

MINUTES OF THE MEETING OF THE SAN JOAQUIN COUNTY HEALTH COMMISSION

October 29, 2025

Health Plan of San Joaquin – Community Room

COMMISSION MEMBERS PRESENT:

Brian Jensen, Vice-Chair

Julienne Angeles, MD

Paul Canepa

Jim Diel – *joined remotely from El Dorado County HHSA Office*

Joy Farley, MD

Michael Herrera, DO

Jay Krishnaswamy

Ruben Imperial

Sandra Regalo

Terry Woodrow

COMMISSION MEMBERS ABSENT:

Genevieve Valentine, Chair

Michael Sorensen

Terry Withrow

STAFF PRESENT:

Lizeth Granados, Chief Executive Officer

Betty Clark, Chief Regulatory Affairs and Compliance Officer

Dr. Lakshmi Dhanvanthari, Chief Medical Officer

Evert Hendrix, Chief Administrative Officer

Tracy Hitzeman, Executive Director – Clinical Operations

Elizabeth Le, Chief Operations Officer

Michelle Tetreault, Chief Financial Officer

Victoria Worthy, Chief Information Officer

Quendrith Macedo, County Counsel

Sue Nakata, Executive Assistant and Clerk of the Health Commission

CALL TO ORDER

Vice-Chair Jensen called the Health Commission meeting to order at 5:02 p.m.

Vice-Chair Jensen stated for the record that a portion of the San Joaquin County Health Commission meeting is being conducted pursuant to California Government Code Section 54953, as Health Commissioner Jim Diel is participating from an alternate location: EDC Health & Human Services Agency, 3057 Briw Road, Suite B, Placerville, CA 95667, via Microsoft Teams. In accordance with the Ralph M. Brown Act, this alternate location was included in the meeting notice and agenda.

With no questions or comments from the Commission, it was noted that all commissioners present confirmed they could hear Commissioner Diel clearly and had no doubt regarding his identity as the participant joining via teleconference.

PRESENTATIONS/INTRODUCTIONS

None.

PUBLIC COMMENTS

No public comments were forthcoming.

CONSENT CALENDAR

Vice-Chair Jensen presented four consent items for approval:

1. September 24, 2025 Health Commission Meeting Minutes
2. Community Reinvestment Committee – 10/8/2025
 - a. September 10, 2025 Meeting Minutes
 - b. Grant Applications Approval Request
 - i. Capital Projects Grant Program – San Joaquin General Hospital: \$2,151,178
3. Community Advisory Committee (CAC) – 10/16/2025
 - a. August 7, 2025 Meeting Minutes
 - b. Behavioral Health Integration
 - c. Evidence of Coverage/Provider Manual
 - d. Medi-Care
 - e. Non-Specialty Mental Health Services Program Update
 - f. Lead Prevention
4. Finance & Investment Committee (F & I) – 10/22/2025
 - a. August 20, 2025 Meeting Minutes
 - b. Toney HealthCare Consulting, LLC Contract – Quality Improvement Director Consultant

Pursuant to the requirements of the Ralph M. Brown Act (Gov. Code § 54950 et seq.) and its teleconferencing provisions, and because Commissioner Diel is participating remotely (via a teleconference connection), the Commission must take its vote by roll call, to ensure that each member's vote is publicly identified and recorded in the minutes.

ACTION: With no questions or comments, Vice-Chair Jensen moved to approve consent items 1, 3 and 4 as presented. The motion was made by Commissioner Woodrow, seconded by Commissioner Imperial and was unanimously approved (9/0).

At this time, due to conflict of interest with San Joaquin General Hospital, Commissioners Regalo, Canepa and Angeles recused themselves from the meeting.

ACTION: With no questions or comments, Vice-Chair Jensen moved to approve the Capital Projects Grant Program – San Joaquin General Hospital for \$2,151,178. The motion was made by Commissioner Imperial, seconded by Commissioner Krishnaswamy and was unanimously approved (6/3).

