

MEMBER COUNTY BOARD 2023 REPORT

Leota Lind, CEO
Scott Schufman, CFO





2022 Year-end Financial Results





2022 Year-End Audit

CliftonLarsonAllen (CLA) completed their financial audit of South Country for 2022:

- No difficulties encountered in performing the audit.
- No misstatements.
- No audit adjustments.
- Opinion - Statutory financial statements present fairly, in all material respects, the admitted assets, liabilities, and surplus of South Country Health Alliance, and the results of its operations and its cash flows, on the basis of the financial reporting provisions of the Department of Health of the State of Minnesota.





2022 Results

South Country finished 2022 at a net income of \$17.6M versus a budget of \$3.8M and compared to net income of \$3.8M in 2021.

Highlights included:

- Lower than anticipated medical claims costs for all lines.
- All lines of business, except for Minnesota Care and AbilityCare, were profitable.
- Includes a \$3.3 million provision for Federal Minimum Loss Ratio (MLR) amounts payable for the PMAP, MSC+, SingleCare (SNBC), and SharedCare (SNBC) lines of business.
- Overall loss ratio of 87.0% versus budget of 91.3% and prior year of 90.5%.
- Administrative expense to revenue ratio of 7.0% versus a budget of 7.3% and compared to 7.9% in 2021.
- Risk-Based Capital ratio at 451%.



Financial Results

Statement of Net Income (for twelve months ending December 31, 2022)

	December 2022 Actual	December 2022 Budget	Favorable/ (Unfavorable)	December 2021 Actual	Favorable/ (Unfavorable)
TOTAL REVENUES*	\$ 277,611,362	\$ 277,106,526	504,836	245,647,193	31,964,168
TOTAL PROGRAM EXPENSES	241,494,502	252,947,986	11,453,484	222,196,915	(19,297,587)
LOSS RATIO	87.0%	91.3%	4.3%	90.5%	3.5%
ADMINISTRATIVE EXPENSES					
EMPLOYEE RELATED	9,968,411	10,424,709	456,298	9,576,542	(391,870)
OTHER ADMIN EXPENSES	3,495,757	3,992,604	496,847	4,099,499	603,741
TPA FEES	5,774,634	5,695,385	(79,249)	5,479,717	(294,917)
CLAIMS ADJUSTMENT EXPENSES	80,968	0	(80,968)	136,126	55,158
TOTAL ADMIN EXPENSES	19,319,771	20,112,698	792,927	19,291,882	(27,889)
OPERATING INCOME	16,797,088	4,045,842	12,751,246	4,158,396	12,638,692
INTEREST EXPENSE	(211,857)	(226,842)	14,985	(294,527)	82,670
INVESTMENT INCOME	1,035,486	6,000	1,029,486	6,899	1,028,586
NET INCOME (LOSS)	\$ 17,620,716	\$ 3,825,000	13,795,716	3,870,769	13,749,948
MEMBER MONTHS	387,417	378,880	8,537	361,321	26,096
			8,537		
Admin Expense PMPM	\$49.87	\$53.08	\$3.21	\$53.39	\$3.52
Admin Expense Ratio to Revenue	7.0%	7.3%	0.3%	7.9%	0.9%
TPA Fees PMPM	\$14.91	\$15.03	\$0.12	\$15.17	\$0.26

*Revenue shown includes \$3.3M provision for Federal Medical Loss Ratio (MLR) payable to DHS/CMS.

2023 Budget

South Country's 2023 budget calls for net income of \$3,005,000.

Key assumptions included:

- Membership decrease of 3% due to ending of the Federal Public Health Emergency.
- Revenue on PMPM basis up due to relatively moderate increases in capitation rates in MNCare, Seniors, SNBC, and Medicare lines. PMAP revenue down approximately 1% on a PMPM basis.
- Medical claims costs up on a PMPM basis due to higher utilization and increased unit cost trend assumptions in both medical and pharmacy costs.
- Member Program Investment (Delfina Pre-Natal/Post-Partum project)
- Loss ratio of 90.6% versus prior year of 87.0%.
- Administrative expense to revenue ratio of 8.5%.
 - Increase in legal fees and marketing budgets
 - Provider contract redesign project
 - System enhancements (TruCare, Disaster Recovery, Security)
 - HEDIS (rate; chart chases)

