

Board of Directors Meeting Minutes

October 16, 2020

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

Directors Absent: Keith Duncan and Layton Long

Staff Present: Trey Suttan, Chuck Hollowell, Rudy Dimmling, Mary Hamilton, Dietrick Williams, Ashley Conger, Amy Kazmierczak, Dr. Wendy Welch, Casey Hossa, Karen Bentley, King Jones, Molly Dean, Steve Martin, Ric Bruton, Laurie Whitson, Reid Thornburg, Callan Skinner, and Julie Zawislak.

Guests: Jeff Phillips, Sarah Potter, Bob Crayton, Angelina Kersey-Dunlap, and Brad Owen.

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 9:03 a.m.
- ii. Chuck Hollowell, General Counsel and Secretary, 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. Hollowell introduced Julie Zawislak who joined Cardinal last week as Board Secretary.
- iv. Mr. Hollowell announced the new committee appointments. The Finance and Risk Committee welcomes Michael Wise and Chris Day, and the Performance, Evaluation, and Compensation Committee welcomes Denise Hill and Laura Happe.

2. Approval of 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) September 14, 2020 Board of Directors Open Meeting Minutes, (ii) September 14, 2020 Board of Directors Closed Meeting Minutes, (iii) Designation of Authorized Powers and Signatures for Real Estate Transactions, and (iv) Director Terms.

All in favor. Motion approved.

3. CFAC Report

- i. For this agenda item, Mr. Thompson introduced King Jones, Director of Community Health and Wellness. Mr. King introduced Jeff Phillips from the Southern region.
- ii. Mr. Phillips began by thanking everyone for their support. The highlight was the merger of the Piedmont and Mecklenburg CFACs to form Southern region and the concerns included limited nursing home visiting due to COVID-19, service gaps and the Latino initiative.
- iii. Mr. King then turned to Sarah Potter to offer the Triad region's update. Triad participated in trainings, legislative opportunities, DHHS meetings, and other ongoing initiatives. Ms. Potter highlighted a few challenges including the size of the IDD community and the need for open communications
- iv. Next Mr. King introduced Bob Crayton from the Central region. Mr. Crayton expressed his thanks for the thoughts and prayers. One of the highlights was the merger of AC and OPC CFACs to form the Central region. The House put forth a bill to address the shortage of direct service providers and Mr. Crayton encouraged support for this legislation. Also, Mr. Crayton anticipates that the Medicaid Transformation will decrease ER visits.
- v. Finally, Mr. King turned to Angelina Kersey-Dunlap to review the Northern region. The successes in this region include CFAC trainings, new member recruitment, and community outreach. Ms. Kersey-Dunlap mentioned service gaps for rural areas, newly released inmates, and others. A new facility for SUD patients is opening in rural Halifax county and outreach to local senior centers continues.

4. Executive Committee Report

- i. For this agenda item, Mr. Thompson provided an update on the Executive Committee meeting that was held on October 15, 2020.
- ii. Among other things, Mr. Thompson explained that Trey Suttan, CEO, previewed the agenda and the CEO Report for the October 2020 Board of Directors Meeting

5. COO Report

- i. For this agenda item, Mr. Thompson opened the floor to Dietrick Williams, Chief Operations Officer, to present the COO Report. In his remarks, Mr. Williams began by offering a child welfare update. This effort was launched to address the concerns from DHHS partners. In the last three months, Cardinal has engaged stakeholders, launched an advisory council, and began building an operating model to serve the unique needs of this population.
- ii. In the current state of child welfare, different entities are responsible for provision of services and living and aligning these aspects of the care continuum can create fiction. Federal regulation is coming that will impact this group. In the meantime, Cardinal launched a Foster Care Pilot in Forsyth, Rockingham and Cabarrus counties.

