Santa Clara Family Health Plan
The Spirit of Care

Regular Meeting of the
Santa Clara County Health Authority
Governing Board

Thursday, March 22, 2018
210 E. Hacienda Avenue
Campbell, CA 95008
Board Room

Board Members Present
Michele Lew, Vice-Chair
Dolores Alvarado
Brian Darrow
Chris Dawes
Kathleen King
Liz Kniss
Paul Murphy
Ria Paul, M.D.
Brenda Taussig
Linda Williams

Board Members Absent
Bob Brownstein, Chair
Darrell Evora
Jolene Smith

Staff Present
Christine Tomcala, Chief Executive Officer
Dave Cameron, Chief Financial Officer
Chris Turner, Chief Operating Officer
Robin Larmer, Chief Compliance and Regulatory Affairs Officer
Jonathan Tamayo, Chief Information Officer
Jeff Robertson, Chief Medical Officer
Sharon Valdez, VP of Human Resources
Neal Jarecki, Controller
Beth Paige, Compliance Officer
Rita Zambrano, Executive Assistant

Others Present
Janet Cory Sommer, Burke, Williams & Sorensen LLP

Minutes – Approved

1. Roll Call & Introduction of Board Member

Michele Lew, Chair, called the meeting to order @ 2:35pm. Roll call was taken and a quorum was established. Ms. Lew welcomed Dr. Ria Paul as a new member of the Santa Clara County Governing Board. She also congratulated Christopher Dawes, Board Member, on his retirement from Lucile Packard Children's Hospital after 29 years of service, and thanked Mr. Dawes for agreeing to continue his service on the SCCHA Governing Board.

2. Public Comment

There were no public comments.

Brian Darrow joined the meeting at 2:40 pm.

3. Adjourn to Closed Session

a. Anticipated Litigation
The Governing Board met in Closed Session to confer with Legal Counsel regarding significant exposure to litigation in five potential cases.

Kathleen King joined the meeting at 3:00 pm

b. **Conference with Labor Negotiators**
The Governing Board met in Closed Session to confer with its Designated Representatives: Dolores Alvarado, Liz Kniss, Michele Lew, and Linda Williams, and Unrepresented Employee: Chief Executive Officer.

4. **Report from Closed Session**

Ms. Lew reported that the Board met in Closed Session to confer with its Designated Representatives regarding item 3(a). The Governing Board voted unanimously to delegate authority to the Executive/Finance Committee to approve settlement terms consistent with the direction provided.

5. **Annual CEO Compensation Review**

Ms. Lew reported on the 2016-17 annual performance and compensation review of the CEO. She indicated that the ad hoc CEO Evaluation Subcommittee recommended that the CEO receive a 4% annual salary increase and a 9% incentive bonus based on the favorable evaluation.

It was moved, seconded, and the recommended annual salary increase and incentive bonus for the CEO was **unanimously approved.**

Liz Kniss joined the meeting at 3:15 pm.

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

Ms. Lew presented the Consent Calendar and indicated all items would be approved in one motion. Christine Tomcala, Chief Executive Officer, noted that the Provider Advisory Council meeting minutes were not sent in advance of the meeting, but are included in the Consent Calendar. Ms. Tomcala further requested that the Tentative Agreement with SEIU in Item 6(b) be separately discussed.

a. Approve minutes of the December 14, 2017 **Regular Board** Meeting
b. Accept minutes of the January 25, 2018 **Executive/Finance Committee** Meeting and:
- Ratify approval of Tentative Agreement with SEIU Local 521
- Ratify approval of the November 2017 Financial Statements
- Ratify approval to authorize the CEO to negotiate and execute contract with General Contractor consistent with material terms as described to the Committee

c. Accept minutes of the February 22, 2018 **Executive/Finance Committee** Meeting and:
- Ratify approval of the December 2017 Financial Statements

d. Accept minutes of the February 22, 2018 **Compliance Committee** Meeting and:
- Ratify Compliance Report & CMC and Medi-Cal Compliance Monitoring
- Ratify Audits and Corrective Action Plans (CAP)
- Ratify Fraud, Waste, and Abuse Report

e. Accept minutes of the February 21, 2018 **Quality Improvement Committee** Meeting and:
- Ratify Clinical, Behavioral, and Medical Prevention Practice Guidelines
- Ratify QI Program Description
- Ratify Case Management Strategy Description
- Ratify Health Education Program Description
- Ratify Cultural and Linguistics Program Description and Evaluation
- Behavioral Health Policies for Approval
- QI.23 Alcohol Misuse Screening and Behavioral Counseling Intervention in Primary Care
- QI.24 Outpatient Mental Health Services
- Palliative Care Policies for approval

- QI.25 Intensive Outpatient Palliative Care
- LTSS Policies for approval
- QI.26 MLTSS Care Coordination
- Ratify acceptance of Committee Reports:
    - Credentialing Committee – October 4 & December 6, 2017
    - Pharmacy & Therapeutics Committee – September 21, 2017
    - Utilization Management Committee – October 18, 2017
    - Quality Dashboard
    - Compliance Report
    - Consumer Advisory Board

f. Accept minutes of the February 1, 2018 Provider Advisory Council Meeting

g. Accept minutes of the March 1, 2018 Consumer Advisory Committee Meeting

It was moved, seconded, and the Consent Calendar, excluding the Tentative Agreement with SEIU [Item 6(b)], was **unanimously approved.**

With respect to the Tentative Agreement with SEIU, Ms. Tomcala reported that at the January 25, 2018 Executive/Finance Committee meeting, the Committee passed a motion to (1) approve, and recommend that the Board approve, the Tentative Agreement with SEIU; and (2) authorize executive staff to implement the salary adjustments in advance of Board approval.

