Financial Summary of Medi-Cal Managed Care Plans

Quarter Ending June 30, 2020

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Table of Contents

Tables

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 10.6 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 5.1 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 390,000 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 June 30, 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 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

[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.

(DMHC) 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 stabilized in 2018/2019, but most Medi-Cal plans reported an increase in enrollment for the quarter ending June 2020.

- Most LI and COHS plans reported decreases in their medical expenses from June 2019 to June 2020. The decline is attributed to the decrease in utilization of services due the COVID-19 pandemic.

- Per Member Per Month (PMPM) premium revenue exceeded PMPM medical expenses for a majority of the LI and NGM plans for the period ending June 30, 2020.

- Net income remained stable for most Medi-Cal plans compared to June 2019 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 5.2 million individuals as of June 2020. Approximately 5.1 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 and Large Group), Medicare Advantage, and In-Home Supportive Services (IHSS).

- Total LI plan enrollment increased by 1.1 percent from June 2019 to June 2020.

- Almost all LI plans' PMPM premium revenue outpaced PMPM medical expenses for June 2020.

- LI plans reported net loss of $15 million in June 2020 compared to net income of $40 million reported in June 2019, and net income of $60 million for the quarter ending March 31, 2020.

- LIs reported TNE that ranged from 439 percent to 749 percent of required TNE.

- LIs reported $838 million in cash flow from operations in June 2020. This is a significant change from June 2019 when LIs reported cash flow from operations of negative $880 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 5.2 million enrollees in 13 counties in California. Total enrollment increased by 1.1 percent since June 2019. 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 increase in enrollment from June 2019 to June 2020. All LIs reported a slight increase in enrollment, except Alameda Alliance and IEHP, which reported slight enrollment decreases.

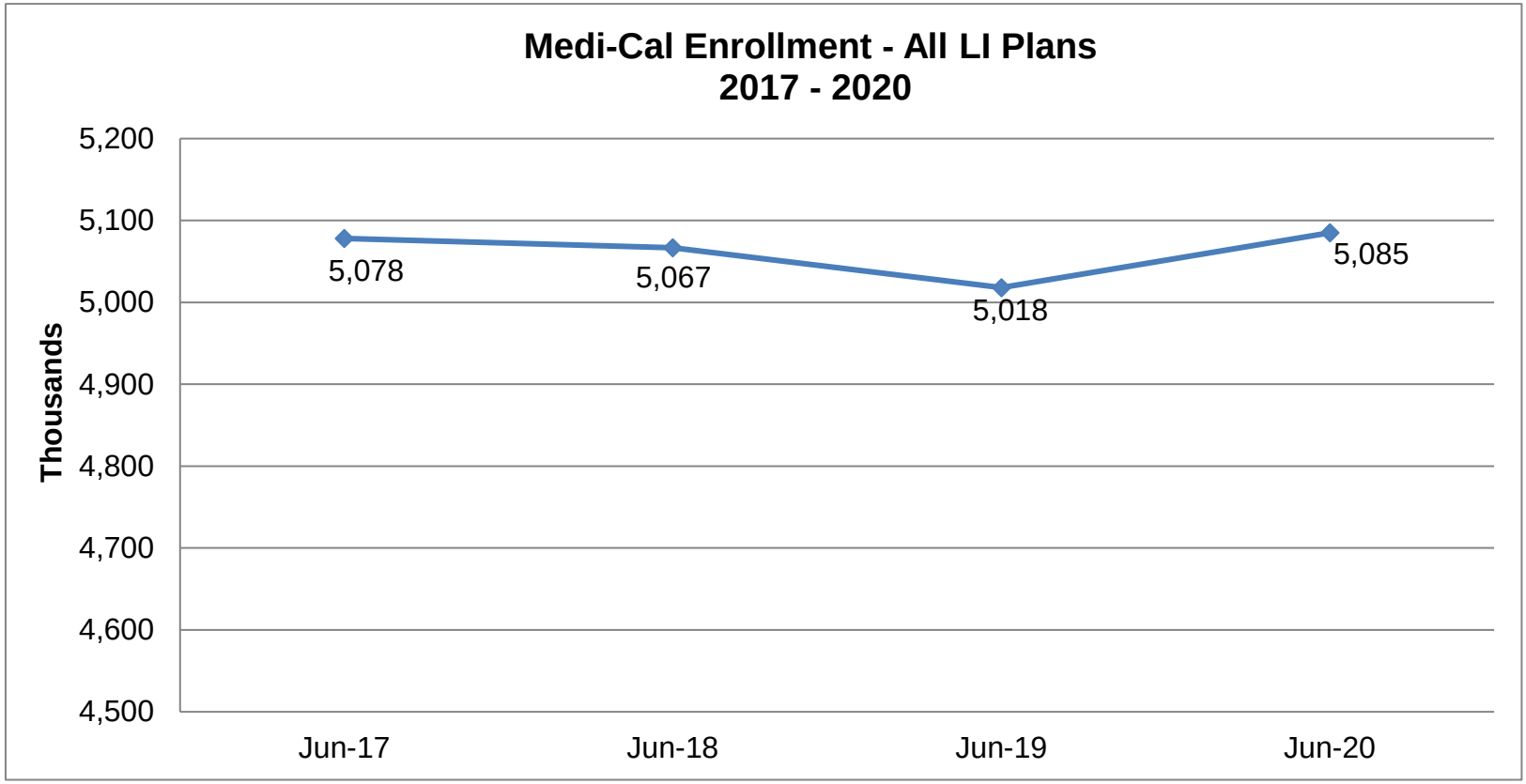
Table 1
Enrollment in Local Initiatives
June 2019 – June 2020

