
Board of Directors Meeting Minutes

October 18-19, 2019

Directors Present: Bryan Thompson, Chair, Carmen Hooker Odom, Vice Chair, Jean Andersen, Dr. Richard Blanks, Bob Byrd, Dr. Christopher Colenda, Devon Cornett, Scott Craver, Keith Duncan, George Dunlap, Judy Klusman, Tchernavia Montgomery, Beverly Morrow, Gordon Powell, and Marcelle Smith

Directors Absent: Dan Brummitt, Terry Cox, Thomas Lane, and Layton Long

Staff Present: Trey Suttan, Chuck Hollowell, Mary Hamilton, Ashley Conger, Rudy Dimmling, Dietrick Williams, Wendy Welch, Samantha Kelen, Steve Martin, Karen Bentley, Ruth Sterk, Callan Skinner, King Jones, Reid Thornburg, Laurie Whitson, Elliot Clark, Melissa Bunker, and Ric Bruton

Guests: BDO USA, LLP Representatives

Location: 201 Sage Road, Chapel Hill, NC 27514

1. Welcome and Call to Order

- i. Bryan Thompson, Chair, called the meeting to order at 6:28 p.m.
- ii. Mr. Thompson noted that Judy Klusman has re-joined the Board. In doing so, he welcomed Ms. Klusman back to the Cardinal team.
- iii. Next, Mr. Thompson explained that Dana Weston recently accepted a new job and had to resign from the Board because she no longer meets the statutory slot that she was appointed to fill.

2. Public Comment

- i. Dotty Foley discussed Cardinal's Provider Network and Supported Living Level III.
- ii. Kathy Hotelling also discussed Cardinal's Provider Network and Supported Living Level III, as well as provider timesheets and the need for a signature requirement.

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

- i. Trey Suttan, CEO, noted that there are no follow-up items to address from the August Board Meeting.

4. Consent Agenda

- i. Mr. Thompson presented the Consent Agenda items to the Board for approval. In his remarks, Mr. Thompson explained that the purpose of the Consent Agenda is to address housekeeping items requiring Board approval.
- ii. Mr. Thompson noted that informational materials, such as the August 2019 Executive Report, the CFAC Annual Report and the Consumer Perception of Care Survey, are located in the Appendix for review.

A motion was made and seconded to approve the Consent Agenda items as presented, consisting of: (i) the meeting minutes from the August 16, 2019 Board of Directors Meeting, and (ii) the charters for the Advisory Governance Model.

All in favor. Motion approved.

5. Finance and Risk Committee Report

- i. For this agenda item, Mr. Thompson opened the floor to Mary Hamilton, Chief Financial Officer, to update the Board on the Finance and Risk Committee Meeting that was scheduled to be held earlier this afternoon. In her remarks, Ms. Hamilton explained that the Committee did not have a quorum to hold an official meeting.
- ii. Next, consistent with the timing set forth in the Board Plan of Work, Ms. Hamilton opened the floor to Karen Fitzsimmons and Merci Bowie with BDO USA, LLP to present the FY19 Audit Report and the draft audited financial statements.
- iii. In her remarks, Ms. Fitzsimmons began by noting that BDO has substantially completed its audit of Cardinal's financial statements and federal and state awards for the year ending June 30, 2019. She explained that the purpose of the audit is to obtain reasonable assurance about whether the financial statements are free from material misstatements whether due to error or fraud.
- iv. Ms. Fitzsimmons explained that BDO expects to issue an unmodified opinion on the financial statements, and that BDO plans to release its report prior to October 31, 2019. She also noted that BDO expects to issue an unmodified opinion on the compliance requirements that could have a direct and material effect on each major federal program.
- v. With respect to the audit, Ms. Fitzsimmons noted that all records and information requested by BDO were made freely available for inspection, and that management's cooperation was excellent. Ms. Fitzsimmons explained that BDO received full access to all information that was requested while performing the audit.
- vi. Next, Ms. Fitzsimmons discussed the results of the FY19 Audit Report. In her comments, she explained that Cardinal's accounting practices and policies are (i) appropriate, (ii) comply with

generally accepted accounting principles and industry practice, (iii) were consistently applied, and (iv) are adequately described within Note 1 to the financial statements.

