	5/19/20	360,000	\$ 382,644	\$ 106.748	\$ 384,293	\$ (4,339)	\$ 378,305	\$ 5,988	\$ 9,540
Citigroup Inc - Variable Rate 3.352% Mat 04/24/2025	5/19/20	480,000	\$ 505,618	\$ 107.264	\$ 514,867	\$ (4,909)	\$ 500,709	\$ 14,159	\$ 16,090
Chevron USA INC - .687% Mat 08/12/2025	2/17/21	505,000	\$ 504,753	\$ 98.817	\$ 499,026	\$ 11	\$ 504,764	\$ (5,738)	\$ 3,469
Comcast Corp- 3.95% Mat 10/15/2025	2/17/21	440,000	\$ 501,675	\$ 112.173	\$ 493,561	\$ (2,654)	\$ 499,021	\$ (5,459)	\$ 17,380
Apple Inc - .700% Mat 02/08/2026	2/17/21	630,000	\$ 629,049	\$ 98.720	\$ 621,936	\$ 38	\$ 629,087	\$ (7,151)	\$ 4,410
Total Corporate Bonds		5,770,000	6,020,588		6,079,140	(53,609)	5,966,979	112,160	162,004
Foreign Bonds									
BK Montreal Mtn. 3.3% Mat - 02/05/2024	3/29/19	700,000	\$ 709,618	\$ 107.550	\$ 752,850	\$ (4,085)	\$ 705,533	\$ 47,317	\$ 23,100
Santander UK PLC. 4% Mat - 03/13/2024	10/31/19	565,000	\$ 603,606	\$ 109.720	\$ 619,918	\$ (13,127)	\$ 590,480	\$ 29,438	\$ 22,600
Total Foreign Bonds		1,265,000	\$ 1,313,224		\$ 1,372,768	\$ (17,212)	\$ 1,296,012	\$ 76,756	\$ 45,700
Municipal Bonds									
Wisconsin State - 0.361% Mat-05/01/2024	3/17/2021	545,000	\$ 545,000	\$ 99.820	\$ 544,019	\$ -	\$ 545,000	\$ (981)	\$ 1,967
Florida State Brd Admin - 1.258% Mat-07/01/2025	9/16/20	745,000	\$ 747,776	\$ 100.931	\$ 751,936	\$ (394)	\$ 747,382	\$ 4,554	\$ 9,372
Total Municipal Bonds		1,290,000	1,292,776		1,295,955	(394)	1,292,382	3,573	11,340
Municipal Zero Coupon Bonds									
Total Zero Coupon Bonds		-	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
Total of City National Investments		24,070,000	24,776,917		25,037,551	(152,489)	24,624,428	413,123	503,712
Total City National Holdings		24,156,176	\$ 24,863,093		\$ 25,123,726	\$ (152,489)	\$ 24,710,604	\$ 413,123	\$ 503,720
Estimated Accrued Income					\$ 104,588.89				
Total of City National Investments					\$ 25,228,315.30				
Mandatory 3 CDs - Assigned to DMHC								\$ 260,634	(0)
Banc of California - # 3030018015 - Mat 08/3/2020 - 1.40%	8/3/19	1	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ 1,400
City National Bank - # 432928519 - Mat - 10/16/2020- 0.10%	10/16/19	1	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ 100
Beacon Business Bank # 1507765 - Mat 09/21/20 - 0.30%	9/22/19	1	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ 300
Total of Time Deposits			\$ 300,000		\$ 300,000			\$ -	\$ 1,800
Total of Investments			\$ 26,380,687		\$ 26,641,321			\$ 413,123	\$ 512,095

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

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

Portfolio Structure

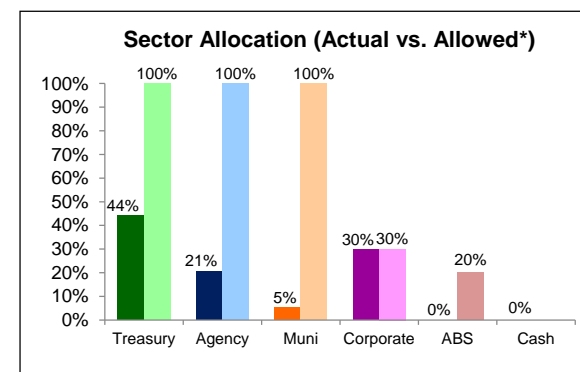
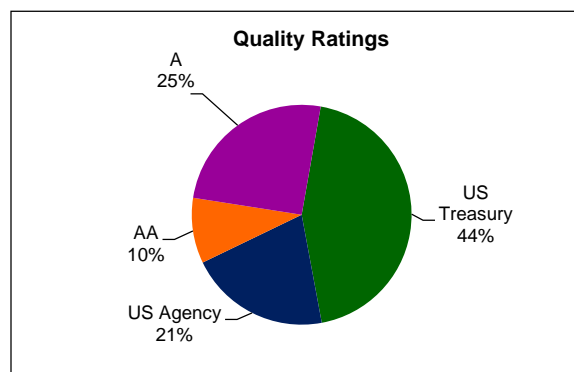
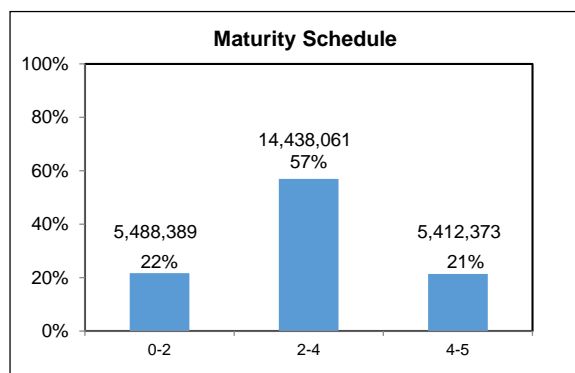
Yield to Maturity	0.47%
Yield to Cost	1.36%
Average Maturity	2.90 Years
Average Credit Quality	AAA-

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

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

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

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



*At time of purchase

Credit Issues

There were no credit issues for the month of April.

Definition of Terminology

Portfolio Structure Terms

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

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

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

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

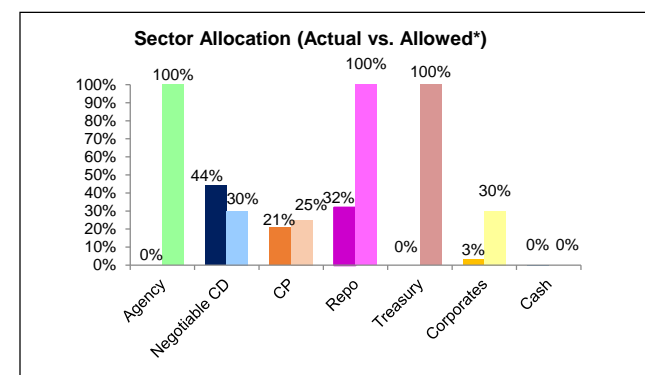
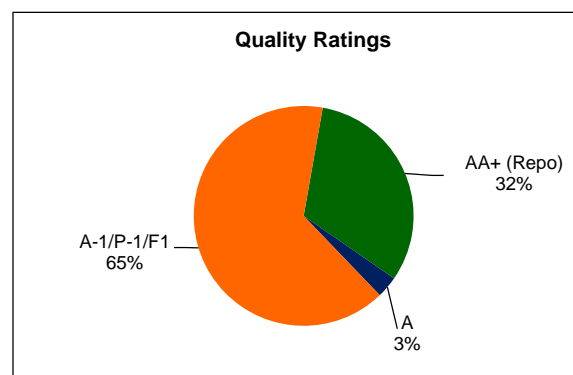
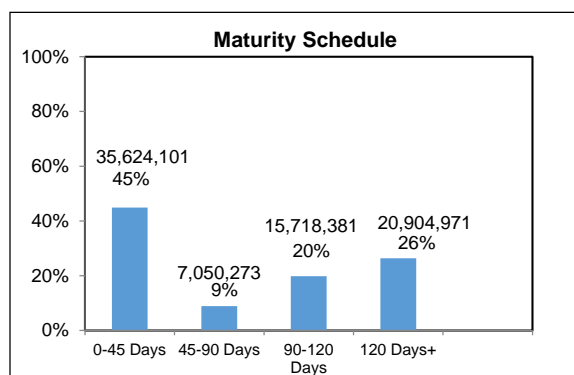
Portfolio Structure	
Yield to Maturity	0.11%
Yield to Cost	0.17%
Average Maturity	106 Days
Average Credit Quality	AA+

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

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

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

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



*At time of purchase

Credit Issues

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

Definition of Terminology

Portfolio Structure Terms

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

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

Agenda Item 3

Action Item

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

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

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

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

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

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

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

MEMBERSHIP DECREASING FROM JUNE 2021 TO JUNE 2022

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

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

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

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

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

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

HEALTHY WORKERS PHARMACY

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

MEMBER MONTHS INCREASING, REVENUE PMPM DECREASING

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

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

ADMINISTRATIVE EXPENSE INCREASING BY \$5.8 MILLION

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

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

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

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

SAN FRANCISCO HEALTH PLAN

PROPOSED OPERATING AND CAPITAL BUDGETS

FY 2021-2022

SAN FRANCISCO HEALTH PLAN RECOMMENDATION TO BOARD

RECOMMENDATION

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

Board decision at January/March 2022 meeting:

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

BUDGET PRESENTATION INDEX

Budget Summary	Pages 49-52
Potential Impacts to Budget	Page 53
Health Plan Membership	Page 54
Health Plan Revenue	Page 55
Health Plan Medical Expense	Page 56
Health Plan Administrative Expense	Pages 57-58
Coverage Programs Profit & Loss (P&L)	Page 59
Capital Expenditure Request	Page 60
Recommendations and Vote	Page 61
Budget Background and Assumptions	Pages 62-101

SFHP FY 21-22 BUDGET SUMMARY

- Given the ongoing uncertainty caused by the COVID-19 pandemic as well as the transfer of hospital risk for members enrolled with the San Francisco Community Clinic Consortium (SFCCC) from Zuckerberg San Francisco General (ZSFG) to SFHP, we are proposing a small margin of \$3.5 million from operations.
- Overall, we are projecting a margin of \$2.0 million due to the carryover of Strategic Use of Reserves (SUR) programs from prior years.
- At this time, we are not proposing a new SUR program for FY 21-22:
 - \$1.5 million carrying over to FY 21-22
 - \$2.5 million expected to carry over to FY 22-23

See budget slides 63-71 for background and assumptions

SFHP FY 21-22 BUDGET SUMMARY

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

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

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

See budget slides 63-71 for background and assumptions

SFHP FY 21-22 BUDGET SUMMARY

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

See budget slides 63-71 for background and assumptions

SFHP FY 21-22 BUDGET SUMMARY

➤ Change versus FY 20-21.

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

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

See budget slides 63-71 for background and assumptions

KEY IMPACTS TO FY 21-22 BUDGET

➤ Medi-Cal

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

➤ Pharmacy

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

See budget slides 63-71 for background and assumptions

SFHP MEMBERSHIP – AS OF JUNE 30TH

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

See budget slides 72-77 for background and assumptions

HEALTH PLAN REVENUE (IN 000s)

LINE OF BUSINESS	FY 21-22	FY 20-21	--FAVORABLE (UNFAVORABLE)--		FY 20-21
	BUDGET	PROJECTED	\$\$\$	%	BUDGET
MEDI-CAL	\$ 188,299	\$ 189,117	\$ (818)	0%	\$ 198,586
MEDI-CAL SPD	\$ 191,797	\$ 208,888	\$ (17,091)	-8%	\$ 177,492
MEDI-CAL EXPANSION	\$ 358,830	\$ 359,297	\$ (467)	0%	\$ 301,197
TOTAL MEDI-CAL	\$ 738,926	\$ 757,302	\$ (18,376)	-2%	\$ 677,275
HEALTHY WORKERS	\$ 82,439	\$ 70,772	\$ 11,667	16%	\$ 64,759
TOTAL PREMIUM REVENUE	\$ 821,365	\$ 828,074	\$ (6,709)	-1%	\$ 742,034
OTHER INCOME/TPA SERVICES	\$ 8,563	\$ 8,537	\$ 26	0%	\$ 8,406
TOTAL REVENUE	\$ 829,928	\$ 836,611	\$ (6,683)	-1%	\$ 750,440
FY 21-22 REVENUE INCLUDES \$150 MILLION IN DIRECTED PAYMENTS FUNDING PLUS \$29.6 MILLION IN IGT FUNDING.					
THE PHARMACY BENEFIT IS CARVED OUT OF MEDI-CAL MANAGED CARE EFFECTIVE 1/1/22. TOTAL REVENUE LOSS FOR JANUARY THRU JUNE 2022 IS PROJECTED TO BE \$48.0 MILLION.					

See budget slides 78-83 for background and assumptions

HEALTH PLAN MEDICAL EXPENSE (IN 000s)

LINE OF BUSINESS	FY 21-22	FY 20-21	--FAVORABLE (UNFAVORABLE)--		FY 20-21
	BUDGET	PROJECTED	\$\$\$	%	BUDGET
MEDI-CAL	\$ 166,352	\$ 168,182	\$ 1,830	1%	\$ 173,578
MEDI-CAL SPD	\$ 179,508	\$ 196,902	\$ 17,394	9%	\$ 175,531
MEDI-CAL EXPANSION	\$ 345,679	\$ 345,571	\$ (108)	0%	\$ 287,550
TOTAL MEDI-CAL	\$ 691,539	\$ 710,655	\$ 19,116	3%	\$ 636,660
HEALTHY WORKERS	\$ 79,999	\$ 71,496	\$ (8,503)	-12%	\$ 64,550
TOTAL MEDICAL EXPENSE	\$ 771,538	\$ 782,151	\$ 10,613	1%	\$ 701,210
MEDICAL LOSS RATIO (MLR)	93.9%	94.5%			94.5%
MLR FROM OPERATIONS					
MEDI-CAL	88.3%	88.9%			87.4%
MEDI-CAL SPD	93.6%	94.3%			98.9%
MEDI-CAL EXPANSION	96.3%	96.2%			95.5%
TOTAL MEDI-CAL	93.6%	93.8%			94.0%
HEALTHY WORKERS	97.0%	101.0%			99.7%
FY 21-22 MEDICAL EXPENSE INCLUDES \$150 MILLION IN DIRECTED PAYMENTS FUNDING PLUS \$29.6 MILLION IN IGT FUNDING.					
THE PHARMACY BENEFIT IS CARVED OUT OF MEDI-CAL MANAGED CARE EFFECTIVE 1/1/22.					
TOTAL DECREASE IN MEDICAL EXPENSE IS PROJECTED TO BE \$46.0 MILLION.					

