

**Family Care Financial Summary**  
**Six Months Ending June 30, 2013**  
**(Report Date: October 1, 2013)**

**Background**

- As of the end of the June 30, 2013, financial reporting period, the Family Care program is projected to be a \$1.3 billion program, when annualized for the full 2013 calendar year.
- The program has experienced an 8.3% growth in total capitation payments and a 9.3 % growth in member months during the first six months of 2013, compared to the same period in 2012.
- Seven of the eight MCOs reported a net income through June 30th, and the other reported a loss. The average net income was 3.7% of revenue, while the loss was -0.2% of revenue.
- The MCO in a loss position is under increased oversight by DHS & OCI. An intensive planning process is in place, and agency staff are actively monitoring the organization's performance in order to ensure that operational and financial goals are met.
- Preliminary financial results from the MCO that expanded into the Chippewa, Dunn, Eau Claire, Pierce, & St. Croix region in the beginning of 2013 appear positive, although the Department does not present disaggregated results.
- The continued improvement in overall financial results across the program remains consistent with the Department's expectation of increased financial stabilization after the program's initial expansion into a given service region has completed and business operations have normalized.
- The composite, year-to-date Family Care program net income of \$21 million (3.3% of revenue) compares to a net gain of \$13.8 million (2.3% of revenue) through the first six months of 2012.
- The Department continues to evaluate differences in financial results that have been experienced across MCOs and to isolate what is unique about those MCOs with stronger financial results.
- The department and the Office of the Commissioner of Insurance (OCI) carry out financial regulatory responsibility for the Family Care program jointly.

**Key Metrics**

- *Capitation:* The average capitation revenue decreased by 1.0%, on a per member per month (PMPM) basis, relative to the first six months of 2012. The decrease reflects primarily a continued increase in new, lower acuity, lower cost members.
- *Member services:* There was a 2.2% decrease in overall member services costs, expressed on a PMPM basis, relative to the same time period in 2012. The decrease generally results from the care coordination and contracting strategies adopted by the MCOs, as well as the influx of lower need/lower cost enrollees. Service costs generally decline over time, reflecting the Family Care program model of cost effective, member-centered care planning, so this result is consistent with expectations.
- *Care Management:* Year-to-date results reflect a 1.5% decrease in care management costs, on a PMPM basis, since the quarter ending June 30, 2012. The reported decrease reflects MCOs' continued efforts to streamline care management practices. The cost for this service, \$333 on a per member per month basis, represents an average of 4 – 5 hours of care management per person per month, roughly. This is consistent with historical norms for the program.
- *Administration:* The program continues to achieve administrative savings, with 93.5% of funding used to support the full spectrum of member services and 4.1% of revenue being used to administer the program. The cost to administer the program decreased an additional 2.5%, on a PMPM basis, relative to the same time period in 2012. MCOs continue to focus on

generating savings by contracting for claims processing under the Department's master contract, which represents a pooled approach to buying administrative services, through other MCO-specific initiatives to achieve administrative efficiencies, and through significant economies of scale.

- *Net Income:* Year-to-date net income for the Family Care program was \$21 million for the quarter ending June 30, 2013. As noted above, this compares to a gain of \$13.8 million for the first six months of the same reporting period in the prior year. This represents the 13<sup>th</sup> consecutive quarter in which revenue has exceeded expenses, on a program-wide basis.
- *Solvency:* MCO Working Capital improved by \$43.3 million since the quarter ending June 30, 2012. As of June 30, 2013, total Working Capital across the entire program is \$95.3 million. The Department is closely monitoring the Working Capital of two MCOs which had a negative position, to ensure continued progress on this important liquidity measure. As of June 30, 2013, Restricted Reserves are fully funded by all eight MCOs, with total funding at 100% of requirements. The MCO Solvency Fund, a pooled and segregated fund held by the Department of Administration (DOA), was liquidated in order to fund the care that had been provided to CHP's Family Care enrollees during the end of 2012. MCOs must come back into compliance with this capital requirement by December, 2014, per a fixed deposit schedule. MCOs that do not meet the capital requirements are under fiscal corrective action that requires monthly financial reporting.

