

PACE and Family Care Partnership Financial Summary
Nine Months Ending September 30, 2010
(Report Date: January 7, 2011)

Background

- Based on the CY 2010 financial reporting through September 30, 2010, the PACE and Partnership programs are projected to be \$275 million programs on an annualized basis, which is roughly a 4% increase over CY 2009.
- In comparison to Family Care, which saw a 26% increase in member months compared to 2009, the PACE/Partnership enrollment growth is only 3.8%, relative to 2009.
- CMS-Medicare is the source of approximately 38% of the program's overall capitation funding. The Medicare agency currently has a stated policy objective of reducing payment rates for Medicare Advantage plans.
- At the same time, the national health care reform legislation requires CMS-Medicare to more carefully study the appropriateness of the payment formula for plans that serve a more complex membership, such as the PACE/Partnership organizations.
- 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 principals (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 \$3,241, while the Medicare capitation was \$1,998 PMPM. This compares to the first nine months of 2009 where the comparable numbers were \$3,234 for Medicaid and \$1,937 for Medicare. Medicaid payments increased 0.2%, while Medicare payments increased 3.1%, relative to the same time period in 2009.
- *Member Service expenses:* On a PMPM basis, the member services expenses were \$4,375 PMPM for the first nine months of 2010, compared to \$4,414 for the first nine months of 2009. This represents decrease of 0.9%.
- *Care Management expenses:* The PMPM of \$750 for 2010 is a 6.7% decrease from the \$804 PMPM experienced for the nine months ending September 30, 2009.
- *Administrative expenses:* Expenses, on a PMPM basis, decreased 11.9% from \$318 PMPM to \$280 PMPM, for the first nine months of 2010, relative to the same time period in 2009.
- *Net Income:* The PACE/Partnership programs achieved a \$7.8 million surplus for the first nine months of 2010, compared to a loss of \$1.4 million for the same period in 2009. These results do not include an estimate of retrospective capitation adjustments to reflect the expansion enrollment case mix through September 30, 2010.

More Recent Developments

- The MCOs submitted detailed, three-year business plans to the Department on October 15, 2010, in order to secure 2011 contracts with the Department.
- Interdisciplinary teams within the Department reviewed those plans, and provided feedback to the MCOs.
- Several MCOs projected unsustainable losses in 2011, and were asked to redo their projected budgets and make changes in their operating strategies prior to final Department enhanced funding decisions.
- Those MCOs are working closely with the Department to identify and implement strategies to improve their operating results. Performance expectations included in 2011 contracts reflect the requirements identified by the Department for 2011 monitoring.
- iCare became a new Partnership MCO as of January 1, 2010, and has not yet experienced the member enrollment they had anticipated in their 2010 business plan. This has resulted in larger operational losses, and PMPMs which are high relative to long-run program averages. It is expected that, as iCare enrollment grows, the PMPMs will move towards these program averages.
- A central policy issue will be evaluating anticipated shifts in Medicare funding levels, as the Affordable Care Act is fully implemented. The Office of Health Care Reform is monitoring these developments closely.
- CMS-Medicare announced late in 2010 that enhanced funding levels, originally set to sunset in 2010, would be left in place, on a time-limited basis, for the three original Partnership MCOs, pending further study of the Medicare reimbursement for the program. The Department is in the process of working with those MCOs to better understand the impact of this policy.
- Given the increased activity in the Medicare program, the Department has been investing increased resources to better understand MCO performance relative to each funding source. Several initiatives are underway that will allow for better allocation of service costs to the payer that would have funded the service, were it provided a fee-for-service environment.
- The improving bottom line with the PACE/Partnership program has been driven, in part, by focused resources within the MCO directed towards updating member's acuity scores used to determine the Medicare capitation. This work has resulted in additional Medicare funding during the third quarter.
- 2011 Medicaid funding for these MCOs will remain at 2010 levels, as the Department's actuarial firm has determined that the 2010 capitation rates are actuarially sound given the Business Plans submitted by the MCOs.

