Santa Clara
Family Health Plan
The Spirit of Care

Regular Meeting of the
Santa Clara County Health Authority
Executive/Finance Committee

Thursday, August 25, 2016
8:30 AM - 10:00 AM
210 E. Hacienda Avenue
Campbell CA 95008

VIA TELECONFERENCE AT:
Residence
1985 Cowper Street
Palo Alto, CA 94301

AGENDA

1.	**Roll Call**	Ms. Lew	8:30	5 min
2.	**Meeting Minutes** Review meeting minutes of the July 28, 2016 Executive/Finance Committee. **Possible Action:** Approve July 28, 2016 Executive/Finance Committee Minutes	Ms. Lew	8:35	5 min
3.	**Public Comment** Members of the public may speak to any item not on the agenda; 2 minutes per speaker. The Executive/Finance Committee reserves the right to limit the duration of the public comment period to 30 minutes. **Announcement Prior to Recessing into Closed Session** Announcement that the Executive Committee will recess into closed session to discuss Items No. 4(a)	Ms. Lew	8:40	5 min
4.	**Adjourn to Closed Session**		8:45	15 min
	a) Anticipated Litigation (Government Code Section 54956.9(d)(2)): It is the intention of the Executive Committee to meet in Closed Session to confer with Legal Counsel regarding receipt of an administrative claim for damages received pursuant to the Government Claims Act. The claim was submitted by Mark S. Renner of Wylie, McBride, Platten, & Renner on behalf of Kathleen King. A copy of the claim is attached.			

5.	**Report from Closed Session**	Ms. Lew	9:00	5 min
6.	**Preliminary Fiscal Year 2015-16 Results** Discuss FY-15-'16 preliminary financial performance.	Mr. Cameron	9:05	10 min
7.	**Investment Activity and Policy Review** Review FY'15-'16 Annual Investment Policy report by Sperry Capital **Possible Action:** Accept Annual Investment Policy Report	Mr. Cameron	9:15	10 min
8.	**Donation/Sponsorship Report** Review summary of FY'15-'16 donations and sponsorships.	Ms. Tomcala	9:25	5 min
9.	**Finance & Accounting Department Risk Assessment & Policy Analysis** Discuss report from WeiserMazars.	Mr. Cameron	9:30	10 min
10.	**Provider Incentive Program** Discuss draft pay-for-performance proposal for FY'16-'17.	Ms. Tomcala	9:40	10 min
11.	**CEO Update** Discuss status of current topics and initiatives. **Possible Action:** Accept CEO Update	Ms. Tomcala	9:50	5 min
12.	**Annual CEO Evaluation Process** Discuss the process for performing the annual evaluation of the CEO. **Possible Action:** Appoint a temporary, ad hoc subcommittee to conduct the annual evaluation of the CEO.	Mr. Lew	9:55	5 min
13.	**Adjournment**	Ms. Lew	10:00	

Notice to the Public—Meeting Procedures

- Persons wishing to address the Committee on any item on the agenda are requested to advise the Recorder so that the Chairperson can call on them when the item comes up for discussion.
- The Executive/Finance Committee may take other actions relating to the issues as may be determined following consideration of the matter and discussion of the possible action.
- In compliance with the Americans with Disabilities Act, those requiring accommodations in this meeting should notify Rita Zambrano 48 hours prior to the meeting at 408-874-1842.
- To obtain a copy of any supporting document that is available, contact Rita Zambrano at 408-874-1842. Agenda materials distributed less than 72 hours before a meeting can be inspected at the Santa Clara Family Health Plan offices at 210 E. Hacienda Avenue, Campbell.
- This agenda and meeting documents are available at www.scfhp.com.

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Minutes - DRAFT

Members Present
Linda Williams
Wally Wenner, M.D.
Liz Kniss (via phone)

Members Absent
Bob Brownstein
Michele Lew

Staff Present
Christine Tomcala, Chief Executive Officer
Dave Cameron, Chief Financial Officer
Neal Jarecki, Controller
Rita Zambrano, Executive Assistant

1. **Roll Call**

Linda Williams, Committee Member, called the meeting to order at 8:30 am. Roll call was taken and a quorum was not established.

2. **Introduce Neal Jarecki, Controller**

Dave Cameron, Chief Financial Officer, introduced Neal Jarecki as the new Controller for Santa Clara Family Health Plan. Mr. Jarecki noted his recent experience at Alameda Alliance for Health and indicated this is his 13th year in Medi-Cal Managed Care. Mr. Jarecki, a CPA, explained the role of a Controller, who has primary responsibility for accounting, compared to the CFO, who has a more forward-looking, strategic focus.

3. **Public Comment**

There were no public comments.

4. May 2016 Financial Statements

Mr. Cameron reported on the May and May YTD 2016 Financials.

As of May, the Plan recorded a YTD surplus of $12.3 million, $2.5 million unfavorable to budget. The variance is primarily related to higher than anticipated long-term care (LTC) expenses that have increased rapidly this fiscal year.

Liz Kniss joined the meeting via phone and a quorum was established.

SCFHP has cash on hand of $226 million, of which $121 million is available to the Plan after pass-through liabilities of $105 million are excluded. With Tangible Net Equity (TNE) of $85 million, the Plan has 284% of the minimum TNE required by the Department of Managed Health Care (DMHC).

Dr. Wenner indicated he has been asked by other physicians why so much money is placed in reserves. Mr. Cameron explained it is not excessive for an organization with annual revenues of approximately $1 billion, as evidenced by the fact that SCFHP has the lowest TNE percentage of all local initiative plans in the state. Mr. Jarecki noted the Plan has cash available of less than a month and half of expenses.

It was moved, seconded, and approved to accept the May 2016 Financial Statements as presented.

5. Fiscal 2015-16 Year-End Update

Mr. Cameron provided a Fiscal 2015-16 year-end update. He indicated the Plan has been working with DHCS to confirm anticipated retrospective rate adjustments for multiple programs, both positive and negative, that amount to tens of millions of dollars. Mr. Cameron also noted the Plan received a mid-year CMC risk adjustment of approximately $6 million for January to July 2016. In summary, there are several different year-end adjustments which are anticipated to have a favorable impact on year-end performance.

Moss-Adams is actively underway with the annual year-end audit, and DMHC was on-site for a Knox-Keene audit.

6. Reserve Methodology

Mr. Cameron presented an overview of Reserve & Liquidity Strategies. He noted the Board set an initial reserve target in December 2011. In June 2015, the Board requested a review of the reserve policy, and subsequently requested review of Tangible Net Equity (TNE) options for the reserve target, with incorporation of a liquidity target.

SCFHP needs reserves to meet regulatory requirements for TNE, to provide financial solvency to mitigate volatility, to provide liquidity to sustain SCFHP and its providers during periods of insufficient or delayed revenue, and financial solvency and liquidity for future membership growth and infrastructure investments. Mr. Jarecki indicated the average rate payment lag is between 18-24 months and it is critical that the Plan be able to absorb retroactive rate changes, whether they are positive or negative. Mr. Cameron noted that reserves allow the Plan to pursue pilot programs like CMC, undertake necessary facilities expansion, and invest in new IT systems, such as the QNXT implementation approved last month.

The current reserve policy is two months of Medi-Cal premium revenue. SCFHP has not met this target since it was established in December 2011. The Plan currently has approximately 1.1 months of premium revenue in

reserves. Options for a TNE or Reserves Policy include a multiple of capitation revenue, a multiple of medical + administrative expenses, or a multiple of required minimum TNE.

