

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

Thursday, April 23, 2020, 11:30 PM – 1:30 PM  
Santa Clara Family Health Plan  
6201 San Ignacio Ave, San Jose, CA 95119

Via Teleconference  
(669) 900-6833  
Meeting ID: 175 780 133  
Password: 217467

## AGENDA

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- |   |              |       |       |
|---|--------------|-------|-------|
| <b>1. Roll Call</b>   | Ms. Alvarado | 11:30 | 5 min |
| <b>2. Public Comment</b>  | Ms. Alvarado | 11:35 | 5 min |
| <p>Members of the public may speak to any item not on the agenda; two minutes per speaker. The Executive/Finance Committee reserves the right to limit the duration of the public comment period to 30 minutes.</p> <p><b><u>Announcement Prior to Recessing into Closed Session</u></b><br/>Announcement that the Governing Board will recess into closed session to discuss Item No. 3 below:</p>   |              |       |       |
| <b>3. Adjourn to Closed Session</b>   |              | 11:40 |       |
| <p>a. <b><u>Existing Litigation</u></b> (Government Code Section 54956.9(d)(1)):<br/>It is the intention of the Executive/Finance Committee to meet in Closed Session to confer with Legal Counsel regarding consolidated Cases before the Board Administration of the California Public Employees' Retirement System:</p> <ul style="list-style-type: none"> <li>i. In the Matter of the Appeal Regarding Membership Exclusion of Foundation Employees by Santa Clara County Health Authority (Respondent) and Craig W. Walsh (Respondent) Case Number: CalPERS Case No. 2017-1114; OAH No. 2018051223.</li> <li>ii. In the Matter of the Appeal Regarding Membership Exclusion of Foundation Employees' by Santa Clara County Health Authority (Respondent) and Melodie U. Gellman (Respondent) Case Number: CalPERS Case No. 2017-1115; OAH No. 2018051029.</li> </ul> <p>b. <b><u>Anticipated Litigation</u></b> (Government Code Section 54956.9(d)(3)):<br/>It is the intention of the Executive/Finance Committee to meet in Closed Session to confer with Legal Counsel regarding significant exposure to litigation based on receipt of a claim pursuant to the Government Claims Act: one case.</p> |              |       |       |
| <b>4. Report from Closed Session</b>  | Ms. Alvarado | 11:55 | 5 min |

- |  |  |
|--|--|
| <p><b>5. Approve Consent Calendar and Changes to the Agenda</b><br/>Items removed from the Consent Calendar will be considered as regular agenda items.<br/><b>Possible Action:</b> Approve Consent Calendar</p> <p>a. Approve minutes of the February 27, 2020 <b>Regular Executive/Finance Committee</b> meeting</p> <p>b. Approve minutes of the April 13, 2020 <b>Special Executive/Finance Committee</b> meeting</p> <p>c. Approve <b>Advertising Agency of Record</b> contract</p> | <p>Ms. Alvarado    12:00    5 min</p>                    |
| <p><b>6. February 2020 Financial Statements</b><br/>Review February 2020 Financial Statements.<br/><b>Possible Action:</b> Approve the February 2020 Financial Statements</p>  | <p>Mr. Jarecki    12:05    10 min</p>                    |
| <p><b>7. Annual Investment Policy Review</b><br/>Review Policy FA.07 Investments, and Annual Investment Policy Review by Sperry Capital Inc.<br/><b>Possible Action:</b> Approve revised Policy FA.07 Investments, and accept Investment Policy Annual Review</p>  | <p>Mr. Jarecki    12:15    10 min</p>                    |
| <p><b>8. Utilization Management and Hospital Costs</b><br/>Presentation summarizing hospital costs and utilization management activities.<br/><b>Possible Action:</b> Accept the Utilization Management and Hospital Costs presentation</p>  | <p>Dr. Nakahira/<br/>Ms. Bui-Tong    12:25    35 min</p> |
| <p><b>9. Compliance Update</b><br/>Discuss audit activity and corrective action plan progress.<br/><b>Possible Action:</b> Accept Compliance Update</p>  | <p>Ms. Yamashita    1:00    10 min</p>                   |
| <p><b>10. Government Relations Update</b><br/>Discuss CalAIM and other local, state, and federal legislative and policy issues impacting the Plan and its members.<br/><b>Possible Action:</b> Accept Government Relations Update</p>  | <p>Mr. Haskell    1:10    10 min</p>                     |
| <p><b>11. CEO Update</b><br/>Discuss status of current topics and initiatives.<br/><b>Possible Action:</b> Accept CEO Update</p>   | <p>Ms. Tomcala    1:20    10 min</p>                     |
| <p><b>12. Adjournment</b></p>  | <p>1:30</p>  |

### **Notice to the Public—Meeting Procedures**

- Persons wishing to address the Executive/Finance Committee on any item on the agenda are requested to advise the Recorder so that the Chairperson can call on them when the item comes up for discussion.
- The Committee may take other actions relating to the issues as may be determined following consideration of the matter and discussion of the possible action.
- In compliance with the Americans with Disabilities Act, those requiring accommodations in this meeting should notify Rita Zambrano 48 hours prior to the meeting at (408) 874-1842.
- To obtain a copy of any supporting document that is available, contact Rita Zambrano at (408) 874-1842. Agenda materials distributed less than 72 hours before a meeting can be inspected at the Santa Clara Family Health Plan offices at 6201 San Ignacio Ave, San Jose, CA 95119.
- This agenda and meeting documents are available at [www.scfhp.com](http://www.scfhp.com).

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

Thursday, February 27, 2020, 11:30 PM – 1:30 PM  
Santa Clara Family Health Plan, Boardroom  
6201 San Ignacio Ave, San Jose, CA 95119

## Minutes - Draft

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### Members Present

Dolores Alvarado, Chair  
Bob Brownstein  
Liz Kniss  
Sue Murphy  
Linda Williams

### Staff Present

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

### Other Present

Daphne Annett, Burke, Williams & Sorenson, LLP  
(via telephone)

#### 1. Roll Call

Dolores Alvarado, Chair, called the meeting to order at 11:32 am. Roll call was taken and a quorum was established.

#### 2. Public Comments

There were no public comments.

#### 3. Ms. Alvarado recommended addressing Agenda Items No. 8. Quarterly Investment Compliance Report; 10. Network/Voice Circuit Proposal; and 12. Network Detection and Prevention Update as consent items.

**It was moved, seconded, and Agenda Items 8, 10, & 12 were unanimously approved.**

#### 4. Adjourn to Closed Session

##### a. Existing Litigation

The Executive/Finance Committee met in Closed Session to confer with Legal Counsel regarding consolidated Cases” CalPERS Case No. 2017-1114; OAH No. 2018051223 and CalPERS Case No. 2017-1115; OAH No. 2018051029.

**b. Anticipated Litigation**

The Executive/Finance Committee met in Closed Session to confer with Legal Counsel regarding significant exposure to litigation.

**c. Contract Rates**

The Executive/Finance Committee met in Closed Session to discuss plan partner rates.

*Liz Kniss arrived at 12:17 pm.*

**5. Report from Closed Session**

Ms. Alvarado reported the Executive/Finance Committee met in Closed Session to discuss Items 3 (a), (b), and (c).

**6. Meeting Minutes**

The minutes of the January 23, 2020 Executive/Finance Committee Minutes were reviewed.

**It was moved, seconded, and** the January 23, 2020 Executive/Finance Committee Minutes were **unanimously approved** with an amendment to reflect the request for future discussion of the hospital utilization management program.

The Committee took time to acknowledge Mr. Cameron, noting his expertise, integrity, and communication ability, which engendered the confidence of the Board.

**7. December 2019 Financial Statements**

Dave Cameron, Chief Financial Officer, presented the December 2019 financial statements, which reflected a current month net loss of \$2.5 million (\$2.8 million unfavorable to budget) and a fiscal year-to-date net surplus of \$1.1 million (\$3.0 million unfavorable to budget). Enrollment decreased by 1,216 members from the prior month to 242,425 members (54 favorable to budget). Medi-Cal enrollment has generally declined since October 2016 while CMC enrollment is growing due to continued outreach efforts. Revenue reflected an unfavorable current month variance of \$4.0 million (4.5%) largely due to retroactive CY19 CCI rate adjustments. Medical expense reflected a favorable current month variance of \$299 thousand (0.4%) due to retroactive CY19 CCI provider rate adjustments and increased Prop 56 expense offset by certain higher fee-for-service expenses versus budget. Administrative expense reflected a favorable current month variance of \$618 thousand (11.0%) due largely to the timing of certain non-personnel expenses. The balance sheet reflected a Current Ratio of 1.24:1, versus the minimum required by DMHC of 1.0:1. Tangible Net Equity was \$203.2 million, which represented approximately two months of the Plan's total monthly expenses. Year-to-date capital investments of \$1.4 million were made, largely comprised of building improvements and I.T. hardware.

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

**8. Rate Development Process**

Ngoc Bui-Tong, Vice President, Strategies and Analytics, and Neal Jarecki, Controller, gave a presentation on the rate-setting processes for the Medi-Cal and Medicare programs, noting the many estimates, delays in receiving rates, and volatility of the processes.

**9. Innovation Fund Expenditures**

Christine Tomcala, Chief Executive Officer, presented the Committee with two Innovation Fund requests.

The first, from Santa Clara County Office of Education (SCCOE), requested \$589K for Child Health and Wellness Coordination. The proposal is to provide a centralized place for hospitals, doctors, parents, and schools to access information, coordinate care plans, and implement best practices for students returning to school from home/hospital. Upon discussion, the Committee identified questions to be addressed prior to further consideration.

The second, from the Healthier Kids Foundation (HKF), requested \$47K to assist with developing a roadmap for planning, implementing, and evaluating a collaborative effort to implement mental health screening and

referrals, and improve mental health outcomes, for children and youth in Santa Clara County public schools. The Committee discussed questions and recommendations for consideration in development of this program.

**It was moved, seconded, and** the Board Discretionary Innovation Fund expenditure for development of the HKF My HealthFirst program was **unanimously approved**, with an adjustment to overhead to be determined by the CEO and Board Chair.

## 10. Compliance Update

Robin Larmer, Chief Compliance and Regulatory Affairs Officer, discussed audit activity and corrective action plan progress. She noted that the Plan requested and CMS granted an extension of time to complete the Revalidation Audit for the Care Coordination and Quality Improvement Program Effectiveness (CCQIPE) Conditions. The primary purpose for the extension is to allow the Plan to recruit and train additional staff to achieve and sustain full compliance with respect to the relevant tasks. Audit field of work for the CCQIPE Conditions will begin August 2020. The auditors will evaluate data reflecting the Plan's performance between May 1, 2020 and July 31, 2020. The Revalidation Audit for the Coverage Determinations, Appeals and Grievances (CDAG) and Compliance Program Effectiveness (CPE) Conditions is not affected by this extension. Field work for those Conditions will begin in March 2020 and May 2020, respectively.

The Plan is preparing for the 2020 Medicare Data Validation Audit (MDV), which begins this spring. The CMC Contract Management Team (CMT) previously directed several California plans, including SCFHP, to submit a Performance Improvement Plan (PIP) demonstrating how the Plan will improve performance related to HRAs. SCFHP submitted a PIP addressing how we will bolster timely completion rates for ICPs. The PIP was accepted by the CMT, and SCFHP is submitting monthly status reports demonstrating progress on the measure.

Ms. Alvarado and Ms. Williams expressed gratitude for the service that Ms. Larmer has provided to the Plan.

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

*Sue Murphy & Liz Kniss left the meeting at 1:48 pm.*

## 11. CEO Update

Ms. Tomcala reported the Plan provided Community Clinics with a Provider Performance Program payment of approximately \$1 million dollars.

Tyler Haskell, Director, Government Relations, and Ms. Tomcala will be meeting with Cindy Chavez, President of the Santa Clara County Board of Supervisors, regarding the Community Resource Center (CRC).

Concerning the CRC, the Plan received a Kaiser grant commitment of \$1 million dollars, with half received and the remainder payable upon completion. Currently work is being done on lead and asbestos abatement, with the goal of moving in July 15. Community Health Partnership will be subletting space for their office.

Ms. Tomcala noted the Plan is working on a collaboration with the YMCA to offer YMCA benefits to members and assist with fitness classes at the CRC.

The Behavioral Health Integration Incentive Program was mentioned, with an update that five applications have been received, scored, and sent to the State.

Ms. Tomcala reported on the Navigator Grant Project, noting the plan offered a letter of support for Healthier Kids Foundation, The Health Trust, Community Health Partnership, and CCHI coming together to seek funding for outreach, enrollment, retention, & navigation services for eligible unenrolled individuals.

It was also reported that the contract termination of Foothill Community Health Center has been rescinded, subject to certain conditions.

Ms. Tomcala acknowledged several Leadership changes, noting Neal Jarecki will replace Mr. Cameron as Chief Financial Officer and Ngoc Bui-Tong will be Vice President, Strategies and Analytics. Ms. Tomcala also

stated that Jordan Yamashita will be the Compliance Officer and Teresa Chapman will be replacing Sharon Valdez as VP of Human Resources.

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

## **12. Adjournment**

The meeting was adjourned at 2:00 pm.

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Robert Brownstein, Chair

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

Monday, April 13, 2020, 3:00 PM – 4:00 PM  
Santa Clara Family Health Plan  
6201 San Ignacio Ave, San Jose, CA 95119

## Minutes – Draft

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### Member Present

Dolores Alvarado, Chair  
Bob Brownstein  
Liz Kniss  
Sue Murphy  
Linda Williams

### Staff Present

Christine Tomcala, Chief Executive Officer  
Neal Jarecki, Chief Financial Officer  
Laurie Nakahira, D.O., Chief Medical Officer  
Chris Turner, Chief Operating Officer  
Ngoc Bui-Tong, VP, Strategies & Analytics  
Laura Watkins, VP, Marketing & Enrollment  
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 3:00 pm. Roll call was taken and a quorum was established.

