

MINUTES
Santa Clara County Health Authority
Governing Board Annual Retreat

Thursday, November 29th, 2012
12:00 PM-4:00 PM
210 E. Hacienda Avenue
Campbell CA 95008

Board members present:

Ms. Michele Lew
Mr. Bob Brownstein
Dr. Dale Rai
Dr. Wally Wenner
Ms. Emily Harrison
Dr. Adel Abi-Hanna
Ms. Laura Jones
Mr. Daniel Peddycord
Mr. Christopher Dawes
Ms. Judy Chirco
Ms. Laura Williams

Board members not present:

Ms. Pattie DeMellopine

Others present:

Ms. Elizabeth Darrow, Chief Executive Officer
Mr. Dave Cameron, Chief Financial Officer
Mr. Matt Woodruff, Chief Operations Officer
Mr. Rayne Johnson, Chief Information Officer
Dr. Thad Padua, Medical Director
Ms. Kathleen King, Executive Director, Foundation
Ms. Shannon McNally, Secretary
Ms. Beth Paige, Compliance Officer
Ms. Pat McClelland, VP of Member Operations
Ms. Robin Bilinski, Manager, Government Relations
Mr. Rene Santiago, Deputy County Executive and Director of Santa Clara Valley Health and Hospital Systems
Mr. John Ramey, Executive Director, Local Health Plans of California

Dr. Marty Fentstersheib, MD, MPH – Health Officer, Santa Clara County Public Health Department

1. Roll Call

Chairman Lew called the meeting to order at 12:50pm. Roll call was taken, and a quorum was established.

2. Public comment

There was no public comment.

3. Action item: Review and approval of September 27th, 2012 meeting minutes

It was moved, seconded, and approved to accept minutes as presented.

4. Discussion item: Report from the County Health Officer

Dr. Marty Fenstersheib presented an overview of the state of the County's health.

- Vietnamese Health Assessment/Latino Health Assessment
- Health Insurance & Healthcare Access
- Cancer Risk Factors & Mortality
- Mental Health
- Status of Latino/Hispanic Health

Dr. Fenstersheib commented that the data continued to show disparities in health status relative to race/ethnicity. He correlated this phenomenon with the CDC's paradigm which describes socioeconomic factors (poverty, education, housing, environment, inequality, etc) as the greatest determinants of health status while clinical interventions and counseling have the least impact.

5. Discussion item: View from Sacramento

Mr. John Ramey presented an overview of the view from Sacramento highlighting the recent election results and what it means for healthcare and specifically for the Health Plan. Mr. Ramey stated that under the Affordable Healthcare Act, coverage will be made much more available to those without

access. Mr. Ramey also noted that federal debt is too high and that this cannot be fixed without changes in Medicare and Medicaid.

6. Action item: Acceptance of July through September 2012 Financial Statements

Mr. Cameron presented highlights for the three months ending September 2012 financial statement:

- Operating loss of \$138,000 for the month and \$706,000 year to date. This compares to a budgeted loss of \$581,000 for the month and \$2.0m year to date.
- Revenue is \$54,000 or 0.3% above budget for the month and \$203,000 or 0.3% above budget year to date.
- September enrollment was 138,370 or 0.4% below budget. Year to date the Plan is under budget by 0.3%. All lines of business are close to or on budget except Healthy Workers which is 9.5% below budget for the first three months of the year.
- Health care costs were under budget by \$310,000 or 1.5% for the month and \$787,000 under budget, or 1.3% year to date.
- Administrative Expenses were \$70,000, or 4.6%, favorable to budget for the month and \$239,000, or 4.9%, favorable year to date. Administrative expenses were 6.9% and 7.1% of revenues for the month and year to date respectively.
- Tangible Net Equity was \$23.5 million or 4.0 times the minimum TNE required by the Department of Managed Health Care. The Plan's reserves are roughly \$14.9 million below the reserves targeted by the Board of two months capitation revenue.
- SCFHP was issued an Unqualified Opinion by our external auditors, Moss Adams, which means our June 30, 2012 financial statements are fairly presented in accordance with generally accepted accounting principles.

