SAN FRANCISCO HEALTH PLAN
Here for you

Joint San Francisco Health Authority/San Francisco Community Health Authority Governing Board
June 9, 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, Steven Fugaro, MD, Sabra Matovsky, Roland Pickens, MHA, FACHE, Maria Luz Torre, Emily Webb, Greg Wagner, David Woods, PharmD, and Jian Zhang, DNP, MS, FNP-BC

Members Absent: Dale Butler and Steve Fields

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. There were no other members of the public and no public comments.

John F. Grgurina, Jr., CEO, announced that Board members Sabra Matovsky and Edwin Batongbacal will be resigning from the Governing Board at the end of June so this will be their last meeting. Mr. Grgurina thanked Ms. Matovsky and Mr. Batongbacal for their commitment to San Francisco Health Plan (SFHP), their excellent questions and engagement. He congratulated Mr. Batongbacal on his retirement and Ms. Matovsky on her new position in Southern California. Dr. Fugaro and the Governing Board members also thanked both for their time and service on the Board.

1. Approval of Consent Calendar

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

a. Approval of minutes from May 5, 2021 Governing Board Meeting

The Board unanimously approved the consent calendar without any issues.

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

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

Skip Bishop, CFO, reviewed the year-to-date unaudited financial statements for the period ending April 30, 2021.

1. April 2021 reported a margin of $1,146,000 versus a budgeted margin of $291,000. After removing Strategic Use of Reserves (SUR) activity, the actual margin from operations was $1,161,000 versus a budgeted margin of $707,000.

   On a year-to-date basis, we have a margin of $2,448,000 versus a budgeted loss of ($6,207,000). After removing SUR activity, the actual margin from operations is $3,696,000 versus a budgeted loss ($1,210,000).

2. Variances between April actual results and the budget include:
   a. A net increase in revenue of $12.1 million due to:

      i. $8.2 million more in premium revenue due to the delay of the Medi-Cal pharmacy carve-out. 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 as long as the benefit remains in managed care.
      ii. $1.9 million more in Medi-Cal premium revenue due to rate increases effective January 1, 2021. Member months were 4,976 less than budget projections, however the rate increases more than offset the shortfall in member months and provided extra revenue. Adult, Child and Seniors and Persons with Disabilities (SPD) member months were 11,416 less than budget, however Adult Expansion member months were 6,439 more than budget. Membership continues to be an upward trend, however, not at the same rate as expected per the budget. Due to the Public Health Emergency (PHE) created by the COVID-19 pandemic, members are not being placed on hold or terminated.
      iii. $1.6 million more in Healthy Workers premium revenue due to a

rate increase effective April 1, 2021. The rate increased from $466.00 pmpm to $588.43 pmpm. Within the overall rate change, the pharmacy component increased from $57.67 pmpm to $93.61 pmpm. This increase helps to eliminate approximately $300,000 in monthly losses SFHP was experiencing on the Healthy Workers pharmacy benefit.

iv. $396,000 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.

b. A net increase in medical expense of $11.6 million primarily due to:

i. $7.7 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.

ii. $3.2 million more in capitation and hospital fee-for-service claims. This increase was due to 1) $1.0 million more in Healthy Workers capitation expense due to the rate increase effective April 1, 2021; 2) higher capitation expense due to the Medi-Cal membership mix, i.e., more Adult Expansion members and fewer Adult and Child members; and 3) more fee-for-service expense due to membership growth.

iii. $417,000 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.

iv. $244,000 more in Healthy Workers pharmacy expense. The actual cost was $86.33 pmpm versus a budget of $65.18 pmpm. Although the actual cost was higher than the budget, we had a margin of $86,000 due to the rate increase effective April 1, 2021.

v. $196,000 more in Non-Specialty Mental Health (NSMH) expense. This additional cost is due to ongoing utilization that has been higher than expected.

vi. $156,000 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 Public Health Emergency PHE.

vii. $286,000 less in Health Education and Stop Loss expenses. This difference is due to timing. After excluding the impact of Directed Payments, it is expected that actual spending will align with budget expectations as we get closer to year end.

c. A net decrease in administrative expenses of $319,000 primarily due to:

i. $548,000 less in all administrative expense categories except for TPA services. Compensation and Benefits costs were less than budget due to the impact of discontinuing the bonus accrual (the accrual is fully funded for FY 20-21) and not implementing merit increases in FY 20-21.

ii. $229,000 more in TPA services. We incurred Pharmacy Benefits Manager (PBM) fees due to the delay in the Medi-Cal pharmacy carve-out. We also experienced higher non-specialty mental health administrative fees due to increases in membership.

