

Report of the Examination of

Community Care, Inc.

Brookfield, Wisconsin

As of December 31, 2021

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February 22, 2023

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:

COMMUNITY CARE, INC.
Brookfield, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The current examination of Community Care, Inc. (the company or CCI) covered the period
ending December 31, 2021, and included a review of such 2022 subsequent transactions as deemed
necessary to complete the examination.

The examination consisted of a review of all major phases of the company's operations, and
included the following areas:

- History
- Management and Control
- Corporate Records
- Conflict of Interest
- Fidelity Bonds and Other Insurance
- Territory and Plan of Operations
- Affiliated Companies
- Growth
- Financial Statements
- Accounts and Records
- Information Technology

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 57.26, 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

Community Care, Inc. has received a permit to operate as a care management organization (CMO), pursuant to s. 648.05, Wis. Stat. A CMO provides long-term care services funded by the family care benefit, as defined in s. 46.2805 (4), Wis. Stat. Family care benefits are provided by a CMO that contracts with the Wisconsin Department of Health Services (DHS) under s. 46.284, Wis. Stat., and enrolls only individuals who are eligible under s. 46.286, Wis. Stat.

Community Care, Inc., is an Internal Revenue Code Section 501(c)(3) public charity, incorporated in 1977 in the state of Wisconsin, governed by a volunteer board of directors with between 12 and 20 members. The board is responsible for the overall policy and fiduciary oversight for all operations within Community Care, Inc., including oversight of Community Care Health Plan, Inc. (CCHP), a wholly owned subsidiary of the company. CCI is organized to develop and demonstrate innovative, flexible, community-based approaches to care for at-risk adults in order to optimize their quality of life and optimize the allocation of community resources in its 15-county service area. Since its founding, CCI has established and operated more than a dozen programs to achieve these objectives. CCI was titled Community Care Organization (CCO) until 2005, when the company formed the HMO Community Care Health Plan, Inc., to offer the Program for All-Inclusive Care for the Elderly (PACE) and Family Care Partnership programs which had previously been offered by CCO under an order exempting the company from insurance regulation.

The company was organized to develop and operate a comprehensive, coordinated system of in-home, community-based services for functionally disabled and frail elderly people when it was originally formed in 1977. A Kellogg Foundation grant and a federal waiver funded the original Community Care program. The statewide Community Options Program was modeled on this program. In 1990, CCI became one of the first organizations to administer programs using the PACE model. CCI's PACE program has been supported by the Robert Wood Johnson Foundation and aided by grants from more than 25 other local and national foundations. In 2003, CCI's PACE (now provided through CCHP) moved beyond demonstration status to become an official PACE Medicare provider program. PACE is currently provided in Milwaukee, Racine, Kenosha, and Waukesha counties.

Another Community Care, Inc., program, the Family Care Partnership Program, was created by DHS in 1996 and it allows participants aged 18 and older to see a community-based physician rather than a PACE panel physician. The Partnership Program (through CCHP) is operated in Calumet, Kenosha, Milwaukee, Outagamie, Ozaukee, Racine, Washington, Waupaca, and Waukesha counties.

In 2006, CCI was awarded a planning grant to expand long-term care in southeast Wisconsin beyond Milwaukee through the program called Family Care. In 2007, CCI was contracted to expand its Family Care services to Kenosha and Racine; in 2008, to Sheboygan, Ozaukee, Washington, and Waukesha; in 2009, to Walworth; in 2010, to Calumet, Outagamie, and Waupaca; in 2015, to Fond du Lac, Manitowoc, and Winnebago counties; and in 2020, to Dane county.

CCI derives nearly 100% of its revenue from the Wisconsin Family Care Program. The Family Care Program helps seniors and adults with disabilities to live as independently as possible in their own homes or other community care settings. Members are classified into one of three target groups: frail elders¹, physically disabled², and developmentally disabled³. Community Care, Inc. contracts directly with DHS to provide long-term care benefits to eligible members through its permit.

CCI provides long-term care services to its members through contractual arrangements with its providers. Providers are reimbursed based on mandated Medicaid rates and other agreed upon rates that are not determined by the Medicaid fee schedule.

The contracts include hold-harmless provisions for the protection of members. The contracts have a one-year term and may be terminated without cause by either party by giving 60-calendar-day written notice to the other party during the initial term, or 90 days after the initial one-year term.

