

Report of the Examination of  
Care Improvement Plus Wisconsin Insurance Company  
Minnetonka, Minnesota  
As of December 31, 2019

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April 29, 2021

Honorable Mark V. Afable  
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:

CARE IMPROVEMENT PLUS WISCONSIN INSURANCE COMPANY  
Minnetonka, Minnesota

and this report is respectfully submitted.

## I. INTRODUCTION

The examination of Care Improvement Plus Wisconsin Insurance Company (the company or CIPWI) covered the period ending December 31, 2019, and included a review of such 2020 and 2021 transactions as deemed necessary to complete the examination. The examination of the company was conducted concurrently with the global coordination examination of the UnitedHealthcare Group. The Connecticut Department of Insurance acted in the capacity as the lead state and the Missouri Department of Insurance acted as the facilitating state for the global coordinated 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 insurance company 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 the audit of 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 with respect to the alternative or additional examination steps performed during the course of the examination.

#### **Independent Actuary's Review**

An independent actuarial firm, Lewis and Ellis, Inc. was engaged under a contract with the Connecticut Department of Insurance. The actuary reviewed the adequacy of aggregate life and annuity reserves, aggregate accident and health reserves, dividends to policyholders, asset adequacy analysis, and deferred life insurance premiums. The actuary's results were reported to the lead state. As deemed appropriate, reference is made in this report to the actuary's conclusion.

## II. HISTORY AND PLAN OF OPERATION

Care Improvement Plus Wisconsin Insurance Company was incorporated on February 24, 2011, by XLHealth Corporation (XLHealth) and commenced business on January 1, 2012. On February 8, 2012, XLHealth became a wholly owned subsidiary of United HealthCare Services, Inc. (UHS), a management corporation. UHS is a wholly owned subsidiary of the UnitedHealth Group Incorporated (UnitedHealth Group or UHG), a publicly held company. In 2019, the CIPWI collected direct premium of \$343,943,216 and operated solely in Wisconsin.

The company is licensed as a life, accident, and health insurer offering major products including Medicare Parts A & B, along with Medicare Part D prescription drug insurance coverage, as well as Medicare specialized programs including a Dual Special Needs Plan, and an Institutional Special Needs Plan (collectively "Medicare Plans") under contracts with the Centers for Medicare and Medicaid Services (CMS). The major products are marketed through Field Marketing Organizations, Managing General Agents, and directly contracted agents.

### III. MANAGEMENT AND CONTROL

#### Board of Directors

The board of directors consists of three members. Directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Officers are elected at the board's annual meeting or via written consent throughout the year. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members are employees of the holding company group and currently receive no compensation for serving on the board.

Currently, the board of directors consists of the following persons:

<b>Name and Residence</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Catherine Suzanne Harvey Milwaukee, WI	President	2021
Brian Howard St. Martin Shorewood, MN	Chief Financial Officer	2021
Craig Andrew Stillman Plymouth, MN	Director	2021

#### Officers of the Company

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

<b>Name</b>	<b>Office</b>
Catherine Suzanne Harvey	President
Perter Marshall Gill	Treasurer
Sarah Ann Murdock	Secretary
Brian Howard St. Martin	Chief Financial Officer
Nyle Brent Cottington	Vice President
Heather Anastasia Lang	Assistant Secretary
Jessica Leigh Zuba	Assistant Secretary

## **Committees of the Board**

The company's bylaws allow for the formation of certain committees by the board of directors. The company had no board committees at the time of the examination. The following management committee was used by the company at the time of the examination and is shared among multiple affiliated companies:

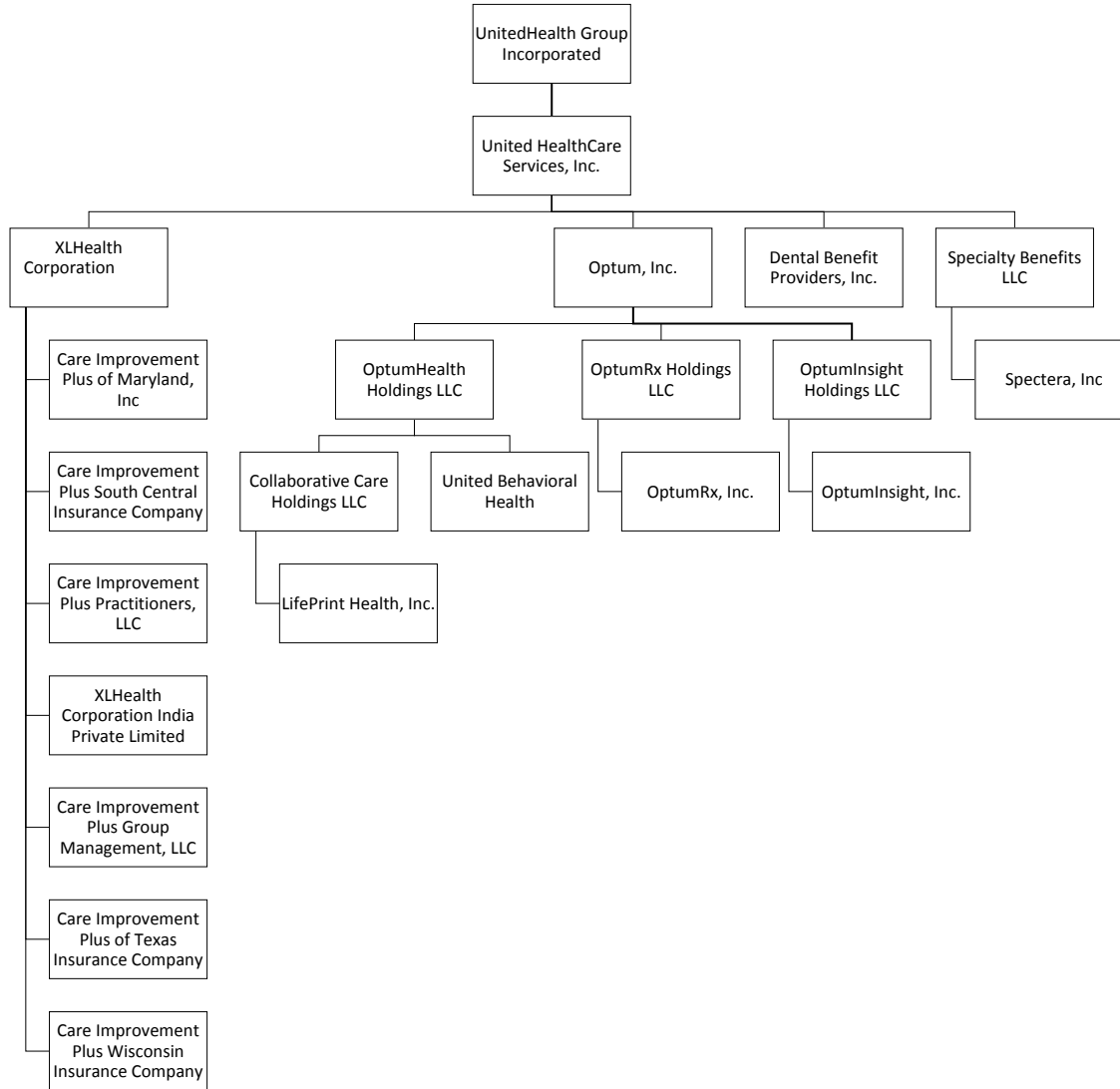
**United HealthCare Services, Inc.,  
Medicare Audit Committee**  
Clint Egenes, Chair  
Timothy Noel  
Marc Briggs

#### **IV. AFFILIATED COMPANIES**

CIPWI is a member of a holding company system. Its ultimate parent is UnitedHealth Group Incorporated. There are over 1,000 legal entities in the UHG system at year-end 2019. The following abbreviated organizational chart depicts the relationships among the affiliates in the group that interact with the company. A brief description of the significant affiliates of the company follows the organizational chart.



**Abbreviated Organizational Chart  
As of December 31, 2019**



## **UnitedHealth Group Incorporated**

UnitedHealth Group Incorporated (UHG), is the ultimate controlling entity. UHG is a healthcare corporation headquartered in the state of Minnesota and incorporated in Delaware. Through its affiliated companies, UHG offers a broad spectrum of health care products and services. As of December 31, 2019, the audited financial statements of UHG reported assets of \$173.9 billion, liabilities of \$111.7 billion, and net worth of \$60.4 billion. Operations for 2019 produced net income of \$14.4 billion on total revenues of \$242.2 billion. UHG is traded over the New York Stock Exchange under the symbol "UNH."