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

	APR 2021				FYTD 20-21 THRU APR			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	156,716	161,692	(4,976)	-3.1%	1,508,107	1,517,749	(9,642)	-0.6%
REVENUE	$ 57,409,000	$ 45,338,000	$ 12,071,000	26.6%	$ 721,411,000	$ 614,509,000	$ 106,902,000	17.4%
MEDICAL EXPENSE	$ 52,010,000	$ 40,445,000	$ (11,565,000)	-28.6%	$ 677,750,000	$ 574,735,000	$ (103,015,000)	-17.9%
MLR	91.7%	90.6%			94.9%	94.6%		
ADMINISTRATIVE EXPENSE	$ 4,325,000	$ 4,644,000	$ 319,000	6.9%	$ 41,433,000	$ 46,398,000	$ 4,965,000	10.7%
ADMINISTRATIVE RATIO	6.4%	8.8%			4.8%	6.3%		
INVESTMENT INCOME	$ 72,000	$ 42,000	$ 30,000	71.4%	$ 220,000	$ 417,000	$ (197,000)	-47.2%
MARGIN (LOSS)	$ 1,146,000	$ 291,000	$ 855,000	293.8%	$ 2,448,000	$ (6,207,000)	$ 8,655,000	
ADD BACK: SUR ACTIVITY	$ 15,000	$ 416,000			$ 1,248,000	$ 4,997,000		
MARGIN (LOSS) FROM OPERATIONS	$ 1,161,000	$ 707,000	$ 454,000	64.2%	$ 3,696,000	$ (1,210,000)	$ 4,906,000	

On a year-to-date basis through April and after the removal of SUR activity, SFHP is reporting a margin of $3.7 million which is $4.9 million ahead of budget expectations.

- After removing the Directed Payments funding, premium revenue is above budget by $48.3 million. This is due to:
  - $32.5 million in pharmacy revenue that was not expected as the pharmacy benefit was to be carved out January 1, 2021.
  - $1.6 million in additional Healthy Workers revenue due to a rate increase effective April 1, 2021.
  - Although we have seen an overall net decrease of 9,642 member months, Adult Expansion member months are 52,721 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 $48.2 million. This increase can be accounted for as follows:
  - Medi-Cal pharmacy costs are up $30.8 million
  - Capitation and FFS expenses are up $13.3 million
  - Prop 56 supplemental payments are up $ 3.6 million
  - Healthy Workers pharmacy costs are up $ 2.1 million
  - CBAS expenses are up $ 1.5 million
  - Health Education costs are down ($ 3.1 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, Healthy Workers capitation rate increases as well as some high dollar inpatient hospital claims that we incurred in January. Healthy Workers pharmacy costs are higher due to increasing drug costs and associated utilization, however, due to the rate increase effective April 1, 2021, SFHP is no longer losing money on the Healthy Workers pharmacy benefit. 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 $5.0 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, e.g., CalAIM and CMS Interoperability. Overall administrative expense savings have been partially offset by PBM administrative fees as we did not expect to have responsibility for the Medi-Cal pharmacy benefit in CY 2021.

PROJECTIONS

Mr. Bishop then reviewed the following financial projections through October 2021:

1. Due to the ongoing 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 April, we have added 18,400 new members. These new members have been spread across the Adult, Child and Adult Expansion categories of aid. We 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. Due to

California’s strong financial position, 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 with Magellan as the vendor. 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 pharmacy benefit.

4. As previously stated, SFHP received a rate increase for the Healthy Workers pharmacy benefit, effective April 1, 2021. The rate increased from $57.67 pmpm to $93.61 pmpm. This will deliver approximately $400,000 in additional revenue and eliminate the monthly loss SFHP has been experiencing with this benefit. The new rate is good through June 30, 2022. SFHP, the San Francisco Department of Public Health and the San Francisco Human Services Agency will be reviewing the Healthy Workers rate on an annual basis and will seek further increases if/when current rates are no longer adequate to cover costs.

5. 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 Strategic Use of Reserves (SUR) programs along with retroactive adjustments implemented by DHCS totaling $12.7 million.

6. Beginning in July 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.

7. 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.

Investment Reports

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

Reece 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.

3. Review and Approval of Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority for Fiscal year 2021-22

Recommendation: Approval of Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority Fiscal Year 2021-2022.

John F. Grgurina, Jr. CEO, introduced Arthur Javier, Supervisor, Accounting and Millie Sandu, Senior Budget and Reporting Analyst, who are on the Finance staff and assisted Mr. Bishop and Mr. Takeuchi with the FY 21-22 budget.

