Financial Solvency Standards Board

Alameda Alliance for Health Update

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BRG
Berkeley Research Group

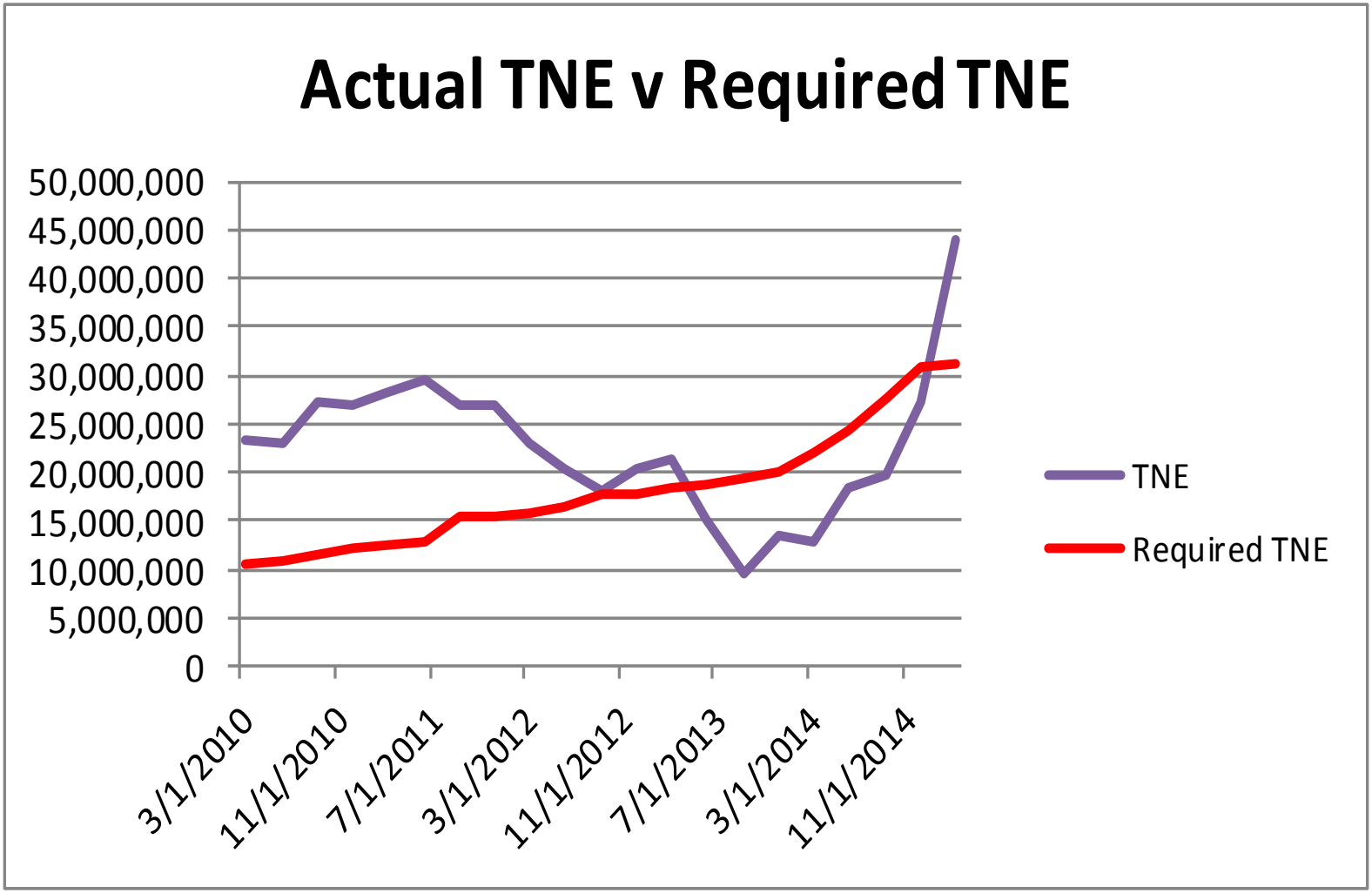
Why Was the Conservatorship Necessary?