### 2. **Public Comment**

There were no public comments.

### 3. **Process for Consideration of COVID-19 Funding Requests**

Christine Tomcala, CEO, reviewed the objectives of the meeting, which were to: (1) understand the Plan's reserves and the need for those reserves, (2) determine a process for consideration of COVID-19 funding requests from Plan reserves, and (3) consider the request received from FIRST 5 for emergency funding of infant formula.

Ms. Tomcala reported on the Plan's reserves, noting that Tangible Net Equity (TNE) was \$204 million. She noted the reserves represent the accumulated net surplus since Plan inception, and are needed to maintain the long-term health and stability of the Plan. She further noted that reserves include the value of the Plan's fixed assets (largely the building) and the two Board-designated funds. With these items removed, and less the recent Board-approved COVID-19 funding to the community clinics of \$2 million, the Plan's unrestricted net reserves are \$156 million, or less than sixty days of total expenses of \$185 million.

Ms. Tomcala noted that the Board-Designated Innovation Fund and the Special Project Fund for Community-Based Organizations (CBO) have remaining balances of \$15.3 million and \$3.7 million, respectively. She noted that COVID-related funding requests may not meet the existing criteria of these Board-designated funds.

Ms. Tomcala summarized potential budgetary challenges which threaten the Plan's reserves, including: issues with the Federal government, the State budget and Med-Cal funding process, increasing State program expectations, increasing acuity of an aging membership, the potential for additional Medi-Cal membership growth, support for providers, and direct COVID-related costs to the Plan.

Ms. Tomcala summarized several criteria proposed by Mr. Brownstein for consideration of COVID-related funding requests, as follows;

1. Demonstrate the need is directly related to the COVID-19 pandemic.
2. Demonstrate the project targets those in the most acute need.
3. Indicate if a one-time need; if longer-term program, how will the need be sustained with resources other than SCFHP.
4. Demonstrate the applicant is making maximum use of own resources, including reserves.
5. Indicate if funding is being sought from other potential sources.
6. Indicate if a loan/advance could meet the need.
7. Indicate if the request is health care-related (e.g., provider network stabilization).

Mr. Brownstein spoke about the many devastating effects of the current COVID-19 crisis that are overwhelming Federal and State resources. The Committee members discussed balancing their duty to protect the ability of the plan to fulfill its mission, with the tremendous needs in the community as a result of the COVID-19 pandemic.

Mr. Brownstein suggested establishing the above-criteria for consideration of COVID-19-related funding requests. He further suggested a small group be designated to consider emergency COVID-19 requests that cannot wait for consideration at a Board or Executive/Finance Committee meeting.

**It was moved, seconded and** the proposed criteria were **unanimously approved** with amendments to include "reserves and emergency funds" in number (4), and to add two additional criteria: (8) Funds are not to be used for other expenses and may not supplant normal recurring funding, and (9) Funds are to be used exclusively for direct service provision and not for indirect overhead.

**Motion:** Mr. Brownstein

**Second:** Ms. Murphy

**Ayes:** Ms. Alvarado, Mr. Brownstein, Ms. Kniss, Ms. Murphy, Ms. Williams

**It was moved, seconded and unanimously approved** that for the period of the COVID-19 pandemic, the criteria for the Innovation Fund should be amended to include the COVID-19 criteria just approved, as an alternate means of eligibility for funding.

**Motion:** Ms. Williams

**Second:** Ms. Murphy

**Ayes:** Ms. Alvarado, Mr. Brownstein, Ms. Kniss, Ms. Murphy, Ms. Williams

**It was moved, seconded and unanimously approved** to form a small group, composed of the Board Chair, the Executive/Finance Committee Chair, and the Chief Executive Officer, to consider emergency COVID-19-related funding requests between meetings of the Governing Board and/or the Executive/Finance Committee. The group can make funding decisions up to a maximum of \$2 million between meetings.

**Motion:** Mr. Brownstein

**Second:** Ms. Kniss

**Ayes:** Ms. Alvarado, Mr. Brownstein, Ms. Kniss, Ms. Murphy, Ms. Williams



#### **4. COVID-19 Funding Request**

Ms. Tomcala presented a funding request from FIRST 5 for \$300,000 to provide infant formula to 7,500 families in the month of April 2020. The Committee raised several questions and requested that Ms. Tomcala follow-up with FIRST 5.

#### **5. Adjournment**

The meeting was adjourned at 4:08 pm.

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Susan G. Murphy, Secretary





**Santa Clara Family  
Health Plan™**

Advertising Agency of Record – Contract

Executive/Finance Committee – April 23, 2020

# Advertising Agency of Record – RFP Purpose and Criteria

To select an agency that demonstrates knowledge and understanding of healthcare marketing and advertising strategy and trends.

- **Account Management:** Maintain a relationship with SCFHP to evaluate and respond to current and future business needs upon mutual agreement to a statement of work.
- **Market Research:** Conduct market research in the form of focus groups and/or surveys.
- **Campaigns:** Develop and implement campaigns for SCFHP brand awareness, Community Resource Center opening, other.
- **Production/Creative:** Manage development of creative to support campaigns.
- **Media Planning and Buys:** Develop strategic media planning and manage media placements/buys.
- **Reporting and Analytics:** Provide timely updates and reports to monitor, measure, and evaluate the campaign's objective.

# Agencies

RFP distributed via email and posted to scfhp.com.

Agencies	Worked with/ Referred by	Submitted RFP Response	Invited to Provide Media Plan	Invited to Interview
3fold	Business Journal – Sutter Health (Sac Valley)	No	No	No
AMF Media Group	Alameda Health System	No	No	No
Better World Advertising	Santa Clara County Public Health	No	No	No
Decca Design	Business Journal – McAfee	Yes	No	No
Dobies Health Marketing	Health Plan San Joaquin	Yes	Yes	Yes
Duft & Watterson	Second Harvest Food Bank	No	No	No
Elkins Advertising	Second Harvest Food Bank	No	No	No
Maricich Health	LA Care & SCVMC	Yes	Yes	No
Palmer Advertising	Health Plan San Joaquin	Yes	Yes	Yes
Verdin	Internal Recommendation	Yes	Yes	Yes
Westbound Communications	LA Care and Cal Optima	Yes	Yes	No

# Evaluation Criteria

- Ability to support SCFHP with all advertising and marketing components listed in the RFP – account management, market research, advertising campaigns, reporting and analytics.
- Ability to launch specific campaign, including SCFHP Brand Awareness Campaign to support market share growth and brand recognition in Santa Clara County.
- Experience working with California managed healthcare clients.
- Agency capabilities to support a strategic advertising campaign:
  - Experience conducting marketing research and using the results to inform an advertising plan;
  - Copywriting capabilities that demonstrate a knowledge of planning and executing cohesive messaging;
  - Creative production team that understands our market and target demographic
  - Media planner that can place both digital and traditional media aimed at our target demographic
  - Expertise in using reporting and analytics to optimize campaign results

# Advertising Agency of Record Selection – Dobies Health Marketing

Based on strategy, pricing, and references in RFP responses, Dobies Health Marketing meets requirements and offers health care marketing expertise within the SCFHP cost scenario of \$350k.

- **Account Management:** Dedicated client service manager and strategic advisor in CA with experience in Medi-Cal and managed care.
- **Market Research:** Includes deep dive on brand background and organization; online surveys using Qualtrics platform.
- **Campaign Strategy/Copy:**
  - Market research-based; audiences segmented and prioritized;
  - Creative design with consistent messaging across all channels;
  - In-house staff for design and videography.
- **Media Planning and Reporting:**
  - Strategic media planner leading in-house traditional buyer and contracted digital buyer;
  - Dashboards to track and analyze digital campaigns, Google Ads to optimize results.
- **Media Hard Costs:** Strategic placements based on target audience and reporting results.

# Advertising Agency of Record Selection

## Possible Action

- Authorize Chief Executive Officer to negotiate, execute, amend, and terminate a contract with Dobies Health Marketing as advertising agency of record, based on RFP pricing.





Santa Clara Family  
Health Plan™

Unaudited Financial Statements  
For Eight Months Ended February 29, 2020

# Agenda

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# Financial Highlights



	MTD		YTD	
Revenue	\$92 M		\$732 M	
Medical Expense (MLR)	\$87 M	93.9%	\$692 M	94.6%
Administrative Expense (% Rev)	\$4.6 M	4.9%	\$39.0 M	5.3%
Other Income/Expense	\$406K		\$3.2 M	
<b>Net Surplus (Loss)</b>	<b>\$1.5 M</b>		<b>\$3.9 M</b>	

Cash and Investments	\$331 M
Receivables	\$539 M
Total Current Assets	\$881 M
Current Liabilities	\$707 M
Current Ratio	1.25
Tangible Net Equity	\$206 M

# Financial Highlights

<b>Net Surplus (Loss)</b>	<ul style="list-style-type: none"> <li>▶ Month: Surplus of \$1.5M is \$762K or 102.1% favorable to budget of \$746K.</li> <li>▶ YTD: Surplus of \$3.9M is \$1.5M or 27.2% unfavorable to budget of \$5.3M.</li> </ul>
<b>Enrollment</b>	<ul style="list-style-type: none"> <li>▶ Month: Membership was 240,034 (474 or 0.2% unfavorable budget of 240,508).</li> <li>▶ YTD: Membership was 1,952,638 (2,288 or 0.1% favorable budget of 1,950,350).</li> </ul>
<b>Revenue</b>	<ul style="list-style-type: none"> <li>▶ Month: \$92.4M (\$3.8M or 4.3% favorable to budget of \$88.6M).</li> <li>▶ YTD: \$731.7M (\$19.4M or 2.7% favorable to budget of \$712.3M).</li> </ul>
<b>Medical Expenses</b>	<ul style="list-style-type: none"> <li>▶ Month: \$86.8M (\$3.9M or 4.7% unfavorable to budget of \$82.9M).</li> <li>▶ YTD: \$692.0M (\$25.0M or 3.7% unfavorable to budget of \$667.0M).</li> </ul>
<b>Administrative Expenses</b>	<ul style="list-style-type: none"> <li>▶ Month: \$4.6M (\$704K or 13.4% favorable to budget of \$5.3M).</li> <li>▶ YTD: \$39.0M (\$2.9M or 7.0% favorable to budget of \$42.0M).</li> </ul>
<b>Tangible Net Equity</b>	<ul style="list-style-type: none"> <li>▶ TNE was \$206.0M (667.9% of minimum DMHC requirement of \$30.8M).</li> </ul>
<b>Capital Expenditures</b>	<ul style="list-style-type: none"> <li>▶ YTD Capital Investments of \$1.3M vs. \$4.8M annual budget, primarily building improvements and hardware.</li> </ul>



Santa Clara Family  
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Detail Analyses

# Enrollment

- Total enrollment of 240,084 members is lower than budget by 474 or 0.2%. Since June 30, 2019, total enrollment has decreased by 9,171 members or 3.7%, near budgeted expectations.
- Medi-Cal enrollment has declined since October 2016, predominately in the Non-Dual Adult Expansion, Child, & Adult categories of aid. Effective October 1<sup>st</sup>, 2019, approximately 3,500 Healthy Kids members transitioned to Medi-Cal. Since the beginning of the fiscal year, Medi-Cal Non-Dual enrollment has decreased 3.1%, Dual enrollment has grown 1.8%, and CMC enrollment has grown 5.8%, all in line with budgeted expectations.
- With the transfer of the Healthy Kids members, net Medi-Cal membership has decreased since the beginning of the fiscal year by 6,149 or 2.6%. CMC membership has increased since the beginning of the fiscal year by 464 or 5.8%.

	For the Month February 2020				For Eight Months Ending February 29, 2020				Prior Year Actuals	Δ FY19 vs. FY20
	Actual	Budget	Variance	Variance (%)	Actual	Budget	Variance	Variance (%)		
	Medi-Cal	231,548	232,148	(600)	-0.3%	1,875,869	1,874,662	1,207		
Cal Medi-Connect	8,486	8,360	126	1.5%	66,241	65,644	597	0.9%	61,148	8.3%
Healthy Kids	0	0	0	0.0%	10,528	10,044	484	4.8%	26,277	(59.9%)
<b>Total</b>	<b>240,034</b>	<b>240,508</b>	<b>(474)</b>	<b>-0.2%</b>	<b>1,952,638</b>	<b>1,950,350</b>	<b>2,288</b>	<b>0.1%</b>	<b>2,037,613</b>	<b>(4.2%)</b>

Santa Clara Family Health Plan Enrollment By Network  
February 2020

Network	Medi-Cal		CMC		Healthy Kids		Total	
	Enrollment	% of Total	Enrollment	% of Total	Enrollment	% of Total	Enrollment	% of Total
Direct Contract Physicians	30,199	13%	8,486	100%	-	0%	38,685	16%
SCVHHS <sup>1</sup> , Safety Net Clinics, FQHC <sup>2</sup> Clinics	114,845	50%	-	0%	-	0%	114,845	48%
Palo Alto Medical Foundation	6,473	3%	-	0%	-	0%	6,473	3%
Physicians Medical Group	40,860	18%	-	0%	-	0%	40,860	17%
Premier Care	14,407	6%	-	0%	-	0%	14,407	6%
Kaiser	24,764	11%	-	0%	-	0%	24,764	10%
<b>Total</b>	<b>231,548</b>	<b>100%</b>	<b>8,486</b>	<b>100%</b>	<b>-</b>	<b>0%</b>	<b>240,034</b>	<b>100%</b>
Enrollment at June 30, 2019	237,697		8,022		3,486		249,205	
Net Δ from Beginning of FY20	(2.6%)		5.8%		(100.0%)		(3.7%)	