A graph of Public Plan TNE % as of 3/31/16 was provided, which showed SCFHP at 284% TNE, the lowest percentage of the 16 public plans. Mr. Cameron discussed the impact of Medi-Cal Expansion funding and SCFHP passing much of the funding on to the Safety Net. Plans having ≤200% of minimum are placed on a DMHC "Watch List" and require monthly reporting, while plans having ≤130% of the minimum are considered to be in financial jeopardy and DMHC can take control of the health plan.

Mr. Cameron noted it is reasonable for SCFHP to set a Reserve Target at 350-500% of minimum required TNE. That represents a reserve target of $105-$150 million.

Ms. Williams inquired if when all the year-end reconciliations are complete, might the Plan's TNE percentage be higher. Mr. Cameron responded that may be likely.

It was noted there is no liquidity requirement in the Plan's contract with the State. DMHC requires plans to have a "Current Ratio" of at least 1.0, and SCFHP is at 1.2. However, while the Current Ratio is designed to provide a measure of a plan's ability to meet short-term financial obligations, due to inclusion of premiums receivable in assets and pass-through amounts in liabilities, it is not a true measure of liquidity since only cash can pay expenses.

Mr. Cameron suggested SCFHP establish a Liquidity Target of 45-60 days of expenses. He noted that for ease of monitoring, "Liquidity" would be defined as Net Cash Available to SCFHP. Mr. Cameron indicated this currently represents a Liquidity Target of $138-184 million.

Mr. Cameron further recommended that staff provide an annual discussion of the Reserve Policy to the Board concurrent with approval of the Annual Operating Budget.

It was noted SCFHP is $20-65 million below the recommended Reserve Target and $18-64 million below the recommended Liquidity Target. Mr. Cameron indicated the Plan should be able to reach the targets in 2-5 years with sustained profitability at a 1-1 ½ % margin. Staff will add a chart to the monthly financials to monitor progress toward the targets.

> **It was moved, seconded, and approved** to recommend Board approval of the proposed TNE and liquidity targets.

7. Meeting Minutes

The minutes of the May 26, 2016 Executive Committee Meeting were reviewed.

> **It was moved, seconded, and** the May 26, 2016 meeting minutes were **approved** as presented.

Liz Kniss left the meeting.

8. CEO Update

Christine Tomcala reported that DMHC auditors were on-site for a routine Knox-Keene audit, which focuses on Finance and Claims. The audit went smoothly and there were nine exceptions to report, and four exceptions to

discuss, in the preliminary report presented at the exit conference on Friday.

Ms. Tomcala also noted that WeiserMazars has been conducting a Finance & Accounting Department Risk Assessment & Policy Analysis, which included review of policies and procedures, the last DMHC filing, and procurement and vendor contracting processes. The consultants gauged SCFHP's overall risk level as moderate, with eight risk areas identified in the assessment.

9. Adjournment

The meeting was adjourned at 9:38 am.

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Elizabeth Pianca, Secretary to the Board

SANTA CLARA FAMILY HEALTH PLAN
WEISER MAZARS REPORT SUMMARY
REPORT DATED 08/10/16

Ref.	Risk Area	Description	Trajectory	Overall Risk	Key WM Observations	SCFHP Comment & Next Steps
A	**Financial**	**Vendor Payments & Fraud**	Increasing	High	No vendor management process until early 2016 Previously decentralized function. Insufficient staff Excludes claims processing	**Concur** Expansion of Purchasing Function In Process
B	**Operational**	**IT Risk Management**	Increasing	Mod-High	Need to implement an IT risk management program Open process of prioritization and systemic changes Outside input to IT is limited No routine reporting to Sr. Management	**Concur** Improved IT Processes/Reporting Under Review
C	**Operational**	**Segregation of Duties**	Decreasing	Mod-High	Few documented Finance P&P Few documented internal controls Rapid expansion causes potential role conflicts Broad systems access is a risk to the Plan	**Concur** P&P documentation In Process Systems Access Privileges Under Review
D	**Compliance**	**Delegate Oversight**	Flat	Moderate	Centralize delegate oversight Interdisciplinary team	**Concur** Improved Delegation Oversight in Development
E	**Financial**	**Management Reporting**	Flat	Moderate	Better document IBNP methodology Use lookback as a feedback loop	**Concur** Improved Documentation in Process
F	**Operational**	**Data Loss Prevention & Privacy**	Flat	Moderate	Evaluate What & Where. Review data controls and privacy regulations	**Concur** Improved IT Processes Under Review
G	**Operational**	**Business Continuity**	Increasing	Moderate	Invest in DR/BC Document DR plan Develop management succession plan	**Concur** Improved IT Processes Under Review Succession Planning Under Consideration
H	**Operational**	**Process Improvement**	Flat	Low	Rapid growth & insufficient resources Need to document processes Implement Process Management team	**Concur** P&P documentation In Process Process Management Under Consideration

SANTA CLARA FAMILY HEALTH PLAN
FINANCE & ACCOUNTING DEPARTMENT
RISK ASSESSMENT, PROPOSED INTERNAL AUDIT PLAN, & POLICY ANALYSIS

August 10, 2016

MAZARS

WeiserMazars
Exactly Right.

Contents

Executive Summary

In early 2016, Santa Clara Family Health Plan (SCFHP) retained WeiserMazars (WM) to perform a partial audit of its Finance and Accounting Department and a full audit of its late claims. The goal of the partial audit of the Finance and Accounting Department is to assess the SCFHP's overall performance, compliance with regulatory requirements, and use of best practices. The goal of the full audit of late claims is to determine SCFHP's overall level of compliance, as well as the accuracy of its application of interest and penalties.

The scope of the partial audit of the Finance and Accounting Department includes review of all policies, procedures, and documented processes, as well as review of SCFHP's last DMHC filing, and its current procurement and vendor contracting processes. The result of this review and analysis is this report which includes:

I. Risk Assessment of SCFHP's financial and accounting functions;
II. Proposed Internal Audit Plan for the next twelve to eighteen months; and
III. Suggested Revisions and Additions to the Finance and Accounting Department's Policies and Procedures.

Results from the full audit of late claims will be provided within a separate report.

The resulting risk assessment of SCFHP's financial and accounting functions is part of SCFHP's continuing effort to enhance performance and better document the functions of the Plan in order to accommodate the Plan's recent and continuing growth. This risk assessment provides SCFHP with a means to measure uncertainty related to manageable Plan functions and processes. For the purpose of this assessment, risk is defined as an uncertainty that could impair SCFHP's ability to achieve appropriate growth and meet regulatory compliance. Risk is measured by the probability of a negative event occurring, the significance of that events, and the impact such a negative event would likely have on SCFHP should it occur.

The process followed in the risk assessment consisted of three primary phases of work: 1) fact finding, 2) risk assessment, and 3) risk reporting. Fieldwork encompassed interviews with

staff and management, documentation review and research of issues. Analysis included evaluating the level of uncertainty associated with each factor, including the potential for impact on SCFHP's business. Reporting entailed the development of a formal draft.

The entire Finance and Accounting Department, as well as crossover functions from some related departments such as vendor oversight and procurement, have been evaluated within the risk assessment. This risk assessment serves as the basis for the proposed SCFHP Internal Audit Plan for the time period of July 1, 2016 through December 31, 2017. Fieldwork for this project was conducted from April through May of 2016. Input was obtained from over twelve employees, with representation from the Finance, Accounting, Vendor Operations, Delegation Oversight, and IT departments.

We have divided SCFHP's risk areas into three categories (Financial, Compliance, and Operational) as detailed below:

1. Financial Risk: The risk of financial loss, negative changes in financial position, negative response from external regulators grantors, etc.

