

MINUTES
Santa Clara County Health Authority
Governing Board Regular Meeting

Thursday, October 24th, 2013
2:30 PM-5:00 PM
210 E. Hacienda Avenue
Campbell CA 95008

Board members present:

Ms. Michele Lew
Dr. Dale Rai
Dr. Wally Wenner
Ms. Emily Harrison
Ms. Laura Jones
Mr. Daniel Peddycord
Ms. Linda Williams
Ms. Pattie DeMellopine
Ms. Liz Kniss
Ms. Dolores Alvarado
Ms. Jolene Smith

Board members not present:

None

Others present:

Ms. Elizabeth Darrow, Chief Executive Officer
Mr. Dave Cameron, Chief Financial Officer
Mr. Matt Woodruff, Chief Operations Officer
Mr. Jeff Robertson, Chief Medical Officer
Mr. Rayne Johnson, Chief Information Officer
Ms. Shannon McNally, Secretary
Ms. Beth Paige, Compliance Officer
Ms. Robin Bilinski, Manager, Government Relations
Mr. Paul Lorenz, Chief Executive Officer, Santa Clara Valley Medical Center
Dr. Jeff Smith, County Executive, Santa Clara County
Mr. Rene Santiago, Deputy County Executive and Director, Santa Clara Valley Health and Hospital System
Mr. Richard Spohn, Attorney at Law, Nossaman LLP

1. Roll Call

Chairman Lew called the meeting to order at 2:42pm. Roll call was taken, and a quorum was established.

2. Action item: Review and approval of June 20th meeting minutes.

It was moved, seconded, and approved to accept minutes as presented. Board members Jolene Smith, Dolores Alvarado and Emily Harrison abstained.

3. Public comment

There was no public comment.

4. Discussion item: Joint Powers Authority

Mr. Spohn, General Counsel to Santa Clara Family Health Plan, gave an in depth overview of what a JPA is and how it relates to the Health Plan. The Health Plan and the County have been working for quite some time to try and use some reconfigurations to achieve greater efficiencies, cost savings, quality enhancements and appropriate health care services. Alvarez & Marsal consulting firm was also brought in to help facilitate these proposed changes and at some point there came to be an aspiration to create some type of unified managed care structure. One of the recommendations coming out of the Alvarez & Marsal dialogue process was to establish a Joint Powers Authority came between the Health Plan, the Health and Hospital System and Valley Health Plan.

The Alvarez report came with the recommendation, quite pronounced, that the JPA be pursued from a legal perspective and analyzed thoroughly. The report was submitted to the Health and Hospital Committee. Mr. Santiago delivered a lengthy letter, going along the same lines as the Alvarez report which were received by the Committee last September and discussed at considerable length. Coming out of that Health and Hospital Committee process was not only a dialogue about approaches but also a very much on record, difference of opinion on how a JPA should be pursued. The Chair of the Health and Hospital Committee, Ms. Kniss, had one approach while Supervisor Yeager had a slightly different approach. The Chair, with respect to the recommendation to establish a JPA, wanted it referred to the County Counsels office to get feedback and analysis and to then move forward to negotiate the JPA and also noted that they should discuss the objectives proposed with the

Stakeholders Committee. Yeager's approach was to enter JPA and incorporate objectives.

The two recommendations went to the Board of Supervisors. There was considerable comment recorded from both Supervisor Yeager and also Supervisor Cortese. Both of them were very clear that things needed to move forward and that things needed to be carefully looked at. Mr. Santiago's letter has the same press to it. The Chair agreed and asked for a motion. There was no specific recommendation. The unwritten motion was seconded by another Supervisor and passed. It was not clear as to what had passed or what the Board intended with respect to the development of the JPA.

Ms. Liz Kniss commented that Ms. DeMellopine who was her Chief of Staff during this time had taken the minutes of the meeting. Ms. DeMellopine stated that the Board had accepted the action item listed on the Board agenda, which was to accept the report from Health and Hospital Committee. It is stated in the report that there was a split recommendation. Ms. DeMellopine noted that a split recommendation happens frequently and typically goes forward with no motion made.

Mr. Spohn commented that there are specific guidelines when it comes to entering into a JPA such as the powers need to be the same or common. The Health Plan is, under statute and licensure, authorized to provide and arrange for the provision of care. It is not licensed to provide care. Both agencies would need to come up with common powers and compare them to the objectives to see if there is a fit. There is an immediate need for Valley to receive administrative services from the Health Plan. The provision of those services can easily be achieved through an inter agency agreement, not a JPA.

Mr. Santiago commented that the A&M recommendation was very explicit about the way to get to a Unified Managed Care Strategy which was through a JPA. Mr. Santiago stated that since he has arrived, in 2012, that there were several discussions between the County and the Health Plan and that he and his colleagues had been working with Elizabeth Darrow and Dave Cameron for the last several months. Mr. Santiago also felt that it was important to note the significant changes that have materialized since last year. Those changes included a change in the Health Authority's board members and Bylaws, Medi-cal Expansion and also realignment and the financial impact on the County.

Mr. Santiago continued with suggesting that it would be beneficial to have the Health Plan and Valley Health Plan making joint investments so that not only would they be able to compete in commercial markets, but would also provide similar standards

and similar care. Mr. Santiago noted, from his perspective, that a JPA is needed. There are more compelling reasons today and despite the difference of opinions, Mr. Santiago feels the environment is changing so drastically that having an integrated unified public healthcare safety net is more important now than even last year. Mr. Santiago also noted that an interagency agreement, or any type of an agreement that gets things moving forward, is progress.

