

California Health Plans Maintain Profitability Through September 30, 2013

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California health plans recently filed financial reports for the first nine months of 2013 and a significant majority were profitable. Of the fifty plans that filed two full years of reports to the California Department of Managed Health Care (DMHC), forty-five reported positive net income and only five reported a net loss. This compares favorably to the thirty-four that reported net income and sixteen that reported a loss during the first nine months of 2012.

Tangible Net Equity (TNE) for the plans was generally greater at the end of the third quarter 2013 than at the end of the third quarter 2012. TNE is defined by state statute and measures a plan's solvency. It approximates net worth assuming intangible assets are removed and subordinated debt is added. TNE was higher for thirty-eight of the fifty plans.

Our report on pages three and four presents Revenues, Medical Costs, Administrative Expenses, Net Income and TNE for fifty health plans that reported data to the DMHC for the first nine months of 2013 and the first nine months of 2012.

All information in this report was obtained from publicly available data on the DMHC web site. However, the DMHC web site doesn't always incorporate post-close adjustments or audit adjustments. Accordingly, we asked representatives of all fifty health plans to review the DMHC figures and confirm they were correct. We made changes to our report if a plan asked us to correct their numbers.

Information not required to be filed with the DMHC (self-insured and parts of California insured business from non-domestic carriers) is not included in this report nor is it referenced in this article.

We prepared this report so a user could quickly determine the financial state of the health plan industry. Additional in-depth analysis is beyond the scope of this article.

We asked plan representatives to comment on the figures and here is their feedback sorted by plan name in alphabetical order.

AIDS Healthcare Foundation

Revenues soared from \$336.0 million during the first nine months of 2012 to \$571.9 million during the first nine months of 2013.

Staff Accountant Brandon Jong explained, "The most significant changes between the two periods derive from our pharmacy and managed care operations. AHF's (AIDS Healthcare Foundation) pharmacy operations have been

expanding by acquiring assets to increase our business operations. In 2013 we had larger pharmacy revenue of \$461 million compared to the previous year of \$232 million. The pharmacy expense for the same period was \$392 million compared to the previous year of \$167 million. In addition, we have experienced significant cuts in 2013 to Medicare and Medicaid programs which have impacted the revenue in our managed care operations.”

Blue Shield of CA

Financial results for the two nine month periods were similar although administrative costs were slightly higher in 2013. Sean Barry, Media Relations Specialist, said most of the increase in administrative costs was due to increased labor costs.

CenCal Health

All financial results for the first nine months of 2013 showed improvement over the first nine months of 2012.

Kashina Bishop, CPA, Director of Finance said, “The most significant driver of the change to net income during the comparative time period was retroactive adjustments to the Medi-Cal capitation rates. In February 2013, CenCal recognized an additional \$11.6 million of Medi-Cal revenue related to FY 11-12 that reflected AB-97 reductions not being applied retroactively, in addition to some other favorable adjustments to the trend factors. In September 2013, CenCal recognized approximately \$4 million of additional revenue due to receipt of adjusted FY 12-13 Medi-Cal capitation rates that more accurately reflected the financial impact of a change in the retroactive

eligibility policy.”

Chinese Community Health Plan

All financial results for the first nine months of 2013 showed improvement over the first nine months of 2012. Revenues increased from \$89.8 million to \$99.7 million.

CFO Amy Tsui said, “The 11% increase in revenue is due to an increase in membership and the annual commercial premium rate change. On our Medicare Advantage program, CCHP has been proactively working with physicians and our members to improve the risk score. The positive result from this risk adjustment work produced higher senior capitation from CMS.”

Contra Costa Health Plan

Revenues increased from \$252.4 million during the first nine months of 2012 to \$338.1 million during the first nine months of 2013. Kate Fowlie, Communications Officer, said, “Revenues increased over the prior period due to increases in Medi-Cal enrollment and capitation rates.”

Inland Empire Health Plan

All financial results for the first nine months of 2013 showed improvement over the first nine months of 2012 except for a slightly lower TNE level.