- Tangible Net Equity (TNE) Had an Extended and Ongoing Decline
- Cash Flow Was Reaching Critical Levels
- Capital Spending Continued Unchecked
- Full Time Equivalents (FTEs) Increasing More Rapidly than Enrollment
- Excessive Use of Consultants
- Sustained Financial Losses
- Poor Decisions Created a Perfect Storm
- Failed IT Conversion
- Mounting Claims Backlog
- Customer Service Levels Plummeted
- Operationally Dysfunctional

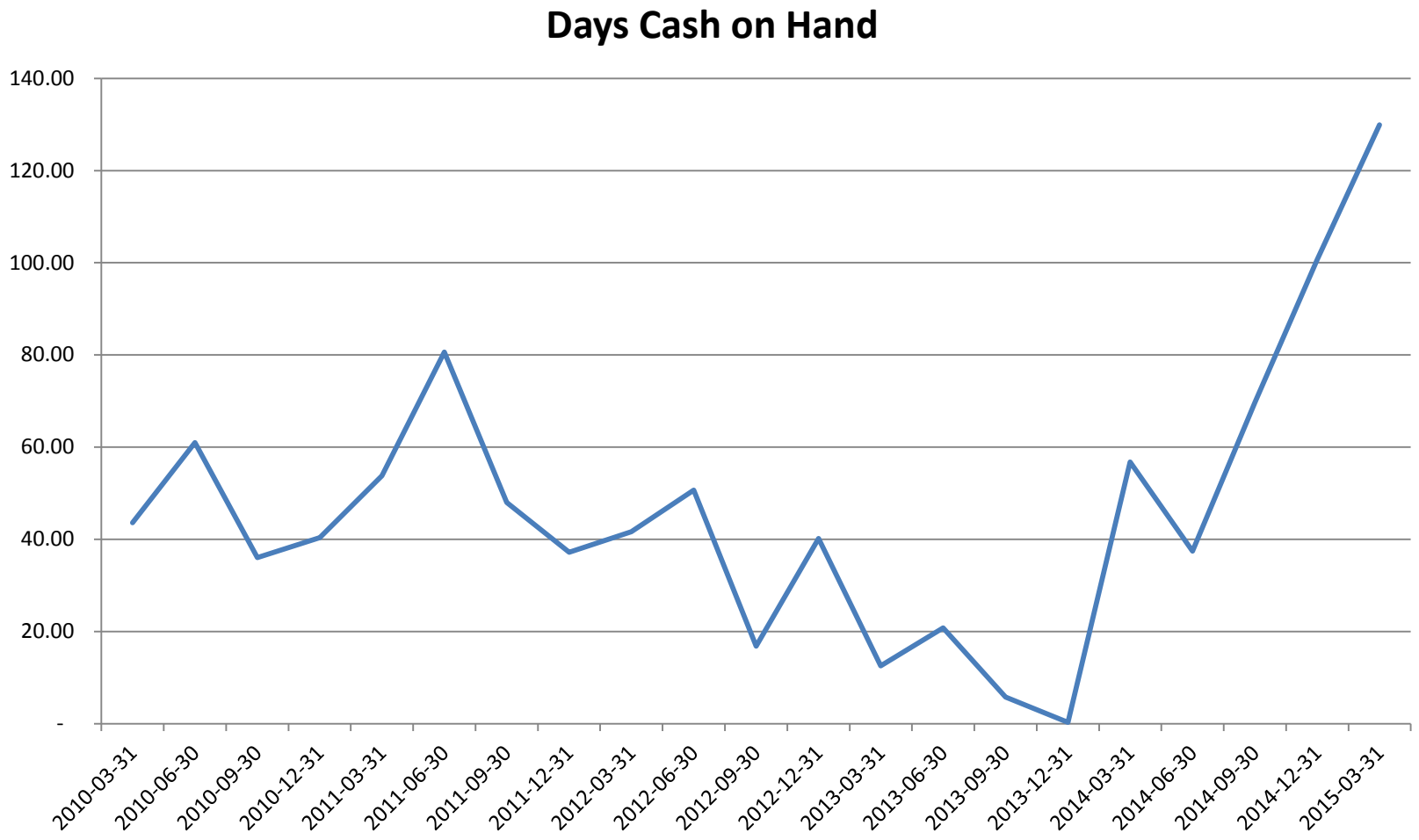
AAH Then and Now

- TNE Increases From $6.2 million deficit at 6/30/13 to $24.7 million surplus at 3/31/15
- Cash Flow From $63.7 Million at 6/30/11 to $0.4 Million at 12/31/13 to $130 million at 3/31/15
- Capital Spending Controlled
- FTEs Increased from 1.11/ 1000 members at 12/31/10 to 1.47/1000 members at 12/31/13 then declined to 0.81/1000 members
- Consultants Reduced, Especially in IT
- Losses Became Profits
- IT Conversion Moving Forward
- Claims Payment Levels Compliant
- Customer Service Levels Much Improved
- Operational Functionality Much Improved