2. Compliance Risk: The risk that processes and disclosures may not comply with laws and regulations resulting in monetary and non-monetary penalties and increased oversight by regulators.

3. Operational Risk: The risk of lost productivity, inefficiency and disruption to services as a result of inadequate or failed internal processes, people and systems, or from external events.

Within each risk area, the following four risk elements are evaluated:

- Risk Level – level of uncertainty
- Likelihood – probability of a negative event occurring
- Impact – level of significance should a negative event occur
- Risk Trajectory – direction of where risk is headed in the future

The risk assessment defines SCFHP's major risks and defines steps that need to be taken to lower the level of risk for SCFHP as a whole while improving overall performance. In aggregate, SCFHP's overall risk level is gauged as being "moderate." Three of the eight risk areas presented have been evaluated as moderate – high or high overall risk. Mitigation actions are defined within this risk assessment and include improvement to the processes in place or the development of new processes that allow SCFHP to improve performance delivery and reduce risk.

The following table identifies the eight risk areas identified within this assessment, along with the associated levels of risks in May 2016.

Risk Area	Likelihood	Impact	Risk Trajectory	Overall Risk Level
A. Financial – Vendor Payments and Fraud	High	Moderate	Increasing	**High**
B. Operational – IT Risk Management	High	Moderate	Increasing	**Moderate – High**
C. Operational – Segregation of Duties/Internal Controls	Low – Moderate	Moderate	Decreasing	**Moderate – High**
D. Compliance – Delegated Entity Oversight	Moderate	High	Flat	**Moderate**
E. Financial – Management Reporting	Moderate	Moderate	Flat	**Moderate**
F. Operational – Data Loss Prevention and Privacy	Moderate	High	Flat	**Moderate**
G. Operational – Business Continuity	Low	High	Increasing	**Moderate**
H. Operational – Process Improvement	Low	Low	Flat	**Low**
OVERALL RISK LEVEL				**Moderate**

The remainder of this report contains the I. Risk Assessment results and recommendations for improvement, II. Proposed Internal Audit Plan, and III. Suggested Revisions and Additions to the Finance and Accounting Department's Policies and Procedures.

I. Risk Assessment

A. FINANCIAL – VENDOR PAYMENTS AND FRAUD	
Risk Level	High
Likelihood	High
Impact	Moderate
Risk Trajectory	Increasing
Condition	There were no separate controls or functions to support an effective vendor/provider management process until the beginning of 2016. At that time, the Vendor Management function was assigned to the Vendor Operations & Delegation Oversight Department. At the time of this report this functional area was understaffed with plans to add a Vendor Relations Manager and an Analyst. Prior to 2016 the vendor management function was largely fulfilled by the various business units and was not centralized as a separate functional area. This led to SCFHP having a non-standard approach to vendors and created a situation where the area purchasing items had no oversight except for Senior Management approval. WM is testing provider payments (claims) in another portion of the overall engagement with SCFHP and the results of that work are not yet known. This is an area of high exposure for any health plan, however in SCFHP's case the bulk of the provider payments are monthly capitation payments which have a lower potential for error and diversion. WM has also evaluated the Vendor level policies and procedures and interviewed management staff about their content. While the policies and procedures appear adequate, only about twenty percent (20%) of the vendor management activity is actually performed by the Vendor Management department at the time of this report. Additional staffing will be needed in this area to accommodate the workload and ensure there is an orderly structured process in place to assure vendor compliance and appropriate payment. SCFHP currently has an open position for its Medicare Claims Auditor and has one claims auditor in place. This level of staffing does not appear adequate and efforts should be made to fill the open position and evaluate the need for additional staff. Representative processes requiring significant attention and implementation of new processes include: • Procurement and contract management • Fraud detection and prevention • Assurance of appropriate payment and contract compliance

Risk Mitigation	• Assure adequate staffing to implement Vendor Procedures • Conduct “as-is” workflow evaluation
Potential Residual Risk (if risks are mitigated)	Low

B. OPERATIONAL – IT RISK MANAGEMENT	
Risk Level	High
Likelihood	High
Impact	Moderate
Risk Trajectory	Increasing
Condition	The IT risk for all companies is rapidly increasing because of external threats and as risks increase, companies need to change their mindset toward IT risk to address new threats. Senior management needs to fully address their organization's risk management level of due care, approach and preparedness, and to implement an IT risk management program that is adequate and effective in managing cyber risks. It is critical that IT functions are able to effectively address the following questions: 1. Can SCFHP's IT Department articulate its strategy to identify, mitigate and monitor IT risks to all parties? 2. How does the IT area know that it has identified all key IT risks that would prevent SCFHP from achieving corporate strategies, objectives and initiatives? 3. How does IT make sure SCFHP's risk framework continues to be relevant and continues to identify pertinent risks to keep the company out of trouble? One of the highest risk areas for IT is that it will not support the core functions of SCFHP. In order to assure that is not the case an open process of evaluation of priorities and systemic change needs to be in place for all of the end users of IT systems. SCFHP stakeholders expect the company to focus risk management activities and resources on areas with the greatest impact. Internal audit is uniquely positioned to help drive growth and create value to the company through reviewing IT risk management activities. Staff interviews indicate that routine report requests that would enhance performance are often given lower priority than requests involving regulatory issues and compliance. IT has responded with new "project management meetings" but this process should be documented and should be collaborative in nature. It appears as if the perception of end users is that their input to the IT Department is limited.

Condition (continued)	SCFHP's IT Department prepares a number of reports (antivirus reports, entitlement reports, firewall reports, patching reports for vulnerability, penetration reports, vulnerability reports, system logs and inappropriate use reports). While these reports are reviewed by the IT Department, there is no indication that this activity is regularly summarized and reported to Senior Management. quiring significant attention and implementation of new processes include: • Classify SCFHP data per IT also must respond to external threats.
Risk Mitigation	• Document distribution and response to listed reports. • Conduct "as-is" workflow evaluation
Potential Residual Risk (if risks are mitigated)	Moderate

C. OPERATIONAL – SEGREGATION OF DUTIES/INTERNAL CONTROLS	
Risk Level	High
Likelihood	Low - Moderate
Impact	Moderate
Risk Trajectory	Decreasing
Condition	During a review of existing policies, procedures and internal controls for SCFHP's Finance & Accounting Department (completed as a part of this project), WM notes that there were few documented policies and procedures in this area. While it appears as if the system of internal controls is in place for the Finance & Accounting Department based on the responses to the Internal Control Questionnaire, few controls have been otherwise documented The responses to the questionnaire along with WM's work in this area should serve as a guide as to what policies and procedures need to be documented. Without appropriate documentation internal control compliance is difficult to measure. Additionally, SCFHP has instituted "Positive Pay" that both enhances security and streamlines the payment process. This function only allows for checks generated by the Finance & Accounting Department (as documented by a listing sent to the bank beforehand). Senior Management is also very involved with approvals on a day-to-day basis. This level of involvement may need to decrease in the future given the size and complexity of SCHFP's operations. Segregation of Duties (SoD) is considered by many to be a fundamental control. SCFHP does not have well-documented policies and procedures that assure appropriate SoD. The complexity of SCFHP's systems and the immediate need for coverage may create role conflict for some key individuals. This was the case when an individual with control responsibilities performed incompatible functions with his control responsibilities because of a need for backup coverage in another functional area. The underlying reason for SoD is based on the fact that those individuals should not have broad system access that enables them to execute transactions across an entire business process without checks and balances. Allowing this kind of access represents real risk to the business. Managing that risk in a pragmatic, effective way is more difficult than it seems. The complexity and variety of the systems that automate key business processes makes the process difficult. Additionally, the ownership and accountability for controlling those processes must be established. The rate of growth for SCFHP has made effective documentation difficult.

