

California Health Plans Finish 2011 in the Black

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California health plans finished 2011 strong with all but six of the largest thirty-five plans reporting a profit. The change in net income from 2010 was mixed (seventeen lower, eighteen higher) suggesting 2012 premium increases will be consistent with other years.

We present two reports, attached as Tables 1 and 2, that show financial and per member per month figures for the largest thirty-five domestic health plans operating in California for the periods ending December 31, 2011 and December 31,

2010. When the financial figures are divided by member months (the combined total of month ending membership for each twelve month period), a monthly average is obtained that is valuable when comparing financial and membership results. Unfortunately, given healthcare reform and the current volatility associated with state and federal health benefit programs, comparisons could be inconclusive and require additional analysis beyond the scope of this article.

All information in this report was obtained through publicly available reports on the California Department of Managed Health Care (DMHC) web site. 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.

Comments from Industry Representatives

We asked representatives of the plans to confirm the figures in the two tables and to give us insight into their financial results. Some plans chose not to reply to our request

while others replied with confirmation of the financial information but didn't comment on their financial results. However, others provided valuable comments and these replies are sorted in descending order by organization size.

Scan Health Plan

When asked about their reduction in member months and net income, Sherry Stanislaw, Senior Vice President, Operations said, "Membership decreases are the result of two contributing factors: a Medicare requirement to discontinue some in-home services that SCAN previously provided and decisions to terminate some medical groups in the SCAN network. The change in net income is a reflection of decreased membership."

L.A. Care Health Plan

Patricia Mowlavi, Director, Accounting and Financial Services at L.A. Care Health Plan said, "The increase in member months was driven by additional Medi-Cal members. Lower net income was driven by higher cost of health care expenses," when asked why her plan's member months increased and net income decreased.

Inland Empire Health Plan

Inland Empire Health Plan reported increases in all categories of our report. Bradley P. Gilbert, MD, MPP, Chief Executive Officer explained, “Our membership increased due to mandatory enrollment of Seniors and Persons with Disabilities from May-December 2011 plus on-going significant other Medi-Cal growth most likely due to continued economic difficulties in the Inland Empire. Our net income is up primarily due to larger initial estimates of the impact of the AB97 cuts on IEHP and our providers. Due to the combination of the impact of those cuts on Managed Care plans being lower than we estimated, and the fact that we were going to absorb most of the cuts at the Plan level, our results are better than estimated. The other significant factor is lower than estimated medical costs due to a light influenza season and thus lower inpatient and pharmacy costs.”

Molina Healthcare of California

Molina’s net income was lower in 2011 relative to 2010. Greg Hamblin, VP of Finance and Analytics for Molina Healthcare of California explained, “Premiums were reduced in 2011, therefore we were less profitable than in 2010.”

Western Health Advantage

This plan had favorable increases in all categories when comparing 2011 to 2010. Rick Heron, Chief Marketing and Brand Officer at Western Health Advantage said, “We continue to grow membership both in market share (with new employer groups coming into WHA) as well as penetration within individual groups (as more employees in exist-

ing groups come to WHA either in a dual option situation or from previously waived coverage). Unfortunately, there continues to be a lack of hiring within groups, so virtually none of the growth is coming from employers expanding their workforce.”

Alameda Alliance for Health

Alameda Alliance for Health reported favorable numbers relative to 2010 in every category except for net income. Amanda Flores-Witte, Senior Director, Communications & Marketing of Alameda Alliance for Health, explained, “Member months increased 14%, driven largely by the influx of new Seniors or Persons with Disabilities members into the Medi-Cal program. Revenue increased 30%, due to increased enrollment and changes in capitation rates associated with the health care needs of new members.”

Flores-Witte continued, “Medical expense increased 34% due to additional care needed by the new Seniors or Persons with Disabilities members, increases in the overall cost of care, and increases in the frequency and magnitude of high-dollar inpatient cases. Administrative expense increased due to additional staffing warranted by the increased workload and investments made to core IT systems.”

She concluded, “Net income decreased from a \$6.6 million net income in Calendar 2010 to a net loss of \$298 thousand due to the above factors.”

Scripps Health Plan Services, Inc.

When asked about their decline in net income, Janice Collins, Senior

Director for Public Relations and Community Relations of Scripps Health said, “Scripps Health Plan Services, Inc. net income declined due to changes in pricing for administrative services (MSO fees), resulting in more revenue for the affiliated medical groups.”

