SAN FRANCISCO HEALTH PLAN
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Joint San Francisco Health Authority/San Francisco Community Health Authority Governing Board
June 10, 2020
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, 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: Dale Butler and 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, 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 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. 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 May 6, 2020 Governing Board Meeting

The Board unanimously approved the consent calendar without any issues.

2. State Budget – Governor Newsom's May Revision

Sumi Sousa**,** Officer, Policy Development and Coverage Programs, provided the Board with the following State updates.

FY 20-21 State Budget Update:

- Governor Newsom estimates a $54.3 billion budget deficit and proposes to solve it through a combination of:
    - Spending cuts
    - New revenues
    - Deferrals, loans
    - Dropping January spending proposals
    - Federal COVID-19 funding
    - Drawing on the state's reserves
- State budget deficits are projected to last into FY 23-24.

The following are the key Medi-Cal proposals in the Governor's proposed State budget:

- No proposed cuts to Medi-Cal enrollment, but expansion proposals from January are withdrawn, e.g., 65+ year old undocumented individuals.
- Proposed reductions to Medi-Cal benefits ("triggered off" if receive additional federal funds).
- Optional benefits are proposed for elimination no sooner than July 1, 2020
    - Vision, dental, audiology, speech therapy, OT, PT, etc.
- CBAS and MSSP serving frail seniors are proposed for elimination.
- CalAIM deferred, but the Medi-Cal Rx (pharmacy carve out) to continue with the January 1, 2021 effective date.
- Funding to FQHCs to backfill for 340B dropped.
- Behavioral health quality improvement funding for counties dropped.
- Diabetes Prevention Program defunded.
- $1.2 billion in Proposition 56 Tobacco Tax supplemental payments to providers shifted to fund caseload.

Ms. Sousa then reviewed the projected Medi-Cal enrollment growth in FY 20-21 due to COVID-19 recession that has caused millions of Californians to lose jobs and job-based insurance. She stated that California's unemployment rate rose to 15.5% at end of April and San Francisco's unemployment rate was 12.6%. The increase in unemployment is likely to lead to an increase in Medi-Cal enrollment.

She then reviewed the Governor's proposed Managed Care rate cuts of 1.5% retroactive to July 2019 through December 30, 2020.

Ms. Sousa reviewed the State budget timeline. The legislature is required to pass a budget by June 15. Federal aid to states may potentially be received by late summer, but there is no guarantee. The legislature will likely reject elimination of Medi-Cal optional benefits, CBAS, MSSP, plan and provider rate cuts. It is expected to propose a budget with the following changes:

- Reverse the Governor's trigger cut: impose Medi-Cal reductions only if federal funds don't arrive by October.
- Restore managed care rates funded by an increased MCO tax if no additional federal funding is received.

The legislature and Governor are negotiating differences to avoid veto or protracted budget process.

Ms. Sousa then provided an overview of the Mayor's SF MRA Cash Disbursement plan. The disbursement was delayed due to the need to meet and resolve COVID-19 related funding issues prior to launch. SFHP and the Department of Public Health (DPH) have been working with Mayor's Office and City Attorney on resolutions. The City Attorney and Mayor's Office is expected to provide final guidance in coming weeks. SFHP will be focused on operationalizing the grant program so that cash can be dispersed quickly once decisions are finalized.

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

Recommendation: Review and Approval of Unaudited Monthly Financial Statements and Investment Reports

Mr. Bishop and Rand Takeuchi, Director, Accounting, reviewed the financial statements for the period ending April 30, 2020. Mr. Bishop discussed the following highlights:

1. April 2020 reported a loss of ($871,000) versus a budgeted loss of ($1,797,000). After removing Strategic Use of Reserves (SUR) activity, the actual loss from operations would be ($293,000) versus a budgeted loss of ($1,519,000).
2. In April, we received $28.2 million in Intergovernmental Transfer (IGT) funding related to FY 18-19. The FY 19-20 budget did not anticipate any IGT funding would be received during the year.
3. The IGT funds were disbursed to Zuckerberg San Francisco General (ZSFG) and UCSF Medical Center. Per the Department of Health Care Services (DHCS), health plans are allowed to treat this funding as revenue and medical expense.
4. On a year-to-date basis, SFHP has a loss of ($2,522,000) versus a budgeted loss of ($9,510,000). The FY 19-20 budget assumed $4.6 million in SUR funding would be disbursed in July. Providers qualified for these SUR dollars earlier than expected so the funds were paid in June and were included in FY 18-19 medical expense. After removing SUR activity, the actual margin from operations would be $1,901,000 versus a budgeted loss of ($1,137,000).
5. Variances between April 2020 actual results and the budget include:
   a. A net increase in revenue of $29.3 million due to:
      i. $28.2 million more in IGT funding related to FY 18-19.

