
Board of Directors Meeting Minutes

March 23-24, 2018

Directors Present: Bryan Thompson, Chair, Carmen Hooker Odom, Vice-Chair, Jean Andersen, Dr. Richard Blanks, Dan Brummitt, Bob Byrd, Dr. Christopher Colenda, Beverly Corpening, Terry Cox, Scott Craver, Keith Duncan, George Dunlap, Judy Klusman, Thomas Lane, Layton Long, Tchernavia Montgomery, William Pilkington, Gordon Powell, Tom Reid, and Marcelle Smith

Directors Absent: Dr. Jennifer Richards

Staff Present: Trey Suttan, Amy Kendall, Chuck Hollowell, Rob Bryan, Steve Ermish, Dr. Terri Harpold, Ashley Conger, Steve Martin, and Callan Skinner

Guests: Kurt Meyers and Janet Breeding

1. Welcome and Call to Order

Bryan Thompson, Chair, called the meeting to order at 6:26 p.m.

2. Consent Agenda

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

A motion was made and seconded to approve the Consent Agenda items as presented, consisting of: (i) the open and closed meeting minutes from the January 27, 2018 Board of Directors Meeting, and (ii) the January 2018 Executive Report.

All in favor. Motion approved.

3. Public Comment

Karen Dunn, Executive Director, Club Nova, and other guests addressed the Board of Directors.

4. Operations Report

- i. Amy Kendall, Chief Administrative Officer, presented the Operations Report. In her report, she discussed the recent opening of the Monarch SECU Youth FBC. This project is the first ever facility-based crisis center for youth in North Carolina.
- ii. Ms. Kendall then provided an update on several clinical initiatives, including Wraparound. Wraparound is an evidence-based model used by communities to support youth with complex needs. Through individualized plans of care, Wraparound supports youth with mental health diagnoses that are living in their home community or those youth transitioning from a residential setting.

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- iii. Next, Ms. Kendall provided an update on several new pilot programs, including the Duke Psychiatry Pediatric Primary Care Pilot. For this initiative, Cardinal partnered with Duke Psychiatry to launch the NC Pediatric Access Line (NC-PAL), which provides telephonic mental health consultation for pediatric primary care providers in Person, Granville, Vance, Warren, Franklin and Halifax Counties.
 - iv. Lastly, Ms. Kendall reviewed the waiver request regarding quarterly incident reports. She noted that DMH announced in a recent communication bulletin that it will accept requests from LME/MCOs, on behalf of their provider networks, to waive certain incident reporting requirements for Category A and B providers in order to streamline processes and advance its enhanced outcome based focus.
 - v. The Board discussed various issues related to level-one incidents and reporting but ultimately agreed to adopt the resolution to help Cardinal's Category A and B providers streamline processes and advance outcomes.

A motion was made and seconded to adopt the resolution approving the request to waive the quarterly incident reporting requirements for Category A and B providers in Cardinal's network.

**All in favor, with the exception of Ms. Corpening who voted against adopting the resolution.
Motion approved.**

5. Real Estate and Facilities Report

- i. Rob Bryan, Chief Development Officer, provided an overview of Cardinal's current real estate strategy. Among other things, he noted that Cardinal's current strategy is to reduce its real estate holdings to help focus the Organization's efforts on its core business and Medicaid Reform.
- ii. In his discussion, Mr. Bryan provided an overview of Cardinal's currently owned and leased properties, as well as their respective square footage. He noted that Cardinal currently owns six and leases 11 buildings across its service area.
- iii. Regarding leased properties, the Board briefly discussed the Organization's principal office at NASCAR Plaza in Charlotte. The Board expressed a preference to establish an Ad hoc Committee to examine Cardinal's real estate options, including its leased space at NASCAR Plaza.
- iv. Lastly, Mr. Bryan provided an update on Cardinal's discussions to transfer its leasehold interest in the Highland Avenue Center to Forsyth County. He noted that Cardinal maintains a good partnership with Forsyth County with respect to Highland but acknowledged that Cardinal's management of the property imposes certain administrative burdens on the Organization.
- v. The Board acknowledged that Cardinal can support its members, providers and stakeholders at Highland without having to assume property management responsibilities; thus, the Board agreed to adopt the resolution to transfer Cardinal's leasehold interest in Highland to Forsyth County.

