

# LME/MCO Solvency Dashboard

In accordance with SL 2023-134, SECTION 9G.7A.(a11), which revised General Statute 122C-125.3, on a quarterly basis, beginning on April 1, 2024, the Department of Health and Human Services (DHHS) will utilize information from financial reports submitted monthly by each Local Management Entities/-Managed Care Organizations (LME/MCO) to evaluate each entity's compliance with solvency standards specified in their contract with the State.

The tables below document the DHHS findings for the quarter ending in December 2023 and will be updated each quarter going forward based on the most current previous quarter's available financial data.

Each solvency standard is briefly described, followed by a table that indicates each LME/MCO's performance against the standard.

## **Current Ratio**

Contractual Requirement: Each LME/MCO shall maintain a Current Ratio above 1.0, as determined from the monthly, quarterly, and annual financial reporting schedules.

The Current Ratio is defined as Current Assets divided by Current Liabilities. Current Assets include any short-term investments that can be converted to cash within five (5) Business Days without significant penalty. A significant penalty is a penalty greater than twenty percent (20%). Current liabilities are obligations whose liquidation is reasonably expected to occur within one year.

If an LME/MCO's Current Ratio falls below 1.0 at any point in time, the entity must submit a report to DHHS that describes the reason for the decline, proposed corrective action to increase the ratio and projections of the impact of the corrective actions.

**Table 1- Current Ratio Summary Findings (Oct 23-Dec 23)**

		Oct-23		Nov-23		Dec-23	
		Total	Ratio	Total	Ratio	Total	Ratio
Alliance	Current Assets	\$317,928,048	2.21 Compliant	\$342,807,669	2.1 Compliant	\$370,321,588	2.03 Compliant
	Current Liabilities	\$144,048,154		\$163,587,146		\$182,611,137	
Eastpointe	Current Assets	\$66,309,287	1.76 Compliant	\$66,854,624	1.76 Compliant	\$53,844,540	0.51 non-Compliant*
	Current Liabilities	\$37,726,970		\$37,912,141		\$105,937,607	
Partners	Current Assets	\$137,029,390	1.56 Compliant	\$143,879,049	1.48 Compliant	\$167,402,287	1.4 Compliant
	Current Liabilities	\$87,571,024		\$97,445,215		\$119,658,107	
Sandhills	Current Assets	\$91,471,037	2.14 Compliant	\$95,477,969	2.63 Compliant	\$109,988,649	1.23 Compliant
	Current Liabilities	\$42,685,532		\$36,293,089		\$89,678,767	
Trillium	Current Assets	\$147,747,785	2.36 Compliant	\$153,032,510	2.21 Compliant	\$172,011,744	2.17 Compliant
	Current Liabilities	\$62,594,052		\$69,361,998		\$79,429,222	
Vaya	Current Assets	\$176,215,714	1.82 Compliant	\$171,296,465	1.94 Compliant	\$182,483,708	1.87 Compliant
	Current Liabilities	\$96,864,884		\$88,097,994		\$97,685,961	

*Assets & Liabilities are Medicaid only (minimum benchmark Current Ratio of 1.0)*

\* Eastpointe Human Services is below the minimum Current Ratio of 1.0 for December 2023. The increase in liabilities from November to December was due to increased accrual adjustments for prior periods and to account for termination fees of contracts. As a result of the LME/MCO consolidations effective January 1, 2024, Eastpointe is no longer an active entity that can be placed under a Corrective Action Plan. Trillium is the remaining entity after absorbing Eastpointe. Trillium is financially compliant with this requirement, and therefore is not required to be placed under a Corrective Action Plan.

\*\* Sandhills Center is compliant, -but has atypically large current liabilities in December as a result of retroactive accruals for Innovations provider rate increases, ongoing contractual costs, and contract termination fees recognized in December accounting. These large accruals were identified as part of the consolidation with Trillium.

**Defensive Interval Ratio**

Contractual Requirement: Each LME/MCO shall maintain a Defensive Interval Ratio above thirty (30) Calendar Days as determined from the monthly, quarterly, and annual financial reporting schedules.

The Defensive Interval is defined as Cash plus Cash Equivalents divided by Average Daily Operating Expenses.

If an LME/MCO's Defense Interval Ratio falls below 30 days at any point in time, the LME/MCO must submit a report to DHHS that describes the reason for the decline, proposed corrective action to increase the ratio and projections of the impact of the corrective actions.

