

MINUTES
Santa Clara County Health Authority
Annual Governing Board Retreat

Thursday, December 12th, 2013
12:00 PM-4:00 PM
210 E. Hacienda Avenue
Campbell CA 95008

Board members present:

Ms. Michele Lew
Dr. Dale Rai
Dr. Wally Wenner
Ms. Emily Harrison
Ms. Laura Jones
Mr. Daniel Peddycord
Ms. Linda Williams
Ms. Pattie DeMellopine
Ms. Liz Kniss
Ms. Dolores Alvarado
Ms. Jolene Smith

Board members not present:

None

Others present:

Ms. Elizabeth Darrow, Chief Executive Officer
Mr. Dave Cameron, Chief Financial Officer
Mr. Matt Woodruff, Chief Operations Officer
Mr. Jeff Robertson, Chief Medical Officer
Mr. Rayne Johnson, Chief Information Officer
Ms. Shannon McNally, Secretary
Ms. Robin Bilinski, Manager, Government Relations
Ms. Sharon Valdez, VP of Human Resources

1. Roll Call

Chairman Lew called the meeting to order at 12:36pm. Roll call was taken, and a quorum was established.

2. Adjourn to closed session

a. Pending Litigation (Government Code 54956)

It is the intention of the Governing Board to meet in closed session to discuss pending litigation.

3. Report from closed session

The board discussed pending litigation and no action was taken.

4. Action item: Review and approval of October 24th meeting minutes.

It was moved, seconded, and approved to accept minutes as presented.

5. Public comment

There was no public comment.

6. Action item: Approval of October 2013 financial statements

Mr. Cameron presented highlights for October 2013. Revenue reflects a 3% increase based on Capitation rates received from DHCS effective October 1, 2013. Rates increase does not include ACA 1202 PCP increase.

- For the month of October 2013, SCFHP recorded an operating surplus of \$395 thousand compared to a budgeted operating loss of \$71 thousand, resulting in a favorable variance from budget of \$466 thousand. For year to date October 2013, SCFHP recorded an operating loss of \$421 thousand compared to a budgeted operating loss of \$241 thousand resulting in an unfavorable variance from budget of \$180 thousand.
- The Health Plan recorded net revenue of \$26.2 million for the month of October 2013, compared to budgeted revenue of \$25.3 million, resulting in a favorable variance from budget of \$872 thousand, or 3.5%. For year to date October 2013, the plan recorded net revenue of \$102.4 million compared to budgeted revenue of \$100.8 million, resulting in a favorable variance from budget of \$1.6 million, or 1.6%.

- For the month of October 2013, and October 2013 year to date, overall member months were lower than budget by 2,310 members (-1.5%), and 5,381 (0.9%), respectively.
- For the month of October 2013, medical expense was \$23.8 million compared to budget of \$23.6 million, resulting in an unfavorable budget variance of \$248 thousand, or -1.1%. For year to date October 2013, medical expense was \$95.8 million compared to budget of \$94.0 million, resulting in an unfavorable budget variance of \$1.8 million, or -1.9%. Increases for the four months, through October 2013, includes costs over budget in the areas of inpatient hospitalization and outpatient services. This was partially offset by lower than anticipated Pharmacy expenses.

It was moved, seconded, and approved to accept the financial statements as presented.

7. Action item: Approval of FY13-14 Budget Revision

Ms. Darrow and Mr. Cameron gave an update on assumptions, enrollment projections, revenue and medical expenses and the Cal MediConnect implementation projection. Key budget assumptions included Medi-Cal FY13-14 final capitation rates from DHCS and updated LIHP transitioning enrollment and capitation rates. Cal-MediConnect has an updated start date of January 2015 and the revised budget now includes the implementation costs. Mr. Cameron commented that Medi-Cal enrollment is down slightly from budget through October 2013 and the Plan will see increased transitioning LIHP members to Medi-Cal between January and June 2014. No other lines of business were adjusted from the original budget. New capitation rates for existing Medi-Cal membership reflect a 3% increase in revenue. Medi-Cal Expansion rates are still draft and reflect a \$26.1m increase from the original budget. Mr. Cameron noted that the ACA 1202 increase is not a part of this revised budget. By way of further discussion, Mr. Cameron stated that existing Medi-Cal membership is based on current provider capitation contract and FFS utilization and Medi-Cal expansion population is expected primarily to be enrolled with the County under a global capitation agreement.