Long-term care services provided through the Family Care Program include:

Home health or personal care

¹ Frail elder is defined as an individual 65 and older who has a physical disability, or an irreversible dementia, that restricts the individual's ability to perform normal daily tasks or that threatens the capacity of the individual to live independently. (s. DHS 10.13 (25m), Wis. Adm. Code)

² Physically disabled is defined as a physical condition, including an anatomical loss or musculoskeletal, neurological, respiratory or cardiovascular impairment, that results from injury, disease or congenital disorder and that significantly interferes with or significantly limits at least one major life activity of a person. (s. DHS 10.13 (40), Wis. Adm. Code)

³ Developmentally disabled is defined as a disability attributable to brain injury, cerebral palsy, epilepsy, autism, Prader-Willi syndrome, mental retardation, or another neurological condition closely related to mental retardation, that has continued or can be expected to continue indefinitely and constitutes a substantial handicap to the afflicted individual. (s. DHS 10.13 (16), Wis. Adm. Code)

- Supportive home care
- Nursing home
- Assisted living/residential care services
- Adult day or respite care
- Home delivered meals
- Home modifications
- Transportation
- Physical, speech or occupational therapy
- Wheelchairs and other equipment
- Adult diapers, gloves, and other medical supplies
- Mental health or drug and alcohol treatment
- Daily living skills training
- Communication aids/interpreter
- Employment services

Capitation rates are determined by the contract between Community Care, Inc. and DHS for coverage provided under the Wisconsin Medical Assistance Program (Medicaid). Capitation rates are developed annually by the DHS contracted actuarial firm on a regional basis. The capitation rate paid by DHS to the company is actuarially based on the functional level of care a member needs: Nursing Home (NH) or non-Nursing Home (non-NH).

The NH and non-NH level of care capitation rates are based on historical utilization and expense by region. Under the federal regulations governing the federal- and state-funded Medicaid programs, the rates established by DHS must be “actuarially sound” and be certified by an independent actuary. The actuarial certification applies to the program, not necessarily to each individual CMO.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of between 12 and 20 members and currently consists of 14 members. One third of directors are elected annually to serve a three-year term. Officers are elected by the board of directors. Members of the company's board of directors may also be members of other boards of directors in the holding company group.

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

Name and Residence	Principal Occupation	Term Expires
Lori Stortz Pewaukee, WI	Chief Audit Executive UW-System	2024
Rick Gebhardt Mequon, WI	Executive Injectec	2025
Constance Alston Milwaukee, WI	Customer Service Representative (Retired)	2025
Daniel Brophay Brookfield, WI	Accountant (Retired) Reilly, Peenner, and Benton	2023
Marianne Canter Milwaukee, WI	Consultant Canter Consulting	2023
Ed Corrigan Whitefish Bay, WI	Executive Clean Tech Partners	2025
Amy Driscoll Summit, WI	Nurse Practitioner Aurora Healthcare	2023
Ben Greenebaum Racine, WI	Professor (Retired) UW-Parkside	2025
Kim Marggraf Sheboygan, WI	President Marggraf Meeting Management	2024
Sara Nichols Williams Bay, WI	Executive Director Open Arms Free Clinic	2024
Dennis Purtell Elm Grove, WI	Attorney (Retired) Husch Blackwell	2023
Linda Seemeyer Madison, WI	Secretary (Retired) WI Department of Health Services	2025
Langston Verdin Milwaukee, WI	Director of Health Strategy City of Milwaukee Health Department	2025

Name and Residence	Principal Occupation	Term Expires
Carla Washington Milwaukee, WI	VP-Operations Vivent Health	2024

Officers of the Company

The officers elected by the board of directors and serving at the time of this examination are as follows:

Name	Office
Kenneth Munson*	Chief Executive Officer
Christy Smith*	Chief Financial Officer
Edward Kohl*	Chief Program Officer
Michael Garlie*	Chief Compliance and Quality Officer
Virginia Kramer*	Chief Information Officer
Sherrice Harrell*	Chief Administrative Officer

Committees of the Board*

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

The committees at the time of the examination are listed below:

Executive Committee

Lori Stortz, Chair
Dan Brophey
Marianne Canter
Ed Corrigan
Rick Gebhardt
Dennis Purtell

Governance Committee

Marianne Canter, Chair
Ben Greenebaum
Kim Marggraf
Sara Nichols
Dennis Purtell
Lori Stortz
Mark Thomas

Finance Committee**

Lori Stortz, Chair
Dan Brophey
Rick Gebhardt
Steve VanderBloemen
Edward Corrigan
Steven Towne
Linda Seemeyer
Langston Verdin
Kenneth Munson
Christy Smith
Troy Newmeister
Ed Kohl

Quality and Compliance Committee

Michael Garlie, Chair
Mary Jo Landry
Cindy Cowie
Patti Ferris
Amanda Frazer
Jennifer Mathwig
Dmitri Mayer
Nancy Melnick
Matt Shlei
Sarah Yank

Quality Committee

Dennis Purtell, Chair
 Rick Gebhardt
 Amy Driscoll
 Dr. Ed Duthie
 Mark Thomas
 Carla Washington
 Dr. Rakshinda Almas
 Kenneth Munson
 Michael Garlie
 Theresa Baker
 Steven Towne

Member Advisory Committee

Halanna Lathon, Chair
 Sandy Syverson
 Kathleen Randolph
 Jim Parfrey
 Jack Greenwood

*The committees serve both Community Care, Inc. and its subsidiary Community Care Health Plan, Inc.

**The Finance Committee serves as the Audit Committee.

The company has its own employees. Under the administrative services agreement, it provides necessary staff to its subsidiary, Community Care Health Plan, Inc., which employs no staff of its own, and receives monthly compensation for services provided under the agreement. The company's operations are organized into the following service areas:

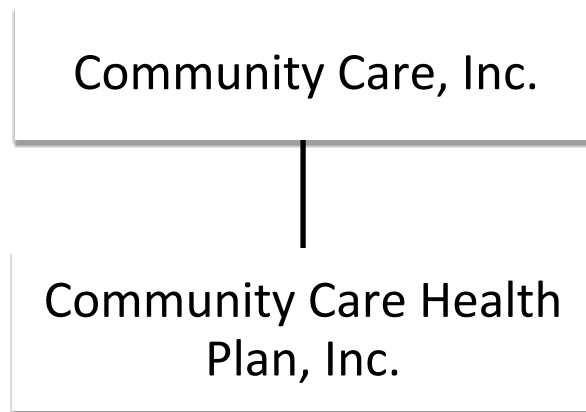
- Corporate Administration
- Risk Management
- Community Care Health Plan Operations
- Human Resources
- Provider Management
- Fiscal Management
- Information Management
- Compliance
- Utilization Management
- Community Care Family Care Operations
- Marketing
- Claims Management
- Quality Management

CCI does not contract with external vendors for claims processing, program, or quality activities. However, the company contracts with several providers for a small percentage of case management services to supplement internal staffing needs. The majority of CCI's case management services are provided internally. The IT department uses contractors or consultants for administrative services on a limited project-specific basis. All ongoing IT maintenance, support, and administration of applications are handled internally.

IV. AFFILIATED COMPANIES

The company is a member of a holding company system. The company is the ultimate parent in the holding company system. 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, 2021



Community Care Health Plan, Inc.

Community Care Health Plan, Inc. is a Wisconsin nonprofit Health Maintenance Organization insurer which administers the Family Care Partnership and PACE. As of December 31, 2021, the company's audited financial statement reported assets of \$28.4 million, liabilities of \$9.4 million, and capital and surplus of \$19.0 million. Operations for 2021 produced net income of \$3.5 million on revenues of \$100.0 million.

Agreement with Affiliate

CCI has an Administrative Service Agreement (ASA) with CCHP effective July 1, 2005, through which CCI agrees to provide the following administrative services to CCHP:

- Billing and collections
- Courier, mail and receiving
- Corporate minutes
- Books and records
- Central business office facility and support
- Payroll
- Telecommunications
- Financial/accounting support
- Administrative support
- Personal property
- Professional health care and social services
- Human resources
- Maintenance/mechanical report
- Information systems

- Provider network employment, contracting and management
- Marketing
- Quality management
- Risk management
- Medical direction
- Environmental services
- Medicaid and Medicare contract administratic
- Claims adjudication and payment
- Utilization management
- Safety and security
- Medical record management

CCI receives monthly compensation based on the cost of services rendered under the agreement.

