

PACE and Family Care Partnership Financial Summary
Six Months ending June 30, 2011
(Report Date: September 30, 2011)

Background

- Based on the CY 2011 financial reporting through June 30, the PACE and Partnership programs are projected to be \$282.5 million programs on an annualized basis.
- The program has experienced a 5.9% growth in total capitation payments and a 5.6% growth in member months during the first six months of 2011, compared to the same period in 2010.
- The 2010 Medicaid rate was determined to be actuarially sound for 2011 and therefore remains in effect for the current contract period. Due to modest changes in case mix, the average rate has declined by 0.7%, relative to the same time period in 2010.
- The average Medicare rate has increased by approximately 2.1%, compared to the same period in 2010. Medicare is the source of approximately 38% of the program's overall capitation funding.
- The Department continues to monitor Medicare policy changes affecting payment rates for Medicare Advantage plans, as well as results from studies of the appropriateness of the payment formula for plans that serve a more complex membership such as the PACE/Partnership organizations. These studies are required by the national health care reform legislation.
- Primary financial regulatory responsibility for the PACE and Family Care Partnership programs is carried out by the Office of the Commissioner of Insurance (OCI) as the regulator of all HMOs within the State. The OCI monitors solvency of all HMOs and requires financial reporting on a statutory basis. The Department monitors the fiscal operations and financial results reported on a generally accepted accounting principles (GAAP) basis as the Medicaid contractor.

Key Metrics

Note: The inclusion of the Medicare funding stream creates additional complexities in assembling, interpreting, and drawing conclusions from these metrics. Expenses are not separated by major funding stream on a systematic, program-wide basis.

- *Capitation:* The average Medicaid capitation for PACE/Partnership, on a per member per month (PMPM) basis, was \$3,226, while the Medicare capitation was \$1,935 PMPM. This compares to the first six months of 2010 where the comparable numbers were \$3,250 for Medicaid and \$1,896 for Medicare. The modest decline in the average Medicaid rate results from enrollment mix differences across the MCOs, rather than changes in the capitation rates, which remained constant across the 2010 and 2011 contract years. Total Medicaid and Medicare capitation payments increased MCO revenues by 4.8% and 7.8%, respectively, relative to the first six months of 2010; this increase paralleled the total growth in member months, relative to the same time period in the 2010.
- *Member Service expenses:* On a PMPM basis, the member services expenses were \$4,605 PMPM for the first six months of 2011, compared to \$4,368 for the first six months of 2010. This represents an increase of 5.4%.
- *Care Management expenses:* The PMPM of \$725 for 2011 represents a 1.9% decrease compared to the \$739 PMPM reported for the same time period in 2010. The decrease includes

a change in accounting methods implemented by one MCO to more accurately record its expenses related to administration and care management.

- *Administrative expenses:* Expenses, on a PMPM basis, decreased 19.1% from \$290 to \$235 PMPM, relative to the same time period in 2010. This reflects the change in accounting methods described in the preceding bullet.
- *Net Income:* The PACE/Partnership programs reported a \$3.7 million deficit for the first six months of 2011, compared to a \$2.9 million surplus for the same period in 2010.

More Recent Developments

- The enrollment cap policy became effective July 1. The Department has worked to carefully implement this policy and is now in the process of closely monitoring its effects, including those on the finances of the MCOs.
- CY 2012 capitation rates have been provided to MCOs. These initial rates were down roughly 0.3%. MCOs are now assembling their 3-year business plans for submission on October 15th.
- The Department's goal was to establish 2012 Medicaid capitation rates using the MCO's actual expenditure data. This was possible in some respects, but further work must continue to assure that cost reporting, by service line, is handled uniformly across the MCOs.
- The Department continues to monitor anticipated shifts in Medicare funding levels, as the Affordable Care Act is fully implemented, through dialogue with the MCOs and CMS officials.
- Enhanced Medicare funding levels, originally set to sunset in 2010, were left in place, on a time-limited basis, for the three original Partnership MCOs, pending further study of the Medicare reimbursement for the program.
- Given the increased interest in integrating services and funding for dual eligibles, the Department has invested significant staff and consulting resources in an effort to better understand the MCOs' financial performance relative to each funding source.
- The Department has contracted with JEN Associates to assist with analyzing the Partnership encounter-reported cost data. JEN is a nationally recognized medical management research organization with expertise in analyzing Medicare data.
- The conclusions of this work are not yet clear, as the MCOs do not assemble their financial reports by payor source. However, preliminary findings indicate that the Medicare payment formula may not reimburse the MCOs appropriately for their complex membership.
- This body of work will continue to be a major priority for 2012 and should help to inform the development of payment rates for the Virtual PACE initiative.

