Santa Clara Family Health Plan
The Spirit of Care

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Regular Meeting of the
Santa Clara County Health Authority Governing Board

Thursday, June 23, 2016
210 E. Hacienda Avenue
Campbell, CA 95008

Minutes - DRAFT

Board Members Present
Bob Brownstein, Chair
Brian Darrow
Kathleen King
Liz Kniss
Michele Lew
Brenda Taussig
Wally Wenner, M.D.
Linda Williams

Staff Present
Christine Tomcala, Chief Executive Officer
Dave Cameron, Chief Financial Officer
Jeff Robertson, M.D., Chief Medical Officer
Jonathan Tamayo, Chief Informational Officer
Gary Kaplan, VP Vendor Relations & Delegation Oversight
Sharon Valdez, VP Human Resources
Beth Paige, Compliance Officer
Rita Zambrano, Executive Assistant

Board Members Absent
Dolores Alvarado
Chris Dawes
Darryl Evora
Paul Murphy
Jolene Smith

Others Present
Elizabeth Pianca, Secretary
Stephen Babich, DMHC
Peter Goll, PMG
Tony Kalgain

1. Roll Call

Bob Brownstein, Chair, called the meeting to order at 2:40 pm. Roll call was taken and a quorum was established.

2. Public Comment

Peter Goll, CEO of Physicians Medical Group of San Jose (PMG), noted PMG has been in the marketplace since 1980 and is a safety net provider serving approximately 102,000 at-risk residents of Santa Clara County, which is approximately one-third of the County's Medi-Cal population. Mr. Goll respectfully requested the Board consider recognizing PMG's partnership with SCFHP by providing monthly default enrollment.

3. Approve Consent Calendar and Changes to the Agenda

Mr. Brownstein presented the Consent Calendar and indicated all items would be approved in one motion.

a. Approve minutes of the April 28, 2016 **Regular Board** Meeting.

Mr. Brownstein noted two changes to the April 28, 2016 meeting minutes previously distributed. Kathleen King's name was corrected in item 4 and in item 15, a second clause was added to the policy that would authorize the CEO to approve health-related community programs within limits designated by the Board.

b. Accept minutes of the June 16, 2016 **Bylaws Committee** Meeting

Christine Tomcala reported the Bylaws Committee held an introductory meeting and agreed to reconvene to continue the process of reviewing and recommending revisions to the Bylaws before bringing them to the Board.

c. Accept minutes of the May 26, 2016 **Executive/Finance Committee** Meeting

Michele Lew presented the May 26, 2016 Executive/Finance Committee meeting minutes.

d. Accept minutes of the May 11, 2016 **Quality Improvement Committee** Meeting

Dr. Jeff Robertson noted the Quality Improvement Committee (QIC) is now a committee of the Board and Darryl Evora, Board member, would be joining the Committee. He also noted Ria Paul, M.D., Associate Professor at Stanford Senior Care, was appointed to replace Thad Padua, M.D., as Chair of the QIC. The Committee approved the 2015 Quality Improvement Program Evaluation, changes to the 2016 Quality Improvement Program, and six Quality Improvement policies.

e. Accept minutes of the April 7, 2016 **Provider Advisory Council** Meeting

Dr. Robertson reported the Provider Advisory Council (PAC) Charter was approved and a description of the MLTSS and program was provided.

f. Accept minutes of the June 14, 2016 **Consumer Affairs Committee** Meeting

Dr. Wally Wenner presented the June 14, 2016 Consumer Affairs Committee (CAC) meeting minutes and noted that additional Committee members were being sought, as regulations require diverse committee membership, either by members or member representatives.

g. Approve **Publicly Available Salary Schedule**

Sharon Valdez gave an update on the Publicly Available Salary Schedule for those positions that were added or removed since the last update to the SCCHA Board of Directors on April 28, 2016.

It was moved, seconded, and the Consent Calendar **was approved**.