Local Initiative	Total Medi-Cal Enrollment June 2020	Percentage of Medi-Cal Enrollment June 2020	Total Enrollment June 2020[3]	Total Enrollment June 2019	Enrollment Change from June 2019 to June 2020	Percentage Enrollment Change from June 2019 to June 2020
Alameda Alliance	250,552	97%	256,989	259,406	-2,417	-0.9%
CalViva Health	358,004	100%	358,004	357,644	360	0.1%
Contra Costa Health Plan	179,599	96%	187,453	186,807	646	0.3%
IEHP	1,249,368	100%	1,249,368	1,250,375	-1,007	-0.1%
Kern Health Systems	259,592	100%	259,592	250,896	8,696	3.5%
L.A. Care Health Plan	2,057,198	94%	2,191,768	2,152,282	39,486	1.8%
San Francisco Health Plan	129,276	91%	141,625	140,453	1,172	0.8%
Santa Clara Family Health Plan	253,875	100%	253,875	249,205	4,670	1.9%
The Health Plan of San Joaquin	347,506	100%	347,506	341,885	5,621	1.6%
Total	**5,084,970**	**97%**	**5,246,180**	**5,188,953**	**57,227**	**1.1%**

[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 June year-over-year data.

Chart 1



Medi-Cal enrollment in LIs increased slightly from June 2019 to June 2020. L.A. Care Health Plan reported is the largest LI plan with 2.2 million enrollees and had a slight increase in enrollment (1.8 percent) over the last year.

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 Jun-17	QE Jun-18	QE Jun-19	QE Jun-20
Alameda Alliance	262,883	261,832	253,439	250,552
CalViva Health	361,699	358,653	357,644	358,004
Contra Costa Health Plan	182,923	182,544	178,328	179,599
IEHP	1,235,923	1,222,097	1,250,375	1,249,368
Kern Health Systems	241,716	247,317	250,896	259,592
L.A. Care Health Plan	2,043,532	2,069,863	2,021,208	2,057,198
San Francisco Health Plan	135,705	127,863	126,585	129,276
Santa Clara Family Health Plan	265,753	248,776	237,697	253,875
The Health Plan of San Joaquin	348,034	347,794	341,885	347,506
Total Medi-Cal Enrollment	**5,078,168**	**5,066,739**	**5,018,057**	**5,084,970**

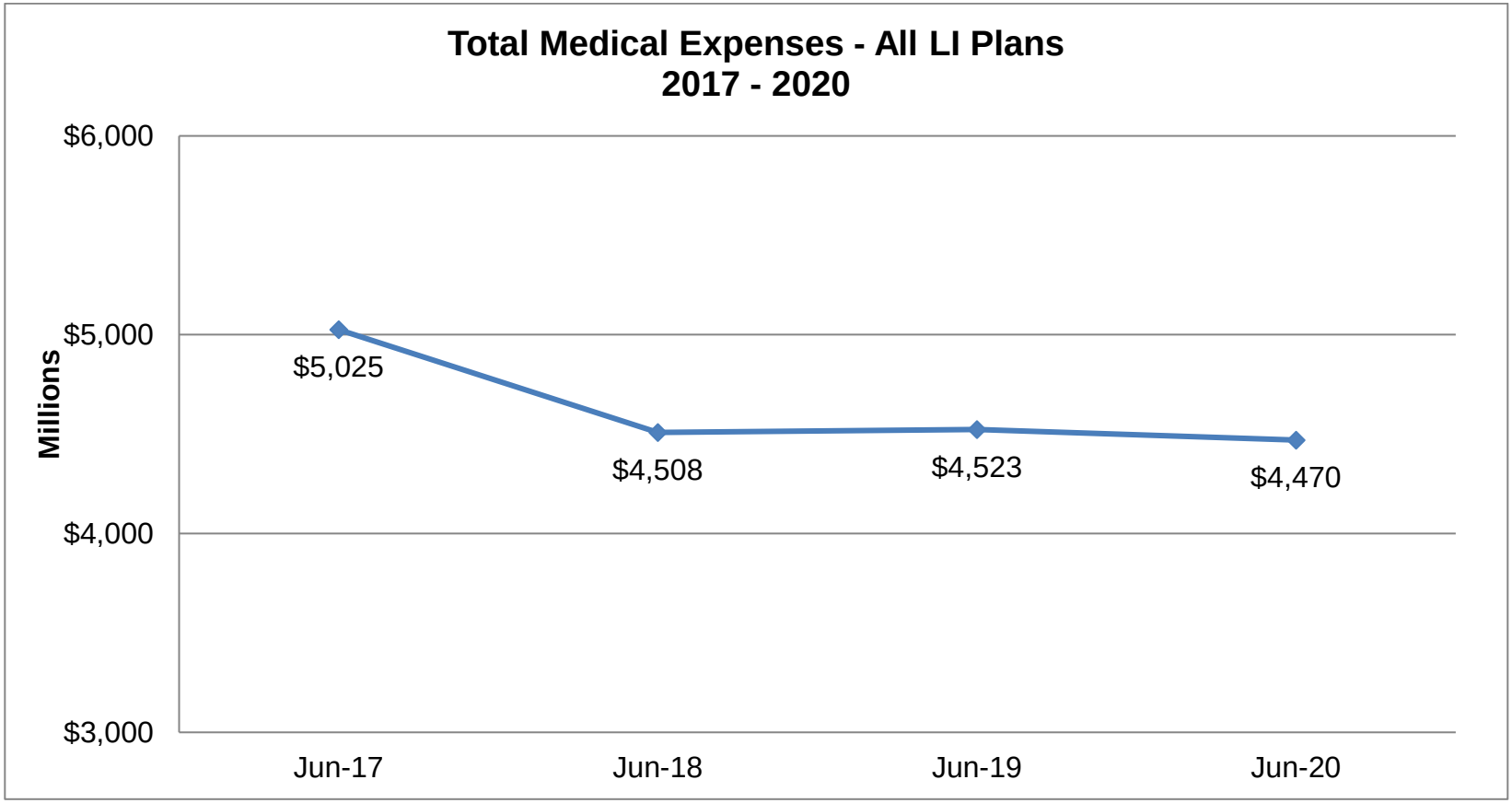
All LI plans, except Alameda Alliance and IEHP reported slight increases in Medi-Cal enrollment at June 2020 compared to June 2019.