MCO Financial Statement Summaries
Family Care Partnership / PACE
YTD for Period Ending June 30, 2011

	CHP-PHP	Care WI- CWHP	CCI-CCHP	iCare	Total
Revenue					
Capitation-MA	37,038,178	22,703,073	25,047,302	3,994,969	88,783,522
Capitation- MC	20,142,001	13,604,011	18,548,476	956,191	53,250,679
Other DHS Funding		(191,369)	28,868	(654,489)	(816,990)
Interest Income-Operating Acct		27,052			27,052
Total Revenue	57,180,179	36,142,767	43,624,646	4,296,671	141,244,263
Expenses					
Total Acute & Primary Services	18,101,859	13,152,505	18,870,947	2,014,712	52,140,023
Total Member Service Expenses	50,550,736	31,237,935	41,635,381	3,290,487	126,714,539
Cost Share, Net	(1,169,902)	(580,732)	(780,355)	(5,181)	(2,536,170)
Room & Board, Net	(2,259,195)	(1,146,372)	(1,175,301)	(26,638)	(4,607,506)
Spend Down & Third Party	(645,913)	(357,043)	(40,020)	(105)	(1,043,080)
Net Member Services Costs	46,475,725	29,153,788	39,639,706	3,258,563	118,527,782
Net Care Management Costs	9,519,137	6,602,444	3,170,895	653,625	19,946,101
Administrative Expenses	2,538,301	2,552,491	1,072,858	295,947	6,459,597
Total Operating Expenses, CY	58,533,163	38,308,723	43,883,458	4,208,135	144,933,479
Income (Loss) from Operations, CY	(1,352,984)	(2,165,956)	(258,812)	88,536	(3,689,217)
Other (Revenue)/Expense, Ordinary					
Total Other Revenue/(Expense)	132,681	405,191	89,692	(42,994)	584,570
Net Surplus/(Deficit)	(1,485,665)	(2,571,147)	(348,504)	131,530	(4,273,786)
Member Months	10,514	7,279	8,454	1,271	27,518
Key Ratios (as % of Revenue)					
Member Service Expense, Net	81.3%	80.7%	90.9%	75.8%	83.9%
Care Management Service Expense	16.6%	18.3%	7.3%	15.2%	14.1%
Total Member Service Expense	97.9%	98.9%	98.1%	91.1%	98.0%
Administrative Expense	4.4%	7.1%	2.5%	6.9%	4.6%
Total Operating Expense	102.4%	106.0%	100.6%	97.9%	102.6%
Net Surplus(Deficit)	-2.6%	-7.1%	-0.8%	3.1%	-3.0%

MCO Financial Statement Summaries
Family Care Partnership / PACE
YTD for Period Ending June 30, 2011

	CHP-PHP	Care WI- CWHP	CCI-CCHP	iCare	Total
Summary PMPM Presentation					
Revenue					
Capitation-MA	3,522.91	3,118.94	2,962.78	3,143.17	3,226.42
Capitation- MC	1,915.82	1,868.92	2,194.05	752.31	1,935.15
Other DHS Funding	-	(26.29)	3.41	(514.94)	(29.69)
Interest Income-Operating Acct	-	3.72	-	-	0.98
Other Income	-	-	-	-	-
Total Revenue	5,438.72	4,965.29	5,160.24	3,380.54	5,132.87

Expenses

Acute & Primary Services:

Total Acute & Primary Services	1,721.77	1,806.89	2,232.19	1,585.14	1,894.79
Total Member Service Expenses	4,808.16	4,291.46	4,924.93	2,588.90	4,604.85
Cost Share	(111.28)	(79.78)	(92.31)	(4.08)	(92.17)
Room & Board	(214.88)	(157.49)	(139.02)	(20.96)	(167.44)
Spend Down & Third Party	(61.44)	(49.05)	(4.73)	(0.08)	(37.91)
Net Member Services Costs	4,420.56	4,005.14	4,688.87	2,563.78	4,307.34

Net Care Management Costs	905.42	907.04	375.08	514.26	724.85
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Administrative Expenses	241.43	350.66	126.91	232.85	234.74
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Total Operating Expenses, CY	5,567.41	5,262.85	5,190.85	3,310.89	5,266.93
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Income (Loss) from Operations, CY	(128.69)	(297.56)	(30.61)	69.66	(134.07)
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Other (Revenue)/Expense, Ordinary

Total Other (Revenue)/Expense	12.62	55.67	10.61	(33.83)	21.24
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Net Surplus/(Deficit)	(141.31)	(353.22)	(41.22)	103.49	(155.31)
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Member Months	10,514	7,279	8,454	1,271	27,518
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Solvency Protection

Working Capital

Current Assets	15,179,715	23,833,794	18,468,828	19,583,875	
Current Liabilities	22,222,859	13,717,264	13,520,108	32,519,469	
Working Capital	(7,043,144)	10,116,530	4,948,720	(12,935,594)	

Total Equity	6,675,449	10,395,354	13,530,808	20,078,523	
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