
Board of Directors Meeting Minutes

December 14-15, 2018

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

Directors Absent: George Dunlap, Judy Klusman, Thomas Lane, and Tchernavia Montgomery

Staff Present: Trey Suttan, Chuck Hollowell, Rob Bryan, Steve Ermish, Dr. Terri Harpold, Mary Hamilton, Steve Martin, Robert Grasty, Leesa Bain, Ashley Conger, Anna Marshall, and Callan Skinner

Guests: Janet Breeding and Joe Lanier

Location: Prosperity Place, 10150 Mallard Creek Road, Suite 300, Charlotte, NC 28262

1. Welcome and Call to Order

Bryan Thompson, Chair, called the meeting to order at 6:31 p.m.

- i. Trey Suttan, Chief Executive Officer, introduced several recent Executive hires to the Board. In his remarks, he introduced Mary Hamilton and noted that she will serve as Chief Financial Officer for the Organization. Mr. Suttan also noted that, consistent with the Organization's Bylaws, he appointed Ms. Hamilton to serve as Treasurer. Additionally, he introduced Robert Grasty and noted that he will serve as Vice President of Human Resources and Chief Diversity and Inclusion Officer.
- ii. Next, Mr. Thompson informed the directors of William Pilkington's resignation from the Board last week and thanked him for his service.

2. Public Comment

- i. Members of the public were provided an opportunity to address the Board of Directors. Paula Yost and Judy Lewis provided remarks.

3. 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 October 26, 2018 Board of Directors Meeting, (ii) the October 2018 Executive Report, and (iii) the 2018 Community Mental Health, Substance Use and Developmental Disabilities Services Network Adequacy and Accessibility Analysis.

All in favor. Motion approved.

4. CEO Report

- i. Mr. Suttan presented the CEO Report. In his remarks, he began by providing an update on the progress Cardinal has made in carrying out its strategic plan to help Cardinal make the transition to a Tailored Plan.
- ii. Mr. Suttan explained that the strategic plan focuses on five key pillars, including: (i) community-based governance, (ii) providers as allies, (iii) employees as change agents, (iv) operational readiness, and (v) member-focused clinical operations.
- iii. In particular, Mr. Suttan addressed community-based governance and explained that one of Cardinal's goals is to create an advisory governance structure that better connects with stakeholders and improves community health. To this end, Mr. Suttan noted that the inaugural meeting of the County Commissioner Advisory Board ("CCAB") was held in October 2018. He explained that the CCAB serves as an advisory board to Cardinal, including its CEO, on matters pertaining to the delivery of services for individuals with mental illness, intellectual or other developmental disabilities, and substance use disorders.
- iv. Next, Mr. Suttan opened the floor to Dr. Terri Harpold, Interim Chief Medical Officer, to provide an update on Cardinal's key initiative regarding member-focused clinical operations. In her remarks, Dr. Harpold noted that the Clinical Operations Team continues to review, develop and implement meaningful clinical practice guidelines in partnership with Cardinal's provider network. Of particular note, she explained that 40 Clinical Guidelines have been reviewed and classified.
- v. Dr. Harpold also explained that staff are in the process of reviewing industry best practices for care management and utilization management platforms and have begun to evaluate and test multiple technology solutions, with the aim of enhancing Cardinal's ability to better serve its members.
- vi. After reviewing Cardinal's progress in carrying out its strategic plan, Mr. Suttan opened the floor to Leesa Bain, Vice President, Care Coordination and Quality Management, to provide an update on Cardinal's Quality Management Department. In doing so, she began by covering the roles and responsibilities of the Quality Management Department, which include: (i) Medical Records, (ii) NCQA/Performance Improvement, (iii) Grievance Review/Remediation, (iv) Provider Quality Assessment and Monitoring, and (v) Incident Review/Remediation, among others.
- vii. Ms. Bain then discussed the different ways the Quality Management Department measures quality. As she noted, measuring quality is accomplished primarily through provider audits and performance assessments, data tracking and trending, accreditation and committee oversight. Of note, several of the provider audits and assessments that are regularly conducted include: (i) Health and Safety Reviews, (ii) Clinical Quality Reviews, (iii) Cultural Competency Monitoring Reviews, and (iv) Self-Audit Reviews.