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) June 2020. 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 June for the past four years, as well as the difference in PMPM premium revenue and medical expenses for June 2020. San Francisco Health Plan reported the highest PMPM premium revenue and PMPM medical expenses. All LIs, except Contra Costa Health Plan, reported positive net premium revenue for June 2020.

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

Local Initiative	Jun-17	Jun-17	Jun-18	Jun-18	Jun-19	Jun-19	Jun-20	Jun-20	Jun-20
	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	$273	$250	$276	$270	$292	$289	$304	$269	$35
CalViva Health	$125	$116	$239	$226	$248	$235	$251	$238	$13
Contra Costa Health Plan	$279	$274	$310	$289	$320	$321	$310	$311	($1)
IEHP	$349	$332	$310	$285	$331	$320	$332	$322	$10
Kern Health Systems	$234	$216	$260	$245	$244	$232	$244	$216	$28
L.A. Care Health Plan	$350	$334	$275	$266	$297	$277	$315	$310	$5
San Francisco Health Plan	$316	$308	$422	$415	$340	$343	$399	$390	$9
Santa Clara Family Health Plan	$304	$287	$352	$315	$376	$334	$359	$338	$21
The Health Plan of San Joaquin	$280	$246	$251	$233	$256	$235	$261	$252	$8

[4] Difference between June 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 QE June 2020, seven 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 Mar-19	QE Jun-19	QE Sep-19	QE Dec-19	QE Mar-20	QE Jun-20
Alameda Alliance	($2,125)	($8,279)	$6,062	$8,887	$3,729	$6,735
CalViva Health	$2,364	$3,499	$2,927	$2,369	$31,778	$2,049
Contra Costa Health Plan	$894	$3,193	$751	($1,500)	($374)	$8,457
IEHP	($836)	($25,723)	$29,806	$34,042	$12,460	$32,637
Kern Health Systems	$1,360	$2,471	$4,225	$6,484	$1,277	$5,699
L.A. Care Health Plan	$141,224	$43,816	($6,735)	$29,158	$16,610	($64,328)
San Francisco Health Plan	($78)	($10,982)	$3,118	($430)	($4,339)	$8,792
Santa Clara Family Health Plan	$4,445	$17,737	$2,596	($1,499)	$3,565	$2,416
The Health Plan of San Joaquin	$22,793	$14,296	($5,528)	($2,426)	($3,818)	($101)
Total LI Net Income	**$170,040**	**$40,028**	**$37,223**	**$75,084**	**$60,887**	**($15,229)**

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 Jun-19	QE Sep-19	QE Dec-19	QE Mar-20	QE Jun-20
Alameda Alliance	557%	576%	595%	607%	645%
CalViva Health	530%	541%	576%	734%	746%
Contra Costa Health Plan	517%	507%	505%	486%	555%
IEHP	561%	544%	538%	520%	589%
Kern Health Systems	624%	625%	464%	442%	439%
L.A. Care Health Plan	859%	815%	816%	805%	722%
San Francisco Health Plan	738%	847%	831%	737%	612%
Santa Clara Family Health Plan	654%	647%	633%	636%	644%
The Health Plan of San Joaquin	828%	806%	781%	760%	749%

[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 2019, and the trend continued in 2020. For June 2020, the reported TNE ranged from 439 percent to 749 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.

Eight of the nine LI plans reported positive cash flow from operations in June 2020. The cash flow from operations totaled $838 million in June 2020 compared to negative $880 million in June 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 June 30, 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 1.95 million individuals as of June 2020, an increase of 0.9 percent from June 2019.
- Almost all COHS plans' PMPM premium revenue did not outpace medical expenses for June 2020.
- COHS plans reported combined net loss of $47 million in June 2020, compared to net income of $17 million for QE March 31, 2020.
- COHS plans reported TNE ranging from 596 percent to 1,041 percent of required TNE.
- COHS plans reported $330 million in cash flow from operations in June 2020. This is a significant change from March 2020 when COHS plans reported cash flow from operations of negative $12 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 1.95 million, an increase of 0.9 percent compared to June 2019. The majority of COHS plans reported slight increase in total enrollment from June 2019 to June 2020. CalOptima and Partnership HealthPlan reported the highest enrollment numbers.

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

COHS	Total Medi-Cal Enrollment June 2020	Percentage of Medi-Cal Enrollment June 2020	Total Enrollment June 2020[7]	Total Enrollment June 2019	Enrollment Change from June 2019 to June 2020	Percentage Enrollment Change from June 2019 to June 2020
CalOptima	757,127	99.8%	758,970	759,923	(953)	-0.1%
CenCal Health	182,839	100%	182,839	176,912	5,927	3.4%
Central California Alliance for Health	347,152	99.8%	347,731	340,745	6,986	2.1%
Health Plan of San Mateo	113,299	99%	114,437	113,064	1,373	1.2%
Partnership HealthPlan	549,727	100%	549,727	544,864	4,863	0.9%
Total	**1,950,144**	**99.8%**	**1,953,704**	**1,935,508**	**18,196**	**0.9%**

[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 increase slightly in June 2020.

