
Board of Directors Meeting Minutes

October 26, 2018

Directors Present: Bryan Thompson, Chair, Carmen Hooker Odom, Vice-Chair, Jean Andersen, Dan Brummitt, Bob Byrd, Dr. Christopher Colenda, Scott Craver, Devon Cornett, Terry Cox, Keith Duncan, George Dunlap, Judy Klusman, Thomas Lane, Layton Long, Tchernavia Montgomery, Beverly Morrow, Gordon Powell, Dr. Jennifer Richards, and Dana Weston

Directors Absent: Dr. Richard Blanks, William Pilkington, and Marcelle Smith

Staff Present: Trey Suttan, Chuck Hollowell, Rob Bryan, Steve Ermish, Dr. Terri Harpold, Greg Gertz, Ashley Conger, Christine Beck, Anna Marshall, Anne Ibekwe, and Callan Skinner

Guests: Janet Breeding

Location: Perry Memorial Library, 205 Breckenridge Street, Henderson, NC

1. Welcome and Call to Order

Bryan Thompson, Chair, called the meeting to order at 9:03 a.m.

2. Consent Agenda

Mr. Thompson presented the Consent Agenda items to the Board for approval.

A motion was made and seconded to approve the Consent Agenda items as presented, consisting of: (i) the meeting minutes from the August 17-18, 2018 Board of Directors Meeting, (ii) the meeting minutes from the September 27, 2018 Board of Directors Meeting, (iii) the August 2018 Executive Report, and (iv) the Consumer Perception of Care Survey.

All in favor. Motion approved.

3. Installation of New Director

- i. Mr. Thompson introduced Dana Weston. In his remarks, he noted that the County Commissioner Advisory Board (“CCAB”) appointed Ms. Weston in October to fill the hospital administrator vacancy on the Cardinal Board of Directors.
- ii. Ms. Weston has a broad perspective on the issues impacting providers and the healthcare system and has valuable experience with hospital administration in underserved, rural areas. She currently serves as President for UNC Rockingham Health Care.

-
- iii. After introducing Ms. Weston, Mr. Thompson opened the floor to Chuck Hollowell, General Counsel and Secretary, to install Ms. Weston as a new director. Mr. Hollowell provided Ms. Weston the oath of office.

4. Public Comment

- i. Members of the public were provided an opportunity to address the Board. No guests came forward to address the Board.

5. CEO Report

- i. Trey Suttan, Chief Executive Officer, presented the CEO Report. In his remarks, Mr. Suttan began by providing an update on the NCQA Review and noted that Cardinal achieved full accreditation for Managed Behavioral Healthcare Organizations (“MHBO”). Cardinal achieved a score of 98 out of 100.
- ii. Mr. Suttan also noted that, as part of the NCQA Review, Cardinal attained the Medicaid MHBO Long-Term Services and Supports (“LTSS”) distinction. Cardinal is the only LME/MCO in the State to achieve this award.
- iii. Next, Mr. Suttan opened the floor to Christine Beck, Vice President, Clinical Operations, to provide an update on the Provider Barriers Project. In her discussion, Ms. Beck noted that providers as well as key staff from Cardinal formed a workgroup to identify common barriers that providers experience when working with Cardinal.
- iv. As a result of this collaboration, Cardinal has identified areas for improvement and is working to better its provider-facing processes to reduce administrative burdens, including response times with providers.
- v. Next, Mr. Suttan provided an update on Medicaid Transformation. In his remarks, Mr. Suttan explained that DHHS posted the proposed NC Innovations 1915(c) Waiver on October 23rd and that the public comment period ends on November 22nd.
- vi. Mr. Suttan also noted that CMS recently approved North Carolina’s 1115 Demonstration Waiver application on October 24th, and that eight health plans submitted proposals in response to the Standard Plan RFP, which closed on October 19th.
- vii. Next, Mr. Suttan opened the floor to Ashley Conger, Vice President, Corporate Communications, to provide an update on Cardinal’s Hurricane Relief Drive. In her remarks, Ms. Conger explained that Cardinal launched a week-long Hurricane Relief effort to solicit donations in order to help those impacted by Hurricane Florence, particularly those in the Trillium catchment area.
- viii. Ms. Conger explained that Cardinal filled over 1,000 backpacks with school supplies and snacks, which were delivered to Trillium on October 22nd.

