STEELE COUNTY BOARD OF COMMISSIONERS
WORK SESSION AGENDA

Administration Center - 630 Florence Avenue – Owatonna, MN 55060

Steele County's Mission:
Driven to deliver quality services in a respectful and fiscally responsible way.

TUESDAY, APRIL 22, 2025 at 4:00 PM
County Boardroom, Steele County Administration Center

Agenda

1. Call to Order
2. South Country Health Alliance – Presentation
   Leota Lind, CEO
3. Human Services Update – HMA Presentation
4. Hospice House Tax relief request
5. Other Business

Adjourn

Disclaimer: This agenda has been prepared to provide information regarding an upcoming meeting of the Steele County Board of Commissioners. This document does not claim to be complete and is subject to change.

Member County Board 2024 Year-end Report

Scott Schufman, CFO
Leota Lind, CEO

Updated 4/8/2025

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.

South Country HEALTH ALLIANCE

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

South Country HEALTH ALLIANCE

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.

South Country HEALTH ALLIANCE

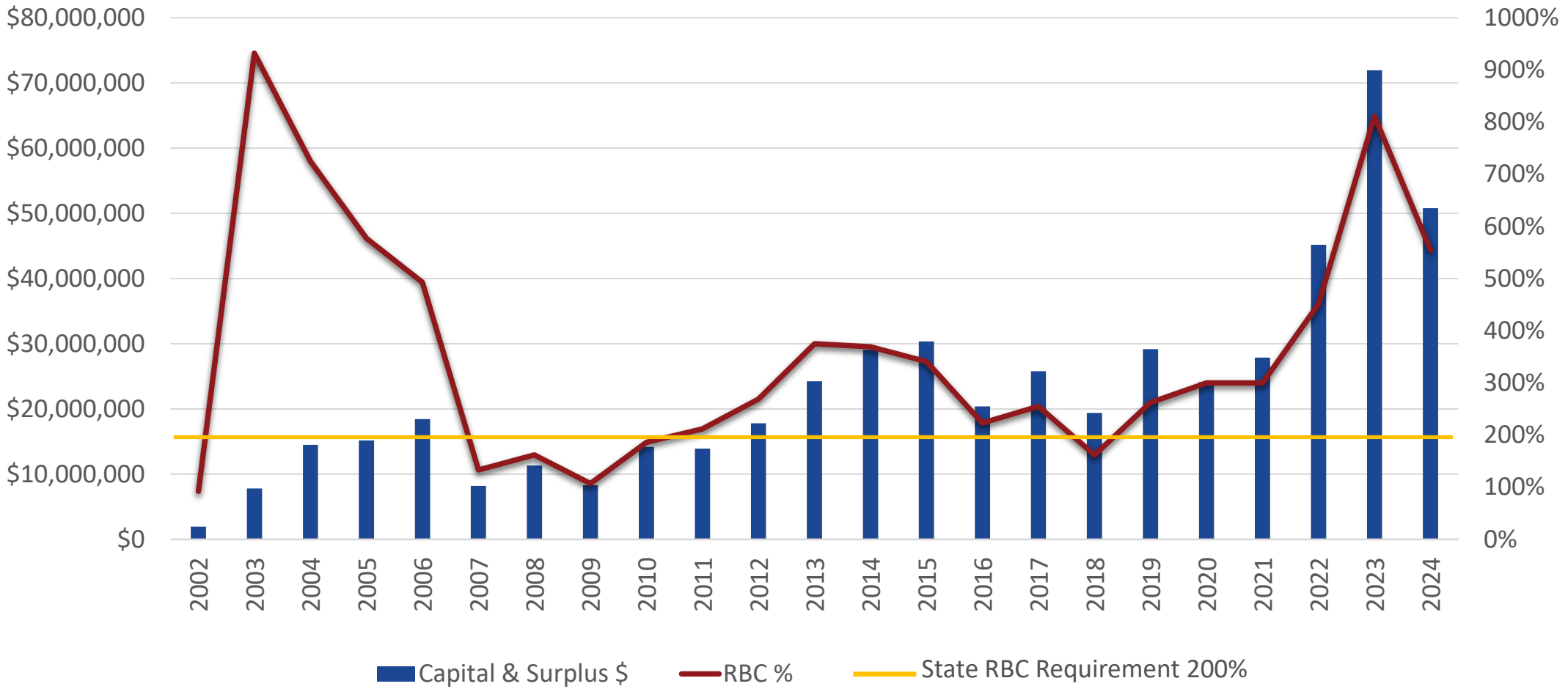
2025 Budget

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



South Country HEALTH ALLIANCE

CARMA Bill: HF2955/SF3149
County Administered Rural Medical Assistance

- House authors: Backer, Bierman, Nadeau, Fisher, Hout
  - Heard at the House Health Finance and Policy Committee 4/2/2025 and laid over for possible inclusion in the omnibus health bill.
- Senate authors: Hoffman, Utke, Mann, Abeler, Kupec
  - Heard at the Senate Health and Human Services Committee 4/8/2025 (informational only)
- Fiscal Note Pending

South Country HEALTH ALLIANCE

CARMA Bill: HF2955/SF3149
County Administered Rural Medical Assistance

- 2024 bill provided DHS legislative 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)
  - Solid, bi-partisan support
  - Governor's office has indicated support

South Country HEALTH ALLIANCE

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)

South Country HEALTH ALLIANCE

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

South Country HEALTH ALLIANCE

2025 Legislation Watch-list

HF2434 Governor's budget - Oppose

- Pharmacy carve out
- Elimination of adult chiro benefits
- Centralized NEMT

