

Family Care Financial Summary
Three Months Ending March 31, 2012
(Report Date: July 6, 2012)

Background

- As of the end of the March 31, 2012, financial reporting period, the Family Care program will be a \$1.2 billion program, when annualized for the full 2012 calendar year.
- The program has experienced a 6.0% growth in total capitation payments and a 6.3% growth in member months during the first three months of 2012, compared to the same period in 2011.
- Six of the MCOs have reported a surplus, and three have reported losses.
- This continued improvement in overall financial results 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 two MCOs that remain in a deficit position, and which are also beyond the 3-year transition period, are under increased oversight by DHS and OCI. Corrective measures are in place. Agency staff are actively monitoring performance to ensure that operational and financial goals are met.
- The composite, year-to-date Family Care program surplus of \$5.8 million (2.0%) compares to a gain of \$3.3 million (1.2%) through the first three months of 2011. While the overall Family Care program is in a modestly positive position with respect to operations, MCOs that are not yet compliant with the program's capital requirements are receiving additional oversight until their stability is achieved.
- The Department continues to evaluate differences in financial results that have been experienced by the pilot county-based MCOs and the MCOs that are newer to the Family Care program.

Key Metrics

- *Capitation:* The average capitation revenue decreased by 0.3%, on a per member per month (PMPM) basis, relative to the first three months of 2011. The decrease reflects a slowdown in enrollment growth, and overall stabilization in membership, after a three-year period of very rapid expansion. There was no quarterly acuity adjustment for this period, given that enrollment was expected to be predictable. The decline also reflects a series of policy actions taken by the Department to limit capitation growth.
- *Member services:* There was a 4.2% decrease in overall member services costs, expressed on a PMPM basis, relative to the same time period in 2011. The decrease generally results from the care coordination and contracting strategies adopted by the MCOs, particularly for members who transitioned from the waiver programs to the Family Care program, as well as an influx of lower cost/lower need enrollees. Service costs generally decline over time to reflect 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 5.3% decrease in care management costs, on a PMPM basis, since the quarter ending March 31, 2011. The reported decrease reflects MCOs' continued efforts to streamline care management practices. The average monthly cost for this service, \$339 on a per member per month basis, represents an average of 4 – 5 hours of care management per person per month. This is consistent with historical norms for the program.

- *Administration:* The program continues to achieve administrative savings, with just under 94% of funding used to support member services. The cost to administer the program decreased an additional 1.1%, on a PMPM basis, relative to the same period in 2011. MCOs continue to focus on generating savings by contracting for claims processing under the Department's master contract, a pooled purchasing approach to administrative services, and through other MCO-specific initiatives to achieve administrative efficiencies.
- *Net Income:* Net income for the Family Care program was \$5.8 million for the quarter ending March 31, 2012. As noted above, this compares to a gain of \$3.3 million for the first three months of the same reporting period in the prior year.
- *Solvency:* MCO **Working Capital** improved by \$46 million since the quarter ending March 31, 2011. As of March 31, 2012, total Working Capital across the whole program is \$42.0 million. The Department is closely monitoring the Working Capital of two MCOs (down from five in March, 2011) with negative positions to ensure continued progress on this important liquidity measure. As of March 31, 2012, **Restricted Reserves** are fully funded by eight of nine MCOs, up from six in March, 2011, with total funding at 99.5% of requirements (up from 91% in March, 2011). The MCO **Solvency fund**, a pooled and segregated fund held by the Department of Administration (DOA), is within \$340,000 of full funding with eight MCOs currently meeting the requirements and the remaining MCO meeting funding plans approved by the OCI. Overall, the MCOs have funded 95% of their Solvency Fund requirements (up from 81% in March, 2011) with plans to achieve full funding by December 31, 2012 on track. MCOs that do not meet the capital requirements are under fiscal corrective action that requires monthly financial reporting.

More Recent Developments

- The Family Care enrollment cap was lifted in early April. The financial impacts associated with that policy change will generally be observed in future reporting periods.
- The Department anticipates that acuity adjustments will be resumed, given the uncertainty associated with the new enrollments. It is anticipated that the new enrollees will generally have lower acuity profiles and therefore be lower cost members.
- The Department and the MCOs are jointly focused on implementing the LTC Sustainability initiatives. These reforms are intended help make the program sustainable on an ongoing basis in the future while keeping consistent with the interests of current and future program participants. See this link for additional information: <http://www.dhs.wisconsin.gov/lcreform>.
- All MCOs with short-term permits were re-permitted by the OCI. Two MCOs were granted six-month permits, and one MCO was issued a three-month permit.
- OCI finalized, and posted, its examination report for one MCO during the first quarter and has carried out an on-site examination for another MCO.
- One MCO has emerged from the fiscal corrective action status it entered as a result of the financial distress it experienced during expansion. The Department anticipates that several more MCOs may be removed from fiscal corrective action during 2012, after meeting and sustaining their 2012 capital requirements and demonstrating ongoing program stability.