See budget slides 84-88 for background and assumptions

HEALTH PLAN ADMINISTRATIVE EXPENSE (IN 000s)

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

See budget slides 89-98 for background and assumptions

FY 21-22 SFHP ADMIN EXPENSE – KEY POINTS

- ▶ Administrative ratio of 5.9% (FY 20-21 budgeted at 6.3%. Projected to end FY 20-21 at 5.1%).
- ▶ No new staffing requested for FY 21-22. Staffing projected to remain at FY 20-21 levels (400 FTEs).
 - Health Plan 317 FTEs
 - Health Homes Program (funded by DHCS) 6 FTEs
 - HSF/SF City Option (funded by SF DPH) 77 FTEs
- ▶ Merit increase of 0-5.0%.
 - 60% of employees receive 3.0-3.5%.
 - 30% of employees receive 4.0%.
 - 5% of employees receive 5.0%.
 - 5% of employees receive 0.0-2.5%.
- ▶ \$3.3 million accrual for potential Administrative and Health Services staff bonuses for FY 21-22 to be paid in September 2022 contingent on achieving Board-approved goals as well as the financial health of SFHP.
- ▶ \$1.4 million for new and carry-over projects related to software upgrades and system configuration.

See budget slides 89-98 for background and assumptions

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

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

See budget slides 99-100 for background and assumptions

CAPITAL EXPENDITURE REQUESTS

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

NOTE - THE FY 21-22 TOTAL INCLUDES \$220,000 OF APPROVED PROJECTS ROLLING OVER FROM FY 20-21 (VIDEO CONFERENCING ENHANCEMENTS).

See budget slide 101 for background and assumptions

SAN FRANCISCO HEALTH PLAN RECOMMENDATION TO BOARD

RECOMMENDATION

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

Board decision at January/March 2022 meeting:

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

SAN FRANCISCO HEALTH PLAN

FY 2021-2022 OPERATING AND CAPITAL BUDGETS

BACKGROUND AND ASSUMPTIONS

FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

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

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

FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

- ▶ Due to the ongoing uncertainty of the COVID-19 pandemic as well as SFHP taking hospital risk for SFCCC members, SFHP is projecting a small margin from operations of \$3.5 million.
- ▶ Overall, we are projecting a margin of \$2.0 million due to the carryover of Strategic Use of Reserves (SUR) programs from prior years.
- ▶ The budget was prepared using Medi-Cal rates for July through December 2021. Rates for January through June 2022 assume a 1% rate increase.
- ▶ SFHP anticipates receiving draft rates for January 2022 in October or November 2021.

FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

- The budget assumes:
 - A 1.1% decrease in Medi-Cal membership (June 2022 compared to June 2021) as the Public Health Emergency is expected to end December 31, 2021.
 - A 1.4% decrease in Healthy Workers membership.
 - SFHP will retain Medi-Cal pharmacy risk for July through December 2021.
 - Break even for new benefits related to Enhanced Care Management/In Lieu Of Services (ECM/ILOS), major organ transplants and student behavioral health.
- The budget includes \$18M in hospital expense to cover the additional cost related to the transition of the hospital risk from ZSFG to SFHP for the SFCCC members.
- The budget includes the payment of \$1.5 million in Strategic Use of Reserves carrying over from prior years.
- We are projecting a Medical Loss Ratio (MLR) of 93.9% for all lines of business.

FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

- ▶ The budget projects revenues of \$830.0 million and a margin of \$2.0 million (0.2% margin). After removing SUR disbursements, the margin from operations is \$3.5 million (0.4% margin).
- ▶ The budget includes \$150.0 million in Directed Payments and \$29.6 million in IGT funding.
- ▶ The budget projects an administrative expense ratio of 5.9%.
- ▶ The budget includes \$1.4 million for new and carry-over projects related to software upgrades and system configuration.

FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

➤ **Medi-Cal (excluding SPD and MCE):**

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

FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

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

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

FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

➤ **Medi-Cal Expansion (MCE):**

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

FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

➤ **Healthy Workers (HW):**

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

FY 21-22 BUDGET BACKGROUND AND ASSUMPTIONS

► Healthy San Francisco and SF City Option

❖ Contracted TPA budget of \$14.5 million.

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

FY 21-22 MEMBERSHIP – KEY POINTS

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

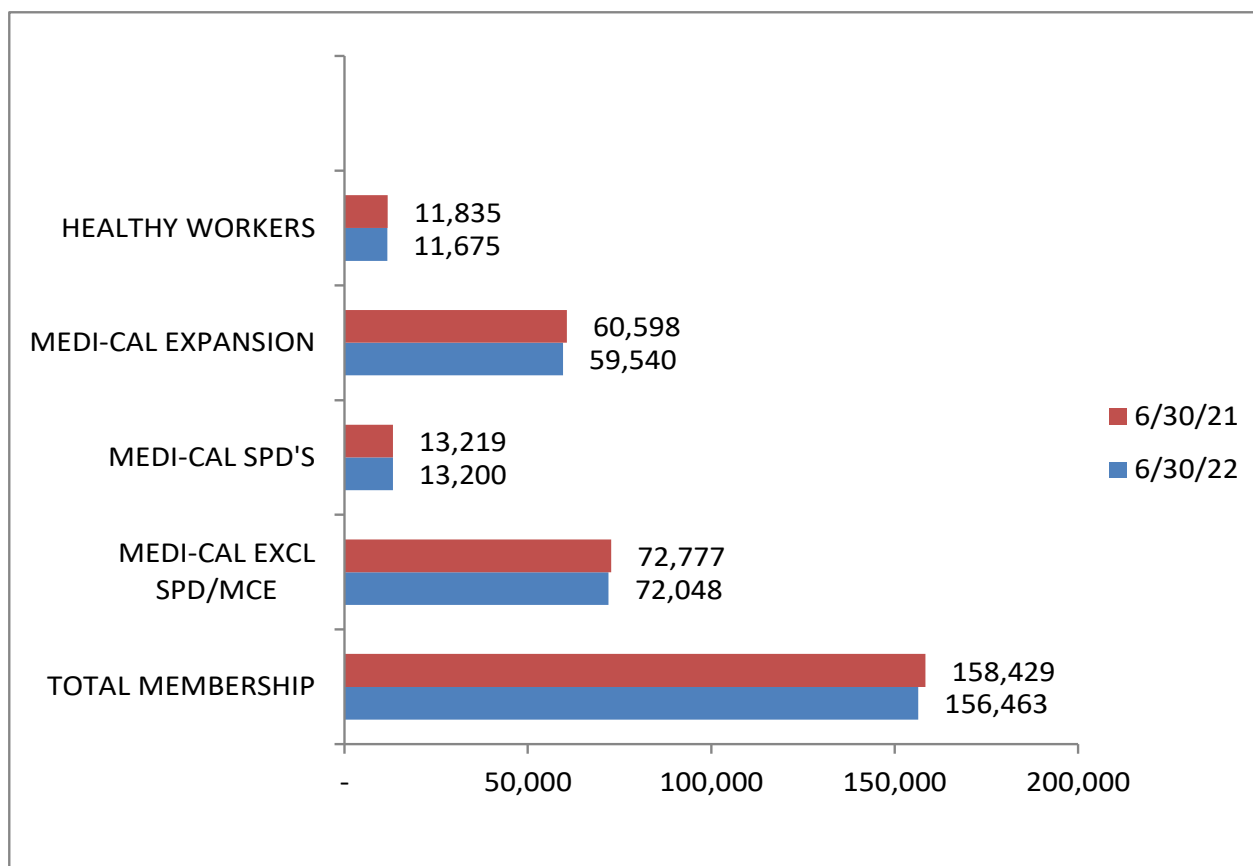
■ Medi-Cal excluding SPD and MCE	(728)	(1.0%)
■ Medi-Cal MCE	(1,058)	(1.7%)
■ Medi-Cal SPD	(19)	(0.1%)
■ Healthy Workers	(160)	(1.4%)

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

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

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

SFHP MEMBERSHIP – AS OF JUNE 30TH



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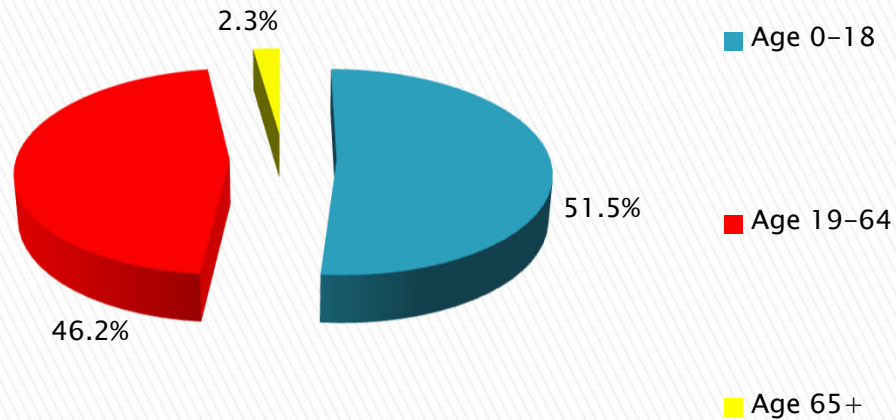
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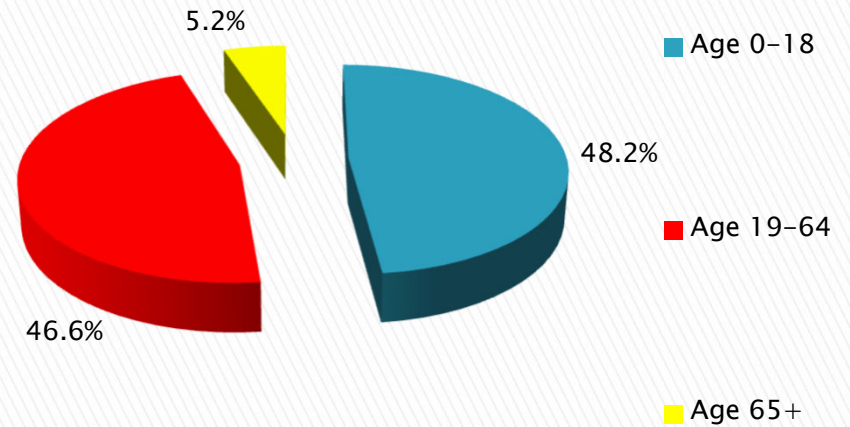
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SFHP MEMBERSHIP BY AGE (ALL LINES OF BUSINESS)

