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Santa Clara Family Health Plan
The Spirit of Care

Regular Meeting of the
Santa Clara County Health Authority
Governing Board

Thursday, September 24, 2015
2:30 PM - 5:00 PM
210 E. Hacienda Avenue
Campbell CA 95008

MINUTES

Board members present:
Michele Lew
Dolores Alvarado
Kathleen King
Laura Jones
Christopher Dawes
Paul Murphy
Bob Brownstein, Chair
Darrell Evora

Board members not present:
Liz Kniss
Jolene Smith
Wally Wenner, M.D.
Brenda Taussig

Staff present:
Christine Tomcala, Chief Executive Officer
Dave Cameron, Chief Financial Officer
Jeff Robertson, M.D., Chief Medical Officer
Tony Solem, Chief of Medicare Operations
Jonathan Tamayo, Chief Information Officer
Gary Kaplan, VP Vendor Relations & Delegation Oversight
Sharon Valdez, VP Human Resources
Pat McClelland, VP Member & Medical Operations
Beth Paige, Compliance Officer
Khurrum Shah, Medicare Compliance Manager
Rita Zambrano, Executive Assistant

Others present:
Caitlin Grandison, SEIU Local 521 representative
Peter Goll, CEO Excel MSO LLC
Lillian Quihuiz, SCFHP employee
Maria Bejarano, SCFHP employee

1. Roll Call

Chairman Brownstein called the meeting to order at 2:30PM. Roll call was taken, and a quorum was established.

2. Minutes Review and Approval

It was moved, seconded and approved to accept the June 25, 2015 meeting minutes as presented.

3. Public Comment

Maria Bejarano, a SCFHP employee, distributed a letter to the Board and spoke on behalf of the new SEIU union members. She indicated their commitment and dedication to the mission and vision of SCFHP, which is to improve the health and well-being of the residents of Santa Clara County, remains unchanged. Their health care goal is to improve the Medi-Cal Managed Care System and to do this it is necessary to:

- Implement clear, standardized policies and workplace rules
- Improve working conditions

- Build a culture of respect for all staff
- Prioritize workforce development, training, and tools

As frontline workers, and now members of SEIU Local 521, Ms. Bejarano stated they are eager and willing to fully participate and share their ideas on how to improve health coverage for Santa Clara residents.

Peter Goll, with Physicians Medical Group of San Jose, stated they have been a long-standing partner with SCFHP and the relationship is extremely important. In combination with Premier Care and other non-County-affiliated safety net providers, they serve more than 50% of the of the county's Medi-Cal population. Yet, a majority of the monthly default enrollment does not come to these entities. However, they exceed access standards and see patients that need access to certain specialties where there is a deficiency in the time of need. Mr. Goll respectfully asked the Board to consider recognizing their partnership with monthly default enrollment.

4. CEO Update

Christine Tomcala, Chief Executive Officer, announced that Brenda Taussig, Director of Government and Community Relations at El Camino Hospital, is a new Board member that will be filling Melinda Landau's position.

Ms. Tomcala noted that at the beginning of each All Staff meeting, she takes a moment to remind everyone how we make a difference in our members' lives through a Member Reflection. She shared a thank you note received from a member as an example:

> *To the staff at Santa Clara Family Health Plan; Last week my husband got a job after two years of being unemployed. The job offers medical and dental benefits so that we will be getting our insurance through the new plan, but I wanted to thank all of you at SCFHP for your in-depth customer service and kindness. We've had other plans in the past, but none of the companies provided such great service. Thank you for providing health insurance to us during one of the most difficult periods in our lives, and I'm forever grateful.*

Ms. Tomcala brought to the Board's attention that SEIU has been recognized and has presented SCFHP with a Bargaining Information Request, which the HR department has been actively working to provide. Management representatives met with SEIU representatives to present background on the plan, as well as to provide an opportunity to ask questions. Negotiation of our first collective bargaining agreement is scheduled to begin on October 12, 2015.

On October 1st, ICD-10 will replace the ICD-9 code sets used to report medical diagnoses and inpatient procedures. SCFHP has completed training and testing and is ready for implementation. An influx of provider calls is anticipated, and SCFHP established a memorandum of understanding with SEIU regarding training of additional service representatives to field the calls.

