Agenda Item 8

Financial Summary of Medi-Cal Managed Care Plans

Quarter Ending December 31, 2020

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I. Overview

Medi-Cal, California's Medicaid program, provides high quality, accessible, and cost-effective health care through managed care delivery systems. There are two main Medi-Cal systems administered by the Department of Health Care Services (DHCS) for the delivery of medical services to Medi-Cal beneficiaries: fee-for-service Medi-Cal and Medi-Cal managed care (MCMC). Over two-thirds of Medi-Cal beneficiaries are enrolled in a MCMC plan. Approximately 11 million Medi-Cal beneficiaries in all 58 California counties receive their health care through six models of managed care: Two-Plan Model, County Organized Health Systems (COHS), Geographic Managed Care (GMC), Imperial Model, San Benito Model, and Regional Model.

Locally-sponsored plans, known as Local Initiatives (LIs), participate as MCMC plans under the Two-Plan Model, while COHS plans serve Medi-Cal enrollees under the COHS Model.[1] Both LI and COHS plans are local agencies established by county boards of supervisors to contract with the Medi-Cal program. Approximately 5.4 million and 2.1 million Medi-Cal beneficiaries are enrolled in LI and COHS plans, respectively.

In the two GMC counties, Sacramento and San Diego, DHCS contracts with several commercial plans to serve approximately 1.2 million Medi-Cal beneficiaries. There are about 407,000 Medi-Cal beneficiaries served under the Imperial, San Benito, and Regional Models combined. Medi-Cal providers who wish to provide services to the MCMC enrollees must participate in the managed care plan's provider network.

In addition to the MCMC plans, Non-Governmental Medi-Cal (NGM) plans serve 3.3 million Medi-Cal enrollees. NGM plans are plans that report greater than 50% Medi-Cal enrollment but are neither a LI nor a COHS. Because LI, COHS, and NGM plans serve primarily Medi-Cal enrollees, Medi-Cal enrollment increases and the rates provided by DHCS are driving factors for the financial performance of these plans.

This report includes enrollment and financial information reported by LI, COHS, and NGM plans as of the quarter ending December 31, 2020. This report also includes Medi-Cal enrollment information for Blue Cross of California (Anthem Blue Cross) and Kaiser Foundation Health Plan Inc. (Kaiser Permanente) for comparison purposes. However, because Anthem Blue Cross and Kaiser Permanente's Medi-Cal enrollment was less than 50% of each plan's total enrollment, neither plan meets the definition of a NGM Plan. Furthermore, the financial information the Department of Managed Health Care (DMHC)

[1] Counties with the Two-Plan Model offer both a LI and a commercial Medi-Cal managed care plan. In counties using the COHS model, the COHS is the only Medi-Cal managed care plan available.

receives from Anthem Blue Cross and Kaiser Permanente is for their entire book of business, rather than by line of business. Therefore, financial information specific to their Medi-Cal lines of business is not available to the DMHC.

II. Summary of Findings

Key findings from this report include:

- Enrollment in Medi-Cal plans decreased from December 2017 through December 2019. However, all Medi-Cal plans reported an increase in enrollment for the quarter ending December 2020.
- The Medi-Cal Managed Care (MCMC) plans reported a slight decrease in their medical expenses in the second quarter of 2020 compared to the first quarter of 2020 because of the decrease in utilization of services due to the COVID-19 pandemic. In the second half of 2020, all MCMC plans reported slight increases in their medical expenses due to an increase in members' utilization of services and enrollment.
- Per Member Per Month (PMPM) premium revenue exceeded PMPM medical expenses for a majority of the LI, COHS, and NGM plans for the period ending December 31, 2020.
- Most Medi-Cal plans reported net losses for the period ending December 31, 2020 compared to December 31, 2019 and the previous quarters. The net losses caused a decline in the tangible net equity (TNE) reserves for the majority of the Medi-Cal plans.
- Both LI and COHS plans continue to report healthy TNE reserves. In comparison to NGM plans, LI and COHS plans generally maintain higher reserves to cover any needed capital expenditures or future economic downturns.
- NGM plans generally reported higher net income and lower TNE reserves than both LI and COHS plans. Several NGM plans pay dividends to their parent companies and/or shareholders thereby reducing reserve levels.
- One NGM plan, Molina, reported noncompliance with the TNE requirement at December 31, 2020. However, Molina cured the TNE deficiency in January 2021 through a cash infusion from its parent company.

III. Local Initiative Health Plans (LI)

A. Highlights

- At present, 14 counties participate in the Two-Plan Model of Medi-Cal managed care. In 13 of these counties, DHCS contracts with both a commercial plan and a LI plan. In Tulare County, DHCS contracts with two commercial plans: Anthem Blue Cross and Health Net of California, Inc. (Health Net). The LIs must be licensed under the Knox-Keene Health Care Service Plan Act of 1975 (Knox-Keene Act), as codified in Health and Safety Code section 1340 et seq., for their Medi-Cal lines of business.

- Beneficiaries in the Two-Plan Model may choose which of the two plans to enroll in. Beneficiaries who do not make a selection are automatically assigned to a plan. DHCS uses an algorithm based on quality scores and use of safety net providers to make the assignments. Overall, there are nearly three times as many Medi-Cal beneficiaries enrolled in LI plans than in commercial plans in Two-Plan Model counties.[2]

- The LIs and the counties in which they provide services are as follows:
  - Alameda Alliance For Health (Alameda Alliance) - Alameda
  - Contra Costa County Medical Services (Contra Costa Health Plan) - Contra Costa
  - Fresno-Kings-Madera Regional Health Authority (CalViva Health) - Fresno, Kings, and Madera
  - Inland Empire Health Plan (IEHP) - Riverside and San Bernardino
  - Kern Health Systems - Kern
  - Local Initiative Health Authority for L.A. County (L.A. Care Health Plan) - Los Angeles
  - San Francisco Community Health Authority (San Francisco Health Plan) - San Francisco
  - San Joaquin County Health Commission (The Health Plan of San Joaquin) - San Joaquin and Stanislaus
  - Santa Clara County Health Authority (Santa Clara Family Health Plan) - Santa Clara

[2] https://www.chcf.org/wp-content/uploads/2017/12/PDF-MonitoringPerformanceLocalVersusCommericalMediCalPlans.pdf

- LI plans reported combined enrollment of almost 5.6 million individuals as of December 2020. Approximately 5.4 million (97%) of the total LI enrollment were Medi-Cal beneficiaries. The remaining 3% of non-Medi-Cal LI enrollment includes other lines of business such as commercial (Individual and Large Group), Medicare Advantage, and In-Home Supportive Services (IHSS).
- Total LI plan enrollment increased by 9.2% from December 2019 to December 2020.
- Almost all LI plans' PMPM premium revenue outpaced PMPM medical expenses for December 2020.
- LI plans reported net loss of $41 million in December 2020 compared to net income of $75 million reported in December 2019, and net loss of $29 million for the quarter ending September 30, 2020.
- LIs reported TNE that ranged from 554% to 795% of required TNE.
- LIs reported negative $752 million in cash flow from operations in December 2020. This is a significant change from December 2019 when LIs reported a negative cash flow from operations of $617 million. The variation in cash flow from operations is attributed to the timing of Medi-Cal premium revenue paid by DHCS and the Medi-Cal rate adjustments.

B. Enrollment Trends - LI

LI plans serve nearly 5.6 million enrollees in 13 counties in California. Total enrollment increased by 9.2% since December 2019 with all LIs reporting an increase in enrollment. The table below lists total enrollment and the percentage of total enrollment accounted for by Medi-Cal lives for LI plans. The table also shows the increase in enrollment from December 2019 to December 2020.

