



**Joint San Francisco Health Authority/San Francisco Community Health Authority  
Governing Board  
May 6, 2020  
Meeting Minutes**

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

**Members**

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

**Members**

Absent: Steve Fields

Due to the COVID-19 public health emergency and in accordance with Governor Newsom's Executive Order N-29-20, San Francisco Health Authority and San Francisco Community Health Authority Governing Board Members attended this meeting via teleconference. The meeting was closed to in-person public attendance. This precaution was taken to protect members of the Governing Board, staff and the public. All of the Board members, staff and public attended the meeting telephonically.

Nina Maruyama, Officer, Compliance and Regulatory Affairs, took the roll call of the Board members and San Francisco Health Plan (SFHP) staff.

Dr. Fugaro, 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, attorney with DSR Health Law, the external counsel contracted with SFHP, Shawn Paxon, Consultant, Lockton, and Tiffany Washington with Anthem Blue Cross. 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. Minutes from March 4, 2020 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 without any issues.

## **2. Response to COVID-19 and Operational Impact to SFHP**

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

John F. Grgurina, Jr., CEO, provided the Board with SFHP's response to COVID-19 public health emergency. (A detailed memo was provided in the Board packet.)

SFHP began monitoring the evolving news regarding the novel coronavirus, COVID-19, in late February for the potential impact to SFHP. We began meeting with staff on March 6<sup>th</sup> to identify the key issues that would impact our members, providers and staff. As the public health emergency progressed, we began planning for working remotely. In fact, on March 13<sup>th</sup>, we advised and encouraged our staff to work from home if they were concerned about their health or were in a high-risk category.

On March 16, 2020, at approximately 1:00 pm, San Francisco Mayor London Breed issued a "Shelter in Place" order for San Francisco, along with five other Bay Area counties.

SFHP took swift action on March 16<sup>th</sup> by informing all employees about the "shelter in place" or "stay at home" order and instructed all employees that effective, Tuesday, March 17<sup>th</sup>, they would be required to telecommute and work from home until further notice. As a health plan, SFHP is an essential business and could continue to work in the office, but we believed that adhering to the stay at home order would be the safest decision for our employees and our community.

Through our efforts over the past several years to improve our business continuity planning, we made the transition to work on a fully remote basis quickly and smoothly, with no service reduction to our members and providers. Within one week of the stay-at-home order, approximately 95% of SFHP staff completed the transition to working remotely, with no negative impact to service levels to members and providers.

Each area continues to report minimal issues with the telecommuting change and any identified issues are quickly managed by our ITS staff. We continue to have weekly business continuity planning meetings (reduced from twice a week), involving all areas of the organization, to ensure we identify, discuss and address any issues with technology, member, provider and staff communications, and provide updates from local and state sources regarding the COVID-19 public health emergency.

The Board thanked Mr. Grgurina for the update and smooth transition.

### 3. **Review and Approval of Accelerated Funding for the SFHP Provider Network During the COVID-19 Public Health Emergency**

**Recommendation:** Review and approve the actions taken by the Chief Executive Officer (CEO) of SFHP to authorize accelerated funding to the SFHP provider network during the COVID-19 public health emergency.

Mr. Grgurina reviewed the recommendations to the Board. According to SFHP's external counsel, the CEO has authority per the San Francisco Health Authority and San Francisco Community Health Authority bylaws to take actions in the name of or on behalf of the Authority. To ensure the CEO's actions in this matter are not voided, Mr. Grgurina stated his recommendation that the Governing Board ratify his actions by approving the accelerated funding made available to the SFHP provider network during the COVID-19 public health emergency.

In order to support the SFHP provider network, who are responding to the COVID-19 pandemic in our community, SFHP recommends the following accelerated payments, which were communicated to the SFHP provider network in the attached letter dated April 6, 2020.

#### 1. Capitation Advances

Providers in our medical groups will have the option to receive an additional month of capitation payment under our disbursement process. For example, when March 2020 capitation is paid on April 15, 2020, a provider may elect to receive a similar amount as an advance of April 2020 capitation. Providers have the option to repeat this election when capitation disbursements are made on May 15, 2020, i.e., June capitation will be disbursed at the same time. A request to receive a capitation advance with the April 15, 2020 disbursement must be submitted by April 10, 2020. A request to receive a capitation advance with the May 15, 2020 disbursement must be submitted by May 11, 2020. Only one month of capitation will be advanced at any one time.

