



**Regular Meeting of the
Santa Clara County Health Authority
Governing Board**

Thursday, November 19, 2015

2:30 PM - 5:00 PM

210 E. Hacienda Avenue

Campbell, CA 95008

Minutes - DRAFT

Board Members present:

Bob Brownstein, Chair
Dolores Alvarado
Christopher Dawes
Darrell Evora
Laura Jones
Kathleen King
Michele Lew
Paul Murphy
Jolene Smith
Brenda Taussig
Wally Wenner, M.D.
Linda Williams

Board Members not present:

Liz Kniss

Staff present:

Christine Tomcala, Chief Executive Officer
Dave Cameron, Chief Financial Officer
Jeff Robertson, Chief Medical Officer
Chris Turner, Interim Chief Medicare Officer
Jonathan Tamayo, Chief Information Officer
Pat McClelland, VP Member & Medical Operations
Gary Kaplan, VP Vendor Relations and Delegation Oversight
Sharon Valdez, VP Human Resources
Beth Paige, Compliance Officer
Khurram Shah, Medicare Compliance Manager
Rita Zambrano, Executive Assistant

Others present:

Caitlin Grandison, SEIU Local 521 representative
Gloria Ramirez, SCFHP employee
Richard Noack, Hopkins and Carley LLC

1. Roll Call

Chair Brownstein called the meeting to order at 2:30 PM. Roll call was taken, and a quorum was established.

2. Minutes Review and Approval

The minutes of the September 24, 2015 Regular Board Meeting were reviewed.

It was moved, seconded, and the September 24, 2015 meeting minutes were **approved** as presented.

3. Public Comment

There were no public comments.

4. Adjourn to Closed Session

a. Conference with Labor Negotiators

The Board conferred with its Designated Representatives: Dave Cameron, Sharon Valdez and

Richard Noack

b. Contract Negotiations with Provider of Health Care Services

The Board discussed the contract between the Health Authority and MedImpact.

5. Report from Closed Session

Mr. Brownstein reported that the Board approved a motion authorizing the Santa Clara Family Health Plan (SCFHP) CEO to negotiate and execute a contract with MedImpact.

6. CEO Update

Christine Tomcala acknowledged Laura Jones, who resigned from the Board effective following the meeting. Ms. Tomcala thanked Ms. Jones for her service to SCFHP.

It was noted Dr. Wally Wenner requested that the Board consider amendments to the Bylaws that would expand the number of providers who sit on the Board, and would provide the opportunity for input to the Board of Supervisors when appointing individuals. The topic was raised for future consideration.

Ms. Tomcala announced that Tony Solem, Chief Medicare Officer, and two of his direct reports have resigned. To provide the organization with the necessary ongoing Medicare expertise, Chris Turner has joined SCFHP on a consulting basis as Interim Chief Medicare Officer.

It was further reported that a Medical Director has been hired to assist Dr. Jeff Robertson. Current part-time Medical Director, Dr. Jimmy Lin, resigned and Lily Boris, a former SCFHP Medical Director, will be returning to the plan four days per week.

Ms. Tomcala shared that SCFHP received the 2015 Outstanding Performance Award for a Medium Scale Plan from the Department of Health Care Services (DHCS). The award reflects the plan's favorable performance on HEDIS measures.

Ms. Tomcala reported that SCFHP has engaged consulting firm WeiserMazars to assist with four key activities related to critical Plan Objectives. They will be assisting with Medi-Cal and CMS audit readiness, NCQA accreditation readiness, and restructuring our policies and procedures to meet compliance and accreditation needs.

It was announced that SCFHP has reached an agreement with O'Connor Hospital to resume providing full hospital services to Medi-Cal members effective October 15, 2015. Staff has been moving forward with that expanded understanding while continuing to work on the contract language.

The Board was informed that SCFHP responded to the DHCS Health Homes RFI in October. Dr. Robertson drafted the brief, non-binding response. It indicated SCFHP would be interested in participating in the program, with an implementation date no sooner than January 2017. More information regarding program requirements should be available in December.

Ms. Tomcala provided a brief government affairs update, noting no agreement has been reached on the MCO tax due to the large financial impact on commercial plans, such as Kaiser Permanente. While a deal may be reached early next year, painful budget cuts should be anticipated in the Governor's budget proposal to be released in January. The availability of MCO tax dollars is the primary determinant of the future of the CCI program, including the CMC demonstration.

