Report of the Examination of

Health Tradition Health Plan, Inc.

Madison, Wisconsin

As of December 31, 2020

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December 6, 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:

HEALTH TRADITION HEALTH PLAN, INC
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Health Tradition Health Plan, Inc. (the company or HTHP) was conducted in 2017 as of December 31, 2015. The current examination covered the intervening 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. 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 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.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner 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 examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

Health Tradition Health Plan, Inc. is described as a for-profit Wisconsin 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."

The company was incorporated on January 16, 1986, and commenced business on April 28, 1986. The company is wholly owned by WEA Insurance Corporation (WEAIC) as of October 1, 2018. Prior to the acquisition, the company was a wholly owned subsidiary of Mayo Holding Company.

The company provides health insurance coverage, including emergency care to the members who seek such services. Coverage also includes any physician, dentist, behavioral health, allied health, or other health care service provider. All in-network hospitals provide inpatient services. The company provides coverage to its members through a provider network comprised of approximately 15,320 providers and 100 hospitals. The provider network consists of approximately 3,945 unique primary care providers and approximately 11,375 unique specialty care providers who may practice at multiple locations

Contractual arrangements for physicians include an initial term and automatically renew annually for successive one-year terms unless one party, as of the end of any plan year upon 90 days prior written notice to the other party, elects to terminate the agreement. Physician’s services vary depending on specialty and general care but are within provider’s license and scope of practice, routinely provided, and a covered benefit under the enrollee’s plan. Physicians are required to have in place effective procedures to provide for the availability and accessibility of medically necessary care 24 hours a day, seven days a week.

Physician compensation is based on a variety of reimbursement methodologies:

- Professional Fee Schedule
- Diagnosis Related Group (DRG)
- Per Diem
- Outpatient Case Rate
- Percent of Billed

There is only one “Risk-Share” provision, and it is with Mayo Clinic Health System. It is based on the overall net loss or net gain for each calendar year.

The provider may not bill, charge, collect a deposit from, seek remuneration or compensation from, file or threaten to file with a credit reporting agency, or have any recourse against an enrollee or any person acting on the enrollee’s behalf for health care costs for which the enrollee is not liable. The prohibition on recovery does not affect the liability of an enrollee for any deductibles or copayments, or for the premiums owed under the policy.

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 ($30 per year maximum)
Kidney disease treatment
Certain transplants
Chiropractic services

Plans may include deductible, coinsurance, and/or copayments on covered services. These out-of-pocket expense amounts vary by plan and are selected by each employer. Some services are subject to coverage limitations, including skilled nursing care services which are limited to between 30 and 60 days depending on plan design. Plan coverage is contingent upon nonemergency services being

provided by participating providers unless a member obtains an approved referral to see a nonparticipating provider.

Emergency services have copayments which are waived upon admission into an inpatient facility, and skilled nursing care is limited to 60 days. Plan coverage is contingent on nonemergency services being provided by participating physicians and hospitals or on the plan approved referral of participating physicians. Copayments are between $0 and $2,000 for outpatient services and from $0 to $250 for office visit services. The company also has a copayment plan in which inpatient services have copayments between $0 and $2,000. These copayments are subject to a maximum out-of-pocket of $10,000 single and $20,000 per family. Members are required to choose a primary care provider from the listing of available in-network providers.

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 of large groups and, based on the review, a recommendation is made regarding adjusting the rate or canceling the group. The base rate is adjusted quarterly for inflation and other trending factors.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of no less than nine and no more than 13 members. All directors are elected annually to serve a one-year term. The Board Chairperson is elected at the board's annual meeting. There are members of the company's board of directors who also serve as members of the board for Wisconsin Education Association Insurance Trust. The board members currently receive no compensation for serving on the board. Board members receive a daily meeting stipend.

