



**Joint San Francisco Health Authority/San Francisco Community Health Authority
Governing Board
January 5, 2022
Meeting Minutes**

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

Members

Present: Lawrence Cheung, MD, Irene Conway, Reece Fawley, Steve Fields, Steven Fugaro, MD, Roland Pickens, MHA, FACHE Maria Luz Torre, Greg Wagner, Emily Webb, David Woods, PharmD, and Jian Zhang, DNP, MS, FNP-BC

Members

Absent: Dale Butler and Eddie Chan, PharmD

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, San Francisco Health Plan (SFHP) 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, SFHP's counsel with DSR Health Law, Deneen Hadley, with University of California, San Francisco (UCSF). Reece Fawley, Secretary-Treasurer, introduced Ms. Hadley to the Board. There were no other members of the public and no public comments.

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

Recommendation: SFHP recommends the Governing Board conduct its annual election of its Governing Board officers.

Please note that according to the San Francisco Community Health Authority by-laws, the officers of the San Francisco Health Authority also function as the officers of the San Francisco Community Health Authority.

According to the bylaws there are four officers of the Board: Chair, Vice-Chair, Secretary, and Treasurer. The positions of Secretary and Treasurer are combined into Secretary/Treasurer and held by the same individual. All officers serve for one year or until their successor has been elected.

The current officers are:

Chair – Steven Fugaro, MD
Vice Chair – Roland Pickens, MHA, FACHE
Secretary & Treasurer – Reece Fawley

The following are nominations for the officers:

Chair – Steven Fugaro, MD
Vice-Chair – Roland Pickens, MHA, FACHE
Secretary & Treasurer – Reece Fawley

Dr. Fugaro opened the floor for nominations for the Board Chairperson. Roland Pickens nominated Dr. Fugaro to serve as Chair. His nomination was seconded and the motion was approved unanimously. Dr. Fugaro then opened the floor for nominations for the Vice-Chair. Reece Fawley 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. Dr. Fugaro 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. Approval of minutes from November 3, 2021 Governing Board Meeting
- b. Quality Improvement Committee (QIC) Minutes
- c. Credentialing and Recredentialing Recommendations
- d. Updates to 2022 SFHP Employee Handbook Effective on January 1, 2022.
- e. Findings and Resolution That Establish the State of Emergency Continues to Impact the Ability of Governing Board and Committee Members to Meet Safely in Person and/or State or Local Officials Continue to Impose or Recommend Measures to Promote Social Distancing

The Board unanimously approved the consent calendar without any issues.

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

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

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

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

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

2. Variances between November actual results and the budget include:
 - a. A net increase in revenue of \$1.3 million due to:
 - i. \$1.2 million more in Medi-Cal and Healthy Workers premium revenue due to an additional 2,626 member months along with actual premium rates that were 0.8% higher than what was used for the budget projections. Membership mix was also favorable as 90% of the additional member months were in the Adult, Adult Expansion and Seniors and Persons with Disabilities (SPD) categories of aid where the per member, per month premium rates are much higher than the Child and Duals categories of aid.
 - ii. \$118,000 more in Maternity revenue. We reported 105 maternity events during November versus a budget of 91 maternity events.
 - b. A net increase in medical expense of \$99,000 due to:
 - i. \$694,000 more in net capitation as the result of having 2,626 more member months as well as a more favorable membership mix than what the budget projected. This additional cost is offset by the revenue SFHP received for these additional members.
 - ii. \$523,000 less in fee-for-service claims. Claims volume during the second half of November was less than anticipated, most likely due to the Thanksgiving holiday break. We accrued the first claims check run in December which is our normal practice, however we did not make up for the shortfall in the volume for November. The expectation is that claims expense for December will end up higher than budget.
 - iii. \$42,000 more in Pharmacy expense. Medi-Cal pharmacy costs were \$204,000 above budget, but Healthy Workers pharmacy expense came in \$162,000 below budget. Our Pharmacy department has been working with Magellan on reductions in drug costs. As a reminder, the Medi-Cal pharmacy benefit transitioned to the State effective January 1, 2022.
 - iv. \$114,000 less in Health Education and Utilization Management costs. This variance is primarily due to timing issues as it is expected that the actual costs will align with the budget as we get further into the fiscal year.
 - c. A net decrease in administrative expenses of \$188,000 primarily due to lower than expected professional fees and consulting costs. This

difference is primarily due to timing as it was anticipated that higher costs would be incurred during the first half of the fiscal year. The expectation is that actual spending will align with the budget as we move further into fiscal year (FY) 21-22.

