

# Financial Solvency Standards Board

Alameda Alliance  
for Health Update

Presentation by:  
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June 17, 2015

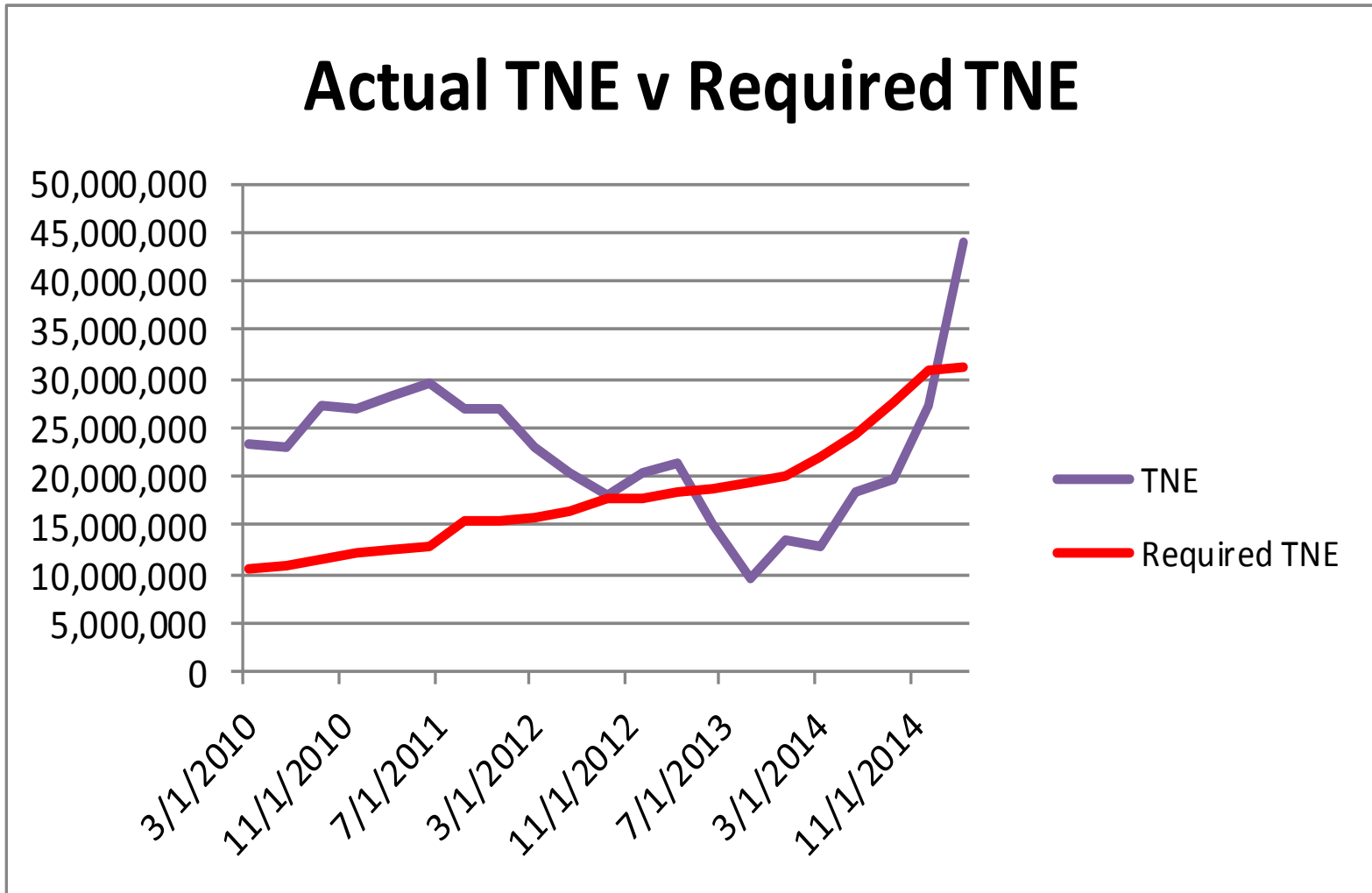
# Why Was the Conservatorship Necessary?

