

Family Care Financial Summary
Three Months Ending March 31, 2013
(Report Date: July 1, 2013)

Background

- As of the end of the March 31, 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 8.7% growth in total capitation payments and a 9.9 % growth in member months during the first three months of 2013, compared to the same period in 2012.
- Seven of the eight MCOs reported a surplus through March 31st, and the other reported a loss. The average surplus level was 2.6% of revenue, while the loss was -0.6% 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 is actively monitoring the plan itself, as well as performance relative to the plan, in order to ensure that operational and financial goals are met.
- Preliminary financial results from the MCO expanding into the Chippewa, Dunn, Eau Claire, Pierce, & St. Croix region appear positive, although the Department does not present disaggregated results. These results will be closely monitored over the next several quarters.
- This 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 surplus of \$7.1 million (2.3% of revenue) compares to a gain of \$5.8 million (2.0% of revenue) through the first three 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.

Key Metrics

- *Capitation:* The average capitation revenue decreased by 1.1%, on a per member per month (PMPM) basis, relative to the first three months of 2012. The decrease reflects primarily a continued increase in new, lower acuity, lower cost members.
- *Member services:* There was a 0.9% 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 2.3% decrease in care management costs, on a PMPM basis, since the quarter ending March 31, 2012. The reported decrease reflects MCOs' continued efforts to streamline care management practices. The cost for this service, \$331 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 just under 94% of funding used to support the full spectrum of member services and less than 4% of revenue being used to administer the program. The cost to administer the program decreased an additional 8.3%, 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:* Net income for the Family Care program was \$7.1 million for the quarter ending March 31, 2013. As noted above, this compares to a gain of \$5.8 million for the first three months of the same reporting period in the prior year. This represents the 12th consecutive quarter in which revenue has exceeded expenses, on a program-wide basis.
- *Solvency:* MCO Working Capital improved by \$40.2 million since the quarter ending March 31, 2012. As of March 31, 2013, total Working Capital across the whole program is \$82.2 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 March 31, 2013, Restricted Reserves are fully funded by five of eight MCOs, with total funding at 99.7% of requirements. The three MCOs not meeting this requirement are each within 4% of the benchmark. 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

- CHP ended its participation in Family Care in 2012. The Department is working 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.
- 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 2012. Through mid-May, roughly \$5.0 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.
- Although very preliminary, and therefore subject to change, SFCA's financial results in the same region through the first quarter have been 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.
- The program continues to see increased competition, with Milwaukee County Department of Family Care being issued a permit to offer the program in Ozaukee, Sheboygan, Walworth, Washington, and Waukesha Counties, effective June 1st.
- NB has been re-permitted to continue providing Family Care services in its current service region through December, 2013.
- The Department is now re-procuring Family Care services in the region encompassing the counties of Ashland, Barron, Bayfield, Burnett, Douglas, Iron, Polk, Price, Rusk, Sawyer, and Washburn, as well as services within the region that is Milwaukee County.
- 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 March 31, 2013

	SFCA	CCCW	LCD	WWC	MCDFC	CCI	CWF	NB	Total
Revenues									
Capitation	41,273,390	28,981,008	23,789,150	31,205,416	63,000,305	76,018,364	35,368,664	17,464,703	317,101,000
Interest Income- Operating Acct	13,362	31,311	0	1,293	0	0	0	4,352	50,318
Other Retro Adjustments, DHS	0	0	0	(11,298)	0	0	0	0	(11,298)
Other Income	(24,101)	40,787	16,859	0	36,697	0	0	0	70,242
Total Service Revenue	41,262,651	29,053,106	23,806,009	31,195,411	63,037,002	76,018,364	35,368,664	17,469,055	317,210,262

Expenses

Member Service Expenses	39,154,555	25,625,380	22,429,918	29,149,685	61,042,735	73,108,159	33,047,496	15,507,414	299,065,342
Cost Share	(1,109,493)	(553,209)	(685,695)	(953,388)	(2,527,844)	(1,705,552)	(693,226)	(332,984)	(8,561,391)
Room & Board	(3,465,849)	(2,512,929)	(2,082,162)	(2,175,864)	(4,371,151)	(7,196,305)	(3,514,966)	(1,468,914)	(26,788,140)
Spend Down & Third Party	(188,357)	(209,173)	(272,898)	(67,268)	(517,791)	(617,607)	(341,545)	(90,722)	(2,305,361)
Net Member Services Expenses	34,390,855	22,350,069	19,389,163	25,953,165	53,625,949	63,588,695	28,497,759	13,614,794	261,410,450

Net Care Management Expenses	4,550,584	4,575,131	2,896,454	4,170,440	7,108,578	7,653,804	3,201,952	2,397,583	36,554,526
------------------------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	------------

Administrative Expenses	1,675,696	1,432,387	1,111,364	1,426,989	1,810,613	2,429,969	1,484,209	1,009,258	12,380,485
-------------------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	------------

Total Operating Expenses, CY	40,617,135	28,357,587	23,396,981	31,550,595	62,545,141	73,672,468	33,183,920	17,021,634	310,345,462
-------------------------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	--------------------

Income (Loss) from Operations, CY	645,515	695,519	409,028	(355,184)	491,862	2,345,896	2,184,744	447,420	6,864,801
--	----------------	----------------	----------------	------------------	----------------	------------------	------------------	----------------	------------------

Other (Revenue)/Expense, Ordinary

Total Other (Revenue)/Expense	(951)	(115,465)	(130,730)	(167,755)	(2,730)	133,267	0	(587)	(284,951)
-------------------------------	-------	-----------	-----------	-----------	---------	---------	---	-------	-----------

Net Income/ (Loss)	646,466	810,984	539,758	(187,429)	494,592	2,212,629	2,184,743	448,007	7,149,751
---------------------------	----------------	----------------	----------------	------------------	----------------	------------------	------------------	----------------	------------------