-
- viii. After Ms. Bain's report, Mr. Suten opened the floor to Rob Bryan, Chief Development Officer, and Joe Lanier, Troutman Sanders Strategies, to provide a legislative and regulatory update. In their remarks, Mr. Bryan and Mr. Lanier provided updates on the 2018 Election Results as well as the key issues that will be considered in the 2019 Legislative Session.

5. Executive Committee Report

- i. Mr. Thompson, Chair, briefly updated the Board on the Executive Committee Meeting that was held on December 13, 2018. Consistent with Cardinal's Bylaws and the fact that director terms run from January-January as decided by the CCAB, Mr. Thompson noted that he made Committee appointments for 2019. In particular, he explained that Dr. Colenda is now co-chair of the Performance, Evaluation and Compensation Committee, and that he will serve on the Executive Committee.
- ii. Next, Mr. Thompson stated that the Executive Committee reviewed a draft of the Board of Directors Off-Boarding Policy at its meeting yesterday. In his discussion, Mr. Thompson explained that the policy contains important reminders for directors when they separate from the Board, including: (i) protecting the confidentiality of information discussed in closed session, and (ii) returning Cardinal equipment.
- iii. After discussion, the Board agreed to move forward, upon the recommendation of the Executive Committee, to approve the Board of Directors Off-Boarding Policy.

A motion was made, upon the recommendation of the Executive Committee, to approve the Board of Directors Off-Boarding Policy.

All in favor. Motion approved.

- iv. Next, Mr. Thompson provided an update on the letter that he sent to the Office of State Human Resources ("OSHR") commenting on the November 2018 Area Director Market Study and its recommendations. In terms of background, OSHR sent a draft of the Area Director Market Study, which was prepared by RSC Advisory Group, to each LME/MCO on or about November 21, 2018. In the draft, OSHR stated that responses to the Market Study and its recommendations were due back by November 30, 2018.
- v. Mr. Thompson explained that the Board did not have a scheduled meeting between the time it received the Market Study and the November 30th deadline. Consequently, Mr. Thompson submitted a letter on behalf of the Board and Cardinal, in his capacity as Board Chair, commenting on the Market Study and its recommendations on November 30, 2018.
- vi. In response to his November 30th letter, Mr. Thompson stated that the State Human Resources Commission sent a letter to him and Cardinal asking if his November 30th letter was prepared as a result of Board action.

-
- vii. In light of this inquiry, Mr. Thompson suggested that it would be a good idea for the Board to weigh-in on the Market Study and, if it is in agreement, to consider adopting the letter based on the recommendation of the Executive Committee.
 - viii. After discussion, the Board agreed to move forward, upon the recommendation of the Executive Committee, to approve the resolution adopting Mr. Thompson's November 30th letter to the Commission regarding the November 2018 Area Director Market Study.

A motion was made, upon the recommendation of the Executive Committee, to approve the resolution adopting Mr. Thompson's November 30th letter to the Commission regarding the November 2018 Area Director Market Study.

All in favor. Motion approved.

- ix. Next, Mr. Thompson discussed the request that was made by the Triad CFAC asking Cardinal to request an alternative board structure to accommodate four CFAC members on Cardinal's Board of Directors – one for each newly formed region.
- x. After providing an overview of the request, Mr. Thompson then asked Mr. Hollowell to discuss the regulatory requirements that govern the composition and structure of Cardinal's Board of Directors. In his discussion, Mr. Hollowell explained that Cardinal's Board composition must comply with §122C-118.1(b) of the General Statutes. According to Mr. Hollowell, this statute sets out the CFAC's role on the Board, including the number of seats the CFAC is permitted to have on the Cardinal Board.
- xi. After Mr. Hollowell's update, Mr. Thompson explained that it is the recommendation of the Executive Committee to offer assistance to the CFAC in drafting their bylaws to help ensure consistency with the statute. The Executive Committee also recommended to the Board that it send the matter to Cardinal's Governance Committee for further evaluation once the new CFAC structure is formalized. After discussion, the Board was in agreement with the proposed course of action recommended by the Executive Committee.
- xii. Lastly, Mr. Thompson noted that the Executive Committee Meeting was used yesterday to preview the December Board agenda to help ensure that items are addressed appropriately.

