

# Board of Directors Meeting Minutes

## June 11, 2018

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

**Directors Absent:** Keith Duncan

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

**Guests:** Brian Wheelan and Janet Breeding

### 1. Welcome and Call to Order

Bryan Thompson, Chair, called the meeting to order at 9:05 a.m.

- i. Chuck Hollowell, General Counsel and Secretary, installed Devon Cornett as a new director. Ms. Cornett was recently elected as the Chair of the Cardinal Provider Council and will be serving on the Board in this capacity.
- ii. Gladys Williams, Director, UNC School of Medicine Clinical Psychology Internship, Karen Dunn, Executive Director, Club Nova, and other members of the public addressed the Board of Directors.
- iii. The Board held its annual public hearing and invited guests to address the Board on Cardinal's proposed Budget for FY 2019. No guests addressed the Board.

### 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 open and closed meeting minutes from the April 28, 2018 Board of Directors Meeting, (ii) the April 2018 Executive Report, (iii) the FY 2018 Consumer & Family Advisory Committee Annual Report, and (iv) the FY 2018 Client & Human Rights Committee Annual Report.

All in favor. Motion approved.

### 3. CEO Report

- i. Trey Suttan, CEO, presented the CEO Report. In his update, he began by noting that Project Future was launched in January with the goal of addressing the highest priority issues and concerns identified by Cardinal's members, communities and employees.
- ii. As part of the Project Future Initiative, Mr. Suttan noted that Cardinal held 5 Town Hall Meetings across its catchment, where it assembled and distributed an estimated 10,000 Narcan Kits, all in an effort to help Cardinal reestablish trust and credibility with its members and stakeholders.
- iii. Mr. Suttan noted that, with respect to improving operations, Cardinal has developed plans to measure, monitor, and sustain high performance levels relative to the DMA and DMH super measures. For example, under the Transition to Community Living Initiative, Cardinal has achieved 152 placements, exceeding both mid-year and year-end goals.
- iv. Next, Mr. Suttan provided an update on various other initiatives that Cardinal has completed over the last six months. In particular, Mr. Suttan explained that Cardinal is subject to an annual External Quality Review ("EQR"), which is a federally mandated audit of organizations that operate under a Medicaid waiver. In January 2018, Cardinal received its final EQR Report, with a score of 94%.
- v. After discussing Cardinal's initiatives, Mr. Suttan provided an update on Cardinal's strategic plan. In doing so, he noted that, at the Board's April Strategic Planning Meeting, the Board decided that transitioning Cardinal's current LME/MCO model to a Tailored Plan is in the best interests of its members. It also decided that Cardinal's community-based model of care is a key competitive differentiator for the Organization.
- vi. Mr. Suttan then provided details on Cardinal's strategy to help the Organization make the transition to a Tailored Plan. This strategy formulation focuses on five key pillars, including: (i) operational readiness, (ii) community-based governance as a differentiator, (iii) clinical operations as a competitive advantage, (iv) providers as allies, and (v) employees as change agents.
- vii. Mr. Suttan further noted that, at its April Meeting, the Board made it a point to emphasize that Cardinal needs to maintain a community-based model of governance, one that promotes a governance structure which engages members, families, and providers in order to enhance Cardinal's engagement and accountability with its local communities.
- viii. Next, Mr. Suttan addressed several key impacts related to the proposed FY 2019 Budget. Among other things, he briefly covered the new solvency standards that have been implemented by the Department to evaluate the cash position of each LME/MCO.
- ix. Lastly, Mr. Suttan opened the floor to Adam Cook, Director of Corporate Strategy and Government Relations, to provide an update on the Community Reinvestment Initiative. In his

overview, Mr. Cook noted that the goal of the initiative is to invest in the communities that Cardinal serves.

