

California Health Plans Report Strong First Quarter 2013 Financials

By David Peel
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California health plans recently filed first quarter 2013 financial reports and a significant majority were profitable. Of the fifty-one plans that filed reports to the California Department of Managed Health Care (DMHC), forty-three reported net income and only eight reported a net loss. This compares favorably to the thirty-six that reported net income and fifteen that reported a loss in the first quarter 2012 financial reports.

Tangible Net Equity (TNE) for the

plans was generally greater at the end of the first quarter 2013 relative to the end of the first 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-six of the fifty-one plans at the end of the first quarter 2013.

Our report on pages four and five shows Revenues, Medical Costs, Administrative Expenses, Net Income and TNE for fifty-one health plans that reported first quarter 2013 and first quarter 2012 financial data to the DMHC.

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-one health plans to review the DMHC figures and confirm they were correct. We made changes to our report if a plan provided corrected 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. Significant in-depth analysis of the numbers is beyond the scope of this article.

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

AIDS Healthcare Foundation

Revenues soared from \$95 million during the first quarter 2012 to \$181.8 million during the first quarter 2013.

Staff Accountant Brandon Jong said, "The most significant change between the two periods came from our pharmacy division. Our pharmacy operations have been expanding and have acquired assets. In the first quarter of 2013 we had much larger pharmacy revenue of \$148 million compared to the first quarter 2012 total of \$63 million.

The first quarter 2013 pharmacy expense was \$125 million compared to the first quarter 2012 pharmacy expense of \$42 million.”

CalOptima

Net income was \$23.8 million during the first quarter of 2013, a significant improvement over the net loss of \$1.5 million during the first quarter of 2012.

CFO Cindy Su explained, “Our increase in net income was due to proportionately lower medical expenses associated with the cessation of retroactive enrollment responsibilities on July 1, 2012. However, we also had higher administrative costs in PBM, software licenses and fulfillment costs due to increases in enrollment and, in the case of PBM and software licenses, new contracts.”

CalViva Health

Revenues increased from \$96.4 million during the first quarter of 2012 to \$101.9 million during the first quarter of 2013. CFO William Gregor attributed this to enrollment growth.

CenCal Health

Net income during the first quarter of 2013 was \$11.7 million, substantially higher than the \$516 thousand of net income during the first quarter of 2012.

Director of Finance Kashina Bishop, CPA, attributed this to recognizing an additional \$11.4 million in revenue during February 2013.

The company learned Medi-Cal capitation rates reflecting AB97

reductions were not going to be applied retroactively to fiscal years 2011 and 2012. The accrued liability established to pay the State was eliminated and revenues were increased.

Chinese Community Health Plan

Revenues increased from \$28.5 million during the first quarter of 2012 to \$31.3 million during the first quarter of 2013. Net income increased from \$692 thousand during the first quarter of 2012 to \$1.3 million during the first quarter of 2013.

CFO Amy Tsui said, “The main reason for better performance in the 2013 quarter versus the 2012 quarter is higher membership and associated premium income. First quarter 2013 total premium income was 8% higher than 2012.”

Easy Choice Health Plan

Revenues increased from \$77 million during the first quarter of 2012 to \$140.6 million during the first quarter of 2013. Will Weisbaum, Senior Manager, Field Finance, said, “Our membership increased by 96% from one period to the next. One significant item not necessarily reflected in the revenues is that we were sold to Wellcare on November 1, 2012.”

HP of San Joaquin

Revenues increased from \$54.5 million during the first quarter of 2012 to \$84.4 million during the first quarter of 2013. CFO David Hurst explained, “The variance between the 2012 and 2013 quarters reflects increased membership from 1) the transition of Seniors

and Persons with Disabilities from Fee for Service Medi-Cal to Medi-Cal Managed Care; and 2) HPSJ’s launch as Stanislaus County’s Local Initiative in January of 2013. As you would expect, the membership growth resulted in corresponding increases in revenue and expenses.”

Inter Valley Health Plan

First quarter 2013 revenues were \$57.8 million compared to first quarter 2012 revenues of \$52.2 million. Medical expenses, administrative expenses and tangible net equity also increased.

CFO Donald McCain said, “The 2013 first quarter revenue is up over the previous year’s first quarter because of membership growth. First quarter 2013 medical expense is up over the previous year’s first quarter due to growth, renegotiated provider contracts, and higher pharmacy costs. The administrative cost and TNE increases were a function of this growth.”

LA Care HP

Revenues were \$574 million during the first quarter 2013, significantly higher than the first quarter 2012 total of \$480.7 million. Spokesperson Amy DuFour attributed this to membership growth in the Seniors and People with Disabilities (SPD) Med-Cal program driven by the Section 1115 Waiver.

