



**Joint San Francisco Health Authority/San Francisco Community Health Authority
Governing Board
March 2, 2022
Meeting Minutes**

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

Members

Present: Dale Butler, 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: 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, 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, and Deneen Hadley, with UCSF. There were no public comments.

Dr. Fugaro acknowledged John F. Grgurina, Jr.'s retirement and that this was his last Board meeting. Dr. Fugaro opened the floor to Board members for comments and thoughts. Several Board members thanked Mr. Grgurina for his incredible leadership, growth, and dedication to the San Francisco Health Plan (SFHP) over the past 14 years.

Mr. Grgurina thanked all the Board members. He mentioned how excited he was when he took this job at SFHP and how he learned quickly from Reece Fawley and Steve Fields. In addition, Mr. Grgurina stated his gratitude to the Board for making the selection of Yolanda Richardson to be the new Chief Executive Officer at SFHP.

Mr. Grgurina also thanked to Dr. Lawrence Cheung for staying on the Board until his replacement is appointed by the Board of Supervisors.

Dr. Fugaro then introduced Yolanda Richardson to the Board, who will start the position on March 31, 2022. Ms. Richardson introduced herself and thanked the Board for the opportunity. She expressed her excitement and stated she is looking forward to being SFHP's new Chief Executive Officer.

1. Approval of Consent Calendar

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

- a. Approval of minutes from January 5, 2022 Governing Board Meeting
- b. Approval of Minutes from February 2, 2022 Governing Board Meeting
- c. Appointment to the Quality Improvement Committee (QIC)
- d. Findings and Resolution 22-004 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.

2. Federal Updates and State Budget

Sumi Sousa, Officer, Policy and Coverage Programs, provided updates on federal policies and State policy updates.

Ms. Sousa reviewed that the state is seeing unprecedented budget surpluses. FY 21-22 surplus is projected to be \$47 billion and FY 22-23 is projected to have a \$29 billion surplus. Personal, sales and corporate tax revenues are at record highs. State programs will continue to be funded well, including schools, transportation, and Medi-Cal.

Ms. Sousa then reviewed the Department of Health Care Services' (DHCS) proposal to contract directly with Kaiser for Medi-Cal managed care. Currently, Kaiser holds two direct contracts with DHCS to provide Medi-Cal managed care services in two Geographic Managed Care counties, Sacramento, and San Diego. Kaiser subcontracts with multiple local health plans, including SFHP. Kaiser currently has 14,000 SFHP members and serves 900,000 Medi-Cal members across the state.

The Newsom Administration proposes to contract directly with Kaiser on a statewide basis under special rules beginning in January 2024.

- Five-year contract with pledge to increase Medi-Cal membership by 25%
- No more subcontracting through local health plans
- Membership would be limited to individuals with prior membership with Kaiser, foster children, and dual eligible members

Kaiser and DHCS would have flexibility to operate outside of the traditional COHS and Two-Plan models. While Kaiser would not be listed on the beneficiary choice form as an option to choose, enrollees would be enrolled into Kaiser directly if the criteria were met. In County Organized Health System (COHS) counties, Kaiser would be a second plan. In Two-Plan counties, Kaiser would be the third plan. In San Francisco, for example, there would be SFHP, Anthem, and Kaiser.

If the proposal is approved, SFHP's 14,000 members that are assigned to Kaiser would have option to disenroll from SFHP and enroll in Kaiser.

Lastly, Ms. Sousa provided the Board with Federal updates. The federal government extended the Public health emergency (PHE) to April 15, 2022 and may extend it again. This means that Medi-Cal redeterminations will not yet be required.

She also stated that the Biden administration's "Build Back Better" plan has stalled.

Detailed PowerPoint slides were provided in the Board packet.

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.

Skip Bishop, CFO, and Rand Takeuchi, Director, Accounting, reviewed the year-to-date unaudited financial statements for the period ending January 30, 2022.

Mr. Takeuchi stated that the period ending on January 31, 2022 reported a margin of \$4,809,000 versus a budgeted margin of \$392,000. After removing Strategic Use of Reserves (SUR) activity, the actual margin from operations was \$4,910,000 versus a budgeted margin of \$496,000. The strong results for January were expected, given the rate increases the DHCS/Mercer included in the calendar year (CY) 2022 rate development. Base rates increased by 6.7% and DHCS/Mercer included another 5.2% to cover the net additional costs to SFHP for taking responsibility for the hospital risk related to the San Francisco Community Clinic Consortium (SFCCC) members.