Chart 3

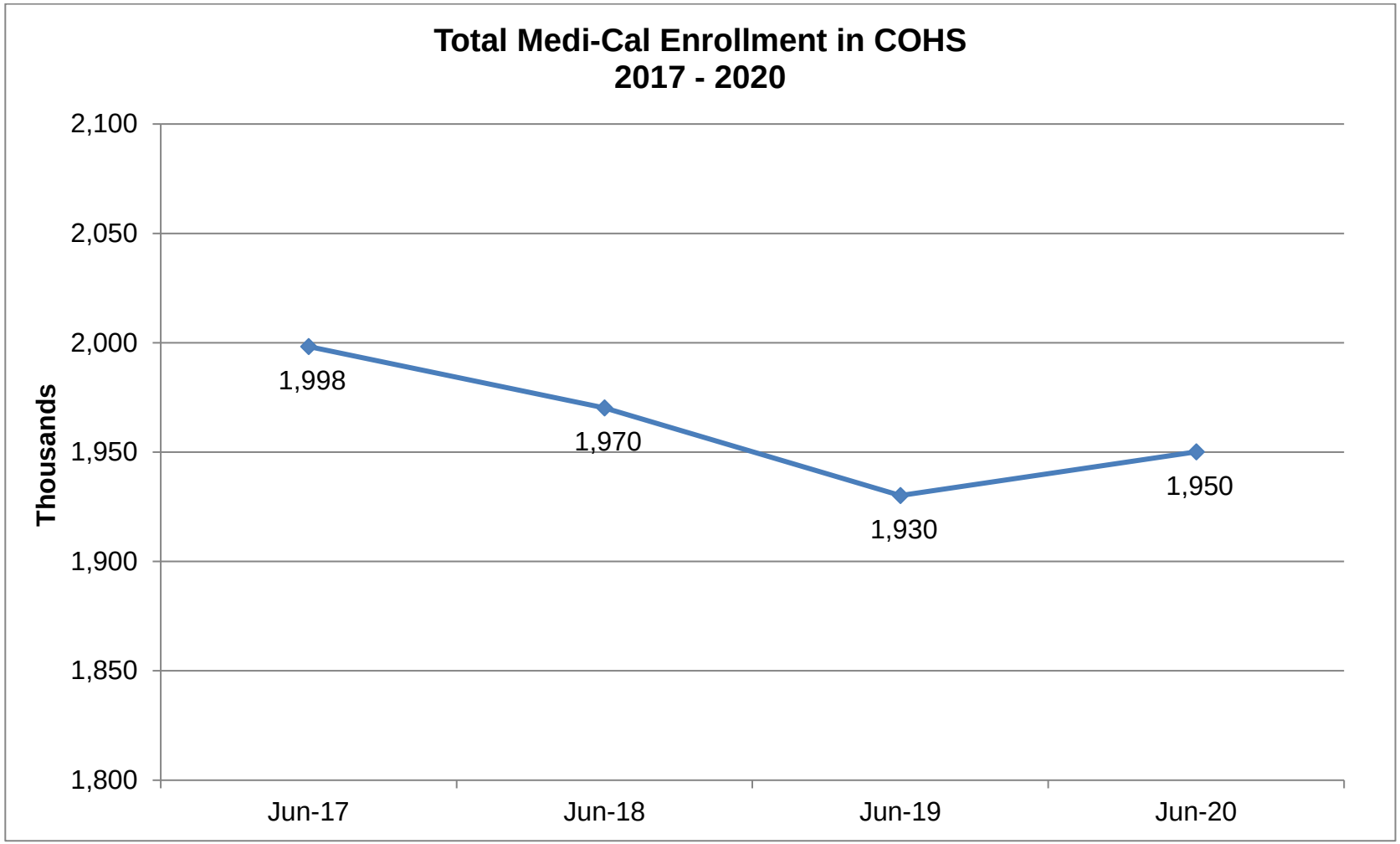


Table 7 shows the Medi-Cal enrollment for each COHS plan over the past four years.