Family Care
MCO Financial Statement Summaries
YTD for Period Ending March 31, 2012

	SFCA	CCCW	LCD	WWC	MCDFC	CCI	CWF	CHP-LTS	NB	Total
Revenue										
Capitation	15,918,737	29,076,235	22,939,247	29,168,342	60,218,814	71,164,738	33,978,242	12,139,746	17,021,369	291,625,471
Interest Income- Operating Acct	7,450	23,135		1,188					3,732	35,505
Other Retro Adjustments, DHS										
Other Income		38,531	44,091	52	12,665					95,339
Total Revenue	15,926,187	29,137,901	22,983,338	29,169,582	60,231,479	71,164,738	33,978,242	12,139,746	17,025,101	291,756,314
Expenses										
Member Service Expenses	14,472,004	24,617,519	21,539,824	26,252,404	58,314,356	69,098,804	31,838,850	11,655,304	16,038,684	273,827,749
Cost Share	(338,474)	(454,622)	(568,466)	(834,217)	(2,591,493)	(1,498,746)	(596,559)	(139,402)	(313,662)	(7,335,641)
Room & Board	(1,255,359)	(2,528,766)	(2,073,794)	(1,957,661)	(4,350,494)	(6,558,763)	(3,374,896)	(1,080,480)	(1,407,476)	(24,587,690)
Spend Down & Third Party	(45,728)	(257,208)	(230,479)	(68,164)	(449,953)	(526,831)	(273,541)	(53,347)	(48,183)	(1,953,433)
Net Member Services Expenses	12,832,444	21,376,923	18,667,085	23,392,362	50,922,416	60,514,464	27,593,854	10,382,075	14,269,363	239,950,985
Net Care Management Expenses	1,811,338	4,060,025	2,649,344	3,800,096	7,335,847	7,041,378	3,438,515	1,513,062	2,401,939	34,051,545
Administrative Expenses	855,565	1,335,629	938,496	1,309,136	2,321,285	2,213,027	1,627,008	628,204	1,061,044	12,289,395
Total Operating Expenses, CY	15,499,346	26,772,577	22,254,925	28,501,594	60,579,548	69,768,869	32,659,377	12,523,342	17,732,346	286,291,924
Income (Loss) from Operations, CY	426,840	2,365,324	728,413	667,988	(348,069)	1,395,869	1,318,865	(383,595)	(707,245)	5,464,390
Other (Revenues)/Expenses, Ordinary										
Total Other (Revenue)/Expenses	(76,226)	(150,046)	(39,537)	(1,347)	(4,049)	231,390	(860)	(222,480)	(32,527)	(295,682)
Net Surplus (Deficit)	503,067	2,515,370	767,950	669,335	(344,020)	1,164,479	1,319,725	(161,115)	(674,718)	5,760,072
Member Months	5,867	9,690	8,011	11,080	23,048	22,832	10,285	3,628	6,073	100,514
Key Ratios (as % of Revenue)										
Member Service Expense, Net	80.6%	73.4%	81.2%	80.2%	84.5%	85.0%	81.2%	85.5%	83.8%	82.2%
Care Management Service Expense	11.4%	13.9%	11.5%	13.0%	12.2%	9.9%	10.1%	12.5%	14.1%	11.7%
Total Member Service Expense	91.9%	87.3%	92.7%	93.2%	96.7%	94.9%	91.3%	98.0%	97.9%	93.9%
Administrative Expense	5.4%	4.6%	4.1%	4.5%	3.9%	3.1%	4.8%	5.2%	6.2%	4.2%
Total Operating Expenses	97.3%	91.9%	96.8%	97.7%	100.6%	98.0%	96.1%	103.2%	104.2%	98.1%
Net Surplus (Deficit)	3.2%	8.6%	3.3%	2.3%	-0.6%	1.6%	3.9%	-1.3%	-4.0%	2.0%

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MCO Financial Statement Summaries
YTD for Period Ending March 31, 2012