- iii. Mr. Williams then highlighted some recent milestones including the development of a notification process to identify children and youth that come into custody, naming a dedicated Director of Child Welfare, shortened timeframes for care, the drafting of Care Management risk stratification, and on-boarding of ~100 new providers specific to this population.
- iv. Next, Mr. Williams discussed the newly established Executive Advisory Council (“EAC”) comprising of a variety of stakeholders including the Department of Health and Human Services, the Department of Social Services, Foster Care Alliance of North Carolina, among others. Mr. Williams remarked that 60-70% of services are residential and we are hoping to shift towards earlier access to behavioral health services.
- v. Mr. Williams reported on the progress of the Child Welfare model implementation. Phase I is complete, Phases II and III are ongoing, ~80 people are working on the implementation, and full implementation is expected by March 2021.
- vi. Finally, Mr. Williams turned to the Operations Dashboard. With respect to Clinical Operations, Mr. Williams noted that the Innovations Treatment Authorization Requests (“TARs”) Reviewed Within 7 Days metric was 67.9% YTD through 9.30.20, missing the 85% goal. COVID-19 and new regulations impacted this metric; Cardinal has not changed the goal and is back on track to meet it by year-end. Regarding Quality Management, Mr. Williams explained that Cardinal was below the 40% target for Member Follow-Up After Inpatient Discharge Within 7 Days (31.4% YTD through 9.30.20) due to slowdowns around COVID-19, but this is improving now.

6. Q&A

- i. At this point, Mr. Thompson opened the floor to Mr. Hollowell for Board Q&A. Discussion ensued on various topics including child welfare, telehealth, direct support professionals, and the Operations Dashboard.

7. CEO Report

- i. For this agenda item, Mr. Thompson opened the floor to Mr. Suttan to present the CEO Report. Mr. Suttan began with a YTD progress report on the FY21 Balanced Scorecard.
 - a. For strategy category, the integrated health pilot projects are progressing well and Salesforce is the first of many key system implementations.
 - b. As we heard from Mr. Williams earlier, Cardinal has completed Phase I of the Child Welfare operating model and Phase II and III and in progress. The Transformation team is meeting milestones for the implementation of the GuidingCare technology for care coordination.
 - c. As it relates to member service, Dr. Wendy Welch, Ashely Conger, and Mr. Williams are leading a cross-functional effort to implement the CACP model. In Phase 1, the team surveyed ~50 internal professionals. Phase 2 will focus on the member cohort (expect a read-out next week), and Phase 3 will weave together the results.

- d. Addressing final scorecard category (the Cardinal team), Mr. Suttan reported that the change management team is developing communications and education for employees and establishing quarterly surveys to measure progress.
- ii. Next, Mr. Suttan highlighted new hires and promotions. These individuals fill critical roles for the organization.
- iii. Mr. Suttan then turned to the legislative and regulatory updates. The swearing in of the new General Assembly session will be January 13, 2021, and Mr. Suttan expects a possible slight shift in balance towards the Democrats. In the prior session, the General Assembly provided Coronavirus Relief Fund (CRF) money to the LME/MCOs for COVID Response initiatives. Cardinal received \$12.6M in the first allocation, \$7.1M in the second allocation, and \$9.2M in the third allocation.
- iv. Next, Mr. Suttan offered a regulatory update. As a refresher, the Standard Plan will launch on July 1, 2021 and the Tailored Plan will launch on July 1, 2022. Cardinal will apply for the Tailored Plan designation; RFA opens November 2, 2020 and responses are due January 18, 2021.
- v. At this point, discussion ensued on various topics including the presentation of the FY21 Balanced Scorecard and the Tailored Plan application process. In its discussion of the FY21 Balanced Scorecard, the Board asked management to update the scorecard to show percent completion.

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

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

All in favor. Motion approved.

8. CEO Report (continued)

The meeting returned to open session.