Kern Health Systems

This plan reported favorable increases in all categories except for net income. However, net income was still solid at \$10.6 million in 2011 versus \$11.6 million in 2010. Keith R. Quinlivan, Chief Financial Officer of Kern Health Systems explained, “Our 2011 membership increased due to mandatory enrollment of SPD members into Medi-Cal managed care programs in Kern County.”

Inter Valley Health Plan

Cyndie O’Brien, Vice President, Sales/Marketing & Communications said, “The member months’ increased because we had an increase in enrollment. The net income increased in 2011 back to a more normal expected level. The prior year was low due to higher than expected medical costs,” when asked why her plans member months and net income increased.

Concluding Comments

A significant majority of plans reported a profit in 2011 even though healthcare reform has started and costs are harder to estimate when pricing premiums. Profits are reasonable and typical of other western states.

In general, the California Health Plan industry is stable and in good financial shape.

Table 1. California Health Plan Financial Results (Unaudited and 000's omitted) - Figures Presented in Dollars¹
Largest Thirty-Five Plans Sorted by 2011 Revenues
 Calendar Year-to-Date December 31, 2011 compared to Calendar Year-to-Date December 31, 2010
 cahcnews.com

| Health Plan Name | Calendar Year-to-Date Member Months Through ² | | | Calendar Year-to-Date Revenues Through | | | Calendar Year-to-Date Administrative Expenses | | | Calendar Year-to-Date Net Income Through | | |
|---|--|--------|--------|--|------------|-----------|---|-----------|----------|--|-----------|----------|
| | 12/11 | 12/10 | Change | 12/11 | 12/10 | Change | 12/11 | 12/10 | Change | 12/11 | 12/10 | Change |
| Kaiser Foundation Health Plan, Inc. ⁵ | 82,904 | 80,679 | 2,225 | 48,404,569 | 45,147,386 | 3,257,183 | 2,100,209 | 1,942,362 | 157,847 | 2,013,150 | 1,991,306 | 21,844 |
| Blue Cross of California | 37,228 | 39,050 | -1,822 | 11,118,910 | 11,186,666 | -67,756 | 1,004,790 | 1,101,396 | -96,606 | 507,662 | 413,549 | 94,113 |
| Health Net of California, Inc. | 27,252 | 26,118 | 1,134 | 9,467,777 | 9,042,152 | 425,625 | 997,444 | 943,658 | 53,786 | 181,080 | 146,851 | 34,229 |
| Blue Shield of California | 21,827 | 23,436 | -1,609 | 8,334,760 | 8,741,343 | -406,583 | 1,039,702 | 937,288 | 102,414 | 78,040 | 314,793 | -236,753 |
| UnitedHealthcare of California | 10,417 | 10,829 | -412 | 6,417,604 | 6,314,753 | 102,851 | 484,889 | 463,213 | 21,676 | 268,148 | 312,882 | -44,734 |
| Aetna Health of California, Inc. ⁵ | 4,706 | 5,030 | -324 | 1,800,936 | 1,823,499 | -22,563 | 176,780 | 190,165 | -13,385 | 101,207 | 55,491 | 45,716 |
| Scan Health Plan ⁵ | 1,380 | 1,406 | -26 | 1,662,652 | 1,703,452 | -40,800 | 123,551 | 249,633 | -126,082 | 29,171 | -65,315 | 94,486 |
| Heritage Provider Network, Inc. | 5,493 | 5,518 | -25 | 1,639,024 | 1,546,777 | 92,247 | 129,209 | 114,812 | 14,397 | 2,178 | 2,152 | 26 |
| L.A. Care Health Plan ⁵ | 11,165 | 10,325 | 840 | 1,469,406 | 1,220,123 | 249,283 | 66,974 | 56,797 | 10,177 | 1,687 | 17,767 | -16,080 |
| CalOptima | 5,171 | 4,919 | 252 | 1,443,077 | 1,414,975 | 28,102 | 65,465 | 69,885 | -4,420 | -5,427 | 25,330 | -30,757 |
