Joint San Francisco Health Authority/San Francisco Community Health Authority Governing Board
May 4, 2022
Meeting Minutes

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

Members
<u>Present:</u> Eddie Chan, PharmD, Irene Conway, Reece Fawley, Steven Fugaro, MD, Roland Pickens, MHA, FACHE, Greg Wagner, Emily Webb, and Joseph Woo, MD

Members
<u>Absent:</u> Dale Butler, Steve Fields, Maria Luz Torre, and Jian Zhang, DNP, MS, FNP-BC

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, SFHP's counsel with DSR Health Law, Deneen Hadley, with UCSF, Deena Lahn, with San Francisco Community Clinic Consortium, Paul Sigle and Mike Taila, with City National Rochdale. There were no public comments.

Dr, Fugaro then welcomed Yolanda R. Richardson to her first Board meeting. In addition, he introduced and welcomed Dr. Joseph Woo to the Board as a new Board member.

1. Approval of Consent Calendar

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

a. Approval of Minutes from March 2, 2022 Governing Board Meeting
b. Approval of Quality Improvement Committee Minutes (QIC)
c. Approval of Provider Credentialing and Recredentialing Recommendations for Participation in the SFHP Network
d. Findings and Resolution 2022-07 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 – Highlighted items – Next Chapter of SFHP, Return-to-Office Updates, and Operational Updates

Yolanda R. Richardson, CEO, presented her CEO report to the Board. (Detailed memo provided in the Board packet.) Ms. Richardson stated she had the honor of being the CEO for a little over 30 days. Since her start on March 31, 2022, she states she has been on a journey of learning and discovery of the amazing work that is performed daily by very passionate and mission driven staff. She is thrilled to have the opportunity to lead the next chapter of SFHP and build on the Plan's successes.

She will build on the Plan's gains in universal health care, health policy and delivery. SFHP has and can continue to serve as a laboratory for change as evidenced by SFHP's role in Healthy San Francisco, childhood immunization rates, quality scores and the COVID-19 vaccination rates for Medi-Cal members in San Francisco. This will be achieved through implementing a deliberate and strategic method of applying knowledge and data supported principles, evidence-based decision making at every level of the organization and maximizing our efforts with a focus on successful outcomes.

Ms. Richardson will build on existing partnerships and cultivate new external alliances to inspire innovation and position SFHP to improve the lives of SFHP members and influence change more broadly. This will be achieved through two-way communication and regular evaluation to ensure collaborations are effective and impactful.

She will also build on internal, individual capacity to provide the support and flexibility the Plan needs to balance the implementation of new requirements with opportunities to fulfill our mission and vision in new ways. This will be achieved by incorporating leadership development and succession planning activities into the culture of SFHP.

Ms. Richardson expressed her excitement with starting her journey at SFHP and is looking forward to partnering with the Board to achieve the vision for the future of SFHP together.

Ms. Richardson then talked about one of her primary goals to implement a long-term remote work policy. With the Executive Team and staff input, considering actions taken by sister plans, and changes in work culture and process, Mr. Richardson understands the importance of this decision and intends to be thoughtful about how to proceed. With that in mind, she informed the Board that SFHP will be extending the current remote policy until December 31, 2022. This will allow additional time to develop the best long-term policy using the list of considerations as a guide:

- How do we build high functioning and high performing teams in a remote work environment?
- How do we provide an equitable work environment in a hybrid work environment?
- How does remote work support our values in supporting the health and welfare of SFHP employees?
- How does the current policy support our fiduciary responsibility?
- How does the current policy illustrate our commitment to the community?

Ms. Richardson stated she will inform the Board of her plan at the September 2022 meeting.

Next, Ms. Richardson reviewed that at the February 5, 2022 Board meeting, the Board approved the resolution to allow Mr. Grgurina to work with SFHP as a retired annuitant. Mr. Grgurina has been representing the Plan with the Local Health Plans of California at the Department of Health Care Services (DHCS) Small Rate Workgroup, Quality Rates, and medical loss ratio (MLR) Workgroups. Ms. Richardson stated that she and Mr. Grgurina anticipate his role will be able to wind down by the end of June.

Ms. Richardson then introduced two key members of the SFHP leadership team in Health Services, Eddy Ang, MD, MPH, Senior Medical Director and Hanan Obeidi the Vice President, Health Services Programs.