Mr. Grgurina began the overview of the FY 21-22 budget for SFHP with highlights from the FY 21-22 Budget – Frequently Asked Questions (FAQs) document. He stated that SFHP projects an overall margin of $2.0 million. This compares to an anticipated margin of $3.6 million for FY 20-21. After excluding the impact of Strategic Use of Reserves (SUR) carrying over from prior years, SFHP projects a $3.5 million margin from operations. This compares to an anticipated margin from operations of $5.3 million for FY 20-21.

Mr. Grgurina reviewed that given the ongoing uncertainty of the COVID-19 pandemic, the SFHP FY 21-22 budget includes the following assumptions:

- The Public Health Emergency (PHE) is expected to continue for the remainder of calendar year 2021. As a result, we project membership to increase during the period July through December 2021.
- We anticipate the PHE to end December 31, 2021 and when the Medi-Cal redetermination process resumes in January 2022, we expect membership to gradually decline as some members will be placed on hold and other members will be terminated from the Medi-Cal program.
- Effective July 1, 2021, the hospital risk for members enrolled with the San Francisco Community Clinic Consortium (SFCCC) will transfer from Zuckerberg San Francisco General (ZSFG) to SFHP. This change is projected to cost the Plan an additional $18 million in medical expense during

FY 21-22.

- The budget was prepared using current Medi-Cal revenue rates for July through December 2021. For the period January through June 2022, we assumed a conservative premium revenue rate increase of 1%. We expect to receive the final CY 2022 rates from DHCS in late December 2021.
- The budget assumes we will continue to have responsibility for the Medi-Cal pharmacy benefit for July through December 2021. We expect the pharmacy benefit to transfer to the State beginning January 1, 2022.
- Due to significant unknowns such as rates and volume, the budget does not include the following new programs that are scheduled to begin on January 1, 2022. SFHP budgets to break even on these new programs:
    - Enhanced Care Management/In Lieu Of Services (ECM/ILOS)
    - Major Organ Transplants
    - Student Behavioral Health
    - New Members Transitioning from Medi-Cal Fee-For-Service (number of members is unknown at this time)

Mr. Bishop then highlighted the following PowerPoint slides for the Board.

MEMBERSHIP DECREASING FOM JUNE 2021 TO JUNE 2022

Medi-Cal membership is projected to be 144,788 on June 30, 2022. This compares to 146,594 on June 30, 2021, representing a decrease of 1.1%.

With the PHE expected to end December 31, 2021, the redetermination process will resume in January 2022. As a result, we expect to see a gradual decline in membership during the second half of FY 21-22. Although we expect to have fewer members by June 30, 2022, total member months for the fiscal year will be greater than FY 20-21 due to higher membership levels in the earlier months of the fiscal year.

MEMBER MONTHS INCREASING, REVENUE AND MEDICAL EXPENSE DECREASING FROM JUNE 2021 TO JUNE 2022

In an increasing member months environment, we expect to see corresponding increases in revenue and medical expense. Instead, revenue is expected to decrease by $7 million due to the following:

- $48 million decrease in Medi-Cal pharmacy revenue and expense as we expect the pharmacy benefit to transfer to the State effective January 1, 2022.
- $46 million decrease in Directed Payments funding. Directed Payments received during FY 20-21 covered 18 months. It is expected that Directed Payments to be received during FY 21-22 will cover only 12 months. Directed Payments do not impact the bottom line. This funding is passed through to ZSFG, University of California San Francisco (UCSF) and contracted private hospitals. The Department of Managed Health Care (DMHC) and DHCS allow health plans to record Directed Payments as revenue and medical expense.
- $15 million decrease in Intergovernmental Transfer (IGT) funding. IGT funding received during FY 20-21 covered the full Bridge Period from

July 2019 through December 2020. It is expected that IGT funding to be received during FY 21-22 will cover only 12 months. IGT funding does not impact the bottom line. IGT funding is a pass-through to ZSFG and UCSF. As with Directed Payments, DMHC and DHCS allow health plans to record IGT funding as revenue and medical expense.
- The decreases noted above are mostly offset by an increase in member months, changes in membership mix and the increase in the Healthy Workers premium rate that was effective April 1, 2021.