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

Name and Residence	Principal Occupation	Term Expires
Joan Beglinger Cross Plains, Wisconsin	Consultant	2021
Georgina Dennik-Champion McFarland, Wisconsin	Nurse Practitioner	2021
Margaret Guertler Berlin, Wisconsin	Retired Teacher	2023
Mike Halloran Milwaukee, Wisconsin	English/Journalism Teacher	2022
Amy Johnson Milwaukee, Wisconsin	Special Education Teacher	2023
Carol Kettner Rice Lake, Wisconsin	Retired Teacher	2021
Shelly Krajacic Kenosha, Wisconsin	NEA Executive Committee	2023
Sara Kruger Verona, Wisconsin	Clinical Professor and Nurse Practitioner	2021
Mark Litow Mequon, Wisconsin	Retired Actuary	2021
Heather Mielke Elkhorn, Wisconsin	Math Teacher	2022
Andrew Staab St. Paul, Minnesota	US Bank ERISA Attorney	2023
Mary Theisen Franklin, Wisconsin	Retired Teacher	2021

Name and Residence	Principal Occupation	Term Expires
Daniel Weidner Bonduel, Wisconsin	Retired Teacher	2022

Officers of the Company

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

Name	Office
Michael Quist[1]	President/CEO
Vaughn Vance	Vice President
Dawn Witek	Treasurer
Barbara Ruegsegger	Secretary

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
Mary Theisen, Chair
Margaret Guertler
Heather Mielke
Amy Johnson

Audit Committee
Margaret Guertler, Chair
Heather Mielke
Daniel Weidner
Sarah Kruger
Mike Halloran
Mark Litow
Mary Theisen

The company has no employees; necessary staff is provided through a management agreement with NeuGen LLC. Under the agreement, effective January 1, 2019, NeuGen LLC agrees to perform all services necessary for the operation of the company. These services include but are not limited to overall plan management, regulatory compliance, investment management, sales, underwriting, marketing, accounting, building services, medical management, network management, customer services, claims processing, billing, and IT management. NeuGen LLC receives the actual cost of services as compensation for services rendered as determined by cost accounting studies performed. The term of the agreement is five years. The company may terminate the agreement upon 30 days' written notice with or without cause.

[1] Michael Quist resigned, Vaughn Vance is President/CEO effective July 1, 2021

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

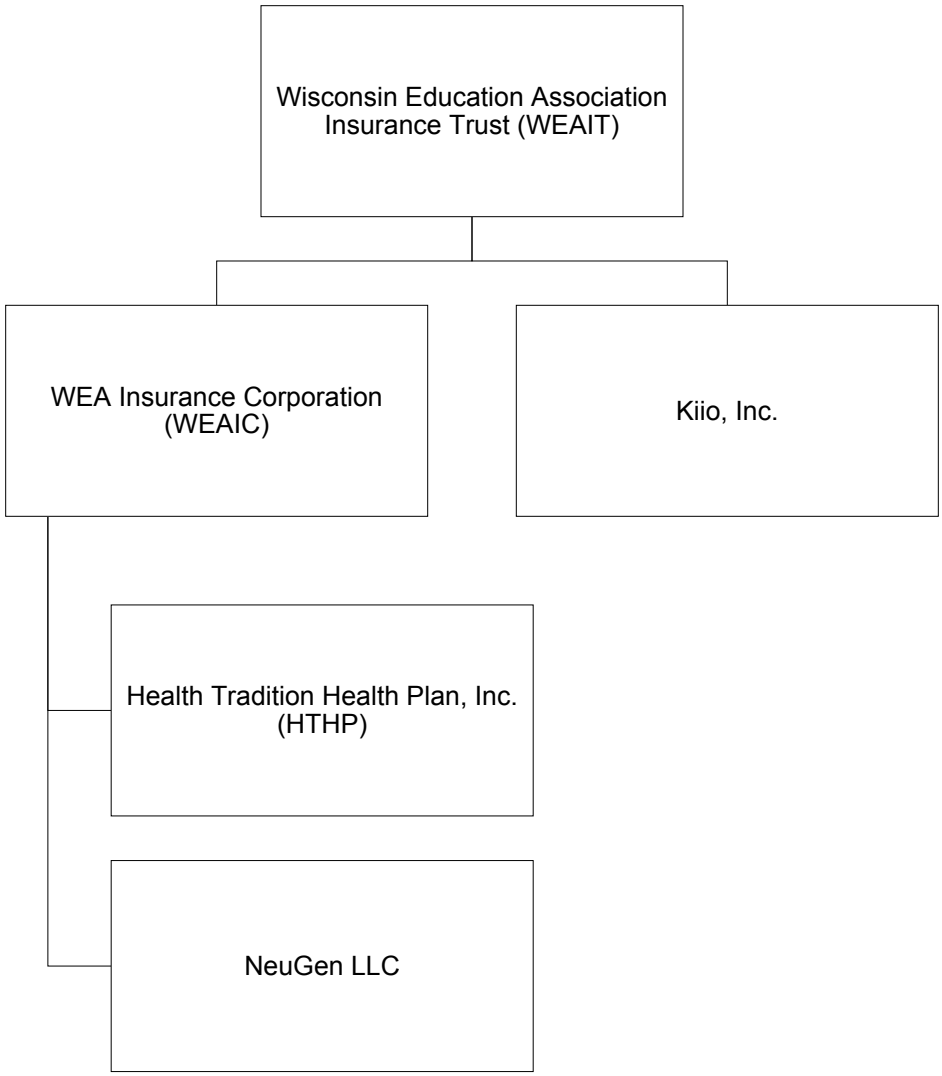
2. Enrollees will be entitled to similar, alternate coverage which does not contain any medical underwriting or preexisting limitation requirements.

