SAN FRANCISCO HEALTH PLAN
Here for you

Joint San Francisco Health Authority/San Francisco Community Health Authority Governing Board
June 8, 2022
Meeting Minutes

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

Members
Present: Eddie Chan, PharmD, Irene Conway, Reece Fawley, Steven Fugaro, MD, Roland Pickens, MHA, FACHE, Joseph Woo, MD, Jian Zhang, DNP, MS, FNP-BC

Members
Absent: Steve Fields, Maria Luz Torre, Greg Wagner, and Emily Webb

Guests: Eunice Majam-Simpson, Johanna Liu, and Deneen Hadley

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, counsel with DSR Health Law, contracted with San Francisco Health Plan (SFHP), and Johanna Liu, MBA, President & CEO of San Francisco Community Clinic Consortium (SFCCC). There were no public comments.

Dr. Fugaro then welcomed Johanna Liu and announced she will be joining the Board once her appointment goes through the Board of Supervisors office. In addition, Dr. Fugaro acknowledged and thanked Reece Fawley for his 20 plus years of service on the Board. Dr. Fugaro then opened the floor for comments and all of the Board members expressed their appreciation and gratitude for Mr. Fawley's service and leadership over the 20 years as a member of the Board and Chair of the Finance Committee. Mr. Fawley thanked the Board and said a few words.

1. Approval of Consent Calendar

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

a. Approval of Minutes from the Special May 2, 2022 and May 4, 2022 Governing Board Meetings
b. Findings and Resolution 2022-09 That Establish the State of Emergency Continues to Impact the Ability of Governing Board and Committee Members to Meet Safely in Person and/or State or Local Officials Continue to Impose or Recommend Measures to Promote Social Distancing

The Board unanimously approved the consent calendar without any issues.

2. CEO Report

Yolanda R. Richardson, CEO, presented her CEO report to the Board. (Detailed memo provided in the Board packet.) Ms. Richardson stated in the past few weeks, our country has been faced with unspeakable tragedy. For many of us, the horrific acts of violence have impacted us in ways we could never have imagined. The Executive Team and I have been addressing these issues with our staff ensuring their knowledge that the health and welfare of SFHP employees and our community is top of mind. As we all search for answers, we hope that through our sadness, anger, and fear that we find comfort and peace in each other.

Ms. Richardson mentioned at the last Governing Board meeting, she shared our key areas of focus for the Plan this year. Below is a summary of are some of SFHP's advancements.

Evidence-Based Decision Making

The organization just received the Employee Satisfaction Survey distributed in April. The Executive Team and I are reviewing the results to identify opportunities to sustain and improve, where needed, the experience of the staff. We look forward to sharing the results with the Governing Board in September.

Building and Strengthening Partnerships

Mr. Richardson stated she continues to enjoy and, most importantly, learn from my meet and greets with members of the Governing Board. The information is helping her to form a clear vision of how instrumental the Plan can be in supporting our providers. She also met with Dr. Liu, who will be joining the Governing Board. We are very much looking forward to her energy and perspective.

She also attended the Local Health Plan Initiative member retreat where Mark Ghaly, MD, California Secretary of Health and Human Services, spoke. Dr. Ghaly emphasized that recent mandates, and policy changes, are focused to drive both innovation and thought leadership within the Managed Care Plans.

Leadership Development

Both the Executive and Management Team's at SFHP have been participating in Diversity, Equity, and Inclusion (DEI) training over the course of several weeks focusing on communication and interpersonal skills. We know that learning and practicing DEI skills internally, will position the Plan to support health equity efforts more broadly in San Francisco.

Ms. Richardson, then shared her gratitude to Mr. Fawley as he retires from our Governing Board and Finance Committee members at the end of June. He has been with us for over 20 years and has been a strong, steady, and rock-solid partner. While being a representative of the University of California, San Francisco, a key stakeholder in our community and provider network, Mr. Fawley has always taken his fiduciary responsibilities as a Board member seriously and served with the purpose to ensure the entire provider network was represented equally and fairly. It has been with remarkable skill and engagement that he has served as Chair of the Finance Committee and Secretary/Treasurer of the Board year after year and helped ensure the Plan's financial stability and viability. We have been extremely fortunate to have had his leadership, guidance, and partnership for these past two decades. She thanked Mr. Fawley and wished him much happiness and joy in retirement.

Lastly, Ms. Richardson shared unexpected news of the passing of Dale M. Butler in May. Mr. Butler passed away after a long illness. He was a Board member with San Francisco Health Plan since March 2000, representing labor. SFHP is grateful for his 20 years of service to the Plan and will miss him. His career with labor unions spanned over 30 years and he was also an educator, serving as guest lecturer at the University of San Francisco. As one of our longest serving Board members, Mr. Butler was a strong advocate for our staff, members, and providers. We offer our condolences to his family and are waiting for news about a service. We will share the information when it becomes available.

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

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

Rand Takeuchi, Director, Accounting, reviewed the year-to-date unaudited financial statements for the period ending April 30, 2022. He stated that the period ending April 30, 2022, reported a margin of $4,460,000 versus a budgeted loss of ($295,000). After removing Strategic Use of Reserves (SUR) activity, the actual margin from operations was $4,560,000 versus a budgeted loss of ($463,000).

Once again, the strong results for April were expected given the rate increases DHCS/Mercer included in the CY 2022 rate development. Base rates increased by 6.7% and DHCS/Mercer included another 5.2% to cover the net additional costs to SFHP for taking responsibility for the hospital risk related to the SFCCC members.