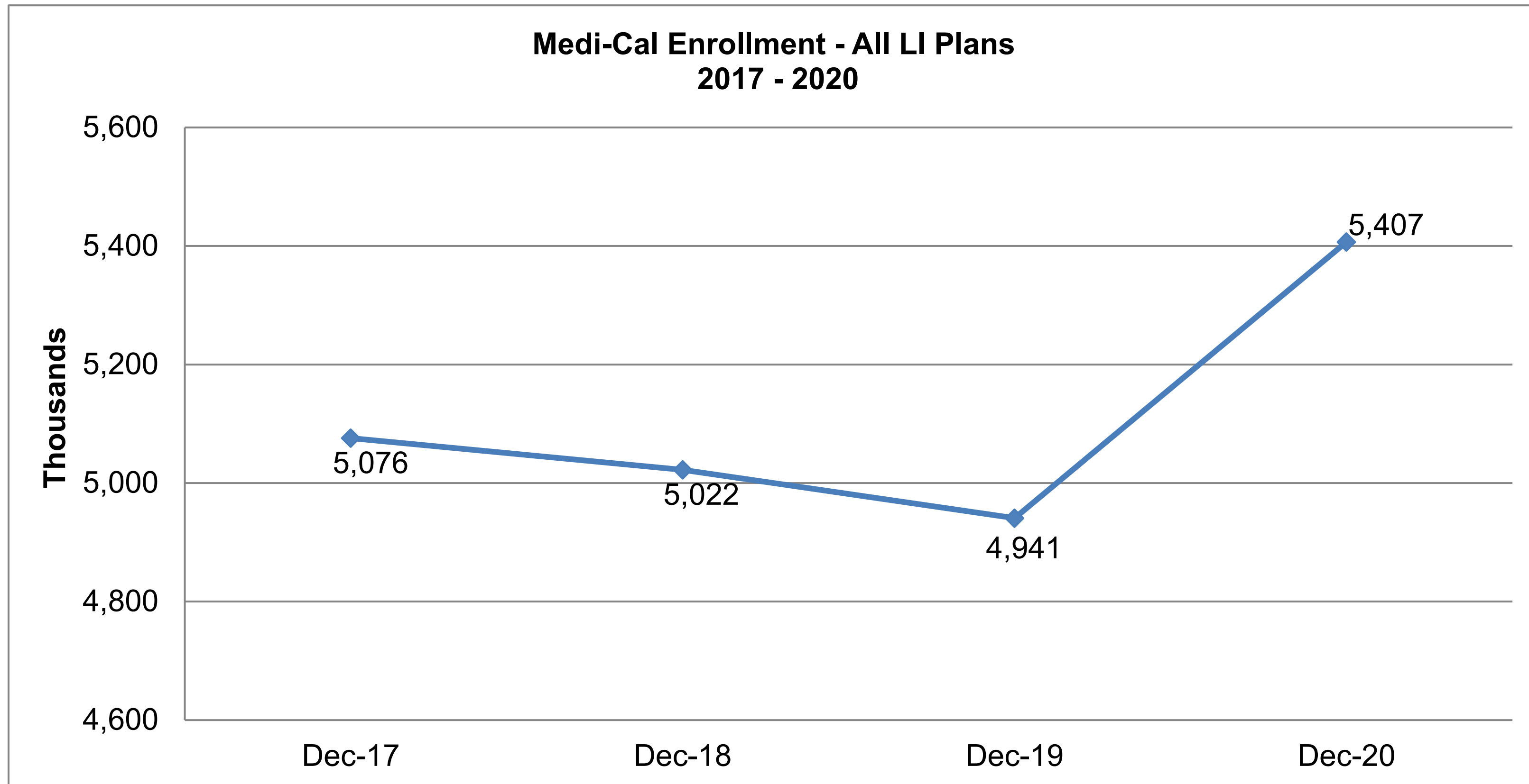
Table 1
Enrollment in Local Initiatives
December 2019 – December 2020

Local Initiative	Total Medi-Cal Enrollment December 2020	Percentage of Medi-Cal Enrollment December 2020	Total Enrollment December 2020[3]	Total Enrollment December 2019	Enrollment Change from December 2019 to December 2020	Percentage Enrollment Change from December 2019 to December 2020
Alameda Alliance	269,770	98%	275,726	250,191	25,535	10.2%
CalViva Health	374,982	100%	374,982	351,063	23,919	6.8%
Contra Costa Health Plan	194,255	96%	202,020	180,181	21,839	12.1%
IEHP	1,326,955	100%	1,326,955	1,214,113	112,842	9.3%
Kern Health Systems	277,452	100%	277,452	250,459	26,993	10.8%
L.A. Care Health Plan	2,189,176	95%	2,316,497	2,133,525	182,972	8.6%
San Francisco Health Plan	139,004	92%	150,634	134,819	15,815	11.7%
Santa Clara Family Health Plan	271,107	100%	271,107	242,425	28,682	11.8%
The Health Plan of San Joaquin	364,077	100%	364,077	334,929	29,148	8.7%
Total	**5,406,778**	**97%**	**5,559,450**	**5,091,705**	**467,745**	**9.2%**

[3] The total enrollment includes commercial (Individual and Large Group), Medicare Advantage, Medi-Cal Risk, and IHSS.

Chart 1 illustrates the MCMC enrollment trend in LIs over the last four years by comparing December year-over-year data.

Chart 1



Medi-Cal enrollment in LIs increased from December 2019 to December 2020. L.A. Care Health Plan, the largest LI plan with 2.3 million enrollees, had an 8.6% increase in enrollment over the last year. Overall, the LI plans enrollment increased by almost 500,000 from December 2019 to December 2020.

Table 2 shows Medi-Cal Enrollment for LI plans over the past four years.

Table 2
Medi-Cal Enrollment by LI Plan

Local Initiative	QE Dec-17	QE Dec-18	QE Dec-19	QE Dec-20
Alameda Alliance	264,688	259,342	244,095	269,770
CalViva Health	360,546	355,728	351,063	374,982
Contra Costa Health Plan	184,277	179,185	171,805	194,255
IEHP	1,222,956	1,219,009	1,214,113	1,326,955
Kern Health Systems	241,567	244,683	250,459	277,452
L.A. Care Health Plan	2,061,054	2,051,959	2,008,825	2,189,176
San Francisco Health Plan	132,825	127,248	123,116	139,004
Santa Clara Family Health Plan	258,106	242,695	242,423	271,107
The Health Plan of San Joaquin	349,823	342,521	334,929	364,077
Total Medi-Cal Enrollment	**5,075,842**	**5,022,370**	**4,940,828**	**5,406,778**