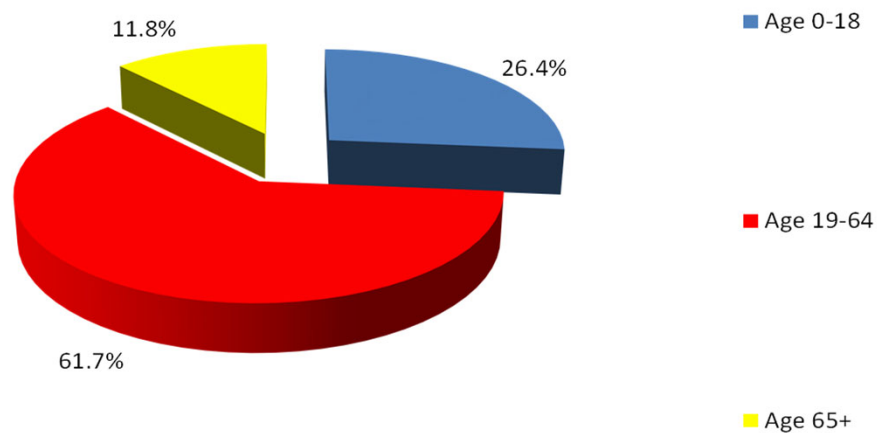
APRIL 2008



APRIL 2013



APRIL 2021



SFHP MEMBERSHIP HISTORY – AS OF JUNE 30TH

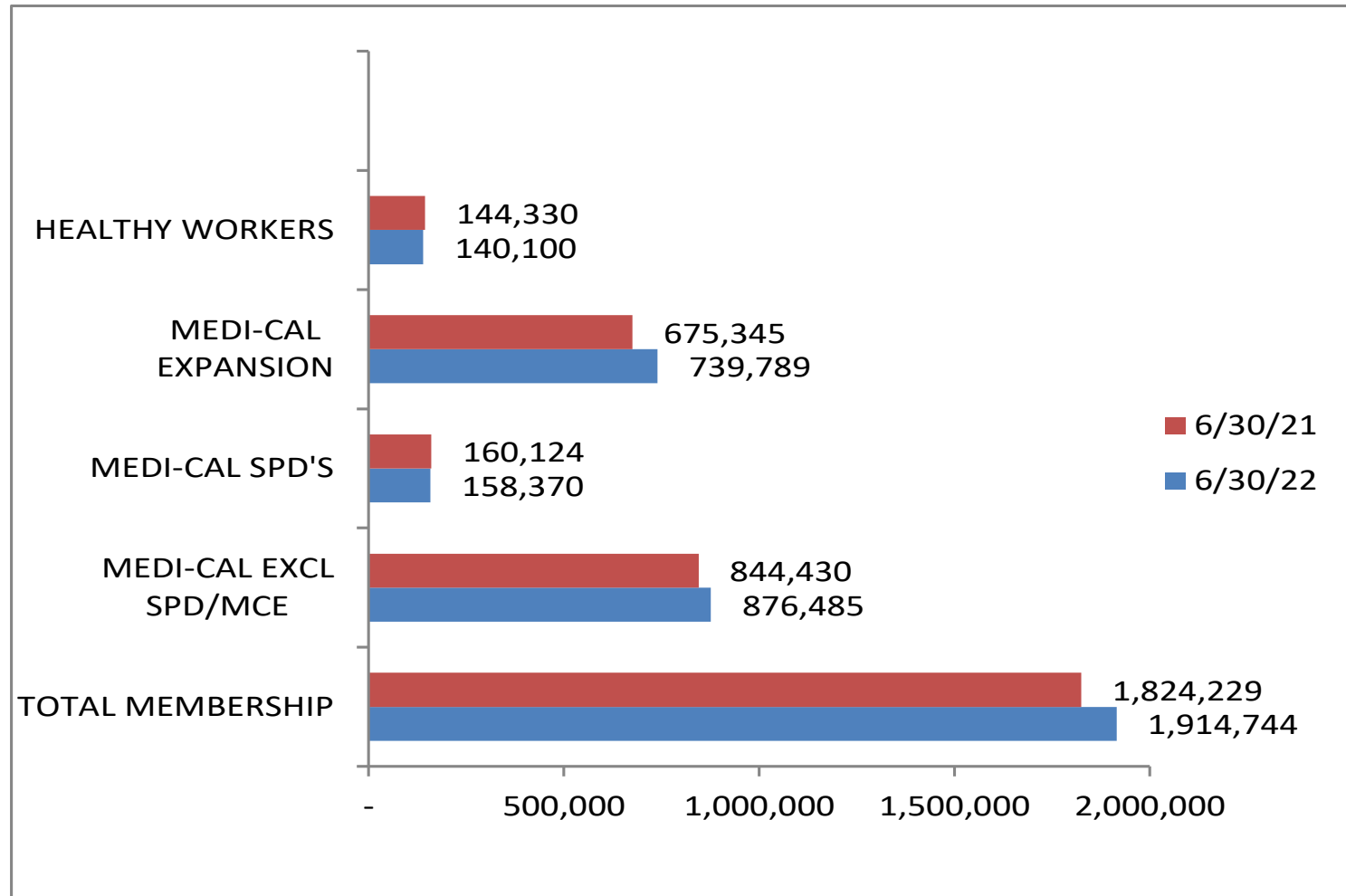
	FY 21-22	FY 20-21	-----ACTUAL-----									
LINE OF BUSINESS	BUDGET	PROJECTED	FY 19-20	FY 18-19	FY 17-18	FY 16-17	FY 15-16	FY 14-15	FY 13-14	FY 12-13	FY 11-12	FY 10-11
MEDI-CAL	72,048	72,776	65,752	62,082	62,414	64,590	62,021	61,174	59,443	55,446	43,109	39,967
MEDI-CAL SPD	13,200	13,219	13,496	13,720	13,598	14,125	14,480	14,488	14,381	12,513	13,375	3,394
MEDI-CAL EXPANSION	59,540	60,598	50,257	51,444	53,848	58,084	56,386	47,887	26,006	-	-	-
TOTAL MEDI-CAL	144,788	146,594	129,505	127,246	129,860	136,799	132,887	123,549	99,830	67,959	56,484	43,361
HEALTHY FAMILIES	-	-	-	-	-	-	-	-	-	-	7,059	7,514
HEALTHY WORKERS	11,675	11,835	12,065	11,569	11,462	11,238	11,352	11,830	12,291	11,565	11,374	11,172
HEALTHY KIDS	-	-	-	2,300	2,049	1,309	2,050	2,048	2,170	2,300	2,619	2,921
ALL LOB	156,463	158,429	141,570	141,115	143,371	149,346	146,289	137,427	114,291	81,824	77,536	64,968
NOTE - HEALTHY KIDS MEMBERSHIP TRANSITIONED TO MEDI-CAL EFFECTIVE OCTOBER 1, 2019.												

SFHP MEMBER MONTHS

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



SFHP MEMBER MONTHS



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FY 21-22 REVENUE – KEY POINTS

- Premium Revenue down (1%). Includes:
 - \$150 million in directed payments for designated public hospitals (ZSFG), UC Systems (UCSF) and private hospitals.
 - \$30 million in Intergovernmental Transfers (IGTs) for ZSFG and UCSF.
- Total budget including Healthy San Francisco and SF City Option is \$844 million.
- Revenue per member, per month is down 6% due to a change in membership mix, a decrease in Directed Payments/IGT funding and the loss of pharmacy revenue for January through June 2022:

■ FY 21-22	\$429.00 pmpm
■ FY 20-21	\$454.00 pmpm

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

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

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

- New Medi-Cal program that was effective July 2018 designed to serve members with chronic conditions who are frequent utilizers of services and who may benefit from enhanced care management and coordination.
- Three-and-a-half-year program covering FY 18-19, FY 19-20, FY 20-21 and July through December 2021.
- SFHP has assumed a break-even budget - \$428,000 in revenues and \$428,000 in medical expense.
- Health Homes will be replaced by the Enhanced Care Management and In Lieu Of Services (ECM/ILOS) program effective January 2022.

SFHP REVENUE PMPM

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

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

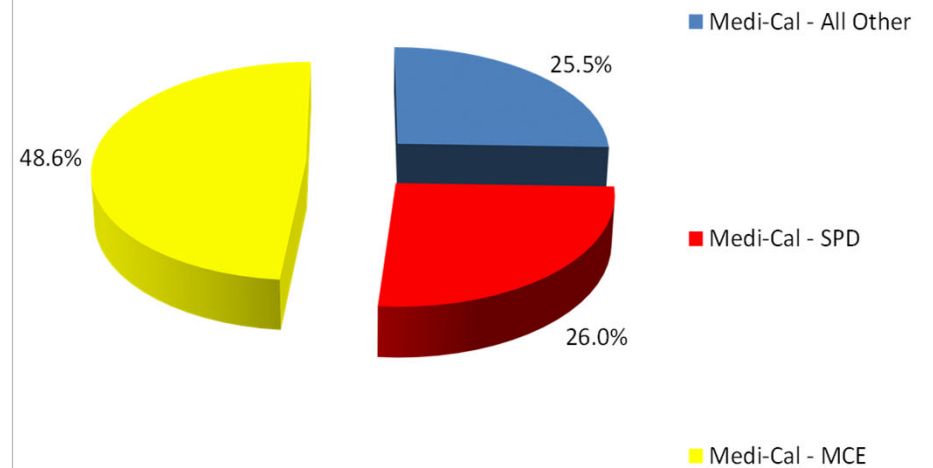
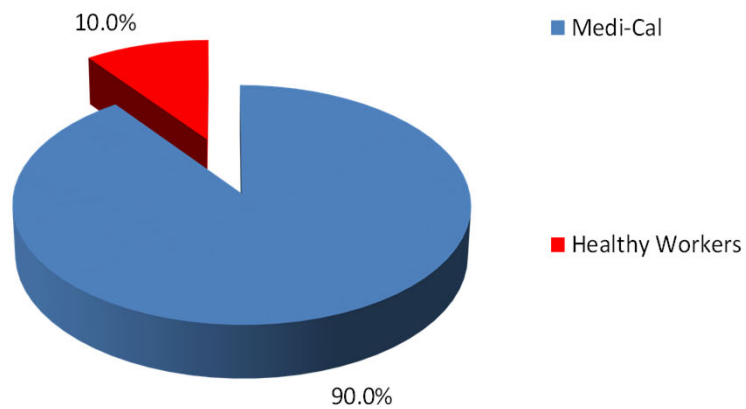
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FY 21-22 SFHP PREMIUM REVENUE



ALL LINES OF BUSINESS

MEDI-CAL ONLY

INVESTMENT INCOME

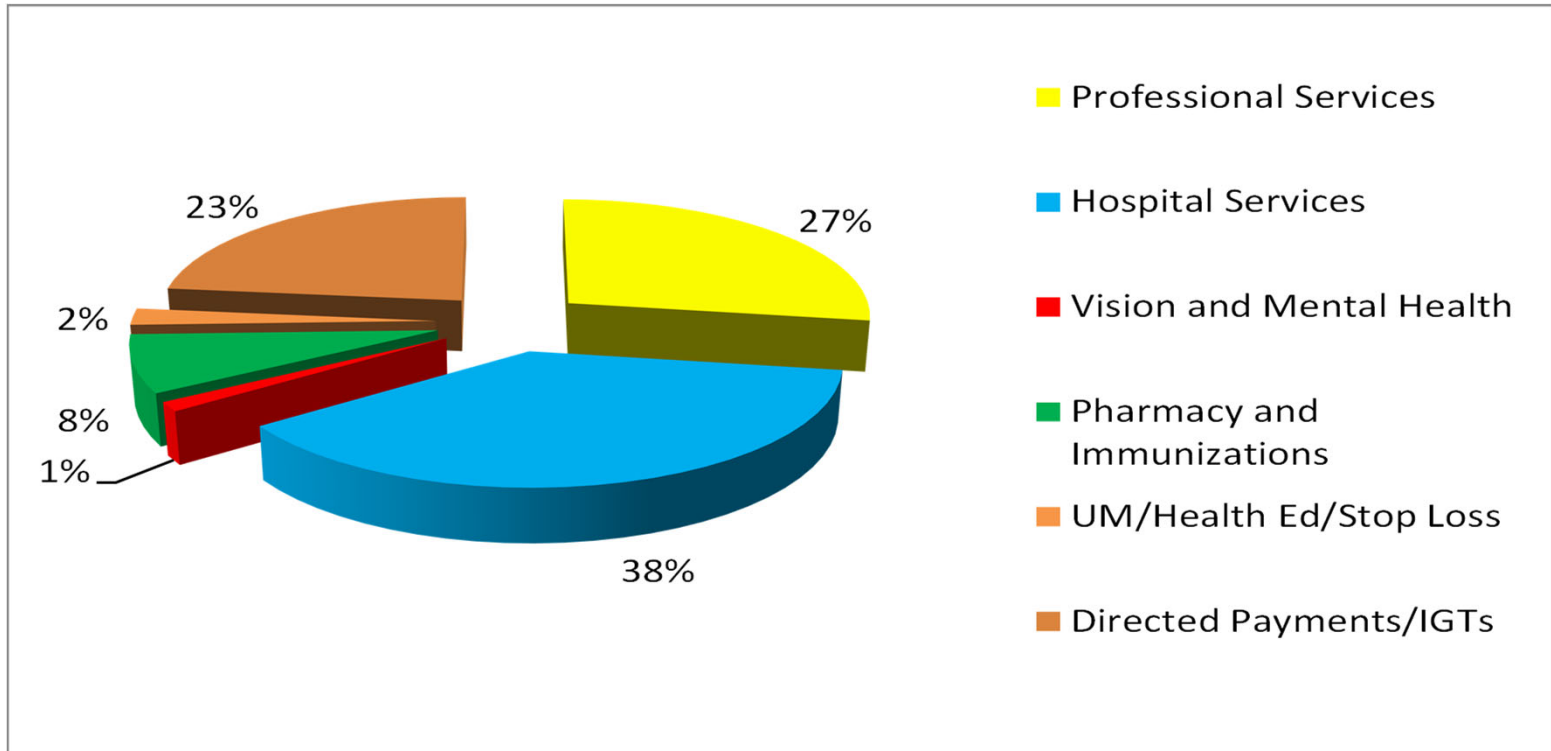
For FY 21-22, SFHP has budgeted \$500,000 in interest income from the following sources:

- SFHP will continue to work with City National Bank on a Liquidity Management Portfolio (LMP) account in order to increase the earnings potential for excess available funds. Given the extremely low interest rate environment, SFHP expects to earn approximately the same interest as in FY 20-21.
- With a current Federal Funds target rate of 0.0-0.25%, it is expected SFHP will earn less than 0.25% on funds in the Liquidity Management Portfolio account. The yield to maturity for April 2021 was 0.11%.
- Funds in the Liquidity Management Portfolio account are invested in extremely low-risk securities and can be liquidated at any time upon SFHP request.
- SFHP will maintain an investment of \$25M in low-risk government and corporate bonds in accordance with the SFHP Investment policy. The yield to maturity for April 2021 was 0.47%.

FY 21-22 MEDICAL EXPENSE – KEY POINTS

- ▶ Medical Expense down (1%) due to less Directed Payments/IGT funding and the loss of the Medi-Cal pharmacy benefit. Decreases in these areas are partially offset by costs related to additional member months as well as \$18 million in additional fee-for-service expense related to taking on SFCCC hospital risk.
- ▶ Overall Medical Loss Ratio (MLR) of 93.9%.
- ▶ \$150 million in Directed Payments for designated public hospitals (ZSFG), UC Systems (UCSF) and private hospitals.
- ▶ \$30 million in IGT funding for ZSFG and UCSF.
- ▶ Continuation of the Practice Improvement Program (PIP) - 18.5% for Medi-Cal.
- ▶ Includes \$1.5 million of Strategic Use of Reserves carrying over from prior years.