ii. $1.4 million more in premium revenue due to an increase in membership. Member months were 1,687 more than budget, mostly due to members not placed on hold. Due to the COVID-19 pandemic, DHCS has allowed Medi-Cal beneficiaries an additional 90 days of continued eligibility in the Medi-Cal program.
iii. $159,000 less in Hepatitis C revenue as the result of 58 fewer treatment weeks.
iv. $171,000 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 into Medi-Cal as of January 1, 2020.

b. A net increase in medical expense of $28.3 million due to:
   i. $28.2 million more in IGT funding related to FY 18-19.
   ii. $1.5 million in reinsurance recoveries related to CY 2017, which lowered overall medical expenses in April. The FY 19-20 budget did not project reinsurance recoveries to be received in April.
   iii. $1.3 million more in capitation and fee-for-service expense. Capitation increased as the result of gaining 1,687 member months. Fee-for-service expense continues to run higher than expected primarily in the area of inpatient hospital claims paid under the All Patients Refined-Diagnosis Related Groups (APR-DRG) methodology. SFHP has shared a file of APR-DRG paid claims to Varis LLC. Varis has started its independent review of these claims to identify potential overpayments.
   iv. $300,000 more in accrued medical expenses related to Proposition 56 and Ground Emergency Medical Transportation (GEMT) activity.

c. A net increase in administrative expenses of $218,000 due to:
   i. $150,000 more in Compensation and Benefits due primarily to the correction of the understatement of employee benefits expense in March.
   ii. $68,000 more when combining marketing expenses, professional fees and systems maintenance and support costs.

The chart on the next page highlights the key income statement categories for April with adjustments for SUR activity in order to show margin from ongoing operations.

	APR 2020				FYTD 19-20 THRU APR			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	138,319	136,632	1,687	1.2%	1,382,557	1,387,170	(4,613)	-0.3%
REVENUE	$ 76,194,000	$ 46,914,000	$ 29,280,000	62.4%	$ 645,044,000	$ 625,147,000	$ 19,897,000	3.2%
MEDICAL EXPENSE	$ 72,895,000	$ 44,595,000	$ (28,300,000)	-63.5%	$ 608,368,000	$ 593,443,000	$ (14,925,000)	-2.5%
MLR	96.4%	96.6%			95.4%	96.1%		
ADMINISTRATIVE EXPENSE	$ 4,501,000	$ 4,283,000	$ (218,000)	-5.1%	$ 41,455,000	$ 42,881,000	$ 1,426,000	3.3%
ADMINISTRATIVE RATIO	5.2%	7.6%			5.4%	5.7%		
INVESTMENT INCOME	$ 331,000	$ 167,000	$ 164,000	98.2%	$ 2,257,000	$ 1,667,000	$ 590,000	35.4%
MARGIN (LOSS)	$ (871,000)	$ (1,797,000)	$ 926,000		$ (2,522,000)	$ (9,510,000)	$ 6,988,000	
ADD BACK: SUR PAYMENTS AND ACCRUALS	$ 578,000	$ 278,000			$ 4,423,000	$ 8,373,000		
MARGIN (LOSS) FROM OPERATIONS	$ (293,000)	$ (1,519,000)	$ 1,226,000		$ 1,901,000	$ (1,137,000)	$ 3,038,000	
MLR W/O SUR PMTS	95.6%	96.0%			94.7%	94.8%		

On a year-to-date basis through April and after the removal of SUR activity, SFHP is $1.9 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 as well as reinsurance recoveries related to prior years.