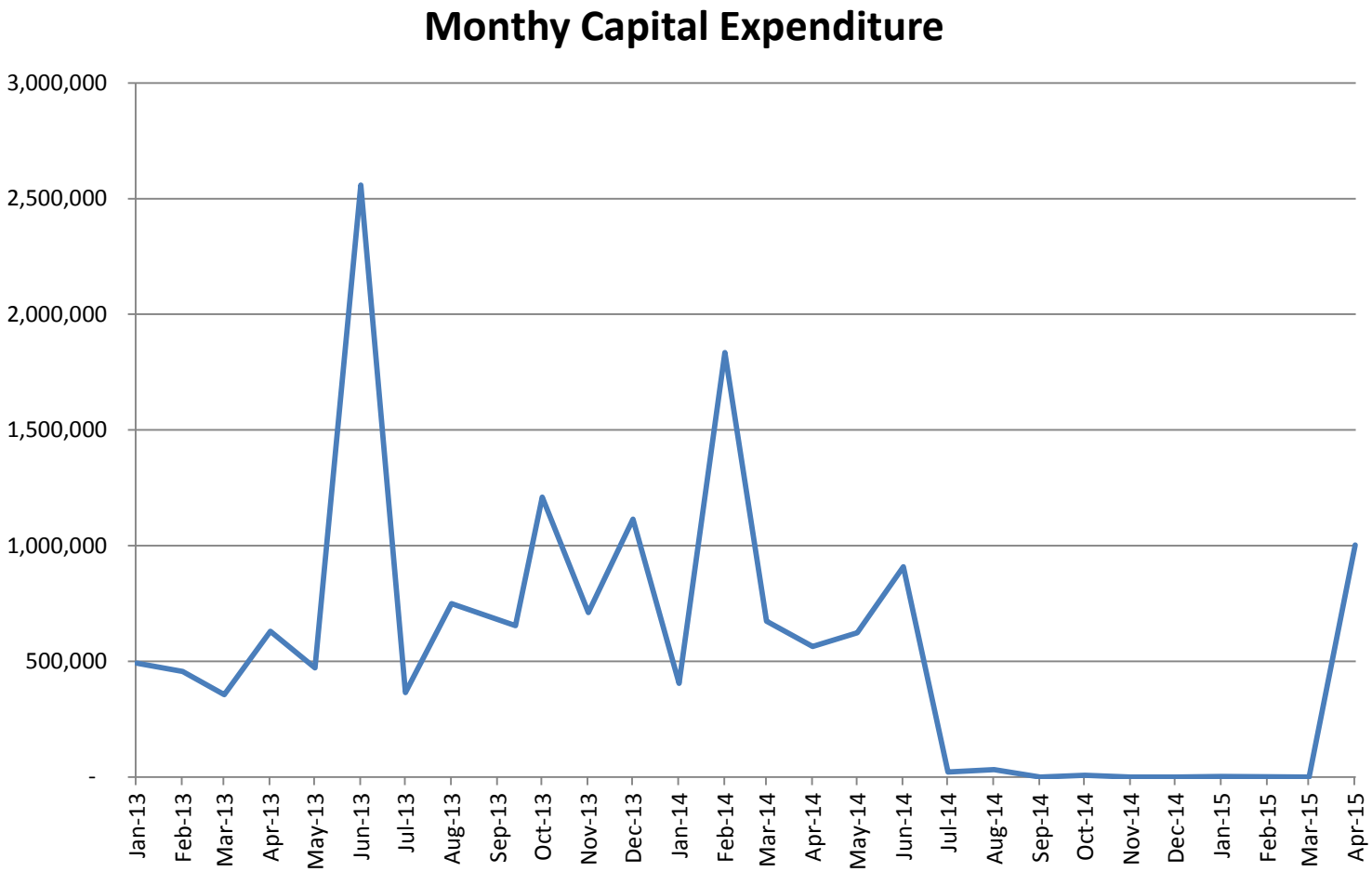
Extended and Ongoing TNE Decline, Now Positive