- x. According to Mr. Cook, the following entities were eligible to submit proposals under the Community Reinvestment Initiative: (i) counties within Cardinal's 20-county service area, (ii) local public school systems and higher education institutions, (iii) municipalities within Cardinal's 20-county service area, and (iv) well-established organizations (defined as being in operation for a minimum of three years and qualifying for exemption under Section 501(c)(3), 501(c)(4), or 501(c)(6) of the IRS code).
- xi. Next, Mr. Cook provided an overview of the process that Cardinal used in scoring each proposal. Specifically, he noted that a 15-member evaluation committee read, reviewed, and scored each proposal independently in order to create an average score. The proposals scoring in the top 50<sup>th</sup> percentile were then reviewed and discussed by the executive leadership team and were shared with the Senior Community Executives and Network Management for additional assessment and review. In all, 242 proposals were received totaling \$47.6 million.
- xii. After discussing the evaluation process, Mr. Cook presented management's recommendations for the Board to consider for selection and award. In doing so, Mr. Suttan explained that the Board will need to approve an amendment to the current budget in the amount of \$200,000 to cover the increase in proposed awards from \$3.8 to \$4 million.
- xiii. In its discussion, the Board provided a few recommendations for staff to consider in the event Cardinal implements a similar initiative in the future, particularly noting that Cardinal should consider obtaining feedback from the local DSS and public health departments on any proposed awards.
- xiv. After discussion, there was a general consensus among the Board to move forward and approve management's list of proposed awards under the Community Reinvestment Initiative, including adding an additional \$200,000 to the current budget to cover the increase in the proposed awards from \$3.8 to \$4 million.

**A motion was made and seconded by the Board to approve management's list of proposed awards under the Community Reinvestment Initiative, including adding an additional \$200,000 to the current budget to cover the increase in the proposed awards from \$3.8 to \$4 million.**

**All in favor, with the exception of Mr. Pilkington and Ms. Corpening who voted against the motion. Motion approved.**

#### **4. Awareness Campaign**

- i. Ashley Conger, Vice President, Communications and Marketing, provided an update on the Awareness Campaign. In her discussion, Ms. Conger reviewed the goals of the Awareness Campaign, which include: (i) focusing on members and outcomes, (ii) providing specific

resources for suicide prevention, addiction and IDD, (iii) rebuilding trust in Cardinal's brand and employees, and (iv) driving stakeholders to Cardinal's newly designed website.

- ii. Ms. Conger then presented the initial results of the Awareness Campaign, particularly focusing on brand perception, the website, call volume, and media activity. She noted that call volume is up 13% since the digital media launched, as compared to the two weeks prior.

## **5. Information Technology Report**

- i. Steve Ermish, Chief Information Officer, presented the IT Security Update. In his report, he provided an overview of the IT Security Operations for 2016 and 2017.
- ii. Mr. Ermish noted that, among other things, Cardinal will continue to mature its security posture through process documentation and refreshing its security technology.

## **6. Executive Committee Report**

- i. Bryan Thompson, Chair, briefly updated the Board on the Executive Committee Meetings that were held on April 25th and June 10th, 2018. In his discussion, he noted that both the April and June Meetings were used to preview the Board agenda in order to make sure everything is covered appropriately.
- ii. Mr. Thompson also noted that the Executive Committee, as its meeting in April, adopted a motion recommending to the Board that it approve an amendment to Mr. Suttin's employment agreement to extend the reimbursement of his reasonable commuting expenses for an additional 90 days.