**Table 2- Defensive Interval Ratio Summary Findings (Oct 23-Dec 23)**

		Oct-23		Nov-23		Dec-23	
		Total	Ratio	Total	Ratio	Total	Ratio
Alliance	Cash + Current Investment	\$299,239,660	120.67 Compliant	\$316,602,307	93.21 Compliant	\$358,227,060	146.79 Compliant
	Operating Expense	\$76,872,628		\$101,903,985		\$75,654,150	
Eastpointe	Cash + Current Investment	\$46,038,241	35.18 Compliant	\$47,357,219	49.58 Compliant	\$36,930,929	11.61 non-Compliant*
	Operating Expense	\$40,568,810		\$28,652,457		\$98,574,282	
Partners	Cash + Current Investment	\$108,544,334	51.16 Compliant	\$114,024,932	50.18 Compliant	\$145,159,295	53.71 Compliant
	Operating Expense	\$65,766,421		\$68,165,318		\$83,782,421	
Sandhills	Cash + Current Investment	\$89,391,901	62.45 Compliant	\$90,930,507	67.19 Compliant	\$108,296,291	37.95 Compliant
	Operating Expense	\$44,373,707		\$40,597,745		\$88,471,073	
Trillium	Cash + Current Investment	\$125,339,513	64.79 Compliant	\$134,247,942	61.84 Compliant	\$155,572,776	86.04 Compliant
	Operating Expense	\$59,973,244		\$65,126,530		\$56,053,778	
Vaya	Cash + Current Investment	\$149,690,108	66.64 Compliant	\$145,016,515	65.23 Compliant	\$157,723,738	78.97 Compliant
	Operating Expense	\$69,638,283		\$66,697,633		\$61,912,901	

*Figures are Medicaid only Current Assets/Operating Expenses (minimum benchmark Defensive Interval of 30 days)*

\* Eastpointe Human Services is below the minimum Defensive Interval of 30 days for December 2023. As a result of the LME/MCO consolidations effective January 1, 2024, Eastpointe is no longer an active entity that can be placed under a Corrective Action Plan. Trillium is the remaining entity after absorbing Eastpointe. Trillium is financially compliant with this requirement, and therefore is not required to be placed under a Corrective Action Plan.

## Capital Reserves

Contractual Requirement: The LME/MCO operating a Tailored Plan must, by Day 1 of Tailored Plan/Medicaid Direct Prepaid Inpatient Health Plan (MDPIHP) launch, fully fund Tailored Plan/MDPIHP capital reserves at twelve and a half percent (12.5%) of total expected annual Tailored Plan and MDPIHP Medicaid capitation.

If an LME/MCO fails to meet the Medicaid twelve and a half percent (12.5%) reserves requirement by Day 1 of Tailored Plan launch, the Tailored Plan/MDPIHP must submit a viable plan outlining how the Tailored Plan/MDPIHP will meet these requirements by the end of Contract Year 2, for approval at the discretion of DHHS.

For an LME/MCO to be considered viable, the LME/MCO must document capital reserves of at least 9.0% of total expected annual Tailored Plan/MDPIHP Medicaid Capitation by Day 1 of Tailored Plan launch.

After Tailored Plan launch, if an LME/MCO's capital reserves fall below 9.0% of total expected annual combined Tailored Plan/MDPIHP Medicaid capitation in any quarterly statement, the Tailored Plan must submit a report to DHHS that describes the reason for the decline in capital reserves, proposed corrective action to increase capital reserves and projections of the impact of the corrective actions on the capital reserve levels.

**Table 3- October-2023 Capital Reserves Summary Findings**

Tailored Plan/PIHP	Risk Reserve and Other Applicable Fund Balances - Oct 2023	Additional 'Restricted-Other' Funds that could be used for Capital Requirements	Total Capital, Including Applicable 'Restricted-Other' Funds	Total Projected Tailored Plan (TP) + Medicaid Direct BH (MD) Revenue	Current Capital as a % of TP + MD Revenue
<b>Alliance</b>	\$ 269,570,220	\$ 46,526,618	\$ 316,096,838	\$ 1,472,355,706	21.5%
<b>Eastpointe</b>	\$ 106,022,573	\$ 45,196,732	\$ 151,219,305	\$ 518,953,865	29.1%
<b>Partners</b>	\$ 138,502,325	\$ 38,104,265	\$ 176,606,590	\$ 1,078,254,839	16.4%
<b>Sandhills</b>	\$ 37,470,592	\$ 84,727,395	\$ 122,197,987	\$ 749,770,699	16.3%
<b>Trillium</b>	\$ 87,627,361	\$ 50,689,919	\$ 138,317,280	\$ 933,186,055	14.8%
<b>Vaya</b>	\$ 90,164,917	\$ 0	\$ 90,164,917	\$ 984,862,364	9.2%

*Current Capital is based on LME/MCO (Full Entity) Unobligated Assets (Tailored Plan Requirement is 12.5%)*