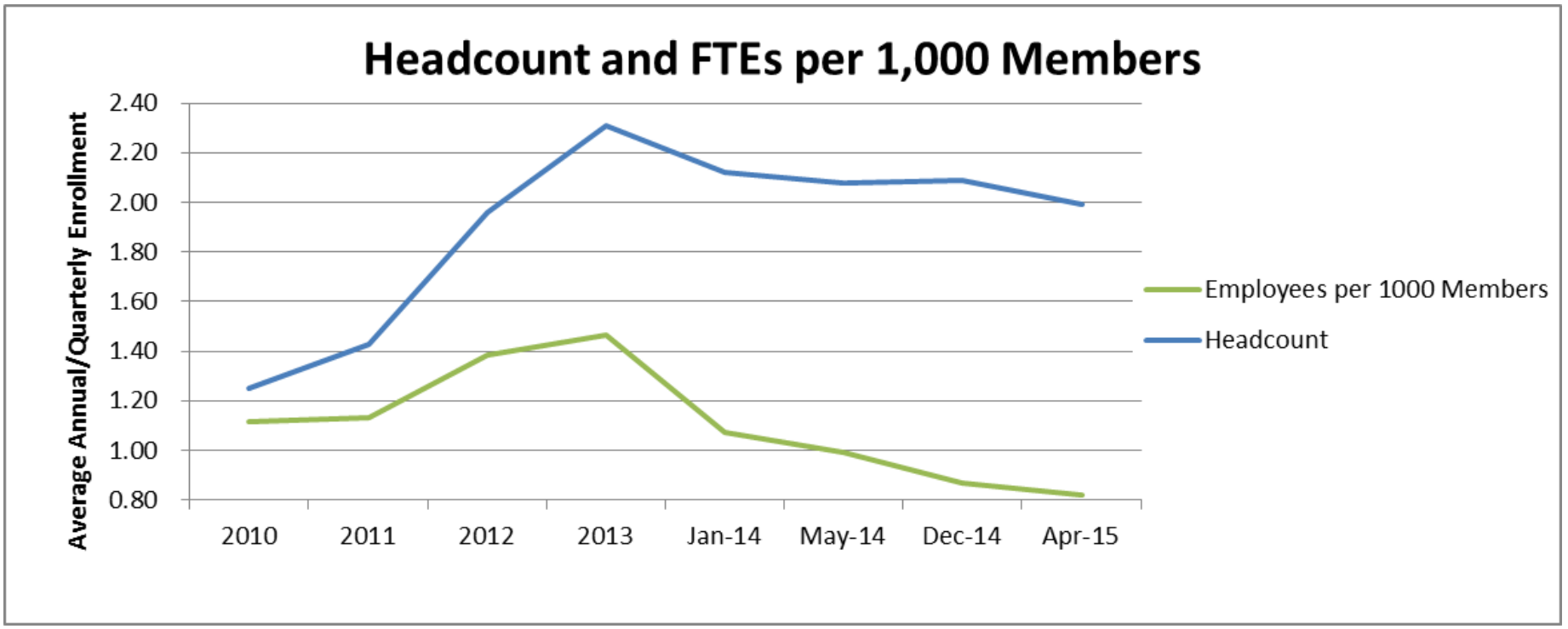
Cash Flow Reached Critical Levels, Is Now Improving