- Overall net revenue is above budget by $19.9 million. After removing the impact of Directed Payments and IGT funding, net revenue is up $3.6 million due mainly to the population acuity adjustment and the increase in Proposition 56 funding.
- Overall medical expense is above budget by $14.9 million. After removing the impact of Directed Payments, IGT funding and SUR activity, medical expense is $2.6 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 $1.4 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 provided the following projections through October 2020:

1. As of April 2020, SFHP has added $4.4 million to the Practice Improvement Program (PIP) related to the FY 18-19 Strategic Use of Reserves (SUR) program. A total of $5.0 million will be added to the CY 2019 PIP for professional providers. The CY 2019 PIP will run for 18 months (through June 30, 2020) to transition to a fiscal year. The remaining $600,000 will be accrued during May and June 2020.

2. Due to the impact of the COVID-19 pandemic, SFHP anticipates an increase in Medi-Cal membership between May and December. After working with our actuary, sister plans, and the county of San Francisco to gather information to help us develop estimates for the upcoming months, SFHP expects to add approximately 22,000 new members over the next twelve months. These new members would be spread across the Adult, Child and Adult Expansion categories of aid.

3. In response to the COVID-19 pandemic and the effect it is having on state of California finances, the Governor proposes to implement a 1.5% rate reduction retroactive to July 2019. This rate reduction will be effective for the entire Bridge Period, which runs from July 2019 through December 2020. The rate reduction will apply to all categories of aid except dual eligible members. SFHP estimates DHCS will take back approximately $9.3 million for the full Bridge Period. At this time, SFHP does not plan to adjust provider rates and will absorb the $9.3 million loss of revenue. The table on the next page shows the impact to providers if SFHP were to implement a 1.5% capitation and fee-for-service rate reduction for the entire 18-month Bridge Period. SFHP anticipates that premium rates may be reduced further beginning in January 2021. This anticipated rate reduction will be incorporated into the FY 20-21 budget. After adjusting for SUR activity, SFHP now projects a $3.1 million loss for FY 19-20.

4. At the Governing Board meeting in March 2020, a recommendation to decrease capitation rates for the Dual member category of aid was approved. This rate decrease will be effective July 1, 2020. The overall impact of this rate decrease is 0.9%.

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 reduced the Hepatitis C rates as lower cost generic drugs continue to enter the marketplace. The medical loss ratio (MLR) through April is 97.0%. 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 – This program provided enhanced payments to medical groups for qualifying physician services and supplemental payments for developmental screenings and adverse childhood experiences screenings. Due to the impact of COVID-19 on the state budget, the Governor proposes to eliminate Proposition 56 programs effective July 1, 2020.

7. The remaining $16.6 million in Directed Payments funding related to FY 17-18 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.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

IMPACT OF A 1.5% RATE REDUCTION JULY 2019 THROUGH DECEMBER 2020

PROVIDER	1.5% RATE REDUCTION ANNUALIZED
HOSPITALS	
ZUCKERBERG SAN FRANCISCO GENERAL	$ 1,991,442
UCSF MEDICAL CENTER	$ 757,563
CPMC	$ 679,370
CHINESE HOSPITAL	$ 221,421
CPMC MISSION BERNAL	$ 195,700
	$ 3,845,496
MEDICAL GROUPS	
NORTH EAST MEDICAL SERVICES	$ 1,106,095
CLINICAL PRACTICE GROUP	$ 847,700
UCSF MEDICAL GROUP	$ 298,756
CHINESE COMMUNITY HEALTHCARE ASSOCIATION	$ 97,984
JADE MEDICAL GROUP	$ 76,363
BROWN & TOLAND MEDICAL GROUP	$ 31,756
HILL PHYSICIANS	$ 29,717
	$ 2,488,370
SFCCC	
MISSION NEIGHBORHOOD HEALTH CENTER	$ 61,118
HEALTHRIGHT 360	$ 41,445
SOUTH OF MARKET HEALTH CENTER	$ 26,290
ST. ANTHONY MEDICAL CLINIC	$ 7,476
SAN FRANCISCO COMMUNITY HEALTH CENTER	$ 7,256
NATIVE AMERICAN HEALTH CENTER	$ 5,797
BAART	$ 3,115
	$ 152,498
UNAFFILIATED	
DR. TRAN	$ 3,502
MARIN CITY HEALTH AND WELLNESS	$ 3,439
	$ 6,941
TOTAL	$ 6,493,305

RECAP OF STRATEGIC USE OF RESERVES PROGRAMS
Since FY 04-05, SFHP has committed a total of $124.7 million in Provider Distributions and SURs. Prior to implementing a formal Strategic Use of Reserves program, SFHP's Governing Board approved annual Provider Distributions. From FY 2004-2005 through FY 2013-2014, Provider Distributions totaled $34.7 million.

