

Family Care Financial Summary Through 3rd Quarter, CY 2009

BACKGROUND

- As of the third quarter of CY 2009, Family Care was a \$750 million program, on an annualized basis. The program experienced 76% growth in capitation payments, and a 55% increase in member months, from the same time span, one-year earlier.
- This rapid growth in membership caused stress in the MCOs' collective financial health. Much of this stress was anticipated, as would be the case for any rapidly growing business venture.
- At the same time, some of the stress was unanticipated, as the Department's expectations for MCOs to improve utilization patterns that had been established in the legacy waiver programs represented a set of stretch goals that were not fully attained.
- The Department continued its close monitoring of each MCO's financial health during this time period, to assure that resources were being managed in a manner that benefitted the enrolled membership.

KEY METRICS

- *Capitation:* The average payment rate increased roughly 13.8%, on a per member per month basis, relative to the prior year. This increase is largely due to changes in the representation of the program's target group membership. There are substantially more disabled members, and fewer elderly members, as a proportion of total program enrollment. Disabled members have higher rates than do elderly members. In addition, the rising level of acuity for those members entering, and continuing in, the program has increased the payment rates.
- *Member services:* There was an 18% increase in the overall member services cost, expressed on a per member per month basis, relative to the same period in 2008. This is reflective of the changing target group mix described above, the rising acuity level, and the cost structure associated with care in the legacy waiver programs. The proportion of capitation spent on member services was relatively stable at 83%, while care management expenditures accounted for 13.5% of capitation.
- *Administration:* The program continued to achieve administrative savings, relative to the fee-for-service system. Less than 5.5% of capitation was spent on administrative functions, as the program benefitted from the efficiencies of scale associated with growth.
- *Net Income:* Family Care MCOs had aggregate losses of 1.9% through the end of the third quarter of CY 2009, down from 4.0% for the same time period in CY 2008.
- *Solvency:* MCOs struggled to meet all of the capital requirements for the program, given the increases in those requirements (due to increased capitation funding and membership) and the operating losses that were sustained.

MORE RECENT DEVELOPMENTS

- 2010 is the first year that three-year business plans were required for all MCOs. These business plans provide an assessment of anticipated expenditure and revenue projections and specific strategies to meet those goals over the three-year period
- The key to improving the MCOs' financial health in both the short- and long-terms, is fully executing the broad set of strategies that were outlined in the MCOs' three-year

Business Plan submissions. This primarily involves MCOs reworking care plans for their members (to make them outcome-based), renegotiating some contracts, and implementing operating efficiencies.

- Many of the Family Care contracts were tailored to include a set of rigorous performance expectations for 2010, as well. Anticipated achievement of those expectations, in conjunction with the announced 2010 funding levels, leaves most MCOs expecting 2010 to be a turnaround year from the financial perspective.
- The shared financial oversight function (with the Office of the Commissioner of Insurance) is now moving toward full implementation. OCI involvement in the financial oversight of Family Care will help to assure that MCOs have appropriate resources to meet certification and continue to provide member services.

Family Care MCO Financial Statement Summaries
YTD for Period Ending September 30, 2009