	Strengthening internal controls is a major focus of the Senior Management team. A lack of documentation should be easy to overcome. Representative processes requiring significant attention and implementation of new processes include: • Documentation of policies, procedures and internal controls in the Finance & Accounting Department • Testing documented controls once they are documented.
Risk Mitigation	• Document Financed Department Policies, Procedures and Internal Controls for the Finance & Accounting Department to articulate current practices. • Update documented Internal Controls in this area after an internal control review.
Potential Residual Risk (if risks are mitigated)	Moderate

D. COMPLIANCE – DELEGATED ENTITY OVERSIGHT	
Risk Level	Moderate
Likelihood	Moderate
Impact	High
Risk Trajectory	Flat
Condition	SCFHP operates as a health plan that delegates a variety of functions to delegated entities. Eighty-eight percent (88%) of enrollee's processional services are covered by delegated IPA's and health plans. The DMHC and good business practices require the health plan oversee the operations of delegated entities. Until now, SCFHP has performed this function with a manager, an analyst and staff from the functional areas being overseen (Claims, Finance and Clinical for Quality Assurance/Utilization Management). New policies and procedures have been created for this area requiring extensive additional work. Based on WM's experience, the function of oversight should be centralized. A complete review of a delegated entity is most effectively performed by an interdisciplinary team. Additionally, the use of dedicated resources allows the oversight work to occur when needed, not when resources become available. This is an important function given the level of delegation at SCFHP. The Delegated Entity Oversight Department has requested additional staffing in this area in order to centralize the function. Additional claims auditors devoted to the oversight function have been requested as a part of the budget process. Given the robust level of delegation oversight envisioned in the new policies and procedures a centralized function is probably necessary.
Risk Mitigation	• Reorganize the Delegation Oversight function.
Potential Residual Risk (if risks are mitigated)	Low

E. FINANCIAL – MANAGEMENT REPORTING	
Risk Level	Moderate
Likelihood	Moderate
Impact	Moderate
Risk Trajectory	Flat
Condition	WM has conducted a review of the processes of the SCFHP Finance & Accounting Department. The basic financial statements were reviewed along with regulatory filings. We also reviewed the Incurred But Not Reported (IBNR) Process and other accounting processes. In our review of the system for IBNR claims we determined that SCFHP uses an accepted general model developed by Milliman & Associates. SCFHP employs the Milliman model's standard three percent (3%) margin, as well as a ten percent (10%) margin which is added to the cost for each month. The current ten percent (10%) margin is within norms for plans with similar business lines. One component of the IBNR process is performing a lookback on total IBNR for the month which allows one to see what the overall impact of an over/under statement of IBNP is on the profitability for that month. This lookback is a necessary component of the IBNP feedback loop and ensures that an accurate margin percentage is employed moving forward. While SCFHP prepares a look back analysis which compares the initial estimate to actual paid claims for each month of service, the actual estimation methodology, and lookback procedure used to arrive at this ten percent (10%) margin is not well documented. Without a well-documented procedure, it is difficult for SCFHP to show how it calibrates its margin from month-to-month. An over or under calculated margin can over or under state IBNR and have a significant impact on SCFHP's financial reporting. For this reason, it is essential that SCFHP thoroughly document and consistently perform the process used to calibrate any margin used in addition to the Milliman model. (It should be noted that SCFHP uses an Incurred But Not Paid methodology (IBNP) to estimate claims cost based on payment rather than when the claim is received.)
Risk Mitigation	• Better document IBNP estimation methodology and look back feedback loop.
Potential Residual Risk (if risks are mitigated)	Moderate

F. OPERATIONAL – DATA LOSS PREVENTION AND PRIVACY	
Risk Level	High
Likelihood	Moderate
Impact	High
Risk Trajectory	Flat
Condition	Over the last few years, companies in every industry sector around the globe have seen their sensitive internal data lost, stolen or leaked to the outside world. A wide range of high-profile data loss incidents have cost organizations millions of dollars in direct and indirect costs and have resulted in tremendous damage to companies involved. The vast majority of these incidents resulted from the actions of internal users and trusted third parties, and most have been unintentional. Data is one of SCFHP's most valuable assets and one of the greatest exposures to financial loss, protecting it and keeping it out of the public domain is of paramount importance. To accomplish this, a number of data loss prevention (DLP) controls must be implemented, combining strategic, operational and tactical measures. However, before DLP controls can be effectively implemented, SCFHP must understand the answer to these three fundamental questions: • What sensitive data does SCFHP hold? • Where does SCFHP sensitive data reside, both internally and with third parties? • Where is SCFHP data going? Highly publicized incidents of data leaks or identity theft pose large potential financial risks for businesses. As a result, businesses are investing more money to protect the privacy of personal information — to respond to government regulation and enforcement. These risks still exist and it is important to expend money in the correct areas. Internal audit is well positioned to help the organization address this question. Representative processes requiring significant attention and implementation of new processes include: • Classify SCFHP data per the criteria above, review data controls in place. • Evaluate Privacy Regulations that affect SCFHP and ensure appropriate policies are in place to protect Personal Information.
Risk Mitigation	• Develop additional Data Controls • Perform organization wide education about Privacy procedures.
Potential Residual Risk (if risks are mitigated)	Moderate

G. OPERATIONAL – BUSINESS CONTINUITY	
Risk Level	Moderate
Likelihood	Low
Impact	High
Risk Trajectory	Increasing
Condition	As organizations grow in size and complexity, the impact of non-availability of any resources magnifies. Natural disasters and technology infrastructure failures have increased awareness of the need to develop, maintain and sustain business continuity programs. Although these large-scale events dramatically challenge the existence of some companies, there are smaller, less impactful but more frequent disruptions that cause many executives to question their organization's ability to react and recover. Replacement of key executives has become a major obstacle for some organizations. SCFHP's management have demonstrated that they are able to manage SCFHP operations at low cost levels historically. Their relationships with the local medical community are valuable and not easily replaced. As a result of the potential for disasters, as well as the issue of management succession, SCFHP should invest in effective business continuity management (BCM). While BCM should be viewed as an enterprise-wide risk and effort, the reality is that it is often IT that is asked to lead critical planning activities and serve as lead facilitator and this has been the case with SCFHP. While it appears as if a Disaster Recovery Plan is in place, it does not appear to be well documented. IT systems and disaster recovery procedures are a cornerstone of the broader BCM plan, and thus, IT audit is well positioned to evaluate broader BCM procedure for dealing with Disaster Recovery. SCFHP should also develop a management succession plan. Examining the competencies that exist and identifying internal personnel resources to develop over the next few years is an appropriate safeguard in this area.
Risk Mitigation	• Document Disaster Recovery Plan • Identify key positions that should be targeted for succession planning.
Potential Residual Risk (if risks are mitigated)	Moderate

