Financial Summary of Medi-Cal Managed Care Plans

Quarter Ending December 31, 2019

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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 10.2 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 4.9 million and 1.9 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 1.1 million Medi-Cal beneficiaries. There are about 370,000 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 3.1 million Medi-Cal enrollees. NGM plans are plans that report greater than 50 percent 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, 2019. 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 percent 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) receives from Anthem Blue Cross and Kaiser Permanente is for their entire book of business, rather

[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.

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 stabilized in 2017/2018, but most Medi-Cal plans reported a decline in enrollment for the quarter ending December 2019.

- Collectively, most LI, COHS, and NGM plans reported increases in their medical expenses from December 2018 to December 2019.

- Per Member Per Month (PMPM) premium revenue exceeded PMPM medical expenses for almost every LI, COHS, and NGM plan for the period ending December 31, 2019. Revenues and expenses for the MCMC plans have stabilized.

- Net income remained stable for most Medi-Cal plans compared to December 2018 and the previous quarter. The LI plans reported higher net income than COHS plans, and COHS plans reported higher tangible net equity (TNE) reserves than LIs. 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.

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 5.1 million individuals as of December 2019. Approximately 4.9 million (97 percent) of the total LI enrollment are Medi-Cal beneficiaries. The remaining 3 percent of non-Medi-Cal LI enrollment includes other lines of business such as commercial (Individual, Small Group and Large Group), Medicare Advantage, Medicare Supplement, In-Home Supportive Services (IHSS), and Healthy Kids.

- Total LI plan enrollment decreased by 2.2 percent from December 2018 to December 2019.

- Almost all LI plans' PMPM premium revenue outpaced PMPM medical expenses for December 2019.

- LI plans reported $75 million in net income in December 2019, which was lower than the $91 million net income reported in December 2018, and 99 percent higher than the $37 million net income for the quarter ending September 30, 2019.

- LIs reported TNE that ranged from 464 percent to 831 percent of required TNE.

- LIs reported negative $617 million in cash flow from operations in December 2019. This is a significant change from September 2019 when LIs reported cash flow from operations of $460 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 5.1 million enrollees in 13 counties in California. Total enrollment decreased by 2.2 percent since December 2018. The table below lists LI total enrollment and the percentage of total LI enrollment accounted for by Medi-Cal lives. The table also shows the decrease in enrollment from December 2018 to December 2019. All LIs reported a slight decline in enrollment, except Kern Health Systems, which reported slight enrollment increases.

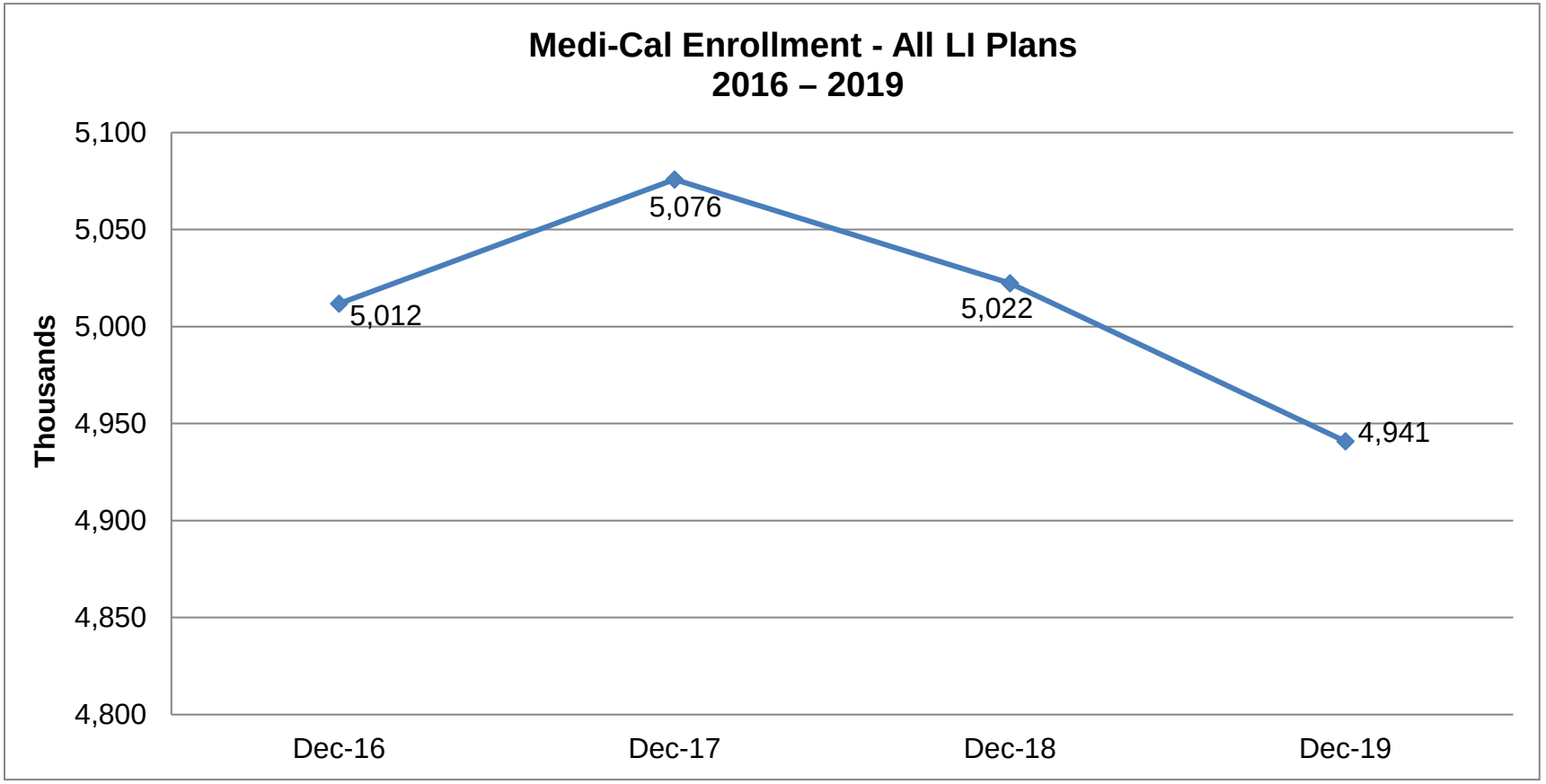
Table 1
Enrollment in Local Initiatives
December 2018 – December 2019