Table 7
Medi-Cal Enrollment by COHS Plan

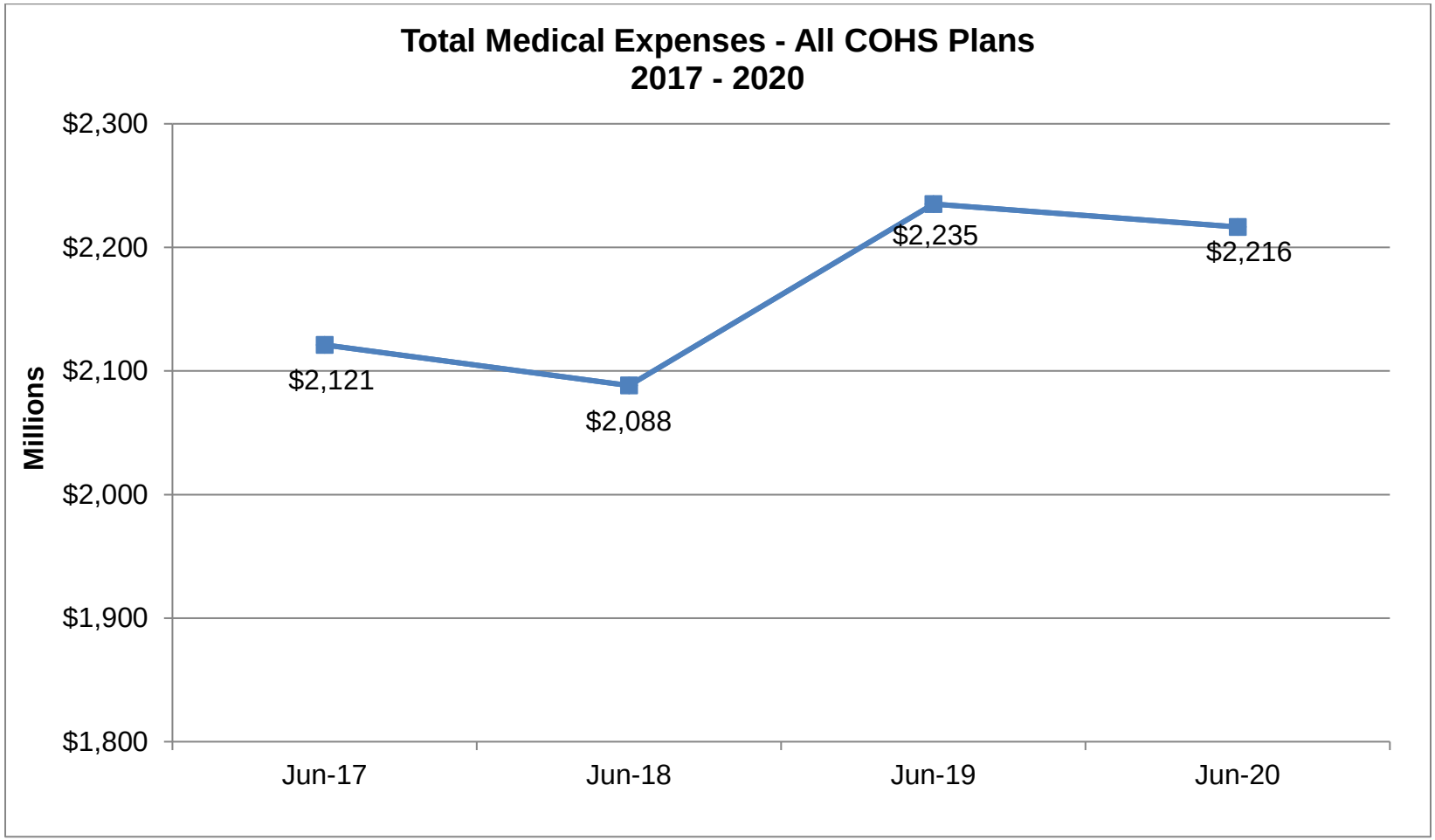
COHS	QE Jun-17	QE Jun-18	QE Jun-19	QE Jun-20
CalOptima	772,228	763,824	758,059	757,127
CenCal Health	178,853	178,229	176,912	182,839
Central California Alliance for Health	354,060	352,065	340,115	347,152
Health Plan of San Mateo	122,458	117,270	110,281	113,299
Partnership HealthPlan	570,661	558,880	544,864	549,727
Total Medi-Cal Enrollment	**1,998,260**	**1,970,268**	**1,930,231**	**1,950,144**

All COHS plans reported decreases in their Medi-Cal enrollment from 2017 to 2020. 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. Medical expenses for COHS plans decreased slightly from June 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 June for the past four years, as well as the difference between the PMPM premium revenue and medical expenses for June 2020.

All COHS plans, except CalOptima, reported negative PMPM net revenue for June 2020 and had lower PMPM premium revenue than medical expenses at June 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

COHS	Jun-17	Jun-17	Jun-18	Jun-18	Jun-19	Jun-19	Jun-20	Jun-20	Jun-20
	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	$431	$402	$404	$376	$398	$363	$371	$344	$27
CenCal Health	$303	$269	$321	$302	$301	$314	$272	$290	($18)
Central California Alliance for Health	$263	$238	$237	$251	$289	$296	$305	$308	($3)
Health Plan of San Mateo	$509	$468	$492	$452	$574	$527	$460	$489	($29)
Partnership HealthPlan	$348	$340	$343	$363	$420	$392	$422	$423	($1)

[8] Difference between June 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 CalOptima, reported net losses for June 2020. All health plans continue to maintain sufficient reserves.

Table 9
COHS Net Income by Quarter (in thousands)

COHS	QE Mar-19	QE Jun-19	QE Sep-19	QE Dec-19	QE Mar-20	QE Jun-20
CalOptima	$60,899	$59,712	$12,688	$4,066	$31,607	$40,101
CenCal Health	$4,836	($15,168)	$2,214	($6,894)	($580)	($22,213)
Central California Alliance for Health	($17,933)	($26,563)	($11,978)	($11,172)	($6,479)	($25,337)
Health Plan of San Mateo	$3,488	$5,959	($1,843)	$894	($13,192)	($5,465)
Partnership HealthPlan	($27,775)	$18,989	($124)	$459	$5,897	($33,888)
Total COHS Net Income	**$23,515**	**$42,929**	**$957**	**($12,647)**	**$17,254**	**($46,802)**

Tangible Net Equity - COHS

All COHS plans reported over 500 percent of required TNE for June 2020. TNE to required TNE ranged from 596 percent to 1,041 percent. CenCal Health and Central California Alliance for Health reported declining TNE for the last four quarters. Even with the declining TNE and negative net income, CenCal Health and Central California Alliance for Health maintains sufficient reserves.