Dr. Ang started on March 24, 2022 and has over 10 years of experience as a physician, with a variety of health plan and practice experiences. His most recent position was as the Medical Director of Blue Shield of California Promise Health Plan, which served Medi-Cal and dual eligible. Dr. Ang was also an attending physician at UCLA during this time. Prior to these experiences, he was the Medical Director at Alta Med and Associate Medical Director at Beth Israel Deaconess Medical Center. He is board certified in Family Medicine and Geriatric Medicine. In the short time Dr Ang has been with SFHP, his leadership and skills are already making significant contributions in the provision of health care services to our members.

Ms. Obeidi started on April 25, 2022 and comes to SFHP from LA Care, where she had been since 2012. In Ms. Obeidi's most recent role as Senior Director of Medi-Cal, she was responsible for the planning and implementation of Medi-Cal strategic initiatives that impacted LA Care's two million Medi-Cal members. She led a team focused on CalAIM, including implementation of Enhanced Care Management and Community Supports. She also developed practices to support benefits administration and Medi-Cal member retention. Ms. Obeidi has a background in public health and epidemiology and is passionate about improving access to care and health outcomes underserved communities.

Both were hired after several months of a rigorous and thoughtful search process and were selected from several excellent candidates. SFHP is privileged to have both individuals join our Health Services team.

Ms. Richardson then stated that as she shared with them on April 26, 2022, Dr. Fiona Donald, CMO, has taken a leave of absence and will be out for several months. The entire SFHP organization wishes her well. We are very fortunate to have Dr. Ang assume the duties of Chief Medical Officer while we start an immediate search for an interim CMO. We really appreciate Dr. Ang's leadership during this transition.

3. Review and Approval of FY 2022-23 Employee Health Benefit Contracts and Rates

Recommendation: SFHP recommends the Governing Board approve the following employee benefit changes for benefit year 2022-2023:

- Renew Kaiser CA HMO at a 3.9% increase
- Renew Kaiser HI HMO at a 5.4% increase
- Renew Aetna HMO, OAMC, and Aetna/Sutter OAMC JV at 5% increase with no plan changes
- Principal Dental is a 5% decrease after negotiations
- VSP is in the 3rd year of a 48-month rate guarantee
- Principal Life/AD&D is a 10.3% decrease and LTD a 25% decrease after negotiations
- Employee Assistance Program (EAP) renews at no increase
- Add Teladoc MyStrength to enhance behavioral health benefits at an additional cost of $24,480

Shawn Paxson, Consultant, Lockton, provided the Board with an overview of benefit changes and highlights of SFHP's employee benefit year 2022-2023. (Detailed PowerPoint slides were provided in the Board packet.)

Initial gross increase was 6.6% or an increase of $405,571 but after negotiations and addition of Teladoc MyStrength, the total renewal increase will be 3.9% or $239,071. The proposed rate increases are reasonable given the size of SFHP's participation in Kaiser HMO and Aetna. Our insurance broker was able to save SFHP 3% or $190,980 through additional negotiations.

Future Concerns
Our ability to maintain a non-Kaiser option continues to be a concern as most of our employee population continues to select Kaiser as their provider of choice despite the employee cost ($0) being equal for both HMO products. Currently, we have an almost 60/40 split between Kaiser/Aetna. Most medical insurance providers are not interested in quoting us because they would like to either have our entire population or a large majority (60%+).

Mr. Gentner stated that SFHP did explore an option through CalPERS Medical, but found it to be financially unsuitable at this point. We continue to monitor pricing as well as other potential options so that we can maintain a non-Kaiser option.

The Board unanimously approved the employee benefit package for fiscal-year 2022-2023 as recommended.

4. Federal Updates and State Budget

Sumi Sousa, Chief Officer, Policy and Coverage Programs, provided updates on Federal policies and State policy updates. She reviewed State updates, including the Kaiser deal that is moving forward. She explained that the Newsom Administration's agreement to directly contract with Kaiser as a Medi-Cal managed care plan in One and Two-Plan counties, effective January 1, 2024, is outlined in Assembly Bill 2724 (Arambula) passed Assembly Health Committee.

- Newsom Administration, Kaiser, Health Access, CA Pan-Ethnic Health Network support the bill.
- Local Health Plans of CA (LHPC), CA State Assoc. of Counties and numerous individual counties and FQHCs oppose.
- No LHPC amendments have been accepted to date. LHPC's key request is to exempt County Organized Health System (COHS) counties.

Irene Conway asked a question on behalf of a Member Advisory Committee (MAC) member. If the MAC member is in Kaiser today, would she be able to stay with SFHP when the change with Kaiser is implemented? Ms. Sousa stated that the member would have to leave SFHP if she wanted to keep Kaiser.