H. OPERATIONAL – PROCESS IMPROVEMENT	
Risk Level	Low
Likelihood	Low
Impact	Low
Risk Trajectory	Flat
Condition	SCFHP has experienced explosive growth due to changes in coverage by DHCS actions moving the bulk of the Medi-Cal and the Medi-Connect enrollment to managed care systems. It has retained WM in order to assess operations in a number of areas and ensure the documentation of systems and processes. New policy and procedure sets are being implemented across all departments of the organization because of this work. The reality is the expansion of the Medi-Connect line and additional Medi-Cal enrollment have caused so much financial growth that until now the organization has not had time to examine its core processes, how they have changed and document the systems created. The expansion has caused an increase in scope and complexity that does not allow for the reliance on manual and informal systems that could be tolerated at historic levels of enrollment. SCFHP's program complexity is increasing and simply meeting the needs of day-to-day operations has prevented the analysis and documentation of the system. It is likely that SCFHP will continue to grow and that its operational complexity will continue to increase. Much of the work performed by WM has been oriented to putting systems in place to adapt to the growth that has taken place. SCFHP needs to provide sufficient resources to assure that new procedures are followed and produce the results expected. As organizations continue to look for ways to take costs out of the business, they are undertaking significant initiatives to redesign and standardize business processes. SCFHP has invested significantly in increasing its knowledge and capabilities. It will need to form an internal team to ensure that all of the processes that are newly documented are actually taking place. SCFHP may need temporary resources to complete it redesign of systems in a timely fashion. Internal audit can play an effective role in confirming the right processes are in place to manage programs and that those processes and controls are being executed appropriately.
Risk Mitigation	• Form a Process Management team to document necessary changes and monitor performance.
Potential Residual Risk (if risks are mitigated)	Moderate

II. Proposed Internal Audit Plan

Below is a Proposed Internal Audit Plan based on the Risk Assessment as detailed in the previous section of this report. Items within the Proposed Internal Audit Plan should be prioritized by Overall Risk Level and are listed in order from highest to lowest overall risk. For this reason, A. Financial – Vendor Payments and Fraud should be high priority as it is a high overall risk, whereas H. Operational – Process Improvement can be considered a lower priority as it is low overall risk. The risk levels and suggested timing of the proposed audits, within an eighteen month audit period, are summarized in the table below. Each proposed audit area is described in detail following this summary table.

Risk Area	Overall Risk Level	Priority	Proposed Timing for Audit of Risk Area
A. Financial – Vendor Payments and Fraud	High	1	Months 1 – 3
B. Operational – IT Risk Management	Moderate – High	2	Months 3 – 6
C. Operational – Segregation of Duties/Internal Controls	Moderate – High	2	Months 3 – 6
D. Compliance – Delegated Entity Oversight	Moderate	3	Months 6 – 9
E. Financial – Management Reporting	Moderate	3	Months 6 – 9
F. Operational – Data Loss Prevention and Privacy	Moderate	4	Months 9 – 12
G. Operational – Business Continuity	Moderate	5	Months 12 – 15
H. Operational – Process Improvement	Low	6	Months 15 – 18
OVERALL RISK LEVEL	**Moderate**		

A. FINANCIAL – VENDOR PAYMENTS AND FRAUD	
AUDIT AREA	**KEY ISSUES/QUESTIONS**
Supplier management review — Evaluate the process management has put in place to qualify and accept suppliers. The internal audit team will focus on the controls for ensuring that company policies and procedures are in place and being consistently followed. This will include a review of supplier acceptance and the periodic supplier continuance review process.	• What is the process for accepting new suppliers? • Who is involved in the process and what are the controls in place? • What is the process for validating continuing relationships with suppliers?

B. OPERATIONAL – IT RISK MANAGEMENT	
AUDIT AREA	**KEY ISSUES/QUESTIONS**
Threat and vulnerability management program assessment — Evaluate the organization's threat and vulnerability management (TVM) program, including threat intelligence, vulnerability identification, remediation, detection, response and countermeasure planning	• How comprehensive of a TVM program exists? • Is the TVM program aligned with business strategy and the risk appetite of the organization? • Are the components of TVM integrated with one another, as well as with other security and IT functions? • Do processes exist to address that identified issues are appropriately addressed and remediation is effective?
Vulnerability assessment — Audit should perform, or make certain IT performs, a regular attack and penetration (A&P) review. These should not be basic A&Ps that only scan for vulnerabilities. Today we suggest risk-based and objective-driven penetration assessments tailored to measure the company's ability to complicate, detect and respond to the threats that the company is most concerned about.	• What mechanisms are in place to complicate attacks the organization is concerned about? • What vulnerabilities exist and are exploits of these vulnerabilities detected? • What is the organization's response time when intrusion is detected?
IT governance audit — Evaluate the processes IT has in place to govern capital allocation decisions, project approvals and other critical decisions.	• Do formalized processes to govern IT exist? • What can be done to increase business confidence in IT governance? • Are your IT governance processes and requirements applicable across all of IT?
IT risk assessment — As an advisory audit, participate in IT's own risk assessment (as opposed to the independent IT internal audit risk assessment). Evaluate the risks identified and provide insight given your unique perspective of the IT organization.	• Is there a comprehensive risk assessment performed to identify all IT risks? • Is the IT risk assessment process effective? How can the process be enhanced? • Is there an opportunity to coordinate the IT internal audit risk assessment with IT's own risk assessment?

C. OPERATIONAL – SEGREGATION OF DUTIES/INTERNAL CONTROL	
AUDIT AREA	**KEY ISSUES/QUESTIONS**
Systematic segregation of duties review audit — Evaluate the process and controls in place to effectively manage segregation of duties. Perform an assessment to determine where segregation of duties conflicts exist and compare to known conflicts communicated. Evaluate the controls in place to manage risk where conflicts exist.	• How does the business identify cross-application segregation of duties issues? • While compensating controls identified for SoD conflicts may detect financial misstatement, would they truly detect fraud?
Role design audit — Evaluate the design of roles within each functional area to determine if inherent SoD issues are embedded within the roles. Provide role design, role cleanup or role redesign advisory assistance and pre- and post-implementation audits to solve identified SoD issues	• Does the organization design roles in a way that creates inherent SoD issues? • Do business users understand the access being assigned to roles they are assigned ownership of?
General Internal Control review and testing	• Perform after implementation of Finance & Accounting Department Internal Control system documentation.

D. COMPLIANCE – DELEGATED ENTITY OVERSIGHT	
AUDIT AREA	**KEY ISSUES/QUESTIONS**
Delegation Oversight Audit – To be performed simultaneously with a review of a delegated organization. Ensure areas of delegation are being audited. Validate the testing performed to ensure viability of the administrative services performed.	• Was every area of delegated function audited? • Did the SCFHP reviewers have sufficient technical background to perform the review in that area? • Was the overall team organized to perform the audit on a cost effective basis?

E. FINANCIAL – MANAGEMENT REPORTING	
AUDIT AREA	**KEY ISSUES/QUESTIONS**
Analysis of the budgeting and forecasting process - Assess the annual budgeting and forecasting processes including the internal controls and potential process, improvement recommendations. Review the primary business segments of the organization, current state processes and root cause issues driving inaccuracies in the forecast.	• What is the current process for budgeting and forecasting and is it consistent across business units/locations? • How do we monitor the accuracy of the budgeting and forecasting process? • What are the controls in place to assess accuracy and completeness of the process? • What actions would be required to address the gaps?
IBNP Test of Results – Perform a two year review of IBNP Systems. Perform variance analysis of actuals versus original estimates for total IBNP for the month. Perform the analysis with at least six months lag.	• What was the average variance between actual paid and original estimate? • Was the margin amount used reasonable (less than 5% of total)?