SFHP MEDICAL EXPENSE DISTRIBUTION



SFHP MEDICAL EXPENSES OF \$772M

► Assumptions:

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

SFHP MEDICAL EXPENSES OF \$772M

Pharmacy

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

SFHP MEDICAL EXPENSES OF \$772M

Pharmacy

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

SFHP ADMINISTRATIVE EXPENSE – KEY POINTS

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

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

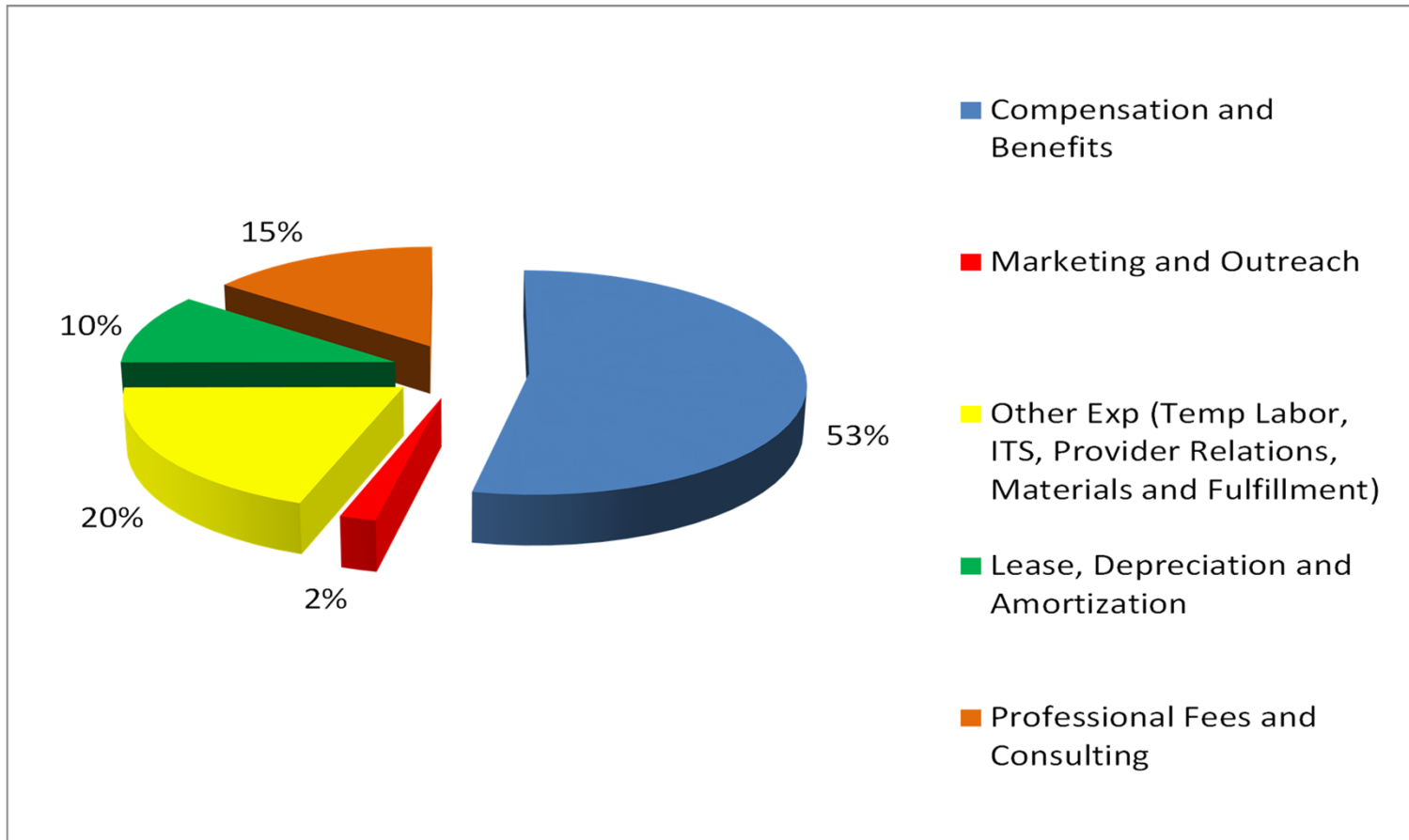
New FY 21–22 Requests	Budget Request	Description
Smart Trading	\$550,000	Encounter Management Software
QNXT DOFR Module	\$105,208	DOFR Flexibility
QNXT Upgrade	<u>\$5,000</u>	Upgrade support
Total	\$660,208	
FY 20–21 Carry–Over Projects	Budget Request	Description
Claims Editing Software	\$640,820	Front–End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

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

▶ Percentage of Premium Revenue:

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

SFHP ADMINISTRATIVE EXPENSE DISTRIBUTION



SFHP EMPLOYEE HEADCOUNT (FTEs)

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

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

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

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

SFHP ADMINISTRATIVE EXPENSE

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

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HEALTH PLAN**



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NCQA Accredited Medicaid HMO Health Plan

SFHP ADMINISTRATIVE EXPENSE

- Applied a 10% salary attrition factor (savings of \$5.0 million). Current position vacancy rate is running at 11%. Employee turnover is expected to remain low due to the ongoing impact of the COVID-19 pandemic.
- 3.46% average increase in salaries effective Sept. 1, 2021 (\$1.1 million). Merit increase based on performance (range 0-5.0%). In addition to merit, the overall increase is being driven by market adjustments of .20%.
- Beginning with FY 15-16, CalPERS removed the portion of the employer contribution rate that goes towards paying down the Plan's unfunded accrued liability (UAL) balance. Participating employers had the option to pay the UAL in full or amortize the balance over 30 years at an interest rate of 7.5% (now 7.0%). With Finance Committee and Governing Board approval, SFHP elected to pay previous UAL balances in full. Future UAL balances will be discussed with the Finance Committee and Governing Board on an as-needed basis.

SFHP ADMINISTRATIVE EXPENSE

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

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

SFHP ADMINISTRATIVE EXPENSE

➤ Medical/dental/ancillary benefits rate changes for FY 21-22:

■ Aetna	8.7% increase	impact \$224K
■ Kaiser	4.9% increase	impact \$108K
■ Dental	7.0% decrease	impact (\$ 17K)
■ Life/LTD	9.2% increase	impact \$ 4K
■ Vision	No change	

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

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

SFHP ADMINISTRATIVE EXPENSE

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

- Annual software and system maintenance contracts \$4.633M

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

SFHP ADMINISTRATIVE EXPENSE

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

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

HSF AND SF CITY OPTION ADMINISTRATIVE EXPENSE

Total Budget = \$14.5 million

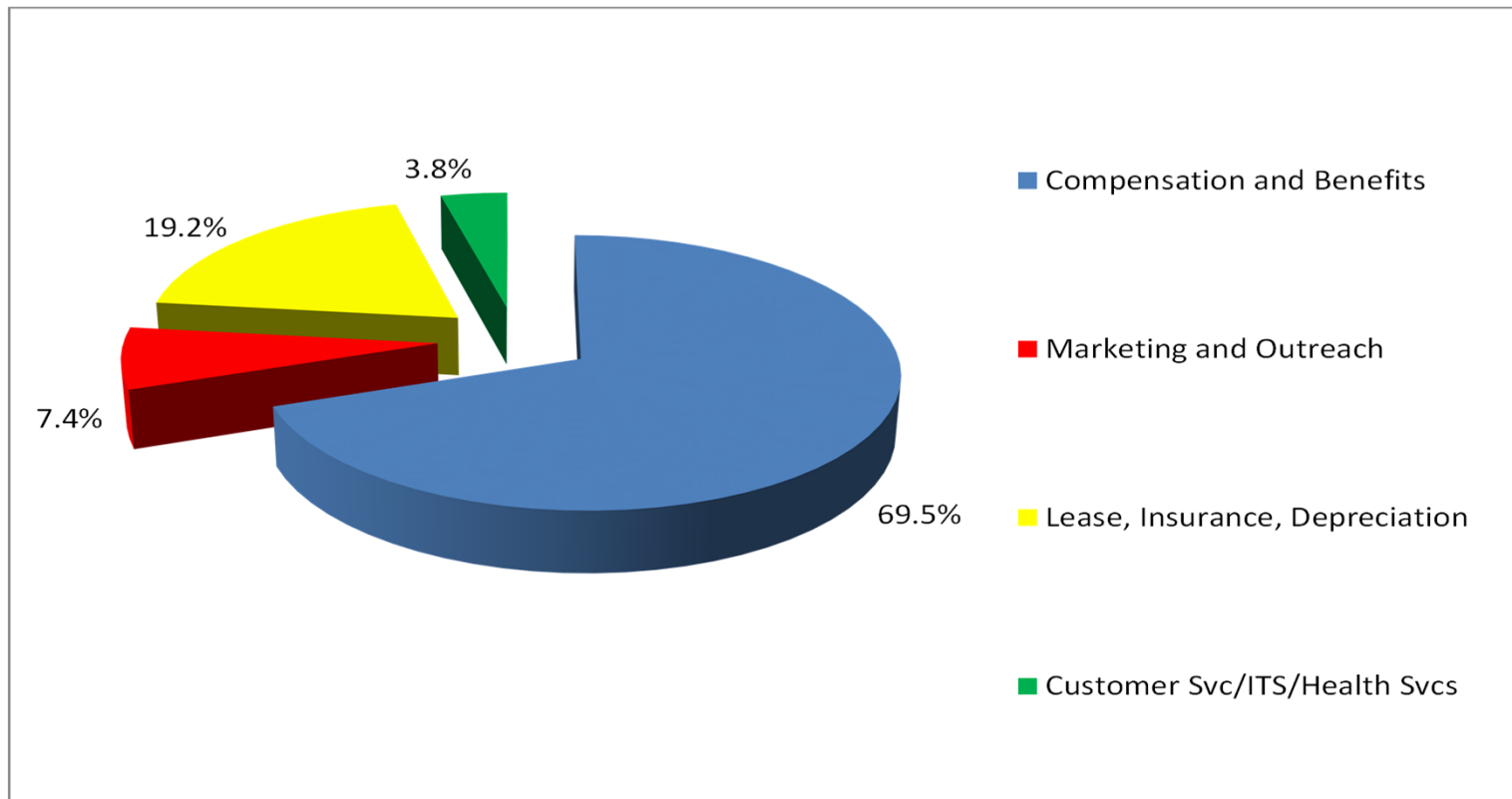
- SF City Option \$8.3 million
- HSF \$6.2 million

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

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

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

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



SFHP FY 21-22 CAPITAL BUDGET

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

Recent history of capital budget requests:

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

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

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

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

Agenda Item 4

Action Item

- Review and Approval of SFHP FY 2021-22 Organizational Goals and Success Criteria Measures

MEMO

Date	June 1, 2021
To	Governing Board
From	John F. Grgurina, Jr., Chief Executive Officer
Regarding	FY 2021-22 Organizational Goals and Success Criteria

Recommendation

San Francisco Health Plan (SFHP) recommends the Governing Board approve the annual organizational performance goals and success criteria for fiscal year 2021-2022 (FY 21-22).

Proposed FY 21-22 Goals

Depending on the financial results at the end of the FY 21-22, the Board will determine whether staff bonuses are appropriate, and if so, the following Organizational Goals success criteria would be used to determine the final score to be used to calculate the staff bonus. The organizational goals for FY 21-22 are structured around our four organizational strategic anchors. This memo provides a description of the goals in the four areas and the specific details for success criteria measures for each of the goals. The table below provides the high-level point distribution across the goals for each of the four strategic anchors.

Strategic Anchor Goals	Points
One: Universal Coverage	25
Two: Quality Care and Access for Members and Participants	35
Three: Exemplary Service to Members and Stakeholders	20
Four: Financial Viability for Plan and Safety Net	20
Total	100

STRATEGIC ANCHOR 1: Universal Coverage – 25 points

We believe every adult and child in San Francisco should have health coverage. Our strategic anchor of universal coverage recognizes that the health plan alone cannot

provide coverage for everyone. Therefore, we work in partnership with the public health system, San Francisco Health Network (SFHN), community providers and our trade associations to support the Medi-Cal program and health care coverage for all.

Goal 1: Modernize Healthy San Francisco and Increase SF City Option (CO) Employee Utilization of SF CO Benefits

Goal 1.1

15 points - Modernize Healthy San Francisco (HSF) Enrollment and Eligibility.

- 1.1.1 5 points - Update HSF eligibility and enrollment policies in collaboration with the San Francisco Public Health Department (SFDPH) by February 28, 2022.
- 1.1.2 5 points - Issue HSF eligibility system RFP and select a vendor by April 30, 2022.
- 1.1.3 5 points - Agree to contract terms with HSF eligibility system vendor by June 30, 2022.

Goal 1.2

10 points - Increase SFCO employee utilization by implementing American Institute for Research recommended strategy to simplify and overhaul all program materials and website and pilot an employer outreach strategy.

- 1.2.1. 4 points - Overhaul of SFCO marketing materials, including inventory collateral and rewrite to 8th grade reading level by May 1, 2022.
- 1.2.2. 2 points - Revise SFCO website to improve intuitiveness, website architecture, and language, including stakeholder feedback, by June 1, 2022.
- 1.2.3. 4 points - Implement employer outreach pilot targeted by size and utilization, including design concept, implementation, and evaluation.
 - Segment employers by size and utilization rates and develop employer outreach strategy by September 30, 2021.
 - Implement pilot and evaluate effectiveness by June 1, 2022.

STRATEGIC ANCHOR 2:

Quality Care and Access for Members and Participants – 35 points

We recognize that our members and program participants must have excellent access to care to achieve positive health outcomes. We support a range of efforts to improve access to high-quality health care.

Goal 2: Improve Members' Access to Care by Addressing Health Equity and Disparities through Meeting New NCQA Standards and Implementing CalAIM Programs.

Goal 2.1: Addressing Health Equity and Disparities – 20 points

As part of SFHP's accreditation by the National Committee for Quality Assurance (NCQA), SFHP will need to meet the new NCQA Health Equity Standards, as well as begin SFHP's preparation for the NCQA Multicultural Health Care (MHC) standards. These would be aligned with the SFHP diversity, equity and inclusion work with VISIONS, Inc., a non-profit training, and consulting organization, specializing in diversity and inclusion, founded in 1984.

The following goals will help SFHP meet these new NCQA standards:

2.1.1 10 points - Meet NCQA Multicultural Health Standard for Race, Ethnicity, Language Data (MHC 1)

By June 30th, 2022:

- ***3 points*** - Develop a workgroup to identify sources of the new data to meet identified the health equity opportunities above.
- ***4 points*** - Incorporate at least one of the selected data sets into core systems in alignment with SFHP data priorities, e.g., take steps to implement the Healthy Places Index (a standardized resource to identify groups at high risk of health disparities). Steps may include an assessment, additional software, and actions on the data. This will also be maximized for new HEDIS standards.
- ***3 points*** - Update the population assessment with the new data set to be able to identify and address health equity opportunities as related member gender identities, racial and ethnic groups, and cultural and linguistic needs.

2.1.2 10 points - Support NCQA Multi-Cultural Health Standards designation and Proposed NCQA Health Equity Standards through the following additional activities

- ***5 points*** - Develop and implement a process to incorporate health disparities data to inform interventions and/or materials in at least into two member-facing programs/activities.
 - ***Minimum – Two projects (3 points)***
 - ***Meets – Three projects (4 points)***

- Stretch – Five projects (5 points)
Project proposals will be developed and selected after data analysis and evaluation of member needs.
- *5 points* - Analyze, evaluate, and identify gaps in the capacity of the provider network to meet the language needs of members and needs for culturally-appropriate care.