Local Initiative	Total Medi-Cal Enrollment December 2019	Percentage of Medi-Cal Enrollment December 2019	Total Enrollment December 2019[3]	Total Enrollment December 2018	Enrollment Change from December 2018 to December 2019	Percentage Enrollment Change from December 2018 to December 2019
Alameda Alliance	244,095	98%	250,191	265,228	-15,037	-5.7%
CalViva Health	351,063	100%	351,063	355,728	-4,665	-1.3%
Contra Costa Health Plan	171,805	95%	180,181	188,354	-8,173	-4.3%
IEHP	1,214,113	100%	1,214,113	1,244,864	-30,751	-2.5%
Kern Health Systems	250,459	100%	250,459	244,683	5,776	2.4%
L.A. Care Health Plan	2,008,825	94%	2,133,525	2,170,343	-36,818	-1.7%
San Francisco Health Plan	123,116	91%	134,819	140,960	-6,141	-4.4%
Santa Clara Family Health Plan	242,423	100%	242,425	253,735	-11,310	-4.5%
The Health Plan of San Joaquin	334,929	100%	334,929	342,521	-7,592	-2.2%
Total	**4,940,828**	**97%**	**5,091,705**	**5,206,416**	**-114,711**	**-2.2%**

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

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 decreased slightly from December 2018 to December 2019. L.A. Care Health Plan reported the highest number of enrollees (2.13 million) and had a slight decrease in enrollment (1.7 percent) over the last year.

Table 2 shows Medi-Cal Enrollment by LI plan over the past four years.

Table 2
Medi-Cal Enrollment by LI Plan

Local Initiative	QE Dec-16	QE Dec-17	QE Dec-18	QE Dec-19
Alameda Alliance	261,424	264,688	259,342	244,095
CalViva Health	359,697	360,546	355,728	351,063
Contra Costa Health Plan	184,751	184,277	179,185	171,805
IEHP	1,235,065	1,222,956	1,219,009	1,214,113
Kern Health Systems	234,491	241,567	244,683	250,459
L.A. Care Health Plan	1,986,581	2,061,054	2,051,959	2,008,825
San Francisco Health Plan	136,055	132,825	127,248	123,116
Santa Clara Family Health Plan	270,000	258,106	242,695	242,423
The Health Plan of San Joaquin	343,803	349,823	342,521	334,929
Total Medi-Cal Enrollment	**5,011,867**	**5,075,842**	**5,022,370**	**4,940,828**

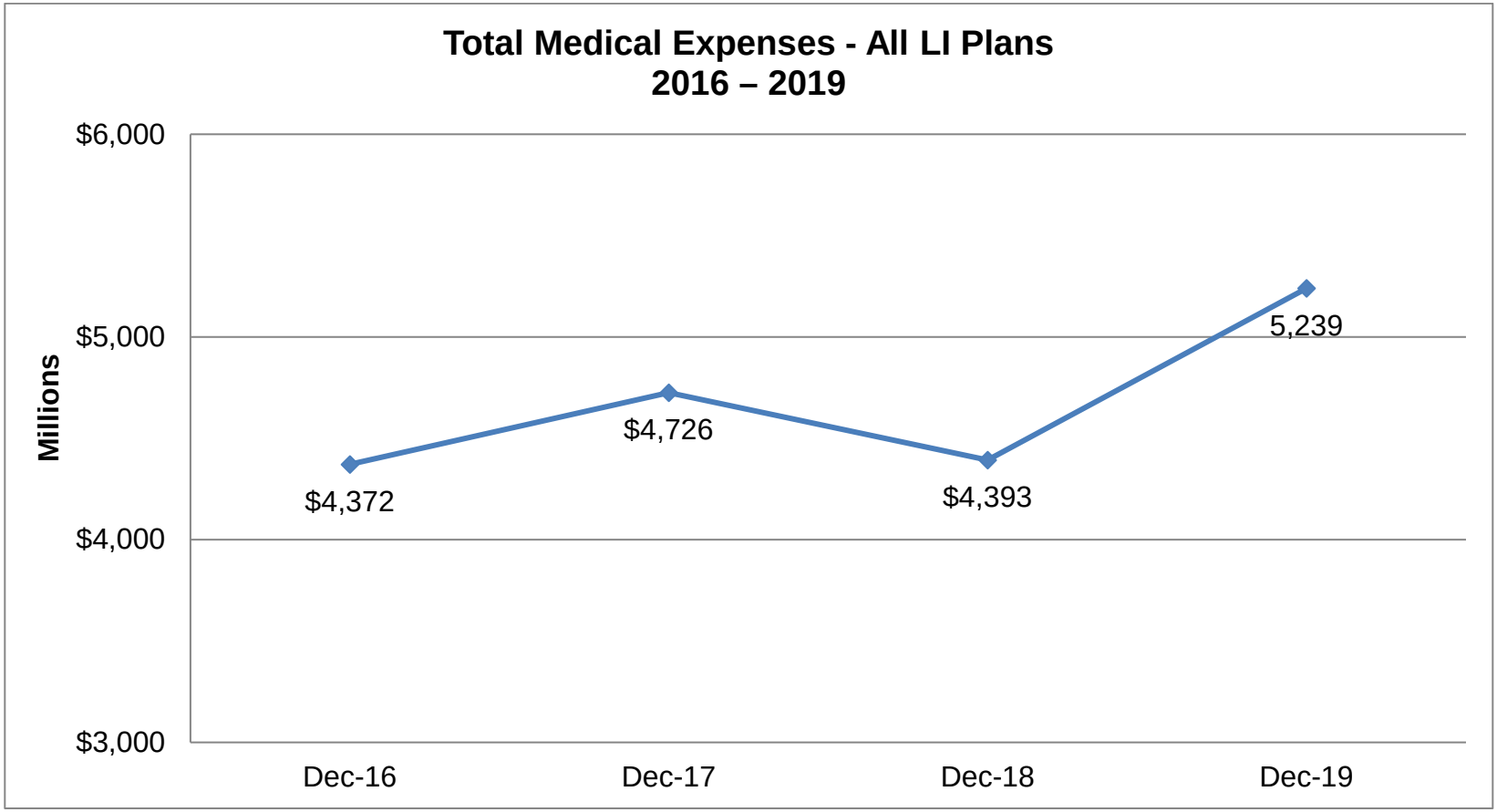
Almost all LIs reported decreases in their Medi-Cal enrollment from December 2016 to December 2019. All LI plans, except Kern Health Systems, reported a slight decline in Medi-Cal enrollment at December 2019 compared to December 2018.

