

Report of the Examination of

Inclusa, Inc.

Stevens Point, Wisconsin

As of December 31, 2019

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Wisconsin Office of the
COMMISSIONER OF INSURANCE
FINANCIAL REGULATION

Tony Evers, Governor of Wisconsin
Mark Afable, Commissioner of Insurance

February 10, 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:

INCLUSA, INC.
Stevens Point, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The current examination of Inclusa, Inc. (Inclusa or the company) covered the period ending December 31, 2019, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination consisted of a review of all major phases of Inclusa'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.

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

Inclusa, Inc. 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 that are funded by the Family Care benefit, as defined in s. 46.2805 (4), Wis. Stat., through a contract with the Wisconsin Department of Health Services (DHS) under s. 46.284, Wis. Stat., which enrolls only individuals who are eligible under s. 46.286, Wis. Stat.

Inclusa, Inc. was founded in 2016 as Community Link, Inc. The company was created to combine the operations of three legacy CMOs: Western Wisconsin Cares, ContinuUs, and Community Care Connections of Wisconsin. The combination occurred on January 1, 2017, and the company changed its name to Inclusa, Inc. in 2017.

Currently, Inclusa's service area is comprised of 62 of Wisconsin's 72 counties. Inclusa is not operating in the following counties: Calumet, Dane, Fond du Lac, Kenosha, Manitowoc, Milwaukee, Outagamie, Racine, Waupaca, and Winnebago. Effective April 2021, Inclusa will be expanding to Calumet, Fond du Lac, Manitowoc, Outagamie, Waupaca, and Winnebago counties.

Inclusa derives all revenue from the Wisconsin Family Care Program. The Family Care Program helps frail older adults and adults with disabilities 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. Inclusa contracts directly with DHS to provide long-term care benefits to eligible members through its permit.

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)

Inclusa 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 one-year terms and may be terminated for any reason with 60 days' written notice. Provider contracts may be terminated immediately or suspended if there are deficiencies in the quality or quantity of services or goods rendered.

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

- Home health or personal care
- 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

Marketing to individuals is restricted under the Medicaid regulations and operating procedures. Rates are determined by the contract between Inclusa, 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 and are adjusted to reflect Inclusa's estimated population by target group. The capitation rate paid by DHS to Inclusa is actuarially based on the functional level of care a member needs: nursing home (NH) or non-nursing home (non-NH). The NH level of care rate is initially developed for each target group by region and adjusted for trend and administrative allowances. The non-NH level of care rate is developed by using a functional status-based model that stratifies claims experience based on an individual's level of care.

The NH and non-NH level of care capitation rates are based on the utilization and expenditures of the original Family Care Program's pilot and select expansion counties. 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 as a whole, not each individual CMO.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of 13 members. There is one vacancy on the board. Thirteen directors are elected annually to serve a three-year term. Officers are elected by the board of directors. Board members currently receive \$200 a month plus mileage reimbursement for serving on the board. The board president receives \$800 a month plus mileage reimbursement.

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

Name and Residence	Principal Occupation	Term Expires
Beth Arimond La Crosse, Wisconsin	Member Representative	2022
Ron Carney Warrens, Wisconsin	Retired	2021
Ken Cornish Steuben, Wisconsin	Healthcare Administrator	2020
Ken Day (Board President) Wausau, Wisconsin	Nonprofit Consultant	2021
Wade Dull* Soldiers Grove, Wisconsin	Retired	*2021
Joan Fordham Baraboo, Wisconsin	Nonprofit Worker	2021
Jack Halbleib Chippewa Falls, Wisconsin	Retired	2022
Tara Johnson La Crosse, Wisconsin	Retired Executive Director	2022
John Kriesel Buffalo City, Wisconsin	Retired	2020
Larry Laehn Milton, Wisconsin	Clinical Therapist	2020
Gary Ranum Boscobel, Wisconsin	Retired Senior Naval Officer	2022
Janis Ribbens Plover, Wisconsin	Member Representative	2020

*Wade Dull resigned from the board in early 2021

Officers of Inclusa

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

Name	Office
Mark Hilliker	Chief Executive Officer
Jason Taylor	Chief Financial Officer
Kristopher Kubnick	Chief Member Experience Officer

Senior managers who run the day-to-day operations of the company.

