SAN FRANCISCO HEALTH PLAN
Here for you

Joint San Francisco Health Authority/San Francisco Community Health Authority
Governing Board
January 8, 2020
Meeting Minutes

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

Members
Present: Dale Butler, Edwin Batongbacal, Eddie Chan, PharmD, Irene Conway, Reece Fawley, Steven Fugaro, MD, Roland Pickens, MHA, FACHE, Sabra Matovsky, Maria Luz Torre, Emily Webb, David Woods, PharmD, and Jian Zhang, DNP, MS, FNP-BC

Members
Absent: Steve Fields, and Lawrence Cheung, MD

Steven Fugaro, MD, Chair, chaired the meeting and called the meeting to order. He asked if there was anyone from the public in attendance that wanted to make any comments.

In attendance from the public was Eunice Majam-Simpson, attorney with DSR Health Law, and Jake Blackshear, Director, Finance, UCSF/ZSFG.

There were no public comments.

1. Election of Officers for San Francisco Health Authority and San Francisco Community Health Authority

Recommendation: We recommend that the Governing Board of the San Francisco Health Authority and San Francisco Community Health Authority conduct its annual election of its Governing Board officers.

Steven Fugaro, MD, stated it was time for the annual election of officers and opened the floor for nominations for the Board Chairperson. Reece Fawley nominated Dr. Fugaro to serve as Chair. His nomination was seconded and he was re-elected unanimously. Dr. Fugaro then opened the floor for nominations for the Vice-Chair. Dr. Fugaro nominated Roland Pickens. His nomination was seconded and was unanimously approved as well. Lastly, Dr. Fugaro opened the floor for nominations for the Secretary/Treasurer. Roland Pickens nominated

Reece Fawley. His nomination was seconded and he was re-elected unanimously.

2. Approval of Consent Calendar

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

a. Minutes from November 6, 2019 Governing Board Meeting
b. Quality Improvement Committee (QIC) Minutes
c. Credentialing and Recredentialing Recommendations
d. 2020 Employee Handbook

The Board unanimously approved the consent calendar without any issues.

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

Recommendation: Review and approval of unaudited monthly financial statements and investment reports.

Skip Bishop, CFO, reviewed the financial statements for the period ending November, 2019. Mr. Bishop discussed the following highlights:

1. November 2019 results produced a margin of $212,000 versus a budgeted margin of $111,000. After removing Strategic Use of Reserves (SUR) activity, the actual margin from operations would be $489,000 versus a budgeted margin of $389,000.

2. On a year-to-date basis, SFHP has a margin of $1,652,000 versus a budgeted loss of ($4,502,000). The budget assumed $4.6 million in SUR funding would be disbursed in July. Providers qualified for SUR dollars earlier than expected so the funds were paid in June and included in FY18-19 medical expense. After removing SUR activity, the actual margin from operations would be $4,297,000 versus a budgeted margin of $2,482,000.

3. Variances between November actual results and the budget include:
   a) A net decrease in revenue of $221,000 due to:
      i. $233,000 more in premium revenue from membership mix changes and a 1.7% increase in Medi-Cal rates account for this increase. This increase, however, was offset by the following decrease revenues.
      ii. $260,000 less in Hepatitis C revenue as the result of 94 fewer treatment weeks.
      iii. $139,000 less in Maternity revenue as the result of 16 fewer maternity events.

    iv. $55,000 less in third-party administrative fees which can be attributed to a decrease in Community Health Network (CHN) membership.

b) A net increase in medical expenses of $135,000 due to:
    i. $546,000 more in fee-for-service expenses primarily related to inpatient hospital claims paid under the All Patients Refined Diagnosis Related Groups (APR-DRG) rules.
    ii. $583,000 less in pharmacy expenses due to lower than expected utilization.
    iii. $86,000 more in non-specialty mental health costs due to higher than expected utilization. Beacon Health Options continues its efforts to increase penetration rates.
    iv. $86,000 more in health education costs. This variance is the result of timing issues with actual spend versus projections.

c) A net decrease in administrative expenses of $541,000. The majority of this variance can be found in the following expense areas:
    i. $277,000 less in Pharmacy Benefits Management (PBM) fees due to a credit from PerformRx related to the implementation of the new PBM contract that was effective January 2019.
    ii. $218,000 less in Compensation and Benefits due to more open positions than anticipated plus the impact of GASB 68 adjustments.
    iii. $46,000 less when combining Lease, Insurance, Depreciation, Marketing, Professional Fees/Consulting and systems support costs.

