

Family Care Financial Summary
Nine Months Ending September 30, 2012
(Report Date: January 4, 2013)

Background

- As of the end of the September 30, 2012, financial reporting period, the Family Care program is projected to be a \$1.2 billion program, when annualized for the full 2012 calendar year.
- The program has experienced a 4.0% growth in total capitation payments and a 4.6% growth in member months during the first nine months of 2012, compared to the same period in 2011.
- Five of the MCOs reported a surplus through September 30th, and four MCOs reported a loss, two of which were below 0.25%.
- 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.
- Of the two MCOs that reported a larger deficit position, one is no longer operating the program, as of the report date. The second MCO is under significantly increased oversight by DHS & 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 \$19.8 million (2.2%) compares to a gain of \$23.5 million (2.7%) through the first nine 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 0.6%, on a per member per month (PMPM) basis, relative to the first nine months of 2011. The decrease reflects a slowdown in enrollment growth; an overall stabilization in membership, after a four- or five-year period of very rapid expansion; and a relative increase in new, lower acuity, lower cost members. The decline also reflects a series of policy actions taken by the Department to temper capitation growth.
- *Member services:* There was a 1.8% 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 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 2.0% decrease in care management costs, on a PMPM basis, since the quarter ending September 30, 2011. The reported decrease reflects MCOs' continued efforts to streamline care management practices. The average monthly cost for this service, \$340 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 over 94% of funding used to support the full spectrum of member services. The cost to administer the program decreased an additional 3.3%, 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, which represents a pooled approach to buying administrative services, and through other MCO-specific initiatives to achieve administrative efficiencies.
- *Net Income:* Net income for the Family Care program was \$19.8 million for the quarter ending September 30, 2012. As noted above, this compares to a gain of \$23.5 million for the first nine months of the same reporting period in the prior year. This represents the 11th consecutive quarter in which revenue has exceeded expenses, on a program-wide basis.
- *Solvency:* **MCO Working Capital** improved by \$38.3 million since the quarter ending September 30, 2011. As of September 30, 2012, total Working Capital across the whole program is \$55.9 million. The Department is closely monitoring the Working Capital of the one MCO (down from six in September, 2011) which had a negative position, to ensure continued progress on this important liquidity measure. As of September 30, 2012, **Restricted Reserves** are fully funded by eight of nine MCOs, up from five in September, 2011, with total funding at 96.1% of requirements (up from 92.7% in September, 2011). The **MCO Solvency fund**, a pooled and segregated fund held by the Department of Administration (DOA), was within \$225,000 of full funding, with eight MCOs meeting the requirements; the remaining MCO had been meeting its funding plan approved by the OCI. Overall, the MCOs had funded 96.7% of their Solvency Fund requirements (up from 92.2% in September, 2011). MCOs that do not meet the capital requirements are under fiscal corrective action that requires monthly financial reporting.

More Recent Developments

- CHP has ended its Family Care program, effective December 31st. The Department continues to work intensively with the former and new MCOs, 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.
- DHS procurement activities were brought to a conclusion in the last quarter of 2012. MCO services were procured in the five-county region formerly served by CHP. SFCA began Family Care operations in that service region on January 1st.
- Also as a result of that procurement, several MCOs will expand their operations into other service regions across the state, where the program already exists. Those expansions will happen gradually, throughout 2013 and into 2014. None will occur on January 1, 2013.
- MCOs' 3-year Business Plan submissions were submitted to the Department in October. The plans suggest an increasingly stable program in 2013, from a financial perspective.
- 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.
- OCI permitted all but one MCO for the full CY 2013. Relative to efforts that are in place, the Department anticipates a level of increased scrutiny and oversight will occur with respect to the other MCO that remains financially distressed, which received a six month permit.