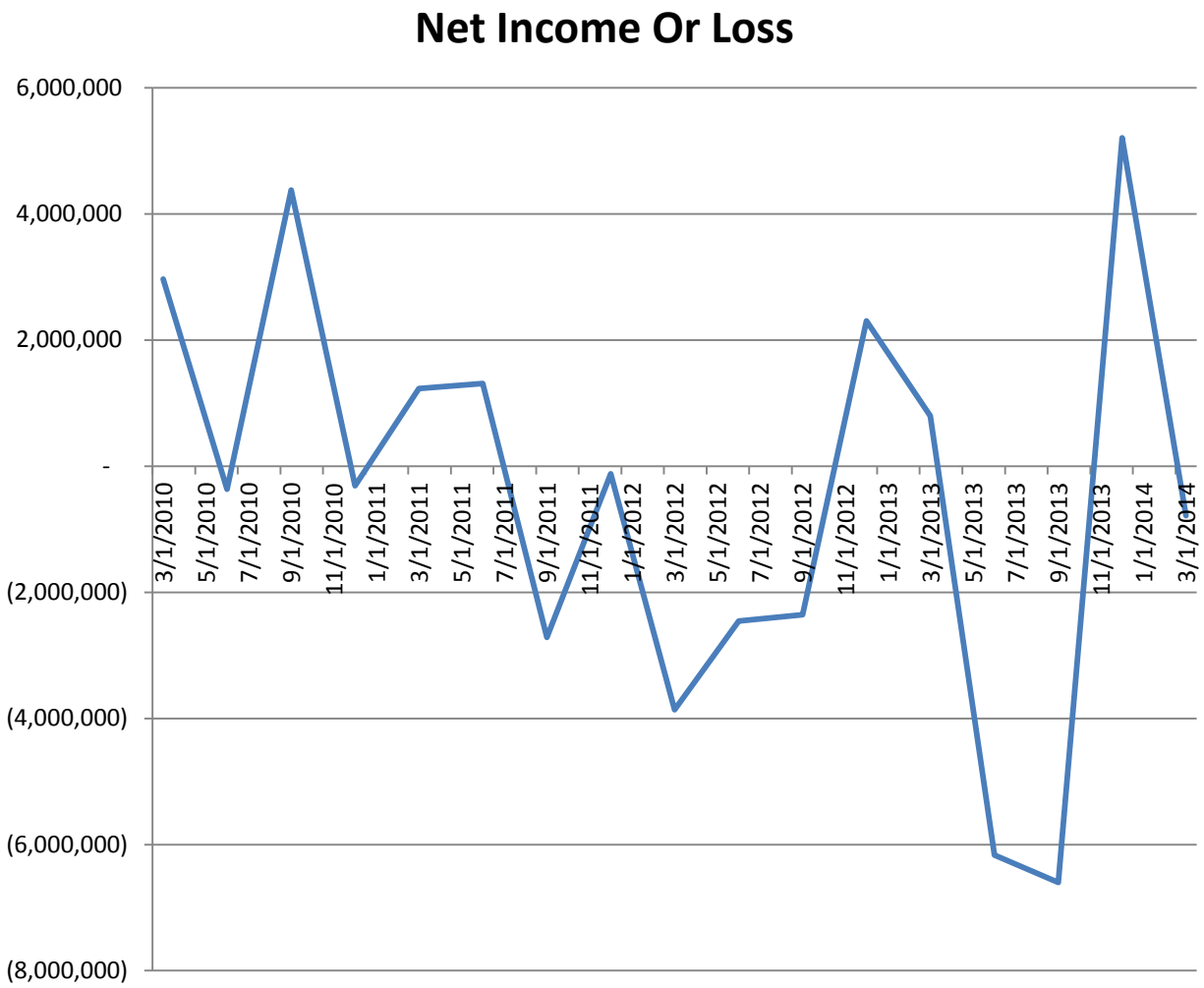
Capital Spending, Now Stabilized