### **More Recent Developments**

- Under a competitive procurement, CCCW was selected to offer the Family Care benefit in the counties of Douglas, Bayfield, Rusk, Ashland, Iron, Price, Sawyer, Barron, Washburn, Burnett, and Polk Counties effective January 1, 2014.
- NB has been re-permitted to continue providing Family Care services in its current service region through December 31, 2013.
- SFCA formally changed the MCO name to ContinuUs effective August 1, 2013.
- CHP ended its participation in Family Care in 2012. The Department continues to work closely with the court-appointed Receiver overseeing the closure, as well as the new MCO, enrolled members, service providers, and other stakeholders, to ensure continuity of care and operational close out.
- The program's Solvency Fund was liquidated in order to assist with the continued purchase and provision of care for all of CHP's Family Care enrollees during the end of 2013. Through mid-May, roughly \$5.2 million of the program's \$6.0 million Solvency Fund has been used to fund payments to CHP's former service providers. Sufficient funding remains to cover the costs of all services that had been authorized in 2012.
- ContinuUs' (previously SFCA's) financial results in the same region through the second quarter have been very promising. These are attributable to substantial, positive changes within the care management function; its proactive approach to provider relations; and continuing many of the administrative efficiencies it had already identified and implemented in the southwest region of the state.
- MCOs deposited \$2.9 million to replenish the pooled solvency fund as of August 31, 2013. All MCOs are currently in compliance with the re-payment schedule established by the Office of the Commissioner of Insurance for the replenishment of the fund.
- The program continues to see increased competition

- Milwaukee County Department of Family Care has been permitted to offer the program in Ozaukee, Sheboygan, Walworth, Washington, and Waukesha Counties, effective June 1<sup>st</sup>.
- Care Wisconsin has been permitted to offer the program in Ozaukee, Sheboygan, and Walworth Counties effective April 15<sup>th</sup>.
- ContinuUs has been permitted to offer the program in Columbia, Dodge, Green Lake, Jefferson, Marquette, Washington, Waukesha, and Waushara Counties effective August 1<sup>st</sup>.
- Care Wisconsin has been permitted to offer the program in Jackson, La Crosse, Monroe, and Vernon Counties effective August 1<sup>st</sup>; Trempealeau County effective September 1<sup>st</sup>; and Buffalo, Clark, and Pepin Counties effective October 1<sup>st</sup>.
- The Department completed the procurement of Family Care services in the region encompassing Milwaukee County. Both MCOs operating in that region successfully completed the bid process and will be continuing to offer the Family Care benefit.
- Initial capitation rates for 2014 have been released to the Family Care and Family Care Partnership/PACE MCOs. The initial CY 2014 Family Care rates are projected to decline, primarily as a result of the increased proportion of lower-acuity members in the base population, but also as a result of improved managed care efficiencies.
- The MCOs' three-year Business Plan submissions are due to the Department in late October.
- The Department and MCOs continue to invest significant staff resources into the ongoing development, refinement, and implementation of the LTC Sustainability initiatives. Several of these initiatives now have contract provisions associated with them.

**Family Care**  
**MCO Financial Statement Summaries**  
**YTD for Period Ending June 30, 2013**

	ContinuUs	CCCW	LCD	WWC	MCDFC	CCI	CWF	NB	Total
<b>Revenues</b>									
Capitation	82,886,274	57,856,284	47,316,923	62,494,662	126,626,328	153,000,584	71,234,024	34,868,341	636,283,420
Interest Income- Operating Acct	26,847	64,284	0	2,320	0	0	0	8,524	101,975
Other Retro Adjustments, DHS	0	0	0	(22,609)	0	0	443,050	0	420,441
Other Income	(44,722)	82,841	56,895	4,400	739,523	0	0	29,975	868,912
<b>Total Service Revenue</b>	<b>82,868,399</b>	<b>58,003,409</b>	<b>47,373,818</b>	<b>62,478,773</b>	<b>127,365,851</b>	<b>153,000,584</b>	<b>71,677,074</b>	<b>34,906,840</b>	<b>637,674,748</b>

<b>Expenses</b>									
Member Service Expenses	76,550,596	52,132,671	44,353,889	58,251,473	122,127,126	147,247,383	65,945,141	31,204,288	597,812,567
Cost Share	(2,130,378)	(1,126,452)	(1,368,529)	(1,954,401)	(5,024,163)	(3,383,151)	(1,396,840)	(693,400)	(17,077,314)
Room & Board	(6,924,343)	(5,026,799)	(4,140,077)	(4,352,514)	(8,773,664)	(14,559,098)	(7,041,720)	(3,003,605)	(53,821,820)
Spend Down & Third Party	(418,265)	(421,198)	(509,501)	(160,861)	(1,081,641)	(1,293,231)	(672,169)	(168,782)	(4,725,648)
<b>Net Member Services Expenses</b>	<b>67,077,610</b>	<b>45,558,222</b>	<b>38,335,782</b>	<b>51,783,697</b>	<b>107,247,658</b>	<b>128,011,903</b>	<b>56,834,412</b>	<b>27,338,501</b>	<b>522,187,785</b>