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 substantial increase in total medical expenses for the quarter ending December 2019. Generally, total medical expenses change as enrollment, enrollee mix (healthy or unhealthy, high or low utilizers), and Medi-Cal benefits change.

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 2019. Santa Clara Family Health Plan reported the highest PMPM premium revenue and PMPM medical expenses. All LIs reported positive net premium revenue for December 2019.

Table 3
Per Member Per Month Premium Revenue and Medical Expenses - LI
2016 – 2019

Local Initiative	Dec-16	Dec-16	Dec-17	Dec-17	Dec-18	Dec-18	Dec-19	Dec-19	Dec-19
	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[4]
Alameda Alliance	$279	$229	$271	$254	$283	$264	$322	$297	$25
CalViva Health	$277	$266	$247	$235	$247	$235	$241	$230	$11
Contra Costa Health Plan	$283	$280	$294	$284	$304	$295	$310	$304	$6
IEHP	$301	$269	$325	$297	$328	$312	$345	$322	$23
Kern Health Systems	$229	$199	$232	$222	$248	$231	$224	$198	$26
L.A. Care Health Plan	$316	$300	$340	$324	$291	$268	$326	$306	$20
San Francisco Health Plan	$318	$296	$318	$289	$335	$301	$343	$321	$22
Santa Clara Family Health Plan	$301	$280	$318	$293	$338	$310	$359	$343	$16
The Health Plan of San Joaquin	$239	$201	$244	$238	$261	$252	$290	$281	$9

[4] Difference between December 2019 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 quarter ending (QE) December 2019, five of the nine LI plans 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-18	QE Dec-18	QE Mar-19	QE Jun-19	QE Sep-19	QE Dec-19
Alameda Alliance	($2,883)	$3,257	($2,125)	($7,662)	$6,062	$8,887
CalViva Health	$2,397	$2,204	$2,364	$3,499	$2,927	$2,369
Contra Costa Health Plan	$877	$894	$894	$3,193	$751	($1,500)
IEHP	$13,822	$9,397	($836)	($25,723)	$29,806	$34,042
Kern Health Systems	$2,045	$4,396	$1,360	$2,471	$4,225	$6,484
L.A. Care Health Plan	$38,913	$58,324	$141,224	$43,816	($6,735)	$29,158
San Francisco Health Plan	($2,170)	$2,580	($78)	($8,372)	$3,118	($430)
Santa Clara Family Health Plan	($2)	$8,059	$4,445	$11,608	$2,596	($1,499)
The Health Plan of San Joaquin	$768	$2,205	$22,793	$9,304	($5,528)	($2,426)
Total LI Net Income	**$53,768**	**$91,317**	**$170,040**	**$32,134**	**$37,223**	**$75,084**

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-18	QE Mar-19	QE Jun-19	QE Sep-19	QE Dec-19
Alameda Alliance	605%	583%	557%	576%	595%
CalViva Health	485%	508%	530%	541%	576%
Contra Costa Health Plan	496%	484%	517%	507%	505%
IEHP	619%	598%	561%	544%	538%
Kern Health Systems	613%	611%	624%	625%	464%
L.A. Care Health Plan	693%	817%	859%	815%	816%
San Francisco Health Plan	782%	778%	738%	847%	831%
Santa Clara Family Health Plan	537%	547%	654%	647%	633%
The Health Plan of San Joaquin	767%	809%	828%	806%	781%

[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 percent of required TNE. If a health plan's TNE falls below 130 percent, then the health plan must file monthly financial statements with the Department. If a health plan reports a TNE deficiency (TNE below 100 percent), then the Department may take enforcement action against the plan.

The average TNE for LI plans overall was stable in 2018, and the trend continued in 2019. For December 2019, the reported TNE ranged from 464 percent to 831 percent 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.

Five of the nine LI plans reported negative cash flow from operations in December 2019. The cash flow from operations totaled negative $617 million in December 2019 compared to $338 million in December 2018. 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 the quarter ending December 31, 2019, Alameda Alliance and Contra Costa Health Plan failed to process 95% 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 1.9 million individuals as of December 2019, a decrease of 3.1 percent from December 2018.
- All COHS plans' PMPM premium revenue outpaced medical expenses for December 2019.
- COHS plans reported negative $13 million in net income in December 2019, which significantly lower than the $957 thousand net income for the quarter ending September 30, 2019.
- COHS plans reported TNE ranging from 654 percent to 1,099 percent of required TNE.
- COHS plans reported negative $344 million in cash flow from operations in December 2019. This is a significant change from September 2019 when COHS plans reported cash flow from operations of $232 million. The variation in cash flow from operations is attributed to the timing of Medi-Cal premium payments by DHCS and the Medicaid Coverage Expansion (MCE) rate adjustments for the 2018/2019 fiscal year.

B. Enrollment Trends - COHS

COHS plans reported enrollment of nearly 1.9 million, a decrease of 3.1 percent compared to December 2018. All COHS plans reported slight decreases in total enrollment from December 2018 to December 2019. CalOptima and Partnership HealthPlan reported the highest enrollment numbers.