9. Finance and Risk Committee Report

- i. Dan Brummitt, Chair of the Finance and Risk Committee, introduced Mary Hamilton, Chief Financial Officer for this agenda item. The draft audited financial statements are in BoardVantage for the Board's review. BDO, Cardinal's auditor, presented the FY20 Audit Report to the Finance and Risk Committee yesterday including discussion on COVID-19, status and results of audit, and internal controls over financial reporting. BDO expects to deliver an unmodified opinion. Cardinal will distribute the final audited financial statements when they are available.

A motion was made, upon the recommendation of the Finance and Risk Committee, to approve the Draft FY20 Audited Financial Statements.

All in favor. Motion approved.

- ii. Mr. Brummitt asked Ms. Hamilton to continue with her Finance report. In her remarks, Ms. Hamilton began by reviewing the final FY2020 Changes in Net Position versus the Preliminary Changes in Net Position presented to the Board on August 7, 2020. Compared to preliminary estimates, Medicaid revenue was lower and Non-waiver revenue was higher primarily due to the reclassification of Medicaid surplus to Non-waiver, and Care Expenses increased \$4.3M accounting for an Atrium supplemental payment. These changes and other miscellaneous adjustments resulted in the net position increasing to \$25.5M, from the original estimate of \$21.9M.
- iii. Ms. Hamilton continued with the Executive Summary. For August 2020 YTD, Revenue is 17.3% 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 12.4% higher than plan driven by increased net utilization; and net margin is \$17.5M, favorable to Plan by \$14.9M.
- iv. Next, Ms. Hamilton provided an update on Cardinal's Medical Loss Ratio ("MLR"). The August 2020 YTD MLR was 85.4%, versus 89.9% budgeted and 95.2% last year.
- v. Key revenue drivers include COVID-19 funding – comprised of PMPM Capitation Rate (\$5.9M/month rate increase), CARES Act (\$7.1M in September 2020 and \$9.2M in October 2020), ICF (\$3.3M) and Group Homes (\$1.3M) – and increasing membership due to DHB extended certifications. The Care Enhancement Initiative, including Residential Supports, Direct Support Professional Services, Telehealth, and Healthy Opportunities, is the primary driver for increased expenses.
- vi. Ms. Hamilton concluded the Executive Summary with an update on Administrative Expenses. She noted that labor expenses were \$18.0M or \$0.8M favorable to a plan of \$18.8M. 906 FTEs are in keeping with plan. Tailored Plan Project Implementation Expenses were \$0.5M actual or \$1.0M favorable to Plan \$1.5M, due primarily to implementation timing.
- vii. In recognition of time constraints, Ms. Hamilton offered brief highlights from the Care Snapshots – higher utilization in telehealth services than telephonic service (with the exception of the AGED category of aid) – and suggested that Board members could refer to the materials for more information.
- viii. Next, Ms. Hamilton provided an update on Cardinal's solvency calculation as of September 2020. In doing so, Ms. Hamilton explained that Cardinal's solvency calculation is within the upper limit due to a \$40M long-term investment purchase.
- ix. Lastly, Ms. Hamilton provided an update on Maintenance of Effort ("MOE"). Cardinal is on target to meet the \$70.11M budget for FY2021; for August 2020 YTD MOE was \$11.58M or 16.6% of Annual Projected FY2021 MOE.

10. Governance Committee Report

- i. For this agenda item, Mr. Thompson opened the floor to Carmen Hooker Odom to discuss the reappointment of directors. Ms. Odom noted that the Governance Committee recommends renewing appointments for six directors whose terms expire in January 2021: Jean Andersen, Dan

Brummitt, Bob Byrd, Carmen Hooker Odom, Judy Klusman, and Bryan Thompson. Tom Lane's term is also expiring, but he has chosen to roll off; Ms. Odom thanked Mr. Lane for his service on the Board. Ms. Odom went on to explain that the Governance Committee decided to seek a gender or racial diversity candidate to replace Mr. Lane.