Concluding Comments

Growth and change in governmental programs is fueling revenues and much of it is going to plan bottom lines. However, this is only one quarter of reporting and we may be experiencing one of the most

chaotic and unpredictable years in the history of California health plans.

Our next report will focus on the six months ending June 30, 2013 compared to the six months ending

June 30, 2012. If the results are similar then it's likely these strong results will continue throughout 2013.

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For the Three Months Ended 03/31/13 compared to the Three Months Ended 03/31/12

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

Health Plan Name	Revenues			Medical Costs			Administrative Expenses			Net Income			Tangible Net Equity ³		
	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change
Aetna Health of CA	470,010	495,356	-25,346	406,308	398,479	7,829	54,629	46,384	8,245	6,881	32,590	-25,709	179,734	176,730	3,004
Aids Healthcare Foundation	181,864	94,969	86,895	156,468	67,473	88,995	19,820	15,033	4,787	5,575	12,462	-6,887	110,226	106,996	3,230
Alameda Alliance for Health	120,838	96,932	23,907	108,647	93,020	15,627	11,393	7,773	3,620	798	-3,862	4,660	21,193	22,906	-1,714
Arcadian HP	52,824	105,883	-53,059	39,005	80,431	-41,427	5,365	21,133	-15,768	7,249	2,904	4,345	90,309	41,783	48,526
Blue Cross of CA	2,803,514	2,803,663	-149	2,361,273	2,353,013	8,260	249,216	261,591	-12,375	116,020	111,969	4,051	1,101,413	1,121,318	-19,905
Blue Shield of CA	2,139,607	2,186,658	-47,051	1,733,120	1,754,482	-21,362	261,351	246,007	15,344	114,975	138,093	-23,118	3,802,729	3,543,406	259,323
Brand New Day HMO	12,889	12,547	343	11,763	10,324	1,439	1,462	1,608	-147	68	255	-187	2,232	920	1,312
CalOptima	353,742	354,537	-795	303,380	332,027	-28,647	19,649	16,743	2,907	23,811	-1,484	25,295	186,191	148,436	37,755
CalViva	101,945	96,413	5,532	93,743	85,587	8,155	7,253	6,702	550	949	1,551	-602	11,820	7,100	4,721
Care 1st HP	257,716	220,262	37,454	231,257	192,937	38,321	25,054	21,817	3,237	1,016	2,557	-1,541	102,490	100,466	2,024
CareMore HP	213,040	202,565	10,475	168,707	153,832	14,875	26,800	20,658	6,142	10,486	16,619	-6,133	92,231	68,042	24,189
CentCal Health	90,515	76,994	13,521	74,753	70,632	4,121	3,756	3,953	-197	11,727	516	11,211	32,856	23,603	9,252
Central CA All for Health	137,074	146,664	-9,590	127,165	136,402	-9,237	7,791	7,550	241	2,118	2,713	-595	187,713	162,303	25,410
Central HP of CA	30,039	27,988	2,052	25,249	25,068	180	3,727	3,096	630	608	-178	786	8,192	4,034	4,157
Chinese Community HP	11,258	9,387	1,871	10,190	9,035	1,154	340	318	22	717	20	698	3,119	2,421	698
Choice Physicians Network	239,569	233,825	5,744	224,723	226,807	-2,084	8,795	11,564	-2,769	6,695	-2,744	9,439	61,290	38,795	22,496
Cigna Healthcare of CA	41,450	39,005	2,445	36,849	32,767	4,082	4,330	3,893	437	271	2,345	-2,074	6,225	8,084	-1,858
Citizen's Choice HP	83,906	70,434	13,472	87,927	67,646	20,281	4,061	3,583	478	-8,081	-794	-7,287	41,996	51,744	-9,747
Community Health Group	78,753	78,946	-193	74,811	76,557	-1,746	3,681	1,941	1,740	261	448	-187	12,819	10,635	2,184
Contra Costa HP	140,555	76,995	63,560	126,793	67,769	59,024	20,386	12,199	8,186	-4,050	-3,003	-1,047	19,204	9,369	9,835
Easy Choice HP	9,354	4,744	4,610	8,936	4,558	4,379	166	104	62	247	83	165	3,152	2,987	165
EPIC HP	35,405	32,726	2,679	31,954	29,905	2,050	3,191	3,081	110	154	-154	308	5,992	5,099	893
GEMCare HP	2,277	2,027	250	2,022	1,695	327	276	177	99	-22	155	-177	1,323	1,514	-191
Golden State Medicare HP	554,249	2,565,950	-2,011,701	441,018	2,347,560	-1,906,542	54,062	266,725	-212,663	35,098	-29,965	65,063	163,501	1,056,768	-893,267
Health Net Comm. Sol. ⁴	1,857,823	2,565,950	-708,127	1,623,818	2,347,560	-723,742	203,250	266,725	-63,475	21,210	-29,965	51,175	1,016,039	1,056,768	-40,729
Heritage Provider Network	478,150	411,788	66,362	435,302	375,019	60,283	41,843	35,336	6,507	731	645	86	67,888	59,055	8,834

Notes:

1. All information from the California Department of Managed Health Care (DMHC) web site.
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.
4. Health Net filed as two separate companies during the first quarter 2013. The first quarter 2012 report shows them consolidated.

