
Board of Directors Meeting Minutes

August 16, 2019

Directors Present: Jean Andersen, Dan Brummitt, Bob Byrd, Terry Cox, Scott Craver, Keith Duncan, Thomas Lane, Layton Long, Tchernavia Montgomery, Beverly Morrow, Gordon Powell, and Marcelle Smith

Directors Absent: Bryan Thompson, Chair, Carmen Hooker Odom, Vice-Chair, Dr. Richard Blanks, Dr. Christopher Colenda, Devon Cornett, George Dunlap, and Dana Weston

Staff Present: Trey Suttan, Chuck Hollowell, Mary Hamilton, Ashley Conger, Dietrick Williams, Wendy Welch, Steve Ermish, Samantha Kelen, Andrea Misenheimer, Callan Skinner, Shadale Jacobs, King Jones, Reid Thornburg, Laurie Whitson, Elliot Clark, and Ric Bruton

Guests: Janet Breeding

Location: 201 West Elm Street, Graham, NC 27253

1. Welcome and Call to Order

- i. Dan Brummitt called the meeting to order at 9:02 a.m.
- ii. Mr. Brummitt acknowledged Janet Breeding and her approaching retirement and thanked her for her work as the LME/MCO System Performance Liaison to Cardinal and for helping Cardinal improve the health and wellness of its members and their families.
- iii. Mr. Brummitt informed the directors of Dr. Jennifer Richards resignation from the Board and thanked her for her service.
- iv. Per Cardinal's bylaws, Mr. Brummitt noted that he will be presiding over today's meeting as the Chair of the Finance and Risk Committee in the absence of Bryan Thompson, Chair, and Carmen Hooker-Odom, Vice-Chair.

2. Public Comment

- i. Ashley Conger, Chief Communications Officer, read a prepared statement on behalf of Judy Lewis. Ms. Lewis's comments focused on Cardinal's communication plan with providers in light of the dissolution of the local provider councils and the need for a rate increase for direct care staff.

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

- i. Dietrick Williams, Chief Operations Officer, provided an update on the comments that were made by Tim Gallagher, Triad CFAC, at the June Board meeting. In his remarks, Mr. Williams addressed provider back-up staffing and realized access.

4. Consent Agenda

Mr. Brummitt 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 June 21, 2019 Board of Directors Meeting, (ii) the June 2019 Executive Report, and (iii) the FY20 Annual Quality Strategy & Performance Improvement Plan.

All in favor. Motion approved.

5. Employee Ombudsman Report

- i. For this agenda item, Mr. Brummitt provided an update on the Employee Ombudsman Report. In his remarks, Mr. Brummitt explained that Shadale Jacobs, Manager, Access Department, was nominated in 2018 to serve as an "employee ombudsman" to give a candid report to the Board on the state of employees within the Organization. After brief introductory remarks, Mr. Brummitt opened the floor to Ms. Jacobs to provide this year's report.
- ii. Ms. Jacobs began by providing an update on the FY19 accomplishments of the Culture Ambassadors. Based on the results of the FY18 culture survey, Ms. Jacobs noted that the Culture Ambassadors formed cross-functional teams to make recommendations to management on actions and initiatives with the aim of making positive, direct impacts on Cardinal employees. Such recommendations included paid volunteer time off, floating holidays, and a peer recognition program.
- iii. Next, Ms. Jacobs discussed the FY20 Pulse Survey Results. In her remarks, Ms. Jacobs noted that Cardinal engaged The Employers Association to conduct an independent survey of Cardinal employees to help get feedback on employee engagement.
- iv. As part of this process, Ms. Jacobs explained that Cardinal elected to use a third-party to administer the survey so that employees could be confident the survey was anonymous and independent. Ms. Jacobs noted that, in addition to using best practice methodologies, Cardinal included eight custom questions from the previous year's survey to enable Cardinal to measure its progress year-over-year.
- v. In terms of results, Ms. Jacobs noted that there was a significant increase in the overall participation score, and that the results validated what Cardinal is doing well and where Cardinal can continue to make improvements.

