

Report of the Examination of
Aspirus Arise Health Plan of Wisconsin, Inc.
Wausau, Wisconsin
As of December 31, 2020

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February 14, 2022

Honorable Nathan D. Houdek
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

ASPIRUS ARISE HEALTH PLAN OF WISCONSIN, INC.
Wausau, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The examination of Aspirus Arise Health Plan of Wisconsin, Inc. (AAHP or the company) was conducted in 2021 and 2022 as of December 31, 2020. The current examination covered the start of the company's operations since its inception on March 22, 2016, through the period ending December 31, 2020, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurer to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles, annual statement

instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation concerning the alternative or additional examination steps performed during the examination.

II. HISTORY AND PLAN OF OPERATION

The Aspirus Arise Health Plan of Wisconsin, Inc. is described as a for-profit network mixed model health maintenance organization (HMO) insurer. An HMO insurer is defined by s. 609.01 (2), Wis. Stat., as ". . . a health care plan offered by an organization established under ch. 185, 611, 613, or 614 or issued a certificate of authority under ch. 618 that makes available to its enrolled participants, in consideration for predetermined fixed payments, comprehensive health care services performed by providers selected by the organization." Under the mixed model, the company has a delivery system consisting of a combination of one or more clinics and/or independent contracting physicians operating out of their separate offices.

The company was incorporated under the provisions of ch. 611, Wis. Stat., as a Domestic Stock Insurance Corporation specializing in health insurance to group and individual subscribers. The company was incorporated September 28, 2015, as Aspirus Arise Health Plan of Wisconsin, Inc. with Arise Health Ventures, Inc.¹ (AHV) owning 100% of all outstanding stock in the company. AHV was formed as a joint venture between Aspirus, Inc. and Wisconsin Physicians Service Insurance Corporation (WPS). The company commenced operations on April 13, 2016.

When the company was incorporated, Aspirus, Inc. and WPS each held 50% ownership of AHV giving each company 50% ownership of Aspirus Arise Health Plan of Wisconsin, Inc. On March 19, 2019, Aspirus, Inc. purchased all outstanding shares owned by WPS, effective December 31, 2018, making Aspirus, Inc. the sole owner of both companies.

On January 1, 2021, the company's legal name was changed to Aspirus Health Plan, Inc. Inclusive of all products offered, as of December 31, 2020, the company has over 12,439 providers. In some products, upon becoming enrolled, every member is encouraged to select a primary care practitioner. Participating primary care practitioners may be from general practice, family practice, family medicine, geriatric medicine, general internal medicine, obstetrics/gynecology, and pediatrics. These practitioners agree to provide high-quality, cost-effective medical care to members 24 hours a day, seven days a week.

¹ The legal name of AHV was changed to Aspirus Health Ventures, Inc. effective March 15, 2019.

For the time period under examination, the company contracted with Aspirus Network, Inc. (ANI) for the provision of health care services to members treated within the Aspirus, Inc. system as well as non-affiliated providers. For specific covered programs, Aspirus, Inc. and non-affiliated ANI member providers were paid on a fee-for-service basis with fees outlined in the provider contracts. For non-affiliated, non-ANI member providers services are provided on a fee-for-service basis based on provider agreements.

The company offers a variety of health insurance options for employers and individuals, consumers and their families, and group plans for small employers. The company offers plans through the Affordable Care Act Marketplace. The company also offers group plans for employers, a Preferred Provider Organization (PPO) plan, and administration for self-insured groups.