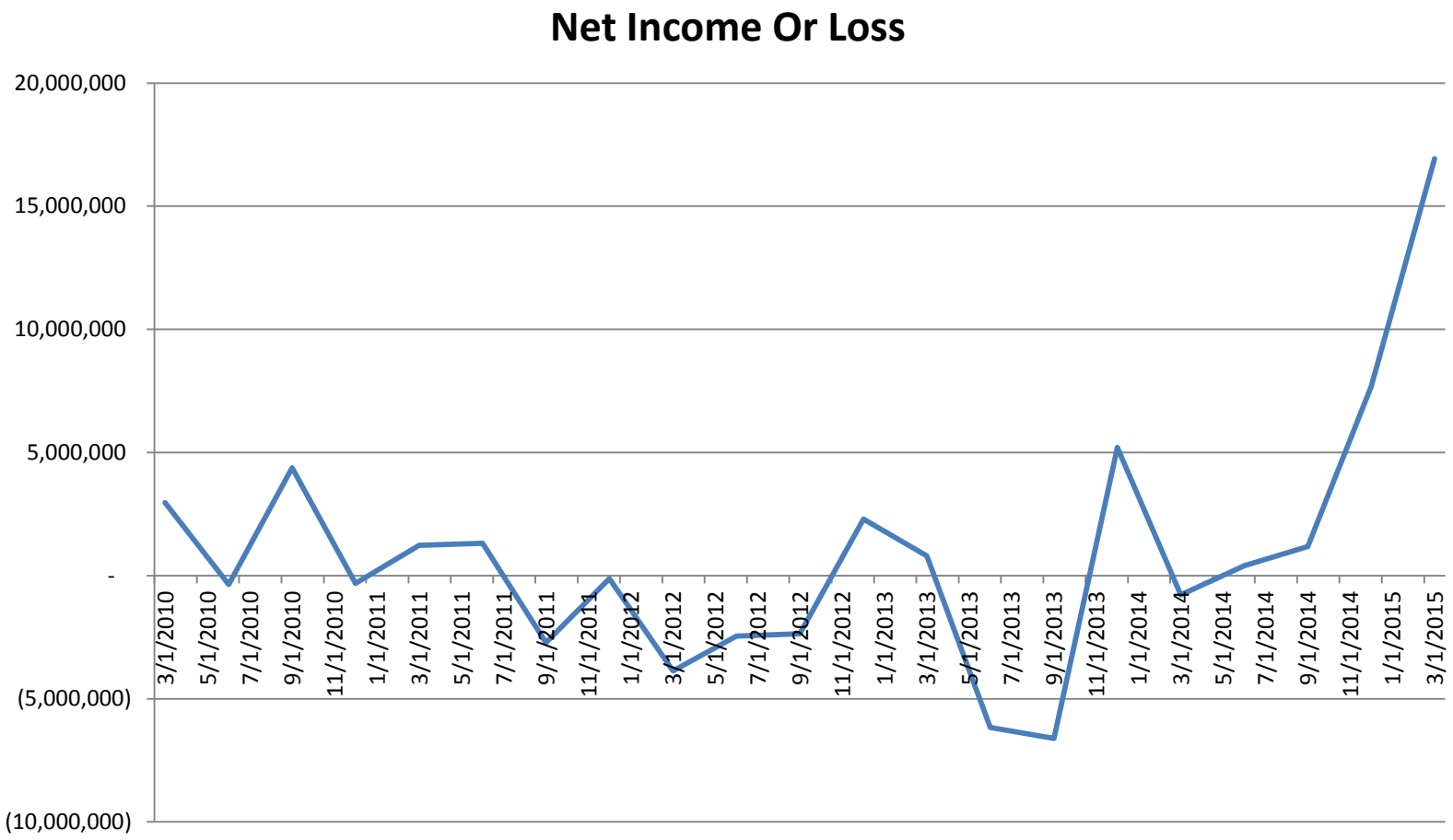
FTEs Increasing More Rapidly than Enrollment