Mr. Cameron expanded on the Cal MediConnect project costs, stating that staffing costs would ramp up in April of 2014 with approximately seventeen full time positions. Contract services and other services have already started. Mr. Cameron noted that there would be no revenue or enrollment until July of 2014.

There will be a separate proforma on a two year financial projection, as noted in Action Item number eight, listed below.

It was moved, seconded, and approved to accept the FY13-14 revised budget as presented.

8. Action item: Approval to sign 3-way contract for Cal MediConnect

Mr. Cameron stated that the Cal MediConnect three year demo contract term is 2015-2017 with three rate components and two payers. CMS on the Medicare Part A, B, and D and Medi-Cal for Medicaid covered services. Ms. Darrow commented institutionalized beneficiaries are in nursing homes or nursing home eligible. Home and community based services are members who are receiving long term support, such as IHSS or a waiver program as a high intensity case management program and then there is low which are members with lower level acuity and illness and the community well are enrollees who have not accessed any of these LTSS benefits.

Mr. Cameron commented that there are county specific efficiency targets and savings targets throughout the program, and are built into the rates. The Plan currently has 8,000 dual eligible enrollees including “partial”. Ms. Darrow explained that a partial dual eligible is someone who only has Part B or Part B and Part D, but don’t have A.

DHCS and CMS will withhold a percentage of their respective components of the capitation rate, with the exception of the Medicare Part D rate component. DHCS and CMS will evaluate SCFHPs performance against specified metrics to earn back the withheld amount for a given demonstration year. Enrollment assumptions starting at 4,000 members with a 20% opt-out and growing to approximately 15,000 by December 2015. The revenue assumptions estimate at around \$1897.52 PMPM combined. Mr. Cameron noted that there may be a minor tweak before the final rates are established. Medical cost assumptions were worked out with the Plans actuaries and used a combination of benchmark data for populations and actual experience for Santa Clara County to develop costs. The medical cost assumptions excluded supplemental benefits, with the exception of mental health and transportation services, and includes program guidelines that require higher levels of case management and health services.

Ms. Darrow commented that the program is a very sophisticated care management program and that the Plan needs to be prepared for a very

significant shift. Mr. Cameron noted that the three-way agreement specifies certain staffing requirements in areas such as compliance, customer service and care management. The Plan estimates approximately 30 FTE's between April and December of 2014 and things will start to ramp up approximately three months prior to membership enrollment.

Mr. Cameron shared the final revenue projections with the Board commenting that there isn't a lot of margin for error but the Plan has been conservative enough with assumptions that the Health Plan is comfortable with moving forward. Ms. Darrow gave her recommendation for the Plan to move forward and requested approval to sign the contract with a start date of January 1, 2015. Ms. Darrow also noted that the state has promised that there will be reviews on financials every few months to make sure no one is in jeopardy of insolvency.

Ms. Jones, Board Member, asked Ms. Darrow what her biggest fears were in regard to the Cal MediConnect project, to which Ms. Darrow replied, the complex IT systems and the accuracy of the data, the assumptions from the State and CMS, staffing and most importantly to make a difference in healthcare outcomes.

It was moved, seconded, and approved for the CEO of SCFHP to move forward with signing the three-way contract for Cal MediConnect as presented for a start date of January 2015.

9. Action item: Approval to move forward with Management Services Organization for Valley Medical Center

Ms. Darrow gave a presentation to the Board explaining what an MSO is and describing what the current arrangement and proposed arrangement looked like. Ms. Darrow commented that an MSO generally provides practice management and administrative support to health care providers. In a capitated environment, most medical professionals want to have an MSO because it relieves providers of non-medical business functions so that they can concentrate on the clinical aspect of their practice. The administrative functions include such things as utilization management, contracting and credentialing, claims payment, etc. The range of services depends on the functions for which the providers are responsible.