Family Care
MCO Financial Statement Summaries
YTD for Period Ending Sept 30, 2012

	SFCA	CCCW	LCD	WWC	MCDFC	CCI	CWF	CHP-LTS	NB	Total
Revenues										
Capitation	49,110,290	87,910,991	69,494,004	90,131,975	182,976,633	217,101,746	104,253,329	36,208,615	52,159,360	889,346,943
Interest Income - Operating Acct	24,410	74,041	0	3,672	0	0	0	0	12,857	114,981
Other Retro Adjustments, DHS	110,166	1,269,247	1,421,286	0	0	3,527,884	0	0	748,744	7,077,327
Other Income	7,762	124,671	97,394	3,793	2,405	0	0	0	43,862	279,887
Total Revenues	49,252,628	89,378,950	71,012,684	90,139,440	182,979,038	220,629,631	104,253,329	36,208,615	52,964,823	896,819,139

Expenses										
Member Service Expenses	44,836,334	75,538,007	66,142,904	83,115,564	179,069,904	212,063,526	99,140,686	34,684,238	49,233,002	843,824,164
Cost Share	(1,072,253)	(1,451,515)	(1,756,331)	(2,572,291)	(7,569,279)	(4,531,346)	(1,901,270)	(401,799)	(906,665)	(22,162,750)
Room & Board	(3,850,589)	(7,602,534)	(6,203,157)	(5,976,705)	(13,071,427)	(20,098,228)	(10,271,559)	(3,136,957)	(4,334,104)	(74,545,260)
Spend Down & Third Party	(145,963)	(715,649)	(780,306)	(200,971)	(1,525,846)	(1,592,932)	(873,870)	(175,344)	(194,277)	(6,205,159)
Net Member Service Expenses	39,767,528	65,768,309	57,403,110	74,365,597	156,903,352	185,841,019	86,093,986	30,970,137	43,797,957	740,910,995

Net Care Management Expenses	5,763,223	12,502,017	8,485,763	11,934,725	21,869,685	21,858,950	9,810,461	4,730,793	7,263,344	104,218,960
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Administrative Expenses	2,652,835	4,012,764	3,083,034	3,958,648	6,649,692	6,484,147	4,708,001	1,620,530	3,099,061	36,268,711
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Total Operating Expenses, CY	48,183,586	82,283,090	68,971,907	90,258,970	185,422,729	214,184,116	100,612,447	37,321,460	54,160,361	881,398,667
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Income (Loss) from Operations, CY	1,069,042	7,095,860	2,040,777	(119,529)	(2,443,691)	6,445,514	3,640,882	(1,112,845)	(1,195,537)	15,420,472
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Other (Revenue)/Expense, Ordinary

Total Other (Revenue)/Expense	(109,512)	(203,296)	(131,470)	70,728	(2,051,369)	(1,376,533)	(170,244)	(234,916)	(157,701)	(4,364,313)
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Net Income/ (Loss)	1,178,554	7,299,156	2,172,247	(190,257)	(392,322)	7,822,047	3,811,126	(877,929)	(1,037,836)	19,784,785
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Member Months by FC Target Group

Developmentally Disabled (DD)	45%	44%	42%	38%	22%	52%	54%	61%	45%	42%
Physically Disabled (PD)	29%	21%	31%	33%	51%	25%	21%	24%	28%	32%
Frail Elder (FE)	27%	35%	26%	28%	27%	23%	25%	15%	28%	26%
Member Months	18,146	29,391	24,441	34,261	69,949	69,608	31,559	10,854	18,564	306,772

Key Ratios (as % of Revenue)

Member Service Expense, Net	80.7%	73.6%	80.8%	82.5%	85.7%	84.2%	82.6%	85.5%	82.7%	82.6%
Care Management Expense	11.7%	14.0%	11.9%	13.2%	12.0%	9.9%	9.4%	13.1%	13.7%	11.6%
Total Member Service Expense	92.4%	87.6%	92.8%	95.7%	97.7%	94.1%	92.0%	98.6%	96.4%	94.2%
Administrative Expense	5.4%	4.5%	4.3%	4.4%	3.6%	2.9%	4.5%	4.5%	5.9%	4.0%
Total Operating Expense	97.8%	92.1%	97.1%	100.1%	101.3%	97.1%	96.5%	103.1%	102.3%	98.3%
Net Income/(Loss)	2.4%	8.2%	3.1%	-0.2%	-0.2%	3.5%	3.7%	-2.4%	-2.0%	2.2%

Family Care
MCO Financial Statement Summaries
YTD for Period Ending Sept 30, 2012

