

## California Health Plans Maintain Profits Through First Six Months of 2013

*However, Most Report Lower Profits Than the Same Period in 2012*

**By David Peel**  
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California health plans recently filed financial reports for the first six months of 2013 and a significant majority were profitable. Of the fifty plans that filed reports to the California Department of Managed Health Care (DMHC), forty-three reported net income and only seven reported a net loss. This compares favorably to the thirty-five that reported net income and fifteen that reported a loss during the first six months of 2012. However, twenty-six of the fifty plans reported lower profits or a greater loss than the

same period in 2012.

Tangible Net Equity (TNE) for the plans was generally greater at the end of the second quarter 2013 than the end of the second 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-nine of the fifty plans at the end of the second quarter 2013 compared to the end of the second quarter 2012.

Our report on pages three and four shows Revenues, Medical Costs, Administrative Expenses, Net Income and TNE for fifty health plans that reported data to the DMHC for the first six months of 2013 and the first six 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 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 \$195.6 million during the first six months of 2012 to \$373.1 million during the first six months of 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 by acquiring assets to increase our business operations. In 2013 we had pharmacy revenue of \$302 million compared to the previous year total of \$129 million. The pharmacy expense for the same period was \$255 million compared to the previous year of \$88 million. Offsetting this growth was significant 2013 cuts in Medicare and Medicaid programs.”

#### *Blue Shield of CA*

Financial results for the two six month periods were similar although administrative costs were 5.5% higher in 2013. Sean Barry of Blue Shield of CA said most of the increase in administrative costs was labor and IT related.

#### *CalViva*

CalViva experienced significant growth during the first six months of 2013 compared to the same 2012 period. All financial categories were favorable except for a \$748 thousand reduction in net income. CFO Bill Gregor said, “Major changes from 2012 to 2013 are due to enrollment growth during the period. Also 2013 reflects reversal of AB97 cuts previously provided for which were reversed in 2013.”

#### *Chinese Community Health Plan*

All financial results for the first six months of 2013 showed

improvement over the first six months of 2012. However, administrative expenses increased from \$7.45 million to \$8.32 million.

CFO Amy Tsui said, “Administrative expense increased by 11.6%. This year we are working with our parent company Chinese Hospital and health education partner Chinese Community Health Resource Center creating health and quality improvement and education programs for our members. CCHP continues to build a strong financial position and is prepared to participate in the Health Exchange - Covered CA.”

#### *Citizen’s Choice Health Plan*

All financial results for the first six months of 2013 showed improvement over the same period in 2012 except for an unfavorable change in net income. Dora Pinones of Citizen’s Choice said, “Membership and full risk members increased substantially over 2012, an additional 2,000 members in 2013. Medical costs for the increased membership had a higher per capita cost in 2013. Administrative expenses increased due to an increase in legal costs and the relative actuarial cost associated with a service area expansion.”

#### *Contra Costa Health Plan*

Revenues increased from \$172.7 million during the first six months

of 2012 to \$241.4 million during the first six months of 2013. Vicky Balladares, Community & Media Relations Specialist said, “Revenues increased over the prior period due to increases in Medi-Cal enrollment and capitation rates. Expenses increased in near proportion to the revenue increase.”

#### *Health Plan of San Joaquin*

All financial results for the first six months of 2013 showed improvement over the same 2012 period. CFO David Hurst said, “The favorable results stemmed from our entry in the Medi-Cal market in Stanislaus in January of this year.”

#### **Concluding Comments**

Our next report will focus on the nine months ending September 30, 2013 compared to the nine months ending September 30, 2012.

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# California Health Plan Financial Results (Unaudited) - Page 1 of 2<sup>1</sup>

## For the Six Months Ended 06/30/13 compared to the Six Months Ended 06/30/12

Full Service Medical Plans Only - Sorted Alphabetically by Health Plan Name - 000's Omitted<sup>2</sup>  
[cahcnws.com](http://cahcnws.com)