Ms. Darrow commented that the current arrangement is that Valley Medical Center, the network, currently contracts with Valley Health Plan for MSO services. SCFHP delegates approximately 70,000 lives to Valley Health Plan who are assigned to the Valley Medical Center network which includes non-VMC

community clinics and other community providers. SCFHP pays Valley Health Plan a global capitation rate. Currently, Valley Health Plan performs functions on behalf of VMC such as contracts and credentialing health care providers, process and pays medical claims, utilization review, case management and provider relations.

Ms. Darrow stated that Valley Health Plan is focused on growing their commercial line of business and on Covered California. Covered California is a complex program with four different individual plans to administer. VHP is currently transitioning to a new operating system to support this program. Ms. Darrow stated that moving forward with an MSO gives opportunity for more efficiency. These are SCFHP enrollees so their data already resides in the Plans system and the Health Plan's focus is government programs. Historically, SCFHP has not had a direct relationship with the VMC delivery system and the Plan believes there is opportunity to improve health outcomes with a direct relationship. The Health Plan is interested in working with VMC to decrease the use of outside providers for their assigned enrollees and should work on joint care management.

Ms. Darrow noted that VMC has engaged a consultant who will issue a final report by the end of December outlining all operational steps required, identifying key responsible parties at VMC, VHP and SCFHP. There will be a draft outlining a timeline with deliverables. An upcoming meeting is planned with VMC leadership, SCFHP legal counsel and County Counsel to explore structure and design options and to work on development of a contract to begin negotiations and agreement on pricing.

Several Board Members complimented Ms. Darrow on her thorough explanation of the relationship between VHP, VMC and SCFHP and feel that an MSO could be beneficial for the relationship of all parties.

Ms. Darrow commented that some other considerations include relationships and contracts with community providers as well as Board of Supervisor approval. Ms. Darrow requested approval from the Board to move forward with the concept of an MSO for Medi-Cal and that the Health Plan would return to the board with updates before signing a contract.

Ms. Harrison, Board Member, commented that county employees must identify themselves prior to voting. Ms. Harrison, Mr. Peddycord and Ms. Jones identified themselves as county employees prior to voting.

It was moved, seconded, and approved for the CEO of SCFHP to move forward with the concept of developing an MSO as presented.

10. Discussion item: Profile of SCFHP Membership

Mr. Rayne Johnson, Chief Information Officer and Dr. Jeff Robertson, Chief Medical Officer, gave a detailed presentation of the current membership of SCFHP including enrollee demographics and disease burden. Mr. Johnson commented on the significance of the Plans report portal and the importance of trending data. Encounter data and claims data are useful tools for identifying membership. Dr. Robertson presented a comparison on the burden of disease from 2003 to 2013 which illustrated the change in the Plans population. The population is sicker and higher risk than the Plan has experienced in the past. Dr. Robertson also noted that pharmacy costs had risen significantly with the mandatory enrollment of the SPD population.

11. Discussion item: Significant Initiatives for 2014

Ms. Darrow gave an update on other Health Plan initiatives in 2014 which included the ICD-10 compliance. Ms. Darrow commented that from what the Plan is hearing from providers and associations is that they are not prepared. For those currently using ICD-9 this would mean thousands of coding and compliance changes. Ms. Darrow noted that this is a huge change and would be expensive for everybody involved. The Health Plan will be engaging in system analysis and provider readiness to help prepare. Ms. Darrow also commented that the Health Plan currently offers retirement health care which covers retirees and their dependents. The Health Plan is working closely with CalPERS experts and legal counsel to make a decision, being fair and respectful to the employees and retirees, as the Plan can no longer sustain these costs long term.

Members of the Board agreed that the County and City have been forced to address similar issues.

12. Committee Reports

a. Consumer Affairs Committee

i. Discussion item

A recap of recent Committee proceedings was presented.

b. Provider Advisory Council

i. Discussion item

A recap of recent Committee proceedings was presented.

13. Action item: Approve 2014 Meeting calendar(s)

It was moved, seconded, and approved to accept the 2014 meeting calendar as presented.

14. Adjournment

It was moved, seconded, and approved to adjourn the meetings at 4:48pm.

Shannon McNally, Secretary to the Board