Joint San Francisco Health Authority/San Francisco Community Health Authority
Governing Board
September 2, 2020
Meeting Minutes

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

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

Members
Absent: Reece Fawley, Roland Pickens, MHA, FACHE, and Greg Wagner

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 of the Board members, staff and public attended the meeting telephonically.

Nina Maruyama, Officer, Compliance and Regulatory Affairs, took the roll call of the Board members and San Francisco Health Plan (SFHP) staff and provided a quick demonstration for raising hands to vote using the Microsoft Teams video conference tool.

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, the law firm for SFHP. There were no public comments.

John F. Grgurina, Jr., CEO, announced a few Board members promotions. Emily Webb was promoted to Vice President, External Affairs at Sutter Health, and Greg Wagner was promoted to Chief Operations Officer at the Department of Public Health.
Mr. Grgurina also highlighted Jian Zhan, DNP, MS, FNP-BC, Board member and CEO, Chinese Hospital, was featured on the PBS NewsHour show for the successful efforts to control COVID-19 in San Francisco's Chinatown District.

1. Approval of Consent Calendar

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

a. Minutes from June 10, 2020 Governing Board Meeting
b. Quality Improvement Committee (QIC) Minutes
c. Appointment of Member to the QIC
d. Credentialing and Recredentialing of Practitioners and Ancillary Providers
e. Review and Approval of the Organization Score for the Board-Approved FY 19-20 Organizational Goals and No Cash Bonus Payments to SFHP Employees for FY 19-20
f. Review and Approval of Staff Salary Ranges and no Merit Increase for FY 20-21

The Board unanimously approved the consent calendar without any issues.

2. Federal and State Legislative and Budget Updates

Sumi Sousa**,** Officer, Policy Development and Coverage Programs, provided the Board with the following updates. (Detailed PowerPoint was provided in the Board packet.)

Ms. Sousa started with a comprehensive federal update. She stated that negotiations on the additional COVID-19 relief bill were still at an impasse. She also reported that President Trump signed the following four executive orders:

- Delay on payroll tax collection for those making less than $104,000 until December 31, 2020.
- Replaces $600 supplemental unemployment insurance (UI) payment with $300 supplemental payment using Federal Emergency Management Agency (FEMA) disaster funds; currently subject to litigation.
- Defers federal student loan payments and waives interest until December 31, 2020.
- Directs Health and Human Services and Center for Disease Control to consider whether an eviction ban is needed; Treasury and Housing and Urban Development to determine whether funds are available.

She stated that the highest priority for California, however, is another federal relief bill with state funds.

Ms. Sousa than provided an update on the California budget which is heavily impacted by potential federal funding. California faces $11 billion in reductions or deferrals depending on whether CA receives $14 billion in federal funding by October 15th. Education at all levels are particularly impacted. Medi-Cal, however, is spared from these federal "trigger" cuts. However, if California's revenues remain below expenditures, California will automatically suspend the

Proposition 56 enhanced provider payments and Medi-Cal optional benefits in FY 21-22.

Ms. Sousa then reviewed the impact of COVID-19 on the national election and health care policy. Health care was key issue in the 2018 election and will be the focus of November election strategy as well. She stated that COVID-19 has brought focus and attention to multiple health care systemic failures and opportunities for reform. The unprecedented unemployment levels/income loss and loss of employer coverage has increased support for Medicaid, Exchanges and broader health reform efforts. These issues will not only impact the upcoming election but will also be the subject of future legislation and regulation, impacting SFHP, our providers and members.

Ms. Sousa discussed the Affordable Care Act (ACA) case, Texas vs CA, still pending review by the U.S. Supreme Court. Oral arguments are scheduled for the week after the election on November 3rd. This case could strike down the entirety of the ACA. If struck down, the ruling could impact over 20 million Americans. If struck down, a major Congressional effort and debate to reinstate ACA is expected.