- vii. Ms. Fitzsimmons further explained that the incurred but not reported claims are appropriately recorded and disclosed in Cardinal's financial statements.
- viii. With respect to Medicaid Premium Revenue and Receivables, Ms. Fitzsimmons explained that no exceptions were noted and that the premium revenue and receivables are appropriately recorded and disclosed in Cardinal's financial statements.
- ix. Ms. Fitzsimmons then noted that there were no corrected or uncorrected misstatements, other than those that were clearly trivial, relating to accounts and/or disclosures that BDO brought to the attention of Cardinal management.
- x. Next, Ms. Bowie reviewed BDO's observations relating to the key audit areas, including: (i) Medicaid Premiums, Contract Service Revenue & Accounts Receivables, (ii) Incurred But Not Reported Claims, (iii) Investments and Restricted Reserves, (iv) Single Audit of Federal and State Awards, (v) Evaluation of Related Party Relationships and Transactions, and (vi) Other Matters (Financial Systems Review).
- xi. At the conclusion of BDO's presentation of the FY19 Audit Report, the Board discussed and agreed to approve the draft FY19 Audited Financial Statements.

A motion was made and seconded to approve the draft FY19 Audited Financial Statements.

All in favor. Motion approved.

- xii. Next, Ms. Hamilton presented the Finance Report. For the Executive Summary, she noted that year-over-year membership has decreased by 2.1%, a loss of 18,526 member months and is 6.1% below budget.
- xiii. Ms. Hamilton then noted that revenue is 3.0% below budget (\$3.8M). She explained that the normal cycle of capitation payments can take 3-12 months to be received, reaching 99% completion by the 12th month following the eligibility date.
- xiv. With respect to Medicaid care expense, Ms. Hamilton explained that the increase in care costs in Q4 of FY19 is expected to continue in FY20. She noted that the Innovations waiver, in particular, continues to demonstrate elevated levels of intensity over most of the significant services, with Community Living Supports being the largest driver of the cost increase.
- xv. On Administrative Expenses, Ms. Hamilton noted that Cardinal is 4.4% (\$767K) under budget. She explained that this is primarily due do timing of budget versus actual administrative expenses. She noted that August's favorable budget variance resulted from Professional Services, IT Projects, and Travel and Vehicle Expenses.

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- xvi. Next, Ms. Hamilton provided an update on the June 2019 Financials and then proceeded to review the financial results for August 2019. In doing so, Ms. Hamilton reviewed the Statement of Revenues, Expenses and Changes in Net Position Year to Date Ended August 31, 2019.
 - xvii. Ms. Hamilton then provided an update on Cardinal's balance sheet, cash flow and solvency. As part of this review, she covered the Statement of Net Position for August 31, 2019 as well as the Condensed Cash Flow Statement.
 - xviii. Lastly, Ms. Hamilton provided an update on the Solvency Range as of August 31, 2019. In her remarks, she noted that Cardinal is within the allowable solvency limit.

6. 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 noting that Cardinal has created an Operational Dashboard to help measure certain Key Performance Indicators ("KPIs") relating to critical health plan functions.
- ii. Mr. Williams explained that the KPIs are based on organizational goals, member outcomes, provider performance, contractual requirements and key administrative functions.
- iii. Mr. Williams pointed out that the utilization of KPIs helps facilitate the proactive management and resolution of critical health plan issues and provides a basis for communicating how Cardinal is performing as a health plan.
- iv. For example, with respect to Care Coordination, Mr. Williams noted that Cardinal has set a goal to achieve a readmission rate of less than 7% for members enrolled in Care Coordination. Currently, Cardinal is at 6.6%.
- v. As another example, Mr. Williams covered Network Management and noted that Cardinal has set as a goal to process 95% of new contract amendments within thirty days of receipt. For August, Mr. Williams explained that Cardinal processed 96.79% of new contract amendments within thirty days of receipt.
- vi. For Clinical Operations, Mr. Williams provided an update on average length of inpatient stay. In his remarks, he noted that this particular metric requires that the average length of inpatient stay be eight days or less. Currently, Cardinal is just outside the range of meeting this target.
- vii. In its discussion, the Board suggested that management consider looking at geographic considerations and its potential impact on Cardinal's ability to meet its target goals associated with average length of inpatient stay.