Ms. Sousa then reviewed the Governor's May revision to be released on May 13th. Some items we will be keeping an eye on:

- Medi-Cal eligibility expansion for undocumented adults ages 26 through 49 years: Governor proposes an effective date of January 2024. Legislative Analyst Office suggests an earlier implementation date of July 2023.
- Eliminating premiums for Medi-Cal enrollees effective July 2022: This largely impacts children in families with incomes 161% to 266% of the federal poverty level (SFHP's former Healthy Kids program enrollees).
- Affordability Proposal for Covered CA: Enhanced federal subsidies provided to Covered CA enrollees under the American Rescue Plan will likely <u>expire at the end of Plan Year 2022</u> as Build Back Better is stalled in the Congress. Some state funds are available for this purpose. SFHP will need to align with whatever state plan is established as we are designing a new affordability program for SF City Option on behalf of the Department of Public Health.

Lastly, Ms. Sousa reviewed the coverage programs updates on Healthy SF (HSF) and SF City Option. SFHP administers the HSF and the SF City Option programs on behalf of the SF Department of Public Health (DPH).

HSF is a health access program for uninsured San Francisco adults that don't qualify for public health insurance programs. SF City Option is a program that enables San Francisco employers to meet the employer spending requirement of the Health Care Security Ordinance and offers a Medical Reimbursement Account program for participating employers' employees to access those funds.

Ms. Sousa reviewed the following changes ahead for HSF:

1. The Older Adult Expansion in Medi-Cal beginning on May 1, 2022, will mean HSF participants may leave to enroll in Medi-Cal.
   - An estimated 3,300 participants are potentially eligible for this Medi-Cal expansion – HSF will shrink for a good reason!
   - SFHP HSF staff are collaborating closely with the Human Services Agency to exchange data to support a smooth transition.
   - SFHP Service Center is outreaching to HSF participants to inform them about the expansion.

2. Likely end of Public Health Emergency in July 2022 requires HSF program to redetermine all enrollees, like Medi-Cal.
   - HSF program has aligned with Medi-Cal and the COVID-19 Public Health Emergency (PHE) since March 2020 by providing automatic extensions of coverage to most participants
   - Current PHE goes through July 15 – all signs point to the federal government ending the PHE with no further extensions
   - HSF program, like Medi-Cal, will need to resume redetermination and renewal of entire membership

3. A new eligibility and enrollment system will be implemented by September 2022.
   - Current system, One-e-App is being decommissioned in fall of 2022 and SFHP will be assuming the contracting relationship
   - In 2021, SFHP released a Request for Proposals and selected RedMane's mCase solution. New contract will save DPH over $300K per year, after first year development costs.
   - New system has better functionality such as a Public-facing portal for pre-enrollment, increased configurability resulting in lower costs, and improved user access management.
   - Long overdue eligibility changes can be implemented that were previously prevented by the limitations of the prior system.

4. Program eligibility changes were approved by SF Health Commission on April 5, 2022.
   a. Removal of restrictions for individuals with active I-94 status
   b. End the 90-day waiting period for recently uninsured individuals
      - Align HSF income counting rules with ACA and use Modified Adjusted Gross Income (MAGI) rules which eliminate the asset test and better aligns with Medi-Cal and Covered CA.

Ms. Sousa than reviewed the SF City Option (SFCO) program, which was originally the "small" program when the Health Care Security Ordinance passed and is growing. She stated that $1.45B has been contributed by employers in the City since the program began in 2008. SFCO is a program with 527,462 employees enrolled. $1B has been contributed since 2016. 4,389 San Francisco employers have participated in SFCO.

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

5. City National Rochdale Presentation on the Market and Economic Landscape in 2022

Paul Single and Mike Taila of City National Rochdale provided an economic and market landscape outlook in 2022 to the Board. (A detailed PowerPoint presentation was provided in the Board packet.)

The Board thanked Mr. Single and Mr. Taila for their informative presentation.

6. 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.

Skip Bishop, CFO, reviewed the year-to-date unaudited financial statements for the period ending March 30, 2022. He stated that the period ending March 30, 2022, reported a margin of $3,235,000 versus a budgeted loss of ($395,000). After removing Strategic Use of Reserves (SUR) activity, the actual margin from operations was $3,352,000 versus a budgeted loss of ($291,000).

He said the strong results for March were expected, given the rate increases the Department of Health Care Services (DHCS) and 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 San Francisco Community Clinic Consortium (SFCCC) members.