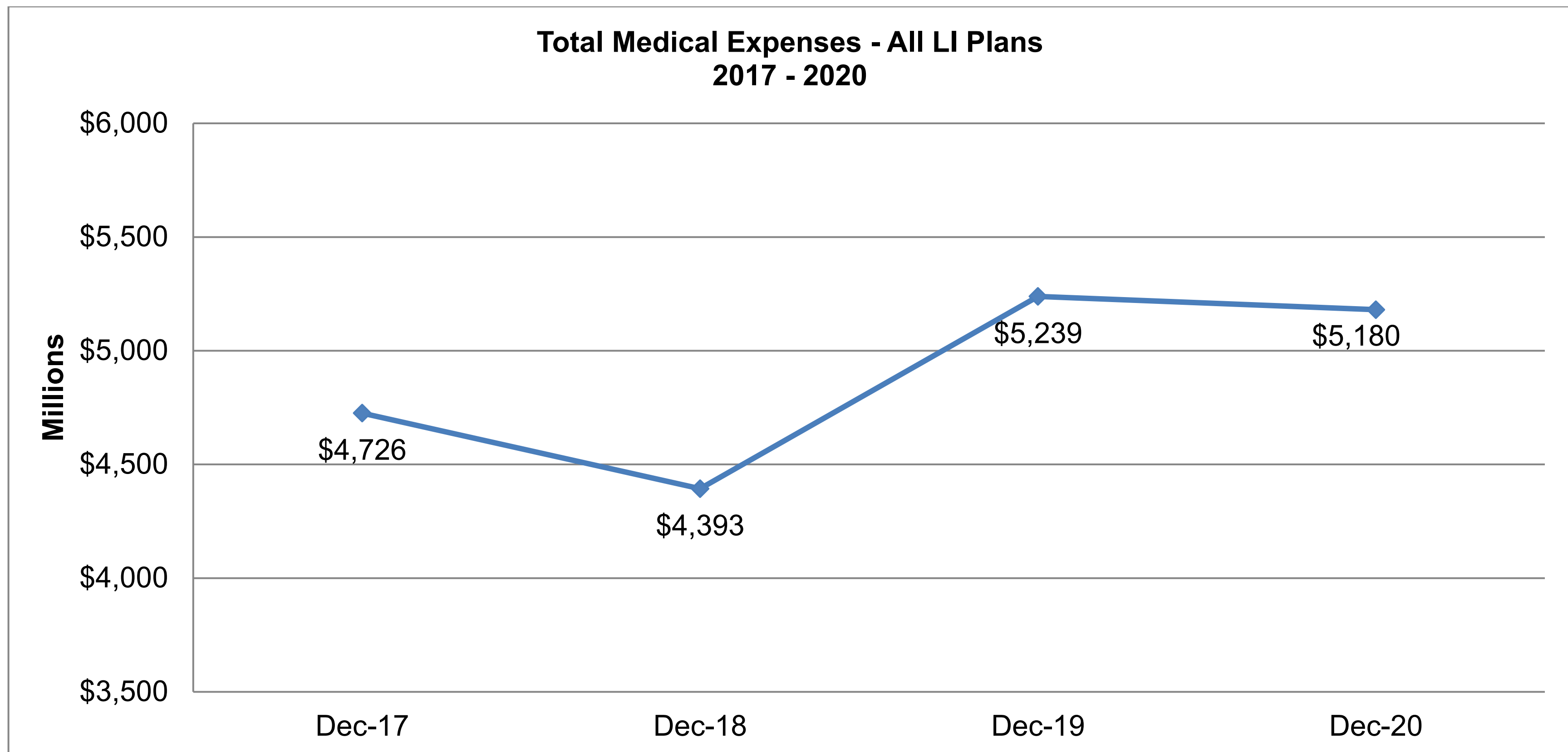
After experiencing consistent decreases in enrollment from December 2017 to December 2019, all LI plans reported an increase in Medi-Cal enrollment at December 2020 compared to December 2019.

Financial Trends - LI

Medical Expenses

Chart 2 illustrates total medical expenses for the LIs compared to the same quarter over the last four years. There was a slight decrease in total medical expenses for the quarter ending (QE) December 2020 despite an increase in enrollment of 9.2%. The decrease in medical expenses is attributed to the decrease in utilization of services due to the COVID-19 pandemic.

Chart 2



Per Member Per Month Premium Revenue and Medical Expenses - LI

Table 3 shows the PMPM premium revenue and medical expenses of LIs for the quarters ending in December for the past four years, as well as the difference in PMPM premium revenue and medical expenses for December 2020. Santa Clara Family Health Plan reported the highest PMPM premium revenue and PMPM medical expenses. The majority of LIs reported positive net premium revenue for the quarter ending in December 2020.

Table 3
Per Member Per Month Premium Revenue and Medical Expenses - LI
2017 – 2020

Local Initiative	Dec-17 PMPM Premium Revenue	Dec-17 PMPM Medical Expense	Dec-18 PMPM Premium Revenue	Dec-18 PMPM Medical Expense	Dec-19 PMPM Premium Revenue	Dec-19 PMPM Medical Expense	Dec-20 PMPM Premium Revenue	Dec-20 PMPM Medical Expense	Dec-20 PMPM Net Revenue[4]
Alameda Alliance	$271	$254	$283	$264	$322	$297	$314	$312	$2
CalViva Health	$247	$235	$247	$235	$241	$230	$261	$247	$14
Contra Costa Health Plan	$294	$284	$304	$295	$310	$304	$319	$304	$15
IEHP	$325	$297	$328	$312	$345	$322	$335	$332	$3
Kern Health Systems	$232	$222	$248	$231	$224	$198	$250	$229	$21
L.A. Care Health Plan	$340	$324	$291	$268	$326	$306	$316	$303	$13
San Francisco Health Plan	$318	$289	$335	$301	$343	$321	$330	$312	$18
Santa Clara Family Health Plan	$318	$293	$338	$310	$359	$343	$373	$352	$21
The Health Plan of San Joaquin	$244	$238	$261	$252	$290	$281	$274	$267	$7

[4] Difference between December 2020 PMPM Premium Revenue and PMPM Medical Expense.

PMPM premium revenue is calculated by dividing the premium revenue by cumulative member months. PMPM medical expense is calculated by dividing the total medical expenses by cumulative member months. Fluctuations in PMPM premium revenue and medical expenses can be due to a number of factors including utilization of medical services by enrollees and premium rate adjustments. The difference between PMPM premium revenue and medical expenses does not equate to net income. There are other non-medical expenses health plans have to pay such as administrative expenses and taxes that impact net income.

Net Income - LI

Table 4 shows the net income for LI plans over the past six quarters. For the QE December 2020, two of the nine LI plans, Contra Costa Health Plan and Kern Health Systems, reported positive net income. Net income or loss is directly related to premium revenue and medical expenses.

Table 4
LI Net Income by Quarter (in thousands)

Local Initiative	QE Sep-19	QE Dec-19	QE Mar-20	QE Jun-20	QE Sep-20	QE Dec-20
Alameda Alliance	$6,062	$8,887	$3,729	$6,735	($8,022)	($10,665)
CalViva Health	$2,927	$2,369	$31,778	$2,049	($277)	($15)
Contra Costa Health Plan	$751	($1,500)	($374)	$8,457	$3,156	$3,108
IEHP	$29,806	$34,042	$12,460	$32,637	$3,658	($14,724)
Kern Health Systems	$4,225	$6,484	$1,277	$5,699	$3,076	$3,169
L.A. Care Health Plan	($6,735)	$29,158	$16,610	($64,328)	($55,659)	($14,239)
San Francisco Health Plan	$3,118	($430)	($4,339)	$8,792	($2,127)	($682)
Santa Clara Family Health Plan	$2,596	($1,499)	$3,565	$2,416	$5,390	($621)
The Health Plan of San Joaquin	($5,528)	($2,426)	($3,818)	($101)	$21,911	($6,213)
Total LI Net Income	**$37,223**	**$75,084**	**$60,887**	**($15,229)**	**($28,894)**	**($40,883)**

Tangible Net Equity - LI

Plans must meet the TNE reserve requirement described in California Code of Regulations, title 28, section 1300.76. TNE is defined as a health plan's total assets minus total liabilities reduced by the value of intangible assets (i.e., goodwill,[5] organizational or start-up costs, etc.) and unsecured obligations of officers, directors, owners, or affiliates outside the normal course of business. Any debt that is properly subordinated[6] may be added to the TNE calculation, which serves to increase the plan's TNE. All LIs had TNE that exceeded the regulatory requirements.

Table 5
Percentage TNE – All LI Plans

Local Initiative	QE Dec-19	QE Mar-20	QE Jun-20	QE Sep-20	QE Dec-20
Alameda Alliance	595%	607%	645%	605%	554%
CalViva Health	576%	734%	746%	711%	679%
Contra Costa Health Plan	505%	486%	555%	564%	579%
IEHP	538%	520%	589%	600%	607%
Kern Health Systems	464%	442%	439%	455%	587%
L.A. Care Health Plan	816%	805%	722%	661%	597%
San Francisco Health Plan	831%	737%	612%	616%	612%
Santa Clara Family Health Plan	633%	636%	644%	639%	625%
The Health Plan of San Joaquin	781%	760%	749%	810%	795%

[5] "Goodwill" is an intangible asset that arises as a result of the acquisition of one company by another for a premium value.
[6] "Subordinated debt" is a loan that ranks below other loans with regard to claims on assets or earnings. In the case of default, creditors with subordinated debt are not paid until after the other creditors are paid in full.

The Department's minimum requirement for TNE reserves is 100% of required TNE. If a health plan's TNE falls below 130%, then the health plan must file monthly financial statements with the Department. If a health plan reports a TNE deficiency (TNE below 100%), then the Department may take enforcement action against the plan.

The average TNE for LI plans overall was stable in 2019, and the trend continued in 2020. For December 2020, the reported TNE ranged from 554% to 795% of required TNE.