These accelerated capitation payments are not loans and no interest will be charged. These are simply advances towards future capitation earned. Timing and method of recoupment of capitation advances will be determined by SFHP in consultation with the medical group. Providers will be notified of SFHP's intent to commence recoupment with no less than sixty days prior notice. All existing terms and conditions outlined in the contract between SFHP and the provider continue to apply. At a future date, a reconciliation will be performed to true-up actual capitation earned with the amount(s) advanced.

#### 2. Practice Improvement Program (PIP)

PIP disbursements for the fourth quarter of 2019 were released on April 2, 2020. The following disbursement schedule will be used for future PIP payments:

- PIP Q1 2020 – payment to be made by April 30, 2020. The actual percentage earned during CY2019 will be used to calculate the Q1 2020 payment. At a future date, SFHP will perform a reconciliation to true-up the amount actually earned for Q1 2020 with the amount paid. In order to perform the reconciliation, providers will be required to submit PIP data for this quarter. If the reconciliation shows the provider earned more PIP dollars than what was paid, a payment for the additional amount will be made to the provider. If the reconciliation shows the provider earned less PIP dollars than what was paid, SFHP will not seek to recover the overpayment.
- PIP Q2 2020 – rather than releasing one payment by September 30, 2020 covering three months, payment will be made monthly in order to provide you with the funds now rather than later:
  - April PIP will be paid by May 31, 2020
  - May PIP will be paid by June 30, 2020
  - June PIP will be paid by July 31, 2020

The same methodology and reconciliation approach used to determine the Q1 2020 payments will also apply to the payments for Q2 2020.

In addition to the funding options above, SFHP took the following actions to support SFHP providers:

1. \$300,000 to San Francisco Community Clinic Consortium (SFCCC) to purchase personal protective equipment (PPE) for SFCCC clinics, as well as providers outside of SFCCC.
2. Capitation advance to Chinese Hospital to support the hospital's cash flow needs.
3. SFHP continues to find ways to support our providers through these difficult times. In addition to the above actions, we recommend the Governing Board also approve \$300,000 to SFCCC to purchase additional supplies of PPE for providers at SFCCC clinics and non-SFCCC, SFHP providers.

SFHP recognizes the COVID-19 pandemic has caused financial constraints throughout our network and recommends approval for the accelerated funding and grants for the purchase of PPE as listed above to provide as much flexibility for our providers to meet the ongoing demands of this crisis.

Sabra Matovsky thanked SFHP for the funding during this pandemic. In addition, Dr. Lawrence Cheung applauded SFHP for the funding and that the San Francisco Medical Society would be available to help with procuring and distributing PPE as well.

Due to conflicts of interest, Sabra Matovsky and Jian Zhang abstained from the vote. The remaining Board members voted unanimously to ratify the CEO's action to provide the accelerated funding to the SFHP provider network during the COVID-19 public health emergency.

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

**a. Review and Approval of Modifications to \$1.79 Million Practice Improvement Program (PIP) and Strategic Use of Reserve (SUR) Funds for Assistance to Safety Net Providers During the COVID-19 Public Emergency**

**Recommendation:** SFHP recommends the Governing Board approve the following recommendations for FY 19-20, using unearned dollars from previous PIP and SUR investments totaling \$1.79 million. The recommendation supersedes the proposal approved by the Governing Board on March 4, 2020 by adding a fourth project related to COVID-19 response activities. The revised proposal offers SFHP providers the flexibility to leverage PIP Reserve or SUR funds to respond to the COVID-19 pandemic or to focus on the previously approved investment areas. Upon Board approval of the proposal, SFHP will disperse 100% of the funding to the participating providers.

Jim Glauber, MD, MPH, Chief Medical Officer, reviewed the recommendation to the Board. (Detailed memo was provided in the Board packet.)