On a year-to-date basis through November and after the removal of SUR activity, SFHP is $1,815,000 above budget on margin. This improvement over budget projections is due to the 1.7% Medi-Cal rate increase related to the population acuity adjustment and greater than expected reinsurance recoveries related to prior years.

- Overall net revenue is above budget by $46,642,000. After removing the impact of Directed Payments, net revenue is still up $974,000. Although we are down 3,143 member months, the impact of the 1.7% rate increase for the population acuity adjustment has us ahead on revenue.
- Overall medical expense is above budget by $41,131,000. After removing the impact of Directed Payments and SUR activity, medical expense is $198,000 below budget.
- Overall administrative expense is below budget by $502,000. Lower than expected Professional Fees and Consulting plus the PBM implementation credit represent the majority of this savings.

PROJECTIONS

Financial projections through May 2020:

1. As of November 2019, SFHP added $3,078,000 to the Practice Improvement Program (PIP) related to the FY18-19 Strategic Use of Reserves (SUR) program. A total of $5 million will be added to the CY2019 PIP program for professional providers. The CY2019 PIP runs for 18 months, therefore the remaining $1,922,000 will be accrued over the period of December 2019 through June 2020.

2. Effective July 2019, SFHP's Medi-Cal premium rates were increased by a weighted average of 0.8%. In September, Department of Health Care Services (DHCS) informed SFHP that premium rates will be increased 1.7% as the result of a population acuity adjustment. This increase is retroactive to July 2019 and is expected to add $8 million in revenue for FY19-20.

3. Hepatitis C reimbursement rates were reduced effective July 2019. The rate reduction for non-340B Hepatitis C drugs was 30.9% ($1,169 per treatment week), while the rate reduction for drugs purchased under 340B rules was 23.3% ($683 per treatment week). DHCS reduced the Hepatitis C rates as lower cost generic drugs continue to enter the marketplace. The medical loss ratio (MLR) through November was 97.2%. SFHP was slightly above breakeven as members transitioned to the lower cost generic drugs and pharmacy rebates have increased.

4. Proposition 56 – enhanced payments to medical groups for qualifying physician services. Utilization at Federally Qualified Health Centers (FQHCs) is excluded. SFHP continues to make disbursements for FY18-19 as well as FY19-20.

5. The remaining $20 million in Directed Payments funding related to FY17-18 is expected to be received in March 2020. This funding covers the Enhanced Payment Program (EPP), Quality Incentive Pool (QIP) and Private Hospital Directed Payments (PHDP).

   Mr. Bishop noted that for FY19-20 budget purposes, $148 million in Directed Payment funding had been assumed to be received in equal portions in September and March, but we received $140 million in September. The amount for March will be lower than budgeted, but the amounts will be smoothed by the end of the fiscal year.

   Edwin Batongbacal asked for the decline in membership in terms of percentage. Mr. Bishop responded that SFHP experienced a 2.6% decline and that the trend was likely to continue. He stated that for FY20-21, we would make membership assumptions again.

Mr. Bishop also informed the Board that the DHCS conducted an audit of capitation paid to plans for deceased members. SFHP was aware the results would be released and budgeted $240,000 to return to DHCS, but the actual amount was closer to $1 million. SFHP finance will be negatively impacted by approximately $700,000. The audit period covered from September 2011 to December 2018, for an estimated impact of $100,000 per year. SFHP staff are in the process of analyzing the numbers from DHCS. It appears that some dollars involve deceased Medi-Cal Expansion (MCE) Adults. Mr. Bishop explained that since SFHP was required to return $6.7 million related to the MCE Adult MLR audit, there may be some funds returned to SFHP due to deceased members audit. There may be a positive impact of over $400,000, but the analysis will need to be completed.