| Sigma HealthCare of California, Inc. | 2,773 | 2,906 | -133 | 944,687 | 908,417 | 36,270 | 42,387 | 46,436 | -4,049 | -430 | -1,037 | 607 |
| Inland Empire Health Plan ⁵ | 6,045 | 5,466 | 579 | 860,362 | 832,314 | 28,048 | 45,316 | 38,917 | 6,399 | 29,741 | 18,664 | 11,077 |
| Partnership HealthPlan of California ³ | 2,245 | 1,944 | 301 | 802,246 | 682,356 | 119,890 | 36,903 | 28,278 | 8,625 | 40,203 | 46,172 | -5,969 |
| Care 1st Health Plan | 4,135 | 3,792 | 343 | 766,886 | 667,455 | 99,431 | 74,664 | 66,513 | 8,151 | 14,722 | 12,328 | 2,394 |
| CareMore Health Plan | 539 | 462 | 77 | 720,737 | 591,169 | 129,568 | 79,086 | 67,373 | 11,713 | 35,339 | 45,001 | -9,662 |
| Central California Alliance for Health ⁴ | 2,483 | 2,392 | 91 | 652,086 | 554,315 | 97,771 | 29,295 | 24,731 | 4,564 | 8,717 | 38,759 | -30,042 |
| Molina Healthcare of California ⁵ | 4,190 | 4,196 | -6 | 568,256 | 500,471 | 67,785 | 51,439 | 45,940 | 5,499 | 8,811 | 14,890 | -6,079 |
| PRIMECARE Medical Network, Inc. | 2,304 | 2,117 | 187 | 514,315 | 435,020 | 79,295 | 62,496 | 31,995 | 1,958 | 4,006 | 14,331 | -10,325 |
| San Mateo Health Commission | 964 | 931 | 33 | 457,083 | 434,214 | 22,869 | 33,953 | 31,995 | 1,958 | -7,869 | 12,696 | -20,565 |
| Arcadian Health Plan, Inc. | 501 | 481 | 20 | 408,025 | 394,505 | 13,520 | 72,710 | 67,079 | 5,631 | -7,869 | 12,696 | -20,565 |
| Western Health Advantage ⁵ | 1,024 | 924 | 100 | 375,798 | 305,268 | 70,530 | 27,962 | 24,920 | 3,042 | 2,133 | 1,374 | 759 |
| CenCal Health | 1,266 | 1,219 | 47 | 342,998 | 339,610 | 3,388 | 16,183 | 19,761 | -3,578 | 9,511 | -6,200 | 15,711 |
| Alameda Alliance for Health ⁵ | 1,558 | 1,371 | 187 | 315,442 | 242,486 | 72,956 | 26,159 | 19,164 | 6,995 | -298 | 6,661 | -6,959 |
| Santa Clara Family Health Plan | 1,577 | 1,475 | 102 | 283,937 | 204,509 | 79,428 | 71,855 | 23,561 | 48,294 | 5,155 | 12,686 | -7,531 |
| Contra Costa Health Plan | 1,191 | 1,054 | 137 | 273,767 | 241,880 | 31,887 | 8,441 | 4,923 | 3,518 | 2,669 | 1,476 | 1,193 |
| CalViva ⁵ | 1,648 | 0 | 1,648 | 266,331 | 0 | 266,331 | 20,734 | 0 | 20,734 | 2,917 | 0 | 2,917 |
| Scripps Health Plan Services, Inc. ⁵ | 325 | 333 | -8 | 240,802 | 236,292 | 4,510 | 9,744 | 9,518 | 226 | 181 | 656 | -475 |
| Community Health Group | 1,611 | 1,463 | 148 | 237,550 | 210,605 | 26,945 | 14,245 | 11,902 | 2,343 | 6,420 | 27,233 | -20,813 |
| Sharp Health Plan | 649 | 584 | 65 | 236,833 | 201,299 | 35,534 | 19,289 | 17,473 | 1,816 | 4,890 | 4,534 | 356 |
| Kern Health Systems ⁵ | 1,348 | 1,258 | 90 | 219,692 | 173,589 | 46,103 | 14,614 | 13,385 | 1,229 | 10,695 | 11,598 | -903 |
| Inter Valley Health Plan ⁵ | 199 | 173 | 26 | 195,198 | 161,648 | 33,550 | 18,377 | 18,084 | 293 | 1,757 | 247 | 1,510 |
| MD Care | 177 | 154 | 23 | 177,030 | 147,994 | 29,036 | 21,450 | 18,259 | 3,191 | -23,996 | 173 | -24,169 |
| Valley Health Plan | 938 | 887 | 51 | 165,991 | 152,892 | 13,099 | 8,940 | 9,913 | -973 | 6,553 | 4,912 | 1,641 |
| San Francisco Health Plan | 793 | 722 | 71 | 162,198 | 135,070 | 27,128 | 23,494 | 16,786 | 6,708 | -5,065 | 1,095 | -6,160 |
| Citizens Choice HP | 155 | 121 | 34 | 157,953 | 124,355 | 33,598 | 14,785 | 13,606 | 1,179 | 3,928 | 1,661 | 2,267 |

