



Regular Meeting of the Santa Clara County Health Authority Governing Board

Thursday, September 22, 2016
210 E. Hacienda Avenue
Campbell, CA 95008

Minutes

Board Members Present

Bob Brownstein, Chair
Michele Lew, Vice-Chair
Dolores Alvarado
Brian Darrow
Chris Dawes
Kathleen King
Paul Murphy
Jolene Smith
Brenda Taussig
Wally Wenner, MD

Board Members Absent

Darrel Evora
Liz Kniss
Linda Williams

Staff Present

Christine Tomcala, Chief Executive Officer
Dave Cameron, Chief Financial Officer
Jeff Robertson, Chief Medical Officer
Jonathan Tamayo, Chief Information Officer
Chris Turner, Interim Chief Operations Officer
Sharon Valdez, VP, Human Resources
Neal Jarecki, Controller
Robin Bilinski, Interim Board Scribe

Others Present

Maria Bejarano, SEIU Representative
Stacy Renteria, SEIU Representative

1. Roll Call

Bob Brownstein, Chair, called the meeting to order at 2:39 pm. Roll call was taken, and a quorum was not yet established.

2. Public Comment

There were no public comments.

Jolene Smith arrived at 2:43 pm.

A quorum was established, and the Board went into closed session.

3. Announcement Prior to Recessing into Closed Session

4. **Adjourn to Closed Session**

a. **Anticipated Litigation**

The Board conferred with legal counsel regarding an administrative claim submitted on behalf of Kathleen King.

Paul Murphy arrived into closed session at 2:45 pm.

Chris Dawes arrived into closed session at 2:50 pm.

5. **Report from Closed Session**

Kathleen King arrived at 3:10.

Mr. Brownstein reported that the Board voted unanimously to reject the claim.

6. **Approve Consent Calendar and Changes to the Agenda**

Michele Lew requested discussion on the Weiser Mazars risk assessment prior to a vote on section 6.c.

- a. Approve Minutes of the June 23, 2016 **Regular Board** Meeting.
 - Accept minutes of the July 28, 2016 **Executive/Finance Committee** meeting and:
 - Accept May 2016 Financial Statements
- b. Accept minutes of the August 25, 2016 **Executive/Finance Committee** Meeting and:
 - Accept Annual Investment Policy Report
 - Review FY '15-'16 Donation/Sponsorship Report
 - Review Draft Provider Incentive Program
 - Appoint temporary, ad hoc subcommittee to conduct annual CEO Evaluation
- c. Accept minutes of the August 10, 2016 **Quality Improvement Committee** Meeting and:
 - Ratify eight Case Management Policies
 - Ratify three Health Education Policies
 - Ratify Case Management Program Description
 - Ratify Health Education Program Description
 - Ratify Health Education Work Plan
 - Accept Credentialing, P&T, & UM Committee Reports
- d. Accept minutes of the minutes of the July 27, 2016 **Provider Advisory Council** Meeting.
- e. Accept minutes of the September 13, 2016 **Consumer Affairs Committee** Meeting.

It was moved, seconded, and the Consent Calendar was unanimously **approved** with the exception of section 6.c.

Mr. Cameron reported that the Weiser Mazars audit report included an internal audit plan that will be completed over the next twelve to eighteen months, which is based on risk to the Plan. Mr. Brownstein inquired about the risks, and the timeframe to resolve. Mr. Cameron provided a summary of risks, which are overall considered moderate. Ms. Tomcala confirmed this is only one element of the effort to bring the entire organization into compliance.

It was moved, seconded, and section 6.c of the Consent Calendar was unanimously **approved**.

7. CEO Update

Ms. Tomcala thanked Robin Bilinski for her assistance as scribe during Rita Zambrano's absence. Ms. Tomcala also introduced Neal Jarecki, SCFHP's new Controller. Mr. Jarecki joined the health plan in June, has prior CFO experience with Alameda Alliance, and is familiar with Medi-Cal Managed Care. Dave Cameron noted that Mr. Jarecki has been a personal colleague for over eight years and is excited to have him join the Plan.