Mr. Cameron stated that the Health Plan continues to reserve for the provider rate cuts (AB-97) as the state will likely retroactively apply them to July 1, 2011. The Plan is currently absorbing all rate cuts and not passing any reductions to our network providers. Mr. Cameron also noted that the state has not reconciled and the Health Plan is still being paid at two year old rates.

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

7. Discussion item: Reserves Discussion

Mr. Cameron discussed reserve requirements and SCFHP's current position and future considerations.

Mr. Cameron shared a comparison chart highlighting changes in the Health Plans reserves over the years. Ms. Darrow commented how dramatically the reserves can diminish and recommended that the Health Plan be aware of the risk being carried and to make sure that the Plan makes solid decisions when looking at the reserves. Ms. Darrow also reminded the board of the financial struggles back in 2009 and noted that it would be extremely painful for the Health Plan to go through that again.

8. Report of the Chief Executive Officer

a. Discussion item: Program Overview and Outlook

SPDs

Ms. Darrow gave an overview on several of the Health Plans programs. Starting with the SPD population, Ms. Darrow discussed the characteristics of the population and the current experience of the Health Plan. Background of Seniors receiving Medi-Cal shows that most seniors have disabilities and some type of activity limitation. Disability, functional impairment, and chronic conditions co-exist. Overall, there is less participation in prevention programs. Ms. Darrow commented that there are barriers to accessing care which include physical, communication, equipment, transportation and practitioner awareness. Some of the managed care challenges with SPDs are assuring continuity of care and reiterating the importance of a primary care physician, educating members about available community resources and encouraging members to receive preventive services.

All new members receive a welcome phone call while those in the high risk category are contacted by case managers who perform a needs assessment. This population requires intensive customer care. The State did not communicate effectively about mandatorily enrollment and cannot be relied upon to get a clear message to the beneficiaries. Between November 2011 and October 2012 the outbound calls from the Plans call center went from 8,700 to 18,700, specifically supporting SPDs. Members have appreciated the Health Plans outreach efforts. Ms. Darrow also noted that one benefit from all of this is that it has helped the Plan interdepartmentally and overall to improve the organization.

Healthy Families Transition to Medi-Cal

The California State Budget eliminates the Healthy Families Program and transfers these beneficiaries to Medi-Cal to receive their medical, dental and vision services. The transition will take place over 12 months beginning January 2013. Ms. Darrow commented that this transition will help to simplify eligibility, improve the coverage and premiums will be eliminated for lower income beneficiaries. For the Health Plan there were seven providers who refuse to transition to Medi-Cal contracts. This impacts 2.6% of the total population. These members are being contacted and assisted with transitioning to new providers.

Duals Demonstration Project

Ms. Darrow stated that the Health Plan has applied for the Medicare Dual Demonstration project, also known as the Coordinated Care Initiative, having submitted all applications, and are waiting for CMS approval. The Health Plans Model of Care has been approved for 2 years by NCQA. The Plan expects rates at the end of December 2012 and a comprehensive audit for readiness and compliance in early 2013. The Coordinated Care Initiative requires the Plan to coordinate Medicare, Medi-Cal and Long Term Support Services and the Plan must also administer a Part D plan. Beneficiaries will be mandatorily enrolled with an opt out provision until or unless there is a need for long term care or IHSS, then the beneficiary must enroll in managed care. The Plan is allowed to start the program with our current enrolled dual eligibles. This program merges social benefits with medical benefits and the Plan will be responsible for managing these benefits.

Ms. Darrow commented that this will be very different from what the Plan has done in the past. The Health Plan has never managed long term care. The Plan will now have a federal contract to administer Medicare benefits. This is a highly regulated program with multiple reporting requirements. The Plan will also be required to pay claims based on Medicare payment methodologies which requires IT system investments. The Health Plan must interface with CMS electronically for enrollment, eligibility and reconciliation. The Plan must become NCQA accredited in three years.

Ms. Darrow stated that the Plan must prepare case management and disease management tailored to chronically ill adults and disabled beneficiaries. The Health Plan will also need to develop expertise for benefits that were not managed before and to align networks appropriately and be much savvier purchasers of health care. Ms. Darrow noted that this is a very controversial program, highly visible pilot with several opponents.

