
Board of Directors Meeting Minutes

August 17-18, 2018

- Directors Present:** Carmen Hooker Odom, Vice-Chair, Jean Andersen, Dr. Richard Blanks, Dan Brummitt, Bob Byrd, Devon Cornett, Terry Cox, Keith Duncan, George Dunlap, Judy Klusman, Thomas Lane, Layton Long, Beverly Morrow, William Pilkington, Gordon Powell, Dr. Jennifer Richards, and Marcelle Smith
- Directors Absent:** Bryan Thompson, Chair, Dr. Christopher Colenda, Scott Craver, and Tchernavia Montgomery
- Staff Present:** Trey Suttan, Chuck Hollowell, Rob Bryan, Steve Ermish, Dr. Terri Harpold, Greg Gertz, Anne Ibekwe, Ashley Conger, Shadale Jacobs, and Callan Skinner
- Guests:** Lisa Haire and Warren Kerper

1. Welcome and Call to Order

Carmen Hooker Odom, Vice-Chair, called the meeting to order at 6:30 p.m.

- i. Ms. Hooker Odom introduced Beverly Morrow. Ms. Morrow was recently elected as the Chair of Executive CFAC and will be serving on the Board of Directors for Cardinal in this capacity. Ms. Hooker Odom noted that, with the election of Beverly Morrow, Beverly Corpening has transitioned off the Board. She thanked Ms. Corpening for her service to the Board and Cardinal.
- ii. Next, Chuck Hollowell, General Counsel and Secretary, installed Ms. Morrow as a new director, including William Pilkington, who was unable to be sworn-in at the January 27, 2018 Board Meeting.
- iii. Afterwards, Mr. Hollowell welcomed Greg Gertz, Cardinal's new Chief Ethics and Compliance Officer. Also, Trey Suttan, CEO, introduced Anne Ibekwe, Cardinal's new Vice President of Finance.
- iv. Next, Ms. Hooker Odom opened the public comment portion of the meeting and noted that public comment is the public's opportunity to inform the Board about its views and to provide input to the Board regarding what it should consider in governing and making decisions for Cardinal and its members. After Ms. Hooker Odom's comments, Paula Yost and Judy Lewis addressed their concerns with the Board.
- v. Lastly, management provided an update on the public comments that were made at the June 11, 2018 Board Meeting. In doing so, Mr. Suttan provided an update on the training grant that is offered through the UNC School of Medicine Clinical Psychology Internship Program. Among other things, he noted that Cardinal will continue to support this program and its \$50,000 grant initiative.

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- vi. Next, as part of management's update, Anna Marshall, Vice President, Community Operations, provided a brief overview of CFAC and its relationship with the Board and Cardinal. Among other things, Ms. Marshall noted that CFAC is a self-governing and self-directed entity, and that its statutory responsibilities include: (i) reviewing, commenting on and monitoring the implementation of the local business plan, and (ii) identifying service gaps and underserved populations.
 - vii. Lastly, Dr. Terri Harpold, Interim Chief Medical Officer, provided an update on the provider barrier list. In her discussion, Dr. Harpold noted that the Provider Council and Cardinal are working together in a collaborative manner to identify and address barriers to network participation and member outcomes.

2. Consent Agenda

Ms. Hooker Odom 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 11, 2018 Board of Directors Meeting, (ii) the June 2018 Executive Report, and (iii) the FY 2019 Annual Quality Strategy & Performance Improvement Plan.

All in favor. Motion approved.