Ms. Tomcala reported, pursuant to the March 2015 request from Supervisors Chavez and Yeager to develop recommendations to strengthen the partnership of SCFHP and Valley Health & Hospital Systems (VHHS), Mr. Santiago reported to the Health and Hospital Committee on September 14th that leaders from the organizations had made significant progress in working together and provided the Collaboration Work Plan (in section 14 of the Board packet).

Ms. Tomcala updated the Board that QNXT, the Cal MediConnect claims payment system, was successfully de-hosted in August 2016. The Health Plan is currently upgrading QNXT for CMC, with training and testing in October 2016. Leadership will develop teams at both the Executive level and operational level to kick off implementation of QNXT for Medi-Cal. So far the transition is progressing well with no issues to report.

First 5 invited SCFHP to participate in their proposed pilot program for coordination of medical and dental services for prenatal to 5-year-old members. The Plan agreed to partner with First 5 and will provide staffing to assist with coordination of services. Ms. Smith confirmed a grant application was submitted. The full Dental Transformation Initiative (DTI) grant is for 0-20-year-olds, in order to create a systems approach to oral healthcare. The pilot program with First 5 will cover only prenatal to 5-year-olds, and is included in the broader DTI grant.

As of April 1, 2016, Covered California enrollment was enhanced to enable screening of children for eligibility in the Healthy Kids/C-CHIP program. SCFHP is contracted for the C-CHIP program through 2019. On May 16, 2016, SB75 expanded Medi-Cal to cover all children under 19 regardless of immigration status. Before the 2016 changes, Healthy Kids enrollment was 4,341; as of September, enrollment is 2,956, resulting in a 'loss' of 1,385 kids. Enrollment in Medi-Cal has increased 1,726, while 1,143 children who left Healthy Kids have not yet returned through Medi-Cal enrollment. Additionally, there were 672 kids identified with SB75 that have enrolled in Medi-Cal who were not part of Healthy Kids originally. The Plan is obligated to cover Healthy Kids for 12 months from the time of their enrollment, even if they are eligible for another program. However, the goal is to help these children make the transition to full scope Medi-Cal if they are eligible. Kathleen King noted the Healthier Kids Foundation is partnering with SCFHP to outreach to these families, educating them on the benefits of transitioning to Medi-Cal, and has successfully assisted 46 kids thus far.

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

8. Election of Officers

Mr. Brownstein indicated the need to elect the offices of Chairperson, Vice-Chairperson, Treasurer, and Secretary. It was confirmed that all incumbents are still willing to hold these roles.

It was moved, seconded, and approved to elect Bob Brownstein to the office of Chairperson, Michele Lew to the office of Vice-Chairperson, Dave Cameron to the office of Treasurer, and Elizabeth Pianca to the office of Secretary.

9. Consumer Advisory Committee Charter

Ms. Tomcala presented the draft Consumer Advisory Committee Charter and informed the Board of the need and intent to expand the diversity of representatives on the Consumer Advisory Committee. The charter identifies diversity as a responsibility of the Committee.

It was moved, seconded, and the Consumer Advisory Committee Charter was unanimously **approved**.

10. Compliance Report

Beth Paige presented the July – September 2016 Compliance Report. The Plan received a Notice of Non-Compliance from CMS on July 6, 2016 for failure to properly process out of area disenrollment. The Plan self-disclosed this issue in January 2016, and the letter was expected. Ms. Paige confirmed that due to the timely self-disclosure the Plan has already implemented corrective action.

The Plan also underwent the annual CMS Data Validation Audit in May 2016, SCFHP's first audit of this kind. The audit covered review of the Plan's data collection methodologies, and data reporting accuracy. The current compliance standard is 95% and SCFHP scored 81%. As a result the Plan is under a Corrective Action Plan (CAP), identifying improvement practices. It was noted that in 2017 the new compliance standard will be 100%.

A compliance gap task list was developed that consolidates areas identified in the consultant review conducted earlier in the year, the DHCS audit, CMS Data Validation audit, and anticipated findings of the DMHC audit. Respective departments are actively working on closing those gaps.

It was noted that Board members are required to complete annual compliance training. Board members received an email with a link for online training from SCFHP's vendor, Litmus. If Board members have completed compliance training through other means, Ms. Paige indicated credit may be allocated if the materials reflect coverage of the required topics.

Paul Murphy requested that the status of the CAPs be presented going forward.

