

MINUTES
Santa Clara County Health Authority
Annual Governing Board Retreat

Thursday, November 13, 2014
12:00PM - 4:00PM
210 E. Hacienda Avenue
Campbell, CA 95008

Board members present:

Ms. Dolores Alvarado
Ms. Melinda Landau
Mr. Christopher Dawes
Ms. Kathleen King
Ms. Laura Jones
Ms. Michele Lew
Dr. Wally Wenner
Ms. Linda Williams
Ms. Liz Kniss
Mr. Robert Brownstein
Mr. Paul Murphy

Board members not present:

Ms. Jolene Smith
Dr. Daljeet Rai

Staff present:

Ms. Elizabeth Darrow, Chief Executive Officer
Mr. Dave Cameron, Chief Financial Officer
Mr. Jeff Robertson, Chief Medical Officer
Mr. Tony Solem, Chief Medicare Officer
Ms. Sharon Valdez, VP of Human Resources
Ms. Rita Zambrano, Executive Assistant

Others Present:

Ms. Elizabeth Pianca, Secretary
Mr. Richard Alston, KPMG
Mr. John Botsford, Milliman
Mr. Mark Andrew, Witt / Kieffer

1. Roll Call

Chairman Lew called the meeting to order at 1:00 pm. Roll call was taken, and a quorum was established.

2. Action Item: Review and approval of August 27, 2014 meeting minutes.

It was moved, seconded, and approved to accept August 27, 2014 meeting minutes as presented. **Mr. Murphy and Mr. Brownstein** abstained.

Elizabeth Darrow pointed out that Elizabeth Pianca should be appointed Secretary.

It was moved, seconded, and approved to amend the minutes to reflect the change of Elizabeth Pianca as Secretary.

3. Public Comments

There were no public comments.

4. Action Item: Accept KPMG Audited Financial Statements and Communications for Fiscal year 2013-2014

Mr. Alston with KPMG went through the required communications on the conduct of KPMG's audit. The audit was very successful; the highlights were that KPMG had an unmodified opinion with no corrected misstatements. Mr. Alston addressed the immaterial items that were noted during the audit and which were not corrected due to materiality. There were no significant deficiencies or material weaknesses.

KPMG also discussed Medical incurred but not reported claims; the run out of prior year liability indicates that the 2013 estimate was materially accurate. KPMG tested underlying data of lag reports without exception, also testing the reconciliation of the lag report summary data to the general ledger claims expense, noting no material exceptions. KPMG independently tested the year-end liability by having an actuarial specialist develop a range of acceptable liability amounts, noting the Company's recorded reserve was at the higher end of the range. Amounts due to the State of California; the balance decreased \$4.3M or 49% from \$8.8M to \$4.5M. The decrease is due to settlement of rate changes and payment of Managed Care Organization (MCO) taxes. Amounts due to the State were tested by recalculating premium taxes owed for the year less payment made noting no exceptions. Risk share payable to providers; the balance related to Valley Health Plan (VHP) decreased from \$1.5M or 17% from \$8.6M to \$7.1M and the balance related to other providers decreased \$0.2M or 9% from \$2.4M to \$2.2M. The decreases were due to decreased operating results over prior year due to increases in medical expenses related to the Medi-Cal expansion population. KPMG obtained the approved VHP agreement and tied the agreed upon amount to the general ledger without exception. KPMG performed analytical procedures over the amounts due to other providers without material exception.

KPMG discussed recently issued pronouncements; Government Accounting Standards Board Statement No. 65 and GASB Statement No. 68.

It was moved, seconded, and approved to accept the KPMG audited financial statements and communication for Fiscal Year 2013-14.

5. Action Required: Accept Milliman Presentation

Mr. Botsford with Milliman gave a detailed overview of the Retiree Health Plan Liability and Pension Plan Liability, how valuation works and a breakdown of the Annual Required Contributions. The Retiree Health Benefits; eligible, at age 50 and 5 years of service with CalPERS and employed by SCCHA at the time of retirement. Retirees and spouses are covered under health plan sponsored by CalPERS (PEMHCA). SCCHA will pay 90% of the cost including the cost for spouse and dependent coverage. The Pension Plan Liability, SCCHA contracts with CalPERS for pension benefits. Since SCCHA's liabilities are "pooled" with other agencies in CalPERS it participates in a cost sharing multiple employer plan. Under GASB 27, SCCHA's annual pension expense was equal to its contractually required annual contribution to CalPERS and its balance sheet pension liability was \$0 assuming all required contributions were made timely. Under GASB 68, SCCHA must report on its balance sheet a Net Pension Liability or NPL equal to SCCHA's proportionate share of the unfunded liability of the employer pool in which it participates. GASB 68 is effective for FYE 6/30/2015.

