



**Joint San Francisco Health Authority/San Francisco Community Health Authority  
Governing Board  
November 4, 2020  
Meeting Minutes**

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

**Members**

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

**Members**

Absent: Dale Butler and David Woods

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 via video conference.

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.

**1. Approval of Consent Calendar**

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

- a. Minutes from September 2, 2020 Governing Board Meeting
- b. Quality Improvement Committee (QIC) Minutes

- c. Appointment of Members to the QIC
- d. Credentialing and Recredentialing of Practitioners and Ancillary Providers
- e. Update to FY 19-20 Organizational Goals
- f. Payment of CalPERS Unfunded Liability

The Board unanimously approved the consent calendar without any issues.

## **2. Review and Approval of the Annual Independent Auditor's Report for FY 2019-20**

**Recommendation:** Review and Approval of the Annual Independent Audit Report for FY 2019-20.

Chris Pritchard, Partner, and Rianne Suico, Senior Manager, Moss Adams Consultants, the independent audit firm hired by SFHP, presented the FY 19-20 independent financial audit report. The auditors gave SFHP an "Unmodified Opinion," which is the highest opinion available (also known as a "clean opinion"). There were no significant or material comments in the Communication to the Governing Board. There were no required or recommended adjustments to the journal entries.

Ms. Suico reviewed the following key points of the audit report:

- SFHP has been very consistent over the years, which is a testament to management's ability to produce financial statements without material error.
- All reported receivables and assets were properly supported and appropriate.
- All payments and liabilities were appropriated accounted.
- Assumptions and information used by SFHP's actuary for the Incurred But Not Reported (IBNR) were tested and all liabilities were reasonably stated.
- All capitation payments to providers were properly supported.
- Recording of operational expenses were in accord with accounting policies and principles.
- Trends were consistent with expectations, without any unusual spikes.
- SFHP's tangible net equity (TNE), which is a measure of an organization's financial health, was very strong.
- There were no disagreements with SFHP's management.

The consultants discussed that the audit went well.

Reece Fawley, Chair, Finance Committee, stated that they spent time with the auditors without staff. He agreed with the auditors that the audit went well and stated he was impressed with the auditors and management. He stated the audit report did not have any surprises and noted the auditors' recommendations for improvement in some of the processes, but there was nothing significant. Mr. Fawley stated the Finance Committee has confidence in the Finance department leadership and recommended the Board approve the Moss Adams independent audit report. The Board unanimously approved the independent auditor's report for FY 19-20.

### 3. Review and Approval of Unaudited Monthly Financial Statements and Investment Reports

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

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

1. September 2020 reported a loss of (\$1,662,000) versus a budgeted loss of (\$1,636,000). After removing Strategic Use of Reserves (SUR) activity, the actual loss from operations would remain (\$1,662,000) versus a budgeted loss of (\$1,220,000).

On a year-to-date basis, we have a loss of (\$2,127,000) versus a budgeted loss of (\$3,784,000). After removing SUR activity, the actual loss from operations remains (\$2,127,000) versus a budgeted loss (\$2,388,000).

In September, we received \$133.9 million in Directed Payments funding related to FY 18-19. The FY 20-21 budget projected Directed Payments funding of \$120.6 million for September. For FY 20-21, we projected a total of \$137.0 million in Directed Payments, with 88% received in September 2020 and the remaining 12% is expected in March 2021. It is likely we will exceed this total when the next payment is received in March 2021. The Department of Health Care Services (DHCS) and the Department of Managed Health Care (DMHC) allow Directed Payments funding to be treated as revenue and medical expense.

2. Variances between September actual results and the budget include:
  - a. A net increase in revenue of \$14.7 million due to:
    - i. \$13.3 million more in Directed Payments funding related to FY 18-19.
    - ii. \$1.6 million more in premium revenue due to 4,050 more member months when compared to the budget. Membership has been on an upward trend with new members coming in along with members not placed on hold. Due to the COVID-19 pandemic, DHCS has discontinued negative actions such as on holds and disenrollments. Adult Expansion member months were 5,332 more than budget, which brought in \$2.0 million in additional revenue.
    - iii. \$124,000 less in Hepatitis C revenue as the result of 48 fewer treatment weeks.
    - iv. \$70,000 less in Maternity revenue as the result of eight fewer maternity events.