SF1896/HF1934 – Dental Carve out delay - support

SF2755/HF1937 – Patient-centered Care Program (PACE) - oppose

SF1574/HF2242 – Single state Pharmacy Benefits Manager (PBM) for MA – oppose

SF3190 - Eligibility Verification - oppose

South Country HEALTH ALLIANCE

HMA 40 YEARS

Solving the Most Complex Health & Human Services Challenges

With a team of
expert consultants and a wide range of capabilities,
Health Management Associates is ready to partner with you.

HMA Presenters:

Paul Fleissner, Managing Principal
Sarah Oachs, Associate Principal
Kate Lerner, Associate Principal
Jill Kemper, Associate Principal

WHO WE ARE

HMA 40 YEARS

A leading independent, national healthcare and human services consulting firm with unmatched depth and breadth of experience.

We deliver solutions with lasting value.

Founded on Expertise

We know healthcare and human services. Eighty percent of our consultants have at least a decade of operational experience; half have over two decades. We have been in your shoes.

Deeply Rooted in Data

We generate innovative insights. Our teams understand the power of data-driven insights, leveraging our proprietary datasets and cutting-edge tools to uncover value.

Strategy with Execution in Mind

We know what it takes to implement projects and create lasting change in your organization and the communities you serve. Strategies created with the lens of experience are tailored to your long-term success.

Uncompromising on Collaboration

We're with you. We work alongside you from beginning to end—evaluation, analysis, insights, strategy, implementation—ensuring maximum impact.

OUR PEOPLE AND OUR EXPERIENCE MAKE THE DIFFERENCE – WE HAVE DONE THE JOB

Experience Includes:

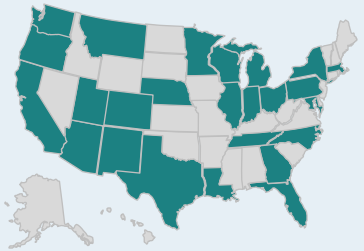
- Leadership track records in MN counties in Health, Housing and Human Services
- Experience working in SE MN including with Steele County
- Operational and leadership experience operating and developing human service organizations
- Rural health healthcare and human services delivery and partnerships
- Financial track record, expertise and experience

Our strength is in our more than

700 multidisciplinary consultants

and the experience they bring to the most complex issues, problems, and opportunities.

