

**PACE and Family Care Partnership Financial Summary**  
**Three Months ending March 31, 2013**  
**(Report Date: July 1, 2013)**

**Background**

- Based on the CY 2013 financial reporting through March 31, PACE and Partnership are projected to be \$212 million programs on an annualized basis.
- The program has experienced a 28.0% decline in total capitation payments and a 28.7% decline in member months during the first three months of 2013, compared to the same period in 2012.
- Most of these declines are related to the departure of PHP from the program. Across the other MCOs, the program experienced 9.9% growth in total capitation payments and a 7.1% growth in member months during the first three months of 2013, compared to the same period in 2012.
- Medicare is the source of 37.4% of the programs' overall capitation funding. These general proportions of Medicaid and Medicare funding have been stable for some time.
- Taking into account the federal matching rate on the Medicaid capitation, the federal government funds roughly 75% of the combined capitation amounts, while the state funds about 25%.
- 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 that are reported using 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 \$3,230, while the Medicare capitation was \$1,933 PMPM. This compares to the first three months of 2012, when the comparable numbers were \$3,323 for Medicaid and \$1,787 for Medicare. Medicaid capitation rates decreased by 2.8% and Medicare capitation rates increased by 8.2%, respectively, relative to the first three months of 2012. (The Medicare increase includes one MCO-specific technical change that is significant enough to warrant mention. Certain revenue items that had previously been netted against expenses in the prior year's reporting have now been reclassified; this change increased the 2013 Medicare capitation amounts that were reported, as well as 2013 primary and acute care expenditures.)
  - Excluding PHP from the base period for purposes of a more accurate comparison, the 2013 rates changed as follows: Medicaid rates decreased 1.3%, and Medicare rates increased 9.9%.

- *Member Service expenses:* On a PMPM basis, net member services expenses were \$4,324 PMPM for the first three months of 2013, compared to \$4,242 for the same period in 2012. This represents an increase of 1.9%.
  - Excluding PHP from the base period for purposes of a more accurate comparison, the 2012 expenses were \$4,238, and the annual increase is 2.0%.
- *Care Management expenses:* The PMPM of \$461 for 2013 represents a 30.1% decrease, compared to the \$659 PMPM reported for the same time period in 2012. Several of the Partnership MCOs have initiatives in place to examine, and improve, the way care management is structured and delivered within their organization.
  - Excluding PHP from the base period for purposes of a more accurate comparison, the 2012 expenses were \$566, on a PMPM basis, and the annual decrease is 18.6%.
- *Administrative expenses:* Expenses, on a PMPM basis, were \$231. This represents a 1.3% decrease, compared to the same time period in 2012, when expenses were \$234 PMPM. While there has been little change in the administrative cost structure over the past two years, the benchmark prior to 2011 had been in the \$300 – \$400 PMPM range.
  - Excluding PHP from the base period for purposes of a more accurate comparison, the 2012 expenses were \$201, on a PMPM basis, and the annual increase is 15.0%.
- *Net Income:* The PACE/Partnership programs reported a \$2.2 million surplus for the first three months of 2013, compared to a \$0.4 million surplus for the same period in 2012. The program as a whole shows a 4.2% positive margin; however, there is variation in performance by MCO.
  - Excluding the results of PHP, the first quarter of 2012 would have shown a \$0.6 million surplus.

### **More Recent Developments**

- PHP ended its participation in Family Care Partnership in 2012. The program is no longer offered in that five county service region: Chippewa, Dunn Eau Claire, Pierce, and St. Croix Counties. The Department prioritized continuity of care for transitioning members.
- The Department is currently re-procuring Family Care Partnership services in Dane County and in Milwaukee County.
- The Department and MCOs continue to invest significant staff resources into the ongoing development, refinement, and implementation of the LTC Sustainability initiatives. Several of these initiatives now have contract provisions associated with them.
- 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 analytical resources into better understanding MCO performance relative to each funding source.

**Family Care Partnership/PACE  
MCO Financial Statement Summaries  
YTD for Period Ending March 31, 2013**

|                                | Care WI- CWHP     | CCI-CCHP          | iCare            | Total             |
|--------------------------------|-------------------|-------------------|------------------|-------------------|
| <b>Revenues</b>                |                   |                   |                  |                   |
| Capitation-MA                  | 12,458,696        | 14,031,503        | 6,400,310        | 32,890,509        |
| Capitation- MC                 | 8,666,483         | 9,028,931         | 1,989,964        | 19,685,378        |
| Interest Income-Operating Acct | 5,203             | -                 | 38,038           | 43,241            |
| Other Retro Adjustments, DHS   | 18,408            | -                 | -                | 18,408            |
| Other Income                   | 9,664             | 468,079           | -                | 477,742           |
| <b>Total Revenues</b>          | <b>21,158,454</b> | <b>23,528,512</b> | <b>8,428,312</b> | <b>53,115,278</b> |

|                                     |                   |                   |                  |                   |
|-------------------------------------|-------------------|-------------------|------------------|-------------------|
| <b>Expenses</b>                     |                   |                   |                  |                   |
| Total Acute & Primary Services      | 7,675,782         | 9,211,715         | 5,426,485        | 22,313,982        |
| Total LTC-Family Care Expenses      | 9,725,383         | 12,554,027        | 1,823,382        | 24,102,792        |
| Cost Share                          | (383,137)         | (364,902)         | (20,935)         | (768,974)         |
| Room & Board                        | (660,077)         | (764,882)         | (95,102)         | (1,520,061)       |
| Spend Down & Third Party            | (60,725)          | (39,770)          | -                | (100,495)         |
| <b>Net Member Services Expenses</b> | <b>16,297,227</b> | <b>20,596,187</b> | <b>7,133,830</b> | <b>44,027,244</b> |
| Net Care Management Expenses        | 1,934,768         | 1,849,849         | 907,436          | 4,692,053         |