<sup>1</sup> SCVHHS = Santa Clara Valley Health & Hospital System

<sup>2</sup> FQHC = Federally Qualified Health Center

# Enrollment By Aid Category

SCFHP TRENDED ENROLLMENT BY COA YTD FEB-2020

		2019-02	2019-03	2019-04	2019-05	2019-06	2019-07	2019-08	2019-09	2019-10	2019-11	2019-12	2020-01	2020-02	FYTD var	%
<b>NON DUAL</b>	Adult (over 19)	25,846	25,779	25,563	25,198	25,204	24,989	24,888	24,689	24,492	24,207	23,999	23,620	23,604	(1,600)	(6.3%)
	Child (under 19)	95,177	95,229	94,956	94,255	94,026	93,536	92,668	92,092	95,000	93,829	93,477	92,339	92,248	(1,778)	(1.9%)
	Aged - Medi-Cal Only	10,963	10,934	10,949	10,871	10,995	10,948	10,958	10,855	10,850	10,897	10,903	10,904	10,831	(164)	(1.5%)
	Disabled - Medi-Cal Only	10,579	10,595	10,678	10,780	10,819	10,774	10,833	10,814	10,836	10,865	10,839	10,845	10,854	36	0.3%
	Adult Expansion	72,223	72,143	72,114	71,364	71,465	71,082	70,635	70,418	70,285	69,889	69,069	68,130	68,372	(3,093)	(4.3%)
	BCCTP	9	8	10	11	11	10	10	10	10	12	11	11	11	0	0.0%
	Long Term Care	376	375	375	370	372	372	364	366	372	371	373	379	373	1	0.3%
	<b>Total Non-Duals</b>	<b>215,173</b>	<b>215,063</b>	<b>214,644</b>	<b>212,848</b>	<b>212,891</b>	<b>211,711</b>	<b>210,356</b>	<b>209,244</b>	<b>211,845</b>	<b>210,070</b>	<b>208,671</b>	<b>206,228</b>	<b>206,293</b>	<b>(6,598)</b>	<b>(3.1%)</b>

<b>DUAL</b>	Adult (21 Over)	376	367	368	354	352	351	345	351	341	350	341	330	328	(24)	(6.8%)
	SPD (21 Over)	22,728	22,725	22,941	23,009	22,988	23,087	23,230	23,445	23,531	23,577	23,498	23,473	23,540	552	2.4%
	Adult Expansion	529	479	304	252	253	209	226	201	122	82	177	139	130	(123)	(48.6%)
	BCCTP	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
	Long Term Care	1,203	1,201	1,187	1,192	1,213	1,220	1,232	1,237	1,256	1,271	1,308	1,266	1,257	44	3.6%
	<b>Total Duals</b>	<b>24,837</b>	<b>24,773</b>	<b>24,800</b>	<b>24,807</b>	<b>24,806</b>	<b>24,867</b>	<b>25,033</b>	<b>25,234</b>	<b>25,250</b>	<b>25,280</b>	<b>25,324</b>	<b>25,208</b>	<b>25,255</b>	<b>449</b>	<b>1.8%</b>

<b>Total Medi-Cal</b>	<b>240,010</b>	<b>239,836</b>	<b>239,444</b>	<b>237,655</b>	<b>237,697</b>	<b>236,578</b>	<b>235,389</b>	<b>234,478</b>	<b>237,095</b>	<b>235,350</b>	<b>233,995</b>	<b>231,436</b>	<b>231,548</b>	<b>(6,149)</b>	<b>(2.6%)</b>
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<b>Healthy Kids</b>	<b>3,375</b>	<b>3,348</b>	<b>3,465</b>	<b>3,507</b>	<b>3,486</b>	<b>3,501</b>	<b>3,509</b>	<b>3,512</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>(3,486)</b>	<b>(100.0%)</b>
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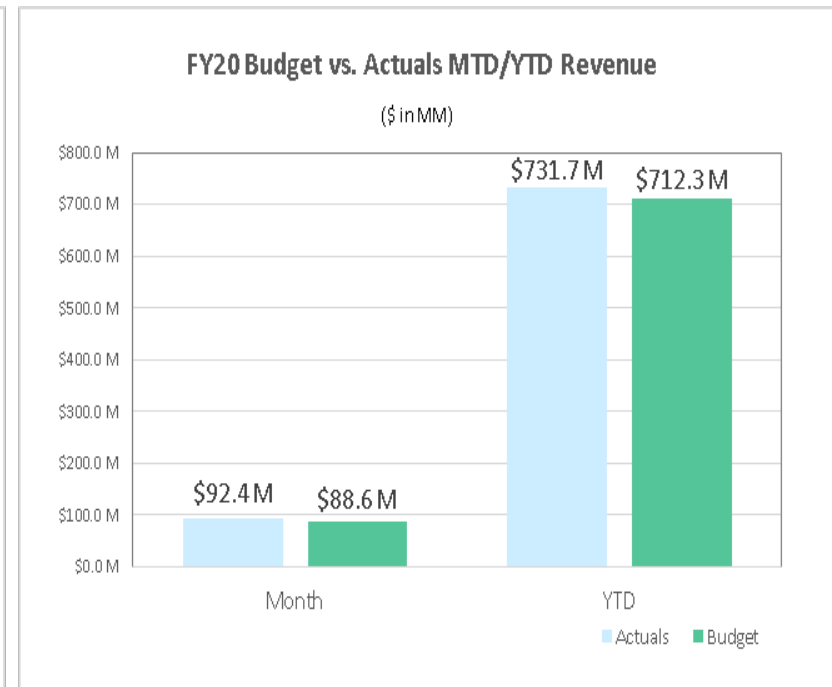
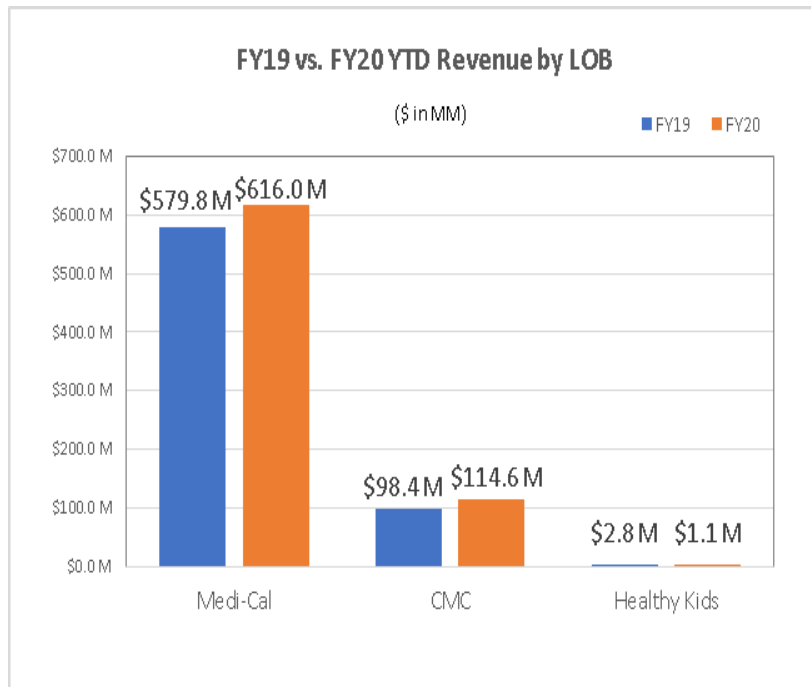
<b>CMC</b>	CMC Non-Long Term Care	7,616	7,680	7,661	7,706	7,815	7,869	7,921	7,982	8,016	8,069	8,206	8,177	8,261	446	5.7%
	CMC - Long Term Care	198	204	208	209	207	207	213	212	217	220	222	224	225	18	8.7%
	<b>Total CMC</b>	<b>7,814</b>	<b>7,884</b>	<b>7,869</b>	<b>7,915</b>	<b>8,022</b>	<b>8,076</b>	<b>8,134</b>	<b>8,194</b>	<b>8,233</b>	<b>8,289</b>	<b>8,428</b>	<b>8,401</b>	<b>8,486</b>	<b>464</b>	<b>5.8%</b>

<b>Total Enrollment</b>	<b>251,199</b>	<b>251,068</b>	<b>250,778</b>	<b>249,077</b>	<b>249,205</b>	<b>248,155</b>	<b>247,032</b>	<b>246,184</b>	<b>245,330</b>	<b>243,641</b>	<b>242,425</b>	<b>239,837</b>	<b>240,034</b>	<b>(9,171)</b>	<b>(3.7%)</b>
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# Revenue

Current month revenue of \$92.4M is \$3.8M or 4.3% favorable to budget of \$88.6M. The current month variance was primarily due to the following:

- CMC Medicare Part D Recon accrued revenue of \$2M based on recent Wakely's report.
- Increased Prop 56 revenue accrual of \$839K due to rate increase (with an offsetting increase to medical expense).
- Higher retroactive member months than budget primarily in LTC, Non-Dual and Dual Senior Person's with Disability (SPD) and Adult Expansion categories (\$805M).
- Slightly higher FY20 base rates in the Medi-Cal Non-Dual categories of aid (\$565K).

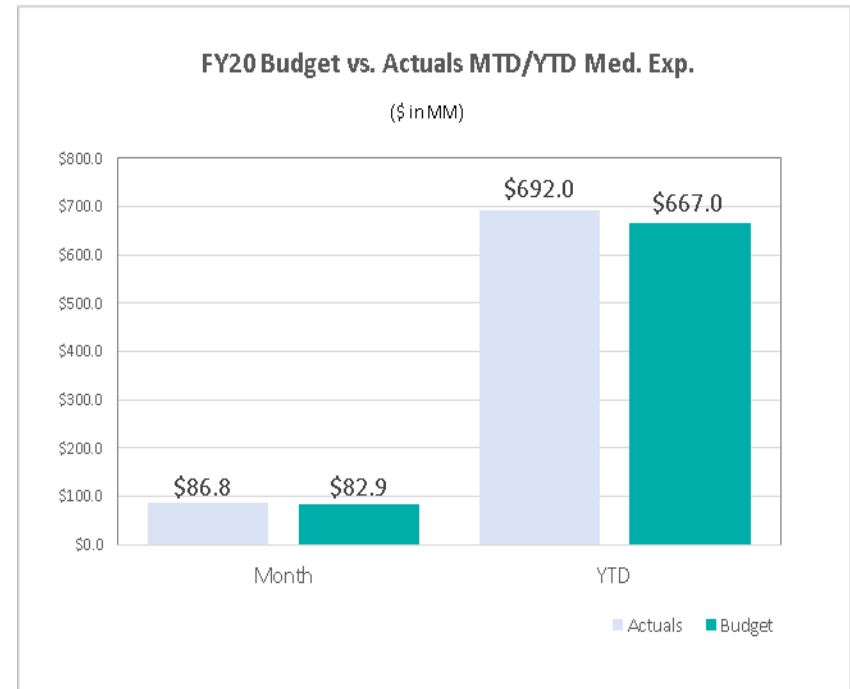
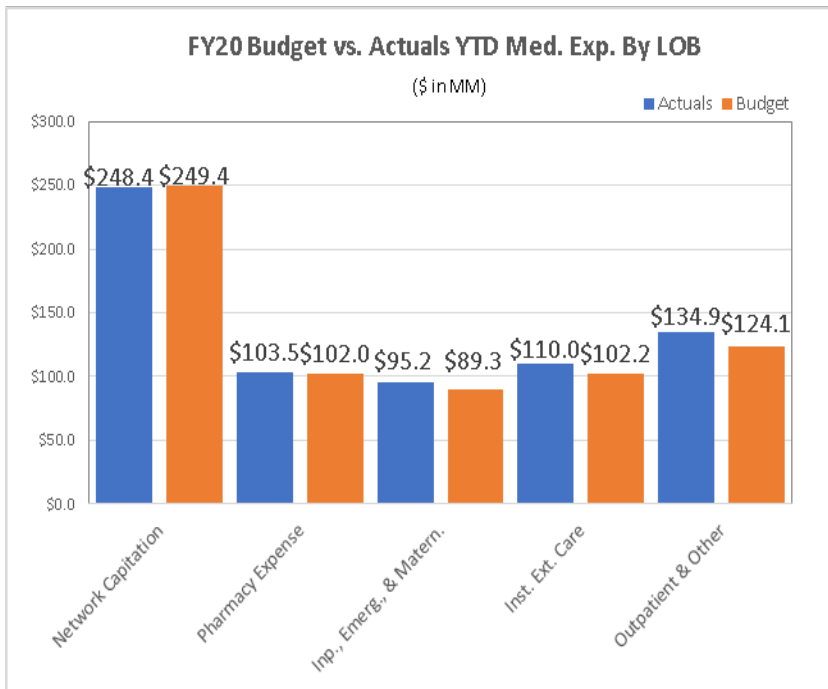




# Medical Expense

Current month medical expense of \$86.8M is \$3.9M or 4.7% unfavorable to budget of \$82.9M. The current month variance was due largely to:

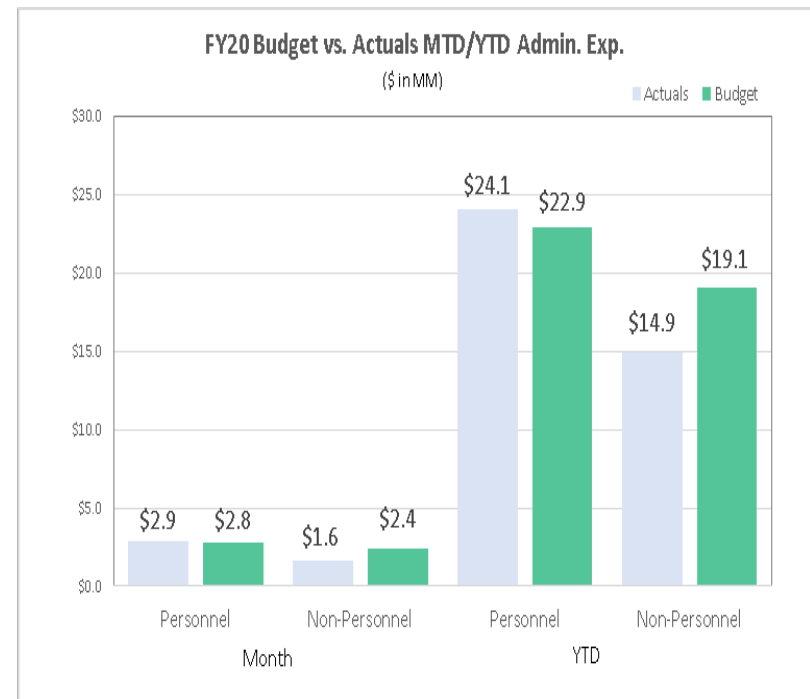
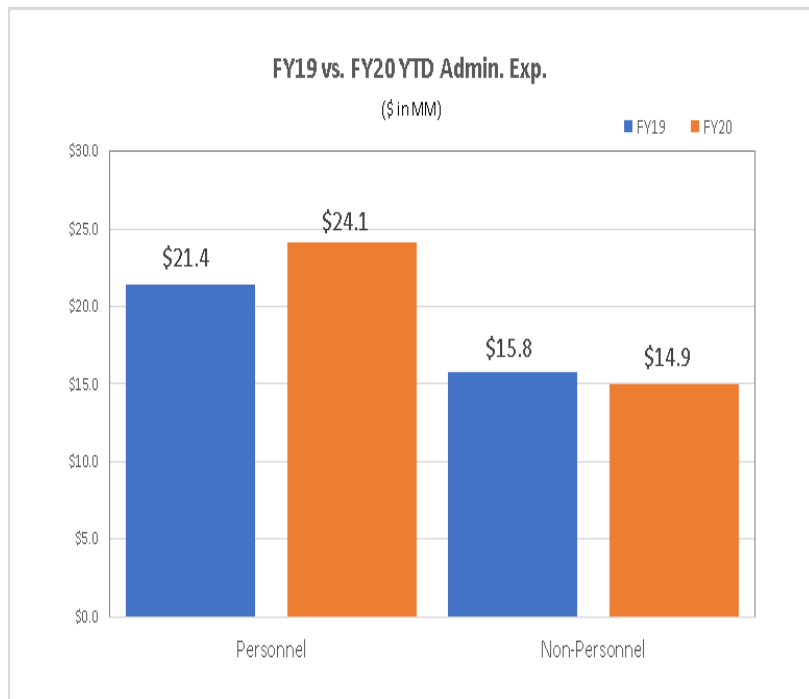
- Medi-Cal and Cal MediConnect (CMC) Long Term Care (LTC) and Inpatient Hospital expenses in excess of budget yielded an unfavorable variance of \$1.4M due to higher average cost per day versus budget.
- Pharmacy is \$1.1M unfavorable to budget due to a higher average specialty script cost.
- Increased FY20 Prop 56 accrued expense of \$839K (with offsetting an increase to revenue).



# Administrative Expense

Current month admin expense of \$4.6M is \$704K or 13.4% favorable to budget of \$5.3M. The current month variances were primarily due to the following:

- Personnel expenses were \$97K or 3.4% unfavorable to budget due to slightly higher average salaries partially offset by a lower head count.
- Non-Personnel expenses were overall \$800K or 32.7% favorable to budget due to timing of printing, advertising and postage expenses and reduced Quality Improvement spending versus budget.



# Balance Sheet

- Current assets totaled \$880.9M compared to current liabilities of \$706.9M, yielding a current ratio (Current Assets/Current Liabilities) of 1.25:1 vs. the DMHC minimum requirement of 1.0:1.
- Cash balance increased by \$31.7M compared to the cash balance as of year-end June 30, 2019 due to timing of payments received and paid.
- Current Cash & Equivalents components and yields were as follows:

Description	Cash & Investments	Current Yield %	Interest Income	
			Month	YTD
<b>Short-Term Investments</b>				
County of Santa Clara Comingled Pool	\$105,093,473	1.97%	\$100,000	\$934,050
Wells Fargo Investments	\$194,488,304	1.71%	\$369,248	\$1,834,064
	<u>\$299,581,778</u>		<u>\$469,248</u>	<u>\$2,768,114</u>
<b>Cash &amp; Equivalents</b>				
Bank of the West Money Market	\$33,412	0.70%	\$1,913	\$61,363
Wells Fargo Bank Accounts	\$31,234,895	1.45%	\$44,618	\$1,305,115
	<u>\$31,268,307</u>		<u>\$46,531</u>	<u>\$1,366,478</u>
<b>Assets Pledged to DMHC</b>				
Restricted Cash	\$305,350	0.42%	\$105	\$1,473
<b>Petty Cash</b>	\$500	0.00%	\$0	\$0
<b>Month-End Balance</b>	<u><b>\$331,155,934</b></u>		<u><b>\$515,885</b></u>	<u><b>\$4,136,065</b></u>

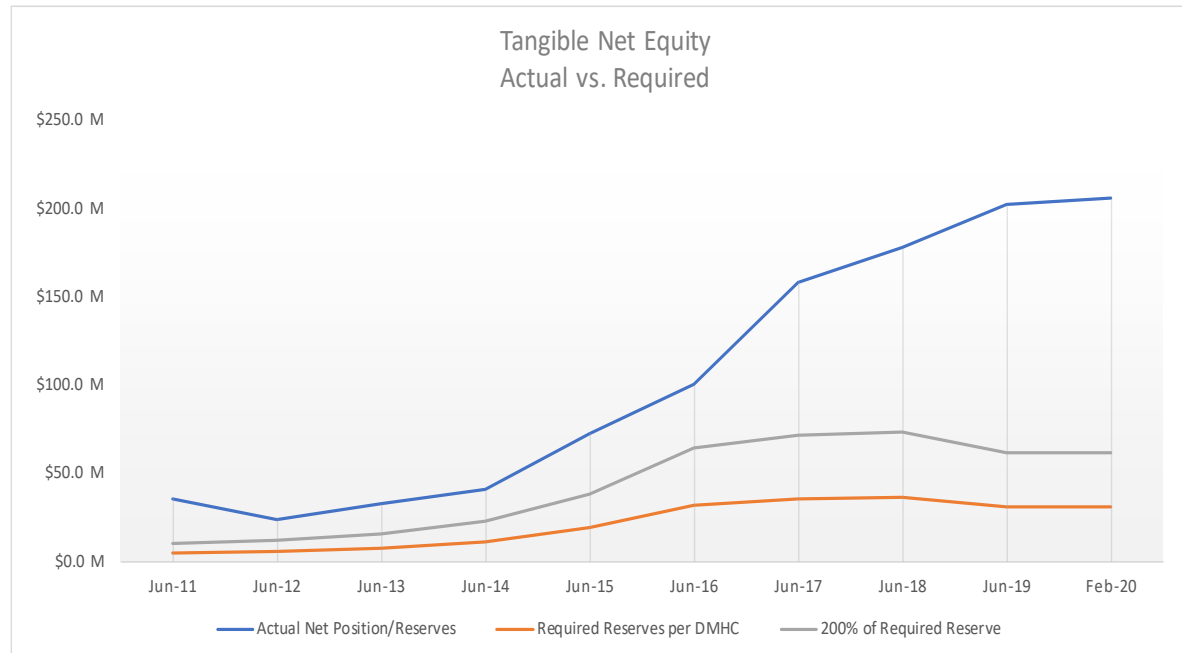
- Overall cash and investment yield favorably exceeds budget (1.8% actual vs. 1.4% budgeted).

# Tangible Net Equity

- TNE was \$206.0M or 667.9% of the most recent quarterly DMHC minimum requirement of \$30.8M. TNE balance represents approximately two months of the Plan's total expenses.

Santa Clara Health Authority  
Tangible Net Equity - Actual vs. Required  
As of February 29, 2020

	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Feb-20
Actual Net Position/Reserves	\$36.1 M	\$24.2 M	\$32.6 M	\$40.9 M	\$72.6 M	\$100.3 M	\$158.4 M	\$178.0 M	\$202.1 M	\$206.0 M
Required Reserves per DMHC	\$5.0 M	\$5.9 M	\$7.8 M	\$11.4 M	\$19.3 M	\$32.4 M	\$35.9 M	\$36.8 M	\$30.9 M	\$30.8 M
200% of Required Reserve	\$10.0 M	\$11.8 M	\$15.6 M	\$22.9 M	\$38.5 M	\$64.8 M	\$71.8 M	\$73.6 M	\$61.8 M	\$61.7 M
Actual as % Required	722.5%	410.2%	418.5%	357.5%	376.9%	309.8%	441.2%	483.4%	654.4%	667.9%



# Reserves Analysis

<b>SCFHP RESERVES ANALYSIS FEBRUARY 2020</b>		
<b>Financial Reserve Target #1: Tangible Net Equity</b>		
	<b>Approved</b>	<b>Balance</b>
Board Designated Special Project Funding for CBOs	\$4,000,000	\$3,840,000
Board Designated Innovation Fund	16,000,000	16,000,000
Invested in fixed assets (NBV)		26,344,698
Restricted under Knox-Keene agreement		305,350
Unrestricted Net Equity		<u>159,525,219</u>
Total TNE		206,015,267
Current Required TNE		30,844,207
TNE %		667.9%
<b>SCFHP Target TNE Range:</b>		
350% of Required TNE (Low)		107,954,726
500% of Required TNE (High)		154,221,037
<b>Total TNE Above/(Below) SCFHP Low Target</b>		<b><u>98,060,541</u></b>
<b>Total TNE Above/(Below) High Target</b>		<b><u>\$51,794,229</u></b>
<b>Financial Reserve Target #2: Liquidity</b>		
Cash & Investments		\$331,155,934
Less Pass-Through Liabilities		
MCO Tax Payable to State of CA		(16,205,140)
Whole Person Care / Prop 56		(33,656,494)
Other Pass-Through Liabilities (Note 2)		<u>(28,935,668)</u>
<b>Total Pass-Through Liabilities</b>		<b><u>(78,797,301)</u></b>
Net Cash Available to SCFHP		<u>252,358,633</u>
SCFHP Target Liquidity (Note 3)		
45 Days of Total Operating Expense		(132,195,124)
60 Days of Total Operating Expense		(176,260,166)
Liquidity Above/(Below) SCFHP Low Target		<u>120,163,508</u>
Liquidity Above/(Below) High Target		<b><u>\$76,098,467</u></b>

Note 1: In December 2018, the Governing Board established a Board Discretionary Fund for Special Projects of \$2.2M. In December 2019, the Governing Board also approved additional \$1.8M for Special Project fund (\$4M total) and \$16M for Innovation Fund.

Note 2: Other Pass-Through Liabilities include HQAF and Rate Range payables.

Note 3: SCFHP Target Liquidity is based on total monthly budgeted expenses.

# Capital Expenditures

- Majority of the capital variances are building improvements and software due to timing of certain projects have been postponed.

Expenditure	YTD Actual	Annual Budget
Hardware	\$251,798	\$620,000
Software	\$54,824	\$1,029,000
Automobile	\$0	\$0
Building Improvements	\$990,769	\$3,149,500
<b>TOTAL</b>	<b>\$1,297,392</b>	<b>\$4,798,500</b>