6. COO Report

- i. Next, Mr. Brummitt opened the floor to Mr. Williams to present the COO Report. In his remarks, Mr. Williams began by providing an update on the Provider Maturity Model and the different levels of provider maturity, ranging from pay for performance to shared risk and capitation.
- ii. Mr. Williams explained that twenty-two providers were identified to participate in the pilot phase. As part of this process, Mr. Williams indicated that providers were selected based on multiple criteria, including: (i) volume of members served, (ii) provider type, (iii) population served, and (iv) those who volunteered. Mr. Williams indicated that hospitals and hospital-based physicians will be included in a later phase.
- iii. In terms of approach, Mr. Williams noted that this pilot phase involves engaging with providers based on their provider engagement level. Once a base level for maturity is established, Mr. Williams explained that the next step will involve coaching and creating a plan for improvement, with the goal of preparing providers for value-based contracting.
- iv. Lastly, Mr. Williams provided a quick update on the Network Relations Service Model. In his report, Mr. Williams noted that this model will focus on certain core pillars, including: (i) realigning resources to enhance provider service strategies, (ii) managing and executing on requests with service level standards, and (iii) developing a 3-tiered provider approach for service delivery.

7. Executive Committee Report

- i. For this agenda item, Mr. Brummitt briefly updated the Board on the Executive Committee Meeting that was held on August 15, 2019. In his update, Mr. Brummitt pointed out that a portion of the meeting was used yesterday to preview the August Board agenda to help ensure that topics are addressed appropriately.
- ii. Mr. Brummitt also noted that Trey Suttan, CEO, briefly provided a CEO Update for the Executive Committee.

8. Finance and Risk Committee Report

- i. Next, Mr. Brummitt updated the Board on the Finance and Risk Committee Meeting that was held on August 15, 2019.
- ii. After brief introductory remarks, Mr. Brummitt opened the floor to Mary Hamilton, CFO, to present the unaudited FYE 2019 Financial Results. In presenting the Executive Summary, Ms. Hamilton noted that membership has declined by 2.3% year over year, resulting in a loss of 124,662 member months.

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- iii. Due to the continued decline in B-waiver membership in combination with consistent distinct member utilization, Ms. Hamilton pointed out that there has been a 5% increase in PMPM care cost throughout the second half of FY19.
 - iv. With respect to administrative expenses, Ms. Hamilton noted that non-labor expenses were favorable by \$2.2M, primarily due to lower spending on professional services, and decreased depreciation of \$0.6M resulting from a shift in Cardinal's technology platforms to cloud-based SaaS systems, resulting in lower capital spending.
 - v. Next, Ms. Hamilton presented the unaudited FYE19 Financial Results. In her report, she reviewed: (i) the Statement of Revenues, Expenses and Changes in Net Position Year to Date Ending June 30, 2019, (ii) the Statement of Net Position, and (iii) the Condensed Cash Flow Statement.
 - vi. After presenting the financial results, Ms. Hamilton reviewed the unaudited final solvency calculation for FY19.
 - vii. Next, Mr. Brummitt provided an update on Cardinal's official depositories. In his discussion, Mr. Brummitt explained that Cardinal intends to transfer a portion of its restricted risk reserve balance to accounts at several community banks in Cardinal's service area, including Union Bank in Henderson and BB&T in Winston-Salem.
 - viii. Mr. Brummitt noted that the General Statutes require the Board to designate Union Bank and BB&T as "official depositories" of Cardinal.
 - ix. To facilitate this transfer, Mr. Brummitt noted that staff prepared a resolution to make the required designations. As explained by Mr. Brummitt, the resolution: (i) designates Trey Suttan, Chuck Hollowell, and Mary Hamilton as authorized signatories, and (ii) authorizes the transfer of a portion of the restricted risk reserve balance to accounts at Union Bank and BB&T.
 - x. After discussion, the Board agreed to move forward, upon the recommendation of the Finance and Risk Committee, to approve the resolution designating Union Bank and BB&T as official depositories of Cardinal.

A motion was made, upon the recommendation of the Finance and Risk Committee, to approve the resolution designating Union Bank and BB&T as official depositories of Cardinal.

All in favor. Motion approved.