Mr. Takeuchi reviewed that on a year-to-date basis, we have a margin of \$5,785,000 versus a budgeted margin of \$1,075,000. After removing SUR activity, the actual margin from operations was \$6,461,000 versus a budgeted margin of \$1,908,000. The reasons for the variances between January actual results and the budget include:

1. A net increase in revenue of \$7.8 million due to:
 - a. \$7.7 million more in Medi-Cal premium revenue due to an additional 4,669 member months along with the premium rate increases noted above. Membership mix was also favorable as 78% of the additional member months were in the Adult, Adult Expansion and Seniors and Persons with Disabilities (SPD) categories of aid where the per member, per month premium rates are much higher than rates for the Child and Duals categories of aid.
 - b. \$111,000 more in Maternity revenue. We reported 104 maternity events during January versus a budget of 91 maternity events.

2. A net increase in medical expense of \$3.3 million due to:
 - a. \$1.5 million more in net capitation as the result of having 4,669 more member months as well as a more favorable membership mix than what the budget projected. In addition, we have seen strong growth in Kaiser membership. Kaiser is considered a Global Subcontractor and receives 98% of the premium SFHP receives from DHCS which increases SFHP's capitation expense. Increases in capitation expense are offset by the revenue SFHP receives for these additional members.
 - b. \$1.6 million more in fee-for-service claims. Claims volume during January was higher than anticipated primarily due to increasing membership, slightly higher than expected hospital claims for SFCCC members as well as picking up for lower claims volume in December due to the holidays.
 - c. \$235,000 more is Community-Based Adult Services (CBAS) expense. This increase is due to the ongoing 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). We expect this trend to continue for the duration of the PHE.

3. A net decrease in administrative expenses of \$136,000 primarily due to lower than expected telecommunications and IT systems maintenance and infrastructure costs. Some of these differences are due to timing. It is anticipated that actual costs will align more closely to budget projections as we move through the second half of the fiscal year.

Mr. Takeuchi reviewed the chart on the following page, which highlights the key income statement categories for January with adjustments for SUR activity to show margin or loss from ongoing operations.

CATEGORY	-----JAN 2022-----				-----FYTD 21-22 THRU JAN-----			
	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	165,614	160,945	4,669	2.9%	1,145,852	1,123,679	22,173	2.0%
REVENUE	\$ 58,100,000	\$ 50,250,000	\$ 7,850,000	15.6%	\$ 458,506,000	\$ 534,897,000	\$ (76,391,000)	-14.3%
MEDICAL EXPENSE	\$ 48,532,000	\$ 45,264,000	\$ (3,268,000)	-7.2%	\$ 419,828,000	\$ 500,286,000	\$ 80,458,000	16.1%
MLR	84.5%	91.4%			92.6%	94.4%		
ADMINISTRATIVE EXPENSE	\$ 4,500,000	\$ 4,636,000	\$ 136,000	2.9%	\$ 32,438,000	\$ 33,828,000	\$ 1,390,000	4.1%
ADMINISTRATIVE RATIO	6.7%	7.9%			6.0%	5.4%		
INVESTMENT INCOME	\$ (259,000)	\$ 42,000	\$ (301,000)		\$ (455,000)	\$ 292,000	\$ (747,000)	
MARGIN (LOSS)	\$ 4,809,000	\$ 392,000	\$ 4,417,000	1126.8%	\$ 5,785,000	\$ 1,075,000	\$ 4,710,000	438.1%
ADD BACK: SUR ACTIVITY	\$ 101,000	\$ 104,000			\$ 676,000	\$ 833,000		
MARGIN (LOSS) FROM OPERATIONS	\$ 4,910,000	\$ 496,000	\$ 4,414,000	889.9%	\$ 6,461,000	\$ 1,908,000	\$ 4,553,000	238.6%

He stated that on a year-to-date basis through January and after the removal of SUR activity, SFHP is reporting a margin of \$6,461,000 which is significantly above budget expectations. Now that we have entered the second half of the fiscal year, margins will be steadily increasing due to the CY 2022 Medi-Cal rate increases effective January 1, 2022.

The large variances in revenue and medical expense are primarily due to the impact of the Directed Payments (DP) and Intergovernmental Transfer (IGT) funding programs. These programs provide additional revenue streams for our hospital providers. As DHCS financial reporting rules allow plans to record this funding as revenue and medical expense, there is no bottom-line impact to SFHP. The timing of when this funding is released to the plans is hard to predict. For budget purposes, we projected DP and IGT funding based on historical patterns. We budgeted \$132.0 million of DP funding to come in during September 2021, however we only received \$22.7 million. With regard to IGT funding, we did not anticipate receiving funding until June 2022, however \$15.9 million came in during December 2021. In a call with DHCS back in January, DHCS stated that we will see additional DP funding in April 2022 and October 2022. The amount of funding was not known at the time of the call.