7. CEO Report

- i. For this agenda item, Mr. Suttan presented the CEO Report. In his remarks, Mr. Suttan began by providing an update on several legislative and regulatory matters, including recent developments related to the delay in the approval of the State Budget.
- ii. Next, with respect to Medicaid Transformation, Mr. Suttan noted that NC DHHS announced on September 3rd that the Phase 1 rollout of the Standard Plans has been delayed. Rather than the phased approach with some counties going live in November 2019 and others in February 2020, Mr. Suttan explained that the Standard Plans will now go-live across all counties on February 1, 2020.
- iii. After updating the Board on Medicaid Transformation, Mr. Suttan reviewed management's progress in achieving the CEO Goals for FY20. Among other things, Mr. Suttan discussed the goal that is designed to improve the rate in which Cardinal is able to process Treatment Authorization Requests ("TARs").
- iv. Currently, Mr. Suttan explained that the percentage of TAR requests returned is 8.3%, which is slightly above the stated goal of 7% or less.
- v. Next, Mr. Suttan provided an update on management's progress in achieving the goals relating to Strategy for FY20. In his comments, Mr. Suttan explained that management has completed the design and functional build requirements associated with Cardinal's Tailored Plan Operating Model.
- vi. With respect to this Operating Model, Mr. Suttan pointed out that Cardinal plans to implement a regional structure, whereby regions will be managed by a regional executive who is responsible for all financial and operational performance.
- vii. Next, Mr. Suttan provided an update on the All-Employee Leadership Conference that was held in September. In his remarks, Mr. Suttan noted that Cardinal strives to bring all employees together every 18 months or so in order to provide mission critical updates, encourage fellowship and to provide a day-long opportunity for development.
- viii. For this year, Mr. Suttan noted that the conference focused on connecting individuals and teams to their purpose and aligning this with Medicaid Transformation and integrated care.

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, (ii) § 143-318.11 and § 122C-158 of the General Statutes to consider personnel matters, (iii) § 143-318.11(a)(3) of the General Statutes to discuss attorney-client privileged matters, and (iv) § 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.

8. CEO Report (continued)

9. Member Update

The meeting returned to open session.

A motion was made and seconded to recess and continue the meeting on Saturday, October 19, 2019 at 9:00 a.m.

All in favor. Motion approved.

Mr. Thompson called the meeting to order on Saturday, October 19, 2019 at 9:03 a.m.

10. Executive Committee Report

- i. For this agenda item, Mr. Thompson provided an update on the Executive Committee Meeting that was held on October 17, 2019. Among other things, Mr. Thompson noted that the meeting was used to preview the October Board agenda in order to help ensure that items are addressed appropriately.

11. Advisory Board Ad Hoc Committee Report

- i. For this agenda item, Mr. Thompson recapped the overall accomplishments of the Ad Hoc Committee. In doing so, he noted that, in August 2018, the Board decided to establish an Ad Hoc Committee to consider how best to restructure Cardinal's advisory governance model.
- ii. Over the past year, Mr. Thompson explained that the Committee met seven times, often for several hours, to discuss the proposed structure, membership, meeting cadence, and implementation plan for the new advisory governance model.
- iii. As a result of this work, Mr. Thompson explained that the advisory governance model was approved by the Board in June, and the charters establishing the Regional Health Councils and its three sub-councils were approved earlier today.
- iv. Since the work of the Ad Hoc Committee is now complete, Mr. Thompson explained that he and the Committee members agreed that this Ad Hoc Committee can now be retired. Mr. Thompson thanked the Committee members for their diligent work and a job well done.