**Background:**

Starting in 2020, the Department of Health Care Services (DHCS) is holding health plans to higher expectations for HEDIS performance. Namely, DHCS requires reporting on more measures and expects plans to be above the 50th percentile for all measures. Financial sanctions are applied to plans who do not meet the 50th percentile. Below are measures for which SFHP is at risk for not achieving minimum (50%) and target (90%) performance.

Measure	SFHP 2019 Performance	NCQA 50th Percentile	NCQA 90th Percentile
Well Child Visits (3-6 year olds)	82.8%	72.9%	83.9%
Well Child Visits (0-15 months)	22.0%*	65.8%	73.2%
Adolescent Well-Care Visits (12-21year olds)	57.4%*	54.3%	68.1%
Breast Cancer Screening	64.4%	58.7%	69.2%
Controlling High Blood Pressure	71.3%	61.0%	72.3%
Prenatal Timeliness of Care	86.9%	83.8%	91.0%
Cervical Cancer Screening	67.8%	60.7%	72.0%
Chlamydia Screening	38.3%	58.3%	71.6%

\* Based on estimation of final 2019 results

The Board unanimously approved modifications to \$1.79 million PIP and SUR funds for assistance to safety net providers during the COVID-19 public emergency.

**b. Review Impact of COVID-19 on SFHP HEDIS and CAHPS Measures**

Adam Sharma, Director, Health Outcomes Improvement, provided an overview of the impact of COVID-19 on SFHP's HEDIS and CAHPS measures. He reviewed a slide deck that was included 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 – 5 for overall performance, based on:
  - Consumer satisfaction → CAHPS
  - Prevention → HEDIS
  - Treatment → HEDIS

Measurement Year 2019 Impacts:

- HEDIS
  - Slightly more difficult to acquire patient charts from provider offices.
  - Expect slightly lower rates for some measures.
- CAHPS
  - Vendor unable to conduct telephone survey due to NCQA restrictions.
  - Expect lower response rate to survey.
- NCQA
  - Will allow health plans to submit rates for this year OR last year for some measures.
  - Not going to calculate ratings for HEDIS and CAHPS. Thus, no 2020 benchmarks.
- DHCS
  - Implications to be determined.

Measurement Year 2020 Performance will be impacted by the following results of COVID-19:

- Deferral of preventive and elective care.
- Patients avoid going into health care settings as much as possible.
- Use of telephonic/video care as much as possible.
- Decrease in preventive care visits.
- Decrease in maintenance of chronic disease care.
- Increase in behavioral health needs.

The Board thanked Mr. Sharma for the update.

## 5. Federal Updates and State Budget Updates

Sumi Sousa, Officer of Policy Development & Coverage Program, provided federal, state and local policy updates to the Board. She reviewed a slide deck that was included in the Board packet.

She reviewed the four federal COVID-19 stimulus packages:

- First package signed on March 6<sup>th</sup> provided \$8.3 billion for COVID-19 testing and small business loans.
- The second package approved on March 18<sup>th</sup> provided \$100 billion for expanded testing, paid sick leave treatment, food assistance, and unemployment benefits.
- The third package approved on March 27<sup>th</sup> was called the CARES Act and provided \$2 trillion, including the following:
  - \$150 billion in relief for state, local, tribal governments.
  - \$45 billion for COVID-19 disaster relief and treatment costs for state, local and tribal governments.
  - Individual one-time payments of \$1,200.
- A fourth package released on April 24<sup>th</sup> provides \$484 billion for small business loans, with \$75 billion set aside for hospitals and \$25 billion for national COVID-19 testing.

She provided an overview of the proposed FY 20-21 State budget:

- State budget reality has changed significantly since the budget was proposed in January due to the state recession induced by COVID-19.
- The depth of the upcoming fiscal shortfall is unknown today because the state income tax deadline was moved to July 15<sup>th</sup>. In addition, there are several billion dollars in unexpected state expenditures due to COVID-19 and pending federal relief funds (CARES Act).
- The length of the recession is also unknown given the continuing COVID-19 uncertainty.