On a year-to-date basis, we have a margin of $17,875,000 versus a budgeted margin of $1,602,000. After removing SUR activity, the actual margin from operations was $18,885,000 versus a budgeted margin of $2,849,000.

The variances between April actual results and the budget can be explained by the following:

1. Variances between April actual results and the budget include:
    a. A net decrease in revenue of $10.0 million due to:
        i. $9.2 million more in Medi-Cal premium revenue due to an additional 13,266 member months along with the premium rate increases noted above. Membership mix was also favorable as 79% of the additional member months were in the Adult, Adult Expansion and Seniors and Persons with Disabilities (SPD) categories of aid where the per member, per month premium rates are much higher than rates for the Child and Duals categories of aid.
        ii. $643,000 more in Other Income due to the receipt of COVID-19 vaccination incentive funding. Effective September 2021, DHCS established a vaccination incentive program for managed care plans designed to increase the vaccination levels among Medi-Cal beneficiaries. As of April 2022, SFHP ranks first in the state with the highest percentage (71%) of Medi-Cal beneficiaries receiving at least one dose of COVID-19 vaccine. SFHP's performance against a variety of measures qualified the plan to receive this incentive funding.
        iii. $213,000 more in Maternity revenue. We reported 116 maternity events during April versus a budget of 91 maternity events.

    b. A net increase in medical expense of $5.9 million due to:
        i. $3.2 million more in net capitation as the result of having 13,266 more member months plus a more favorable membership mix than what the budget projected. In addition, Kaiser's membership remains strong at 15,000 members or 9.4% of SFHP's total Medi-Cal membership. As discussed at the May Finance Committee meeting, Kaiser is considered a Global Subcontractor and received 98% of the premium SFHP receives from DHCS which increases SFHP's capitation expense. This relationship with Kaiser will remain in place through December 2023. Effective January 2024, Kaiser will have a direct contract with DHCS which means the 15,000 members will transition out of SFHP.
        ii. $2.6 million more in fee-for-service hospital claims as shown in the chart that was reviewed on the next page.

HOSPITAL FFS - APRIL 2022				
				PCT CHANGE
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	FAV (UNFAV)
HOSPITAL FFS	$ 9,388,967	$ 6,770,860	$ (2,618,107)	-38.7%
MEMBER MONTHS	171,477	158,211	13,266	8.4%
PMPM	$ 54.75	$ 42.80	$ (11.96)	-27.9%
ADDITIONAL FFS COST FOR BUDGETED MEMBER MONTHS			$ (1,891,747)	
ADDITIONAL FFS COST FOR ADDITIONAL MEMBER MONTHS			$ (726,360)	
			$ (2,618,107)	

As we can see in the chart above, hospital fee-for-service cost was up $11.96 pmpm versus our budget projections. After analyzing the paid claims data, we came away with the following findings:

	APRIL 2022			
DESCRIPTION	ACTUAL	BUDGET	FAV (UNFAV)	FAV (UNFAV)
# OF CLAIMS PAID	344	275	(69)	-25.1%
COST OF CLAIMS PAID	$ 4,722,421	$ 3,060,679	$ (1,661,742)	-54.3%
AVERAGE COST/CLAIM	$ 13,728	$ 11,130	$ (2,598)	-23.3%

In addition to increases in claims volume and the cost per claim, we saw an increase in the APR-DRG payment weight factor of 8% (1.2169 versus 1.1268). The higher payment weight factor is an indication that on average, the severity of claims paid in April was higher than expected. This would cause the average cost per claim to increase. We had seven claims greater than $100,000 and 3 claims greater than $200,000. Normally we expect to see only 2-3 claims greater than $100,000. This increase in large dollar claims was worth $1.1 million.

c. A net increase in administrative expenses of $392,000 primarily due to lower than expected professional fees. The budget anticipated that several of the professional services/consulting engagements would continue into the last quarter of the fiscal year. For some of these engagements, the total spend was less than anticipated while other engagements ended earlier than expected. We also experienced smaller savings for the insurance and marketing line items. These variances were related to timing differences.

Rand Takeuchi, Director, Accounting, reviewed the table on the next page that highlights the key income statement categories for April with adjustments for SUR activity to show margin or loss from ongoing operations.

CATEGORY	APR 2022 ACTUAL	APR 2022 BUDGET	APR 2022 FAV (UNFAV)	APR 2022 % FAV (UNFAV)	FYTD 21-22 THRU APR ACTUAL	FYTD 21-22 THRU APR BUDGET	FYTD 21-22 THRU APR FAV (UNFAV)	FYTD 21-22 THRU APR % FAV (UNFAV)
MEMBER MONTHS	171,477	158,211	13,266	8.4%	1,657,249	1,600,958	56,291	3.5%
REVENUE	$ 59,516,000	$ 49,478,000	$ 10,038,000	20.3%	$ 742,131,000	$ 702,083,000	$ 40,048,000	5.7%
MEDICAL EXPENSE	$ 50,591,000	$ 44,676,000	$ (5,915,000)	-13.2%	$ 676,297,000	$ 653,347,000	$ (22,950,000)	-3.5%
MLR	86.9%	91.6%			92.1%	94.0%		
ADMINISTRATIVE EXPENSE	$ 4,193,000	$ 4,584,000	$ 391,000	8.5%	$ 46,654,000	$ 47,550,000	$ 896,000	1.9%
ADMINISTRATIVE RATIO	4.9%	7.9%			5.3%	5.8%		
INVESTMENT INCOME	$ (272,000)	$ 41,000	$ (313,000)		$ (1,305,000)	$ 416,000	$ (1,721,000)	
MARGIN (LOSS)	$ 4,460,000	$ 259,000	$ 4,201,000	1622.0%	$ 17,875,000	$ 1,602,000	$ 16,273,000	1015.8%
ADD BACK: SUR ACTIVITY	$ 100,000	$ 204,000			$ 1,010,000	$ 1,247,000		
MARGIN (LOSS) FROM OPERATIONS	$ 4,560,000	$ 463,000	$ 4,097,000	884.9%	$ 18,885,000	$ 2,849,000	$ 16,036,000	562.9%