At the previous Board meeting, it was reported that the Plan received a subpoena related to a Department of Managed Health Care (DMHC) complaint. Ms. Tomcala indicated she was just notified that the investigation is complete and the DMHC Enforcement unit concluded that no violations had occurred. Credit to Beth Paige and Dr. Robertson, and others in the organization, for pulling together the information required to resolve this matter.

It was moved, seconded, and approved to accept the CEO Update.

7. Compliance Report

Ms. Paige, Compliance Officer, referred to the Compliance Report in the Board materials, and reported on Medi-Cal compliance highlights since September. DHCS accepted SCFHP's Joint Audit SPD Corrective Action Plan, and extended SCFHP's Medi-Cal contract to December 31, 2016. In July 2016, DMHC will be visiting the Plan for a routine financial exam for the time period ending March 31, 2013.

Member complaints received from the State regulators were reviewed. In processing these complaints, Ms. Paige identified opportunities for process improvement in the areas of timely access to particular specialty services at Valley; procedures for timely system entry of faxes for authorizations, appeals and grievances; and identification of potential grievance/quality of care issues when PCP changes are requested.

Ms. Paige also noted the requirement to conduct annual compliance training for all staff and Board members. The Board training will be provided electronically and will cover regulations, fiduciary responsibilities, and a broad base of information.

Khurram Shah, Medicare Compliance Manager, reported on the Medicare compliance highlights. SCFHP received a Notice of Non-Compliance (NONC) pertaining to reporting on MMP Core 2.1, Members with an assessment completed within 90 days of enrollment. Mr. Shah reported that the data was resubmitted in accordance with the appropriate HPMS memo and the issue has been resolved. Staff are further assessing the other annual, quarterly, and monthly reports to ensure all pertinent information is captured consistent with applicable regulations.

It was moved, seconded, and approved to accept the Compliance Report as presented.

8. Chief Medical Officer (CMO) Report

Dr. Robertson gave an overview of the 2016 SCFHP Quality Improvement Projects. Improvement projects are mandated by both Medi-Cal and Cal MediConnect (CMC). Out of the four available categories for a Medi-Cal Performance Improvement Project (PIP), SCFHP selected Diabetes, with a focus on retinal eye exams, which is a low performing HEDIS measure. For the CMC Chronic Care Improvement Project (CCIP), SCFHP selected Hypertension Management, and for the CMC Quality Improvement Project (QIP), the Plan will focus on All-Cause Readmissions, which is mandated by the Centers for Medicare and Medicaid Services (CMS). Both initiatives are also Quality Withhold measures. Dr. Robertson also discussed the importance of Adherence to Treatment.

Jolene Smith asked if the diabetes data could be broken out by adults and children. Dr. Robertson responded that he would try to break it out above and below 18 years of age.

It was moved, seconded, and approved to accept the CMO Report.

9. Fiscal 2014-15 External Audit Report

Dave Cameron reported that the annual audit report is three weeks overdue as a result of KPMG's continued research on the reporting and valuation of CalPERS pension funds. The Plan is required to file year-end financials with DMHC by October 31, 2015. An extension was requested from DMHC for the filing but we never received a response.

10. July, August, and September 2015 Financial Statements

Mr. Cameron reviewed highlights of the July, August, and September 2015 financial statements. In the month of September, SCFHP experienced a loss of \$(1.1m), with a fiscal year-to-date surplus of \$3.3m. The loss was primarily due to a rapid increase in long-term care expenses. Discussion took place regarding the difference in premium for members over 19 versus under age 19. Staff to provide a report at the next Board meeting of premium by aid category.

It was moved, seconded, and the July, August, and September Financial Statements were **approved** as presented.

11. Reserves Discussion and Recommendation

Mr. Cameron introduced discussion of the Reserve Strategy, noting the Board requested an analysis of the reserve policy in June 2015, and the Executive Committee reviewed the presentation last month. The current SCFHP reserve policy of maintaining two months of premium revenue was established by the Board in December 2011, but it has not been met since it was established. Reserves are currently approximately 1.1 months of premium revenue.

The current regulatory reserve requirement is based on Tangible Net Equity (TNE). However, this measure has not been updated since it was established in 1979 and does not consider non-FFS risks, plus claims factors appear arbitrary. DMHC has discussed shifting the reserve requirement to Risk Based Capital (RBC), which is the nationally recognized model maintained by the National Association of Insurance Commissioners (NAIC). This industry standard model takes into consideration assets, underwriting, credit, and business risk.