**Santa Clara Family  
Health Plan™**

Financial Statements

# Income Statement



## Santa Clara County Health Authority INCOME STATEMENT For Eight Months Ending February 29, 2020

	Feb-2020	% of	Feb-2020	% of	Current Month Variance		YTD Feb-2020	% of	YTD Feb-2020	% of	YTD Variance	
	Actuals	Rev	Budget	Rev	\$	%	Actuals	Rev	Budget	Rev	\$	%
<b>REVENUES</b>												
MEDI-CAL	\$ 76,196,199	82.4%	\$ 74,162,387	83.7%	\$ 2,033,812	2.7%	\$ 615,955,066	84.2%	\$ 599,903,377	84.2%	\$ 16,051,689	2.7%
CMC MEDI-CAL	2,769,741	3.0%	2,914,731	3.3%	(144,990)	-5.0%	24,328,002	3.3%	22,886,912	3.2%	1,441,090	6.3%
CMC MEDICARE	13,454,627	14.6%	11,555,025	13.0%	1,899,602	16.4%	90,263,061	12.3%	88,480,229	12.4%	1,782,831	2.0%
TOTAL CMC	16,224,367	17.6%	14,469,756	16.3%	1,754,612	12.1%	114,591,063	15.7%	111,367,141	15.6%	3,223,921	2.9%
HEALTHY KIDS	0	0.0%	0	0.0%	0	0.0%	1,123,789	0.2%	1,043,572	0.1%	80,218	7.7%
<b>TOTAL REVENUE</b>	<b>\$ 92,420,567</b>	<b>100.0%</b>	<b>\$ 88,632,142</b>	<b>100.0%</b>	<b>\$ 3,788,424</b>	<b>4.3%</b>	<b>\$ 731,669,918</b>	<b>100.0%</b>	<b>\$ 712,314,089</b>	<b>100.0%</b>	<b>\$ 19,355,828</b>	<b>2.7%</b>
<b>MEDICAL EXPENSES</b>												
MEDI-CAL	\$ 72,742,657	78.7%	\$ 69,489,441	78.4%	\$ (3,253,216)	-4.7%	\$ 585,242,613	80.0%	\$ 560,789,137	78.7%	\$ (24,453,475)	-4.4%
CMC MEDI-CAL	2,822,828	3.1%	3,072,040	3.5%	249,212	8.1%	22,328,355	3.1%	24,130,263	3.4%	1,801,908	7.5%
CMC MEDICARE	11,200,795	12.1%	10,313,140	11.6%	(887,655)	-8.6%	83,540,971	11.4%	80,914,819	11.4%	(2,626,152)	-3.2%
TOTAL CMC	14,023,623	15.2%	13,385,181	15.1%	(638,442)	-4.8%	105,869,326	14.5%	105,045,082	14.7%	(824,244)	-0.8%
HEALTHY KIDS	686	0.0%	0	0.0%	(686)	0.0%	853,244	0.1%	1,123,405	0.2%	270,162	24.0%
<b>TOTAL MEDICAL EXPENSES</b>	<b>\$ 86,766,966</b>	<b>93.9%</b>	<b>\$ 82,874,622</b>	<b>93.5%</b>	<b>\$ (3,892,344)</b>	<b>-4.7%</b>	<b>\$ 691,965,182</b>	<b>94.6%</b>	<b>\$ 666,957,625</b>	<b>93.6%</b>	<b>\$ (25,007,558)</b>	<b>-3.7%</b>
<b>MEDICAL OPERATING MARGIN</b>	<b>\$ 5,653,601</b>	<b>6.1%</b>	<b>\$ 5,757,520</b>	<b>6.5%</b>	<b>\$ (103,920)</b>	<b>-1.8%</b>	<b>\$ 39,704,736</b>	<b>5.4%</b>	<b>\$ 45,356,465</b>	<b>6.4%</b>	<b>\$ (5,651,729)</b>	<b>-12.5%</b>
<b>ADMINISTRATIVE EXPENSE</b>												
SALARIES AND BENEFITS	\$ 2,903,223	3.1%	\$ 2,806,651	3.2%	\$ (96,571)	-3.4%	\$ 24,091,181	3.3%	\$ 22,883,792	3.2%	\$ (1,207,389)	-5.3%
RENTS AND UTILITIES	18,688	0.0%	13,683	0.0%	(5,005)	-36.6%	159,041	0.0%	113,168	0.0%	(45,873)	-40.5%
PRINTING AND ADVERTISING	12,723	0.0%	84,613	0.1%	71,890	85.0%	106,444	0.0%	598,904	0.1%	492,460	82.2%
INFORMATION SYSTEMS	192,840	0.2%	299,410	0.3%	106,570	35.6%	1,923,052	0.3%	2,452,280	0.3%	529,228	21.6%
PROF FEES/CONSULTING/TEMP STAFFING	969,648	1.0%	1,397,885	1.6%	428,237	30.6%	7,767,606	1.1%	9,799,199	1.4%	2,031,593	20.7%
DEPRECIATION/INSURANCE/EQUIPMENT	292,612	0.3%	346,599	0.4%	53,987	15.6%	2,720,170	0.4%	3,041,163	0.4%	320,994	10.6%
OFFICE SUPPLIES/POSTAGE/TELEPHONE	58,037	0.1%	110,741	0.1%	52,704	47.6%	490,269	0.1%	747,328	0.1%	257,059	34.4%
MEETINGS/TRAVEL/DUES	79,045	0.1%	130,211	0.1%	51,166	39.3%	731,461	0.1%	1,005,255	0.1%	273,794	27.2%
OTHER	24,993	0.0%	65,667	0.1%	40,674	61.9%	1,048,231	0.1%	1,329,334	0.2%	281,103	21.1%
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$ 4,551,808</b>	<b>4.9%</b>	<b>\$ 5,255,461</b>	<b>5.9%</b>	<b>\$ 703,653</b>	<b>13.4%</b>	<b>\$ 39,037,455</b>	<b>5.3%</b>	<b>\$ 41,970,424</b>	<b>5.9%</b>	<b>\$ 2,932,968</b>	<b>7.0%</b>
<b>OPERATING SURPLUS (LOSS)</b>	<b>\$ 1,101,792</b>	<b>1.2%</b>	<b>\$ 502,059</b>	<b>0.6%</b>	<b>\$ 599,733</b>	<b>119.5%</b>	<b>\$ 667,280</b>	<b>0.1%</b>	<b>\$ 3,386,041</b>	<b>0.5%</b>	<b>\$ (2,718,761)</b>	<b>-80.3%</b>
ALLOWANCE FOR UNCOLLECTED PREMIUM	0	0.0%	0	0.0%	0	0.0%	42330	0.0%	0	0.0%	(42,330)	0.0%
GASB 75 - POST EMPLOYMENT BENEFITS EXPENSE	59,780	0.1%	60,000	0.1%	220	0.4%	493,458	0.1%	480,000	0.1%	(13,458)	-2.8%
GASB 68 - UNFUNDED PENSION LIABILITY	75,000	0.1%	75,000	0.1%	0	0.0%	584,780	0.1%	600,000	0.1%	15,220	2.5%
<b>NON-OPERATING EXPENSES</b>	<b>\$ 134,780</b>	<b>0.1%</b>	<b>\$ 135,000</b>	<b>0.2%</b>	<b>\$ 220</b>	<b>0.2%</b>	<b>\$ 1,120,567</b>	<b>0.2%</b>	<b>\$ 1,080,000</b>	<b>0.2%</b>	<b>\$ (40,567)</b>	<b>-3.8%</b>
INTEREST & OTHER INCOME	541,130	0.6%	379,225	0.4%	161,905	42.7%	4,342,801	0.6%	3,033,801	0.4%	1,309,000	43.1%
<b>NET NON-OPERATING ACTIVITIES</b>	<b>\$ 406,350</b>	<b>0.4%</b>	<b>\$ 244,225</b>	<b>0.3%</b>	<b>\$ 162,125</b>	<b>66.4%</b>	<b>\$ 3,222,233</b>	<b>0.4%</b>	<b>\$ 1,953,801</b>	<b>0.3%</b>	<b>\$ 1,268,433</b>	<b>64.9%</b>
<b>NET SURPLUS (LOSS)</b>	<b>\$ 1,508,142</b>	<b>1.6%</b>	<b>\$ 746,284</b>	<b>0.8%</b>	<b>\$ 761,858</b>	<b>102.1%</b>	<b>\$ 3,889,514</b>	<b>0.5%</b>	<b>\$ 5,339,842</b>	<b>0.7%</b>	<b>\$ (1,450,328)</b>	<b>-27.2%</b>



# Balance Sheet



SANTA CLARA COUNTY HEALTH AUTHORITY  
For Eight Months Ending February 29, 2020

	Feb-2020	Jan-2020	Dec-2019	Feb-2019
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Investments	331,155,934	304,676,729	302,290,000	270,810,416
Receivables	538,827,087	583,760,271	564,782,828	492,312,300
Prepaid Expenses and Other Current Assets	10,910,433	10,492,241	9,966,417	7,420,076
<b>Total Current Assets</b>	<b>880,893,455</b>	<b>898,929,241</b>	<b>877,039,245</b>	<b>770,542,792</b>
<b>Long Term Assets</b>				
Property and Equipment	46,056,161	46,053,228	46,127,393	43,382,948
Accumulated Depreciation	(19,711,463)	(19,453,913)	(19,198,652)	(16,084,786)
Total Long Term Assets	26,344,698	26,599,315	26,928,742	27,298,162
<b>Total Assets</b>	<b>907,238,153</b>	<b>925,528,556</b>	<b>903,967,987</b>	<b>797,840,954</b>
<b>Deferred Outflow of Resources</b>	<b>9,237,609</b>	<b>9,237,609</b>	<b>9,237,609</b>	<b>14,535,240</b>
<b>Total Assets &amp; Deferred Outflows</b>	<b>916,475,762</b>	<b>934,766,165</b>	<b>913,205,596</b>	<b>812,376,194</b>
<b>Liabilities and Net Assets:</b>				
<b>Current Liabilities</b>				
Trade Payables	6,954,520	7,079,550	6,110,110	4,263,231
Employee Benefits	1,995,511	1,937,233	1,944,170	1,738,577
Retirement Obligation per GASB 75	3,168,673	3,108,894	3,049,114	4,029,032
Advance Premium - Healthy Kids	-	-	-	95,070
Deferred Revenue - Medicare	10,629,601	10,728,095	-	-
Whole Person Care / Prop 56	33,656,494	30,976,499	28,925,879	15,198,657
Pass-Throughs Payable	28,935,668	2,779,072	2,755,503	540,100
Due to Santa Clara County Valley Health Plan and Kaiser	37,115,900	35,519,620	32,490,778	13,862,491
MCO Tax Payable - State Board of Equalization	16,205,140	72,467,990	62,115,420	17,569,814
Due to DHCS	41,503,407	39,317,050	42,054,661	52,268,200
Liability for In Home Support Services (IHSS)	416,092,527	416,092,527	416,092,527	416,092,526
Current Premium Deficiency Reserve (PDR)	8,294,025	8,294,025	8,294,025	8,294,025
Medical Cost Reserves	102,342,543	98,462,988	102,726,060	83,187,263
<b>Total Current Liabilities</b>	<b>706,894,007</b>	<b>726,763,544</b>	<b>706,558,246</b>	<b>617,138,986</b>
<b>Non-Current Liabilities</b>				
Net Pension Liability GASB 68	571,940	500,948.34	429,957	2,424,796
<b>Total Non-Current Liabilities</b>	<b>571,940</b>	<b>500,948</b>	<b>429,957</b>	<b>2,424,796</b>
<b>Total Liabilities</b>	<b>707,465,947</b>	<b>727,264,492</b>	<b>706,988,203</b>	<b>619,563,782</b>
<b>Deferred Inflow of Resources</b>	<b>2,994,548</b>	<b>2,994,548</b>	<b>2,994,548</b>	<b>4,034,640</b>
<b>Net Assets</b>				
Board Designated Fund: Special Project Funding for CBOs	3,840,000	3,840,000	3,840,000	-
Board Designated Fund: Innovation Fund	16,000,000	16,000,000	16,000,000	-
Invested in Capital Assets (NBV)	26,344,698	26,599,315	26,928,742	27,298,162
Restricted under Knox-Keene agreement	305,350	305,350	305,350	305,350
Unrestricted Net Equity	155,635,705	155,381,088	155,051,661	150,412,351
Current YTD Income (Loss)	3,889,514	2,381,372	1,097,091	10,761,909
<b>Total Net Assets / Reserves</b>	<b>206,015,267</b>	<b>204,507,125</b>	<b>203,222,844</b>	<b>188,777,772</b>
<b>Total Liabilities, Deferred Inflows and Net Assets</b>	<b>916,475,762</b>	<b>934,766,165</b>	<b>913,205,596</b>	<b>812,376,194</b>

# Cash Flow Statement



	<u>Feb-2020</u>	<u>Year-to-date</u>
Cash Flows from Operating Activities		
Premiums Received	\$83,277,257	\$948,474,416
Medical Expenses Paid	(55,134,537)	(910,307,698)
Administrative Expenses Paid	(2,201,712)	(9,478,697)
<b>Net Cash from Operating Activities</b>	<b>\$25,941,009</b>	<b>\$28,688,022</b>
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(2,933)	(1,297,392)
Cash Flows from Investing Activities		
Interest Income and Other Income (Net)	541,130	4,342,801
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>26,479,205</b>	<b>31,733,431</b>
Cash & Investments (Beginning)	304,676,729	299,422,504
Cash & Investments (Ending)	<b>\$331,155,934</b>	<b>\$331,155,934</b>
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating Income/(Loss)	\$967,012	(\$453,287)
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation	257,550	2,344,933
Changes in Operating Assets/Liabilities		
Premiums Receivable	44,933,184	212,239,039
Prepays & Other Assets	(418,192)	1,229,654
Accounts Payable & Accrued Liabilities	2,574,527	26,532,799
State Payable	(54,076,493)	4,565,460
IGT, HQAF & Other Provider Payables	27,752,875	(232,830,041)
Net Pension Liability	70,991	571,940
Medical Cost Reserves & PDR	3,879,554	14,487,526
<b>Total Adjustments</b>	<b>24,973,996</b>	<b>29,141,309</b>
<b>Net Cash from Operating Activities</b>	<b>\$25,941,009</b>	<b>\$28,688,022</b>

# Statement of Operations by Line of Business - YTD



**Santa Clara County Health Authority**  
**Statement of Operations**  
**By Line of Business (Including Allocated Expenses)**  
**For Eight Months Ending February 29, 2020**

	Medi-Cal	CMC Medi-Cal	CMC Medicare	Total CMC	Healthy Kids	Grand Total
<b>P&amp;L (ALLOCATED BASIS)</b>						
REVENUE	\$615,955,066	\$24,328,002	\$90,263,061	\$114,591,063	\$1,123,789	\$731,669,918
<b>MEDICAL EXPENSE</b>	\$585,242,613	\$22,328,355	\$83,540,971	\$105,869,326	\$853,244	\$691,965,182
(MLR)	95.0%	91.8%	92.6%	92.4%	75.9%	94.6%
<b>GROSS MARGIN</b>	\$30,712,453	\$1,999,647	\$6,722,090	\$8,721,737	\$270,545	\$39,704,736
<b>ADMINISTRATIVE EXPENSE</b>	\$32,863,615	\$1,297,994	\$4,815,888	\$6,113,882	\$59,959	\$39,037,455
(% of Revenue Allocation)						
<b>OPERATING INCOME/(LOSS)</b>	(\$2,151,162)	\$701,653	\$1,906,202	\$2,607,855	\$210,587	\$667,280
(% of Revenue Allocation)						
<b>OTHER INCOME/(EXPENSE)</b>	\$2,712,632	\$107,139	\$397,513	\$504,653	\$4,949	\$3,222,233
(% of Revenue Allocation)						
<b>NET INCOME/(LOSS)</b>	\$561,470	\$808,792	\$2,303,716	\$3,112,508	\$215,536	\$3,889,514
<b>PMPM (ALLOCATED BASIS)</b>						
REVENUE	\$328.36	\$367.27	\$1,362.65	\$1,729.91	\$106.74	\$374.71
MEDICAL EXPENSES	\$311.98	\$337.08	\$1,261.17	\$1,598.24	\$81.05	\$354.37
GROSS MARGIN	\$16.37	\$30.19	\$101.48	\$131.67	\$25.70	\$20.33
ADMINISTRATIVE EXPENSES	\$17.52	\$19.60	\$72.70	\$92.30	\$5.70	\$19.99
OPERATING INCOME/(LOSS)	-\$1.15	\$10.59	\$28.78	\$39.37	\$20.00	\$0.34
OTHER INCOME/(EXPENSE)	\$1.45	\$1.62	\$6.00	\$7.62	\$0.47	\$1.65
NET INCOME/(LOSS)	\$0.30	\$12.21	\$34.78	\$46.99	\$20.47	\$1.99
<b>ALLOCATION BASIS:</b>						
MEMBER MONTHS - YTD	1,875,869	66,241	66,241	66,241	10,528	1,952,638
REVENUE BY LOB	84.2%	3.3%	12.3%	15.7%	0.2%	100.0%



## POLICY

<b>Procedure Title:</b>	<b>Investments</b>	<b>Procedure No.:</b>	<b>FA.07</b>
<b>Replaces Procedure Title (if applicable):</b>		<b>Replaces Procedure No. (if applicable):</b>	
<b>Issuing Department:</b>	Finance	<b>Procedure Review Frequency:</b>	<b>Annually</b>
<b>Lines of Business (check all that apply):</b>	<input checked="" type="checkbox"/> Medi-Cal	<input checked="" type="checkbox"/> Healthy Kids	<input checked="" type="checkbox"/> CMC

### I. PURPOSE

This Annual Investment Policy (AIP) sets forth the investment guidelines and structure for the investment of short term operating funds not required for the immediate needs on and after April 23, 2020, of the Santa Clara Family Health Plan (SCFHP or the Plan) which was established by the Santa Clara County Board of Supervisors under Ordinance 300.576 and licensed by the State of California under the Knox-Keene Act of 1975 in 1996.