## **United HealthCare Services, Inc.**

United HealthCare Services, Inc. (UHS) is the employer for personnel who provide services to UHG and its subsidiaries. It is a direct subsidiary of UHG and functions as an intermediate holding company for other subsidiaries of UHG. As of December 31, 2019, the audited financial statements of UHS reported assets of \$151.9 billion, liabilities of \$66 billion, and net worth of \$83.9 billion. Operations for 2019 produced net income of \$10.1 billion on total revenue of \$219.9 billion.

## **XLHealth Corporation**

XLHealth Corporation is a direct subsidiary of UHS and functions as a holding company. XLHealth Corporation does not have a contractual relationship with Care Improvement Plus Wisconsin Insurance Company and does not receive payments from the company in the ordinary course of business, other than in the form of dividends and other distributions. As of December 31, 2019, the financial statements of XLHealth Corporation reported assets of \$2.7 billion, liabilities of \$690.3 million, and net worth of \$3.3 billion.

## **Agreements with Affiliates**

Care Improvement Plus Wisconsin Insurance Company entered into several affiliated agreements. The agreements are described below:

- Effective February 8, 2012, the company entered into a tax sharing agreement with UHG. Under the agreement the company agrees to be included in the UHG Group consolidated tax return for the taxable year. The company agrees to contribute towards the payment of the consolidated tax liability in an amount determined on a separate return basis.
- CIPWI has a Subordinated Revolving Credit Agreement with UHG, effective January 1, 2013. Pursuant to this agreement, UHG provides the company with a short-term borrowing facility

where CIPWI can borrow funds upon demand from UHG up to a maximum of \$10.0 million, at an interest rate equal to LIBOR plus 50 basis points.

- Effective February 1, 2016, CIPWI entered into a Facility Participation Agreement for Hearing Aids with OptumRx, Inc. Under the agreement, OptumRx, Inc., will provide hearing aids for the company's members. For services provided, payment is set per diem. Such payment shall be in full for all covered services rendered.
- Effective January 1, 2013, CIPWI was added through a Participating Addendum to an existing Health Supplies Agreement with OptumRX, Inc. Under this agreement, a catalog of over-the-counter drugs, canes, and other durable medical equipment is provided to members for them to purchase items through points accumulated over the year or purchase items outright. CIPWI pays the supplier a guaranteed amount based on the number of benefit years and anticipated overall utilization for the plan segment and year. If the actual utilization for an overall segment varies by more than 10% from the guaranteed amount, a year-end reconciliation will be applied. This agreement has been terminated, effective December 18, 2019.
- Effective January 1, 2014, the company entered into a behavioral health services agreement with United Behavioral Health. Under the agreement, United Behavioral Health is responsible for arranging for the provision of certain mental health and substance abuse treatment services. CIPWI is ultimately responsible for the delivery of mental health and substance abuse care to its members. For services provided, payment is set per member per month for a service fee on or before the 15<sup>th</sup> business day of the month following the service. Settlements under this agreement are made within 90 days after the end of the month.
- Effective January 1, 2014, the company entered into a management services agreement with UHS. Under the agreement, UHS provides management and operational support to the company. CIPWI pays fees to UHS equal to UHS' expenses for services or use of assets provided solely to the company and is allocated a portion of UHS' expenses where the services or use of assets are shared among the company and other affiliates.
- Effective January 1, 2014, and January 1, 2015, the company entered into two separate service agreements with LifePrint Health, Inc. Under these agreements, LifePrint Health, Inc. provides services related to performing medical management services for CIPWI's Institutional Special Needs Plan members including, but not limited to, care management services, referral services and out-of-area services. For services provided CIPWI pays a monthly capitation payment on or before the 15<sup>th</sup> day of the month for the current month's covered services. Retroactive adjustments are to be made within 180 days after the adjustment is determined. Part D rebates received from drug manufacturers for prescription drug utilization attributable to members is 100% passed through to LifePrint Health, Inc.
- Effective January 1, 2015, the company entered into a dental services agreement with Dental Benefit Providers, Inc. Under this agreement, Dental Benefit Providers, Inc. manages a network of dental providers, claims processing, and other administrative functions for the company's members. For services provided, payment is set per member per month for a service fee on or before the 15<sup>th</sup> business day of the month following the service. Settlements under this agreement are made within 90 days after the end of the month.
- Effective January 1, 2015, the company entered into a vision services agreement with Spectera, Inc., and Specialty Benefits, LLC. Under the agreement, Spectera, Inc., manages a network of vision providers to provide vision services and/or products, claims processing, and other administrative functions to its members. Specialty Benefits, LLC, provides optometric materials and selected facilities for CIPWI's members. For services provided the company will pay a set amount per member per month as a service fee on or before the 15<sup>th</sup> business day of the month following service, adjusting the subsequent monthly fee to reflect the difference between the