Member Months by FC Target Group

Developmentally Disabled (DD)	43%	43%	43%	37%	23%	50%	54%	44%	41%
Physically Disabled (PD)	30%	22%	36%	35%	50%	26%	21%	28%	33%
Frail Elder (FE)	27%	35%	21%	27%	27%	24%	26%	29%	27%
Total Member Months	14,079	10,131	8,333	12,038	23,908	24,750	10,880	6,341	110,460

Key Ratios (as % of Revenue)

Member Service Expense, Net	83.3%	76.9%	81.4%	83.2%	85.1%	83.6%	80.6%	77.9%	82.4%
Care Management Service Expense	11.0%	15.7%	12.2%	13.4%	11.3%	10.1%	9.1%	13.7%	11.5%
Total Member Service Expense	94.4%	92.7%	93.6%	96.6%	96.3%	93.7%	89.6%	91.7%	93.9%
Administrative Expense	4.1%	4.9%	4.7%	4.6%	2.9%	3.2%	4.2%	5.8%	3.9%
Total Operating Expense	98.4%	97.6%	98.3%	101.1%	99.2%	96.9%	93.8%	97.4%	97.8%
Net Income/(Loss)	1.6%	2.8%	2.3%	-0.6%	0.8%	2.9%	6.2%	2.6%	2.3%

Family Care
MCO Financial Statement Summaries
YTD for Period Ending March 31, 2013

	SFCA	CCCW	LCD	WWC	MCDFC	CCI	CWF	NB	Total
Summary PMPM Presentation									
Revenues									
Capitation	2,931.56	2,860.63	2,854.80	2,592.24	2,635.08	3,071.45	3,250.80	2,754.25	2,870.72
Interest Income- Operating Acct	0.95	3.09	0.00	0.11	0.00	0.00	0.00	0.69	0.46
Other Retro Adjustments, DHS	0.00	0.00	0.00	(0.94)	0.00	0.00	0.00	0.00	(0.10)
Other Income	(1.71)	4.03	2.02	0.00	1.53	0.00	0.00	0.00	0.64
Total Revenues	2,930.79	2,867.74	2,856.83	2,591.41	2,636.61	3,071.45	3,250.80	2,754.94	2,871.71
Expenses									
Total Member Service Expenses	2,781.06	2,529.40	2,691.69	2,421.47	2,553.20	2,953.87	3,037.45	2,445.58	2,707.44
Cost Share	(78.80)	(54.61)	(82.29)	(79.20)	(105.73)	(68.91)	(63.72)	(52.51)	(77.51)
Room & Board	(246.17)	(248.04)	(249.87)	(180.75)	(182.83)	(290.76)	(323.07)	(231.65)	(242.51)
Spend Down & Third Party	(13.38)	(20.65)	(32.75)	(5.59)	(21.66)	(24.95)	(31.39)	(14.31)	(20.87)
Net Member Service Expenses	2,442.71	2,206.11	2,326.78	2,155.94	2,242.98	2,569.24	2,619.28	2,147.11	2,366.55
Net Care Management Expenses	323.22	451.60	347.59	346.44	297.33	309.24	294.30	378.11	330.93
Administrative Expenses	119.02	141.39	133.37	118.54	75.73	98.18	136.42	159.16	112.08
Total Operating Expenses, CY	2,884.94	2,799.09	2,807.74	2,620.92	2,616.04	2,976.67	3,049.99	2,684.38	2,809.56
Income (Loss) from Operations, CY	45.85	68.65	49.09	(29.51)	20.57	94.78	200.80	70.56	62.15
Other (Revenue)/Expense, Ordinary									
Total Other (Revenue)/Expense	(0.07)	(11.40)	(15.69)	(13.94)	(0.11)	5.38	0.00	(0.09)	(2.58)
Net Income/(Loss)	45.92	80.05	64.77	(15.57)	20.69	89.40	200.80	70.65	64.73

Family Care
MCO Financial Statement Summaries
YTD for Period Ending March 31, 2013

	SFCA	CCCW	LCD	WWC	MCDFC	CCI	CWF	NB	Total
Solvency Protection									
Working Capital									
Current Assets	24,878,689	24,570,612	22,312,482	12,746,102	54,282,139	52,823,112	31,090,858	5,224,435	227,928,429
Current Liabilities	19,461,576	11,823,991	11,201,385	13,044,883	29,046,012	37,513,245	16,651,672	7,015,840	145,758,606
Working Capital	5,417,112	12,746,621	11,111,096	(298,781)	25,236,127	15,309,867	14,439,186	(1,791,405)	82,169,823
Requirement	5,163,431	3,646,281	2,939,717	3,884,096	7,814,444	9,094,460	4,292,121	2,263,840	39,098,391
Excess/(shortage)	253,681	9,100,340	8,171,379	(4,182,877)	17,421,683	6,215,406	10,147,065	(4,055,245)	43,071,432
Restricted Reserve									
Current Restricted Reserve	2,635,227	2,226,970	1,975,757	2,295,522	3,613,571	4,071,907	2,430,997	1,713,048	20,962,999
Required	2,721,144	2,215,427	1,979,906	2,294,699	3,604,815	4,031,487	2,430,707	1,754,613	21,032,798
Excess/(shortage)	(85,917)	11,543	(4,149)	823	8,756	40,420	290	(41,565)	(69,799)
Solvency Fund									
Current Solvency Fund	0	0	0	0	0	0	0	0	0
Required	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	6,000,000
Excess/(shortage)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(6,000,000)
Total Equity	9,526,480	16,901,147	13,711,535	2,691,327	28,247,532	29,899,951	19,844,074	83,532	120,905,578