F. OPERATIONAL – DATA LOSS PREVENTION AND PRIVACY	
AUDIT AREA	**KEY ISSUES/QUESTIONS**
DLP control review — Audit the controls in place to manage privacy and data in motion, in use and at rest. Consider the following scope areas: perimeter security, network monitoring, use of instant messaging, privileged user monitoring, data sanitation, data redaction, export/save control, endpoint security, physical media control, disposal and destruction, and mobile device protection.	• What controls do we have in place to protect data? • How well do these controls operate? • Where do our vulnerabilities exist, and what must be done to manage these gaps?
Privacy regulation audit — Evaluate the privacy regulations that affect the organization, and assess management's response to these regulations through policy development, awareness and control procedures.	• How well do we understand the privacy regulations that affect our global business? For example, HIPAA is potentially a risk to all organizations, not just health care providers or payers • Do we update and communicate policies in a timely manner? • Do users follow control procedures to address regulations?

G. OPERATIONAL– BUSINESS CONTINUITY MANAGEMENT	
AUDIT AREA	**KEY ISSUES/QUESTIONS**
Business continuity program integration and governance audit — Evaluate the organization's overall business continuity plan, including program governance, policies, risk assessments, business impact analysis, vendor/third-party assessment, strategy/plan, testing, maintenance, change management and training/awareness.	• Does a holistic business continuity plan exist for the organization? • How does the plan compare to leading practice? • Is the plan tested?
Disaster recovery audit — Assess IT's ability to effectively recover systems and resume regular system performance in the event of a disruption or disaster	• Are disaster recovery plans aligned with broader business continuity plans? • Do testing efforts provide confidence systems that can be effectively recovered? • Are all critical systems included? • Are critical systems defined?

H. OPERATIONAL– PROCESS IMPROVEMENT	
AUDIT AREA	**KEY ISSUES/QUESTIONS**
Determine what priority areas are, if sufficient resources are allocated to perform the changes or if added resources are necessary. Review of structure of process Management team and whether added individuals are necessary for specific areas. Review timeliness to ensure adequate time is devoted to each area and that SCFHP is able to meet its overall objective in a timely manner.	• Are key individuals involved? • Has consideration been given to the order in which all tasks need to be completed in? Is there a need of Critical Path analysis (common timeline with all task listed)?
Assessment of Monitoring Process - Evaluate performance of monitoring systems. Overall review of functional department's progress in each area specified. Determination if initial time frames set are being met and if not, what feedback to the constituents of each functional rea receives. Determination as to whether monitoring results are being communicated to senior management in appropriate time frames.	• Are all items identified by the Process Improvement team being monitored? • Are all monitoring results reported in a common timeframe (e.g. monthly, quarterly and annually)? • Are areas without sufficient progress identified and remedial steps taken to improve response? • Are feedback mechanisms adequate? Do they need to be modified or need to be redirected to other individuals?

III. Suggested Revisions and Additions to the Finance and Accounting Department's Policies and Procedures

WM performed a review of SCFHP's Finance and Accounting Department policies and procedures. The Department maintains some written policies and procedures; however, most have not been recently reviewed and updated. Additionally, none of the current policies and procedures is in a consistent format. While departmental staff regularly uses many procedures with effective internal controls, few are documented.

What follows are our recommendations for revisions and additions to the Department's policies and procedures. These policies and procedures should be documented and implemented as soon as possible to strengthen and evidence SCFHP's system of internal controls.

General

Accounting Manual – SCFHP has a "Desk Manual" of basic procedures. While not yet in an appropriate format, these procedures could be easily converted into a formal Accounting Manual. This should be done as soon as possible. Without an Accounting Manual to document expected performance, it is impossible to evaluate SCFHP's overall accounting performance. The components of a best practice Accounting Manual are listed within Appendix A. Finance and Accounting Department management should consider these components when converting their current "Desk Manual" into a formal Accounting Manual.

Cash-related

Cash Segregation of Duties and Systemic Controls (Policies and Procedures) need to be documented:

> **Cash Policy #1** – This policy should articulate the need to maintain secure cash balances and the need for cash handling to be a secure process with appropriate segregation of duties and an effective reconciliation process.

Cash Procedure #1 – Use of Cash Logs: This procedure should cover how deposits and wire transfers are recorded. The entry of the deposit amounts into a Cash Log as a control for bank reconciliations should be covered.

Cash Procedure #2 – Positive Pay Procedure Description: This procedure should deal with checks and outflows. The procedure should note that all checks require Positive Pay by Wells Fargo and describe the process by which checks are presented as a part of the positive pay list. It should be noted that invoice back-up is required and contract backup required where payment is by contract.

Cash Procedure #3 – Cash Reconciliation Process: This procedure should describe the reconciliation process for all cash accounts. This procedure should include the following steps:

- Reconciliation check off by Senior Accountant Cash logs and other .source documents (bank statements).
- Check off of Wire transfers by Accounting Manager against source documents and Bank Statements.

Cash Procedure #4 – Accounts Payable: A new procedure should be created to indicate that the requirement of attaching packing slips or other proof of delivery should be included in order to process the invoice for payment. Invoices for payment should be evaluated for compliance with the SCFHP's Contracting & Procurement Policy (detailed in subsequent section) to ensure that staff are making purchases in the most transparent and accountable manner.

Accounting System Related

Great Plains access and segregation of function should be documented once SCFHP staff has set up the access restrictions. This will allow appropriate segregation of duties to be embedded within the design of the roles of accounting staff with system access.

Accounting System Procedure #1 – Accounting Software Access: This procedure should provide a determination of what subsystem access is optimal for each accounting position.

Accounting Systems Procedure #2 – Segregation of Duties Using Access Controls: This procedure should detail how the access restriction provides appropriate security controls for each position.

Procurement & Contract Related

Procurement Policy and Procedure #1 – Contracting and procurement policies go hand-in-hand but do have different roles. While the contracting policy delineates the SCFHP's authority to enter into contracts, designates when a contract is necessary, and provides the framework and parameters for contract development, the procurement policy details all of the means through which staff may make purchases, including contracts. For example, the procurement policy should explain when it is appropriate for staff to use a purchase order payable by invoice, or pay by a personal or corporate credit card to make a purchase, or when it is necessary to pursue the solicitation a contracting of a vendor. The procurement policy should also include documentation staff are required to gather and either maintain in their own files and/or submit to the Finance & Account Department upon request for payment or reimbursement. Finally, the procurement policy, like the contracting policy, should include SCFHP's conflict of interest code (or reference to it), required disclosures, reasons for disqualification, and best practice guidelines. As the areas of contracting and procurement overlap, each set of policy and procedure should refer to the other.

Under separate cover, WM will provide examples of contracting and procurement policy best practices and policy examples.

Contract Policy and Procedure #1 – Policy and procedure for solicitation and award of contracts by SCFHP should include the following key elements:

1. SCFHP's authority to solicit and enter into contracts.
2. Conflict of interest, disclosure, disqualification, and ethical business standards. It is within this section of policy that SCFHP should prohibit split or segmented contracts whenever possible to allow for greater transparency and effective contract monitoring.
3. For which types of transactions or relationships are contracts required?

4. Means by which SCFHP will solicit contracts with vendors. For example, do projects with certain estimated expenditure amounts or durations require a competitive bidding process? What is the threshold for sole source vendor relationships? What are the criteria for emergency purchasing outside of a contract?
5. Contract approval levels defined by total amount of the expected expenditure, timing, and scope. Definition of contracts which require Board approval.
6. General contract parameters to be adhered to by SCFHP staff, such as no evergreen contracts, no contracts spanning multiple fiscal years, etc.
7. Identification of staff that is able to commit to and sign contracts on behalf of SCFHP.
8. Monitoring and reporting of contracts to management and/or the Board to assess total vendor load against thresholds, to detect fraud, waste, or abuse, and to promote transparency.