He stated that on a year-to-date basis through March and after the removal of SUR activity, SFHP is reporting a margin of $18,885,000 which is significantly above budget expectations. Margins will continue to be strong for May and June due to the CY 2022 Medi-Cal rate increases effective January 1, 2022 along with increasing membership.

The variances in revenue and medical expense are due to the impact of new Medi-Cal rates effective January 2022 and 56,291 more member months than anticipated and $2.1 million less in Directed Payments (DP) and Intergovernmental Transfer (IGT)) pass-through funding.

After removing the Directed Payments and IGT funding, premium revenue is above budget by $42.1 million. This is due to:

- An overall net increase of 56,291 member months. 81% of the additional member months are in the Adult, Adult Expansion and SPD categories of aid which has a favorable impact on revenue due to the fact that the premium rates for these members are much higher than the premium rates for Child and Dual members.

- Rate increases DHCS/Mercer included in the CY 2022 rate development. Base rates increased by 6.7% and DHCS/Mercer included another 5.2% to cover the net additional costs to SFHP for taking responsibility for the hospital risk related to the SFCCC members.

After removing SUR activity, Directed Payments and IGT funding, medical expense is above budget by $25.3 million. This increase can be accounted for as follows:

- Capitation expenses are up $14,381,000
- FFS expenses are up $ 8,149,000
- Medi-Cal non-Hep C pharmacy expenses are up $ 1,267,000
- Non-specialty mental health expenses are up $ 1,139,000
- Hepatitis C expenses are up $ 686,000
- CBAS expenses are up $ 325,000
- Healthy Workers pharmacy expenses are down ($ 865,000)

Overall administrative expense is below budget by $896,000. Most of this decrease is due to lower costs in the areas of professional fees/consulting, marketing, and insurance. Some of the professional services/consulting engagements ended earlier than expected. The lower costs in the marketing area are due more to timing differences. Actual spending is expected to catch up with the budget projections during May and June.

PROJECTIONS

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

1. SFHP expects to continue to report strong margins through June 2022 due to the Medi-Cal rate increases that were effective January 1, 2022. The anticipated margins will help SFHP rebuild its reserve balance that was depleted by covering several retroactive rate adjustments implemented by DHCS that resulted in a return of $12.7 million to DHCS.

2. Beginning in July 2021, hospital risk for 16,000 SFCCC members became the responsibility of SFHP. SFHP no longer pays capitation to ZSFG for these members. SFHP is 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 remain under capitation. Original estimates showed this new risk would cost SFHP approximately $18 million to $20 million per year. With SFCCC membership now at 17,500 members as of March 2022, this new risk will cost $20 million to $22 million per year. CY 2022 Medi-Cal rate increases applied to the increased membership will cover this additional cost.

   Now that we have ten months of experience with this new risk, we can begin to see that claims paid along with Incurred but Not Reported (IBNR) estimates are coming in close to expectations. Due to the normal pattern of claims lag, SFHP has increased its IBNR claims reserve to cover the anticipated claims incurred July 2021 through April 2022, but not received as of April 30 ,2022.

3. SFHP started the new fiscal year with 2,400 more Medi-Cal members versus what was anticipated in the budget. This differential has grown to 12,000 members through April 2022. Now that the Public Health Emergency has been extended until mid-July, SFHP anticipates adding another 2,000 members in the months of May and June. This will increase our Medi-Cal membership to approximately 162,000 members.

   When the Public Health Emergency ends in mid-July 2022, SFHP anticipates that Medi-Cal membership will begin to gradually decrease starting in the fourth quarter of CY 2022 and into CY 2023 as members will be placed on hold or terminated due to no longer qualifying for the program.

4. The Medi-Cal pharmacy benefit was carved out of Medi-Cal managed care effective January 2022. This aligns with how SFHP prepared its FY 21-22

budget, i.e., we would have responsibility for this benefit through December 2021. SFHP continues to have the risk for the Healthy Workers pharmacy benefit. Although SFHP is positive $865,000 through April ($7.35 pmpm), we expect Healthy Workers pharmacy costs to gradually increase. We project that the $93.61 pmpm included in the overall Healthy Workers rate should be adequate as move into FY 22-23.

5. Beginning in January 2022, SFHP has taken on responsibility for Enhanced Care Management (ECM), Community Supports (CS), formerly known as In Lieu Of Services (ILOS) and Major Organ Transplants (MOT). Multiple teams within SFHP worked for several months to prepare for these new programs. Final rates for ECM, CS and MOT were released at the end of January. It is important to note that the ECM and MOT benefits will be subject to a risk corridor which will limit SFHP's exposure to gains and losses.

6. Proposition 56 – 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. It is important to note that the value-based payments portion of the Proposition 56 program will end June 30, 2022. All other Proposition 56 programs will continue through December 2022.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

Mr. Bishop reviewed the rate increases effective July 1, 2022:

- Base capitation is increasing by a weighted average of 5.0%.
- The Practice Improvement Program (PIP) is increasing from 18.5% to 20.0%.
- Professional FFS rate is increasing from 139% to 150% of the Medi-Cal Fee Schedule.
- CBAS centers and San Francisco Institute on Aging rates are increasing by 10%.