In the last five fiscal years, the Governing Board approved six Strategic Use of Reserves programs for FY 15-16, FY 16-17, FY 17-18, CY 2018, FY 18-19 and FY 19-20. These distributions total $89.7 million. Below, and on the following pages, are the summaries and details of each SUR program.

		Total Approved	Remaining To Be Paid
FY 15-16	Strategic Use of Reserves	$15,000,000	$ -0-
FY 16-17	Strategic Use of Reserves	$30,000,000	$ 812,840
FY 17-18/CY 2018	Strategic Use of Reserves	$29,600,000	$6,129,382
FY 18-19	Strategic Use of Reserves	$13,000,000	$4,143,471
FY 19-20	PIP/SUR Surplus/Grants	$ 2,400,000	$ 300,000
Total		$90,000,000	$11,385,693

Mr. Takeuchi reviewed the investment reports that were provided to the Finance Committee and Board in the packet.

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

4. Review and Approval of Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority for Fiscal Year 2020-21

Recommendation: Approval of Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority Fiscal Year 2020-2021.

Due to the uncertain impact of the COVID-19 pandemic on the state budget, SFHP prepared a break-even interim operational budget for FY 20-21. SFHP will present a revised FY 20-21 budget at the January 2021 Governing Board meeting. At that time, SFHP expects to have the premium rates that DHCS plans to release in October or November 2020, as well as revised membership projections.

John F. Grgurina, Jr., CEO, reviewed the new frequently asked questions (FAQ) document that was developed to address the anticipated questions regarding membership, revenue, medical expenses, administrative expenses, staffing and margins.

Mr. Bishop presented the proposed budget to the Board.

<u>MEMBERSHIP INCREASING, REVENUE AND MEDICAL EXPENSE INCREASING</u>

Mr. Bishop stated the overall membership is expected to increase by 16% due to the increase in unemployment caused by the COVID-19 pandemic. We are projecting an increase of approximately 22,000 new members in the Medi-Cal Adult, Child, and Adult Expansion categories of aid. This projection was formulated after reviewing different estimates from the American Community Survey (ACS), Health Management Associates (HMA), Edrington Health Consulting and our SFHP Policy staff.

- The ACS estimate assumed an 18% unemployment rate and that 50% of the newly uninsured would apply for Medi-Cal. ACS estimated approximately 17,000 new members would be enrolled in San Francisco.
- The HMA estimate was a state-wide analysis using a low, medium and high approach. The low estimate was 1.4 million new enrollees, the medium estimate was 2.2 million new enrollees with the high estimate at 3.0 million new enrollees. As SFHP has 1% of the total state-wide Medi-Cal membership, the HMA estimates would expect to deliver 14,000 to 30,000 new members.
- Our actuary, Edrington Health Consulting, looked at a variety of factors including population survey data, unemployment estimates, Federal Poverty Level (FPL) considerations and the potential for other health coverage options. New enrollment estimates were comparable to HMA's low-end projections.
- The SFHP Policy staff evaluated three different models using ACS data, HMA data and a regressions approach that took into consideration factors specific to the San Francisco population. The regressions model projects 22,000 new members would be added in FY 20-21.

After evaluating these different enrollment models, we chose the SFHP Policy staff's regression model. We decided to take a conservative approach in terms of how quickly these new members would enroll so as not to overstate revenue. We are projecting slower enrollment during the period of July through September 2020, increasing during the period of October through December 2020 and then tapering down during the period of January through May 2021.

This new enrollment will deliver significant increases in member months for the Adult and Child categories of aid. Although we are projecting an 11% increase in the Adult Expansion category, member months are projected to increase by only 4%. This is due to conservative ramp-up assumptions where the majority of this new membership will be added mid-year.