Notes:

- Source: California Department of Managed Health Care (DMHC). Although among the largest thirty-five health plans, Health Plan of San Joaquin, AIDS Healthcare Foundation and County of LA - Dept. of Health Services are not presented due to incomplete comparative information on the DMHC web site. 000's omitted means the last three digits of each figure is removed. For example, the number 1,000 becomes 1.
- Member Months is the combined total of each month's ending membership. For example, to get Member Months through 12/11, monthly membership for January 2011 through December 2011 is added together to get a combined total.
- The Partnership HealthPlan of California fiscal year is from July 1 to June 30. The numbers in this comparison are based on calendar year through the period ending December 31st. In the period ending June 30, 2011 the Partnership posted a \$78.9 million reclass to offset an entry originally posted in the period ending December 31, 2010. In order to present more comparable data in the charts above, the \$78.9 million entry was excluded both from revenue and administrative expenses in the 2010 figures.
- According to Pattie McFarland, Central California Alliance for Health Chief Financial Officer, included in 2011 revenue is a one-time transfer of approximately \$80,000 that was approved by the California State legislature.
- Figures confirmed by health plan management.

Table 2. California Health Plan Financial Results (Unaudited and 000's omitted) - Figures Presented on a PMPM Basis¹

Largest Thirty-Five Plans Sorted by 2011 Revenues

Calendar Year-to-Date December 31, 2011 compared to Calendar Year-to-Date December 31, 2010