## **7. Finance and Audit Committee Report**

- i. Dan Brummitt, Chair, briefly updated the Board on the Finance and Audit Committee Meetings that were held on May 15th and June 11th, 2018. In his discussion, Mr. Brummitt noted that the Committee met in May and June to discuss the proposed Budget for FY 2019.
- ii. Next, Mr. Brummitt opened the floor to Mr. Suttin to review the 2018 Financial Results. As part of his update, Mr. Suttin reviewed (i) the Statement of Net Position as of 4/30/18, (ii) the Statement of Revenues, Expenses and Changes in Net Position as of 4/30/18, (iii) Medicaid Services as of 4/30/18, (iv) Medicaid Services by Catchment as of 4/30/18, and (v) Medicaid Services per Member per Month as of 4/30/18.
- iii. After reviewing the latest financial statements, Mr. Suttin presented the FY 2019 Budget Plan. In his review, he covered the Change in Net Position for FYs 15-16-17 (Actual) and FYs 18-19 (Forecast). Mr. Suttin also provided an overview of the FY 2019 Medicaid Service Budget.
- iv. As part of his review of the FY 2019 Budget Plan, Mr. Suttin noted that the FY 2019 Budget does not reflect the recent legislative development that would increase Cardinal's reduction in State funding by \$17.8 million, for an anticipated total reduction of \$44 million. He explained

that, once the reductions in State funding are finalized, staff will bring a budget amendment to the Finance and Audit Committee to address these budget cuts.

- v. The Board agreed, upon the recommendation of the Finance and Audit Committee, to move forward in approving the FY 2019 Budget and Budget Ordinance.

**A motion was made, upon the recommendation of the Finance and Audit Committee, to approve the FY 2019 Budget.**

**All in favor. Motion approved.**

**A motion was made, upon the recommendation of the Finance and Audit Committee, to approve the FY 2019 Budget Ordinance.**

**All in favor. Motion approved.**

- vi. Next, Mr. Brummitt reviewed Cardinal's policy for funding capital projects. In his discussion, he noted that the Finance and Audit Committee, at its March meeting, asked staff to develop a policy with guidelines for funding capital projects.
- vii. In his remarks, Mr. Brummitt explained that the policy is designed to ensure that all funding contributions are considered equally, and that such funds are utilized to support the mission of Cardinal and its members.
- viii. The Committee asked staff to make several revisions to the policy, including making a modification to allow requests for capital proposals, while also maintaining a preference for programmatic projects.
- ix. Lastly, Mr. Brummitt provided an update on Club Nova's request for Cardinal to support its capital campaign and expansion project. In his discussion, he noted that Club Nova is requesting a \$1.5 million leadership investment from Cardinal to help update its facilities.
- x. Mr. Brummitt informed the Board that staff is recommending a pledge of \$500,000 to support Club Nova's capital campaign. He explained that the pledge would be payable in full upon Club Nova reaching 80% of its pledge goal of \$5 million. He noted further that the pledge may be rescinded if Club Nova does not reach 80% by December 31, 2019.

## **8. Governance Committee Report**

- i. Dr. Jennifer Richards, Chair, briefly updated the Board on the Governance Committee Meeting that was held on April 28, 2018.
- ii. In her discussion, Dr. Richards noted that the Board asked the Governance Committee, at its March meeting, to develop a process that gives the Board the ability to make recommendations to the Selection Committee, as the initial appointing authority under G.S. § 122C-118.1, to remove a director if sufficient grounds exist for doing so.

- iii. Dr. Richards then opened the floor to Mr. Hollowell to provide further detail on the proposed director removal process. Among other things, Mr. Hollowell explained to the Board that staff worked with Ed Chaney to outline a process in Cardinal's Bylaws that gives the Board the ability to make recommendations to the Selection Committee to remove a director if sufficient grounds exist for doing so.
- iv. In reviewing the revisions to the Bylaws, Mr. Hollowell noted that any recommendation for removal must be approved by the full Board prior to being sent to the Selection Committee.
- v. After discussion, there was a general consensus among the Board to move forward with the director removal process as outlined in Cardinal's Bylaws.