3. CEO Report

- i. Mr. Suttan presented the CEO Report. In doing so, he provided a recruiting update and noted the recent hires of Steve Ermish, Chief Information Officer, Greg Gertz, Chief Ethics and Compliance Officer, and Anne Ibekwe, Vice President of Finance.
- ii. Next, Mr. Suttan provided an update on the CEO Goals for FY 2018. Among other things, he explained that the CEO Performance 360 Reviews have been completed, and that the data is being aggregated by Korn Ferry, which will assist in the development of the CEO Goals for FY 2019.
- iii. Mr. Suttan then provided an update on the latest developments with Medicaid Reform in North Carolina. In his remarks, he noted that, one year after the managed care contracts begin for Standard Plans, Cardinal will become responsible for coordinating Medicaid physical health and pharmacy services for those individuals enrolled in a BH I/DD Tailored Plan. As Mr. Suttan pointed out, only LME/MCOs will be permitted to operate BH I/DD Tailored Plans for the first four years they are offered.
- iv. In discussing Medicaid Reform, Mr. Suttan provided a high-level overview of Cardinal's strategy to help the organization make the transition to a Tailored Plan. The five key pillars of this strategy include: (i) Operational Readiness, (ii) Community-Based Governance as a Differentiator, (iii) Clinical Operations as a Competitive Advantage, (iv) Providers as Allies, and (v) Employees as Change Agents.

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- v. As it relates to Clinical Operations, Mr. Suttan noted that Cardinal is working to achieve operational excellence by ensuring the delivery of sound clinical practices in whole person, whole health care. In doing so, Cardinal has set as a goal to implement trainings in key areas to facilitate integrated care readiness.
 - vi. Lastly, Mr. Suttan pointed out there are several remaining unknowns with Medicaid Reform, including: (i) scope of service for Tailored Plans, (ii) movement between Standard Plans and Tailored Plans, and (iii) rate-setting.

4. Employee Ombudsman Report

- i. For this agenda item, Mr. Suttan introduced Shadale Jacobs, Access Manager, Utilization Management. In his remarks, he noted that Ms. Jacobs was nominated to serve as an “employee liaison” to provide the Board with a candid report on the state of employees within the organization.
- ii. In her report, Ms. Jacobs discussed Cardinal’s Culture Journey and the Culture Ambassadors Program. She noted that this program consists of a group of employees that have committed to modeling a culture of accountability, integrity, empowerment, support, collaboration and inclusion at Cardinal.
- iii. Ms. Jacobs noted that the Culture Ambassadors meet in-person on a quarterly basis to discuss ideas and to propose solutions to help foster a positive organizational culture at Cardinal. In particular, from January – June, 2017, Ms. Jacobs noted that 28 meetings were held across the six culture teams.
- iv. At the conclusion of her report, the Board asked Ms. Jacobs to keep it updated on the progress of the Culture Ambassadors Program.

5. Executive Committee Report

- i. Ms. Hooker Odom briefly updated the Board on the Executive Committee Meeting that was scheduled for Thursday, August 16th. In her update, she noted that a quorum was not present, so an official meeting of the Executive Committee was not held.
- ii. Ms. Hooker Odom noted that the minutes for the June 10th Executive Committee Meeting will be presented for approval at the Committee’s next meeting.

A motion was made and seconded to recess and continue the meeting on Saturday, August 18, 2018.

All in favor. Motion approved.

Ms. Hooker Odom called the meeting to order on Saturday, August 18, 2018.

6. Finance and Audit Committee Report

- i. Dan Brummitt, Chair, briefly updated the Board on the Finance and Audit Committee Meeting that was held on August 17, 2018. In his discussion, Mr. Brummitt noted that the Committee has planned to meet on Thursday afternoons, prior to the single-day Board Meetings, to review the impact that the reductions in State funding and solvency measures will have on Cardinal and its operations.
- ii. Next, Mr. Brummitt opened the floor to Mr. Suttan to review Rockingham County's capital request. Originally made with Cardinal's prior leadership, Mr. Suttan informed the Board that the county has asked for Cardinal's support in renovating a facility to provide a centrally located place for Daymark and Insight Human Services to serve clients.
- iii. Specifically, Mr. Suttan pointed out that this reinvestment would be utilized to renovate a two-story building adjacent to the Rockingham Courthouse and Sheriff's Department, thus allowing for closer proximity to various services offered at the governmental center.
- iv. After Mr. Suttan's update, Mr. Brummitt informed the Board that there was a general consensus among the Finance and Audit Committee to support this initiative; provided, that, Rockingham County is first willing to make an initial commitment of \$150,000 to support the renovation work. If Rockingham County agrees to this initial commitment, the Committee then agreed that Cardinal would be willing to commit funding in an amount up to \$250,000 to support the project.