**Table 3a -November-2023 Capital Reserves Summary Findings**

Tailored Plan/PIHP	Risk Reserve and Other Applicable Fund Balances - Nov 2023	Additional 'Restricted-Other' Funds that could be used for Capital Requirements	Total Capital, Including Applicable 'Restricted-Other' Funds	Total Projected Tailored Plan (TP) + Medicaid Direct BH (MD) Revenue	Current Capital as a % of TP + MD Revenue
<b>Alliance</b>	\$ 275,569,170	\$ 46,526,619	\$ 322,095,789	\$ 1,472,355,706	21.9%
<b>Eastpointe</b>	\$ 108,579,846	\$ 45,629,286	\$ 154,209,132	\$ 518,953,865	29.7%
<b>Partners</b>	\$ 135,543,528	\$ 37,125,593	\$ 172,669,121	\$ 1,078,254,839	16.0%
<b>Sandhills</b>	\$ 46,528,836	\$ 84,727,395	\$ 131,256,231	\$ 749,770,699	17.5%
<b>Trillium</b>	\$ 84,425,852	\$ 54,313,624	\$ 138,739,476	\$ 933,186,055	14.9%
<b>Vaya</b>	\$ 85,510,936	\$ 0	\$ 85,510,936	\$ 984,862,364	8.7%

*Current Capital is based on LME/MCO (Full Entity) Unobligated Assets (Tailored Plan Requirement is 12.5%)*

**Table 3b- December-2023 Capital Reserves Summary Findings**

Tailored Plan/PIHP	Risk Reserve and Other Applicable Fund Balances - Dec 2023	Additional 'Restricted-Other' Funds that could be used for Capital Requirements	Total Capital, Including Applicable 'Restricted-Other' Funds	Total Projected Tailored Plan (TP) + Medicaid Direct BH (MD) Revenue	Current Capital as a % of TP + MD Revenue
<b>Alliance</b>	\$ 286,776,522	\$ 46,526,619	\$ 333,303,141	\$ 1,472,355,706	22.6%
<b>Eastpointe</b>	\$ 34,426,818	\$ 26,546,601	\$ 60,973,419	\$ 518,953,865	11.7%
<b>Partners</b>	\$ 137,904,942	\$ 36,162,781	\$ 174,067,723	\$ 1,078,254,839	16.1%
<b>Sandhills</b>	\$ 3,532,990	\$ 79,002,458	\$ 82,535,448	\$ 749,770,699	11.0%
<b>Trillium</b>	\$ 89,674,130	\$ 56,653,732	\$ 146,327,863	\$ 933,186,055	15.7%
<b>Vaya</b>	\$ 86,594,920	\$ 0	\$ 86,594,920	\$ 984,862,364	8.8%

*Current Capital is based on LME/MCO (Full Entity) Unobligated Assets (Tailored Plan Requirement is 12.5%)*

**Profit/Loss**

Profit or Loss will help determine the current financial position of the LME/MCO but there is no requirement to operate with a profit or certain amount of profit.

The Profit or Loss is defined as Total Revenues minus Total Expenses & Risk Reserve Set-Aside minus Total Non-Operating Expenses.

Since there is no specific target for each Plan to meet, no corrective action will be required associated with a Plan’s quarterly profit or loss.

**Table 4- Profit & Loss Summary Findings (Oct 23-Dec 23)**

		Oct-23		Nov-23		Dec-23	
		Total	Profit/(Loss)	Total	Profit/(Loss)	Total	Profit/(Loss)
Alliance	Total Expenses	\$76,872,628	\$8,232,777.36 Profit	\$101,903,985	\$8,317,866.34 Profit	\$75,654,150	\$13,238,065 Profit
	Total Revenue	\$85,105,406		\$110,221,851		\$88,892,214	
Eastpointe	Total Expenses	\$40,568,810	(\$11,773,166) Loss	\$28,652,457	\$1,761,510 Profit	\$98,574,282	(\$76,056,645) Loss
	Total Revenue	\$28,795,645		\$30,413,967		\$22,517,637	
Partners	Total Expenses	\$65,766,421	(\$4,707,976) Loss	\$68,165,318	(\$5,559,557) Loss	\$83,782,421	(\$770,612) Loss
	Total Revenue	\$61,058,445		\$62,605,761		\$83,011,809	
Sandhills	Total Expenses	\$44,373,707	(\$5,330,157) Loss	\$40,597,745	\$11,978,222 Profit	\$88,471,073	(\$41,203,976) Loss
	Total Revenue	\$39,043,550		\$52,575,967		\$47,267,097	
Trillium	Total Expenses	\$59,973,244	(\$2,395,095) Loss	\$65,126,530	(\$1,840,710) Loss	\$56,053,778	\$951,429 Profit
	Total Revenue	\$57,578,149		\$63,285,820		\$57,005,207	
Vaya	Total Expenses	\$69,638,283	(\$8,051,893) Loss	\$66,697,633	\$2,821,952 Profit	\$61,912,901	\$2,805,070 Profit
	Total Revenue	\$61,586,390		\$69,519,584		\$64,717,971	

*Calculations based on Medicaid Revenue and Expenses only; does not include State-funded services.*