Ms. Darrow commented that she felt that the Health Plan participating in the Duals Demonstration project would be a natural expansion in government programs. It is important to expand our portfolio of programs and is a good opportunity for improving our infrastructure and expertise. Medicare is a much better payer than Medi-Cal which is good for our providers.

To prepare, the Health Plan has started to develop a Medicare budget. There are actuaries lined up and ready for rates. The Plan is also currently performing due diligence for systems solutions. Once all of this has been put together, the Plan will put forth a proposal to the Board with a recommendation to go forward or withdrawal.

Healthy Kids

Ms. Darrow began by congratulating Kathleen King and the Foundation for the work on the passage of Measure A. Healthy Kids product reached its peak in 2006 with 13,000 kids. Enrollment is now under 6,000. There has been a significant decline caused by Kaiser enrollment and a change in immigration patterns. Healthy Kids programs across the state have been discontinued or modified and all have had a sharp decrease in enrollment. Funding has decreased, major and some local foundations have ceased premium payments. The City of San Jose has extended its funding through June 2013.

Healthy Workers

Ms. Darrow gave an overview of the Healthy Workers program, stating that it is a pilot program to cover uninsured adults, enabled by AB12 legislation that was approved by the Governor in 2007. Eligible employers must have between 2-50 workers in Santa Clara County, 35% of eligible employees need to earn 0% to 350% of FPL and 50% of eligible employees must enroll. Ms. Darrow stated that the program is slow to sell due to complexity of eligibility requirements and costs to small businesses. Some businesses could not keep up with the premiums. Access at VMC has also been an issue, along with lack of provider choice.

Ms. Darrow commented that Health Care Reform could also change the outlook of the program. Valley's Low Income Health Plan may attract some of these members at or below 133% FPL. The premium is zero and the network and benefits are virtually the same. Also, beginning in 2014, the California Exchange will be available to small groups and individuals. Ms. Darrow also stated that the Health Plan recommends, as of January 2013, that the Plan discontinue all lead generations and marketing of the

Healthy Workers program. Any new applicants will be accepted but notified of the sunset. The health Plan will also notify DMHC of the intent to discontinue the program. By way of further discussion, Ms. Darrow asked for approval from the Board to move forward with discussions with the County on Healthy Kids and to approve discontinuing Healthy Workers effective December, 2013.

Mr. Brownstein expressed his concerns, stating that he was not comfortable, and did not support, the Health Plan discussing the future of the Healthy Kids program until discussions about funding took place. Mr. Brownstein recommended that the Health Plan initiate conversation with the County regarding the County's intentions in regard to funding Healthy Kids. Once the County has made a decision, the Health Plan could begin to participate in a broad, open communication based process. Mr. Brownstein abstained from voting.

Ms. Williams commented that Ms. Darrow's presentation stated full support of the Healthy Kids program and that there was no indication of ending the program.

Ms. Chirco also expressed concern stating that it seemed to be too soon after the election and the message that this sends to the citizens of Santa Clara County could be misunderstood. Ms. Chirco noted that she is uncomfortable with the conversation.

Mr. Santiago commented that the passage of Measure A would provide great support for the County and expressed his appreciation. Mr. Santiago also stated that the Healthy Kids program was a high priority and that he does not see moving away from this. Health is the highest priority for the County and the goal is to expand coverage to everyone. Mr. Santiago also gave his support in discussing the future of programs such as Healthy Kids and Healthy Workers, noting that the stakeholders are very important.

It was moved, seconded, and approved that the Health Plan moves forward with discussion with the County regarding Healthy Kids and Healthy Families.

It was moved, seconded, and approved to discontinue the Healthy Workers program effective December, 2013.

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. Action item: Approve 2013 meeting calendar(s)

It was moved, seconded, and approved to approve the calendar(s) as presented.

11. Adjournment

It was moved, seconded, and approved to adjourn the meetings at 4:23pm.

Shannon McNally, Secretary to the Board