

Board of Directors Meeting Minutes

June 19, 2020

Directors Present: Bryan Thompson, Chair, Carmen Hooker Odom, Vice Chair, Jean Andersen, Dr. Richard Blanks, Dan Brummitt, Bob Byrd, Dr. Christopher Colenda, Devon Cornett, Terry Cox, Scott Craver, Keith Duncan, George Dunlap, Thomas Lane, Layton Long, Tchernavia Montgomery, Beverly Morrow, Gordon Powell, Marcelle Smith, and Tri Tang

Directors Absent: Judy Klusman

Staff Present: Trey Suttan, Chuck Hollowell, Ashley Conger, Rudy Dimmling, Mary Hamilton, Dietrick Williams, Amy Kazmierczak, Dr. Wendy Welch, Casey Hossa, Molly Dean, Karen Bentley, Samantha Kelen, Anna Marshall, Callan Skinner, Ric Bruton, King Jones, Laurie Whitson, and Melissa Bunker

Guests: None

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 conference call. The conference line number 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 9:02 a.m.
- ii. During the opening remarks, Mr. Thompson congratulated Layton Long on his recent retirement as the Chatham County Public Health Director. Mr. Thompson noted that Mr. Long retired after 32 years of service with state and local public health agencies.
- iii. Next, Mr. Thompson noted that Dr. Richard Blanks will be resigning from the Board, effective after the June Board meeting, to seek an opportunity outside of North Carolina. Mr. Thompson and the Board thanked Dr. Blanks for his service.
- iv. Lastly, Chuck Hollowell, General Counsel and Secretary, 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.

2. Public Hearing for FY21 Proposed Budget

- i. For the next agenda item, the Board held its annual public hearing and invited guests to address the Board on Cardinal's proposed Budget for FY21.

- ii. Mr. Thompson noted that the FY21 Budget has been made available to the public as required by the General Statutes, and that Cardinal staff recently met with the CFAC to share and discuss the proposed FY21 Budget.
- iii. No guests addressed the Board.

3. Management's Update on Public Comments from April Meeting

- i. For this agenda item, Ashley Conger, Chief Communications Officer, noted that Jamezetta Bedford, County Commissioner, Orange County, requested in April that Cardinal make materials available in advance of Board meetings.
- ii. In her remarks, Ms. Conger explained that Cardinal has added to its website the ability to submit a request for Board meeting materials in advance of Board meetings.

4. Consent Agenda

- i. 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 April 24, 2020 Board of Directors Meeting Minutes, (ii) Bylaws, (iii) Governance Guidelines, (iv) Board Leadership Succession Policy, (v) CEO Annual Performance Evaluation Process, (vi) FY21 CEO Base Salary, (vii) FY21 Employee Salary Plan, (viii) Board Meeting Schedule FY21, (ix) Investment Policy, (x) Executive Committee Charter, (xi) Governance Committee Charter, (xii) Finance and Risk Committee Charter, and (xiii) Performance Evaluation and Compensation Committee Charter.

All in favor. Motion approved.

5. Executive Committee Report

- i. For this agenda item, Mr. Thompson provided an update on the Executive Committee meeting that was held on June 18, 2020.
- ii. Among other things, Mr. Thompson noted that the Committee conducted its annual review of the Executive Committee Charter. Consistent with the revisions to the Bylaws, Mr. Thompson noted that the charter revisions added the role of the Immediate Past Chair to the membership of the Executive Committee.

6. CSO Report

- i. For this agenda item, Mr. Thompson opened the floor to Rudy Dimmling, Chief Strategy Officer, to provide an update on Trans-Port. In his remarks, Mr. Dimmling discussed portfolio management for large scale transformations as well as the different projects that comprise Trans-Port.