She explained the State budget would be passed in the following two phases:

- First: Baseline budget would be passed by June 15<sup>th</sup> so the state would be able to continue to fund existing FY 19-20 obligations.
  - Administration would be scaling back existing spending obligations.
  - Anything new that was proposed for FY 20-21 would not be considered, e.g., Cal-AIM, Medi-Cal expansion for individuals 65 years and older.
- Second: After August 15, a subsequent budget, informed by state revenues received by July 15, would be passed.

Ms. Sousa explained the following:

- There will likely be cuts to Medi-Cal optional benefits, including adult dental and vision.
- Elimination of provider rate increases or backfills (340B backfill for clinics).

- Medi-Cal enrollment is expected to grow due to the economic disruption of millions of Californians that have lost their jobs.
- 2.7 million unemployment claims were filed between March 15 and April 11 and many have lost income and job-based health care coverage and are now eligible for Medi-Cal.
- SFHP is adjusting its Medi-Cal estimates for FY 20-21 and will share with the Board once completed

Ms. Sousa provided the following CalAIM update:

- CalAIM is on hold.
- COVID-19 response is the State's first priority.
- The reality of the State's budget also requires a pause.
- There is no delay, however, for the Medi-Cal pharmacy carve-out to become effective on January 1, 2021. A coalition letter from impacted stakeholders was sent on April 13 with a request to delay implementation of the carve out due to COVID-19.

She also explained the following next steps for DHCS:

- DHCS' current 1115 waiver that authorizes and funds key Medi-Cal programs still expires in December 2020, e.g., PRIME for hospitals and Whole Person Care.
- DHCS' first priority will be to get an extension from the Center for Medicare and Medicaid Service (CMS) for the soon-to-expire waiver, while California crafts alternative strategies, given COVID-19 challenges and resulting in budget constraints at state and county levels.

Lastly, Ms. Sousa provided the following local partnership updates:

- SFHP is working closely with San Francisco Department of Public Health (DPH) and other county partners on the following COVID-19-related responses to assist undocumented workers.
  - Healthy San Francisco (HSF) extended renewals 90 days for HSF participants terming March – June
  - Process for waiving HSF quarterly fees for those in financial distress
    - No cost sharing for COVID-19 screening, testing, diagnosis.
    - SFHP Service Center doing remote enrollment appointments.
  - SF Human Services Agency food security partnership: \$500,000 in Give2SF funds for HSF participants for Safeway gift cards.
  - SFHP is working with DPH on a City Option Cash Out program to provide a one-time cash out of SF Medical Reimbursement Accounts.

## **6. Review and Approval of FY2020-21 Employee Health Benefit Contracts and Rates**

**Recommendation:** SFHP recommends the Governing Board approve the following employee benefit changes for benefit year 2020-2021:

- Renew Kaiser HMO at a 3.8% decrease. Last year's increase was 5.7%.
- Renew Aetna PPO and HMO policies at a 7% increase. Includes 3rd PPO Plan with Aetna/Sutter Joint Venture. Last year's increase was 8%.



- Principal Dental is in the second year of a 24-month rate guarantee.
- VSP is in the second year of a 48-month rate guarantee.
- Life/AD&D and Employee Assistance Program (EAP) renew at no increase.

Shawn Paxson, Consultant, Lockton, provided the Board with an overview of benefit changes and highlights of SFHP's employee benefit year 2020-2021. (Detailed PowerPoint slides were provided in the Board packet.) Initial gross increase was 3.9% or an increase of \$206,782, but after negotiations, the total renewal increase will be 1.6%, or \$83,592.

Mr. Paxson stated the proposed rate increases are reasonable given the size of SFHP's participation in Kaiser HMO and Aetna. Through additional negotiations by Lockton, SFHP saved an additional 2.3% or \$123,190.

### **Future Concerns**

SFHP's ability to maintain a non-Kaiser option is a concern going forward as the majority of SFHP employees continue to select Kaiser despite the employee cost (\$0) being equal for both HMO products. Currently, we have an almost 60/40 split between Kaiser/Aetna. Most health plans are not interested in SFHP because they require a mid-sized employer offering Kaiser and another plan to have at least 50% of our employees enrolled with the non-Kaiser plan. Options in the future to ensure that we have a Kaiser and non-Kaiser option for our employees include:

- Potentially freeze enrollment to new hires in Kaiser until the non-Kaiser plan is at 50%;
- Obtain health care through CalPERS health insurance pool (they have no minimum participation requirements per health plan; however they are more than 10% more expensive than our current premiums); and
- Become self-insured for the non-Kaiser plan (this would require selecting a plan to be a (TPA) to run our network and claims (for example Blue Shield) and try and buy reinsurance for large claims.