The company has met this requirement through its reinsurance contract, as discussed in the Reinsurance section of this report.

IV. AFFILIATED COMPANIES

The company is a member of a holding company system. Its ultimate parent is Wisconsin Education Association Insurance Trust (WEAIT). 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



Wisconsin Education Association Insurance Trust (WEAIT)

WEAIT wholly owns WEA Insurance Corporation. As of December 31, 2020, the audited financial statements of WEAIT reported assets of $868.1 million, liabilities of $591.9 million, and net assets of $276.2 million.

Kiio, Inc.[2]

Kiio, Inc is 65% owned by WEAIT. Kiio, Inc. provides musculoskeletal digital solutions designed to help health plan clients benefit from a reduction in pain particularly focusing on multi-joint solutions for low back, knee, hip, and neck pain. As of December 31, 2020, the audited financial statements of Kiio, Inc. reported assets of $914,000, liabilities of $3.8 million, and stockholder's deficit of $2.9 million. Operations for 2020 produced a net loss of $2.4 million.

WEA Insurance Corporation (WEAIC)

WEAIC wholly owns Health Tradition Health Plan. WEAIC is a Wisconsin-licensed stock life insurance company. As of December 31, 2020, the audited financial statements of WEAIC reported admitted assets of $790.8 million, liabilities of $593.0 million, and revenues of $641.7 million. Operations for 2020 produced a net income of $11.0 million

NeuGen LLC

NeuGen LLC (NeuGen) was formed on January 1, 2019, as a shared services and single-member organization, to provided administrative services to WEAIC and HTHP. All employees were transferred from the WEAIC to NeuGen effective January 1, 2019. NeuGen has two similar service agreements with (1) HTHP and (2) WEAIC effective January 1, 2019. The purpose of the agreement is to perform for and on behalf of HTHP and WEAIC, all services necessary for the operations of HTHP and WEAIC. As of December 31, 2020, the audited financial statements of NeuGen reported assets of $9.9 million, liabilities of $9.9 million, and retained earnings of $9,000. Operations for 2020 produced net loss of $17,000.