	SFCA	CCCW	LCD	WWC	MCDFC	CCI	CWF	CHP-LTS	NB	Total
Summary PMPM Presentation										
Revenues										
Capitation	2,713.27	3,000.64	2,863.47	2,632.52	2,612.76	3,116.89	3,303.67	3,346.13	2,802.79	2,901.34
Interest Income- Operating Acct	1.27	2.39	0.00	0.11	0.00	0.00	0.00	0.00	0.61	0.35
Other Retro Adjustments, DHS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Income	0.00	3.98	5.50	0.00	0.55	0.00	0.00	0.00	0.00	0.95
Total Service Revenue	2,714.54	3,007.01	2,868.97	2,632.63	2,613.31	3,116.89	3,303.67	3,346.13	2,803.41	2,902.64
Expenses										
Member Service Expenses	2,466.68	2,540.51	2,688.78	2,369.35	2,530.13	3,026.40	3,095.66	3,212.60	2,640.98	2,724.28
Cost Share	(57.69)	(46.92)	(70.96)	(75.29)	(112.44)	(65.64)	(58.00)	(38.42)	(51.65)	(72.98)
Room & Board	(213.97)	(260.97)	(258.87)	(176.68)	(188.76)	(287.26)	(328.14)	(297.82)	(231.76)	(244.62)
Spend Down & Third Party	(7.79)	(26.54)	(28.77)	(6.15)	(19.52)	(23.07)	(26.60)	(14.70)	(7.93)	(19.43)
Net Member Services Expenses	2,187.22	2,206.08	2,330.18	2,111.22	2,209.41	2,650.42	2,682.92	2,861.65	2,349.64	2,387.24
Net Care Management Expenses	308.73	418.99	330.71	342.97	318.29	308.40	334.32	417.05	395.51	338.77
Administrative Expenses	145.83	137.84	117.15	118.15	100.72	96.93	158.19	173.15	174.71	122.27
Total Operating Expenses, CY	2,641.78	2,762.91	2,778.05	2,572.35	2,628.41	3,055.75	3,175.44	3,451.86	2,919.87	2,848.28
Income (Loss) from Operations, CY	72.75	244.10	90.93	60.29	(15.10)	61.14	128.23	(105.73)	(116.46)	54.36
Other (Revenues)/Expenses, Ordinary										
Total Other (Revenue)/Expenses	(12.99)	(15.48)	(4.94)	(0.12)	(0.18)	10.13	(0.08)	(61.32)	(5.36)	(2.94)
Net Surplus (Deficit)	85.75	259.58	95.86	60.41	(14.93)	51.00	128.32	(44.41)	(111.10)	57.31
Member Months	5,867	9,690	8,011	11,080	23,048	22,832	10,285	3,628	6,073	100,514

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MCO Financial Statement Summaries
YTD for Period Ending March 31, 2012

	SFCA	CCCW	LCD	WWC	MCDFC	CCI	CWF	CHP-LTS	NB	Total
Solvency Protection										
Working Capital										
Current Assets	11,494,450	19,713,766	18,774,283	14,030,925	49,461,737	39,397,432	19,636,732	2,983,034	6,881,078	182,373,438
Current Liabilities	6,611,089	13,828,864	11,316,979	11,183,429	28,328,289	35,051,165	16,402,561	9,115,874	8,550,266	140,388,515
Working Capital	4,883,361	5,884,902	7,457,304	2,847,496	21,133,448	4,346,267	3,234,171	(6,132,840)	(1,669,188)	41,984,923
Requirement	1,882,078	3,506,332	2,706,366	3,453,088	6,839,825	8,614,501	4,190,897	1,489,474	2,031,410	34,713,971
Excess/(shortage)	3,001,283	2,378,570	4,750,938	(605,592)	14,293,623	(4,268,234)	(956,726)	(7,622,313)	(3,700,598)	7,270,952
Restricted Reserve										
Current Restricted Reserve	1,628,025	2,178,342	1,943,628	2,151,550	3,610,906	4,604,446	2,396,966	250,520	1,700,155	20,464,540
Required	1,627,359	2,168,777	1,902,122	2,151,029	3,279,942	3,871,500	2,396,966	1,492,982	1,677,137	20,567,815
Excess/(shortage)	666	9,565	41,506	521	330,964	732,946	0	(1,242,463)	23,018	(103,275)
Solvency Fund										
Current Solvency Fund	750,000	750,000	750,000	750,000	750,000	750,000	750,000	412,500	750,000	6,412,500
Required	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	5,250,000
Excess/(shortage)	0	0	0	0	0	0	0	(337,500)	0	(337,500)
Total Equity	8,128,830	10,522,548	11,009,771	6,213,075	24,747,100	17,731,258	9,769,014	(5,469,819)	934,857	83,586,634