

**PACE and Family Care Partnership Financial Summary**  
**Three Months ending June 30, 2012**  
**(Report Date: October 6, 2012)**

**Background**

- Based on the CY 2012 financial reporting through June 30, the PACE and Partnership programs are projected to be \$298.8 million programs on an annualized basis.
- The program has experienced a 4.8% growth in total capitation payments and a 4.0% growth in member months during the first six months of 2012, compared to the same period in 2011.
- Medicare is the source of 36.1% of the programs' overall capitation funding. This figure has been fairly stable for some time.
- 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. OCI monitors solvency of all HMOs and requires financial reporting on a statutory basis. The Department monitors the fiscal operations and financial results reported using a generally accepted accounting principles (GAAP).

**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 \$3,326, while the Medicare capitation was \$1,874 PMPM. This compares to the first six months of 2012 where the comparable numbers were \$3,226 for Medicaid and \$1,935 for Medicare. Medicaid capitation rates increased by 3.1% and Medicare capitation rates decreased by 3.1%, respectively, relative to the first six months of 2011. The Department continues to have concerns with the Medicare capitation methodology for this population and the potential it has for cost shifting to the Medicaid program. Developmental work on the Virtual PACE initiative is opening opportunities for the Department to discuss these concerns with CMS.
- *Member Service expenses:* On a PMPM basis, net member services expenses were \$4,242 PMPM for the first six months of 2012, compared to \$4,307 for the first six months of 2011. This represents a decrease of 1.5%.
- *Care Management expenses:* The PMPM of \$646 for 2012 represents a 10.9% decrease, compared to the \$725 PMPM reported for the same time period in 2011. Several of the Partnership MCOs have initiatives in place to examine, and improve, the way care management is structured and delivered within their organization.
- *Administrative expenses:* Expenses, on a PMPM basis, were \$246. This represents a 4.7% increase, compared to the same time period in 2011, when expenses were \$235 PMPM.

- *Net Income:* The PACE/Partnership programs reported a \$3.5 million surplus for the six months of 2012, compared to a \$4.3 million deficit for the same period in 2011. The program as a whole shows a 2.3% positive margin; however, there is variation in performance by MCO.

### **More Recent Developments**

- CHP will be ending its Family Care and Family Care Partnership programs, effective December 31<sup>st</sup>. The Department is working intensively with the MCO, enrolled members, service providers, and others impacted by this change, to ensure the continuity of care of member services.
- DHS is conducting procurement activities to secure MCO services in the five-county region currently served by CHP, as well as several other service regions across the state. It is expected that an announcement about the new MCO(s) will occur by mid-October.
- The Department continues to monitor anticipated shifts in Medicare funding levels, as the Affordable Care Act is fully implemented.
- 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 worked with JEN Associates to assist with analyzing the Partnership encounter-reported cost data, and re-pricing it where appropriate. (JEN is a nationally recognized medical management research organization with expertise in analyzing Medicare data.)
- This analysis is becoming more routine, and it allows for a set of more standardized cost information.
- The Department has been able to generate the 2013 Medicaid capitation rates using the MCO's actual expenditure data, with respect to primary and acute care services. These rates will be shared with the MCOs soon.
- The LTC component of the Partnership rate relies on the same funding formula that is utilized in the Family Care program.