He showed the table on the next page, which breaks down the PIP increases by medical group.

		------------ANNUAL INCREASE-------------		
PROVIDER	% INCREASE	BASE CAPITATION	PIP	TOTAL
HEALTHRIGHT 360	5.5%	$ 90,397	$ 30,116	$ 120,514
SOUTH OF MARKET HEALTH CENTER	5.3%	$ 69,149	$ 23,396	$ 92,545
ST. ANTHONY MEDICAL CLINIC	5.3%	$ 18,492	$ 6,257	$ 24,749
MARIN CITY HEALTH AND WELLNESS	5.2%	$ 11,823	$ 4,020	$ 15,843
SAN FRANCISCO COMMUNITY HEALTH CENTER	5.2%	$ 26,439	$ 8,990	$ 35,429
BAART	5.2%	$ 7,528	$ 2,556	$ 10,084
DR. THANH TRAN	5.2%	$ 8,156	$ 2,769	$ 10,924
ZUCKERBERG SAN FRANCISCO GENERAL	5.1%	$ 4,881,408	$ -	$ 4,881,408
CLINICAL PRACTICE GROUP	5.1%	$ 2,322,260	$ 794,572	$ 3,116,832
NATIVE AMERICAN HEALTH CENTER	5.1%	$ 13,807	$ 4,742	$ 18,549
JADE MEDICAL GROUP	5.1%	$ 206,906	$ 70,963	$ 277,869
CHINESE HOSPITAL	5.0%	$ 641,306	$ -	$ 641,306
CHINESE COMMUNITY HEALTH CARE ASSN	5.0%	$ 239,236	$ 83,173	$ 322,409
NORTH EAST MEDICAL SERVICES	4.9%	$ 2,587,099	$ 904,472	$ 3,491,570
CALIFORNIA PACIFIC MEDICAL CENTER	4.9%	$ 1,726,941	$ -	$ 1,726,941
BROWN & TOLAND MEDICAL GROUP	4.9%	$ 60,327	$ 21,158	$ 81,485
HILL PHYSICIANS	4.8%	$ 68,488	$ 24,158	$ 92,647
MISSION NEIGHBORHOOD HEALTH CENTER	4.8%	$ 178,403	$ 63,302	$ 241,705
		$ 13,158,167	$ 2,044,644	$ 15,202,811
SFHP OVERALL	5.0%			
UCSF MEDICAL GROUP				$ 1,100,000
CBAS/SF IOA				$ 750,000
				$ 17,052,811

Mr. Takeuchi briefly reviewed the investment reports that were provided to the Board in the packet.

Reece Fawley stated the Finance Committee reviewed the financials and they are healthy. Joseph Woo, MD, asked if there are any optics concerns with the health plan’s positive margin. Mr. Fawley stated the plan needs to have the positive margin because we will be needing to build the reserves with the increased premium revenue SFHP is expecting in January 2023. Mr. Fawley thanked the Finance team for their outstanding work.

With the Finance Committee recommendation to approve, the Board unanimously approved the year-to-date unaudited financial statements and investment reports for the period ending April 30, 2022.

4. Review and Approval of Combined Budget for San Francisco health Authority and San Francisco Community Health Authority for Fiscal Year 2022-2023

Recommendation: Approve the Combined Budget for San Francisco Health Authority and San Francisco Community Health Authority Fiscal Year 2022-2023.

Skip Bishop, CFO, reviewed the budget to the Finance Committee. (Detailed PowerPoint slides were provided in the Board packet.) For FY 22-23, SFHP projects an overall margin of $22.3 million. This compares to an anticipated margin of $21.1 million for FY 21-22. After excluding the impact of Strategic Use of Reserves (SUR) carrying over from prior years, SFHP projects a $24.4 million margin from operations. This compares to an anticipated margin from operations of $22.3 million for FY 21-22.

Mr. Bishop reviewed the budget FAQ document to address anticipated questions and provide context for the trends we project to see during FY 22-23. The background and assumptions used in preparing the FY 22-23 budget include:

- Public Health Emergency (PHE) – For budget purposes, we assumed the PHE would end in mid-July 2022. Once the PHE ends, the Medi-Cal redetermination process will begin which means members will be placed on hold or terminated as they no longer qualify for participation in the Medi-Cal program. As a result, existing membership will gradually decline. In the event that the PHE is extended for another 90 days, membership levels will remain higher through December 2022.
- Dual member integration – Medi-Cal Dual members in San Francisco county currently enrolled in Medi-Cal Fee-For-Service will transition to managed care effective January 2023. SFHP projects adding approximately 13,500 Dual eligible members which will offset the loss of membership due to the redetermination process.
- Long-Term Care (LTC) - SFHP will become responsible for LTC benefit effective January 2023. We project to add 1,000 members to this new line of business. As we have limited experience with the LTC benefit, we have elected to budget fee-for-service costs equal to revenue. LTC will have a MLR of 101.9% due to the allocation of utilization management expenses to this line of business.
- CalAIM - existing as well as new programs related to California Advancing and Innovating Medi-Cal (CalAIM):
    - Enhanced Care Management (ECM) – effective January 2022
    - Community Supports (CS) – effective January 2022
    - Major Organ Transplants (MOT) – effective January 2022
    - Student Behavioral Health Incentive Program (SBHIP) – effective January 2022
    - Housing and Homelessness Incentive Program (HHIP) – effective January 2022
    - Dual member integration – effective January 2023
    - Long-Term Care (LTC) – effective January 2023

