

Family Care Financial Summary Through 1st Quarter, CY 2010

BACKGROUND

- Through the first quarter of CY 2010, Family Care was a \$900+ million program, on an annualized basis. The program experienced 32% growth in capitation payments, and a 24% increase in member months, from the same time span, one-year earlier.
- While rapid growth in membership caused stress in the MCOs' collective financial health through 2009, the finances for many MCOs have begun to settle down in 2010.
- Five MCOS showed surplus, or hovered around the breakeven point through the first quarter; another three had modest losses; and the last was in the final preparation stages for its April, 2010, expansion.
- Overall, the program is performing as expected, with a very modest operating surplus, although there was some variation across the set of MCOs.
- This turnaround was anticipated, as the portfolio of MCO Business Plans had projected a healthier and more stable year in 2010.
- The monitoring and oversight relationship with the Office of the Commissioner of Insurance (OCI) has developed further, with regular and ongoing dialogue focused on each MCO's financial performance and status.

KEY METRICS

- *Capitation:* The average payment rate increased roughly 10.7%, on a per member per month basis, relative to the prior year. This increase is largely due to changes in the representation of the program's target group membership. There will be more disabled members in 2010, and fewer elderly members, as a proportion of total program enrollment than ever before. Disabled members have higher capitation rates than do elderly members. In addition, the rising level of acuity for those members entering, and continuing in, the program has increased the payment rates.
- *Member services:* There was an 4.5% increase in the overall member services cost, expressed on a per member per month basis, relative to the same period in 2009. This is reflective of the changing target group mix described above, the rising acuity level, and the cost structure associated with care in the legacy waiver programs. The proportion of capitation spent on member services was relatively stable at 82.3%, while care management expenditures accounted for 12.1% of capitation.
- *Administration:* The program continued to achieve administrative savings, relative to the fee-for-service system. Only 5.3% of capitation was spent on administrative functions, as the program continued to benefit from the efficiencies of scale associated with growth.
- *Net Income:* Family Care MCOs had aggregate surplus of 0.5% through the end of the first quarter of CY 2010, up from losses of 2.4% for the same time period in CY 2009.
- *Solvency:* MCOs continued to struggle to meet all of the capital requirements for the program, given the increases in those requirements (due to increased capitation funding and membership) and the very tight operating margins.

MORE RECENT DEVELOPMENTS

- Because of the distress that had been experience in 2009 and the inability to meet the program's capital requirements, most MCOs are currently in a state of corrective action.

- This means that comprehensive financial reporting is on a monthly, rather than quarterly, schedule, and the oversight agencies are closely monitoring each MCO's financial health.
- The DHS and OCI receive these comprehensive reports, review them as a team, provide MCOs with feedback, and identify emerging issues that warrant regulatory intervention.
- Initial reviews of April information indicate the trends described above are continuing, although there is no public reporting associated with monthly financial submissions.
- The Department is now embarking on a project that will study the finances of the program, more broadly. This evaluation will focus on the adequacy and precision of the current payment methodology and assist with the development of a set of long-range options that will address the capital requirement deficiencies.
- The Department is also continuing to actively monitor each MCO's progress on achieving its contractual Performance Expectations and Business Plan goals, with the integrated MCO Oversight Teams carrying out routine check-ins with MCO leadership.

Family Care MCO Financial Statement Summaries
YTD for Period Ending March 31, 2010

