

PACE and Family Care Partnership Financial Summary
Nine Months Ending September 30, 2011
(Report Date: January 3, 2012)

Background

- Based on the CY 2011 financial reporting through September 30, the PACE and Partnership programs are projected to be \$286.9 million programs on an annualized basis.
- The program experienced 5.6% growth in total capitation payments and a 7.7% growth in member months during the first nine months of 2011, compared to the same period in 2010.
- The 2010 Medicaid rate was determined to be actuarially sound for 2011 and therefore remained in effect for the 2011 contract period. Due to modest changes in case mix, the average payment rate had declined by 0.6%, relative to the same time period in 2010.
- The average Medicare rate decreased by approximately 2.4%, compared to the same period in 2010. Medicare is the source of approximately 37% of the program's overall capitation funding.
- The Department continues to closely 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 \$3,223, while the Medicare capitation was \$1,917 PMPM. This compares to the first nine months of 2010, when the comparable numbers were \$3,241 for Medicaid and \$1,998 for Medicare. The modest decline in the average Medicaid rate results from modest enrollment mix changes across the MCOs, rather than changes in the capitation rates per se, which remained constant across the 2010 and 2011 contract years. Total Medicaid and Medicare capitation payments increased MCO revenues by 7.1% and 3.3%, respectively, relative to the first nine months of 2010; these increases roughly paralleled the total growth in member months, relative to the same time period in 2010.
- *Member Service expenses:* On a PMPM basis, net member service expenses were \$4,287 PMPM for the first nine months of 2011, compared to \$4,102 for the first nine months of 2010. This represents an increase of 4.5%.
- *Care Management expenses:* The PMPM of \$699 for 2011 represents a 6.8% decrease, compared to the \$750 PMPM reported for the same time period in 2010. The decrease includes

a change in accounting methods implemented by one MCO to more accurately record its expenses related to administration and care management.

- *Administrative expenses:* Expenses, on a PMPM basis, decreased 21.2% from \$280 to \$221 PMPM, relative to the same time period in 2010. This reflects the change in accounting methods described in the preceding bullet.
- *Net Income:* The PACE/Partnership programs reported a \$2.7 million (1.3%) deficit for the first nine months of 2011, compared to a \$7.8 million surplus for the same period in 2010.

More Recent Developments

- The MCOs submitted detailed, three-year business plans to the Department on October 14, 2011. Interdisciplinary teams within the Department reviewed those plans, and provided tailored feedback to each MCO.
- One of the Department's primary financing objectives was to establish the 2012 Medicaid capitation rates using the MCOs' actual expenditure data.
- Progress was made: the primary and acute care component of the capitation rate is now based on program-generated cost data.
- Moving the funding model off a fee-for-service cost base represents an important programmatic milestone and was the result of a significant investment by the Department and MCOs.
- The methodology for the long-term care component of the capitation rate continues to transition to fully utilizing the long-term care functional screen information for program enrollees, as is done for Family Care. This will serve to equalize payment rates across the two programs for similar persons who are receiving similar benefits.
- The Department continues to monitor anticipated shifts in Medicare funding levels, as the Patient Accountability and Affordable Care Act is fully implemented, through dialogue with the MCOs and CMS officials.
- This entire body of financing work will continue to be a major priority for 2012, and it should help to inform the development of payment rates, and cost reporting approaches, for the Virtual PACE initiative.
- Given the increased activity in the Medicare program, the Department will also continue to invest 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, had it been it provided in a fee-for-service environment.
- This activity will assist in the overall evaluation of funding by the two program funders, and continued refinement in payment methodologies.

**Family Care Partnership/PACE
MCO Financial Statement Summaries
YTD for Period Ending Sept 30, 2011**

	CHP-PHP	Care WI-CWHP	CCI-CCHP	iCare	Total
Revenues					
Capitation-MA	55,052,827	34,865,183	38,236,293	7,343,554	135,497,858
Capitation- MC	29,673,050	20,870,896	27,880,610	2,152,250	80,576,806
Interest Income- Operating Acct.	0	27,053	0	0	27,053
Other Retro Adjustments, DHS	0	(50,293)	116,074	(1,225,094)	(1,159,313)
Other Income	(27,615)	275,192	0	0	247,577
Total Service Revenues	84,698,262	55,988,031	66,232,977	8,270,710	215,189,980