- 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

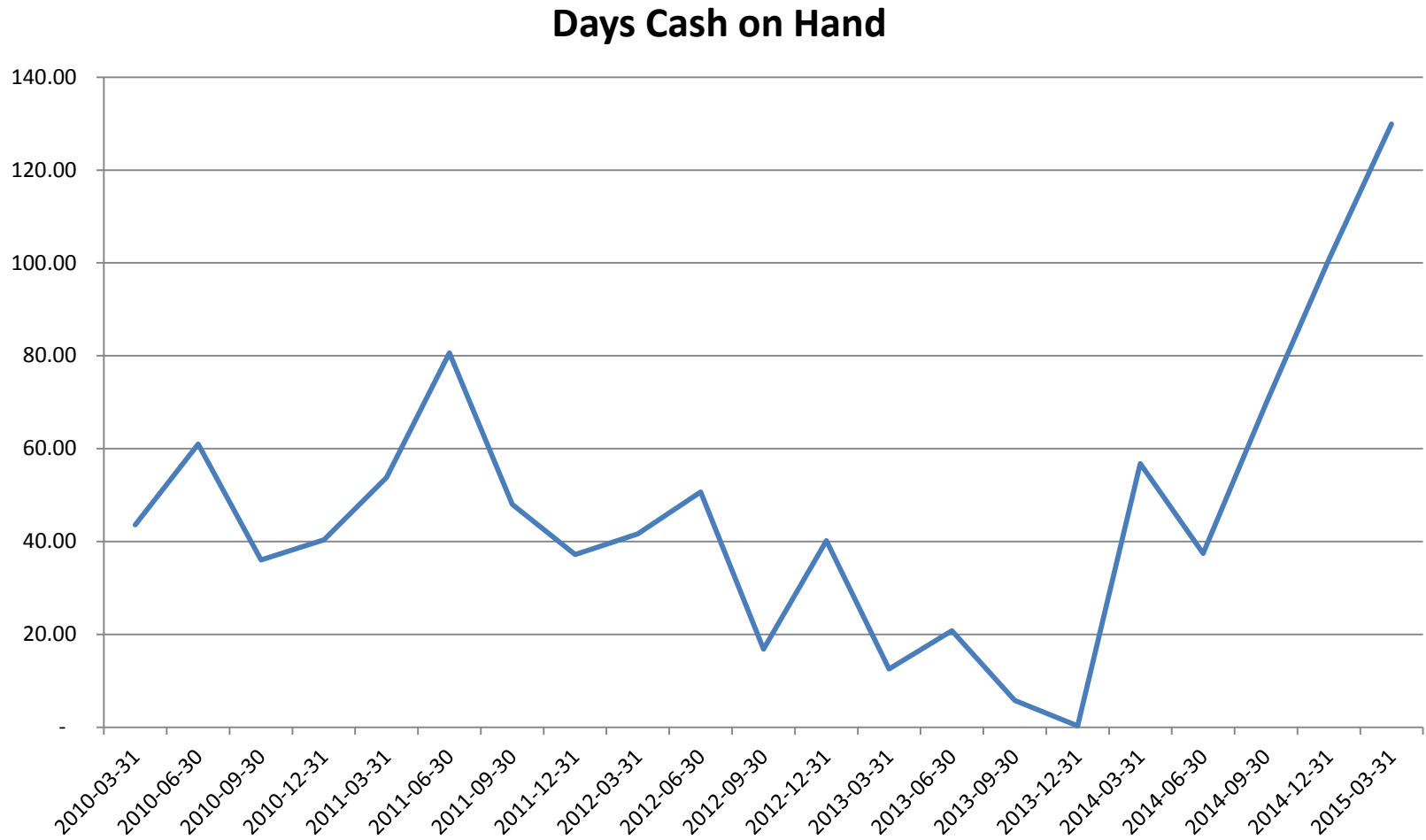
# AAH Then and Now

- 