Joint San Francisco Health Authority/San Francisco Community Health Authority
Governing Board
March 6, 2019
Meeting Minutes

<u>Chair:</u> Steven Fugaro, MD
<u>Vice-Chair:</u> Roland Pickens
<u>Secretary-Treasurer:</u> Reece Fawley

Members
<u>Present:</u> Edwin Batongbacal, Dale Butler, Irene Conway, Reece Fawley, Steve Fields, Steven Fugaro, MD, Maria Luz Torre, Roland Pickens, Sabra Matovsky, Emily Webb, David Woods, PharmD, and Jian Zhang

Members
<u>Absent:</u> Eddie Chan, PharmD, Lawrence Cheung, MD, and Greg Wagner

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 Daponde & Szabo, and Jake Blackshear, with UCSF.

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. Review and Approval of Minutes from January 9, 2019 Governing Board Meeting
b. Review and Approval of Quality Improvement Committee Minutes
c. Review and Approval of Credentialing Recommendations

The Board unanimously approved the consent calendar with one change to the Governing Board minutes. Sabra Matovsky stated she would like the minutes to reflect that she stated that the primary care clinics are exploring legislation challenge the State's proposal to eliminate the 340b program. With that change, the minutes of the January 9, 2019 Governing Board meeting were approved unanimously. In addition, the rest of the consent calendar was approved without any issues.

2. Governor Newsom's Health Care Proposals and Impact to SFHP

Sumi Sousa, Officer, Policy and Coverage Programs, and Lisa Ghotbi, Pharm.D., Director, Pharmacy Services, and John F. Grgurina, Jr., CEO, presented an overview of Governor Newsom's health care proposal and impacts to San Francisco Health Plan (SFHP). (Detailed PowerPoint slides were provided in the Board packet.)

Ms. Sousa reported that the Medi-Cal program will be expanded to include undocumented young adults ages from age 19 -25 years, effective date is July 1, 2019. Federal funding will not be needed, so federal approval will not be required. For SFHP, there will likely be 500 to 1,000 new members. SFHP may be managing this population's health care through Healthy San Francisco already and we do not expect any difficulty with transitioning this population to Medi-Cal. The Department of Health Care Services has not provided any details, yet. The DHCS is also proposing to move the C-CHIP children from Healthy Kids to Medi-Cal as well, with a potential effective date of July 1, 2019. An estimated 2,000 children from SFHP's Healthy Kids program would be then transitioned to Medi-Cal. There would still be a small number of undocumented children above 250% of the federal poverty level (FPL) that would remain in Healthy Kids. SFHP continues to wait for additional details and are advising DHCS that a smooth transition on July 1, 2019 would be difficult due to many unresolved policy and program issues, e.g., Two-Plan model choice, eligibility determination, member and provider notification, etc.

Ms. Sousa then explained that the Governor is proposing a State individual health care mandate with a tax penalty to be collected by the State Franchise Tax Board. The State is also proposing premium tax credits for qualifying individuals from 400% – 600% FPL in Covered CA. Federal tax credits currently end at 400% FPL. The Governor has not proposed an implementation date.

Dr. Fugaro asked whether legislation would be required for these State proposals and Ms. Sousa confirmed that legislation and significant funding would be required.

Covered CA
Ms. Sousa provided an overview of the 2019 open enrollment in Covered CA. She stated that enrollment was steady, due to strong renewal rates by the existing membership.

- 2018 enrollment – 1.52 million enrollees
- 2019 enrollment – 1.51 million enrollees

- New enrollment declined 23.8%, likely because of the elimination of federal tax penalty for 2019
- Governor's proposals expand Covered CA's market at critical juncture

Mr. Grgurina stated when the Covered CA health plans set rates for 2019, there will likely be an estimated 4% rate increase to account for the loss of the federal mandate to purchase health insurance.

Impacts to SFHP
Ms. Sousa stated that the previous administration under Governor Brown favored incremental changes and fiscal stability. Governor Brown built a strong reserve of $30 billion and was less interested in making significant health care policy changes. The new administration under Governor Newsom is very interested in expanding access to health care, particularly for children and other underserved populations.

Governor Newsom is open to major changes made in shorter timeframes. With the large State reserves and Democratic majority in both houses, he will likely have support for his initiatives. SFHP will keep the Board updated on potential changes and progress of these changes.