[2] Kiio will wind down operations in 2021

Agreements with Affiliates

Health Tradition Health Plan, Inc. has a service agreement with NeuGen LLC, effective as of January 1, 2019. Under the agreement, NeuGen LLC provides administrative services for Health Tradition Health Plan including but not limited to plan management, regulatory compliance, investment management, sales, underwriting, marketing, accounting, building services, medical management, network management, customer service, claims processing, eligibility, billing, and IT management. Compensation for these services is at actual cost of services provided, paid by a per member per month amount that is subject to reconciliation of actual costs on March 15 of each year.

Health Tradition Health Plan, Inc. and Kiio, Inc. entered into a subscription agreement effective as of September 1, 2020. Under the agreement, Kiio, Inc. provides support and or professional services including setup fees, screenings, and subscriptions for Health Tradition Health Plan, Inc. insureds. These services are provided on a fee-for-service basis subject to an annual minimum.

V. REINSURANCE

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

Reinsurer:	Zurich American Insurance Company
Type:	Medical Excess of Loss Reinsurance
Effective date:	January 1, 2020
Retention:	$500,000 for each covered person
Coverage:	90% of the ultimate net loss above the company's retention of $500,000
Termination:	The term of the contract expires on January 1, 2021

The reinsurance policy has an endorsement containing the following insolvency provisions:

1. Zurich American Insurance Company will continue plan benefits for members who are confined in an acute-care hospital on the date of insolvency until their discharge.

2. Zurich American Insurance Company will continue plan benefits for any member insured plan until the end of the contract period for which premiums have been paid to plan by that member or on his behalf.

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. Also included in this section are schedules that reflect the growth of the company and the compulsory and security surplus calculation.

Health Tradition Health Plan
Assets
As of December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 500,000	$	$ 500,000
Cash, cash equivalents and short-term investments	12,900,471		12,900,471
Uncollected premiums and agents' balances in the course of collection	122,466	416	122,050
Investment income due and accrued	364		364
Net deferred tax asset	678,320	130,075	548,245
Health care and other amounts receivable	318,366	217,025	101,341
Write-ins for other than invested assets:			
Prepaid Expenses	1,997	1,997	
Total Assets	$14,521,984	$349,512	$14,172,472

Health Tradition Health Plan
Liabilities and Net Worth
As of December 31, 2020

Claims unpaid		$ 424,632
Accrued medical incentive pool and bonus payments		
Unpaid claims adjustment expenses		69,004
Aggregate health policy reserves		2,160,000
Premiums received in advance		1,175,817
General expenses due or accrued		267,637
Amounts due to parent, subsidiaries, and affiliates		802,663
Aggregate write-ins for other liabilities (including $344,974 current)		344,974
Total Liabilities		5,244,727
Common capital stock	$ 364,500	
Preferred capital stock		
Gross paid in and contributed surplus	10,839,500	
Unassigned funds (surplus)	(2,276,254)	
Total Capital and Surplus		8,927,746
Total Liabilities, Capital and Surplus		$14,172,473

Health Tradition Health Plan
Statement of Revenue and Expenses
For the Year 2020

Net premium income		$23,481,998
Medical and Hospital:		
Hospital/medical benefits	$13,853,019	
Outside referrals	1,265,854	
Emergency room and out-of-area	495,520	
Prescription drugs	2,945,727	
Subtotal	18,560,120	
Less		
Net reinsurance recoveries	431,587	
Total medical and hospital	18,128,533	
Claims adjustment expenses	1,469,597	
General administrative expenses	2,933,613	
Increase in reserves for life and accident and health contracts	1,290,000	
Total underwriting deductions		23,821,743
Net underwriting gain or (loss)		(339,745)
Net investment income earned		81,652
Net income or (loss) before federal income taxes		(258,093)
Net Income (Loss)		$ (258,093)

Health Tradition Health Plan
Capital and Surplus Account
For the Five-Year Period Ending December 31, 2020