	SFCA	CCCW	LCD	WWC	MCDFC	CCI	CWF	CHP-LTS	NB	Total
Summary PMPM Presentation										
Revenues										
Capitation	2,706.40	2,991.09	2,843.37	2,630.76	2,615.86	3,118.92	3,303.49	3,336.12	2,809.70	2,899.05
Interest Income - Operating Acct	1.35	2.52	0.00	0.11	0.00	0.00	0.00	0.00	0.69	0.37
Other Retro Adjustments, DHS	6.07	43.18	58.15	0.00	0.00	50.68	0.00	0.00	40.33	23.07
Other Income	0.43	4.24	3.98	0.11	0.03	0.00	0.00	0.00	2.36	0.91
Total Revenues	2,714.24	3,041.03	2,905.51	2,630.98	2,615.89	3,169.60	3,303.49	3,336.12	2,853.09	2,923.41
Expenses										
Total Member Service Expenses	2,470.87	2,570.11	2,706.26	2,425.97	2,560.01	3,046.54	3,141.48	3,195.67	2,652.07	2,750.66
Cost Share	(59.09)	(49.39)	(71.86)	(75.08)	(108.21)	(65.10)	(60.25)	(37.02)	(48.84)	(72.25)
Room & Board	(212.20)	(258.67)	(253.80)	(174.45)	(186.87)	(288.73)	(325.48)	(289.03)	(233.47)	(243.00)
Spend Down & Third Party	(8.04)	(24.35)	(31.93)	(5.87)	(21.81)	(22.88)	(27.69)	(16.16)	(10.47)	(20.23)
Net Member Services Expenses	2,191.53	2,237.70	2,348.67	2,170.57	2,243.11	2,669.82	2,728.07	2,853.47	2,359.30	2,415.19
Net Care Management Expenses	317.60	425.37	347.20	348.35	312.65	314.03	310.87	435.88	391.26	339.73
Administrative Expenses	146.19	136.53	126.14	115.54	95.06	93.15	149.18	149.31	166.94	118.23
Total Operating Expenses, CY	2,655.33	2,799.60	2,822.01	2,634.47	2,650.83	3,077.00	3,188.12	3,438.65	2,917.49	2,873.14
Income (Loss) from Operations, CY	58.91	241.43	83.50	(3.49)	(34.94)	92.60	115.37	(102.53)	(64.40)	50.27
Other (Revenue)/Expense, Ordinary										
Total Other (Revenue)/Expense	(6.04)	(6.92)	(5.38)	2.06	(29.33)	(19.78)	(5.39)	(21.64)	(8.49)	(14.23)
Net Income/(Loss)	64.95	248.35	88.88	(5.55)	(5.61)	112.37	120.76	(80.89)	(55.91)	64.49

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MCO Financial Statement Summaries
YTD for Period Ending Sept 30, 2012

	SFCA	CCCW	LCD	WWC	MCDFC	CCI	CWF	CHP-LTS	NB	Total
Solvency Protection										
Working Capital										
Current Assets	12,613,997	24,468,127	20,150,380	13,607,032	48,880,662	44,988,945	24,414,752	4,921,516	5,046,466	199,091,878
Current Liabilities	7,083,466	13,618,900	11,136,901	11,774,055	27,796,421	34,978,253	17,744,415	11,883,186	7,135,807	143,151,404
Working Capital	5,530,531	10,849,227	9,013,480	1,832,977	21,084,240	10,010,692	6,670,337	(6,961,670)	(2,089,342)	55,940,473
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)	3,648,453	7,342,895	6,307,114	(1,620,111)	14,244,415	1,396,191	2,479,440	(8,451,144)	(4,120,752)	21,226,502
Restricted Reserve										
Current Restricted Reserve	1,629,897	2,182,718	1,948,316	2,153,169	3,611,812	3,889,110	2,396,966	250,036	1,710,211	19,772,236
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)	2,538	13,941	46,194	2,140	331,870	17,609	0	(1,242,946)	33,074	(795,580)
Solvency Fund										
Current Solvency Fund	750,000	750,000	750,000	750,000	750,000	750,000	750,000	525,000	750,000	6,525,000
Required	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	6,750,000
Excess/(shortage)	0	0	0	0	0	0	0	(225,000)	0	(225,000)
Total Equity	8,804,318	15,598,335	12,414,068	5,218,482	24,698,798	24,267,797	12,266,041	(6,186,633)	571,738	97,652,944