HEALTHY WORKERS PHARMACY

Although we anticipate that the Medi-Cal pharmacy benefit will be carved out of Medi-Cal managed care effective January 1, 2022, SFHP will continue to have responsibility for the Healthy Workers pharmacy benefit for the entire fiscal year. The pharmacy rate increased from $57.67 pmpm to $93.61 pmpm effective April 1, 2021. The FY 21-22 budget projects the pharmacy cost to be $88.90 pmpm. As a result, SFHP expects monthly losses to be eliminated and projects a small margin going forward. SFHP, the San Francisco Department of Public Health and the San Francisco Human Services Agency will be reviewing the Healthy Workers rate on an annual basis and will seek further increases if/when current rates are no longer adequate to cover costs.

MEMBER MONTHS INCREASING, REVENUE PMPM DECREASING

Revenue on a per member, per month basis is projected to decrease for Seniors and Persons with Disabilities (SPD) and Medi-Cal Expansion (MCE) members due to reductions in Directed Payments and IGT funding as well as from the loss of revenue when the Medi-Cal pharmacy benefit is transferred to the State effective January 1, 2022.

	FY 21-22	FY 20-21	% Change
Medi-Cal SPD	$865.75	$983.98	(12%)
Medi-Cal MCE	$365.53	$403.43	(9.4%)

ADMINISTRATIVE EXPENSE INCREASING BY $5.8 MILLION

FY 21-22 administrative expenses are projected to increase by $5.8 million which represents a 11% increase over FY 20-21. This increase is due to:
- Reestablishing the bonus accrual ($3.3 million). Actual administrative expenses for FY 20-21 did not include bonus expense as the accrual was fully funded from the previous year.
- Projecting a merit increase effective September 1, 2021 ($1.1 million). Actual administrative expenses for FY 20-21 did not include additional salary costs related to merit as we did not move forward with a merit increase effective September 1, 2020.
- Lowering the employee attrition factor from 11% to 10% ($1.0 million). Employee turnover is expected to remain low due to the ongoing impact of

the COVID-19 pandemic.
- Increases in the cost of employee benefits ($300,000). Aetna medical premiums increased by 8.7% and Kaiser medical premiums increased by 4.9%.

It is important to note that SFHP is not requesting any new full-time equivalents (FTEs) for FY 21-22. Our staffing is projected to remain at 400 FTEs which is the same level as FY 20-21. We will have a need for additional staff to handle the new programs scheduled to begin January 1, 2022 (Enhanced Care Management/In Lieu of Services (ECM/ILOS), Major Organ Transplants, and Student Behavioral Health), however, there is not enough information available at this time to determine staffing needs.

Rand Takeuchi, Director of Finance, followed with an explanation of the following assumptions that were among several used to develop the FY 21-22 budget:

Medi-Cal Membership:
- Membership projected to decrease by 1.1% between June 2021 and June 2022.
- Public Health Emergency is expected to end December 31, 2021, which will remove the hold on the redetermination process. As a result, we will see a gradual decrease in Medi-Cal enrollment.
- Conservative estimate of an 1.0% premium rate increase for the period of January through June 2022. We expect to receive CY 2022 draft rates in October or November 2021, with final rates expected in late December.

Pharmacy:
- SFHP expects to have risk for the Medi-Cal pharmacy benefit for the period of July through December 2021. We anticipate the pharmacy benefit will be carved out of Medi-Cal managed care effective January 1, 2022. The carve out of the pharmacy benefit represents a $48.0 million revenue reduction for six months.
- The premium rate for the Healthy Workers (HW) program effective on April 1, 2021 includes an increase in the pharmacy rate from $57.67 pmpm to $93.61 pmpm. This increase is projected to allow SFHP to achieve at least break even for the HW pharmacy benefit.

Mr. Fawley stated he is very impressed with the details and the budget was put together well. Mr. Fawley gave a huge thank you to the Finance Budget Team. Dr. Fugaro also expressed his gratitude to Finance Budget Team as well.

With the Finance Committee recommendation, the Board unanimously approved the Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority Fiscal Year 2021-2022 as presented.

4. Review and Approval of SFHP FY 2021-22 Organizational Goals and Success Criteria Measures

Recommendation: SFHP recommends the Governing Board approve the annual organizational performance goals and success criteria for FY 21-22.

Mr. Grgurina reviewed the proposed FY 21-22 organizational goals and success criteria to the Board. He stated that depending on the financial results at the end of the FY 21-22, the Board would determine whether staff bonuses are appropriate, and if so, the following organizational goals and success criteria would be used to determine the final score to calculate the staff bonus. The organizational goals for FY 21-22 are structured around our four organizational strategic anchors. The table below provides the high-level point distribution across the goals for each of the four strategic anchors.