Ms. Tomcala and Sharon Valdez, VP of Human Resources, discussed key components of the Tentative Agreement with SEIU Local 521, dated January 9, 2018.

It was moved, seconded, and unanimously approved to ratify approval of the Tentative Agreement with SEIU Local 521.

7. CEO Update

Ms. Tomcala presented an update on Healthy Kids enrollment. CCHIP enrollment increased from November through January due to Covered California open enrollment. She also noted that the Federal CHIP legislation was signed. States currently offering CHIP (Medi-Cal) or CCHIP (Healthy Kids) are required to continue providing these programs through September 2027.

SCFHP has been working with VHP and SCVHHS on transitioning the non-CCHIP Healthy Kids enrollees to Valley Kids, per direction from the County Board of Supervisors. Valley Health Plan is now developing a program for low-income family coverage, with a plan to move the non-CCHIP kids to that product.

Ms. Tomcala also provided an update on Whole Person Care, noting the County has approved a contract with Institute on Aging to provide Community Living Connection: Nursing Home Transitions, Diversions, and Care Coordination Services.

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

8. Funding for Enrollment Assistance

Michele Lew recused herself from discussion on this agenda item.

Ms. Tomcala noted The Health Trust is proposing a partnership with SCFHP to engage and enroll low-income residents in health insurance. The Health Trust is losing funding for this service and has requested financial support of $160,000 to help support three activities over the next 14 months: (1) health insurance enrollment, (2) shared space with SCFHP at The Health Trust's site in East San Jose, and (3) planning efforts to pursue longer-term co-location of staff and collaboration between the two organizations.

The Health Trust is certified by the State of California to enroll Santa Clara County residents in Medi-Cal and other insurance plans. In addition, they also assist individuals in navigating the network of preventive services available within their coverage.

It was moved, seconded, and unanimously approved to support The Health Trust with $160,000 in funding to provide enrollment assistance through June 2019.

9. Compliance Report

Robin Larmer, Chief Compliance & Regulatory Affairs Officer, presented the February 2018 Compliance Report.

Ms. Larmer provided an update on the progress toward completion of the Core 2.1 Performance Improvement Plan (PIP). Monthly reporting to CMT continues and initial HRA completion rates remain at 100%.

SCFHP prepared and submitted a CAP to DHCS responding to deficiencies identified in the 2017 audit report, and DHCS issued an audit closing letter. The Plan has been notified that its DHCS 2018 audit will be conducted on April 9-20, 2018.

The Plan has prepared a response to DMHC network adequacy inquiries regarding its measurement year 2016 Timely Access Filing. SCFHP's measurement year 2017, Timely Access filing is due March 31, 2018.

Ms. Larmer provided an update on other CMS Compliance issues. A Warning Letter was received in December 2017 for late submission of two reports. The Plan's internal CAP for the 2017 Medicare Data Validation Audit is at approximately 95% completion. The 2018 Medicare Data Validation Audit is underway, with a final report anticipated in late June 2018.

Regarding Medi-Cal compliance, Ms. Larmer noted that DHCS created an annual network certification filing similar to DMHC's Timely Access Filing that evaluates the time and distance standards and includes a review of policies and procedures. DHCS continues to work on implementation of the Medicaid Health Homes Program.

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

10. January 2018 Financial Statements

Mr. Cameron presented the January 2018 financial statements, which reflected a net surplus of $0.5 million ($1.0 million unfavorable to budget) and a fiscal year to date (YTD) net surplus of $16.1 million surplus ($11.5 million favorable to budget). The unfavorable current month variance is primarily due to a catch up of Long-Term Care (LTC) retroactive claims rate adjustments.

January 2018 enrollment reflected an unfavorable budget variance of 8,618 members (-3.2%) while YTD member months were unfavorable to budget by 31,877 (-1.7%) and 3.7% lower than YTD last year. While Medi-Cal membership has continually declined since November 2016, Cal Medi-Connect (CMC) membership has stabilized, reflecting the Plan's additional outreach efforts.

Revenue reflected a favorable current month budget variance of $0.9 million (1.1%) and a favorable YTD budget variance of $2.2 million (+0.3%). The current month variance was primarily attributable to increased Long Term Care (LTC) and Behavioral Health Treatment (BHT) member months and rates.