A motion was made, upon the recommendation of the Finance and Audit Committee, to approve that, if Rockingham County makes an initial commitment of \$150,000 to support the renovation work to provide Daymark and Insight Human Services a centrally located facility to serve clients, Cardinal will then commit funding in an amount up to \$250,000 to support the project.

All in favor, with the exception of Mr. Duncan who recused himself and abstained from the vote. Motion approved.

- v. Next, Ms. Ibekwe reviewed the latest financial statements. In doing so, she reviewed: (i) the Statement of Net Position as of 6/30/18, and (ii) the Statement of Revenues, Expenses and Changes in Net Position as of 6/30/18. Ms. Ibekwe also reviewed the Medicaid Service Revenues by Waiver and Catchment.
- vi. After reviewing the latest financials, Ms. Ibekwe reviewed the FY 2018 Budget Amendment #4. In her discussion, she noted that this budget amendment includes, among other things, an increase of \$8.6 million for various State and Federal service programs to match current allocation letters, as well as miscellaneous administrative spending adjustments.

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- vii. Ms. Ibekwe then reviewed the FY 2019 Budget Amendment #1. In her review, she highlighted for the Board that this budget amendment addresses the reduction in single stream funding totaling \$17.8 million.
 - viii. The Board agreed, upon the recommendation of the Finance and Audit Committee, to move forward in approving the FY 2018 Budget Amendment #4 and the FY 2019 Budget Amendment #1.

A motion was made, upon the recommendation of the Finance and Audit Committee, to approve the FY 2018 Budget Amendment #4 and the FY 2019 Budget Amendment #1.

All in favor. Motion approved.

- ix. Next, Ms. Ibekwe reviewed the proposed commitments that are needed to support operations in FY 2019. These include: (i) a commitment to appropriate Medicaid fund balance to fund the FY 2019 single stream maintenance of effort, (ii) the FY 2019 Inter-Governmental Transfer amount to be paid to DHHS, and (iii) a clearing out of selected FY 2018 or prior year's assigned/committed fund balances.
- x. In reviewing the proposed commitments, the Board asked staff to go back and continue working on the three-year reinvestment plan.
- xi. The Board agreed, upon the recommendation of the Finance and Audit Committee, to move forward in approving the proposed commitments, with the exception of the three-year reinvestment plan.

A motion was made, upon the recommendation of the Finance and Audit Committee, to approve the proposed commitments, with the exception of the three-year reinvestment plan.

All in favor. Motion approved.

- xii. Next, Ms. Ibekwe provided an update on the new solvency measures that are being implemented by the Department. In her report, she noted that the 2013 solvency standards were amended this year by Senate Bill 99 to include new standards and methodology to calculate the solvency range for each LME/MCO.
- xiii. According to Ms. Ibekwe, the new solvency standards are designed to evaluate the financial position of each LME/MCO and to provide a mechanism for ongoing analysis.
- xiv. Lastly, Mr. Brummitt opened the floor to Mr. Hollowell to review the revisions to Cardinal's Compliance Plan. In his remarks, Mr. Hollowell noted that the Finance and Audit Committee is responsible, as set forth in its charter, for overseeing Cardinal's compliance with legal and regulatory matters.
- xv. In reviewing the Compliance Plan, Mr. Hollowell noted that the revisions address provider disclosures to DMA and certain other administrative matters.

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- xvi. The Board agreed, upon the recommendation of the Finance and Audit Committee, to move forward in approving the revisions to Cardinal's Compliance Plan.

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

All in favor. Motion approved.