	SFCA	CCCW	LCD	WWC	MCDA	CCI	CWF	CHP-LTS	NB	Total
Revenue										
Capitation	11,403,267	22,374,209	8,014,897	25,129,539	55,064,404	43,826,021	28,861,497	10,112,053	15,921,518	220,707,405
Other DHS Funding										0
Interest Income- Operating Acct	5,033	8,026	1,097			758			8,972	23,886
Risk Sharing Accrual						487,821		2,911,255		3,399,076
ICF-MR Relocation Revenues	76,216	366,000	29,219	288,000		308,227	747,623	186,516	222,887	2,224,688
Other Retro Adjustments, DHS			14,083			44,551				58,634
Other Income	27,759	23,085	3,417	(932)	68,114	0				121,443
Total Service Revenue	11,512,275	22,771,320	8,062,713	25,416,607	55,133,276	44,666,620	29,609,120	13,209,824	16,153,377	226,535,132
Expenses										
Member Service Expenses	10,027,629	20,026,125	7,493,327	22,350,709	51,271,377	42,477,650	28,603,551	12,709,874	14,973,831	209,934,073
Cost Share, Net	(195,867)	(451,445)	(256,743)	(525,402)	(2,589,728)	(664,361)	(344,040)	(101,479)	(166,897)	(5,295,962)
Room & Board, Net	(750,333)	(1,797,473)	(579,315)	(1,829,083)	(3,469,801)	(3,908,369)	(2,883,882)	(992,951)	(1,182,424)	(17,393,631)
Spend Down & Third Party	(29,475)	(123,484)	(59,805)	(73,641)		(298,136)	(184,383)	(9,694)	(37,225)	(815,843)
Net Member Services Costs	9,051,954	17,653,723	6,597,464	19,922,583	45,211,848	37,606,784	25,191,246	11,605,750	13,587,285	186,428,637
Net Care Management Costs	1,505,295	3,000,880	1,251,002	3,338,152	7,038,234	5,173,786	2,710,969	1,260,135	2,242,435	27,520,888
Administrative Expenses	780,967	1,110,383	786,086	1,103,547	2,667,154	1,986,890	2,169,037	546,391	812,483	11,962,938
Total Operating Expenses	11,338,216	21,764,986	8,634,552	24,364,282	54,917,236	44,767,460	30,071,252	13,412,276	16,642,203	225,912,463
Income (Loss) from Operations	174,059	1,006,334	(571,839)	1,052,325	216,040	(100,840)	(462,132)	(202,452)	(488,826)	622,669
Other (Revenue)/Expense										
Prior Year Adjustment		(400,000)								(400,000)
Other Funding										0
Investment Income		(5,760)		(3,358)		(36,484)	(36,484)	(159)		(82,245)
Other Non-Operating		659				(250)				409
Total Other (Revenue)/Expense	0	(405,101)	0	(3,358)	0	(36,734)	(36,484)	(159)	0	(481,836)
Net Surplus/(Deficit)	174,059	1,411,435	(571,839)	1,055,683	216,040	(64,106)	(425,648)	(202,293)	(488,826)	1,104,505
Member Months	4,071	7,749	3,249	9,585	20,724	13,924	8,945	3,079	5,341	76,667
Key Ratios (as % of Revenue)										
Member Service Expense, Net	78.6%	77.5%	81.8%	78.4%	82.0%	84.2%	85.1%	87.9%	84.1%	82.3%
Care Management Service Expense	13.1%	13.2%	15.5%	13.1%	12.8%	11.6%	9.2%	9.5%	13.9%	12.1%
Total Member Service Expense	91.7%	90.7%	97.3%	91.5%	94.8%	95.8%	94.2%	97.4%	98.0%	94.4%
Administrative Expense	6.8%	4.9%	9.7%	4.3%	4.8%	4.4%	7.3%	4.1%	5.0%	5.3%
Total Operating Expense	98.5%	95.6%	107.1%	95.9%	99.6%	100.2%	101.6%	101.5%	103.0%	99.7%
Net Surplus/(Deficit)	1.5%	6.2%	-7.1%	4.2%	0.4%	-0.1%	-1.4%	-1.5%	-3.0%	0.5%

**Family Care MCO Financial Statement Summaries
YTD for Period Ending March 31, 2010**

	SFCA	CCCW	LCD	WWC	MCDA	CCI	CWF	CHP-LTS	NB	Total
Summary PMPM Presentation										
Revenue										
Capitation	2,819.82	2,934.60	2,480.21	2,651.80	2,657.04	3,207.89	3,310.13	4,290.30	3,022.73	2,952.90
Pvt Pay & other Operating Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Income- Operating Acct	1.24	1.04	0.34	0.00	0.04	0.00	0.00	0.00	1.68	0.31
Other Income	6.82	2.98	1.05	(0.10)	3.29	0.00	0.00	0.00	0.00	1.58
Total Service Revenue	2,827.87	2,938.61	2,481.60	2,651.71	2,660.36	3,207.89	3,310.13	4,290.30	3,024.41	2,954.79
Expenses										
Member Service Expenses	2,463.19	2,584.35	2,306.35	2,331.84	2,474.01	3,050.68	3,197.71	4,127.92	2,803.56	2,738.26
Cost Share	(48.11)	(58.26)	(79.02)	(54.82)	(124.96)	(47.71)	(38.46)	(32.96)	(31.25)	(69.08)
Room & Board	(184.31)	(231.96)	(178.31)	(190.83)	(167.43)	(280.69)	(322.40)	(322.49)	(221.39)	(226.87)
Spend Down & Third Party	(7.24)	(15.94)	(18.41)	(7.68)	0.00	(21.41)	(20.61)	(3.15)	(6.97)	(10.64)
Net Member Services Costs	2,223.52	2,278.19	2,030.61	2,078.52	2,181.62	2,700.86	2,816.24	3,769.32	2,543.96	2,431.67
Net Care Management Costs	369.76	387.26	385.04	348.27	339.62	371.57	303.07	409.27	419.85	358.97
Administrative Expenses	191.84	143.29	241.95	115.13	128.70	142.70	242.49	177.46	152.12	156.04
Total Operating Expenses	2,785.12	2,808.75	2,657.60	2,541.92	2,649.93	3,215.13	3,361.79	4,356.05	3,115.93	2,946.67
Income (Loss) from Operations	42.76	129.87	(176.00)	109.79	10.42	(7.24)	(51.66)	(65.75)	(91.52)	8.12
Other (Revenue)/Expense										
Prior Year Adjustment	0.00	(51.62)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(5.22)
Other Funding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment Income	0.00	(0.74)	0.00	(0.35)	0.00	(2.62)	(4.08)	(0.05)	0.00	(1.07)
Other Non-Operating	0.00	0.09	0.00	0.00	0.00	(0.02)	0.00	0.00	0.00	0.01
Total Other (Revenue)/Expense	0.00	(52.28)	0.00	(0.35)	0.00	(2.64)	(4.08)	(0.05)	0.00	(6.28)
Net Surplus/(Deficit)	42.76	182.14	(176.00)	110.14	10.42	(4.60)	(47.59)	(65.70)	(91.52)	14.41
Member Months	4,071	7,749	3,249	9,585	20,724	13,924	8,945	3,079	5,341	76,667