- ii. Ms. Odom opened the floor to Mr. Hollowell for further details. Mr. Hollowell confirmed that Cardinal has 90 days after the term expiration to fill the vacant seat. Once Cardinal and the Board interview candidates, they will make a recommendation to the CCAB for final approval.
- iii. Mr. Hollowell outlined the proposed New Board Member Mentor Program in response to the suggestion in the Board Self Assessment Report, dated May 2020. BoardSource recommends peer board member mentors in the first year and/or staff mentors.

11. Board Member Comment

- i. For this agenda item, Mr. Thompson opened the floor to Carmen Hooker Odom, Tchernavia Montgomery, Beverly Morrow, and Jean Andersen. Cardinal sponsored the Black Mental Health Symposium in September. Ms. Morrow highlighted some workshops: Ethics and the Changing Times, have Your Faith and a Counselor Too, The State of Black Mental Health, and others. Mses. Odom, Montgomery, Morrow and Anderson expressed positive reviews for the conference and recommend that we sponsor again and encourage more attendance.
- ii. Amy Kazmierczak, Chief People Officer, offered a short presentation on systemic racism. In summary, systemic racism is a public health crisis. The National Institute for Health Care Management (NIHCM) Foundation published data and insights on the crisis. For example, Black people are dying of COVID-19 at a rate 2.4X higher than white people. Cardinal is working on the following initiatives to address this important issue: establishing process to track provider diversity, recruiting providers that reflect the demographics of our subscribers, and improving language diversity.

12. Q&A

- i. At this point, Mr. Thompson opened the floor to Mr. Hollowell for Board Q&A. Discussion ensued on various topics including recruiting from undergraduate and graduate programs and training offered by the Racial Equity Institute. As it relates to new board member recruitment, Mr. Brummitt recommended considering rural representation and juvenile administration professional experience.

13. CIO Report

- i. For this agenda item, Mr. Thompson opened the floor to Casey Hossa, Chief Information Officer, to present the Information Technology report. In his remarks, Mr. Hossa began by providing an overview of the trends in the market. COVID-19 accelerated technology and digital adoption.
- ii. Among other things, Mr. Hossa highlighted the following accomplishments: (i) established the Security Operations Center, (ii) onboarded 13 FTE resources since Apr2020 to enable key roles, and (iii) established multiple critical processes towards next level of IT maturity.

- iii. Mr. Hossa went on to discuss the foundation for delivering an integrated plan including building from the underlying processes and capabilities to support the business operations. The bedrock is information security; Cardinal continues to modernize infrastructure and security to drive technology standardization and protection of assets. Our Brilliant Basics and process improvement efforts will help improve and evolve IT to advance onto higher levels of IT maturity.
- iv. Mr. Hossa then touched on the last six months progression. All of the projects are progressing on a positive trajectory with the exception of testing capabilities which is graded as neutral.
- v. Next, Mr. Hossa discussed information security. The capability did not exist prior to May. With the stand up of the Security Operations Center, Cardinal now has 24/7 monitoring and is developing a culture of cyber safety.
- vi. In conclusion, Mr. Hossa underscored IT's dedication to delivering impactful capabilities and efficient operations that support high quality care and enhance consumer, caregiver, and clinician experiences.

For the remaining agenda items, Mr. Thompson noted that the Board will need to discuss, among other things, 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 the following: (i) § 143-318.11(a)(5) of the General Statutes for the Board to instruct management concerning the position to be taken regarding a proposed sublease arrangement and (ii) § 143-318.11(a)(3) of the General Statutes to discuss attorney-client privileged matters.

All in favor. Motion approved.

14. Real Estate Update

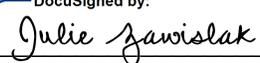
15. Litigation Committee Report

The meeting returned to open session.

A motion was made and seconded to adjourn the meeting.

All in favor. Motion approved.

Meeting adjourned at 3:30 p.m.

DocuSigned by:

 Julie Zawislak, Secretary

10-30-2020

 Date

