SAN FRANCISCO HEALTH PLAN
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Joint San Francisco Health Authority/San Francisco Community Health Authority Governing Board
May 5, 2021
Meeting Minutes

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

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

Members
Absent: Dale Butler and Roland Pickens, MHA, FACHE

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, DSR Health Law, Shawn Paxson, Consultant, Lockton, Dr. Marlene Martín, Zuckerberg San Francisco General Hospital, Deborah Walker, VISIONS, and Carolyn Obringer, BlueShield of California. 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. Approval of minutes from March 3, 2021 Governing Board Meeting
b. Approval of Quality Improvement Committee Minutes
c. Approval of Provider Credentialing and Recredentialing Recommendations

The Board unanimously approved the consent calendar without any issues.

2. Review and Approval of FY 2021-22 Employee Health Benefits Contracts and Rates

Recommendation: San Francisco Health Plan (SFHP) recommends the Governing Board approve the following employee benefit changes for benefit year 2021-2022:

- Renew Kaiser HMO at a 4.9% increase.
- Renew Aetna HMO at 11.8% increase with no plan changes. The Aetna OAMC plan (the PPO-type plan) renews at 1.5% increase and the Aetna/Sutter OAMC JV plan (the PPO-type plan) is a 4.6% decrease. Both OAMC plans include minor plan changes.
- Principal Dental is a 7% decrease after negotiations and guaranteed for 24 months.
- VSP is in the 3rd year of a 48-month rate guarantee.
- Principal Life/AD&D increased 9.2% and LTD increased 11.1%.

Shawn Paxson, Consultant, Lockton, provided the Board with an overview of the employee health benefits. He stated that the initial gross increase was 15.1% or an increase of $841,677, but after negotiations and plan changes, the total renewal increase will be 6.1% or $340,245. Mr. Paxson stated the proposed rate increases are reasonable given the size of SFHP's participation in Kaiser HMO and Aetna. He was able to save SFHP a total of 9% or $501,452 through additional negotiations.

Reece Fawley requested an explanation of the Aetna/Sutter JV OAMC POS Plan rate changes because it appears they initially wanted an increase of 24.9% but ended with a 4.6% decrease. Mr. Paxton stated that was correct and was agreed upon so that all Aetna plans would have the same renewal increase of 11.8%, with a net increase of 8.7% across the three Aetna plans. Mr. Lockton confirmed there are only three SFHP employees in the Aetna/Sutter JV OAMC POS Plan.

John F. Grgurina, Jr., CEO, stated that he is concerned about SFHP's ability to maintain a non-Kaiser option as the majority of employees continues to select Kaiser as their health plan despite the employee cost ($0) being equal for both HMO products. Currently, it is an almost 60/40 split between Kaiser/Aetna. Most medical insurance providers are not interested in providing a quote because they would like to either have our entire population or a minimum of 50% of our employees. We are considering the following options for future consideration:

- Health Care Savings Account (HSA)
- CalPERS health insurance pool (they have no minimum participation requirements)

Mr. Grgurina stated that he would come back to the Board at future meetings beginning in November and continuing through March to discuss these options.

All Board members voted to approve FY 2021-22 employee health benefits contracts and rates, with the exception of Mr. Fawley, who voted "no."

3. Federal Updates and State Budget and Policy Updates

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

Ms. Sousa stated, the pandemic and national racial reckoning has sparked an urgency to address fundamental policy challenges. The Biden Administration proposed broader, less incremental proposals than expected with the American Rescue Plan Act (ARPA), American Jobs Plan, and American Families Plan. These proposals would be historic levels of federal and state resources to support domestic programs, including public health insurance, and other related programs that would impact SFHP's members and providers.

Ms. Sousa reviewed the $1.9 trillion American Rescue Plan (ARP), which was signed by President Biden on March 11, 2021. California's share is $26.3 billion and San Francisco's share is $636 million. Among other support, the ARP provides major investments to help people obtain and retain health insurance through premium subsidies, including for Covered California and COBRA.

She stated that with the new administration, the public charge proposal goes away. It would have made enrollment in and use of Medi-Cal a factor when determining legal residency status for individuals, but that will no longer be the case. She reminded the Board that the California v. Texas decision, regarding the Affordable Care Act, will likely be released in June.

Lastly, Ms. Sousa reviewed the status of the Governor's May Revision. It is expected that the State budget May Revision will reflect California's improving economy and huge influx of federal funding and one-time cash. She stated there would likely be potentially ambitious proposals and spending in all areas of state government, but particularly health, human services, housing, education, climate change, and income inequality. These would be in addition to CalAIM, which expands Medi-Cal benefits for high-cost, fragile populations, further streamlines and expands managed care's role in benefit delivery and behavioral health integration.