- Medi-Cal rates - the budget was prepared using current Medi-Cal revenue rates for July through December 2022. Although our CY 2020 Medi-Cal Rate Development Template (RDT) submission indicates we may receive a 1.7% increase in January 2023, we elected to use current rates for the period January through June 2023. We expect to receive the final CY 2023 rates from DHCS in late December 2022.
- Provider rate increases effective July 2022:
    - A weighted average increase of 5.0% for capitated providers.
    - Increase the Practice Improvement Program (PIP) from 18.5% to 20.0%.
    - Increase Professional fee-for-service rate from 139% to 150% of the Medi-Cal Fee Schedule (MCFS).
    - Increase fee-for-service rates for the Community-Based Adult Services (CBAS) centers by 10%.

    - Increase the rate for the San Francisco Institute on Aging (IOA) by 10%.

- SFCCC hospital risk - SFHP will continue to have responsibility for the hospital risk for members enrolled with the SFCCC. Zuckerberg San Francisco General (ZSFG) will continue to be paid on a fee-for-service basis with SFHP covering all out-of-network utilization. The net cost the Plan is projected to be $20-$22 million which is covered through the Medi-Cal rates.

- ZSFG risk corridor – covering five specific services – dialysis, radiation/oncology, transgender surgical services, transportation, and trauma. The cost for these services will be compared to what is included in the capitation rates paid to ZSFG. The risk corridor has a cap of $6.0 million. As current trending indicates actual cost is exceeding the capitation, it is anticipated that SFHP will be paying $6.0 million to ZSFG.

- Medi-Cal pharmacy – there is no pharmacy revenue or expense included in the budget as this benefit was carved out of Medi-Cal managed care effective January 2022.

- Healthy Workers pharmacy - we will continue to have responsibility for the Healthy Workers pharmacy benefit for FY 22-23. The projected cost is $89.00 pmpm. The Healthy Workers premium rate includes a pharmacy component of $93.61 pmpm.

MEDI-CAL MEMBERSHIP INCREASING 2.5% AS PUBLIC HEALTH EMERGENCY ENDS

Medi-Cal membership is projected to be 165,700 members on June 30, 2023. This compares to 161,655 on June 30, 2022, representing an increase of 2.5%.

Assuming the PHE ends in mid-July 2022 and the Medi-Cal redetermination process starting in September, one would expect to see an overall decline in membership. Although we do expect existing membership to gradually decline as we move through FY 22-23, the Dual eligible member integration that will happen in January 2023 is expected to add 13,500 new members which will more than offset the loss of members due to the redetermination process**.**

MEMBER MONTHS INCREASING 5% WHILE REVENUE AND MEDICAL EXPENSE INCREASING 23% AND 25% RESPECTIVELY

With a rather modest increase in member months, one would not expect such significant increases in revenue and medical expense. Factors in play include:

- The Medi-Cal premium rate increases effective January 2022 will be in place for the entire FY 22-23.

- New programs such as Enhanced Care Management (ECM), Community Supports (CS) and Major Organ Transplants (MOT) will be in place for the entire FY 22-23.
- Long-Term Care (LTC) and the Dual eligible member integration will generate an additional $88 million in revenue and related medical expense for January through June 2023.
- Provider rate increases effective July 2022 will increase medical expense by $17 million during FY 22-23.
- Enhancements to the Directed Payments program are expected to bring in an additional $120 million in revenue and related medical expense during FY 22-23. Directed Payments do not impact the bottom line. This funding is passed through to Zuckerberg San Francisco General (ZSFG), University of California San Francisco (UCSF) and contracted private hospitals. DMHC and DHCS allow health plans to record Directed Payments as revenue and medical expense.
- We project a full year of Intergovernmental Transfer (IGT) funding. IGT funding received during FY 21-22 covered only the last six months of the Bridge Period of July through December 2020. A full year of IGT funding will bring in an additional $22 million in revenue and related medical expense. IGT funding is a pass-through to ZSFG and UCSF. As with Directed Payments, IGT funding does not impact the bottom line and qualifies to be recorded as revenue and medical expense.

HEALTHY WORKERS PHARMACY

Although the Medi-Cal pharmacy benefit is now carved out of managed care, SFHP will continue to have responsibility for the Healthy Workers pharmacy benefit for the entire fiscal year. The pharmacy component of the overall Healthy Workers rate is $93.61 pmpm. The FY 22-23 budget projects the pharmacy cost to be $89.00 pmpm. As a result, SFHP projects to at least break even and possibly record a small margin. SFHP believes the $93.61 pmpm is adequate for FY 22-23, therefore we did not seek an increase when the San Francisco Department of Public Health and the San Francisco Human Services Agency met to decide on a new overall Healthy Workers rate increase proposal for FY 22-23.

ADMINISTRATIVE EXPENSE – REQUEST FOR NEW FTEs

Since FY 17-18, there has been only one budget year where SFHP included a request for new FTEs. That occurred in FY 19-20 when the Plan requested 12 new FTEs to handle the anticipated workload related to the launch of the Health Homes Program (HHP). The HHP generated additional revenue for SFHP to cover the costs of the 12 new FTEs.

The FY 22-23 budget includes a request for 10 new FTEs to handle workload related to the CalAIM initiatives such as Enhanced Care Management, Community Supports, Housing and Homelessness, as well new programs such as Long-Term Care and the Dual eligible member integration. It is anticipated that the majority of the costs for these new FTEs will be covered by increases in SFHP's Medi-Cal rates.