CCI issues a regular monthly invoice and amounts are due within 10 days after the receipt of the invoice. The terms of the ASA are one year and automatically renews each year unless terminated by either party in writing with 30 days' notice.

V. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported in the December 31, 2021, financial statements. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Equity per Examination." Also included in this section are schedules that reflect the company's operating results by target group and the growth of the company for the period under examination.

Community Care, Inc.
Balance Sheet
As of December 31, 2021

Current Assets

Cash and cash equivalents, operating		\$ 113,699,313
Capitation receivable net of allowance		512,615
Other DHS receivables net of allowance		16,593,888
Cost-share receivable net of allowance		398,812
Room and board receivable net of allowance		656,809
Other third-party receivable net of allowance		72,540
Other short-term receivables net of allowance		190,726
Parent, subsidiary, affiliate receivable		1,004,064
Prepaid Insurance		701,855
Prepaid expenses - other		<u>1,603,720</u>
<i>Total Current Assets</i>		<u>135,434,341</u>

Long-Term Assets

Risk reserve funds – FC Permitted MCO	\$ 5,869,928	
Solvency reserve/guaranty funds on deposit permitted MCO	2,894,000	
Other long-term investments, unrestricted	29,760,009	
Building/land (cost)	11,717,366	
Accumulated depreciation – building/land	(5,061,509)	
Leasehold improvements (cost)	1,047,808	
Accumulated depreciation – leasehold improvements	(745,162)	
Furniture, equipment, and software (cost)	13,204,569	
Accumulated depreciation – furniture, equipment, and software	(11,551,809)	
Other long-term assets	<u>1,828,784</u>	
<i>Total Long-Term Assets</i>		<u>48,963,985</u>

Total Assets

\$ 184,398,326

Current Liabilities

Capitation payable		587,615
Unearned revenue-other		135,361
Other DHS Payable		7,847,413
Accrued salaries		1,693,799
Accrued taxes and benefits (current)		5,998,795
IBNR member services – current year		45,100,000
Accounts payable – general		2,364,837
Other current liabilities		<u>439,526</u>
<i>Total Current Liabilities</i>		64,167,346

Long-Term Liabilities

Other long-term liabilities		<u>1,041,233</u>
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Total Liabilities

65,208,579

Equity

Beginning equity	74,021,976	
Current year net income	<u>45,167,770</u>	
<i>Total Equity</i>		<u>119,189,746</u>

Total Liabilities and Equity

\$ 184,398,326

Community Care, Inc.
Profit and Loss Statement
For the Period Ending December 31, 2021

Revenues

MA capitation (net of cost share)	\$505,903,243
Cost-share revenue	17,073,083
Less: cost share revenue bad debt	(868,858)
Room and board revenue	47,201,695
Less: Room and board revenue bad debt	(969,218)
Risk sharing	(7,666,274)
Other current year retro adjustments, DHS	<u>13,410,958</u>
Total Revenue	574,084,629

Long Term Care Services (All Programs)

Adaptive equipment	\$ 7,367,478	
Adult day activities	2,544,010	
Habilitation/health	12,082,390	
Home care	77,770,652	
Home health care	4,929,463	
Institutional (NH/ICF-MR)	49,992,431	
Residential care	285,248,275	
Respite care	1,372,851	
Transportation	10,964,986	
Vocational	4,681,972	
Room and board - expenses	4,553,490	
Financial management	2,967,527	
Other FC LTC services	<u>620,448</u>	
<i>Total LTC Services</i>		\$465,095,974
Other member expenses (Outside the benefit package)		<u>31,376</u>
<i>Total Member Service Expenses</i>		<u>465,127,350</u>

Care Management Expenses

Care management (CMUs/External)	2,916	
Care management (Internal)	43,801,108	
Care management admin – allocated	<u>5,891,224</u>	
<i>Total Care Management Expenses</i>		49,695,248