Investments may only be made as authorized by this Annual Investment Policy. SCFHP is required to invest its funds in accordance with the California Government Code Sections 27130 et seq., Sections 53635 and/or 53601 et seq., Section 1346 of the Knox-Keene Act of 1975 as well as the prudent investment standard.

The Prudent Investor Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of SCFHP, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency (California Government Code Section 53600.3).

### II. OBJECTIVES

- (1) **Safety:** the primary objective of this policy is the preservation of principal; avoiding capital losses by minimizing credit risk and interest rate or market risk,
- (2) **Liquidity:** maintain sufficient liquidity to meet the operating requirements for six months,
- (3) **Yield:** achieve a market-average rate of return (yield) through budgetary and economic cycles, considering SCFHP's regulatory constraints and cash flow characteristics. Investments will be limited to low risk securities in anticipation of earning a fair return relative to the risk being assumed.
- (4) **Diversification:** provide diversification of the portfolio securities to avoid incurring unreasonable market and credit risks.

### III. INVESTMENT STRATEGY

The Plan will adhere to the investment goal of holding investments to maturity. From time to time, the portfolio may go out of alignment. The Chief Financial Officer may choose to rebalance the portfolio earlier to bring it back into compliance if the portfolio will not suffer any losses for selling the investment prior to maturity.

### IV. ETHICS AND CONFLICTS OF INTEREST

SCFHP's officers, employees and Board members involved in the investment process shall refrain from personal and professional business activities that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. SCFHP's officers and employees involved in the investment process are not permitted to have any material financial interests in financial institutions, including state or federal credit unions, that conduct business with SCFHP, and they are not permitted to have any personal financial or investment holdings that could be materially related to the performance of SCFHP's investments.

### V. DELEGATION OF AUTHORITY

#### A. Santa Clara Commingled Investment Pool

The Governing Board of SCFHP is responsible for the management and oversight of SCFHP's investment program. The Board has directed that available excess funds not required for immediate operational cash flow purposes be deposited with the County Treasurer into the County of Santa Clara Commingled Investment Pool which will be invested by the County Treasurer in accordance with the policies contained in the County of Santa Clara Treasury Investment Policy, now in effect, and which may be revised from time to time. As per the deposit requirements for county health plans under California Health and Safety Code Section 1346 and 1376.1, depositing SCFHP's excess funds with the County of Santa Clara is permitted if:

- (1) All of the evidence of indebtedness of the County, has been rated "A" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation, based on a rating conducted during the immediately preceding 12 months.
- (2) The County has cash or cash equivalents in an amount equal to fifty million dollars or more, based on its audited financial statements for the immediately preceding fiscal year.
- (3) The day-to-day managing, reporting, and oversight of the investment contractual obligations between the County and SCFHP shall be the responsibility of SCFHP's Chief Financial Officer.

#### B. Depository (Financial) Institutions

All SCFHP money shall be deposited in financial institutions that meet the requirements as set forth in Section 53635.2 and authorized by the Board. The financial institution shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by its appropriate federal financial supervisory agency. In addition, the depository financial institution shall maintain a rating of its senior long-term debt obligations, deposit rating or claims-paying ability rating, or is guaranteed by an entity whose obligations are rated not lower than "AA-" by S&P, AA- by Fitch or "Aa3" by Moody's or its equivalent from another nationally recognized rating agency.

- (1) All depository institutions shall provide SCFHP with notification of any downgrades in long-term ratings or any unsatisfactory rating by their appropriate federal financial supervisory agency within 10 days of such downgrade.
- (2) Any downgrade in ratings of a financial institution holding SCFHP funds, shall be provided to the Board by the Chief Financial Officer.
- (3) The day-to-day managing, reporting, and oversight of the depository and investment contractual obligations for SCFHP shall be the responsibility of SCFHP's Chief Financial Officer.
- (4) The Governing Board may renew the delegation of authority to enter into depository and investment relationships annually.
- (5) Funds not required to compensate for transaction costs shall be invested in and earn a market rate of return in the depository institution's highest rated money market mutual fund as permitted by the California Government Code, Section 53600 et seq.

#### C. Portfolio Investment Manager

The Governing Board may grant authority to a qualified investment manager to direct investments of excess funds in accordance with the AIP and be subject to periodic review for compliance to the AIP. The qualified investment manager must meet all requirements established by federal and California law. Any Board-approved changes in Permitted Investments and the AIP shall be communicated to the investment manager upon approval.

#### D. Exceptions to this Policy

The Governing Board may grant express written authority to make a one-time investment not permitted by this Policy however, the investment must be permitted by the CA Government code. The Governing Board may also make amendments to the AIP at any quarterly meeting as needed.

## **VI. AUTHORIZED INVESTMENTS**

**A. Authorized Investment Types:** SCFHP shall invest only in instruments as permitted by the CA Government Code, subject to the limitations of this AIP.

- (1) Permitted investments in the managed portfolio shall be considered short-term operating funds and are subject to a maximum stated term of four hundred fifty (450) days.
- (2) The Governing Board may designate a reserve fund for excess funds not required for operational cash flow for which permitted investments are subject to a maximum state of five years pursuant to the Code.

INVESTMENT TYPE	MAXIMUM REMAINING MATURITY	MAXIMUM SPECIFIED % OF PORTFOLIO	MINIMUM QUALITY REQUIREMENTS
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
State Obligations: CA and Others	5 years	None	None for CA; AA or better for other States
CA Local Agency Obligations	5 years	None	AA rated
Commercial Paper: Non-Pooled Funds	270 days or less	25% of Plan's investible funds	Highest letter and number rating by an NRSRO <sup>1</sup>
Placement Service Certificates of Deposit	2 years	\$250,000 per deposit per institution	FDIC insured at all times
Repurchase Agreements	1 year	None	U.S. Treasury and Agency Obligations
Medium-term Notes	5 years or less	30% (with not more than 20% in any one institution)	"A" rating category or better
Mutual Funds and Money Market Mutual Funds	N/A	20% (no more than 10% invested in any one mutual fund; limitation does not apply to money market mutual funds)	Multiple <sup>2</sup>
Collateralized Bank Deposits	5 years	None	If investments require collateral, collateral must be placed in institution not affiliated with the issuer of the obligation.
Mortgage Pass-through and Asset Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better <sup>4</sup>
County Pooled Investment Funds-Santa Clara County Pool	N/A	None	A or better
Joint Powers Authority Pool (CAMP, CalTrust)	N/A	None	Multiple <sup>3</sup>
Local Agency Investment Fund (LAIF)	N/A	None	None
Supranational Obligations	5 years or less	30%	"AA" rating or better



<sup>1</sup>Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be in a rating category of “A” or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated “A-1” or higher, or the equivalent, by a nationally recognized statistical rating agency (NSRO).

<sup>2</sup>A money market mutual fund must receive the highest ranking by not less than two nationally recognized rating organizations **or** retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years’ experience investment in money market instruments with assets under management in excess of \$500 million.

<sup>3</sup>A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years’ experience investment in instruments authorized by Section 53601, subdivisions (a) to (o).

<sup>4</sup>Any investments in asset-backed securities (mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease-backed certificates, consumer receivable pass-through certificates, or consumer receivable-backed bonds) are required to have a maximum remaining maturity of five years or less. While the Legislature removed the requirement that the securities’ issuer be rated “A” or its equivalent or better for the issuer’s debts in accordance with a nationally recognized statistical rating organization (NRSRO), the Plan retains this requirement.

**B. Prohibited Investment Types:** CA Government Code Section 53601.6 prohibits local agencies from investing in inverse floaters, range notes, or mortgage-derived, interest-only strips, and any security which could result in zero interest accrual if held to maturity. In addition, the Plan does not authorize investment in the following:

- (1) Bankers’ Acceptances
- (2) Commercial Paper: Pooled Funds (pertains only to Managed Portfolio)
- (3) Negotiable Certificates of Deposit
- (4) Non-negotiable Certificates of Deposit
- (5) Reverse Repurchase Agreements and Securities Lending Agreements
- (6) Voluntary Investment Program Fund

## VII. REPORTING REQUIREMENTS

The following documents and reports will be periodically provided to support the investment procedures, oversight and reporting requirements:

- A. County of Santa Clara Investment Pool Disclosure and Agreement for Voluntary Deposits
- B. County of Santa Clara Treasury Investment Policy
- C. County of Santa Clara Treasury Quarterly Report
- D. SAP Balance and Interest Earnings Report of SCFHP Invested Funds
- E. Depository Institution – daily transaction and monthly activity report
- F. Managed Portfolio - Month-end and quarter-end portfolio performance summary, income, ending balance sheet, trading activity, transaction detail and portfolio diversification report. The listing must include issuer names, dates of maturity, par amounts, dollar amount, and market values as of month-end and comparable published index as to diversification and duration that most closely tracks the performance of the portfolio.
- G. Investment Oversight Quarterly Report – provides independent review of all invested funds for tracking of AIP, diversification requirements and performance review. Minimum reporting requirements includes a listing of the types of investment, issuer names, dates of maturity, par amounts, dollar amount, market values, descriptions of the programs under the management of contracted parties, a statement of

compliance with the investment policy, and a statement of the ability to meet cash flow needs for six months. Any irregularities shall be noted and included in the report.

**VIII. REVIEW OF INVESTMENT POLICY**

At least annually and more frequently as needed, the SCFHP Governing Board will review this Investment Policy at a regular meeting of the Board. Any recommended changes to the Policy, including modifications to current investment strategy, oversight procedures including internal controls will be first be brought to the Executive/Finance Committee by the CFO for review and approval prior to presentation to the Board. The Executive/Finance Committee and the Governing Board will be supported in this work by the CFO and legal counsel for financial and legal issues, respectively.

Any modifications to this Investment Policy, including withdrawal from the County of Santa Clara Commingled Investment Pool, will be made in accordance with California Government Code Sections 27130 et seq., Sections 53635 and/or 53601 et seq., Section 1346 of the Knox Keene Act of 1975 as well as the prudent investment standard.

**IX. REFERENCES**

None.

**X. MONITORING**

Investment policy, investments and yield will be reviewed on an annual basis by the Controller and Chief Financial Officer

**XI. Approval/Revision History**

First Level Approval		Second Level Approval		Compliance Approval
Barbara Granieri, Controller		Neal Jarecki, CFO		Jordan Yamashida, Compliance Officer
April 23, 2020		April 23, 2020		April 23, 2020
Date		Date		Date
Version Number	Change (Original/ Reviewed/ Revised)	Reviewing Committee (if applicable)	Committee Action/Date (Recommend or Approve)	Board Action/Date (Approve or Ratify)
V1	Original	Executive/Finance Committee	Approved 04/26/18	Approved 06/28/18
V1	Reviewed	Executive/Finance Committee	Reviewed (no changes) 05/01/19	Approved 06/27/19
V2	Revised	Executive/Finance Committee		



**Santa Clara Family  
Health Plan™**

Utilization Management and Hospital Costs  
Executive Finance Committee

April 23, 2020

# Presentation Topics

- Delegation Models for Inpatient Services
- Inpatient Contracting Methods
  - Cost and Utilization Statistics
  - HEDIS Plan All Cause Readmission Rates
- Inpatient Utilization Management (UM) Functions
  - Functions
    - Concurrent Review
    - Discharge Planning
    - Transition of Care
- Opportunities

# Delegation Models for Inpatient Services

Delegate/ Line of Business (LOB)	Delegation	Members	Contracting Responsibilities:
Valley Health Plan (VHP) Kaiser (KP)	Full	109,922 22,327	<ul style="list-style-type: none"> <li>Fully capitated for acute inpatient hospitalization for both in and out-of-area hospitalizations</li> <li>Fully capitated for hospital discharge planning and transition of care</li> </ul>
Physicians Medical Group (PMG) Premiere Care of Northern California (PCNC)	Partial	41,212 14,487	<ul style="list-style-type: none"> <li>Partially capitated for in-area hospital stays:               <ul style="list-style-type: none"> <li>Delegates pay for professional services</li> <li>SCFHP pays for hospital services</li> </ul> </li> <li>Delegate performs discharge planning and transition of care</li> </ul>
Directly contracted providers Palo Alto Medical Foundation (PAMF) Partial Medicare	Not Delegated	17,025 5,953 2,250	<ul style="list-style-type: none"> <li>Managed by SCFHP staff</li> <li>SCFHP performs discharge planning and transition of care</li> </ul>
Cal MediConnect (CMC)	Not Delegated	8,725	<ul style="list-style-type: none"> <li>Managed by SCFHP staff</li> <li>SCFHP performs discharge planning and transition of care</li> </ul>

# Inpatient Contracting Methods

- For Medi-Cal, SCFHP contracts may be structured as:
  - APR-DRG (All Patients Refined Diagnosis Related Groups)
  - Per-Diem
  - Per Case
- For Cal MediConnect, all hospitals are paid by:
  - MS-DRG (Medicare Severity Diagnosis Related Groups)

# Medi-Cal Contracting Methods for Inpatient Services

- **APR-DRG** (Good Samaritan, Regional, Stanford, El Camino, Kaiser & non-contracted hospitals)
  - Conditions are grouped into Diagnosis Related Group (DRG) and one of 4 severity levels, based on severity of illness and risk of mortality, to reduce cherry-picking of patients with the same DRG
  - Outlier payments kick in after \$61K of loss and then pays 60% of costs
- **Per Diem** (Valley Medical Center (VMC), O'Connor (OCH), St. Louise (STL), Lucile Packard Children's Hospital (Packard))
  - A fixed rate per day with different rates for different bed acuity levels.
- **Case Rate** (OCH, STL, VMC - negotiations pending)
  - A fixed rate is paid for each maternity delivery type, Vaginal or C-Section.