Table 10
Percentage of TNE by COHS

COHS	QE Jun-19	QE Sep-19	QE Dec-19	QE Mar-20	QE Jun-20
CalOptima	1,102%	875%	997%	974%	1,018%
CenCal Health	784%	725%	684%	656%	596%
Central California Alliance for Health	887%	856%	840%	820%	765%
Health Plan of San Mateo	1,044%	989%	1,099%	993%	1,041%
Partnership HealthPlan	665%	657%	654%	651%	604%

Cash Flow from Operations

COHS plans reported $330 million in cash flow from operations in June 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 percent of their claims within 45 working days. For QE June 30, 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 percent Medi-Cal enrollment, that are neither a LI nor a COHS plan.

- Aetna Better Health and UnitedHealthcare Community Plan commenced their operations in December 2017. Therefore, this report includes data beginning March 31, 2018 for these two plans.

- 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.
  - 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 and $100 million in March 2020 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 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 1,120,929 enrollees and Kaiser Permanente with 669,975 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 0.4 percent from June 2019 to June 2020.

- Most NGM plans' PMPM premium revenue outpaced medical expenses for June 2020.

- NGM plans reported $117 million in net income in June 2020, which was higher than the $106 million net income reported in June 2019, and 63 percent higher than QE March 31, 2020.

- Tangible net equity for NGM plans ranged from 105 percent to 1,053 percent of required TNE at June 2020.

- NGM plans reported $471 million in cash flow from operations in June 2020. This is a significant change from March 2020 when NGM plans reported cash flow from operations of $111 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 June 2020 compared to June 2019, except Aetna Better Health and UnitedHealthcare Community Plan. Both Aetna Better Health and UnitedHealthcare Community Plan experienced enrollment growth in June 2020 compared to June 2019.

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

Non-Governmental Medi-Cal Plans	Total Medi-Cal Enrollment June 2020	Percentage of Medi-Cal Enrollment June 2020	Total Enrollment June 2020	Total Enrollment June 2019	Enrollment Change from March 2019 to June 2020	Percentage Enrollment Change from June 2019 to June 2020
Aetna Better Health	23,590	70%	16,552	17,187	17,187	103.8%
Blue Shield of California Promise Health Plan	406,809	88%	461,763	467,493	(5,730)	-1.2%
California Health and Wellness	192,959	100%	192,959	196,113	(3,154)	-1.6%
Community Health Group	254,093	98%	260,551	265,107	(4,556)	-1.7%
Health Net Community Solutions	1,733,665	99%	1,752,481	1,763,941	(11,460)	-0.6%
Molina	537,226	92%	584,995	595,399	(10,404)	-1.7%
UnitedHealthcare Community Plan	14,993	95%	15,764	10,846	4,918	45.3%
Total Enrollment in NGMs	**3,163,335**	**96%**	**3,302,252**	**3,315,451**	**(13,199)**	**-0.4%**
Anthem Blue Cross	1,120,929	34%	3,571,243	3,552,662	18,581	-0.5%
Kaiser Permanente	669,975	7%	9,302,750	9,102,445	200,305	2.2%
Grand Total	**5,034,239**	**31%**	**16,176,245**	**15,970,558**	**205,687**	**1.3%**