Administrative Expenses

Wages and benefits	11,358,244	
Occupancy	619,004	
Office expenses	818,041	
Legal/accounting/audit	390,239	
Contracted IT development	1,367,838	
Interest expense	5,886	
Depreciation expense	437,860	
Insurance expense	320,863	
Travel/training/conference expense	37,867	
Other administrative expenses	1,171,032	
Administrative allocation to care management	(5,891,224)	
Administrative allocation to internally provided services	<u>(1,554)</u>	
<i>Total Administrative Expenses</i>		<u>10,633,915</u>

Total Operating Expenses		<u>525,456,513</u>
Income (Loss) from Operations, current year		\$48,628,116
Other (Income) Expenses, ordinary		
Investment income – reserve funds	(122,347)	
Gain(loss) in investments (unrealized)	398,937	
Prior year adjustment – IBNR	(683,499)	
Prior year adjustment – other DHS	(1,677,460)	
Other non-operating and PDR	<u>(5,069)</u>	
<i>Total Other Expenses</i>		<u>(2,004,951)</u>
Other (Income) Expenses, extraordinary		<u>5,930,822</u>
Net Income (Loss)		<u>\$ 44,702,245</u>

Community Care, Inc.
Statement of Cash Flows
For the Period Ending December 31, 2021

Operating Activities

Net income per GL		\$ 45,167,770
Add: Depreciation		437,860
Add: Gain(loss) on sale of LT assets		(4,500)
(Increase) Decrease Accounts receivable, capitation and DHS other		(9,815,504)
(Increase) Decrease Accounts receivable general		(623,380)
(Increase) Decrease Prepaid insurance		(84,287)
(Increase) Decrease Prepaid other		(35,722)
Increase (Decrease) IBNR		9,100,000
Increase (Decrease) Accounts payable		13,221
Increase (Decrease) Wages/taxes/ben. payable		387,084
Increase (Decrease) Unearned revenues		5,587,436
Increase (Decrease) Other current liabilities		15,233
Increase (Decrease) Other operating activities		<u>4,500</u>
Net Cash Provided by Operating Activities		50,149,711

Investing Activities

Change in property, plant, and equipment:	\$ (878,912)	
Change in long-term investments	(29,954,247)	
Other long-term assets	(92,525)	
Other investing activities	<u>423,931</u>	
Net Cash Used in Investing Activities		(30,501,754)

Financing Activities

Other financing activities, other		<u>179,285</u>
Net increase in cash and cash equivalents		19,827,243
Cash and Cash Equivalents Beginning of Period		<u>93,872,070</u>
Cash and Cash Equivalents End of Period		<u>\$113,699,313</u>

Community Care, Inc.
Consolidated Balance Sheet
As of December 31, 2021

	CCI	CCHP	Eliminations	Consolidated Total
Current Assets				
Cash and cash equivalents, operating	\$113,699,313	\$15,601,357	\$	\$129,300,670
Capitation receivable net of allowance	512,615	262,968		775,583
Other DHS receivables net of allowance	16,593,888	1,025,110		17,618,998
Cost-share receivable net of allowance	398,812	36,752		435,564
Room and board receivable net of allowance	656,809	72,949		729,757
Other third-party receivable net of allowance	72,540	2,057,975		2,130,515
Other short-term receivables net of allowance	190,726	106,992		297,718
Parent, subsidiary, affiliate receivable	1,004,064		(1,004,064)	0
Reinsurance receivable		866		866
Prepaid Insurance	701,855			701,855
Prepaid expenses - other	<u>1,603,720</u>			<u>1,603,720</u>
<i>Total Current Assets</i>	<u>135,434,341</u>	<u>19,164,969</u>	<u>(1,004,064)</u>	<u>153,595,246</u>
Long-Term Assets				
Risk reserve funds – FC Permitted MCO	5,864,153			5,864,153
Solvency reserve/guaranty funds on deposit permitted MCO	2,894,000			2,894,000
Other long-term investments, unrestricted	29,765,784	9,235,748		39,001,532
Building/land (cost)	11,717,366			11,717,366
Accumulated depreciation – building/land	(5,061,509)			(5,061,509)
Leasehold improvements (cost)	1,047,808			1,047,808
Accumulated depreciation – leasehold improvements	(745,162)			(745,162)
Furniture, equipment, and software (cost)	13,204,569			13,204,569
Accumulated depreciation – furniture, equipment, and software	(11,551,809)			(11,551,809)
Other long-term assets	<u>1,828,784</u>			<u>1,828,784</u>
<i>Total Long-Term Assets</i>	<u>48,963,985</u>	<u>9,235,748</u>		<u>58,199,733</u>
Total Assets	<u>\$184,398,326</u>	<u>\$28,400,717</u>	<u>\$(1,004,064)</u>	<u>\$211,794,979</u>