Ms. Sousa also provided updates on two key changes in State leadership. Dr. Sonia Angell resigned as the California Public Health Officer in August and Dr. Erica Pan, former Director of Public Health for Alameda County, is now the interim Public Health Officer. Sandra Shewry, former Director of the DHCS, and recently with the California Health Care Foundation, is interim Director, Public Health. Lastly, Ms. Sousa stated that the two-year legislative session is wrapping up and the focus on COVID-19 and its impact on the State's budget will continue in the next legislative session.

3. Review and Approval of Year-End 2019-20 Unaudited Financial Statements and Investment Reports

Recommendation: Review and Approval of Year-End 2019-20 Unaudited Financial Statements and Investment Reports.

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

1. June 2020 reported a loss of ($8,166,000) versus a budgeted loss of ($864,000). After removing Strategic Use of Reserves (SUR) activity, the actual loss from operations would be ($7,888,000) versus a budgeted loss of ($586,000).

   In the month of June, SFHP recorded a $6.0 million decrease in revenue due to the impact of the 1.5% Medi-Cal rate reduction that was implemented by the Department of Health Care Services (DHCS) retroactive to July 1, 2019. DHCS took this rate action in response to the COVID-19 pandemic that has significantly impaired the state budget. The $6.0 million revenue loss covers the period of July 2019 through June 2020. The 1.5% rate reduction also applies to the period from July 1, 2020 through December 31, 2020. The impact is estimated to be $3.3 million and has been built in to the FY 20-21 budget.

The month of June also includes additional claims accruals needed to maintain adequate reserves for Incurred But Not Reported (IBNR) claims as required by our auditors, Moss Adams. In addition, June administrative expenses were slightly higher than normal because of extending the June month-end closing to capture all expenses related to FY 19-20.

2. On a year-to-date basis, SFHP had a loss of ($10,443,000) versus a budgeted loss of ($8,928,000). After removing SUR activity, the actual loss from operations would be ($5,020,000) versus a budget of break even. If the unexpected, retroactive 1.5% Medi-Cal rate reduction was excluded, SFHP would have reported a positive margin of $1.0 million.

3. Variances between June actual results and the budget include:

   a. A net decrease in revenue of $2.6 million due to:
      i. $6.0 million decrease in premium revenue due to the 1.5% rate reduction in Medi-Cal described in #1 above.
      ii. $294,000 less in Hepatitis C revenue as the result of 108 fewer treatment weeks.
      iii. $102,000 less in third-party administrative fees which can be attributed the phase-out of the Healthy Kids line of business.

   b. A net increase in medical expense of $4,577,000 due to:
      i. $2.9 million more in capitation expense as the result of gaining 8,536 member months.
      ii. $700,000 in accruals to reach an adequate IBNR reserve level at year end as required by the annual audit.
      iii. $600,000 more in accrued medical expenses related to the expansion of the Proposition 56 programs and Ground Emergency Medical Transportation (GEMT) activity.
      iv. $300,000 grant to the San Francisco Community Clinic Consortium (SFCCC) to be used for the purchase of Personal Protective Equipment (PPE) for SFCCC and non-SFCCC providers. This grant will help providers as they continue to deal with the ongoing impact of COVID-19.

   c. A net increase in administrative expenses of $98,000 due to:
      i. Additional professional services in the areas of evaluating and enhancing system security and for executive training/coaching.

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

This chart reflects the impact of $6.0 million revenue loss as the result of the 1.5% Medi-Cal rate reduction.