Committees of the Board

Inclusa’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:

Nominating Committee

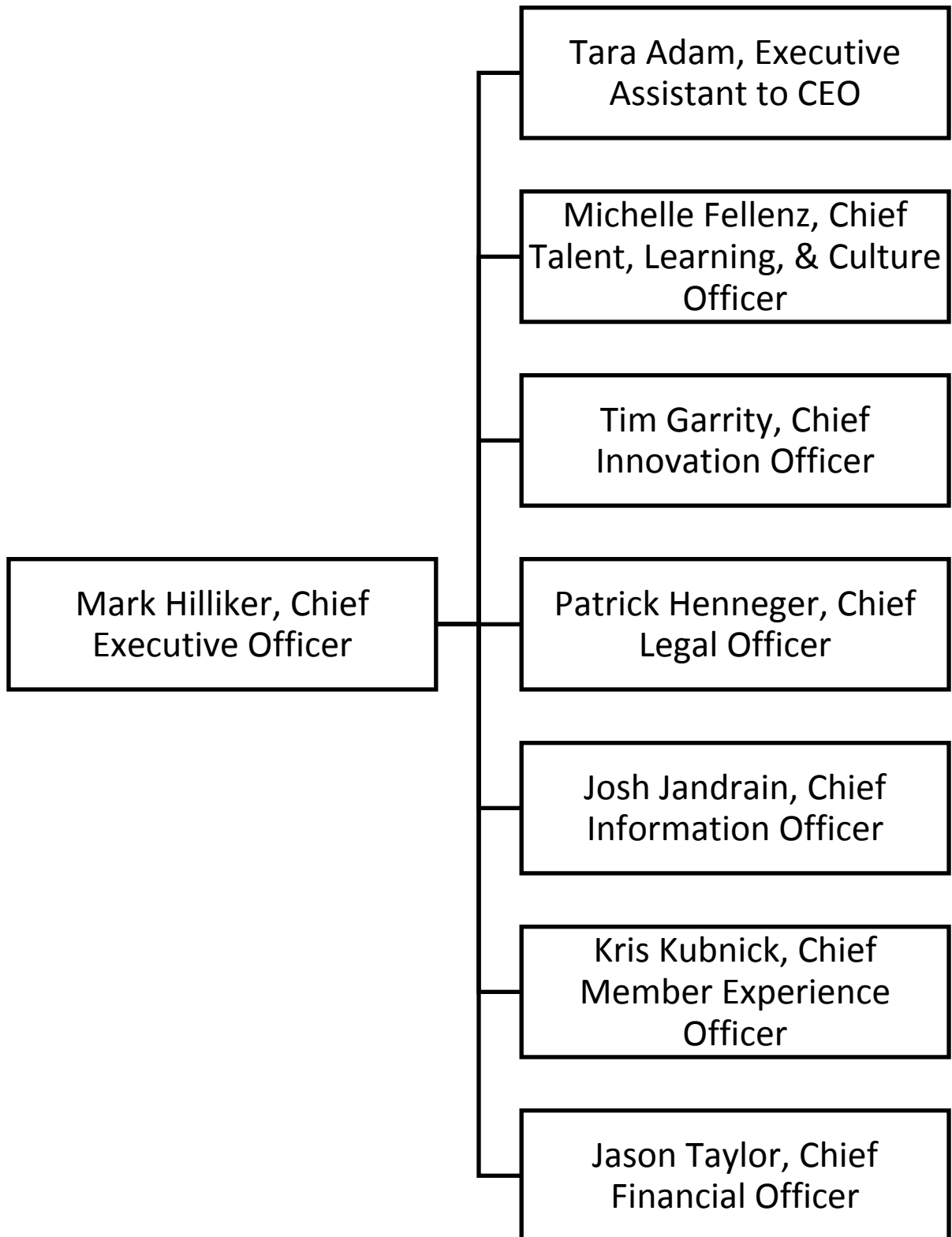
Tara Johnson
Gary Ranum
Jack Halbleib

Program Integrity Committee

All of the board members

The company does not have an audit committee. The board has elected to serve as the audit committee.