SCFHP just received the final audit report from DHCS regarding the DHCS/DMHC joint audit. SCFHP received 36 findings, of which two were overturned, resulting in a final total of 34 findings. This is the same number of findings in the 2014 audit and Ms. Tomcala indicated this is consistent with the average number of findings for other Local Initiative Health Plans in 2015.

It was moved, seconded, and unanimously **approved** to accept the Compliance Report.

11. Fiscal Year 2015-2016 Unaudited Financials

Mr. Cameron presented the 2016 unaudited financial statements and noted that the Plan was in the second week of the external audit.

The Plan increased revenue by \$100M due to higher Medi-Cal membership numbers; however, expenses increased due to the cost of care for its Long Term Care members.

Mr. Cameron explained that while the Cash on Hand indicates \$146.1M, there is technically \$14M net cash available due to two key factors: 1) the State owes the Plan \$70M for an erroneous initial blended rate for the CCI and CMC population, and 2) the Plan owes the State \$100M for an overpayment of MCE rate payments, which the State has not yet recouped.

SCFHP's membership has stabilized from a recent spike in membership due to the CCI in July of 2014 and Cal MediConnect in Jan of 2015. Overall, there were no significant changes in Network enrollment, but direct contracts with physicians did increase for the CMC line of business.

Mr. Cameron reminded the Board that, last year the Board authorized the CEO, based on historical practices, to enter into provider incentive agreements. It was budgeted and reported at just over \$3M.

It was moved, seconded, and unanimously approved to approve the unaudited FY 2015-2016 financial statements with authorization to distribute the budgeted Provider Incentive Program payments.

12. July 2016 Financial Statements

Mr. Cameron reported that the Medi-Cal Expansion rates decreased by 15% for the new fiscal year beginning July 1, 2016. The net surplus for July is reported at \$148K. Mr. Cameron reiterated that there are a lot of moving parts and volatility in claims (playing catchup) this first month of the new fiscal year. The process for the State to recoup the \$100M of Expansion overpayments has yet to be determined. Membership continues to grow slightly, and the trending is positive. Administrative expenses are on budget; however there are still around 35 open positions.

It was moved, seconded, and unanimously approved to approve the July 2016 Financial Statements.

13. Reserve & Liquidity Strategies

Mr. Cameron and Mr. Jarecki presented the recommendations for the Reserve and Liquidity Strategy. The goal is to review reserves and make recommendation for targets for reserve & liquidity The Plan's current Equity goal is to accumulate two months of capitation revenue and the Plan has no Liquidity goal. TNE reserves are closely monitored by the Department of Managed Health Care (DMHC), and many other Local Initiative Health Plans are also conducting Reserve & Liquidity analyses. DMHC guides plans to establish 300% of Required TNE or above, with a preference of them achieving 500%, and closely monitors plans with TNE at or below 200% of Required TNE. Additionally, California TNE requirements are still lower than the national TNE requirements. Mr. Jarecki informed the Board that financial changes can happen very quickly for plans due to a combination of moving factors.

Per the Reserve and Liquidity Strategy presentation, Mr. Cameron recommended establishing (a) an Equity Target of 350-500% of Required TNE, (b) a Liquidity Target of 45-60days of total expenses in cash and (c) recurring review of reserves and liquidity targets in the financial statements.

Mr. Brownstein expressed concern that Health Plans might prioritize TNE targets at the expense of safety net services. He will consider higher reserves with explicit recognition that increases must be taken into consideration simultaneous to the health and safety of the members. Mr. Murphy requested information on how 500% TNE compares to health plan months, which Mr. Jarecki advised was average for the public plans.

It was moved, seconded, and approved that an Equity Target of 350-500% of Required TNE be established with annual review by the Executive Committee with a stipulation that future decisions involving reserves must include consideration of member safety.

Mr. Brownstein requested to know the line-items for each ordinary and extraordinary balance sheet items for future discussions. Mr. Cameron advised this information would be included in the financial statements.

It was moved, seconded, and approved that a Liquidity Target of 45-60 days of total expenses be established with a stipulation to provide the Board with information be provided detail of pass-through receivables and payables per the balance sheet.