A Breakdown of the Annual Required Contribution and the Impact of GASB 68. Proposed GASB Standard for OPEB Accounting; Under GASB 45, SCCHA's balance sheet OPEB liability is \$0 since SCCHA has always funded the Annual OPEB Expense. Under the proposed GASB standard, SCCHA would be required to report on its balance sheet a Net OPEB Liability or NOL equal to SCCHA's unfunded liability (\$5.3 million as of June 30, 2014). SCCHA is not required to fully fund the NOL and may continue to fund its OPEB liabilities under its current method – normal cost + 30 year amortization of UAAL. The proposed effective date for GASB OPEB standard, if adopted, is for FYE 6/30/2018

It was moved, seconded, and approved to accept the Milliman Presentation

6. Action Item: Approval of July, August, September 2014 Financial Statements

Summary of Financial Results for the month of August 2014, SCFHP recorded a net surplus of \$4.7 million compared to a budgeted net surplus of \$1.9 million resulting in a favorable variance from budget of \$2.7 million. For year to date August 2014, SCFHP recorded a net surplus of \$9.1 million compared to a budgeted net surplus of \$3.6 million resulting in a favorable variance from budget of \$5.5 million.

It was moved, seconded, and approved to accept July, August, September 2014 Financial Statements

7. Action Item: Accept update on search process for new CEO

Ms. Lew introduced Mark Andrew with Witt-Kieffer.

Mr. Andrew discussed the process currently underway to find candidates for the health plans new CEO. Witt-Kieffer focused initially in the Bay area market, focused on Northern California and then broadened to other parts of the country. Mr. Andrew stated Witt-Kieffer targets people who are CEO's or Chief Operating Officers or Chief Medical Officers in other liked sized organizations. Mr. Andrew estimated contact with about 150 people so far with 22 interested candidates at various levels of discussions. There are some very interesting candidates that are emerging. Most interested candidates are waiting for more directions from today's meeting, now focused on compensation. About half of those interested are from California.

Ms. Lew commented to the board that Valley Health Plan is also doing a CEO search at this time. Mr. Andrew shared there is a lot of concern in the market about the County, the relationship with County Executive Jeff Smith and Valley Health Plan.

Board Member Dawes mentioned that the Board needs to better understand what the County has in mind for the future with respect to the two plans. He suggested that a discussion with Dr. Smith and other county representatives should happen soon.

Ms. Lew stated she has had informal conversations with County leadership, including Dr. Smith, and some County Supervisors. No clear direction was agreed to and it is unclear what to tell candidates.

Board Member Brownstein commented that the Board may not get a good outcome if asking for a decision right away. Another way of looking at it is to say we need to be candid with applicants, say if they get this job they can expect to be a part of this process of trying to figure out what the eventual relationship is with Valley Health Plan and the County.

Mr. Dawes stated his concern is about the 200,000 lives that we're responsible for figure out how we can ensure that this health plan continues to service the community the way it does, because that's ultimately what our fiduciary responsibility is.

Mr. Brownstein commented that the Board might have a conversation with the County and say in light of the search we would like to get an agreement that there will not be any significant structural changes in the next 2 years. And if there is a decision to try and move toward some type of structural change after 2 years that the process will have certain elements that would give somebody who was working here some confidence that it's going to be rational.

The next step for the search process is for the Ad Hoc Committee to meet December 12th in order to review the resumes of 12-20 candidates. From there a short list will be brought in for face to face interviews

It was moved, seconded, and approved to accept update on CEO search process.

8. Action Item: Approve proposed salary scale and authorize Temporary Ad Hoc Search Committee to discuss salary scale with candidates.

Ms. Lew wanted to bring to the full Board's attention the subject of compensation; especially what the salary scale should be for the next CEO.

Ms. Valdez, VP of HR shared a salary survey with the Board.

Ms. Lew and Mr. Dawes discussed the salary survey data from CBIZ, peer organizations and Witt-Kieffer. The ranges are significant and concern was expressed about the base versus benefits. Nonprofit, public versus private, etc. It was requested that similar positions at the County be researched and their compensation shared with the Ad Hoc Committee.

Ms. Valdez, VP of HR, referred to the total cash compensation, perquisites/expense account and benefits including retirement contributions, qualified and nonqualified and profit sharing.

Mr. Murphy, Board Member, questioned retirement benefits and the health insurance benefits and asked if they're included in the current actual compensation.

Ms. Valdez gave the Board the salary range as it is right now, the minimum is \$312,035, midrange is \$444,650 and the maximum is \$577,265. The current CEO is \$321,319.

Ms. Lew stated that action for today is just on the salary scale.

Mr. Dawes, suggested that no action be taken today and instead retain current range. The Board requested the Ad Hoc committee consider moving CEO pay levels that will attract and retain talent in alignment with the SCFHP compensation philosophy. Also to review whether an increase in base pay would be appropriate, consider whether legal and funding parameters would allow for annual incentives or bonus when executive performance meets pre-set performance criteria. Finally, consider additional executive retirement vehicles to assist in bringing total compensation in-line with market.

It was moved, seconded, and approved to accept the current CEO salary scale

9. Action Item: Approve salary increase of 3% for current CEO effective July 1, 2014

Ms. Lew recommended to the Board that the current CEO, Elizabeth Darrow, receive a 3% increase. Elizabeth is near the bottom of the range and all staff were eligible for a 5% increase effective July 1, 2014.