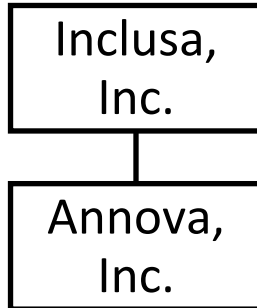
Inclusa has its own employees. An abbreviated organization chart is shown below.



IV. AFFILIATED COMPANIES

Inclusa is a member of a holding company system. Inclusa, Inc. is the ultimate parent company. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of Inclusa's affiliate follows the organizational chart.

**Holding Company Chart
As of December 31, 2019**



Annova, Inc.

Annova, Inc. (Annova), a wholly owned subsidiary of Inclusa, is a for-profit consulting company that advises other states on programs like Family Care. Annova also has Supplemental Security Income business. As of December 31, 2019, Annova's audited financial statement reported assets of \$458,088, liabilities of \$215,545, and equity of \$242,544. Operations for 2019 produced net loss of \$7,457 on revenues of \$138,181. Annova was founded in mid-2019 with an equity contribution of \$250,000 from Inclusa. Inclusa and Annova entered into a management and administrative agreement where Inclusa provides certain management, administrative, and corporate services, and makes facilities and equipment available for Annova's business operations.

V. FINANCIAL DATA

The following financial statements reflect the financial condition of Inclusa, Inc. as reported in the December 31, 2019, 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 Inclusa's operating results by target group and the growth of the company for the period under examination.

Inclusa, Inc.
Balance Sheet
As of December 31, 2019

Current Assets

Cash and cash equivalents, operating	\$ 74,497,690
Cash and cash equivalents, other	295,153
Capitation receivable net of allowance	2,055,941
Other DHS receivables net of allowance	22,734,606
Cost-share receivable net of allowance	214,078
Room and board receivable net of allowance	420,122
Other short-term receivables net of allowance	623,957
Parent, subsidiary, affiliate receivable	215,441
Prepaid providers (member service expenses)	393,474
Prepaid expenses - other	597,057
Other current assets	<u>55,846</u>
<i>Total Current Assets</i>	102,103,363

Long-Term Assets

Risk reserve funds – FC Permitted MCO	\$6,701,490
Solvency reserve/guaranty funds on deposit permitted MCO	3,633,075
Leasehold improvements (cost)	480,171
Accumulated depreciation – leasehold improvements	(424,622)
Furniture, equipment, and software (cost)	9,791,853
Accumulated depreciation – furniture, equipment, and software	(7,966,199)
Other long-term assets	<u>438,077</u>
<i>Total Long-Term Assets</i>	<u>12,653,846</u>

Total Assets

\$114,757,209

Current Liabilities

Capitation payable	305,646
Accrued salaries	3,828,286
Accrued taxes and benefits (current)	4,522,119
IBNR member services – current year	43,471,228
Accounts payable – claims processed, TPA	1,586,489
Accounts payable – general	<u>2,325,023</u>
<i>Total Current Liabilities</i>	56,038,792

Long-Term Liabilities

Due to other, long-term	
Other long-term liabilities	<u>303,302</u>
<i>Total Long-Term Liabilities</i>	

Total Liabilities

56,342,093

Equity

Beginning equity	39,213,311
Other changes to equity	(250,000)
Current year net income	<u>19,451,805</u>
<i>Total Equity</i>	<u>58,415,116</u>

Total Liabilities and Equity

\$114,757,209

Inclusa, Inc.
Profit and Loss Statement
For the Period Ending December 31, 2019

Revenues

MA capitation (net of cost share)	\$557,828,776
Cost-share revenue	17,767,854
Room and board revenue	45,974,461
Other third-party payer revenues	16,970
Interest/investment income – operating account	587,255
Interest income – ST investments, operating-other	12,035
Other current year retro adjustments, DHS	13,732,392
Other income/funding	<u>364,439</u>
Total Revenue	636,284,182