On a year-to-date basis, we have a margin of $13,414,000 versus a budgeted margin of $1,343,000. After removing SUR activity, the actual margin from operations was $14,324,000 versus a budgeted margin of $2,385,000.

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

1. Variances between March actual results and the budget include:

    a. A net decrease in revenue of $9.5 million due to:

        i. $18.0 million less in Directed Payments funding for hospital partners. This is a timing difference. We expected $18.0 million in March, however, the funding was recorded in February.
        ii. $8.5 million more in Medi-Cal premium revenue due to an additional 10,764 member months along with the premium rate increases noted above. Membership mix was also favorable as 77% 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.

b. A net increase in medical expense of $13.8 million due to:

   i. $18.0 million less in Directed Payment funding for hospital partners. Similar to what we saw with the revenue variance, this is a timing difference. We expected $18.0 million in March, however, the funding was recorded in February.
   ii. $2.4 million more in net capitation as the result of having 10,764 more member months plus a more favorable membership mix than what the budget projected. In addition, we continue to see strong growth in Kaiser membership. Kaiser is considered a Global Subcontractor and receives 98% of the premium SFHP receives from DHCS which increases SFHP's capitation expense. Increases in capitation expense are offset by the revenue SFHP receives for these additional members.
   iii. $1.8 million more in fee-for-service claims primarily due to five claims payment cycles in March along with increasing membership. Although hospital claims paid in March for members enrolled with the San Francisco Community Clinic Consortium were higher than expected, it is important to note that on a year-to-date basis, including adjustments for claims Incurred But Not Reported (IBNR), actual claims costs are in line with budget expectations.

c. A net increase in administrative expenses of $267,000 primarily due to professional fees paid to Russell Reynolds related to the CEO search, Three Tenants for services related to the CEO search, organization development and succession planning, VISIONS for services related to our Diversity, Equity and Inclusion (DEI) initiative and Varis LLC for services related to inpatient hospital claims auditing and recovery.

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

	------------------------MAR 2022------------------------------				---------------------FYTD 21-22 THRU MAR--------------------------			
CATEGORY	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)	ACTUAL	BUDGET	FAV (UNFAV)	% FAV (UNFAV)
MEMBER MONTHS	169,827	159,063	10,764	6.8%	1,485,772	1,442,747	43,025	3.0%
REVENUE	$ 58,257,000	$ 67,719,000	$ (9,462,000)	-14.0%	$ 682,615,000	$ 652,605,000	$ 30,010,000	4.6%
MEDICAL EXPENSE	$ 49,597,000	$ 63,424,000	$ 13,827,000	21.8%	$ 625,706,000	$ 608,671,000	$ (17,035,000)	-2.8%
MLR	86.2%	94.7%			92.6%	94.2%		
ADMINISTRATIVE EXPENSE	$ 4,999,000	$ 4,732,000	$ (267,000)	-5.6%	$ 42,462,000	$ 42,966,000	$ 504,000	1.2%
ADMINISTRATIVE RATIO	7.5%	6.0%			5.3%	5.7%		
INVESTMENT INCOME	$ (426,000)	$ 42,000	$ (468,000)		$ (1,033,000)	$ 375,000	$ (1,408,000)	
MARGIN (LOSS)	$ 3,235,000	$ (395,000)	$ 3,630,000		$ 13,414,000	$ 1,343,000	$ 12,071,000	898.8%
ADD BACK: SUR ACTIVITY	$ 117,000	$ 104,000			$ 910,000	$ 1,042,000		
MARGIN (LOSS) FROM OPERATIONS	$ 3,352,000	$ (291,000)	$ 3,643,000		$ 14,324,000	$ 2,385,000	$ 11,939,000	500.6%

He stated that on a year-to-date basis through March and after the removal of SUR activity, SFHP is reporting a margin of $14,324,000 which is significantly above budget expectations. Now that we have entered the second half of the fiscal year, margins will be steadily increasing 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, 43,025 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 $32.1 million. This is due to:

- An overall net increase of 43,025 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 $19.3 million. This increase can be accounted for as follows:

○ Capitation expenses are up	$11,181,000
○ FFS expenses are up	$ 5,549,000
○ Medi-Cal non-Hep C pharmacy expenses are up	$ 1,316,000
○ Non-specialty mental health expenses are up	$ 1,015,000
○ Hepatitis C expenses are up	$ 686,000
○ CBAS expenses are up	$ 404,000
○ Healthy Workers pharmacy expenses are down	($ 851,000)

Overall administrative expense is below budget by $504,000. Most of this decrease is due to lower costs in the areas of lease and insurance costs as well as marketing expenses. The lower costs are due more to timing differences as actual spending is now more closely aligned with the budget as we enter the last quarter of the fiscal year.