Strategic Anchor Goals	Points
One: Universal Coverage	**25**
Two: Quality Care and Access for Members and Participants	**35**
Three: Exemplary Service to Members and Stakeholders	**20**
Four: Financial Viability for Plan and Safety Net	**20**
Total	**100**

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: Modernize Healthy San Francisco and Increase SF City Option (CO) Employee Utilization of SF CO Benefits

Goal 1.1
15 points - Modernize Healthy San Francisco (HSF) Enrollment and Eligibility.

1.1.1 *5 points* - Update HSF eligibility and enrollment policies in collaboration with the San Francisco Public Health Department (SFDPH) by February 28, 2022.
1.1.2 *5 points* - Issue HSF eligibility system RFP and select a vendor by April 30, 2022.
1.1.3 *5 points* - Agree to contract terms with HSF eligibility system vendor by June 30, 2022.

Goal 1.2
10 points - Increase SFCO employee utilization by implementing American Institute for Research recommended strategy to simplify and overhaul all program materials and website and pilot an employer outreach strategy.

1.2.1. *4 points* - Overhaul of SFCO marketing materials, including inventory collateral and rewrite to 8th grade reading level by May 1, 2022.
1.2.2. *2 points* - Revise SFCO website to improve intuitiveness, website architecture, and language, including stakeholder feedback, by June 1, 2022.
1.2.3. *4 points* - Implement employer outreach pilot targeted by size and utilization, including design concept, implementation, and evaluation.
    - Segment employers by size and utilization rates and develop employer outreach strategy by September 30, 2021.
    - Implement pilot and evaluate effectiveness by June 1, 2022.

STRATEGIC ANCHOR 2:
Quality Care and Access for Members and Participants – 35 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.

Goal 2: Improve Members' Access to Care by Addressing Health Equity and Disparities through Meeting New NCQA Standards and Implementing CalAIM Programs.

Goal 2.1: Addressing Health Equity and Disparities – 20 points
As part of SFHP's accreditation by the National Committee for Quality Assurance (NCQA), SFHP will need to meet the new NCQA Health Equity Standards, as well as begin SFHP's preparation for the NCQA Multicultural Health Care (MHC) standards. These would be aligned with the SFHP diversity, equity and inclusion work with VISIONS, Inc., a non-profit training, and consulting organization, specializing in diversity and inclusion, founded in 1984.

The following goals will help SFHP meet these new NCQA standards:

2.1.1 <u>*10 points - Meet NCQA Multicultural Health Standard for Race, Ethnicity, Language Data (MHC 1)*</u>
By June 30th, 2022:
- *3 points* - Develop a workgroup to identify sources of the new data to meet identified the health equity opportunities above.
- *4 points* - Incorporate at least one of the selected data sets into core systems in alignment with SFHP data priorities, e.g., take steps to implement the Healthy Places Index (a standardized resource to identify groups at high risk of health disparities). Steps may include an assessment, additional software, and actions on the data. This will also be maximized for new HEDIS standards.

- *3 points* - Update the population assessment with the new data set to be able to identify and address health equity opportunities as related member gender identities, racial and ethnic groups, and cultural and linguistic needs.

2.1.2 *<u>10 points - Support NCQA Multi-Cultural Health Standards designation and Proposed NCQA Health Equity Standards through the following additional activities</u>*

- *5 points* - Develop and implement a process to incorporate health disparities data to inform interventions and/or materials in at least into two member-facing programs/activities.
  - Minimum – Two projects (3 points)
  - Meets – Three projects (4 points)
  - Stretch – Five projects (5 points)

    Project proposals will be developed and selected after data analysis and evaluation of member needs.
- *5 points* - Analyze, evaluate, and identify gaps in the capacity of the provider network to meet the language needs of members and needs for culturally-appropriate care.

2.2 Successful CalAIM Program Implementation - 15 points

Achieve the required DHCS deliverables for key CalAIM programs that are scheduled to be implemented in FY 21-22: 1) Medi-Cal Rx transition program and 2) enhanced case management (ECM) and in-lieu of services (ILOS) on January 1, 2022.

2.2.1 *3 points* - Assist our High-Risk members with Medi-Cal Rx Pharmacy Transition Outreach & Support

2.2.2 *12 points* – ECM/ILOS Program Implementation

- *7 points* - Successfully launch ECM program for Phase 1 populations on January 1, 2022.
- *3 points* - Complete analysis and planning for ILOS services to be offered, with timelines aligned with the DHCS Incentive Payment Program.
- *2 points* - Enact project plan for Phase 2 (CY 2022) ECM populations, CalAIM Population Health requirements by June 30, 2022.

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.

Goal 3: Build SFHP's internal capacity as a diverse, equitable and inclusive (DEI) organization to better serve our members, providers, and each other.