Mr. Cameron noted that SCFHP needs reserves not only to meet regulatory requirements, but also for absorbing volatility due to the unpredictability of healthcare costs, for stability during periods of insufficient or delayed revenue, accounting changes, and to provide for potential membership growth and infrastructure investment. At the present time, SCFHP's reserve as a percent of annual revenue (6.04%) is below the state weighted average of our peer group.

The Milliman Research Report on Medicaid Risk-Based Managed Care: Analysis of Financial Results for 2014, which was released in June 2015, suggests non-profit health plans typically hold RBC in the range of 400-500%. As of June 2015, SCFHP reserves stood at 328% RBC. Assuming a 450% RBC target, the FY2016 requirement would be approximately \$123 million compared with an estimated SCFHP reserve level of \$74 million.

Mr. Cameron summarized that staff recommends a target reserve level between 400-500% RBC to allow SCFHP to absorb extended periods of elevated claims and/or insufficient premium, both of which are common in the cyclical health insurance business. He noted it is difficult to increase the RBC ratio when business is growing, since required capital typically increases at the same pace as reserves. Therefore, it is recommended that SCFHP retain profits which are higher than expected, and profits when growth stabilizes, until the target RBC percent is met. Staff will provide the Board with an annual review of the reserve policy concurrent with approval of the annual operating budget.

Discussion took place regarding the right level of reserves. Linda Williams inquired how long it would take to get to the recommended reserve level and Mr. Cameron responded it may take five years to fund due to growth. Mr. Brownstein commented he would be more comfortable with a process where a certain portion of higher than expected profits goes into reserves, and another part is brought to the Board for a decision regarding whether the funds should be used for reserves, or provider payments, service augmentation, or other programmatic changes.

Mr. Brownstein suggested a motion to ask staff to report back on a proposed Reserve Methodology at the next meeting which would designate a specific reserve for cash on hand in terms of number of days based on best practices. This includes an analysis of the reserve policy that allocates some surplus revenues to automatically go into reserves and some for other purposes that would be presented to the Board.

It was moved, seconded, and approved to accept the proposed motion.

12. Unified Managed Care Strategy Update

Mr. Brownstein reported that a team of Board members has been meeting to develop a proposal regarding the greater integration of managed care with the County. The genesis of this effort is the County's concern that with an increasingly unpredictable and somewhat unstable health care environment, safety net services are more at risk than was previously the case, and integrating the work of SCFHP with the County would help with that instability. The Board Team drafted the Integrated Managed Care Proposal in the Board materials for discussion with the County. It proposes a Managed Care Coordinating Council (MCCC) which would have authority to take public positions on issues relevant to managed care. As regards all other issues, the MCCC would strictly be a coordinating and advisory body that would generate focus on collaboration between the Plan and the County. Chris Dawes voiced his support of the proposal,

noting it does not usurp the authority of the Board of Supervisors or the SCCHA Board, which would require the State's approval if it did.

It was moved, seconded, and approved to give the Board Team authority to present the Integrated Managed Care Proposal as an initial position, and hold discussions with the County. The Board Team is to bring any changes or amendments to the Board for approval.

13. Publicly Available Salary Schedule Changes

Ms. Valdez gave an update on the Publicly Available Salary Schedule for those positions that were added and deleted since the last update to the SCCHA Board of Directors on September 24, 2015.

It was moved, seconded, and approved to approve the Publicly Available Salary Schedule.

14. Committee Reports

a. Executive Committee

Michele Lew provided a recap of the October 22, 2015 Executive Committee minutes.

It was moved, seconded, and approved to accept the Executive Committee Report.

b. Provider Advisory Council

Dr. Robertson provided a recap of the October 8, 2015, Provider Advisory Council minutes.

It was moved, seconded, and approved to accept the Provider Advisory Council Report.

15. 2016 Meeting Calendar

The proposed 2016 SCCHA Meeting Calendar was presented for consideration.

It was moved, seconded, and the 2016 SCCHA Meeting Calendar was approved.

16. Adjournment

It was moved, seconded, and approved to adjourn the meeting at 4:50 PM.

Elizabeth Pianca, Secretary to the Board