	---JUN 2020---				---FYTD 19-20 THRU JUN---			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	144,308	135,772	8,536	6.3%	1,666,675	1,659,144	7,531	0.5%
REVENUE	$ 43,988,000	$ 46,587,000	$ (2,599,000)	-5.6%	$ 737,385,000	$ 718,481,000	$ 18,904,000	2.6%
MEDICAL EXPENSE	$ 47,866,000	$ 43,288,000	$ (4,578,000)	-10.6%	$ 698,339,000	$ 677,988,000	$ (20,351,000)	-3.0%
MLR	110.5%	94.4%			95.8%	95.6%		
ADMINISTRATIVE EXPENSE	$ 4,427,000	$ 4,330,000	$ (97,000)	-2.2%	$ 52,058,000	$ 51,421,000	$ (637,000)	-1.2%
ADMINISTRATIVE RATIO	8.7%	7.8%			6.0%	6.0%		
INVESTMENT INCOME	$ 139,000	$ 167,000	$ (28,000)	-16.8%	$ 2,569,000	$ 2,000,000	$ 569,000	28.5%
MARGIN (LOSS)	$ (8,166,000)	$ (864,000)	$ (7,302,000)		$ (10,443,000)	$ (8,928,000)	$ (1,515,000)	
ADD BACK: SUR PAYMENTS AND ACCRUALS	$ 278,000	$ 278,000			$ 5,423,000	$ 8,928,000		
MARGIN (LOSS) FROM OPERATIONS	$ (7,888,000)	$ (586,000)	$ (7,302,000)		$ (5,020,000)	$ -	$ (5,020,000)	

On a year-to-date basis through June and after the removal of SUR activity, SFHP reported a loss of ($5,020,000). As mentioned earlier, SFHP absorbed a $6.0 million reduction in revenue due to the DHCS decision to implement a 1.5% premium rate reduction retroactive to July 2019. If the impact of the 1.5% rate reduction were to be excluded, SFHP would have reported a $1.0 million positive margin.

- Overall net revenue is above budget by $18.9 million. After removing the impact of Directed Payments and intergovernmental transfer (IGT) funding, net revenue is up $2.6 million even with the $6.0 million adjustment for the rate reduction. Additional member months and the 1.7% population acuity adjustment helped to offset the 1.5% rate reduction.
- Overall medical expense is above budget by $20.3 million. After removing the impact of Directed Payments, IGT funding and SUR activity, medical expense is $7.6 million above budget due mainly to additional capitation expense related to higher member months, the impact of accrued claims related to the expanded Proposition 56 program and All Patients Refined Diagnosis Related Groups (APR-DRG) inpatient claims.
- Overall administrative expense is above budget by $637,000. This is primarily due to GASB 68 adjustments required by the rules that outline the recording of net pension costs for the full fiscal year.

PROJECTIONS

Mr. Bishop reviewed the following financial projections through December 2020:

1. As of June 2020, SFHP added $5.0 million to the PIP program related to the FY 18-19 Strategic Use of Reserves (SUR) program. Unpaid SUR commitments of $7.6 million will carry over to future fiscal years, i.e., $5.8 million for FY 20-21, $1.0 million for FY 21-22 and $800,000 for FY 22-23.

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

3. In response to the COVID-19 pandemic and the effect it is having on state of California finances, the State Legislature approved the implementation of a 1.5% rate reduction retroactive to July 2019. This rate reduction is effective for the entire Bridge Period which runs through December 2020. The rate reduction applies to all categories of aid except dual eligible members. SFHP estimates the impact of this rate reduction to be $3.3 million for the period of July through December 2020. At this time, SFHP does not plan to adjust provider rates and plans to absorb the $3.3 million loss of revenue, pending approval by the Finance Committee and Governing Board.

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

5. Proposition 56 – This program provides enhanced payments to medical groups for qualifying physician services and supplemental payments for developmental screenings, adverse childhood experiences screenings, trauma screenings and value-based payments related to a variety of health care quality measures. Due to the impact of COVID-19 on the state budget, the Governor proposed to eliminate Proposition 56 programs effective July 1, 2020. The State Legislature, however, did not approve the Governor’s proposal and the Proposition 56 programs will continue.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

$2.6 Million Receivable from the City of San Francisco Department of Human Resources

The Healthy Workers program has approximately 12,000 members enrolled with SFHP. This block of membership consists of two groups - 11,800 In-Home Supportive Services (IHSS) workers with the Public Authority for IHSS and approximately 200 As-Needed Workers, part-time employees with the Department of Human Resources (DHR). The Public Authority for IHSS funds the premiums for the IHSS Workers and the DHR funds the premiums for the As-Needed Workers.