1. *10 points* - Based on the organizational assessment completed by VISIONS, Inc., establish SFHP's strategy and tactical plan within 90 days of delivery, to improve and sustain DEI policies and actions at SFHP.
2. *10 points* - 100% of SFHP staff (exclude people on leave) participate in the Visions-led, live, 16-hour DEI training (four half days), to be completed by May 1, 2022.

STRATEGIC ANCHOR 4:
Financial Viability for Plan and Safety Net – 20 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: Improve Encounter Management Among Medical Groups and Hospitals to Maximize Payments to Providers.

DHCS continues to place a stronger emphasis on encounter data and has communicated to the Medi-Cal Managed Care Plans (MMCPs) that in the coming years, encounters will become the primary data source used in the annual rate-setting process. The ability for the MMCPs to continue to receive dollar-for-dollar credit for capitation paid to medical groups and hospitals will become a secondary component of rate development. SFHP's goal is to protect current Medi-Cal rate levels to maximize payments to providers. Working with providers to ensure complete and timely encounter submissions will be key to achieving this goal.

1. *10 points* - Track priced encounters as a percentage of capitation paid for each capitated medical group and hospital. Tracking will be done on a quarterly basis and will include a comparison to previously established baselines.

2. *10 points* - Analyses of encounter value versus capitation paid will be shared with capitated medical groups and hospitals on a quarterly basis. In those instances where the comparable value of priced encounters continues to be low relative to capitation paid, document findings of how capitation funding is used by medical groups and hospitals in ways not captured in the valuation of encounters. Documentation to also include

action steps taken by medical groups and hospitals to improve the completeness of future encounter submissions.

The Board unanimously approved the annual organizational performance goals and success criteria for FY 21-22.

5. Chief Medical Officer's Report

a. Review and Approval of an Extension of the Beacon Health Options Contract through June 30, 2024.

Recommendation: SFHP recommends the Governing Board approve the option to negotiate a two-year extension of current Beacon Health Options performance-based contract through June 30, 2024. Extension of the Beacon contract through June 30, 2024 would provide SFHP with the option to assess the behavioral health needs and responsibilities of the Plan in relation to the Department of Health Services' (DHCS') CalAIM initiatives, including those of a Dual Eligible Special Needs Plan (D-SNP) anticipated for January 2025. The duration of the extension of the Beacon contract would be subject to negotiations and the strength of Beacon's proposal.

Fiona Donald, MD, CMO, reviewed the recommendation to the Board. (A detailed memo was provided in the Board packet.) She stated that she would provide the Board with an update regarding the final negotiated contract at a future meeting.

The Board unanimously approved to negotiate a two-year extension of the current Beacon Health Options performance-based contract, which expires on June 30, 2022, through June 30, 2024.

b. Review and Approval of Practice Improvement Program (PIP) Funding for FY 2021-22

Recommendation: SFHP recommends that the Governing Board approve the continuation of previous Practice Improvement Program (PIP) funding with capitation withholds in the amounts of 18.5% for Medi-Cal.

Dr. Donald reviewed the recommendation and background to the Board. (A detailed memo was provided in the Board packet.) She stated that the 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 from the provider's capitation rates, which has historically been 18.5% of Medi-Cal professional capitation rates. The PIP funding has been an effective incentive to achieve quality performance measures among the medical groups.

Dr. Donald requested the Governing Board continue with funding the PIP with the 18.5% withhold of professional capitation rates.

Reece Fawley stated the Finance Committee strongly recommends this recommendation as it has proven to provide appropriate incentives to medical groups. With the Finance Committee's recommendation, the Board unanimously approved PIP funding for FY 2021-22.

6. Review and Approval CalPERS Salary Schedule

Recommendation: SFHP recommends the Governing Board approve the adoption of the SFHP FY 2021-2022 Salary Schedule to meet CalPERS requirements regarding retiree salary computation. The Salary Schedule changes include increasing the ranges by 3.0%.

Brian Gentner, Director, Human Resources, presented the CalPERS salary schedule on behalf of Kate Gormley, Chief human Resources Officer.

Mr. Gentner reviewed that to satisfy CalPERS requirements, SFHP must provide CalPERS with a copy of our Salary Ranges and Positions by Grade Level ("Salary Schedule") on an annual basis, with a formal approval by the Governing Board.