# Medi-Cal FFS Cost by Hospital, CY2019

Hospital	Cost/Discharge	Cost/Day	ALOS
<i>Average</i>	\$ 12,066	\$ 3,149	3.8
A (Per Diem)	\$ 15,820	\$ 3,809	4.2
B (Per Diem, Case Rate)	\$ 11,640	\$ 3,356	3.5
D (Per Diem, Case Rate)	\$ 9,711	\$ 3,151	3.1
C (Per Diem)	\$ 8,409	\$ 3,250	2.6
E APR-DRG	\$ 19,374	\$ 4,397	4.4
F APR-DRG	\$ 14,943	\$ 3,906	3.8
G APR-DRG	\$ 8,089	\$ 2,675	3.0
H APR-DRG	\$ 9,024	\$ 2,542	3.5
I APR-DRG	\$ 17,251	\$ 2,530	6.8
J APR-DRG	\$ 9,269	\$ 2,509	3.7
	% of Cost	% Discharges	% Days
Per Diem Hospitals	46%	40%	40%

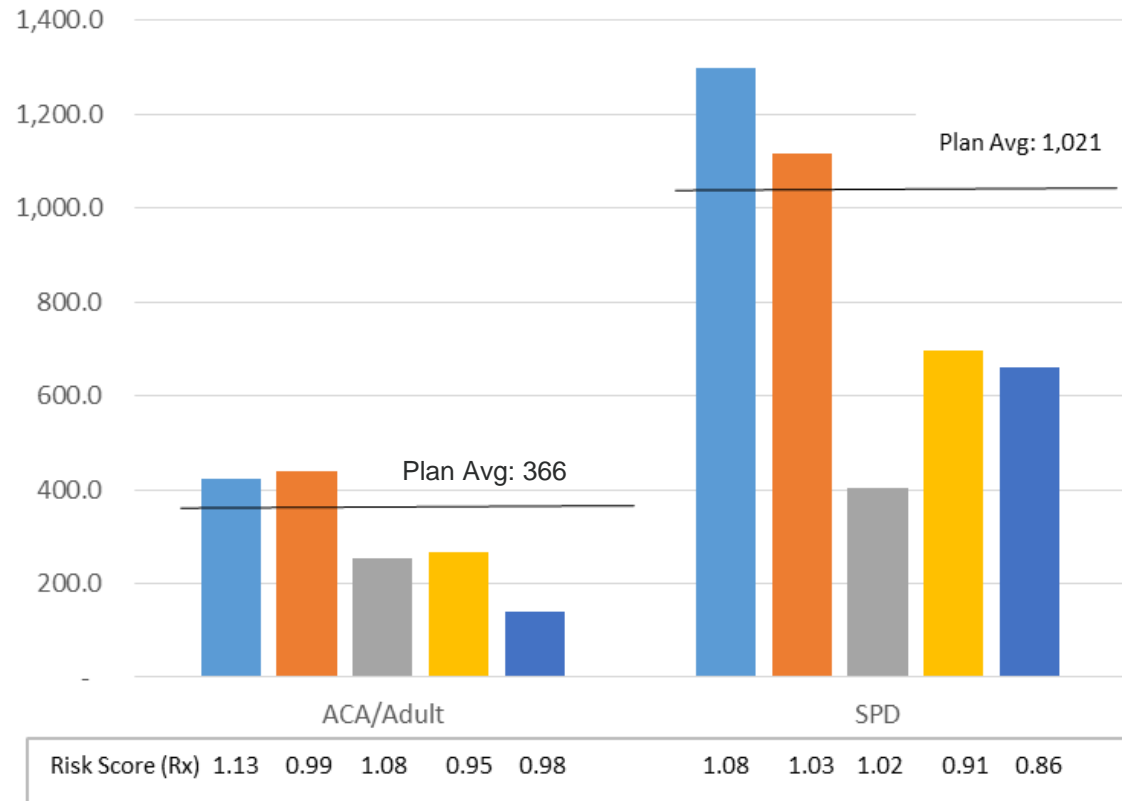


# Medi-Cal APR-DRG Example for Septicemia & Disseminated Infections, CY2019

APR-DRG 720-04	Cost/Discharge	Cost/Day	ALOS
<i>Average Weighted</i>	\$ 44,337	\$ 3,753	11.8
A APR-DRG	\$ 28,752	\$ 4,792	6.0
B Per Diem	\$ 57,069	\$ 4,301	13.3
C Per Diem	\$ 51,133	\$ 3,741	13.7
D APR-DRG	\$ 46,684	\$ 3,261	14.3
E APR-DRG	\$ 26,662	\$ 3,163	8.4
F APR-DRG	\$ 29,617	\$ 3,094	9.6
G APR-DRG	\$ 37,083	\$ 3,090	12.0

Base ~\$25K/Discharge for APR-DRG

# Medi-Cal Days/1,000 by Category of Aid and Network, FY2019\*



\*With IBNP

# CMC Contracting Method for Inpatient Services

## SCFHP uses Medicare's Inpatient Prospective Payment System (IPPS) to pay all hospitals

- Each hospital discharge is categorized into a diagnosis-related group (DRG). Each DRG has a specific payment weight, reflecting the average resources used to treat Medicare patients in that DRG. It is called Medicare Severity DRG or MS-DRG.
- Hospitals in the same area will receive the same payment for the same DRG, encouraging efficient use of resources.
- Final payment per discharge will vary due to add-ons for Disproportionate Share Hospital (DSH) for low income patients, teaching hospital, and outlier cases. For example, VMC's add-ons can be up to \$10,000 per discharge compared to \$1,000 for another hospital.

# CMC MS-DRG Example for Septicemia/Severe Sepsis CY2019

MS-DRG 871	Cost/Day	Cost/Discharge *	ALOS
<i>Average Weighted</i>	\$ 3,603	\$ 20,972	5.8
A	\$ 5,622	\$ 27,107	4.8
B	\$ 2,808	\$ 18,548	6.6
C	\$ 1,924	\$ 18,382	9.6
D	\$ 3,472	\$ 17,858	5.1
E	\$ 2,343	\$ 17,285	7.4
G	\$ 5,021	\$ 17,071	3.4
H	\$ 2,983	\$ 15,911	5.3

\*Cost includes Add-Ons per Discharge; Base: ~ \$17,000/Discharge

# HEDIS Plan All Cause Readmission (PCR) Rates, CY2019



LOB	Rate	HEDIS Percentile*	Rate for HEDIS 50 <sup>th</sup> Percentile
Medi-Cal	20%	90 <sup>th</sup>	14.35%
CMC 18-64	12%	10 <sup>th</sup>	16.39%
CMC 65+	8%	10 <sup>th</sup>	12.08%

Medi-Cal Network	Rate	HEDIS Percentile
A	22%	95 <sup>th</sup>
B	21%	95 <sup>th</sup>
C	16%	75 <sup>th</sup>
D	17%	75 <sup>th</sup>
E	10%	25 <sup>th</sup>

\*Lower rate and percentile are better

Source: Citius Tech as of 4/20/20

# Readmission as a Percentage of Hospital Admissions, CY2019

## Medi-Cal

Hospital*	% Readmission	Total Admissions
A	22%	2,454
B	22%	1,058
C	18%	626
D	21%	335
E	16%	344
F	18%	314
G	15%	183

## CMC

Hospital	% Readmission	Total Admissions
A	13%	490
B	14%	270
C	9%	77
D	17%	190
E	11%	104
F	NA	
G	23%	101

\*Excludes hospitals with less than 50 admissions  
Source: Citius Tech as of 4/20/20

# Inpatient UM Functions

SCFHP performs inpatient UM functions for 34,000 non-delegated Medi-Cal and CMC members.

UM staff perform the following functions for inpatient stays at Acute, Long-Term Acute Care (LTAC) Hospital, Sub-Acute Hospital, and Skilled Nursing Facilities:

- Concurrent Review
- Discharge Planning
- Transition of Care

# Inpatient UM Functions

## Concurrent Review

SCFHP UM nurses review medical records sent by secure email, fax, or via remote access to electronic medical record (EMR) systems at the time of acute or skilled inpatient admission. (SCFHP currently has EMR access to: Regional Medical Center, Good Sam, and Stanford hospitals.)

- Assess if the member meets criteria for admission or observation
- Assess level of care
- Review current records against clinical guidelines to determine need for continued stay
  - If medical necessity criteria are not met, the Medical Director reviews for continued stay determination
- Communicate with all inpatient case managers



# Inpatient UM Functions

## Discharge Planning

Discharge planning is initiated on the day of admission and takes into consideration:

- Anticipated length of stay
- Anticipated next level of care (i.e., home, SNF, rehabilitation within an acceptable geographic location)
- Member's environment and family / support structures
- Physical and mental health condition
- Member's ability to perform their activities of daily living (ADLs)
- Need for skilled therapy services and medical equipment (i.e., home health care or Durable medical equipment)
- Need for referrals and follow-up to specialists post acute care

# Inpatient UM Functions

## Transition of Care (TOC)

- Transition of Care is the movement of a patient from one setting of care (hospital, ambulatory primary care practice, long-term care) to another.
- TOC ensures:
  - Avoidance of preventable poor outcomes for our at-risk patients
  - Reduced readmissions
- A coordinator completes a structured TOC assessment with the member or designated representative within 72 hours of discharge.
- All TOC members are then transitioned to the SCFHP Case Management team.

# Opportunities

Areas of Focus	Activity	Timeline
Concurrent Review On-Site	Implement in-person reviews at per diem hospitals with high utilization	Q4 CY2020
Data and Systems	Improve daily capture of hospital census data directly into QNXT (in process)	In process for some hospitals
	Improve organizational analytic capabilities, creating business unit specific reports to assist in operations and delegation oversight	Q3 CY2020
	Finalize SCFHP provider portal for direct provider input (Prior Authorization) into QNXT system	In process
Process Improvement	Expand Transitions of Care to all Medi-Cal directly managed discharges	Q3 CY2020
	Develop Targeted Case Management for high acuity initial admission diagnosis with known high readmissions (i.e. sepsis)	Q3 CY2020
	Expand staff access to electronic health records with SCVMC	In process
Contracting	Explore rates for skilled nursing facilities to increase acceptance of hospitalized patients	In process



## Compliance Report

April 23, 2020

### AUDIT UPDATE

- **Centers for Medicare & Medicaid Services (CMS) Program Audit**

The Plan is underway with activities related to our CMS Program Audit Revalidation (Revalidation Audit). On 4/9/2020, ATTAC, the consulting firm directing the audit activities on behalf of CMS, conducted the audit field work for the Coverage Determinations, Appeals and Grievances (CDAG) portion of the Revalidation Audit. Following the completion of the audit field work, the auditors requested some additional documentation related to potential discrepancies identified by the auditors. The Plan is compiling the requested information, which must be submitted to the auditors no later than April 30, 2020.

Audit activities related to the Compliance Program Effectiveness (CPE) Conditions are on track for completion in May. The Final Revalidation Audit Report for both the CDAG and CPE conditions must be submitted to CMS on or before 6/19/2020.

The third component of the Revalidation Audit is related to the Care Coordination and Quality Improvement Program Effectiveness (CCQIPE) Conditions. The Plan has been working to sustain full compliance with respect to the relevant tasks and is well situated as we near the audit “clean period”, which runs from 5/1/2020, through 7/31/2020. Audit field work for the CCQIPE Conditions will begin in August 2020, with the Final Report for the CCQIPE Conditions due to CMS on or before 9/25/2020.

- **Medicare Data Validation (MDV) Audit**

The Plan’s 2020 MDV Audit field work for the Cal MediConnect (CMC) line of business occurred on Monday, 4/20/2020. On Monday, 4/13/2020, a week before the start of the audit field work, CMS issued a memo reducing the scope of the MDV audit activities. This reduction in scope is consistent with CMS’ reprioritization of certain activities to allow organizations to focus on health and safety threats posed by the COVID-19 pandemic. Based on the new guidance, the auditors focused solely on Medicare Part D (prescription drug) Medication Therapy Management (MTM). The Plan anticipates receiving an audit report in early summer.

- **Department of Health Care Services (DHCS) Medi-Cal Managed Care Audit**

The Plan has completed all initial activities related to our annual DHCS audit for the Medi-Cal line of business. We anticipate receiving the draft report from DHCS in early summer.