Pharmacy Update
Ms. Ghotbi reviewed the slides in the Board packet covering the Governor's proposals for the Medi-Cal pharmacy benefit, but added that since the slides were sent in the Board packet additional information has been learned.

- The State is proposing to implement a full carve out of pharmacy drugs from Medi-Cal managed care.
- Medi-Cal fee-for-service (FFS) would pay for all prescription drugs.
- Information provided by DHCS indicates that the State is very likely moving in this direction in order to support drug purchasing at lower costs.
- A statewide formulary is likely.
- The State change to purchasing drugs through the Medi-Cal FFS program benefits the State's ability to collect significant rebates that are lost with the prescription drugs in managed care. The current Medi-Cal prescription drug expenses are approximately $13 billion statewide, with $4 billion in Medi-Cal FFS and $9 billion in managed care. DHCS is only able to collect rebates on the $4 billion in Medi-Cal FFS. DHCS experiences a significant loss in potential rebates with the drugs in Medi-Cal managed care.
- The Center for Medicare and Medicaid Services (CMS) proposed regulations that would also eliminate managed care plans ability to negotiate rebates as of January 2020.

While we understand the benefits to the State with its proposal, we are concerned that a badly managed formulary would have a significant negative impact on beneficiaries. The pharmacy benefit is highly utilized by SFHP members, with 25% of the membership using pharmacy services every month and 75% of the membership utilizing the benefit during the year. Members frequently call SFHP for assistance with their pharmacy benefit. Coordination with the State's proposed program to ensure members' access to the benefit will be very important, but challenging.

The proposed change will also impact physician-administered drugs, pharmacy services in urgent care clinics, lab services and infusion services. SFHP is also concerned with coordinating care and case management without the direct access to members' prescription data. Receiving data from DHCS regarding members' use of carved out services has been very challenging to date, with the data files being incomplete and untimely.

SFHP would still need the pharmacy benefit manager (PBM) for Healthy Workers, Healthy San Francisco and Healthy Kids, but with a significantly smaller membership, SFHP may have difficulties negotiating rates with the PBM.

Ms. Ghotbi stated that the previous proposal for changes to the 340B drug pricing program appear to be on hold, but will be impacted by the proposed change. With the State purchasing and managing the drug benefit, federally qualified health centers would not be able to take advantage of the drug discounts in the 340B program.

Ms. Ghotbi informed the Board that SFHP is working with the health plan associations, Local Health Plans of California (LHPC) and California Association of Health Plans (CAHP), as well as State workgroups. Currently, she is working with LHPC on the following activities:
1. Position paper
2. White paper, a more detailed document with extensive recommendations
3. Consultant on system issues and quality of care

Mr. Grgurina stated that the State has not been clear if health plans would continue with certain aspects of the prescription benefit, such as handling member calls, or if the State intends to hire a vendor with a call center function. SFHP would have concerns due to the lack of a local presence since prescription needs vary by communities and there is a need to coordinate care. LHPC and CAHP agree it is very important to control the prescription costs, but we also have to protect our members. The proposed change is scheduled to become effective on January 1, 2021.

Edwin Batongbacal asked how prescription drugs are budgeted today.
Mr. Grgurina stated that health plans receive a capitation rate from the State that includes assumptions for prescription costs. Health plans are then responsible for managing the benefit at their risk. David Woods asked what impact the proposed change would have on SFHP. Mr. Grgurina stated that in the short-

term, while health plans are still able to negotiate supplemental rebates until January 2020, SFHP would receive approximately $3 million in rebates. SFHP would need to account for the loss of this revenue in future years. In the long-term, SFHP would no longer be responsible for managing the risk of prescription drugs, which has seen significant increases in expense over the years. SFHP's Chief Medical Officer, James Glauber, MD, MPH, stated that SFHP is also concerned that a statewide formulary would be established that may not account for the impact on medical practice variations across the state. Mr. Grgurina stated that SFHP will continue to provide input during this period the State is considering its proposal. DHCS staff are learning about the issues now and SFHP will continue to advocate for SFHP members' needs. Consumer and provider groups appear to be supportive of the change to bulk purchasing, but they may not be aware of the impact to members' experience and customer service. Health plans are using this time to educate DHCS and legislative staff. Even though this change was made through the Governor's Executive Order, legislation would be need to appropriate funds, staffing, etc., so the proposals will be heard through the legislative process.

