

**PACE and Family Care Partnership Financial Summary**  
**Six Months ending June 30, 2013**  
**(Report Date: October 1, 2013)**

**Background**

- Based on the CY 2013 financial reporting through June 30, PACE and Partnership are projected to be \$213.5 million programs on an annualized basis.
- The program has experienced a 28.3% decline in total capitation payments and a 28.0% decline in member months during the first six 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 8.2% growth in total capitation payments and a 7.5% growth in member months during the first six months of 2013, compared to the same period in 2012.
- Medicare is the source of 37.5% of the programs' overall capitation funding. Accounting for 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%. These general proportions of Medicaid and Medicare funding have 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. 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 \$3,240, while the Medicare capitation was \$1,944 PMPM. This compares to the first six months of 2012, when the comparable numbers were \$3,326 for Medicaid and \$1,875 for Medicare. Medicaid capitation rates decreased by 2.6% and Medicare capitation rates increased by 3.7%, respectively, relative to the first six months of 2012.
  - Excluding PHP from the base period for purposes of a more accurate comparison, the 2013 rates changed as follows: Medicaid rates decreased 0.6%, and Medicare rates increased 2.9%.
- *Member Service expenses:* On a PMPM basis, net member services expenses were \$4,398 PMPM for the first six months of 2013, compared to \$4,243 for the same period in 2012. This represents an increase of 3.7%.
  - Excluding PHP from the base period for purposes of a more accurate comparison, the 2012 expenses were \$4,248, and the annual increase is 3.5%.

- *Care Management expenses:* The PMPM of \$416 for 2013 represents a 35.6% decrease, compared to the \$646 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 \$555, on a PMPM basis, and the annual decrease is 25%.
- *Administrative expenses:* Expenses, on a PMPM basis, were \$229. This represents a 6.6% decrease, compared to the same time period in 2012, when expenses were \$245 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 \$223, on a PMPM basis, and the annual increase is 2.9%.
- *Net Income:* The PACE/Partnership programs reported a \$2.9 million net income for the first six months of 2013, compared to a \$3.5 million net income for the same period in 2012. The program as a whole shows a 2.7% positive margin; however, there is variation in performance by MCO.
  - Excluding the results of PHP, the second quarter of 2012 would have shown close to a \$3.7 million net income.

#### **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 completed the procurement of 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.
- Initial capitation rates have been released to the Family Care Partnership/PACE and Family Care MCOs. The initial CY 2014 Family Care Partnership/PACE rates are projected to decline.
- The MCOs' three-year Business Plan submissions are due to the Department in late October.
- 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 June 30, 2013**

	Care WI- CWHP	CCI-CCHP	iCare	Total
<b>Revenues</b>				
Capitation-MA	25,275,020	28,184,940	13,258,433	66,718,393
Capitation- MC	17,966,843	17,918,857	4,148,477	40,034,177
Interest Income-Operating Acct	10,332	-	79,266	89,598
Other Retro Adjustments, DHS	132,519	-	(30,254)	102,265
Other Income	9,664	88,381	-	98,045
<b>Total Revenues</b>	<b>43,394,378</b>	<b>46,192,178</b>	<b>17,455,922</b>	<b>107,042,478</b>

<b>Expenses</b>				
Total Acute & Primary Services	15,550,231	18,663,584	11,575,291	45,789,106
Total LTC-Family Care Expenses	20,522,665	25,617,973	3,462,736	49,603,374
Cost Share	(737,963)	(765,623)	(42,614)	(1,546,200)
Room & Board	(1,319,363)	(1,556,540)	(194,380)	(3,070,283)
Spend Down & Third Party	(119,230)	(84,095)	1,753	(201,572)
<b>Net Member Services Expenses</b>	<b>33,896,340</b>	<b>41,875,299</b>	<b>14,802,786</b>	<b>90,574,425</b>

