

Regular Meeting of the
Santa Clara County Health Authority
Executive/Finance Committee

Thursday, November 14, 2019, 11:30 AM - 1:30 PM
Santa Clara Family Health Plan, Boardroom
6201 San Ignacio Ave, San Jose, CA 95119

Minutes - Draft

Members Present

Dolores Alvarado, Chair
Liz Kniss
Linda Williams

Members Absent

Bob Brownstein
Sue Murphy

Staff Present

Christine Tomcala, Chief Executive officer
Dave Cameron, Chief Financial Officer
Robin Larmer, Chief Compliance and Regulatory
Affairs Officers
Laurie Nakahira, D.O., Chief Medical Officer
Jonathan Tamayo, Chief Information Officer
Laura Watkins, Vice President, Marketing and
Enrollment
Neal Jarecki, Controller
Tyler Haskell, Director, Government Relations
Jayne Giangreco, Manager, Administrative
Services
Rita Zambrano, Executive Assistant

1. Roll Call

Dolores Alvarado, Chair, called the meeting to order at 11:35 am. Roll call was taken and a quorum was not established.

2. Public Comment

There were no public comments.

3. Adjourn to Closed Session

a. Real Property Negotiations

The Executive/Finance Committee met in Closed Session to confer with its Real Property Negotiators concerning the price and terms of payment related to the possible lease of real property located at 408 N. Capitol Avenue, San Jose, CA.

4. Report from Closed Session

Ms. Alvarado reported that the Executive/Finance Committee met in Closed Session to discuss Real Property Negotiations.

5. Network Detection and Prevention Update

Jonathan Tamayo, Chief Information Officer, reported on firewall intrusion, detection, and prevention efforts.

It was moved, seconded, and unanimously approved to accept the Network Detection and Prevention Update.

Liz Kniss arrived at 11:58 am and a quorum was established.

6. Compliance Update

Robin Larmer, Chief Compliance and Regulatory Affairs Officer, discussed audit activity and corrective action plan progress. The Independent Validation Audit (IVA) to assess the Plan's correction of the Conditions cited in the CMS Program Audit Final Report is complete. Based on the results of the validation audit, CMS determined that 26 of the 31 Conditions identified in the Program Audit Final report had been fully remediated, and 5 Conditions had not been fully remediated. There was also one new Condition identified. CMS acknowledged the substantial progress made by the Plan throughout the remediation period. However, because some of the 5 non-remediated Conditions impacted more than a few members, CMS was unwilling to close the Program Audit, and directed the Plan to: (1) submit corrective action plans; (2) complete remediation; and (3) undergo a second validation audit of those 5 initial Conditions and the new Condition.

ATTAC Consulting Group (ACG) will conduct the second validation audit. ACG is developing a proposed audit work plan and timeline that will be submitted to CMS for approval. If the work plan is approved, we anticipate that the auditor's report will be submitted to CMS in June 2020.

It was moved, seconded, and unanimously approved to accept Compliance Update.

7. Meeting Minutes

The minutes of the October 24, 2019 Executive/Finance Committee were reviewed.

It was moved, seconded, and the October 24, 2019 Executive/Finance Committee Minutes were unanimously approved.

8. September 2019 Financial Statements

Dave Cameron, Chief Financial Officer, presented the September 2019 financial statements, which reflected a current month net surplus of \$497 thousand (\$66 thousand favorable to budget) and a fiscal year to date net surplus of \$2.6 million (\$223 thousand favorable to budget). Enrollment decreased by 824 members from the prior month to 246,184 members (877 favorable to budget). Medi-Cal enrollment has generally declined since October 2016 while CMC enrollment has grown due to continued outreach efforts. Revenue reflected a favorable current month variance of \$2.1 million (2.3%) largely due to higher member months and slightly higher capitation rates versus budget. Medical expense reflected an unfavorable current month variance of \$2.8 million (3.3%) due to higher capitation member months and rates coupled with certain higher fee-for-service expenses versus budget. Administrative expense reflected a favorable current month variance of \$557 thousand (10.3%) due largely to the timing of personnel hiring and of certain non-personnel expenses. The balance sheet reflected a Current Ratio of 1.28:1, versus the minimum required by DMHC of 1.0:1. Tangible Net Equity of \$204.3 million represented approximately two months of the Plan's total monthly expenses. Year-to-date capital investments of \$499 thousand were made, comprised largely of building improvements.

