
Board of Directors Meeting Minutes

June 21, 2019

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

Directors Absent: Dana Weston

Staff Present: Trey Suttan, Chuck Hollowell, Steve Ermish, Mary Hamilton, Ashley Conger, Dietrick Williams, Rudy Dimmling, Samantha Kelen, Callan Skinner, Melissa Bunker, Laurie Whitson, Elliot Clark, and Ric Bruton

Guests: Janet Breeding, Wendy Welch, and Karen Fitzsimons (BDO)

Location: 650 N. Highland Ave., Suite 130, Winston-Salem, NC 27101

1. Welcome and Call to Order

- i. Bryan Thompson, Chair, called the meeting to order at 9:02 a.m.

2. Public Comment

- i. Mary Miller, Triad CFAC, commented on Medicaid expansion.
- ii. Sarah Potter, Triad CFAC, spoke on Medicaid expansion as well as single stream funding cuts.
- iii. Tim Gallagher, Triad CFAC, discussed the importance of back-up staffing and realized access.
- iv. Ashley Conger, Chief Communications Officer, read a prepared statement on behalf of Judy Lewis. Ms. Lewis's comments focused primarily on the Metrolina Provider Network.

3. Public Hearing for FY20 Proposed Budget

- i. The Board held its annual public hearing and invited guests to address the Board on Cardinal's proposed Budget for FY20.
- ii. Mr. Thompson noted that the FY20 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 FY20 Budget.
- iii. No guests addressed the Board.

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

- i. Ms. Conger provided an update on several of the public comments that were made at the April meeting, including Judy Lewis's comments regarding the Provider Barriers Project and Kathy Hotelling's comments regarding fetal alcohol spectrum disorders.

5. 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 April 26-27, 2019 Board of Directors Meeting, and (ii) the April 2019 Executive Report.

All in favor. Motion approved.

6. Executive Committee Report

- i. Mr. Thompson, Chair, briefly updated the Board on the Executive Committee Meeting that was held on June 20, 2019. In his remarks, Mr. Thompson noted that a portion of the meeting was used yesterday to preview the June Board agenda to help ensure that topics are addressed appropriately.
- ii. Next, Mr. Thompson provided an update on Board Development. In doing so, he mentioned that Cardinal recently engaged Korn Ferry to help enhance the overall effectiveness and strategic value of the Board.
- iii. In regards to Board Development, Mr. Thompson noted that the Board recently held a professional development session with Tim Fitzsimons on May 16th in Winston-Salem, NC. Among other things, Mr. Fitzsimons and the directors worked on developing a success profile for the Board to help determine the capabilities and experience the Board needs to be successful as Cardinal makes the transition to a Tailored Plan.
- iv. Next, Mr. Thompson opened the floor to Dan Brummitt to provide an update on the NCACC Report that was recently sent to DHHS regarding its recommendations for the establishment of the Tailored Plan Regions.
- v. In his comments, Mr. Brummitt explained that the NCACC recommended that the seven current LME/MCO regions should remain the same leading up to 2021 and through 2025.
- vi. Lastly, Mr. Thompson noted that the Executive Committee conducted its annual review of its charter and is not recommending any changes at this time.

7. Advisory Board Ad Hoc Committee Report

- i. Layton Long, Chair, briefly updated the Board on the Advisory Board Ad Hoc Committee Meeting that was held on May 23, 2019. In his remarks, Mr. Long noted that the Board last August established this Ad Hoc Committee to assist with transitioning the community board model into a structure that better achieves Cardinal's community-based model of care.
- ii. In establishing this Ad Hoc Committee, Mr. Long noted that the Board asked the Committee to do the following: (1) explore the Oregon Health Council model in more detail, and (2) evaluate and oversee the development of this proposed new structure and a plan for transition.
- iii. After providing an overview, Mr. Long opened the floor to Anna Marshall, Vice President, Leadership and Development, to provide an update on this new advisory governance structure, as well as the stakeholder feedback that has been received as a result of staff's presentations in the community.
- iv. In her report, Ms. Marshall noted that 23 presentations were given in the Triad region, 21 presentations were given in the Southern region, and 18 presentations were given in the Northern region. In all, 62 presentations were given to an estimated 683 community stakeholders on the Regional Health Council model.
- v. As part of the presentations, Ms. Marshall explained that attendees were surveyed and asked how they liked the new community governance model. According to Ms. Marshall, 83% of the attendees surveyed indicated that they were satisfied with this new proposed governance structure.
- vi. Additionally, Ms. Marshall noted that the surveys revealed certain feedback that will be helpful in the development and planning of the Regional Health Councils. For example, it was suggested that the new community governance model should be transparent, and that stakeholders need to be kept informed of the progress of the Regional Health Councils.
- vii. The Board then considered whether to approve this new advisory governance structure. With the exception of Mr. Brummitt and Mr. Smith, there was a general consensus among the Board, upon the recommendation of the Advisory Board Ad Hoc Committee, to approve the proposed community governance model.