Under separate cover, WM will provide examples of contracting and procurement policy best practices and policy examples.

Signatory Authority

The authority level of management to approve transactions and what level of transactions should be approved by the Board should be examined and documented. Management should set the signatory approval levels within the policy as it sees fit given the compensating controls that are currently in place for checks (positive pay), as well as the fact that the Board of Directors will review any policy which management develops. When developing approval levels, SCFHP should keep the levels for contract approval in mind. For instance, if contracts greater than $499,000 must be approved by the Board of Directors, than checks greater than $499,000 should not be able to be signed by the CFO alone.

Reimbursable Expenses

The current Policy/Procedure for reimbursing expenses, dated 2008, should be reviewed and updated into the new template format. The list of expenses should be reviewed for adequacy based on current conditions. For example, SCFHP should determine whether or not it will reimburse for applicable professional license expense. SCFHP should

ensure that the Reimbursable Expenses agrees with its Accounts Payable policy (recommended as part of Cash Procedure #4) in regards to documentation required to receive reimbursement.

IBNR Policy and Process

A minimal procedure is in place which details the accrual of IBNR. The current basic procedure needs to be replaced by a more detailed combined policy and procedure set that adheres to the new templates. The policy should be couched in terms of measurement of actual medical costs based on lag and actuarial analysis in order to fairly state such costs. The process should be identified as using IBNP methodology. Any margin typically added should be included in the documentation.

The procedure should include a look back process (where past IBNP estimates are compared to actual results with a sufficient lag should be documented). The look back process should include whether the medical expense for a month of service is over or under the original estimate. The look back process should also include the aggregate over or understatement of the IBNP at each measurement date in total for all months of service in order to directly state the impact on the profitability for each period measured.

Budget Policy and Process

The budget process should be included as a policy and procedure set. The budget process starts in January of the current fiscal year and results in a final budget by June of each fiscal year for following fiscal year. The following processes need to be documented:

- How revenue is projected based on projected membership and the pmpm revenue yields for each service line and is developed by Senior Management with Mr. Jain's input.

- How expenses are evaluated by department, including how the current expense trends are used to project the following fiscal year budget. This process should be documented in detail.

- List of what analysis needs to be performed by departments for each month from January through June should be developed including but not limited to: Medical Loss Ratio projections and membership projections.

Additionally, WM recommends the current analysis of variances be formulated into a procedure.

Appendix A – Best Practice Accounting Manual Components

Accounting Manual Components
Accounting Manual Objective
Accounting Manual Scope
Accounting Responsibility, Authority, and Communication
Accounting Responsibility and Authority
Accounting Management Representative
Accounting Internal and External Communication
Referenced Accounting Standards
Accounting Division Organization
Organization Chart
Unit Responsibilities
Chart of Accounts
Management Reports
Period-End Review and Closing
Taxes and Insurance
Cash Receipts and Deposits
Wire Transfers
Bank Account Reconciliations
Inventory
Fixed Asset Control
Capitalization & Depreciation
Accounts Receivable
Accounts Payable
Purchasing
Payroll
Grants Management

August 19, 2016

Dave Cameron
Santa Clara Family Health Plan
Chief Financial Officer
210 E. Hacienda Avenue
Campbell, CA 95008

Re: Annual Investment Policy Review

Dear Dave,

At your request I have reviewed the Santa Clara Family Health Plan's Annual Investment Policy, approved April 23, 2015 by the Governing Board, to determine any updates, clarifications or modifications that should be made.

Currently, available excess funds are deposited with the Santa Clara County Treasurer in the Commingled Investment Pool and remain subject to the County of Santa Clara Investment Pool Disclosure and Agreement for Voluntary Deposit and the County of Santa Clara Treasury Investment Policy, as adopted on June 21, 2016.

We have reviewed the County's 2016 Investment Policy and the Quarterly and Monthly Investment Reports from June 2015 through May 2016. These reports are prepared by the treasury staff of the County and published online on the County's website. These reports are in keeping with the reporting requirements of the County's Investment Policy. The County's stated benchmark for its investment performance is the State Treasurer's Local Agency Investment Fund (LAIF). Throughout this time period, the Commingled Investment Pool's yields exceeded those of LAIF (see page 2).

We have also reviewed the 2016 California Debt and Investment Advisory Commission's, Local Agency Investment Guidelines and find the County's 2016 Investment Policy reflects those guidelines. The County Treasury Oversight Committee, comprised of six members representing the County, school districts and other local government agencies whose funds are deposited in the County's commingled pool and other segregated investments, is required by statute to monitor and review the County Treasury's compliance with the investment policy and reporting provision of the Government Code through an annual audit. We recommend that this annual audit be reviewed by SCFHP financial staff when available.

Pursuant to our review with staff, we understand the County's withdrawal limitations from the Pool pose no issue for SCFHP in meeting six months' of cash flow needs (Code requirement). We also understand:

- There are no changes in the Plan's investment objectives,
- There are no other invested funds other than those previously described,
- No funds are borrowed from the County, and
- SCFHP staff is monitoring the monthly investment reports of the County's Commingled Pool.

Therefore, based upon this information, we recommend no changes to the SCFHP Annual Investment Policy at this time.

Sincerely,
Martha J. Vujovich
Principal

Comparison of Investment Performance of Santa Clara Commingled Pool with LAIF

Period	Yield of Santa Clara County Pool (%)	Weighted Average Life (in days)	Yield of LAIF (%)	Weighted Average Life (in days)
2015				
April	0.585	466	0.283	220
May	0.610	471	0.290	222
June	0.620	469	0.299	239
July	0.676	496	0.320	240
August	0.704	494	0.330	216
September	0.680	463	0.337	210
October	0.773	500	0.357	200
November	0.766	482	0.374	183
December	0.720	402	0.400	179
2016				
January	0.773	418	0.446	167
February	0.820	428	0.467	159
March	0.832	428	0.506	146
April	0.830	399	0.525	164
May	0.862	417	0.552	167