6. Advisory Board Ad Hoc Committee Report

- i. Layton Long, Chair, briefly updated the Board on the Advisory Board Ad Hoc Committee Meetings that were held on November 1st and November 27th, 2018. In his remarks, Mr. Long noted that the Committee, consistent with the Board's directive, evaluated the Health Council model in detail over several meetings, with the aim of furthering Cardinal's community-based model of care.
- ii. At its November 27th meeting, Mr. Long noted that the Committee reviewed the proposed implementation plan. According to Mr. Long, this involves presenting the tentative plan for transition to the Board today and then sharing the proposed plan with counties and other

stakeholders in the Spring, seeking feedback. He noted that the Committee is seeking to have a final plan to present to the Board for approval in June.

- iii. Next, Mr. Long opened the floor to Anna Marshall, Vice President, Community Operations, to review the Health Council model with the Board and to present the proposed implementation plan. In reviewing the current structure, Ms. Marshall explained that there are over 140 meetings annually, and that outcomes are driven by interests of membership composition, not overall community health.
- iv. Ms. Marshall then discussed the proposed Health Council model. In doing so, she explained the potential functions of the Health Councils might include: (i) developing, approving and overseeing regional health assessments, regional health improvement plans, and community standards of care, (ii) utilizing the proposed model to reinvest in the communities that Cardinal serves to improve overall community health, and (iii) creating a unified approach to communicating with Cardinal's Board of Directors on operations and services.
- v. Next, in furtherance of Cardinal's community-based model of care, Ms. Marshall explained that various sub-councils would be responsible for reporting information directly to each Regional Health Council. The sub-councils include: (i) an Operations Council (one per region), (ii) a Provider Partner Council (one for the Health Plan), and (iii) a Community Advisory Council (one per county).
- vi. According to Ms. Marshall, the Operations Council would be primarily responsible for assisting and advising its Regional Health Council in the development of the Regional Health Improvement Plan. This would consist of, among other things, defining key initiatives in an effort to promote community health.
- vii. Lastly, Ms. Marshall reviewed the tentative implementation plan for FY 2019. In her discussion, she noted that internal teams will need to be trained on the new structure, and that feedback on the proposed model will need to be obtained from the communities that Cardinal serves. Once the feedback is incorporated into the proposed structure, the Committee plans to meet again in May to review the proposed model before presenting it to the Board in June for final approval.
- viii. After discussion, there was a general consensus among the Board to move forward with the implementation plan as proposed.

A motion was made and seconded to recess and continue the meeting on Saturday, December 15, 2018.

All in favor. Motion approved.

Mr. Thompson called the meeting to order on Saturday, December 15, 2018 at 9:02 a.m.