	SFCA	CCCW	CCO	WWC	MCDA	CCI	CWF	CHP(1)	NB(2)	Total
Revenue										
Capitation	23,892,827	59,784,922	21,889,206	65,293,105	144,020,879	100,495,996	73,511,829	26,201,108	17,877,160	532,766,830
Pvt Pay & other Operating Revenue										
Interest Income- Operating Acct										
Risk Sharing Accrual		49,499	38,520	3,497,343	8,628	6				12,386
Other	478,923	1,587,722	4,831	856,850	185,812	7,895,422	2,919,540	5,800,000	2,300,000	109,040
Total Revenue	24,371,749	61,402,143	21,932,557	69,647,298	144,215,120	109,106,990	84,248,981	33,898,367	20,339,852	569,163,056
Expenses										
Member Services	21,708,909	57,520,137	20,720,151	65,765,230	133,901,838	103,236,365	79,559,121	34,835,142	17,223,219	533,870,112
Cost Share	(515,904)	(1,098,590)	(709,578)	(1,500,259)	(6,328,090)	(1,395,938)	(803,567)	(219,301)	(124,799)	(14,896,025)
Room & Board	(1,722,254)	(5,216,864)	(1,835,412)	(4,864,578)	(9,822,455)	(9,344,763)	(7,886,716)	(2,827,316)	(1,301,056)	(44,821,414)
Spend Down & Third Party	(83,253)	(291,696)	(190,087)	(208,641)	(261,876)	(485,515)	(307,414)		(17,613)	(1,796,099)
Net Member Services Costs	19,387,499	50,912,987	18,015,073	59,191,752	114,869,414	92,030,149	70,561,423	31,788,525	15,779,751	472,556,574
Net Care Management Costs	3,854,231	8,828,914	3,265,876	9,653,708	20,107,830	14,299,700	9,088,881	3,854,541	3,570,324	76,504,005
Administrative Expenses	1,893,878	3,465,328	1,410,658	2,951,446	7,289,733	4,554,078	6,207,086	1,740,374	1,422,148	30,934,729
Total Operating Expenses	25,135,607	63,207,228	22,691,608	71,796,906	142,286,977	110,883,928	85,837,390	37,383,440	20,772,223	579,995,308
Income (Loss) from Operations	(763,857)	(1,805,086)	(759,051)	(2,149,608)	1,928,143	(1,776,938)	(1,588,409)	(3,485,074)	(432,371)	(10,832,251)
Other (Revenue)/Expense										
Prior Year Adjustment		(73,055)	12,472	(400,000)	(107,595)	951,936				383,758
Loss d/t uncollected Member Obligation		6,656		14,162,240		14,510				1,437,406
Investment Income		(26,250)	(6,398)	(20,368)		(82,611)		(2,669)		(138,297)
Other Non-Operating		2,509	213,444		(60,731)					155,223
Total Non-Operating (Revenue)/Expense	0	(90,141)	219,518	(420,368)	1,308,645	823,105	0	(2,669)	0	1,838,089
Net excess/(deficit) Revenues/Expense	(763,857)	(1,714,945)	(978,539)	(1,729,240)	619,498	(2,800,043)	(1,588,409)	(3,482,404)	(432,371)	(12,670,341)
Member Months	9,268	21,514	9,344	26,565	60,849	33,151	24,886	8,128	5,929	199,634

Key Ratios										
Member Service Cost	79.55%	82.92%	82.14%	84.99%	79.67%	84.35%	83.75%	93.76%	88.40%	83.03%
Care Management Service Cost	15.81%	14.38%	14.89%	13.86%	13.94%	13.11%	10.76%	11.37%	18.33%	13.44%
Combined Member Service Cost	95.36%	97.30%	97.03%	98.85%	93.61%	97.45%	94.52%	105.15%	106.72%	96.47%
Administrative Expense	7.77%	5.64%	6.43%	4.24%	5.05%	4.17%	7.37%	5.13%	7.30%	5.44%
Total Operating Expenses	103.13%	102.94%	103.46%	103.09%	98.66%	101.63%	101.89%	110.28%	114.02%	101.90%
Excess Revenue to Expense	-3.13%	-2.94%	-3.46%	-3.09%	1.34%	-1.63%	-1.89%	-10.28%	-2.13%	-1.90%

Notes

- (1) CHP reporting for risk sharing has been increased from the amount reported by MCO (\$4.2M) to \$5.8M based on current losses.
- (2) NB is not reflecting a risk sharing income/accrual in their submitted 9/30 financial statements. DHS estimated \$2.3M added to their financial summary.