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

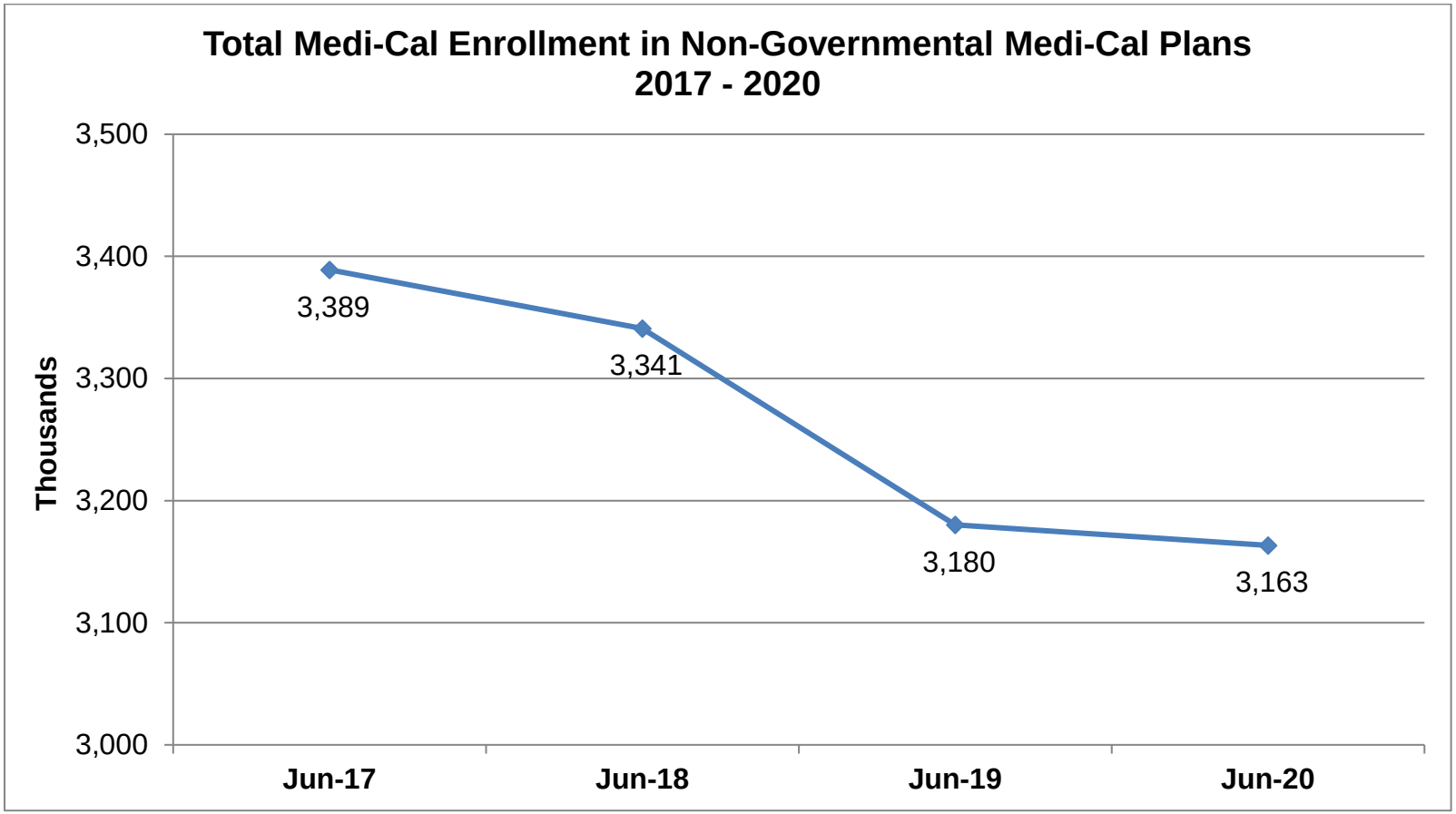


Table 12 shows the Medi-Cal enrollment for the NGM plans over the past four years. Aetna Better Health and UnitedHealthcare Community Plan commenced their operations in December 2017; therefore, the table below shows enrollment data as of June 2018 for these two plans.

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

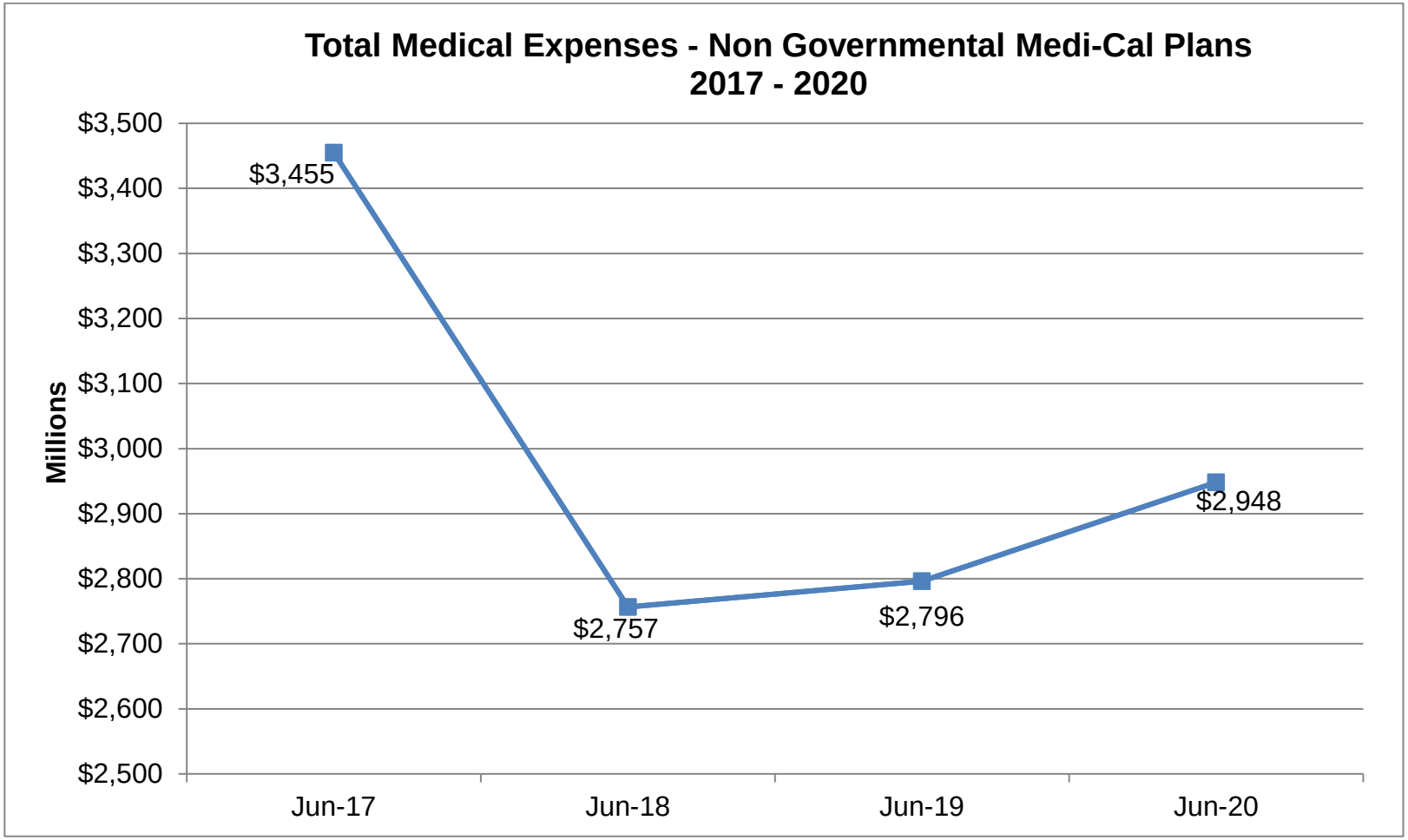
Non-Governmental Medi-Cal Plans	QE Jun-17	QE Jun-18	QE Jun -19	QE Jun -20
Aetna Better Health	NA	5,997	16,552	23,590
Blue Shield of California Promise Health Plan	420,388	435,204	404,914	406,809
California Health and Wellness	188,900	195,440	196,113	192,959
Community Health Group	290,384	281,600	265,107	254,093
Health Net Community Solutions	1,861,724	1,824,091	1,746,418	1,733,665
Molina	627,590	588,672	540,101	537,226
UnitedHealthcare Community Plan	NA	9,995	10,846	14,993
Total Medi-Cal Enrollment	**3,388,986**	**3,340,999**	**3,180,051**	**3,163,335**

All NGM plans except Aetna Better Health, Blue Shield of California Promise Health Plan and UnitedHealthcare Community Plan reported slight decreases in Medi-Cal enrollment compared to June 2019.