Net Care Management Expenses	9,558,643	8,803,448	6,188,570	8,376,195	14,322,937	15,443,935	6,302,428	4,783,361	73,779,517
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Administrative Expenses	3,353,566	3,018,193	2,320,010	2,860,198	4,733,496	5,144,811	2,968,773	1,915,079	26,314,126
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<b>Total Operating Expenses, CY</b>	<b>79,989,819</b>	<b>57,379,863</b>	<b>46,844,362</b>	<b>63,020,090</b>	<b>126,304,091</b>	<b>148,600,649</b>	<b>66,105,613</b>	<b>34,036,941</b>	<b>622,281,428</b>
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<b>Income (Loss) from Operations, CY</b>	<b>2,878,580</b>	<b>623,546</b>	<b>529,456</b>	<b>(541,317)</b>	<b>1,061,760</b>	<b>4,399,935</b>	<b>5,571,461</b>	<b>869,899</b>	<b>15,393,320</b>
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**Other (Revenue)/Expense, Ordinary**

Total Other (Revenue)/Expense	278,235	(202,356)	(258,867)	(427,256)	(2,230,948)	(2,387,736)	(343,289)	(74,099)	(5,646,316)
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<b>Net Income/ (Loss)</b>	<b>2,600,345</b>	<b>825,902</b>	<b>788,323</b>	<b>(114,061)</b>	<b>3,292,708</b>	<b>6,787,671</b>	<b>5,914,750</b>	<b>943,998</b>	<b>21,039,636</b>
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**Member Months by FC Target Group**

Developmentally Disabled (DD)	43.0%	43.0%	43.2%	37.3%	22.9%	50.0%	55.0%	43.7%	40.8%
Physically Disabled (PD)	29.8%	22.1%	35.6%	35.6%	49.7%	25.9%	20.1%	27.1%	32.5%
Frail Elder (FE)	27.2%	34.9%	21.2%	27.2%	27.4%	24.2%	25.0%	29.2%	26.7%
<b>Total Member Months</b>	<b>28,222</b>	<b>20,278</b>	<b>16,598</b>	<b>24,103</b>	<b>48,001</b>	<b>49,758</b>	<b>21,889</b>	<b>12,664</b>	<b>221,513</b>

**Key Ratios (as % of Revenue)**

Member Service Expense, Net	81.0%	78.5%	80.9%	82.9%	84.2%	83.7%	79.3%	78.3%	81.9%
Care Management Service Expense	11.5%	15.2%	13.1%	13.4%	11.2%	10.1%	8.8%	13.7%	11.6%
Total Member Service Expense	92.5%	93.7%	94.0%	96.3%	95.4%	93.8%	88.1%	92.0%	93.5%
Administrative Expense	4.0%	5.2%	4.9%	4.6%	3.7%	3.4%	4.1%	5.5%	4.1%
Total Operating Expense	96.5%	98.9%	98.9%	100.9%	99.2%	97.1%	92.2%	97.5%	97.6%
Net Income/(Loss)	3.1%	1.4%	1.7%	-0.2%	2.6%	4.4%	8.3%	2.7%	3.3%

Family Care  
MCO Financial Statement Summaries  
YTD for Period Ending June 30, 2013