DISCUSSION/ACTION ITEMS

5. Baker Tilly Auditors Report – Fiscal Year 2025 Audited Financials

Rianne Suico and Eleanor Garibaldi of Baker Tilly joined the meeting to present the organization's audit results for fiscal year 2025. Baker Tilly's audit objectives were to issue an opinion about whether Health Plan's combined financial statements are reasonably stated and free of material misstatement in accordance with generally accepting accounting principles, consideration of internal controls, and audits required by regulators, highlighting the following:

- Unmodified Opinion – financial statements are fairly presented in accordance with generally accepted accounting principles
- Operations
 - Total Revenues (in thousands) - \$2,252,680 in 2025 compared to \$2,006,212 in 2024
 - Total Operating Expenses (in thousands) – \$1,648,748 in 2025 compared to \$1,579,802 in 2024
 - Tangible Net Equity (TNE) in thousands – \$674,789 in 2025 compared to \$825,096 in 2024
- Included in the report were the following important Board Communications:
 - AU-C Section 260 – The Auditor's Communication with Those Charged with Governance
 - Significant accounting policies
 - Accounting estimates are reasonable
 - No audit adjustments
 - No issues discussed prior to our retention as auditors
 - No disagreements with management
 - No awareness of instances of fraud or noncompliance with laws and regulations

Upon Baker Tilly's report, the following questions were raised by commissioners:

Q: Canepa – What is capitation rate?

A: Garibaldi – The capitation rate is a mixture of capitation + MCO's. MCO Tax increased in FY 25 which is why the capitation increased, which includes receivables. Only a portion of receivables is related to the cost of \$1.6B.

Q: Imperial – What is the calculation for the capitation rate and asked for management to provide the TNE formula calculation.

A: Suico – The formula is calculated for all health plans. Three calculated formulas, the highest is TNE per DHCS requirement (all the assets minus the liability = equity). \$674M is actual calculated financial statement number.

A: Tetreault – took the action to send a follow up to commissioner on TNE formula calculation.

ACTION: With no additional questions or comments, the motion was made (Commissioner Canepa) seconded (Commissioner Imperial) and was unanimous to approve the Baker Tilly Report for FY 2025 audited financials as presented (9/0).

6. July and August FY 2025 Financial Reports

Ms. Tetreault presented for approval the July and August FY 2025 financial reports, highlighting the following in the August financials:

- Premium Revenue is \$2.1M favorable (\$2.86 PMPM) to budget YTD as of August 2025, due to a favorable volume in member months, offset by -\$2.3 unfavorable Enhanced Care Management (ECM) risk corridor agreements for the current fiscal year
- Other Medical Revenue & Expense consists of DHCS-Directed Payments. These payments are established by DHCS to support provider participation, network adequacy, access to care, and quality improvement across California's Medi-Cal delivery system. DHCS requires Managed Care Plans (MCPs) to distribute these payments to eligible providers. The programs are accounted for on a gross basis, with revenue and corresponding expense recognized in the same reporting period. Because amounts received are fully disbursed in accordance with DHCS directives, these amounts do not impact Health Plan's margin
- Managed Care Expenses are -\$34.2M unfavorable (-\$36.60 PMPM) to FYTD budget, driven by - \$13.8M unfavorable variance in institutional, comprised of inpatient, outpatient, hospice, emergency room and long-term care services and -\$15.6M unfavorable variance in professional primarily due to increased utilization and higher-cost claims, largely resulting from higher member acuity and more complex care needs driving increased hospitalizations and specialist visits, +\$0.1M favorable variance in capitated services, primarily driven by favorable capitation rates, +\$0.5M favorable reinsurance recoveries related to finalized claims exceeding initial estimates and -\$5.4M unfavorable in other medical, composed of medical transportation -\$3.0M unfavorable, medical equipment -\$0.7M unfavorable, ECM services -\$1.0M unfavorable and community supports -\$1.1M unfavorable due to high utilization, offset by medical management administrative expense allowed in medical +\$0.4M favorable, driven by underused consultant dollars.
- Net Other Revenues and Expenses are +\$1.4 M favorable (+1.80 PMPM) to budget YTD primarily due timing of ongoing CalAIM Incentive Payment Program (IPP)
- Administrative Expenses are +\$1.8M favorable to budget primarily driven by +\$0.6M favorable in subscription expenses due to underspent IT projects, +\$0.9M favorable in consultant expenses mainly due to timing of payments, and +\$0.3M favorable in QM license fees primarily related to IT software for DSNP
- Prior period adjustments of +\$20.6M favorable (\$25.06 PMPM) are primarily driven by +\$3.5M favorable premium revenue due to the reduction of accruals in risk corridors related to prior year's MOT claims and +\$17.0M favorable net changes in IBNR estimates