ADMINISTRATIVE EXPENSE INCREASING 1.8%, ADMIN RATIO DECREASING FROM 5.7% TO 4.7%

FY 22-23 administrative expenses are projected to increase by $1.0 million primarily in the area of Information Technology costs such as software licensing, system security and systems infrastructure maintenance and support.

With an overall increase in administrative expenses, one would expect that the administrative ratio would increase, however the ratio is projected to decrease from 5.7% to 4.7%. The primary drivers for this change are the increases in revenues:

- A full 12-month impact of Medi-Cal rate increases that were effective January 2022.
- A full 12-month impact of revenue from CalAIM programs that began January 2022 – Enhanced Care Management, Community Supports and Major Organ Transplants.
- Six months of revenue from Long-Term Care and the Dual eligible member integration effective January 2023.
- Increases in pass-through funding from Directed Payments and IGT programs.

Dr. Fugaro asked Mr. Fawley for any comments from the Finance Committee. Mr. Fawley stated that the Committee reviewed and discussed the budget in detail. He stated that the Committee was impressed by the thoughtful and thorough approach taken with developing a solid budget for FY 22-23. Mr. Fawley stated the Committee strongly recommends approval of the budget. With the Finance Committee's recommendation for approval, the Board unanimously approved the combined budget for San Francisco Health Authority and San Francisco Community Health Authority fiscal year 2022-2023 as presented.

5. Review and Approval of SFHP FY 2022-23 Organizational Goals and Success Criteria Measures

Recommendation: SFHP recommends the Governing Board approve the annual organizational goals and success criteria for FY 22-23.

Ms. Richardson reviewed the annual organizational goals and success criteria for FY 22-23 to the Board. (A detailed memo outlining each goal was provided in the Board packet.)

Proposed FY 22-23 Goals

Depending on the financial results at the end of the FY 22-23, the Board will determine whether staff bonuses are appropriate, and if so, the following Organizational Goals success criteria would serve as the basis to calculate the staff bonus. The organizational goals for FY 22-23 are structured around our four organizational strategic anchors. This memo provides a description of each goal in the four areas and the specific success criteria measures for each of the goals.

The table below provides the high-level point distribution across the four strategic anchors.

Strategic Anchors	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 and Organizational Goal 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 1.1: Modernize the Healthy San Francisco (HSF) eligibility and enrollment system with mCase implementation. *10 points*

1. Complete Configuration, Integration and Testing of the RedMane mCase System, the new eligibility and enrollment platform by November 1, 2022. (3 pts)
2. Complete Field Training and Implementation of mCase for all internal and external users by January 15, 2023. (5 pts)
3. Decommission One-e-App, the original, existing eligibility and enrollment system by May 30, 2023. (2 pts)

Goal 1.2: Support and measure increased San Francisco City Option (SFCO) employee fund utilization and enrollment. *15 points*

1. Implement a program of targeted communication and outreach interventions by March 15, 2023 for new SFCO employees within the first 90 days of the employer contribution. (5 pts)
2. Increase funds available for utilization by SFCO employees through improved data matching and employee enrollment, measured by fund movement from Pool to Active Medical Reimbursement Accounts (MRAs) by June 15, 2023. (10 pts)
   Minimum: $19 million - 2 points
   Meets: $21 million - 7 points
   Stretch: $36 million - 10 points

Strategic Anchor and Organizational Goal 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, including CalAIM and addressing health disparities.

Goal 2.1: Improve Members' Access to Care by Addressing Health Equity and Disparities through Meeting New NCQA Standards and Implementing CalAIM Programs. ***20 points***

1. Implement additional community support services in alignment with DHCS approved model of care.
   - Phase 2 services by March 1, 2023 (4 pts)
   - Phase 3 services by July 1, 2023 (4 pts)
2. Expand enhanced care management to:
   - Phase 2 populations of focus by January 1,2023 (3 pts)
   - Phase 3 populations of focus by July 1, 2023 (3 pts)
3. Implement Carve-in Long Term Care services by January 1, 2023. (6 pts)

2.2 Quality Improvement & Population Health Management Strategy – ***15 points***

1. Establish a plan for quality improvement and population health management aligned with DHCS by December 30, 2022. (5 pts)
2. Segment and identify populations of focus by March 1, 2023. (5 pts)
3. Execute plan by June 2023. (5 pts)

Strategic Anchor and Organizational Goal 3:

Exemplary Service to Members and Stakeholders – 20 points
Build SFHP's Internal Capacity as a Diverse, Equitable, and Inclusive (DEI) Organization to Better Serve Our Members, Providers, and Each Other.

Goal 3.1: Share SFHP employee demographic data (a VISIONS DEI Assessment Recommendation) and measure DEI capacity. ***15 points***

1. Begin measuring SFHP DEI Capacity by creating and sending the SFHP 2022 DEI Survey by September 30, 2022. (5 pts)
2. Perform and share a gap analysis of SFHP employee demographic data and establish baseline by March 31, 2023. (5 pts)
3. Create a dashboard of employee demographic data and DEI Capacity by June 30, 2023.
   - Minimum: Collect ADP data (1 pt)
   - Meet: Collect DEI Capacity Data in (3 pts)
   - Stretch: Analyze areas for growth and improvement (5 pts)

Goal 3.2: Establish and grow the SFHP DEI SharePoint as a DEI resource site for training, education, and communication. Establish at least 3 educational and

community building programs that support employee inclusivity by June 30, 2023. ***5 points***