Table 6
Enrollment in County Organized Health Systems
December 2018 – December 2019

COHS	Total Medi-Cal Enrollment December 2019	Percentage of Medi-Cal Enrollment December 2019	Total Enrollment December 2019[7]	Total Enrollment December 2018	Enrollment Change from December 2018 to December 2019	Percentage Enrollment Change from December 2018 to December 2019
CalOptima	736,677	100%	738,535	766,194	(27,659)	-3.6%
CenCal Health	174,918	100%	174,918	175,637	(719)	-0.4%
Central California Alliance for Health	333,306	100%	333,892	341,840	(7,948)	-2.3%
Health Plan of San Mateo	107,884	99%	109,039	115,241	(6,202)	-5.4%
Partnership HealthPlan	533,109	100%	533,109	551,393	(18,284)	-3.3%
Total	**1,885,894**	**99.8%**	**1,889,493**	**1,950,305**	**(60,812)**	**-3.1%**

[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. Medi-Cal enrollment in COHS plans decreased slightly in December 2019.

Chart 3

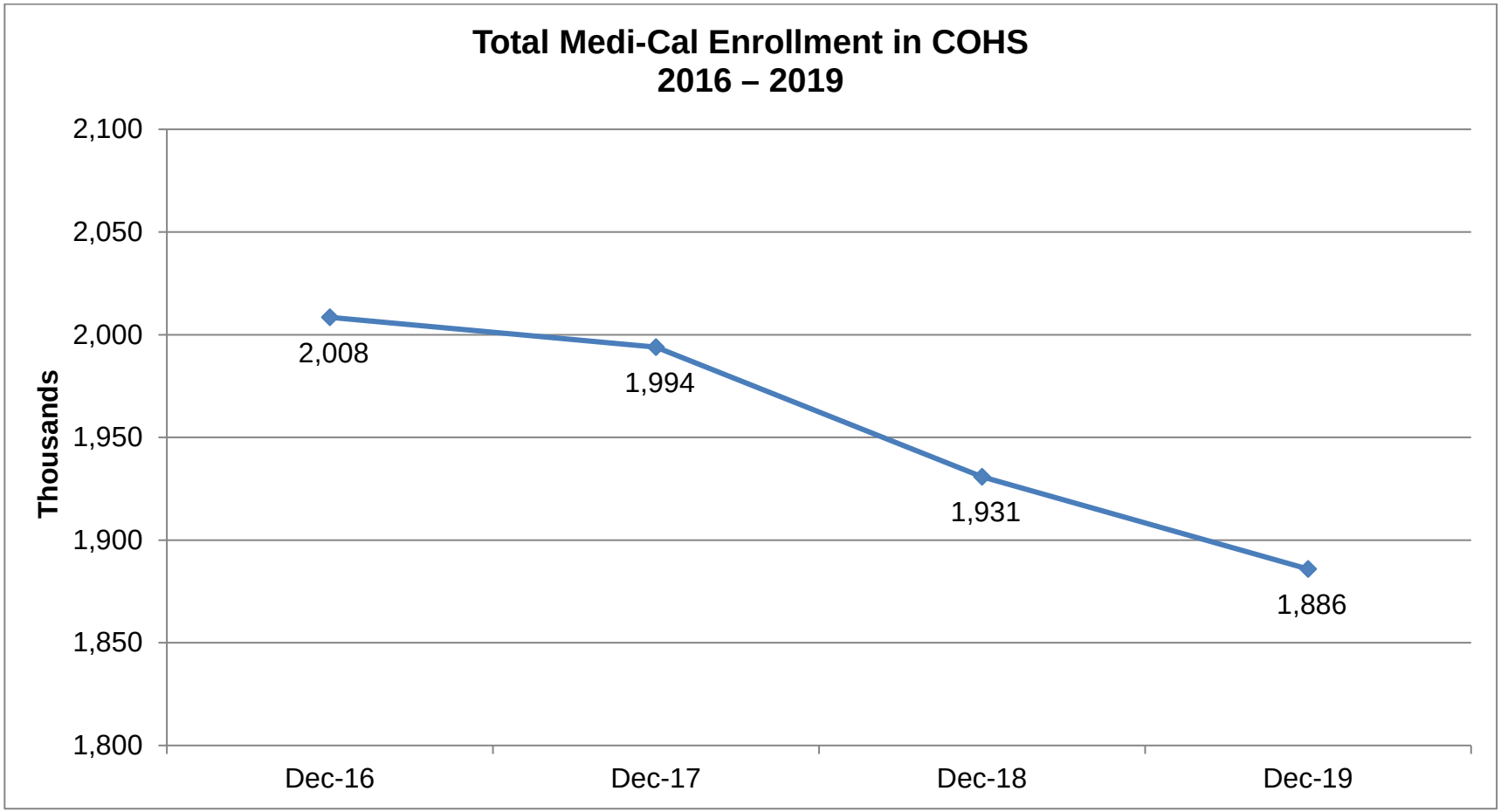


Table 7 shows the enrollment for each COHS plan over the past four years.