Note that the enrollment estimates from low to high can cause significant changes in revenue, expenses and bottom line margin/loss for SFHP. It is because of the potential large swings in enrollment and CY 2021 Medi-Cal rates that we are proposing this interim budget. We will adjust the interim budget at the January Governing Board meeting when we will have had six more months of enrollment history and the Medi-Cal CY 2021 rates.

REVENUE AND MEDICAL EXPENSE INCREASING FROM JUNE 2020 TO JUNE 2021

In an increasing membership environment, we expect to see corresponding increases in revenue and medical expense. However, revenue is only increasing by $16 million due to the following:

- $16 million in additional Intergovernmental Transfers (IGTs) funding compared to FY 19-20. The entire IGT amount of $45 million will be passed through to Zuckerberg San Francisco General and UCSF.
- Revenue from the additional 22,000 new members is offset by:
    - Governor's proposed premium rate reduction of 1.5% for the period of July 2019 through December 2020 and a conservative estimate of a premium rate reduction of 2.0% for the period of January through June 2021. We expect to receive 2021 rates in October or November 2020.
    - The loss of $44 million in pharmacy revenue from January through June 2021. The pharmacy benefit will be carved out of Medi-Cal managed care effective January 1, 2021.

Medical expense is increasing by $6 million or 1% because the increases in membership and the IGT are essentially offset by loss of the $43 million in pharmacy drug costs for the period of January through June 2021.

Although the pharmacy benefit will be carved out of Medi-Cal managed care, SFHP will continue to have responsibility for the Healthy Workers pharmacy benefit. We estimate a loss of $1.1 million for Healthy Workers (HW) pharmacy costs (cost of $65.17 pmpm vs revenue of $57.67 pmpm). SFHP has lost $2.4 million on the HW pharmacy benefit since December 2016. A proposal to increase the pharmacy revenue to $79.63 pmpm for FY 20-21 was looking promising until COVID-19 at which point the increase is no longer under consideration.

During FY 20-21, SFHP expects to receive approximately $181 million dollars in pass-through funding ($136 million in Directed Payments and $45 million in IGTs). DHCS allows the managed care plans to record this funding as revenue and medical expense. As 100% of this $181 million will be passed through to contracted hospitals, it does not impact our bottom line. The overall Medical Loss Ratio (MLR) for each Medi-Cal line of business will be higher than normal.

MEMBERSHIP INCREASING, REVENUE PMPM DECREASING

Although membership and revenue are increasing in all three Medi-Cal categories, revenue on a per member per month (PMPM) basis is decreasing when compared to FY 19-20.

	FY 20-21	FY 19-20	% Change
Medi-Cal (excluding SPD and MCE)	$167.19	$174.12	(4.0%)
Medi-Cal SPD	$749.79	$832.07	(9.9%)
Medi-Cal MCE	$353.44	$387.00	(8.7%)

There are four factors driving the PMPM reductions:

- The loss of $44 million in pharmacy revenue for the period of January through June 2020. The pharmacy benefit will be carved out of Medi-Cal managed care effective January 1, 2021.
- Governor's proposed 1.5% premium rate reduction for the period of July 2019 through December 2020.
- An estimated 2.0% premium rate reduction for the period of January through June 2021. Due to the Governor's proposed efficiency factors, reduction of margin from 2.0% to 1.5% and limiting hospital payments to no greater than APR-DRG.
- A change in membership mix – we are projecting a greater number of Child members will be added. Child members have a much lower premium rate when compared to the Adult members.

MEMBERSHIP INCREASING, NO NEW FTEs REQUESTED

SFHP is not requesting any new Full-Time Equivalents (FTEs) for FY 20-21. Our staffing will remain at the same level as FY 19-20, with 399 FTEs. We feel confident that current staffing levels can accommodate the additional workload brought on by the new membership. SFHP served approximately 150,000 members in August 2017 with no negative impact on operations.

ADMINISTRATIVE EXPENSE INCREASING BY $5 MILLION

FY 20-21 administrative expenses are projected to increase by $5 million which represents a 10% increase over FY 19-20. Please note that several projected administrative expenses may not be incurred due to budget uncertainty (projects, CalAIM, merit increases and staff bonus). Key drivers of this increase include:

- $2.5 million for potential project work to support CalAIM initiatives, the CMS Interoperability mandate, claims editing software solution from Optum and an upgrade for the Essette prior authorization software. Note that at this time we are planning for a CalAIM start date of

January 1, 2022. If this date is delayed, the $900,000 set aside can be removed from the budget.