Director of Finance Randee Roberts explained, “The major difference between the two time periods is an increase in membership. Mandatory SPD (Seniors & Persons with Disabilities) members became effective June 2012 so there is only

one quarter of 2012 SPD members while the 2013 figures have nine months of SPD members. All of this increased enrollment resulted in higher revenue and costs.”

L.A. Care Health Plan

Revenues increased from \$1.521 billion during the first nine months of 2012 to \$2.209 billion during the first nine months of 2013. Amy Gurango, Media Relations Specialist, attributed the significant change to increases in membership and rates related to new products.

Sharp Health Plan

All financial results for the first nine months of 2013 showed improvement over the first nine months of 2012.

John Cihomsky, Vice President, PR & Communications said, “The increase in revenue and medical expense is mainly attributable to membership growth of 60,142 member months or 10.6%.”

Concluding Comments

Our next report will focus on the twelve months ending December 31, 2013 compared to the twelve months ending December 31, 2012.

David Peel is the Publisher of the California Healthcare News, a trade journal and web site of interest to California hospital, clinic, provider organization and health insurance professionals. He has served as the Chief Financial Officer of three west coast health insurance companies. He can be reached at 425-577-1334 or dpeel@healthcarenewssite.com.

California Health Plan Financial Results (Unaudited) - Page 1 of 2¹

For the Nine Months Ended 09/30/13 compared to the Nine Months Ended 09/30/12

Full Service Medical Plans Only - Sorted Alphabetically by Health Plan Name - 000's Omitted²