**A motion was made, upon the recommendation of the Governance Committee, to approve the proposed director removal process and the corresponding revisions to Cardinal's Bylaws.**

**All in favor. Motion approved.**

- vi. Next, Dr. Richards provided an update on the County Commissioner Advisory Board ("CCAB"). She noted that, at its March meeting, the Board approved, upon the recommendation of the Governance Committee, the appointment of commissioners to the CCAB and to also use this CCAB to serve as a Selection Committee for purposes of filling vacancies on the Board of Directors, consistent with G.S. § 122C-118.1.
- vii. Dr. Richards then noted that the Board needs to fill the hospital administrator slot, which is a non-voting position. In considering this vacancy, she noted that the Governance Committee discussed the Board's role in making recommendations to the Selection Committee and also asked staff to bring back names of potential candidates to fill the hospital administrator slot at the Committee's next meeting.
- viii. Next, Dr. Richards provided an update on Cardinal's Community Boards. In her discussion, she noted that there was a general consensus among the Committee members that the Community Boards provide value to Cardinal and its members, but that work needs to be done to clarify their role.
- ix. Dr. Richards also noted that the Community Boards, as determined by the Board at its April Strategy Meeting, have an important role in furthering Cardinal's community-based model of care and can provide important connections to Cardinal's stakeholders.
- x. Next, Dr. Richards provided an update on professional development opportunities for the Board. She noted that, at its March Meeting, the Board asked the Governance Committee to work on developing a process for setting appropriate expense amounts for professional development, including whether a per director budget or other reasonable amount, may be appropriate.

- xi. In discussing professional development opportunities, Dr. Richards informed the Board that there was a general consensus among the Committee members to set a single budget of \$50,000 for professional development opportunities for the Board in FY 2019. She also noted that the Committee decided against establishing per director budgets for conferences and trainings.
- xii. Lastly, regarding meeting dates for FY 2019, Dr. Richards noted that the Board was evenly split between the two-day meeting format and the single-day meeting format. In its discussion, the Board decided upon the following meeting schedule for FY 2019: (i) August 17-18, 2018, (ii) October 26, 2018, (iii) December 14-15, 2018, (iv) February 22, 2019, (v) April 26-27, 2019, and (vi) June 21, 2019.

## 9. Real Estate Ad Hoc Committee Report

- i. Mr. Thompson, Chair, briefly updated the Board on the Real Estate Ad Hoc Committee Meeting that was held on May 14, 2018.
- ii. In his discussion, Mr. Thompson opened the floor to Mr. Suttan to provide an overview of the Committee's purpose. In doing so, Mr. Suttan noted that, at its March 2018 Meeting, the Board decided to establish a Real Estate Ad Hoc Committee to examine Cardinal's real estate portfolio, its real estate philosophy, and, as part of this, its leased space at NASCAR Plaza.
- iii. Next, Rob Bryan, Chief Development Officer, noted that Jones Lang LaSalle, Cardinal's commercial real estate broker, presented various options to the Committee regarding Cardinal's owned and leased space in the Charlotte area, including NASCAR, along with an accompanying financial analysis.
- iv. In discussing the Committee's proposed recommendations, the Board directed staff to: (i) market and pursue a sublease of the 17<sup>th</sup> floor at NASCAR Plaza and entertain any offers that may be made regarding floors 14, 15 and 16, (ii) proceed with procuring a short term lease at Prosperity Place, and (iii) conduct a workforce analysis to determine how maintaining a principal office in Charlotte or Kannapolis affects its ability to hire and retain talent, particularly IT staff, once it receives clarity from the General Assembly regarding the status of LME/MCOs under the State's Medicaid Reform Plan.

**A motion was made, upon the recommendation of the Real Estate Ad Hoc Committee, to direct staff to: i) market and pursue a sublease of the 17<sup>th</sup> floor at NASCAR Plaza and entertain any offers that may be made regarding floors 14, 15 and 16, (ii) proceed with procuring a short term lease at Prosperity Place, and (iii) conduct a workforce analysis to determine how maintaining a principal office in Charlotte or Kannapolis affects its ability to hire and retain talent, particularly IT staff, once it receives clarity from the General Assembly regarding the status of LME/MCOs under the State's Medicaid Reform Plan.**