-
- ix. Next, Mr. Suttan provided an update on Cardinal's Organizational Structure. In his remarks, Mr. Suttan noted that Cardinal recently hired Mary Hamilton to serve as the Chief Financial Officer and Robert Grasty to serve as the Chief Diversity and Inclusion Officer and Vice President of Human Resources.
 - x. Mr. Suttan then provided an update on the proposed CEO Goals for FY 2019, which consist of Organizational Goals that are aligned with Cardinal's 5-Pillar Strategy to achieve Tailored Plan Readiness as well as individual CEO Leadership Goals.
 - xi. As for the Organizational Goals, Mr. Suttan noted that Cardinal's senior leadership team collectively assessed the Organization's priorities and strategic planning efforts in order to develop robust goals and measures for success for FY 2019. In all, Mr. Suttan noted that there are 16 goals tied to the strategic pillars, with 44 different metrics in place to measure success.
 - xii. Mr. Suttan then reviewed the CEO Leadership Goals. In his discussion, Mr. Suttan explained that he has been working collaboratively with Tim Fitzsimons, his executive coach at Korn Ferry, to develop the CEO Leadership Goals. These goals focus primarily on: (i) enhancing self-leadership, (ii) building a high performance senior leadership team, and (iii) enhancing overall vision to achieve strategic goals.
 - xiii. After discussion, there was a general consensus among the Board to move forward and approve the CEO Goals for FY 2019, consisting of the Organizational Goals that are aligned with Cardinal's 5-Pillar Strategy to achieve Tailored Plan Readiness as well as the individual CEO Leadership Goals.

A motion was made and seconded to approve the CEO Goals for FY 2019, consisting of the Organizational Goals that are aligned with Cardinal's 5-Pillar Strategy to achieve Tailored Plan Readiness as well as the individual CEO Leadership Goals.

All in favor. Motion approved.

- xiv. Mr. Suttan and the senior leadership team provided an update on the comments that were made by Judy Lewis at the August Board Meeting.

6. County Commissioner Advisory Board Report

- i. Dan Brummitt provided an update on the CCAB Meeting that was held on October 5th. In his remarks, Mr. Brummitt noted that the CCAB designated him to serve as the CCAB liaison to facilitate the ability of the CCAB to carry out its advisory function and to make recommendations to the Cardinal Board.
- ii. Next, Mr. Brummitt briefly described the various roles of the CCAB and Cardinal. He noted that the CCAB serves as an advisory board to Cardinal, including its CEO, on matters pertaining

to the delivery of services for individuals with mental illness, intellectual or other developmental disabilities, and substance use disorders.

- iii. As with the appointment of Cardinal's new Board last December, Mr. Brummitt noted that the CCAB serves as a Selection Committee for purposes of appointing and re-appointing directors to the Cardinal Board.
- iv. Mr. Brummitt noted that Cardinal serves in a supporting role to the CCAB to help it carry out its statutory obligations and mission. This includes: (i) taking minutes, (ii) posting notices of meetings, (iii) preparing agendas, and (iv) handling logistics regarding meeting space and technology.
- v. Next, Mr. Brummitt provided an update on director terms. In his remarks, he noted that the CCAB discussed adjusting the terms of all Cardinal Board members so that they would be in synch with Cardinal's fiscal year.
- vi. However, as Mr. Brummitt explained, the CCAB decided not to align the terms of the Cardinal Board members with Cardinal's fiscal year; as a result, director terms will continue to run from January-January, according to the length of their term.
- vii. For the directors who had an initial one-year term and whose terms were set to expire in January 2019, Mr. Brummitt noted that the CCAB adopted a motion to reappoint these directors for a second term of three years.
- viii. Mr. Brummitt noted that the CCAB asked Cardinal staff to let it know anytime a Cardinal Board member's status changes relative to the slot he or she was originally appointed to fill on the Cardinal Board.
- ix. Lastly, Mr. Brummitt noted that Dr. Nicole McKinney, Director, Community Relations, and Adam Cook, Director, Corporate Strategy and Government Relations, will facilitate the CCAB Meetings moving forward, and that Dr. McKinney will serve as the Secretary.

7. Executive Committee Report

- i. Mr. Thompson, Chair, briefly updated the Board on the Executive Committee Meeting that was held on October 25, 2018. In his remarks, he noted that there was not a quorum for the Executive Committee Meeting that was scheduled to be held on August 16, 2018. As a result, Mr. Thompson explained that the minutes from the Committee's meeting on June 10th were not approved in August but rather were approved in October.
- ii. Mr. Thompson then noted that the Executive Committee used yesterday's meeting to review the October Board Agenda. Among other things, the Committee discussed ways to improve the process for conducting the CEO Performance Evaluation for FY 2019.

-
- iii. Lastly, Mr. Thompson noted that, consistent with Cardinal's Bylaws and the fact that director terms will run from January-January as noted by Mr. Brummitt, he will be making Committee appointments for 2019 and will do so over the next month. Mr. Thompson asked the directors to let him know if they have a preference regarding Committee appointments.