A motion was made and seconded to adopt the resolution authorizing Cardinal's management team to close and effectuate the transfer of Cardinal's leasehold interest in the Highland Avenue Center to Forsyth County.

All in favor. Motion approved.

Next, Mr. Thompson addressed the Board regarding his understanding that at least some of what will be discussed in closed session deals with issues regarding the time period in which he previously served on Cardinal's Board; as a result, Mr. Thompson recused himself from the meeting and left the room. Mr. Dunlap and Mr. Smith also recused themselves from the meeting and left the room.

Carmen Hooker Odom, Vice-Chair, presided over the meeting in Mr. Thompson's absence.

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.

All in favor. Motion approved.

6. General Counsel Report

The meeting returned to open session.

A motion was made and seconded by the Board to disclose publicly the results of the McGuireWoods independent investigation at a press conference to be scheduled and coordinated by Cardinal staff as soon as possible.

All in favor. Motion approved.

A motion was made and seconded at 9:24 p.m. to recess and continue the meeting on Saturday, March 24, 2018.

All in favor. Motion approved.

Mr. Thompson called the meeting to order on Saturday, March 24, 2018 at 9:03 a.m.

Prior to returning to closed session, Mr. Thompson again recused himself from the meeting and left the room. Mr. Dunlap and Mr. Smith also recused themselves from the meeting and left the room.

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.

All in favor. Motion approved.

7. General Counsel Report

The meeting returned to open session.

8. Public Comment

Judy Lewis, former Executive Director, Arc of Union County, addressed the Board of Directors.

9. Interim CEO Report

- i. Trey Suttan, Interim CEO, presented the Interim CEO Report. In his discussion, he provided an update on Project Future and its four primary initiatives, including: (i) trust and credibility, (ii) operational excellence, (iii) innovation and outcomes, and (iv) strength and agility.
- ii. Regarding Cardinal's continuing efforts to restore trust and credibility in its communities, Mr. Suttan noted that Cardinal will be attending town halls and assembling NARCAN kits in Burlington, Charlotte, Henderson and Winston-Salem.
- iii. Mr. Suttan then provided an update on the IT Transformation. In doing so, he opened the floor to Steve Ermish, Interim CIO, for Cardinal. Mr. Ermish stated that the IT teams are currently being realigned and key roles are being filled.
- iv. In discussing the IT Transformation, the Board asked Mr. Ermish to provide a Security Update at the June Board meeting to review how Cardinal is addressing the privacy and security challenges that face healthcare organizations in today's environment.
- v. Next, Mr. Suttan provided an overview of the 2018 Pulse Survey Results. Among other things, he noted that there was a 74.4% participation rate, and that staff feel more comfortable in speaking up.
- vi. Lastly, Mr. Suttan and Mr. Bryan provided an update on government relations. In their report, it was noted that Cardinal's prior government relations posture was too reactionary, lacked collaboration and constantly shifted priorities. Moving forward, Cardinal will strive to cultivate relationships and improve communication with legislative stakeholders.

10. Executive Committee Report

- i. Mr. Thompson, Chair, briefly updated the Board on the Executive Committee Meetings that were held on March 1st and March 22nd. In his discussion, he noted that the Executive Committee, at least initially, plans to meet more frequently, typically prior to full Board meetings to review agendas and discuss process.
- ii. Next, Mr. Thompson reviewed the revised Executive Committee Charter. In his discussion, he noted that the charter requires the Executive Committee, as a matter of governance transparency, to provide a report regarding all of its actions and decisions at the immediately following Board of Directors meeting.

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- iii. Mr. Thompson also stated that the charter places limits on the power and authority of the Executive Committee to act on behalf of the Board, and the Board agreed, in its discussion, to approve the charter as presented.