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 June for the past four years, as well as the difference in the PMPM premium revenue and medical expenses for quarter ending June 2020. All NGM plans, except Aetna Better Health and California Health and Wellness, reported positive PMPM net revenue for June 2020.

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

Non-Governmental Medi-Cal Plans	Jun-17	Jun-17	Jun-18	Jun-18	Jun-19	Jun-19	Jun-20	Jun-20	Jun-20
	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[10]	NA	NA	$272	$251	$472	$370	$606	$664	($58)
Blue Shield of California Promise Health Plan[10]	$506	$452	$383	$355	$366	$341	$389	$367	$22
California Health and Wellness	$271	$240	$263	$255	$282	$314	$298	$315	($17)
Community Health Group	$337	$286	$195	$296	$335	$328	$348	$346	$2
Health Net Community Solutions[10]	$336	$282	$277	$240	$294	$256	$317	$270	$47
Molina[10]	$294	$262	$307	$240	$313	$251	$326	$262	$64
UnitedHealthcare Community Plan[10]	NA	NA	$213	$241	$355	$446	$369	$239	$130

[9] Difference between June 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. Aetna Better Health, California Health and Wellness and Community Health Group reported negative net income for June 2020.

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

Non-Governmental Medi-Cal Plans	QE Mar-19	QE Jun-19	QE Sep-19	QE Dec-19	QE Mar-20	QE Jun-20
Aetna Better Health	$748	($3,760)	$704	$685	($3,126)	($9,409)
Blue Shield of California Promise Health Plan	$5,529	($1,533)	($15,034)	($64,314)	($30,733)	$68
California Health and Wellness	$2,005	($27,670)	$6,793	$2,892	($5,624)	($23,100)
Community Health Group	($3,079)	$197	($24,214)	($2,497)	$6,300	($6,123)
Health Net Community Solutions	$110,551	$99,069	$124,079	$120,380	$76,313	$113,881
Molina	$14,727	$44,607	$47,810	$73,915	$25,248	$39,858
UnitedHealthcare Community Plan	($5,603)	($4,603)	$573	$5,216	$3,486	$1,919
Total Net Income	**$124,878**	**$106,307**	**$140,711**	**$136,278**	**$71,863**	**$117,094**

Tangible Net Equity - Non-Governmental Medi-Cal Plans

NGM plans' TNE to required TNE ranged from 105 percent to 1,053 percent for June 2020. 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 Jun-19	QE Sep-19	QE Dec-19	QE Mar-20	QE Jun-20
Aetna Better Health	386%	373%	470%	375%	582%
Blue Shield of California Promise Health Plan	983%	961%	806%	741%	730%
California Health and Wellness	151%	170%	184%	159%	105%
Community Health Group	1,108%	1,027%	1,010%	1,074%	1,053%
Health Net Community Solutions	950%	833%	780%	724%	787%
Molina	251%	234%	230%	187%	232%
UnitedHealthcare Community Plan	850%	918%	1,098%	1,244%	812%

Cash Flow from Operations

NGM plans reported $471 million in cash flow from operations in June 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 percent of their claims within 45 working days. For the quarter ending June 30, 2020, NGM plans did not report any claims processing or emerging claims payment deficiencies.

Conclusion

Enrollment increases for the MCMC plans slowed, and then declined slightly in 2019 and the first half of 2020. A majority of the LI and COHS plans reported decreases in their medical expenses from June 2019 to June 2020. Additionally, LI, COHS and NGM plans reported positive cash flow from operations which resulted from a decrease in medical expenses. The decline in medical expenses is attributed to the changes in utilization of services due the COVID-19 pandemic. 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	250,552	645%
CalViva Health	Fresno, Kings, and Madera	358,004	746%
Contra Costa Health Plan	Contra Costa	179,599	555%
IEHP	Riverside and San Bernardino	1,249,368	589%
Kern Health Systems	Kern	259,592	439%
L.A. Care Health Plan	Los Angeles	2,057,198	722%
San Francisco Health Plan	San Francisco	129,276	612%
Santa Clara Family Health Plan	Santa Clara	253,875	644%
The Health Plan of San Joaquin	San Joaquin and Stanislaus	347,506	749%

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	757,127	1,018%
CenCal Health	Santa Barbara and San Luis Obispo	182,839	596%
Central California Alliance for Health	Merced, Monterey, and Santa Cruz	347,152	765%
Health Plan of San Mateo	San Mateo	113,299	1,041%
Partnership HealthPlan	Del Norte, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Shasta, Siskiyou, Solano, Sonoma, Trinity, and Yolo	549,727	604%

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	23,590	582%
Blue Shield of California Promise Health Plan	Los Angeles and San Diego	406,809	730%
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	192,959	105%
Community Health Group	San Diego	254,093	1,053%
Health Net Community Solutions	Fresno, Kern, Kings, Los Angeles, Madera, Sacramento, San Diego, San Joaquin, Stanislaus, and Tulare	1,733,665	787%
Molina	Imperial, Los Angeles, Sacramento, Riverside, San Bernardino, and San Diego	537,226	232%
UnitedHealthcare Community Plan	San Diego	14,993	812%