A motion was made, upon the recommendation of the Advisory Board Ad Hoc Committee, to approve the proposed community governance model.

All in favor, with the exception of Mr. Brummitt and Mr. Smith who voted against the motion. Motion approved.

8. CEO Report

- i. Trey Suttan, CEO, presented the CEO Report. In his remarks, Mr. Suttan began by providing an update on the FY19 CEO Goals, which are comprised of organizational goals that are aligned

with Cardinal's 5-Pillar Strategy. Overall, Mr. Suten indicated that Cardinal has achieved 97% completion to date with respect to the organizational goals.

- ii. Mr. Suten then provided an update on the Town Hall meetings that were held on June 10 and June 11 in Kannapolis and Oxford. In doing so, Mr. Suten explained that 300+ staff attended in person and another 250 participated by conference telephone.
- iii. At the Town Hall meetings, Mr. Suten explained that the team discussed Cardinal's heritage and journey, integrated care and how Cardinal can better serve its members.
- iv. After the Town Hall update, Mr. Suten covered some of Cardinal's accomplishments for FY19, including: (1) the fact that Cardinal achieved its highest ever EQR results, (2) the fact that Cardinal achieved its highest ever NCQA results and first-time LTSS distinction, (3) the fact that Cardinal developed the Executive Concerns Forum to help resolve critical, systemic member concerns, and (4) the fact that Cardinal launched the Provider Barriers Project to reduce administrative burdens on providers.
- v. Next, Mr. Suten opened the floor to Dietrick Williams, Chief Operations Officer, to provide an update on care coordination as part of the Legislative and Regulatory Report. In his remarks, Mr. Williams noted that concerns remain regarding the Department's approach to care coordination under Medicaid Reform, but that Cardinal will continue to advocate for a system that best serves the health and wellness of Cardinal's members and families.
- vi. Next, Mr. Suten opened the floor to Allison Stewart, VP of Public Affairs, to conclude the Legislative and Regulatory Update. In her remarks, Ms. Stewart noted that the House and Senate treat the reductions in Single Stream Funding very differently, but that Cardinal will continue to advocate that appropriate funding be made available to support the needs of Cardinal's members.
- vii. Mr. Suten then provided an update on the new online learning center that has been developed for the Board of Directors. In his remarks, Mr. Suten explained that this online portal will be a valuable resource for directors where they will be able to access information related to upcoming conferences, DHHS whitepapers and trainings, Cardinal's governing documents and more.
- viii. Next, Mr. Suten opened the floor to Chuck Hollowell, General Counsel and Secretary, to provide an update on the denial and appeals process. In his discussion, Mr. Hollowell explained that the denial and appeals process consists of: (1) a denial of a service request, (2) reconsideration of the denial, (3) mediation, (4) initial appearance, and (5) state fair hearing.
- ix. For CY18, Mr. Hollowell explained that, of the 55,430 service requests received, there were only 1,796 denials. Mr. Hollowell noted that 96.1% of denials are appropriate and upheld.

A motion was made and seconded to go into closed session pursuant to the following: (1) § 143-318.11 and § 122C-126.1 of the General Statutes to discuss competitive health care information, and (2) §143-318.11 and § 122C-158 of the General Statutes to consider personnel matters.

All in favor. Motion approved.

9. CEO Report (continued)

The meeting returned to open session.

