

# MEMBER COUNTY BOARD SEMI-ANNUAL REPORT

Scott Schufman, CFO

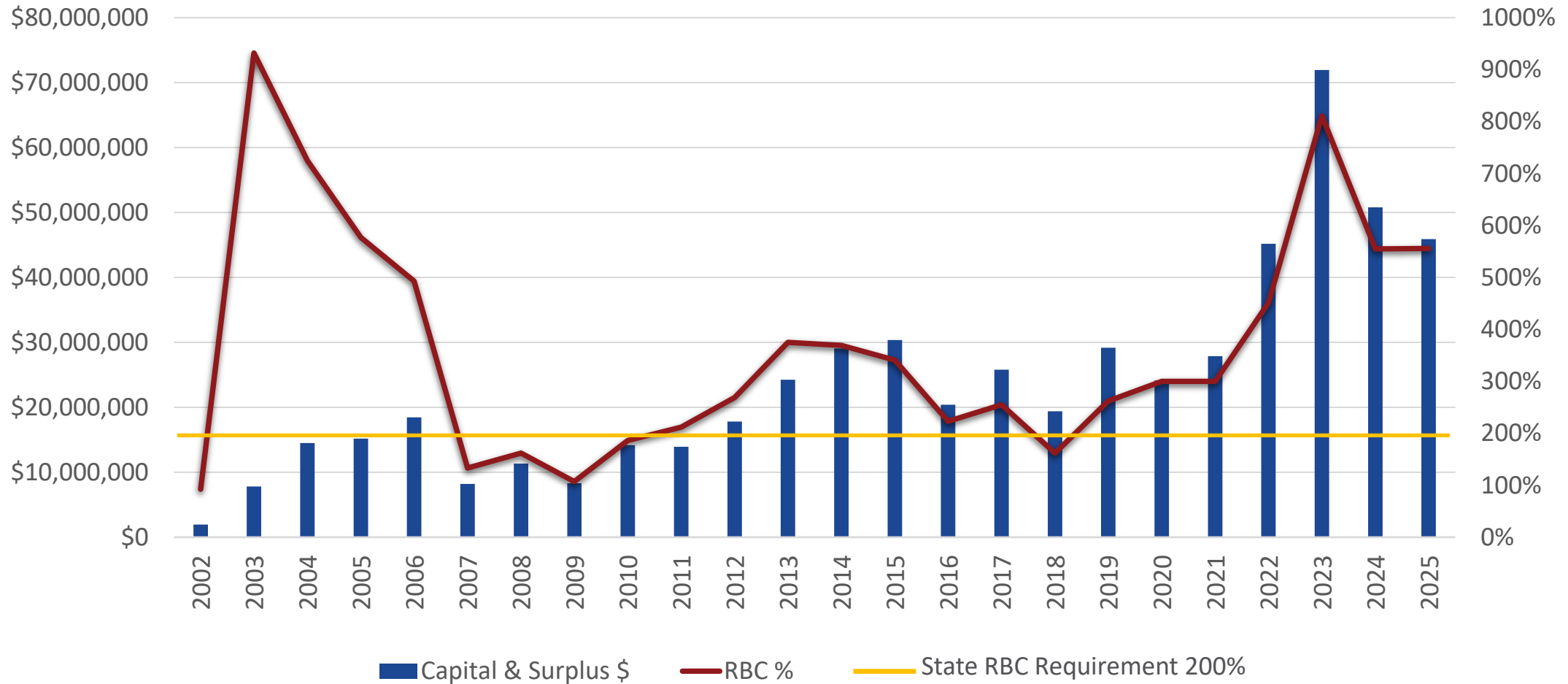
Leota Lind, CEO



# 2025 Year-end Financial Results

- 2025 net income of \$6.1M, which included release of the \$11.4M Premium Deficiency Reserve (PDR) established in the prior year and additional revenue of \$17.1M due to multiple mid-year DHS rate adjustments.
- Decreased membership year-over-year, combined with unfavorable medical and pharmacy utilization and cost trends were the main drivers of unfavorable financial results in 2025.
- Loss ratio of 93.5% versus budget of 95.3%.
- Administrative expense to revenue ratio 9.9% versus a budget of 11.9%.
- Investment income \$2.4M versus budget of \$2.7M.
- Risk-Based Capital (RBC) ratio of 556%, an increase of 1 percentage point from 2024.
- CLA completed their financial audit of South Country for 2025:
  - Auditors' Report had a clean or Unmodified Opinion.
  - No difficulties encountered in performing the audit. No audit adjustments.

# Historical Capital & Surplus w/RBC





# 2026 Budget

South Country projects net income of \$1.3M in 2026, driven by significant enrollment growth due to single plan status in PMAP across all member counties and higher capitation rates.

## Key assumptions included:

- Membership increase of 36%.
- Total revenues increase of 49.4% over the prior year budget, driven by higher enrollment and capitation rate increases across all products.
  - PMAP +16.8%, MNCare +16.2%, SNBC +9.4%, Seniors +18.4%
- Medical and pharmacy claims expenses increase 43% overall, primarily attributable to higher utilization from increased membership rather than cost per service trends.
- Loss ratio of 91.4%, an improvement from the prior year budgeted loss ratio of 95.3%.
- Administrative expense to revenue ratio of 9.0% versus prior year budget of 11.9%.



# Additional Updates

## Department of Human Services

- Single State Pharmacy Benefit Manager (SPBM) effective 1/1/2027 – delayed to 1/1/2028
- Centralized Non-Emergency Medical Transportation (NEMT) effective 1/1/2027 – Request for proposal cancelled

## Procurement Court Case

- Aug 2025 - Supreme Court dismissed case
- Sept 2026 - Court of Appeals entered judgement remanded to District Court
- Moving toward resolution

## Legislative

- CARMA - Amendment to HF4467 and Amendment to SF3295
- Carve-out Prevention Bill HF4022/SF4057