- ii. Mr. Dimmling explained that portfolio management is a best practice for large-scale transformations and will lead to beneficial outcomes for Cardinal, including: (i) creating a mature structure with a clear view of the critical path, and (ii) establishing performance reporting that is a transparent and credible source of truth.
- iii. In all, Mr. Dimmling noted that there are 31 total projects that comprise Trans-Port, ten of which are already in progress. According to Mr. Dimmling, these projects include Altruista Health, Salesforce, Conduent, and Microsoft Dynamics 365 (Finance and Operations), among others.
- iv. To ensure the Trans-Port projects are successfully implemented, Mr. Dimmling explained that it will be important for Cardinal to maintain strong governance and oversight over these projects, including maintaining a strong EPMO function.

7. COO Report

- i. Next, Mr. Thompson opened the floor to Dietrick Williams, Chief Operations Officer, to present the COO Report. In his remarks, Mr. Williams began by providing an update on Cardinal's short-term project initiatives, including the high-level network assessment and the comprehensive foster care provider network assessment.
- ii. Mr. Williams then reviewed several county action highlights. Among other things, Mr. Williams noted that Cardinal recently assisted RHA in expanding its hours to provide services on Saturdays and Sundays from 8:00a.m. to 8:00p.m. According to Mr. Williams, this will benefit Cardinal's members residing in Alamance, Caswell, and Orange counties.
- iii. Mr. Williams also explained that Cardinal recently met with Union County's Assistant County Manager to discuss a host of topics, including the launch of the new Child Welfare Program.
- iv. Next, Mr. Williams reviewed the HMA RFA Capabilities Assessment. In his remarks, Mr. Williams explained that HMA conducted an operational capabilities assessment to evaluate Cardinal's readiness to become a Tailored Plan.
- v. In his report, Mr. Williams presented the HMA RFA Summary of Key Findings, including the areas where Cardinal is well positioned and the areas where there are opportunities for improvement.
- vi. Among other things, Mr. Williams noted that Cardinal received high marks for its current NCQA accreditation, the newly implemented Regional Health Council model, and Cardinal's recent investment in technology platforms to improve Cardinal's ability to serve its members and stakeholders.

8. CEO Report

- i. For this agenda item, Mr. Thompson opened the floor to Trey Suttan, Chief Executive Officer, to present the CEO Report.

- ii. In his remarks, Mr. Suten began by providing an update on Cardinal’s efforts to respond to the COVID-19 crisis. Among other things, he noted that Cardinal has worked diligently over the last few months, not only to maintain current operations but also to meet the challenging demands of the COVID-19 crisis.
- iii. According to Mr. Suten, Cardinal’s response efforts to COVID-19 are being implemented in four phases, including: (i) transitioning to a remote workforce, (ii) adjusting operational processes, (iii) implementing new initiatives, and (iv) transitioning back to the office.
- iv. In particular, regarding Phase 4, Mr. Suten explained that Cardinal is considering a variety of factors to ensure the safety of Cardinal’s employees and stakeholders, including: (i) allowing flexibility for high-risk employees or those with high-risk family members at home, (ii) limiting the size of in-person meetings, and (iii) evaluating the availability of disinfecting supplies, such as hand sanitizer and surface wipes.
- v. As Cardinal plans for the return to normal operations, Mr. Suten explained that Cardinal will follow industry best practices as well as guidance from DHHS.
- vi. Next, Mr. Suten provided a legislative and regulatory update. In doing so, Mr. Suten explained that, as part of the 2020 Covid-19 Recovery Act, \$12.6M has been allocated to the LME/MCOs for Intermediate Care Facilities, including \$400K for opioid treatment programs operating in North Carolina.
- vii. Under Senate Bill 808, Mr. Suten explained that it is anticipated that there will be a \$50M allocation for the LME/MCOs as part of the Cares Act, and that it is further anticipated that this legislation will end the single-stream funding cuts.
- viii. Next, Mr. Suten opened the floor to Ms. Conger to provide an update on the Center to Advance Consumer Partnership (“CACP”) and the Early Adopter Award. In her remarks, Ms. Conger explained that the CACP was developed to help healthcare and community-based organizations transform the quality of care for people with complex needs.
- ix. According to Ms. Conger, with support from the Robert Wood Johnson Foundation through a \$1.7M grant, the CACP is embarking on a 30-month Consumer Partnership Initiative and is testing this model through an Early Adopter Program with six selected organizations from across the country, one of which is Cardinal.
- x. Ms. Conger explained that the Consumer Partnership Initiative is tailored for organizations that serve members with complex needs. Among other things, Ms. Conger explained that this model focuses on mapping the consumer journey, building consumer participation infrastructure, and developing consumer experience measurement.
- xi. In her discussion, Ms. Conger explained that journey mapping builds a person-centered framework for understanding the consumer experience and lays the critical foundation for making consumer partnership an enduring part of organizational culture.

