

**PACE and Family Care Partnership Financial Summary**  
**Three Months ending March 31, 2012**  
**(Report Date: July 6, 2012)**

**Background**

- Based on the CY 2012 financial reporting through March 31, the PACE and Partnership programs are projected to be \$293 million programs on an annualized basis.
- The program has experienced a 6.7% growth in total capitation payments and a 6.2% growth in member months during the first three months of 2012, compared to the same period in 2011.
- Medicare is the source of approximately 35% of the program's overall capitation funding. This figure has been 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. 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 \$3,323, while the Medicare capitation was \$1,787 PMPM. This compares to the first three months of 2011 where the comparable numbers were \$3,236 for Medicaid and \$1,850 for Medicare. Medicaid capitation rates increased by 3% and Medicare capitation rates decreased by 2%, respectively, relative to the first three 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.
- *Member Service expenses:* On a PMPM basis, the member services expenses were \$4,242 PMPM for the first three months of 2012, compared to \$4,459 for the first three months of 2011. This represents a decrease of 0.4%.
- *Care Management expenses:* The PMPM of \$659 for 2012 represents a 13% decrease over the \$757 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 flat relative to the same time period in 2011, at \$234 PMPM.

- *Net Income:* The PACE/Partnership programs reported a \$380,000 surplus for the first three months of 2012, compared to a \$2.5 million deficit for the same period in 2011. There is variation in financial performance, by MCO.

#### **More Recent Developments**

- 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 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.)
- The Department was then able to establish the 2012 Medicaid capitation rates using the MCO's actual expenditure data, with respect to primary and acute care services.
- 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 March 31, 2012**

	<b>CHP-PHP</b>	<b>Care WI- CWHP</b>	<b>CCI-CCHP</b>	<b>iCare</b>	<b>Total</b>
<b>Revenue</b>					
Capitation-MA	16,362,122	13,126,670	13,807,824	4,182,068	47,478,684
Capitation- MC	8,823,305	6,545,639	8,861,211	1,303,401	25,533,556
Interest Income-Operating Acct					
Other Retro Adjustments, DHS				229,257	229,257
Other Income		81,495			81,495
<b>Total Revenue</b>	<b>25,185,427</b>	<b>19,753,804</b>	<b>22,669,036</b>	<b>5,714,726</b>	<b>73,322,992</b>

**Expenses**

Total Acute & Primary Service Expenses	7,885,406	6,628,152	10,036,920	3,112,224	27,662,701
Total LTC-Family Care Expenses	14,369,382	9,888,448	11,776,487	1,059,943	37,094,261
Cost Share	(572,947)	(362,460)	(387,842)	(17,456)	(1,340,706)
Room & Board	(1,136,531)	(637,474)	(695,574)	(51,687)	(2,521,265)
Spend Down & Third Party	(215,050)	(49,493)	(28,427)		(292,969)
<b>Net Member Services Expenses</b>	<b>20,330,261</b>	<b>15,467,173</b>	<b>20,701,564</b>	<b>4,103,024</b>	<b>60,602,022</b>

Net Care Management Expenses	4,040,824	3,431,556	1,411,675	534,708	9,418,763
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Administrative Expenses	1,432,108	1,327,082	295,742	284,742	3,339,674
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<b>Total Operating Expenses, CY</b>	<b>25,803,192</b>	<b>20,225,811</b>	<b>22,408,981</b>	<b>4,922,474</b>	<b>73,360,458</b>
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<b>Income (Loss) from Operations, CY</b>	<b>(617,766)</b>	<b>(472,007)</b>	<b>260,055</b>	<b>792,252</b>	<b>(37,466)</b>
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**Other (Revenues)/Expenses, Operating**

Total Other Revenues/(Expenses)	(428,049)	(104,372)	31,095	83,553	(417,773)
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<b>Net Surplus/(Deficit)</b>	<b>(189,717)</b>	<b>(367,635)</b>	<b>228,960</b>	<b>708,699</b>	<b>380,307</b>
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<b>Member Months</b>	<b>4,783</b>	<b>3,907</b>	<b>4,254</b>	<b>1,343</b>	<b>14,287</b>
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**Key Ratios (as % of Revenue)**

Member Service Expense, Net	80.7%	78.3%	91.3%	71.8%	82.7%
Care Management Service Expense	16.0%	17.4%	6.2%	9.4%	12.8%
Total Member Service Expense	96.8%	95.7%	97.5%	81.2%	95.5%
Total Member Service Expense	5.7%	6.7%	1.3%	5.0%	4.6%
Administrative Expense	102.5%	102.4%	98.9%	86.1%	100.1%
Total Operating Expense	-0.8%	-1.9%	1.0%	12.4%	0.5%

**Family Care Partnership/PACE  
MCO Financial Statement Summaries  
YTD for Period Ending March 31, 2012**

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

**Summary PMPM Presentation**

**Revenue**

Capitation-MA	3,420.89	3,360.09	3,245.84	3,113.97	3,323.29
Capitation- MC	1,844.72	1,675.52	2,083.03	970.51	1,787.23
Interest Income-Operating Acct	0.00	0.00	0.00	0.00	0.00
Other Retro Adjustments, DHS	0.00	0.00	0.00	170.71	16.05
Other Income	0.00	20.86	0.00	0.00	5.70
<b>Total Revenue</b>	<b>5,265.61</b>	<b>5,056.47</b>	<b>5,328.88</b>	<b>4,255.19</b>	<b>5,132.28</b>

**Expenses**

Total Acute & Primary Service Expenses	1,648.63	1,696.64	2,359.41	2,317.37	1,936.26
Total LTC-Family Care Expenses	3,004.26	2,531.19	2,768.33	789.24	2,596.43
Cost Share	(119.79)	(92.78)	(91.17)	(13.00)	(93.84)
Room & Board	(237.62)	(163.18)	(163.51)	(38.49)	(176.48)
Spend Down & Third Party	(44.96)	(12.67)	(6.68)	0.00	(20.51)
<b>Net Member Services Expenses</b>	<b>4,250.52</b>	<b>3,959.20</b>	<b>4,866.38</b>	<b>3,055.12</b>	<b>4,241.87</b>

Net Care Management Expenses	844.83	878.39	331.85	398.14	659.27
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Administrative Expenses	299.42	339.70	69.52	212.02	233.76
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<b>Total Operating Expenses, CY</b>	<b>5,394.77</b>	<b>5,177.29</b>	<b>5,267.74</b>	<b>3,665.28</b>	<b>5,134.90</b>
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<b>Income (Loss) from Operations, CY</b>	<b>(129.16)</b>	<b>(120.82)</b>	<b>61.13</b>	<b>589.91</b>	<b>(2.62)</b>
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**Other (Revenues)/Expenses, Operating**

Total Other Revenues/(Expenses)	(89.49)	(26.72)	7.31	62.21	(29.24)
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<b>Net Surplus/(Deficit)</b>	<b>(39.66)</b>	<b>(94.11)</b>	<b>53.82</b>	<b>527.70</b>	<b>26.62</b>
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<b>Member Months</b>	<b>4,783</b>	<b>3,907</b>	<b>4,254</b>	<b>1,343</b>	<b>14,287</b>
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