- xi. Next, Mr. Brummitt updated the Board on certain fiscal control matters. In his remarks, Mr. Brummitt noted that Cardinal, as an area authority and unit of local government, is required to comply with The Local Government Budget and Fiscal Control Act ("Act").
- xii. Consistent with the Act, Mr. Brummitt noted that it is the aim of the General Assembly to establish for local governments and public authorities a uniform system of budget adoption, administration and fiscal control.

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- xiii. To help facilitate Cardinal's compliance with the Act, Mr. Brummitt explained that the Committee is asking the Board to adopt several resolutions related to certain fiscal controls, including: (i) pre-audit and disbursement certificates, and (ii) dual signatures on checks and drafts.
 - xiv. After a brief overview by Ms. Hamilton, the Board agreed to move forward, upon the recommendation of the Finance and Risk Committee, to approve the fiscal control resolutions to help facilitate Cardinal's compliance with The Local Government Budget and Fiscal Control Act.

A motion was made, upon the recommendation of the Finance and Risk Committee, to approve the fiscal control resolutions to help facilitate Cardinal's compliance with The Local Government Budget and Fiscal Control Act.

All in favor. Motion approved.

9. 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. Among other things, he discussed the current status of the State budget and HB 966.
- ii. Passed by the legislature on June 27th, Mr. Suttan noted that HB 966 funded the following: (i) 1,000 new Innovations slots, (ii) a four-county foster care pilot in the Triad region, and (iii) DSP wage increases. Mr. Suttan pointed out, however, that Governor Cooper vetoed HB 966 on June 28th, primarily because HB 966 did not address Medicaid expansion.
- iii. Next, Mr. Suttan opened the floor to Mr. Williams to provide an update on the Provider Barriers Project. In his remarks, Mr. Williams noted that the governance structure of the Provider Barriers Workgroup now consists of a Steering Committee, containing five provider representatives and five Cardinal representatives.
- iv. Mr. Williams explained that the Steering Committee will oversee the work of certain subgroups, and that the subgroups have made significant progress in helping reduce provider barriers. For example, he noted that the (b)(3) and State-funded Services Subgroup recently completed a draft of the revised service checklist for review and approval.
- v. After Mr. Williams' update on the Provider Barriers Project, Mr. Suttan opened the floor to Ms. Conger to provide a brief overview of Cardinal University. In her remarks, she noted that this all-day training event is being held, among other things, to help ensure that employees have a foundational understanding of Cardinal's role in helping support the public system of care.
- vi. Ms. Conger explained that Cardinal University will consist of four sessions, including: (i) The Power of Inclusion: A Workshop on Diversity, Inclusion and Belonging, (ii) Managing Healthcare 101, (iii) DiSC Assessment: Understanding Communication Styles, and (iv) Systems That Improve Lives.

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.

10. CEO Report (continued)

The meeting returned to open session.

11. 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 July 23, 2019. In his remarks, Mr. Long noted that the Committee met in July to discuss issues related to the implementation of the new advisory governance model.
- ii. Among other things, Mr. Long noted that the Committee had a good discussion regarding several matters, including: (i) the draft charter for the Regional Health Councils, (ii) the proposed membership of the Regional Health Councils, the Operations Councils, and the Community Advisory Councils, (iii) the process for appointing members to the Regional Health Councils, the Operations Councils, and the Community Advisory Councils, and (iv) the meeting cadence of the respective councils.
- iii. Based on these discussions, Mr. Long noted that staff is working on proposed charters for the Regional Health Councils, the Operations Councils, the Community Advisory Councils, and the Provider Partners Council, and that the draft charters will be reviewed by the Committee when it meets again in September.
- iv. Mr. Long explained that the Committee anticipates bringing the charters to the Board for approval at the October Board meeting, and that this timing is consistent with the implementation plan for this new advisory governance model.