4. CEO Update

Ms. Tomcala reported that CMS approved continuation of the MCO tax, which provides critical funds to the State's budget for the CCI program. She noted that CCI Sustainability remains an organizational priority, and the State has withdrawn its proposal for a passive enrollment process in the fall. Staff continues to work on efforts to mitigate enrollment losses through messaging, and member and provider outreach. Health plans are sharing best practices and working collaboratively on opportunities. Also, the Department of Finance has expressed budgetary concerns regarding savings expectations of the CCI program. She further noted that health plan representatives were meeting with DHCS that afternoon to discuss the future of the CCI program.

Ms. Tomcala brought to the Board's attention the Federal Medicaid Managed Care Regulations, or CMS "Mega-Reg," which was released in April. Given the magnitude of the rule (1,400 pages), analysis continues by the health plan associations.

It was noted Beth Paige would be sharing results from the DHCS Exit Conference, from the joint DHCS/DMHC audit in April. Ms. Tomcala further noted two additional audits were underway; DMHC would be onsite for a Finance audit, and Moss Adams had begun work on the Fiscal 2015-16 External Audit.

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

5. Compliance Report

Ms. Paige highlighted three items from the Compliance Report.

The preliminary report of the 2016 Quality Withhold Performance Measure Validation Activity (PMV) was received and under review for Plan comments. This was a review of Core Measure 2.1 conducted by Health Services Advisory Group (HSAG) for the Medicare-Medicaid Capitated Financial Alignment Initiative. The report states the data measured is compliance with CMS specifications. A final report will be issued following the plan review timeframe.

Three Patient Safety Outlier notices were received on May 6, 2016. A file format error caused a significant drop in the 2016 Q1 patient medication adherence rates. The file format was corrected, and SCFHP anticipates a return to normal adherence rates on 2016 Q2 Patient Safety Reports.

Preliminary DHCS audit findings were provided at the audit exit conference. Ms. Paige noted there were 36 preliminary findings compared with 34 on SCFHP's prior audit. In 2015, the average results for audited California health plans was 34, with a range from 8 to 78 findings. There were six audit categories overall and the Plan improved in three, stayed the same in one, and had two areas of increased findings. The areas with increased findings were Access and Availability of Care and Member Rights.

Access and Availability of care findings included: 1) non-compliance with timely access monitoring and reporting; 2) denial reasons for Emergency Services and Family Planning claims; 3) claims processing timeframes; 4) misdirected claims; and 5) process to monitor and ensure provision of drugs prescribed in emergency circumstances.

Member Rights findings included: 1) frequency of Grievance Committee meetings; 2) grievance reporting to the QIC; 3) grievance categorization; 4) clear and concise grievance letters and letters in threshold languages; 5) exempt grievance tracking; 6) cultural and linguistics' training on threshold languages; 7) confidentiality breach notification timeframes.

There were four repeat findings from 2014; 1) misdirected claims, 2) grievance threshold language letter time frames; 3) exempt grievance tracking and 4) provider orientation within ten days of becoming a participating provider with the plan. We are assessing our corrective action that was ineffective.

The Plan has the opportunity to contest the preliminary report, within 15 days, by submitting information to DHCS with documentation and justification. If accepted, those finding would be removed from the final report, which should be provided to the plan within 30 days. The Plan then has 30 days from receipt of the final report to respond with corrective action plans. Once the State has accepted the corrective actions, they will be posted on the DHCS website.

Mr. Brownstein asked why the Plan failed to successfully take corrective action with the timely access survey findings in 2014. This will require follow up. Brenda Taussig asked if there were findings the plan was worried about not being able to correct. Ms. Paige responded that many corrections have already been put in place to correct deficiencies identified during the audit.

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

Elizabeth Pianca arrived at 3:02 pm.

6. Unified Managed Care Committee Update

Mr. Brownstein provided an update on the May 26, 2016 Unified Managed Care Strategy Meeting with the Board-appointed committee and County staff, and indicated discussions continue regarding a joint strategic planning process. It was noted that Bruce Butler, CEO of Valley Health Plan, and Ms. Tomcala continue to work well on administrative collaboration. The Board was

also informed that Ms. Tomcala was working with Mr. Butler and Rene Santiago on a Unified Managed Care update to the Santa Clara County Health & Hospital Committee.