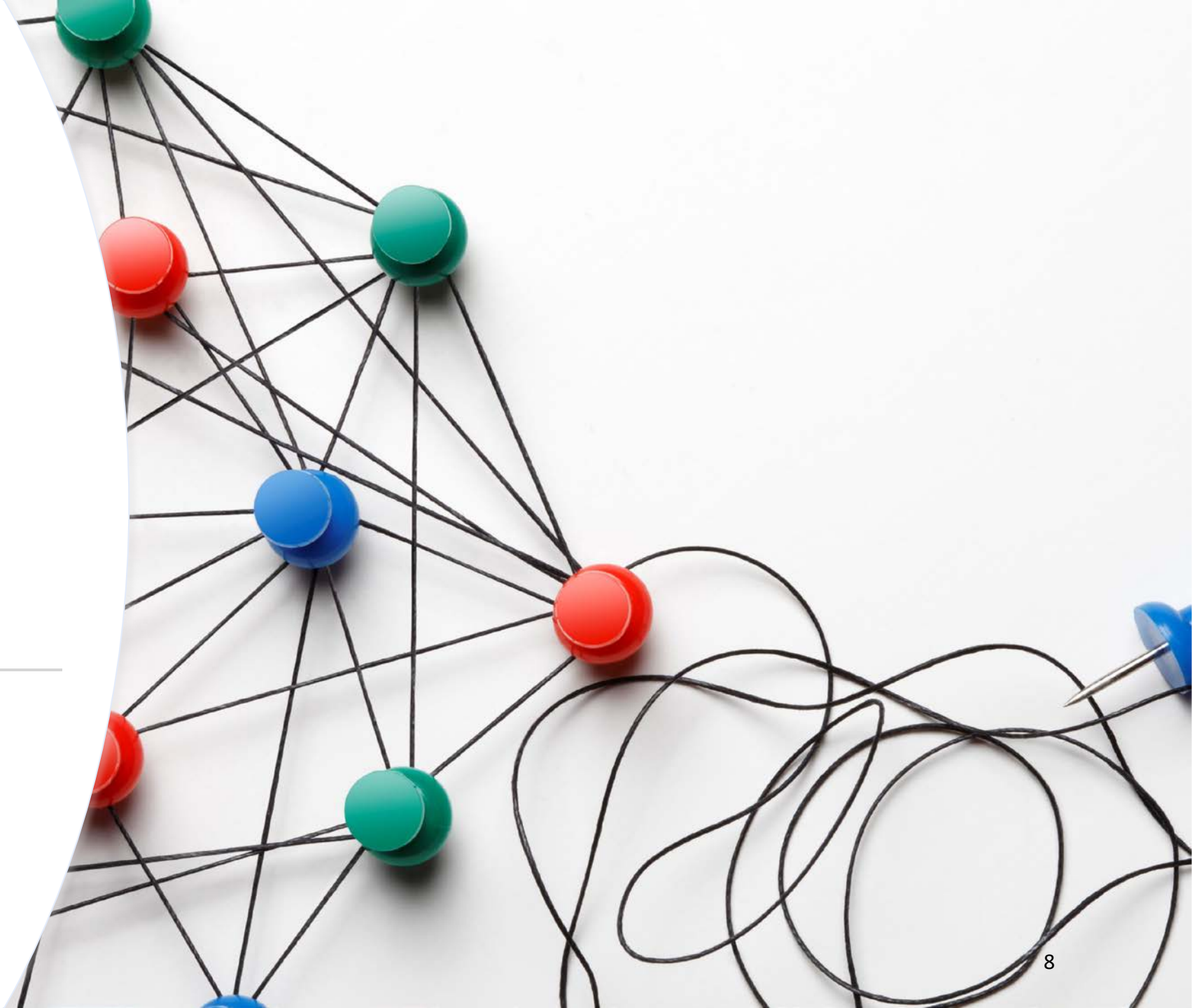
2023 Budget versus 2022 Results

	<u>2023 Budget</u>	<u>2022 Actual</u>	<u>Change</u>
Member Months	367,937	387,417	-5.0%
Revenue	\$ 265,594,404	\$ 277,611,362	-4.3%
Program Expenses	<u>240,708,939</u>	<u>241,494,502</u>	-0.3%
Net Margin	24,885,465	36,116,860	-31.1%
Admin Expenses	<u>22,480,465</u>	<u>19,531,630</u>	15.1%
Operating Income	2,405,000	16,585,230	-85.5%
Investment Income	<u>600,000</u>	<u>1,035,486</u>	-42.1%
Net Income	<u>\$ 3,005,000</u>	<u>\$ 17,620,716</u>	-82.9%
Loss Ratio	90.6%	87.0%	3.6%
Admin Expense	8.5%	7.0%	1.5%
Federal MLR Payable	\$ (3,278,535)	\$ -	
Risk Corridor Payment to State	\$ -	\$ (1,904,108)	





2023-2025 Strategic Plan





Strategic Priorities

Priority 1:

Work collaboratively with DHS to solidify the role of County Based Purchasing (CBP) in delivery of Minnesota Health Care Programs.

Priority 2:

Work with CBPs to educate Minnesota/Federal legislators and County Commissioners about the unique value, health outcomes, and economic impact of CBP as well as examples of successful legislative strategies they can support.





Strategic Priorities

Priority 3:

Identify key messages for a marketing campaign to our members, the public, our partners, providers, and counties. Consider developing an alternative name to CBP that clarifies how we incubate and innovate.

Priority 4:

Evaluate and develop programs and services offered to address Social Determinants of Health (SDoH) and health equity to members.





Strategic Priorities

Priority 5:

Work with Minnesota Community Measurement to develop tools and measures that compare rural and urban health care data re: utilization, cost and member outcomes.