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

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

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

- After removing the Directed Payments funding, premium revenue is above budget by \$7.1 million. This is due to:
 - An overall net increase of 13,981 member months. Member months for the Adult, Adult Expansion and SPD categories of aid are all above budget which has a favorable impact on revenue due to the fact that the premium rates for these members are much higher than the premium rates for Child and Dual members.
 - A Medi-Cal rate increase effective January 1, 2021 that was 0.8% greater than budget expectations.
- After removing SUR activity and Directed Payments funding, medical expense is above budget by \$7.8 million. This increase can be accounted for as follows:
 - Capitation expenses are up \$3,370,000
 - FFS expenses are up \$2,434,000
 - Medi-Cal non-Hep C pharmacy expenses are up \$1,640,000
 - Hepatitis C expenses are up \$ 684,000
 - Healthy Workers pharmacy expenses are down (\$ 328,000)
- Overall administrative expense is below budget by \$1,164,000. The majority of this decrease is due to lower costs in the areas of professional services and information technology services. The lower costs are due to timing differences as actual spending is expected to align more closely

with the budget as we move through the fiscal year. Overall administrative expense savings has been partially offset by increases in Compensation, Benefits and GASB 68 costs due to a slightly lower attrition rate than what was used for budgeting purposes.

PROJECTIONS

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

1. Beginning in July 2021, hospital risk for 16,000 San Francisco Community Clinic Consortium (SFCCC) members became the responsibility of SFHP. SFHP no longer pays capitation to Zuckerberg San Francisco General for these members. SFHP will be responsible for all in-network and out-of-network hospital services under a fee-for-service arrangement – All Patient Refined Diagnosis Related Groups (APR-DRG) for inpatient services and 140% of the Medi-Cal Fee Schedule (MCFS) for outpatient facility services. Primary care and specialty care services remain under capitation. It is estimated that this new risk will cost SFHP approximately \$16 million to \$20 million per year which is built into the FY 21-22 budget. Our draft calendar year (CY) 2022 Medi-Cal rates confirm that the Department of Health Care Services (DHCS) and Mercer have included this added cost in the CY 2022 Medi-Cal rate development process which means SFHP absorbs the costs only for the period from July through December 2021.

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

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

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

3. The Medi-Cal pharmacy benefit is scheduled to be carved out effective January 1, 2022. This aligns with how SFHP prepared its FY 21-22 budget, i.e., we would have responsibility for this benefit through December 2021. The long-term plan has been for the State to take on this benefit and has selected Magellan as its Pharmacy Benefits Manager (PBM). This will be viewed as a positive development as drug costs have increased now that Magellan is our PBM.

4. Beginning on January 1, 2022, SFHP will take responsibility for Enhanced Care Management (ECM), Community Supports, formerly known as In Lieu Of Services (ILOS), and Major Organ Transplants (MOT). Multiple teams within SFHP have been working for several months to prepare for these new programs. Draft rates for ECM and Community Supports were released in early October. Draft rates for MOT were released in November. It is important to note that the ECM and MOT benefits will be subject to a risk corridor which will limit SFHP's exposure to gains and losses.
5. Proposition 56 – this program will continue for all of FY 21-22. Proposition 56 provides enhanced payments to medical groups for qualifying physician services, supplemental payments for developmental screenings, adverse childhood experiences screenings, trauma screenings, family planning services and value-based payments related to a variety of health care quality measures.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

Investment Reports

Mr. Takeuchi briefly reviewed the investment reports that were provided to the Board in the packet.

Reece Fawley stated the Finance team is doing a remarkable job and thanked them. With the Finance Committee recommendations, the Board unanimously approved the year-to-date unaudited financial statements and investment reports ending November 30, 2021.

4. Review and Approval of Reinsurance Vendor Contract

Recommendation: SFHP recommends approval of a contract with a reinsurance vendor for calendar year (CY) 2022.