Mr. Brownstein asked for volunteers to be part of a Joint Strategic Planning Committee. Liz Kniss urged Mr. Brownstein and committee members to have a conversation with their respective Supervisors regarding what Integrated Managed Care looks like, and to seek clarity on their expectations.

> **It was moved, seconded, and approved** to appoint Linda Williams, Kathleen King, Michele Lew, Bob Brownstein, and Dr. Wenner to participate on the Joint Strategic Planning Committee.

7. Preliminary 2016-2020 Strategic Plan Framework

Ms. Tomcala reported that SCFHP has engaged Pacific Health Consulting Group to assist the executive team in developing a strategic plan. She presented a draft Strategic Plan Framework for 2016-2020, which focuses on five areas: Quality Improvement, Complex Care Delivery, Growth, Value-Based Care, and internal Optimization. The foundational areas that need to be consistently maintained include Financial Strength, Culture of Compliance, Effective Workplace, and Positive County, State, and Federal Relationships.

Kathleen King suggested the Mission Statement be included on the document, and a focus on health education and promotion rather than just health care. Brian Darrow inquired if we should be exploring prevention initiatives to help members avoid the development of complex conditions. Dr. Robertson noted the first dot point, "Improvement Initiatives to increase patient access and care coordination among delegated entities" includes a focus on health education and developing new and improved health promotion, including the diabetes prevention pilot. He stated it is part of the intent of improving quality, rather than solely focusing on complex care.

> **It was moved, seconded, and** the Preliminary 2016-2020 Strategic Plan Framework was **approved,** with an amendment to include language regarding health promotion.

8. Claims System RFQ

Jonathan Tamayo presented an overview of the Core System Conversion, noting the 2015-16 Plan Objective to upgrade systems to meet operational needs of the plan. The recommendation is to transition to one Core Claims System. The benefits of transitioning to a single system include consolidated maintenance and configuration, increased opportunity for operational efficiencies, improved quality and efficiency of claim processing and payment, opportunities for process improvements across departments, and enhanced integration across lines of business.

SCFHP engaged InfoArch Consulting to assist with a Request for Quote (RFQ) process, and seek proposals from three vendors: HealthTrio – Monument, Health Solutions Plus (HSP), and Trizetto – QNXT.

Mr. Brownstein asked what could go wrong. Dave Cameron discussed cost estimates and timeline, and Ms. Tomcala highlighted the risk of not upgrading systems.

> **It was moved, seconded, and approved to** authorize the Chief Executive Officer to negotiate, execute, amend, and terminate a contract with the selected claims system vendor in an amount not to exceed a projected $7 million for licensing and implementation. An additional amendment was added that the Board and Executive/Finance Committee receive progress reports for the next two years.

9. April 2016 Financial Statements

Mr. Cameron reported on the financial statements for the month and fiscal year-to-date ended April 30, 2016.

For the month, enrollment is 3.7% favorable to budget, while for the year to-date, enrollment is 0.8% favorable to budget. Continued growth in the Medi-Cal Expansion population is partially offset by reductions in the CMC program.

While the Plan was received higher CMC passive enrollment in calendar year 2015, membership is trending downward due to increased opt-outs in calendar year 2016. We are increasing our efforts to retain CMC membership. Enrollment by network has been stable throughout the year.

For the month of April, the Plan showed a net surplus of $1.2 million and $12.2 million surplus for the year-to-date, which is $1.6 million unfavorable to budget.

LTC membership spiked in FY15, but we feel that enrollment has now stabilized. In the past 18 months, LTC expenses increased from almost zero to upwards of $10 million a month.

Administrative expenses are under budget, due to the required ramp-up time in personnel and short-term filling of staffing gaps with temporaries and consultants.