7. Finance and Audit Committee Report

- i. Dan Brummitt, Chair, updated the Board on the Finance and Audit Committee Meeting that was held on December 14, 2018. After his brief remarks, Mr. Brummitt opened the floor to Mary Hamilton, Chief Financial Officer, to present the October 2018 Financial Results.
- ii. In her report, Ms. Hamilton reviewed (i) the Statement of Net Position as of 10/31/18, (ii) the Statement of Revenues, Expenses and Changes In Net Position as of 10/31/18, and (iii) the FYTD 2019 Sources and Uses of Funds.
- iii. Next, Ms. Hamilton reviewed Cardinal's total membership (budget v. actual) as of October 2018, as well as the AFDC and Foster Membership (budget v. actual) as of October 2018. She then reviewed the Medicaid FY 2019 Capitation PMPM, as well as the Medicaid FY 2019 Capitation Revenues and Care Costs. In her review of the Medical Loss Ratio ("MLR"), she explained that the MLR will be raised to 88% during the Tailored Plan transition.
- iv. Next, Ms. Hamilton reviewed the Total Care Costs in comparison to the prior fiscal year. In her discussion, she explained that Fiscal YTD Care Costs are \$257.3M, up 4.6% (\$11.2M) from October 2017. She explained that costs related to crisis services continue to trend upwards, and that there is a higher utilization per member on the Innovations waiver.
- v. After reviewing Total Care Costs, Ms. Hamilton reviewed the Administrative Expense Summary as of 10/31/18. In particular, she provided an overview of the administrative headcount with respect to Care Coordination, Community Operations and the Transition to Community Living Initiative.
- vi. Next, Ms. Hamilton reviewed management's action plan. In her remarks, she noted that management plans to: (i) eliminate write-offs of accounts receivable (averaging \$775K/year), (ii) address C-waiver care costs, (iii) focus on holding administrative expense favorability steady, and (iv) implement provider reimbursement strategies (pay for performance).
- vii. Ms. Hamilton then provided an update on the new solvency measures that are being implemented by the Department. In her discussion, she explained that the solvency measures are designed to serve as a mechanism to evaluate the financial position of each LME/MCO. To accomplish this, Ms. Hamilton noted that the solvency measures take into account a variety of factors, including: (i) net operating liabilities, (ii) incurred but not reported claims, (iii) required intergovernmental transfers over the next 24-months, and (iv) projected operating loss over the next 24-months.
- viii. Ms. Hamilton noted that Cardinal's current cash balance falls within the upper allowable range of the solvency measures.
- ix. Lastly, Ms. Hamilton provided an update on Cardinal's revised Investment Policy. According to Ms. Hamilton, the Investment Policy needs to be updated to align with Cardinal's current investment strategy and holdings. She explained that Cardinal is taking more of a conservative approach to investments and is moving away from riskier asset classes.
- x. After discussion, the Board agreed to move forward, upon the recommendation of the Finance and Audit Committee, to approve Cardinal's revised Investment Policy.

A motion was made, upon the recommendation of the Finance and Audit Committee, to approve Cardinal's revised Investment Policy.

All in favor. Motion approved.

8. Governance Committee Report

- i. Dr. Jennifer Richards, Chair, briefly updated the Board on the Governance Committee Meeting that was held on December 6, 2018. In her remarks, Dr. Richards noted that the Committee reviewed the results of the Fall 2018 Board of Directors Self-Evaluation. According to Dr. Richards, twelve of the twenty-one directors returned completed evaluations.
- ii. With respect to the feedback received, Dr. Richards explained that the comments in the Board Self-Evaluation relate to three main categories, including: (i) Public Perception/Community Relationships, (ii) Tailored Plan Readiness/Strategy, and (iii) Management.
- iii. Dr. Richards then explained that the Governance Committee plans to make a few adjustments to the Board Self-Evaluation process in the Spring, including: (i) removing the outlier high and low scores from consideration, and (ii) tailoring the Committee surveys and making them specific to each Committee.
- iv. Next, Dr. Richards provided an update on professional development opportunities for the Board. In her discussion, she noted that four directors have participated in conferences or trainings so far this year.
- v. According to Dr. Richards, the conferences attended include: (i) Medicaid Health Plans of America – "MHPA," Washington, D.C., (ii) i2i Center for Integrative Health, Pinehurst, NC, (iii) NAADAC, The Association for Addiction Professionals, Houston, TX, and (iv) International Association of Peer Supporters – "iNAPS," Orlando, FL.
- vi. Dr. Richards noted that, of the \$50,000 that was set aside for professional development, \$41,000 remains in the budget for FY 2019.

At the conclusion of the Governance Committee Report and prior to going into closed session, Mr. Thompson addressed the Board regarding 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. As a result, he recused himself from the discussion and left the room. For the same reasons, Marcelle Smith recused himself from the discussion and left the room.

Carmen Hooker Odom, Vice-Chair, presided over the meeting in Mr. Thompson's absence.

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

9. Litigation Committee Report

10. General Counsel Report

11. Member Update

The meeting returned to open session.

A motion was made and seconded to approve the proposed response to the grievance that Bonnie Foster submitted to Cardinal's Board regarding the Mecklenburg CFAC and the action it took to terminate her membership in April 2018.

All in favor. Motion approved.

12. Board Member Comment

- i. Mr. Thompson opened the floor to the Board and asked if any director would like to address the Board. Bob Byrd and Layton Long provided remarks.

A motion was made and seconded to adjourn the meeting.

All in favor. Motion approved.

Meeting adjourned at 11:53 a.m.



Callan Skinner, Clerk

2/25/19

Date