

Board of Directors Meeting Minutes

December 4, 2020

Directors Present: Bryan Thompson, Chair, Carmen Hooker Odom, Chair-Elect, Jean Andersen, Dan Brummitt, Keith Duncan, Bob Byrd, Dr. Christopher Colenda, Scott Craver, Layton Long, Laura Happe, Denise Hill, Thomas Lane, Tchernavia Montgomery, Beverly Morrow, Gordon Powell, Michael Wise, Judy Klusman, Chris Day, Terry Cox, Devon Cornett, Marcelle Smith and Tri Tang

Directors Absent: George Dunlap

Staff Present: Trey Suttan, Chuck Hollowell, Rudy Dimmling, Mary Hamilton, Dietrick Williams, Ashley Conger, Amy Kazmierczak, Casey Hossa, Dr. Wendy Welch, Reese Edwards, Karen Bentley, King Jones, Molly Dean, Julie Zawislak, Allison Stewart, Ric Bruton, and Bronwyn Dolan

Guests: Brad Owen, Dolly Clayton, Michelle Lancaster, Julie Whitaker, Sarah Potter, Jamezetta Bedford, Karen Kincaid, Vonda Richey, Christopher Shre, and Nancy Phillips

Location: Due to the Governor's Executive Orders limiting in-person meetings as a result of COVID-19, this Board of Directors meeting was held via Webex. The Webex link was made available to the public via Cardinal's website in advance of the meeting.

1. Welcome and Call to Order

- i. Bryan Thompson, Chair, called the meeting to order at 9:01 a.m.
- ii. Chuck Hollowell, General Counsel, conducted roll call and reviewed the guidelines for the meeting given that it is being held remotely due to the Governor's Executive Orders limiting in-person meetings as a result of COVID-19.
- iii. Mr. Thompson thanked Tom Lane for his service on the board; Mr. Lane rolls off in January.

2. Consent Agenda

- i. Mr. Thompson presented the Consent Agenda for approval.

A motion was made and seconded to approve the Consent Agenda as presented, consisting of: (i) November 13, 2020 Board of Directors Open Meeting Minutes, (ii) November 13, 2020 Board of Directors Closed Meeting Minutes, (iii) Sullivan Cotter Engagement, (iv) RHC appointment, and (v) Governance Guidelines and Bylaws.

All in favor. Motion approved.

3. Executive Committee Report

- i. For this agenda item, Mr. Thompson provided an update on the Executive Committee meeting that was held on December 3, 2020.
- ii. Among other things, Mr. Thompson explained that Trey Suttan, CEO, previewed the agenda and the CEO Report for the December 2020 Board of Directors Meeting. Also, Mr. Thompson announced the new committee assignments, thanked the committee chairs who completed their 3-year chair term (Tchernavia Montgomery (PEC) and Dan Brummitt (Finance and Risk)), and welcomed the new committee chairs (Jean Andersen (PEC) and Michael Wise (Finance and Risk)).

4. Finance and Risk Committee Report

- i. For this agenda item, Mr. Thompson opened the floor to Dan Brummitt, chair, who turned to Mary Hamilton, Chief Financial Officer, to present the Finance Report. In her remarks, Ms. Hamilton began by reviewing the Executive Summary. For October 2020 YTD, revenue is 18.6% favorable to plan due to the COVID-19 Temporary Rate increase and increasing members (DHHS put a temporary stay on eligibility expiration, so no member attrition); care expenses are 15.6% higher than plan driven by increased net utilization; Loaded MLR is 86.8%, 3.8 percentage points lower than plan; and net margin is \$28.1M, favorable to plan by \$22.8M.
- ii. Next, Ms. Hamilton shared a four-year net contribution margin lookback. In FY18 and FY19, Cardinal experienced losses in net position; however, net contributions in FY20 and estimated FY21 nearly returned the organization to even.
- iii. Medicaid revenue (\$314.3M) was impacted by a base rate increase, member increase and COVID-19 temporary rate increase; expenses (\$272.9M) were influenced by Care Enhancement initiatives and increased utilization (from COVID). Non-waiver revenue was \$61.1M and care expenses were \$53.5M; Cardinal anticipates meeting or exceeding the \$70.1M MOE Requirement by June 2021.
- iv. Administrative expenses were favorable to plan driven by non-labor expense; labor expenses were higher than budget due to lower attrition.
- v. Cardinal's solvency calculation as of October 2020 is within the upper and lower limits.
- vi. Ms. Hamilton went on to discuss the Plan of Action funding including the \$30M foster care sub-capitation and \$2.5M community reinvestments.
- vii. In the Care Snapshots, Ms. Hamilton highlighted that Emergency Department (ED) cost of care declined during FY20; though COVID-19 was a contributing factor, ED spend has decreased by ~40% since May of 2019. Also, as it relates to TAR approval rates, Cardinal, unlike its peers, had been reporting partial approvals as denials. Correcting for this, the monthly approval rate was close to 99%.
- viii. Finally, Ms. Hamilton turned to the investment summary. Over the past fiscal year Cardinal has begun expanding the investment portfolio by partnering with Wells Fargo and purchasing commercial paper while monitoring other investment opportunities. Due to the pandemic and the resulting economic downturn, investment opportunities within our investment policy are currently yielding less than 0.5%.
- ix. Next, Mr. Brummitt turned to Mr. Hollowell to deliver the Conflict of Interest training. Mr. Hollowell began with a review of the topic. Several on our board have other commitments