**Family Care Partnership/PACE  
MCO Financial Statement Summaries  
YTD for Period Ending June 30, 2012**

	CHP-PHP	Care WI- CWHP	CCI-CCHP	iCare	Total
<b>Revenue</b>					
Capitation-MA	32,722,808	26,365,494	27,377,470	8,725,473	95,191,245
Capitation- MC	17,462,972	15,225,254	18,134,952	2,839,449	53,662,627
Interest Income-Operating Acct	-	-	-	57,881	57,881
Other Retro Adjustments, DHS	-	-	58,512	229,257	287,769
Other Income	(177,709)	82,095	318,750	-	223,136
<b>Total Revenue</b>	<b>50,008,072</b>	<b>41,672,844</b>	<b>45,889,684</b>	<b>11,852,060</b>	<b>149,422,659</b>
<b>Expenses</b>					
Total Acute & Primary Service Expenses	15,814,706	12,518,109	19,743,160	6,190,235	54,266,209
Total LTC-Family Care Expenses	27,952,050	20,400,890	24,065,534	3,019,413	75,437,887
Cost Share, Net	(1,118,430)	(738,992)	(765,999)	(26,881)	(2,650,303)
Room & Board, Net	(2,260,737)	(1,318,097)	(1,408,174)	(130,825)	(5,117,833)
Spend Down & Third Party	(356,500)	(98,724)	(60,203)	-	(515,427)
<b>Net Member Services Expenses</b>	<b>40,031,089</b>	<b>30,763,186</b>	<b>41,574,317</b>	<b>9,051,942</b>	<b>121,420,534</b>
Net Care Management Costs	7,852,563	6,675,856	2,737,070	1,212,287	18,477,776
Administrative Expenses	2,755,447	2,720,963	800,584	754,931	7,031,925
<b>Total Operating Expenses CY</b>	<b>50,639,099</b>	<b>40,160,005</b>	<b>45,111,971</b>	<b>11,019,160</b>	<b>146,930,235</b>
<b>Income (Loss) from Operations, CY</b>	<b>(631,028)</b>	<b>1,512,839</b>	<b>777,713</b>	<b>832,900</b>	<b>2,492,424</b>
<b>Other (Revenue)/Expense, Operating</b>					
Total Other Revenue/(Expense)	(436,293)	(599,371)	(212,573)	276,987	(971,249)
<b>Net Surplus/(Deficit)</b>	<b>(194,735)</b>	<b>2,112,210</b>	<b>990,285</b>	<b>555,913</b>	<b>3,463,673</b>
<b>Member Months by FC Target Group</b>					
Developmentally Disabled (DD)	2,480	717	736	822	4,755
Physically Disabled (PD)	3,303	3,985	3,323	1,957	12,568
Frail Elder (FE)	3,679	3,142	4,419	57	11,297
<b>Member Months</b>	<b>9,462</b>	<b>7,845</b>	<b>8,478</b>	<b>2,836</b>	<b>28,620</b>
<b>Key Ratios (as % of Revenue)</b>					
Member Service Expense, Net	80.0%	73.8%	90.6%	76.4%	81.3%
Care Management Service Expense	15.7%	16.0%	6.0%	10.2%	12.4%
Total Member Service Expense	95.8%	89.8%	96.6%	86.6%	93.6%
Administrative Expense	5.5%	6.5%	1.7%	6.4%	4.7%
Total Operating Expense	101.3%	96.4%	98.3%	93.0%	98.3%
Net Surplus(Deficit)	-0.4%	5.1%	2.2%	4.7%	2.3%

**Family Care Partnership/PACE  
MCO Financial Statement Summaries  
YTD for Period Ending June 30, 2012**

**CHP-PHP      Care WI- CWHP      CCI-CCHP      iCare      Total**

**Summary PMPM Presentation**

**Revenue**

Capitation-MA	3,458.46	3,360.97	3,229.24	3,076.68	3,326.01
Capitation- MC	1,845.65	1,940.86	2,139.06	1,001.22	1,874.99
Interest Income-Operating Acct	-	-	-	20.41	2.02
Other Retro Adjustments, DHS	-	-	6.90	80.84	10.05
Other Income	(18.78)	10.47	37.60	-	7.80
<b>Total Revenue</b>	<b>5,285.33</b>	<b>5,312.29</b>	<b>5,412.80</b>	<b>4,179.15</b>	<b>5,220.86</b>

**Expenses**

Total Acute & Primary Services	1,671.45	1,595.76	2,328.75	2,182.73	1,896.07
Total LTC- Family Care Expenses	2,954.24	2,600.63	2,838.59	1,064.67	2,635.78
Cost Share	(118.21)	(94.20)	(90.35)	(9.48)	(92.60)
Room & Board	(238.94)	(168.03)	(166.10)	(46.13)	(178.82)
Spend Down & Third Party	(37.68)	(12.59)	(7.10)	-	(18.01)
<b>Net Member Services Expense</b>	<b>4,230.86</b>	<b>3,921.57</b>	<b>4,903.79</b>	<b>3,191.80</b>	<b>4,242.46</b>

Net Member Care Management Costs	829.93	851.01	322.84	427.46	645.62
----------------------------------	--------	--------	--------	--------	--------

Administrative Expenses	291.22	346.86	94.43	266.20	245.70
-------------------------	--------	--------	-------	--------	--------

<b>Total Operating Expenses, CY</b>	<b>5,352.02</b>	<b>5,119.44</b>	<b>5,321.06</b>	<b>3,885.46</b>	<b>5,133.78</b>
-------------------------------------	-----------------	-----------------	-----------------	-----------------	-----------------

<b>Income (Loss) from Operations, CY</b>	<b>(66.69)</b>	<b>192.85</b>	<b>91.73</b>	<b>293.69</b>	<b>87.09</b>
--	----------------	---------------	--------------	---------------	--------------

**Other (Revenue)/Expense, Ordinary**

Total Other (Revenue)/Expense	(46.11)	(76.41)	(25.07)	97.67	(33.94)
-------------------------------	---------	---------	---------	-------	---------

<b>Net Surplus/(Deficit)</b>	<b>(20.58)</b>	<b>269.26</b>	<b>116.81</b>	<b>196.02</b>	<b>121.02</b>
------------------------------	----------------	---------------	---------------	---------------	---------------

**Member Months by Target Group**

Developmentally Disabled (DD)	2,480	717	736	822	4,755
Physically Disabled (PD)	3,303	3,985	3,323	1,957	12,568
Frail Elder (FE)	3,679	3,142	4,419	57	11,297
<b>Total Member Months</b>	<b>9,462</b>	<b>7,845</b>	<b>8,478</b>	<b>2,836</b>	<b>28,620</b>