Cash Flow from Operations

Cash flow from operations measures the amount of cash generated by a plan's normal business operations. This is important, because it indicates whether a company is able to generate sufficient positive cash flow to maintain and grow operations.

All LI plans reported negative cash flow from operations in December 2020. The cash flow from operations totaled negative $752 million in December 2020 compared to negative $617 million in December 2019. The variation in cash flow from operations is attributed to the timing of Medi-Cal premium revenue paid by DHCS and Medi-Cal rate adjustments.

Claims

Pursuant to the Knox-Keene Act, full service health plans are required to process 95 percent of their claims within 45 working days. A health plan is required to submit to the Department, on a quarterly basis, a claims settlement practice report if the plan fails to process 95 percent of its claims timely and/or the plan identifies any emerging patterns of claims payment deficiencies. For QE December 31, 2020, Contra Costa Health Plan failed to process 95 percent of their claims within 45 working days and submitted corrective action plans outlining measures they are taking to comply with the regulations.

IV. County Organized Health Systems (COHS)

A. Highlights

- Six COHS plans currently serve 22 counties. COHS plans and the counties in which they provide services are:
    - Orange County Health Authority (CalOptima) - Orange
    - Partnership HealthPlan of California (Partnership HealthPlan) - Del Norte, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Shasta, Siskiyou, Solano, Sonoma, Trinity, and Yolo
    - Santa Barbara Regional Health Authority (CenCal Health) - Santa Barbara and San Luis Obispo
    - Santa Cruz-Monterey-Merced Managed Medical Care Commission (Central California Alliance for Health) - Merced, Monterey, and Santa Cruz
    - San Mateo Health Commission (Health Plan of San Mateo) - San Mateo
    - Gold Coast Health Plan (Gold Coast) - Ventura
- Medi-Cal beneficiaries in COHS counties have only one Medi-Cal plan option.
- While California law exempts COHS plans from Knox-Keene licensure for Medi-Cal, COHS plans must have a Knox-Keene license for other lines of business.
    - Health Plan of San Mateo has voluntarily included its Medi-Cal enrollment under its Knox-Keene license.
    - CalOptima, CenCal Health, and Partnership HealthPlan have Knox-Keene licenses for other lines of business such as Medicare Advantage, IHSS, Healthy Kids, and Program of All Inclusive Care for the Elderly (PACE).
    - Central California Alliance for Health has filed an application to include its Medi-Cal business under its Knox-Keene license.
    - Gold Coast has only a Medi-Cal line of business and no Knox-Keene license. Therefore, this report does not include information for Gold Coast.

- Enrolled beneficiaries either choose their health care provider or are assigned one from among COHS plan contracted providers.
- COHS plans reported combined enrollment of 2.1 million individuals as of December 2020, an increase of 9.8% from December 2019.
- All COHS plans' PMPM premium revenue outpaced medical expenses for December 2020.
- COHS plans reported a combined net loss of $1.2 million in December 2020, compared to a net loss of $29 million for QE September 30, 2020.
- COHS plans reported TNE ranging from 555% to 1008% of required TNE.
- COHS plans reported negative $228 million in cash flow from operations in December 2020. This is a significant change from September 2020 when COHS plans reported positive cash flow from operations of $373 million. The variation in cash flow from operations is attributed to the timing of Medi-Cal premium payments by DHCS and Medi-Cal rate adjustments.

B. Enrollment Trends - COHS

COHS plans reported enrollment of nearly 2.07 million, an increase of 9.8% compared to December 2019. All COHS plans experienced enrollment growth from December 2019 to December 2020. CalOptima and Partnership HealthPlan reported the highest enrollment numbers.

Table 6
Enrollment in County Organized Health Systems
December 2019 – December 2020

COHS	Total Medi-Cal Enrollment December 2020	Percentage of Medi-Cal Enrollment December 2020	Total Enrollment December 2020[7]	Total Enrollment December 2019	Enrollment Change from December 2019 to December 2020	Percentage Enrollment Change from December 2019 to December 2020
CalOptima	806,287	99.8%	808,290	738,535	69,755	9.4%
CenCal Health	193,624	100%	193,624	174,918	18,706	10.7%
Central California Alliance for Health	364,448	99.9%	364,988	333,892	31,096	9.3%
Health Plan of San Mateo	121,811	99%	122,943	109,039	13,904	12.8%
Partnership HealthPlan	583,912	100%	583,912	533,109	50,803	9.5%
Total	**2,070,082**	**99.8%**	**2,073,757**	**1,889,493**	**184,264**	**9.8%**

[7] The total enrollment includes Medicare Advantage, Medi-Cal Risk, IHSS, Healthy Kids, and PACE.

Chart 3 illustrates the Medi-Cal managed care enrollment trend in COHS plans. Similar to LI plans, COHS plans reported a decline in enrollment from December 2017 through December 2019. However, Medi-Cal enrollment in COHS plans increased in December 2020 compared to previous periods.

Chart 3

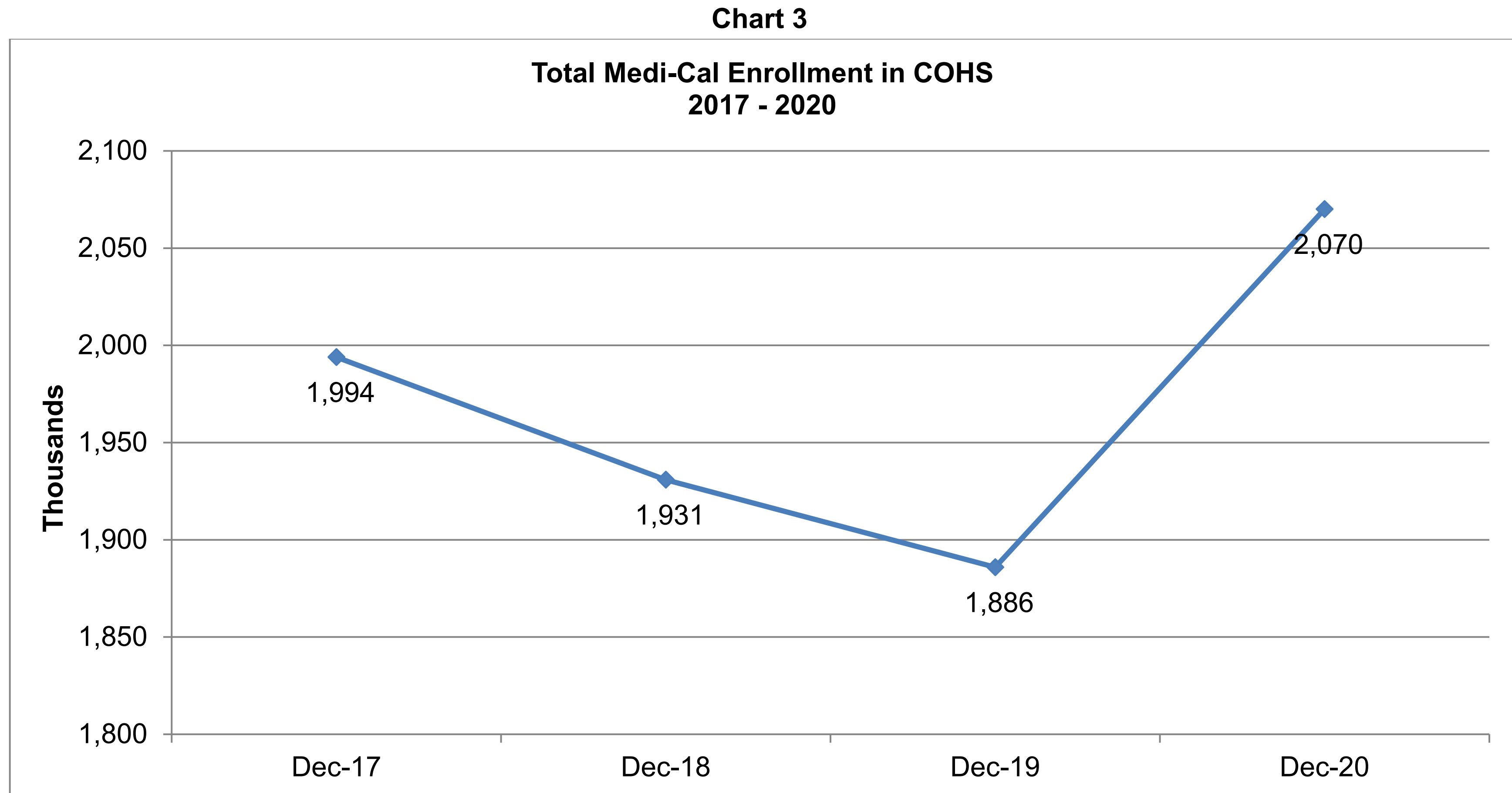


Table 7 shows the Medi-Cal enrollment for the five COHS plan over the past four years.