Ms. Valdez responded that increases were based on performance, if you had a final rating of 3 you received a 3% increase; the majority of our employees were at that range. Mr.

Brownstein, Board Member, commented that he felt it's self-evident that the Executive Management team earned a 3% increase. Dr. Wenner, Board Member responded it should be retroactive July 1, 2014.

It was moved, seconded, and approved to approve 3% increase for the current CEO. **Ms. King, Ms. Alvarado, Ms. Jones and Mr. Murphy** abstained.

10. Action Item: Accept Presentation by Dr. Robertson who presented an overview of significant clinical issues from the past year.

Dr. Robertson, Chief Medical Officer, gave a detailed overview of the significant clinical issues from the past year. He reviewed how the company has been doing from a financial perspective and also reviewed the year, the clinical perspective, and what we did in 2014. Dr. Robertson commented that this has truly been an exceptional year, calendar year not fiscal year.

Dr. Robertson reviewed the various initiatives and changes:

- Low Income Health Program January 1, 2014;
 - Expanded criteria for Medi-Cal qualification;
 - CalFresh express enrollment;
 - ACA Physician enhanced payment;
 - MLTSS delinked from CCI
 - Managed Long Term Services and Supports (MLTSS), Long Term Care (Custodial Care), IHSS (in Home Support Services) beginning July 1, 2014;
 - MSSP (Multipurpose Senior Services Program) beginning October 1, 2014;
 - Behavioral Health Carve-in for mild-moderate behavioral disorders; and
 - Autism (ASD), Spectrum Disorder now falls under managed care as Early Prevention Screening Treatment and Diagnoses.
- Other Pertinent Information
- Dr. Robertson shared that SCFHP is ranked 11th in maternal child health quality in the state;
 - With respect to patient safety, SCFHP conducted an expansive pharmacy data review and uncovered very limited indication of overutilization of opioids in the enrolled population;
 - Dr. Robertson discussed the breakthroughs with Hepatitis C this year which included three new medications, Sovaldi, Olysio, and Harvoni with four more Hepatitis C agents due by end of year.
 - Other new drugs included Oral anticoagulants, Insulin Nasal Spray, and Injectable Cholesterol medication; and
 - There are breakthrough agents for Parkinson's, Multiple Sclerosis, Schizophrenia, HIV, and Cystic Fibrosis, and dozens of specialized cancer drugs expected in the next year and Celebrex and Nexium will be available in generic form 2015.

It was moved, seconded, and approved to accept Dr. Robertson's report

11. Approve publicly available salary schedule

Ms. Valdez presented an updated publicly available salary schedule.

It was moved, seconded, and approved to accept publically available salary schedule.

12. Action Item: Approve the Conflict of Interest Code for the Santa Clara County Health Authority.

Ms. Pianca, Secretary, presented the annual update to the Conflict of Interest Codes for the Health Authority. There were no changes to the disclosure requirements for members of the Governing Board. The recommendation to modify the Chief Operating Officer and the Chief Medical Officer's disclosure category to number 2, which is consistent with the Chief Financial Officer. There was also a recommendation to modify the Chief Medicare Officer, Director of Quality Improvement, Vice President Member Operations, Vice President Provider Operations and Pharmacy Director from their current disclosure category 4 to 6, which is a slight expansion from what is currently required.

It was moved, seconded, and approved to accept the Conflict of Interest Code for the Santa Clara County Health Authority.

13. Discussion item: Cal MediConnect update

Ms. Darrow commented that this year staff recruitment is at an all-time high, call volume has increased significantly, and staff and provider training for Cal MediConnect (CMC) are ongoing. Currently the health plan has approximately 8000 dual eligibles who will be the first wave of beneficiaries possibly enrolled into CMC in addition to January birth dates. If they opt-out they become MediCal only with SCFHP, which will be mandatory. They are also allowed to dis-enroll every month or change plans. It could take 6-12 months for this to smooth out. We project 10,000 by end of 2015. It was noted that Healthy Generation never got much past 5,000. Ms. Darrow reminded the Board that this is a labor intensive program with many challenges and high visibility. It was also noted that Alameda County will not be part of CMC.

It was moved, seconded, and approved to accept the update on Cal MediConnect.

14. Action Item: Approve 2015 meeting calendar(s)

Ms. Darrow proposed to push the next board meeting to February 5th, as well as adding additional board meeting, since there will be a new CEO.

Ms. Darrow asked the Secretary, Ms. Pianca, may the Board meets more often Ms. Pianca replied yes, these are designated regular meetings and you can also meet often as needed.

The 2015 calendar presented to the Board had February 9th as the next meeting, it was noted that was incorrect since we meet on Thursday's and the date should be February 5th.

It was moved, seconded, and approved to accept the 2015 meeting calendar as corrected.

15. Adjournment

It was moved, seconded, and approved to adjourn the meeting at 4:04 pm.

Elizabeth Pianca, Secretary to the Board