2.2 Successful CalAIM Program Implementation - 15 points

Achieve the required DHCS deliverables for key CalAIM programs that are scheduled to be implemented in FY 21-22: 1) Medi-Cal Rx transition program and 2) enhanced case management (ECM) and in-lieu of services (ILOS) on January 1, 2022.

2.2.1 *3 points* - Assist our High-Risk members with Medi-Cal Rx Pharmacy Transition Outreach & Support

2.2.2 *12 points* – ECM/ILOS Program Implementation

- *7 points* - Successfully launch ECM program for Phase 1 populations on January 1, 2022.
- *3 points* - Complete analysis and planning for ILOS services to be offered, with timelines aligned with the DHCS Incentive Payment Program.
- *2 points* - Enact project plan for Phase 2 (CY 2022) ECM populations, CalAIM Population Health requirements by June 30, 2022.

STRATEGIC ANCHOR 3:

Exemplary Service to Members and Stakeholders – 20 points

We are committed to providing exemplary service and support to our members, participants, purchasers, physicians, and other health care providers, and each other.

Goal 3: Build SFHP’s internal capacity as a diverse, equitable and inclusive (DEI) organization to better serve our members, providers, and each other.

1. *10 points* - Based on the organizational assessment completed by VISIONS, Inc., establish SFHP’s strategy and tactical plan within 90 days of delivery, to improve and sustain DEI policies and actions at SFHP.
2. *10 points* - 100% of SFHP staff (exclude people on leave) participate in the Visions-led, live, 16-hour DEI training (four half days), to be completed by May 1, 2022.

STRATEGIC ANCHOR 4:

Financial Viability for Plan and Safety Net – 20 points

The fiscal environment in which we and our safety net providers operate is often in flux. Therefore, we maintain a strategic focus on the organization's financial viability and the economic sustainability of our safety net provider partners.

Goal 4: Improve Encounter Management Among Medical Groups and Hospitals to Maximize Payments to Providers.

DHCS continues to place a stronger emphasis on encounter data and has communicated to the Medi-Cal Managed Care Plans (MMCPs) that in the coming years, encounters will become the primary data source used in the annual rate-setting process. The ability for the MMCPs to continue to receive dollar-for-dollar credit for capitation paid to medical groups and hospitals will become a secondary component of rate development. SFHP's goal is to protect current Medi-Cal rate levels in order to maximize payments to providers. Working with providers to ensure complete and timely encounter submissions will be key to achieving this goal.

1. *10 points* - Track priced encounters as a percentage of capitation paid for each capitated medical group and hospital. Tracking will be done on a quarterly basis and will include a comparison to previously established baselines.
2. *10 points* - Analyses of encounter value versus capitation paid will be shared with capitated medical groups and hospitals on a quarterly basis. In those instances where the comparable value of priced encounters continues to be low relative to capitation paid, document findings of how capitation funding is used by medical groups and hospitals in ways not captured in the valuation of encounters. Documentation to also include action steps taken by medical groups and hospitals to improve the completeness of future encounter submissions.

Agenda Item 5

Chief Medical Officer's Report Action Item

- a. Review and Approval of an
Extension of the
Beacon Health Options
Contract through June 30, 2024



MEMO

Date: June 1, 2021

To	SFHP Governing Board
From	Fiona Donald, MD, Chief Medical Officer
Regarding	Extension of Beacon Health Options Contract through June 30, 2024

Recommendation

San Francisco Health Plan (SFHP) recommends the Governing Board approve the option to negotiate a two-year extension of current Beacon Health Options performance-based contract, which expires on June 30, 2022, through June 30, 2024.

Extension of the Beacon contract through June 30, 2024 will provide SFHP with the option to assess the behavioral health needs and responsibilities of the Plan in relation to the Department of Health Services' (DHCS') CalAIM initiatives, including those of a Dual Eligible Special Needs Plan (D-SNP) anticipated for January 2025. The duration of the extension of the Beacon contract will be subject to negotiations and the strength of Beacon's proposal. We will provide the Board with an update regarding the final negotiated contract at a future meeting.

Background

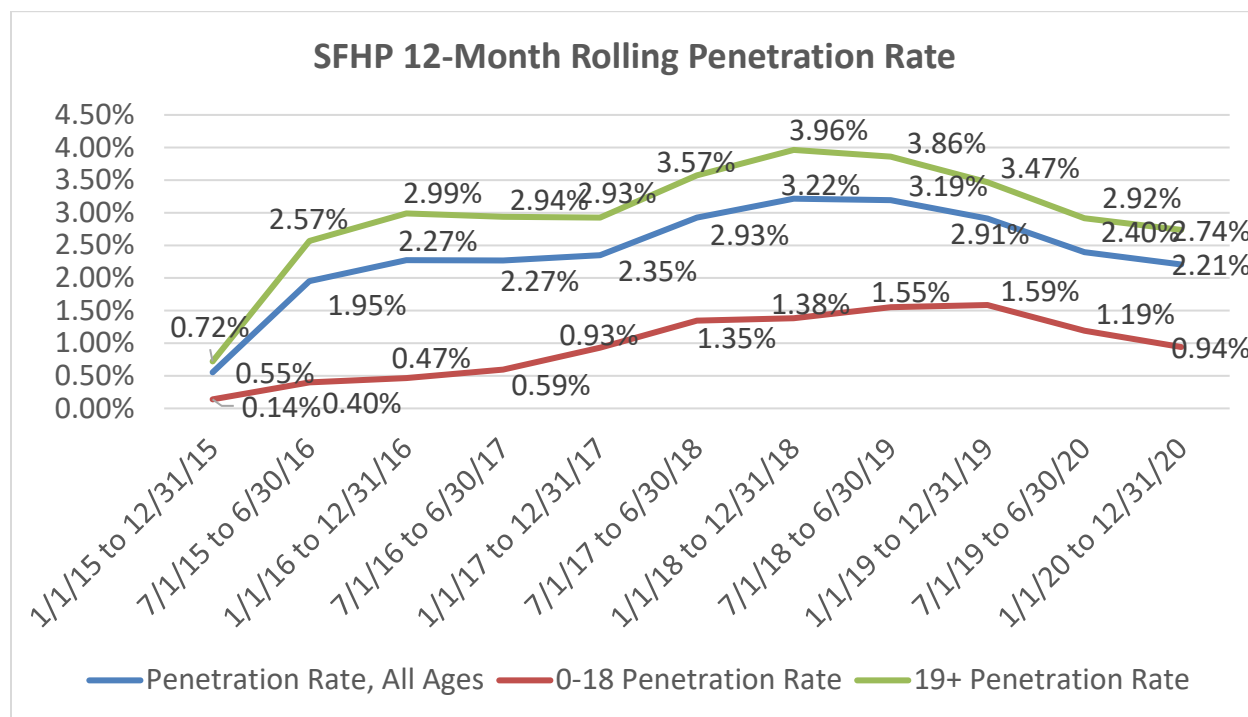
SFHP became responsible for managing the non-specialty mental health (NSMH) benefit on January 1, 2014. The go-live date with Beacon was delayed until June 2015 due to Department of Managed Health Care approval.

Beacon has been contracted to provide the DHCS contractually-required non-specialty mental health services (NSMH) for SFHP since June 2015.

During that time, SFHP has held a risk-based contract and worked with Beacon to monitor the NSMH penetration rate to ensure access to NSMH services for its adult members. SFHP continues to monitor the NSMH penetration rate. Due to the COVID-19 pandemic in 2020, the overall penetration rate fell and reflected overall trends in utilization of outpatient services throughout the network due to the pandemic.

Although the overall utilization of services dropped, there was a dramatic increase in the use of telehealth services as most of the Beacon providers switched to video or telephone appointments. In 2020, telehealth appointments were 37% of all outpatient visits, compared to 0.64% of all outpatient visits in 2019. We expect that this will be an

important part of continuing to provide access to NSMH for our membership and we will continue to monitor with Beacon.



SFHP has extended the initial Beacon contract three times. In January 2017, the Governing Board approved our recommendation to extend the Beacon performance-based contract for one year, through June 30, 2018, while increasing the penetration rate targets by approximately 33%. The Governing Board subsequently approved extending Beacon's contract through June 30, 2020 and a third time through June 30, 2022. Each contract extension, unlike the original contract, placed a portion (up to 40%) of Beacon administrative fees at risk for performance. Examples of performance expectations were increasing the adult NSMH penetration rate, timely access guarantees for children with autism spectrum disorder, and implementation of new clinical programs. In the prior extensions, Beacon has met performance expectations and therefore not surrendered funding. The proposed extension would be similarly structured with the specific performance expectations and risk threshold determined through negotiation.

Since implementation Beacon has expanded the San Francisco behavioral health provider network. The network (as of 3/3/2021) currently consists of 555 clinicians, 62 of whom participate in San Francisco Health Network (SFHN) and 67 through the San Francisco Community Clinic Consortium (SFCCC). The remaining providers are in independent groups or individual practices. This represents an increase of 362 providers since November 2016, although some of these providers may not be accepting new patient referral consistently. Besides English, Beacon has contracted

with clinicians (therapists and physicians) who speak Spanish, Cantonese, Mandarin, Vietnamese (therapists only), Russian, and Arabic. There are also 16 contracted organizations providing the applied behavioral health benefit for children with autism and other challenging behaviors.

Rationale

In the next two years, SFHP will be required to implement several large-scale initiatives including:

- a) Enhanced Care Management and In Lieu of Services, anticipated Phase 1 January 2022, with subsequent population in 2023
- b) Medi-Cal pharmacy carve-out, anticipated in January 2022
- c) Mental Health in Schools, anticipated in January 2022
- d) Transplant benefit carve-in, anticipated in January 2022
- e) Duals Aid Code benefit carve-in, anticipated in January 2023
- f) Long-term care benefit carve-in, anticipated in January 2023

SFHP will also be expected to implement a Dual Eligible Special Needs Plan (D-SNP) in January 2025, as currently outlined in the CalAIM proposal.

The ability to extend the Beacon contract through June 30, 2024 will allow SFHP to assess and determine the optimal structure for delivery of all its behavioral health responsibilities.

In addition, SFHP will have its third NCQA survey in October of 2023: Beacon is an NCQA accredited vendor and will be able to support the behavioral health requirements for SFHP's NCQA accreditation. We rely upon Beacon's NCQA accreditation for the behavioral health standards and SFHP could become responsible for meeting these standards if we do not have an NCQA-accredited partner.

The potential implementation date for a new vendor would be June 2024. This timing aligns with likely implementation of a D-SNP product in 2025. This product requires a full-scope behavioral health (including serious mental illness) and substance misuse benefit. Going to market for a full-scope behavioral health/substance abuse benefit is advisable both from a timing perspective and deploying SFHP resources efficiently.

Recommendation:

SFHP recommends approval to negotiate a two-year extension of the current Beacon Health Options performance-based contract, which expires on June 30, 2022, through June 30, 2024. The contract extension duration will be subject to negotiations and the strength of Beacon's proposal. We will provide the Board with an update regarding the final negotiated contract at a future meeting.

Agenda Item 5

Chief Medical Officer's Report

Action Item

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



MEMO

Date: June 1, 2021

To Finance Committee and Governing Board

From Fiona Donald, MD, CMO

Regarding Review and Approval of FY 21-22 Practice Improvement Program (PIP) Funding

Recommendation:

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

Background:

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

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

PIP Modifications

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

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

agreed to continue the QIP. The QIP will identify and focus on opportunities to address health inequities and re-instate previous points for clinical quality metrics.

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

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

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

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

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

Projected QIP Submission Dates and Requirements:

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

Agenda Item 6

Action Item

- Review and Approval CalPERS Salary Schedule



MEMO

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

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

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

2021 – 2022 Compensation Philosophy and Program Review:

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

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

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

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

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

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

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

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

2021 – 2022 Salary Range Structure: Our salary ranges will continue to be very broad to allow for management flexibility as well as to ensure that all incumbents' base pay

falls within the market driven, Governing Board-approved salary ranges to meet CalPERS requirements (upon retirement, the retiree's highest three consecutive years of salary must be within the range of their position to initiate retirement benefits).

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

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

SFHP Salary Increase Matrix

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

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

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

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

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

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

Agenda Item 7

Discussion Item

- Review SFHP Staff Remote Work Status

SFHP Governing Board

June 9, 2021

Review SFHP Staff Remote Work Status

Discussion Only – No Vote Today

Potential Future Remote Work Policy Options

For discussion only – No vote today

Policy options for future Board vote:

1. Give employees choice in calendar year 2022 and beyond (except for jobs that require being in the office, such as Enrollment Services); or
2. Extend the current shelter-in-place (SIP) policy for six to 12 months, except for jobs required to be in the office (such as Enrollment Services). Consider final policy at a later time; or
3. Revert to pre-SIP policy, which was no more than two days of remote work per week, except for limited, approved full-time remote.

Our preferred recommendation in the long run will be #1, but we may need #2, to give employees adequate notice of the policy change and to prepare. Employees need a 90-day notice before being mandated to return to the office.

SFHP Culture and Performance are Thriving

SFHP's Culture

- SFHP is a mission-driven, performance-based organization serving our members/providers and staff.
 - SFHP focuses on the three-year strategic plan, annual Governing Board approved goals driving towards the strategic plan and annual staff individual goals. In addition, each business unit has its own metrics and measures to monitor efficiency, performance and goals/objectives achievement.

SIP Remote Work Performance

- Since SIP, we have not missed any key deadlines or dropped any projects due to SIP and have continued to achieve our Organizational Goals for FY 19-20 and FY 20-21.

Future Policy for Employee Choice & Flexibility - Positives

- Providing employees choice and flexibility would result in:
 - Increased job satisfaction - our overall employee satisfaction rate climbed from 64% in the prior Employee Satisfaction Survey to 71% in the April 2021 Survey.
 - Greater work-life balance.
 - Repurposed commute time (and less stress and \$ savings).
 - Reduced turnover – Our overall annualized turnover dropped from 18.8% in February 2020 to 9.5% in April 2021.
- Long term, could shrink office space footprint, resulting in annual estimated savings of \$2 Million per year.
- With a reduced office footprint in the future there would be reduced hardware and furniture purchases - fewer computer monitors, networking equipment, printers, etc. Estimated annual savings of \$200,000.