	2020	2019	2018	2017	2016
Capital and surplus, beginning of year	$8,182,490	$9,846,902	$10,111,735	$12,108,689	$12,118,476
Net income (loss)	(258,093)	(1,520,641)	(3,893,153)	(1,349,847)	(9,449)
Change in net deferred income tax	678,320		163,317	(337,695)	180
Change in nonadmitted assets	315,314	(143,771)	753,201	(309,412)	(518)
Change in surplus notes			(1,250,000)		
Paid in			3,961,803		
Write-ins for gains and (losses) in surplus:					
Change in Nonadmitted-Timing Issue	9,714				
Capital and Surplus, End of Year	$8,927,745	$8,182,490	$9,846,902	$10,111,735	$12,108,689

Health Tradition Health Plan
Statement of Cash Flow
For the Year 2020

Premiums collected net of reinsurance		$23,996,424
Net investment income		91,613
Total		24,088,037
Less:		
Benefit- and loss-related payments	$18,235,240	
Commissions, expenses paid and aggregate write-ins for deductions	4,213,960	
Total		22,449,200
Net cash from operations		1,638,836
Cost of Investments Acquired—Long-term Only:		
Bonds	500,000	
Net cash from investments		(500,000)
Other cash provided (applied)		(301,234)
Net Change in Cash, Cash Equivalents, and Short-Term Investments		837,602
Cash, cash equivalents, and short-term investments:		
Beginning of year		12,062,868
End of Year		$12,900,470

Growth of Health Tradition Health Plan

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2020	$14,172,472	$5,244,727	$ 8,927,746	$23,481,998	$18,128,533	$ (258,093)
2019	12,375,164	4,192,674	8,182,490	20,591,380	16,260,421	(1,520,641)
2018	17,170,224	7,323,323	9,846,902	33,207,792	29,772,690	(3,893,153)
2017	54,273,493	44,161,753	10,111,738	150,032,158	135,384,902	(1,349,847)
2016	40,649,336	28,540,644	12,108,693	142,168,880	120,483,281	(9,449)
2015	30,096,595	17,978,116	12,118,480	142,218,536	122,684,399	(329,583)

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Change in Enrollment
2020	-1.1%	82.7%	18.8%	7.5%
2019	-7.3	83.2	25.3	-28.4
2018	-11.7	89.6	22.4	-84.1
2017	-0.9	90.2	11.1	-9.3
2016	-0.0	84.7	14.4	9.4
2015	-0.2	86.2	13.2	-11.0

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2020	4,191	571.11	5.8
2019	3,897	645.41	6.7
2018	5,446	119.26	2.3
2017	34,162	240.96	4.6
2016	37,650	266.46	4.3
2015	34,421	258.76	3.6

Per Member Per Month Information

	2020	2019	Percentage Change
Premiums:			
Commercial	$595.25	$504.00	18.10%
Medicare	242.50	245.21	-0.01
Aggregate	837.75	749.21	11.82
Expenses:			
Outside referrals	25.32	61.88	-59.08
Emergency room and out-of-area	9.91	26.42	-62.49
Other medical and hospital	58.93	29.11	102.43
Less: Net reinsurance recoveries	8.63		NR
Total medical and hospital	362.66	313.91	15.53
Claims adjustment expenses	29.40	31.09	-5.44
General administrative expenses	55.69	69.42	-19.78
Increase in reserves for accident and health contracts	25.81	16.80	53.63
Total underwriting deductions	$476.56	$431.22	10.51

The company went through substantial transition during the five-year period relating to its corporate structure. The company was previously a member of Mayo Clinic but later acquired in 2018 by WEAIC, wholly owned by WEAIT. From 2017 through most of 2018, the company was in runoff which created the fluctuation in enrollment, net income, and per member per month information. Capital and surplus decreased since the transition, reporting $8.9 million in 2020. The company's assets increased from the prior year of $12.4 million to current 2020 period of $14.2 million. Premiums earned increased from prior year 2019 of $20.6 million to current year 2020 of $23.5 million.

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.