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| Health Plan Name | Revenues | | | Medical Costs | | | Administrative Expenses | | | Net Income | | | Tangible Net Equity ³ | | |
|--|-----------|-----------|------------|---------------|-----------|------------|-------------------------|---------|----------|------------|---------|---------|----------------------------------|-----------|------------|
| | 09/13 | 09/12 | Change | 09/13 | 09/12 | Change | 09/13 | 09/12 | Change | 09/13 | 09/12 | Change | 09/13 | 09/12 | Change |
| Aetna Health of CA | 1,434,275 | 1,441,906 | -7,631 | 1,210,411 | 1,194,435 | 15,976 | 165,336 | 140,778 | 24,558 | 42,941 | 69,474 | -26,533 | 171,966 | 189,511 | -17,545 |
| Aids Healthcare Foundation | 571,937 | 335,990 | 235,947 | 493,057 | 246,533 | 246,524 | 60,177 | 54,942 | 5,234 | 18,704 | 34,515 | -15,811 | 122,595 | 108,676 | 13,919 |
| Alameda Alliance for Health | 355,263 | 300,185 | 55,078 | 335,180 | 289,769 | 45,410 | 32,056 | 19,090 | 12,967 | -11,973 | -8,674 | -3,299 | 8,422 | 18,094 | -9,672 |
| Arcadian HP | 114,831 | 308,358 | -193,528 | 100,954 | 243,730 | -142,776 | 10,314 | 59,094 | -48,781 | 4,412 | 6,435 | -2,023 | 0 | 61,025 | -61,025 |
| Blue Cross of CA | 8,616,822 | 8,517,965 | 98,857 | 7,170,671 | 7,204,513 | -33,842 | 792,588 | 755,498 | 37,090 | 389,699 | 334,797 | 54,902 | 1,228,039 | 1,122,729 | 105,310 |
| Blue Shield of CA | 6,483,962 | 6,408,460 | 75,502 | 5,396,650 | 5,325,513 | 71,137 | 775,173 | 722,477 | 52,696 | 235,136 | 247,094 | -11,958 | 3,936,899 | 3,712,262 | 224,637 |
| Brand New Day HMO | 39,673 | 31,543 | 8,131 | 35,757 | 29,009 | 6,748 | 6,733 | 3,485 | 3,248 | 40 | -2,242 | 2,281 | 6,461 | -647 | 7,108 |
| CalOptima | 1,440,928 | 1,091,275 | 349,653 | 1,324,661 | 1,012,177 | 312,484 | 64,630 | 55,122 | 9,508 | 48,448 | 1,614 | 46,833 | 215,651 | 151,718 | 63,933 |
| CalViva | 373,774 | 304,489 | 69,285 | 331,306 | 274,881 | 56,425 | 23,180 | 20,602 | 2,577 | 2,804 | 4,122 | -1,317 | 13,675 | 9,585 | 4,090 |
| Care 1st HP | 820,660 | 695,037 | 125,623 | 730,853 | 623,418 | 107,435 | 79,881 | 62,676 | 17,205 | 5,908 | 4,579 | 1,330 | 108,971 | 104,049 | 4,922 |
| CareMore HP | 635,668 | 609,358 | 26,310 | 494,976 | 466,460 | 28,516 | 84,355 | 63,294 | 21,061 | 33,820 | 48,643 | -14,823 | 98,330 | 83,802 | 14,528 |
| CenCal Health | 277,920 | 244,744 | 33,177 | 234,651 | 230,203 | 4,448 | 12,178 | 11,809 | 369 | 18,029 | -1,063 | 19,092 | 39,157 | 22,024 | 17,134 |
| Cen CA Alliance for Health | 454,011 | 452,547 | 1,464 | 388,578 | 402,540 | -13,962 | 25,658 | 23,842 | 1,816 | 40,295 | 26,165 | 14,130 | 225,890 | 185,755 | 40,135 |
| Central HP of CA | 93,081 | 91,467 | 1,614 | 80,055 | 79,871 | 184 | 11,682 | 9,174 | 2,508 | 768 | 1,381 | -613 | 8,352 | 5,593 | 2,758 |
| Chinese Community HP | 99,764 | 89,805 | 9,959 | 81,257 | 74,127 | 7,130 | 12,482 | 11,142 | 1,340 | 3,444 | 2,594 | 850 | 26,144 | 21,142 | 5,002 |
| Choice Physicians Network | 37,978 | 32,970 | 5,008 | 35,386 | 32,137 | 3,249 | 1,049 | 922 | 127 | 1,516 | -52 | 1,568 | 4,120 | 2,349 | 1,772 |
| Cigna Healthcare of CA | 710,515 | 698,523 | 11,992 | 659,535 | 677,229 | -17,693 | 32,917 | 30,284 | 2,633 | 10,697 | -5,645 | 16,343 | 64,642 | 43,638 | 21,004 |
| Citizen's Choice HP | 122,472 | 109,795 | 12,677 | 108,370 | 95,673 | 12,697 | 13,514 | 11,325 | 2,189 | 589 | 2,752 | -2,163 | 6,548 | 7,686 | -1,138 |
| Community Health Group | 250,411 | 222,320 | 28,090 | 250,647 | 214,716 | 35,930 | 12,760 | 11,354 | 1,406 | 12,875 | -3,750 | -9,246 | 37,173 | 48,878 | -11,706 |
| Contra Costa Health Plan | 338,129 | 252,439 | 85,690 | 323,442 | 243,101 | 80,341 | 12,875 | 7,285 | 5,590 | 1,812 | 2,052 | -241 | 14,369 | 12,265 | 2,105 |
| Easy Choice Health Plan | 432,923 | 266,671 | 166,252 | 397,094 | 238,885 | 158,209 | 35,295 | 26,602 | 8,693 | 1,784 | 1,148 | 636 | 22,966 | 13,036 | 9,930 |
| EPIC Health Plan | 32,375 | 15,750 | 16,626 | 30,138 | 15,836 | 14,301 | 516 | 134 | 382 | 1,669 | -221 | 1,890 | 4,573 | 2,683 | 1,890 |
| GEMCare Health Plan | 105,394 | 99,293 | 6,101 | 93,813 | 89,589 | 4,224 | 9,864 | 9,143 | 721 | 1,011 | 328 | 683 | 6,959 | 5,582 | 1,377 |
| Health Net Comm Sol, Inc. ⁴ | 1,737,403 | 7,465,765 | -5,728,361 | 1,386,864 | 6,556,095 | -5,169,231 | 233,244 | 746,998 | -513,754 | 69,539 | 100,558 | -31,019 | 197,102 | 1,209,919 | -1,012,818 |
| Health Net of CA ⁴ | 5,406,793 | 7,465,765 | -2,058,971 | 4,705,145 | 6,556,095 | -1,850,950 | 602,001 | 746,998 | -144,997 | 64,666 | 100,558 | -35,892 | 893,628 | 1,209,919 | -316,291 |