Mr. Gentner reviewed that the SFHP compensation philosophy is to pay at the mid-range (middle of the pay scale) of the market for both base and bonus compensation. We provide merit increases based on performance, not on years of service. We have continued to gauge our compensation program against the marketplace. Additionally, to ensure proper market pricing for all SFHP positions, SFHP continues to use the following sources for market salary data:

- The Warren Survey: We continue to participate in the semi-annual Warren Surveys. Warren participants are 300+ HMO, managed care, hospital systems, health plans and other related organizations in over 630 locations nationwide and include over 370,000 incumbents.
- Kenexa's Comp Analyst: This survey augments our market data for non-health services-related positions, as we continue to face fierce competition for these positions. This tool allows data slices by regional area, industry, and/or organization size, thus tailoring each position review to our specific situation.
- LHPC: The survey provides compensation data for executives and directors in local health plans.
- Culpepper: The Culpepper survey focuses on Healthcare and Healthcare IT.
- Radford: Radford is Silicon Valley's iconic high tech / biotech survey and has recently branched into healthcare.
- ACAP Survey Report: We continue to participate in this survey, which provides data for executive and director level positions based on input from 23 community affiliated plans nationwide.

Mr. Gentner stated the economy has had an unprecedented and challenging year due to COVID, which impacted employee compensation in most industries. Indications are that the economy is settling and that those employers who paused salary range and merit increases are resuming both. Projections for 2021-2022 salary budget increases in the San Francisco Bay Area vary between 2.6% and 3.0%, with the consumer price index for the San Francisco Bay area coming in at 3.7%. While the market data varies, based on the survey sources that SFHP believe best represent our job market, he stated that SFHP recommends increasing our 2021-2022 salary ranges by 3.0%. This would be the first salary range change since September of 2019, as we did not move the ranges or provide merit increases in September of 2020.

Source	**2021 Projected Salary Increases**
Culpepper - Health Plans US Wide (mean/median)	2.11% / 2.0%
Culpepper - SF Bay Area (mean/median)	2.6% / 3.0%
Economic Research Institute - US Wide	3.0%
Korn Ferry / Hay - US Wide	2.5%
Mercer - US Wide	2.8%
PayScale - US Wide	3.0%
Salary.com - US Wide	3.0%
The Conference Board	2.5%
Willis Towers Watson - US Wide	3.0%
WorldatWork - US Wide (mean/median)	3.1% / 3.0%
Consumer Price Index - SF Bay Area	***3.7%***

Local Health Plans of California (LHPC) Plan Changes: We also consulted with our LHPC health plans and found the following plans for their 2021-2022 salary range and merit increases:

Plan	**Merit / Range Change**
#1	4.11% Merit / No Info on Range Movement
#2	2.05% Range Increase
#3	Undecided
#4	3% Merit / No Info on Range Movement
#5	3% Merit / No Info on Range Movement
#6	3% Merit / No Info on Range Movement
#7	4% Range Increase / 3% Merit
#8	3.5% Merit / No Info on Range Movement
#9	2.0% Range Increase; 0% Merit for C-Suite 2% Merit for Directors; 3% Merit for All Other EEs
#10	2% Merit / 3% Range Increase

2021 – 2022 Salary Range Structure: Mr. Gentner stated that SFHP salary ranges would continue to be very broad to allow for management flexibility as well as to ensure that all incumbents' base pay falls within the market driven, Governing Board-approved salary ranges to meet CalPERS requirements (upon retirement, the retiree's highest three consecutive years of salary must be within the range of their position to initiate retirement benefits). Currently, SFHP has 60 compensation categories to simplify administration.

2021 – 2022 Merit Increases: SFHP is budgeting a 3.46% overall merit increase for 2021-2022, although individual increases will vary between 0% and 5.0% depending upon the individual's performance score:

SFHP Salary Increase Matrix

Performance Rating		Score	Expected Distribution	Salary Increase
Outstanding Performance	5	4.5 - 5.0	~ 5%	5.0%
Exceeds Expectations	4	3.75 - 4.49	~ 30%	4.0%
Successful Contributor	3	3.5 - 3.74	~ 60%	Up to 3.5%
		3.0 - 3.49		3.0%
Some Improvement Needed	2	2.5 - 2.9*	~ 5%	Up to 2.5%
		1.0 - 2.49		0%

* Merit increase for scores from 2.5 - 2.9 are at the discretion of department executive.

Additionally, as we have done in prior years, SFHP will be making market adjustments to keep pace with the job market, requiring an additional 0.2% to provide 68 employees (approximately 19.4% of the staff) with a market adjustment. This would bring the 2021-2022 salary increase budget to 3.66% for merit increases and market adjustments.

Mr. Fawley stated that the Finance Committee found the proposal in line with LHPC health plans and appeared to be fair. With the Finance Committee recommendation, the Board unanimously approved the CalPERS salary schedule.