12. Governance Committee Report

- i. For this agenda item, with the resignation of Dr. Jennifer Richards, Mr. Brummitt informed the Board that Mr. Thompson appointed Keith Duncan to serve as the Chair of the Governance Committee. Mr. Brummitt then opened the floor to Mr. Duncan to provide an update on the Governance Committee Meeting that was held on August 1, 2019.
- ii. In his remarks, Mr. Duncan began by noting that Carmen Hooker Odom transitioned to serve on the Governance Committee in light of the resignations of Phred Pilkington, Judy Klusman and Dr. Jennifer Richards, all former members of the Governance Committee.
- iii. For the first agenda item, Mr. Duncan noted that the Committee met on August 1st to discuss several governance-related matters, including revisions to Cardinal's bylaws. Among the

changes, Mr. Duncan explained that the bylaws are being revised to include “non-voting” directors in the count towards a quorum.

- iv. Per the existing bylaws, Mr. Duncan noted that only voting directors can make up a quorum. He explained that this change is consistent with the general rule that a quorum is defined as “a majority of all members,” and that this revision will better enable committees to achieve quorum in order to conduct business.
- v. After a brief overview of the revisions by Chuck Hollowell, General Counsel and Secretary, the Board considered whether to approve Cardinal’s bylaws as revised. After discussion, the Board agreed to move forward, upon the recommendation of the Governance Committee, to approve Cardinal’s bylaws as revised.

A motion was made, upon the recommendation of the Governance Committee, to approve Cardinal’s bylaws as revised.

All in favor. Motion approved.

- vi. Next, Mr. Duncan provided an update on the FY20 Board Plan of Work. In his discussion, Mr. Duncan noted that the Committee is responsible, per its charter, for developing the annual plan of work for the Board.
- vii. Mr. Duncan explained that this plan of work is designed to keep the Board on track in completing its responsibilities throughout the year.
- viii. After discussion, the Board agreed to move forward, upon the recommendation of the Governance Committee, to approve the FY20 Board Plan of Work.

A motion was made, upon the recommendation of the Governance Committee, to approve the FY20 Board Plan of Work.

All in favor. Motion approved.

- ix. Next, Mr. Duncan provided an update on director terms. In his discussion, Mr. Duncan explained that several directors have terms that are set to expire on January 26, 2020. These directors include: (i) Dr. Richard Blanks, (ii) Dr. Christopher Colenda, (iii) Keith Duncan, (iv) George Dunlap, and (v) Marcelle Smith. According to Mr. Duncan, each of these directors have expressed a desire to be reappointed to the Cardinal Board.
- x. Per the General Statutes, Mr. Duncan explained that directors are eligible to be reappointed for an additional three-year term at the expiration of their initial term.
- xi. Mr. Duncan pointed out that the Board needs to consider these reappointments and then make a recommendation to the appropriate appointing authority (i.e., the County Commissioner Advisory Board or the DHHS Secretary in the case of Dr. Colenda).

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- xii. The Board then considered these reappointments. After discussion, the Board agreed to move forward, upon the recommendation of the Governance Committee, to ask that the appropriate appointing authority re-appoint Dr. Richard Blanks, Dr. Christopher Colenda, Keith Duncan, George Dunlap, and Marcelle Smith to an additional term of three years each.

A motion was made, upon the recommendation of the Governance Committee, to ask that the appropriate appointing authority re-appoint Dr. Richard Blanks, Dr. Christopher Colenda, Keith Duncan, George Dunlap, and Marcelle Smith to an additional term of three years each.

All in favor. Motion approved.

- xiii. Next, Mr. Duncan provided an update on director vacancies. In his update, Mr. Duncan noted that Judy Klusman and Dr. Jennifer Richards recently resigned from the Board, and that the resignations of Dr. Richards and Ms. Klusman do not create a vacancy in any statutorily-required slots on the Board.
- xiv. Mr. Duncan explained that there are 13 statutorily-required slots, and all are currently filled.
- xv. Because there is no vacancy that is required to be filled by statute, Mr. Duncan noted that the Governance Committee is not making a recommendation that any new Board members be added at this time.
- xvi. In considering the director vacancies, the staff and Board discussed whether the County Commissioner Advisory Board might want to consider 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, such as prior experience with a large health plan. Several Board members discussed the possibility of adding a director with both county commissioner and health plan experience.
- xvii. Lastly, Mr. Duncan provided an update on the FY20 Board Meetings. In his remarks, Mr. Duncan explained that the Committee is responsible for overseeing Cardinal's Board operations.
- xviii. Related to this, Mr. Duncan explained that the Board Chair asked management to look at Board operations and to work with the Governance Committee on finding ways to make Board meetings shorter and more efficient.
- xix. Mr. Duncan then opened the floor to Mr. Hollowell to discuss Board meeting efficiency in more detail. In his discussion, Mr. Hollowell presented several options for the Board to consider regarding Board meeting efficiency, including: (i) using the Consent Agenda for housekeeping items requiring approval, (ii) using an appendix for background, non-essential information, and (iii) having informational updates be provided outside of Board meetings.