Table 7
Medi-Cal Enrollment by COHS Plan

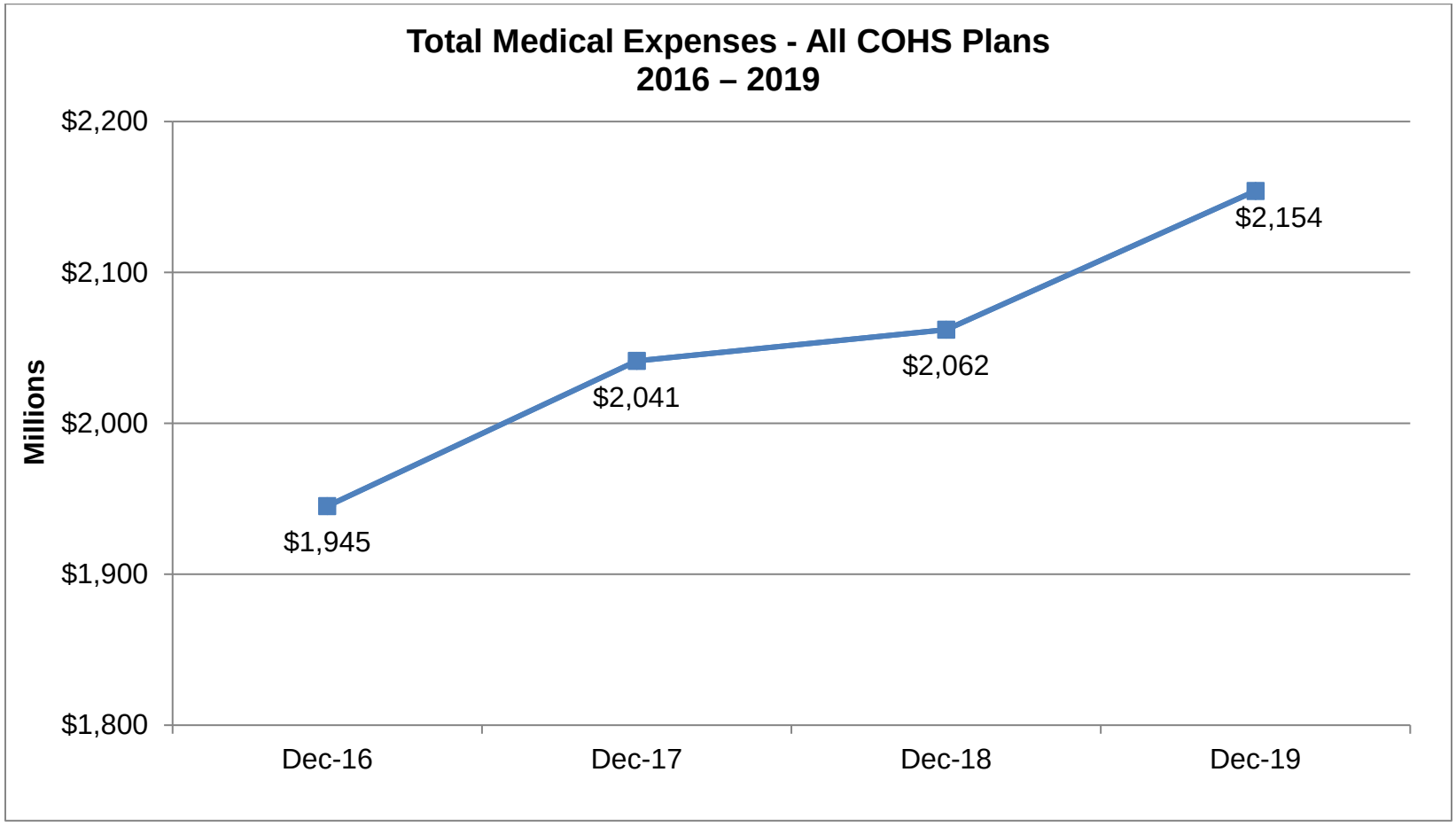
COHS	QE Dec-16	QE Dec-17	QE Dec-18	QE Dec-19
CalOptima	781,733	774,646	750,159	736,677
CenCal Health	179,122	180,439	175,637	174,918
Central California Alliance for Health	351,466	351,112	341,205	333,306
Health Plan of San Mateo	124,554	120,409	112,506	107,884
Partnership HealthPlan	571,581	567,337	551,393	533,109
Total Medi-Cal Enrollment	**2,008,456**	**1,993,943**	**1,930,900**	**1,885,894**

All COHS plans reported decreases in their Medi-Cal enrollment from 2016 to 2019. COHS enrollment overall has decreased in the last three years.

C. Financial Trends - COHS

Chart 4 illustrates total medical expenses for COHS plans compared to the same quarter over the last four years. Despite declines in enrollment, medical expenses for COHS plans increased slightly from December 2018.

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 2019.

All COHS plans reported positive PMPM net revenue for December 2019 and had higher PMPM premium revenue than medical expenses at December 2019. Partnership HealthPlan reported the highest PMPM premium revenue and medical expenses.

Table 8
Per Member Per Month Premium Revenue and Medical Expenses - COHS
2016 – 2019

COHS	Dec-16	Dec-16	Dec-17	Dec-17	Dec-18	Dec-18	Dec-19	Dec-19	Dec-19
	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	$352	$341	$360	$344	$351	$330	$400	$385	$15
CenCal Health	$291	$248	$299	$273	$329	$317	$388	$381	$7
Central California Alliance for Health	$274	$232	$262	$254	$298	$308	$317	$308	$9
Health Plan of San Mateo	$382	$466	$588	$514	$533	$491	$264	$231	$33
Partnership HealthPlan	$347	$328	$344	$356	$392	$389	$424	$406	$18

[8] Difference between December 2019 PMPM Premium Revenue and PMPM Medical Expense.

Net Income - COHS

Table 9 shows the net income for COHS plans over the past six quarters. For the quarter ending December 2019, an increase in medical expenses translated to negative net income for CenCal Health and Central California Alliance for Health. Both health plans continue to maintain sufficient reserves.

Table 9
COHS Net Income by Quarter (in thousands)

COHS	QE Sep-18	QE Dec-18	QE Mar-19	QE Jun-19	QE Sep-19	QE Dec-19
CalOptima	$23,595	$27,420	$60,899	$59,712	$12,688	$4,066
CenCal Health	$682	($4,328)	$4,836	($15,168)	$2,214	($6,894)
Central California Alliance for Health	($8,033)	($36,387)	($17,933)	($26,563)	($11,978)	($11,172)
Health Plan of San Mateo	($20,594)	$6,724	$3,488	$5,959	($1,843)	$894
Partnership HealthPlan	($25,768)	($20,062)	($27,775)	$18,989	($124)	$459
Total COHS Net Income	**($30,118)**	**($26,633)**	**$23,515**	**$42,929**	**$957**	**($12,647)**

Tangible Net Equity - COHS

All COHS plans reported over 600 percent of required TNE for December 2019. TNE to required TNE ranged from 654 percent to 1,099 percent. Central California Alliance for Health reported declining TNE for the last four quarters. Even with the declining TNE and negative net income, Central California Alliance for Health maintains sufficient reserves.