A motion was made and seconded to authorize Cardinal's management team to continue to advocate for eligibility criteria for Tailored Plans that are consistent with House Bill 403 and that help to ensure that those members who need the services of a Tailored Plan will be assigned to a Tailored Plan. These advocacy efforts may include education of decision makers at DHHS, the General Assembly, stakeholders and members, as well as administrative litigation.

All in favor. Motion approved.

10. Finance and Audit Committee Report

- i. Dan Brummitt, Chair, updated the Board on the Finance and Audit Committee Meetings that were held on May 15th and June 20th, 2019. In his remarks, Mr. Brummitt began by providing an update on the independent auditor.
- ii. In April, Mr. Brummitt explained that the Finance and Audit Committee selected BDO to serve as Cardinal's independent auditor for FY19 as a result of the firm's experience in actuarial services and claims processing.
- iii. Mr. Brummitt then opened the floor to Karen Fitzsimons, Partner, BDO, to provide an update on the audit plan for FY19. In her report, Ms. Fitzsimons explained that BDO will focus on certain critical audit areas, including accounts receivable, accounts payable, Medicaid premiums, investments and incurred but not reported claims.
- iv. For the audit, Ms. Fitzsimons explained that BDO will communicate to management, including those charged with governance, any significant deficiencies and material weaknesses identified during the audit. Ms. Fitzsimons indicated that the audit report will be presented to the Board in October.
- v. Next, Mr. Brummitt provided an update on risk management. In his remarks, he pointed out that Cardinal's Governance Guidelines task the Finance and Audit Committee with overseeing enterprise risk and related matters.
- vi. To help fulfill this responsibility, Mr. Brummitt explained that Grant Thornton was engaged this Spring to assist Cardinal with implementing an Enterprise Risk Management ("ERM") program. According to Mr. Brummitt, some of the work that has been completed to date, includes: (1) ERM interviews were held with over 30 staff the week of April 8th, (2) an initial risk register was created based on the feedback obtained from the interviews, and (3) risks were prioritized based on impact, likelihood and timing.

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- vii. Next, Mr. Brummitt provided an update on IT Security. In his comments, he noted that, as part of Cardinal's risk management program, the Finance and Audit Committee is responsible for overseeing data security and related matters.
 - viii. Mr. Brummitt explained that Cardinal will continue to mature its security posture through process documentation and refreshing Cardinal's security technology, as well as continue to train employees on critical security matters.
 - ix. Additionally, Mr. Brummitt explained that, for FY20, Cardinal will begin laying the groundwork to obtain the HITRUST Certification, which is a leading security framework and certification for healthcare organizations.
 - x. Next, Mr. Brummitt provided an update on the FY20 Budget and Budget Ordinance. In his remarks, Mr. Brummitt noted that the proposed FY20 Budget forms the basis of the Budget Ordinance that is being presented to the Board of Directors for approval.
 - xi. In May, Mr. Brummitt noted that the Committee adopted a motion to make a recommendation to the Board that it approve the proposed FY20 Budget.
 - xii. Mr. Brummitt then opened the floor to Mary Hamilton, CFO, to provide an update on the FY20 Budget and Budget Ordinance. In her review of the proposed FY20 Budget, Ms. Hamilton covered operating revenues, care expenses, contribution margin, administrative expenses, and non-operating revenues.
 - xiii. As part of her review, Ms. Hamilton also covered the Tailored Plan Readiness Expense Budget for FY20.
 - xiv. The Board then considered whether to approve the proposed FY20 Budget and Budget Ordinance. After discussion, the Board agreed to move forward, upon the recommendation of the Finance and Audit Committee, to approve the proposed FY20 Budget and Budget Ordinance.

A motion was made, upon the recommendation of the Finance and Audit Committee, to approve the proposed FY20 Budget and Budget Ordinance.

All in favor. Motion approved.

- xv. Next, Mr. Brummitt opened the floor to Ms. Hamilton to present the April 2019 Financial Results. As part of the Executive Summary, Ms. Hamilton explained that a deficit exists of \$22.2M due to reductions in Single Stream funding.
- xvi. Ms. Hamilton then presented the April 2019 Financial Reports. In doing so, she reviewed (1) the Statement of Revenues, Expenses, and Changes In Net Position as of April 30, 2019, and (2) the YTD 2019 Sources and Uses of Funds. In her comments, Ms. Hamilton pointed out that the change in net position for fiscal year-to-date is a deficit of \$26.0M.