Operating Expenses

Long Term Care Services (All Programs)

Adaptive equipment	\$ 12,188,249	
Adult day activities	2,733,685	
Habilitation/health	20,957,494	
Home care	69,794,534	
Home health care	3,809,427	
Institutional (NH/ICF-MR)	63,685,061	
Residential care	263,646,323	
Respite care	2,875,640	
Transportation	16,799,717	
Vocational	16,236,223	
Room and board - expenses	50,454,889	
Financial Management	4,448,516	
Other FC LTC services	<u>219,721</u>	
<i>Total Member Service Expenses</i>		\$527,849,482

Care Management Expenses

Care management (CMUs/External)		
Care management (Internal)	73,265,196	
Care management admin – allocated	<u>3,655,753</u>	
<i>Total Care Management Expenses</i>		76,920,949

Administrative Expenses

Wages and benefits	18,012,703	
Contracted TPA expense	3,308,872	
Occupancy	1,156,612	
Office expenses	16,606	
Legal/accounting/audit	146,260	
Other professional services	532,310	
Other contracted services	299,271	
Depreciation expense	1,669,806	
Insurance expense	97,548	
Travel/training/conference expense	601,502	
Other administrative expenses	2,469,064	
Administrative allocation to care management	<u>(3,655,753)</u>	
<i>Total Administrative Expenses</i>		<u>24,654,799</u>

Total Operating Expenses

629,425,230

Income (Loss) from Operations, current year

6,858,952

Other (Income) Expenses, ordinary

Investment income – reserve funds	(88,912)
Prior year adjustment – IBNR	(1,246,459)
Prior year adjustment – other DHS	(11,257,829)
Other non-operating and PDR	<u>346</u>

Other (Income) Expenses (12,592,853)

Net Income (Loss) \$ 19,451,805

Inclusa, Inc.
Statement of Cash Flows
For the Period Ending December 31, 2019

Operating Activities

Net income per GL	\$19,451,805	
Add: Depreciation	1,669,806	
(Increase) Decrease Accounts receivable, capitation and DHS other	(3,904,879)	
(Increase) Decrease Accounts receivable general	(27,681)	
(Increase) Decrease Prepaid other	(342,320)	
(Increase) Decrease Other current assets	(14,002)	
Increase (Decrease) IBNR	655,820	
Increase (Decrease) Accounts payable	(1,644,138)	
Increase (Decrease) Wages/taxes/ben. payable	1,089,428	
Increase (Decrease) Unearned revenues	<u>13,843</u>	
Net Cash Provided by Operating Activities		16,947,682

Investing Activities

Change in property, plant, and equipment:	(1,865,620)	
Change in long-term investments	50,836	
Other long-term assets	<u>(105,208)</u>	
Net Cash Used in Investing Activities		<u>(1,919,992)</u>

Financing Activities

Other Financing Activities: Other	<u>(250,000)</u>	
Net Cash Used in Financing Activities		(250,000)
Net increase in cash and cash equivalents		14,777,690
Cash and Cash Equivalents Beginning of Period		<u>60,015,153</u>
Cash and Cash Equivalents End of Period		<u>\$74,792,843</u>