	ContinuUs	CCCW	LCD	WWC	MCDFC	CCI	CWF	NB	Total
<b>Summary PMPM Presentation</b>									
<b>Revenues</b>									
Capitation	2,936.94	2,853.16	2,850.76	2,592.82	2,637.99	3,074.89	3,254.33	2,753.34	2,872.44
Interest Income- Operating Acct	0.95	3.17	0.00	0.10	0.00	0.00	0.00	0.67	0.46
Other Retro Adjustments, DHS	0.00	0.00	0.00	(0.94)	0.00	0.00	20.24	0.00	1.90
Other Income	(1.58)	4.09	3.43	0.18	15.41	0.00	0.00	2.37	3.92
<b>Total Revenues</b>	<b>2,936.30</b>	<b>2,860.41</b>	<b>2,854.19</b>	<b>2,592.16</b>	<b>2,653.40</b>	<b>3,074.89</b>	<b>3,274.57</b>	<b>2,756.38</b>	<b>2,878.72</b>
<b>Expenses</b>									
Total Member Service Expenses	2,712.44	2,570.90	2,672.24	2,416.77	2,544.26	2,959.27	3,012.71	2,464.02	2,698.77
Cost Share	(75.49)	(55.55)	(82.45)	(81.09)	(104.67)	(67.99)	(63.81)	(54.75)	(77.09)
Room & Board	(245.35)	(247.89)	(249.43)	(180.58)	(182.78)	(292.60)	(321.70)	(237.18)	(242.97)
Spend Down & Third Party	(14.82)	(20.77)	(30.70)	(6.67)	(22.53)	(25.99)	(30.71)	(13.33)	(21.33)
<b>Net Member Service Expenses</b>	<b>2,376.78</b>	<b>2,246.68</b>	<b>2,309.66</b>	<b>2,148.43</b>	<b>2,234.28</b>	<b>2,572.69</b>	<b>2,596.48</b>	<b>2,158.76</b>	<b>2,357.37</b>
Net Care Management Expenses	338.69	434.14	372.85	347.52	298.39	310.38	287.93	377.71	333.07
Administrative Expenses	118.83	148.84	139.78	118.67	98.61	103.40	135.63	151.22	118.79
<b>Total Operating Expenses, CY</b>	<b>2,834.31</b>	<b>2,829.66</b>	<b>2,822.29</b>	<b>2,614.62</b>	<b>2,631.28</b>	<b>2,986.47</b>	<b>3,020.04</b>	<b>2,687.69</b>	<b>2,809.23</b>
<b>Income (Loss) from Operations, CY</b>	<b>102.00</b>	<b>30.75</b>	<b>31.90</b>	<b>(22.46)</b>	<b>22.12</b>	<b>88.43</b>	<b>254.53</b>	<b>68.69</b>	<b>69.49</b>
<b>Other (Revenue)/Expense, Ordinary</b>									
Total Other (Revenue)/Expense	9.86	(9.98)	(15.60)	(17.73)	(46.48)	(47.99)	(15.68)	(5.85)	(25.49)
<b>Net Income/(Loss)</b>	<b>92.14</b>	<b>40.73</b>	<b>47.50</b>	<b>(4.73)</b>	<b>68.60</b>	<b>136.41</b>	<b>270.22</b>	<b>74.54</b>	<b>94.98</b>

**Family Care**  
**MCO Financial Statement Summaries**  
**YTD for Period Ending June 30, 2013**

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<b>Member Months by FC Target Group</b>									
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**Solvency Protection**

**Working Capital**

Current Assets	24,990,601	23,623,497	20,602,855	12,486,660	55,499,639	58,491,747	33,893,977	8,661,931	238,250,907
Current Liabilities	17,862,267	11,035,608	9,203,517	12,676,574	27,466,298	39,171,866	15,569,700	9,989,340	142,975,170
Working Capital	7,128,334	12,587,889	11,399,338	(189,914)	28,033,341	19,319,881	18,324,277	(1,327,409)	95,275,737
Requirement	5,163,431	3,646,281	2,939,717	3,884,096	7,823,583	9,094,460	4,331,692	2,263,840	39,147,101
Excess/(shortage)	1,964,903	8,941,608	8,459,621	(4,074,010)	20,209,758	10,225,421	13,992,585	(3,591,249)	56,128,636

**Restricted Reserve**

Current Restricted Reserve	2,747,810	2,221,787	1,981,023	2,296,381	3,614,472	4,054,272	2,445,102	1,757,715	21,118,562
Required	2,721,144	2,215,427	1,979,906	2,294,699	3,607,861	4,031,487	2,443,897	1,754,613	21,049,034
Excess/(shortage)	26,666	6,360	1,117	1,682	6,611	22,785	1,205	3,102	69,528

**Solvency Fund**

Current Solvency Fund	187,500	187,500	0	0	0	350,000	0	0	725,000
Required	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	6,000,000
Excess/(shortage)	(562,500)	(562,500)	(750,000)	(750,000)	(750,000)	(400,000)	(750,000)	(750,000)	(5,275,000)

<b>Total Equity</b>	<b>11,480,361</b>	<b>16,916,064</b>	<b>13,960,100</b>	<b>2,764,695</b>	<b>31,045,646</b>	<b>34,486,081</b>	<b>23,570,775</b>	<b>579,524</b>	<b>134,803,246</b>
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