13. Board Member Comment

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

14. Performance Evaluation and Compensation Committee Report

- i. Tchernavia Montgomery, Co-Chair, updated the Board on the Performance Evaluation and Compensation Committee Meeting that was held on July 29, 2019.
- ii. Ms. Montgomery began by providing an update on Cardinal's Compensation Policy. In her remarks, Ms. Montgomery noted that, per its charter, the Committee is responsible for overseeing Cardinal's compensation philosophy and policies.
- iii. Ms. Montgomery explained that the Committee met in July and discussed several revisions to the Compensation Policy, including: (i) correcting the name of the Committee to the Performance Evaluation and Compensation Committee, and (ii) clarifying that the biennial market compensation analysis will include a review of compensation levels at comparable not-for-profit entities.
- iv. Ms. Montgomery also noted that the Committee discussed revising the Compensation Policy to clarify that merit increases in base salary may be provided if adequate funding is budgeted and the employee's supervisor recommends such increase based on the employee's job performance or, for purposes of retention efforts, if there is a restructure or a substantial shift in job duties or direct reports.
- v. The Board then considered whether to approve the Compensation Policy as revised. After discussion, there was a general consensus among the Board to move forward, upon the recommendation of the Performance Evaluation and Compensation Committee, to approve the Compensation Policy as revised.

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

All in favor. Motion approved.

- vi. Next, Ms. Montgomery opened the floor to Mr. Suttan to review management's performance in achieving the organizational goals for FY19, which are aligned with Cardinal's 5-Pillar Strategy to achieve Tailored Plan Readiness.
- vii. Specifically, for Operational Readiness, Mr. Suttan explained that Cardinal has achieved 100% completion with respect to developing an understanding of the optimal operating model that will enable Cardinal to make a successful transition to a Tailored Plan. Mr. Suttan explained that much of this work has been completed through Cardinal's engagement of HealthScape.
- viii. Next, Mr. Suttan opened the floor to Mr. Hollowell to cover the pillar regarding Community-Based Governance. In his remarks, Mr. Hollowell noted that Cardinal convened the initial meeting of the County Commissioner Advisory Board on October 5, 2018. He noted that this advisory board will continue to convene meetings as needed and will be responsible for advising the Cardinal Board on director appointments and re-appointments.

- ix. Mr. Suttan then opened the floor to Mr. Williams to review the pillar relating to Member-focused Clinical Operations. In his remarks, Mr. Williams explained that Cardinal recently finalized an agreement with Altruista Health, whereby the organization will have access to Altruista's care management platform, thus enabling Cardinal to streamline workflows, improve care coordination, and better serve its members.
- x. Next, Mr. Suttan opened the floor to Ms. Conger to cover the pillar relating to Employees as Change Agents. With respect to improving employee engagement, Ms. Conger noted that, following several months of research, design and training, Cardinal launched an internal employee recognition tool, which allows employees to recognize each other for modeling behaviors that reflect Cardinal's core values.

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, and (ii) § 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.

15. Performance Evaluation and Compensation Committee Report (continued)

16. Member Update

The meeting returned to open session.

Consistent with management's performance in achieving the organizational goals for FY19 and the incentive structure that was approved by the Board, a motion was made, upon the recommendation of the Performance Evaluation and Compensation Committee, to approve a FY19 incentive award of 40% of earned salary in FY19 for the CEO.

All in favor. Motion approved.

A motion was made and seconded to adjourn the meeting.

All in favor. Motion approved.

Meeting adjourned at 1:58 p.m.



Callan Skinner, Clerk

10/21/19
Date