Table 10
Percentage of TNE by COHS

COHS	QE Dec-18	QE Mar-19	QE Jun-19	QE Sep-19	QE Dec-19
CalOptima	996%	1047%	1102%	875%	997%
CenCal Health	842%	844%	784%	725%	684%
Central California Alliance for Health	1022%	964%	887%	856%	840%
Health Plan of San Mateo	1118%	1093%	1044%	989%	1099%
Partnership HealthPlan	704%	656%	665%	657%	654%

Cash Flow from Operations

COHS plans reported negative $344 million in cash flow from operations in December 2019. 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 percent of their claims within 45 working days. For the quarter ending December 31, 2019, 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 percent Medi-Cal enrollment, that are neither an LI nor a COHS plan.

- Aetna Better Health commenced operations in December 2017. Therefore, this report includes data beginning December 31, 2018 for this plan.

- 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, which is a subsidiary of Aetna Inc., a publicly traded company.
    - 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. In 2018 and 2019, California Health and Wellness paid no dividends to its parent 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. In 2018 and 2019, Health Net Community Solutions paid dividends of $400 million and $300 million, respectively, to its parent company.
  - Molina is a for-profit wholly owned subsidiary of Molina Healthcare, Inc., a publicly traded company. In 2018 and 2019, Molina paid dividends of $50 million and $210 million, respectively, 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 1.8 million Medi-Cal enrollees: Anthem Blue Cross with 1,168,608 enrollees and Kaiser Permanente with 646,888 enrollees. Enrollment information for these two plans is included in this report. However, financial solvency indicators are not included since neither of these plans report more than 50 percent of their enrollment as Medi-Cal. 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 decreased 4.3 percent from December 2018 to December 2019.

- Almost all NGM plans' PMPM premium revenue outpaced medical expenses for December 2019.

- NGM plans reported $136 million in net income in December 2019, which was lower than the $169 million net income reported in December 2018, and 3 percent lower than the quarter ending September 30, 2019.

- Tangible net equity for NGM plans ranged from 184 percent to 1,098 percent of required TNE at December 2019.

- NGM plans reported negative $758 million in cash flow from operations in December 2019. This is a significant change from September 2019 when NGM plans reported cash flow from operations of $470 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

Most NGM plans reported a decline in total enrollment for December 2019 compared to December 2018, except Aetna Better Health and UnitedHealthcare Community Plan, which had increases in total enrollment.

Table 11
Enrollment in Non-Governmental Medi-Cal Plans
December 2018 – December 2019

Non-Governmental Medi-Cal Plans	Total Medi-Cal Enrollment December 2019	Percentage of Medi-Cal Enrollment December 2019	Total Enrollment December 2019	Total Enrollment December 2018	Enrollment Change from December 2018 to December 2019	Percentage Enrollment Change from December 2018 to December 2019
Aetna Better Health	19,791	100%	19,791	11,029	8,762	79.4%
Blue Shield of California Promise Health Plan	401,314	88%	458,376	493,311	(34,935)	-7.1%
California Health and Wellness	195,176	100%	195,176	195,230	(54)	-0.03%
Community Health Group	252,720	100%	252,720	271,680	(18,960)	-7.0%
Health Net Community Solutions	1,714,305	99%	1,732,409	1,792,464	(60,055)	-3.4%
Molina	520,628	91%	571,095	614,627	(43,532)	-7.1%
UnitedHealthcare Community Plan	12,007	100%	12,007	7,944	4,063	51.1%
Total Enrollment in NGMs	**3,115,941**	**96%**	**3,241,574**	**3,386,285**	**(144,711)**	**-4.3%**
Anthem Blue Cross	1,168,608	33%	3,544,817	3,552,136	(7,319)	-0.2%
Kaiser Permanente	646,888	7%	9,107,033	8,943,853	163,180	1.8%
Grand Total	**4,931,437**	**31%**	**15,893,424**	**15,882,274**	**11,150**	**0.1%**