Health Plan Name	Revenues			Medical Costs			Administrative Expenses			Net Income			Tangible Net Equity <sup>3</sup>		
	06/13	06/12	Change	06/13	06/12	Change	06/13	06/12	Change	06/13	06/12	Change	06/13	06/12	Change
Aetna Health of CA	950,089	966,579	-16,490	804,606	809,596	-4,991	107,176	95,648	11,528	27,091	41,146	-14,055	158,283	186,003	-27,720
Aids Healthcare Foundation	373,115	195,566	177,549	320,352	138,906	181,446	40,268	33,146	7,121	12,495	23,513	-11,018	116,298	117,733	-1,435
Alameda Alliance for Health	240,890	198,396	42,494	224,365	192,750	31,615	21,895	11,964	9,931	-5,371	-6,318	948	15,024	20,449	-5,426
Arcadian HP	114,831	205,238	-90,407	100,954	164,378	-63,424	10,314	39,143	-28,829	4,412	2,391	2,021	86,378	55,953	30,424
Blue Cross of CA	5,760,329	5,664,046	96,283	4,787,766	4,787,766	-22,632	516,845	511,930	4,915	284,207	218,472	65,735	1,250,096	1,206,306	43,790
Blue Shield of CA	4,325,816	4,330,534	-4,718	3,543,971	3,534,655	9,316	514,749	487,709	27,040	201,448	219,481	-18,033	3,819,830	3,608,851	210,979
Brand New Day HMO	24,883	19,237	5,646	23,114	18,475	4,639	3,563	1,931	1,632	-1,551	-2,300	750	4,984	-1,624	6,608
CalOptima	1,056,399	745,328	311,071	974,277	686,766	287,511	47,038	37,146	9,891	44,341	6,055	38,286	206,700	155,975	50,725
CalViva	258,033	191,796	66,237	228,579	170,643	57,936	15,170	13,572	1,598	2,079	2,827	-748	12,950	8,316	4,633
Care 1st HP	441,495	368,534	72,961	397,104	323,469	73,635	40,028	33,980	6,048	1,534	3,559	-2,025	105,641	110,417	-4,775
CareMore HP	426,201	404,470	21,731	329,606	305,563	24,043	55,965	40,299	15,666	24,318	34,709	-10,391	97,993	78,529	19,464
GenCal Health	186,079	165,037	21,043	155,849	154,648	1,201	7,994	8,059	-66	13,914	-1,465	15,379	35,042	21,622	13,420
Gen CA Alliance for Health	288,784	302,971	-14,188	265,372	277,799	-12,427	16,502	16,258	244	7,429	8,614	-1,185	193,024	168,504	24,520
Central HP of CA	59,470	56,511	2,959	51,330	50,456	874	7,522	5,911	1,611	354	82	271	7,937	4,294	3,643
Chinese Community HP	61,882	59,082	2,799	50,120	49,044	1,075	8,317	7,450	867	1,969	1,480	489	24,696	20,018	4,679
Choice Physicians Network	22,702	19,295	3,407	21,424	18,322	3,102	685	625	60	583	205	378	3,065	2,606	459
Choice Healthcare of CA	47,455	467,233	-419,777	442,475	454,153	-11,678	19,048	20,681	-1,634	12,636	-4,872	17,509	66,723	44,196	22,527
Citizen's Choice HP	82,356	73,470	8,885	72,677	62,983	9,693	9,209	7,291	1,919	469	3,142	-2,672	6,448	8,101	-1,653
Community Health Group	166,568	145,851	20,717	170,922	140,334	30,588	8,390	7,630	759	-12,744	-2,113	-10,631	37,380	50,470	-13,091
Contra Costa Health Plan	241,473	172,724	68,748	234,032	166,279	67,753	6,069	4,592	1,478	1,371	1,854	-483	13,929	12,040	1,889
Easy Choice Health Plan	283,025	167,369	115,657	262,373	147,814	114,558	28,565	19,215	9,350	-4,837	304	-5,141	18,185	9,651	8,535
EPIC Health Plan	19,260	9,594	9,666	18,439	9,707	8,733	326	98	228	481	-211	692	3,385	2,693	692
GEMCare Health Plan	70,577	66,038	4,539	62,265	60,080	2,184	6,579	6,013	566	1,024	-36	1,060	6,862	5,217	1,645
Health Net Comm Solution <sup>4</sup>	1,118,926	5,120,198	-4,001,272	895,496	4,479,661	-3,584,164	150,679	509,224	-358,545	43,144	80,747	-37,603	170,713	1,187,104	-1,016,391
Health Net of CA <sup>4</sup>	3,649,473	5,120,198	-1,470,725	3,187,355	4,479,661	-1,292,306	400,628	509,224	-108,596	41,539	80,747	-39,208	949,468	1,187,104	-237,636
Heritage Provider Network	946,566	850,925	95,641	865,620	779,227	86,393	79,142	69,319	9,823	1,338	1,406	-68	70,626	58,862	11,764

**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 six months of 2013. The first six months of 2012 report shows them consolidated.