Due to excessive delays with DHR issuing a previous amendment and new contract to continue enrollment and health care benefits for the As-Needed Workers, SFHP is carrying a $2.6 million receivable from DHR for unpaid premiums dating back to August 2017. During this time, SFHP has continued to keep the As-Needed Workers enrolled in Healthy Workers based on the understanding that both SFHP and the DHR intended to continue the contractual relationship. SFHP understood that formal contract extensions documenting the new rates to which the parties agreed and payment of premiums owed were imminently forthcoming.

To fulfill its contractual obligations and ensure As-Needed Workers would have uninterrupted access to primary care, hospital, mental health, and vision services, SFHP has paid monthly capitation to the San Francisco Department of Public Health, Community Behavioral Health Services, and Vision Service Plan. In addition, as SFHP is at risk for the pharmacy benefits available to the As-Needed Workers, SFHP has continued to cover the cost for prescription drugs for these individuals. SFHP has continued to make these monthly capitation payments and pay for prescription drugs since August 2017. The DHR, however, has not paid any premiums owed from and after August 1, 2017.

During this period of nonpayment, SFHP has made ongoing inquiries with the DHR regarding the status of the contract extension and the plans to pay all premiums owed. While representatives of the DHR would engage in conversations, there has been no movement. On July 24, 2020, SFHP sent a formal letter to the Deputy Managing Director of the DHR requesting a definitive timeline for when premium payments will be made and when a formal contract extension will be executed. If the DHR does not provide SFHP with the requested timelines, incorporating reasonable and satisfactory commitments, SFHP will be forced to cancel the parties' agreement and terminate coverage for the As-Needed Workers. SFHP will also formally pursue a claim with the City and County of San Francisco for all premiums owed to date.

On August 3, 2020, SFHP received a response from the Deputy Managing Director of the DHR. In the response, the DHR committed to sending a draft of the contract to the City Attorney by August 7, 2020 with a further expectation that the draft contract would be provided to SFHP by late August. Both SFHP and the DHR have agreed to participate in weekly update meetings until this issue is resolved.

Investment Report

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

With the Finance Committee recommendations, the Board unanimously approved the year-end 2019-20 unaudited financial statements and investment reports without any issues.

4. Review and Approval of Year-to-Date July 2020 Unaudited Financial Statements and Investment Reports

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

Mr. Bishop and Mr. Takeuchi next reviewed the financial statements for the period ending July 30, 2020. Mr. Bishop discussed the following highlights:

1. July 2020 reported a loss of ($236,000) versus a budgeted loss of ($1,677,000). After removing SUR activity, the actual loss from operations would be ($236,000) versus a budgeted loss of ($1,114,000). The budget assumed five claims disbursement cycles in July. FY 19-20 accruals pushed the majority of the claims expense in June.

2. Variances between July actual results and the budget include:
    a. A net increase in revenue of $510,000 due to:
        i. $785,000 increase in premium revenue due to 2,395 more member months when compared to the budget. Membership has been on an upward trend mostly due to members not placed on hold. Due to the COVID-19 pandemic, the DHCS has ceased negative eligibility actions during the pandemic. Adult Expansion member months were 3,786 more than budget.
        ii. $275,000 less in Hepatitis C revenue as the result of 107 fewer treatment weeks.

    b. A net decrease in medical expense of $440,000 due to:
        i. $563,000 less in SUR activity. This is a timing issue as it is expected that SUR disbursements will align with the budget as we get deeper into the fiscal year.
        ii. $406,000 less in Pharmacy expense. Of this amount, $275,000 was related to 107 fewer Hepatitis C treatment weeks. The remainder of $131,000 was related to slightly lower utilization than expected.
        iii. $529,000 more in capitation expense as the result of 2,395 more member months.