7. Governance Committee Report

- i. Dr. Jennifer Richards, Chair, briefly updated the directors on the Board Orientation and Strategy Webex that was held on August 1, 2018 and the good director turnout. Additionally, Dr. Richards updated the Board on the Governance Committee Meetings that were held on August 6th and August 14th, 2018.
- ii. For the first item in her report, Dr. Richards provided an update on the County Commissioner Advisory Board ("CCAB") and the Statutory Director Vacancy. She noted that the Board, at its March Meeting, approved the appointment of commissioners to the CCAB and to also use this CCAB to serve as the Selection Committee for purposes of filling vacancies on the Board.
- iii. In discussing the appointment process, Dr. Richards noted that the Board does have the ability to make recommendations to this Selection Committee, but that the Selection Committee ultimately has sole authority for filling vacancies on the Board.
- iv. Next, at its August 6th Meeting, Dr. Richards noted that the Committee reviewed a list of possible candidates to fill the open hospital administrator slot on the Board. The candidates included: (i) Christian Lawson, Director of Emergency Services, UNC Medical Center, and (ii) Dana Weston, President, UNC Rockingham Health Care.
- v. Dr. Richards noted that, prior to making any recommendation to the Board, the Committee discussed and agreed that it wanted to hold interviews with each of the candidates and asked staff to set up the interviews.
- vi. Dr. Richards then noted that the Committee held interviews with Christian Lawson and Dana Weston prior to the Governance Committee Meeting on August 14th. While both candidates did well in the interview process and both are well qualified for the position, Dr. Richards stated that the Committee adopted a motion asking the Board to consider recommending Dana Weston to the Selection Committee.
- vii. Dr. Richards explained that the Committee's decision was based, in part, on the fact that Ms. Weston has valuable experience with hospital administration in underserved, rural areas, which is vitally important to helping Cardinal serve its members.

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- viii. In considering the Committee's recommendation, the Board discussed and agreed that it should inform the Selection Committee that both Mr. Lawson and Ms. Weston were considered for the position.
 - ix. The Board agreed, upon the recommendation of the Governance Committee, to move forward in making a recommendation to the Selection Committee that it consider appointing Dana Weston to fill the hospital administrator vacancy on the Cardinal Board.

A motion was made, upon the recommendation of the Governance Committee, to make a recommendation to the Selection Committee that it consider appointing Dana Weston to fill the hospital administrator vacancy on the Cardinal Board.

All in favor. Motion approved.

- x. Next, Dr. Richards opened the floor to Mr. Hollowell to provide an update on the CCAB and Director Terms. In his discussion, Mr. Hollowell noted that, since several Board members have an initial term of one-year, the Board will need to consider making recommendations to the Selection Committee for the directors who wish to continue to serve.
- xi. Additionally, Mr. Hollowell noted that the Board may want to consider asking the Selection Committee to adjust the initial term of the current directors, so that the appointment process aligns with the beginning of each fiscal year.
- xii. Next, Dr. Richards opened the floor to Anna Marshall to provide an update on Cardinal's advisory governance structure. In her remarks, Ms. Marshall discussed staff's proposed plan to transition the Community Board model into a structure that is designed to better achieve Cardinal's community-based model of care.
- xiii. Ms. Marshall began her discussion by noting that the Board of Directors is the ultimate governing authority for Cardinal and is required to meet six times per year. Membership on the Board of Directors is determined by statute.
- xiv. Ms. Marshall then provided an overview of the various boards and committees that represent Cardinal in an advisory capacity. In doing so, Ms. Marshall discussed the: (i) CCAB, (ii) Client Rights Committee, (iii) Network Council, (iv) local and executive CFACs, and (v) Community Boards.
- xv. In her review, Ms. Marshall noted there are several challenges with this current advisory structure, including: (i) that there is no unified voice – each entity tends to focus on its individual interests, as opposed to overall community health, and (ii) that there are no defined deliverables to the Board of Directors.
- xvi. Ms. Marshall then provided an overview of the Health Council concept, a type of structure that was initially piloted in Oregon in 2012 and is designed to create a collaborative approach to achieving health outcomes in the community.

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- xvii. In describing this concept, Ms. Marshall noted that Health Councils can be used to accomplish a variety of functions, including: (i) developing regional health assessments and regional health improvement plans, and (ii) overseeing community standards of care. Additionally, Ms. Marshall noted that Health Councils may be used to reinvest in the communities that Cardinal serves to help improve community health.
 - xviii. After Ms. Marshall's remarks, the Board decided to establish an Ad hoc Committee to consider how best to restructure Cardinal's advisory governance model. In doing so, the Board asked the Committee to (i) explore the Oregon Health Council model in more detail, and (ii) evaluate and oversee the development of this proposed new structure and a plan for transition.

