



Santa Clara  
Family Health Plan  
*The Spirit of Care*

**Regular Meeting of the  
Santa Clara County Health Authority  
Executive Committee**

Thursday, October 22, 2015  
8:30 AM - 10:00 AM  
210 E. Hacienda Avenue  
Campbell CA 95008

**VIA TELECONFERENCE AT:**

Residence  
1985 Cowper Street  
Palo Alto, CA 94301

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**Members present**

Ms. Michele Lew, Chair  
Mr. Bob Brownstein  
Dr. Wally Wenner  
Ms. Linda Williams

**Members present via phone**

Ms. Liz Kniss

**Staff present**

Ms. Christine Tomcala, CEO  
Mr. Dave Cameron, CFO  
Ms. Sharon Valdez, VP Human Resources  
Ms. Janet Smith

**Other Attendees**

Mr. Dick Noack, Hopkins & Carley LLC

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**MINUTES - APPROVED**

**1. Roll Call**

Chairperson Lew called the meeting to order at 8:30 am. Roll call was taken, and a quorum was established.

**2. Review and Approval of Minutes**

**It was moved, seconded, and approved** to approve the July 23, 2015 Executive Committee meeting minutes as presented.

### 3. Public Comment

Janet Smith, a SCFHP employee, addressed the Executive Committee with her concerns regarding the acceptance of the Union. No notification was sent regarding the voting process, and she and other employees did not have the opportunity to voice their reluctance in joining the Union. She stated she has dealt with Unions in the past and really doesn't want to be a member, and was hoping there was a way to opt out. She indicated it will be a financial hardship for her. Ms. Smith stated she works well with her team, manager, the department director, and the HR director, who are always there to listen and help resolve any issues that may occur. She really does not want to be a part of the bargaining unit and was hoping there would be a way for those individuals who do not want to be in the Union to opt out.

Ms. Lew responded that this discussion can potentially be agendaized for the next Board meeting.

### 4. Adjourn to Closed Session

a. **Conference with Labor Negotiators** (Government Code Section 54957.6): The Executive Committee met in Closed Session to confer with its Designated Representatives:

- Designated Representatives' Names: Dave Cameron, Sharon Valdez, and Richard Noack
- Employee organization: Local 521, SEIU

### 5. Report from Closed Session

No Action was taken.

### 6. CEO Update

Ms. Tomcala brought to the Committee's attention the resignation of Tony Solem, Chief Medicare Officer, and reported that two of his direct reports have recently departed, as well. She indicated Mr. Solem will be replaced on an interim basis until we determine a long-term solution.

At the last Board meeting, the Plan Objectives were discussed, with the first being Compliance. Ms. Tomcala indicated we are going to engage consultants to help identify compliance gaps, so they can be addressed before the upcoming audits. The Executive Team has looked at different firms and has selected one we want to engage imminently. This expense was not fully anticipated in the budget.

Ms. Tomcala also noted that O'Conner recently agreed to a proposal for Medi-Cal moving forward, and within the last 24 to 48 hours they expressed surprise that it did not include the Cal Medi-Connect line of business, which had not been on the rate sheet. We are having a conversation this afternoon to further address that.

**It was moved, seconded, and approved** to accept CEO update as presented.

### 7. Update on Fiscal 2014-15 Year End Financials

Mr. Cameron stated that at the last Board meeting an update on the year-end financials was presented on the interim financials. The discussion was the booking of a Premium Deficiency Reserve for the Cal Medi-Connect product line. We had booked \$14.4M, but after discussion with our external auditors we have increased to \$18M.

Dr. Wenner commented that this topic comes up when speaking with other physicians as to why are there such large reserves and why aren't you paying that to the physicians.

Mr. Cameron commented that SCFHP will do some comparisons with the other health plans in the state and other health plans in general.

#### **8. July and August 2015 Financial Statements**

Mr. Cameron gave an update on the August year to date highlights through the first two months of the fiscal year. Revenue is over budget primarily due to the Medicaid expansion and IHSS. Medical expenses were over budget primarily due to our estimates for Cal Medi-Connect and IHSS. Enrollment is up 3.3% year over year, and 1.1% over budget for the first two months of the fiscal year.

**It was moved, seconded, and approved** to accept the July and August financials as presented.

#### **9. Budget Line Item Adjustment**

Mr. Cameron explained that we need to move the Administrative fee charged from our Pharmacy Benefits Manager (PBM) from our medical expense budget into our administrative budget as required by the Department of Health Care Services.

**It was moved, seconded, and approved** to approve the Budget Line Item Adjustment.

#### **10. Reserves Discussion**

Mr. Cameron presented a reserved analysis that had been requested by the board in June of this year. The last Board update and policy adoption was in December 2011. The Board policy currently is two months premium revenue.

Mr. Cameron reviewed the reasons to hold reserves and discussed the different methodologies, Tangible Net Equity (TNE) and Risk Based Capital (RBC). TNE, which is the measurement used by the state is outdated. The RBC method takes into account: Asset, underwriting, credit and business risk. A research paper by Milliman that looked at all the Medicaid plans, profit, and non-profit in the other states that do a risk-based capital and what their benchmarks are is referenced in the presentation. The Department of Managed Health Care (DMHC) has discussed shifting the reserve requirements from TNE to RBC.

Mr. Brownstein commented that he needs more time to review and understand this. Plans in other states do not have to deal with the reimbursement rates that California has to deal with. There are other potential uses for revenue beyond flowing into reserves, although reserves are an important factor. This looks like a massive shift in terms of making reserves important and making it a top priority which Bob indicated he might be convinced to do, but was not yet ready to agree with that. He suggested this should be an issue for the full Board, and any additional information on other options would be helpful.

Ms. Williams commented that it might be helpful to have some sort of an incremental plan and asked how long it would take to reach that target. She found the comparative information on other California plans interesting and helpful.

Mr. Brownstein added that he is more comfortable trying to balance real risks versus other uses of revenue, as opposed to what looks like an arbitrary standard.

Ms. Tomcala commented that this proposal is less than the current Board-approved standard of two months of Capitation revenue.

Mr. Cameron commented that we're probably not going to generate more than a 2% surplus because we've dedicated to paying for provider incentives.

Mr. Brownstein responded that his idea would be to have a methodology where there is a target and we have a process that enables us to exercise judgment, so that adding to the reserves will not trump everything else no matter how important it is.

Mr. Cameron responded that we will continue this discussion at the next Board meeting in November.

Ms. Williams responded that it is important information and we need to recognize we are not meeting our current benchmark.

Action was deferred to the next Board meeting.

## **11. Adjournment**

**It was moved, seconded, and approved** to adjourn the meeting at 10:15 am.

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**Elizabeth Pianca, Secretary to the Board**