7. Review SFHP Staff Remote Work Status

This item was presented for discussion only; no Board action was required at this time. Mr. Grgurina provided the Board with an overview of three potential future remote work policy options. (Detailed slides were provided in the Board packet.)

1. Give employees choice in calendar year 2022 and beyond (except for jobs that require being in the office, such as Enrollment Services); or
2. Extend the current shelter-in-place (SIP) policy for six to 12 months, except for jobs required to be in the office (such as Enrollment Services). Consider final policy at a later time; or

3. Revert to pre-SIP policy, which was no more than two days of remote work per week, except for limited, approved full-time remote.

Mr. Grgurina stated that the preferred recommendation in the long run would be option #1, but option #2 may be needed to give employees adequate notice of the policy change and to prepare. Employees would be given a 90-day notice before being mandated to return to the office.

A few Board members expressed their concerns. Mr. Grgurina stated this is just a discussion as we would like to hear feedback from the Board as the Executive Team continues to work on this and would take the Board's suggestions and recommendations into consideration. Mr. Grgurina asked the Board members to express their questions and concerns, without staff responses, and that he would respond at the next meeting. The following is a list of the questions and comments from the Board members:

- Lawrence Cheung, MD, asked what other health plans are planning. Ms. Gormley stated that they are in the planning stages as well, but it appears that there is a mix of approaches.
- Maria Luz Torre asked how new employees receive training on a remote basis. Ms. Gormley stated that remote training is provided in full, as all training modules were converted to a remote training.
- Jian Zhang expressed the importance of ensuring privacy of data.
- Mr. Fawley stated if a hybrid approach is taken, how would that be managed with some employees coming in one or two times per week and the others are remote?
- Emily Webb expressed that flexibility for employees is important and the ability to compete for talent. She stated that most are likely going to use a hybrid approach. She also said it is important for SFHP to maintain its identity. Allowing 100% remote would have an impact on the identity and culture of SFHP.
- David Woods also agreed about the need to maintain identity. He also asked about out of state taxes and benefits.
- Irene Conway asked if some employees would come into the office sometimes and if some lived far away, would SFHP cover their costs to fly in?
- Eddie Chan stated that workers compensation would be a challenge since employees may get hurt at home and SFHP has no control. What would the impact be on productivity?
- Edwin Batongbacal asked about the social impact on employees and on SFHP's functionality, workflow, and signatures?
- Greg Wagner stated the importance of choice. Employees should be treated fairly, but SFHP should be allowed flexibility in case some staff would need to be required to come into the office to serve members and providers.
- Mr. Fawley shared that there would likely be an increase in paid time off liability. He also stated there may be a risk that some employees may quit if they are not offered a work-from-home option.

8. State Budget – Governor Newsom's May Revisions

Sumi Sousa, Chief Policy Development and Coverage Programs Officer, provided the Board with an overview of Governor Newsom's May budget revisions. (Detailed PowerPoint slides were provided in the Board packet.)

Ms. Sousa stated that the May Revise included over 400 new spending proposals, fueled by enhanced state revenues and the federal American Rescue Plan. Ms. Sousa focused on the key Medi-Cal proposals. She stated that the May Revise would new benefits to Medi-Cal included doula services, effective 1/1/22, 12-month post-partum coverage, effective 4/1/22, continuous glucose monitors for adults with Type 1 diabetes, effective 1/1/22, and over-the-counter cough and cold medicine and acetaminophen, effective 7/1/222. She also stated that the May Revise proposes to withdraw the proposed suspensions of Medi-Cal optional benefits (audiology, optical, podiatry, etc.) and proposition 56 Tobacco Tax enhanced payments and programs. Ms. Sousa also stated the May Revise would expand full-scope Medi-Cal to undocumented adults 60 years and over, no sooner than May 1, 2022.

She stated that the budget must be completed by June 15, 2021 according to state law. She expects that most Health and Human Services proposals would likely to remain intact or be expanded. For example, Medi-Cal expansion to undocumented adults may be broadened by lowering eligible age from 60 years old to 50 years old. Reimbursement for audio-only telehealth may go higher than 65% of Medi-Cal fee-for-service fee schedule as well (video telehealth is already reimbursed at 100% of the fee schedule).

9. Member Advisory Committee Report

Due to time constraints, the Member Advisory Committee report was not discussed.

10. CEO Report

Due to time constraints, the CEO report was not discussed. Please reference to the CEO report provided in the Board packet.

11. Adjourn

Dr. Fugaro adjourned the meeting.

____

Reece Fawley, Secretary/Treasurer