- b. A net increase in medical expense of \$15.2 million due to:
- i. \$13.3 million more in Directed Payments funding related to FY 18-19.
  - ii. \$1.1 million more in capitation expense due primarily to increasing membership. The additional revenue generated by increasing membership offset this cost.
  - iii. \$489,000 more in fee-for-service claims. September was expected to be a heavy month for claims due to five payment cycles. The budget anticipated this additional activity and resulting professional and hospital pmpm costs were in line. The two areas where costs exceeded the budget were Community-Based Adult Services claims and supplemental payments for qualifying Proposition 56 services.
  - iv. \$267,000 more in Healthy Workers pharmacy expense. The actual cost was \$83 pmpm while the budgeted cost was \$65 pmpm. It is important to note that SFHP receives only \$58 pmpm in the Healthy Workers rate.
  - v. \$260,000 more in Medi-Cal non-Hepatitis pharmacy expense. This increase is due to more members as the actual pmpm cost was in line with the budget.
  - vi. \$216,000 less in Health Education expenses. This is a timing difference. Actual costs will align with the budget in the upcoming months.
- c. A net decrease in administrative expenses of \$458,000 due to:
- i. Anticipated external costs related to major projects such as CalAIM and CMS Interoperability have yet to be incurred.

Below is a chart highlighting the key income statement categories for September with adjustments for SUR activity in order to show margin or loss from ongoing operations.

CATEGORY	-----SEP 2020-----				-----FYTD 20-21 THRU SEP-----			
	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	148,150	144,100	4,050	2.8%	438,682	428,936	9,746	2.3%
REVENUE	\$ 184,402,000	\$ 169,647,000	\$ 14,755,000	8.7%	\$ 283,400,000	\$ 267,028,000	\$ 16,372,000	6.1%
MEDICAL EXPENSE	\$ 181,819,000	\$ 166,604,000	\$ (15,215,000)	-9.1%	\$ 273,120,000	\$ 257,141,000	\$ (15,979,000)	-6.2%
MLR	99.0%	98.6%			97.1%	97.0%		
ADMINISTRATIVE EXPENSE	\$ 4,262,000	\$ 4,720,000	\$ 458,000	9.7%	\$ 12,537,000	\$ 13,796,000	\$ 1,259,000	9.1%
ADMINISTRATIVE RATIO	2.0%	2.4%			3.7%	4.4%		
INVESTMENT INCOME	\$ 17,000	\$ 41,000	\$ (24,000)	-58.5%	\$ 130,000	\$ 125,000	\$ 5,000	4.0%
<b>MARGIN (LOSS)</b>	<b>\$ (1,662,000)</b>	<b>\$ (1,636,000)</b>	<b>\$ (26,000)</b>		<b>\$ (2,127,000)</b>	<b>\$ (3,784,000)</b>	<b>\$ 1,657,000</b>	
ADD BACK: SUR ACTIVITY	\$ -	\$ 416,000			\$ -	\$ 1,396,000		
<b>MARGIN (LOSS) FROM OPERATIONS</b>	<b>\$ (1,662,000)</b>	<b>\$ (1,220,000)</b>	<b>\$ (442,000)</b>		<b>\$ (2,127,000)</b>	<b>\$ (2,388,000)</b>	<b>\$ 261,000</b>	

On a year-to-date basis through September and after the removal of SUR activity, SFHP is \$261,000 ahead of budget. SFHP is concerned because we are above budget on member months but have not produced a positive margin.

- After removing the Directed Payments funding, premium revenue is above budget by \$3.1 million. This is due to a net increase of 9,746 member months. Adult Expansion member months are 13,714 above budget which is a positive development due to the fact that the premium rate for this category of aid is \$381 pmpm compared to \$257 pmpm for the Adult 19 category and \$113 pmpm for the Child 18 category.
- After removing SUR activity and Directed Payments funding, medical expense is above budget by \$4.2 million. This increase can be accounted for as follows:
  - Capitation expenses are up \$2,500,000
  - Prop 56 supplemental payments are up \$ 909,000
  - Healthy Workers pharmacy costs are up \$ 571,000
  - CBAS expenses are up \$ 444,000
  - Health Education costs are down (\$ 215,000)
- Overall administrative expense is below budget by \$1.3 million. The majority of this decrease is due to lower costs in the areas of professional services and information technology services. In addition, the budget included dollars for major projects that have not been incurred yet, i.e., for CalAIM and CMS Interoperability.