8. Advisory Board Ad Hoc Committee Report

- i. Layton Long, Chair, briefly provided an update on the Advisory Board Ad Hoc Committee Meeting that was held on September 27, 2018.
- ii. In his discussion, Mr. Long noted that Anna Marshall, Vice President, Community Operations, reviewed the proposed Health Council model with the Committee. Mr. Long explained that the current proposal contemplates the existence of four Regional Health Councils as well as three different sub-councils, which would be responsible for reporting information to the Regional Health Councils.
- iii. Mr. Long noted that the Committee will meet again on November 1st to discuss the proposed plan in further detail, with the goal of presenting a tentative plan to the Board in December and then sharing the plan with counties and other stakeholders in the Spring.

9. CFAC Update

- i. For this agenda item, Beverly Morrow, Jean Andersen and Terry Cox provided an update on the CFAC Summit that was held in October. In their discussion, Ms. Andersen noted that the goal of the Summit was, among other things, to focus on redesigning the local CFACs in order to give members a stronger and more unified voice.
- ii. As a result of the Summit, the CFAC members decided to come together regionally as four new local CFACs, and that this change is expected to occur in February.

10. Finance and Audit Committee Report

- i. Mr. Brummitt, Chair, briefly updated the Board on the Finance and Audit Committee Meeting that was held on October 25, 2018. In his remarks, Mr. Brummitt informed the Board that the Committee participated in a working session yesterday, where it held in-depth discussions regarding the 1915(b) Medicaid Waiver, the 1915(c) Innovations Waiver, and the recently implemented solvency standards.
- ii. For the first agenda item, Mr. Brummitt noted that CliftonLarsonAllen LLP ("CLA") reviewed Cardinal's draft Audited Financial Statements for FY 2018. He explained that the role of CLA is, among other things, to express an opinion on the fair presentation of Cardinal's financial statements in conformity with generally accepted accounting principles.
- iii. During the review, Mr. Brummitt noted that CLA covered various items with the Committee, including: (i) Required Auditor Communications, (ii) Draft Financial Statements for the Years

Ended June 30, 2018 and 2017, (iii) Auditor Independence, and (iv) Industry and Accounting Trends.

- iv. Mr. Brummitt explained that CLA's report on the draft financial statements for FY 2018 was unmodified as to fairness of presentation in accordance with generally accepted accounting principles. According to CLA, this represents the highest level of assurance that may be achieved.
- v. After discussion, the Board agreed to move forward, upon the recommendation of the Finance and Audit Committee, to approve the draft FY 2018 Audited Financial Statements.

A motion was made, upon the recommendation of the Finance and Audit Committee, to approve the draft FY 2018 Audited Financial Statements.

All in favor. Motion approved.

- vi. Next, Mr. Brummitt opened the floor to Mr. Suttan to review the August 2018 financial results. In his discussion, Mr. Suttan reviewed the (i) Statement of Net Position as of 8/30/18, (ii) Condensed Cash Flow as of 8/30/18, and (iii) Statement of Revenues, Expenses, and Changes In Net Position as of 8/30/18.
- vii. Mr. Suttan then reviewed the (i) FY 2019 Sources and Uses of Funds, (ii) FY 2019 Medicaid Capitation Rates By Category of Aid, (iii) Medicaid Service Revenues and Expenses By Waiver and Catchment, and (iv) Total Service Costs and Percentage Increase from August 2017.
- viii. After reviewing the August 2018 financial results, Mr. Suttan provided an update on the new solvency measures that are being implemented by the Department. He explained that such measures are intended to serve as a mechanism to evaluate the financial position of each LME/MCO.
- ix. As part of his update, Mr. Suttan briefly reviewed the formula for calculating the solvency range for LME/MCOs, which takes into account a variety of factors, including: (i) incurred but not reported claims (i.e., service expenses for preceding 12-months), (ii) net operating liabilities, (iii) required intergovernmental transfers over the next 24-months, (iv) projected operating loss over the next 24-months, and (v) reinvestment plan over the next 36-months.
- x. After Mr. Suttan's update, Mr. Brummitt informed the Board that the Committee asked staff to develop a dashboard to help monitor Cardinal's compliance with this newly established solvency range. He explained that the Committee would like to evaluate Cardinal's position within this solvency range at least once a quarter.
- xi. Mr. Brummitt then informed the Board that the Committee discussed various steps that Cardinal should take in order to remain compliant with the new solvency range. As a result of its discussion, Mr. Brummitt stated that the Committee decided to adopt a motion and make a recommendation to the Board that it transfer \$27.7M to a reserve fund to support Cardinal's

three-year reinvestment plan and to help ensure that Cardinal remains compliant with the new solvency standards. The Board agreed with this plan.