1. Establish a workgroup that will review and prioritize available VISIONS DEI Training Videos for placement on the Intranet site by October 30, 2022. (2 pts)
2. Create an evaluation tool on the usefulness of the training videos for users by October 30, 2022 and use the results of the evaluation to inform future training content and videos. (3 pts)

Strategic Anchor and Organizational Goal 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 4.1: Support the City and County of San Francisco's (CCSF) effort to improve financial efficiencies of the SFCO program. ***10 points***

Develop and implement new cash management strategies with the CCSF Treasurer/Tax Collector office for SFCO funds currently held by SFHP. Goal includes the successful transfer of these funds under the timeline established by the CCSF as well as setting up a new process and procedures to ensure the smooth exchange of SFCO funds to support ongoing operations. (10 pts)

Goal 4.2: Protect Current Medi-Cal Rate Levels and Maximize Payments to Providers by Working to Ensure Complete and Timely Encounter Submissions – ***10 points***

1. Develop a comprehensive communication strategy and action plan for future DHCS/CMS medical loss ratio (MLR) reporting requirements applicable to delegated medical groups and hospitals by December 31, 2022. (3 pts)

2. Meet deliverables established in the action plan by conducting 1:1 sessions with each of the delegated entities that have an MLR below 85%. Includes gap assessment on concerns and feedback from the delegated entities on requirements. (4 pts)
   Minimum: Conduct 1:1 sessions with 70% of delegated entities. (2 pts)
   Meets: Conduct 1:1 sessions with 85% of delegated entities. (3 pts)
   Stretch: Conduct 1:1 sessions with 100% of delegated entities. (4 pts)

3. Delivering summary report of gap analysis from delegated entities from our sessions, assessment of readiness and additional recommendations if any. (3 pts)

Ms. Richardson stated that she would provide the Board with regular updates on the organization’s progress with the goals. The Board unanimously approve the FY 2022-23 organizational goals and success criteria as presented.

6. **Review and Approval of Practice Improvement Program (PIP) Funding for FY 2022-23**

Recommendation: SFHP recommends that the Governing Board approve:

1. Continuation of previous Practice Improvement Program (PIP) funding with capitation withholds in the amounts of 20% for Medi-Cal for the 2022-2023 fiscal year (FY); and

2. A new attestation process for Quality Improvement Program (QIP) projects, to be submitted by October 31, 2022.

Ms. Richardson reviewed the background with the Governing Board. The PIP is SFHP's incentive program for Medi-Cal clinics and medical groups to achieve improvements in system and health outcomes. (Detailed PowerPoint slides were provided in the Board packet.)

Funding is sourced from withholding a percentage from the provider's capitation rates, which increases to 20% effective July 1, 2022. The increase was due to provider rate increases approved by the Governing Board at the March 2022 Board meeting. The PIP funding has been an effective incentive to achieve quality performance measures among the medical groups. SFHP's PIP will continue to run and align on a fiscal year (July – June) with operations and the San Francisco Health Network.

Additionally, SFHP will implement a new attestation for QIP projects to streamline provider activities to enhance access to care for our members. SFHP requests continuation of funding of PIP funding for FY 2022-2023, at 20% effective July 1, 2022.

With the Finance Committee's recommendation, the Board unanimously approved FY 2022-2023 practice improvement program (PIP) funding.

7. **Review and Approval CalPERS Salary Schedule**

Recommendation: SFHP recommends the Governing Board approve the adoption of the SFHP FY 2022-2023 Salary Schedule (Attachment A) to meet CalPERS requirements regarding retiree salary computation. The Salary Schedule changes include increasing the ranges by 4.0%.

Kate Gormley, Chief Human Resource Officer, reviewed the background to the Finance Committee. To satisfy CalPERS requirements and protect our retirees' pension eligibility, we 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. (A detailed memo was provided in the Board packet.)

2022 – 2023 Compensation Philosophy and Program Review: SFHP's 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 SFHP positions, we continue to employ several 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 27 community affiliated plans nationwide.

Current Landscape and Outlook: Over the last six months, the U.S. economy has experienced significant inflation in every sector. Additionally, as we return to a "New Normal," the job market has picked up significantly resulting in higher turnover and heavy competition for attracting and retaining talent. Projections for 2022-2023 salary budget increases in the San Francisco Bay Area continue to rise steadily and accurate data is elusive given the lag in salary survey data reporting.

With the Finance Committee's recommendation, the Board unanimously approved, the adoption of the SFHP FY 2022-2023 salary schedule to meet CalPERS requirements, regarding retiree salary computation.

8. Federal State Policy Report

Sumi Sousa, Chief Officer, Policy and Coverage Programs, provided federal and state policy and updates, including the legislation regarding the DHCS contracting proposal with Kaiser, which is moving forward. Ms. Sousa reviewed the May revision: Governor proposes largest State budget ever ($300B). The state is experiencing unprecedented economic growth continues, despite impact of inflation and stock market volatility. This allows the Governor to continue proposing large investments in the health care safety net and beyond. The level of investment in Medi-Cal during the last 3 years is likely the high point for Medi-Cal for some time.

- Tens of billions in federal COVID-19 funds has flowed to California over the last 2 ½ years – much of this is likely to wind down or end in 2022-23.
- Legislative Analyst warns of elevated recession risk in the next two years.