## **PROJECTIONS**

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

1. Due to the impact of the COVID-19 pandemic, SFHP anticipates continued increases 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.
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. In September, SFHP received preliminary rates for CY 2021. Although these rates look promising, the rates do not include adjustments for Low Acuity Non-Emergent (LANE) emergency room visits, risk adjustment and the population acuity adjustment. All three of these adjustments will reduce the preliminary rates. Our actuary believes that after these adjustments are incorporated into the rate-setting process, we may see an overall 3.2% increase, however this is only an estimate. SFHP does not expect to see final rates until late December.
5. The Proposition 56 programs will continue through 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 received \$133.9 million in Directed Payments funding during September. These funds were disbursed to Zuckerberg San Francisco General, UCSF and private hospitals.

## **HIGHLIGHTED IMPACTS TO THE HEALTH PLAN AND/OR PROVIDERS**

As a result of the COVID-19 pandemic, Medi-Cal membership has been increasing for all SFHP providers and this trend is expected to continue throughout FY 20-21. The table below shows how membership and capitation have changed between March 2020 and September 2020. Please note that the capitation amounts for September 2020 reflect the impact of the reduction in the Duals capitation rate effective July 2020. The impact of this rate change across all capitated providers was a reduction of 0.9%.

Overall Medi-Cal membership has increased by 8.7%. The percentage change in membership and the percentage change in capitation will not be equal due to membership mix. For example, providers receive more capitation for Adult Expansion and SPD members and less capitation for Adult 19 and Child 18 members.