A motion was made, upon the recommendation of the Executive Committee, to approve the Executive Committee Charter as presented.

All in favor. Motion approved.

- iv. Lastly, Mr. Thompson reviewed the Procedure for Addressing Stakeholder Inquiries. He noted that the Executive Committee asked staff at its March 1st meeting to prepare a short summary outlining a proposed process for handling stakeholder inquiries. After Mr. Thompson's review, the Board concurred with the summary and agreed to approve the procedure.

A motion was made, upon the recommendation of the Executive Committee, to approve the Procedure for Addressing Stakeholder Inquiries.

All in favor. Motion approved.

11. Governance Committee Report

- i. Keith Duncan initially noted for the Board that he would be chairing the Governance Committee Report for Dr. Jennifer Richards, who is out of the country; thereafter, he provided a brief update on the Governance Committee Meeting that was held on March 13, 2018.
- ii. For the first item, Mr. Duncan reviewed the revised Governance Committee Charter. He noted that the charter requires the Governance Committee, as a matter of transparency, to provide a report regarding all of its actions and decisions at the immediately following Board of Directors meeting. After discussion, the Board agreed to approve the charter as presented.

A motion was made, upon the recommendation of the Governance Committee, to approve the Governance Committee Charter as presented.

All in favor. Motion approved.

- iii. Next, Mr. Duncan opened the floor to Mr. Hollowell to review the Governance Guidelines. In his discussion, Mr. Hollowell stated that staff worked with Ed Chaney in developing the Governance Guidelines, who has extensive experience in working with not-for-profit organizations on governance matters.
- iv. In particular, Mr. Hollowell noted for the Board that the Governance Guidelines address Board meetings and retreats as part of Cardinal's Corrective Action Plan. Specifically, he noted that the Organization will hold its Board of Directors meetings, retreats or holiday parties, if any, in one of its offices or at other appropriate locations in North Carolina. If an event is held at an off-site location, the Organization will use good judgment in selecting the venue and will make its

selection in a manner that furthers the public's trust and confidence in the Organization. After discussion, the Board agreed to approve the Governance Guidelines as presented.

A motion was made, upon the recommendation of the Governance Committee, to approve the Governance Guidelines as presented.

All in favor. Motion approved.

- v. Mr. Duncan then provided an update on professional development opportunities. In his report, he noted that directors may be interested in attending the NC Tide Conference, which will be held in Wilmington, North Carolina on April 22-25, 2018. Additionally, Mr. Duncan noted that directors may be interested in sharing their own expertise with the Board in a type of peer-to-peer training. He informed the directors that Dr. Richards has offered to present on her experiences.
- vi. Next, Mr. Duncan provided an update on Chair and Vice-Chair Terms. In his discussion, he noted that, at least historically, the Board Chair was elected at the June Board meeting, just ahead of the start of the new fiscal year beginning each July. However, given that the Board was recently constituted in January, Mr. Duncan asked the Board to consider, upon the recommendation of the Governance Committee, whether it would like to extend the current term of the Chair and Vice-Chair to the end of FY 2019. Thereafter, the Chair and Vice-Chair would be elected annually on a fiscal year basis. The Board agreed to this proposal.

A motion was made, upon the recommendation of the Governance Committee, to extend the current term of the Chair and Vice-Chair to the end of FY 2019, with the Chair and Vice-Chair being elected annually on a fiscal year basis thereafter.

All in favor. Motion approved.