Ms. Tomcala reported that SCFHP's fiscal year ended June 30th and KPMG is in the process of completing the audit. The final audit report is scheduled to be presented at the October Executive Committee Meeting. Mr. Brownstein asked how many years have we had KPMG. Mr. Cameron responded three years, and we are considering an RFP for next year.

Ms. Tomcala went on to discuss submission of the CY2014 Rate Development Template (RDT), which is the annual process of submitting encounter data to DHCS to support development of actuarially sound premium rates for SCFHP. Because of the increasing utilization and cost trends, we requested a substantial overall premium increase.

In a brief report on Government Affairs, Ms. Tomcala discussed the Managed Care Organization (MCO) tax. CMS is requiring states to replace their current Medicaid-only health plan taxes with a broad-based tax that is instead applied to all health plans. This should be done by the end of 2016, but the legislature left town on September 11th without a deal on the MCO tax. The last deal on the table largely held Medi-Cal plans harmless, but would have introduced a substantial cost to Commercial plans that would be partially offset in other taxes. The MCO tax negotiations will continue into the fall and next year, and both Republicans and Commercial plans are needed to move this forward.

The California Children's Services (CCS) carve-out is set to expire at the end of 2016. The demonstration is advancing in its plan to carve CCS into managed care, starting with the remaining COHS counties, in 2017. Then, the carve-in will advance into two-plan counties on somewhat of an application basis in the out-years.

In the spirit of keeping the Board updated and engaged, Ms. Tomcala introduced some changes being implemented. A Compliance Report and a Chief Medical Officer Report will become routine agenda items. Although many of these topics and performance metrics have historically been included in the Operations Report, we want to ensure key items are brought to the Board's attention. Going forward, the management team will develop a dashboard to track and highlight key metrics for the Board.

This month, Ms. Tomcala highlighted the membership portion of the Operations Report, commenting that our membership is currently at 259,125 members as of September 2015. She noted that in 2004, 77% of our membership was under the age of 20, while currently 46% of our members are children.

Ms. Tomcala stated she has had the opportunity to speak with several board members in the last couple of months, and some expressed interest in having an in-depth orientation. She indicated staff would develop appropriate materials and will plan an orientation meeting where any Board member who would like to participate would be welcome. Also, Board members are required to complete Annual Compliance Training, which is in development and will be provided soon.

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

5. Compliance Report

Beth Paige and Khurrum Shah presented an overview of June-August 2015 Compliance Department activity. Ms. Paige noted that SCFHP received a "close" letter from DHCS from the joint DMHC/DHCS audit conducted in March 2014. The notice provisionally closed deficiencies that will be reviewed at the next DHCS audit, which may be scheduled the first quarter of 2016. SCFHP also received the DHCS/DMHC Joint Audit SPD Report, which identified nine deficiencies for which a corrective action request was submitted.

SCFHP received a subpoena of records related to a DMHC complaint/IMR case. The information and documents requested have been provided to our attorney. Mr. Brownstein asked if it's routine to subpoena records as opposed to simply requesting them. Ms. Paige responded no, we would have expected a request prior to a subpoena.

Ms. Paige proceeded to discuss the DMHC filing performed quarterly. She noted the claims turn-around time for 2Q'15 was at 94%, below our 95% compliance expectation. SCFHP submitted a corrective action plan to DMHC. The claim increases over the past year due to Medi-Cal expansion was a contributing factor. The plan has hired new claims representatives, and mandatory overtime has been implemented to return to compliance.

Ms. Paige discussed Member Complaints received through DMHC, and Mr. Shah reported on two notices of non-compliance from CMS pertaining to the Call Center. Both non-compliance issues have been addressed.

Ms. Paige commented on Internal Monitoring/Auditing, including CAQH CORE Operating Rules regarding eligibility and claims status, Electronic Funds Transfer (EFT) and Electronic Remittance Advice (ERA), and other transactions. She also reflected ICD-10 preparations and reviewed six HIPPA privacy disclosures.