Mr. Fawley commented that while that State considers how to create a model to capture savings, it must also create a functional model.

Ms. Sousa stated that health care advocates appear to view the proposal as a first step toward a single payer model and are supportive.

Mr. Fawley asked if there are other states that have carved out the Medicaid pharmacy benefit. Ms. Sousa and Ms. Ghotbi stated they were not aware of any successful models in other states as other states that have tried to carve it out of managed care have ended up carving it back in to health plans.

Steve Fields asked if the Legislature is aware of the concerns we have raised and if health plans have a champion for our concerns. Ms. Sousa stated that she and others have been meeting with local legislators. San Francisco has key representatives among the Legislature and that we may need help from Board members to carry the message.

Maria Luz Torre asked about the advocacy group Health Access and its position. Ms. Sousa stated that Health Access and the Western Center on Law and Poverty support the concept and the Governor. When they were ask if they knew about operational concerns with the State taking over the benefit, they were not yet aware. They will not, however, change their position to support the Governor. We will continue to educate the Western Center on Law and Poverty, however, because they will likely have issues with the State's treatment authorization process. Ms. Luz Torre also asked about the position of the Legislative Analyst's Office (LAO). Ms. Sousa stated the LAO has provided pros and cons.

Mr. Fawley inquired about the pharmaceutical industry's position. Ms. Ghotbi stated the industry likes the idea and that the proposal has a more significant impact on PBMs.

Ms. Sousa proceeded to provide a brief overview of the following other health care policy topics:

- Permanent food stamp eligibility for elderly and disabled SFHP members receiving SSI/SSP
- Increase in CalWorks grant levels to 50% of the FPL, eff. 10/1/19
- Universal pre-K for all income eligible 4 year olds (phase in over three years)
- New $500 "Working Families Tax Credit" for low income families with children 0 - 5 years old

Ms. Luz Torre, who works in the field of childhood development services, stated that there are concerns about the availability of pre-kindergarten capacity for universal pre-kindergarten. Ms. Luz Torre thanked Ms. Sousa for covering this area because California has the highest childhood poverty rate in the country, with one in five children below the poverty line.

Mr. Fields stated the Governor is also re-examining mental health services. There has been a long-term neglect of this area. Mr. Fields stated that he has been working with the Governor on developing a plan to address mental health services. Ms. Sousa agreed and stated that there has been a great deal of discussion regarding mental health. She stated there are complications due to realignment funding, which is constitutional.

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

Recommendation: Review and approve the unaudited monthly financial statement and investment reports.

Skip Bishop, CFO, reviewed the financial statements ending January 31, 2019:

1. January 2019 results produced a loss of ($871,000) versus a budgeted loss of ($1,292,000). After removing Strategic Use of Reserves (SUR) activity, the actual loss from operations was ($443,000) versus a budgeted loss of ($567,000).

2. On a year-to-date basis, SFHP showed a loss of ($461,000) versus a budgeted loss of ($1,428,000). After removing SUR activity, the actual margin from operations was $8,725,000 versus a budgeted margin of $9,049,000.

3. Variances between January actual results and the budget include:
   a. A net decrease in revenue of ($2,034,000) due to:

i. $1,323,000 less in premium revenue as the result of 3,436 fewer member months. Of the overall decrease in member months, 2,338 of these members were in the Adult Expansion category.
ii. $509,000 less in Hepatitis C revenue as the result of 140 fewer Hepatitis C treatment weeks along with a 3.9% decrease in the Hepatitis C reimbursement rate.
iii. $102,000 less in Maternity revenue as the result of 12 fewer maternity events.
iv. $100,000 less in third-party administrative fees which can be attributed to the decrease in membership.

b. A net decrease in medical expense of (2,036,000) due to:
i. $142,000 less in fee-for-service claims activity. January was a heavy month for claims due to a catch-up of claims not submitted during the holiday period. The Milliman Incurred But Not Reported (IBNR) model indicated we had an excess accrual of $740,000 therefore we reduced the IBNR reserve balance which lowered overall claims expense for the month.
ii. $297,000 less in SUR activity when compared to the budget. The FY18-19 budget anticipated a smoother outflow of SUR funds throughout the fiscal year.
iii. $1,467,000 less in capitation expense. Provider capitation rates increased by an average of 4.2% effective January 2019. The lower capitation expense is a function of 3,436 fewer member months for January.
iv. $130,000 less in pharmacy expense. Non-Hepatitis C pharmacy expense was $366,000 greater than budget due to higher utilization as well as higher than expected increases in the cost for specialty drugs. The increase in non-Hepatitis C pharmacy expense was more than offset by $509,000 less in Hepatitis C drug costs due to fewer than expected treatment weeks.