According to its business plan, the company's service area is comprised of the following counties:

Adams	Clark	Columbia	Florence	Forest	Iron	Juneau
Langlade	Lincoln	Marathon	Marquette	Oneida	Portage	Price
Sauk	Shawano	Taylor	Vilas	Waushara	Wood	

The company offers comprehensive health care coverage which may be changed by riders to include deductibles and copayments. The following basic health care coverages are provided:

- Physician services
- Inpatient services
- Outpatient services
- Mental health, drug, and alcohol abuse services
- Ambulance services
- Special dental procedures (oral surgery)
- Prosthetic devices and durable medical equipment
- Newborn services
- Home health care
- Preventive health services
- Family planning
- Hearing exams and hearing aids
- Diabetes treatment
- Routine eye examinations
- Convalescent nursing home service
- Prescription drugs
- Cardiac rehabilitation, physical, speech, and/or occupational therapy
- Physical fitness or health education
- Kidney disease treatment
- Certain transplants

Chiropractic services

The company uses an actuarially determined base as a beginning point in premium determination. This rate is adjusted to reflect the age, sex, occupation, and coverage characteristics for new groups. Experience is reviewed for renewal groups and based on the review; a recommendation is made regarding adjusting the rate.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of four members. Directors are elected to serve a three-year term. Officers are elected by the board of directors. Members of the board of directors may also be members of other boards of directors in the holding company group.

As of December 31, 2020, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Sidney Sczygelski Wausau, Wisconsin	Senior Vice President – Chief Financial Officer, Aspirus, Inc.	2022
Eric Anderson Wausau, Wisconsin	Senior Vice President – Services Lines, Post-Acute Care and Patient Experience, Aspirus, Inc.	2021
James Matheson Wausau, Wisconsin	Senior Vice President – Chief Strategy Officer, Aspirus, Inc.	2023
Brett Davis Sun Prairie, Wisconsin	President, Aspirus Arise Health Plan of Wisconsin, Inc.	2021

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office
Brett Davis*	President
James Matheson	Treasurer/Secretary

*Brett Davis left the company December 8, 2021, and James Nemeth is serving as interim president.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors.

The company shares its committees with the ultimate controlling entity Aspirus, Inc. The committees at the time of the examination are listed below:

Audit Committee

Sherry Lemmer, Chair
Randy Balk
Mary Ironside
Joseph Fonti
Travis Hamele
James Lorensen
David Heck
Michael Winter
Michael Riggle

Compensation Committee

Graham Courtney, Chair
Kathy Foley
Richard Poirier
Kathy Strasser

Quality Committee

Kathy Foley, Chair
Noel Deep
Todd Nagel
Noel Sonnek
Joseph Fonti
Jennifer Weaver
Matthew Heywood
Lynn Vogt

Finance Committee

Sherry Lemmer, Chair
Michael Bovee
Richard Poirier
Leonard Hamman
Chad Radke
David Heck
Peter Welsh
Charles Zanayed
Matthew Heywood

The company has its own employees for sales and marketing, underwriting and actuarial, and has hired a quality coordinator. All other necessary staff is provided through a management agreement with Wisconsin Physicians Service Insurance Corporation (WPS) through December 31, 2020, and PreferredOne Administrative Services, Inc. (PreferredOne) starting January 1, 2021.

Under the WPS management agreement, effective January 1, 2017, through December 31, 2020, Wisconsin Physicians Service Insurance Corporation agrees to provide such administrative and

managerial services as are reasonably necessary for the efficient administration of the plan. Such services shall include, but are not limited to:

- plan administration
- financial systems
- claims administration
- data processing services
- peer review and utilization review services
- account administration
- legal services
- program planning and development and services
- coordination of benefits
- provider and subscriber services
- compliance and credentialing
- marketing

WPS received a per member per month compensation for services rendered. The term of the agreement is one year automatically renewed until cancelled with 60 days' notice prior to the ending date of the agreement. The company may terminate the agreement upon 30 days' written notice if default of standards of performance continues 30 days after notice of such default.