- $1.2 million for software solutions to support encounter management, strengthening system security infrastructure and the detection of potential fraud, waste and abuse activities.
- $1.0 million in additional salaries and benefits as result of decreasing the staff attrition factor from 14% to 12%. Employee turnover is expected to decrease due to the impact of the COVID-19 pandemic.

It should be noted that the projects included in this budget are subject to change and may not be incurred during FY 20-21.

For budget purposes only, we have included $1.0 million for employee merit increases and a $3.7 million accrual for the employee bonus program. SFHP is not asking for approval of the merit increases at this June meeting. The FY 20-21 bonus program will be presented for consideration in September 2021. Future consideration of both merit increases and the bonus program will depend on market conditions, outcome of the State budget negotiations over the Governor's proposed rate reductions and SFHP's overall budget and financial position.

Mr. Fawley stated the Finance Committee had a detailed and rich discussion about the budget during the Committee's meeting. He stated that uncertainty was the key point so an interim was appropriate at this time. It will be necessary to bring the budget back to the Board for review in January. He thanked the Finance staff and the whole team that worked on the budget projections for their impressive work.

After reviewing the budget in detail and with Finance Committee recommendation, the Board unanimously approved the Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority Fiscal Year 2020-2021 as presented.

5. Review and Approval of Capitation Advance Payments for SFHP Provider Groups

Recommendation: SFHP recommends that the Finance Committee and the Governing Board approve this revised capitation advance payment policy, which will give delegated medical groups and clinics access to additional funding to help our providers as they continue to respond to the impact of the COVID-19 pandemic.

Mr. Grgurina provided the Board with some background of the recommendation. In April 2020, SFHP developed a capitation advance policy as a way to put more money into the hands of the delegated medical groups and hospitals to help these providers deal with the severe impact of the COVID-19 pandemic.

The original policy was designed as follows:

- Up to two capitation advances – one advance to be taken with the April capitation payment and a second advance to be taken with the May capitation payment.
- Only one month of capitation would be advanced at any one time.
- The advances would not be loans and no interest would be charged. These would simply be advances towards capitation to be earned in future periods.
- SFHP would give providers a 60-day notice of the intent to recoup the advance(s).
- A reconciliation would be performed to true-up actual capitation earned with the amounts advanced.
- Capitation advances would be repaid at a time and in a manner mutually agreed upon by SFHP and the provider.

To date, three providers have elected to take a capitation advance totaling $2.2 million:

• Chinese Hospital (two months)	$1,736,000
• Healthright 360 (two months)	$ 368,000
• South of Market Health Center (one month)	$ 99,000

Revised Policy Going Forward:
SFHP recommends revising the capitation advance policy going forward as follows:

- Up to two capitation advances in total (includes advances already taken).
- No more than $2.3 million to be advanced to any one provider.
- A maximum of $10 million would be available in total for advances across the network.
- Zuckerberg San Francisco General Hospital, California Pacific Medical Center and San Francisco Health Network would be excluded.
- Advances would not be loans, therefore no interest would be charged.
- SFHP to give providers a 60-day notice of the intent to recoup the advance(s).
- All capitation advances to be repaid no later than June 30, 2021.
- A reconciliation would be performed to true-up actual capitation earned with the amounts advanced.

SFHP believes a maximum of $10 million across the network represents a comfortable limit as it would keep our days cash-on-hand at a manageable level and we would avoid having to access our line of credit with City National Bank. Line of credit funding must be held in reserve to protect SFHP against unexpected payment delays of the Medi-Cal monthly premiums from the Department of Health Care Services, as well as meeting the upcoming Managed Care Organization (MCO) tax payment obligations. SFHP wants to avoid a potential situation where the total amount of capitation advances would be so large that it would force SFHP to access our line of credit and pay 2.50% in interest.

Sabra Matovsky asked if the providers were aware about the process to repay the advance and Mr. Grgurina stated that this revised policy will provide clarity regarding the timing and process.