c. A net decrease in administrative expense of $352,000. Compensation and benefits were $166,000 higher than projected due to the impact of GASB 68 pension expense adjustments. These additional compensation and benefits costs were more than offset by lower than expected marketing, professional fees/consulting and information technology support costs.

4. For the first seven months of the fiscal year, SFHP is $324,000 below budget on margin from operations:
- Revenue is down $9.7 million due to 16,305 fewer member months, 650 fewer Hepatitis C treatment weeks and 67 fewer maternity events.

- Non-Hepatitis C pharmacy costs are running $3,241,000 above budget due to an 18.7% increase in drug costs and a 1.4% increase in utilization. Even with a decrease in membership, we are seeing a slight increase in utilization.
- Administrative expenses are running $888,000 above budget due to the need to expense prior year Analytic Data Warehouse costs that we expected to capitalize.
- Community-Based Adult Services (CBAS) costs are $965,000 above budget due to a 20% increase in provider rates (CBAS providers had not received a rate increase in nearly 10 years) and $278,000 in FY17-18 claims that carried over into July and August 2018.
- Non-Specialty Mental Health (NSMH) costs were $479,000 above budget. This was expected given the effort made to increase utilization among the Medi-Cal population.
- The increases in medical and administrative costs noted above have been partially offset by the $4.3 million benefit from the lower than expected Adult Expansion MLR audit result as well as the $740,000 decrease in the IBNR reserve.

	---JAN 2019---				---FYTD 18-19 THRU JAN---			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
REVENUE	$ 47,378,000	$ 49,412,000	$ (2,034,000)	-4.1%	$ 336,732,000	$ 346,388,000	$ (9,656,000)	-2.8%
MLR	94.5%	94.9%			92.6%	93.4%		
ADMINISTRATIVE RATIO	7.9%	8.1%			8.0%	7.4%		
MARGIN (LOSS)	$ (871,000)	$ (1,292,000)	$ 421,000	32.6%	$ (461,000)	$ (1,428,000)	$ 967,000	67.7%
OPERATING ADJUSTMENTS:								
FY15-16 SUR PMTS	$ -	$ -			$ 915,000	$ -		
FY16-17 SUR PMTS/ACCRUALS	$ -	$ -			$ -	$ -		
FY17-18/CY2018 SUR PAYMENTS/ACCRUALS	$ 150,000	$ 725,000			$ 7,993,000	$ 10,477,000		
FY18-19 SUR PMTS/ACCRUALS	$ 278,000	$ -			$ 278,000	$ -		
MARGIN FROM OPERATIONS	$ (443,000)	$ (567,000)	$ 124,000	21.9%	$ 8,725,000	$ 9,049,000	$ (324,000)	-3.6%
MLR W/O SUR PMTS	93.5%	93.4%			89.9%	90.3%		

PROJECTIONS

Financial projections through July 2019:

1. As of January 31, 2019, SFHP has added $278,000 to the PIP program related to the FY18-19 Strategic Use of Reserves (SUR) program. A total of $4 million will be added to the CY2019 PIP program for professional providers. The remaining $3,722,000 will be accrued over the period of February 2019 through June 2020. SFHP will be presenting a request for additional FY18-19 SUR funding at the March 2019 Governing Board meeting.

2. Beginning January 2019, provider capitation rates increased by an average of 4.2%.

3. Hepatitis C reimbursement rates were reduced again effective July 2018. The rate reduction for non-340B was 3.9% ($155 per treatment week) while the rate reduction for drugs purchased under 340B rules was 3.3% ($99 per treatment week). With these rate reductions, SFHP ran slightly below breakeven on Hepatitis C activity through November. SFHP expects to remain close to breakeven over the next seven months.

4. There will be a FY18-19 Rate Range Intergovernmental Transfer (IGT) program for eligible governmental funding entities. Total estimated funding available is $28.7 million. SFHP worked with the eligible governmental entities to determine the level of participation and submitted its proposal to DHCS. This funding should be received in March or April 2019.