Notes:

- All information from the California Department of Managed Health Care (DMHC) web site.
- 000's omitted means the last three digits of each figure is removed. For example, the number 1,000 becomes 1.
- Tangible Net Equity or TNE is the statutorily defined amount of company equity. It is used to determine solvency and is frequently different than a company's net worth.
- Health Net filed as two separate companies during the first nine months of 2013. The first nine months of 2012 report shows them consolidated.

California Health Plan Financial Results (Unaudited) - Page 2 of 2¹

For the Nine Months Ended 09/30/13 compared to the Nine Months Ended 09/30/12

Full Service Medical Plans Only - Sorted Alphabetically by Health Plan Name - 000's Omitted²

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| Health Plan Name | Revenues | | | Medical Costs | | | Administrative Expenses | | | Net Income | | | Tangible Net Equity ³ | | |
|---------------------------|------------|------------|-----------|---------------|------------|-----------|-------------------------|-----------|---------|------------|-----------|---------|----------------------------------|------------|-----------|
| | 09/13 | 09/12 | Change | 09/13 | 09/12 | Change | 09/13 | 09/12 | Change | 09/13 | 09/12 | Change | 09/13 | 09/12 | Change |
| Heritage Provider Network | 1,417,382 | 1,325,365 | 92,017 | 1,294,781 | 1,216,219 | 78,562 | 120,218 | 105,997 | 14,221 | 1,895 | 2,157 | -262 | 71,706 | 63,050 | 8,656 |
| HP of San Joaquin | 202,369 | 171,084 | 31,285 | 173,834 | 158,083 | 15,751 | 10,848 | 13,232 | -2,384 | 9,562 | -4,158 | 13,720 | 54,724 | 48,567 | 6,157 |
| HP of San Mateo | 341,886 | 343,493 | -1,606 | 303,096 | 321,056 | -17,960 | 18,550 | 26,388 | -7,838 | 20,240 | -3,951 | 24,192 | 107,991 | 71,854 | 36,136 |
| Humana HP of CA | 155,298 | 93,588 | 61,711 | 136,567 | 88,740 | 47,827 | 16,841 | 15,766 | 1,075 | 977 | -7,963 | 8,940 | 46,931 | 9,563 | 37,369 |
| Inland Empire HP | 1,009,769 | 812,098 | 197,671 | 948,997 | 746,145 | 202,852 | 53,821 | 42,714 | 11,107 | 6,951 | 5,162 | 1,790 | 100,528 | 105,960 | -5,432 |
| Inter Valley Health Plan | 181,438 | 165,975 | 15,463 | 165,771 | 148,968 | 16,804 | 16,197 | 14,642 | 1,555 | -530 | 2,365 | -2,895 | 22,064 | 22,624 | -559 |
| Kaiser Foundation HP | 40,593,471 | 38,648,093 | 1,945,378 | 36,610,677 | 34,960,433 | 1,630,244 | 1,827,034 | 1,580,181 | 246,853 | 2,155,760 | 2,087,479 | 68,281 | 19,180,727 | 16,253,537 | 2,927,190 |
| Kern Family Health Care | 186,172 | 157,595 | 28,577 | 165,809 | 147,879 | 17,930 | 13,373 | 10,627 | 2,746 | 6,437 | -28,333 | 34,770 | 72,975 | 70,101 | 2,874 |
| LA Care HP | 2,208,661 | 1,520,907 | 687,753 | 1,989,094 | 1,433,907 | 555,187 | 88,065 | 70,896 | 17,168 | 46,172 | -17,780 | 63,952 | 175,943 | 131,439 | 44,504 |