<b>SFHP MEDI-CAL MEMBERSHIP</b>									
PROVIDER	SEP 2020		MAR 2020		MEMBERS		CAPITATION		
	MEMBERS	CAPITATION	MEMBERS	CAPITATION	INCREASE	%	INCREASE	%	
<b>HOSPITALS</b>									
ZUCKERBERG SAN FRANCISCO GENERAL	62,065	\$ 8,577,937	56,423	\$ 7,958,485	5,642	10.0%	\$ 619,452	7.8%	
CALIFORNIA PACIFIC MEDICAL CENTER	37,403	\$ 2,758,689	35,338	\$ 2,663,795	2,065	5.8%	\$ 94,894	3.6%	
UCSF (FEE-FOR-SERVICE)	12,423	\$ -	11,655	\$ -	768	6.6%	\$ -		
KAISER	10,893	\$ 1,387,280	9,208	\$ 1,176,742	1,685	18.3%	\$ 210,538	17.9%	
CHINESE HOSPITAL	9,177	\$ 943,673	8,601	\$ 896,444	576	6.7%	\$ 47,229	5.3%	
CALIFORNIA PACIFIC MEDICAL CENTER/ST. LUKE'S (FFS)	3,114	\$ -	2,989	\$ -	125	4.2%	\$ -		
	135,075	\$ 13,667,579	124,214	\$ 12,695,466	10,861	8.7%	\$ 972,113	7.7%	
<b>MEDICAL GROUPS</b>									
CLINICAL PRACTICE GROUP	55,606	\$ 3,775,534	50,829	\$ 3,521,437	4,777	9.4%	\$ 254,097	7.2%	
UCSF (FEE-FOR-SERVICE)	12,423	\$ -	11,655	\$ -	768	6.6%	\$ -		
KAISER	10,893	\$ 1,387,280	9,208	\$ 1,176,742	1,685	18.3%	\$ 210,538	17.9%	
CHINESE COMMUNITY HEALTH CARE ASSOCIATION	5,273	\$ 420,020	5,043	\$ 405,922	230	4.6%	\$ 14,098	3.5%	
JADE MEDICAL GROUP	3,904	\$ 321,759	3,558	\$ 300,079	346	9.7%	\$ 21,680	7.2%	
HILL PHYSICIANS	1,631	\$ 119,076	1,543	\$ 111,938	88	5.7%	\$ 7,138	6.4%	
BROWN & TOLAND MEDICAL GROUP	1,483	\$ 127,002	1,446	\$ 120,622	37	2.6%	\$ 6,380	5.3%	
	91,213	\$ 6,150,671	83,282	\$ 5,636,740	7,931	9.5%	\$ 513,931	9.1%	
<b>SAN FRANCISCO COMMUNITY CLINIC CONSORTIUM</b>									
NORTH EAST MEDICAL SERVICES	43,862	\$ 4,522,088	40,932	\$ 4,301,331	2,930	7.2%	\$ 220,757	5.1%	
MISSION NEIGHBORHOOD HEALTH CENTER	6,986	\$ 217,845	6,365	\$ 200,331	621	9.8%	\$ 17,514	8.7%	
HEALTHRIGHT 360	3,087	\$ 157,845	3,055	\$ 158,527	32	1.0%	\$ (682)	-0.4%	
SOUTH OF MARKET HEALTH CENTER	2,008	\$ 106,925	1,824	\$ 99,259	184	10.1%	\$ 7,666	7.7%	
SAN FRANCISCO COMMUNITY HEALTH CENTER	747	\$ 32,611	608	\$ 26,953	139	22.9%	\$ 5,658	21.0%	
ST. ANTHONY'S MEDICAL CLINIC	700	\$ 28,544	663	\$ 28,464	37	5.6%	\$ 80	0.3%	
NATIVE AMERICAN HEALTH CENTER	587	\$ 23,473	501	\$ 21,004	86	17.2%	\$ 2,469	11.8%	
BAART	249	\$ 12,709	219	\$ 12,046	30	13.7%	\$ 663	5.5%	
	58,226	\$ 5,102,040	54,167	\$ 4,847,915	4,059	7.5%	\$ 254,125	5.2%	
<b>UNAFFILIATED</b>									
MARIN CITY HEALTH & WELLNESS CENTER	473	\$ 14,644	406	\$ 12,493	67	16.5%	\$ 2,151	17.2%	
DR. THANH QUOC TRAN	336	\$ 14,077	310	\$ 13,228	26	8.4%	\$ 849	6.4%	
	809	\$ 28,721	716	\$ 25,721	93	13.0%	\$ 3,000	11.7%	
TOTAL SFHP	135,075		124,214		10,861	8.7%			

## **Investment Reports**

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

Mr. Fawley stated the Finance Committee reviewed the finances in detail and the expenses and revenues are tracking together as expected. He stated the Finance Committee recommends approval of the unaudited financial statements and investment reports. With the Finance Committee's recommendation for approval, the Board unanimously approved the unaudited monthly financial statements and investment reports without any issues.

## **4. 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 the House Democrats and Trump Administration continue to negotiate on a broad economic stimulus package (\$1.8 trillion to \$2.2 trillion) which includes:

- Direct state and local assistance (~\$450 billion)
- Direct economic aid to individuals and families (\$1,200)
- \$600 enhanced unemployment benefit through 2021
- Increase in Supplemental Nutrition Assistance Program (SNAP) benefit
- Paycheck Protection Program for small businesses

She stated if current negotiations fail, there may be a potential passage in the lame duck session and an additional possibility of a larger package with a new Congress.

Ms. Sousa then provided an update on the California budget which is heavily impacted by potential federal funding. Without a stimulus package, California faces \$11 billion in budget reductions or deferrals. Education at all levels would be particularly impacted. Medi-Cal, however, would be 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 discussed the Affordable Care Act (ACA) case, Texas vs CA. She then stated that on September 26th Amy Coney Barrett was nominated to the Supreme Court of the United States (SCOTUS), which would likely be approved by the full Senate on November 2nd.

In NFIB v. Sebelius, Justice Ginsburg and Chief Justice Roberts were in the 5 to 4 majority upholding the constitutionality of individual mandate and most of the provisions of the Affordable Care Act (ACA). Oral arguments for CA v. Texas are scheduled November 10<sup>th</sup>, with a decision to be released by June 10th. There are multiple potential scenarios, ranging from rulings with no impact to the ACA to full repeal. It is likely a Democratic Congress will arrive in January, which could pass legislation to support the ACA.