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

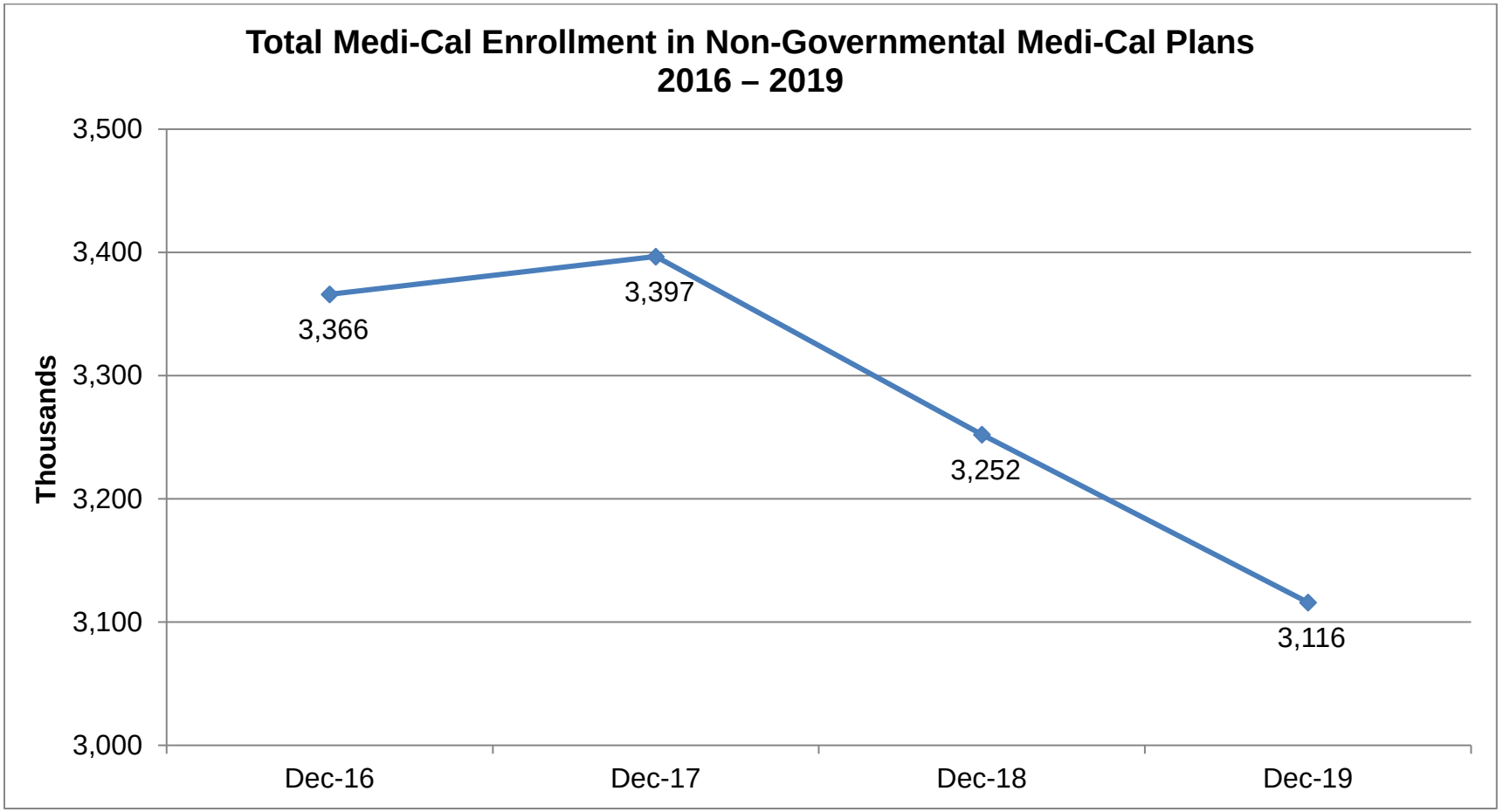


Table 12 shows the enrollment for each NGM plan over the past four years. Aetna Better Health and UnitedHealthcare Community Plan commenced their operations in December 2017; therefore, the table below shows enrollment data as of December 31, 2017 for these two plans.

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

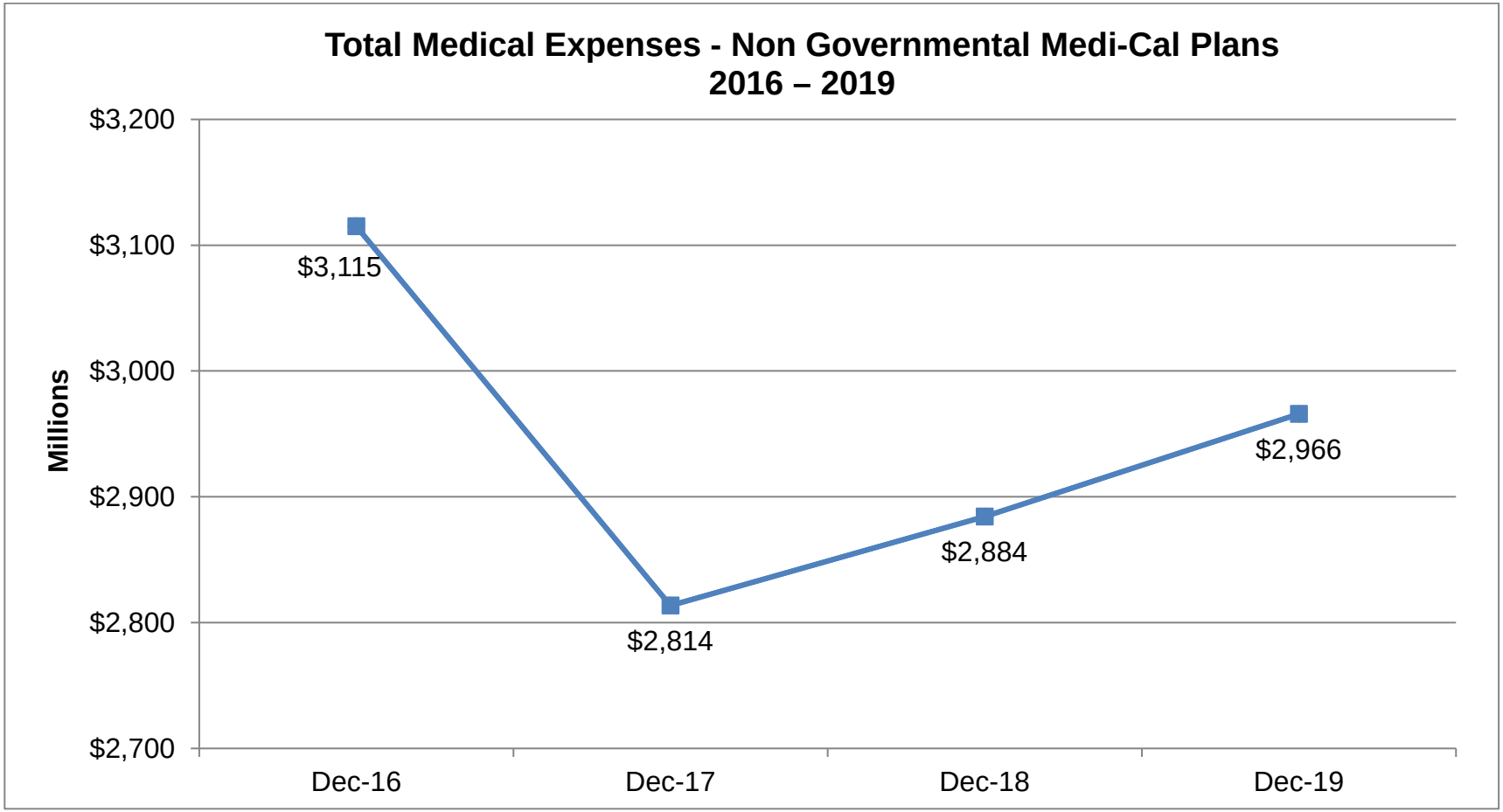
Non-Governmental Medi-Cal Plans	QE Dec-16	QE Dec-17	QE Dec-18	QE Dec-19
Aetna Better Health	NA	0	11,029	19,791
Blue Shield of California Promise Health Plan	409,344	441,371	426,267	401,314
California Health and Wellness	188,366	192,101	195,230	195,176
Community Health Group	291,313	288,151	271,680	252,720
Health Net Community Solutions	1,859,525	1,861,905	1,775,646	1,714,305
Molina	617,472	611,579	564,419	520,628
UnitedHealthcare Community Plan	NA	1,579	7,944	12,007
Total Medi-Cal Enrollment	**3,366,020**	**3,396,686**	**3,252,215**	**3,115,941**

All NGM plans except Aetna Better Health and UnitedHealthcare Community Plan reported slight decreases in Medi-Cal enrollment compared to December 2018.