c. A net decrease in administrative expenses of $439,000 due to:
   i. $186,000 more in Compensation and Benefits. SFHP assumed a 12% attrition factor for FY 20-21. Due to the COVID-19 pandemic, we are seeing less staff turnover and therefore a greater percentage of positions remained filled on a month-to-month basis.
   ii. $625,000 less in professional services as well as in systems maintenance, telecommunications, and system support costs. The month of July followed the typical pattern for administrative expenses, i.e., the carryover of expenses from June was virtually eliminated and expenses tend to be budgeted a little heavier in the early months of the fiscal year.

The chart below highlights the key income statement categories for July with adjustments for SUR activity in order to show margin or loss from ongoing operations.

	---JUL 2020---				---FYTD 19-20 THRU JUL---			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	144,252	141,857	2,395	1.7%	144,252	141,857	2,395	1.7%
REVENUE	$ 49,068,000	$ 48,558,000	$ 510,000	1.1%	$ 49,068,000	$ 48,558,000	$ 510,000	1.1%
MEDICAL EXPENSE	$ 45,093,000	$ 45,533,000	$ 440,000	1.0%	$ 45,093,000	$ 45,533,000	$ 440,000	1.0%
MLR	93.1%	95.1%			93.1%	95.1%		
ADMINISTRATIVE EXPENSE	$ 4,305,000	$ 4,744,000	$ 439,000	9.3%	$ 4,305,000	$ 4,744,000	$ 439,000	9.3%
ADMINISTRATIVE RATIO	7.5%	8.5%			7.5%	8.5%		
INVESTMENT INCOME	$ 94,000	$ 42,000	$ 52,000	123.8%	$ 94,000	$ 42,000	$ 52,000	123.8%
MARGIN (LOSS)	$ (236,000)	$ (1,677,000)	$ 1,441,000		$ (236,000)	$ (1,677,000)	$ 1,441,000	
ADD BACK: SUR PAYMENTS AND ACCRUALS	$ -	$ 563,000			$ -	$ 563,000		
MARGIN (LOSS) FROM OPERATIONS	$ (236,000)	$ (1,114,000)	$ 878,000		$ (236,000)	$ (1,114,000)	$ 878,000	

PROJECTIONS

Mr. Bishop reviewed the following financial projections through January 2021:

1. Due to the impact of the COVID-19 pandemic, SFHP anticipates an increase in Medi-Cal membership over the next six months. After working with our actuary, sister plans and the county of San Francisco to gather information to help us develop estimates for the upcoming months, SFHP expects to add approximately 22,000 new members during FY 20-21. These new members would be spread across the Adult, Child and Adult Expansion categories of aid. July membership was 2,395 members greater than budget projections.

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 is effective for the entire Bridge Period which runs through December 2020. The rate reduction applies to all categories of aid except dual eligible members. SFHP estimates 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.

3. Beginning January 2021, the pharmacy benefit will be carved out of Medi-Cal managed care. The State will take on this benefit and has selected Magellan as its Pharmacy Benefits Manager (PBM). For the period of January through June 2021, SFHP will see a revenue reduction of $44 million and an expense reduction of $43 million. This carve-out of the pharmacy benefit was built into the FY 20-21 budget.

4. It is expected that SFHP will receive preliminary CY 2021 rates in September or October 2020. DHCS and Mercer plan to use multiple efficiency factors when developing the rates which, when combined with the ongoing impact of COVID-19 on state finances, make it difficult to predict what will happen to our rates. To take a conservative approach, SFHP assumed a 2% rate reduction effective January 2021.

5. Proposition 56 – This program will continue for FY 20-21 and will provide 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.

6. Directed Payments – SFHP projects to receive $136 million in Directed Payments funding during FY 20-21. These funds will be disbursed to Zuckerberg San Francisco General, UCSF as well as private hospitals. 50% of this funding is expected to be received in September.