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Family Care MCO Financial Statement Summaries
YTD for Period Ending September 30, 2009

	SFCA	CCGW	CCO	WWC	MCDA	CCI	GWF	CHP(1)	NB(2)	Total
Revenue										
Capitation	2,577.99	2,778.88	2,342.86	2,457.86	2,366.85	3,031.46	2,953.98	3,223.15	2,981.47	2,688.71
Pvt Pay & other Operating Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Income- Operating Acct	0.00	2.30	4.12	0.14	0.00	0.00	0.00	0.00	2.09	0.55
Risk Sharing Accrual	0.00	0.00	0.00	131.65	0.00	21.59	314.14	713.49	387.92	100.84
Other	51.67	72.87	0.52	32.25	3.05	238.17	117.92	238.39	59.08	80.93
Total Revenue	2,629.67	2,854.06	2,347.30	2,621.77	2,370.05	3,291.21	3,385.44	4,170.03	3,430.57	2,851.03
Expenses										
Member Services	2,342.35	2,673.61	2,217.55	2,475.63	2,190.70	3,114.13	3,196.99	4,285.27	2,904.91	2,674.24
Cost Share	(55.67)	(51.06)	(75.94)	(56.48)	(136.86)	(42.11)	(32.29)	(26.98)	(21.05)	(73.61)
Room & Board	(185.83)	(242.49)	(196.43)	(183.12)	(161.42)	(281.88)	(316.92)	(347.80)	(219.44)	(224.52)
Spend Down	(8.98)	(13.56)	(17.13)	(7.85)	(4.30)	(14.04)	(12.35)	0.00	(2.97)	(9.00)
Net Member Services Costs	2,091.88	2,366.50	1,928.04	2,228.19	1,888.11	2,776.09	2,835.43	3,910.48	2,661.45	2,387.11
Net Care Management Costs	415.86	410.38	349.53	363.40	330.45	431.35	364.42	474.17	602.18	383.22
Administrative Expenses	204.35	161.07	150.97	111.10	119.80	137.37	249.42	214.09	239.86	154.96
Total Operating Expenses	2,712.09	2,937.96	2,428.54	2,702.69	2,338.36	3,344.81	3,449.27	4,598.75	3,503.50	2,905.29
Income (Loss) from Operations	(82.42)	(83.90)	(81.24)	(80.92)	31.69	(53.60)	(63.83)	(428.72)	(72.92)	(64.26)
Other Revenue/Expense										
Prior Year Adjustment	0.00	(3.40)	1.33	(15.06)	(1.77)	28.72	0.00	0.00	0.00	1.92
County Profit Share (Milwaukee)	0.00	0.31	0.00	0.00	23.27	0.44	0.00	0.00	0.00	7.20
Investment Income	0.00	(1.22)	(0.68)	(0.77)	0.00	(2.49)	0.00	(0.33)	0.00	(0.69)
Other Non-Operating	0.00	0.12	22.84	0.00	0.00	(1.83)	0.00	0.00	0.00	0.78
Total Non-Operating (Revenue)/Expenses	0.00	(4.19)	23.49	(15.92)	21.51	24.83	0.00	(0.33)	0.00	9.21
Net Excess/(Deficit) Revenues/Expenses	(82.42)	(79.71)	(104.73)	(65.09)	10.18	(78.43)	(63.83)	(428.39)	(72.92)	(63.47)
Member Months	9,288	21,514	9,344	26,565	60,849	33,151	24,886	8,129	5,929	199,634

PACE and Family Care Partnership Financial Summary Through 3rd Quarter, CY 2009

BACKGROUND

- In comparison to Family Care, PACE and Family Care Partnership program growth in CY 2009 was more moderate.
- The program experienced 15% growth in total capitation payments, and a 17% increase in member months, from the same time span, one-year earlier.
- As of the third quarter of CY 2009, PACE and Family Care Partnership were \$260 million programs, on an annualized basis.
- CMS-Medicare is the source of roughly 35% of the program's overall funding. The agency currently has a stated policy objective of reducing payment rates.