We will revisit these and other options going forward in 2021.

The Board unanimously approved SFHP FY2020-21 employee health benefit contracts and rates.

## **7. Review and Approval of Year-To-Date Unaudited Financial Statements and Investment Income Reports**

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

Skip Bishop, CFO, and Rand Takeuchi, Director, Accounting, reviewed the financial statements for the period ending March 2020. Mr. Bishop discussed the following highlights:

1. March 2020 reported a loss of (\$631,000) versus a budgeted loss of (\$690,000). After removing Strategic Use of Reserves (SUR) activity, the actual loss from operations would be (\$353,000) versus a budgeted loss of (\$412,000).

In March, we received \$16.6 million in Directed Payments funding related to FY17-18. The FY19-20 budget projected Directed Payments funding of \$74.2 million for March. For all of FY19-20, we projected total Directed Payments of \$148.4 million, with 50% to be received in September 2019 and 50% to be received in March 2020. DHCS staggered the payments differently than expected. When combining the Directed Payments amount we received in March with the \$119.9 million received in September 2019, the grand total is \$136.5 million.

The Directed Payments funds were disbursed to Zuckerberg San Francisco General (ZSFG), UCSF Medical Center and other private hospitals. Per DHCS, health plans are allowed to treat this funding as revenue and medical expense.

2. On a year-to-date basis, SFHP has a loss of (\$1,651,000) versus a budgeted loss of (\$7,730,000). The FY19-20 budget assumed \$4.6 million in Strategic Use of Reserves (SUR) funding would be disbursed in July 2019. Providers qualified for these SUR dollars earlier than expected so the funds were paid in June 2019 and were included in FY18-19 medical expenses. After removing SUR activity, the actual margin from operations would be \$2,194,000 versus a budgeted margin of \$365,000.

3. Variances between March 2020 actual results and the budget include:
  - a. A net decrease in revenue of (\$57.0 million) due to:
    - i. \$57.6 million less in Directed Payments related to FY17-18.
    - ii. \$887,000 increase in premium revenue due to an increase in Proposition 56 rates retroactive to July 2019 as well as changes in the membership mix. Member months were 371 less than budget, mostly due to retroactive adjustments related to February 2020 membership.
    - iii. 192,000 less in Hepatitis C revenue as the result of 68 fewer treatment weeks.
    - iv. \$127,000 less in third-party administrative fees which can be attributed to a decrease in Community Health Network (CHN) membership and related capitation plus the phase-out of the Healthy Kids line of business.
  - b. A net decrease in medical expense of (\$56.8 million) due to:
    - i. \$57.6 million less in Directed Payments related to FY17-18.
    - ii. \$927,000 more in fee-for-service expense, primarily in the area of inpatient hospital claims paid under the All Patients Refined-Diagnosis Related Groups (APR-DRG) methodology. SFHP has contracted with Varis to begin conducting an independent review

of APR-DRG payments to review the accuracy of the billing and payments.

- iii. \$300,000 more in accrued medical expenses related to Proposition 56 and Ground Emergency Medical Transportation (GEMT) activity.
  - iv. \$480,000 less in pharmacy expense. Utilization continues to run slightly lower than anticipated. Total pharmacy expense for March 2020 was equal to what it was a year ago.
  - v. \$70,000 more in non-specialty mental health costs due to higher than expected utilization.
  - vi. \$16,000 less in health education costs. This area of medical expense continues to trend slightly below budget expectations.
- c. A net decrease in administrative expenses of \$224,000 due to:
- i. \$122,000 less in Compensation and Benefits due mainly to staff attrition as well as the impact of GASB 68 adjustments.
  - ii. \$117,000 less when combining professional fees and systems maintenance and support costs.