	CCI	CCHP	Eliminations	Consolidated Total
Current Liabilities				
Capitation payable	\$ 587,615	\$ 283,313	\$	\$ 870,928
Unearned revenue-other	135,361			135,361
Other DHS Payable	7,847,413	63,051		7,910,464
Accrued salaries	1,693,799			1,693,799
Accrued taxes and benefits (current)	5,998,795			5,998,795
IBNR member services – current year	45,100,000	7,638,993		52,738,993
Accounts payable – member services, claims processed		68,452		68,452
Accounts payable – general	2,364,837	229,140		2,583,977
Parent, subsidiary, affiliate payable		1,004,064	(1,004,064)	0
Due to other		4,524		4,524
Other current liabilities	<u>439,526</u>	<u>127,656</u>		<u>567,182</u>
<i>Total Current Liabilities</i>	64,167,346	9,419,193	(1,004,064)	72,582,476
Long-Term Liabilities				
Other long-term liabilities	<u>1,041,233</u>			<u>1,041,233</u>
Total Liabilities	65,208,579	9,419,193	(1,004,064)	72,582,476
Equity				
Beginning equity	74,021,976	15,655,234		89,677,210
Other changes to equity				
Current year net income	<u>45,167,770</u>	<u>3,326,290</u>		<u>48,494,060</u>
<i>Total Equity</i>	119,189,746	18,981,524		138,171,270
Total Liabilities and Equity	<u>\$ 184,398,326</u>	<u>\$28,400,717</u>	<u>\$(1,004,064)</u>	<u>\$211,794,979</u>

Community Care, Inc.
Consolidated Profit and Loss Statement
For the Period Ending December 31, 2021

	CCI	CCHP	Eliminations	Consolidated Total
Revenues				
MA capitation (net of cost share)	\$505,903,243	\$ 61,924,737	\$	\$567,827,979
MC capitation		35,037,920		35,037,920
Cost-share revenue	17,073,083	1,562,442		18,635,525
Less: cost share revenue bad debt	(868,858)	(65,479)		(934,337)
Room and board revenue	47,201,695	4,043,015		51,244,711
Less: room & board bad debt	(969,218)	(108,438)		(1,077,655)
Other third-party payer revenues	226,192	181,550		407,742
Risk sharing	(7,666,274)			(7,666,274)
Inter-company revenue	23,654,732		(23,654,732)	0
Other current year retro adjustments, DHS	<u>13,410,958</u>	<u>862,409</u>		<u>14,273,366</u>
Total Revenue	<u>597,965,553</u>	<u>103,438,155</u>	<u>(23,654,732)</u>	<u>677,748,976</u>
Operating Expenses				
Direct Member Service Expenses				
Acute and Primary Services (FCP/PACE Programs)				
Dental		527,123		527,123
Pharmacy		11,287,332		11,287,332
Less: pharmacy rebates		(313,977)		(313,977)
Less: LICs/Reinsurance		(4,690,452)		(4,690,452)
In-patient hospital		10,137,793		10,137,793
Less: Stop Loss Income Recovery		(866)		(866)
Out-patient hospital		3,849,423		3,849,423
Other acute and primary services		<u>5,396,137</u>		<u>5,396,137</u>
<i>Total Acute and Primary</i>		<u>26,192,513</u>		<u>26,192,513</u>
Long Term Care Services (All Programs)				
Adaptive equipment	7,367,478	1,627,561		8,995,039
Adult day activities	2,544,010	1,131,818		3,675,828
Habilitation/health	12,082,390	1,476,639		13,559,029
Home care	77,770,652	8,372,370		86,143,022
Home health care	4,929,463	1,421,128		6,350,591
Institutional (NH/ICF-MR)	49,992,431	9,836,169		59,828,600
Residential care	285,248,275	34,783,303		320,031,578
Respite care	1,372,851	66,286		1,439,137
Transportation	10,964,986	1,934,024		12,899,010
Vocational	4,681,972	91,488		4,773,460
Room and board - expenses	4,553,490	407,089		4,960,579
Financial Management	2,967,527	199,847		3,167,375
Other FC LTC services	<u>620,448</u>	<u>787,561</u>		<u>1,408,009</u>
<i>Total LTC Services</i>	<u>465,095,974</u>	<u>62,135,284</u>		<u>527,231,258</u>
Other member expenses (Outside the benefit package)	<u>31,376</u>			<u>31,376</u>
<i>Total Member Service Expenses</i>	<u>\$465,127,350</u>	<u>\$ 88,327,797</u>		<u>\$553,455,147</u>
Care Management Expenses				
Care management (CMUs/External)	2,916	5,658		8,574
Care management (Internal)	43,801,108	8,689,721		52,490,829
Care management admin – allocated	<u>5,891,224</u>	<u>1,598,443</u>		<u>7,489,667</u>
<i>Total Care Management Expenses</i>	<u>49,695,248</u>	<u>10,293,823</u>		<u>59,989,070</u>