Future Policy for Employee Choice & Flexibility - Positives

- An expanded recruiting area (outside of San Francisco Bay Area) taps into a much larger talent pool (skill set, experience, diversity).
 - Our current hiring policy is a preference for hiring staff in nine Bay Area counties first, the rest of California second, and out of state third.
 - Remotely located staff would not have to re-locate to higher cost of living in the Bay Area (a significant barrier in the recruiting process).

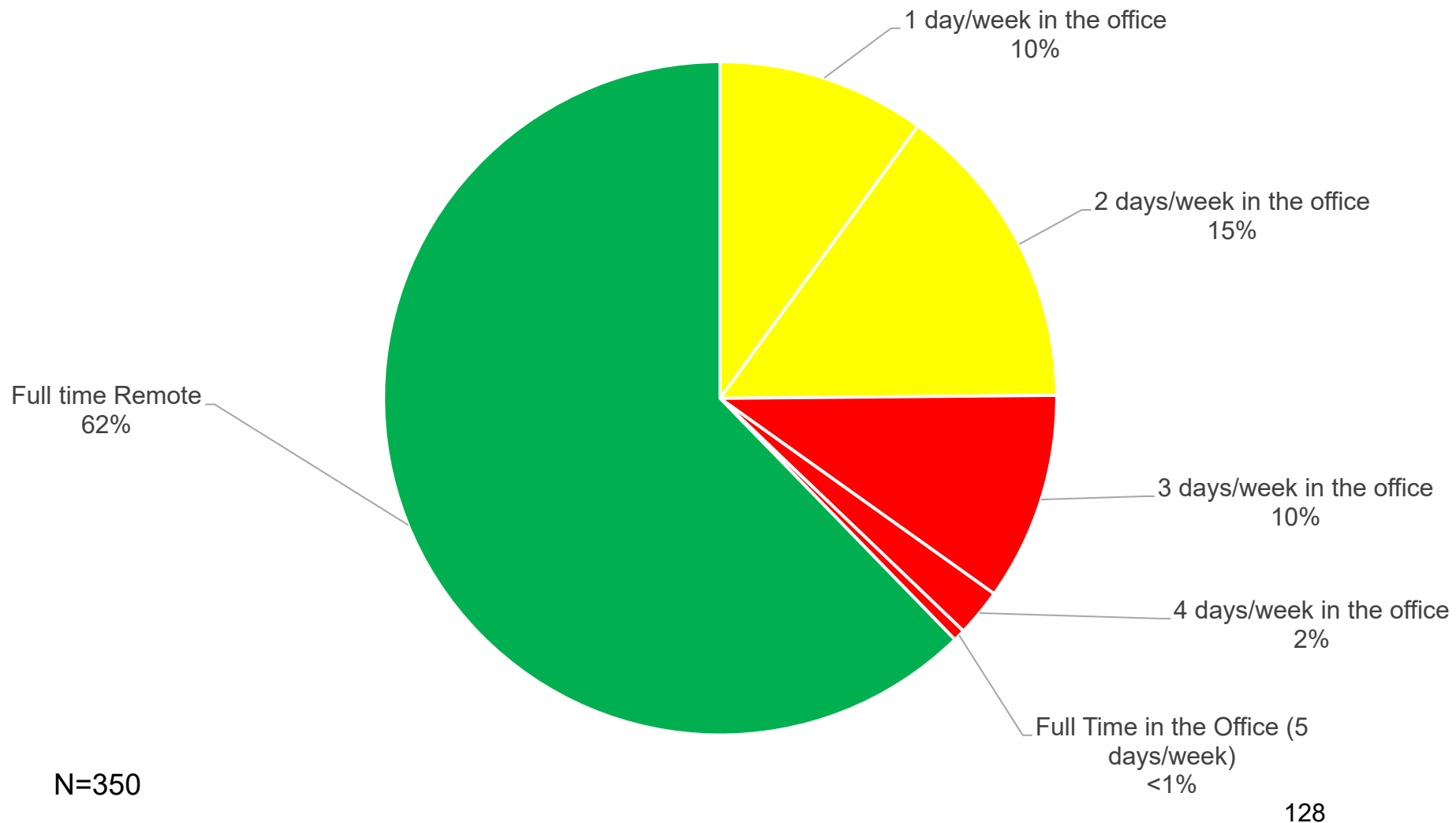
Future Policy for Employee Choice & Flexibility - Potential Concerns

- Maintaining our mission-driven and performance-based culture.
- Diluting the local, San Francisco community plan identity.
- Too many staff may not live in the community that we serve.
- Impact on productivity and collaboration and ability to manage staff.
- Ability to be creative with meetings only online.
- Maintaining the IT systems that allow staff to work remotely.
- Others?

Employee Remote Work Preference Survey (April 2021)

- Remote Work Preference Survey Results:
 - **100% staff response rate (except those on leave).**
 - **99%** of Employees prefer flexibility of a full-remote work or some workdays in the office.
 - 62% would prefer full-remote work.
 - 37% prefer remote work between 1 to 4 days per week.
 - **<1% (2 staff)** would prefer full-time in the office.
- Themes from Employees' Comments:
 - Want flexibility to go into the office / field as necessary.
 - Work/life balance has improved with remote work.
 - Concerns about public transportation and personal safety to/from work.
 - Concerns for safety of AAPI staff during increased hate crimes.
 - Concerns about personal safety in the 24-story office building.

Employee Remote Work Preference Survey



Future Remote Work Policy

- Next Steps

Currently investigating a Phase 1 return to the office and field work:

- Only required member-, provider-, and public-facing positions, and those required to support them (an estimated 55 staff cannot work remotely on a full-time basis).
- For required roles, voluntary return to office or field prior to January 2022, to honor SFHP's commitment to employees.
 - Many employees are still fearful of returning - BART, AAPI hate crimes, social distancing, exposure issues with our building, etc.
- Limited schedules and adherence to safety protocols.
- Require COVID vaccinations for those that meet with members, providers and the public.

Future Remote Work Policy

- Next Steps

After 1/1/22, may consider a Phase 2 of return to the office and field:

- Phased return for member-, provider- and public-facing positions and those who prefer to work in the office or field some or all the time.
- Date to be determined by health officials' recommendations at the time.
- Introduce a “hoteling” concept for individuals who would be in the office less than four days a week. (This would dramatically reduce the office footprint.)
- We do not want to make any significant and costly facility changes for an interim period.
- We expect employee's preferences to change over time as they adapt to the realities of the new work environment.

Discussion Only – No Vote
Today

Questions?

Additional Information

- Pre-Shelter in Place (SIP) Remote Work
- Employee Survey Comments

Pre-Shelter in Place (SIP) Remote Work

- Policy allowed up to 2 days of remote work for approved positions.
 - 70% of positions qualified.
- Full-time remote work population (in 6 states, including California) before SIP (4%), positions included:
 - Manager, Concurrent Review & Care Transitions (1)
 - Supervisor, Concurrent Review & Care Transitions (1)
 - Concurrent Review & Care Transitions Nurse (7)
 - Post Acute Liaison Nurse II (1)
 - Prior Authorization Nurse II (1)
 - Post Acute Liaison Nurse II (1)
 - Senior Business Analytics Developer (1)
 - Supervisor, Configuration (1)
 - Senior Business Analyst (1)
- No Remote work (26%):
 - Included positions that required in-office presence (i.e., Receptionist, Facilities, Customer Service, Enrollment Services) as well as those individuals who did not want to work remotely.

Remote Work and Performance During SIP

- Full-time remote work population during SIP (98%).
- Occasional work population during SIP (2%).
 - Remote up to 3 days/week, in-office 2 days/week:
 - 2 Finance staff to complete check runs.
 - 2 Facilities staff to collect and send out mail.
 - In-office as needed:
 - CEO / CCO for Board Meetings.
 - Employees allowed in the building briefly to pick up personal effects or work on specific projects WITH CEO APPROVAL; very infrequent (0 – 2 staff members/week) visits.

Remote Work and Performance During SIP

- Pre-SIP 4.3% (15 staff) lived outside the Bay Area.
 - 9 staff (2.6%) outside of SF Bay Area within California.
 - 6 staff (1.7%) migrated outside of California (5 states): Colorado, Florida, Illinois, Michigan and Texas.
- Currently, 10.0% (35 staff) of the company lives outside the Bay Area.
 - 20 staff (5.7%) outside of SF Bay Area within California.
 - 15 staff (4.3%) migrated outside of California (12 states): Colorado, Florida, Georgia, Hawaii, Illinois, Maine, Maryland, Michigan, North Carolina, Tennessee, Texas, and Washington.

Remote Work and Performance During SIP

- **Organizational Culture and Employee Engagement:**
 - Virtual events including the Annual Party, Halloween Party, Coffee Breaks, Team Workout & Walking Group and Wellness Events that have been very well attended.
 - Our managers have done a great job finding new ways to keep their staff connected and engaged (daily virtual “coffee breaks,” team huddles, virtual brown bag lunches, etc.).
- **Recruiting and on-boarding:** We have moved to a fully remote recruiting and on-boarding process and have hired 39 employees since SIP.
- **Training:** We have moved all trainings to a virtual environment. We also offered several manager and staff trainings on working remotely, which have been very well received.
- **Technology:** While we were moving toward offering a fully virtual platform, the SIP expedited that work, and we are now 100% virtual.

Remote Work Preference Survey

Comments

- Employee Comments:
 - *“Besides COVID, I am concerned with public transportation when there is a rise in hate crimes against the Asian community when I am Asian myself.”*
 - *“Have always worked remote, feel much more productive at home as surprisingly there are less distractions and more privacy to discuss medical issues with patients. Thank You!”*
 - *“Life balance, productivity, less stressful commute, money savings, positive environment and being high risk, I don't want to compromise my health at this time.”*
 - *“I have a fear of being safe on BART, I haven't heard of how public transportation will provide safety. I can't imagine traveling at peak commute hours with over capacity trains. “*
 - *“I would be concerned with safety in general while being out in the field (especially using the BART system or driving personal car around the city), especially if I am carrying laptop/iPad or other equipment.”*

Remote Work Preference Survey

Comments Continued

- *“As the nature of my role requires in-person contact with members, I would need to feel safe and protected before going back to the office and doing field work again. Thus, I hope that SFHP would offer adequate PPEs to the Community Coordinators and nurses so that we would feel safe on returning to our natural roles again. Furthermore, there should also be some strict protocols and/or measures on how we can go back to doing our jobs safely. Hence, some guidance and discussions around how this SIP would further impact our roles and what changes are needed to be made should be thoroughly communicated to the team.”*
- *“I don't feel safe going back to the office especially there is no guarantee everyone is willing to get the vaccine and the current hate crime. Working remotely helps with attendance because less chances of getting sick from the spread of virus or germs from public transportation and the office.”*
- *“What goes through my mind are: taking Bart again which isn't the safest, hate against AAPI and unvaccinated people at work/in the public.”*
- *“Do not feel comfortable going back in office unless mask mandate is lifted. SFHP provides proper PPE if requiring staff to go back out in field. SFHP should consider WFH and only requiring staff to come into office when absolutely necessary and indefinitely like the surrounding tech companies are requiring of their staff. “*

Agenda Item 8

Discussion Item

- State Budget – Governor Newsom's May Revision

State Budget Governor Newsom's May Revision

Sumi Sousa

Governor's May Revision

- \$267.8 billion proposed State Budget for FY 21-22
 - Over 400 new spending proposals, fueled by enhanced state revenues and American Rescue Plan
- Key Medi-Cal Proposals
 - New benefits:
 - Doula (eff. 1/1/22)
 - Dyadic Services (eff. FY 22-23)
 - 12-month post-partum coverage (eff. 4/1/22)
 - Continuous glucose monitors for adults with Type 1 diabetes (eff. 1/1/22 – proposed in January budget)
 - Over-the-Counter cough/cold, acetaminophen (proposed in January budget; make permanent eff. 7/1/22)

Other Major Medi-Cal Proposals

- Withdraws suspension of Medi-Cal optional benefits (audiology, optical, podiatry, etc.)
- Withdraws suspension of Prop. 56 Tobacco Tax enhanced payments and programs
- Expands full-scope Medi-Cal to undocumented adults 60 years and over, no sooner than May 1, 2022
- Status quo with Medi-Cal Rx
- Community Health Workers eligible for reimbursement effective January 1, 2022
- New Population Health Tool for CalAIM

Major Focus on Behavioral Health (BH) for Children and Young Adults

- Child & Youth Behavioral Initiative – adds \$4B to January BH budget proposals
 - \$400M in January budget for grants to Medi-Cal managed care plans over 3 years to establish partnerships with schools and county behavioral health to fill BH service gaps
 - May Revision adds \$550M in grant funding over 2 years to help schools, community colleges and counties build capacity
- Major policy change requiring both commercial and Medi-Cal managed care plans to cover BH services provided by schools for children and young adults up to age 25 years

Child/Youth Behavioral Health Proposals

One-Time Spending for Infrastructure and Capacity <i>(millions)</i>	21-22	22-23	23-24	24-25	25-26
Behavioral Health Service Virtual Platform	\$83.0	\$107.0	\$156.0	\$180.0	\$224.0
Continuation of CalHOPE Student Support Program	45.0	—	—	—	—
Grants for school behavioral health infrastructure	100.0	450.0	—	—	—
Grants to expand evidence-based practices	—	429.0	—	—	—
Behavioral health continuum for children and youth	10.0	255.0	—	—	—
Behavioral health workforce development	700.0	125.0	75.0	—	—
Behavioral health training for health care providers	—	50.0	—	—	—
Other Components					
Medi-Cal dyadic services benefit	—	\$200.0	\$200.0	\$200.0	\$200.0
Behavioral health literacy and public awareness	\$30.1	50.1	0.1	40.1	5.1
Coordination and evaluation activities	10.0	20.0	—	10.0	10.0
State operations	11.0	24.0	—	\$12.0	12.0
Totals	\$989.1	\$1,710.1	\$431.1	\$442.1	\$451.1

