Member County Board 2024 Year-end Report

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Updated 5/5/2025

2024 Year-end Financial Results

- 2024 net income (loss) $(21.1M) versus budget of $4.6M, included an operating loss of $(9.7M) and the establishment of a Premium Deficiency Reserve of $(11.4M) related to contract year 2025
- Loss ratio of 96.9% versus budget of 89.3% (compared to 83.7% in 2023)
- Administrative expense to revenue ratio 8.9% versus a budget of 9.6%
- Investment income $4.5M versus budget of $2M
- Risk-Based Capital (RBC) 555% compared to 811% in 2024 and 451% in 2023
- CLA completed their financial audit of South Country for 2024:
  - Auditors' Report had a clean or Unmodified Opinion.
  - No difficulties encountered in performing the audit. No audit adjustments.

Main Drivers of Increased Claims Expense in 2024

- Changes in member acuity due to redetermination:
  - Fall of 2023 – the Fall Disenrolled Group's departure and the Churn Group's temporary absence helped stabilize PMAP costs.
  - Spring of 2024 – the Spring Disenrolled Group, which had significantly lower costs, pushed up the average PMPM for the remaining PMAP population with their departure.
  - Churn Group's re-enrollment – brought back high-cost members with elevated ER and MH/CD utilization, contributing to an even greater increase in PMAP costs.

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Main Drivers of Increased Claims Expense in 2024

- Inpatient repricing (DHS rebasing) – which began in January 2024, further increased costs for the entire PMAP population mainly through higher inpatient expenses.
- Legislative changes:
  - Newly approved GLP-1 weight loss drugs continued to show a steady quarter-over-quarter increase in utilization over the course of 2024
  - Dental benefit enhancements including the addition of crowns and bridges experienced high member utilization

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Premium Deficiency Reserve (PDR)

Based on projected loss in the 2025 budget, the booking of a Premium Deficiency Reserve (PDR) of $11.4M was necessary bringing total loss in 2024 to $(21.1M)

SOUTH COUNTRY HEALTH ALLIANCE
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premium Deficiency Reserve

SCHA evaluates its health care contracts to determine if it is probable that a loss will be incurred. A premium deficiency is recognized when it is probable that expected future benefits and maintenance costs will exceed existing reserves plus anticipated future premiums on existing contracts. For the purposes of determining premium deficiency reserves, contracts are grouped in a manner consistent with SCHA's method of acquiring, servicing, and measuring profitability of such contracts. Anticipated investment income is considered in the calculation of premium deficiency. As of December 31, 2024, SCHA determined a premium deficiency reserve of $11,422,000 related to contract year 2025 was necessary. There was no estimated premium deficiency reserve as of December 31, 2023.

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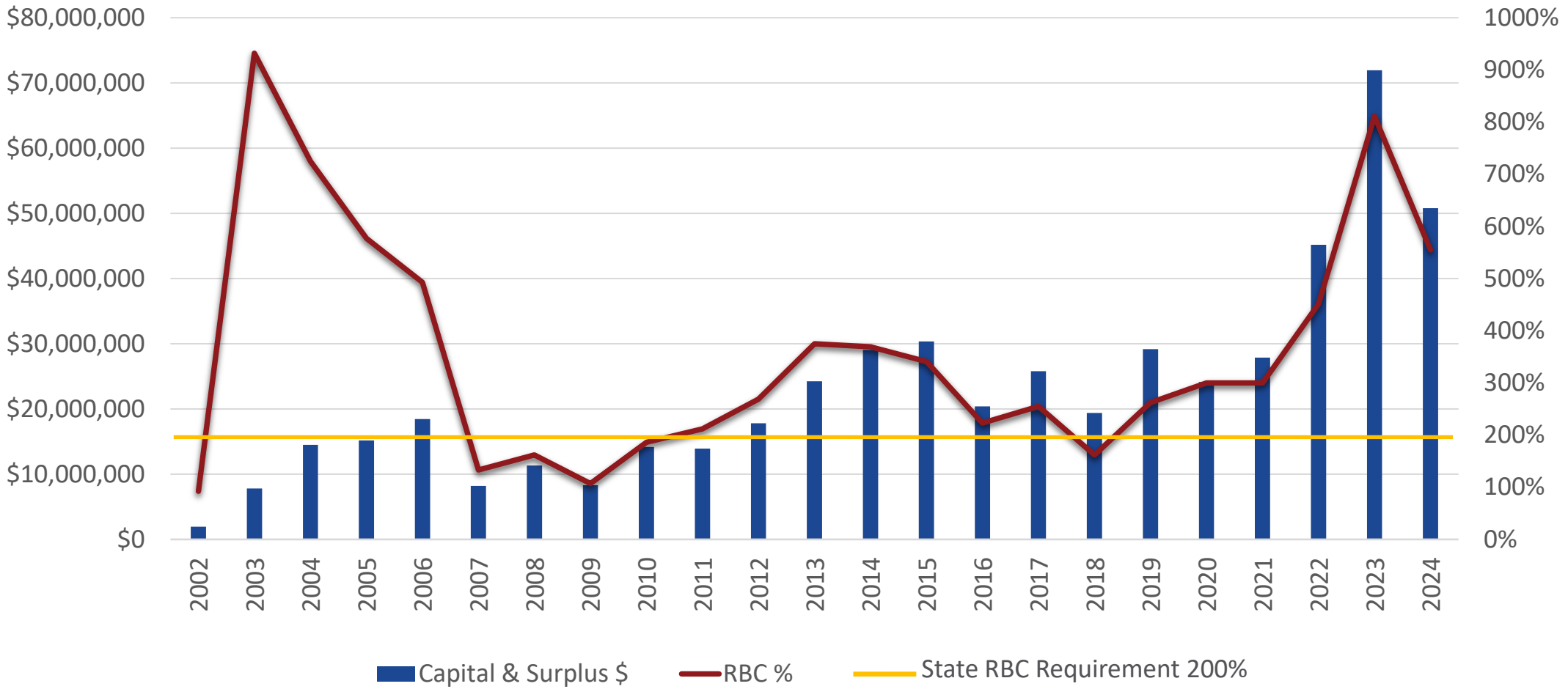
2025 Budget