A motion was made, upon the recommendation of the Finance and Audit Committee, to transfer \$27.7M to a reserve fund to support Cardinal's three-year reinvestment plan and to help ensure that Cardinal remains compliant with the new solvency standards.

All in favor. Motion approved.

11. Performance, Evaluation and Compensation Committee Report

- i. Tchernavia Montgomery, Chair, briefly updated the Board on the Performance, Evaluation and Compensation Committee Meetings that were held on October 10th and October 15th, 2018.
- ii. At its October 10th Meeting, Ms. Montgomery noted that staff provided updates to the Committee on the Lean Six Sigma Project and Cardinal's engagement with Korn Ferry to provide executive coaching services. She then noted that the Committee reviewed the proposed CEO Goals for FY 2019 at its October 15th Meeting.
- iii. Next, Ms. Montgomery provided an update on the CEO Compensation Market Assessment. In her remarks, she pointed out that the Committee decided at its July 12th Meeting to engage Sullivan Cotter to perform a total compensation study for the CEO position at Cardinal.
- iv. Ms. Montgomery then opened the floor to Mike Grund with Sullivan Cotter to present the results of the CEO Compensation Market Assessment. In his remarks, Mr. Grund began by noting that Sullivan Cotter was retained to assess the competitiveness of the total compensation program for the CEO position at Cardinal, and that Sullivan Cotter's assessment focused on the compensation practices of health plan organizations that compete with Cardinal for executive talent.
- v. In his report, Mr. Grund reviewed Sullivan Cotter's findings and explained that (i) the base salary for the CEO position at Cardinal is 53% below the market 25th percentile, (ii) the actual total cash compensation for the CEO position at Cardinal is 56% below the market 25th percentile, and (iii) the actual total compensation for the CEO position at Cardinal is 59% below the market 25th percentile.
- vi. In sum, Mr. Grund concluded that Cardinal's base salary, total cash compensation, and total compensation for the CEO position are below the market 25th percentile.

A motion was made and seconded to go into closed session pursuant to § 143-318.11(a)(3) of the General Statutes to discuss attorney-client privileged matters, § 143-318.11 and § 122C-158 of the General Statutes to discuss personnel matters, and § 143-318.11(a)(1) of the General Statutes and 45 C.F.R. § 164.502(a) of the HIPAA Privacy Rule to discuss confidential matters involving protected health information.

All in favor. Motion approved.

12. Performance, Evaluation and Compensation Committee Report (Continued)

13. Litigation Committee Report

14. General Counsel Report

The meeting returned to open session.

Consistent with OSHR'S salary range for LME/MCO CEOs, a motion was made, upon the recommendation of the Performance, Evaluation and Compensation Committee, to approve a base salary in the amount of \$369,071 for Mr. Suttan for FY 2019, effective as of August 14, 2018.

All in favor. Motion approved.

A motion was made, upon the recommendation of the Performance, Evaluation and Compensation Committee, to approve the CEO Performance Evaluation for FY 2018.

All in favor. Motion approved

A motion was made and seconded to approve a \$30,000 performance incentive payment for Mr. Suttan for FY 2018.

All in favor. Motion approved.

A motion was made and seconded to include any additional litigation that may arise involving any former Cardinal executives within the scope of matters delegated to the Litigation Committee, as discussed in closed session.

All in favor. Motion approved.

15. Real Estate and Facilities Report

- i. Rob Bryan, Chief Development Officer, provided an update on several real estate matters. In his remarks, Mr. Bryan noted that staff has successfully procured a short term extension of the lease at Cardinal's Prosperity Place office in Charlotte, NC.
- ii. Mr. Bryan noted that Cardinal has been diligently marketing the 17th floor at NASCAR Plaza, and that there is an interested candidate in pursuing a sublease for this particular floor.
- iii. Mr. Bryan then provided an update on the workforce analysis that was requested by the Board in June. In his remarks, Mr. Bryan noted that he has been working with Cardinal's Data Science Team to look at the question of whether maintaining a principal office in Charlotte or Kannapolis affects Cardinal's ability to hire and retain talent, particularly IT staff. The data compiled so far generally suggests that employees live closer to NASCAR in Charlotte than Milestone in Kannapolis.

iv. In its discussion, the Board asked for another real estate update in six months.

16. Board Member Comment

- i. Dr. Richards provided an update on Project Echo, which is designed to assist individuals with opioid addiction in North Carolina.

A motion was made and seconded to adjourn the meeting.

All in favor. Motion approved.

Meeting adjourned at 4:03 p.m.



Callan Skinner, Clerk

12/17/18

Date