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Health Plan Name	Revenues			Medical Costs			Administrative Expenses			Net Income			Tangible Net Equity ³		
	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change	03/13	03/12	Change
HP of San Joaquin	84,416	54,549	29,868	79,814	48,697	31,117	5,603	4,121	1,482	-1,001	427	-1,428	45,161	53,151	-7,990
HP of San Mateo	114,274	114,158	116	108,415	110,479	-2,065	9,267	8,666	601	-3,407	-4,988	1,581	84,343	70,818	13,525
Humana HP of CA	52,423	30,584	21,839	42,139	27,992	14,147	5,782	5,390	392	2,833	-2,122	4,954	49,323	15,385	33,938
Inland Empire HP	324,395	256,267	68,128	299,666	234,025	65,641	16,824	12,944	3,880	7,905	3,363	4,542	101,481	104,161	-2,681
Inter Valley HP	57,803	52,269	5,534	52,475	46,581	5,894	5,000	4,579	421	329	1,109	-780	22,977	21,343	1,634
Kaiser Foundation HP	13,523,279	12,959,746	563,533	12,101,455	11,671,248	430,207	657,007	518,630	138,377	764,817	769,868	-5,051	15,319,135	13,954,894	1,364,241
Kern Family Health Care	59,544	60,547	-1,003	53,607	53,579	28	4,179	28,008	-23,829	1,758	-22,403	24,161	67,955	75,206	-7,251
LA Care HP	574,055	480,704	93,351	552,169	457,373	94,795	29,123	19,920	9,202	-7,236	-7,410	174	122,534	141,808	-19,274
MD Care	1,508	32,227	-30,719	-2,674	45,607	-48,281	104	4,805	-4,701	3,198	-12,809	16,007	44,744	17,881	26,863
Molina Healthcare of CA	188,849	159,417	29,432	163,280	143,921	19,359	17,392	13,898	3,495	4,941	934	4,007	37,325	34,046	3,278
Monarch HP	32,843	29,154	3,689	33,236	28,417	4,819	615	715	-100	-604	13	-618	8,226	7,246	979
On Lok Senior Health	28,968	28,653	314	23,466	21,824	1,642	2,320	2,029	291	3,182	4,800	-1,619	90,240	84,339	5,902
Partnership HP of CA	231,366	233,670	-2,304	191,241	199,736	-8,494	11,211	10,097	1,115	28,913	19,164	9,749	219,443	161,699	57,745
Premier HP	4,445	4,332	113	3,742	3,337	405	459	662	-203	137	188	-51	2,472	1,895	577
PRIMCARE Medical Ntwrk	152,674	133,228	19,446	127,294	108,718	18,577	18,268	16,959	1,309	4,198	4,474	-276	25,903	17,280	8,623
Santa Clara Family HP	71,584	76,938	-5,354	66,270	57,423	8,847	4,872	19,418	-14,546	442	97	345	24,220	36,900	-12,680
Scan HP	490,060	464,802	25,258	431,650	384,104	47,546	41,100	27,678	13,422	17,310	53,020	-35,710	478,677	488,191	-9,514
Scripps HP	66,189	58,408	7,780	63,321	55,353	7,968	2,716	2,959	-243	116	-17	133	8,245	8,837	-592
SF HP	76,388	54,909	21,479	56,143	47,314	8,828	7,089	6,864	225	13,156	731	12,425	39,826	28,707	11,119
Sharp Health Plan	82,169	72,233	9,936	74,069	64,582	9,487	6,341	5,426	915	1,759	2,224	-465	43,113	38,933	4,180
UnitedHealthcare of CA	1,682,554	1,636,347	46,207	1,463,296	1,375,344	87,952	120,821	108,186	12,635	58,534	90,476	-31,942	341,084	500,480	-159,396
Valley HP	53,268	46,438	6,829	48,344	43,100	5,244	3,169	1,906	1,263	1,755	1,433	322	27,425	16,098	11,327
Ventura County HP	14,622	14,083	539	13,281	12,476	805	1,371	1,159	213	-30	448	-478	10,151	8,587	1,563
Western Health Advantage	114,813	103,429	11,384	105,844	95,309	10,534	7,645	7,154	491	757	552	205	19,574	18,224	1,350

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