

California Health Plans Report Mixed Financials Through First Quarter 2014

By David Peel
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California health plans recently filed financial reports for the first three months of 2014 and thirty-seven of the sixty-six plans were profitable. This compares unfavorably to the first quarter of 2013 when forty-five plans were profitable.

Twelve plans began operations in 2014 and only three broke even or reported a profit.

Kaiser Foundation HP led all plans with a \$1.14 billion profit.

Tangible Net Equity (TNE) for the plans was generally greater at the end of the first quarter 2014 than at the end of the first quarter 2013. 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-seven of the fifty-four plans that were operational in the first quarter of 2013.

Our report on pages four and five presents Revenues, Medical Costs, Administrative Expenses, Net Income and TNE for sixty-six health plans that reported data to the DMHC for the first three months of 2014 and the first three months of 2013.

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 sixty-six 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 increased from \$181.9 million during the first three months of 2013 to \$207.5 million during the first three months of 2014.

Staff Accountant Brandon Jong explained, "Most of the change is due to increased pharmacy operations. We have acquired more pharmacies and opened several

healthcare centers in the North East and Southern United States.”

Brand New Day HMO

All financial results for the first three months of 2014 showed improvement over the first three months of 2013 except for net income. The company reported \$68 thousand in net income in the first quarter of 2013 compared to a \$470 thousand loss in the first quarter of 2014. Chief Operating Officer Jeff Davis said, “Medicare Membership is up causing revenue improvement. Medical costs increased proportionally to revenue. As the Brand New Day programs are implemented for new membership we expect some improvement in the company medical loss ratio.”

He continued, “Administrative costs are up principally due to increased marketing costs. Plan management expects ongoing marketing costs as a percentage of revenue to drop with projected future membership growth.”

Davis concluded, “Tangible net equity improved as shareholders increased company capital to support forecasted company membership and revenue growth.”

CalViva Health

All financial results for the first three months of 2014 showed improvement over the first three months of 2013. Chief Financial Officer Bill Gregor attributed this to rate increases and increased enrollment.

Chinese Community Health Plan

All financial results for the first

three months of 2014 showed improvement over the first three months of 2013. Revenues increased from \$31.3 million to \$40.8 million.

CFO Amy Tsui said, “This favorable result is due to our new product line, CoveredCA. At the end of March we had over 10,000 applications received and close to 8,500 new effectuated members from CoveredCA which doubled our existing commercial membership. At this time we are still seeing favorable medical service usage. It is fairly low as compared to our past experience on our commercial members.”

Contra Costa Health Plan

Revenues increased from \$78.8 million during the first three months of 2013 to \$94.2 million during the first three months of 2014. Kate Fowlie, Communications Officer, said, “Revenues increased over the prior period due to increases in Medi-Cal enrollment and capitation rates. Expenses increased over the prior period in near proportion to the revenue increase.”

Health Plan of San Joaquin

All financial results for the first three months of 2014 showed improvement over the first three months of 2013 except for the net loss. The net loss for the first quarter of 2013 was \$1 million and the net loss for the first quarter of 2014 was \$4.7 million. Company spokesperson David Hurst said, “The increase in total revenue in 2014 represents overall growth in membership through increased plan selection among Medi-Cal recipients in Stanislaus County, since HPSJ became the Local

Initiative for Medi-Cal Managed Care in that county in 2013, as well as overall increased enrollment due to the expansion of the Medi-Cal program earlier this year.”

Health Plan of San Mateo

All financial results for the first three months of 2014 showed improvement over the first three months of 2013. Finance and Administrative Services Director Ron Robinson said, “The first quarter 2013 revenues in the report were understated at the beginning of the year due to the reserving of revenue for uncertain rate changes (loss of retroactivity, AB97 cuts). It was reconciled once we received final rates.”

Robinson continued, “The first quarter 2014 revenue is up due to Medi-Cal expansion and the influx of 15,000 new members. Revenue is tentative since we have not received final 13-14 rate year rates yet.”

Inland Empire Health Plan

All financial results for the first three months of 2014 showed improvement over the first three months of 2013.

Director of Finance Randee Roberts explained, “Medi-Cal expansion was effective January 1, 2014. This increased our membership an average of 57,000 members each month from January through March. This growth in membership increased our revenue and related expenses for the quarter.”