5. During FY18-19, DHCS will be working with the Medi-Cal managed care plans on four Directed Payment programs related to rate year FY17-18:

    a. 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 FY17-18 as well as FY18-19. The average monthly disbursement is $385,000.
    b. Public Hospital Enhanced Payment Program (EPP) – available to Designated Public Hospitals (DPHs) and UC Systems. DHCS will instruct SFHP on how much to pay to ZSFG and UCSF. Again, utilization at FQHCs is excluded. Payments will be based on actual utilization as reported in claims and encounter activity. The timing of the first payment is estimated to be September 2019. The timing of the second payment is estimated to be March 2020.
    c. Public Hospital Quality Incentive Pool - available to DPHs and UC Systems. DHCS will instruct SFHP how much to pay to ZSFG and UCSF. Utilization at FQHCs is also excluded. Payments will be based on how the DPHs and UC Systems are performing against 20 to 25 quality measures. The timing of payment is estimated to be late in FY18-19 or early in FY19-20.
    d. Private Hospital Directed Payments – available to private hospitals. DHCS will instruct SFHP how much to pay to the private hospitals. Again, utilization at FQHCs is excluded. Payments will be based on actual utilization as reported in claims and encounter activity. The timing of payments is expected to match that of the Enhanced Payment Program.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

Medi-Cal Membership Projections Through June 2020

Rand Takeuchi, Director, Accounting, provided an overview of membership.

When comparing January 2019 with January 2018, overall Medi-Cal membership has decreased 5.0%. We saw declines across all three Medi-Cal populations – Temporary Assistance for Needy Families (TANF), Seniors and Persons with Disabilities (SPD) and Medi-Cal Expansion (MCE). In the last 12 months:

- TANF membership decreased 4.0%
- SPD membership decreased 5.1%
- MCE membership decreased 6.1%

There are several reasons for the decrease in Medi-Cal membership:

- The economy has been improving, especially in San Francisco.
- The minimum wage in San Francisco is $15.00 per hour.
- Members are no longer qualifying for Medi-Cal due to increases in income.
- Members are leaving San Francisco due to the high cost of living.
- There is no longer a penalty for not having insurance.
- Impact of the draft public charge rule.

In January 2019, SFHP had 126,456 active Medi-Cal members. Given the trend factors noted above, SFHP expects Medi-Cal membership to decrease to 123,000 members by June 30, 2019 (a decrease of 2.7%).

The loss of Medi-Cal membership is not unique to SFHP. The chart below shows the decline in membership across Bay Area counties:

HEALTH PLAN	COUNTY	% CHANGE
ALAMEDA ALLIANCE FOR HEALTH	ALAMEDA	-2.4%
CONTRA COSTA HEALTH PLAN	CONTRA COSTA	-2.6%
PARTNERSHIP HEALTH PLAN	SOLANO	-3.1%
HEALTH PLAN OF SAN MATEO	SAN MATEO	-5.1%
SAN FRANCISCO HEALTH PLAN	SAN FRANCISCO	-6.6%
SANTA CLARA FAMILY HEALTH PLAN	SANTA CLARA	-6.7%
ANTHEM BLUE CROSS	SAN FRANCISCO	-7.0%
ANTHEM BLUE CROSS	CONTRA COSTA	-7.5%
ANTHEM BLUE CROSS	ALAMEDA	-7.7%
ANTHEM BLUE CROSS	SANTA CLARA	-8.3%

For the FY19-20 budget, SFHP projects Medi-Cal membership to decline by another 5%, reaching 117,000 members by June 30, 2020. This includes the potential additional of a small number of undocumented young adults who will be eligible for

Medi-Cal up to the age of 26 years. The projected loss of an additional 6,000 members represents a revenue loss of $13.7 million. With fewer members, there would also be associated medical expense savings. The negative impact to SFHP's margin is projected to be $1.1 million.

Dr. Fugaro asked Mr. Fawley for the Finance Committee's recommendation.
Mr. Fawley stated that the Finance Committee found that the financials were acceptable and were approved with no issues. He stated the Finance Committee approved the financials and investment reports for approval by the Board.

The Governing Board approved the unaudited financials and investment reports without any issues.

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

4. Discussion of Corrective Action Plans with CCHCA and Jade Medical Group

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.