cahcnws.com

| Health Plan Name | Calendar Year-to-Date Member Months Through ² | | | Calendar Year-to-Date Revenues Through | | | Calendar Year-to-Date Administrative Expenses | | | Calendar Year-to-Date Net Income Through | | |
|---|--|--------|--------|--|-------|--------|---|-------|--------|--|-------|--------|
| | 12/11 | 12/10 | Change | 12/11 | 12/10 | Change | 12/11 | 12/10 | Change | 12/11 | 12/10 | Change |
| Kaiser Foundation Health Plan, Inc. ⁵ | 82,904 | 80,679 | 2,225 | 584 | 560 | 24 | 25 | 24 | 1 | 24 | 25 | 0 |
| Blue Cross of California | 37,228 | 39,050 | -1,822 | 299 | 286 | 12 | 27 | 28 | -1 | 14 | 11 | 3 |
| Health Net of California, Inc. | 27,252 | 26,118 | 1,134 | 347 | 346 | 1 | 37 | 36 | 0 | 7 | 6 | 1 |
| Blue Shield of California | 21,827 | 23,436 | -1,609 | 382 | 373 | 9 | 48 | 40 | 8 | 4 | 13 | -10 |
| UnitedHealthcare of California | 10,417 | 10,829 | -412 | 616 | 583 | 33 | 47 | 43 | 4 | 26 | 29 | -3 |
| Aetna Health of California, Inc. ⁵ | 4,706 | 5,030 | -324 | 383 | 363 | 20 | 38 | 38 | 0 | 22 | 11 | 10 |
| Scan Health Plan ⁵ | 1,380 | 1,406 | -26 | 1,205 | 1,212 | -7 | 90 | 178 | -88 | 21 | -46 | 68 |
| Heritage Provider Network, Inc. | 5,493 | 5,518 | -25 | 298 | 280 | 18 | 24 | 21 | 3 | 0 | 0 | 0 |
| L.A. Care Health Plan ⁵ | 11,165 | 10,325 | 840 | 132 | 118 | 13 | 6 | 6 | 0 | 0 | 2 | -2 |
| CalOptima | 5,171 | 4,919 | 252 | 279 | 288 | -9 | 13 | 14 | -2 | -1 | 5 | -6 |
| Cigna HealthCare of California, Inc. | 2,773 | 2,906 | -133 | 341 | 313 | 28 | 15 | 16 | -1 | 0 | 0 | 0 |
| Inland Empire Health Plan ⁵ | 6,045 | 5,466 | 579 | 142 | 152 | -10 | 7 | 7 | 0 | 5 | 3 | 2 |
| Partnership HealthPlan of California ³ | 2,245 | 1,944 | 301 | 357 | 351 | 6 | 16 | 15 | 2 | 18 | 24 | -6 |
| Care 1st Health Plan | 4,135 | 3,792 | 343 | 185 | 176 | 9 | 18 | 18 | 1 | 4 | 3 | 0 |
| CareMore Health Plan | 539 | 462 | 77 | 1,337 | 1,280 | 58 | 147 | 146 | 1 | 66 | 97 | -32 |
| Central California Alliance for Health ⁴ | 2,483 | 2,392 | 91 | 263 | 232 | 31 | 12 | 10 | 1 | 4 | 16 | -13 |
| Molina Healthcare of California ⁵ | 4,190 | 4,196 | -6 | 136 | 119 | 16 | 12 | 11 | 1 | 2 | 4 | -1 |
| PRIMECARE Medical Network, Inc. | 2,304 | 2,117 | 187 | 223 | 205 | 18 | 27 | 30 | -3 | 11 | 8 | 3 |
| San Mateo Health Commission | 964 | 931 | 33 | 474 | 466 | 8 | 35 | 34 | 1 | 4 | 15 | -11 |
| Arcadian Health Plan, Inc. | 501 | 481 | 20 | 814 | 820 | -6 | 145 | 139 | 6 | -16 | 26 | -42 |
| Western Health Advantage ⁵ | 1,024 | 924 | 100 | 367 | 330 | 37 | 27 | 27 | 0 | 2 | 1 | 1 |
| GenCal Health | 1,266 | 1,219 | 47 | 271 | 279 | -8 | 13 | 16 | -3 | 8 | -5 | 13 |
| Alameda Alliance for Health ⁵ | 1,558 | 1,371 | 187 | 202 | 177 | 26 | 17 | 14 | 3 | 0 | 5 | -5 |
| Santa Clara Family Health Plan | 1,577 | 1,475 | 102 | 180 | 139 | 41 | 46 | 16 | 30 | 3 | 9 | -5 |
| Contra Costa Health Plan | 1,191 | 1,054 | 137 | 230 | 229 | 0 | 7 | 5 | 2 | 2 | 1 | 1 |
| CalViva ⁵ | 1,648 | 0 | 1,648 | 162 | 0 | 162 | 13 | 0 | 13 | 2 | 0 | 2 |
| Scripps Health Plan Services, Inc. ⁵ | 325 | 333 | -8 | 741 | 710 | 31 | 30 | 29 | 1 | 1 | 2 | -1 |
| Community Health Group | 1,611 | 1,463 | 148 | 147 | 144 | 4 | 9 | 8 | 1 | 4 | 19 | -15 |
| Sharp Health Plan | 649 | 584 | 65 | 365 | 345 | 20 | 30 | 30 | 0 | 8 | 8 | 0 |
| Kern Health Systems ⁵ | 1,348 | 1,258 | 90 | 163 | 138 | 25 | 11 | 11 | 0 | 8 | 9 | -1 |
| Inter Valley Health Plan ⁵ | 199 | 173 | 26 | 981 | 934 | 47 | 92 | 105 | -12 | 9 | 1 | 7 |
| MD Care | 177 | 154 | 23 | 1,000 | 961 | 39 | 121 | 119 | 3 | -136 | 1 | -137 |
| Valley Health Plan | 938 | 887 | 51 | 177 | 172 | 5 | 10 | 11 | -2 | 7 | 6 | 1 |
| San Francisco Health Plan | 793 | 722 | 71 | 205 | 187 | 17 | 30 | 23 | 6 | -6 | 2 | -8 |
| Citizens Choice HP | 155 | 121 | 34 | 1,019 | 1,028 | -9 | 95 | 112 | -17 | 25 | 14 | 12 |

Notes:

- Source: California Department of Managed Health Care (DMHC). Although among the largest thirty-five health plans, Health Plan of San Joaquin, AIDS Healthcare Foundation and County of LA - Dept. of Health Services are not presented due to incomplete comparative information on the DMHC web site. 000's omitted means the last three digits of each figure is removed. For example, the number 1,000 becomes 1.
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