



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

Thursday, January 28, 2016

2:30 PM - 5:00 PM

210 E. Hacienda Avenue

Campbell, CA 95008

Minutes - APPROVED

Board Members present:

Bob Brownstein, Chair
Dolores Alvarado
Brian Darrow
Christopher Dawes
Kathleen King
Liz Kniss
Michele Lew
Paul Murphy
Brenda Taussig
Wally Wenner, M.D.

Board Members not present:

Darrell Evora
Jolene Smith
Linda Williams

Staff present:

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

Others present:

Richard Noack, Hopkins and Carley LLC
John Kennedy, Nossaman LLP
Alison Hightower, Littler Mendelson P.C. (via telephone)
Elizabeth Pianca, Secretary
Caitlin Grandison, SEIU Local 521 representative
Lili Marquez, SEIU Local 521 representative
Isabel Olazcoaga, SEIU Local 521 representative
Marline Pedegrosa, SEIU Local 521 representative
Khanh Weinberg, SEIU Local 521 representative
Bob McGarry, GSK
Tania Shanrock, GSK
Claudia Esquivel, SCFHP employee
Steven Mashin, SCFHP employee
Luis Perez, SCFHP employee
April Pitt, SCFHP employee
Gloria Ramirez
Stacy Renteria, SCFHP employee
Gabriela Rodriguez, SCFHP employee
Lleceña Solorio, SCFHP employee
Christine Torres, SCFHP employee
Nicole Weaver, SCFHP employee

1. Roll Call

Chairman Brownstein called the meeting to order at 2:34 pm. Roll call was taken and a quorum was not established.

2. Public Comment

Christine Torres, a Member Services Representative and an SEIU Local 521 member, provided an update on the Bargaining Unit's contract negotiations. She identified progress on several key issues, including fair grievance procedures, release time to attend Board meetings, tentative agreements on personnel files, work schedules, and holidays, and improvements to bereavement leave and paid time off. Ms. Torres also highlighted some issues that SEIU and Management have not yet reached agreement on, in particular the union's position that there cannot be any "at-will" language.

Nicole Weaver, a Care Coordinator and an SEIU Local 521 member, stated the Bargaining Unit is excited to be moving toward securing its first contract with SCFHP. One major priority is a fair and transparent compensation system, which the union feels is currently lacking. They are proud to have won a one-time 2.5% across-the-board increase, however a long-term solution is needed. The Bargaining Team has proposed a Fair Compensation Committee of workers and managers to develop a salary schedule that supports recruitment and retention of a qualified workforce, recognizes seniority, and ensures a living wage.

Luis Perez, a Care Coordinator and member of SEIU Local 521, spoke to the need for union security. He further summarized the Bargaining Unit's priorities for the first contract, which are no at-will employment, a fair compensation system, and union security. He stated the union is excited and hopeful a fair and equitable contract will be reached with SCFHP soon.

Chris Dawes arrived and a quorum was established.

3. Meeting Minutes

The minutes of the November 19, 2015 Regular Board Meeting were reviewed.

It was moved, seconded, and the November 19, 2015 meeting minutes were **approved** as presented.

4. Adjourn to Closed Session

a. Pending Litigation

The Board conferred with Legal Counsel regarding one item of existing litigation.

b. Conference with Labor Negotiators

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

c. Significant Exposure to Litigation

The Board conferred with Legal Counsel relating to one item of significant exposure to litigation.

5. Report from Closed Session

Mr. Brownstein reported that the Board conferred with legal counsel and designated representatives and no action was taken.

*Kathleen King arrived at 3:19 pm.
Dolores Alvarado arrived at 3:22 pm.*

6. CEO Update

Christine Tomcala referred to the Compliance Report in the meeting materials and noted receipt of a Notice of Non-Compliance (NONC) pertaining to Cal MediConnect. Staff misinterpreted technical specifications on an initial data submission and, upon clarification from CMS, resubmitted accurate numbers, resulting in the NONC. Additional resources have been engaged to review coding of all required reports to ensure accuracy going forward.

Ms. Tomcala noted annual reports for CMC are due in February, and Advent Advisory Group has been engaged to conduct the required data validation of the annual reports submitted to CMS.

As discussed at the last Board meeting, Ms. Tomcala reported a consulting firm has been retained to assist with four key activities related to critical Plan Objectives. A key focus is on conducting gap analyses and launching corrective action plans, including an overhaul of policies and procedures. The need for additional short-term and long-term resources has been identified, which is addressed in the mid-year budget projections.

It was further reported that some organizational structure and governance changes are also needed, which may call for changes to the Bylaws. In particular, the Quality Improvement Committee and its subcommittees should be designated Board committees in recognition of the Board's responsibility for oversight in these matters.

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

7. Bylaws Committee

Elizabeth Pianca, legal counsel, stated the Bylaws Committee was last convened in 2013-14, with amendment of the Bylaws in 2014. Ms. Tomcala reported the Bylaws Committee previously included Chris Dawes, Laura Jones, Liz Kniss, and Michele Lew, and it is necessary to appoint three Board members for the Committee to reconvene. Liz Kniss, Paul Murphy, and Brian Darrow volunteered.

It was moved, seconded, and approved to appoint Ms. Kniss, Mr. Murphy, and Mr. Darrow to the Bylaws Committee.