Inclusa, Inc.
Consolidated Balance Sheet
As of December 31, 2019

	Inclusa	Annova	Eliminations	Consolidated Total
Current Assets				
Cash and cash equivalents, operating	\$ 74,497,690	\$351,993	\$	\$ 74,849,683
Cash and cash equivalents, other	295,153			295,153
Capitation receivable net of allowance	2,055,941			2,055,941
Other DHS receivables net of allowance	22,734,606			22,734,606
Cost-share receivable net of allowance	214,078			214,078
Room and board receivable net of allowance	420,122			420,122
Other third-party receivable net of allowance		92,848		92,848
Other short-term receivables net of allowance	623,957			623,957
Parent, subsidiary, affiliate receivable	215,441		(215,441)	0
Prepaid providers (member service expense)	393,474			393,474
Prepaid expenses - other	597,057			597,057
Other current assets	<u>55,846</u>			<u>55,846</u>
<i>Total Current Assets</i>	102,103,363	444,841	(215,441)	102,332,763
Long-Term Assets				
Risk reserve funds – FC Permitted MCO	6,701,490			6,701,490
Solvency reserve/guaranty funds on deposit permitted MCO	3,633,075			3,633,075
Leasehold improvements (cost)	480,171			480,171
Accumulated depreciation – leasehold improvements	(424,622)			(424,622)
Furniture, equipment, and software (cost)	9,791,853			9,791,853
Accumulated depreciation – furniture, equipment, and software	(7,966,199)			(7,966,199)
Other long-term assets	<u>438,077</u>	<u>13,247</u>		<u>451,324</u>
<i>Total Long-Term Assets</i>	12,653,846	13,247	0	12,667,093
Total Assets	<u>\$114,757,209</u>	<u>\$458,088</u>	<u>\$(215,441)</u>	<u>\$114,999,856</u>
Current Liabilities				
Capitation payable	\$ 305,646	\$	\$	\$ 305,646
Accrued salaries	3,828,286			3,828,286
Accrued taxes and benefits (current)	4,522,119			4,522,119
IBNR member services – current year	43,471,228			43,471,228
Accounts payable – TPA	1,586,489			1,586,489
Accounts payable – general	2,325,023			2,325,023
Parent, subsidiary, affiliate payable		215,441	(215,441)	
Due to other		<u>104</u>		<u>104</u>
<i>Total Current Liabilities</i>	56,038,792	215,545	(215,441)	56,038,895
Long-Term Liabilities				
Other long-term liabilities	<u>303,302</u>			<u>303,302</u>
Total Liabilities	56,342,093	215,545	(215,441)	56,342,197

Inclusa, Inc.
Consolidated Balance Sheet
As of December 31, 2019

	Inclusa	Annova	Eliminations	Consolidated Total
Equity				
Beginning equity	39,213,311			39,213,311
Other changes to equity	(250,000)	250,000		0
Current year net income	<u>19,451,805</u>	<u>(7,457)</u>	_____	<u>19,444,348</u>
<i>Total Equity</i>	58,415,116	242,544		58,657,659
Total Liabilities and Equity	<u>\$114,757,209</u>	<u>\$458,088</u>	<u>\$(215,441)</u>	<u>\$114,999,856</u>

Inclusa, Inc.
Consolidated Profit and Loss Statement
For the Period Ending December 31, 2019

	Inclusa	Annova	Eliminations	Consolidated Total
Revenues				
MA capitation (net of cost share)	\$557,828,776	\$		\$557,828,776
Cost-share revenue	17,767,854			17,767,854
Room and board revenue	45,974,461			45,974,461
Other third-party payer revenues	16,970			16,970
Interest/investment income – operating account	587,255			587,255
Interest income – ST investments, operating- other	12,035			12,035
Other current year retro adjustments, DHS	13,732,392			13,732,392
Other income/funding	<u>364,439</u>	<u>138,181</u>		<u>502,620</u>
Total Revenue	<u>636,284,182</u>	<u>138,181</u>		<u>636,422,362</u>
Operating Expenses				
Direct Member Service Expenses				
Long Term Care Services (All Programs)				
Adaptive equipment	12,188,249			12,188,249
Adult day activities	2,733,685			2,733,685
Habilitation/health	20,957,494			20,957,494
Home care	69,794,534			69,794,534
Home health care	3,809,427			3,809,427
Institutional (NH/ICF-MR)	63,685,061			63,685,061
Residential care	263,646,323			263,646,323
Respite care	2,875,640			2,875,640
Transportation	16,799,717			16,799,717
Vocational	16,236,223			16,236,223
Room and board - expenses	50,454,889			50,454,889
Financial Management	4,448,516			4,448,516
Other FC LTC services	<u>219,721</u>			<u>219,721</u>
<i>Total Member Service Expenses</i>	<u>527,849,482</u>			<u>527,849,482</u>
Care Management Expenses				
Care management (Internal)	73,265,196			73,265,196
Care management admin – allocated	<u>3,655,753</u>			<u>3,655,753</u>
<i>Total Care Management Expenses</i>	<u>76,920,949</u>			<u>76,920,949</u>
Administrative Expenses				
Wages and benefits	18,012,703			18,012,703
Contracted TPA expense	3,308,872			3,308,872
Occupancy	1,156,612			1,156,612
Office expenses	16,606	712		17,318
Legal/accounting/audit	146,260	2,940		149,200
Contracted IT development		623		623
Other professional services	532,310	14,739		547,049
Other contracted services	299,271	125,595		424,865
Depreciation expense	1,669,806			1,669,806
Insurance expense	97,548			97,548
Travel/training/conference expense	601,502			601,502
Other administrative expenses	2,469,064	1,029		2,470,093
Administrative allocation to care management	<u>(3,655,753)</u>			<u>(3,655,753)</u>
<i>Total Administrative Expenses</i>	<u>24,654,799</u>	<u>145,638</u>		<u>24,800,437</u>
Total Operating Expenses	<u>629,425,230</u>	<u>145,638</u>		<u>629,570,867</u>

