

PACE and Family Care Partnership Financial Summary
Three Months ending March 31, 2011
(Report Date: June 28, 2011)

Background

- Based on the CY 2011 financial reporting through March 31, the PACE and Partnership programs are projected to be \$272 million programs on an annualized basis.
- The program has experienced a 3% growth in total capitation payments and a 3% growth in member months during the first three 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. The average Medicare rate decreased approximately 2%.
- Mid-year Medicare capitation rate adjustments, which are intended to reflect the acuity of the Medicare-eligible population, will be incorporated into financial reporting as they are confirmed. They are expected to result in an increase in Medicare revenues.
- Medicare is the source of approximately 36% 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 \$3,235, while the Medicare capitation was \$1,850 PMPM. This compares to the first three months of 2010 where the comparable numbers were \$3,303 for Medicaid and \$1,874 for Medicare. A 2.1% reduction in the average Medicaid rate results from enrollment mix differences across the MCOs, rather than a change in the capitation rate, which remained constant across the 2010 and 2011 contract years. Total Medicaid and Medicare capitation payments increased revenues by 1% and 2% respectively relative to the first three 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 \$4,547 PMPM for the first three months of 2011, compared to \$4,470 for the first three months of 2010. This represents an increase of 1.7%.
- *Care Management expenses:* The PMPM of \$757 for 2011 represents a 2.9% increase over the \$735 PMPM reported for the same time period in 2010. The increase includes a change in

accounting method implemented by one MCO to more accurately record its expenses related to administration and care management.

- *Administrative expenses:* Expenses, on a PMPM basis, decreased 24% from \$307 to \$234 PMPM relative to the same time period in 2010. This reflects the change in accounting method described in the preceding bullet.
- *Net Income:* The PACE/Partnership programs reported a \$2.5 million deficit for the first three months of 2011, compared to a \$0.6 million deficit for the same period in 2010. It is anticipated that there will be mid-year Medicare capitation increases to reflect the increased acuity of Medicare-eligible enrollees.

More Recent Developments

- The Department continues to monitor anticipated shifts in Medicare funding levels, as the Affordable Care Act is fully implemented.
- Medicare enhanced 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 been investing increased resources to better understand MCO 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 Department's goal is to establish 2012 Medicaid capitation rates using the MCO's actual expenditure data. The results of the Medicare data work with JEN Associates will support that work by ensuring that costs associated with Medicaid services and the costs associated with Medicare services are clearly distinguishable.

MCO Financial Statement Summaries
Family Care Partnership/PACE
YTD for Period Ending March 31, 2011

	CHP-PHP	Care WI- CWHP	CCI-CCHP	iCare	Total
Revenue					
Capitation-MA	18,703,935	11,046,430	12,278,472	1,516,393	43,545,230
Capitation- MC	9,902,933	5,977,601	8,645,332	366,038	24,891,904
Other DHS Funding		(30,000)	(13,347)	(248,474)	(291,821)
Interest Income-Operating Acct					-
Other Income	(27,615)	(19,277)			(46,892)
Total Revenue	28,579,253	16,974,754	20,910,457	1,633,957	68,098,421
Expenses					
Acute & Primary Services	8,871,126	5,854,758	9,757,335	820,039	25,303,258
LTC-Family Care Expenses	16,355,174	8,217,734	10,816,912	492,826	35,882,645
Cost Share, Net	(587,609)	(275,288)	(368,039)	(7)	(1,230,943)
Room & Board, Net	(1,120,623)	(567,337)	(570,601)	(8,041)	(2,266,602)
Spend Down & Third Party	(308,325)	(35,071)	(24,742)		(368,138)
Net Member Services Costs	23,209,743	13,194,796	19,610,865	1,304,817	57,320,220
Net Care Management Costs	5,003,926	3,375,811	1,531,881	270,501	10,182,119
Administrative Expenses	1,339,128	1,203,239	485,479	122,947	3,150,793
Total Operating Expenses	29,552,797	17,773,846	21,628,225	1,698,265	70,653,133
Income (Loss) from Operations, CY	(973,544)	(799,092)	(717,768)	(64,308)	(2,554,712)
Total Other Revenue/(Expense)	151,788	272,348	(405,137)	(63,144)	(44,145)
Net Surplus/(Deficit)	(1,125,332)	(1,071,440)	(312,631)	(1,164)	(2,510,567)
Member Months	5,304	3,542	4,130	482	13,458
Key Ratios (as % of Revenue)					
Member Service Expense, Net	81.2%	77.7%	93.8%	79.9%	84.2%
Care Management Service Expense	17.5%	19.9%	7.3%	16.6%	15.0%
Total Member Service Expense	98.7%	97.6%	101.1%	96.4%	99.1%
Administrative Expense	4.7%	7.1%	2.3%	7.5%	4.6%
Total Operating Expense	103.4%	104.7%	103.4%	103.9%	103.8%
Net Suplus(Deficit)	-3.9%	-6.3%	-1.5%	-0.1%	-3.7%

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Family Care Partnership/PACE
YTD for Period Ending March 31, 2011

	CHP-PHP	Care WI- CWHP	CCI-CCHP	iCare	Total
PMPM					
Revenue					
Capitation-MA	3,526.38	3,119.13	2,973.00	3,146.04	3,235.76
Capitation- MC	1,867.07	1,687.87	2,093.30	759.41	1,849.67
Other DHS Funding	-	(8.47)	(3.23)	(515.51)	(21.68)
Interest Income-Operating Acct	-	-	-	-	-
Other Income	(5.21)	(5.44)	-	-	(3.48)
Total Revenue	5,388.25	4,793.08	5,063.06	3,389.95	5,060.25
Expenses					
Acute & Primary Services	1,672.54	1,653.18	2,362.55	1,701.33	1,880.23
LTC-Family Care Expenses	3,083.55	2,320.40	2,619.11	1,022.46	2,666.37
Cost Share	(110.79)	(77.73)	(89.11)	(0.01)	(91.47)
Room & Board	(211.28)	(160.20)	(138.16)	(16.68)	(168.43)
Spend Down & Third Party	(58.13)	(9.90)	(5.99)	-	(27.36)
Net Member Services Costs	4,375.89	3,725.75	4,748.39	2,707.09	4,259.35
Net Care Management Costs	943.42	953.21	370.92	561.21	756.61
Administrative Expenses	252.48	339.75	117.55	255.08	234.13
Total Operating Expenses, CY	5,571.79	5,018.72	5,236.86	3,523.37	5,250.09
Income (Loss) from Operations, CY	(183.55)	(225.64)	(173.79)	(133.42)	(189.84)
Total Other (Revenue)/Expense	28.62	76.90	(98.10)	(131.00)	(3.28)
Net Surplus/(Deficit)	(212.17)	(302.54)	(75.70)	(2.41)	(186.56)
Member Months	5,304	3,542	4,130	482	13,458
Total Equity	7,035,783	11,895,061	13,566,683	19,721,132	52,218,659