Lawrence Cheung, MD, asked if there are strings attached to the federal funds provided to California and San Francisco. Ms. Sousa stated that the funds could not be used for tax cuts. Edwin Batongbacal asked if the attempt to recall the Governor requires a simple majority and Ms. Sousa confirmed a simple majority would be needed. Dr. Fugaro thanked Ms. Sousa for her informative presentation.

4. **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 March 31, 2021.

1. March 2021 reported a margin of $987,000 versus a budgeted loss of ($938,000). After removing Strategic Use of Reserves (SUR) activity, the actual margin from operations was $1,008,000 versus a budgeted loss of ($522,000).

   On a year-to-date basis, we have a margin of $1,302,000 versus a budgeted loss of ($6,498,000). After removing SUR activity, the actual margin from operations is $2,535,000 versus a budgeted loss ($1,917,000).

   In March, we received $61.7 million in Directed Payments funding related to the periods of January through June 2019 and July through December 2019. The FY 20-21 budget projected Directed Payments funding of $16.4 million for March. Total Directed Payments funding for FY 20-21 is $195.6 million versus a budget expectation of $137.0 million. The variance is because SFHP did not anticipate receiving Directed Payments related to the first half of FY 19-20. Directed Payments represent pass-through funding for Zuckerberg San Francisco General (ZSFG), University of California San Francisco (UCSF) and private hospitals. The Department of Health Care Services (DHCS) and the Department of Managed Health Care (DMHC) allow Directed Payments funding to be treated as revenue and medical expense.

2. Variances between March actual results and the budget include:
   a. A net increase in revenue of $57.0 million due to:
      i. $45.2 million in Directed Payments funding related to FY 18-19 and Bridge Period July through December 2019. The additional funding for July through December 2019 was not anticipated to be received during FY 20-21.
      ii. $8.0 million more in premium revenue due to the delay of the Medi-Cal pharmacy carve-out to April 1, 2021. The budget assumed the pharmacy carve-out would be effective January 1, 2021, therefore we projected lower revenue due to the transfer of the pharmacy benefit to the State. DHCS built a new pharmacy component into the CY 2021 rates to cover this benefit for the period of January through March 2021.
      iii. $2.0 million more in premium revenue due to the Medi-Cal rate increases effective January 1, 2021. Member months were 4,553 less than budget projections, however the rate increases more than offset the shortfall in member months and drove extra revenue. Adult, Child and SPD member months were 10,962 less than budget, however Adult Expansion member months were 6,386

more than budget. Membership continues to be on an upward trend with new members coming in, however we are not adding members at quite the same rate as expected per the budget. Due to the Public Health Emergency (PHE) caused by the COVID-19 pandemic, members are not being placed on hold or terminated.

iv. $1.3 million more in premium revenue related to DHCS member reclassification adjustments retroactive to January 2014.

v. $439,000 more in Hepatitis C revenue. The budget did not assume any Hepatitis C revenue as the pharmacy carve-out was expected to happen January 1, 2021.

vi. $76,000 more in Maternity revenue due to nine more maternity events.

b. A net increase in medical expense of $54.7 million primarily due to:

i. $45.2 million in Directed Payments funding related to FY 18-19 and Bridge Period July through December 2019. The additional funding for July through December 2019 was not anticipated to be received during FY 20-21.

ii. $7.8 million more in Medi-Cal non-Hepatitis C pharmacy expense. Much like on the revenue side, the budget assumed the pharmacy carve-out would be effective January 1, 2021, therefore we projected lower medical expense due to the transfer of the pharmacy benefit to the State.

iii. $1.4 million more in capitation and hospital fee-for-service claims. This increase was due to 1) heavy claims volume as there were five claims payment cycles in March; and 2) higher capitation expense due to membership mix, i.e., more Adult Expansion members and fewer Adult and Child members.

iv. $463,000 more in Hepatitis C drug expense. The budget did not assume any Hepatitis C expense for March as the pharmacy carve-out was expected to happen January 1, 2021.

v. $383,000 more in Healthy Workers pharmacy expense. The actual cost was $97.47 pmpm while the budgeted cost was $65.18 pmpm. It is important to note that SFHP received only $57.67 pmpm in the Healthy Workers rate making the true loss $472,000. There is a new pharmacy rate effective April 1, 2021 which should eliminate the monthly loss on this benefit.

vi. $256,000 more in Non-Specialty Mental Health (NSMH) expense. This additional cost is due to higher than expected utilization.

vii. $148,000 more in Community-Based Adult Services (CBAS) expense. This increase is due to 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 PHE.

viii. $973,000 less in Health Education and Stop Loss expenses. This majority of this savings is related to $750,000 in stop loss recoveries received for CY 2018.