which may create a conflict but are often easily mitigated. Cardinal needs board members with a variety of experiences; the organization simply must disclose all interests and address situations as they arise. Mr. Hollowell then reviewed the Catherine Pugh case study and the board responsibilities of Duty of Loyalty and Duty of Care. Cardinal renamed its Conflict of Interest policy to Outside Activities and Relationships and expanded the scope such that it applies to the Board of Directors, requires disclosure of activities and relationships related to family members, and includes updated examples of what needs to be disclosed. The new processes clarify expectations, monitor for Related Party Transactions, and ensure appropriate review by the Board Chair and Chief Ethics and Compliance Officer. Mr. Brummitt requested that Cardinal consider synchronizing this reporting requirement with the annual state ethics reviews.

5. CEO Report (open)

- i. For this agenda item, Mr. Thompson opened the floor to Trey Suttan, CEO. Mr. Suttan began by setting the focus: members first. Cardinal's immediate goals are to operationalize the Plan of Action ("POA") and to secure a Tailored Plan contract that allows for integrated care. The efforts are informed by three key pillars: rebuild relationships, align the organization, and execute on the POA. The engagement strategy includes building confidence, increasing awareness, improving member experience, growing the ally network, and improving provider experience.
- ii. Next, Mr. Suttan turned to Dietrick Williams, Chief Operations Officer, to discuss various operations topics. Mr. Williams began with an update on the POA. Cardinal has met or is on track to meet the deliverables across the seven concern areas.
- iii. Mr. Williams then highlighted some performance metrics: in-patient length of stay and TARs processing. The goal for in-patient length of stay is eight days and Cardinal is on target in state MH, state SA, and Medicaid SA, and trending in that direction in Medicaid MH. For TARs in the foster care population, Cardinal is exceeding its POA target ($\geq 50\%$ of TARs processed in 72 hours by 12/31/20) in recent weeks, with 59% (Nov 8-14) and 65% (Nov 15-21).
- iv. Next, Mr. Williams discussed Organizational Alignment, beginning with Community Operations. The focus of Community Operations is transforming the organization, maturing the governance processes, and serving local communities. Beginning in December 2020, Cardinal is implementing a community outreach model designed to strengthen Cardinal's community presence, drive tangible results, and deliver consistency. The organization aims to build confidence and trust by engaging three communities in particular: health systems, faith-based leaders and those experiencing homelessness and will leverage the Regional Health Councils to address and integrate operational improvements. As it relates to network capacity, Cardinal will contract with Thompson Child & Family Focus in a Hi-Fidelity Wraparound program with Value Based Contracting (VBC) measures and other TFC providers. The Network Management team has also established an up-side only, COVID Value Based Incentive Program for Residential Alternative Family Living (AFL), Telehealth, and Direct Support Professionals. Finally, in care management, Cardinal is partnering with local stakeholders and hospital systems and co-locating in hospitals.
- v. Mr. Suttan provided a Tailored Plan update. Cardinal is hard at work on the RFA response. The applications are due February 2, 2021 and the contract award is expected June 11, 2021. Post-award milestones include submitting an operating plan and business continuity plan by July 11,

2021, and other plans are due September 9, 2021. Cardinal is developing Utilization Management, Quality Management, claims operations for physical and pharmacy benefits, in addition to the existing behavioral health (“BH”) and intellectual/development disability benefits.

- vi. Mr. Suten concluded with a legislative update. In North Carolina, the 2020 election results did not drastically change the composition of either legislative body nor the Executive Branch. Cardinal expects largely a continuation of the status quo. The priorities will include preservation of public BH system and current path for Tailored Plan implementation, adequate funding of NC’s BH safety net system, funding for additional Innovations Waiver slots, funding for wage increases for Direct Support Workers, and support for the statewide specialty foster care plan.

6. Questions/Board Comment

- i. Mr. Thompson then opened the floor for questions and discussion ensued on various topics including co-location, quality control for TFC, Tailored Plan scenario planning, the Board’s appreciation of the staff, roll-off of COVID increased rates, hospital/medical school partnerships, foster care TARs, and foster care sub-capitation plan.

For the next agenda item, Mr. Thompson noted that the Board will need to discuss, among other things, competitive healthcare information and personnel matters in closed session.

A motion was made and seconded to go into closed session pursuant to § 143-318.11 and § 122C-126.1 of the General Statutes to discuss competitive health care information and pursuant to § 143-318.11 and § 122C-158 of the General Statutes to discuss personnel matters.

All in favor. Motion approved.

7. CEO Report (closed)

8. Performance, Evaluation and Compensation Committee Report

The meeting returned to open session.


A motion was made, upon recommendation from the Finance and Risk Committee, to remove of the contingency related to Orange County’s disengagement efforts from pledge to Club Nova.

All in favor. Motion approved.

A motion was made and seconded to adjourn the meeting.

All in favor. Motion approved.

Meeting adjourned at 12:59 p.m.

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Julie Zawislak, Secretary

02-22-2021

Date