Under the PreferredOne agreement, effective January 1, 2021, PreferredOne agrees to provide such administrative and managerial services as are reasonably necessary for the efficient administration of the plan. Such services shall include, but are not limited to,

- plan administration
- financial systems
- claims administration
- data processing services
- peer review and utilization review services
- account administration
- legal services
- program planning and development and services
- coordination of benefits
- provider and subscriber services
- compliance and credentialing
- marketing

PreferredOne receives compensation based upon a fee schedule. The term of the agreement is from January 1, 2021, until December 31, 2024, and will automatically renew for two-year terms unless there is written notice by either party no later than 15 months prior to commencement of renewal. The company may terminate the agreement for any material breach if the breach is not cured within 60 days following the notice.

Insolvency Protection for Policyholders

Under s. Ins 9.04 (6), Wis. Adm. Code, HMOs are required to either maintain compulsory surplus at the level required by s. Ins 51.80, Wis. Adm. Code, or provide for the following in the event of the company's insolvency:

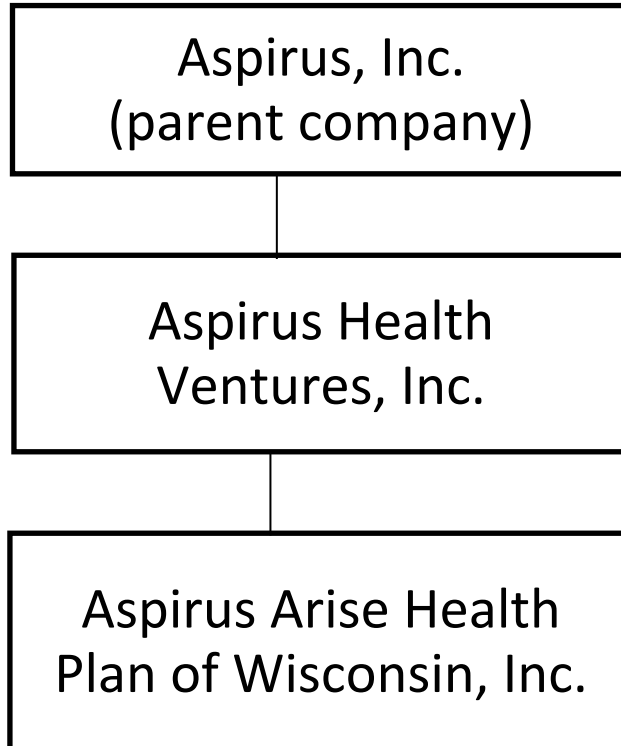
1. Enrollees hospitalized on the date of insolvency will be covered until discharged; and
2. Enrollees will be entitled to similar, alternate coverage which does not contain any medical underwriting or preexisting limitation requirements.

The company has met this requirement by maintaining compulsory surplus at the level required by s. Ins 51.80, Wis. Adm. Code.

IV. AFFILIATED COMPANIES

The company is a member of a holding company system. Its ultimate parent is Aspirus, Inc. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates of the company follows the organizational chart.

**Holding Company Chart
As of December 31, 2020**



Aspirus, Inc. (Aspirus)

Aspirus is the ultimate controlling person, directly owns 100% of all outstanding voting securities of Aspirus Health Ventures, Inc. (AHV). Aspirus is a nonstock corporation pursuant to Section 501(c)3 of the Internal Revenue Code. Aspirus provides comprehensive medical, surgical, emergency, outpatient, nursing home, home care, hospice, and clinical services to the residents of central and northern Wisconsin and the Upper Peninsula of Michigan. Aspirus was incorporated on March 21, 1979. As of December 31, 2020, the company's audited consolidated financial statements reported assets of \$1,815,117,000, liabilities of \$637,474,000, and total net assets of \$1,177,643,000. Operations for 2020 produced net income of \$169,131,000 on revenues of \$1,090,651,000.