A motion was made and seconded by the Board to establish an Ad hoc Committee to consider how best to restructure Cardinal's advisory governance model.

All in favor. Motion approved.

- xix. Subject to approval by the Board Chair, the following Board members volunteered to serve on this Ad hoc Committee: Jean Andersen, Beverly Morrow, Devon Cornett, Judy Klusman, Terry Cox, Dr. Jennifer Richards, and Layton Long. Mr. Long agreed to serve as the Chair of this Committee.
- xx. Next, Dr. Richards presented the Board of Directors Plan of Work for FY 2019. In doing so, she noted that the Committee is responsible for developing, on an annual basis, the Plan of Work for the Board, as set out in the Committee's charter.
- xxi. In its discussion, the Board agreed to move forward, upon the recommendation of the Governance Committee, to adopt the Board of Directors Plan of Work for FY 2019.

A motion was made, upon the recommendation of the Governance Committee, to adopt the Board of Directors Plan of Work for FY 2019.

All in favor. Motion approved.

- xxii. Lastly, Dr. Richards reviewed a suggested timeline for completing the Board Self-Evaluation this Fall, with the aim of presenting the results at the December 14-15, 2018 Board of Directors Meeting.

8. Performance, Evaluation and Compensation Committee Report

- i. Bob Byrd briefly updated the Board on the Performance, Evaluation and Compensation Committee Meetings that were held on July 12th and August 13th, 2018. In doing so, Mr. Byrd provided an update on CEO Compensation and noted that the Committee, at its July 12th Meeting, made the decision to engage Sullivan, Cotter and Associates, Inc. to perform the total compensation study for the CEO position at Cardinal.

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- ii. Mr. Byrd noted that the Committee selected Sullivan Cotter as a result of its experience in advising large health systems and health insurers, including Medicaid health plans, on executive compensation matters.
 - iii. Next, Mr. Byrd opened the floor to Mr. Hollowell to provide an update on Cardinal's appeal regarding OSHR's salary range for LME/MCO CEOs. In his remarks, Mr. Hollowell noted that OSHR worked with Korn Ferry to conduct a new salary study to reflect the increased responsibilities of LME/MCO CEOs. Mr. Hollowell noted that all of the LME/MCOs participated in the study with Korn Ferry.
 - iv. In his discussion, Mr. Hollowell noted that OSHR recently finalized its new salary range for LME/MCO CEOs. The new salary range is: (i) Minimum - \$204,957, (ii) Midpoint - \$287,014, and (iii) Maximum - \$369,071.
 - v. Next, Mr. Hollowell noted that the Committee is responsible, as set forth in its charter, for assisting the Board in determining the total compensation package for the CEO position at Cardinal. As Mr. Hollowell pointed out, the Committee engaged Sullivan Cotter to help carry out this core responsibility.
 - vi. Once Sullivan Cotter completes its study, Mr. Hollowell noted that the Board will be able to use this market data as a reference in setting compensation for the CEO position at Cardinal. However, he explained that the CEO's salary will need to be within the new salary range established by OSHR, or the Board will have the option to seek an exception as permitted by the General Statutes.
 - vii. Next, Mr. Byrd opened the floor to Warren Kerper, Managing Principal, Sullivan Cotter, to provide an overview of the methodology and process that will be used in conducting the total compensation study for the CEO position at Cardinal.
 - viii. In his remarks, Mr. Kerper noted that the purpose of the market study is to document and support the compensation analysis for the CEO position at Cardinal and to provide relevant market data for the Committee and the Board to consider when setting compensation for the CEO. This market study will include compensation ranges that are paid by regional and national organizations with functions similar in size and scope to Cardinal.
 - ix. Mr. Kerper then reviewed the methodology that will be used in conducting the total compensation study. This process includes: (i) gathering relevant background information on Cardinal, (ii) defining position benchmarks, (iii) gathering compensation data for the benchmark positions from published compensation surveys to develop an estimate of market compensation practices, and (iv) determining the value of the benefits program at Cardinal and in the marketplace.
 - x. As part of the process, Mr. Kerper noted that Sullivan Cotter will collect information to gain an overall understanding of Cardinal, including information relating to its operations, complexity,

structure, size, and scope. As he noted, Cardinal is the largest LME/MCO in North Carolina and has \$853 million in gross revenue, 850,000 members and 900 employees.

