

Board of Directors Meeting Minutes

April 24, 2020

Directors Present: Bryan Thompson, Chair, Carmen Hooker Odom, Vice Chair, Jean Andersen, Dr. Richard Blanks, Dan Brummitt, Bob Byrd, Dr. Christopher Colenda, Devon Cornett, Terry Cox, Scott Craver, Keith Duncan, Judy Klusman, Thomas Lane, Tchernavia Montgomery, Beverly Morrow, Gordon Powell, Marcelle Smith, and Tri Tang

Directors Absent: George Dunlap and Layton Long

Staff Present: Trey Suttan, Chuck Hollowell, Ashley Conger, Rudy Dimmling, Dietrick Williams, Amy Kazmierczak, Dr. Wendy Welch, Casey Hossa, Molly Dean, Samantha Kelen, Callan Skinner, Ric Bruton, King Jones, Elliot Clark, Laurie Whitson, Reid Thornburg, and Melissa Bunker

Guests: None

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 9:04 a.m.
- ii. Chuck Hollowell, General Counsel and Secretary, 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.

2. Director Appointment

- i. Mr. Thompson introduced and welcomed Tri Tang. In his remarks, Mr. Thompson noted that Mr. Tang is currently Vice President of Administration at Atrium Health Cabarrus, and that he has 15 years of executive leadership experience in healthcare.
- ii. Mr. Thompson noted that Mr. Tang will fill the hospital administrator slot on the Board left vacant due to Dana Weston's resignation. Mr. Thompson thanked Ms. Weston for her service to the Board and Cardinal.
- iii. Mr. Hollowell then installed Mr. Tang as a new director and administered the oath of office.

3. Management's Update on Public Comments from February's Board Meeting

- i. For this agenda item, Ashley Conger, Chief Communications Officer, provided an update on the County Commissioner Advisory Board ("CCAB") meeting that was held on March 17, 2020.
- ii. In her remarks, Ms. Conger explained that the CCAB approved one additional seat for the CFAC on the Cardinal Board of Directors, for a total of four slots, with the understanding that it is the responsibility of the CFAC to distribute the slots across each of its four regions.

4. Consent Agenda

- i. 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 February 21, 2020 Board of Directors Meeting Minutes, (ii) FY21 CEO Incentive Design, (iii) Interim CEO Succession Policy, (iv) Executive Employment Agreement, (v) Union Bank Resolution, (vi) CFAC Relational Agreement, and (vii) Membership Appointment – Triad RHC.

All in favor. Motion approved.

5. Executive Committee Report

- i. For this agenda item, Mr. Thompson provided an update on the Executive Committee meetings that were held on March 26th and April 23rd.
- ii. In his remarks, Mr. Thompson noted that the Executive Committee discussed the March 20th letter that was sent to the LME/MCO CEOs by DHHS addressing the COVID-19 crisis. He explained that DHHS is working to create flexibilities that will help sustain the behavioral health and intellectual and developmental disability system during the COVID-19 emergency.
- iii. Among other things, Mr. Thompson pointed out that DHHS outlined several important objectives in the March 20th letter, including: (i) supporting the continuation of quality, medically necessary services and supports for members, (ii) stabilizing and sustaining provider networks to deliver services and supports, and (iii) reducing, to the greatest extent possible, the need for hospitalization and preventing avoidable readmissions.
- iv. Lastly, Mr. Thompson explained that, consistent with the purpose and objectives set forth in the March 20th letter, the Executive Committee adopted a motion authorizing management to utilize up to \$15M in risk reserve funding to support Cardinal's COVID-19 response efforts and business continuity.

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 providing an update on unused authorizations and the backup staffing process.
- ii. Mr. Williams explained that management has created a new dashboard to identify provider performance issues and patterns related to staffing and authorization usage. Among other things, he explained that this proactive approach will facilitate improvements in provider performance and improve member outcomes.
- iii. In terms of operational processes, Mr. Williams explained that the Quality Management team will review the dashboard weekly to identify providers that fall below the utilization thresholds, and that plans of correction may be utilized with providers to correct deficiencies.
- iv. In furtherance of this effort, Mr. Williams explained that providers with an underutilization of 50% or more of their current open authorizations in March received an outreach call from the Quality Management team.
- v. Lastly, in collaboration with the CFAC, Mr. Williams noted that the following enhancements are in process or are being considered for future updates: (i) developing an incentive program that rewards providers for outcomes based on staffing and utilization of services, (ii) providing members and families with Explanation of Benefits, and (iii) including outcomes as part of the provider's overall scorecard.