Source: LAO

Key Homelessness Proposals

		FY 21-22	FY 22-23	FY 23-24
Community Care Expansion Program	Construction, acquisition and/or rehabilitation of adults and seniors in care facilities who are homeless or at risk of becoming homeless	\$500M	\$500M	
Bringing Families Home Program	Expand the existing Bringing Families Home program that provides housing-related supports to eligible families experiencing homelessness in the child welfare system	\$280M	\$280M	
Homekey Acquisitions/ Family Housing	Expands funding to acquire and rehab facilities for families experiencing homelessness	\$1.75B	\$1.75B	
CalWORKs Housing Support	Proposes to expand the program that provides permanent housing and housing retention services to homeless CalWorks families	\$475M	\$475M	
Project Roomkey	One-time funding to expand use of non-congregate shelters for interim housing and emphasize transition to permanent housing for seniors, families, and veterans	\$150M		
Housing and Disability Advocacy Program	Proposal to assist disabled individuals not currently enrolled but eligible for SSI with benefits advocacy and housing assistance	\$175M	\$175M	\$175M
HomeSafe	Provide access to health, safety, and housing supports for individuals involved in or at risk of involvement in Adult Protective Services.	\$100M	\$100M	145

Next Steps on Budget

- Budget must be completed by June 15
- Most Health and Human Services proposals likely to remain intact or expanded
 - Medi-Cal expansion to undocumented adults may be broadened by lowering eligible age from 60 years old to 50 years old
 - Reimbursement for audio-only telehealth may go higher than 65% of Medi-Cal fee-for-service fee schedule proposed by the Administration (video telehealth is at 100% of the fee schedule)

Agenda Item 9

Member Advisory Committee Discussion Item

- Member Advisory Committee Report

MEMO

Date: June 1, 2021

To	Governing Board
From	Valerie Huggins (415) 615-4235 Fax: (415) 615-6435 Email: vhuggins@sfhp.org
Regarding	Member Advisory Committee Materials

Enclosed are the minutes and agenda for the May 2021 Member Advisory Committee meeting.

Please direct any questions to Maria Luz Torre and Irene Conway, Co-Chairs of the Members Advisory Committee.

**MEMBER ADVISORY COMMITTEE
SAN FRANCISCO HEALTH AUTHORITY**

www.sfhp.org

Valerie Huggins

Phone: (415) 615-4235 /Email: vhuggins@sfhp.org

Maria Luz Torre (415) 722-6229 & Irene Conway, Co-Chairs

Meeting Agenda & Zoom Information

May 14, 2021

1:00PM- 3:00PM

Via Zoom Meeting

Meeting ID: 963 7237 3712

Passcode: 981557

By Mobile Phone

Number: 1-669-900-6833 - Meeting ID: 96372373712#

To use the **LANGUAGE INTERPRETATION SERVICES**, you will need to **DOWNLOAD** and install the Zoom app either on a Windows or Mac computer **OR** download and install the Zoom app onto an Android or IOS device (**iPhone/iPad**). You will need to set up a free Zoom account to use this service. **PLEASE** do this the day **BEFORE** the meeting.

LANGUAGE INTERPRETATION will not work if you connect via a web browser or on a Chromebook.

In addition, we ask if you could follow these simple ground rules during the meeting:

1. Attend on time. Be engaged. Do not drift in and out of the meeting. And do not leave before meeting is adjourned.
2. Be patient while we are working out the technical issues.
3. Be courteous. Mute yourself and listen while others are talking.
4. Raise your hand to speak. (We will give instructions on how to do this on zoom).
5. Mute yourself unless you are recognized to speak and make sure you are in a quiet location.
6. Turn off TV, radio and other background noise.

AGENDA

1. Welcome, Introductions & Roll Call
2. Adopt Agenda/Approve Minutes
3. Reports-
 - Chairs & Governing Board: Maria Luz Torre & Irene Conway
 - Quality Improvement Committee: Edward Evans, Idell Wilson, and Irene Conway
 - Staff Report: John F. Grgurina, Jr., CEO
4. Discussion: Wellness Check
5. Public Comment:
6. Calendar Items for Next Meeting:
7. Announcements:
8. Other:
9. Adjournment:

Please Note These Upcoming SFHA Meetings:

Finance Committee:	June 9, 2021 (10:30am-12pm)
Governing Board:	June 9, 2021 (12pm-2pm)
Quality Improvement Committee:	June 10, 2021 (7:30am- 9:30am)
Member Advisory Committee:	June 11, 2021 (1pm-3pm)

**May 14, 2021
Member Advisory Committee
Meeting Minutes**

Members Present: Redacted

Members Absent: Redacted

Excused: None

Guests: Weikuen Tang (Interpreter)

Staff: Valerie Huggins

Due to the COVID-19 public health emergency and in accordance with Governor Newsom's Executive Order N-29-20, the Member Advisory Committee members attended this meeting via Zoom. The meeting was closed to in-person public attendance, but the Zoom information was provided on the publicly posted agenda. This precaution was taken to protect all members, staff, and the public. All the Committee members, staff and public attended the meeting virtually.

1. Welcome, Introductions and Roll Call:

The meeting was called to order shortly after 1:00pm.

2. Approval of Agenda & Minutes:

The agenda was approved with one amendment to add discussion of members participating in direct deposit, and the minutes from the April 2021 Committee meeting were approved as written.

3. Committee Reports:

Chair & Governing Board Report-Maria Luz Torre & Irene Conway

Ms. Torre and Ms. Conway both reported the Board met on May 5, 2021.

Maria and Irene reported on the State level. The May revision stands in stark contrast to the budget of one year ago. Compared to a projected budget deficit of \$54 billion a year ago, the state now has a projected \$75.7 billion surplus.

The next scheduled meeting is June 9, 2021.

Quality Improvement Committee (QIC) Report-Ed Evans and Irene Conway

Irene Conway reported that there was no QIC meeting. The next meeting is scheduled for June 10, 2021.

Staff Report: John F. Grgurina, Jr., CEO

Mr. Grgurina was unable to attend the meeting.

4. Discussion: Wellness Check

The Committee continues to practice keeping themselves healthy, safe, and sharing different activities to do during these difficult times.

5. Public Comment:

There were no public comments.

6. Calendar Items for Next Meeting:

There were no items calendared for the next meeting.

7. Announcements:

There were no announcements.

8. Other:

No other topics were discussed.

9. Adjournment

The meeting adjourned at 2.45pm.

Date Approved _____

Maria Luz Torre and Irene Conway, Co-Chairs

Agenda Item 10

Discussion Item

CEO Report

- Healthy San Francisco Updates
- NCQA Distinction in Multicultural Health Care
- Operations Updates
- Security Updates

MEMO

Date:	June 1, 2021
To:	Governing Board
From:	John F. Grgurina, Jr., Chief Executive Officer
Regarding:	CEO Report for June 9, 2021 Meeting

SAN FRANCISCO HEALTH PLAN STRATEGIC ANCHORS

Strategic Anchor: Universal Coverage

Healthy San Francisco (HSF) Program Enrollment as of April 30, 2021

Total Enrollment: 15,609

A total of 15,609 participants were enrolled in Healthy San Francisco as of April 30, 2021. Enrollment continues to grow due to the temporary policy of extending HSF eligibility due to COVID-19. The San Francisco Department of Public Health (DPH) recently approved a policy to extend HSF enrollment through December 2021, similar to Medi-Cal and in alignment with the continuation of the federal public health emergency.

The DPH's vendor for the HSF eligibility and enrollment system recently announced that the One-e-App system will be discontinued. The DPH and SFHP's Healthy San Francisco team and Product Management team are collaborating on identifying a new vendor for purposes of One-e-App replacement, as well as taking the opportunity created by this eligibility system change to update income counting standards and HSF eligibility rules. This project is proposed to be one of SFHP's fiscal year 2021-2022 (FY 21-22) organizational goals.

SF City Option Program Enrollment as of April 2021

Employers in San Francisco can choose to meet the employer spending requirement of the San Francisco Health Care Security Ordinance (HCSO) by participating in the SF City Option Program. Employees of participating employers may enroll in one of three programs depending on which eligibility requirements they meet: the HSF program, which provides health care coverage to uninsured San Francisco residents; SF Covered MRA, which provides premium subsidies and cost sharing reductions for

certain San Francisco residents purchasing health insurance through Covered CA; or SF MRA, which provides a medical reimbursement account (MRA) to pay for eligible health care expenses.

Employer contributions are held in a contribution pool until the employee enrolls in an SF City Option health care program, at which point the eligible contributions are transferred to the particular program and continue to be assigned to the program while the employee is enrolled.

The DPH has approved SFHP's proposed roadmap of projects to increase SF City Option employee utilization, including simplification of the three SF City Option programs into a single SF MRA benefit for employees. The rationale for this is that the SF MRA program is the most used and best understood of the three programs. The project work to transition into a single MRA program has commenced and will be completed January 1, 2022. Other approved projects to increase SF City Option utilization that will be implemented in FY 2021-22 include an overhaul of our outreach and education materials, the program website, and piloting a targeted employer outreach strategy. These two projects related to outreach are proposed as SFHP organizational goals for FY 21-22.

San Francisco City Option Program Data – April 2021

	Program-to-Date (PTD)	April 2021
Employers		
Employers Participating in SF City Option	4,201	
Employers with Contributions Within the Past 12 Months	n/a	1,907
Total SF City Option Program Contributions	\$1.292B	\$9.2M
Contributions Assigned to the Contribution Pool	\$449M	\$6.3M
Contributions Assigned to Healthy San Francisco	\$145.4M	\$.1M
Contributions Assigned to San Francisco Medical Reimbursement Account	\$691.2M	\$3.9M
Contributions Assigned to San Francisco Covered Medical Reimbursement Account	\$6.5M	\$.02M

	Program-to-Date (PTD)	April 2021
Employees		
Employees Receiving SF City Option Employer Contributions	497,110	
SF MRA		
Number of SF MRAs with Deposits	223,091	3,396
SF MRA Claims Paid	\$476.8M	\$4.4M
SF MRA Dollars Available	\$162.5M	
SF Covered MRA		
SF Covered MRA Participants	933	
SF Covered MRA Subsidy Deposits	\$5.4M	\$0.05M
SF Covered MRA Claims Paid	\$3.5M	\$0.1M
SF Covered MRA Dollars Available	\$2M	
HSF		
HSF Participants with Employer Contributions	21,935	59

SFHP MEMBERSHIP UPDATE

SFHP membership as of May 1, 2021 is 159,660 members. **Attachment 1** includes the membership reports for May 2021. On page 2 of the report, Medi-Cal membership is 147,890 members, which is an increase of 15.8% increase compared to May 2020. Healthy Workers membership is 11,821 as of May 1, 2021. This is a 3.44% decrease compared to May 2020.

MEDI-CAL EXPANSION UPDATES

Please see the table below for the SFHP Medi-Cal expansion default assignments of non-choosers to the public hospital system. SFHP was compliant with the requirements of AB 85 to default the 50% of non-choosers to the public hospital system.

Month of Enrollment	M1 Aid Code (Optional Expansion members)	7U Aid Code (CalFresh-related Optional Expansion members)	AB 85 Default Requirement to Public Hospital System (M1 and 7U only)
2021			
January	1,326 M1 members, 1,314 did not choose	0 7U members	657 of 1,314 members (50%) were defaulted to DPH
February	1,400 M1 members, 1,385 did not choose	0 7U members	692 of 1,385 members (50%) were defaulted to DPH

Month of Enrollment	M1 Aid Code (Optional Expansion members)	7U Aid Code (CalFresh-related Optional Expansion members)	AB 85 Default Requirement to Public Hospital System (M1 and 7U only)
March	1,418 M1 members, 1,410 did not choose	0 7U members	705 of 1,410 members (50%) were defaulted to DPH
April	1,550 M1 members, 1,530 did not choose	0 7U members	765 of 1,530 members (50%) were defaulted to DPH
May	1,719 M1 members, 1,690 did not choose	0 7U members	846 of 1,690 members (50%) were defaulted to DPH

STRATEGIC ANCHOR 2: QUALITY CARE AND ACCESS

NCQA Distinction in Multicultural Health Care (MHC)

SFHP researched NCQA's Distinction in Multicultural Health Care, which identifies organizations that excel in providing culturally and linguistically sensitive services, and work to reduce health care disparities. NCQA awards Distinction in Multicultural Health Care (MHC) to organizations that meet or exceed standards in providing culturally and linguistically appropriate services (CLAS) by evaluating how well an organization complies with standards in the following areas:

- Collecting race/ethnicity and language data.
- Providing language assistance.
- Cultural responsiveness.
- Quality improvement of CLAS.
- Reduction of health care disparities.

In March 2021, the Covered CA Board voted to require its 11 health plans to meet the MHC distinction requirements by 2022. The distinction is not required of Medi-Cal managed care at this time. Currently, of the Local Health Plans, LA Care is the only health plan with the distinction.

SFHP reviewed the over 60 requirements and believes it is in a good position to work toward earning the NCQA distinction in MHC. The data gathering effort and system requirements to support the data will take a significant amount of time and effort. SFHP proposes to include aspects of preparation for the distinction in the upcoming organization goals for FY 21-22, for the Board's consideration. These efforts will also be aligned with SFHP's efforts regarding diversity, equity, and inclusion. While obtaining the distinction will not be proposed for this fiscal year, SFHP proposes to take concrete steps to lay the foundation to obtain the distinction within the next two years.

STRATEGIC ANCHOR 3: EXEMPLARY SERVICE

SFHP Operations

Operations is comprised of the following departments: Claims, Customer Service, Member Eligibility Management (MEM), Enterprise Project Management Office (EPMO),

Business Solutions (composed of Configuration, Quality Assurance, Business Systems Analysis, and Continuous Improvement), and Provider Network Operations (PNO) (composed of Provider Relations, Contracting, Credentialing, and Facility Site Review). We continually strive to streamline processes to strengthen our core operations.