8. Unified Managed Care Strategy Update

Mr. Brownstein reported that earlier in the week the team appointed by this Board, including himself, Michele Lew, Dolores Alvarado, Paul Murphy, Christine Tomcala, and Dave Cameron, met with County executives, including Rene Santiago, Paul Lorenz, and Bruce Butler. There was positive, constructive discussion at the meeting regarding the proposal presented by SCFHP, and the County indicated its interest in further developing the collaborative relationship being established with SCFHP consistent with a framework that would be supported by our Board. Subsequent to the meeting, and upon further reflection, Mr. Santiago shared more specific feedback with Mr. Brownstein.

- The County would like the collaboration to be oriented toward meeting the needs of the entire safety net population in the County and not just members of the health plan.
- The County likes the Health Plan's proposed strategic planning process and potential summit, including engaging a consultant to assist with planning and facilitation.
- With respect to additional staff, the County did not see a need for a new government relations position, but would support a project manager to assist with operational implementation.

It was moved, seconded, and approved to support the ongoing Unified Managed Care Strategy.

9. Fiscal 2014-15 External Audit Report

Mr. Brownstein reported on the Fiscal 2014-15 External Audit, which was completed late due to the auditors requesting that CalPERS run a report on SCFHP alone rather than as a part of a larger pool of participants in the plan. The Auditors noted two material weaknesses.

The first material weakness is related to Premium Deficiency Reserve (PDR) for the Cal MediConnect Program. The auditors argued that because there was early evidence the program might generate operating losses, a PDR should have been recorded. Although a PDR of \$18m has been recorded, in their opinion, the timing of the recording resulted in the finding of a material weakness.

Mr. Brownstein stated the auditors did not provide information on a timely basis so that management could respond, but also acknowledged that the Plan did not immediately create the Premium Deficiency Reserve. To help alleviate any future risks, management should designate a reserve based on the data that exists. The second material weakness was related to the recording of \$21m of additional revenue for the Coordinated Care Initiative (CCI). Such initiatives are very difficult to predict and require quarterly reconciliations between the Plan and the State. The auditors stated that despite this challenge, the Plan should have estimated and recognized this revenue earlier. The size of the revenue rather than the omission raised this to the level of material weakness.

Mr. Cameron commented that there was a professional disagreement right from the start due the complexity of this new program (only six months in) with immature claims experience and a constantly evolving “re-blend” basis for estimating the receivable revenue. There were also uncertainties about risk adjustments, Part D adjustments, and other complicated issues that come later, but which needed to be considered in estimating the overall profit/loss for the given contract period.

It was moved, seconded, and approved to accept the Fiscal 2014-15 Audit Report.

10. 2015 Financial Statements

Mr. Cameron reviewed highlights of the first six months of FY16 and provided a year-end FY16 forecast.

FY16 Year-to-Date December

- Enrollment is 7% higher than budget, largely due to Medi-Cal Expansion. However, with eligibility redetermination in January, there was a drop in this population; so, we are expecting a lower run rate going forward. There has been no significant change in the network distribution of the enrolled members.
- Plan revenue is \$526m YTD, trending to \$1.1B for the year. YTD, the medical cost ratio is 95.2%; administrative cost ratio is 3.3%. The overall surplus is \$7.7m (\$3.5m below budget).
- Revenue is over budget largely due to In-Home Support Services (IHSS) and Medi-Cal expansion revenue being 10% over budget.
 - The IHSS revenue is part of contracted capitation rate from the State, but the Plan does not get this money; however, the Plan carries the risk for overtime costs by the providers beyond the contracted rate. Therefore, it runs through our revenue and expense. The State is behind in reconciliation of the IHSS revenues paid on our behalf.
 - The State has been overpaying the Medi-Cal Expansion rate. They are going to start to recoup the overpayments in February. We have reserved almost \$60m as State payable on our balance sheet.
- Long Term Care ramp-up is stabilizing and so is our claims payment experience.
- The medical expenses are also over budget as a direct result of excess IHSS and Long Term Care expenses.
- Administrative expenses are on budget YTD.

- Unfunded pension liability is expected to be significantly lower than budgeted because of the one-time catch-up adjustment of about \$5m last year. This year's contribution is expected to be only about \$900,000.

It was moved, seconded, and approved to approve the October, November, and December 2015 Financial Statements as presented.

11. Mid-Year Budget Projections

Mr. Cameron provided a snapshot of the metrics used to project year-end financial performance. The membership CY 2014 to CY 2015 has increased 27% and the work required to service those members has increased at a substantially higher rate than the membership growth. Therefore, even though we are on budget with administrative expenses YTD, the run rate is going to be significantly higher for the second half of FY16.

We made some high-level assumptions for revenue and medical expense using the current run rates for the year-end projection. But, most of the detailed analysis was focused on estimating the administrative expenses. The Plan has a \$7.7m surplus to date through December 31, 2015 and the year-end surplus projection is \$15.5m. This projection excludes any adjustment to the PDR or the ACA1202 extended payments. Mr. Cameron confirmed that the year-end forecast includes costs of the aforementioned additional resources.

Mr. Cameron also provided an update for the capital expenses, which also requested an increase from the budget due to increased information technology needs.

It was moved, seconded, and approved to accept the Mid-Year Budget Projections as presented.

12. Committee Reports

a. Executive Committee

Mr. Brownstein provided a summary of the December 17, 2015 Executive Committee Report.

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

b. Consumer Affairs Committee

Dr. Wenner provided a summary of the December 8, 2015 Consumer Affairs Committee Report.

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

13. Adjournment

The meeting was adjourned at 5:00 pm.

Elizabeth Pianca, Secretary to the Board