PROJECTIONS

Mr. Bishop then reviewed the following financial projections through September 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. At the time, SFHP recommended and the Finance Committee and Governing Board approved not to make retroactive recoveries from providers, but rather to use reserves to cover these takebacks.

2. Beginning in July 2021, hospital risk for 16,000 San Francisco Community Clinic Consortium (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 $18-20 million per year. With SFCCC membership now at 17,500 members as of March 2022, this new risk will cost $20-22 million per year. CY 2022 Medi-Cal rate increases applied to the increased membership will cover this additional cost.

   Now that we have nine 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 March 2022, but not received as of March 31,2022.

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 11,000 members through March 2022. Now that the Public Health Emergency has been extended until mid-July, SFHP anticipates adding another 3,000 members through June 2022. This will increase our Medi-Cal membership to approximately 161,000 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 $851,000 through March ($8.04 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 – this program will continue for all of FY 21-22. Proposition 56 provides enhanced payments to medical groups for qualifying physician services, supplemental payments for developmental screenings, adverse childhood experiences screenings, trauma screenings, family planning services and value-based payments related to a variety of health care quality measures. 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

Medical Loss Ratio Reporting for Delegated Entities

Mr. Bishop then reviewed the DHCS Medi-Cal 1115 and 1915(b) waiver submissions approved by the Centers for Medicare and Medicaid Services (CMS), which incorporated Special Terms and Conditions (STCs). The final approved STCs in the waiver target oversight and accountability. More specifically, one of the STCs requires Medical Loss Ratios (MLRs) to be reported at the managed care plans' delegated entity level.

Important aspects of MLR reporting at the delegated entity level include:

- CMS is generally concerned about the impact of delegation on access and quality in California.
- The STCs will require MLR reporting down to delegated entity level starting with the rating period of CY 2023 with remittance beginning with the rating period of CY 2025 (at the delegated entity level).
- MLR threshold will be set at 85%.

- It should be noted that state law requires MLR remittance effective CY 2024, but this would be at the plan level. This will be a new and significant requirement on a very aggressive timeline.
- MLR audits to be conducted no sooner than January 2028.
- DHCS will have six months to put together work plan to submit to CMS by July 1, 2022.

SFHP as well as representatives from other Medi-Cal managed care plans have been meeting with the Local Health Plans of California (LHPC) on a regular basis to help develop strategies that DHCS can use as it crafts the work plan due to CMS by July 1, 2022. We continue to have one-on-one conversations with delegated medical groups and hospitals to discuss these new Special Terms and Conditions and pass along new information as the rules are clarified.

Mr. Bishop also reviewed the tangible net equity (TNE) requirements for managed care plans (MCPs) and showed a chart comparing TNE amounts maintained by other Local Health Plans. Mr. Bishop explained the amounts over the minimum TNE amounts were necessary, but that it seemed that the appropriate multiple of the TNE to maintain would be in the six to eight times TNE (in the middle range).

Mr. Takeuchi briefly reviewed the investment reports that were provided to the Board in the packet, stating the reports reflect the review given by CNB representatives earlier in the meeting.

Reece Fawley stated the Finance Committee reviewed the financials and stated the Committee was impressed with the information and responses to questions asked regarding TNE. He stated the importance that the TNE level should not be too low, or plans risk being taken over by the Department of Managed Health Care, or too high, which would risk having dollars taken back by DHCS. The Committee asked staff to provide the Committee with quarterly TNE updates. In addition, he stated the Finance team is doing a remarkable job and thanked them.

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 March 30, 2022.

7. Member Advisory Committee Report

Irene Conway provided the Board with a Member Advisory Committee (MAC) report. Ms. Conway reported that Mr. Grgurina expressed his gratitude for the last 14 years and that this would be his last MAC meeting with the members. He then informed the Committee that the new CEO would be attending the MAC meeting scheduled on April 8th.

Dr. Fiona Donald and Kaitlin Hawkins attended the March Committee meeting to provide COVID 19 vaccine and Medi-Cal transition updates.

Ms. Conway stated that Ms. Richardson attended the April 8th Committee meeting. The Committee introduced themselves to Ms. Richardson and then opened the floor for her to introduce herself.

Dr. Fugaro thanked Ms. Conway for her report.

8. Adjourn

Dr. Fugaro adjourned the meeting.

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Reece Fawley, Secretary/Treasurer