Medical expenses reflected an unfavorable current month budget variance of $2.0 million (-2.5%) and a favorable YTD budget variance of $8.1 million (1.3%). As noted above, the current month variance was primarily due to a catch up of Long-Term Care (LTC) retroactive claims rate adjustments and unfavorable inpatient expenses vs. budget. The current month overall medical loss ratio (MLR) of 94.3% is unfavorable to the budgeted MLR of 93.0% while the YTD MLR of 93.4% is favorable to the budgeted MLR of 94.9%.

Administrative expenses reflected an unfavorable current month budget variance of $0.2 million (-4.0%) and a favorable YTD budget variance of $0.3 million (+1.0%). Much of the current month variance was attributable to increased usage of consultants and temporary staff. Administrative expenses represent 5.3% and 4.3% of revenue, for the current month and YTD, respectively. The increase in the administrative ratio reflects the phase-out of IHSS from managed care effective January 1, 2018.

The balance sheet continues to reflect significant receivables from, and payables to, the Department of Health Care Services (DHCS). The Plan is actively seeking reconciliation and finalization of prior year Coordinated Care Initiative (CCI) amounts with DHCS. Additionally, DHCS continues to recoup prior year MCE rate overpayments of approximately $18 million per month. The Plan anticipates completion of these MCE rate recoupments by April 2018. The current ratio of 1.3 exceeds the DMHC-required minimum of 1.0.

Tangible Net Equity (TNE) was $174.4 million or 493% of the minimum TNE of $35.3 required by the Department of Managed Care (DMHC).

Capital investments YTD of $10.5 million versus $17.3 million per annual budget are largely due to the purchase of a new building located at 50 Great Oaks Blvd., San Jose, California.

It was moved, seconded, and the January 2018 Financial Statements were **unanimously approved.**

11. Grievance & Appeals Software

Chris Turner, Chief Operating Officer, noted that SCFHP evaluated various systems to support the Grievance and Appeals (G&A) process and extensive regulatory reporting. The FY 2017-18 budget includes $360,000 for a new G&A system.

The Plan would like to move forward with Beacon and believes its system attributes will increase productivity, decrease errors, and improve reporting and audit readiness. PDRs can also be handled in the system.

Pricing will be finalized following a Statement of Work (SOW) scope meeting. Initial pricing estimates are expected to be below budget and compare favorably to other systems. Implementation is expected to be 12-16 weeks.

It was moved, seconded, and unanimously approved to authorize the CEO to negotiate, execute, amend, and terminate a contract with the selected vendor to provide a Grievance & Appeals system solution.

12. New Building Update

Mr. Cameron and Ms. Tomcala provided the budget for construction and move-in costs for 50 Great Oaks Blvd. The Plan's current lease ends August 31, 2018. For the new building to be ready for occupancy by mid-to-late July 2018, a tight project schedule was developed by the group. A working draft of the construction schedule was shared.

A summary of the preliminary proposed budget was presented. The budget includes all estimated costs charged directly or indirectly to the project (including labor, materials, equipment, and facilities). Until architects develop the final schematics and detailed drawings, the Plan is relying on comparable industry projects to estimate the financial resources needed to complete the project.

The two biggest cost drivers are: (1) the larger square footage from the current space, and (2) rising construction costs in the Bay Area. Also impacting the budget are the 2016 Title 24 Building Energy Efficiency Standards, mandated for any renovation project, which requires among other things all new LED and energy savings systems throughout the building. Because this is a preliminary budget, future updates and progress reports will be provided.

To maintain the project timeline, executive management requests that the Board approve the preliminary budget for completion of the scheduled activities on the attached construction schedule.

It was moved, seconded, and unanimously approved to authorize the CEO to execute contracts to build out the new office building at 50 Great Oaks Blvd. consistent with the preliminary budget.

13. Retiree Health Benefits Resolution

Ms. Valdez presented two resolutions to change the retiree health benefit plan contribution for new hires after May 1, 2018.

It was moved, seconded, and the Resolutions (1) Fixing the Employer Contribution at an Equal Amount for Employees and Annuitants, and (2) Adopting Cafeteria Plan and Health Reimbursement Account Benefits to Supplement the Amount Contributed by the Employer for Employees and Annuitants, under the Public Employees' Medical and Hospital Care Act, were **unanimously approved.**

14. Retirement Benefit Program

Ms. Tomcala and Mr. Cameron presented a proposal to modify the retirement options SCFHP offers to employees to better provide market competitive benefits and encourage greater staff participation in retirement savings opportunities.

It was moved, seconded, and unanimously approved to authorize the CEO to execute all applicable documents to activate the proposed revisions to the retirement benefit programs**.**

15. Publicly Available Salary Schedule Ranges

Ms. Valdez provided an update on the Publicly Available Salary Schedule, noting the positions that were added or removed since the last meeting.

It was moved, seconded, and the Publicly Available Salary Schedule was **unanimously approved.**

16. Adjournment

The meeting was adjourned at 4:47 pm.

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Robert Brownstein, Chairman