- xii. Next, Mr. Suttan opened the floor to Mr. Williams to provide an update on the FY20 Goals. In doing so, Mr. Williams explained that Cardinal is slightly below the DHB/DMH performance target of achieving 40% with respect to conducting follow-ups after discharge from an inpatient setting within seven days.
- xiii. Mr. Williams then discussed the performance goal that is designed to improve the rate in which Cardinal is able to process Treatment Authorization Requests (“TARs”). Currently, Mr. Williams explained that the percentage of TAR requests returned is 7%, which meets the target goal.
- xiv. Next, Mr. Suttan opened the floor to Mr. Dimmling to provide an update on the Strategy Goal. In his remarks, Mr. Dimmling explained that the MSA and Implementation SOW with Conduent are on track to be completed and executed by the end of the Fiscal Year.
- xv. In regards to developing the final operating model for Tailored Plan Design, Mr. Dimmling explained that a detailed work plan with timelines (Trans-Port) has been developed to identify the specific projects that are necessary to assist Cardinal in making the transition to a Tailored Plan.
- xvi. Lastly, Mr. Suttan opened the floor to Amy Kazmierczak, Cardinal’s Chief People Officer, to provide an update on Human Resources. In her remarks, Ms. Kazmierczak provided an overview of the processes that will be utilized to drive performance, including: (i) recruiting, (ii) selection, (iii) performance management, (iv) reward, recognition and compensation, (v) talent planning and management, (vi) retention, (vii) assignment management, and (viii) professional development.
- xvii. Ms. Kazmierczak then provided an overview of the FY20 Accomplishments, particularly in the areas of Diversity and Inclusion, Talent Acquisition and Management, Compensation and Benefits, and Training and Development.
- xviii. Lastly, Ms. Kazmierczak provided an update on the Core People Process Timeline. In her discussion, she addressed performance management, total rewards, culture and engagement and training/development.

9. Finance and Risk Committee Report

- i. For this agenda item, Mr. Thompson opened the floor to Dan Brummitt, Chair, and Mary Hamilton, Chief Financial Officer, to provide an update on the Finance and Risk Committee meetings that were held on May 13th and June 18th.
- ii. In May, Mr. Brummitt explained that the Committee reviewed the proposed FY21 Annual Budget, including the budget assumptions and proposed Budget Ordinance.
- iii. After a brief overview, Mr. Brummitt opened the floor to Ms. Hamilton to discuss the FY20 Audit Plan. In her remarks, Ms. Hamilton noted that Karen Fitzsimmons and Merci Bowie with BDO USA, LLP provided an update on the FY20 Audit Plan to the Committee yesterday.