- xi. Additionally, Mr. Kerper noted that, particularly in light of the evolution of Medicaid Reform in North Carolina, the published survey data sources are intended to give a representation of the compensation practices of organizations with which Cardinal competes, or may compete, for executive talent, such as Medicaid plans, Medicare plans, or other health plans of similar size and scope.
- xii. Finally, in reviewing the market study methodology, Mr. Kerper suggested that the Board may want to consider several factors when reviewing the total compensation package for the CEO position, including: (i) organizational performance and contribution relative to the responsibilities of the position, (ii) recent and anticipated changes within the health care industry, (iii) the organization's executive compensation philosophy, and (iv) any applicable regulatory requirements, including the OSHR salary range for LME/MCO CEOs.
- xiii. Next, Mr. Byrd provided an update on the CEO Performance Evaluation for FY 2018. In doing so, he noted that the Board, at its June Meeting, requested that a third party be responsible for compiling the results of the CEO Performance Evaluation.
- xiv. Mr. Byrd noted that the Committee is working with Tim Fitzsimons, M.D., a Senior Client Partner with Korn Ferry, to compile the results of the CEO Performance Evaluation for FY 2018, and that he is also working with the Committee to complete the 360 Performance Reviews for Mr. Suttan.
- xv. Next, Mr. Byrd provided an update on the Biennial Salary Survey. For this agenda item, he noted that, as part of the Compensation Plan that was approved by the Board in March, Cardinal is required, on a biennial basis, to conduct a review of compensation levels for staff. He noted that this review includes a comparative analysis of compensation paid by other local, regional and national organizations with functions similar in size and scope to Cardinal.
- xvi. Mr. Byrd noted that the compensation review is complete, and that no significant fluctuations have occurred in the market since the survey was last conducted in 2016. As a result, he noted that Cardinal's salaries are competitive to the marketplace, and thus, with few exceptions, market-based salary adjustments are not warranted at this time.
- xvii. Lastly, Mr. Byrd provided an update on the Interim CEO Succession Plan. In his remarks, he noted that the Committee is responsible, as set forth in its charter, for assisting the Board in developing a succession plan for the Chief Executive Officer.
- xviii. Mr. Byrd then opened the floor to Mr. Suttan to review the proposed Interim CEO Succession Plan. In his review, Mr. Suttan noted that this is a plan for Cardinal and the Board to have in place in the event of an unplanned vacancy in the CEO position and to help facilitate the transition to interim leadership.

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- xix. After reviewing the proposed Interim CEO Succession Plan, Mr. Suttan noted that he asked the Committee to consider recommending to the Board that it name Chuck Hollowell as the interim successor to the CEO, and the Committee agreed.
 - xx. The Board agreed, upon the recommendation of the Performance, Evaluation and Compensation Committee, to move forward and approve the Interim CEO Succession Plan and to name Chuck Hollowell as the interim successor to the CEO.

A motion was made, upon the recommendation of the Performance, Evaluation and Compensation Committee, to approve the Interim CEO Succession Plan and to name Chuck Hollowell as the interim successor to the CEO.

All in favor. Motion approved.

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.

9. Litigation Committee Report

10. General Counsel Report

The meeting returned to open session.

11. Board Member Comment

- i. Ms. Hooker Odom provided an opportunity for the directors to address the Board.

A motion was made and seconded to adjourn the meeting.

All in favor. Motion approved.

Meeting adjourned at 1:08 p.m.



Callan Skinner, Clerk

10/29/18
Date