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

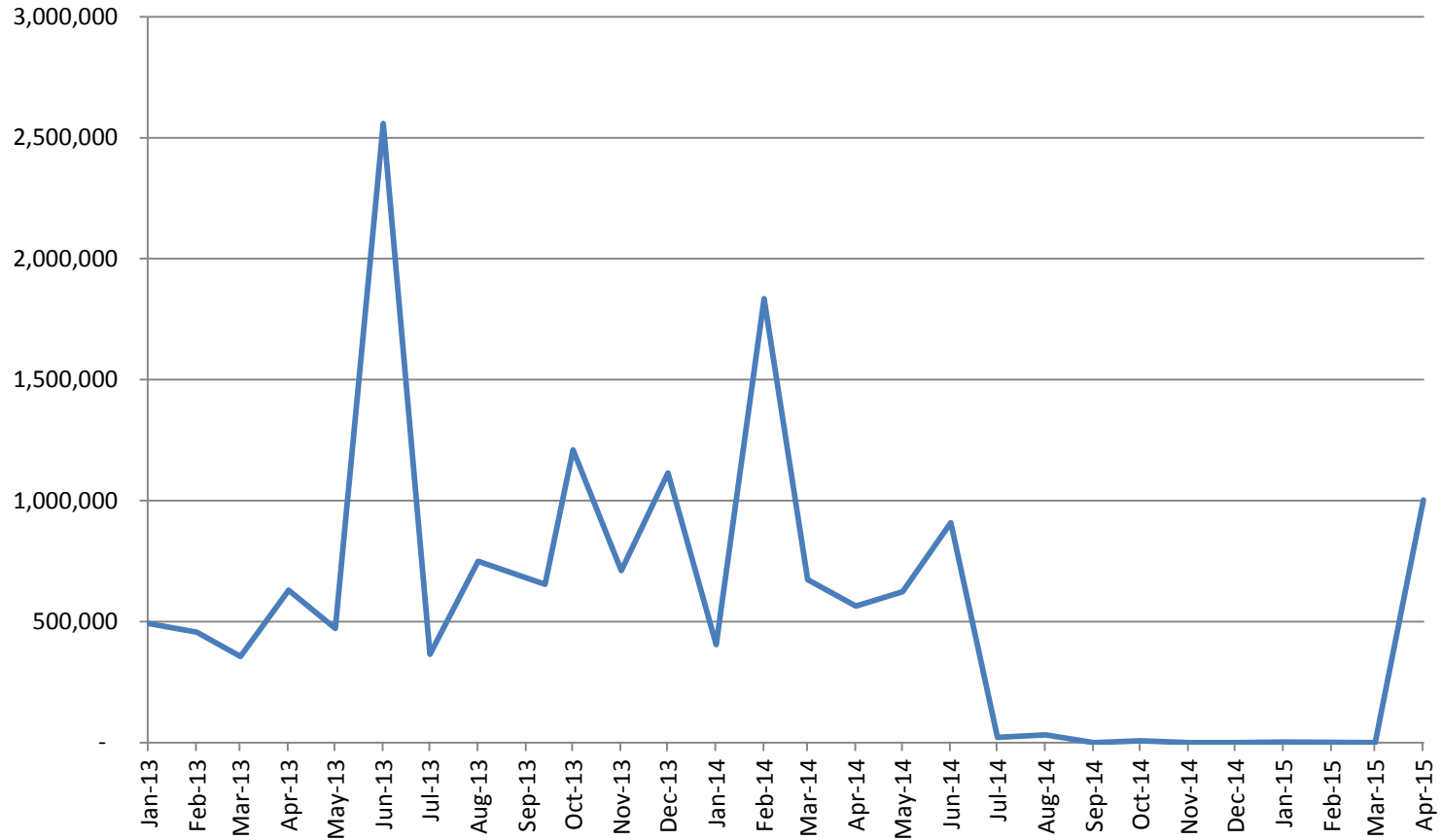


# Cash Flow Reached Critical Levels, Is Now Improving