Mr. Takeuchi reviewed the following chart, highlighting the key income statement categories for March with adjustments for SUR activity to show margin or loss from ongoing operations.

	MAR 2021				FYTD 20-21 THRU MAR			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	156,018	160,571	(4,553)	-2.8%	1,351,391	1,356,057	(4,666)	-0.3%
REVENUE	$ 118,527,000	$ 61,549,000	$ 56,978,000	92.6%	$ 664,001,000	$ 569,171,000	$ 94,830,000	16.7%
MEDICAL EXPENSE	$ 112,603,000	$ 57,868,000	$ (54,735,000)	-94.6%	$ 625,739,000	$ 534,290,000	$ (91,449,000)	-17.1%
MLR	95.6%	95.1%			95.1%	94.9%		
ADMINISTRATIVE EXPENSE	$ 4,903,000	$ 4,661,000	$ (242,000)	-5.2%	$ 37,107,000	$ 41,754,000	$ 4,647,000	11.1%
ADMINISTRATIVE RATIO	3.6%	6.5%			4.7%	6.3%		
INVESTMENT INCOME	$ (34,000)	$ 42,000	$ (76,000)		$ 147,000	$ 375,000	$ (228,000)	-60.8%
MARGIN (LOSS)	$ 987,000	$ (938,000)	$ 1,925,000		$ 1,302,000	$ (6,498,000)	$ 7,800,000	
ADD BACK: SUR ACTIVITY	$ 21,000	$ 416,000			$ 1,233,000	$ 4,581,000		
MARGIN (LOSS) FROM OPERATIONS	$ 1,008,000	$ (522,000)	$ 1,530,000		$ 2,535,000	$ (1,917,000)	$ 4,452,000	

On a year-to-date basis through March and after the removal of SUR activity, SFHP is $2,535,000 ahead of budget expectations.

- After removing the Directed Payments funding, premium revenue is above budget by $36.3 million. This is due to:
  - $24.0 million in pharmacy revenue that was not expected since the Medi-Cal pharmacy benefit was to be carved out on January 1, 2021, but has been delayed by DHCS.
  - Although we have seen an overall net decrease of 4,666 member months, Adult Expansion member months are 46,282 above budget, which has a favorable impact on revenue due to the fact that the premium rate for this category of aid is $388 pmpm compared to $293 pmpm for the Adult 19 category and $112 pmpm for the Child 18 category.
  - A Medi-Cal rate increase effective January 1, 2021.
- After removing SUR activity and Directed Payments funding, medical expense is above budget by $36.2 million. This increase can be accounted for as follows:
  - Medi-Cal pharmacy costs are up $22.7 million
  - Capitation and FFS expenses are up $7.9 million
  - Prop 56 supplemental payments are up $5.3 million
  - Healthy Workers pharmacy costs are up $1.8 million
  - CBAS expenses are up $1.3 million
  - Health Education costs are down ($2.8 million)

  Medi-Cal pharmacy costs are up due to the delay in the carve-out. Capitation and FFS expenses are up due to increasing membership, as well as some high dollar inpatient hospital claims that we incurred in January. Healthy Workers pharmacy costs are higher as the reimbursement rate established in early 2018 has not been sufficient to cover current drug costs and associated utilization. SFHP worked with the San Francisco Department of Public Health and the San Francisco

Human Services Agency to secure a pharmacy rate increase effective on April 1, 2021. The pharmacy rate increases from $57.67 pmpm to $93.61 pmpm. Proposition 56 supplemental payment activity is higher than anticipated, however, this is not an issue as SFHP has received more than enough funding to cover these costs. CBAS costs are up due to greater utilization caused by the ongoing public health emergency.

- Overall administrative expense is below budget by $4.6 million. The majority of this decrease is due to the elimination of the monthly bonus accrual, not implementing merit increases and lower costs in the areas of professional services and information technology services. In addition, the budget included dollars for major projects which have not been incurred yet, i.e., CalAIM and CMS Interoperability.

PROJECTIONS

Mr. Takeuchi then reviewed the following financial projections through September 2021:

1. Due to the impact of the COVID-19 pandemic, SFHP anticipates continued increases in Medi-Cal membership over the next six months. We projected an increase of approximately 22,000 new members during FY 20-21. Through March, we have added 13,700 new members. These new members have been spread across the Adult, Child and Adult Expansion categories of aid. We will continue to watch membership growth very closely as we develop the budget for FY 21-22.