Table 7
Medi-Cal Enrollment by COHS Plan

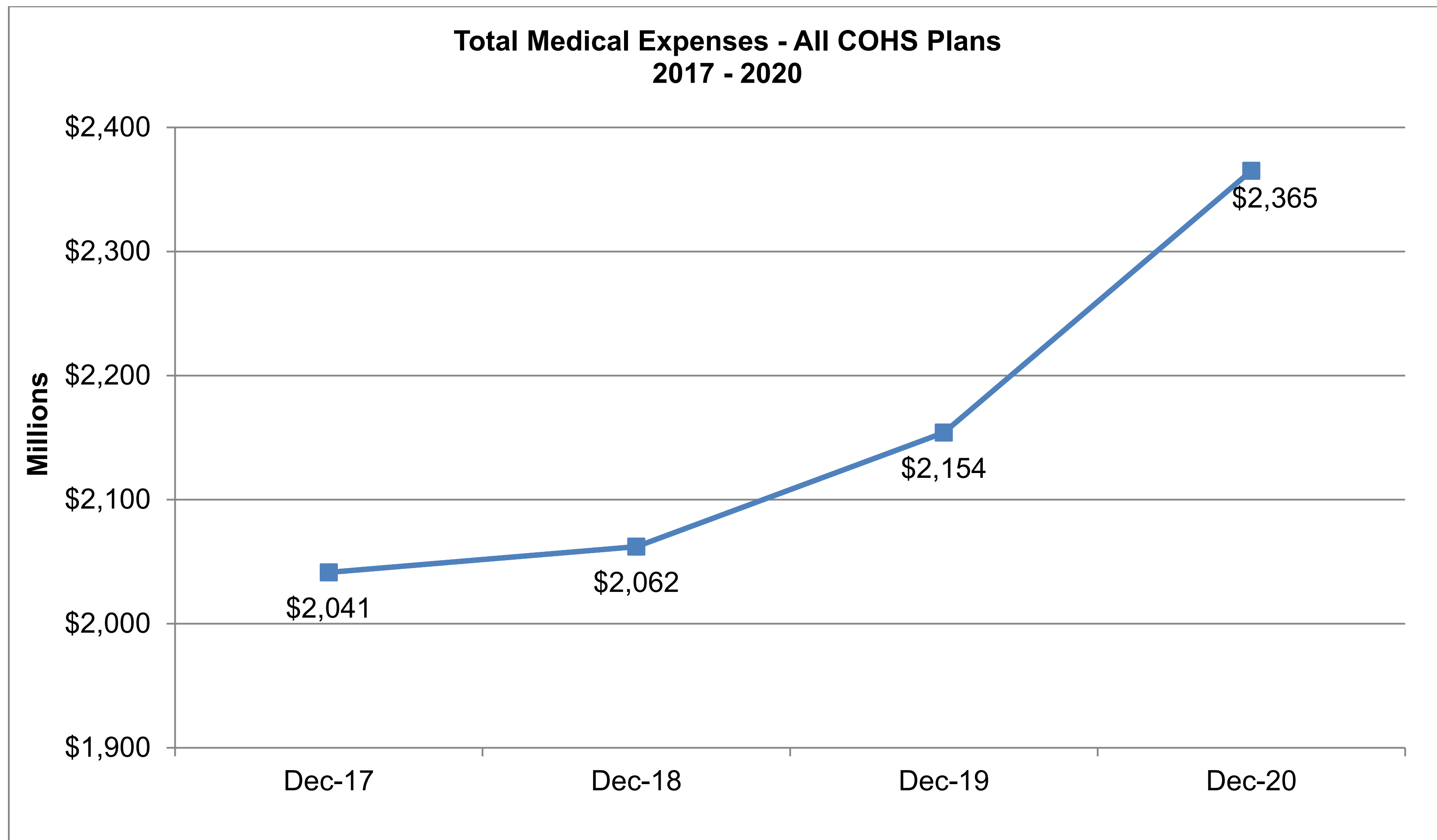
COHS	QE Dec-17	QE Dec-18	QE Dec-19	QE Dec-20
CalOptima	774,646	750,159	736,677	806,287
CenCal Health	180,439	175,637	174,918	193,624
Central California Alliance for Health	351,112	341,205	333,306	364,448
Health Plan of San Mateo	120,409	112,506	107,884	121,811
Partnership HealthPlan	567,337	551,393	533,109	583,912
Total Medi-Cal Enrollment	**1,993,943**	**1,930,900**	**1,885,894**	**2,070,082**

All COHS plans reported increases in their Medi-Cal enrollment at December 2020 compared to December 2019.

C. Financial Trends - COHS

Chart 4 illustrates total medical expenses for COHS plans compared to the same quarter over the last four years. Medical expenses for COHS plans increased from December 2019.

Chart 4



Per Member Per Month Premium Revenue and Medical Expenses - COHS

Table 8 shows the PMPM premium revenue and medical expenses of COHS plans for the quarters ending in December for the past four years, as well as the difference between the PMPM premium revenue and medical expenses for December 2020.

All COHS plans reported positive PMPM net revenue for December 2020. Health Plan of San Mateo reported the highest PMPM premium revenue and medical expenses.

Table 8
Per Member Per Month Premium Revenue and Medical Expenses - COHS
2017 – 2020

	Dec-17	Dec17	Dec-18	Dec-18	Dec-19	Dec-19	Dec-20	Dec-20	Dec-20
COHS	PMPM Premium Revenue	PMPM Medical Expense	PMPM Premium Revenue	PMPM Medical Expense	PMPM Premium Revenue	PMPM Medical Expense	PMPM Premium Revenue	PMPM Medical Expense	PMPM Net Revenue[8]
CalOptima	$360	$344	$351	$330	$400	$385	$372	$367	$5
CenCal Health	$299	$273	$329	$317	$388	$381	$349	$346	$3
Central California Alliance for Health	$262	$254	$298	$308	$317	$308	$319	$289	$30
Health Plan of San Mateo	$588	$514	$533	$491	$264	$231	$534	$490	$44
Partnership HealthPlan	$344	$356	$392	$389	$424	$406	$433	$422	$11

[8] Difference between December 2020 PMPM Premium Revenue and PMPM Medical Expense.

Net Income - COHS

Table 9 shows the net income for COHS plans over the past six quarters. All COHS plans, except CenCal Health and Partnership HealthPlan reported positive net income for December 2020.

Table 9
COHS Net Income by Quarter (in thousands)

COHS	QE Sep-19	QE Dec-19	QE Mar-20	QE Jun-20	QE Sep-20	QE Dec-20
CalOptima	$12,688	$4,066	$31,607	$40,101	$1,383	$8,500
CenCal Health	$2,214	($6,894)	($580)	($22,213)	($3,241)	($11,710)
Central California Alliance for Health	($11,978)	($11,172)	($6,479)	($25,337)	(7,922)	$7,737
Health Plan of San Mateo	($1,843)	$894	($13,192)	($5,465)	($1,351)	$5,783
Partnership HealthPlan	($124)	$459	$5,897	($33,888)	($17,575)	($11,554)
Total COHS Net Income	**$957**	**($12,647)**	**$17,254**	**($46,802)**	**($28,706)**	**($1,244)**

Tangible Net Equity - COHS

All COHS plans reported over 500% of required TNE for December 2020. TNE to required TNE ranged from 555% to 1,008%. Partnership Health Plan reported declining TNE for the last four quarters. Even with the declining TNE and negative net income, Partnership Health Plan maintained sufficient reserves.