12. County Commissioner Advisory Board ("CCAB") Report

- i. Next, Mr. Thompson opened the floor to Chuck Hollowell, General Counsel, to provide an update on the CCAB Meeting that was held on August 23, 2019.
- ii. In his overview, Mr. Hollowell noted that several Cardinal directors had terms that were set to expire on January 26, 2020. These directors included: (i) Dr. Richard Blanks, (ii) Dr. Christopher Colenda, (iii) Keith Duncan, (iv) George Dunlap, and (v) Marcelle Smith. According to Mr. Hollowell, each of the directors expressed a desire to be reappointed to the Cardinal Board.

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- iii. As part of his recap, Mr. Hollowell noted that the Board in August adopted a motion to recommend to the CCAB that it re-appoint Dr. Richard Blanks, Keith Duncan, George Dunlap, and Marcelle Smith to an additional term of three years each.
 - iv. At its meeting on August 23rd, Mr. Hollowell explained that the CCAB agreed to the Board's recommendation and approved the re-appointment of Dr. Richard Blanks, Keith Duncan, George Dunlap, and Marcelle Smith to the Cardinal Board for an additional term of three years each.
 - v. Next, Mr. Hollowell provided an update on director vacancies. As discussed in August, Mr. Hollowell noted that the resignation of Dr. Jennifer Richards does not create a vacancy in any statutorily-required slots on the Board. According to Mr. Hollowell, there are 13 statutorily required slots, and all are currently filled.
 - vi. At its meeting on August 23rd, Mr. Hollowell explained that the CCAB discussed the possibility of seeking out future Board members with particular expertise that could be helpful to Cardinal as it prepares to make the transition to a Tailored Plan. According to Mr. Hollowell, the CCAB decided to revisit this vacancy issue at the next CCAB meeting or upon request of the Cardinal Board, whichever occurs first.
 - vii. Lastly, on a related note, Mr. Hollowell pointed out that, since the CCAB never accepted Ms. Klusman's resignation letter, the CCAB determined that it did not need to take further action for Ms. Klusman to re-join the Cardinal Board.

13. CECO Report

- i. For this agenda item, Mr. Thompson opened the floor to Samantha Kelen, Chief Ethics and Compliance Officer, to present the Annual Compliance Plan and Report. In her remarks, Ms. Kelen began by noting that the Compliance Department recently established departmental goals and a corresponding work plan and intends to make several key hires over the next 12 months.
- ii. In particular, Ms. Kelen explained that the Compliance Department has accomplished the following with respect to its work plan: (i) revised Cardinal's Code of Conduct, (ii) reviewed department operating models in preparation for Medicaid Transformation, (iii) developed an annual communication and training plan, (iv) restructured compliance-related committees, (v) increased the use of dashboard reporting for management and the Board, and (vi) developed an internal audit workplan.
- iii. Ms. Kelen also explained that the Compliance Department has significantly reduced the amount of open Program Integrity cases.

14. Board Member Comment

- i. For this agenda item, Mr. Thompson briefly discussed the meeting survey that will be distributed to the Board in the coming weeks. In his remarks, Mr. Thompson noted that the Board has met every other month, alternating between all-day Friday meetings and Friday night/Saturday morning meetings.
- ii. After utilizing this format for the past two years, Mr. Thompson explained that it was time to survey the Board again to gauge its preferences regarding meeting format.

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.

All in favor. Motion approved.

15. Board Member Comment (continued)

The meeting returned to open session.

Devon Cornett, members of the public and appropriate staff re-entered the meeting room.

For the final agenda item, Mr. Thompson noted that the Board will need to discuss 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 § 143-318.11(a)(3) of the General Statutes to discuss attorney-client privileged matters.

All in favor. Motion approved.

16. Litigation Committee Report

The meeting returned to open session.

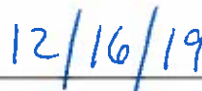
A motion was made and seconded to adjourn the meeting.

All in favor. Motion approved.

Meeting adjourned at 10:03 a.m.



Callan Skinner, Clerk



Date