Customer Service (CS)

Customer Service partnered with San Francisco Health Network (SFHN) in early April 2021 to launch a pilot program that connects Medi-Cal members who are eligible for a COVID-19 vaccination with free transportation services, covered under the Non-Medical Transportation benefit. We recently expanded the program to three additional medical practice locations within the SFHN. This has improved access to vaccinations and promoted awareness of this useful benefit among our membership.

In response to a CalAIM initiative called Mandatory Managed Care Enrollment (MMCE), the plan is reviewing information provided by the Department of Healthcare Services (DHCS) and is evaluating resources needed to prepare for the first phase of this rollout, anticipated in January 2022. Under MMCE, beneficiaries that are currently in fee-for-service Medi-Cal, will be required to choose a Medi-Cal managed care plan (or will be defaulted if they do not choose). The intent of this CalAIM program is to standardize the Medi-Cal program across the Medi-Cal beneficiary groups. DHCS is expected to provide estimates for the number of beneficiaries that will be impacted later in June. The MMCE will likely increase SFHP's overall membership, although we do not yet know by how many members.

Claims

The average number of claims per day from July 2020 to March 2021 was 4,399. In April 2021, the volume increased to an average of 4,927 claims per day which is a 12% increase. Though claims volume increased, we continue to achieve our timeliness goal of processing 99.9% of claims within 19 business days, well under the timeframe of 45 business days required by the Department of Managed Health Care.

In collaboration with the Finance Department, the Claims team implemented processes to process overpayment recoveries. The most common reason for provider refunds and recoupments is due to identification of member's other health coverage. Under our overpayment recovery and refund intake processes, working with our contracted vendor HMS, we processed over 1,915 recoupments and received \$758,000 in refunds and recoupments for claims processed from July 2020 to April 2021.

Member Eligibility Management (MEM)

The MEM team partnered with technical resources in ITS to process the Health Insurance System Database (HISDB) data from the DHCS HISDB contains other health coverage (OHC) information for our Medi-Cal members who have commercial insurance as their primary coverage. This effort allows for timely access and use of OHC data to support accurate claims processing.

We are also working with Finance, Compliance and Provider Network Operations on a process to share OHC information with our medical groups and trading partners to assist them with coordinating claims payments for members when Medi-Cal is not the member's primary coverage. These processes to coordinate OHC are required by DHCS and will also impact our delegated medical groups. We will be communicating requirements to the impacted medical groups within the next several months.

Business Solutions

The following are updates from the Business Solutions team:

- BS continues to deploy application changes to support the upcoming transition to fee-for-service of hospital services for members of San Francisco Community Clinic Consortium (SFCCC). The changes implemented this month allow timely and accurate sharing of our provider and eligibility data with our trading partners.
- The team finished updating our systems to improve the use of provider taxonomy for our network adequacy analysis required by DHCS.
- We also automated the process to record a member's preferred method of communication to ensure more effective outreach.
- Lastly, cross-functional work continues to design systems in support of Enhanced Care Management and In-Lieu-of-Services effective January 2022.

Provider Network Operations (PNO)

- In conjunction with SFHN Office of Managed Care, PNO finalized a new hospital contract with Zuckerberg San Francisco General Hospital (ZSFGH). The contract was developed to accommodate the upcoming transition of SFCCC members to fee-for-service for hospital services.
- Fielding of the annual provider satisfaction survey concluded on April 30, 2021. Number of responses increased from prior year but were still below pre-pandemic numbers. Results will be tabulated and reported in early June.
- Working in conjunction with SFDPH Gender Health Clinic, SFHP facilitated a presentation of its first provider training session specifically focused on transgender sensitivity and the needs of SFHP's transgender members. PNO will continue to work with Gender Health to refine the training program for broader presentation to the provider network.

Enterprise Project Management Office (EPMO)

Fiscal Year 2021-2022 (FY 21-22) Project Portfolio

- The Executive Team approved the FY 21-22 preliminary project portfolio as recommended by the Enterprise Project Governance Committee. The committee considered business value, resource capacity and external costs for the final selection of projects.
- As always, it is anticipated that as the year progresses, the list will change due to new regulatory mandates and unforeseen business needs. The portfolio will be assessed and reprioritized accordingly.

Project, Program & Portfolio Management Maturity

- One of the key areas of focus over the last fiscal year has been enhancing processes to assess and measure outcomes for SFHP projects.
- EPMO has created tools, templates and training for business leads to provide more rigor around business cases and measurement/reporting of outcomes, in alignment with portfolio management best practices.




STRATEGIC ANCHOR 4: FINANCIAL VIABILITY

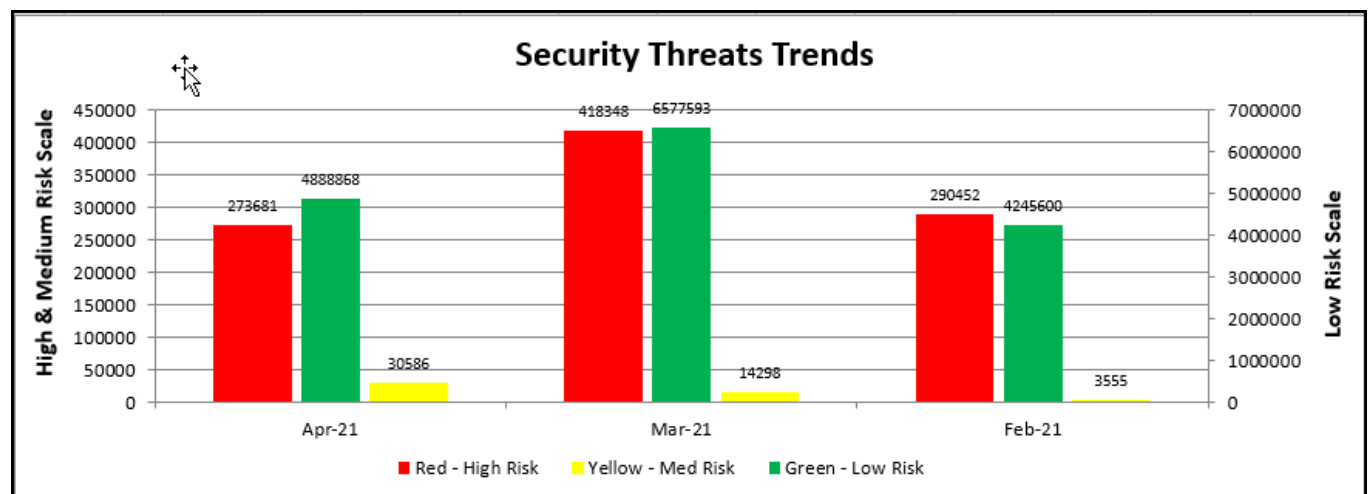
Information Technology Services (ITS)

ITS Security Metrics Report

Threats

- Number of Attacks Detected and Thwarted at the Network Perimeter

Risk Category	April	March	February
 High/Critical – Attempts to exploit various vulnerabilities, including repeated brute force attempts	273,681	418,348	290,452
 Medium - Malware, ransomware, and virus attempts	30,586	142,98	3,555
 Low/Informational – Authentication failures, login failures, HTTP Errors	4,888,868	6,577,593	4,245,600



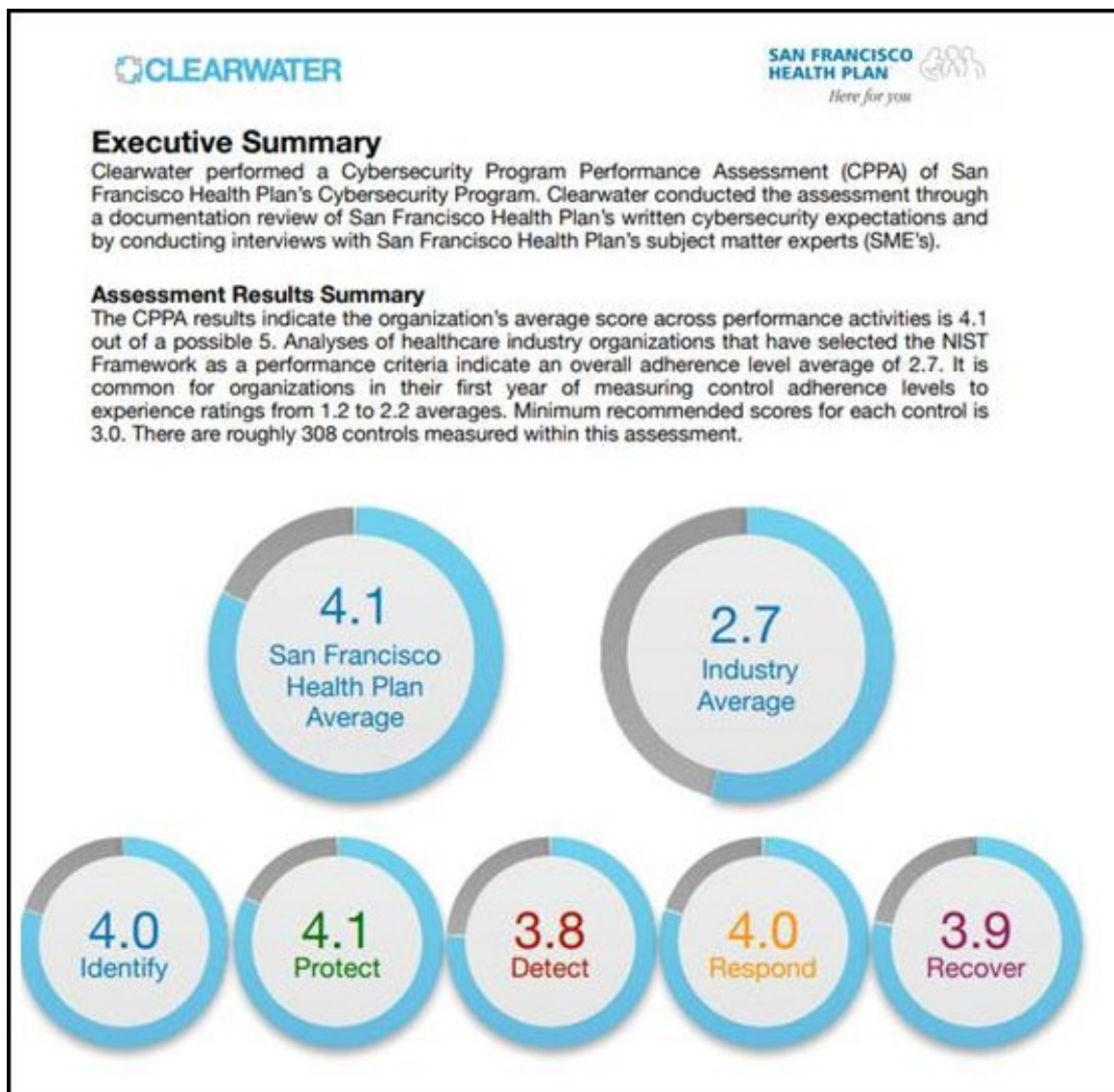
Malware

We experienced zero malware infections during the months of February 1, 2021 through April 30, 2021.

Security Program Maturity Assessment

Significant improvements of SFHP's Security Program were measured in the 2021 Cybersecurity Program Performance Assessment conducted by Clearwater Compliance. SFHP's focus on improvements over the year since the previous assessment were notable. Capable project management coordination and resource prioritization played a significant factor in this success.

SFHP Maturity Assessment score increased to 4.1 out of a possible 5 compared to last year's 2020 score, which was 2.8.



Penetration Testing

SFHP's 2021 penetration test was completed in early May and evaluation of the results is underway. As of the preparation of this report no significant findings have been reported. Penetration testing is a critical component of SFHP's security system to identify security gaps in our infrastructure by mimicking an attacker.

Center for Medicare and Medicaid Services (CMS) Interoperability Solution

In early 2019, CMS introduced the CMS Interoperability and Patient Access Proposed Rule. The intent of the CMS Interoperability Rule is to expand individuals' access to their personal health information and improve the seamless exchange of data in health care.

The CMS Interoperability Rule introduces new technologies and standards that SFHP must meet. The current deadline for implementation of the capabilities outlined in the CMS Interoperability Rule was extended to July 1st, 2021.

Internal and external file testing, as well as process workflow testing, is underway. Mapping validation is also being done. SFHP is also testing the Member Access portal, which will be how SFHP Medi-Cal members will interface with SFHP regarding their requests for their data.

CMS expects and requires all states to enforce the CMS Interoperability Rule for Medicaid. California DHCS is still planning their approach to CMS Interoperability and has asked CMS for a one-year extension to July 1, 2022.

Despite the uncertainty at the state level, SFHP is still planning to implement its interoperability solution and meet the July 1, 2021 date. The project is on track and scheduled to meet the mandated July 1, 2021 deadline as planned.

MEDIA ROUNDUP

Please see **Attachment 2** for the Media Roundup with articles related to Medi-Cal, COVID-19, Healthy San Francisco, and the Affordable Care Act.

SFHP BOARD MEMBER DEPARTURES AND GRATITUDE

The SFHP Governing Board will be losing two Board members after the June Board meeting. Edwin Batongbacal, Director, Adult and Older Adult Services, San Francisco Behavioral Health Services (SFBHS), will be retiring from SFBHS after nearly 30 years of service. Mr. Batongbacal has served on the Board for almost ten years. We have appreciated his active participation not only as the representative for SB BHS, but also for his insightful questions during financial discussions.

Sabra Matovsky, CEO, San Francisco Consortium of Community Clinics (SFCCC), will be taking on a new position on Southern California. Ms. Matovsky has been on the Board for over three years and has been a valuable voice for members and clinics

throughout her time on the Board. Like Mr. Batongbacal, Ms. Matovsky's excellent financial questions had made them both next on the list to join the Finance Committee for any future openings. We will miss Mr. Batongbacal and Ms. Matovsky as our Board members but congratulate them both and wish them well with their next endeavors.

We will work with obtaining nominations for these vacant seats and will work with the San Francisco Board of Supervisors to finalize the appointments. We will also be working with many of you and the Board of Supervisors regarding your re-appointments to the Governing Board. We want to express our gratitude to all of you for your ongoing dedication and service to our members and provider network. It is a pleasure to work with you all.