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

Chart 6 shows a slight 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 2019. All NGM plans, except Blue Shield of California Promise Health Plan, reported positive PMPM net revenue at December 2019. Aetna Better Health commenced operations in December 2017; therefore, the table below shows data only as of December 31, 2018.

Table 13
Per Member Per Month Premium Revenue and Medical Expenses - Non-Governmental Medi-Cal Plans
2016 – 2019

Non-Governmental Medi-Cal Plans	Dec-16	Dec-16	Dec-17	Dec-17	Dec-18	Dec-18	Dec-19	Dec-19	Dec-19
	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[9]
Aetna Better Health	NA	NA	NA	NA	$290	$243	$364	$296	$68
Blue Shield of California Promise Health Plan[10]	$517	$448	$162	$107	$428	$376	$382	$412	($30)
California Health and Wellness	$284	$217	$276	$249	$311	$307	$306	$273	$33
Community Health Group	$337	$272	$358	$289	$352	$290	$342	$336	$6
Health Net Community Solutions	$385	$289	$335	$289	$301	$261	$321	$274	$47
Molina	$287	$265	$310	$272	$287	$248	$337	$260	$77
UnitedHealthcare Community Plan	NA	NA	$280	$547	$272	$264	$332	$293	$39

[9] Difference between December 2019 PMPM Premium Revenue and PMPM Medical Expense.
[10] PMPM information for Blue Shield of California Promise Health Plan includes commercial and other lines of business.

Net Income - Non-Governmental Medi-Cal Plans

Table 14 shows the net income for NGM plans over the past six quarters. Blue Shield of California Promise Health Plan and Community Health Group reported negative net income for December 2019.

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

Non-Governmental Medi-Cal Plans	QE Sep-18	QE Dec-18	QE Mar-19	QE Jun-19	QE Sep-19	QE Dec-19
Aetna Better Health	$1,791	$2,531	$748	($3,760)	$704	$685
Blue Shield of California Promise Health Plan	($7,346)	$25,249	$5,529	($1,533)	($15,034)	($64,314)
California Health and Wellness	($12,617)	($12,750)	$2,005	($27,670)	$6,793	$2,892
Community Health Group	($36,124)	$42,403	($3,079)	$197	($24,214)	($2,497)
Health Net Community Solutions	$149,206	$96,389	$110,551	$99,069	$124,079	$120,380
Molina	($30,736)	$19,736	$14,727	$44,607	$47,810	$73,915
UnitedHealthcare Community Plan	$6,145	($4,606)	($5,603)	($4,603)	$573	$5,216
Total Net Income	**$70,319**	**$168,953**	**$124,878**	**$106,307**	**$140,711**	**$136,278**

Tangible Net Equity - Non-Governmental Medi-Cal Plans

NGM plans' TNE to required TNE ranged from 184 percent to 1,098 percent for December 2019. TNE reported by most NGM plans is lower than LI and COHS plans. Many NGM plans pay dividends to parent companies or shareholders, thereby reducing the reserve levels.

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

Non-Governmental Medi-Cal Plans	QE Dec-18	QE Mar-19	QE Jun-19	QE Sep-19	QE Dec-19
Aetna Better Health	980%	788%	386%	373%	470%
Blue Shield of California Promise Health Plan	940%	947%	983%	961%	806%
California Health and Wellness	158%	164%	151%	170%	184%
Community Health Group	1199%	1118%	1108%	1027%	1010%
Health Net Community Solutions	807%	873%	950%	833%	780%
Molina	285%	180%	251%	234%	230%
UnitedHealthcare Community Plan	1441%	1069%	850%	918%	1098%

Cash Flow from Operations

NGM plans reported negative $758 million in cash flow from operations in December 2019. 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 percent of their claims within 45 working days. For the quarter ending December 31, 2019, California Health and Wellness failed to process 95% of their claims within 45 working days and submitted corrective action plans outlining measures they are taking to comply with the regulations.

Conclusion

Enrollment increases for the MCMC plans slowed, and then declined slightly in 2019. Overall, expenses and premium revenue stabilized as the enrollment stabilized. 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	244,095	595%
CalViva Health	Fresno, Kings, and Madera	351,063	576%
Contra Costa Health Plan	Contra Costa	171,805	505%
IEHP	Riverside and San Bernardino	1,214,113	538%
Kern Health Systems	Kern	250,459	464%
L.A. Care Health Plan	Los Angeles	2,008,825	816%
San Francisco Health Plan	San Francisco	123,116	831%
Santa Clara Family Health Plan	Santa Clara	242,423	633%
The Health Plan of San Joaquin	San Joaquin and Stanislaus	334,929	781%

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	736,677	997%
CenCal Health	Santa Barbara and San Luis Obispo	174,918	684%
Central California Alliance for Health	Merced, Monterey, and Santa Cruz	333,306	840%
Health Plan of San Mateo	San Mateo	107,884	1099%
Partnership HealthPlan	Del Norte, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Shasta, Siskiyou, Solano, Sonoma, Trinity, and Yolo	533,109	654%

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	19,791	470%
Blue Shield of California Promise Health Plan	Los Angeles and San Diego	401,314	806%
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	195,176	184%
Community Health Group	San Diego	252,720	1010%
Health Net Community Solutions	Fresno, Kern, Kings, Los Angeles, Madera, Sacramento, San Diego, San Joaquin, Stanislaus, and Tulare	1,714,305	780%
Molina	Imperial, Los Angeles, Sacramento, Riverside, San Bernardino, and San Diego	520,628	230%
UnitedHealthcare Community Plan	San Diego	12,007	1098%