Expenses					
Total Acute & Primary Service Expenses	26,021,837	20,197,654	28,519,262	4,667,160	79,405,913
Total LTC-Family Care Expenses	47,673,611	27,709,484	35,487,258	1,960,431	112,824,812
Cost Share, Net	(1,693,080)	(934,368)	(1,195,179)	(9,938)	(3,832,565)
Room & Board, Net	(3,425,514)	(1,769,452)	(1,827,340)	(66,445)	(7,088,751)
Spend Down & Third Party	(928,939)	(117,200)	(62,077)	0	(1,108,216)
Net Member Services Expenses	67,647,914	45,086,118	60,921,925	6,551,208	180,207,165

Net Care Management Expenses	13,558,081	9,835,289	4,846,004	1,162,001	29,401,375
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Administrative Expenses	4,060,448	3,784,103	932,685	516,673	9,293,909
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Total Operating Expenses, CY	85,266,444	58,705,510	66,700,613	8,229,882	218,902,449
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Income (Loss) from Operations, CY	(568,181)	(2,717,479)	(467,636)	40,828	(3,712,468)
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Other (Revenues)/Expenses, Ordinary

Total Other (Revenues)/Expenses	(307,663)	201,352	(912,707)	(2,246)	(1,021,265)
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Net Surplus/(Deficit)	(260,518)	(2,918,831)	445,071	43,074	(2,691,204)
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Member Months	15,611	11,184	12,905	2,335	42,035
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Key Ratios (as % of Revenues)

Member Service Expense, Net	79.9%	80.5%	92.0%	79.2%	83.7%
Care Management Service Expense	16.0%	17.6%	7.3%	14.0%	13.7%
Total Member Service Expense	95.9%	98.1%	99.3%	93.3%	97.4%
Administrative Expense	4.8%	6.8%	1.4%	6.2%	4.3%
Total Operating Expenses	100.7%	104.9%	100.7%	99.5%	101.7%
Net Suplus(Deficit)	-0.3%	-5.2%	0.7%	0.5%	-1.3%

**Family Care Partnership/PACE
MCO Financial Statement Summaries
YTD for Period Ending Sept 30, 2011**

	CHP-PHP	Care WI-CWHP	CCI-CCHP	iCare	Total
Summary PMPM Presentation					
Revenue					
Capitation-MA	3,526.50	3,117.53	2,962.91	3,144.99	3,223.47
Capitation- MC	1,900.76	1,866.21	2,160.45	921.73	1,916.91
Interest Income- Operating Acct	0.00	2.42	0.00	0.00	0.64
Other Retro Adjustments, DHS	0.00	(4.50)	8.99	(524.67)	(27.58)
Other Income	(1.77)	24.61	0.00	0.00	5.89
Total Revenue	5,425.49	5,006.26	5,132.35	3,542.06	5,119.33
Expenses					
Total Acute & Primary Service Expenses	1,666.87	1,806.01	2,209.94	1,998.78	1,889.05
Total LTC-Family Care Expenses	3,053.81	2,477.69	2,749.88	839.59	2,684.08
Cost Share	(108.45)	(83.55)	(92.61)	(4.26)	(91.18)
Room & Board	(219.43)	(158.22)	(141.60)	(28.46)	(168.64)
Spend Down & Third Party	(59.50)	(10.48)	(4.81)	0.00	(26.36)
Net Member Services Expenses	4,333.30	4,031.45	4,720.80	2,805.66	4,287.10
Net Care Management Expenses	868.49	879.44	375.51	497.64	699.45
Administrative Expenses	260.10	338.36	72.27	221.27	221.10
Total Operating Expenses, CY	5,461.88	5,249.25	5,168.59	3,524.57	5,207.65
Income (Loss) from Operations, CY	(36.40)	(242.99)	(36.24)	17.49	(88.32)
Other (Revenues)/Expenses, Ordinary					
Total Other (Revenues)/Expenses	(19.71)	18.00	(70.73)	(0.96)	(24.30)
Net Surplus/(Deficit)	(16.69)	(260.99)	34.49	18.45	(64.02)
Member Months	15,611	11,184	12,905	2,335	42,035