Aspirus Health Ventures, Inc. (AHV)

AHV is a Chapter 180, Wis. Stats, stock for-profit corporation organized to operate subsidiary insurance companies. Aspirus owns 100% of all outstanding stock of AHV. AHV was incorporated August 4, 2015, and restated on March 15, 2019. The corporation was initially formed as a joint venture between Aspirus and Wisconsin Physicians Service Insurance Corporation (WPS). On March 19, 2019, Aspirus purchased all outstanding shares owned by WPS, effective December 31, 2018. As of December 31, 2020, the company's unaudited financial statement reported assets of \$34,654,280, liabilities of \$58,852, and total stockholders' equity of \$34,654,280. Operations for 2020 produced net income of \$5,133,481 on revenues of \$0.

Affiliated Agreements

Below is a summary of affiliated agreements in effect at the time of the examination.

Services and Supplies Agreement

Effective August 22, 2017, Aspirus Arise Health Plan of Wisconsin, Inc. (AAHP) entered into a service and supplies agreement with AHV. Under this agreement, AAHP will reimburse AHV for services and supplies provided to AAHP and paid for by AHV. AAHP is to be billed each month on or before the 20th for the actual cost of services provided, and AAHP is to pay for those services within 30 days of receipt of the bill.

Administrative Services Agreement

Effective January 1, 2017, Aspirus Network, Inc. (ANI) and AHV entered into an administrative services contract related to complex care management, disease management, health and wellness, and medical informatics for AHV subsidiaries, including AAHP. The fees and expenses for the services are charged by Aspirus to AHV.

Credentialing Agreement

Effective April 15, 2017, AAHP entered into a credentialing agreement with ANI. ANI agrees to provide credentialing and recredentialing services such as site visits and medical records keeping for ANI's panel of providers. There is no financial compensation in the contract for these services.

HIPAA Business Associate Agreement

Effective September 26, 2017, Aspirus and AHV (including AAHP) entered into a HIPAA Business Associate Agreement. Under this agreement, AHV is authorized to use the protected health information from Aspirus, Inc. for administration of Aspirus's self-funded group employee benefit plan.

Administrative Services Agreement

Effective January 1, 2018, AAHP entered into an administrative services agreement with Aspirus. Under this agreement, AAHP provides services such as claims processing services with respect to self-funded group employee benefit plans. Under this agreement, Aspirus is responsible for payment of claims processed and paid in good faith by AAHP.

Trademark License Agreement

Effective May 10, 2016, AHV entered into a trademark license agreement with Aspirus and WPS. Under this agreement, AHV was able to use the trademarked names "Aspirus" and "Arise" in the formation of AAHP.

Business Associate Agreement

Effective January 1, 2017, AHV (including AAHP) entered into a business associate agreement with Aspirus. Under this agreement, Aspirus agrees to implement appropriate safeguards over Protected Health Information that Aspirus may create, receive, use, or disclose in connection with functions, activities, and services to be provided to AHV by Aspirus.

Provider Agreements with Aspirus Network, Inc.

The company has two affiliated provider agreements with ANI as follows:

Effective January 1, 2017, ANI entered into a provider agreement with AAHP. Under this agreement, AAHP will reimburse ANI member providers for medical and related services provided to members. Reimbursement terms are included in the contract. This agreement has been amended multiple times to change reimbursement terms.

Effective January 1, 2021, ANI entered into a provider agreement with AAHP to provide services to Medicare Advantage members. Under this agreement, AAHP will reimburse ANI for services provided to Medicare Advantage members. Services provided are outlined in the contract.

Provider Agreement with Aspirus Clinics, Inc.

Effective January 1, 2019, Aspirus Clinics Inc. entered into a provider agreement with AAHP to provide patient care and treatment. Under this agreement, AAHP will reimburse Aspirus Clinics, Inc. for services provided to members. Reimbursement terms are included in the contract. This contract was amended as of September 1, 2020, to update the names of the parties and to update the services and costs.