KEY METRICS

Notes:

1. Detailed financial reporting to the Department of Health Services for Family Care Partnership and PACE was still evolving in CY 2008. Comparisons between 2009 and 2008 therefore reflect some changes in the reporting requirements, as well as actual program changes. As the reporting structure settles down, these year-to-year comparisons will become more meaningful.
 2. The inclusion of the Medicare funding stream creates additional complexities in assembling, interpreting, and drawing conclusions from these metrics. For example, expenses are not currently separated by original funding stream on a systematic, program-wide basis.
- *Capitation:* Total funding decreased roughly 1.7%, on a per member per month basis, relative to the prior year.
 - *Total Operating Costs:* The program's overall cost structure, as expressed in per member per month terms, increased by roughly 2.7%. There was volatility in the year-to-year changes in member service costs, care management costs, and administrative costs, due to the evolving nature of the reporting categories.
 - *Net Income:* The MCOs experienced losses through the third quarter of CY 2009 of \$1.4 million, or 0.75% of total funding. However, in prior years, the PACE and Family Care Partnership programs were able to accumulate some surplus. It has been the Department of Health Services' expectation that these some of these surpluses would be available for financing the expansion of the managed LTC programs.

OTHER

- Primary financial oversight responsibilities for the PACE and Family Care Partnership programs are carried out by the Office of the Commissioner of Insurance.
- However, routine communication about the financial status of these MCOs is strengthened by the new oversight structure for the Family Care program, since each MCO also operates a Family Care program.
- A central policy issue is how the program will adjust to real, and potential, reductions in Medicare funding levels.

MCO Financial Statement Summaries
 Family Care Partnership/PACE
 YTD for Period Ending Sept 30, 2009

	CHP-PHP	Care WI- CWHP	CCI-CCHP	Total
Revenue				
Capitation-MA	59,203,913	32,091,481	30,327,629	121,623,023
Capitation- MC	30,081,690	17,154,488	25,624,524	72,860,703
Interest Income- Operating Acct		18,498	17,081	35,579
Risk Sharing Accrual		985,481		985,481
Other Income	623,034	194,439		817,473
Total Service Revenue	89,908,637	50,444,387	55,969,234	196,322,258
Expenses				
Member Services-LTC	51,806,721	23,587,836	25,857,322	101,251,879
Member Services-Other	26,809,803	14,485,260	23,429,922	64,724,985
Cost Share, Net	(1,681,636)	(878,493)	(669,420)	(3,229,549)
Room & Board, Net	(2,919,291)	(1,165,492)	(843,646)	(4,928,429)
Spend Down & Third Party	(332,258)	(14,599)	(19,520)	(366,377)
Net Member Services Costs	73,683,339	36,014,512	47,754,658	157,452,509
Net Care Management Costs	15,849,880	9,174,196	5,211,700	30,235,775
Administrative Expenses	4,368,416	3,921,242	3,680,284	11,969,941
Total Operating Expenses	93,901,635	49,109,949	56,646,641	199,658,225
Income (Loss) from Operations	(3,992,998)	1,334,438	(677,407)	(3,336,967)
Other (Revenue)/Expense				
Prior Year Adjustment			75,280	75,280
Other Funding				0
Investment Income	(653,028)	(980,394)	(154,328)	(1,787,750)
Other Non-Operating			(182,294)	(182,294)
Total Other (Revenue)/Expense	(653,028)	(980,394)	(261,341)	(1,894,763)
Net Surplus/(Deficit)	(3,339,970)	2,314,832	(416,066)	(1,441,204)
Member Months	17,252	9,979	10,375	37,606

Key Ratios (as % of Revenue)				
Member Service Expense, Net	81.95%	71.39%	85.32%	80.20%
Care Management Service Expense	17.63%	18.19%	9.31%	15.40%
Total Member Service Expense	99.58%	89.58%	94.63%	95.60%
Administrative Expense	4.86%	7.77%	6.58%	6.10%
Total Operating Expense	104.44%	97.35%	101.21%	101.70%
Net Surplus/(Deficit)	-3.71%	4.59%	-0.74%	-0.73%

*PACE
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Partnership*

MCO Financial Statement Summaries
 Family Care Partnership/PACE
 YTD for Period Ending Sept 30, 2009

Summary PMPM Presentation	CHP-PHP	Care WI- CWHP	CCI-CCHP	Total
<u>Revenue</u>				
Capitation-MA	3,431.74	3,215.83	2,923.14	3,234.13
Capitation- MC	1,743.68	1,719.02	2,469.83	1,937.47
Interest Income- Operating Acct	0.00	1.85	1.65	0.95
Risk Sharing		98.75		26.21
Other Income	36.11	19.48	0.00	21.74
Total Service Revenue	5,211.54	5,054.94	5,394.62	5,220.49