5. Chair's Report on Closed Session Items

Dr. Steven Fugaro reported that there were no action items.

6. Member Advisory Committee (MAC) Report

a. Review and Approval of 2019 MAC Goals

Recommendation: Approval of CY2019 Member Advisory Committee Goals

Maria Luz Torre, Co-Chair of the Member Advisory Committee (MAC), reported that the Committee completed their CY2018 goals. In addition, Ms. Torre briefly reviewed the Committee's CY2019 goals to the Board for approval. (A list of the Committee goals were provided in the Board packet.)

Lastly, Ms. Torre reported that the Committee met in January and February. Staff attended the January meeting to provide an overview of pharmacy and answer any questions or concerns the Committee may have.

Dr. Fugaro thanked Ms. Torre for the hard work and valuable input from MAC and for the leadership of Ms. Torre and Irene Conway.

The Board unanimously approved the Members Advisory Committee CY2019 goals.

7. Annual Review of SFHP Administrative Contracts

The following is presented to the Governing Board for discussion only. No action was required.

Karen Andrews, COO, briefly reviewed the history with the Board. At the March 4, 2015 Governing Board meeting, the Board approved a policy to require Board approval for administrative contracts with a value of $1 million or more. Additionally, with the approval of this policy, SFHP staff agreed to provide the Governing Board with a list of contracts valued at over $100,000 on an annual basis. (A detailed memo was provided in the Board packet.)

In keeping with this policy, Ms. Andrews presented an overview of 55 contracts from calendar year 2018 that were valued at $100,000 or greater. She highlighted 11 contracts that were over $1 million that were all approved by the Board. Darin Moore, Interim CIO, stated that he would be bringing a proposal to the Board at the May Governing Board meeting regarding purchasing software and hardware. The current contract is with FusionStorm, but he informed the Board that he is in the process of improving SFHP's purchasing power by selecting two re-sellers for purchasing hardware and software. With two vendors, SFHP would have both parties bid on SFHP's purchasing needs, thereby ensuring SFHP would be purchasing the goods at the best prices between these two vendors. Mr. Moore stated he would be bringing the contracts with the selected vendors to the May Board meeting for the Board's approval.

8. Chief Medical Officer's Report

a. Review and Approval of Proposal of Strategic Use of Reserves for Contracted Hospitals, Practice, Practices Improvement Program and Targeted Interventions Reserves

Recommendation: Review and approve the following three recommendations for FY 18-19 SUR investments. These investments support SFHP providers and improve member health outcomes.

SFHP's CMO, Jim Glauber, MD, MPH, reviewed the proposal to add an additional $7 million to the previously approved $10 million in SUR funding for FY18-19. (Detailed memo outlining the recommendations was provided in the Board packet.)

Recommendation	Scope	Proposed SUR Funding
1. Support contracted hospitals to improve member care	Contracted hospitals choose either a 12-month rate increase **or** direct grant to support new or expanded initiatives.	$5,000,000
2. Additional funds to PIP program	Incentivize improvements in health outcomes and patient experience.	$1,000,000
3. Additional funds to support targeted interventions for high-risk populations	Expand community partnerships and interventions to reduce health disparities.	$1,000,000

Mr. Fawley stated the Finance Committee reviewed the proposal and stated the Committee supported the proposal because it will provide the ability for SFHP to stay within the Board-approved reserve policy.

Dr. Glauber stated that the proposal is modeled on the program approved two years ago, which is less prescriptive than last year's program. Dr. Glauber stated the potential hospital distribution was included in the packet and that Dignity and Seton were added to the list since they are now contracted hospitals. He stated Dignity has about 10% of SFHP's hospital utilization. The Board was supportive to include these new hospitals.

Dr. Fugaro reminded staff that there have been some name changes that will need to be accounted for going forward, e.g., CPMC Mission-Bernal rather than St. Luke's.

Ms. Luz Torre asked if recipients have to submit a proposal and Mr. Fawley asked when the proposals would be due. Dr. Glauber stated that the applicants will have to submit a proposal soon.

The Board unanimously approved FY 18-19 SUR investments.

9. Semi-Annual Compliance Report

Nina Maruyama, Officer, Compliance and Regulatory Affairs, reviewed highlights form the semi-annual compliance report.