Ms. Tetreault reported that the finance team has been continuously monitoring our TNE and is aware of the unfavorable trend in our bottom line. Historically, we experience cycles of 3–5 strong years followed by 3–5 challenging years. After nine consecutive years of bottom-line favorability, we anticipated a decline in TNE and have been working to ensure that our rates remain adequate to avoid reaching an unfavorable position.

In August, preliminary results reflected a \$108M loss. Upon receiving the actuary IBNR report, their recommendation was to include at least a 30% contingency, which would bring the projected loss for June to \$150M. As a result HPSJ increased the contingency from 10% to 35%. We are hopeful that some of this will eventually reflect a positive adjustment.

She also reported that the Health Plan's draft rates for calendar year 2026 were received, reflecting a 3.1% increase. Management submitted an additional request to DHCS for a 9% increase on top of the 3.1% and have also asked them to reconsider our 2025 rates due to our current experience.

Vice-Chair Jensen asked whether there were any indications of DHCS's response to the Health Plan's requests. Ms. Tetreault responded that DHCS is considering the request, though to what extent it is unclear—but DHCS has declined a meeting that HPSJ requested. She added that the team is preparing data, legal justification, and a presentation to ensure the Health Plan is positioned appropriately should legal action become necessary.

ACTION: With no further questions or comments, the motion was made (Commissioner Imperial) seconded (Commissioner Krishnaswamy) and was unanimous to approve the July and August FY 2025 financial reports as presented (9/0).

Commissioner Herrera joined the meeting at this time.

INFORMATION ITEMS

7. Medical Expense Analysis

Kyle Edrington of Edrington Health Consulting joined the meeting to present an analysis of the Health Plan's medical expense based on the following:

- Significant Medi-Cal changes have impacted experience trends, financial reporting, and capitation rate adequacy
- Redetermination enrollment changes, Long-Term care transitions, Targeted Rate Increases (TRI), Medicare Part A Buy-In, CalAim Community Supports and ECM roll-out, Reprocare/Expansion, and others
- 20+% annual Per Member Per Month expense trend since late 2023
- Volatile Incurred but not Paid (IBNP) reporting
- Impacts to the actuarial rate development process with the California Department of Health Care Services (DHCS) and its actuaries, Mercer
- Ongoing financial review and rate advocacy with DHCS/Mercer
- Next Steps
 - Continued review of emerging experience - September system conversion introduces complexity/delays
 - Continued advocacy with DHCS and Mercer for material increases to initial Calendar Year 2026 capitation rates (next version expected mid-November)
 - Consideration for retroactive changes to Calendar Year 2025 rates to reflect more complete experience

Commissioner Krishnaswamy left the meeting at this time.

Vice-Chair Jensen reported that, due to time constraints, the CEO, COO, Quarterly Information Security and Legislative Reports would not be presented; however, the materials are included in the Health Commission meeting packet for commissioners to review.

8. Bi-Monthly Compliance Report

Betty Clark, Chief Regulatory Affairs and Compliance Officer, provided an update on bi-monthly compliance activities, highlighting the following:

Regulatory Audit Updates

Department of Health Care Services (DHCS)

- Health Plan has been providing DHCS with corrective action plan updates for the findings from 2024 Medical Audit
- Next annual audit is scheduled for January 2026 with a review period of 08/01/24 – 12/31/25

Department of Managed Health Care (DMHC)

- 2025 Financial Audit – Health Plan has corrected the finding regarding reporting key personnel changes
- 2025 Follow-Up Survey – DMHC reviewed whether the 21 findings from the 2021 Routine Survey were corrected
 - DMHC identified 8 findings as “not corrected” regarding grievances, provider directory updates, and utilization management
 - Health Plan is ensuring additional corrections are made before the next audit
- 2026 Routine Survey – Next full scope audit is scheduled for May 2026