| MD Care | 1,207 | 98,563 | -97,356 | 91,033 | 91,033 | -94,609 | 56 | 14,643 | -14,588 | 4,482 | -1,824 | 6,307 | 45,396 | 32,739 | 12,657 |
| Molina Healthcare of CA | 557,395 | 486,858 | 70,537 | 508,948 | 454,646 | 54,303 | 56,994 | 41,707 | 15,287 | -6,352 | -6,030 | -322 | 37,204 | 29,197 | 8,007 |
| Monarch HP | 100,819 | 89,425 | 11,394 | 99,083 | 85,286 | 13,797 | 2,158 | 1,912 | 246 | -341 | 1,336 | -1,677 | 8,489 | 7,192 | 1,296 |
| On Lok Senior Health | 79,176 | 79,355 | -180 | 69,742 | 66,128 | 3,614 | 6,662 | 6,072 | 590 | 2,771 | 7,155 | -4,384 | 89,386 | 84,736 | 4,650 |
| Partnership HP of CA | 788,185 | 671,224 | 116,961 | 663,169 | 589,939 | 73,229 | 37,533 | 30,928 | 6,605 | 77,182 | 40,312 | 36,869 | 265,629 | 182,811 | 82,818 |
| Premier HP | 24,472 | 13,501 | 10,970 | 20,878 | 10,839 | 10,039 | 2,757 | 1,762 | 995 | 481 | 509 | -27 | 3,405 | 2,223 | 1,182 |
| PRIMCARE Med Network | 470,214 | 424,084 | 46,130 | 383,771 | 341,204 | 42,567 | 56,940 | 53,196 | 3,744 | 17,441 | 17,587 | -145 | 38,912 | 30,578 | 8,334 |
| Santa Clara Family HP | 232,470 | 221,741 | 10,729 | 213,796 | 180,061 | 33,735 | 14,680 | 42,599 | -27,919 | 3,994 | -919 | 4,913 | 31,735 | 23,502 | 8,233 |
| Scan HP | 1,427,261 | 1,315,463 | 111,798 | 1,278,117 | 1,160,730 | 117,387 | 119,623 | 93,205 | 26,418 | 29,521 | 61,528 | -32,007 | 1,247 | 492,349 | -491,102 |
| Scripps HP | 202,881 | 182,821 | 20,060 | 193,661 | 174,295 | 19,366 | 8,913 | 8,233 | 680 | 181 | 214 | -33 | 9,310 | 8,068 | 1,241 |
| SF Health Plan | 206,216 | 170,628 | 35,588 | 172,439 | 152,932 | 19,508 | 23,520 | 19,551 | 3,968 | 10,257 | -1,855 | 12,112 | 36,927 | 26,121 | 10,806 |
| Sharp HP | 247,720 | 218,588 | 29,132 | 222,620 | 198,594 | 24,026 | 19,364 | 16,752 | 2,612 | 5,736 | 3,241 | 2,494 | 47,214 | 39,962 | 7,251 |
| UnitedHealthcare of CA | 4,944,077 | 4,870,689 | 73,388 | 4,265,793 | 4,159,736 | 106,057 | 347,568 | 320,251 | 27,317 | 196,809 | 232,209 | -35,400 | 238,333 | 344,139 | -105,806 |
| Valley HP | 164,853 | 147,315 | 17,538 | 147,645 | 130,065 | 17,579 | 10,116 | 8,637 | 1,478 | 7,092 | 8,612 | -1,520 | 19,401 | 23,326 | -3,925 |
| Ventura County HP | 42,614 | 42,308 | 306 | 38,219 | 37,529 | 689 | 4,355 | 2,808 | 1,548 | 40 | 1,971 | -1,931 | 10,221 | 10,110 | 110 |
| Western Health Advantage | 350,899 | 314,426 | 36,473 | 323,476 | 289,785 | 33,691 | 25,075 | 22,123 | 2,952 | 1,193 | 1,313 | -120 | 19,965 | 19,011 | 954 |

Notes:

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2. 000's omitted means the last three digits of each figure is removed. For example, the number 1,000 becomes 1.
3. Tangible Net Equity or TNE is the statutorily defined amount of company equity. It is used to determine solvency and is frequently different than a company's net worth.