Anti-Fraud Efforts

- SFHP's Officer of Compliance and Regulatory Affairs, in collaboration with the Compliance Department, are responsible for fraud prevention, identification and investigation efforts.
- On an annual basis, the Compliance Department provides training for all SFHP staff. All employees are required to participate in an online training course dedicated solely to the identification and reporting of fraud, waste, and abuse. The training course emphasized that it is everyone's responsibility to report any suspicion of possible fraud, waste, abuse and/or misconduct. Topics included but were not limited to the following: 1) definition of fraud, waste and abuse, 2) several examples to assist staff in detecting fraud, waste, and abuse, 3) how to report fraud, waste, and abuse, including the contact information for the SFHP Officer of Compliance and Regulatory Affairs and the Compliance hotline.
- In 2018, one hundred (100%) of all employees, including temporary employees, completed the training.

Auditing and Monitoring

- The Compliance Department is responsible for providing oversight to all auditing and monitoring that occurs at SFHP. Below is a summary of the Compliance Department auditing and monitoring activities, as related to fraud, waste, and abuse detection or prevention.
  - Exclusion Lists monitoring was conducted on all new providers, employees, and vendors. This monitoring consists of checking individuals or entities against 1) the Office of Inspector General, U. S. Department of Health and Human Services' Exclusion List of Excluded Individuals/Entities online database; 2) the Excluded Parties List System on line database produced by the U.S. General Services Administration; and 3) the Medi-Cal Suspended & Ineligible Provider Lists published by the California Department of Health Care Services. All new vendors, employees, and providers are checked against these databases, and all providers, whether newly contracted, non-contracted, or existing, are re-verified against these databases on a monthly basis.
  - SFHP implemented an audit plan to monitor internal departments for compliance with regulatory and contractual

requirements, including potential fraud, waste, or abuse. In 2018, 12 post-payment claim audits were conducted.
  - There were no findings of fraud.
  - SFHP implemented Fraud and Abuse policy and procedure monitoring as part of the annual Delegated Oversight Audit process. As a result, all delegated entities were audited for appropriate fraud and abuse policies, including reporting requirements, employee awareness training and non-retaliation policies.

Independent Audit

- SFHP is audited annually by an independent, certified public accounting firm to ensure that adequate financial controls are in place. For the fiscal year 2017-18, there were no audit findings that indicated any inappropriate practices or controls.
- The audit firm gave the SFHP its “unmodified opinion” stating SFHP’s combined financial statements were fairly presented in accordance with generally accepted accounting principles. This report was submitted to and approved by the SFHP Governing Board.

Anti-Fraud Work Plan

- An internal Anti-Fraud Work Plan included data monitoring activities, audits, and training development.
- In 2018, the Workgroup conducted five (5) audits:
  - Three audits for Provider Preventable Conditions
  - One for Modifer-25 Usage
  - Bundled procedures (In process)

SFHP continues to conduct these audits because the Center for Medicare and Medicaid Services (CMS) and Office of Inspector General (OIG) considers these areas as vulnerable to fraud, abuse or waste. CMS and the Medi-Cal program require health plans and their providers to report provider preventable conditions and not pay for any resulting claims. Modifier 25 is allowed for “significant, separately identifiable evaluation and management [E/M] service by the same physician on the same day of the procedure or other service,” but is sometimes misused. Although no instances of fraud were found, coding errors were found and provider education is in process.

Anti-Fraud Software Vendor

- In 2018, SFHP conducted a request for proposals (RFP) for an anti-fraud software to assist SFHP with monitoring claims and eligibility for potential fraud, waste, or abuse. After a comprehensive review and vetting process, Pondera was selected.

- Implementation of the software is currently in process. SFHP expects the software to be fully operational by July 2019.

Suspected Fraud and Abuse Cases

- The Compliance Department monitors the SFHP toll-free confidential hotline, the Compliance e-mail in-box and directly to the Compliance staff for suspected fraud, waste and abuse cases.
- In 2018, there were no reports of suspected fraud reported via the hotline, email or to the Compliance staff.

SFHP Compliance and Regulatory Affairs will provide the next semi-annual Compliance Report in September 2019.

10. CEO Report Highlighted Items – Form 700

Due to time constraints this item was not discussed, however, Mr. Grgurina reminded the Board to complete their Form 700 by the April 2nd deadline, or the City would charge a penalty for each day the form is late.

11. Adjourn

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Reece Fawley, Secretary