Expenses	CHP-PHP	Care WI- CWHP	CCI-CCHP	Total
Member Services-LTC	3,002.97	2,363.70	2,492.27	2,692.43
Member Services-Other	1,554.02	1,451.54	2,258.31	1,721.13
Cost Share	(97.48)	(88.03)	(64.52)	(85.88)
Room & Board	(169.22)	(116.79)	(81.32)	(131.05)
Spend Down & Third Party	(19.26)	(1.46)	(1.88)	(9.74)
Net Member Services Costs	4,271.04	3,608.95	4,602.86	4,186.89

Net Care Management Costs	918.74	919.33	502.33	804.01
Administrative Expenses	253.21	392.94	354.73	318.30
Total Operating Expenses	5,442.99	4,921.22	5,459.92	5,309.20

Income (Loss) from Operations	(231.45)	133.72	(65.29)	(88.71)
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Other (Revenue)/Expense	CHP-PHP	Care WI- CWHP	CCI-CCHP	Total
Prior Year Adjustment	0.00	0.00	7.26	2.00
Other Funding	0.00	0.00	0.00	0.00
Investment Income	(37.85)	(98.24)	(14.87)	(47.54)
Other Non-Operating	0.00	0.00	(17.57)	(4.85)
Total Other (Revenue)/Expense	(37.85)	(98.24)	(25.19)	(50.38)

Net Surplus/(Deficit)	(193.60)	231.97	(40.10)	(38.32)
Member Months	17,252	9,979	10,375	37,606

Notes:

- The allocation of administrative expenses to the cost of care management and other internally provided services is under review to ensure parallel reporting practices between the entities.
- The grouping of services to the LTC vs. Other category is currently under review to ensure parallel reporting practices between the entities.

PACE Partnership

Family Care and Partnership Members, by Residence in June 2008 2009, by Target Group

Family Care Members' residence, June 2008

	NF or ICF-MR	CBRF	AFH 3-4	AFH 1-2	RCAC	Convent/Dorm	Other	Total
FE	795	1,146	54	28	28	60	5,179	7,290
DD	71	343	405	187	3	3	1,747	2,759
PD	64	176	30	16	0	0	2,236	2,522
Total	930	1,665	489	231	31	63	9,162	12,571

Family Care Members' residence, June 2008 by percentage

	Total	NF or ICF-MR	CBRF	AFH 3-4	AFH 1-2	RCAC	Convent/Dorm	Other
FE	7,290	10.9%	15.7%	0.7%	0.4%	0.4%	0.8%	71.0%
DD	2,759	2.6%	12.4%	14.7%	6.8%	0.1%	0.1%	63.3%
PD	2,522	2.5%	7.0%	1.2%	0.6%	0.0%	0.0%	88.7%
Total	12,571	7.4%	13.2%	3.9%	1.8%	0.2%	0.5%	72.9%

Family Care Members' residence June 2009

	NF or ICF-MR	CBRF	AFH 3-4	AFH 1-2	RCAC	Convent/Dorm	Other	Total
FE	1,147	2,111	113	57	169	73	6,527	10,197
DD	112	1,059	1,548	693	4	11	4,966	8,393
PD	136	254	128	46	0	0	4,062	4,626
Total	1,395	3,424	1,789	796	173	84	15,555	23,216

Family Care Members' residence June 2009 by percentage

	Total	NF or ICF-MR	CBRF	AFH 3-4	AFH 1-2	RCAC	Convent/Dorm	Other
FE	10,197	11.2%	20.7%	1.1%	0.6%	1.7%	0.7%	64.0%
DD	8,393	1.3%	12.6%	18.4%	8.3%	0.0%	0.1%	59.2%
PD	4,626	2.9%	5.5%	2.8%	1.0%	0.0%	0.0%	87.8%
Total	23,216	6.0%	14.7%	7.7%	3.4%	0.7%	0.4%	67.0%