estimated and actual number of members. Settlements under this agreement are made within 90 days after the end of the month.

- Effective August 1, 2015, the company entered into a service agreement with OptumInsight, Inc. Under this agreement OptumInsight will provide claim analytics, recovery services, retrospective fraud, waste and abuse services, subrogation services and premium audits. For services provided, payment is set per member per month for a service fee. Settlements under this agreement are made within 90 days after the end of the month.
- Effective February 1, 2016, the company entered into an administrative service agreement with OptumHealth Care Solutions, LLC. Under the agreement, OptumHealth Care Solutions, LLC will provide administrative services for members. For services provided, payment is set per member per month for a service fee on or before the 15<sup>th</sup> business day of the month following the service. Settlements under this agreement are made within 90 days after the end of the month.
- Effective September 1, 2017, the company entered into a national ancillary provider participation agreement with Optum Women's and Children's Health, LLC. Under this agreement, Optum Women's and Children's Health, LLC provides home infusion therapy, all pharmacy and clinical management/coordination services to pregnant women in need. For services provided, payment is set upon covered services and contracted rates. Settlements other than overpayments under this agreement are made within 90 days after the end of the month, overpayments are 30 days.
- Effective July 2018, the company entered into a general agency agreement with eAlliance General Agency. Under this agreement, eAlliance General Agency provides services such as marketing certain Medicare related products on behalf of the company. Commissions paid will be \$0 to the Medicare maximum set by CMS.

## **V. FINANCIAL DATA**

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2019, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company for the period under examination.

**Care Improvement Plus Wisconsin Insurance Company**  
**Assets**  
**As of December 31, 2019**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Cash, cash equivalents, and short-term investments	\$ 86,638,146	\$	\$86,638,146
Uncollected premiums and agents' balances in course of collection	300,876	84,326	216,550
Accrued retrospective premiums and contracts subject to redetermination	12,468,446		12,468,446
Amounts receivable relating to uninsured plans	1,107,619	48,398	1,059,221
Current federal and foreign income tax recoverable and interest thereon	2,061,454		2,061,454
Net deferred tax asset	340,582		340,582
Health care and other amounts receivable	<u>15,108,773</u>	<u>930,057</u>	<u>14,178,716</u>
<b>Total Assets</b>	<b><u>\$118,025,896</u></b>	<b><u>\$1,062,781</u></b>	<b><u>\$116,963,115</u></b>

**Care Improvement Plus Wisconsin Insurance Company**  
**Liabilities, Surplus, and Other Funds**  
**As of December 31, 2019**

Claims unpaid		\$ 37,424,570
Accrued medical incentive pool and bonus payments		1,290,921
Unpaid claims adjustment expenses		358,185
Aggregate health policy reserves		84,314
Aggregate health claim reserves		34,620
Premiums received in advance		312,150
General expenses due or accrued		4,675,002
Remittance and items not allocated		8,386
Amounts due to parent, subsidiaries, and affiliates		4,113,282
Liability for amounts held under uninsured accident and health plans		1,987,694
Aggregate write-ins for other liabilities (including \$3,302 current)		<u>3,302</u>
<b>Total Liabilities</b>		<b>50,292,426</b>
Common capital stock	\$ 2,000,000	
Gross paid in and contributed surplus	28,605,000	
Aggregate write-ins for special surplus funds	6,586,851	
Unassigned funds (surplus)	<u>29,478,838</u>	
<b>Total Capital and Surplus</b>		<b><u>66,670,689</u></b>
<b>Total Liabilities, Capital and Surplus</b>		<b><u>\$116,963,115</u></b>