V. REINSURANCE

The company currently has reinsurance coverage under the contract outlined below:

Reinsurer:	Axis Insurance Company
Type:	Specific Excess of Loss Reinsurance
Effective date:	January 1, 2020, through January 1, 2021
Retention:	\$1,000,000 per person covered
Coverage:	100% of the Ultimate Net Loss per each covered person exceeding the first \$1,000,000 with no limit.
Termination:	The agreement automatically terminates at the end of the agreement period. The agreement can be cancelled with 60 days' notice from either party for any material breach including insolvency.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2020, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Capital and Surplus per Examination." Also included in this section are schedules that reflect the growth of the company and the compulsory and security surplus calculation.

Aspirus Arise Health Plan of Wisconsin, Inc.
Assets
As of December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 11,624,254	\$	\$11,624,254
Cash, cash equivalents and short-term investments	35,240,680		35,240,680
Investment income due and accrued	4,812		4,812
Uncollected premiums and agents' balances in the course of collection	77,808		77,808
Amounts recoverable from reinsurers	7,333,831		7,333,831
Amounts receivable relating to uninsured plans	2,729,896		2,729,896
Net deferred tax asset	11,056		11,056
Receivables from parent, subsidiaries, and affiliates	69,909	69,909	0
Health care and other amounts receivable	<u>433,450</u>	<u>25,351</u>	<u>408,099</u>
Total Assets	<u>\$57,525,696</u>	<u>\$95,260</u>	<u>\$57,430,436</u>

Aspirus Arise Health Plan of Wisconsin, Inc.
Liabilities and Net Worth
As of December 31, 2020

Claims unpaid		\$10,145,000
Accrued medical incentive pool and bonus payments		46,140
Unpaid claims adjustment expenses		375,000
Aggregate health policy reserves		7,534,525
Premiums received in advance		1,164,190
General expenses due or accrued		4,459,270
Current federal and foreign income tax payable and interest thereon		1,698,642
Ceded reinsurance premiums payable		23,491
Amounts due to parent, subsidiaries, and affiliates		37,361
Liability for amounts held under uninsured accident and health plans		<u>2,010,107</u>
Total Liabilities		27,493,726
Gross paid in and contributed surplus	\$23,167,900	
Unassigned funds (surplus)	<u>6,768,710</u>	
Total Capital and Surplus		<u>29,936,710</u>
Total Liabilities, Capital, and Surplus		<u>\$57,430,436</u>

**Aspirus Arise Health Plan of Wisconsin, Inc.
Statement of Revenue and Expenses
For the Year 2020**

Net premium income		\$95,189,747
Medical and Hospital:		
Hospital/medical benefits	\$46,243,091	
Outside referrals	3,548,673	
Emergency room and out-of-area	11,547,179	
Prescription drugs	18,617,216	
Incentive pool and withhold adjustments	<u>428,683</u>	
Subtotal	80,384,842	
Less		
Net reinsurance recoveries	<u>8,635,377</u>	
Total medical and hospital	71,749,465	
Claims adjustment expenses	2,316,789	
General administrative expenses	<u>12,993,739</u>	
Total underwriting deductions		87,059,993
Net underwriting gain or (loss)		8,129,754
Net investment income earned		<u>279,575</u>
Net income or (loss) before federal income taxes		8,409,329
Federal and foreign income taxes incurred		<u>2,448,523</u>
Net Income (Loss)		<u>\$ 5,960,806</u>

**Aspirus Arise Health Plan of Wisconsin, Inc.
Capital and Surplus Account
For the Five-Year Period Ending December 31, 2020**

	2020	2019	2018	2017	2016
Capital and surplus, beginning of year	\$26,370,740	\$15,909,794	\$12,852,468	\$ 1,051,960	
Net income (loss)	5,960,806	10,359,179	(3,010,529)	(6,188,183)	\$ (448,040)
Change in net unrealized capital gains/losses	275,420	147,792	(158,858)		
Change in net deferred income tax	(73,616)			(49,129)	49,129
Change in nonadmitted assets	3,361	(46,025)	(41,287)	37,820	(49,129)
Surplus adjustments:					
Paid in			6,268,000	17,999,900	1,500,000
Dividends to stockholders	<u>\$ (2,600,000)</u>				
Capital and Surplus, End of Year	<u>\$29,936,711</u>	<u>\$26,370,740</u>	<u>\$15,909,794</u>	<u>\$12,852,468</u>	<u>\$1,051,960</u>