Mr. Grgurina stated that a recommendation would be presented to the Board in March about how to handle the funds that will be taken back by DHCS. It is unlikely that SFHP will propose to take back funds from the providers, with the possible exception of Kaiser. Other health plans are experiencing amounts to return to DHCS ranging from $500,000 to $14 million. Mr. Grgurina stated that SFHP could sue DHCS, but a lawsuit would not be in the health plan's interest because a lawsuit would impact the agreement made with DHCS several years ago. A lawsuit would likely cause the health plan lose more than the $900,000 in revenue that was agreed to when SFHP, along with other health plans, dropped lawsuits that were pending at the time.

Rand Takeuchi, Director, Accounting, reviewed the investment reports. He stated that the previously experienced two percent return were very good returns for the type of investment SFHP is allowed to make. He stated that with changes in federal reserve policies that impact the type of investments SFHP makes, the returns would likely decrease to a 1 percent return. Rather than a return of $2 million, SFHP may instead experience a return of $1,800,000.

Reece Fawley, Chair, Finance Committee, stated that the Finance Committee was pleased with the year-to-date results. Mr. Fawley stated that the Finance Committee's discussion was focused on the future and the need for SFHP to build its reserves. He stated that the Finance Committee recommends approval of the financial statements and investment reports.

With the Finance Committee's recommendation, the Governing Board approved the unaudited monthly financial statements and investment reports without any issues.

4. Review and Approval of Reinsurance Vendor Contract

Skip Bishop, CFO, reviewed the background. A detailed memo was provided in the Board packet.

SFHP maintains reinsurance coverage for claims incurred by members for whom SFHP is at risk. Some of SFHP's contracted providers participate in this coverage as well. The reinsurance policy renews January 1, 2020. SFHP purchases reinsurance to protect from losses due to high cost professional, hospital and pharmacy claims and encounters. SFHP's broker, Re-Solutions, presented the following options received from the current carrier, RGA Insurance Company, and quotations from other reinsurance carriers.

Option #1

RGA proposed to renew the coverage at CY 2019 terms and rates in exchange for increasing the Professional deductible from $100,000 to $110,000 and increasing the Hospital deductible from $350,000 to $375,000.

Option #2

RGA proposed to renew the coverage at the current deductible levels, however hospital rates would increase by 13.0% and professional rates would increase by 7.4%.

Option #3

By increasing the hospital deductible from $350,000 to $400,000 and increasing the professional deductible from $100,000 to $125,000, RGA would reduce the hospital rates by 10.0% and the professional rates by 23.0%.

Option #4

By increasing the hospital deductible from $350,000 to $400,000 and increasing the professional deductible from $100,000 to $150,000, RGA would reduce the hospital rates by 10.0% and the professional rates by 40.5%.

Option #5

With assistance from Re-Solutions, SFHP received quotations from Partner Re (Bermuda), Hannover Re (Bermuda) and Odyssey Re (Connecticut). The quotations were not competitive. When compared to the current rates with RGA, Partner Re was 50% higher, Hannover Re was 47% higher and Odyssey Re was 65% higher.

Although CY 2018 and 2019 total claims submissions and reconciliations are not complete, the recovery percentages are expected to be 85% and 80% respectively. Reinsurance companies target their premiums to achieve a 70% to 75% loss ratio. Mr. Bishop stated that the options were also discussed with the Finance Committee. The Finance Committee agreed with the recommendation to accept Option 1.

The Board unanimously approved Option 1 to re-contract with the reinsurance vendor contract for the same rates, but in exchange for increasing the Professional deductible from $100,000 to $110,000 and increasing the Hospital deductible from $350,000 to $375,000.

5. Chief Medical Officer's Report

a. Review and Approval of Evaluation of SFHP's 2019 Quality Improvement Program

Recommendation: Review and approve the evaluation of SFHP's 2019 Quality Improvement Program

Adam Sharma, Director, Health Outcomes Improvement, reviewed the QIP Evaluation highlights. (Detailed PowerPoint slides were provided in the Board packet.)

2019 Highlights & Recommendations:

Overall Highlighted Successes

- Exceeded target for HP-CAHPS composite "Getting Needed Care" (73.8%).
- Exceeded target for compliance with Cultural and Linguistic standards (88%).
- Exceeded target for grievance resolution turnaround times (98%).
- Incent clinics and provider groups to implement projects to improve access under SFHP's Practice Improvement Program (PIP).
- Improve readability of Utilization Management letters (design and reading level).
- Develop coordinated strategy to improve members' experience of cultural and linguistic services.
- Conduct member focus groups to better understand member perception regarding access to care.