- iv. Ms. Hamilton explained that BDO has assembled a cross-disciplinary team, working with its Crisis Management and Business Continuity professionals, to monitor COVID-19 and to put measures in place to help ensure both the safety of BDO's employees and business continuity for its clients.
- v. Ms. Hamilton then reviewed BDO's objectives in carrying out the FY20 Audit Plan. Among other things, Ms. Hamilton explained that BDO will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud.
- vi. Lastly, Ms. Hamilton reviewed the primary areas of focus for the FY20 Audit Plan. In doing so, she explained that the primary areas of focus will be: (i) fraud risk, (ii) internal control over financial reporting, (iii) incurred but not reported claims, (iv) Medicaid premiums, contract service revenue, and accounts receivable, and (v) compliance with requirements relative to Federal and State Awards.
- vii. Next, Mr. Brummitt opened the floor to Ms. Hamilton to present the Finance Report. For the Executive Summary, Ms. Hamilton explained that, through April 2020, Cardinal has a \$7M positive net margin, largely due to the delay in Standard Plan Implementation and Tailored Plan Investments.
- viii. Ms. Hamilton then explained that, in response to COVID-19, Cardinal has identified 24 initiatives to ensure that members continue to have access to high-quality services during the pandemic. Among other things, Ms. Hamilton explained that Cardinal distributed 500 mobile phones to members to ensure continued access to treatment via telehealth.
- ix. After providing an update on Cardinal's COVID-19 response, Ms. Hamilton briefly discussed administrative expenses. In doing so, Ms. Hamilton noted that administrative expenses are 0.7% (\$625K) below budget, before Tailored Plan expenses.
- x. Next, Ms. Hamilton provided an update on the April 2020 Financial Results and FY20 Projection. In doing so, she reviewed the (i) the Statement of Revenues, Expenses and Changes in Net Position Year-to-Date Thru April 2020 and Total FY 2020, and (ii) the April 2020 Statement of Net Position.
- xi. Ms. Hamilton then covered LME/MCO Solvency and FY20 Reinvestment. In her remarks, she explained that Cardinal is within the allowable solvency range as of April 2020.
- xii. Next, Ms. Hamilton provided an update on Medicaid Capitation Rates. In doing so, she discussed the FY21 Capitation Rates and explained the importance of the Risk Corridor Treatment Ratio with the Board.
- xiii. Ms. Hamilton then provided an update on the FY19 Single Audit finding relating to the Block Grant Program for Prevention and Treatment of Substance Abuse. In her remarks, she explained that Cardinal received a finding related to Cardinal's review of subrecipient audit reports.

- xiv. Ms. Hamilton explained that Cardinal has implemented procedures to obtain and review subrecipient audit reports as required to ensure that any deficiencies pertaining to the awards passed through to Cardinal's subrecipients are evaluated and remedied.
- xv. Next, Ms. Hamilton provided an update on the FY21 Budget. As noted earlier, Ms. Hamilton explained that the Finance and Risk Committee in May adopted a motion to make a recommendation to the Board that it approve the proposed FY21 Budget.
- xvi. As part of the overview of the FY21 Budget, Ms. Hamilton reviewed the FY21 Budget Assumptions. With respect to membership, Ms. Hamilton explained that the Regression Model predicts a continuation of membership decline for all categories of aid, except foster children. Overall, Ms. Hamilton explained that the proposed annual budget assumes a lower membership by 3.6%.
- xvii. Ms. Hamilton then covered the revenue assumptions. In her remarks, Ms. Hamilton explained that the revenue budget was developed utilizing a cost-based approach.
- xviii. Among other things, Ms. Hamilton explained that the proposed budget assumes a 2.3% Medicaid revenue increase to \$778.4M, and that a 2% risk reserve provision is included in the budgeted rates.
- xix. With respect to administrative expenses, Ms. Hamilton noted that the proposed budget assumes a \$110.1M expense budget, which includes 892 FTE's with 8 net new positions.
- xx. Ms. Hamilton then discussed the FY21 Budget Highlights and Trends, including: (i) Budget Comparison, (ii) Membership and Revenue – FY21 Budget, (iii) Budget Trending Over Time – Membership and Revenue, (iv) Budget Trending Over Time – Care, (v) Budget Trending Over Time – Admin & One-Time, and (vi) Budget Trending Over Time – Change In Net Position.
- xxi. Next, Ms. Hamilton provided an update on the Trans-Port Projects. In her remarks, Ms. Hamilton noted that Cardinal is in the process of procuring and implementing various projects to assist with Cardinal's Tailored Plan Readiness, including: (i) HITRUST, (ii) Claims/Portals/CRM, (iii) Clinical Services – Guiding Care and InterQual, (iv) Contract Management System, and (v) Website Build/Rebranding.
- xxii. Ms. Hamilton then reviewed the proposed Budget Ordinance for FY21, including the total receipts by source and total expenditures by function.
- xxiii. There was a general consensus among the Board, upon the recommendation of the Finance and Risk Committee, to approve the FY21 Budget and Budget Ordinance.
- xxiv. Lastly, Mr. Brummitt provided an update on Club Nova. In July 2018, Mr. Brummitt explained that Cardinal committed a pledge of \$500,000 to support Club Nova's capital campaign.
- xxv. In his remarks, Mr. Brummitt explained that the pledge is payable in full upon Club Nova reaching 80% (\$4M) of its pledged goal of \$5M. Among other things, Mr. Brummitt noted that