Aspirus Arise Health Plan of Wisconsin, Inc.
Statement of Cash Flow
For the Year 2020

Premiums collected net of reinsurance	\$93,180,671
Net investment income	279,862
Total	93,460,533
Less:	
Benefit- and loss-related payments	\$72,621,928
Commissions, expenses paid and aggregate write-ins for deductions	14,983,370
Federal and foreign income taxes paid (recovered) net of tax on capital gains	736,382
Total	<u>88,341,680</u>
Net cash from operations	5,118,853
Cash Provided/Applied:	
Capital and paid in surplus, less treasury stock	\$(2,600,000)
Other cash provided (applied)	<u>(254,583)</u>
Net cash from financing and miscellaneous sources	<u>(2,854,583)</u>
Net Change in Cash, Cash Equivalents, and Short-Term Investments	2,264,270
Cash, cash equivalents, and short-term investments:	
Beginning of year	<u>32,976,409</u>
End of Year	<u>\$35,240,680</u>

Growth of Aspirus Arise Health Plan of Wisconsin, Inc.

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2020	\$57,430,436	\$26,883,054	\$30,547,382	\$95,189,747	\$80,384,842	\$6,571,477
2019	47,354,962	20,984,222	26,370,740	104,990,150	89,799,305	10,359,179
2018	43,233,114	27,323,320	15,909,794	92,534,389	83,426,046	(3,010,529)
2017	30,767,002	17,914,534	12,852,468	65,068,060	61,290,087	(6,188,183)
2016	2,366,534	1,314,574	1,051,960	0	0	(448,040)

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Change in Enrollment
2020	6.2%	75.4%	16.1%	-10.8%
2019	9.8	78.2	12.6	-8.3
2018	-3.2	89.0	14.7	18.5
2017	-9.5	94.2	15.5	100.0
2016	-41,990.6	0.0	0.0	0.0

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2020	11,593	329.23	5.5
2019	12,990	313.03	5.1
2018	14,168	292.09	5.1
2017	11,955	216.61	4.3
2016	0	0	0

Per Member Per Month Information

	2020	2019	Percentage Change
Premiums:			
Commercial	<u>\$664.03</u>	<u>\$644.28</u>	3.1%
Expenses:			
Hospital/medical benefits	322.59	362.67	-12.4
Outside referrals	24.76	15.48	37.5
Emergency room and out-of-area	80.55	66.81	17.1
Prescription drugs	129.87	103.16	20.6
Incentive pool and withhold adjustments	2.99	2.94	16.7
Less: Net reinsurance recoveries	<u>60.24</u>	<u>47.26</u>	21.5
Total medical and hospital	<u>478.52</u>	<u>503.80</u>	-5.3
Claims adjustment expenses	16.16	12.86	20.4
General administrative expenses	<u>90.64</u>	<u>68.12</u>	24.8
Total underwriting deductions	<u>\$585.32</u>	<u>\$584.78</u>	0.0

Aspirus Arise Health Plan of Wisconsin, Inc. became profitable in the last two years under the examination. The company saw improving medical expense ratios each year during the examination period. The company paid a dividend to AHV during 2020 of \$2,600,000 after its second profitable year. The company's capital and surplus increased each year of the examination and as of 2020 was \$30,547,382. The company has sufficient capital and surplus to support current operations.

Financial Requirements

The financial requirements for an HMO under s. Ins 9.04, Wis. Adm. Code, are as follows:

Amount Required

- | | |
|---|--|
| 1. Minimum capital or permanent surplus | Either:
\$750,000, if organized on or after July 1, 1989
or
\$200,000, if organized prior to July 1, 1989 |
| 2. Compulsory surplus | The greater of \$750,000 or:

If the percentage of covered liabilities to total liabilities is less than 90%, 6% of the premium earned in the previous 12 months.