SCFHP DONATIONS/SPONSORSHIPS

		FY 2015			FY 2016			FY 2017		
Organization	**Event Name**	**Check Date**	**Event Date**	**Amount**	**Check Date**	**Event Date**	**Amount**	**Check Date**	**Event Date**	**Amount**
Aging Services Collaborative	Annual Caregivers Conference				3/28/2016	4/16/2016	$ 100			
Alum Rock Counseling Center	Annual Luncheon				12/10/2015	4/7/2016	$ 500			
Asian Americans for Community Involvement	Annual Event	5/1/2014	9/20/2014	$ 5,000	5/14/2015	10/10/2015	$ 5,000	6/22/2016	9/10/2016	$ 5,000
	Donation - Med Homes for Duals				7/1/2015		$ 5,000			
California Association for Adult Day Services	N Calif Spring Conference: The Quality Imperative				3/17/2016	5/11/2016	$ 250			
Community Health Partnership	21st Anniversary Celebration	4/24/2014	9/10/2014	$ 5,000						
Foundation for Mental Health	2014 Shining Stars Event	9/4/2014	10/16/2014	$ 1,750						
Gardner Family Health	Annual Event	8/14/2014	10/25/2014	$ 5,000	3/17/2016	4/16/2016	$ 2,000			
Healthier Kids Foundation	Annual Symposium on Status of Children's Health in Santa Clara County				5/12/2016	5/13/2016	$ 5,000			
	Wine Tasting Benefit							8/11/2016	9/16/2016	$ 5,000
Hospice of the Valley	Compassion in Action Conference	2/5/2015	3/27/2015	$ 1,000	2/25/2016	3/24/2016	$ 1,000			
	Annual Gala	4/30/2015	6/13/2015	$ 2,000						
Indian Health Center Santa Clara Valley	Annual Event	8/21/2014	10/18/2014	$ 5,000	8/21/2015	10/17/2015	$ 5,000			
Justice in Aging	Take a Stand Against Poverty	2/12/2015	4/16/2015	$ 500	3/3/2016	4/7/2016	$ 2,500			
March of Dimes	March of for Babies	10/1/2014	4/25/2015	$ 5,000	12/10/2015	5/1/2016	$ 5,000			
Momentum for Mental Health	Annual Shining Stars Benefit				10/22/2015	11/23/2016	$ 1,500			
Planned Parenthood	Contribution	5/14/2015		$ 5,000	6/16/2016		$ 5,000			
Silicon Valley Council of Non Profits	Be Our Guest Annual Luncheon; Housing Summit	10/9/2014	10/30/2014	$ 2,000	7/1/2015	11/16/2015	$ 5,000	8/18/2016	10/27/2016	$ 5,000
Silicon Valley Independent Living Center	Disability Pride Parade	4/24/2014	7/19/2014	$ 500						
	CCT Program Presentation	3/31/2016	4/16/2015	$ 300						
United Way Silicon Valley	Annual Community Breakfast	8/29/2014	9/10/2014	$ 1,000						
VMC Foundation	Annual Gala				4/30/2015	10/10/2015	$ 5,000	5/19/2016	9/24/2016	$ 5,000
Working Partnerships USA	20 Years in Action				12/3/2015	12/10/2015	$ 300			
	TOTAL			**$ 39,050**			**$ 48,150**			**$ 20,000**

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August 11, 2016

Robert Brownstein
President
Board of Directors
Santa Clara Family Health Plan
210 East Hacienda Avenue
Campbell, CA 95008-6617

Via Certified Mail
Return Receipt Requested.

Re: Administrative Claim for Damages

Dear Mr. Brownstein:

This law firm represents Kathleen King, who was previously working under the auspices of the Santa Clara Family Health Plan, or under its prior title, Santa Clara County Health Authority.

On behalf of Ms. King, please consider this correspondence an administrative claim under California Government Code § 9 10 et seq.

The name and address of the claimant is as follows:

Kathleen King
Healthier Kids Foundation Of Sana Clara County
4010 Moorpark Avenue, Suite 118
San Jose, California 95117

The claimant wishes notices to be sent to the following address:

Mark S. Renner
Wylie, McBride Platten & Renner
2125 Canoas Garden Avenue, Suite 120
San Jose, California 95125

The transaction which gave rise to this claim was the denial on or about February 18, 2016, by Cal-PERS Board of Administration of Ms. King's appeal to that Board regarding a

decision by an Administrative Law Judge effectively denying her coverage under Cal-PERS for service years ostensibly earned.

Ms. King had a contract which called for her participation in Cal-PERS, both for pension and for health benefits, from 2008 through 2013. By the Cal-PERS' Board's denial of Ms. King's participation, the Santa Clara Family Health Plan aka Santa Clara County Health Authority failed to fulfill the terms of the contract, thereby denying her the monetary value of Cal-PERS participation, both for purposes of pension benefits and health benefits.

The name or names of public employee(s) causing this damage are the director of the Santa Clara County Health Authority, as well as its respective Board.

This claim exceeds $10,000.00 and would not be a "limited civil case" as referenced in Government Code § 910. This claim is meant to encompass all monetary consequences of Cal-PERS barring Ms. King from participation in Cal-PERS, subject to offset by amounts returned by Cal-PERS directly to her, if any.

Very truly yours,

WYLIE, McBRIDE, PLATTEN,
& RENNER

MARK S. RENNER

MSR/mjh
cc: Kathleen King
Christopher Platten
Alison Hightowner

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Santa Clara
Family Health Plan
The Spirit of Care

DRAFT

SCFHP Medi-Cal Provider Incentive Program

August 25, 2016

Program Goals

- Improve HEDIS preventive care outcomes affecting auto assignment to the plan
- Improve compliance with DHCS requirements in areas with performance gaps
- Improve overall access and quality of care

Program Methodology

- Measured on a fiscal year cycle (7/1 – 6/30)
- Using claims and encounter data
  - LOB Medi-Cal, Non-Dual membership
- Five measures total
- 12 point scale for each measure
  - Two tiers per measure
- All claims should be submitted no later than 45 days after the end of the reporting period to be counted towards reporting
- Awards = points earned/points possible
- Program Eligibility
  - Non-Globally Capitated Networks with ≥ 10,000 members
  - Independent physicians/groups with ≥ 100 members by 6/2017

Medi-Cal Program Measures

1. All Cause Readmission
2. Cervical Cancer Screening
3. Initial Health Assessments
4. Access to Primary Care Practitioners
5. Encounter Data Timeliness

1. All Cause Readmission

- Intent: Reduce readmissions within 30 days of previous hospital discharge for any reason
- DHCS Statewide Rate at the end of the Quality Improvement Project (QIP) 2015: 14%
- CY2015 Delegated Network Performance Range: 9% to 17%
- Program Goal
  - Tier 1: Less than or equal to 12% = 12 points
  - Tier 2: Greater than 12% and Less than 14% = 6 points

2. Cervical Cancer Screening

- Intent: Increase cervical cancer screenings in women 21-64
- HEDIS measure
  - Plan auto assignment measure
- HEDIS 2015 75th Percentile = 60% (adjusted for admin only)
- HEDIS 2015 90th Percentile = 67% (adjusted for admin only)
- CY2015 Delegated Network Performance Range: 32% to 86%
- Program Goal
  - Tier 1: Greater than or equal to 67% = 12 points
  - Tier 2: Greater than 60% and Less than 67% = 6 points

3. Initial Health Assessment within 120 days

- Intent: All new members must receive an Initial Health Assessment within 120 days of enrollment into the plan
- DHCS compliance measure
- DHCS compliance goal: 100%
- CY2015 Delegated Network Performance Range: 32% to 76%
- Program Goal
  - Tier 1: Greater than or equal to 90% = 12 points
  - Tier 2: Greater than 75% and Less than 90% = 6 points

4. Children Access to Primary Care

- Intent: Children 12-24 months visit their PCP annually and 12-19 years visit their PCP every two years
- HEDIS measure
- Age 12-19 years
  - HEDIS 2015 75th Percentile = 92%
  - HEDIS 2015 90th Percentile = 95%
  - CY2015 Delegated Network Performance Range: 75% to 93%
- Age 12-24 months
  - HEDIS 2015 75th Percentile = 97%
  - HEDIS 2015 90th Percentile = 98%
  - CY2015 Delegated Network Performance Range: 83% to 98%
- Program Goal
  - Age 12-19 years
    - Tier 1: Greater than or equal to 95% = 6 points
    - Tier 2: Greater than 92% and Less than 95% = 3 points
  - Age 12-24 months
    - Tier 1: Greater than or equal to 98% = 6 points
    - Tier 2: Greater than 97% and Less than 98% = 3 points

5. Encounter Data Timeliness

- Intent: Submit encounter data to the plan within 60 days of service
- DHCS compliance measure
- DHCS compliance goal: 100%
- CY2015 Delegated Network Performance Range: 27% to 92%
- Program goal
  - Tier 1: Greater than or equal to 95%= 12 points
  - Tier 2: Greater than 85% and Less than 95% = 6 points

Questions?