The recasting reconciliation with the State is still in progress; therefore, we have been conservative in our accruals without knowing what the final rates will be for FY15. The State is committed to recasting the rates by August or September 2016.

TNE is $84 million or 283% of the minimum DMHC requirement at April 30, 2016.

Ms. King requested a breakdown of the supporting schedule to address performance by aid category within of all lines of business.

It was moved, seconded, and the April 2016 Financial Statements were **approved** as presented.

10. Fiscal Year 2016-2017 Budget

Mr. Cameron presented the proposed Fiscal Year 2016-17 Budget. Although SCFHP has experienced substantial growth over the last three years driven by the Affordable Care Act (ACA), Medi–Cal expansion, and the Coordinated Care Initiative (CCI) pilot, it is projecting a modest growth of 2.4 percent for FY17, reaching 279,307 members by June 2017. Medi-Cal membership is projected to grow 3.8%, primarily in the Duals and Expansion category of aid. CMC membership is projected to decline by 5.2%. Healthy Kids enrollment is forecasted to decline substantially as undocumented transition to Medi-Cal (under SB75 legislation).

Revenue is expected to grow from $1.09 billion in FY16 to $1.14 billion in FY17 representing an annual growth of 5.3%. Medi-Cal (non-expansion and non-Duals) revenue assumes a 6% blended average rate increase while Medi-Cal expansion revenue reflected a 15.4% rate decrease based on the draft rates received from DHCS in April 2016. CMC revenue is based on 2016 rates from CMS, with the Medi-Cal component based on rates released in April, further adjusted for actual enrollment in the specified population cohorts. Healthy Kids revenue is expected to decline consistent with declining membership.

Health care costs are expected to grow from $1.04 billion in FY16 to $1.09 billion in FY17 representing and annual growth of 4.9% and 95.1% of revenue. Health care cost projections are based predominantly on current trends coupled with historical experience. In addition, adjustments were made to account for known changes to program structure, expected provider increases, and/or actuarial estimates.

General and Administrative costs are expected to grow from $36 million in FY16 to $43 million in FY17 representing an annual increase of 20%. The primary drivers are increased staffing (35 new positions) to accommodate recent growth and significant opportunities in health services, compliance, policies & procedures, audit outcomes, and NCQA accreditation readiness. Projected administrative expenses of 3.8% of revenue are comparatively low by industry standards.

Overall, a net operating surplus of $11.7 million or 1.0% of revenue is projected.

SCFHP is financially stable with fund balance (or TNE) growth from $32.6 million in FY2013 to $96.9 million in FY2017. However, as a per cent of minimum required TNE, the ratio has fallen from 420% in FY13 to 290% in FY17 due to a rapid rise in the minimum required TNE from $7.8 million to $33.1 million in the same period caused by higher medical expenses.

The proposed Fiscal Year 2016-17 Budget includes a forecast of $10.4 million for capital expenditures. Of the total request, $6.8 million is for a new claims processing system to consolidate two systems processing Medi-Cal and Medicare claims separately. The capital budget includes plans for capacity expansion in the existing facility or a new building to accommodate the projected personnel growth, if needed.

It was moved, seconded, and the Fiscal Year 2016-17 Budget was **approved**.

11. Benefits for Non-Bargaining Unit Staff

Sharon Valdez reminded the Board that the SEIU MOU was ratified at the April 28, 2016 Board meeting, and included enhanced benefits for represented employees. She stated it is now respectfully requested that the Board extend the same benefits to non-represented employees. Those benefits include three additional days of PTO after ten years of service, increased bereavement leave from three to four days if travel is 500 miles or more, and educational reimbursement up to $2,000 per fiscal year if the approved course(s) are satisfactorily completed with a grade of "C" rather than a grade of "B".

It was moved, seconded, and approved to offer non-represented staff the same benefits as staff represented by SEIU.

12. Adjournment

The meeting was adjourned at 4:37 pm.

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Elizabeth Pianca, Secretary to the Board