Partnership Members' residence, June 2008

	NF or ICF-MR	CBRF	AFH 3-4	AFH 1-2	RCAC	Convent/Dorm	Other	Total
FE	164	133	4	0	5	8	1,396	1,710
DD	3	7	8	2	0	1	112	133
PD	63	71	9	2	0	5	1,108	1,258
Total	230	211	21	4	5	14	2,616	3,101

Partnership Members' residence, June 2008 by percentage

	Total	NF or ICF-MR	CBRF	AFH 3-4	AFH 1-2	RCAC	Convent/Dorm	Other
FE	1,710	9.6%	7.8%	0.2%	0.0%	0.3%	0.5%	81.6%
DD	133	2.3%	5.3%	6.0%	1.5%	0.0%	0.8%	84.2%
PD	1,258	5.0%	5.6%	0.7%	0.2%	0.0%	0.4%	88.1%
Total	3,101	7.4%	6.8%	0.7%	0.1%	0.2%	0.5%	84.4%

Partnership Members' residence, June 2009

	NF or ICF-MR	CBRF	AFH 3-4	AFH 1-2	RCAC	Convent/Dorm	Other	Total
FE	204	179	13	3	12	15	1,406	1,832
DD	6	31	60	46	0	0	644	787
PD	88	85	19	5	2	10	910	1,119
Total	298	295	92	54	14	25	2,960	3,738

Partnership Members' residence, June 2009 by percentage

	Total	NF or ICF-MR	CBRF	AFH 3-4	AFH 1-2	RCAC	Convent/Dorm	Other
FE	1,832	11.1%	9.8%	0.7%	0.2%	0.7%	0.8%	76.7%
DD	787	0.8%	3.9%	7.6%	5.8%	0.0%	0.0%	81.8%
PD	1,119	7.9%	7.6%	1.7%	0.4%	0.2%	0.9%	81.3%
Total	3,738	8.0%	7.9%	2.5%	1.4%	0.4%	0.7%	79.2%

Family Care and Partnership Members' residence, June 2008

	NF or ICF-MR	CBRF	AFH 3-4	AFH 1-2	RCAC	Convent/Dorm	Other	Total
FE	959	1,279	58	28	33	68	6,575	9,000
DD	74	350	413	189	3	4	1,859	2,892
PD	127	247	39	18	0	5	3,344	3,780
Total	1,160	1,876	510	235	36	77	11,778	15,672

Family Care and Partnership Members' residence, June 2008 by percentage

	Total	NF or ICF-MR	CBRF	AFH 3-4	AFH 1-2	RCAC	Convent/Dorm	Other
FE	9,000	10.7%	14.2%	0.6%	0.3%	0.4%	0.8%	73.1%
DD	2,892	2.6%	12.1%	14.3%	6.5%	0.1%	0.1%	64.3%
PD	3,780	3.4%	6.5%	1.0%	0.5%	0.0%	0.1%	88.5%
Total	15,672	7.4%	12.0%	3.3%	1.5%	0.2%	0.5%	75.2%

Family Care and Partnership Members' residence, June 2009

	NF or ICF-MR	CBRF	AFH 3-4	AFH 1-2	RCAC	Convent/Dorm	Other	Total
FE	1,351	2,290	126	60	181	88	7,933	12,029
DD	118	1,090	1,608	739	4	11	5,610	9,180
PD	224	339	147	51	2	10	4,972	5,745
Total	1,693	3,719	1,881	850	187	109	18,515	26,954

Family Care and Partnership Members' residence, June 2009 by percentage

	Total	NF or ICF-MR	CBRF	AFH 3-4	AFH 1-2	RCAC	Convent/Dorm	Other
FE	12,029	11.2%	19.0%	1.0%	0.5%	1.5%	0.7%	65.9%
DD	9,180	1.3%	11.9%	17.5%	8.1%	0.0%	0.1%	61.1%
PD	5,745	3.9%	5.9%	2.6%	0.9%	0.0%	0.2%	86.5%
Total	26,954	6.3%	13.8%	7.0%	3.2%	0.7%	0.4%	68.7%