

February 21, 2013

The Honorable Pat Bates
333 W. Santa Ana Boulevard, 5th Floor
Santa Ana, CA 92701

Subject: CalOptima – Review of 5-year historical data and trends

Dear Supervisor Bates:

During my recent meetings with elected and State officials, I was asked to provide 5-year historical data and trends on some of the key indicators regarding CalOptima. I am sharing this information with the members of our state and federal legislative delegation and the Orange County Board of Supervisors.

The data highlights the continuing strength of CalOptima operating as a well-run health plan. The information provided below also shows: 1) increased organizational responsibility and complexity; 2) sustained financial efficiency; and 3) consistent allocation to all providers.

1. Financial Factors

The organization's overall revenue has grown nearly 50% in the past 5 years, from approximately \$1.0 billion in 2008 to nearly \$1.5 billion in 2012. We increased our medical expenditures by a similar percentage, 49%, from 2008 to 2012.

Overall Revenue:

2008	2009	2010	2011	2012
\$979.4 million	\$1.1 billion	\$1.2 billion	\$1.4 billion	\$1.5 billion

Overall Medical Expenditures:

2008	2009	2010	2011	2012
\$939.9 million	\$1.06 billion	\$1.12 billion	\$1.38 billion	\$1.40 billion

Correspondingly, CalOptima's Medical Loss Ratio (MLR) has remained constant at approximately 95%, which means 95 cents of every dollar CalOptima receives continues to be allocated for patient care. Currently, this places CalOptima third among all public and private health plans in California for the highest spending percentage of revenues on patient care.

Medical Loss Ratio:

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
96.0%	98.1%	94.4%	95.6%	95.2%

Additionally, CalOptima's Administrative Loss Ratio (ALR) has also remained relatively consistent at approximately 4.5%. The 4.5% Administrative Loss Ratio (ALR) means only 4 ½ cents of every dollar CalOptima receives has been spent on non-medical purposes.

Administrative Loss Ratio:

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
4.3%	4.3%	4.5%	4.3%	4.6%

Also, the medical expenditure allocation mix over this 5-year period to cover hospital reimbursements, physician reimbursements and nursing home care has remained nearly constant.

In 2012, hospitals, physicians, pharmacies, and long-term care facilities received relatively the same percentage of CalOptima's medical expenditures as they did in 2008. For example, of CalOptima's overall medical expenditures, hospitals received 32% in 2012 and 31% in 2008. (This is reflective of discounting the state-imposed Hospital Quality Assurance Fee that was applicable in 2011 and 2012.)

Medical Expenditures By Category (in millions)

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Hospitals				
\$285.3 (31%)	\$331.2	\$351.0	\$405.9	\$458.7 (32%)
Physicians				
\$250.3 (27%)	\$286.6	\$307.7	\$330.4	\$350.8 (25%)
Prescription Drugs				
\$113.9 (12%)	\$122.6	\$141.5	\$165.9	\$188.4 (14%)
Long-Term Care Facilities				
\$272.8 (29%)	\$294.6	\$299.1	\$307.2	\$336.0 (24%)
<hr/>				
Overall Medical Expenditures				
\$939.9 million	\$1.06 billion	\$1.12 billion	\$1.38 billion	\$1.40 billion

2. Membership and Services

CalOptima membership has grown from over 340,000 in 2008 to approximately 435,000 in 2012, which represents a nearly 28% increase.

CalOptima Membership

(includes Medi-Cal, OneCare, Healthy Families Program and Healthy Kids)

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
341,831	363,137	399,956	421,795	435,410

As CalOptima's membership increased, a similar increase in the level of service for our members has occurred. Here are two examples:

- 1) a 33% increase in the number of members' claims that were processed, 1.2 million in 2009 to 1.6 million currently.

Claims Volume

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
N/A	1.2 million	1.4 million	1.5 million	1.6 million

- 2) a 52% increase in the number of Member Liaison cases, from 6,000 cases in 2009 to 9,100 in 2012. (Member Liaisons assists seniors, members with disabilities or members who have unstable housing through the health care system and arrange doctor's appointments and prescriptions, etc.)

Member Liaison Cases

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
N/A	6,000	7,200	7,500	9,100

Regarding CalOptima staff, the organization has undertaken a myriad of increasing and complex initiatives within the last several years, including, but not limited to participating in the Duals Demonstration pilot program, responsibility for Community-Based Adult Servicesⁱ (CBAS), operating a Program of All-Inclusive Care for the Elderlyⁱⁱ (PACE) center and of course, playing a significant role with the implementation of the Affordable Care Act.

In addition, our contracted health networks requested CalOptima take back direct responsibility for the quality of care for our most vulnerable and complex members, including those who are transplant-eligible; members with hemophilia, HIV or end stage renal disease (ESRD); and Seniors and Persons with Disabilities. In order to better serve this population, CalOptima has added clinically based managers, nurses, customer service representatives and specialized Member Liaisons.