**Care Improvement Plus Wisconsin Insurance Company  
Statement of Revenue and Expenses  
For the Year 2019**

Net premium income		\$343,943,215
Change in unearned premium reserves and reserve for rate credits		<u>1,385,015</u>
Total revenues		345,328,230
Medical and Hospital:		
Hospital/medical benefits	\$257,165,971	
Other professional services	3,768,456	
Prescription drugs	14,245,079	
Incentive pool and withhold adjustments	<u>1,641,978</u>	
Subtotal	<u>276,821,484</u>	
Total medical and hospital	276,821,484	
Claims adjustment expenses	13,043,296	
General administrative expenses	<u>30,727,214</u>	
Total underwriting deductions		<u>320,591,994</u>
Net underwriting gain or (loss)		24,736,236
Net investment income earned	<u>(963)</u>	
Net investment gains or (losses)	(963)	
Net gain or (loss) from agents' or premium balances charged off		<u>(102,915)</u>
Net income or (loss) before federal income taxes		24,632,358
Federal and foreign income taxes incurred		<u>5,220,545</u>
Net Income (Loss)		<u>\$ 19,411,813</u>

**Care Improvement Plus Wisconsin Insurance Company  
Capital and Surplus Account  
For the Five-Year Period Ending December 31, 2019**

	2019	2018	2017	2016	2015
Capital and surplus, beginning of year	\$47,054,427	\$24,205,122	\$19,799,482	\$20,510,767	\$11,609,938
Net income (loss)	19,411,813	18,174,270	5,335,649	(856,100)	4,996,008
Change in net deferred income tax	6,042	128,841	(228,756)	230,737	203,718
Change in nonadmitted assets	198,407	(453,806)	298,747	(597,408)	(298,897)
Paid in surplus		4,000,000			4,000,000
Correction of errors				511,486	
Capital and surplus, end of year	<u>\$66,670,689</u>	<u>\$47,054,427</u>	<u>\$25,205,122</u>	<u>\$19,799,482</u>	<u>\$20,510,767</u>

**Care Improvement Plus Wisconsin Insurance Company**  
**Statement of Cash Flow**  
**For the Year 2019**

Premiums collected net of reinsurance		\$343,914,017
Net investment income		<u>(713)</u>
Total		343,913,304
Less:		
Benefit- and loss-related payments	\$268,179,222	
Commissions, expenses paid and aggregate write-ins for deductions	38,522,723	
Federal and foreign income taxes paid (recovered) net of tax on capital gains (losses)	<u>7,490,904</u>	
Total		<u>314,192,849</u>
Net cash from operations		29,720,455
Other cash provided (applied)		<u>3,774,650</u>
Net Change in Cash, Cash Equivalents, and Short- Term Investments		33,495,105
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>53,143,041</u>
End of Year		<u>\$ 86,638,146</u>



### Growth of Care Improvement Plus Wisconsin Insurance Company

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2019	\$116,963,115	\$50,292,426	\$66,670,689	\$345,328,230	\$276,821,484	\$19,411,813
2018	78,228,837	31,174,410	47,054,427	242,822,055	188,274,080	18,174,270
2017	50,465,295	25,260,173	25,205,122	130,998,987	106,271,471	5,335,649
2016	35,738,622	15,939,140	19,799,482	79,144,784	67,589,669	(856,100)
2015	34,184,987	13,674,220	20,510,767	67,891,108	56,652,210	5,442,371

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Change in Enrollment
2019	5.6%	80.2%	12.7%	28.3%
2018	7.5	77.5	12.6	56.8%
2017	4.1	81.1	12.5	56.5%
2016	-1.1	85.4	15.3	8.6%
2015	7.4	75.9	16.1	35.9%

### Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2019	26,070	546.20	9.7
2018	20,326	538.39	5.0
2017	12,963	1045.89	5.0
2016	8,282	941.32	4.7
2015	7,628	2,236.38	5.2