- vii. For the next item, Mr. Duncan covered the Board Self-Assessment. Historically, as he noted, the Board Self-Assessment was developed and presented in the Spring. However, given that the Board was recently constituted in January, Mr. Duncan explained that the Governance Committee made a recommendation to carry out the self-assessment on a semi-annual basis for this first year and then annually thereafter to help promote the effective functioning of the new Board and its committees. The Board agreed to this proposal.
- viii. Next, Mr. Duncan provided a brief update on meeting format and locations for FY 2019. He noted that the Governance Committee will work with staff to send out a survey soon to gauge the Board's preferences on meeting format and locations for FY 2019.
- ix. Lastly, Mr. Duncan opened the floor to Mr. Hollowell, who provided a brief overview of the County Commissioner Advisory Boards, as described in G.S. § 122C-118.2. After Mr. Hollowell's discussion, Mr. Duncan noted for the Board that it is the recommendation of the Governance Committee to have Cardinal's 20 counties appoint commissioners to a County Commissioner Advisory Board ("CCAB"), consistent with G.S. § 122C-118.2, and to also use this CCAB as a Selection Committee for the purpose of filling vacancies on the Board of

Directors. He noted that the Governance Committee further discussed working with the NC Association of County Commissioners to facilitate this process.

A motion was made, upon the recommendation of the Governance Committee, to approve the appointment of commissioners to the County Commissioner Advisory Board ("CCAB") and to also use this CCAB to serve as a Selection Committee for purposes of filing vacancies on the Board of Directors, consistent with N.C. Gen. Stat. § 122C-118.1.

All in favor. Motion approved.

- x. The Board then asked the Governance Committee to work on developing a process whereby the Board can make recommendations to the Selection Committee, as the initial appointing authority under N.C. Gen. Stat. § 122C-118.1, to remove a director if sufficient grounds exist for doing so.

12. Finance and Audit Committee Report

- i. Dan Brummitt, Chair, provided a brief update on the Finance and Audit Committee Meeting that was held on Friday, March 23, 2018.
- ii. For the first item, Mr. Brummitt provided an overview of the Committee's efforts to engage CliftonLarsonAllen, LLP to serve as Cardinal's Independent Auditor for FY 2018. In his report, he noted that the Finance and Audit Committee met yesterday with representatives from CliftonLarsonAllen, LLP to discuss the proposed audit plan for FY 2018. As noted, it is the role of the independent auditor to express an opinion on the Organization's financial statements and to provide a report on Cardinal's internal controls over financial reporting, including compliance with major federal and state programs.
- iii. Mr. Brummitt further explained that CliftonLarsonAllen, LLP works with other LME/MCOs in North Carolina, and that it is the recommendation of the Committee for the Board to engage CliftonLarsonAllen, LLP to serve as Cardinal's Independent Auditor for FY 2018. After discussing the matter, the Board agreed to this recommendation.

A motion was made, upon the recommendation of the Finance and Audit Committee, to approve the engagement of CliftonLarsonAllen, LLP to serve as Cardinal's Independent Auditor for FY 2018.

All in favor. Motion approved.

- iv. Next, Mr. Hollowell provided an update on the Corrective Action Plan. Among other things, he addressed Board spending, Cardinal's revised credit card policy, and the internal audit that will be completed over the coming months to determine Cardinal's compliance with the Corrective Action Plan.
- v. In its discussion regarding Board spending, the Governance Committee was asked by the Board to develop a proposed process for setting appropriate expense amounts for professional development opportunities for the Board of Directors.

- vi. For the next agenda item, Mr. Suten provided an update on Cardinal's latest financial information. In his discussion, he reviewed: (i) the Statement of Net Position as of 2/28/18, (ii) the Statement of Revenues, Expenses and Changes in Net Position as of 2/28/18, and (iii) service revenue and expenses for FY15, FY16, FY17 and FY18.
- vii. In reviewing the financials, the Board asked staff to highlight the slide on the unrestricted fund balance in future meetings and to clearly communicate its meaning and impact on the Organization.
- viii. After reviewing the latest financial information, Mr. Suten reviewed the budget details for the proposed Budget Amendment #3. Among other things, he noted that this budget amendment includes additional funding for the community reinvestment initiative and other professional services approved by the Board.
- ix. In reviewing the budget details, the Board discussed the possible need to add an additional \$350,000 to Item 3D to account for possible legal expenses; otherwise, the Board agreed to the proposed Budget Amendment #3 as presented.