**All in favor. Motion approved.**

## 10. Performance, Evaluation and Compensation Committee Report

- i. Tchernavia Montgomery, Chair, briefly updated the Board on the Performance, Evaluation and Compensation Committee Meeting that was held on May 21, 2018.
- ii. In her discussion, Ms. Montgomery provided an update on the CEO Performance Goals for FY 2018. In particular, she noted that the CEO Goals, which primarily relate to the initiatives under Project Future, were developed in recognition of the fact that Mr. Suttan assumed the responsibilities of Interim CEO five months into the current fiscal year.
- iii. Ms. Montgomery noted for the Board that, once the CEO Goals were approved in March, the Committee then asked staff to provide baselines to assist it in measuring Mr. Suttan's performance in achieving the CEO Goals for FY 2018.
- iv. Next, Ms. Montgomery presented an update the CEO Performance Evaluation. Among other things, she noted that the Performance, Evaluation and Compensation Committee is responsible for assisting the Board in carrying out the annual CEO Performance Evaluation and ensuring that this process contributes to the achievement of Cardinal's mission and goals.
- v. As part of the evaluation process, Ms. Montgomery explained that Mr. Suttan will complete a self-assessment describing the Organization's achievements relative to the CEO Goals.
- vi. In its discussion, the Board requested that a third party be responsible for compiling the results of the CEO Performance Evaluation.
- vii. Next, Ms. Montgomery provided an update on the CEO Salary Study. In doing so, she noted that, as part of the Committee's charter that was approved by the Board, the Committee is responsible for annually reviewing the CEO's compensation package.
- viii. Ms. Montgomery informed the Board that the Committee plans to engage a consultant to conduct the CEO salary market analysis, which will assist the Committee in carrying out the CEO Performance Evaluation process and determining annual incentive pay.
- ix. According to Ms. Montgomery, the Committee will work on this market analysis over the summer in order to have a comparison available for when OSHR sets its revised salary range.
- x. Lastly, Mr. Hollowell provided an update on Cardinal's appeal regarding OSHR's salary range for LME/MCO CEOs. In his discussion, he noted that Cardinal is working with OSHR to develop guidelines for setting an appropriate salary range for LME/MCO CEOs, and that OSHR is willing to conduct a new salary study to reflect the increased responsibilities of LME/MCO CEOs, which includes the management of federal Medicaid funds.



- xi. Mr. Hollowell further noted that, once the new OSHR salary range is set, LME/MCO CEO salaries will need to be within this range, or LME/MCOs will have the option to seek an exception as permitted by the General Statutes.

## 11. General Counsel Report

- i. Mr. Hollowell reviewed the proposed resolution establishing the Litigation Committee. In doing so, he noted that, at its April Meeting, the Board decided to establish a Litigation Committee to address litigation matters involving former Cardinal executives, and that the Board asked staff to prepare a resolution establishing the same for the upcoming June Board Meeting.
- ii. In reviewing the proposed resolution, Mr. Hollowell noted that it vests the Litigation Committee with the full authority of the Board to do all things and to take all acts to resolve the litigation matters involving the former Cardinal executives, including directing the filing and prosecution of litigation on behalf of the Organization and/or authorizing settlement or other resolution, as the Litigation Committee deems appropriate and in the best interests of the Organization.
- iii. After the Board discussed the proposed resolution, there was a general consensus among the Board to adopt the resolution establishing the Litigation Committee.

**A motion was made and seconded by the Board to adopt the resolution establishing the Litigation Committee.**

**All in favor, with the exception of Mr. Dunlap who abstained. Motion approved.**

## 12. Board Member Comment

- i. There was discussion by the Board to include, as a final matter before adjournment, a new standing agenda item for Board member comment.
- ii. The Board discussed, among other things, the Consumer Family Advisory Committees ("CFACs"). In its discussion, the Board requested that staff provide additional information regarding its responsibilities related to the CFACs, including how CFAC members are appointed to the Board.

**A motion was made and seconded to adjourn the meeting.**

**All in favor. Motion approved.**

**Meeting adjourned at 3:48 p.m.**



Callan Skinner, Clerk

8/20/18

Date