Mr. Dawes inquired about the security of our hardware and data. Mr. Tamayo responded the plan is assessing the overall infrastructure and that all laptops are encrypted.

Mr. Brownstein stated he appreciated the extensiveness of the report; however, it would be useful to provide the Board with a greater sense of the severity and risks associated with different issues. Ms. Tomcala added she and Ms. Paige have discussed restructuring the report in the future to more clearly highlight key issues.

It was moved, seconded and approved to accept Compliance Report.

6. CMO Report

Jeff Robertson, Chief Medical Officer, provided a CMO Report: Quality is Half of the Mission. He shared the 2014 Aggregated Quality Factor Scores for California Medi-Cal plans. This quality score includes HEDIS measures, access measures, and member satisfaction. SCFHP ranks eighth in the state, well above the state average.

Dr. Robertson also provided utilization performance measures compared to national Medicaid data. National Medicaid data is typically higher than California because it is still predominately a fee-for-service program. Darrell Evora and Kathleen King expressed interest in seeing the utilization by age bands. Dr. Robertson noted these numbers are reflective of our population before the influx of childless adults that are now a significant portion of our 260,000 members.

Dr. Robertson continued, with data on Access and Availability, noting a potential shift from a survey methodology to an audit methodology at the request of the State. Discussion took place regarding a low-performing network. DMHC will hold the plan accountable for ensuring our delegated groups are performing in accordance with compliance standards.

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

7. May and June 2015 Financial Statements

Mr. Cameron presented unaudited financial highlights from fiscal year end June 30, 2015. We have a significant ACA 1202 rollover reserve in excess of $20M and we anticipate paying that out over twenty-two years.

Cal MediConnect program which started January 1st and the loss to date was significant. We proposed a $14m premium deficiency reserve that we have to record now. We're monitoring the program as it has a significant impact on the current year's financials.

Ms. King inquired if the fee we've been receiving lower than what we're spending. Mr. Cameron responded yes and that there are a lot of factors that mitigate this shortfall; yet, there isn't any methodology to record the accounting impact yet. Once we have more history on the Part D reconciliation of pharmacy drugs, we'll be able to report the status by the end of 6/30/16.

There's also the risk adjustment that we can go back and sweep to January when we started in 2015. Also, there will be contracting strategies that we can change, if necessary and re-contract.

Mr. Cameron stated that we feel the state is underpaying us based on the mix because the state pays us a blended rate depending on the mix of long-term care, high and low HCBS, CBAS, and Community Wellness Program. In summary, if there is anything we could say today is that we could change the contract rate. We do know Medicare rates are going to change in 2016, but there's nothing we can do today so we have to continue with what we committed to.

Mr. Brownstein asked how we put all of these factors into play so that the Board has a sense of how the plan is doing; maybe the best way would be to give us a best case-worst case best judgment call report. Mr. Cameron responded that we're reviewing the year to date data verse budget and we will make contract changes or delegate members which would be in January at the earliest.

Ms. King inquired if Medi-Cal loss ratio is on a consolidated basis or by an individual line of business. Mr. Cameron responded that it is tracked separately, Medi-Cal expansion is a separate analysis because if you spend less than 85% you have to pay that back and if you pay over 95% you get that back, theoretically.

Mr. Cameron spoke to the enrollment of aid category clarified that Healthy Family Conversion enrollment is reducing because they either aged out or moved out of the family aid category. Ms. McClelland also commented the children in this aid code may be classified in a different aid code category.

Mr. Cameron noted that tangible net (TNE) equity has jumped up because of the year-end ACA adjustment; however $20m of the change is the board designated reserve. Mr. Dawes that the TNE looks very low and we need to be clear about what we have in our reserves and requested that happen sooner than later. Mr. Cameron responded that the industry is using RBC approach, with a very high percentage.

Ms. Lew asked how likely is it that the state would pull the plug on Cal Medi-Connect. Mr. Cameron, we have an opt out option if financial results don't improve by next year's budget.

Mr. Solem added that Medicare asked all the states to extend the program by two more years, and they responded on September 1, 2015, but it is non-binding.

It was moved, seconded and approved to accept the May and June Financial Statements.