South Country calls for a break-even budget in 2025 after the booking of $11.4M PDR in 2024.

Key assumptions included:

- Membership decrease of 20% due to Kanabec County exit effective 1/1/2025.
- Revenue on PMPM basis is slightly higher due to a moderate increase in capitation rates in MNCare, SNBC, and Medicare lines.
- Medical claims costs are significantly higher on a PMPM basis due to increased utilization and unit cost trend assumptions in both medical and pharmacy costs.
- Loss ratio of 95.3% versus prior year budget of 89.3%.
- Administrative expense to revenue ratio of 11.9% versus prior year budget of 9.6%.

Historical Capital & Surplus w/RBC



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CARMA Bill: HF2955/SF3149
County Administered Rural Medical Assistance

- 2024 legislation passed which provided DHS authorization, direction and funding to work with AMC and CBP plans to develop the CARMA model and bring it back to the legislature in 2025.
- 2025 CARMA Bill HF2955/SF3149 provides CARMA framework (program start 1/1/2027)
  - House authors: Backer, Bierman, Nadeau, Fisher, Hout
  - Senate authors: Hoffman, Utke, Mann, Abeler, Kupec
  - Solid, bi-partisan support

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CARMA Bill: HF2955/SF3149
County Administered Rural Medical Assistance

- **House Position:** Expected to be included in the HHS Omnibus (chair Rep. Backer is our chief author), along with our budget-neutral amendment. This will give us a House position as we enter Conference Committee.
- **Senate Position:** Heard but not included in HHS Omnibus. However, we have support and believe the House position will be accepted in Conference Committee.
- **Governor's Position** – Office has signaled support

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CARMA Bill: HF2955/SF3149
Model Framework

- **County participation**: CBP counties can choose CARMA instead of PMAP; exempt from PMAP procurement
- **Oversight regulation**: CBP law; CBP counties will apply to participate in CARMA
- **CARMA enrollment**: auto enrolled into CARMA with opt-out to FFS
- **Benefits and services**: same as managed care (HRSN in 1/1/2030)

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CARMA Bill: HF2955/SF3149
Model Framework

- **Payment**: collaborative rate-setting, full-risk PMPM capitation with risk corridors, 3-yr settle-up
- **Quality**: collaborative setting of quality measures
- **Data and systems integration**: collaborative initiatives to address barriers; universal application; greater automation/interoperability; online inventory of HRSN resources)
- **Federal Authority**: DHS must seek all federal waivers and authority needed to implement CARMA

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2025 Legislation Watch-list

- SF1896/HF1934 – Dental carve out delay and study - Support
- HF2434 Governor's budget - MA pharmacy carve out - Oppose
- SF1574/HF2242 – Single state Pharmacy Benefits Manager (PBM) for MA & MinnesotaCare – Oppose
- SF3190 - 2% withhold for MA enrollee verification - oppose

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