Table 10
Percentage of TNE by COHS

COHS	QE Dec-19	QE Mar-20	QE Jun-20	QE Sep-20	QE Dec-20
CalOptima	997%	974%	1018%	1002%	1008%
CenCal Health	684%	656%	596%	614%	572%
Central California Alliance for Health	840%	820%	765%	745%	763%
Health Plan of San Mateo	1099%	993%	1041%	1007%	904%
Partnership HealthPlan	654%	651%	604%	571%	555%

Cash Flow from Operations

COHS plans reported negative $228 million in cash flow from operations in December 2020. Similar to LIs, COHS plans' variation in cash flow from operations is attributed to the timing of Medi-Cal premium revenue paid by DHCS and Medi-Cal rate adjustments.

Claims

Pursuant to the Knox-Keene Act, full service health plans are required to process 95% of their claims within 45 working days. For the QE December 31, 2020, COHS plans did not report any claims processing or emerging claims payment deficiencies.

V. Non-Governmental Medi-Cal Plans

A. Highlights

- For the purposes of this report, Non-Governmental Medi-Cal (NGM) plans are health plans with greater than 50% Medi-Cal enrollment, that are neither a LI nor a COHS plan.

- Aetna Better Health of California, Inc. (Aetna Better Health) and UnitedHealthcare Community Plan of California, Inc. (UnitedHealthcare Community Plan) commenced their operations in December 2017.

- Seven NGM plans currently serve 31 counties. NGM plans and the counties in which they provide services are:

    - Aetna Better Health - Sacramento and San Diego.
    - Blue Shield of California Promise Health Plan - Los Angeles and San Diego.
    - California Health and Wellness Plan (California Health and Wellness) - Alpine, Amador, Butte, Calaveras, Colusa, El Dorado, Glenn, Imperial, Inyo, Mariposa, Mono, Nevada, Placer, Plumas, Sierra, Sutter, Tehama, Tuolumne, and Yuba.
    - Community Health Group - San Diego.
    - Health Net Community Solutions, Inc. (Health Net Community Solutions) - Fresno, Kern, Kings, Los Angeles, Madera, Sacramento, San Diego, San Joaquin, Stanislaus, and Tulare.
    - Molina Healthcare of California (Molina) - Imperial, Los Angeles, Sacramento, Riverside, San Bernardino, and San Diego.
    - UnitedHealthcare Community Plan - San Diego

- The structure among NGM plans varies in the following ways:

    - Aetna Better Health is a for-profit wholly owned subsidiary of Aetna Health Holdings, LLC, whose ultimate parent is CVS Health Corporation (CVS Health). On November 28, 2018, CVS Health acquired Aetna Inc. and at that date became Aetna Better Health's ultimate parent.

- Blue Shield of California Promise Health Plan is a not-for-profit health plan owned by California Physicians' Services (Blue Shield of California).
- California Health and Wellness is a for-profit wholly owned subsidiary of Centene Corporation (Centene), a publicly traded company.
- Community Health Group is a not-for-profit health plan.
- Health Net Community Solutions is a for-profit wholly owned subsidiary of Health Net, Inc., which is a subsidiary of Centene, a publicly traded company. Health Net Community Solutions paid dividends of $300 million in 2019, $100 million in March 2020, $75 million in September 2020, and $75 million to its parent company.
- Molina is a for-profit wholly owned subsidiary of Molina Healthcare, Inc., a publicly traded company. Molina paid dividends of $210 million in 2019 and $70 million in the first half of 2020, and $30 million in September 2020 to its parent company.
- UnitedHealthcare Community Plan is a for-profit wholly owned subsidiary of United HealthCare Services, Inc., which is subsidiary of UnitedHealth Group, a publicly traded company.

- There are two other plans that serve another 2 million Medi-Cal enrollees: Anthem Blue Cross with 1,278,168 enrollees and Kaiser Permanente with 731,511 enrollees. Enrollment information for these two plans is included in this report. However, financial solvency indicators are not included since the Medi-Cal enrollment reported by both plans represents less than 50% of their total enrollment. Their financial solvency is significantly impacted by other lines of business including commercial and Medicare. Both Anthem Blue Cross and Kaiser Permanente are financially healthy.

- NGM plans provide and administer health care services to Medi-Cal beneficiaries either as a direct contractor to DHCS, or as subcontractors to other health plans that contract with DHCS. For example, L.A. Care Health Plan has subcontracted with both Blue Shield of California Promise Health Plan and Molina in Los Angeles County.

- NGM plans' enrollment increased 3% from December 2019 to December 2020.

- All NGM plans' PMPM premium revenue did not outpace medical expenses for December 2020.

- NGM plans reported $87 million in net loss in December 2020, which was lower than $34 million net income reported in September 2020.

- Tangible net equity for NGM plans ranged from 98% to 1031% of required TNE at December 2020. Molina reported noncompliance with the TNE requirement at December 31, 2020. However, Molina cured the TNE deficiency in January 2021 through a cash infusion from its parent company.

- NGM plans reported negative $539 million in cash flow from operations in December 2020. This is a significant change from September 2020 when NGM plans reported cash flow from operations of $578 million. The variation in cash flow from operations is attributed to the timing of Medi-Cal premium revenue paid by DHCS and Medi-Cal rate adjustments.

B. Enrollment Trends - Non-Governmental Medi-Cal Plans

All NGM plans reported an increase in total enrollment for December 2020 compared to December 2019.

Table 11
Enrollment in Non-Governmental Medi-Cal Plans
December 2019 – December 2020

Non-Governmental Medi-Cal Plans	Total Medi-Cal Enrollment December 2020	Percentage of Medi-Cal Enrollment December 2020	Total Enrollment December 2020	Total Enrollment December 2019	Enrollment Change from December 2019 to December 2020	Percentage Enrollment Change from December 2019 to December 2020
Aetna Better Health	30,071	72%	41,941	19,791	22,150	111.9%
Blue Shield of California Promise Health Plan	434,004	89%	487,528	458,376	29,152	6.4%
California Health and Wellness	206,031	100%	206,031	195,176	10,855	5.6%
Community Health Group	276,672	100%	276,672	252,720	23,952	9.5%
Health Net Community Solutions	1,808,594	99%	1,827,173	1,732,409	94,764	5.5%
Molina	543,779	92%	590,210	571,095	19,115	3.3%
UnitedHealthcare Community Plan	19,851	95%	20,832	12,007	8,825	73.5%
Total Enrollment in NGMs	**3,319,002**	**96%**	**3,450,387**	**3,241,574**	**208,813**	**6.4%**
Anthem Blue Cross	1,278,168	35%	3,654,604	3,544,817	109,787	3.1%
Kaiser Permanente	731,511	8%	9,263,271	9,107,033	156,238	1.7%
Grand Total	**5,328,681**	**33%**	**16,368,262**	**15,893,424**	**474,838**	**3.0%**

Chart 5 illustrates the MCMC enrollment trend in NGM plans. This chart does not include the MCMC enrollment reported by Anthem Blue Cross and Kaiser Permanente.