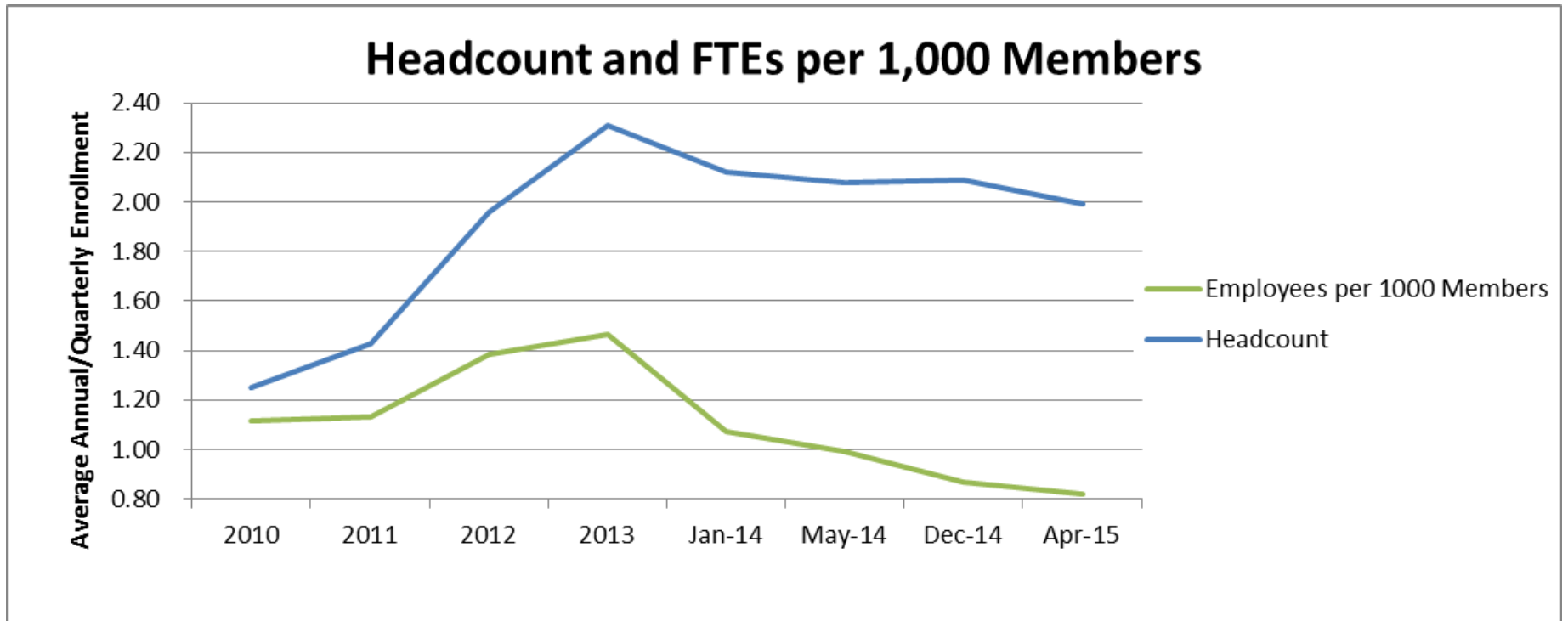


# Capital Spending, Now Stabilized

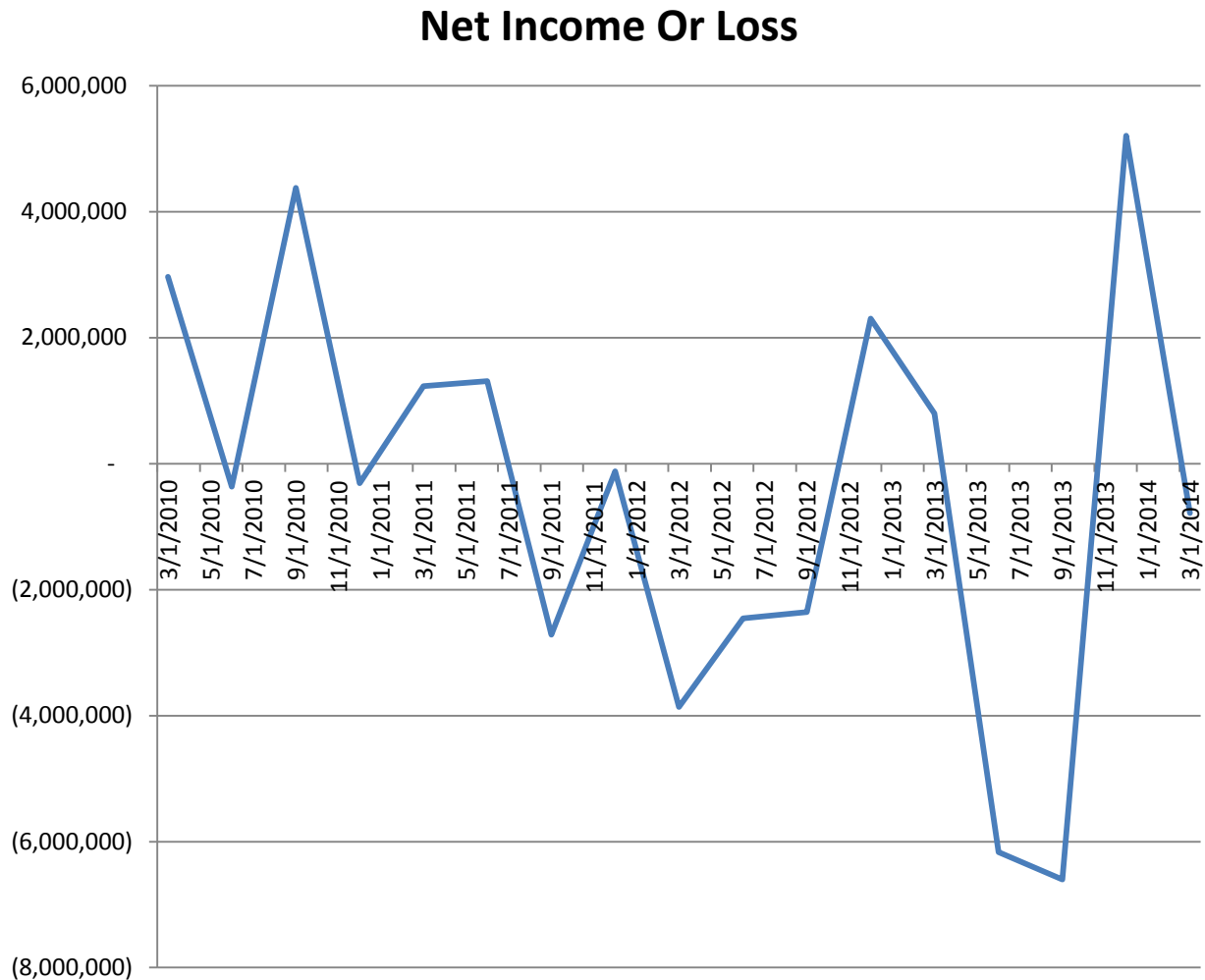