HMA National Team



50+ Clinicians

Physicians • Clinical Psychologists • Advanced Practice Nurses • Registered Nurses • Physician Associates • Clinical Pharmacists • Mental Health Counselors • Licensed Clinical Social Workers

30+ Former C-Suite Leaders

Health Systems • Health Plans • Long-term Care Organizations • Physician Medical Groups • Federally Qualified Health Centers • Behavioral Health Organizations • Public Accounting and Actuarial Services Firms • Life Sciences Companies

40+ Former Federal, State, and Local Officials & Senior Advisors

CMS Senior Officials • Congressional Staff and Aides • OMB Leaders • Medicaid Directors • State Commissioners

OUR BACKGROUNDS

Proposed MN Project Team

Paul Fleissner,
Managing Principal

Sarah Oachs,
Associate Principal

Kate Lerner,
Associate Principal

Jill Kemper,
Associate Principal

Bringing County and Minnesota Experience to help you build the human services department that makes sense for Steele County

HMA CORE Team

Paul Fleissner – Social work and accounting background. Twenty-eight years working in Olmsted County. Eighteen years as Director of Human Services. Developed the integrated Health, Housing, and Human Services Department.

Sarah Oachs - Former Olmsted County Division Administrator. Background in social work and quality as a certified Lean Six Sigma Black Belt. More than 25 years of state and county human services experience, with ten years in Olmsted County primarily focused on operational excellence and leadership. MA in Health and Human Services Administration.

Kate Lerner - Former Dakota County Director of Operations for the Community Services Department for six years. DHS Director of County Relations for six years. Minnesota Association of County Social Service Administrators Director for seven years through AMC. Certified Project Manager and MA in Work, Community and Family Education.

Jill Kemper- Rural Health Expert. Extensive experience in the intersection of healthcare, public health, and human services. New program development and implementation expertise. MA in Health and Human Services Administration.

WHAT WE DO

We deliver solutions with lasting value.

Our team has an intimate understanding of the challenges and opportunities MN County Human Services agencies face, and we know how to put that knowledge to work to meet your needs.

Program, Policy, and Practice Expertise

- Medicaid and Medicare
- Disability Services
- Mental Health
- Addiction Services
- Housing/Homelessness (Urban & Rural)
- Child Welfare
- Nutrition and Food Insecurity
- Public Health
- Justice Involved
- TANF
- Employment/Workforce
- Economic Mobility
- Community Development
- Managed Care
- Hospital Delivery Systems