If the percentage of covered liabilities to total liabilities is at least 90%, 3% of the premium earned in the previous 12 months |
| 3. Security surplus | The greater of:
140% of compulsory surplus reduced by 1% of compulsory surplus for each \$33 million of additional premiums earned in excess of \$10 million
or
110% of compulsory surplus |

Covered liabilities are those due to providers who are subject to statutory hold-harmless provisions.

The company's calculation as of December 31, 2020, as modified for examination

adjustments is as follows:

Assets			\$57,430,436
Less:			
Special deposit			1,160,823
Liabilities			<u>27,493,726</u>
Assets available to satisfy surplus requirements			28,775,887
Net premium earned			
HMO business	95,189,747		
Factor	<u>3%</u>		
Total		2,855,692	
Compulsory surplus			<u>2,855,692</u>
Compulsory Surplus Excess (Deficit)			<u>\$25,920,195</u>
Assets available to satisfy surplus requirements			\$28,775,887
Compulsory surplus			\$ 2,855,692
Security factor			<u>140%</u>
Security surplus			<u>3,997,969</u>
Security Surplus Excess (Deficit)			<u>\$24,777,918</u>

In addition, there is a special deposit requirement equal to the lesser of the following:

1. An amount necessary to maintain a deposit equaling 1% of premium written in this state in the preceding calendar year.
2. One-third of 1% of premium written in this state in the preceding calendar year.

The company has satisfied this requirement for 2020 with a deposit of \$1,160,823 with the state treasurer.

Reconciliation of Capital and Surplus per Examination

No adjustments or reclassifications resulted from the examination. The capital and surplus of \$29,936,710 reported as of December 31, 2020, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Investment Approval

The examination team reviewed the meeting minutes of the board of directors and committees for evidence of review and approval of investments. The examination team was not able to find any discussion of investments or presentation of investment performance when the meeting minutes and information provided to the board were reviewed. It is recommended that the board, or a subordinate committee thereof, review all investment transactions at least quarterly, approve or disapprove the investment transactions, and maintain documentation in board minutes or committee minutes of the records reviewed and the approval or disapproval of investment transactions, in accordance with s. 611.51 (6), Wis. Stat.

Corporate Governance

The examination's review of the company's most recent bylaws disclosed the company's Bylaws indicate the company is to have six directors. As of December 31, 2020, the company only had four directors on the board of directors. It is recommended that the company comply with its bylaws by either electing the stated number of directors to the board of directors or by amending the bylaws.

The examination team reviewed the Jurat Page of the company and the current list of Officers. During this review, the treasurer and secretary positions of the company have been held for several quarters by the same individual. It is recommended that the company elect separate persons to fill the roles of secretary and treasurer in compliance with s. 611.12 (3) Wis. Stat.

Provider Hold Harmless Notification

The examination team reviewed the provider contracts for a sampling of providers the company contracts with. On review, there was minimal mention of Hold Harmless provisions and there was no Hold Harmless notification provided with any of the provider contracts reviewed. It is recommended that the company provide a copy of the Hold Harmless notification in its provider contracts in compliance with s. 609.94 Wis. Stats., and s. Ins. 9.13, Wis. Adm. Code.

Affiliated Party Reimbursement

The examination team reviewed the financial statements of the direct parent of the company, which is Aspirus Health Ventures, Inc. (AHV) with which the company has an affiliated services contract. The contract states that “AHV will provide sales and marketing, corporate governance and risk management, business office operations such as payment and expenditure processing, and other items as necessary from time to time,” and further that “AAHP shall pay to AHV, as compensation for services and supplies provided to the other party under this agreement, the allocated costs of services provided by AHV, billed monthly on or before the 20th of the following monthly, including any direct expenditures paid on AAHP's behalf by AHV.”