7. CEO Report

- i. For this agenda item, Mr. Thompson opened the floor to Trey Suttan, Chief Executive Officer, to present the CEO Report.
- ii. In his remarks, Mr. Suttan began by providing an update on Cardinal's efforts to respond to the COVID-19 crisis. He noted that Cardinal has worked diligently over the last few months, not only to maintain current operations but also to meet the challenging demands of the COVID-19 crisis.
- iii. According to Mr. Suttan, Cardinal's response efforts to COVID-19 are being implemented in four phases, including: (i) transitioning to a remote workforce, (ii) adjusting operational processes, (iii) implementing new initiatives, and (iv) transitioning back to the office.
- iv. For example, as part of Phase 2, Mr. Suttan explained that Cardinal has worked to ensure continued access to care for members in real time by enabling the rapid deployment of telephonic and virtual health options and relaxing authorization guidelines in ways that help families direct and deliver services.
- v. Next, as part of Phase 3, Mr. Suttan opened the floor to Ms. Conger to provide an update on the establishment of the COVID-19 Relief Fund. As she explained, this fund was set up in March to

address the needs of communities directly impacted by COVID-19. According to Ms. Conger, Cardinal received 406 grant proposals totaling \$6.9M from across all 20 counties.

- vi. In particular, Ms. Conger explained that Cardinal has accepted proposals from counties, school systems, municipalities, non-profit community-based organizations, and healthcare providers.
- vii. Next, Ms. Conger provided an update on **Ask. In doing so, she explained that Cardinal launched **ASK, a 24/7 mental health emergency access line, on April 9th. According to Ms. Conger, **ASK provides immediate access to resources for individuals to receive care with the goal of decreasing crowded emergency departments during the COVID-19 crisis.
- viii. Next, Mr. Suttan provided a legislative and regulatory update. In doing so, he explained that the House Select Committee on COVID-19 has been established to examine possible legislative solutions to address the COVID-19 crisis.
- ix. In furtherance of this effort, Mr. Suttan noted that the LME/MCOs submitted four legislative recommendations to the House Select Committee. Among the recommendations, the LME/MCOs asked the Committee to stop the State Single-Stream Funding cuts and to increase the Innovations Waiver slots to meet the needs of over 12,000 North Carolina citizens.
- x. After the legislative and regulatory update, Mr. Suttan opened the floor to Mr. Williams to provide an update on the FY20 Goals. In doing so, Mr. Williams explained that Cardinal is slightly below the DHB/DMH performance target of achieving 40% with respect to conducting follow-ups after discharge from an inpatient setting within seven days.
- xi. Mr. Williams then discussed the performance goal that is designed to improve the rate in which Cardinal is able to process Treatment Authorization Requests (“TARs”). Currently, Mr. Williams explained that the percentage of TAR requests returned is 8%, which is slightly above the stated goal of less than 7%.
- xii. After reviewing management’s progress on the FY20 Goals, Mr. Suttan provided an update on the Near-Term Operational Improvements. In doing so, he explained that management has prepared a 45-day response plan to achieve short-term goals related to improving services for the counties that Cardinal serves.
- xiii. According to Mr. Suttan, the 45-day response plan consists of: (i) collaborating with DHHS to jointly develop a mutually agreeable plan of work to address issues, (ii) engaging a third party advisor to work with Cardinal and stakeholders to develop a child welfare model, (iii) convening county commissioners from Cardinal’s 20 counties to discuss systemic challenges and potential solutions, (iv) establishing a frequency and forum to provide updates to the Mecklenburg County BOCC, and (v) engaging with CriSys leadership to further discuss issues raised and work collaboratively to address concerns.

8. Finance and Risk Committee Report

- i. For this agenda item, Mr. Thompson opened the floor to Dan Brummitt, Chair, and Mary Hamilton, CFO, to provide an update on the Finance and Risk Committee meeting that was held on April 23rd.
- ii. As part of the update, Ms. Hamilton presented the Finance Report. In doing so, she covered the Executive Summary and explained that membership is down 3.7% year-over-year.
- iii. Ms. Hamilton also noted that care expenses are 8.0% over plan. According to Ms. Hamilton, this is largely due to the delay in Medicaid Transformation.
- iv. Ms. Hamilton then provided an update on administrative expenses. As she explained, administrative expenses are 11.9% below the SFY20 budget. This results in part from the fact that Cardinal is \$9.2M under budget with respect to Tailored Plan Readiness costs.
- v. Next, Ms. Hamilton provided a brief update on Cardinal's response to the COVID-19 emergency. In doing so, she explained that Cardinal has identified 24 initiatives to ensure providers have the resources necessary to maintain operations and continue providing services for Cardinal's members.
- vi. As noted earlier, Ms. Hamilton reiterated that, consistent with the March 20th DHHS letter, the Executive Committee recently authorized management to utilize up to \$15M in risk reserve funding to support Cardinal's COVID-19 response efforts and business continuity.
- vii. Additionally, Ms. Hamilton pointed out that Cardinal has implemented rate increases for providers during this critical time, including a 15% rate increase for residential providers.
- viii. After the Executive Summary, Ms. Hamilton presented the February 2020 Financial Results and FY 2020 Projection. In doing so, she reviewed: (i) the Statement of Revenues, Expenses and Changes in Net Position Year-to-Date Thru February 29, 2020 and Total FY 2020, (ii) the February 2020 Statement of Net Position, and (iii) the YTD February 29, 2020 Condensed Cash Flow Statement.
- ix. Lastly, Ms. Hamilton provided an update on LME/MCO Solvency and FY 2020 Reinvestment. Among other things, she explained that Cardinal's solvency calculation as of March 2020 was slightly above the upper 5% solvency limit.