Dr. Jeff Smith commented that the goal expressed both by Supervisor Yeager and Supervisor Kniss was that the two Health Plans needed to find a way to work in a complimentary and cohesive manner. Things have been a mess with delegated patients and poor communication, difficult data transfer, repeating the same processes over and over, etc. The concept of a unified health care plan was to accomplish an interagency agreement in some way so that, as a group, these issues could be resolved.

Dr. Smith noted that, in his opinion, the JPA should be put on hold and suggested trying to focus on accomplishing the goals. The Health Plan's financial report emphasizes that right now your major book of business, which is Medi-Cal, is losing money and you've got to get into some other market for the Health Plan to survive in the future. Medicare is one of them. At the same time, Valley Health Plan is looking at getting out of Medi-Cal because it doesn't make sense to have two health plans doing Medi-Cal. Valley Health Plan applied for Covered California and already has around 20k commercial lives that are employees and In Home Support Services workers. The two plans working together could benefit from each other by being in different parts of the market. Dr. Smith commented that this means that the two health plans need some agreement, in a formal way, to cooperate in strategic planning and deciding which markets would be complimentary and obviously not limiting each others authority. Dr. Smith stated that even though he disagrees that we couldn't do a JPA, he is for some type of agreement where both plans can discuss these issues on a regular basis. He requested we get going on a MSO agreement.

It was agreed to move forward developing an agreement for SCFHP to take over the MSO functions currently performed by VHP for the Medi-Cal line of business.

5. Report of the Chief Executive Officer

a. Discussion items:

1. Medicare Update

Ms. Darrow gave an update on the Duals Demonstration project commenting that an announcement was made to push back the demonstration to April of 2014. The Health Plan continues to work on implementation. Budget allocations for the Dual Demonstration start-up costs were presented to, and approved, by the Executive Committee.

6. Action item: Acceptance of July and August 2013 Financial Statements

Mr. Cameron presented highlights for the two months ending August 2013:

- For the month of August 2013, SCFHP recorded an operating loss of \$328 thousand compared to a budgeted operating loss of \$55 thousand, resulting in an unfavorable variance from budget of \$273 thousand. For year to date August 2013, SCFHP recorded an operating loss of \$483 thousand compared to a budgeted operating loss of \$161 thousand resulting in an unfavorable variance from budget of \$322 thousand.
- The Health Plan recorded net revenue of \$24.6 million for the month of August 2013, compared to budgeted revenue of \$25.1 million, resulting in an unfavorable variance from budget of \$536 thousand, or 2.1%. For year to date August 2013, the plan recorded net revenue of \$50.4 million compared to budgeted revenue of \$50.3 million, resulting in a favorable variance from budget of \$100 thousand, or 0.2%.
- For the month of August 2013, and August 2013 year to date, overall member months were lower than budget by 1,006 members (-0.7%), and 1,760 (0.6%), respectively.
- For the month of August 2013, medical expense was \$23.4 million compared to budget of \$23.5 million, resulting in a favorable budget variance of \$28 thousand, or 0.1%. For year to date August 2013, medical expense was \$47.8 million compared to budget of \$46.9 million, resulting in an unfavorable budget variance of \$844 thousand, or -1.8%. Increases for the two months, through August 2013, includes costs over budget in the areas of inpatient hospitalization and outpatient services.
- Overall administrative costs were under budget by \$403 thousand (+11.6%), for year to date August 2013. Administrative expenses were 6.1% of revenues for year to date August 2013.

- Tangible net equity (TNE) was \$32.1 million at August 31, 2013, compared to the minimum TNE required by the Department of Managed Health Care (DMHC) of \$7.6 million (as per last filing for quarter ended 06-30-13). A chart showing TNE trends is shown on page 12 of this report. At the December 2011 Board of Director’s meeting, a policy was adopted for targeting the organization’s capital reserves to equal two months of Medi-Cal capitation revenue. As of August 31, 2013, the Plan’s reserves are about \$14.7 million below this reserves target (see calculation below)

It was moved, seconded, and approved to accept the financial statements as presented.

7. Action item: Approval of Resolution regarding employee healthcare.

Ms. Valdez presented a Resolution fixing the Employer’s contribution under Public Employees’ Medical and Hospital Act.

It was moved, seconded, and approved to accept the Resolution regarding employee healthcare as presented.

8. Action item: Approval of publicly available salary schedule.

Ms. Valdez presented an updated salary schedule for the Health Plan. In August 2011, SCFHP engaged the services of CBIZ Human Capital Services (“CBIZ”) to provide competitive market review and develop a salary structure for all employees.

It was moved, seconded, and approved to accept the publicly available salary schedule as presented.

9. Committee reports

a. Consumer Affairs Committee

i. Discussion item

A recap of recent Committee proceedings were presented.

b. Provider Advisory Council

i. Discussion item

A recap of recent Committee proceedings were presented.

10. Adjourn to closed session

a. Personnel (Government Code 54957)

It is the intention of the Governing Board to meet in closed session to consider the performance evaluation of the Chief Executive Officer.

11. Report from closed session

The board discussed personnel issues and no action was taken.

12. Adjournment

It was moved, seconded, and approved to adjourn the meetings at 4:48pm.

Shannon McNally, Secretary to the Board