Cardinal reserved the right to rescind the pledge if 80% of the pledge goal is not reached by December 31, 2019. According to Mr. Brummitt, this pledge deadline was subsequently extended by the Board in December to June 30, 2020.

- xxvi. Since the pledge deadline is about to expire, Mr. Brummitt explained that the Board needs to decide whether it would like to extend the Club Nova pledge deadline from June 30, 2020 to December 31, 2020.
- xxvii. Mr. Brummitt noted that the Finance and Risk Committee adopted a motion to make a recommendation to the Board that it extend the Club Nova pledge deadline from June 30, 2020 to December 31, 2020.
- xxviii. There was a general consensus among the Board, upon the recommendation of the Finance and Risk Committee, to extend the Club Nova pledge deadline from June 30, 2020 to December 31, 2020; provided, that, this will be the last extension of the Club Nova pledge deadline.

10. Governance Committee Report

- i. For this agenda item, Mr. Thompson opened the floor to Keith Duncan, Chair, to provide an update on the Governance Committee meetings that were held on June 3rd and June 17th.
- ii. In his remarks, Mr. Duncan began by providing a brief update on the Chair-Elect for FY21. Since the Committee and Board in April agreed to transition to a Chair-Elect process for FY21, Mr. Duncan noted that management sent an email on May 1st to the full Board on behalf of the Governance Committee seeking nominations for the Chair-Elect role.
- iii. As a result of this process, Mr. Duncan noted that Carmen Hooker Odom was the only candidate nominated for the Chair-Elect for FY21.
- iv. Mr. Duncan explained that the Governance Committee adopted a motion in June recommending that the Board elect Carmen Hooker Odom as the Chair-Elect for FY21.
- v. There was a general consensus among the Board, upon the recommendation of the Governance Committee, to elect Carmen Hooker Odom as the Chair-Elect for FY21.
- vi. Next, Mr. Duncan opened the floor to Anna Marshall, VP of Training and Development, to review the results of the FY20 Board Self-Assessment. In her remarks, Ms. Marshall began by noting that 17 Board members (89%) participated in the evaluation.
- vii. Ms. Marshall explained that the Board Self-Assessment rated the Board's performance in four categories and ten responsibilities, and that all ratings were above national averages for non-profit boards.
- viii. According to Ms. Marshall, the Board's performance ranked the highest in the following areas, including: (i) financial oversight, (ii) chief executive oversight, and (iii) board structure and duties.