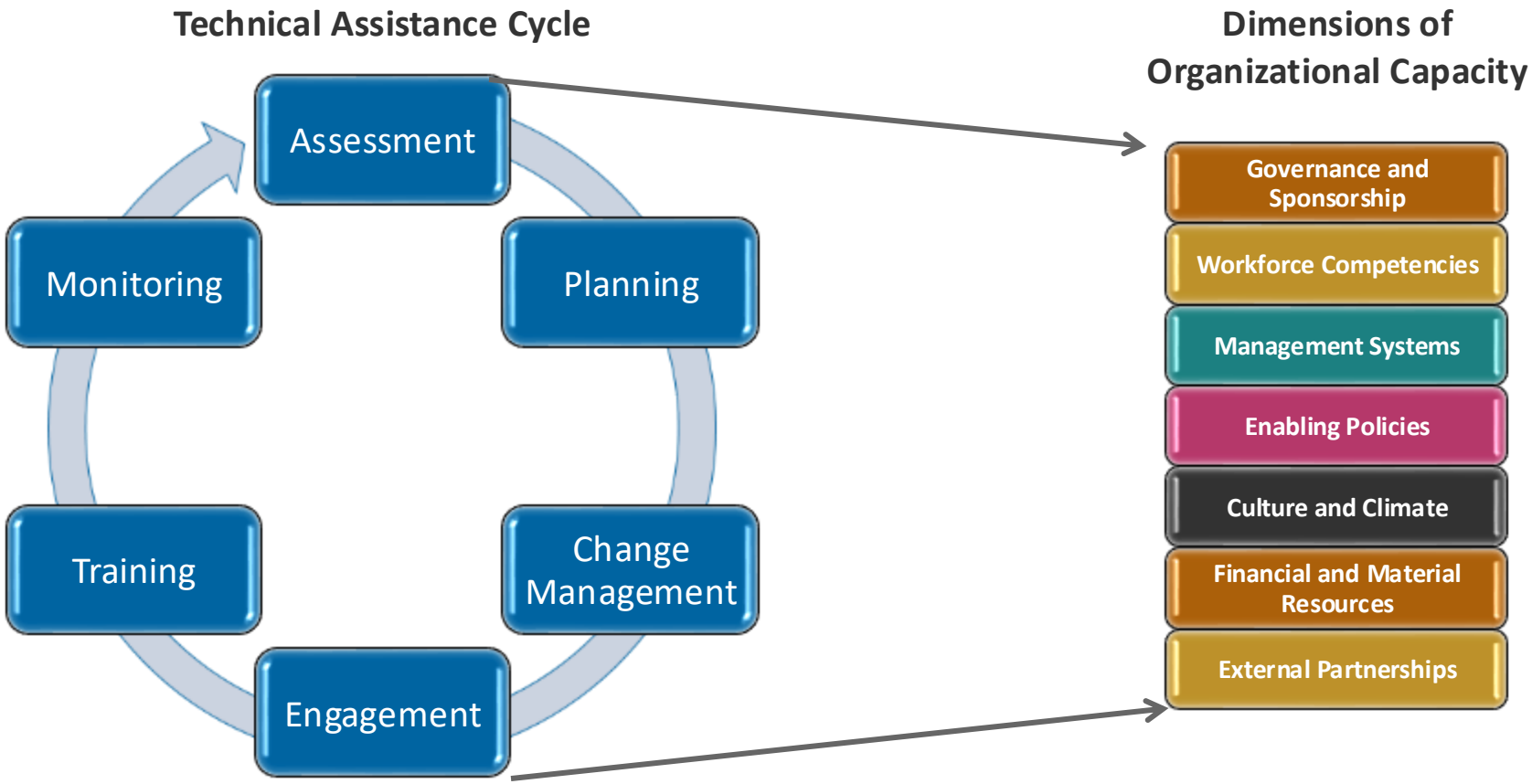
Capabilities

- Strategic Planning and Management
- System Transformation
- Administrative Operations
- Program Design and Implementation
- Organizational Effectiveness
- Change Management
- Regulatory Navigation
- Financial Analysis, Rate Setting, and Revenue Recapture
- Program & Process Improvement
- Performance Measurement & Management
- Policy Development and Analysis
- Research, Evaluation and Data Analytics
- Training & Facilitation