7. See income statement charts on subsequent pages. Due to the impact that pass-through funding and the disbursement of SUR have on projections, we have included graphs with and without this activity. It is important to note the anticipated decline in revenue and medical expense effective January 2021. This reflects the impact of carving out the pharmacy benefit.

HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS

$40 Million Increase in Line of Credit

Due to the uncertainty created by the COVID-19 pandemic, potential delays with Medi-Cal payments and upcoming Managed Care Organization (MCO) tax obligations, SFHP approached City National Bank (CNB) with a request to increase the current $40 million line of credit to $80 million. After much due diligence on the part of CNB, our request was approved. CNB agreed to allow our line of credit to flex to as much as $80 million if warranted by negative changes in cash flow.

In a worst-case scenario where delays could occur with the monthly Medi-Cal premium payments as well as SFHP having to make $38 million in MCO tax payments before receiving the tax funding from DHCS, SFHP projected it would need approximately $72 million to bridge the gap created by timing delays. Should SFHP need to access funds through the line of credit, the interest rate would be 2.5%.

SFHP is cautiously optimistic that it will not be necessary to draw down on the additional $40 million. The June Medi-Cal premium payment was received on schedule (mid-July). DHCS has indicated it intends to include the MCO tax component in health plan rates before health plans are required to make the first tax payment by September 15, 2020. DHCS must receive CMS approval before disbursing the tax component to the health plans.

City National Bank has been SFHP's banking partner since July 2012. Not long after establishing this new relationship, SFHP was able to secure a $40 million line of credit to help cover potential delays in Medi-Cal premium payments. Only once has SFHP needed to access line of credit funding in the last eight years. In 2019, it was necessary to use a portion of the line of credit for five days to cover an unanticipated delay in Medi-Cal payments.

<u>Investment Reports</u>

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

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

5. Review and Approval of Modifications to Practice Improvement Program Payments to Providers During the COVID-19 Public Health Emergency

Recommendation: Review and Approval of Modifications to Practice Improvement Program (PIP) Payments to Providers during the COVID-19 Public Health Emergency.

SFHP recommends the Governing Board approve the recommendation to modify the Practice Improvement Program (PIP) payment structure for FY 20-21 during the COVID-19 public health emergency:

1. Allocate 50% of capitation withhold to traditional PIP payments.
2. Allocate 50% of capitation withhold to Quality Improvement Projects (QIP) aimed at increasing primary care visit utilization to pre-COVID levels (face-to-face plus telehealth), use of telehealth modalities, engagement with high-risk COVID members, identifying care disparities caused by

race-based clinical algorithms, review SFHP-provided list of members on multiple chronic medications for whom continuity of care may be impacted by the Medi-Cal Rx transition, or another quality-related project of the participants' choosing.

Dr. Jim Glauber, Chief Medical Officer, provided the Governing Board with some background. (Detailed memo was provided in the packets.)

Dr. Glauber stated that COVID-19 has significantly impacted the way care is delivered in the health care system. Mandates from Governor Newsom, changes in individual behavior, and shifting provider priorities have not only limited PIP's influence on provider clinical priorities and motivation but have also had severe financial impacts on the network.

Furthermore, the DHCS financial incentives and Pay-for-Performance payment policy for federally qualified health centers (FQHCs) requires PIP payments to enumerate specific metrics and/or performance terms for FQHCs attain the FQHC payment.

Dr. Glauber states he recommends the following PIP programmatic adjustments to ease the PIP reporting burden for FY 2020-21:

1. Decrease measure set from 28 total measures to 13 total measures based on clinical importance. See attached for list of measures.
2. Update quarterly scoring methodology:
    a. Reduce performance requirements of Priority Five Continuous Quality measures as described in the table on the next page.
    b. Maintain scoring methodology of non-priority five measures.
    c. Pay for reporting on new measures (Breast Cancer Screening and Depression Screening).