2. In response to the COVID-19 pandemic and the effect it is having on state of California finances, the State Legislature approved the implementation of a 1.5% rate reduction retroactive to July 2019. This rate reduction was effective for the entire Bridge Period which ran through December 2020. The rate reduction applied to all categories of aid except dual eligible members. SFHP estimated the impact of this rate reduction to be $3.3 million for the period of July through December 2020. This revenue loss was built into the FY 20-21 budget. SFHP does not expect DHCS to implement a similar reduction for January through June 2021.

3. The Medi-Cal pharmacy benefit carve-out scheduled for January 2021 has been delayed with no transition date established at this time. The plan is for the State to take on this benefit and has selected Magellan as its Pharmacy Benefits Manager (PBM). SFHP will see approximately $8 million dollars of revenue per month along with a similar amount for the associated pharmacy expense for each month that SFHP continues to have responsibility for the benefit.

4. In December 2020, SFHP received final Medi-Cal rates for CY 2021. Overall, SFHP received an increase of approximately 4.3% plus the return of the 1.5% Bridge Period rate reduction (1.3% actual). As SFHP looks ahead to future changes coming to Medi-Cal Managed Care, we recognize the need for the health plan to rebuild its reserves that have been reduced by several SUR

programs along with retroactive adjustments implemented by DHCS totaling $12.7 million.

5. Beginning on July 1, 2021, hospital risk for 16,000 members enrolled with the San Francisco Community Clinic Consortium (SFCCC) will transfer from Zuckerberg San Francisco General (ZSFG) to SFHP. SFHP will no longer pay capitation to ZSFG 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 will remain under capitation. It is estimated that this new risk will cost SFHP approximately $16-$20 million per year. This additional cost will be included in the FY 21-22 budget.

6. Proposition 56 – This program will continue for the remainder of this fiscal year as well as 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

PHARMACY MAXIMUM ALLOWABLE COST ADJUSTMENTS

Skip Bishop, CFO, reviewed the following highlights. He stated that DHCS and its actuary, Mercer, adjusts health plans' premium rates if it is determined that a Medi-Cal Managed Care Plan is not effectively managing pharmacy costs. DHCS and Mercer analyze the effectiveness of each plan's pharmacy cost management through a Maximum Allowable Cost (MAC) avoidable cost analysis. To identify potentially avoidable costs due to reimbursement inefficiencies, DHCS and Mercer utilize the plan's pharmacy data and review the reimbursement contracting for generic products. Each pharmacy claim is compared against a benchmark Medicaid MAC list for the same timeframe to create a cost savings amount for each claim. To calculate the cost savings amount, a derived paid amount which utilizes the unit price from the benchmark MAC list is calculated for each claim and subtracted from the actual paid amount on each claim. The total cost savings for each claim is then combined and aggregated for each plan to calculate the total cost savings for each plan. In instances where the actual paid amount is less than the derived paid amount (negative cost savings), the negative amount is counted against the cost savings amount.

For the last three rate cycles which include July 2018 through June 2019, July 2019 through December 2020 and CY 2021, DHCS and Mercer did not apply a pharmacy MAC adjustment to SFHP health plan rates, which means our rates were not reduced due to inefficient pharmacy cost management. Our Pharmacy department employs several strategies to ensure effective pharmacy cost management:

- We have PBM contractual obligations requiring aggressive generic pricing.

- We ensure that our MAC list, which is the number of generics managed through MAC reimbursement, is as broad as possible.
- We monitor monthly MAC changes by the PBM and investigate changes that are beyond a 10% increase.

Our actuary, Edrington Health Consulting, estimates that our ability to avoid MAC adjustments may be worth \$3 million to \$5 million annually. This estimate is derived by taking the average range of MAC adjustments for other Medi-Cal plans.

Mr. Bishop reviewed several charts that were included in the memo that show MAC adjustments by Medi-Cal plan for the last three rate cycles. He pointed out that SFHP is the only Medi-Cal plan to **not** have its rates reduced due to MAC adjustments for all three years.

Investment Reports

Due to time constraints, Mr. Takeuchi did not review the investment reports in detail but directed the Board's attention to the reports included in the Board packet.

Mr. Fawley, Chair of the Finance Committee, stated the Finance Committee reviewed the finances in detail and the expenses and revenues are tracking to the budget as expected. He stated that the fiscal year finances are showing good results. He reported that the Finance Committee recommends approval of the year-to-date unaudited financial statements and investment reports.