# California Health Plan Financial Results (Unaudited) - Page 2 of 2<sup>1</sup>

## For the Six Months Ended 06/30/13 compared to the Six Months Ended 06/30/12

Full Service Medical Plans Only - Sorted Alphabetically by Health Plan Name - 000's Omitted<sup>2</sup>

[cahcnws.com](http://cahcnws.com)

Health Plan Name	Revenues			Medical Costs			Administrative Expenses			Net Income			Tangible Net Equity <sup>3</sup>		
	06/13	06/12	Change	06/13	06/12	Change	06/13	06/12	Change	06/13	06/12	Change	06/13	06/12	Change
HP of San Joaquin	192,025	111,505	80,520	168,358	102,728	65,630	10,898	8,652	2,247	7,222	7,222	-2,350	53,385	50,374	3,011
HP of San Mateo	223,389	230,907	-7,519	205,878	216,586	-10,708	11,336	17,353	-6,017	6,175	6,175	-3,032	93,925	72,774	21,151
Humana HP of CA	103,189	62,493	40,696	89,066	57,851	31,215	10,889	9,702	1,188	1,863	1,863	-3,747	47,528	13,769	33,759
Inland Empire HP	679,669	531,087	148,582	620,390	485,629	134,761	34,403	27,243	7,159	24,877	24,877	6,862	118,454	107,660	10,794
Inter Valley Health Plan	114,642	104,868	9,774	104,567	93,927	10,640	9,803	9,042	761	272	272	1,899	22,842	22,141	701
Kaiser Foundation HP	27,103,510	25,704,762	1,398,728	24,330,759	23,352,269	978,490	1,251,491	1,068,282	183,209	1,521,260	1,521,260	1,284,231	15,695,607	14,472,748	1,222,859
Kern Family Health Care	176,479	113,271	63,208	151,873	105,384	46,489	8,606	31,716	-23,110	13,769	13,769	-26,370	80,529	71,027	9,502
LA Care HP	1,268,551	995,606	272,945	1,184,802	949,334	235,468	62,689	42,755	19,933	19,675	19,675	-18,606	149,445	130,613	18,833
MD Care	1,052	64,874	-63,822	-2,454	67,497	-69,951	20	9,653	-9,633	3,238	3,238	-8,128	44,103	28,207	15,896
Molina Healthcare of CA	371,300	324,427	46,873	337,939	295,818	42,121	36,546	27,928	8,618	8,618	-2,235	459	35,735	35,100	635
Monarch HP	64,536	58,019	6,517	64,675	55,339	9,335	1,447	1,280	167	840	840	-1,791	7,878	7,391	488
On Lok Senior Health	51,785	52,479	-694	46,391	44,088	2,303	4,396	4,085	311	998	998	4,306	88,017	82,268	5,750
Partnership HP of CA	484,057	454,488	29,569	412,187	392,006	20,181	24,278	20,863	3,415	47,591	47,591	31,575	238,121	174,109	64,012
Premier HP	8,597	8,635	-38	8,176	6,627	1,549	817	1,322	-505	388	-229	388	2,106	2,095	11
PRIMCARE Medi Network	306,405	270,202	36,203	251,384	221,096	30,288	36,990	35,366	1,624	10,655	10,655	8,097	31,995	20,886	11,109
Santa Clara Family HP	156,176	144,984	11,192	141,786	119,393	22,393	9,580	25,803	-16,223	4,810	4,810	-212	28,588	26,590	1,998
Scan HP	958,273	887,669	70,604	858,022	774,972	83,050	80,471	58,358	22,113	19,780	19,780	54,339	481,591	489,685	-8,094
Scripps HP	130,908	120,833	10,075	125,118	114,977	10,142	5,603	5,658	-55	31	31	99	9,160	7,953	1,207
SF Health Plan	141,852	111,580	30,272	114,439	100,307	14,131	15,713	13,556	2,156	11,701	11,701	-2,284	38,371	25,692	12,678
Sharp HP	163,366	143,455	19,911	149,627	130,320	19,307	12,516	10,900	1,616	1,223	1,223	2,235	42,577	38,944	3,634
UnitedHealthcare of CA	3,329,073	3,273,653	55,420	2,884,252	2,764,509	119,743	232,003	209,373	22,630	126,260	126,260	177,877	243,913	433,113	-189,200
Valley HP	108,643	96,981	11,662	98,634	84,138	14,495	6,988	6,023	965	3,021	3,021	6,819	15,192	21,533	-6,342
Ventura County HP	29,201	28,159	1,042	26,201	25,127	1,074	2,958	1,921	1,037	42	42	1,111	10,223	9,250	973
Western Health Advantage	231,050	207,206	23,844	212,998	190,955	22,043	16,609	14,620	1,988	676	676	806	19,395	18,456	939

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