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

CATEGORY	-----MAR 2020-----				-----FYTD 19-20 THRU MAR-----			
	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	136,691	137,062	(371)	-0.3%	1,244,238	1,250,538	(6,300)	-0.5%
REVENUE	\$ 64,297,000	\$ 121,278,000	\$ (56,981,000)	-47.0%	\$ 568,850,000	\$ 578,233,000	\$ (9,383,000)	-1.6%
MEDICAL EXPENSE	\$ 61,004,000	\$ 117,803,000	\$ 56,799,000	48.2%	\$ 535,473,000	\$ 548,848,000	\$ 13,375,000	2.4%
MLR	95.8%	97.7%			95.2%	96.1%		
ADMINISTRATIVE EXPENSE	\$ 4,108,000	\$ 4,332,000	\$ 224,000	5.2%	\$ 36,955,000	\$ 38,615,000	\$ 1,660,000	4.3%
ADMINISTRATIVE RATIO	5.5%	3.0%			5.4%	5.5%		
INVESTMENT INCOME	\$ 184,000	\$ 167,000	\$ 17,000	10.2%	\$ 1,927,000	\$ 1,500,000	\$ 427,000	28.5%
<b>MARGIN (LOSS)</b>	<b>\$ (631,000)</b>	<b>\$ (690,000)</b>	<b>\$ 59,000</b>	<b>8.6%</b>	<b>\$ (1,651,000)</b>	<b>\$ (7,730,000)</b>	<b>\$ 6,079,000</b>	
ADD BACK: SUR PAYMENTS AND ACCRUALS	\$ 278,000	\$ 278,000			\$ 3,845,000	\$ 8,095,000		
<b>MARGIN (LOSS) FROM OPERATIONS</b>	<b>\$ (353,000)</b>	<b>\$ (412,000)</b>	<b>\$ 59,000</b>	<b>14.3%</b>	<b>\$ 2,194,000</b>	<b>\$ 365,000</b>	<b>\$ 1,829,000</b>	<b>501.1%</b>
MLR W/O SUR PMTS	95.4%	97.5%			94.6%	94.7%		

On a year-to-date basis through March 2020 and after the removal of SUR activity, SFHP is \$1.8 million above budget on margin. This improvement over budget projections is due to the unexpected 1.7% Medi-Cal rate increase related to the population acuity adjustment.

- Overall net revenue is below budget by \$9.4 million. After removing the impact of Directed Payments, net revenue is up \$2.5 million due mainly to the increase in Proposition 56 funding.

- Overall medical expense is below budget by \$13.4 million. After removing the impact of Directed Payments and SUR activity, medical expense is \$2.7 million above budget due mainly to APR-DRG inpatient claims and the impact of accrued claims related to the expanded Proposition 56 program.
- Overall administrative expense is below budget by \$1.7 million. Slightly lower Compensation and Benefits costs, favorable GASB 68 adjustments, lower than expected Professional Fees and Consulting plus the \$277,000 PBM implementation credit recorded in November 2019 represent the majority of this savings.

## PROJECTIONS

Mr. Bishop shared highlights of the financial projections through September 2020:

1. As of March 2020, SFHP has added \$4.2 million to the Practice Improvement Program (PIP) related to the FY18-19 Strategic Use of Reserves (SUR) program. A total of \$5.0 million will be added to the CY2019 PIP for professional providers. The CY2019 PIP actually runs for 18 months, therefore the remaining \$800,000 will be accrued over the period of April through June 2020.
2. Due to the impact of the COVID-19 pandemic, SFHP anticipates an increase in Medi-Cal membership between May and December. We are working with our actuary, sister plans and the county of San Francisco to gather information to help us develop estimates for the remainder of this fiscal year as well as for the FY20-21 budget. At this point in time, a conservative estimate would be in the range of an additional 10,000 members.
3. Effective July 2019, SFHP's Medi-Cal premium rates were increased by a weighted average of 0.8%. In September 2019, DHCS informed SFHP that premium rates would be increased 1.7% as the result of a population acuity adjustment. This increase is retroactive to July 2019 and will deliver an additional \$8 million in revenue for FY19-20.
4. At the March 2020 meeting, the Governing Board approved the recommendation to decrease capitation rates for the Dual member category of aid. The overall impact of this rate decrease is 0.9% and will be effective July 1, 2020.
5. 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 has reduced the Hepatitis C rates as lower cost generic drugs continue to enter the marketplace. The medical loss ratio through March is 96.0%. SFHP is slightly above break-even as

members have been transitioning to the lower cost generic drugs and pharmacy rebates have increased.