With the Finance Committee recommendation to approve the changes to the PIP, the Board unanimously approved the modifications to PIP payments to Providers during the ongoing COVID-19 public health emergency.

6. Member Advisory Committee Report

Due to Governor Newsom's Executive Order N-29-20, "stay at home" order, the Member Advisory Committee did not meet in July or August.

The Committee is scheduled to meet on September 11, 2020 via Skype.

7. Chief Medical Officer Report

a. Review and Approval of Pharmacy Benefit Management Services for Healthy Workers and Healthy San Francisco

Recommendations: Approval of a six-month contract extension with PerformRx, with a termination date of June 30, 2021.

Approval of a three-year contract with MagellanRx, effective July 1, 2021 with financial terms of no more than a 0% increase or better.

Lisa Ghotbi, PharmD, Director, Pharmacy Services, reviewed the recommendations with the Governing Board. (PowerPoint slides were provided in the Board packets.)

PerformRx, Pharmacy Benefit Management (PBM) Company

- Contracted with SFHP since July 2013.
- Contract is set to terminate December 31, 2020.
- Contact extension will support close-out activities for the Medi-Cal Rx transition and on-going services for Healthy Workers and Healthy San Francisco members.

MagellanRx, Pharmacy Benefit Management (PBM) Company

- Selected by DHCS for Medi-Cal Rx PBM services on January 1, 2021.
- One of four finalists in our 2018 PBM request for proposals (RFP).
- Scored highest in five of six domains and ranked first overall in the 2020 RFP process.

The Board unanimously approved a six-month contract extension with PerformRX, with a termination date of June 30, 2021. In addition, the Board also unanimously approved a three-year contract with MagellanRx, effective July 1, 2021, with financial terms of no more than a 0% increase or better.

8. CEO Report – Highlighted Items – SFHP Employees Work from Home Status

Mr. Grgurina provided an update regarding SFHP employees' work-from-home status. (Detailed overview of the CEO report was provided in the Board packet.)

Mr. Grgurina stated that the CEO report provides a detailed overview of all SFHP departments and our ability to work successfully on a remote basis. We continue to operate at normal capacity on a remote basis without a decrease in service levels. Each area continues to report minimal issues with the telecommuting change and any identified issues are quickly managed by our ITS staff. He stated that we are pleased to report that SFHP departments have adapted, made adjustments and continue to serve our members, participants, providers, regulators and employees at the same service levels pre-pandemic.

The transition to remote work within SFHP has been critical in minimizing the risk of COVID-19 exposure to our employees and keeping them safe since most employees rely on public transportation to commute to work to a 24-story building on Beale Street. We have also successfully held two Board meetings on a remote basis, which may have helped to protect our Governing Board members since during the past two months, at least two construction workers in the Beale building tested positive for COVID-19.

The Board Adjourned to Closed Session.

9. Review and Approval of Recommendation Not to Impose a 1.5% Rate Reduction for Medi-Cal Providers and Not to Pursue Litigation Against the Department of Health Care Services

This item was discussed in closed session.

10. Review and Approval of Annual Performance Evaluation of CEO

This item was discussed in closed session.

The Board resumed in open session.

11. Report on Closed Session Action Items

Dr. Fugaro reported that the Governing Board approved the recommendation not to adjust provider rates retroactively or prospectively related to the 1.5% Medi-Cal rate reduction SFHP received from DHCS. SFHP will absorb the $9.3 million loss of revenue. The Governing Board agreed that reducing provider rates at this time would place an undue burden on providers as they continue to deal with the severe impacts of the ongoing pandemic. The Governing Board agreed that this action would not be precedent setting. The Governing Board also approved the recommendation not to sue DHCS.

12. Oral Report and Vote on Governing Board's Annual Performance Evaluation of CEO

Dr. Fugaro reported that the Governing Board approved the Annual Performance Evaluation of CEO with a rating of Exemplary/Outstanding and no change in salary.

13. The meeting was adjourned.

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Reece Fawley, Secretary/Treasurer