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- xvii. Ms. Hamilton then reviewed the Solvency Range as of April 30, 2019. In doing so, she noted that Cardinal's current cash balance falls within the allowable solvency range.
 - xviii. Next, Mr. Brummitt provided an update on Cardinal's investment commitments. In his remarks, Mr. Brummitt addressed Club Nova and noted that Karen Dunn, Executive Director, addressed the Board in April and asked that Cardinal accelerate payment of its pledge to support Club Nova's capital campaign.
 - xix. In reviewing Cardinal's investment, Mr. Brummitt noted that Cardinal committed to a pledge of \$500,000 to support Club Nova's capital campaign. He further explained that the pledge is payable in full upon Club Nova reaching 80% of its pledged goal of \$5 million; however, he noted that the pledge may be rescinded if Club Nova does not reach 80% by December 31, 2019.
 - xx. In a related matter to Club Nova's payment request, Mr. Brummitt explained that Orange County recently sent a letter to the NCACC committee requesting that Orange County be aligned with Durham and Wake counties as part of the establishment of the Tailored Plan regions. As Mr. Brummitt pointed out, Club Nova serves the Chapel Hill – Carrboro area in Orange County.
 - xxi. After discussing Club Nova's payment request in light of Orange County's recent request to disengage from Cardinal and join another LME/MCO, there was a general consensus among the Board to move forward and approve the following authorizations: (1) that Cardinal's management team be authorized to deny Club Nova's request that Cardinal accelerate payment of its pledge to support Club Nova's capital campaign, (2) that Cardinal's management team be authorized to withhold making pledge payments of any kind to Club Nova until Orange County's request to disengage from Cardinal and join another LME/MCO is resolved, and (3) that Cardinal's management team be authorized to rescind Cardinal's pledge and not make any payments to Club Nova in the event Orange County disengages from Cardinal and joins another LME/MCO.

A motion was made, upon the recommendation of the Finance and Audit Committee, to authorize Cardinal's management team to deny Club Nova's request that Cardinal accelerate payment of its pledge to support Club Nova's capital campaign.

All in favor. Motion approved.

A motion was made, upon the recommendation of the Finance and Audit Committee, to authorize Cardinal's management team to withhold making pledge payments of any kind to Club Nova until Orange County's request to disengage from Cardinal and join another LME/MCO is resolved.

All in favor. Motion approved.

A motion was made, upon the recommendation of the Finance and Audit Committee, to authorize Cardinal's management team to rescind Cardinal's pledge and not make any payments to Club Nova in the event Orange County disengages from Cardinal and joins another LME/MCO.

All in favor. Motion approved.

- xxii. Next, Mr. Brummitt opened the floor to Ms. Conger to provide an update on Cardinal's 2018 Community Reinvestment Initiative. Under this program, Ms. Conger explained that Cardinal invested \$4M in Cardinal's communities to help ensure service and support to those in need.
- xxiii. Per the terms of the program, Ms. Conger explained that the organizations which received funding were required to utilize the funds by June 30, 2019. In the event the funds are not utilized, the funding is required to be repaid back to Cardinal.
- xxiv. In order to help support Cardinal's communities, Ms. Conger asked the Board to consider authorizing management to extend this deadline, at management's discretion, for a period of up to one year in order to provide the awarded organizations an opportunity to expend the reinvestment funds for their intended use. The Board agreed to this proposal.

A motion was made, upon the recommendation of the Finance and Audit Committee, to authorize Cardinal's management team to extend the June 30, 2019 deadline regarding the 2018 Community Reinvestment Initiative, at management's discretion, for a period of up to one year in order to provide the awarded organizations an opportunity to expend the reinvestment funds for their intended use.

All in favor. Motion approved.