Net Care Management Expenses	3,807,743	2,876,586	1,880,672	8,565,001
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Administrative Expenses	2,719,705	1,005,047	1,002,948	4,727,700
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<b>Total Operating Expenses</b>	<b>40,423,788</b>	<b>45,756,932</b>	<b>17,686,406</b>	<b>103,867,126</b>
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<b>Income (Loss) from Operations, CY</b>	<b>2,970,590</b>	<b>435,246</b>	<b>(230,484)</b>	<b>3,175,352</b>
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**Other (Revenue)/Expense, Operating**

Total Other (Revenue)/Expense	390,781	(52,160)	(103,860)	234,761
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<b>Net Income/ (Loss)</b>	<b>2,579,809</b>	<b>487,406</b>	<b>(126,624)</b>	<b>2,940,591</b>
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**Member Months by FC Target Group**

Developmentally Disabled (DD)	10.9%	10.3%	28.6%	14.2%
Physically Disabled (PD)	51.5%	39.9%	68.0%	50.1%
Frail Elder (FE)	37.6%	49.9%	3.4%	35.7%
<b>Total Member Months</b>	<b>8,040</b>	<b>8,413</b>	<b>4,140</b>	<b>20,593</b>

**Key Ratios (as % of Revenue)**

Member Service Expense, Net	78.1%	90.7%	84.8%	84.6%
Care Management Service Expense	8.8%	6.2%	10.8%	8.0%
Total Member Service Expense	86.9%	96.9%	95.6%	92.6%
Administrative Expense	6.3%	2.2%	5.7%	4.4%
Total Operating Expense	93.2%	99.1%	101.3%	97.0%
<b>Net Income/ (Loss)</b>	<b>5.9%</b>	<b>1.1%</b>	<b>-0.7%</b>	<b>2.7%</b>

**Family Care Partnership/PACE  
MCO Financial Statement Summaries  
YTD for Period Ending June 30, 2013**

	Care WI- CWHP	CCI-CCHP	iCare	Total
<b>Summary PMPM Presentation</b>				
<b>Revenues</b>				
Capitation-MA	3,143.66	3,350.17	3,202.52	3,239.86
Capitation- MC	2,234.68	2,129.90	1,002.05	1,944.07
Interest Income-Operating Acct	1.29	-	19.15	4.35
Other Retro Adjustments, DHS	16.48	-	(7.31)	4.97
Other Income	1.20	10.51	-	4.76
<b>Total Revenues</b>	<b>5,397.31</b>	<b>5,490.57</b>	<b>4,216.41</b>	<b>5,198.00</b>
<b>Expenses</b>				
Total Acute & Primary Services	1,934.11	2,218.42	2,795.96	2,223.53
Total LTC-Family Care Expenses	2,552.57	3,045.05	836.41	2,408.75
Cost Share	(91.79)	(91.00)	(10.29)	(75.08)
Room & Board	(164.10)	(185.02)	(46.95)	(149.09)
Spend Down & Third Party	(14.83)	(10.00)	0.42	(9.79)
<b>Net Member Services Expenses</b>	<b>4,215.96</b>	<b>4,977.45</b>	<b>3,575.55</b>	<b>4,398.31</b>
Net Care Management Expenses	473.60	341.92	454.27	415.92
Administrative Expenses	338.27	119.46	242.26	229.58
Total Operating Expenses, CY	5,027.83	5,438.84	4,272.08	5,043.81
<b>Income (Loss) from Operations, CY</b>	<b>369.48</b>	<b>51.73</b>	<b>(55.67)</b>	<b>154.20</b>
<b>Other (Revenue)/Expense, Ordinary</b>				
Total Other (Revenue)/Expense	48.60	(6.20)	(25.09)	11.40
<b>Net Income/ (Loss)</b>	<b>320.87</b>	<b>57.93</b>	<b>(30.59)</b>	<b>142.80</b>
<b>Member Months by FC Target Group</b>				
Developmentally Disabled (DD)	10.9%	10.3%	28.6%	14.2%
Physically Disabled (PD)	51.5%	39.9%	68.0%	50.1%
Frail Elder (FE)	37.6%	49.9%	3.4%	35.7%
<b>Total Member Months</b>	<b>8,040</b>	<b>8,413</b>	<b>4,140</b>	<b>20,593</b>