Mr. Fawley stated that the Finance Committee supports this recommendation. The Board unanimously approved this revised capitation advance payment policy, which will give delegated medical groups and clinics access to additional funding to help our providers as they continue to respond to the impact of the COVID-19 pandemic

6. Review and Approval of SFHP FY 2020-21 Organizational Goals and Success Criteria Measures

Recommendation: SFHP recommends the Governing Board approve the annual organizational performance goals and success criteria for fiscal year 2020-2021 (FY 20-21).

Mr. Grgurina provided an overview stating that depending on the financial results at the end of the FY 20-21, the Board will determine whether staff bonuses are appropriate, and if so, the following Organizational Goals success criteria would be used to determine the final score to be used to calculate the staff bonus. The organizational goals for FY 20-21 are structured around our four organizational strategic anchors. A memo and table were provided to the Board with the specific details. Mr. Grgurina asked Executive Team members to present the goals for which they were responsible.

Ms. Sousa presented the first goal for Strategic Anchor 1.

Strategic Anchor 1: Universal Coverage (25 points)

We believe every adult and child in San Francisco should have health coverage. Our strategic anchor of universal coverage recognizes that the health plan alone cannot provide coverage for everyone. Therefore, we work in partnership with the public health system, San Francisco Health Network (SFHN), community providers and our trade associations to support the Medi-Cal program and health care coverage for all.

Goal 1: Increase SF City Option (CO) Employee Utilization of SF CO Benefits
Improving employee utilization will require a multi-year strategy, consisting of multiple projects where key improvements in data, analyses, programmatic simplification, effective outreach and education will be achieved through multiple modalities.

Goal 1.1: SF Medical Reimbursement Account (MRA) Cash Disbursement Program (1*5 points)*
This program will provide cash relief to service workers who have been impacted by COVID-19. Implement the SF MRA Cash Disbursement Project in alignment

within the Mayor’s guidelines and project timelines. This will be measured against milestones established in the project’s work plan.

Goal 1.2: Employee Engagement & Utilization Strategy (*10 points)*
Establish work plan and project timelines to implement American Institutes for Research (AIR) consulting group recommendations on improving employee utilization of SF City Option benefits. This will be measured against milestones established in the project’s work plan.

Irene Conway asked how the funds would be disbursed and Ms. Sousa stated that the details were still in development.

Dr. Jim Glauber, Chief Medical Officer presented goals for Strategic Anchor 2.

Strategic Anchor 2: Quality Care and Access for Members and Participants (30 points)

We recognize that our members and program participants must have excellent access to care to achieve positive health outcomes. We support a range of efforts to improve access to high-quality health care.

The following organizational goals for FY 20-21 include three large projects, with several sub-projects.

Goal 2.1: High Risk COVID Member Outreach (*10 points)*

SFHP launched a COVID-19 High-Risk Population Outreach program to assess these members’ concerns and connect them to needed services. In FY 20-21, we will implement phase 2 of this program and strive to engage medium and high-risk members and identify resources needed.

Edwin Batongbacal asked how members would be reached and offered to coordinate efforts with the County, which may be undertaking similar efforts. Ms. Matovsky also offered that clinics could be helpful with reaching members.

Kaliki Kantheti, Operations Officers presented another goal within Strategic Anchor 2.

Goal 2.2: Improve member engagement in understanding and navigating covered benefits and other health plan services (*10 points)*

This goal is focused on creating and implementing a work plan to improve member engagement with the health plan based on data of members’ needs. This effort should help members utilize the services SFHP can provide to them to navigate their health plan services and improve the effectiveness

Dr. Glauber presented the following additional goals within Strategic Anchor 2.

Goal 2.3: Medi-Cal Rx Transition *(10 points)*

DHCS will be implementing the Medi-Cal Rx program to carve out the pharmacy benefit from Medi-Cal managed care plans on January 1, 2021. This will be a significant change to all SFHP members and SFHP will implement three projects to help ensure a smooth transition for our members and providers.

2.3.1 Post-Medi-Cal Rx, integration of Medi-Cal pharmacy data into SFHP systems (Essette, web portals, 837 files to providers, Tableau reporting) *(5 points)*
2.3.2 Assist our High-Risk members with Pharmacy Transition Outreach & Support *(2.5 points)*
2.3.3 SFHP Policy Adjustments and Revisions for this change in Rx Benefit Administration *(2.5 points)*

Nina Maruyama, Officer, Compliance and Regulatory Affairs, presented the first goal within Strategic Anchor 3.