Kern Family Health Care

All financial results for the first three months of 2014 showed

improvement over the first three months of 2013 except for net income. The company reported \$1.7 million in net income in the first quarter of 2013 and a \$1.5 million loss in the first quarter of 2014. Chief Financial Officer Robert Landis said, “The inclusion of the expansion population in 2014 is resulting in increased revenue and expense amounts when compared to 2013.”

L.A. Care Health Plan

Revenues increased from \$574 million during the first three months of 2013 to \$1.014 billion during the first three months of 2014. Amy Gurango, Media Relations Specialist, attributed the significant change to increases in membership

related to the Medi-Cal expansion.

Partnership HealthPlan of CA

All financial results for the first three months of 2014 showed improvement over the first three months of 2013. Revenues increased from \$231.3 million to \$455.4 million.

Controller Marisa Dominguez said, “The primary reason for the significant differences between the two reporting periods is the increase in member enrollment. On September 1, 2013 the Partnership HealthPlan of California expanded Medicaid services into eight additional counties in Northern California. Additionally, member enrollment increased effective

January 1, 2014 due to the Affordable Care Act and the changes in eligibility requirements for Medi-Cal.”

Concluding Comments

Our next report will focus on the six months ending June 30, 2014 compared to the six months ending June 30, 2014.

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.

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For the Three Months Ended 03/31/14 compared to the Three Months Ended 03/31/13

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		
	03/14	03/13	Change	03/14	03/13	Change	03/14	03/13	Change	03/14	03/13	Change	03/14	03/13	Change
Adventist Health Plan ⁴	1	0	1	0	0	0	290	0	290	-289	0	-289	1,049	0	1,049
Aetna Health of CA	494,659	470,010	24,649	392,682	406,308	-13,625	74,934	54,629	20,305	16,622	6,881	9,741	158,037	179,734	-21,697
Aids Healthcare Foundation	207,523	181,864	25,658	177,887	156,468	21,418	21,095	19,820	1,274	8,541	5,575	2,966	129,926	110,226	19,699
Alameda Alliance for Health	186,526	120,838	65,688	172,435	108,647	63,788	14,876	11,393	3,483	-785	798	-1,583	12,842	21,193	-8,351
America's Health Plan ⁴	1	0	1	0	0	0	3	0	3	-2	0	-2	1,459	0	1,459
Arcadian HP	19,346	52,824	-33,478	9,556	39,005	-29,448	2,295	5,365	-3,071	5,510	7,249	-1,739	78,114	90,309	-12,196
Aspire Health Plan ⁴	962	0	962	775	0	775	1,005	0	1,005	-818	0	-818	2,148	0	2,148
Blue Cross of CA	3,206,378	2,803,514	402,864	2,678,511	2,361,273	317,238	413,493	249,216	164,277	52,505	116,020	-63,515	1,381,214	1,101,413	279,801