A motion was made, upon the recommendation of the Finance and Audit Committee, to approve Items 3A, 3B, 3C, 3E, 3F, and 3G in the proposed Budget Amendment #3 as presented.

All in favor. Motion approved.

A motion was made and seconded by the Board to add \$350,000 to Item 3D and, accordingly, to approve Item 3D in the proposed Budget Amendment #3 as amended.

All in favor. Motion approved.

- x. Lastly, Mr. Brummitt provided an update on certain compliance matters. In his discussion, he explained that the Finance and Audit Committee is responsible for overseeing the Organization's compliance and ethics programs, and that the Committee met yesterday with Amber Burris, Cardinal's Corporate Compliance Officer, to review the 2017 Year End Compliance Report and the Corporate Compliance Plan.

13. Performance, Evaluation & Compensation Committee Report

- i. Tchernavia Montgomery, Chair, briefly updated the Board on the meetings that were held by the Performance, Evaluation and Compensation Committee on March 7th and March 16th.
- ii. For the first agenda item, Ms. Montgomery reviewed the revised charter for the Performance, Evaluation and Compensation Committee. In reviewing the charter, the Board made a recommendation to amend Item #4 to ensure that the evaluation of the CEO gets reported to the full Board in closed session; otherwise, the Board agreed to the charter as presented.

A motion was made, upon the recommendation of the Performance, Evaluation and Compensation Committee, to approve the charter of the Performance, Evaluation and Compensation Committee as amended.

All in favor. Motion approved.

- iii. Ms. Montgomery then reviewed the minor revisions to Cardinal's Bylaws. She noted that the Bylaws were amended to change the Committee's name to Performance, Evaluation and Compensation Committee as well as to clarify that the Committee is responsible for overseeing the compensation matters of the Organization. The Board agreed to the minor revisions to Cardinal's Bylaws.

A motion was made, upon the recommendation of the Performance, Evaluation and Compensation Committee, to approve the revised Cardinal Bylaws as presented.

All in favor. Motion approved.

- iv. Next, Ms. Montgomery opened the floor to Mr. Suttan to review the CEO Performance Goals for FY 2018. As he noted, the goals are connected to the Project Future Initiative and cover Cardinal's efforts in restoring credibility and trust, recruiting and retaining talent, and developing a strategic plan for Medicaid Reform. The CEO Performance Goals also are tied to Cardinal's implementation and monitoring of its Corrective Action Plan.

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

All in favor. Motion approved.

- v. For the next agenda item, Ms. Montgomery reviewed various policies with the Board. Specifically, she reviewed the following: (i) Cardinal's Compensation Plan, (ii) Policy 3110 on Recruitment, Selection and Advancement, (iii) the Organization's Severance Policy and (iv) the template employment agreement for executive staff. During the discussion, Mr. Hollowell noted that the template employment agreement for executive staff does not contain any "Change of Control" provision, and that the maximum severance payment period under the template agreement is 12 months.

A motion was made, upon the recommendation of the Performance, Evaluation and Compensation Committee, to approve the following: (i) Cardinal's Compensation Plan, (ii) Policy 3110 on Recruitment, Selection and Advancement, (iii) the Organization's Severance Policy and (iv) the template employment agreement for executive staff.

All in favor. Motion approved.

- vi. Ms. Montgomery opened the floor to Ms. Kendall to provide an update on executive staffing. In her report, Ms. Kendall provided an update on recruitment for the open executive positions, including CFO and COO.

A motion was made and seconded to go into closed session pursuant to § 143-318.11 and § 122C-158 of the General Statutes to consider a personnel matter and § 143-318.11(a)(3) of the General Statutes to discuss attorney-client privileged matters.

All in favor. Motion approved.

The meeting returned to open session.

A motion was made, upon the recommendation of the Performance, Evaluation and Compensation Committee, to convert Mr. Suttan to permanent CEO.

All in favor. Motion approved.

A motion was made and seconded to adjourn the meeting.

All in favor. Motion approved.

Meeting adjourned at 2:23 p.m.



Callan Skinner, Clerk

4/30/18

Date