Ms. Sousa then reviewed impacts of the national election. There will likely be increased direct economic support to states, individuals and businesses due to COVID-19. The Federal Reserve Chair Powell called for another increased, broad-based national stimulus necessary for economic recovery. Currently, states are responsible for COVID-19 response with federal government as back-up and funder, resulting in wide, national variances, a lack of coordination, and competition for resources and equipment.

Lastly, Ms. Sousa provided the Board with State updates. There were no major changes in state leadership due to the November election, other than an appointment to fill the vacancy of Senator Harris’ seat. Governor Newsom will fill the vacancy for Harris’ seat, which is through 2022.

State Proposition 15 (split roll initiative), if approved, has significant future budgetary impacts that are positive for state and local governments. The proposition would increase taxes on commercial properties worth more than \$3 million based on sale price, not original purchase price. If passed, there



would be a phase in starting in 2022 and through 2025. There would be significant new funding to local government (60%) and schools (40%).

## **5. Member Advisory Committee Report**

Maria Luz Torre and Irene Conway both provided the Board with a Member Advisory Committee (MAC) report.

Ms. Torre stated that the Committee met in September via Skype for the first time since the pandemic. The meeting was a brief check-in to see how everyone was doing and asked members to be patient since this was their first virtual meeting. The Committee did not meet in October, as it was decided to do another "practice" run through Zoom with interpretation settings, in order to work out any technical problems. The Committee also discussed their December Christmas MAC celebration.

Ms. Conway stated Mr. Grgurina updated the Committee with what has been going on with the SFHP. Mr. Grgurina mentioned SFHP staff has been working remotely during the pandemic with 100% productivity. Mr. Grgurina stated for staff safety, the majority of whom take public transportation, will be working remotely until at least July 1, 2021.

Lastly, both Ms. Torre and Ms. Conway stated that the Committee will not be implementing their 2020 goals due to the pandemic and will defer the goals to 2021.

## **6. Chief Medical Officer's Report**

### **a. HEDIS and CAHPS Results Report**

Jim Glauber, MD, MPH, CMO, provided the Board with a recap of the results for HEDIS 2019. (PowerPoint slides were provided in the Board packet.)

#### **NCQA**

Organizational goal of a 0.5 rate increase in Prevention and Treatment composites of Health Plan Rating was met.

#### **DHCS**

Minimum Performance Level (NCQA 50th percentile) was met for all applicable Managed Care Accountability Set (MCAS) measures except Chlamydia Screening (CHL).

Amy Petersen, MPH, Senior Manager, Access and Care Experience, shared the results for CAHPS to the Board. (PowerPoint slides were provided in the Board packet.)

Ms. Petersen stated CAHPS is important as members relate more easily to CAHPS data than to clinical data. Members also have access to the data and could use CAHPS data to choose a health plan. Also, performance in HEDIS and CAHPS contributes to SFHP's NCQA rating.

**7. CEO Report – Highlighted Items – SFHP Department Updates, SFCCC Personal Protective Equipment Grants and Distribution, Compliance Report**

Mr. Grgurina highlighted the San Francisco Community Clinic Consortium (SFCCC) Personal Protective Equipment (PPE) grants and distribution. (Detailed overview of the CEO report was provided in the Board packet.)

Mr. Grgurina expressed gratitude to the Board for providing PPE supplies to SFCCC. He also thanked Sabra Matovsky, CEO of SFCCC, for purchasing and distributing the PPE supplies. Ms. Matovsky stated that she and the SFCCC clinics were grateful and thanked both SFHP and the Board.

The Board adjourned to Closed Session.

**8. Discussion of the Chinese Community Health Care Association (CCHCA) Managed Services organization Change from North East Medical Services to In-House within CCHCA**

This item was discussed in closed session.

The Board Resumed to Open Session.

**9. Chairs Report on Closed Session Items**

Dr. Fugaro reported on the closed session.

**10. The meeting was adjourned.**

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Reece Fawley, Secretary/Treasurer