### Per Member Per Month Information

	2019	2018	Percentage Change
<b>Premiums:</b>			
Medicare	<u>\$1,184.83</u>	<u>\$1,112.15</u>	11.5%
			24.4%
<b>Expenses:</b>			
Hospital/medical benefits	885.90	794.86	-0.5%
Other professional services	12.98	10.45	125.9%
Prescription Drugs	49.07	49.32	11.3%
Incentive pool and withhold adjustments	<u>5.66</u>	<u>2.50</u>	7.8%
Total medical and hospital	953.61	857.14	11.3%
Claims adjustment expenses	44.93	41.67	7.8%
General administrative expenses	<u>105.85</u>	<u>98.14</u>	7.9%
Total underwriting deductions	<u>\$1,104.39</u>	<u>\$ 996.95</u>	10.8%

This is the second examination performed since the operations of the company. During the five-year period, Care Improvement Plus Wisconsin Insurance Company continued to increase in Medicare members reporting net income four of the five years. A net loss was experienced in 2016 resulting from a change in claims unpaid, primarily due to an increase in membership and the transition to a new claims platform. The platform slowed the claims adjudication process as more time was spent to ensure accurate processing. During the following years, premium income nearly doubled in 2017 and 2018 due to an increase in membership. In 2019, the company reported total membership of 26,070.

## VI. SUMMARY OF EXAMINATION RESULTS

### Compliance with Prior Examination Report Recommendations

There were three specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Filing of Biographical Affidavits—It is recommended that the company file biographical information for all new officers and directors within 15 days of appointment or election in accordance with s. 611.54 (1), Wis. Stat., and s. Ins 6.52 (5), Wis. Adm. Code, and that the company establish procedures to ensure the proper filing of biographical information.

Action—Compliance.

2. Cost Allocation under the Management Services Agreement—It is recommended that the company comply with SSAP No. 70 by allocating shared expenses using information that yields the most accurate results. If an estimate is used initially, it should be updated utilizing the best information available in order to yield the most accurate results as required by SSAP No. 70.

Action—Compliance.

3. Medicare Expense Allocation Error—It is recommended that the company strengthen its controls as it relates to the rate build and expense allocation process to ensure that appropriate expenses are incorporated into the management service fee allocation.

Action—Compliance.

### **Summary of Current Examination Results**

There were no adverse findings resulting from the examination.

## **VII. CONCLUSION**

Care Improvement Plus Wisconsin Insurance Company was organized in 2011 by XLHealth Corporation. On February 8, 2012, XLHealth and its subsidiaries, including Care Improvement Plus Wisconsin Insurance Company, were acquired by United HealthCare Services, Inc., a company under the control of UnitedHealth Group Incorporated.

The company offers a Chronic Special Needs Plan for beneficiaries living with diabetes and/or heart failure, a Dual-Eligible Special Needs Plan for Medicare and Medicaid qualified beneficiaries, and a Medicare Advantage Prescription Drug Plan designed primarily for spouses and caregivers of their C-SNP plan (who are not otherwise eligible for C-SNP). At December 31, 2019, Care Improvement Plus Wisconsin Insurance Company reported total assets of \$116.9 million, liabilities of \$66.7 million, and revenues of \$345.3 million. Net income reported was \$19.4 million for the 2019 year. Total membership for the company was 26,070.

The current examination did not result in recommendations. No adjustments were made to surplus as a result of the examination and there were no reclassifications. The amount of surplus reported by the company as of December 31, 2019, is accepted.

## **VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

There were no recommendations made during the examination.

**IX. 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:

<b>Name</b>	<b>Title</b>
Jake Burkett	Insurance Financial Examiner
Eleanor Lu, CISA	IT Specialist
Karl Albert, CFE	Quality Control Specialist

Respectfully submitted,



Sheng Vang  
Examiner-in-Charge

## **X. SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared coronavirus disease (COVID-19) a pandemic. As of the date of this report, significant uncertainty remains on the effect that the pandemic will have on the insurance industry, economy, and society at large. The examination's review of the impact to the society through the date of this report noted that there has not yet been a significant impact to the company overall, however, due to the various uncertainties with the pandemic, it is unclear whether this will continue to have a minimal impact to the company or if it will escalate considering that the company primarily writes health business. The Office of the Commissioner of Insurance continues to closely monitor the impact of the pandemic on the company and will take necessary action if a solvency concern arises.

During the examination period, Care Improvement Plus of Wisconsin Insurance Company applied to be licensed and operate as a Health Maintenance Organization (HMO). 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." The company was approved of this status as of April 1, 2021.