Key Medi-Cal Proposals:

- Hospital and Nursing Facility Worker Retention Payment: $933M for one-time payments of up to $1,500 for 600,000 hospital and nursing facility workers.
- Governor continues to propose an effective date of January 2024 for the Medi-Cal eligibility expansion for undocumented adults aged 26 years through 49 years.
- $700M in equity and practice transformation payments to Medi-Cal providers to reduce health disparities. $200M is specifically targeted for preparing small providers for value-based care and payment, including electronic health records, care management systems, improved data collection and data exchange
- Long-Term Care (LTC) Integration: Delays integration of services provided by Intermediate Care Facilities for the Developmentally Disabled and Subacute Care facilities into managed care from January 2023 to July 2023. All other LTC benefits and facility types will continue to be carved into managed care January 2023.
- Eliminating premiums for Medi-Cal enrollees effective July 2022 - this proposal mostly impacts families with children with incomes 161% - 266% of the federal poverty level (FPL).
- Doula Benefit Changes: Delays implementation of this new benefit from July 2022 to January 2023 and increases the rate from $450 to $1,904 per case.

Ms. Sousa then reviewed the DHCS Kaiser Direct Contract Update:

- The DHCs proposal to contract directly with Kaiser continues to move forward in the bill, AB 2724 (Arambula).
- The bill will likely be approved as a part of the budget process.
- June 15: state budget must be passed
- July 1: start of new fiscal year
- August 31: last day for bills to pass, end of session

Ms. Sousa reviewed the impact of the Kaiser direct contract for the Local Health Plans (LHPs):

- Some LHPs have significant membership subcontracted through Kaiser. These plans would likely lose most of that membership under this proposal.
  - Partnership Health Plan, a County Organized Health Systems (COHS), has Kaiser membership ranging from 11% to 29%.
  - Contra Costa has 16%.
- Other COHS plans, such as Central CA Alliance for Health, previously were the only plan for their counties: under this proposal, Kaiser would be another choice in Santa Cruz County.
- CenCal is not impacted because Kaiser has no presence in Santa Barbara.
- SFHP's Kaiser membership is 15,070 (8.7%) members.
- LA Care's Kaiser membership is 250,000 (7%) members.

Detailed PowerPoint slides were provided in the Board packet. The Board thanked Ms. Sousa for her presentation and useful information.

9. New Medi-Cal Managed Care Populations Effective January 1, 2023

The following information is presented to the Finance Committee and Governing Board for information only. No action was needed at this time.

Skip Bishop, CFO, reviewed the background to the Board. On January 1, 2022, DHCS launched California Advancing and Innovating Medi-Cal (CalAIM), which is a multi-year initiative to transform and strengthen the Medi-Cal program. As outlined in CalAIM, the following two new populations of members will transition from Medi-Cal Fee-For-Service to Medi-Cal Managed Care effective January 1, 2023:

- Members residing in Long-Term Care (LTC) facilities.
- Dual eligible members, i.e., members that are eligible for both Medi-Cal and Medicare.

SFHP's overall strategy to maintain the coordination of care and benefits for these two new populations of members includes the Plan retaining financial risk for the services utilized.

<u>Long-Term Care (LTC)</u>
As LTC is a complex benefit with high financial risk and numerous administrative challenges, SFHP intends on consolidating management of this benefit with the Plan for the following reasons:

- Leverage relationships with existing Skilled Nursing Facilities (SNF) to optimize bed placements.
- Continuity for SNF providers such as Laguna Honda Hospital:
  - One single payer for all members enrolled with SFHP.
  - One consistent authorization process for all members enrolled with SFHP.
- Members transitioning between different levels of care, i.e., acute care, skilled nursing and custodial care.
- Financial risk management:
  - Tracking eligibility and reconciling with the State for members with LTC aid codes.
  - Potential risk corridor considerations.

<u>Dual Eligible Member Integration</u>
Reasons for SFHP to retain management and financial risk for these members include:

- Alignment with the LTC population (a majority of the LTC population is Dual eligible).
- SFHP will be required to have a Dual-Special Needs Plan (D-SNP) by January 2026 to coordinate all Medi-Cal and Medicare benefits for Dual eligible members.
- Coordination of benefits and administrative functions can be challenging. SFHP has existing processes in place with COBA (Coordination of Benefits of Agreement) for Medicare claims processing.

Next Steps

- In the coming months, SFHP will meet with provider partners to discuss operational processes and solicit feedback.
- Any updates or revisions to this approach will be shared at the Governing Board meeting in September 2022.

The Board members commented that they believed this approach with duals and long-timer care is smart and reasonable for the organization.

10. Member Advisory Committee Report

Irene Conway provided the Board with a Member Advisory Committee (MAC) report. Ms. Conway reported that the Committee met on May 13, 2022.

Ms. Conway stated that Ms. Richardson, CEO attended the Committee meeting and provided a staff report. Ms. Richardson stated she is thrilled to have the opportunity to lead the next chapter of SFHP and build on the Plan's successes.

Ms. Richardson then addressed the impact on current SFHP/Kaiser members when the State contracts directly with Kaiser effective January 2024.

Lastly, Ms. Conway reported the Committee had a guest, Julie Rogers from Transitional Life Care (TLC). Ms. Rogers discussed the overview of the program. TLC offers informal, additional support to those approaching death, throughout the dying process, and to their families, friends, and caregivers. Ms. Conway also stated this is one of the Committees goals for this year.

Dr. Fugaro thanked Ms. Conway for her report.

The Board Adjourned to Closed Session

11. Public Employee Release

This item was discussed in Closed Session.

The Board resumed in Open Session

12. Report on Closed Session Action Items

Dr. Fugaro stated there were no action items from the Closed Session.

13. Adjourned

Dr. Fugaro adjourned the meeting.

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Secretary/Treasurer