9. Governance Committee Report

- i. For this agenda item, Mr. Thompson opened the floor to Keith Duncan, Chair, to provide an update on the Governance Committee Meeting that was held on April 9th.
- ii. In his remarks, Mr. Duncan began by providing a brief overview on succession planning and term limits for Board leadership. In doing so, he explained that the goal of succession planning

is to develop an intentional and deliberate process to ensure the Board has experienced and qualified leadership in the future.

- iii. After a brief overview, Mr. Duncan opened the floor to Mr. Hollowell to provide an update on the concept of a Chair-Elect. In doing so, Mr. Hollowell explained that the use of a Chair-Elect process is a common way for not-for-profit boards to address succession planning for board leadership.
- iv. In terms of process, Mr. Hollowell explained that it is common for not-for-profit boards to seek nominees for the Chair-Elect position at least one year prior to the end of the current Chair's term.
- v. Once a slate of candidates for the Chair-Elect position is developed, Mr. Hollowell noted that it is common for the Governance Committee, or other similar nominating committee, to evaluate and interview the candidates against agreed-upon selection criteria.
- vi. At the conclusion of the evaluation and interview process, Mr. Hollowell explained that it is customary for the Governance Committee to meet and make a recommendation to the full Board as to the candidate that should serve as the next Chair-Elect.
- vii. As Mr. Hollowell explained, the Chair-Elect is typically elected by a majority vote of the full Board and holds such office until he or she transitions to Chair.
- viii. Next, Mr. Hollowell provided an update on term limits and Board leadership. In his remarks, he explained that there are two primary goals in tension with one another, including the need to have consistent leadership over time and the need to avoid stagnation and institutionalized leadership.
- ix. Mr. Hollowell noted that many not-for-profit organizations impose the following term limits for the Board Chair position: (i) the Chair is reelected annually by the full Board, (ii) the minimum planned service as Chair is two years, and (iii) the maximum planned service as Chair is three years.
- x. Next, Mr. Hollowell explained that it is common for not-for-profit organizations to impose term limits of two or three years on Committee Chairs. As he pointed out, this helps promote consistent leadership over time, while helping avoid stagnation and institutionalized leadership.
- xi. Mr. Hollowell then discussed term limits for board members. In doing so, he explained that it is common for not-for-profit organizations to impose some type of term limits for directors.
- xii. According to a 2017 survey, Mr. Hollowell noted that the most common term limit imposed consisted of two consecutive, three-year terms for a total of six years.
- xiii. While the Board may consider whether it prefers to have shorter term limits in its bylaws as a preference or norm, Mr. Hollowell explained that the general statutes will control, and that the CCAB may appoint directors consistent with the statutes.

- xiv. After his review, Mr. Hollowell noted that there was a general consensus among the Governance Committee on the following next steps: (i) the Board should transition to a Chair-Elect process for FY21, (ii) the Board should adopt selection criteria for the Board Chair and Chair-Elect positions, (iii) a maximum term limit of three years should be imposed on the Board Chair position, and the Board Chair should be reelected by the full Board annually, (iv) there should be no term limit for Committee Chairs, and these positions should remain subject to annual appointment by the Board Chair, and (v) there should be no term limits for Board members aside from the term limits contained in the general statutes.
- xv. There was general agreement among the Board on the next steps proposed by the Governance Committee in connection with Board leadership succession planning.
- xvi. Next, Mr. Duncan provided an update on the Board Chair Nomination for FY21. In his remarks, Mr. Duncan explained that the Governance Committee is responsible, per its charter, for evaluating the qualifications of and nominating one or more directors to serve as Chair of the Board of Directors on an annual basis.
- xvii. Mr. Duncan explained that correspondence was recently sent to the full Board seeking recommendations for Board Chair. According to Mr. Duncan, Bryan Thompson is the only nominee, and he is willing to serve for another term.
- xviii. After discussion, there was a general consensus among the Board to move forward and reelect Bryan Thompson to serve as Board Chair for FY21.