It was moved, seconded, and the September 2019 Financial Statements were unanimously approved.

9. Government Relations Update

Tyler Haskell, Director, Government Relations, discussed local, state, and federal legislative and policy issues impacting the Plan and its members. Mr. Haskell noted that DHCS is proposing significant changes to Medi-Cal over the next few years, with changes roughly falling into eight categories:

1. Population Health Management plan (2021)

2. Enhanced Case Management/ILOS (in lieu of services) benefits (2021)
3. Ending CMC while requiring dual enrollment (2022-23)
4. Mandatory MMC enrollments for almost all (2021)
5. Annual open enrollment (2021)
6. NCQA accreditation for plans and delegates (2025)
7. Regional Rates
8. Changes to county-based Serious Mental Illness (SMI) system (payment reform, revising medical necessity criteria)

There are unanswered questions that will be addressed through the workgroup process. SCFHP is represented in 2 out of 5 state workgroups, LHPC is on all of them. Other questions will be answered through finalized proposals, legislation, and behind the scenes conversations.

Mr. Haskell noted that DHCS is freeing up some Proposition 56 funding for behavioral health integration projects under six categories:

1. Basic behavioral health integration
2. Maternal access to mental health and substance use disorder screening and treatment
3. Medication management for beneficiaries with co-occurring chronic medical and behavioral diagnoses
4. Diabetes screening and treatment for people with serious mental illness
5. Improving follow-up after hospitalization for mental illness
6. Improving follow-up after an emergency department visit for behavioral health diagnosis

Interested providers may apply to MCPs by January 21, and will require letters of support from the County if they address severe mental illness or substance use disorder. MCPs will issue decisions by March 18 and programs start April 1. Each project contains a target population, practice redesign components, performance measures.

Mr. Haskell also gave an overview of proposed prescription drug legislation and noted the unlikelihood of a House vote until December, where leaders are waiting for a Congressional Budget Office analysis, because now the bill is tied to some expanded Medicare benefits (vision, hearing, and dental). The Senate will likely wait to see if the House passes its bill, which the Senate would substitute with its own bipartisan/moderate bill. The biggest question now is, can Ms. Pelosi get enough votes; many House Democrats want to move the bill to the left and go into conference with the strongest possible position. White House has recently publicly opposed House bill, and praised the Senate bill.

The Health Extenders Act of 2019 deadline is November 21, 2019 and another short-term extension is likely at hand. The question is whether it will be a one or three-month extension. Medicaid and Medicare are largely unaffected by this process, but it provides funding for Federally Qualified Health Centers (FQHC) and Medicaid DSH funding.

On December 14, 2018 a federal district court in Texas struck down the Affordable Care Act (ACA) in its entirety, finding that the 2017 Tax Cuts and Jobs Act (TCJA), which zeroed out the tax penalties associated with the ACA's individual mandate, renders the mandate unconstitutional. The judge further concluded that since the individual mandate is "essential" to the ACA, it could not be severed from the rest of the ACA, and the entire ACA was therefore unconstitutional. If the 5th Circuit appeals court upholds the lower court decision, it will be appealed to the Supreme Court.

It was moved, seconded, and unanimously approved to accept the Government Relations Update.

10. Strategic Investment Funding

Christine Tomcala, Chief Executive Officer, reported on Strategic Investment Funding, noting the Plan anticipates having sufficient reserves to direct some funding into projects in the community, and she outlined a proposed Community Health Investment Program. Ms. Tomcala referred to the Board Discretionary Fund Policy and solicited discussion and input from the Board regarding potential revisions to the Policy.

11. CEO Update

Ms. Tomcala noted that effective November 18, 2019 Valley Health Plan (VHP) has a new CEO, Laura Rosas. Ms. Tomcala further noted that Dolly Goel, M.D., is leaving VHP for a position at Valley Medical Center.

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

12. Adjournment

The meeting was adjourned at 1:28 pm.

Robin Larmer, Secretary