Chart 5

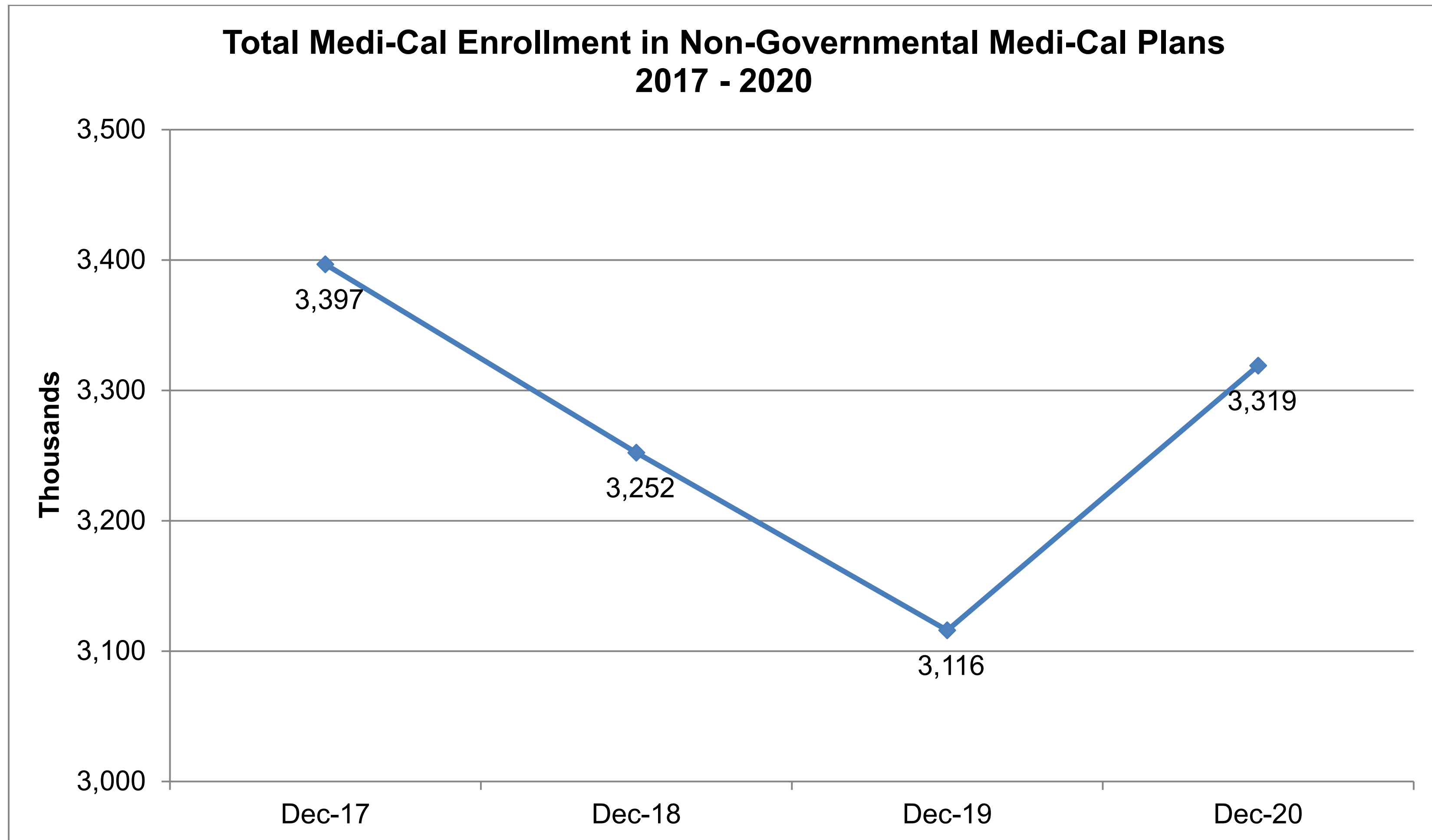


Table 12 shows the Medi-Cal enrollment for the NGM plans over the past four years. All NGM plans reported an increase in Medi-Cal enrollment in December 2020 compared to December 2019.

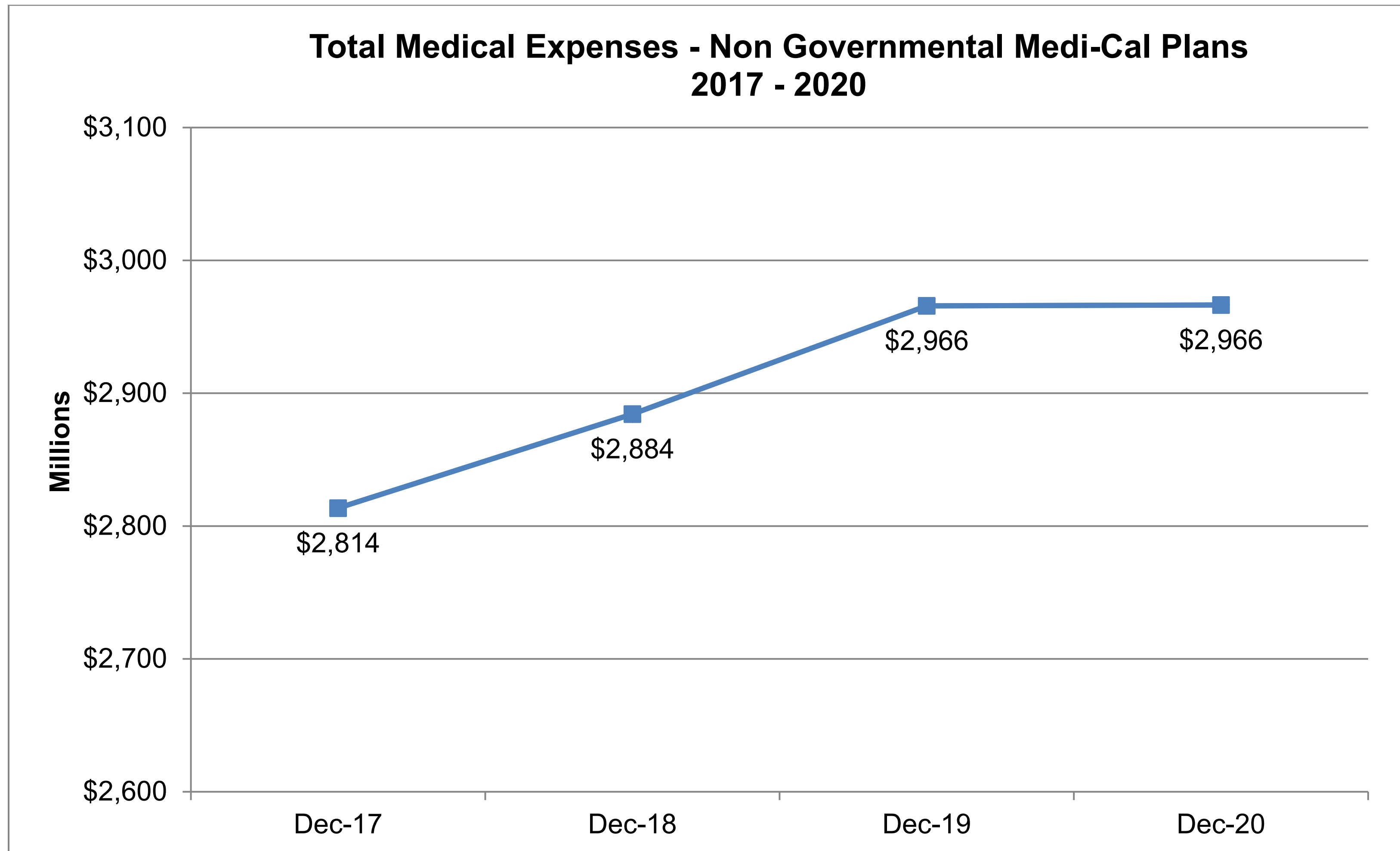
Table 12
Medi-Cal Enrollment by Non-Governmental Medi-Cal Plan

Non-Governmental Medi-Cal Plans	QE Dec-17	QE Dec-18	QE Dec-19	QE Dec-20
Aetna Better Health	N/A	11,029	19,791	30,071
Blue Shield of California Promise Health Plan	441,371	426,267	401,314	434,004
California Health and Wellness	192,101	195,230	195,176	206,031
Community Health Group	288,151	271,680	252,720	276,672
Health Net Community Solutions	1,861,905	1,775,646	1,714,305	1,808,594
Molina	611,579	564,419	520,628	543,779
UnitedHealthcare Community Plan	1,579	7,944	12,007	19,851
Total Medi-Cal Enrollment	**3,396,686**	**3,252,215**	**3,115,941**	**3,319,002**

C. Financial Trends - Non-Governmental Medi-Cal Plans

Chart 6 shows a considerable increase in medical expenses for NGM plans. This chart does not include the medical expenses reported by Anthem Blue Cross and Kaiser Permanente.