- xxv. Lastly, Mr. Brummitt pointed out that the Finance and Audit Committee conducted the annual review of its charter and then opened the floor to Ms. Hamilton to review the suggested revisions.
- xxvi. In her overview, Ms. Hamilton noted that management is recommending the following revisions to the charter: (1) changing the name of the Committee to the "Finance and Risk Committee" since it is responsible for overall risk management, including legal risk, financial risk and regulatory risk, (2) clarifying that membership on the Committee will comply with G.S. § 122C-119, which requires that two members of the Committee have expertise in budgeting and fiscal control, and (3) removing the implication that Cardinal may be utilizing "off-balance sheet structures."
- xxvii. After review, there was a general consensus among the Board to approve the Finance and Audit Committee charter as revised.

A motion was made, upon the recommendation of the Finance and Audit Committee, to approve the Finance and Audit Committee charter as revised.

All in favor. Motion approved.

11. Board Member Comment

- i. Beverly Morrow addressed the Board and noted that the new CFAC bylaws have been completed and signed.

12. Performance Evaluation and Compensation Committee Report

- i. Tchernavia Montgomery and Dr. Christopher Colenda, Co-Chairs, updated the Board on the Performance Evaluation and Compensation Committee Meetings that were held on May 29th and June 17th, 2019.
- ii. In her comments, Ms. Montgomery stated that the Performance Evaluation and Compensation Committee conducted the annual review of its charter and then opened the floor to Mr. Hollowell to review the suggested revisions.
- iii. In reviewing the suggested changes, Mr. Hollowell explained that the revisions are intended to align the charter with the CEO Annual Performance Evaluation Plan that was adopted by the Board in February. In particular, Mr. Hollowell noted that the revisions make clear that the Committee is responsible for overseeing the CEO's annual incentive process and the evaluation of the CEO's competencies for leadership development.
- iv. After discussion, there was a general consensus among the Board, upon the recommendation of the Performance Evaluation and Compensation Committee, to approve the charter as revised.

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

All in favor. Motion approved.

- v. Next, having already provided a brief update on the FY19 CEO Goals during the CEO Report, Ms. Montgomery opened the floor to Mr. Suttan to briefly discuss the process and timeline for determining the CEO annual incentive payout for FY19.
- vi. Mr. Suttan explained that management will prepare an evidence binder with supporting materials to facilitate the Committee and Board's final review of management's performance in achieving the organizational goals for FY19.
- vii. In terms of timing, Mr. Suttan explained that the Committee will likely need to meet in July to review management's performance in achieving the FY19 CEO Goals and to make a recommendation to the Board regarding the CEO annual incentive payout. Mr. Suttan noted that the Board will then consider the FY19 CEO Goals and annual incentive payout in August.

For the final two agenda items, Mr. Thompson noted that the Board will need to discuss competitive healthcare matters, personnel matters and attorney-client privileged matters in closed session. Mr. Thompson addressed his understanding that at least some of what will be discussed in the closed session deals with issues regarding the time period in which he previously served on Cardinal's Board and, that, as a result, he will recuse himself from the remainder of the meeting at the appropriate time. For the same reasons, Marcelle Smith and George Dunlap indicated that they will recuse themselves from the remainder of the meeting at the appropriate time.

A motion was made and seconded to go into closed session pursuant to (1) § 143-318.11 and § 122C-126.1 of the General Statutes to discuss competitive health care information, (2) § 143-318.11 and §122C-158 of the General Statutes to consider personnel matters, and (3) §143-318.11(a)(3) of the General Statutes to discuss attorney-client privileged matters.

All in favor. Motion approved.

13. Performance Evaluation and Compensation Committee Report (continued)

14. Litigation Committee Report

The meeting returned to open session.

A motion was made, upon the recommendation of the Performance Evaluation and Compensation Committee, to set the CEO base salary for FY20 at \$375,100, consistent with the salary range published by OSHR.

All in favor. Motion approved.

A motion was made and seconded to approve the FY20 balanced scorecard, including the CEO goals and circuit breaker.

All in favor. Motion approved.

A motion was made and seconded to set the FY20 CEO incentive target at the modified P25 market range.

All in favor. Motion approved.

A motion was made and seconded to adjourn the meeting.

All in favor. Motion approved.

Meeting adjourned at 4:17 p.m.



Callan Skinner, Clerk



Date