14. Fiscal Year 2015-2016 Year in Review

Ms. Tomcala presented the year-end status of the Fiscal Year 2015-2016 Plan Objectives. Compliance continues to be the primary focus. She highlighted last year's efforts, which included engaging consultants to identify and assist with closing gaps, an overhaul of policies and procedures, and creation of a compliance dashboard.

The second objective focused on pursuit of NCQA accreditation for the CMC line of business. Ms. Tomcala indicated a readiness assessment was conducted and a project plan was drafted.

Ms. Tomcala reminded the Board that the SEIU contract was successfully negotiated and ratified last April, and a compensation committee was formed, with re-benchmarking of all positions currently in process.

With respect to the fourth objective, Ms. Tomcala presented the Collaboration Work Plan, which was developed in the spirit of collaboration with Valley Health and Hospital System. Joint strategic planning efforts are also underway.

Ms. Tomcala further discussed efforts to upgrade systems, improve quality as reflected in Medi-Cal HEDIS measures, and achieve budgeted financial performance.

In further summary of the fiscal year, Ms. Tomcala noted that SCFHP experienced a 19% increase in member months, a 29.5% increase in revenue, and staff growth of 27 employees. Opportunities for the upcoming year were also discussed.

It was moved, seconded, and unanimously approved to accept the FY 2015-16 Plan Objective Performance Report.

15. Fiscal Year 2016-2017 Plan Objectives

Ms. Tomcala presented the FY 2016-17 Plan Objectives and the 2016-2020 Strategic Plan Framework. The priorities for 2017 continue to focus on compliance and systems implementations. Other key objectives address provisional NCQA accreditation and quality performance, and strengthening routine reporting and analytics. Additional objectives include membership growth and retention, complex care delivery, collaboration with VHHS, benchmarking pay ranges, and achieving the budgeted net surplus.

Paul Murphy departed at 4:45.

It was moved, seconded, and unanimously **approved** to accept the FY 2016-17 Plan Objectives.

16. Fiscal Year 2015-2016 Team Incentive Compensation

Ms. Tomcala reminded the Board that the Fiscal Year 2015-16 Team Incentive Compensation program was previously discussed, and subsequently presented to SEIU, with eligibility of both represented and non-represented staff. Based on the year-end Net Operating Surplus, staff earned a 1% bonus. The Compliance Metric target for payout was not met. However, due to the tremendous efforts by staff in working toward identifying and closing compliance gaps and developing the compliance dashboard, Ms. Tomcala asked the Board to consider recognizing the non-executive staff with an additional 2% payout.

Mr. Brownstein supported the team incentive compensation and recognized the hard work of staff, noting the importance of maintaining morale. Mr. Darrow agreed incentive costs are relatively low compared to the size of the organization.

It was moved, seconded, and the proposed team incentive payout was unanimously **approved**, with an amendment to distribute the additional 2% to the executive staff as well, for a total of 3% to all staff.

17. Credentialing System RFP

Mr. Tamayo presented the need for the Plan to procure a provider credentialing software program. Procurement includes software licenses, staff training, and technical assistance; details to be negotiated dependent on vendor selection. The Board discussed credentialing with Plan delegates. Currently SCFHP delegates credentialing to affiliated networks and only credentials providers who are directly contracted with the Plan. However, the Plan must maintain all provider information in a system in order to pay claims and meet provider directory requirements. Mr. Tamayo noted the Plan requested proposals from vendors familiar with health plan regulatory requirements and respected in the industry.

It was moved, seconded, and approved to augment the fiscal year 2016-2017 budget and authorize the Chief Executive Officer to negotiate, execute, amend, and terminate a contract with selected credentialing system vendor in an amount not to exceed \$360K for licensing and implementation.

18. Publicly Available Salary Schedule Ranges

Ms. Valdez reported that the Plan has been forming a compensation committee as proposed in the SEIU contract. Updating job descriptions is underway as a precursor for re-benchmarking, to ensure the Plan is competitive in hiring and retaining skilled staff.

It was moved, seconded, and the Publicly Available Salary Schedule was unanimously **approved**.
It was moved, seconded, and delegation of approval of salary range re-benchmarking to the Executive/Finance Committee was unanimously **approved**.

19. Adjournment

The meeting was adjourned at 5:10pm.

Elizabeth Pianca, Secretary to the Board