Clinical Quality & Patient Safety

Highlighted Successes

- Exceeded target for reducing the percent of members with an opioid prescription (7.14%).
- 10% increase over baseline rate of members completing Hepatitis C treatment regimen.
- Expanded population eligible for Medication Therapy Management to further improve member medication safety.

Utilization of Services

Highlighted Successes

- Promotion of telehealth services to members and providers, including tele-behavioral health.
- New contracting requirements for specific behavioral health therapists for timely response to member referrals.
- Create incentives in SFHP's PIP to increase percent of members with a primary care visit.

Maria Luz Torre asked for clarification if the opioid decrease of one percent was a decrease in frequency, or population. Mr. Sharma stated it was a decrease in the number of members using opioids, which is about 1,400 members. Ms. Luz Torre asked if SFHP was planning to reduce utilization more. Mr. Sharma stated that more reduction may not be possible.

The Board unanimously approved the evaluation of SFHP's 2019 Quality Improvement Program.

b. Review and Approval of SFHP's 2020 Quality Improvement Program Workplan

Recommendation: Review and approve the SFHP 2020 Quality Improvement Workplan

Mr. Sharma also reviewed the SFHP's 2020 Quality Improvement Workplan. (Detailed PowerPoint slides were provided in the Board packet.)

Mr. Sharma reviewed the following key new measures that are the focus of the 2020 workplan:

Clinical Quality measures

- Opioid safety, co-prescribing
- Well-child visits within 15 months
- Adolescent well-child visit
- Diabetes prevention

The Board unanimously approved the evaluation of SFHP's 2020 Quality Improvement Workplan.

c. Review 2018 HEDIS and CAHPS Report

Jim Glauber, MD, MPH, CMO, then reviewed the following highlights from the 2018 HEDIS/CAPHS report. (Detailed PowerPoint slides were provided in the Board packet.)

- NCQA rates more than 1,000 health plans based on clinical quality, member satisfaction, and NCQA Accreditation Survey results
- Ratings emphasize care outcomes and what patients say about their care
- Plans are rated on a scale from 0 to 5 for overall performance, based on:
  - Consumer satisfaction ➔ CAHPS
  - Prevention ➔ HEDIS
  - Treatment ➔ HEDIS

Dr. Glauber relayed that DHCS has new requirements for additional HEDIS measures that may be a challenge. Overall, SFHP has had strong HEDIS results and CAHPS scores have improved to respectable results.
Dr. Glauber shared that the average national Medicaid score is 3.42 and SFHP scored 4.0. Of the national Medicaid plans, 23.4% had a score of 4 stars or above. The average score for-profit health plans is 3.42.
Dr. Glauber was asked what the characteristics are of the top 15 plans. He stated that the plans that scored 4.5 or 5.0 were mostly small, community-based plans with an average of 87,000 members. Dr. Glauber stated that SFHP's HEDIS and CAHPS scores may be negatively impacted with the DHCS pharmacy carve out because prescriptions play a significant part of members' satisfaction with their health plans and several measures depend on pharmacy data.

6. Federal, State Policy and CalAIM Proposal Updates

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

New SNAP Work Requirements Will Impact SFHP Members

- The USDA finalized new regulations related to the SNAP program (food stamps) that impact non-disabled adults 18 to 49 years of age without dependents. To be eligible for SNAP, individuals will need to work at least 20 hours per week, beginning on April 1, 2020. Otherwise, individuals will only be eligible for three months of benefits in a three-year period.
- Previously, states were allowed to waive this rule where unemployment was high. The new rule prevents states from waiving this rule unless unemployment level reaches at least six percent. California's unemployment rate is under four percent.

Federal Public Charge Update

- Early December rulings from federal 9th Circuit and 4th Circuit lifted the stay on the implementation of Trump public charge rule. With the stay by federal courts in New York and Illinois that block implementation of the public charge rule are still in effect, the Department of Homeland Security is still unable to enforce the new rule nationally.
- The U.S. Department of Justice (DOJ) is appealing the New York and Illinois decisions. If USDOJ is successful with the remaining appeals, the new public charge rule would go into effect.