After removing the Directed Payments funding, premium revenue is above budget by \$17.0 million. This is due to:

- An overall net increase of 22,173 member months. 83% of the additional member months are in the Adult, Adult Expansion and SPD categories of aid which has a favorable impact on revenue due to the fact that the premium rates for these members are much higher than the premium rates for Child and Dual members.
- Rate increases DHCS/Mercer included in the CY 2022 rate development. Base rates increased by 6.7% and DHCS/Mercer included another 5.2% to cover the net additional costs to SFHP for taking responsibility for the hospital risk related to the San Francisco Community Clinic Consortium (SFCCC) members.

After removing SUR activity, Directed Payments and IGT funding, medical expense is above budget by \$13.1 million. Overall administrative expense is below budget by \$1,390,000. The majority of this decrease is due to lower costs in the areas of lease and insurance costs, marketing costs and professional services. The lower costs are due more to timing differences as actual spending is expected to align more closely with the budget as we move through the second half of the fiscal year.

Mr. Bishop then reviewed the following financial projections through July 2022.

1. SFHP expects to report strong margins through June 2022 due to the Medi-Cal rate increases that were effective January 1, 2022. The anticipated margins will help SFHP rebuild its reserve balance that was depleted by covering several retroactive rate adjustments implemented by DHCS that resulted in a return of \$12.7 million to DHCS. At the time, SFHP recommended and the Finance Committee and Governing Board approved not to make retroactive recoveries from providers, but rather to use reserves to cover these takebacks.
2. With seven months of experience with the hospital risk for SFCCC members, SFHP can begin to see that claims paid along with Incurred But Not Reported (IBNR) estimates are coming in close to expectations. Due to the normal pattern of claims lag, SFHP has increased its IBNR claims reserve to cover the anticipated claims incurred July through January, but not received as of January 2022.

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 recommendation, the Board unanimously approved the year-to-date unaudited financial statements and investment reports ending January 31, 2022.

4. Member Advisory Committee Report

Maria Luz Torre and Irene Conway provided the Board with a Member Advisory Committee (MAC) report.

Ms. Conway reported that Mr. Grgurina informed MAC that Ms. Richardson was selected by the Governing Board to be the new CEO and that she would attend the MAC meeting scheduled on April 8th.

Ms. Torre mentioned at the January meeting, the Committee had a Zoom Etiquette training, hosted by Bisma Farzansyed. The training consisted of the different functions used in Zoom.

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

5. Chief Medical Officer's Report

Fiona Donald, MD, CMO for SFHP provided CalAIM updates. (Detailed PowerPoint slides were provided in the Board packet.)

Dr. Donald stated that SFHP launched the new Medi-Cal benefit, Enhanced Care Management, in January 2022. The focus populations are members with complex medical conditions, experiencing homelessness, have severe mental illness or substance use disorders. She stated that DHCS will be requiring health plans to offer ECM to those who may be post-incarceration, starting in January 2023.

She stated that the Medi-Cal Community Supports also began in January. The initial Community Supports is medical respite. Starting in July 2022, SFHP will also offer sobering centers. These two services are among DHCS' list of 13 Community Supports that health plans may offer.

Dr. Donald stated that the statewide Medi-Cal Rx pharmacy benefit transition in January 2022 experienced some significant issues, e.g., long call center wait times and delays in processing authorization requests. Over the past two months, the issues have been resolved. SFHP members only had a small number of issues, which were also resolved.

Dr. Donald next provided COVID-19 vaccine rate updates. SFHP's rate for at least one dose of a COVID-19 vaccine was 69% as of January 2022. This was the highest in the state. Dr. Donald then provided the Board with DHCS Quality Strategy updates. DHCS' strategy incorporates health equity metrics throughout the quality program requirements and measures.

6. Annual Review of SFHP Administrative Contracts

The following is presented to the Finance Committee and Governing Board for discussion only. No action is required.

Kaliki Kantheti, COO, reviewed the history of the administrative contract policy with the Governing 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 would provide the Governing Board with a list of contracts valued at over \$100,000 on an annual basis.

In keeping with this policy, Ms. Kantheti presented a review of the 59 contracts from calendar year (CY) 2021 that were valued at \$100,000 or greater. She stated that in CY 2021, there were ten contracts valued at over \$1,000,000. All contracts complied with the Governing Board-approved SFHP Contract Approval policy.