## Monthly Capital Expenditure



# FTEs Increasing More Rapidly than Enrollment



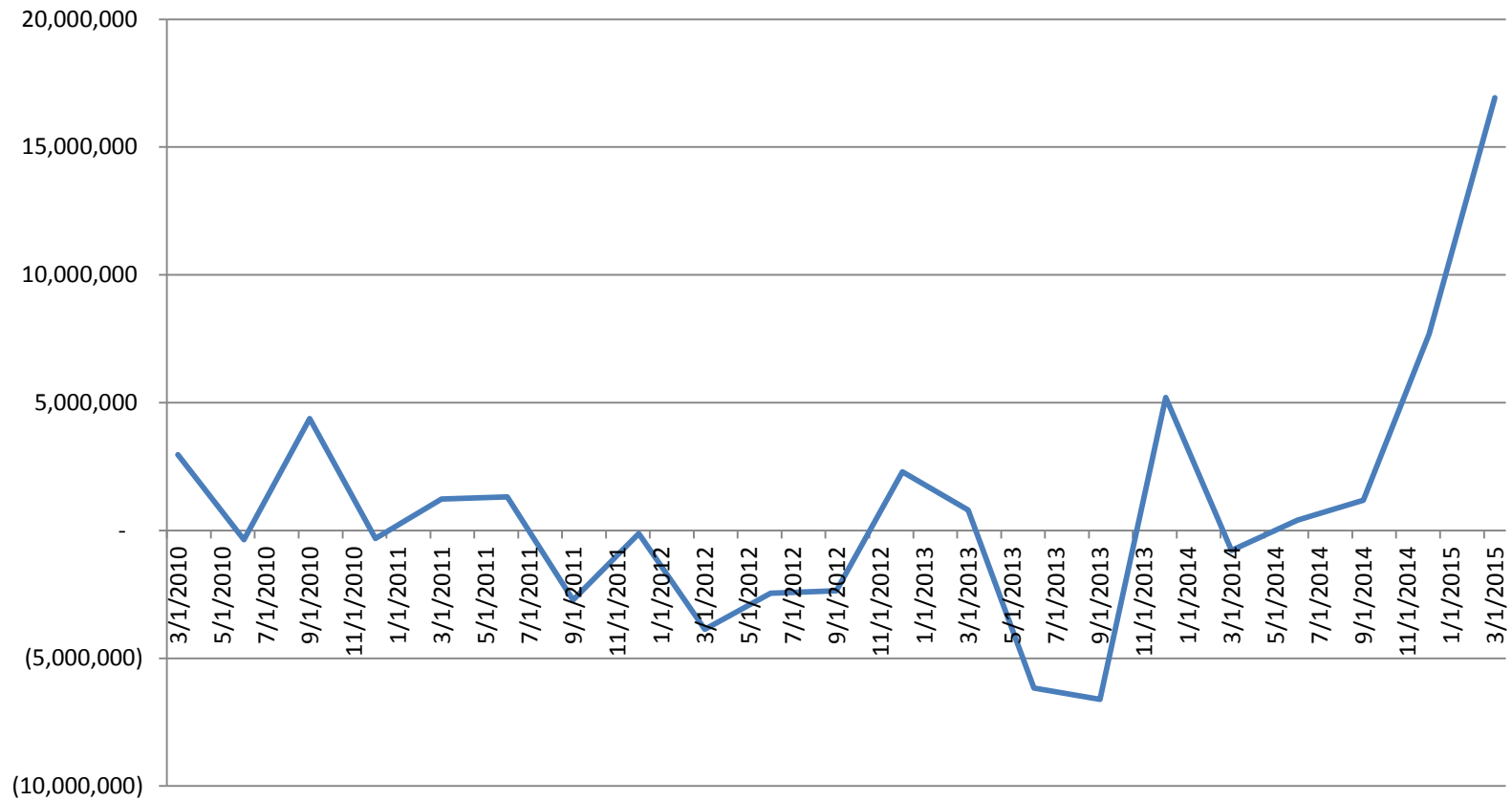