8. Provider Pay for Performance Agreements

Ms. Tomcala stated SCFHP contracts with various safety net primary care physicians, Independent Practice Associations, and Global Care providers. Historically the plan has had "Pay for Performance" agreements with these providers. This year, the health plan has done fairly well financially, in part due to the initial Medi-Cal Expansion growth. As a result, the Pay for Performance dollars SCFHP is planning to share with providers, a little over $19 million, is quite generous. While our approach is consistent with prior years, the outcome is more substantial, and we should not expect such sizable payouts to become routine in future years.

It was moved, seconded and approved to authorize the CEO to execute FY'15 Provider Pay for Performance Agreements.

9. FY 2015-16 Objectives

Ms. Tomcala and the senior team have identified seven cross-functional objectives for the health plan this fiscal year, which are consistent with the budget approved by the Board. The general focus for the year is to improve infrastructure and achieve operational excellence. The first four objectives have been identified as critical priorities for the plan.

1. Enhance compliance program for audit readiness
2. Develop and initiate project plan to achieve NCQA accreditation for CMC in 2018
3. Negotiate agreement with SEIU
4. Evaluate and pursue integration opportunities with Valley Health Plan and Valley Medical Center
5. Upgrade systems to meet operational needs of the plan
6. Maximize members served through quality and service
7. Achieve budgeted financial performance

Ms. Tomcala discussed bringing in a consultant to assist with the first two objectives.

It was moved, seconded and approved to accept the FY 2015-16 Objectives.

10. Unified Managed Care Strategy Update

Mr. Goll expressed the sentiment he shared at the previous Board meeting regarding the objectives of the Unified Managed Care Strategy. He indicated the delegated structure is key and allows PMG to meet access standards and provide important administrative functions, and if that should change it could seriously affect how they can continue to treat SCFHP membership. With respect to default membership, PMG feels they are being differentially treated, and would like to see what can be done to address this.

Mr. Brownstein, Chairperson, gave a status report on the two meetings the SCFHP Board Team had with representatives from Santa Clara County. At the first meeting, the County raised concerns with structural changes in the healthcare system, including stronger competition, partly as a result of acquisitions. It was suggested that such dynamics should lead to greater integration and coordination between the two plans. At the second meeting, several potential areas of operational collaboration were discussed. The outcome was to determine next steps regarding discussions on structural and governance changes. The next step for our team is to have an internal meeting in the next couple weeks to decide what ideas we want to put forward to the County.

Linda Williams asked if minutes were taken that the Board could see. Mr. Brownstein responded no minutes were taken, but there's a list summarizing twelve potential opportunities for operational collaboration that could be shared with the Board. Christopher Dawes commented that anything the smaller group takes before the County would be subject to health plan Board approval, to which Mr. Brownstein ageed. He also reminded the Board that the members working on this issue are Ms. Alvarado, Ms. Lew, Mr. Murphy, Mr. Dawes and Mr. Brownstein, along with Ms. Tomcala and Mr. Cameron.

Mr. Brownstein responded if at some point a vote was needed on a proposal and it couldn't wait until the next Board meeting, we could schedule a special Board meeting

It was moved, seconded and approved accept the Unified Managed Care Strategy Update.

11. Publicly Available Salary Schedule Changes

Ms. Valdez gave an update on the Publicly Available Salary Schedule, the positions that were added and deleted since the last update to SCCHA Board of Directors on June 25, 2015.

It was moved, seconded and approved to approve the Publicly Available Salary Schedule.

12. Committee Reports

a) Executive Committee Minutes

Ms. Lew gave a recap of the July 23, 2015 Executive Committee Meeting.

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

b) Consumer Affairs Committee Minutes

Ms. McClelland gave a recap of June 9 and September 8, 2015 Consumer Affairs Committee Meetings.

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

c) Provider Advisory Committee Minutes

Dr. Robertson gave a recap of February 12 and July 9, 2015 Provider Advisory Committee Meetings.

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

13. Adjournment

It was moved, seconded and approved to adjourn the meeting at 4:45 pm.

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Elizabeth Pianca, Secretary to the Board