- ix. Ms. Marshall then pointed out that the Board ranked the lowest in the following areas, including: (i) program oversight, (ii) public image, and (iii) board composition.
- x. Lastly, Ms. Marshall reviewed several opportunities for improvement based on the Board Self-Assessment. As she pointed out, the opportunities for improvement include: (i) Board composition, (ii) Board attendance and engagement, (iii) mentoring new Board members, and (iv) bolstering Cardinal's public image.
- xi. Lastly, Mr. Duncan provided an update on the director recruiting search. In his remarks, Mr. Duncan explained that, as North Carolina transitions to a fully integrated care model, Cardinal is working to transform its people and processes to make the transition to a Tailored Plan.
- xii. In light of Medicaid Transformation, Mr. Duncan explained that Cardinal and the CCAB are considering the addition of one or more new Board members that have professional experience in senior management roles at fully-integrated health plans in order to help round out the skillsets on the Cardinal Board and support Cardinal's transition to a Tailored Plan.
- xiii. Mr. Duncan explained that the Committee and staff have spent a lot of time and effort in recruiting and interviewing director candidates with the right experience to support Cardinal's mission and its transformation efforts.
- xiv. Additionally, Mr. Duncan noted that Mark Richardson, Chair of the CCAB, as well as Dan Brummitt, Judy Klusman, and Gordon Powell (members of the CCAB) were involved in the recruiting and interview process.
- xv. As part of the recruiting search, Mr. Duncan noted that the Committee interviewed five highly qualified candidates, including: Michael Wise, Laura Happe, Denise Hill, Chris Day, and Michael Roach.
- xvi. Next, to help the Board understand its options, Mr. Duncan opened the floor to Mr. Hollowell to review the available slots on the Cardinal Board in light of the statutory requirements as well as to review the candidate survey and evaluation results.
- xvii. In his remarks, Mr. Hollowell explained that there may be no fewer than eleven and no more than twenty-one voting directors on the Cardinal Board per the General Statutes. As he explained, there is no limit on the number of nonvoting directors that may serve on the Board.
- xviii. Mr. Hollowell pointed out that since the CCAB made its initial appointments in 2017, two directors have resigned and not been replaced (Phred Pilkington and Dr. Jennifer Richards).
- xix. As noted earlier, Mr. Hollowell explained that Dr. Richard Blanks will be resigning from the Board after the June meeting to seek an opportunity outside of North Carolina.
- xx. As a result, Mr. Hollowell explained that there are currently seventeen voting directors on the Cardinal Board, which leaves four available voting slots.

- xxi. Lastly, after Mr. Hollowell's update, Mr. Duncan noted that the Governance Committee adopted a motion to make a recommendation to the Board and CCAB requesting that Denise Hill, Chris Day, and Laura Happe be appointed to voting slots on the Cardinal Board and that Michael Wise be appointed to a nonvoting slot.
- xxii. There was a general consensus among the Board, upon the recommendation of the Governance Committee, to make a recommendation to the CCAB requesting that Denise Hill, Chris Day, and Laura Happe be appointed to voting slots on the Cardinal Board and that Michael Wise be appointed to a nonvoting slot.

11. Board Member Comment

- i. The directors were provided an opportunity to address the Board.

A motion was made, upon the recommendation of the Finance and Risk Committee, to approve the FY21 Budget and Budget Ordinance.

All in favor. Motion approved.

A motion was made, upon the recommendation of the Finance and Risk Committee, to extend the Club Nova pledge deadline from June 30, 2020 to December 31, 2020; provided, that, this will be the last extension of the Club Nova pledge deadline.

All in favor. Motion approved.

A motion was made, upon the recommendation of the Governance Committee, to elect Carmen Hooker Odom as the Chair-Elect for FY21.

All in favor. Motion approved.

A motion was made, upon the recommendation of the Governance Committee, to make a recommendation to the CCAB requesting that Denise Hill, Chris Day, and Laura Happe be appointed to voting slots on the Cardinal Board and that Michael Wise be appointed to a nonvoting slot.

All in favor. Motion approved.

A motion was made and seconded to go into closed session pursuant to the following: (i) § 143-318.11 and § 122C-158 of the General Statutes to consider personnel matters, (ii) § 143-318.11 and § 122C-126.1 of the General Statutes to discuss competitive health care information, (iii) § 143-318.11(a)(3) of the General Statutes to discuss attorney-client privileged matters, and (iv) § 143-318.11(a)(1) of 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

13. Member Update

14. General Counsel Report

The meeting returned to open session.

A motion was made, upon the recommendation of the Performance Evaluation and Compensation Committee, to approve the FY21 Balanced Scorecard, including the CEO Goals and Circuit Breaker.

All in favor. Motion approved.

A motion was made and seconded to adjourn the meeting.

All in favor. Motion approved.

Meeting adjourned at 3:54 p.m.

DocuSigned by:
Callan Skinner

Callan Skinner, Clerk

08-10-2020

Date