Mr. Bishop reviewed that SFHP purchases reinsurance to protect SFHP from losses due to high-cost professional and hospital claims and encounters. Our current broker, RGA, has requested quotes from several carriers offering reinsurance coverage. We have been with our current broker and reinsurance carrier since CY 2015. Mr. Bishop reviewed the following four options for the CY 2022 renewal:

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

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

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

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

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

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

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

Mr. Bishop stated that SFHP recommends Option 1 because major organ transplants will be subject to a risk corridor with DHCS, so reinsurance would not be needed for transplant cases. Utilization for gene and cell therapy is expected to be low. Reece Fawley stated that the Finance Committee approved Option one for approval by the Governing Board as well.

With the Finance Committee's recommendation, the Governing Board approved the contract for reinsurance, with Option 1, unanimously.

5. Federal and State Updates

Sumi Sousa, Chief Officer of Policy Development and Coverage Programs, provided the Board with an overview of Governor's State budget. (Detailed PowerPoint slides were provided in the Board packet.)

Ms. Sousa shared the following State surplus:

- The state's Legislative Analyst Office estimates a \$31 billion (B) state surplus for the upcoming fiscal year (FY). The last four months of 2021 had rapid economic growth. September 2021 collections from the state's three main taxes were 40% higher than September 2020 and 60% higher than September 2019 collections.
- Overall state tax collections for the 12-month period ending September 2021 grew at an annual rate of 30%, the highest growth rate in 40 years.
- FY 21-22 state budget assumed lower revenues; current spending is also lower than estimated, further contributing to the size of the estimated

- surplus - California's state surplus in FY 21-22 was \$47B.
- Governor Newsom's proposed FY 22-23 state budget will be released January 10th.
- Expect bulk of spending for FY 22-23 on one-time or temporary programs and then shoring up state reserves, similar to FY 21-22.
 - In FY 21-22, \$39B on one-time spending such as state stimulus payments, transportation projects, drought relief.
 - \$3.4B in new, ongoing programs such as CalAIM, Medi-Cal expansion.
 - \$4.6B went to reserve, debts, and liabilities.

Ms. Sousa then provided the Board with Medi-Cal updates:

- California's large surplus is great news for Medi-Cal.
- FY 21-22 state budget added \$8.1B in one-time and ongoing spending to Medi-Cal including:
 - Major commitments to child and young adult behavioral health, CalAIM, Medi-Cal expansion for 50+ year old undocumented adults, new benefits.
 - Potential for more investments in FY 22-23.
- In FY 22-23, anticipate reduction in SFHP membership once the public health emergency ends and Medi-Cal renewal work resumes.
 - More CalAIM rollout: getting ready for long-term care benefit and duals.

Lastly, Ms. Sousa provided the Board with federal updates:

- House passed \$2 trillion Build Back Better (BBB) Act in November.
- Senator Manchin has indicated that he would not support the bill, which means the BBB would stall in its current form.
- Medicaid-related provision in Senate version of BBB:
 - 12-month continuous eligibility for kids in Medicaid.
 - 12-month continuous Medicaid eligibility for pregnant and post-partum individuals.
 - Federal Medicaid benefit for low-income people in non-Medicaid expansion states.
 - \$146B in increased Medicaid funding for Home and Community Based Services.
- Other Important BBB Health Provisions for CA.
 - Extends bigger Covered CA affordability subsidies through 2025, improving affordability, providing major state General Fund relief, and increasing enrollment in Covered CA and Medi-Cal.
- Senator Manchin's opposition was the latest impasse for President Biden in his aim to pass historic legislation investing in the social safety net.
- This impasse is more serious and may be irreversible. More negotiations are to be held in January to potentially salvage BBB.

6. **Chief Medical Officer's Report**

Fiona Donald, MD, Chief Medical Officer, provided the Board with updates on the Medi-Cal Rx implementation, which started on January 1, 2022.

- DHCS/Magellan Rx are now responsible for the administration of Formulary, Network, Claims payments of Medi-Cal's pharmacy benefit.
- SFHP continues some quality monitoring and care coordination pharmacy activities.
- SFHP is providing support to High-Risk members during the transition.
- Provider training and member support will continue to be critical.

Dr. Donald reviewed the evaluation of the 2021 Quality Improvement Program to the Board for approval. (Detailed PowerPoint slides were provided in the Board packet.)