Ms. Kantheti reviewed SFHP's established procurement policy that has guidelines for the requisition and purchase of goods and services. The policy clearly defines roles, responsibilities, and procedures for the requisition and purchase of goods and services and ensures any potential conflicts of interest are disclosed and impacted staff are not involved with the contract selection, implementation, or management. Expenditures for goods or services above \$5,000 and up to \$50,000, require a quote evaluation, selection and approval process. The purchase of any new goods or services over \$50,000 and any new software purchases over \$20,000 must go through a competitive bidding process, which includes the development of a Request for Information (RFI) and/or Request for Proposal (RFP). Approval by the Executive that is responsible for the budgeted item is required before the RFI/RFP can be initiated.

The Board thanked Ms. Kantheti for her presentation and did not have any questions.

7. CEO Report – Highlighted items – Updates on SFHP Operations, Return-to-Office Status and Form 700 Reminder

Mr. Grgurina reviewed the status of staff returning to the office or field. He informed the Board that SFHP's vaccination requirements for all staff going into the Service Center, the Beale office, or returning to work in the field were updated. These requirements now include proof of a booster vaccination in addition to proof of initial vaccination to be considered up to date. Currently, San Francisco Department of Public Health (DPH) defines "up-to-date on vaccination" as "either (a) two weeks have passed since completing primary series, AND not yet eligible for a booster dose (less than two months after a Johnson & Johnson vaccine; less than five months after an mRNA vaccine) OR (b) one week has passed since receiving a booster dose." Thus, if employees are eligible for a booster dose, employees are required to provide SFHP Human Resources with proof of the booster as well as the initial vaccination series.

He stated that SFHP re-opened the Beale office on March 1st for a small number of employees that voluntarily returned to the office on a pilot basis, two days a week, on Tuesdays and Thursdays. We may expand to three days per week in April or later. The remote work option for those positions not required to come into the office or the field has been extended through September 30, 2022.

SFHP has demonstrated it can be highly successful in a remote work environment, as evidenced by our 2020-2021 Organizational Goals and Mandates scores of 100%, a first in the organization's history. The long-term remote work policy will be determined by the new CEO and the Board and thus will most likely not be defined before July 2022.

Mr. Grgurina expressed his gratitude for the support from our Governing Board and that he is proud of our continued success with serving our members, providers, and staff.

ANNUAL FORM 700

The annual Statements of Economic Interests (Form 700) is required to be completed by all Board members by April 1st. Valerie Huggins sent the Board members instructions on how to file the form electronically last week. The deadline is a firm deadline, with potential daily fines from the City and County of San Francisco for late submissions. (Filing instructions were provided in the Board packet.)

Before going into Closed Session, the Board members shared the following thoughts with Mr. Grgurina.

- Dr. Fugaro expressed his gratitude to Mr. Grgurina for ensuring SFHP provided optimal care to members and supported the providers, hospitals, the Board, and staff.
- Mr. Fawley stated he was on the Board when Mr. Grgurina was hired and that Mr. Grgurina exceeded all expectations. He found Mr. Grgurina to be a dependable, trusted friend with integrity.
- Steve Fields was also on the Board at the time Mr. Grgurina was hired and said he would miss their talks about baseball. Mr. Fields said Mr. Grgurina's leadership grew and strengthened SFHP over the years. He said Mr. Grgurina responded creatively and responsibly as the workforce needed to shift and adapt.
- Maria Luz Torre said he attended the MAC meetings with sincerity and it showed that people wanted to work at SFHP. She said he earned this break.
- Irene Conway stated that MAC members expressed their appreciation. She thinks he has integrity, is honest, and always followed up with MAC. She appreciated how he showed vulnerability with the committee members. She also stated MAC is looking forward to working with Ms. Richardson.
- Lawrence Cheung, MD, thanked Mr. Grgurina and stated he learned a lot.

The Governing Board Adjourned to Closed Session.

8. Review and Approval of Medi-Cal Rates

This item was discussed in closed session.

9. Review of Medical Groups' Medical Loss Ratios and Discussion of Strategy to Plan and Provider Rates

This item was discussed in closed session.

The Governing Board Resumed to Open Session.

10. Report on Closed Session items

Dr. Fugaro stated the Governing Board approved the Medi-Cal provider rate

increases, as recommended, to be effective on July 1, 2022.

11. Adjourn

Dr. Fugaro adjourned the meeting.

Reece Fawley, Secretary/Treasurer