VII. 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. Custodial or Safekeeping Agreement—It is recommended that the custodial agreement be amended to include a provision that notifies the domiciliary commissioner within three business days of termination or withdrawal of account assets as recommended by the NAIC Financial Condition Examiners Handbook.

   Action—Compliance.

2. Related Party Agreements—It is recommended that the company file transactions properly at least 30 days prior to the effective date as required by s. Ins 40.04 (2), Wis. Adm. Code.

   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.

Filing of Biographical Affidavits

As required by s. 611.54, Wis. Stat., and s. Ins 6.52, Wis. Adm. Code, the company must report biographical information to OCI, within 15 days of their appointment or election, for persons selected as a director or principal officer. Biographical affidavits were reviewed for the company's directors and officers as part of the examination. This review disclosed that on multiple occasions the company failed to file a biographical properly. The form that was submitted to OCI is not approved and does not meet the requirements of s. Ins. 6.52 which requires the use of a Form A. It is recommended that the company file biographical information for newly elected or appointed officers and directors in accordance with s. Ins 6.52 (3), Wis. Adm. Code.

Financial Reporting

Transactions within a holding company system are required to be reported and subject to disapproval by ch. Ins 40.04, Wis. Adm. Code. Review of the company's filings indicated non-disapprovals by OCI existed, but annual reporting forms were not completed properly recognizing benefits from such transaction. The subscription agreement between the company and Kiio, Inc. was not included in the annual Form B & C filing as noted in the Appendices of ch. Ins. 40, Wis. Adm. Code. It is recommended that the company properly report all its transactions within the holding company system as required under ch. Ins 40, Wis. Adm. Code in the annual Form B & C filing.

Health care receivables such as risk sharing receivables from affiliated and nonaffiliate entities should be included in the appropriate or the appropriate asset line when it is a receivable. A risk sharing settlement was included in unpaid claims line offsetting other amounts, this is incorrect and should be reclassified. The settlement was between HTHP and its providers that are part of the Mayo Clinic system in its service area. Employer groups purchase products that include the Mayo network. Each member is then assigned to one of two pools for the purpose of calculating the risk sharing. The two pools' claims are aggregated, and premium is allocated to each by proportion of allowed charges. An

administrative expense assumption is assumed, any reinsurance recoveries are allocated, and then the maximum possible payment in either direction is determined by comparison to a target provider discount level. It is recommended that in future annual statements, the company include risk sharing receivables from affiliated and nonaffiliated entities on “Health Care and Other Receivables” or “Accrued Medical Incentive Pools and Bonus Amounts,” whichever is appropriate in accordance with NAIC Annual Statement Instructions.

Information Technology

The examination noted other areas where information technology controls could be further strengthened, which were presented in a letter to management. It is recommended that the company strengthen its information system controls in accordance with the recommendations made in the letter to management provided in conjunction with this report.

Custodial Agreement

Pursuant to s. 610.23, Wis. Stat., the custodial or safekeeping agreement must be with a banking institution or a Bank & Trust company. The NAIC Financial Condition Examiners Handbook sets forth the required language for custodial agreements. The contract between Health Tradition Health Plan and Northern Trust was missing the following language:

- During regular business hours, and upon reasonable notice, an officer or employee of the insurance company, an independent accountant selected by the insurance company and a representative of an appropriate regulatory body shall be entitled to examine on the premises of the custodian, its records relating to securities if the custodian is given written instructions to that effect from an authorized officer of the insurance company.
- The custodian shall provide upon written request from a regulator or an authorized officer of the insurance company, the appropriate affidavits, with respect to the insurance company's securities held by the custodian.

It is recommended that the company obtain a custodial agreement with its investment custodian to include the language noted above.