## SCFHP's COVID-19 Responses – April 22, 2020

Group	Focus Area	Activities and Metrics
Members	Statistics	Data as of 4/20/2020; note that SCFHP does <u>not</u> have complete information about members tested, diagnosed, hospitalized, deceased <ul style="list-style-type: none"> <li>• 73 hospitalized, including 8 deceased</li> <li>• 52 members diagnosed and residing at SNFs</li> </ul>
	Call Center	<ul style="list-style-type: none"> <li>• Call volume down 43% week of April 13 vs prior year average</li> <li>• Average wait time of 14 seconds</li> </ul>
	Nurse Advice Line	<ul style="list-style-type: none"> <li>• 89 calls regarding coronavirus March 6<sup>th</sup> – April 20<sup>th</sup></li> <li>• Implemented telehealth application that integrates with nurse advice line on April 10<sup>th</sup></li> <li>• 118 members transferred for a physician consult as of April 20<sup>th</sup></li> </ul>
	Grievance and Appeals	<ul style="list-style-type: none"> <li>• 20 COVID-19 related grievances (Rx access due to provider office closed; transportation safety concerns, employment concerns) as of 4/20/2020</li> </ul>
	Outreach to Vulnerable Populations	<ul style="list-style-type: none"> <li>• Specifically-identified populations will receive an outreach call</li> <li>• Members over 65 years or with high risks will receive automated (robo) calls and flyers</li> </ul>
	Pharmacy	<ul style="list-style-type: none"> <li>• Refills available via mail-order for 90 day fills; pharmacy overrides to allow early refills</li> <li>• Formulary expanded to include disinfectant and gloves</li> </ul>
	Transportation	<ul style="list-style-type: none"> <li>• Lifting requirement to provide Customer Service notice 3-5 business days before medical appointment to arrange transportation (NMT and NEMT)</li> <li>• Amended agreements with two vendors to make special accommodations and cleaning relating to transporting suspected or confirmed COVID members</li> </ul>
	Communications to Members	<ul style="list-style-type: none"> <li>• Developed new webpage; published 16 member news updates</li> <li>• April newsletter to include infographics for coronavirus precautions and hand washing</li> </ul>

		<ul style="list-style-type: none"> <li>• Facebook posts in April to include more information on coronavirus precautions</li> <li>• Consumer Assessment of Healthcare Providers and Systems (CAHPS) survey for Cal MediConnect has been discontinued for 2020. Surveys have already been mailed out but no additional phone outreach will be conducted by the vendor.</li> </ul>
	Eligibility Redetermination	<ul style="list-style-type: none"> <li>• State and counties have paused redeterminations for March, April, May for beneficiaries with a change in status (affects approximately 3-5k SCFHP members each month who otherwise would have lost their eligibility), so these members will not lose eligibility</li> <li>• SCFHP temporarily-elevated enrollment will likely fall effective July 1, or whenever the pause is lifted</li> </ul>
<b>Providers</b>	Prior Authorizations	<ul style="list-style-type: none"> <li>• Suspended SCFHP requirement for all prior authorizations for network providers to decrease burden on providers; extended suspension through 4/30/2020</li> <li>• Volume of PAs has now dropped slightly</li> <li>• Delegates are following their own prior authorization guidelines</li> </ul>
	Telehealth	<ul style="list-style-type: none"> <li>• Regulations during state of emergency allow provider reimbursement, with specific coding and documentation requirements</li> <li>• Added capability for Nurse Advice Line to offer members telephonic physician consultation</li> <li>• Communication sent to BHT providers with guidelines</li> </ul>
	CBAS centers	<ul style="list-style-type: none"> <li>• CBAS Centers choosing to provide Temporary Alternative Services (TAS) submitted operations plan per state requirements on April 20. SCFHP has drafted contract amendments and hopes to have these in place by May 1.</li> </ul>
	Skilled Nursing Facilities	<ul style="list-style-type: none"> <li>• Continued outreach to SNFs regarding diagnosed residents; 26 facilities are reporting no COVID cases; seven SNFs reporting positive COVID cases; total of 52 members residing at SNFs have tested positive.</li> <li>• Four contracted SNFs with three or more COVID positives</li> <li>• SCFHP identified and reached out to three of the contracted SNFs hart-hit by COVID patients asking what staff support would be helpful. In response, a meal was delivered for all staff at two SNFs.</li> <li>• Public Health Dept. now saying SNFs cannot unilaterally refuse to admit patients who test positive for COVID-19</li> </ul>
	Clinics/Providers	<ul style="list-style-type: none"> <li>• By measure of outreach completed to directly contracted and IPA physicians: <ul style="list-style-type: none"> <li>○ PCPs: <ul style="list-style-type: none"> <li>▪ 6 of 152 locations contacted are closed.</li> </ul> </li> </ul> </li> </ul>



		<ul style="list-style-type: none"> <li>▪ 11 locations are open with modified hours.</li> <li>▪ 135 locations are open with regular hours.</li> <li>▪ 120 open are offering and/or exclusive to telehealth.</li> <li>○ Specialists: <ul style="list-style-type: none"> <li>▪ 23 of 258 locations contacted are closed.</li> <li>▪ 39 locations are open with modified hours.</li> <li>▪ 196 locations are open with regular hours.</li> <li>▪ 148 locations are offering and/or exclusive to telehealth.</li> </ul> </li> <li>● No COVID-19 related access issues reported to PNM via G&amp;A.</li> <li>● Concerns about equipment/supplies/staffing/financials</li> <li>● HEDIS Medical Record Review outreach has stopped for the Cal MediConnect line of business. The vendor will no longer call/fax/email/visit providers to obtain medical records. For Medi-Cal line of business, vendor is only reviewing records they can access electronically.</li> </ul>
<b>Staff</b>	Working from home	<ul style="list-style-type: none"> <li>● 96% of staff working remotely</li> <li>● Implemented relaxed telecommuting agreement</li> <li>● Staff onsite only for work that cannot be performed remotely</li> <li>● PTO/leave emergency policies implemented consistent with federal legislation</li> </ul>
<b>Community</b>	Communications	<ul style="list-style-type: none"> <li>● Informed CBOs and general community of SCFHP operational status via email and social media posts: still working and providing services for members and providers, most staff remote, lobby closed to visitors, how to contact us</li> <li>● Preparing a press release to announce telehealth integration with nurse advice line</li> </ul>
	Partnerships with CBOs	<ul style="list-style-type: none"> <li>● Supported meal distribution programs by providing SCFHP's reusable bags to Veggielution and to Santa Clara County's Senior Nutrition Program</li> <li>● Provided financial support for Community Health Partnership Diaper Drive, FIRST 5 certified infant formula distribution, and meal distribution to providers working in hospital settings</li> <li>● Provided individual hand sanitizers to Community Clinics for distribution to patients</li> <li>● Participated in County assessment of food access needs for seniors to inform use of federal dollars</li> <li>● Continued documentation and sharing of community resources available to support members during COVID</li> </ul>



# Medi-Cal HEDIS CY19 Status

Acronym	Measure	CY19 YTD Status	CY18 Final Status	CY19 Projected Status
AWC*	Adolescent Well-Care Visits	25 <sup>th</sup>	25 <sup>th</sup>	-
ABA*	Adult Body Mass Index Assessment	25 <sup>th</sup>	Below 10 <sup>th</sup>	?
AMM-Acute	Antidepressant Medication Mgmt - Acute	75 <sup>th</sup>	75 <sup>th</sup>	+
AMM-Cont	Antidepressant Medication Mgmt- Continuation	75 <sup>th</sup>	75 <sup>th</sup>	+
AMR	Asthma Medication Ratio	10 <sup>th</sup>	50 <sup>th</sup>	-
BCS	Breast Cancer Screening	75 <sup>th</sup>	75 <sup>th</sup>	+
CCS*	Cervical Cancer Screening	10 <sup>th</sup>	50 <sup>th</sup>	-
CIS-10*	Childhood Immunization Status – Combo 10	95 <sup>th</sup>	90 <sup>th</sup>	+
CHL	Chlamydia Screening in Women Ages 16-24	50 <sup>th</sup>	50 <sup>th</sup>	+

Updated 4.23.2020(2) (\*)= hybrid measure, (+) = meet 50<sup>th</sup> percentile, (-) = will not meet 50<sup>th</sup> percentile, (?) = may meet 50<sup>th</sup> percentile

# Medi-Cal HEDIS CY19 Status – Cont'd

Acronym	Measure	CY19 YTD Status	CY18 Final Status	CY19 Projected Status
CDC-HT*	Comprehensive Diabetes Care HbA1c Testing	25 <sup>th</sup>	50 <sup>th</sup>	?
CDC-H9*	HbA1c Poor Control (>9%)**	75 <sup>th</sup>	25 <sup>th</sup>	+
CBP*	Controlling High Blood Pressure	25 <sup>th</sup>	25 <sup>th</sup>	-
IMA-2*	Immunizations for Adolescents – Combo 2	75 <sup>th</sup>	90 <sup>th</sup>	+
PPC-Pre*	Timeliness of Prenatal Care	90 <sup>th</sup>	50 <sup>th</sup>	+
PPC-Post*	Post Partum Care	75 <sup>th</sup>	75 <sup>th</sup>	+
WCC-BMI*	Body Mass Index for Children/Adolescents	75 <sup>th</sup>	25 <sup>th</sup>	+
W15*	Well Child Visits in the First 15 Months of Life	90 <sup>th</sup>	Below 10 <sup>th</sup>	+
W34*	Well Child Visits in the 3 <sup>rd</sup> , 4 <sup>th</sup> , 5 <sup>th</sup> & 6 <sup>th</sup> Years of Life	50 <sup>th</sup>	50 <sup>th</sup>	+
Total				+12/18

## Enrollment Potential

April 23, 2020



Potential for additional enrollment in Category of Aid (COA) Medi-Cal Expansion (MCE)

	FPL	Annual	Hourly	
Household	138%	\$ 17,609	\$ 8.47	
	Weekly	26 weeks	Annualized	Below 138%
Unemployment at \$15/hour	\$ 277	\$ 7,202	\$ 14,404	Yes
Unemployment at \$20/hour	\$ 370	\$ 9,620	\$ 19,240	No



# Program Eligibility by Federal Poverty Level for 2020

Medi-Cal and Covered California have various programs with overlapping income limits.

		SEE NOTE BELOW FOR INCOMES IN THIS RANGE			Silver 94 (100%-150%)			Silver 87 (>150%-200%)		Silver 73 (>200%-250%)			
		California State Subsidy											
		Federal Tax Credit						American Indian / Alaska Native (AIAN) Zero Cost Share			AIAN Limited Cost Share		
% FPL		0%	100%	138%	150%	200%	213%	250%	266%	300%	322%	400%	600%
Household Size	1	\$0	\$12,490	\$17,609	\$18,735	\$24,980	\$27,179	\$31,225	\$33,942	\$37,470	\$41,088	\$49,960	\$74,940
	2	\$0	\$16,910	\$23,792	\$25,365	\$33,820	\$36,722	\$42,275	\$45,859	\$50,730	\$55,513	\$67,640	\$101,460
	3	\$0	\$21,330	\$29,974	\$31,995	\$42,660	\$46,264	\$53,325	\$57,776	\$63,990	\$69,939	\$85,320	\$127,980
	4	\$0	\$25,750	\$36,156	\$38,625	\$51,500	\$55,806	\$64,375	\$69,692	\$77,250	\$84,364	\$103,000	\$154,500
	5	\$0	\$30,170	\$42,339	\$45,255	\$60,340	\$65,349	\$75,425	\$81,609	\$90,510	\$98,790	\$120,680	\$181,020
	6	\$0	\$34,590	\$48,521	\$51,885	\$69,180	\$74,891	\$86,475	\$93,526	\$103,770	\$113,216	\$138,360	\$207,540
	7	\$0	\$39,010	\$54,704	\$58,515	\$78,020	\$84,434	\$97,525	\$105,443	\$117,030	\$127,641	\$156,040	\$234,060
	8	\$0	\$43,430	\$60,886	\$65,145	\$86,860	\$93,976	\$108,575	\$117,360	\$130,290	\$142,067	\$173,720	\$260,580
	add'l, add	\$0	\$4,420	\$6,183	\$6,630	\$8,840	\$9,543	\$11,050	\$11,916	\$13,260	\$14,426	\$17,680	\$26,520
		Medi-Cal for Adults			Medi-Cal for Pregnant Women			Medi-Cal Access Program (for Pregnant Women)					
		Medi-Cal for Kids (0-18 Yrs.)						County Children's Health Initiative Program					

**Note:** Most consumers up to 138% FPL will be eligible for Medi-Cal. If ineligible for Medi-Cal, consumers may qualify for a Covered California health plan with financial help including: federal tax credit, California state subsidy, Enhanced Silver plans and AIAN plans.

## Covered California Programs



**Covered California uses FPL limits from the prior year to determine eligibility for its programs as required by regulation.** The unshaded columns are associated with Covered California eligibility ranges:

California State Subsidy	0%–138% FPL / over 200%–600% FPL
Federal Tax Credit	100%–400% FPL
Enhanced Silver Plans	100%–250% FPL
• Silver 94	100%–150% FPL
• Silver 87	over 150%–200% FPL
• Silver 73	over 200%–250% FPL
AIAN Zero Cost Share	100%–300% FPL
AIAN Limited Cost Share	all income levels

The unshaded columns display 2019 FPL values to determine eligibility for premium tax credits and cost sharing reductions for health plans effective in 2020. The unshaded columns, including the 100% column, display 2019 FPL values as [published by the Department of Health and Human Services](#).

## Medi-Cal Programs



**Medi-Cal uses FPL limits of the current year to determine eligibility for its programs.** The column headings shaded in purple are associated with eligibility ranges for Medi-Cal programs:

Medi-Cal for Adults	up to 138% FPL
Medi-Cal for Children	up to 266% FPL
Medi-Cal for Pregnant Women	up to 213% FPL
MCAP	over 213%–322% FPL
CCHIP	over 266%–322% FPL

The shaded columns display 2020 FPL values [according to the Department of Health Care Services](#) (see annual values on page 5) which administers the Medi-Cal program.