New Ruling on Texas v. Azar

- On December 18, the 5th Circuit federal appellate court ruled Affordable Care Act's (ACA) individual mandate as unconstitutional. It did not find the entire law unconstitutional. The case was sent back to the federal district court in Texas to determine what parts of ACA are not dependent on individual mandate and could be maintained. The district court will be unable to complete this work prior to 2021. This decision will be appealed to U.S. Supreme Court.

The Center for Medicare and Medicaid Services (CMS) Proposed Rule on Fiscal Accountability in Medicaid

- CMS recently released proposed "2019 Medicaid Fiscal Accountability Regulation (MFAR)" to increase transparency and value driven payments.
- Focuses on increased reporting, tightening of requirements and oversight of supplemental payments to providers, health care taxes (including provider taxes such as CA's MCO tax) and what can constitute the non-federal share of Medicaid expenditures.
- Proposed rule would have significant impacts to Medi-Cal financing.
    - Would phase out CA's supplemental payment methodologies after three years and require federal approval for all future supplemental payment programs.
    - Intergovernmental transfers to fund the non-federal share would be limited to state and local tax revenues only.

Mr. Fawley explained that DHCS does not pay public hospitals directly. The MCO tax funding is all UCSF gets for Medi-Cal from DHCS. The propose MFAR impacts DHCS' budget in a significant way, with a potential multi-year loss of billions of dollars. The MFAR also affects red states, who should take the lead to oppose the MFAR.

Ms. Sousa provided the following State updates:

- Legislature reconvenes January 6, 2020 for the second year of the 2019-2020 session.
- California's economy continues to show strength. The Legislative Analyst's Office (LAO) recently released FY 20-21 State Budget outlook and projects a $6.7 billion state budget surplus. After 10 years of economic growth, the possibility of an economic contraction for California

is more likely now.

Mr. Fawley asked if California still needs to build its rainy day fund. Ms. Sousa stated that California has a big rainy day fund and that Governor Newsom and the legislature added more than required.

Covered CA Update

- Ms. Sousa reviewed that California has a new subsidy program for those with incomes from 400 to 600% of the federal poverty level ($85,320 to $127,980) for a family of three. In addition, the new state individual mandate took effective on January 1, 2020.

CalAIM Update
Ms. Sousa review key points of the new CalAIM proposal, which includes a requirement for plans to implement a Dual Eligible Special Needs Plan (D-SNP) by January 2023. Mr. Grgurina stated that SFHP has shared its concerns that a D-SNP would only be feasible with passive enrollment, which is not part of the proposal at this time. Mr. Grgurina stated that SFHP would remain vigilant in monitoring the developments and sharing our concerns and comments with DHCS.

The Governing Board adjourned to Closed Session. Guests and staff members not involved in the Closed Session items left the room.

7. Review and Approval of Recommendation Regarding a Potential Qualified Health Plan Bid in 2021

This item was discussed in closed session.

8. Review of Future Medi-Cal Rate Changes for Provider contracts

This item was discussed in closed session.

9. Discussion of Provider Corrective Action Plans with Chinese Community Health Care Association Provider Contract

This item was discussed in closed session.

The Governing Board resumed in Open Session. Staff members and members of the public rejoined the meeting again.

10. Report on Closed Session Action Items

Dr. Fugaro reported the following actions taken by the Board in Closed Session:

a) Approved the recommendation that SFHP not enter a bid to be a Qualified Health Plan in Covered CA in 2021 and to only initiate action in the future if the Covered CA market in San Francisco changes significantly.

11. Member Advisory Committee Report

Ms. Luz Torre and Ms. Conway reported that the Member Advisory Committee met in November. At the November meeting the Committee had a speaker from the Mental Health Association of San Francisco and one member presented on conservatorship, and at the December meeting the Committee had their year-end annual holiday party.

The Committee will finalize their 2020 goals at their January 10, 2020 meeting. In addition to this, the Committee met all their 2019 goals, except one, which was to meet Dr. Colfax from the Department of Public Health. Dr. Colfax is scheduled to attend the Committee's March meeting.

12. CEO Report Highlighted Items – Healthy San Francisco and City Option Updates, Operations Updates, State Audits, and Security updates

Due to time restraints the CEO report was not discussed, but the materials were included in the Board's packet.

13. Adjourn

____
Reece Fawley, Secretary