Blue Shield of CA	2,837,533	2,139,607	697,926	2,150,289	1,733,120	417,169	392,723	261,351	131,372	169,315	114,975	54,340	4,086,891	3,802,729	284,162
Brand New Day HMO	17,003	12,889	4,113	14,795	11,763	3,032	2,455	1,462	994	-470	68	-538	5,401	2,232	3,169
Bwn & Tolnd Health Svcs ⁴	1,272	0	1,272	1,198	0	1,198	88	0	88	-10	0	-10	1,229	0	1,229
CA Health and Wellness Plan ⁴	72,449	0	72,449	64,107	0	64,107	13,395	0	13,395	-3,281	0	-3,281	17,133	0	17,133
CalOptima	632,152	353,742	278,410	461,086	303,380	157,706	20,105	19,649	455	99,978	23,811	76,167	324,549	186,191	138,358
CalViva	171,959	101,945	70,014	154,152	93,743	60,410	8,439	7,253	1,186	990	949	41	15,257	11,820	3,437
Care 1st HP	353,656	257,716	95,941	313,080	231,257	81,823	33,374	25,054	8,320	6,772	1,016	5,756	117,198	102,490	14,708
CareMore HP	204,252	213,040	-8,788	163,428	168,707	-5,279	29,513	26,800	2,713	5,740	10,486	-4,746	85,424	92,231	-6,807
GenCal Health	93,341	90,515	2,826	85,494	74,753	10,741	4,306	3,756	550	-161	11,727	-11,888	39,539	32,856	6,684
Gen CA Alliance for Health	167,786	137,074	30,712	141,749	127,165	14,584	9,563	7,791	1,772	16,474	2,118	14,357	329,655	187,713	141,942
Central HP of CA	38,038	30,039	7,999	32,064	25,249	6,815	5,957	3,727	2,230	-379	608	-987	8,417	8,192	225
Chinese Community HP	40,821	31,300	9,521	31,090	25,076	6,015	4,857	4,013	844	2,804	1,264	1,540	30,048	23,873	6,175
Choice Physicians Network	12,125	11,258	866	10,729	10,190	539	380	340	39	1,001	717	283	4,066	3,119	947
Cigna Healthcare of CA	231,372	239,569	-8,196	210,870	224,723	-13,853	20,298	8,855	11,443	-1,382	6,635	-8,017	48,707	61,290	-12,583
Citizen's Choice HP	33,711	41,450	-7,739	30,112	36,849	-6,737	3,695	4,330	-635	-95	271	-366	1,620	6,225	-4,605
Community Care HP ⁴	4,533	0	4,533	3,804	0	3,804	646	25	621	83	-25	108	3,774	3,627	147
Community Health Group	115,530	83,906	31,624	109,416	87,927	21,489	4,478	4,061	417	1,636	-8,081	9,717	39,956	41,996	-2,041
Contra Costa Health Plan	94,205	78,753	15,452	88,930	74,811	14,119	4,662	3,681	981	613	261	352	15,418	12,819	2,599
County of LA - DOHS	68	120	-53	37	976	-939	0	0	0	31	-855	886	12,910	44,686	-31,776
DaVita Hlthcare Pntns Plan ⁴	292,575	0	292,575	275,309	0	275,309	3,121	0	3,121	14,145	0	14,145	36,444	0	36,444
Easy Choice Health Plan	152,413	140,555	11,858	145,753	126,793	18,960	20,305	20,386	-81	-11,251	-4,050	-7,200	19,404	19,204	200
EPIC Health Plan	67,573	9,354	58,219	66,819	8,936	57,883	749	166	583	247	5	-242	5,606	3,152	2,455
GEMCare Health Plan	37,088	35,405	1,683	32,833	31,954	879	4,248	3,191	1,057	-185	154	-339	6,444	5,992	452
Golden State Medicare HP	4,360	2,277	2,083	4,163	2,022	2,141	521	276	245	-324	-22	-302	8,294	1,323	6,970
Health Net Comm Solutions	832,011	554,249	277,762	667,069	441,018	226,051	115,929	54,062	61,867	26,116	35,098	-8,981	229,660	163,501	66,159