# Sustained Financial Losses





# Losses Became Profits

## Net Income Or Loss



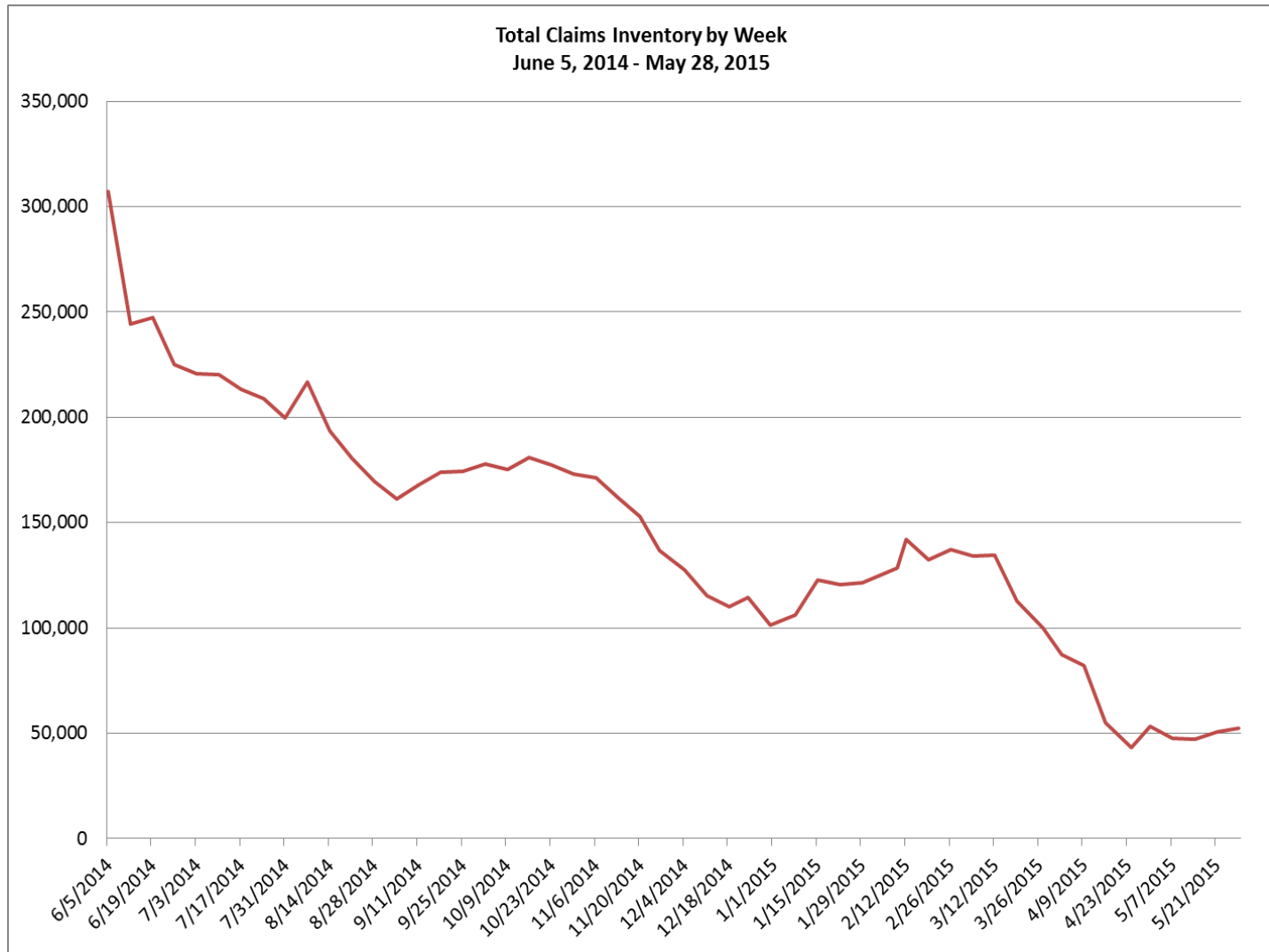
# Poor Decisions Created a Perfect Storm

- 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 Pharmacy 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