The Board reviewed and unanimously approved the evaluation of the 2021 Quality Improvement Program.

Dr. Donald then reviewed the 2022 Quality Improvement Program Workplan to the Board for approval. (Detailed PowerPoint slides were provided in the Board packet.)

The Board reviewed and unanimously approved the 2022 Quality Improvement Program Workplan.

7. **Member Advisory Committee Report**

Recommendation: The Member Advisory Committee (MAC) recommends the Governing Board approve the goals for the MAC for calendar year 2022. (A detailed Word document of the Committee goals were provided in the Board packet.)

Maria Luz Torre, Co-Chair, reviewed the Committee goals to the Board. The Board unanimously approved the Committee's 2022 goals.

Maria Luz Torre and Irene Conway, Co-Chair, provided the Board with a MAC meeting report.

Ms. Conway reported that the Committee did not meet in December as they celebrated their year-end annual holiday party. Ms. Conway also mentioned that the Committee members said their good-byes to Mr. Grgurina, since it was the last holiday party with him.

Dr. Fugaro thanked both Ms. Torre and Ms. Conway for their report.

8. **Review Options to Purchase Employee Health Benefits from CalPERS**

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

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

Brian Gentner, Director, Human Resources, reviewed the background to the Board.

As mentioned previously, SFHP's ability to maintain a non-Kaiser option has been in jeopardy because most employees select Kaiser as their health plan of choice even though the employee cost (\$0) is equal for both the Kaiser and the Aetna HMO. Currently, there is a 60/40 split between Kaiser/Aetna, and most health insurance plans were not interested in providing a quote because they would like to either have our entire population or a large majority (60%+) of it. Given all these factors, Mr. Gentner stated the need to explore CalPERS as a non-Kaiser option.

Mr. Gentner shared the following highlights from his meeting with a CalPERS representative:

Pro:

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

Con:

- Premium Costs/Fees
 - Premiums increased significantly for 2022 and their lowest cost HMO is now roughly \$300 per member per month higher than the lowest HMO offering through Kaiser. This would translate to a \$700,000 increase in annual costs.
 - Additional administration fee would be added to total costs of premiums.
- Public Employees' Hospital and Medical Care Act (PEMHCA) Requirements
 - Requires SFHP to offer the same medical benefits to our retirees along with mandatory subsidies that increase over time. This would make it very difficult to project costs.
 - Requirement to offer medical plans up to a month earlier than our current practice, as well as maintain them for up to two months after an employee separates from SFHP, which would also increase our costs.

Mr. Gentner stated that SFHP would continue to research alternative health insurance plan options for a non-Kaiser option. He stated that SFHP would be able to keep Kaiser and Aetna for the next year or two if premiums remain reasonable.

9. CEO Report – Highlighted Items – Healthy San Francisco and City Options, Updates, Operations Updates, Return to Office Status, COVID-19 Vaccine Outreach Efforts, and Security Updates

Mr. Grgurina the following updates regarding SFHP’s return-to-office plans:

- January 4, 2022 is the target date for re-opening the Service Center in a phased manner.
 - In January and February, Service Center staff will be in-person on Tuesdays and Wednesdays.
 - Starting in March, staff will be in-person Tuesday through Thursday.
- Staff will return to field work as follows:
 - Facility Site Review targeted for January 2022.
 - First Phase of Care Management’s return to field work targeted for first week of March 2022.
 - Provider Relations targeted to return to office visits the first week of July 2022.
- A voluntary return to Beale/Mission Street is targeted for the first week of March 2022 (two days in March and three days in April). The number of staff coming in will be limited, with priority going to those who indicated they prefer to work in the office full-time and four days per week.
- Positions that can work full-time remote will be allowed to do so through September 30, 2022, which provides additional time for the incoming CEO to work with the Executive Team and Governing Board on the remote work options for the future.

The Board Adjourned to Closed Session.

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

This item was discussed in closed session.

11. Search Committee Updates and Next Steps for CEO Recruitment

This item was discussed in closed session.

The Board Resumed in Open Session.

12. Report on Closed Session items

Dr. Fugaro reported that there were no actions taken in closed session.

13. Adjourn

Dr. Fugaro adjourned the meeting.

Reece Fawley, Secretary/Treasurer