Chart 6



Per Member Per Month Premium Revenue and Medical Expenses - Non-Governmental Medi-Cal Plans

Table 13 shows the PMPM premium revenue and medical expenses of NGM plans for the quarters ending in December for the past four years, as well as the difference in the PMPM premium revenue and medical expenses for quarter ending December 2020. Aetna Better Health, Molina and UnitedHealthcare Community Plan reported negative PMPM net revenue for December 2020.

Table 13
Per Member Per Month Premium Revenue and Medical Expenses - Non-Governmental Medi-Cal Plans
2017 – 2020

Non-Governmental Medi-Cal Plans	Dec-17 PMPM Premium Revenue	Dec-17 PMPM Medical Expense	Dec-18 PMPM Premium Revenue	Dec-18 PMPM Medical Expense	Dec-19 PMPM Premium Revenue	Dec-19 PMPM Medical Expense	Dec-20 PMPM Premium Revenue	Dec-20 PMPM Medical Expense	Dec-20 PMPM Net Revenue[9]
Aetna Better Health[10]	NA	NA	$290	$243	$364	$296	$423	$471	($48)
Blue Shield of California Promise Health Plan[10]	$162	$107	$428	$376	$382	$412	$391	$366	$26
California Health and Wellness	$276	$249	$311	$307	$306	$273	$292	$261	$32
Community Health Group	$358	$289	$352	$290	$342	$336	$317	$289	$28
Health Net Community Solutions[10]	$335	$289	$301	$261	$321	$274	$284	$262	$22
Molina[10]	$310	$272	$287	$248	$337	$260	$255	$265	($10)
UnitedHealthcare Community Plan[10]	$280	$547	$272	$264	$332	$293	$229	$279	($50)

[9] Difference between December 2020 PMPM Premium Revenue and PMPM Medical Expense.
[10] PMPM information for NGM plans include other lines of business such as Commercial (Individual) and Medicare Advantage.

Net Income - Non-Governmental Medi-Cal Plans

Table 14 shows the net income for NGM plans over the past six quarters. All NGM plans, except Community Health Group, reported net losses for December 2020.

Table 14
Non-Governmental Medi-Cal Plans Net Income by Quarter (in thousands)

Non-Governmental Medi-Cal Plans	QE Sep-19	QE Dec-19	QE Mar-20	QE Jun-20	QE Sep-20	QE Dec-20
Aetna Better Health	$704	$685	($3,126)	($9,409)	$4,225	($10,630)
Blue Shield of California Promise Health Plan	($15,034)	($64,314)	($30,733)	$68	$8,927	($11,313)
California Health and Wellness	$6,793	$2,892	($5,624)	($23,100)	($9,412)	($8,046)
Community Health Group	($24,214)	($2,497)	$6,300	($6,123)	$7,332	$19,047
Health Net Community Solutions	$124,079	$120,380	$76,313	$113,881	$8,090	($6,560)
Molina	$47,810	$73,915	$25,248	$39,858	$14,645	($65,840)
UnitedHealthcare Community Plan	$573	$5,216	$3,486	$1,919	$1,110	($3,924)
Total Net Income	**$140,711**	**$136,278**	**$71,863**	**$117,094**	**$34,917**	**($87,267)**

Tangible Net Equity - Non-Governmental Medi-Cal Plans

NGM plans' TNE to required TNE ranged from 98% to 1,031% for December 2020. TNE reported by most NGM plans is lower than LI and COHS plans. Some NGM plans pay dividends to parent companies or shareholders, thereby reducing the reserve levels. All health plans are required to maintain TNE levels of 100% or higher. Molina reported a TNE deficiency at December 31, 2020. Molina cured its TNE deficiency in January 2021 through a cash infusion from its parent company.

Table 15
Percentage of TNE by Non-Governmental Medi-Cal Plan

Non-Governmental Medi-Cal Plans	QE Dec-19	QE Mar-20	QE Jun-20	QE Sep-20	QE Dec-20
Aetna Better Health	470%	375%	582%	590%	372%
Blue Shield of California Promise Health Plan	806%	741%	730%	752%	776%
California Health and Wellness	184%	159%	105%	123%	183%
Community Health Group	1010%	1074%	1053%	1072%	1031%
Health Net Community Solutions	780%	724%	787%	722%	679%
Molina	230%	187%	232%	207%	98%
UnitedHealthcare Community Plan	1098%	1244%	812%	725%	499%

Cash Flow from Operations

NGM plans reported negative $539 million in cash flow from operations in December 2020. NGM plans' cash flow from operations is primarily attributed to the Medi-Cal premium revenue paid by DHCS and/or capitation revenue from their plan-to-plan arrangements with plans directly contracted with DHCS.

Claims

Pursuant to the Knox-Keene Act, full service health plans are required to process 95% of their claims within 45 working days. For the quarter ending December 31, 2020, NGM plans did not report any claims processing or emerging claims payment deficiencies.

VI. Conclusion

Medi-Cal plans experienced a decline in enrollment from 2017 to 2019. However, in 2020, all MCMC plans reported an increase in the enrollment. LI, COHS, and NGM plans reported a slight decrease in their medical expenses in second quarter of 2020 compared to first quarter of 2020 because of the decrease in utilization of services due to the COVID-19 pandemic. In second half of 2020, all MCMC plans reported slight increases in their medical expenses due to increase in members' utilization of services and increase in enrollment. The majority of the MCMC plans reported net losses at December 31, 2020, which resulted in a decrease in their tangible net equity. One health plan, Molina, reported TNE to required TNE of 98% which is below the compliance threshold. However, Molina was able to cure its TNE deficiency immediately though a cash infusion from its parent company.

The Medi-Cal managed care plans continue to meet or significantly exceed the minimum TNE requirement. The DMHC will continue to monitor the enrollment trends and financial solvency of all Medi-Cal managed care plans.

Medi-Cal Managed Care Plans: Counties Served, Medi-Cal Enrollment and TNE

Appendix A – All LI Plan Counties Served, Medi-Cal Enrollment and TNE

Health Plan	Counties Served	Medi-Cal Enrollment	Total %TNE to Required TNE
Alameda Alliance	Alameda	269,770	554%
CalViva Health	Fresno, Kings, and Madera	374,982	679%
Contra Costa Health Plan	Contra Costa	194,255	579%
IEHP	Riverside and San Bernardino	1,326,955	607%
Kern Health Systems	Kern	277,452	587%
L.A. Care Health Plan	Los Angeles	2,189,176	597%
San Francisco Health Plan	San Francisco	139,004	612%
Santa Clara Family Health Plan	Santa Clara	271,107	625%
The Health Plan of San Joaquin	San Joaquin and Stanislaus	364,077	795%

Appendix B – All COHS Plan Counties Served, Medi-Cal Enrollment and TNE

Health Plan	Counties Served	Medi-Cal Enrollment	Total %TNE to Required TNE
CalOptima	Orange	806,287	1008%
CenCal Health	Santa Barbara and San Luis Obispo	193,624	572%
Central California Alliance for Health	Merced, Monterey, and Santa Cruz	364,448	763%
Health Plan of San Mateo	San Mateo	121,811	904%
Partnership HealthPlan	Del Norte, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Shasta, Siskiyou, Solano, Sonoma, Trinity, and Yolo	583,912	555%

Appendix C – All NGM Plan Counties Served, Medi-Cal Enrollment and TNE

Health Plan	Counties Served	Medi-Cal Enrollment	Total %TNE to Required TNE
Aetna Better Health	Sacramento and San Diego	30,071	372%
Blue Shield of California Promise Health Plan	Los Angeles and San Diego	434,004	776%
California Health and Wellness	Alpine, Amador, Butte, Calaveras, Colusa, El Dorado, Glenn, Imperial, Inyo, Mariposa, Mono, Nevada, Placer, Plumas, Sierra, Sutter, Tehama, Tuolumne, and Yuba	206,031	183%
Community Health Group	San Diego	276,672	1031%
Health Net Community Solutions	Fresno, Kern, Kings, Los Angeles, Madera, Sacramento, San Diego, San Joaquin, Stanislaus, and Tulare	1,808,594	679%
Molina	Imperial, Los Angeles, Sacramento, Riverside, San Bernardino, and San Diego	543,779	98%
UnitedHealthcare Community Plan	San Diego	19,851	499%