	CCI	CCHP	Eliminations	Consolidated Total
Administrative Expenses				
Stop loss premiums		110,945		110,945
Wages and benefits	11,501,062	5,278,520		16,779,582
Occupancy	624,537	287,670		912,207
Office expenses	822,931	380,168		1,203,100
Legal/accounting/audit	390,239	181,356		571,595
Contracted IT development	1,367,838	635,676		2,003,513
Interest expense	5,886	2,735		8,622
Depreciation expense	437,860	203,487		641,347
Insurance expense	320,683	149,031		469,713
Travel/training/conference expense	43,805	17,598		61,403
Other administrative expenses	1,197,660	433,269		1,630,929
Administrative allocation to care management	(649,649)	(1,598,443)	(5,241,575)	(7,489,667)
Administrative allocation to internally provided services	<u>17,996,656</u>	<u>(969,564)</u>	<u>(18,413,158)</u>	<u>(1,386,066)</u>
<i>Total Administrative Expenses</i>	<u>34,059,508</u>	<u>5,112,447</u>	<u>(23,654,732)</u>	<u>15,517,223</u>
Total Operating Expenses	<u>548,882,106</u>	<u>103,734,067</u>	<u>(23,654,732)</u>	<u>628,961,441</u>
Income (Loss) from Operations, current year	49,083,447	(295,912)		48,787,535
Other (Income) Expenses, Ordinary				
Investment income – reserve funds	(122,347)			(122,347)
Investment income – other LT	425	(93,192)		(92,767)
Gain(loss) in investments (unrealized)	398,937	157,862		556,799
(Gain)Loss in sale of LT asset	(4,500)			(4,500)
Prior year adjustment – IBNR	(683,499)	(242,514)		(926,013)
Prior year adjustment – other DHS	(1,677,460)	(320,657)		(1,998,117)
Prior year adjustment – other		(292,510)		(292,510)
Other non-operating and PDR	<u>73,301</u>	<u>(3,347,457)</u>		<u>(3,274,157)</u>
<i>Total Other Expenses</i>	<u>(2,015,144)</u>	<u>(4,138,468)</u>		<u>(6,153,613)</u>
Other (Income) Expenses, Extraordinary	<u>5,930,822</u>	<u>516,267</u>		<u>6,447,088</u>
Net Income (Loss)	<u>\$ 45,167,770</u>	<u>\$ 3,326,290</u>	<u>\$</u>	<u>\$48,494,060</u>

Growth of Community Care, Inc. (Nonconsolidated)
(in thousands except for member months)

Year	Assets	Liabilities	Equity	Capitation Revenue	Member Service Expenses	Net Income	Member Months
2021	\$184,398	\$65,209	\$119,190	\$505,903	\$465,127	\$45,168	146,113
2020	123,948	49,926	74,022	460,420	434,112	35,847	140,733
2019	89,380	51,204	38,175	440,694	438,652	16,123	136,325

Year	Profit Margin	Member Service Cost Ratio	Care Management Service Cost Ratio	Combined Member Service Cost Ratio	Administrative Expense Ratio	Change in Member Months
2021	8.4%	78.7%	9.7%	88.4%	2.1%	3.8%
2020	7.6	80.2	10.0	90.2	2.1	3.2
2019	3.6	85.0	9.6	94.6	2.2	4.7