6. 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. Effective January 2020, Prop 56 has been expanded to include supplemental payments for developmental screenings and adverse childhood experiences screenings.
7. The remaining \$16.6 million in Directed Payments funding related to FY17-18 was received in March 2020. This funding covers the Enhanced Payment Program (EPP), Quality Incentive Pool (QIP) and Private Hospital Directed Payments (PHDP). Disbursements to the hospitals were made in April 2020.

Mr. Bishop also reviewed the investment reports to Board. 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 his appreciation for the plan's transparency and clarity. He stated that the Finance Committee recommends approval of the financial statements and investment reports.

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

## **8. Review and Approval of Check Signing Policy Change**

### **Recommendation**

SFHP recommends the Governing Board ratify the action by the CEO to approve a change to the check signing policy due to the limited access to the office due to the COVID-19 city and statewide order to shelter in place.

Mr. Bishop reviewed the check signing policy change to the Board. While SFHP is an essential business and limited SFHP employees continue to have access to SFHP offices, SFHP requires its employees to follow these shelter-in-place orders for the safety of the employees and community. With the limited access to SFHP offices, the SFHP CEO took the action to change to the check signing policy in order to ensure payments to providers and vendors were not delayed.

Under normal operations, two signatures are required on vendor and SF City Option checks over \$5,000 and provider checks over \$10,000. With the change made due to the shelter-in-place orders, these checks will now only require the CEO's electronic signature.

Mr. Bishop explained the change would only be on a temporary basis at this time. SFHP will monitor this change and discuss future changes with the Finance

Committee and Governing Board when SFHP returns to normal business operations.

In order to mitigate potential risks in controls associated with this change and address fraud prevention, the following steps are in place:

- Check registers are given to an authorized check signer to review. Checks requiring a more detailed review will be placed on hold pending a review of supporting detail.
- Continue using the City National Bank (CNB) Treasury Net Positive Pay feature to validate checks presented for payment.
- Executive Team members will continue to review the vendor payment report.
- Continue following the best practice of preventing Finance management personnel from creating vendor cards in SFHP's accounting software.

Mr. Bishop stated SFHP also has a formal review and approval process for vendor invoices, provider claims and SF City Option employer refunds. Vendor invoices are routed to appropriate management personnel to assign proper budget coding and approve for payment. Approval limits are as follows:

- Invoices < \$5,000 – Managers
- Invoices \$5,000 - \$24,999 – Directors
- Invoices \$25,000 - \$49,999 – Executives
- Invoices \$50,000 and above - CEO

Provider claims are processed through SFHP's QNXT Managed Care system. Payment rules are based on contract terms with providers. Claims with missing information or information that conflicts with pre-approved rules are placed in pending status for review. System edits are reviewed by Claims department personnel and the claims are then either approved for payment or denied.

Coverage Programs personnel initiate all refund requests for SF City Option employers. Refund requests along with all relevant supporting detail are forwarded to the Finance department for review and payment.

SFHP Finance staff continues to work with vendors and providers to convert them to the electronic, automated clearing house (ACH) form of payment. Since the implementation of the shelter-in-place order, over 150 payees have been converted to electronic payment. In addition, SFHP is working with CNB on the potential use of CNB Bill Pay and to convert to fully electronic check print services.

Mr. Bishop recommended the Governing Board ratify the actions taken by the CEO to change the check signing policy on a temporary basis during the COVID-19 public health emergency. With the Finance Committee's recommendation, the Board unanimously approved the change to the check signing policy.

## **9. Member Advisory Committee (MAC) Report**

Due to the COVID-19 public health emergency and in accordance with Governor

Newsom's Executive Order N-29-20, the Member Advisory Committee did not meet in March or April. We hope to schedule a meeting soon.

**10. CEO Report**

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

**Adjourn**

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Reece Fawley, Secretary