A motion was made, upon the recommendation of the Governance Committee, to reelect Bryan Thompson to serve as Board Chair for FY21.

All in favor. Motion approved.

- xix. Lastly, Mr. Duncan opened the floor to Mr. Hollowell to provide an update on the Board of Directors Self-Assessment. In doing so, Mr. Hollowell explained that the Governance Committee is responsible for developing and recommending to the Board a periodic self-assessment to evaluate the role and performance of the Board and to oversee the implementation of this evaluation process.
- xx. As discussed in February, Mr. Hollowell reiterated that a membership to BoardSource includes a Board Self-Assessment that will allow staff and the Governance Committee to begin the evaluation process for FY20.
- xxi. Mr. Hollowell explained that the self-assessment will be sent to the directors via BoardSource after the April Board meeting, and that the results will be presented to the Governance Committee and full Board in June.

10. County Commissioner Advisory Board (CCAB) Report

- i. For this agenda item, Mr. Thompson opened the floor to Dan Brummitt to provide an update on the County Commissioner Advisory Board (“CCAB”) meeting that was held on March 17, 2020.
- ii. In his remarks, Mr. Brummitt reiterated that the CCAB, upon the recommendation of the Cardinal Board of Directors, elected Tri Tang to fill the hospital administrator vacancy.
- iii. As part of the vacancy discussion, Mr. Brummitt noted that the CCAB asked Cardinal to announce vacancies in a more formal manner to the CCAB and Cardinal’s provider network, including other stakeholder groups as applicable.
- iv. As noted earlier by Ms. Conger, Mr. Brummitt explained that the CCAB approved one additional seat for the CFAC on the Cardinal Board of Directors, for a total of four slots, with the understanding that it is the responsibility of the CFAC to distribute the slots across each of its four regions.

11. Performance Evaluation and Compensation Committee Report

- i. For this agenda item, Mr. Thompson opened the floor to Dr. Christopher Colenda and Tchernavia Montgomery, Co-Chairs, to provide an update on the Performance Evaluation and Compensation Committee Meeting that was held on March 4th.
- ii. In their remarks, Dr. Colenda and Ms. Montgomery began by providing an update on the FY21 CEO Goals. As they explained, the initial draft of the FY21 CEO Goals will be prepared and reviewed by the Committee in May and will be finalized for approval by the Committee and full Board in June.
- iii. Next, Dr. Colenda and Ms. Montgomery opened the floor to Amy Kazmierczak, Cardinal’s Chief People Officer, to provide an update on the Compensation Plan. In doing so, she noted that the Committee is responsible, per its charter, for overseeing Cardinal’s compensation philosophy and policies.
- iv. In furtherance of this responsibility, Ms. Kazmierczak explained that management is recommending several revisions to the Compensation Plan. Among other things, she noted that the Compensation Plan is being revised to reflect the fact that each position is assigned to a range relative to its market price and internal scope, and that employee compensation falls within the established range with respect to experience and performance.
- v. Ms. Kazmierczak further noted that the revisions make clear that, as part of the biennial market survey process, Cardinal will review all ranges and employee salaries for external and internal equity.
- vi. After discussion, there was a general consensus among the Board to move forward and approve the Compensation Plan as revised.

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

All in favor. Motion approved.

12. Board Member Comment

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

For the final 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 indicated that he will recuse himself 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 and § 122C-158 of the General Statutes to consider personnel matters, (ii) § 143-318.11 and § 122C-126.1 of the General Statutes to discuss competitive health care information, and (iii) § 143-318.11(a)(3) of the General Statutes to discuss attorney-client privileged matters.

All in favor. Motion approved.

13. CEO Report (Continued)

14. General Counsel Report

15. Litigation Committee Report

The meeting returned to open session.

A motion was made, upon the recommendation of the Finance and Risk Committee, to authorize management to continue to advocate for capitation rates that are actuarially sound and consistent with CMS guidelines and applicable federal regulatory requirements. These advocacy efforts may include education of decision makers at DHHS, the General Assembly, stakeholders, as well as administrative litigation.

All in favor. Motion approved.

A motion was made and seconded to name Rudy Dimmling as the interim successor to 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 1:36 p.m.

DocuSigned by:

Callan Skinner

Callan Skinner, Clerk

06-25-2020

Date