|  |                   |                   |                  |                   |
|--|-------------------|-------------------|------------------|-------------------|
| Administrative Expenses                  | 1,314,451         | 527,197           | 507,942          | 2,349,591         |
| <b>Total Operating Expenses</b>          | <b>19,546,446</b> | <b>22,973,234</b> | <b>8,549,208</b> | <b>51,068,888</b> |
| <b>Income (Loss) from Operations, CY</b> | <b>1,612,007</b>  | <b>555,279</b>    | <b>(120,896)</b> | <b>2,046,390</b>  |

|   |                  |                |               |                  |
|---|------------------|----------------|---------------|------------------|
| <b>Other (Revenue)/Expense, Operating</b> |                  |                |               |                  |
| Total Other (Revenue)/Expense             | (37,482)         | (3,577)        | (136,612)     | (177,670)        |
| <b>Net Income/ (Loss)</b>                 | <b>1,649,489</b> | <b>558,856</b> | <b>15,716</b> | <b>2,224,061</b> |

|   |              |              |              |               |
|---|--------------|--------------|--------------|---------------|
| <b>Member Months by FC Target Group</b> |              |              |              |               |
| Developmentally Disabled (DD)           | 10%          | 10%          | 29%          | 14%           |
| Physically Disabled (PD)                | 52%          | 40%          | 69%          | 50%           |
| Frail Elder (FE)                        | 38%          | 50%          | 2%           | 36%           |
| <b>Total Member Months</b>              | <b>3,974</b> | <b>4,193</b> | <b>2,016</b> | <b>10,183</b> |

|                                     |             |             |             |             |
|-------------------------------------|-------------|-------------|-------------|-------------|
| <b>Key Ratios (as % of Revenue)</b> |             |             |             |             |
| Member Service Expense, Net         | 77.0%       | 87.5%       | 84.6%       | 82.9%       |
| Care Management Service Expense     | 9.1%        | 7.9%        | 10.8%       | 8.8%        |
| Total Member Service Expense        | 86.2%       | 95.4%       | 95.4%       | 91.7%       |
| Administrative Expense              | 6.2%        | 2.2%        | 6.0%        | 4.4%        |
| Total Operating Expense             | 92.4%       | 97.6%       | 101.4%      | 96.1%       |
| <b>Net Income/ (Loss)</b>           | <b>7.8%</b> | <b>2.4%</b> | <b>0.2%</b> | <b>4.2%</b> |

**Family Care Partnership/PACE  
MCO Financial Statement Summaries  
YTD for Period Ending March 31, 2013**

|  | Care WI- CWHP   | CCI-CCHP        | iCare           | Total           |
|--|-----------------|-----------------|-----------------|-----------------|
| <b>Summary PMPM Presentation</b>         |                 |                 |                 |                 |
| <b>Revenues</b>                          |                 |                 |                 |                 |
| Capitation-MA                            | 3,135.42        | 3,346.41        | 3,174.76        | 3,230.09        |
| Capitation- MC                           | 2,181.05        | 2,153.33        | 987.09          | 1,933.25        |
| Interest Income-Operating Acct           | 1.31            | -               | 18.87           | 4.25            |
| Other Retro Adjustments, DHS             | 4.63            | -               | -               | 1.81            |
| Other Income                             | 2.43            | 111.63          | -               | 46.92           |
| <b>Total Revenues</b>                    | <b>5,324.85</b> | <b>5,611.38</b> | <b>4,180.71</b> | <b>5,216.31</b> |
| <b>Expenses</b>                          |                 |                 |                 |                 |
| Total Acute & Primary Services           | 1,931.73        | 2,196.93        | 2,691.71        | 2,191.40        |
| Total LTC-Family Care Expenses           | 2,447.54        | 2,994.04        | 904.46          | 2,367.07        |
| Cost Share                               | (96.42)         | (87.03)         | (10.38)         | (75.52)         |
| Room & Board                             | (166.12)        | (182.42)        | (47.17)         | (149.28)        |
| Spend Down & Third Party                 | (15.28)         | (9.48)          | -               | (9.87)          |
| <b>Net Member Services Expenses</b>      | <b>4,101.45</b> | <b>4,912.04</b> | <b>3,538.61</b> | <b>4,323.80</b> |
| <br>                                     |                 |                 |                 |                 |
| Net Care Management Expenses             | 486.91          | 441.18          | 450.12          | 460.79          |
| <br>                                     |                 |                 |                 |                 |
| Administrative Expenses                  | 330.80          | 125.73          | 251.96          | 230.75          |
| <br>                                     |                 |                 |                 |                 |
| Total Operating Expenses, CY             | 4,919.16        | 5,478.95        | 4,240.68        | 5,015.34        |
| <br>                                     |                 |                 |                 |                 |
| <b>Income (Loss) from Operations, CY</b> | <b>405.69</b>   | <b>132.43</b>   | <b>(59.97)</b>  | <b>200.97</b>   |
| <br>                                     |                 |                 |                 |                 |
| <b>Other (Revenue)/Expense, Ordinary</b> |                 |                 |                 |                 |
| Total Other (Revenue)/Expense            | (9.43)          | (0.85)          | (67.76)         | (17.45)         |
| <br>                                     |                 |                 |                 |                 |
| <b>Net Income/ (Loss)</b>                | <b>415.12</b>   | <b>133.28</b>   | <b>7.80</b>     | <b>218.42</b>   |