And more…

HMA TECHNICAL ASSISTANCE MODEL

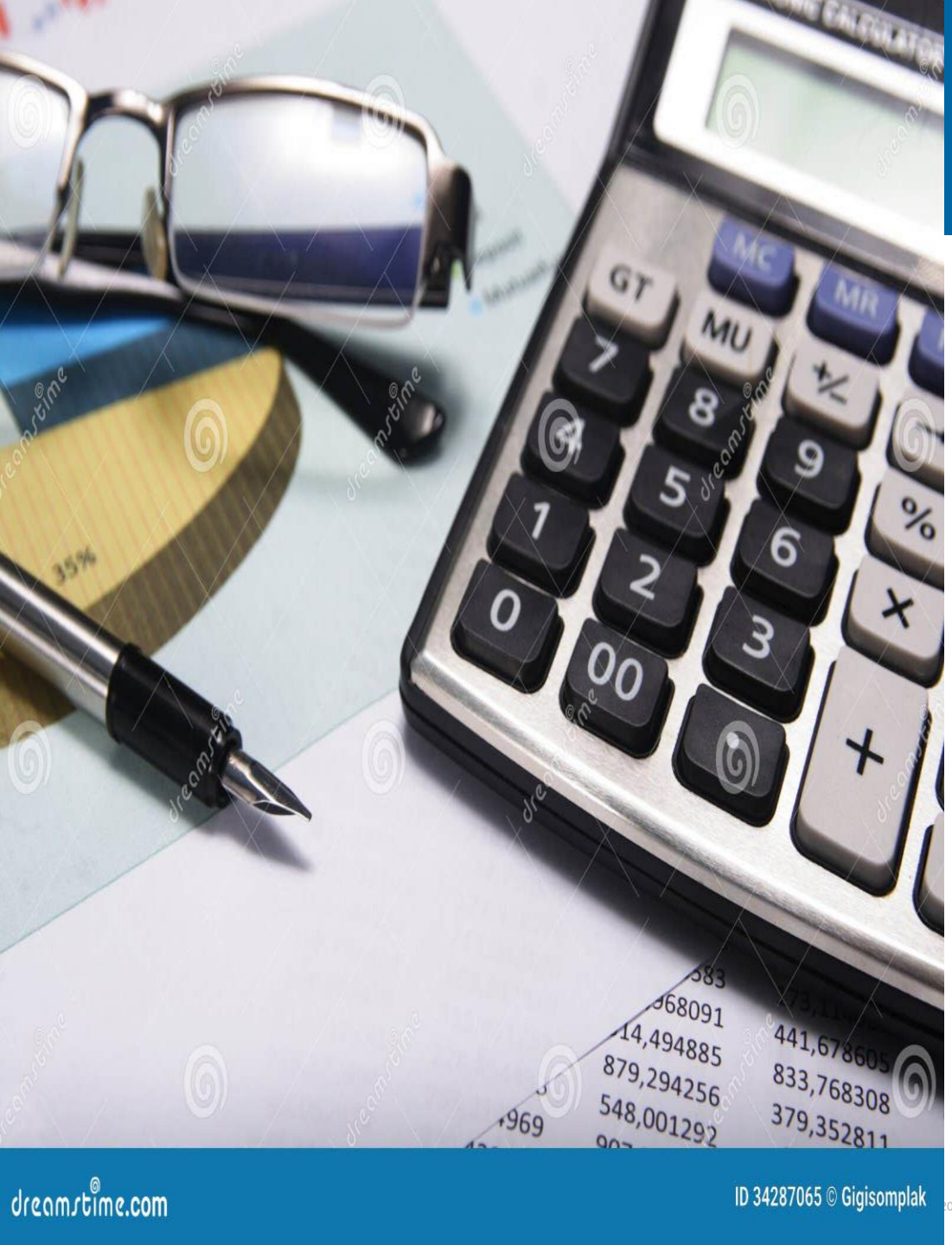
Steele County Initiative: To successfully restructure and reorganize the administration of public human services programs from a joint powers entity (MNPrairie) to Steele County.



DRAFT APPROACH
ROADMAP FOR THE NEW STEELE COUNTY HUMAN SERVICES DEPT
PHASE 1

OPERATIONAL SERVICE ASSESSMENT

- Current state – services, policies, practice, finances
- Key stakeholder interviews – defined with Steele County Steering Committee
- Program Development Recommendations – by service area
- Future state based on best practices



FINANCIAL ANALYSIS

- Review current spending – Cost reports, SEAGR reports, county financial reports
- Provide analysis of areas of opportunity and concern
- Review staffing costs associated with Steele County share of business
- Key stakeholder interviews
- Preliminary fiscal roadmap

SUPPORT THE DEVELOPMENT OF A LEADERSHIP TEAM

- Key stakeholder meetings to define characteristics of new Director
- Executive search and recruiting support
- Executive coaching and support

CONVERSATION AND QUESTIONS

- Note: We introduced a part of our core team, but we have others that we will tap into for this work. For example, Tony Banda, CPA, will assist with the financial analysis. HMA has a contract with DHS to support DHS and partners related to cost reporting.