Provider Contract

Section 609.91, Wis. Stat. limits providers’ ability to recover costs directly from insured enrollees in the event of an HMO insolvency. The notice to contracting providers, required under s. 609.94 Wis. Stat., informs providers of this restriction. The examination disclosed the company did not provide the required notice in certain cases. It is recommended that the company comply with s. 609.94,

Wis. Stat., which requires each health maintenance organization insurer to provide written notice to providers of the statutory hold-harmless provisions of ss. 609.91 to 609.935 and 609.97 (1), Wis. Stats.

Premium Deficiency Reserve

Lewis & Ellis Actuaries and Consultants reviewed the premium deficiency reserve (PDR) calculations as part of the actuary review. The adequacy of reserves reference made in this report is the actuary's conclusion. It is recommended that the company comply with SSAP No 54, par. 19. The actuarial memorandum should identify direct and indirect administrative expenses clearly, and the company may consider offsets to PDR only when blocks of business where no PDR is necessary can support all or a portion of the indirect costs of deficient blocks.

VIII. CONCLUSION

Health Tradition Health Plan, Inc. is a for-profit group model health maintenance organization (HMO) insurer. The company was incorporated on January 16, 1986, and commenced business April 28, 1986. The company is wholly owned by WEA Insurance Corporation (WEAIC) as of October 1, 2018. Prior to the acquisition, the company was a wholly owned subsidiary of Mayo Holding Company. At the time of acquisition, the company was in runoff status while owned by Mayo Clinic.

The company provides care to its members through several provider networks and hospitals. The provider network consists of approximately 3,945 unique primary care providers and approximately 11,375 unique specialty care providers which may practice at multiple locations. In the financial data section, enrollment decreased 84% due to the cease of operations in 2018. The financial data fluctuated during 2019 as a result of being acquired by WEAIC. All these impacted the changing status and operations as part of a review for this examination.

As of December 31, 2020, the company reported total assets of $12.2 million, liabilities of $5.2 million, and net loss of $288,000 on premium of $23.2 million. Losses were observed in its first full year of operations, due to the challenges and changes discussed. The examination resulted in seven exam recommendations, no repeat recommendations.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 21 Filing of Biographical Affidavits—It is recommended that the company file biographical information for newly elected or appointed officers and directors in accordance with s. Ins 6.52 (3), Wis. Adm. Code.

2. Page 21 Financial Reporting—It is recommended that the company properly report all its transactions within the holding company system as required under ch. Ins 40, Wis. Adm. Code in the annual Form B & C filing.

3. Page 21 Financial Reporting—It is recommended that in future annual statements, the company reporting include risk sharing receivables from affiliated and nonaffiliated entities on Health Care and Other Receivables or Accrued Medical Incentive Pools and Bonus Amounts, whichever is appropriate in accordance with NAIC Annual Statement Instructions

4. Page 22 Information Technology—It is recommended that the company strengthen its information system controls in accordance with the recommendations made in the letter to management provided in conjunction with this report.

5. Page 22 Custodial Agreement—It is recommended that the company obtain a custodial agreement with its investment custodian to include the language noted above.

6. Page 22 Provider Contract —It is recommended that the company comply with s. 609.94, Wis. Stat., which requires each health maintenance organization insurer to provide written notice to providers of the statutory hold-harmless provisions of ss. 609.91 to 609.935 and 609.97 (1), Wis. Stats.

7. Page 23 Premium Deficiency Reserve —It is recommended that the company comply with SSAP No 54, par. 19. The actuarial memorandum should identify direct and indirect administrative expenses clearly, and the company may consider offsets to PDR only when blocks of business where no PDR is necessary can support all or a portion of the indirect costs of deficient blocks.

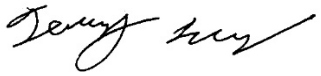
X. ACKNOWLEDGMENT

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
Shelly Bueno, AFE	Insurance Financial Examiner
Gabriel Gorske, AFE	Insurance Financial Examiner
Vicki Ostien	Insurance Financial Examiner
Junji Nartatez	IT Specialist
Sheng Vang	Examiner-in-Charge
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Terry Lorenz, CFE
Quality Control Specialist