Strategic Anchor 3: Exemplary Service to Members and Stakeholders (20 points)

We are committed to providing exemplary service and support to our members, participants, purchasers, physicians and other health care providers, and each other.

SFHP fosters a culture of ownership, accountability and continuous improvement (CI) within SFHP.

Goal 3.1: Achieve Renewal accreditation with the National Committee for Quality Assurance (NCQA) by January 31, 2021 (*10 points)*

Dr. Jim Glauber, presented additional goals within Strategic Anchor 3.

Goal 3.2: Maintain primary care utilization and support ongoing transition to telehealth modalities. (*10 points)*

This goal addresses the reduction in primary care visits caused by the pandemic, despite increased flexibilities afforded for telehealth care. Given the need for continuing social distancing and evolving member experience with and preference for telehealth, our goal is focused on helping to transition primary care utilization to telehealth.

Mr. Bishop presented the goals for Strategic Anchor 4.

Strategic Anchor 4: Financial Viability for Plan and Safety Net (25 points)

The fiscal environment in which we and our safety net providers operate is often in flux. Therefore, we maintain a strategic focus on the organization's financial viability and the economic sustainability of our safety net provider partners.

Goal 4.1: Encounter Management (*15 points)*
This goal will have two sub-projects: 1) establish a baseline of priced encounters as a percentage of capitation paid to each delegated group and hospital; and 2) for those groups with low values, develop a corrective action plan to improve the completeness of encounter submissions.

Goal 4.2: Gross Medical Expense (GME) (*10 points)*
This goal will create a process to calculate, track and achieve a higher GME ratio than the minimum threshold set by DHCS (likely to be 91% or 92%) for the full Bridge Period of July 2019 through December 2020. Achieving a GME ratio equal to or greater than the minimum means we will not be required to return money to DHCS.

The Board unanimously approved SFHP's organizational performance goals and success criteria for FY 2020-2021.

7. Chief Medical Officer's Report

a. Review and Approval of FY 20-21 Practice Improvement Program (PIP) Funding

Recommendation: For FY 2020-21, SFHP recommends the Governing Board approve the continuation of the previous Practice Improvement Program (PIP) funding level, with capitation withholds in the amount of 18.5% for Medi-Cal.

Adam Sharma, Director, Health Outcomes Improvement, reviewed the recommendation and provided some background to the Board.

PIP is SFHP's pay-for-performance incentive program for Medi-Cal clinics and medical groups to achieve improvements in system and health outcomes. Funding is sourced from withholding a percentage of the provider capitation rates, which had been 18.5% of Medi-Cal and 5% of Healthy Kids professional capitation rates. On January 1, 2020, however, the Healthy Kids program transitioned into Medi-Cal. From that point, PIP funding was based only on the Medi-Cal capitation withhold of 18.5%. The PIP funding has been an effective incentive, as demonstrated in the PIP program evaluation, to achieve improving quality performance measures among the medical groups.

Historically, SFHP's PIP operated on a calendar year basis. In November 2018, the Governing Board approved to transition the PIP period to align with SFHP's fiscal year in response to requests from several PIP participants. Accordingly, the most recent PIP provided incentive funding for 18 months, from January 1, 2019 through June 30, 2020.

SFHP requests continuation of PIP funding at current levels of 18.5% for Medi-Cal, for the upcoming fiscal year, FY 2020-21.

The Board unanimously approved the continuation of the previous Practice Improvement Program (PIP) funding level, with capitation withholds in the amount of 18.5% for Medi-Cal.

b. Practice Improvement Program (PIP) Evaluation

This item was for discussion only. No action was needed.

Mr. Sharma then reviewed PowerPoint slides with the Board to provide an overview of the evaluation of the 2019 PIP. (PowerPoint slides were provided in the Board packet.)

8. Member Advisory Committee (MAC) Report

Due to Newsom's Executive Order N-29-20, "stay at home" order due to COVID-19, the Member Advisory Committee did not meet in May or June. We hope to schedule a meeting soon.

9. CEO Report – Highlighted Items – Healthy San Francisco, Operations, and Information Security Updates

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

10. Adjourn

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Reece Fawley, Secretary/Treasurer