

PACE and Family Care Partnership Financial Summary
Nine Months ending September 30, 2012
(Report Date: January 4, 2013)

Background

- Based on the CY 2012 financial reporting through September 30, PACE and Partnership are projected to be \$299 million programs on an annualized basis.
- The program has experienced a 4.2% growth in total capitation payments and a 2.4% growth in member months during the first nine months of 2012, compared to the same period in 2011.
- Medicare is the source of 35.9% of the programs' overall capitation funding. The 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 \$3,324, while the Medicare capitation was \$1,864 PMPM. This compares to the first nine months of 2011, when the comparable numbers were \$3,223 for Medicaid and \$1,917 for Medicare. Medicaid capitation rates increased by 3.1% and Medicare capitation rates decreased by 2.8%, respectively, relative to the first nine 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. Developmental work on the Virtual PACE initiative continues to offer opportunities for the Department to analyze this issue and discuss these concerns with CMS.
- *Member Service expenses:* On a PMPM basis, net member services expenses were \$4,231 PMPM for the first nine months of 2012, compared to \$4,287 for the first nine months of 2011. This represents a decrease of 1.3%.
- *Care Management expenses:* The PMPM of \$630 for 2012 represents a 10.0% decrease, compared to the \$699 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 \$249. This represents a 12.8% increase, compared to the same time period in 2011, when expenses were \$221 PMPM. The

Department intends to explore whether any of this increase is related to the decrease in the average care the management expense.

- *Net Income:* The PACE/Partnership programs reported a \$5.5 million surplus for the nine months of 2012, compared to a \$2.7 million deficit for the same period in 2011. The program as a whole shows a 2.5% positive margin; however, there is variation in performance by MCO.

More Recent Developments

- PHP has ended its Family Care Partnership program, effective December 31st. The Department continues to work intensively with the former and new MCOs, enrolled members, service providers, and other stakeholders, to ensure continuity of care.
- DHS procurement activities were brought to a conclusion in the last quarter of 2012. MCO services were procured in the five-county region currently formerly by CHP. SFCA began Family Care operations in the Chippewa, Dunn, Eau Claire, Pierce, and St. Croix counties on January 1st. There is no longer a Partnership program in that service region.
- The vast majority of all Family Care Partnership enrollees transitioned into Family Care. A small proportion of program enrollees opted for either IRIS or the fee-for-service Medicaid delivery systems.
- Also as a result of that procurement, several MCOs will expand their Partnership operations into other service regions across the state, where the program already exists. These expansions will happen gradually, throughout 2013 and into 2014.
- MCOs' 3-year Business Plan submissions were submitted to the Department in October. From a financial perspective, no significant issues emerged through that process.
- 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.
- The Department has 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.)
- This analysis is now becoming more routine, and it allows for a set of more standardized cost information. It is anticipated that this work will continue to be a priority throughout 2013 and that it will be sufficiently well-developed to be publicly reported.

**Family Care Partnership/PACE
MCO Financial Statement Summaries
YTD for Period Ending September 30, 2012**

	CHP-PHP	Care WI- CWHP	CCI-CCHP	iCare	Total
Revenues					
Capitation-MA	48,481,614	39,626,425	41,005,268	14,000,373	143,113,680
Capitation- MC	26,105,848	22,697,226	26,853,673	4,613,206	80,269,953
Interest Income-Operating Acct	-	-	-	92,089	92,089
Other Retro Adjustments, DHS	-	143,820	101,688	229,257	474,765
Other Income	(177,709)	146,981	318,750	-	288,022
Total Revenues	74,409,753	62,614,452	68,279,379	18,934,925	224,238,509

Expenses					
Total Acute & Primary Services	23,316,419	19,383,722	29,030,213	10,974,463	82,704,817
Total LTC-Family Care Expenses	41,524,689	30,254,104	36,471,017	3,576,528	111,826,338
Cost Share, Net	(1,646,561)	(1,082,111)	(1,138,225)	(32,081)	(3,898,979)
Room & Board, Net	(3,366,440)	(1,995,382)	(2,132,242)	(205,077)	(7,699,141)
Spend Down & Third Party	(514,355)	(164,788)	(89,180)	-	(768,323)
Net Member Services Expenses	59,315,406	46,395,545	62,141,583	14,313,833	182,166,367

Net Care Management Expense	11,532,476	9,560,484	4,070,457	1,946,309	27,109,726
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Administrative Expenses	3,999,748	4,165,052	1,350,614	1,220,993	10,736,407
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Total Operating Expenses	74,847,629	60,121,081	67,562,654	17,481,135	220,012,499
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Income (Loss) from Operations, CY	(437,877)	2,493,371	716,726	1,453,790	4,226,010
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Other (Revenue)/Expense, Operating

Total Other Revenue/(Expense)	(492,463)	(768,973)	(745,265)	716,332	(1,290,370)
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Net Income/ (Loss)	54,587	3,262,344	1,461,991	737,458	5,516,380
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Member Months by FC Target Group

Developmentally Disabled (DD)	26%	9%	9%	29%	17%
Physically Disabled (PD)	35%	51%	39%	69%	44%
Frail Elder (FE)	39%	40%	52%	2%	39%
Member Months	14,071	11,789	12,673	4,527	43,060

Key Ratios (as % of Revenue)

Member Service Expense, Net	79.7%	74.1%	91.0%	75.6%	81.2%
Care Management Expense	15.5%	15.3%	6.0%	10.3%	12.1%
Total Member Service Expense	95.2%	89.4%	97.0%	85.9%	93.3%
Administrative Expense	5.4%	6.7%	2.0%	6.4%	4.8%
Total Operating Expense	100.6%	96.0%	99.0%	92.3%	98.1%
Net Income/(Loss)	0.1%	5.2%	2.1%	3.9%	2.5%

**Family Care Partnership/PACE
MCO Financial Statement Summaries
YTD for Period Ending September 30, 2012**

Summary PMPM Presentation

Revenues

Capitation-MA	3,445.58	3,361.31	3,235.64	3,092.64	3,323.62
Capitation- MC	1,855.34	1,925.29	2,118.97	1,019.04	1,864.16
Interest Income-Operating Acct	-	-	-	20.34	2.14
Other Retro Adjustments, DHS	-	12.20	8.02	50.64	11.03
Other Income	(12.63)	12.47	25.15	-	6.69
Total Revenues	5,288.29	5,311.27	5,387.78	4,182.67	5,207.63

Expenses

Total Acute & Primary Services	1,657.09	1,644.22	2,290.71	2,424.22	1,920.70
Total LTC-Family Care Expenses	2,951.15	2,566.30	2,877.85	790.04	2,597.01
Cost Share	(117.02)	(91.79)	(89.81)	(7.09)	(90.55)
Room & Board	(239.25)	(169.26)	(168.25)	(45.30)	(178.80)
Spend Down & Third Party	(36.56)	(13.98)	(7.04)	-	(17.84)
Net Member Services Expenses	4,215.54	3,935.50	4,903.46	3,161.88	4,230.56

Net Care Management Expense	819.61	810.97	321.19	429.93	629.59
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Administrative Expenses	284.26	353.30	106.57	269.71	249.34
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Total Operating Expenses, CY	5,319.41	5,099.77	5,331.23	3,861.53	5,109.48
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Income (Loss) from Operations, CY	(31.12)	211.50	56.56	321.14	98.14
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Other (Revenue)/Expense, Ordinary

Total Other (Revenue)/Expense	(35.00)	(65.23)	(58.81)	158.24	(29.97)
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Net Income/(Loss)	3.88	276.73	115.36	162.90	128.11
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