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. New health plan in 2014.

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

For the Three Months Ended 03/31/14 compared to the Three Months Ended 03/31/13

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		
	03/14	03/13	Change	03/14	03/13	Change	03/14	03/13	Change	03/14	03/13	Change	03/14	03/13	Change
Health Net of CA	1,778,176	1,857,823	-79,647	1,507,934	1,623,818	-115,884	245,317	203,250	42,067	-464	21,210	-21,673	878,811	1,016,039	-137,228
Heritage Provider Network	488,734	478,150	10,583	444,173	435,302	8,871	43,567	41,843	1,724	956	731	225	77,688	67,888	9,800
HP of San Joaquin	120,695	84,416	36,279	114,011	79,814	34,197	6,087	5,603	484	-4,695	-1,001	-3,694	46,618	45,161	1,456
HP of San Mateo	157,182	114,274	42,908	142,438	108,415	34,023	8,128	9,267	-1,139	6,617	-3,407	10,024	151,778	84,343	67,435
Humana HP of CA	81,784	52,423	29,361	75,623	42,139	33,484	11,071	5,782	5,289	-3,782	2,833	-6,614	34,667	49,323	-14,656
Inland Empire HP	441,420	324,395	117,026	403,927	299,666	104,261	21,826	16,824	5,003	15,667	7,905	7,762	114,951	101,481	13,470
Inter Valley Health Plan	57,594	57,719	-125	51,908	52,390	-482	5,137	5,000	138	548	329	220	20,802	22,977	-2,175
Kaiser Foundation HP	14,274,699	13,523,279	751,420	12,324,206	12,101,455	222,751	806,657	657,007	149,650	1,143,836	764,817	379,019	24,097,277	15,319,135	8,778,142
Kern Family Health Care	74,997	59,544	15,453	68,518	53,607	14,911	5,151	4,179	972	-1,532	1,758	-3,290	71,061	67,955	3,106
LA Care HP	1,014,402	574,055	440,347	920,471	552,169	368,302	39,199	29,123	10,076	18,383	-7,236	25,619	190,150	122,534	67,616
MD Care	0	1,508	-1,508	-138	-2,674	2,535	2	104	-102	476	3,198	-2,722	40,725	44,744	-4,019
Medi-Excel, SA de CV	0	22	-22	0	2	-2	0	91	-91	0	-70	70	0	1,785	-1,785
Molina Healthcare of CA	279,312	188,849	90,464	243,236	163,280	79,956	28,601	17,392	11,209	4,055	4,941	-885	48,117	37,325	10,792
Monarch HP	43,911	32,843	11,068	43,426	33,236	10,190	991	615	376	-306	-604	298	8,685	8,226	459
On Lok Senior Health	28,572	28,968	-395	23,635	23,466	169	2,359	2,320	39	2,579	3,182	-603	89,622	90,240	-618
Partnership HP of CA	455,402	231,366	224,037	379,397	191,241	188,155	17,022	11,211	5,810	42,328	28,913	13,415	328,598	219,443	109,155
Premier HP	18,417	4,445	13,972	14,156	3,742	10,414	2,814	459	2,355	835	137	698	5,979	2,472	3,507
PRIMCARE Med Network	165,647	152,674	12,974	140,168	127,294	12,874	16,102	18,268	-2,166	5,591	4,198	1,393	48,419	25,903	22,516
Providence Health Ntwrk ⁴	7,295	0	7,295	7,340	0	7,340	254	0	254	-299	0	-299	2,001	0	2,001
Santa Clara Family HP	105,725	71,584	34,141	99,007	66,270	32,737	5,247	4,872	375	1,471	442	1,029	34,350	24,220	10,130
Satellite Health Plan, Inc. ⁴	941	0	941	1,211	0	1,211	758	252	505	-1,027	-252	-775	1,132	1,248	-116
Scan HP	501,142	490,060	11,082	458,727	431,650	27,077	42,950	41,100	1,850	-535	17,310	-17,845	425,630	478,677	-53,047
Scripps HP	79,744	66,189	13,556	76,637	63,321	13,317	2,971	2,716	254	-3	116	-120	14,912	8,245	6,668
Seaside Health Plan ⁴	3,095	0	3,095	2,995	0	2,995	935	0	935	-835	0	-835	2,367	0	2,367
SF Health Plan	87,210	76,388	10,822	77,864	56,143	21,722	7,919	7,089	830	1,427	13,156	-11,729	41,788	39,826	1,962
Sharp HP	97,042	82,169	14,874	85,395	74,069	11,326	9,948	6,341	3,608	1,699	1,759	-60	51,066	43,113	7,953
Simmsa Health Care	16,908	13,796	3,112	9,045	7,022	2,023	2,791	2,461	330	3,596	3,019	576	9,671	11,983	-2,312
Sutter Health Plus ⁴	5,677	0	5,677	5,201	0	5,201	4,342	0	4,342	-3,866	0	-3,866	29,887	0	29,887
UnitedHealthcare of CA	1,590,911	1,682,554	-91,643	1,367,872	1,463,296	-95,424	146,830	120,821	26,009	35,894	58,534	-22,640	262,230	341,084	-78,854
University HealthCare Adv ⁴	0	0	0	0	0	0	0	0	0	0	0	0	1,301	0	1,301
Valley HP	78,117	53,268	24,849	74,793	48,344	26,449	7,215	3,169	4,045	-3,891	1,755	-5,645	16,918	27,425	-10,507
Ventura County HP	13,689	14,622	-933	12,014	13,281	-1,267	1,666	1,371	295	9	-30	39	10,413	10,151	262
Western Health Advantage	135,939	114,813	21,126	123,548	105,844	17,704	11,881	7,645	4,236	-416	757	-1,173	19,966	19,574	392

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