Inclusa, Inc.
Consolidated Profit and Loss Statement
For the Period Ending December 31, 2019

	Inclusa	Annova	Eliminations	Consolidated Total
Income (Loss) from Operations, current year	6,858,952		(7,457)	6,851,495
Other (Income) Expenses, Ordinary				
Investment income – reserve funds	(88,912)			(88,912)
Prior year adjustment – IBNR	(1,246,459)			(1,246,459)
Prior year adjustment – other DHS	(11,257,829)			(11,257,829)
Prior year adjustment – other				
Other non-operating and PDR	<u>346</u>			<u>346</u>
<i>Total Other Expenses</i>	(12,592,853)			(12,592,853)
Net Income (Loss)	<u>\$19,451,805</u>		<u>\$(7,457)</u>	<u>\$19,444,348</u>

Growth of Inclusa, Inc.

Year	Assets	Liabilities	Equity	Capitation Revenue	Member Service Expenses	Net Income	Member Months
2019	\$114,757,209	\$56,342,093	\$58,415,116	\$557,828,776	\$527,849,482	\$19,451,805	177,834
2018	95,443,220	56,229,909	39,213,311	543,727,574	509,788,721	17,334,191	179,937
2017	77,598,920	55,719,800	21,879,120	538,854,501	520,010,528	(17,639,298)	185,239

Year	Profit Margin	Member Service Cost Ratio	Care Management Service Cost Ratio	Combined Member Service Cost Ratio	Administrative Expense Ratio	Change in Member Months
2019	1.19%	81.10%	13.41%	94.51%	4.31%	-1.2%
2018	2.09%	80.24%	13.38%	93.62%	4.29%	-2.9%
2017	-3.62%	83.78%	14.61%	98.39%	5.23%	N/A

Per Member Per Month Information

	2019	2018	Percentage Change
Revenues			
Capitation	\$3,136.80	\$3,021.77	3.8%
Other revenue	<u>439.57</u>	<u>422.04</u>	4.1%
Total revenue	3,576.37	3,443.81	3.8%
Expenses			
Member service costs	2,968.22	2,833.15	4.8%
Care management	431.45	413.58	4.1%
Administrative	<u>138.64</u>	<u>132.54</u>	4.6%
Total operating expenses	3,538.31	3,379.28	4.7%
Other non-operating expenses	<u>(70.81)</u>	<u>(31.80)</u>	-122.7%
Net income (loss)	<u>\$ 108.87</u>	<u>\$ 96.33</u>	13.0%
Member months	177,834	179,937	-1.1%

Inclusa's financial position has been improving since 2017 as the company achieved operating efficiencies. The company had financial losses in 2017 due to business inefficiencies from the merger. The company is growing and has favorable cash flow from operating activities. The company's change in nonoperating expenses and revenue helped offset the increases in expenses in 2019.