On review, the company was not reimbursing AHV for all expenses paid. It is recommended that the company reimburse affiliated parties for all expenses paid on behalf of the company in accordance with the service agreements executed by both parties.

Affiliated Agreements

During the examination, the company provided several affiliated agreements and amendments that were not filed with OCI for nondisapproval as required by s. 617.21 (2), Wis. Stat. and s. Ins 40.04 (2) (d), Wis. Adm. Code. It is recommended that the company file agreements with affiliates and amendments thereof with the commissioner at least 30 days prior to the proposed effective date in accordance with s. 617.21 (2), Wis. Stat., and s. Ins 40.04 (2) (d), Wis. Adm. Code.

Custodial Agreement

The examination's review of the company's custodial agreement disclosed the company failed to include all the required provisions within the agreement. It is recommended that the company amend its custodial agreement to include all the required provisions in accordance with the NAIC *Financial Condition Examiners Handbook*.

VIII. CONCLUSION

Aspirus Arise Health Plan of Wisconsin, Inc. was incorporated September 28, 2015, and commenced business on April 13, 2016. The company is described as a for-profit network mixed model health maintenance organization (HMO) insurer. Under the mixed model, the company has a delivery system consisting of a combination of one or more clinics and/or independent contracting physicians operating out of their separate offices.

Aspirus Arise Health Plan of Wisconsin, Inc. became profitable in the last two years under examination. The company saw improving medical expense ratios each year during the examination period. The company paid a dividend to AHV during 2020 of \$2,600,000 after its second profitable year. The company's capital and surplus increased each year of the examination and as of 2020 was \$30,547,382. The company has sufficient capital and surplus to support current operations.

This is the company's first examination so there are no previous exam recommendations. The current examination resulted in seven recommendations. There were no adjustments to surplus or reclassifications made to the balance sheet as a result of this examination.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 23 - Investment Approval - It is recommended that the board, or a subordinate committee thereof, review all investment transactions at least quarterly, approve or disapprove the investment transactions, and maintain documentation in board minutes or committee minutes of the records reviewed and the approval or disapproval of investment transactions, in accordance with s. 611.51 (6), Wis. Stat.
2. Page 23 - Corporate Governance - It is recommended that the company comply with its bylaws by electing the stated number of directors to the board of directors or by amending the bylaws.
3. Page 23 - Corporate Governance - It is recommended that the company elect separate persons to fill the roles of secretary and treasurer in compliance with s. 611.12 (3), Wis. Stat.
4. Page 23 - Provider Hold Harmless Notification - It is recommended that the company provide a copy of the Hold Harmless notification in its provider contracts in compliance with s. 609.94, Wis. Stats., and s. Ins. 9.13, Wis. Adm. Code.
5. Page 24 - Affiliated Party Reimbursement - It is recommended that the company reimburse affiliated parties for all expenses paid on behalf of the company in accordance with the service agreements executed by both parties.
6. Page 24 - Affiliated Agreements - It is recommended that the company file agreements with affiliates and amendments thereof with the commissioner at least 30 days prior to the proposed effective date in accordance with s. 617.21 (2), Wis. Stat. and s. Ins 40.04 (2) (d), Wis. Adm. Code.
7. Page 24 - Custodial Agreement - It is recommended that the company amend its custodian agreement to include all the required provisions in accordance with the NAIC *Financial Condition Examiners Handbook*.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Sheng Vang	Insurance Financial Examiner
James Krueger	Insurance Financial Examiner
Michael Miller	Insurance Financial Examiner
Eleanor Lu, CISA	IT Specialist
Karl Albert, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,

Gabriel Gorske, AFE
Examiner-in-Charge

XI. SUBSEQUENT EVENTS

The following significant subsequent event was noted that impacted the company:

- The company's president, Brett Davis, left the company as of December 8, 2021, with James Nemeth appointed as the interim president.