MCO Financial Statement Summaries
Family Care Partnership/PACE
YTD for Period Ending Sept 30, 2010

	CHP-PHP	Care WI- CWHP	CCI-CCHP	iCare	Total
Revenue					
Capitation-MA	60,715,719	32,546,484	32,061,641	1,206,196	126,530,040
Capitation- MC	32,080,009	21,394,900	24,277,792	245,141	77,997,842
Interest Income- Operating Acct		24,016	14,321		38,337
Risk Sharing Accrual					0
Other Retro Adjustments, DHS					
Other Income	378,706	121,145	250,871		750,722
Total Service Revenue	93,174,434	54,086,545	56,604,625	1,451,337	205,316,941

Expenses					
Member Services-LTC	52,271,759	22,552,656	18,915,790	342,084	94,082,289
Member Services-Other	27,759,258	14,535,189	33,534,554	873,392	76,702,393
Cost Share, Net	(1,661,616)	(855,518)	(855,382)	(5,644)	(3,378,160)
Room & Board, Net	(3,280,649)	(1,542,382)	(1,226,784)	(10,287)	(6,060,102)
Spend Down & Third Party	(1,086,503)	(94,349)	(47,197)		(1,228,049)
Net Member Services Costs	74,002,249	34,595,596	50,320,981	1,199,545	160,118,372
Net Care Management Costs	15,858,899	8,937,447	3,872,515	624,120	29,292,981
Administrative Expenses	4,446,787	3,734,601	2,605,318	162,569	10,949,275
Total Operating Expenses	94,307,935	47,267,644	56,798,814	1,986,234	200,360,628
Income (Loss) from Operations	(1,133,501)	6,818,901	(194,189)	(534,897)	4,956,314

Other (Revenue)/Expense					
Total Other (Revenue)/Expense	(1,711,774)	358,631	(1,488,974)	0	(2,842,117)
Net Surplus/(Deficit)	578,273	6,460,270	1,294,785	(534,897)	7,798,431

Member Months	17,467	10,342	10,841	387	39,036
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Key Ratios (as % of Revenue)					
Member Service Expense, Net	79.4%	64.0%	88.9%	82.7%	78.0%
Care Management Service Expense	17.0%	16.5%	6.8%	43.0%	14.3%
Total Member Service Expense	96.4%	80.5%	95.7%	125.7%	92.3%
Administrative Expense	4.8%	6.9%	4.6%	11.2%	5.3%
Total Operating Expense	101.2%	87.4%	100.3%	136.9%	97.6%
Net Surplus/(Deficit)	0.6%	11.9%	2.3%	-36.9%	3.8%

Notes:

1. Other retro adjustments to estimate case mix adjustments through September 30, 2010 were not reflected by all MCOs. DHS estimates a reduction to revenue through June 30, 2010 of \$-1.3M with the calculation through September 30, 2010 pending.
2. The results represent financial reporting as submitted by the MCOs and are unaudited.

MCO Financial Statement Summaries
Family Care Partnership/PACE
YTD for Period Ending Sept 30, 2010

Summary PMPM Presentation	CHP-PHP	Care WI- CWHP	CCI-CCHP	iCare	Total
Revenue					
Capitation-MA	3,476.11	3,147.05	2,957.44	3,116.95	3,241.33
Capitation- MC	1,836.65	2,068.76	2,239.44	633.47	1,998.08
Interest Income- Operating Acct	0.00	2.32	1.32	0.00	0.98
Risk Sharing	0.00	0.00	0.00	0.00	0.00
Other Income	21.68	11.71	23.14	0.00	19.23
Total Service Revenue	5,334.44	5,229.85	5,221.35	3,750.42	5,259.62
Expenses					
Member Services-LTC	2,992.67	2,180.71	1,744.84	883.98	2,410.11
Member Services-Other	1,589.28	1,405.47	3,093.31	2,256.94	1,964.89
Cost Share	(95.13)	(82.72)	(78.90)	(14.58)	(86.54)
Room & Board	(187.82)	(149.14)	(113.16)	(26.58)	(155.24)
Spend Down & Third Party	(62.20)	(9.12)	(4.35)	0.00	(31.46)
Net Member Services Costs	4,236.79	3,345.19	4,641.73	3,099.76	4,101.76
Net Care Management Costs	907.96	864.20	357.21	1,612.80	750.40
Administrative Expenses	254.59	361.11	240.32	420.10	280.49
Total Operating Expenses	5,399.34	4,570.50	5,239.26	5,132.65	5,132.65
Income (Loss) from Operations	(64.90)	659.35	(17.91)	(1,382.23)	126.97
Other (Revenue)/Expense					
Prior Year Adjustment	(56.73)	129.07	(121.00)	0.00	(24.79)
Other Funding	0.00	0.00	0.00	0.00	0.00
Investment Income	(43.28)	(94.40)	(17.60)	0.00	(49.26)
Other Non-Operating	2.01	0.00	1.25	0.00	1.25
Total Other (Revenue)/Expense	(98.00)	34.68	(137.35)	0.00	(72.81)
Net Surplus/(Deficit)	33.11	624.67	119.43	(1,382.23)	199.77
Member Months	17,467	10,342	10,841	387	39,036