Reconciliation of Equity per Examination

No adjustments were made to equity as a result of the examination. The amount of equity reported by the company as of December 31, 2019, is accepted.

VI. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

This is the first examination of Inclusa so there are no prior examination report recommendations.

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 Inclusa's operations is contained in the examination work papers.

Conflict of Interest Statements

In accordance with a directive from the Office of the Commissioner of Insurance (OCI), each company is required to establish a procedure for the disclosure to its board of directors of any material interest or affiliation on the part of its officers, directors, or key employees which conflicts or is likely to conflict with the official duties of such person. Based on the review of the submitted conflict of interest statements (COIs), conflicts were properly disclosed and signed by the respective officers and directors. However, the company failed to provide the COIs for the officers of the company for the years of 2017, 2018, and 2019. The examiners were informed that the company could not locate the COIs for the years in question. It is recommended that the company have a procedure to annually disclose conflicts of interests in accordance with a directive issued by the Office of the Commissioner of Insurance. It is also recommended the company maintain records of the disclosure for a minimum of three years or until the next examination, whichever is longer.

Biographical Sketches

The review of the company's biographical affidavits noted that biographical affidavits for three officers were not received by OCI prior to the examination. Pursuant to s. 648.50, Wis. Stat., the name of any person selected as a director or principal officer of the corporation, together with such pertinent biographical and other data as the commissioner requires by rule, shall be reported to the commissioner immediately after the selection. It should be noted that the company promptly filed the biographical sketches for the three officers during fieldwork. It is recommended that the company submit a biographical affidavit for every new officer or director of the company in compliance with s. 648.50, Wis. Stat.

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, 2019, 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	\$750,000

Inclusa's financial requirement calculations as of December 31, 2019, are as follows:

Working Capital

Current Assets	\$102,103,363
Current Liabilities	<u>56,038,792</u>
Working Capital	46,064,572
Working Capital Requirement	<u>16,399,616</u>
Excess/(shortage)	<u>\$29,664,956</u>

Restricted Reserves

Current Restricted Reserves	\$6,701,490
Restricted Reserve Requirement	<u>6,466,539</u>
Excess/(shortage)	<u>\$ 234,951</u>

Solvency Fund

Current Solvency Fund	\$3,633,075
Solvency Fund Requirement	<u>3,494,620</u>
Excess/(shortage)	<u>\$ 138,455</u>

Inclusa is meeting its financial requirements as of December 31, 2019.

VII. CONCLUSION

Overall Inclusa is in improving financial condition and is expanding its service area to 68 counties in April 2021. Annova is providing growth opportunities for the organization. The company is meeting financial requirements.

VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 21 - Conflict of Interest— It is recommended that the company have a procedure to annually disclose conflicts of interests in accordance with a directive issued by the Office of the Commissioner of Insurance. It is also recommended the company maintain records of the disclosure a minimum of three years or until the next examination, whichever is longer.
2. Page 21 - Biographical Sketches— It is recommended that the company submit a biographical affidavit for every new officer or director of the company in compliance with s. 648.50, Wis. Stat.

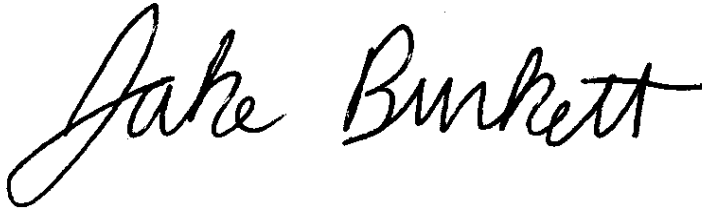
IX. ACKNOWLEDGMENT

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

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

Name	Title
Sheng Vang	Insurance Financial Examiner
Martha Goettelman	Insurance Financial Examiner
Eleanor Lu, CISA	IT Specialist
Terry Lorenz, CFE	Quality Control Specialist
James Krueger	Data Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Jacob Burkett
Examiner-in-Charge

X. SUBSEQUENT EVENT

COVID-19 Pandemic

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 Inlusa 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 is a CMO. The Office of 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.