There's been a 39% increase in CalOptima staff over the 5-year period corresponding to the above referenced increased revenue (50%), membership (28%), claims volume (33%) and Member Liaison cases (52%).

Total Employee Headcount

2008	2009	2010	2011	2012
367	399	426	483	513

Even with the increased initiatives and staff, the total number of executives at CalOptima has remained relatively constant.

Total Executive Staff Headcount

2008	2009	2010	2011	2012
11	11	12	13	14

3. Independent Reviews of Plan Performance

For the past 5 years, our health care plans have rated relatively well for their performance.

- Our OneCare program has continually been rated at the 3.5 or 4.0 level (out of a 5.0) for the past 5 years (3.0 being average and 4.0 above average).
- In 2012, our Medi-Cal plan for 2011 placed fourth out of a total of 24 plans, earning an Honorable Mention Quality Award.
- CalOptima's Healthy Families Program has been recognized in the state with the highest quality scores and a Superior Performance recognition.

Quality Reviews

2008	2009	2010	2011	2012
OneCare N/A	N/A	3.5	3.5	4.0
Healthy Families Superior Performance	N/A	Superior Performance	Superior Performance	expected 7/13
Medi-Cal Silver	Silver	N/A	N/A	Honorable Mention

4. Member Satisfaction/Customer Service

Every other year, the California DHCS has a third party survey CalOptima's members. The table shows the percentage of members, or parents of members who responded favorably. The Child Survey shows that member satisfaction improved between 2010 and 2012.

Child Satisfaction Survey 2006-2012
Overall Ratings

	Rating of Health Care	Rating of Personal Doctor/Nurse	Rating of Specialist Seen Most Often	Rating of Health Network
Medi-Cal 2012	80.3%	85.7%	82.7%	82.8%
Medi-Cal 2010*	77.4%	84.1%	78.2%	80.4%
Medi-Cal 2008	82.6%	87.3%	79.9%	83.4%
Medi-Cal 2006	84.4%	84.9%	79.8%	82.3%

* Note that, in 2010, the survey tool changed from the 3.0 to the 4.0 version. Therefore, results from the 2006 and 2008 surveys are NOT comparable to the 2010 and 2012 results.

Adult with Disabilities 2007, 2009, 2011
Overall Ratings

	Rating of Health Care	Rating of Personal Doctor	Rating of Specialist Seen Most Often	Rating of Health Network
Medi-Cal 2011	69.6%	79.3%	77.0%	69.0%
Medi-Cal 2009	67.9%	77.9%	74.6%	66.0%
Medi-Cal 2007	64.4%	77.0%	73.8%	64.0%

As is highlighted by the below matrixes, while overall CalOptima membership has grown significantly, the number of Member appeals and grievances has stayed relatively flat. This means that the number of complaints and grievances per 1,000 members has declined.

Member Appeals	2009	2010	2011	2012
Medi-Cal	243	434	283	313
OneCare	139	147	189	474
Healthy Families	14	23	13	16
TOTAL	2405	2614	2496	2815

Member Grievances	2009	2010	2011	2012
Medi-Cal	679	734	886	795
OneCare	181	363	331	452
Healthy Families	60	44	36	41
TOTAL	2929	3151	3264	3300

Provider Appeals	2009	2010	2011	2012
Medi-Cal	2142	2189	1774	1819
OneCare	187	230	224	201
Healthy Families	34	47	42	53
TOTAL	4372	4476	4051	4085

And finally for this past year, CalOptima received accreditation with Commendable status from the National Committee for Quality Assurance (NCQA).

Thank you for letting me share this 5-year historical trend document. I believe this highlights the fact that CalOptima continues to improve and operate as a very well-run health plan for all of its stakeholders.

Please feel free to contact me should you have any questions or comments. I welcome your thoughts.

Sincerely,



Michael Schrader
Chief Executive Officer

cc: CalOptima Board of Directors

¹ On March 31, 2012, the state eliminated the Adult Day Health Care (ADHC) benefit. In its place is a new Medi-Cal benefit called Community-Based Adult Services (CBAS). CalOptima has managed the CBAS benefit for Orange County Medi-Cal members since July 1, 2012. Like ADHC, the CBAS program is intended to help members at risk for institutional placement to continue residing in their homes safely. Services include: personal care, social services, on-site nursing care, physical, occupational and speech therapy (both skilled and maintenance), meal service, and transportation to and from the CBAS center.

² Program of All-inclusive Care for the Elderly (PACE) is a physical location that provides comprehensive health services for individuals age 55 and over who are sufficiently frail to be categorized as "nursing home eligible" by their state's Medicaid program. Services include primary and specialty medical care, nursing, social services, therapies (occupational, physical, speech, recreation, etc.), pharmaceuticals, day health center services, home care, health-related transportation, minor modification to the home to accommodate disabilities, and anything else the program determines is medically necessary to maximize a member's health. CalOptima is in the process of opening Orange County's first PACE center, with an expected opening of Summer 2013.