Per Member Per Month Information

	2021	2020	Percentage Change
Revenues			
Capitation	\$3,462.41	\$3,271.59	5.8%
Other revenue	<u>630.80</u>	<u>634.29</u>	-.6
Total revenue	4,092.49	3,905.88	4.8
Expenses:			
Member service costs	3183.34	3,084.65	3.2
Care management	340.12	330.41	2.9
Administrative	<u>233.10</u>	<u>232.33</u>	.3
Total operating expenses	3,756.56	3,647.39	3.0
Other non-operating expenses	<u>(13.79)</u>	<u>(42.57)</u>	-67.6
Net income (loss)	<u>309.13</u>	<u>254.72</u>	21.4
Member months	146,113	140,733	3.8

Community Care, Inc. was profitable during all three years under examination with a net income of \$45.2 million as of December 31, 2021. The company saw capitation revenues increase from \$440.7 million in 2019 to \$505.9 million in 2021 and membership increase from 11,360 members to 12,176 members in the same period. The company ended the three-year period having increased equity from \$38.2 million in 2019 to \$119.2 million in 2021.

Reconciliation of Equity per Examination

No adjustments were made to equity as a result of this examination. The amount of equity reported by the company as of December 31, 2021, is accepted.

There were no reclassifications as a result of this examination.

VI. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were two 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. Management and Control – It is recommended that minutes be maintained for the executive committee and that the board or a committee of the board act annually to review and approve the compensation of the chief executive officers in accordance with s.181.0302 (11) and (14), Wis. Stat.

Action—Compliance.

2. Investments – It is again recommended that the board or a subordinate committee thereof review and approve purchases or sales of all investments in the future on at least a quarterly basis.

Action—Compliance.

Summary of Current 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.

The current examination resulted in no exam recommendations, reclassifications, or equity adjustments.

Financial Requirements

The financial requirements for a CMO under s. 648.75, Wis. Stat. and s. Ins 57.04, Wis. Adm. Code for the period ending December 31, 2021, are as follows:

	Amount Required
1. Working Capital	Not less than 3.0% of the budgeted annual capitation payments from DHS.
2. Restricted reserves	The required minimum balance is calculated as follows: 8% of the first \$5 million annual budgeted capitation 4% of the next \$5 million annual budgeted capitation 3% of the next \$10 million annual budgeted capitation 2% of the next \$30 million annual budgeted capitation 1% of annual budgeted capitation in excess of \$50 million
3. Solvency fund	The required minimum balance is calculated as follows: \$20 per annual budgeted member months

The company's financial requirement calculations as of December 31, 2021, are as follows:

Working Capital

Current Assets	\$135,434,341
Current Liabilities	<u>64,167,346</u>
Working Capital	71,266,995
Working Capital Requirement	<u>14,554,878</u>
Excess/(shortage)	<u>\$ 56,712,117</u>

Restricted Reserves

Current Restricted Reserves	\$ 5,869,928
Restricted Reserve Requirement	<u>5,851,626</u>
Excess/(shortage)	<u>\$ 18,302</u>

Solvency Fund

Current Solvency Fund	\$ 2,894,000
Solvency Fund Requirement	<u>2,893,460</u>
Excess/(shortage)	<u>\$ 540</u>

The company is meeting its financial requirements as of December 31, 2021.

VII. CONCLUSION

Community Care, Inc. is a care management organization participating in the Wisconsin Family Care Program. CCI is organized to develop innovative, flexible, community-based approaches to care for at-risk adults, in order to optimize their quality of life and optimize the allocation of community resources in its service area.

CCI reported increasing net income in each of the three years under examination with a net income of \$45.2 million for the year ended December 31, 2021. The company saw both membership and capitation revenue increase during each year of the examination period. The company ended the examination period with positive equity of \$119.2 million.

VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

The current examination resulted in no recommendations, reclassifications, or equity adjustments.

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:

Name	Title
Ian Anderson	Insurance Financial Examiner
Eleanor Lu, CISA	IT Specialist
Terry Lorenz, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,

Gabriel D. Gorske

Gabriel Gorske, CFE
Examiner-in-Charge