Managed Care Accountability Set (MCAS) Performance Measures

On October 16, 2025, DHCS notified HPSJ of its intent to impose a \$121,000 sanction for having 22 county-level measures below the MPLs for measurement year 2024

- DHCS does not impose sanctions during the plan's first year of operation, so HPSJ was not subject to penalties for El Dorado and Alpine counties
- 12 measures for San Joaquin and 10 measures for Stanislaus
- Cervical Cancer Screening and Child and Adolescent Well-Care Visits had highest number of impacted members for both counties

Vice-Chair Jensen asked how many MCAS measures there are. Ms. Clark responded that there are 18 measures per county.

Commissioner Angeles asked whether any similar measures were missed in the previous year. Ms. Clark and Dr. Lakshmi Dhanvanthari, CMO, responded that last year's sanction was \$68K and involved some of the same measures. Although there was an increase, the MPL was not met because performance did not reach the 50th percentile in certain counties.

DMHC Enforcement Action 22-695

- In a February 7, 2025 enforcement action, DMHC found that Health Plan was not included in its 2019 Timely Access Report:
 - A report of incidents of non-compliance
 - A Quality Assurance Report
 - Complete and accurate data for contracted qualified autism services providers and HIV/AIDS specialists
- DMHC assessed a \$25,000 administrative penalty in requested a corrective action plan
- In April 2025, HPSJ notified DMHC that this matter involves actions and omissions from over six years ago and Health Plan had long since corrected its Timely Access Report submission process
- On October 6, 2025, DMHC issued a letter of admonishment with no financial penalty

Compliance in the News

- DMHC Enforcement Actions
 - On 09/12/2025, DMHC issued an enforcement action against Cigna Healthcare, imposing a penalty of \$500,000 for not ensuring medically necessity determinations were made by appropriately licensed professionals based on clinical information. Cigna used a retroactive

claims review process that relied solely on diagnosis and procedure code pairings to deny services as not medically necessary

- United States Government
 - In June 2025, the US Attorney's Office in CA Northern District announced the indictment of Vincent Thayer, of San Jose for aggravated identity theft in connection with a \$68 million COVID-19 testing and office visit scheme
 - In September 2025, the US Attorney's Office in CA Central District filed a lawsuit against Inland Empire Health Plan, alleging violations of the False Claims Act and knowingly retaining overpayments from the Medi-Cal Program
- U.S. Health & Human Services Office of Civil Rights
 - U.S. Health & Human Services (HHS) Office of Civil Rights (OCR)
 - On September 30, 2025, the HHS OCR entered a settlement with provider Cadia Healthcare Facilities, for potential HIPAA violations
 - In 2021, the provider allegedly disclosed a patient's name, photograph and information pertaining to the patient's medical conditions, treatment, and recovery in the form of a "success story" on its website
 - Provider was found to have impermissibly disclosed PHI, failed to have safeguards to protect PHI, and failed to notify the patient of the breach. Provider agreed to a corrective action plan, monitoring by OCR for two years, and \$182,000 settlement amount

VICE- CHAIR'S REPORT

Vice-Chair Jensen reported that the next Health Commission is scheduled for December 10, 2025; no meeting in November.

COMMISSIONER COMMENTS

No comments were forthcoming.

The Health Commission went into a Closed Session at 6:31 pm.

CLOSED SESSION

9. Conference with Labor Negotiator
Government Code Section 54957.6
Title: Union Contract Negotiations - HPSJ/MVHP and SEIU 1021
10. Closed Session – Trade Secrets
Welfare and Institutions Code Section 14087.31
Title: Quarterly FY 25-26 Corporate Objectives Update

The Health Commission came out of Closed Session at 6:57pm

ACTION: A motion was made (Commission Canepa), seconded (Commissioner Regalo) and was unanimous, to approve the HPSJ/MVHP and SEIU 1021 contract effective July 1, 2025 to June 30, 2030 as presented (9/0).

ADJOURNMENT

Vice-Chair Jensen adjourned the meeting at 6:58 p.m. The next regular meeting of the Health Commission is scheduled for December 10, 2025.