With the Finance Committee's recommendation for approval, the Board unanimously approved the year-to-date unaudited financial statements and investment reports without any issues.

5. Member Advisory Committee (MAC) Report

Maria Luz Torre and Irene Conway provided the Board with a MAC report. The Committee hosted their meetings virtually via Zoom. Ms. Luz Torre stated that the Committee met in April 2021.

The Committee did a wellness check and had presentations from health plan staff. Dr. Fiona Donald, CMO, attended the meeting to discuss COVID-19 vaccines updates and SFHP activities to support the vaccine efforts. In addition, staff from the Health Education department attended the Committee's meeting to discuss developing a chronic conditions incentive program.

The co-chairs stated that the MAC members appreciated both presentations by staff.

6. Chief Medical Officer's Report

a. COVID -19 Vaccine Update

Dr. Donald provided the Board with COVID-19 vaccine updates and SFHP activities. (Detailed PowerPoint slides were provided in the Board packets.) Dr. Donald reviewed the goals of the COVID-19 efforts in San Francisco. She stated that SFHP supports San Francisco Department of Public Health (SFDPH) goals of equitable vaccine access to impacted communities, align communications, support outreach and scheduling for SFHP members and populations served by our providers, and address barriers to vaccine access and hesitancy.

SFHP has been working in close collaboration with the SF DPH, San Francisco Health Network, Public Authority for IHSS, Human Service Agency, pharmacies, North East Medical Services, San Francisco Community Clinic Consortium leadership and the City's COVID Command Center (C3).

SFHP has updated its member and provider web pages to provide links to information sources and vaccine locations. SFHP has also been developing a database and dashboard to be able to monitor and analyze vaccine data as the data are made available by the California Immunization Registry (CAIR) and DHCS.

Dr. Donald then provided the Board with a review of CalAIM's three primary goals:

1. Identify and manage member risk and need through Whole Person Care approaches and addressing Social Determinants of Health.
2. Move Medi-Cal to a more consistent and seamless system by reducing complexity and increasing flexibility.
3. Improve Quality Outcomes and drive delivery system transformation through value-based initiatives, modernization of systems and payment reform.

Dr. Donald reviewed SFHP's efforts to prepare for the implementation of CalAIM's Enhanced Case Management and In Lieu of Services programs, as well as major organ transplants. The effective date of these new programs is January 1, 2022.

Dr. Donald also provided the Board with a Medi-Cal Rx update. DHCS states it will provide an update regarding the implementation date in late May 2021. DHCS is requiring a conflict avoidance plan from Magellan by the first week of May. The Department of Manage Health Care (DMHC) determined the acquisition to be a major transaction requiring public meetings and independent analysis (per H&S 1399.65). SFHP continues to provide pharmacy benefits for Medi-Cal until the implementation of Medi-Cal Rx.

Dr. Donald then provided the Board with some highlights of the Strategic Use of Reserves (SUR) funding of Inpatient Addiction Medicine Treatment support at Zuckerberg San Francisco General Hospital (ZSFGH). Dr. Donald introduced Marlene Martín, MD, Director, Addition Care Team (ACT) and Associate Professor of Clinical Medicine, ZSFGH.

Dr. Martín presented the model of emergency department and hospital-based addiction care. (A detailed PowerPoint presentation was provided in the Board packet). Dr. Martín reviewed the program's mission to provide compassionate and equitable care to people with unhealthy substance use through harm reduction, linkages to care, and evidence-base treatment. She stated the vision is to provide excellent, person-centered care to individuals who use substances and eliminate stigma.

Dr. Martín reviewed how the ACT program was developed, launched, and expanded over the past two years. She reviewed how individuals are admitted into the program and triaged into the appropriate levels of care within the ACT. In 2019 they served 463 people and in 2020, this number grew to 1,422, an increase of 316%. There has also been an increase in successful discharges to residential treatment from 22 in 2019 to 74 in 2020 (236% increase).

Dr. Martín stated that over 90% of individuals want ACT's help. 40% have a mental health diagnosis, 50% are not connected to care and 50% experience homelessness. ACT works with many other programs across the County system for a collaborative approach. The program will produce a report based on outcomes data in the Summer of 2021.

Mr. Grgurina and the Board thanked Dr. Martin for the presentation and the work by Dr. Martin and the team at ZSFGH.

7. CEO Report – Highlighted Items- Operations Updates, State Audits, ITS/Security, and Interoperability Rule

Due to time constraints, the CEO report was not discussed.

8. Adjourn

Dr. Fugaro adjourned the meeting.

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Reece Fawley, Secretary/Treasurer