Sustained Financial Losses



Losses Became Profits



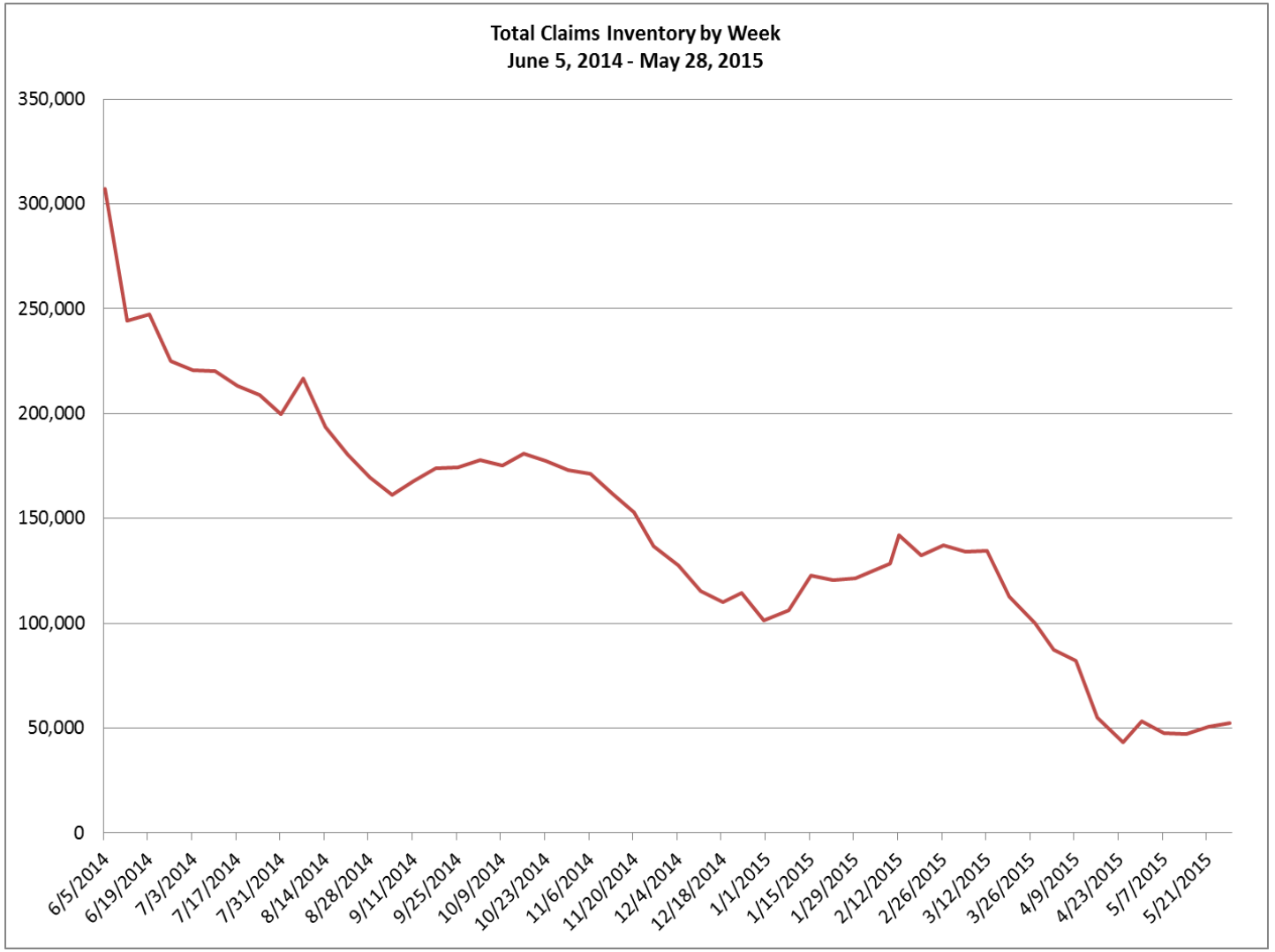
Poor Decisions Created a Perfect Storm

- HEALTHsuites claims system went live 1/1/14 without proper testing
- Truecare Medical Management System went live with no testing
- Truecare authorization numbers not compatible with HEALTHsuites claims system
- Simultaneous system implementation for Trizetto
- New Pharmcy Benefit Manager 1/1/2014
- Membership in new system required new ID# and cards
- Most HealthPAC members converted from Third Party Administrator (TPA) members to Medicaid Expansion (MCE) members
- Over 30,000 MCE members 1/1/2014
- Cash at 12/31/2013 was $456,453

Failed IT Conversion

- A significant number of providers were not entered into HEALTHsuites at 1/1/2014
- Of those providers entered, a significant number were incorrect (affiliations, fee schedules, site NPI and Paid to addresses)
- Provider directories between HEALTHsuites, Provider Repository, Truecare and Diamond were all different
- UM system did not communicate with claims system
- Capitation system did not function properly
- Business rules / Configurations were not set up properly
- Multiple issues with membership files
- Inadequate testing to identify multiple problems

Mounting Claims Backlog, Now Controlled



Customer Service Levels Plummeted

- Provider service department personnel understaffed
- Member services department overwhelmed, understaffed with limited technical solutions. Average time to answer increased to over 83 minutes and abandonment rate over 55%
- Claims department could not process claims with 2014 dates of service; backlog builds to almost 300,000 claims or close to 4 months backlog
- To maintain provider cash flow, $72 Million in advances were paid to providers but created other patient accounting issues for providers

Operationally Dysfunctional

- Departments siloed from each other
- Honest communication stifled
- Little to no medical management, payment for non-covered items, and over utilization of Out of Network Providers
- Departments not reengineered for new IT systems

Initiatives Resulting from Conservator / Monitor

- Reduced uncontrolled spending
- Reduced number of consultants
- Reduced number of FTEs
- Provider contracting, DME, CareCore, and converting multiple non-contracted providers to contracted
- Evolving UM, reduction of Out of Network, increased authorization requirements, improved concurrent review and discharges and denial of non-medically necessary services