

Care Wisconsin Health Plan, Inc.  
Madison, Wisconsin

Statutory Financial Statements and Supplementary  
Information

Years Ended December 31, 2017 and 2016

**WIPFLI**<sup>LLP</sup>  
CPAs and Consultants



## **Independent Auditor's Report**

Board of Directors  
Care Wisconsin Health Plan, Inc.  
Madison, Wisconsin

### **Report on the Statutory Financial Statements**

We have audited the accompanying statutory financial statements of Care Wisconsin Health Plan, Inc., which comprise the statutory statements of admitted assets, liabilities, capital, and surplus as of December 31, 2017 and 2016, and the related statutory statements of revenue and expenses, changes in capital and surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

### **Management's Responsibility for the Statutory Financial Statements**

Management is responsible for the preparation and fair presentation of these statutory financial statements in accordance with the financial reporting provisions prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin ("OCI"). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these statutory financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statutory financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, capital, and surplus of Care Wisconsin Health Plan, Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended on the basis of accounting described in Note 1.



**Basis of Accounting**

We draw your attention to Note 1 of the statutory financial statements, which describes the basis of accounting. The statutory financial statements are prepared on the basis of the financial reporting provisions prescribed or permitted by OCI, which is a basis of accounting other than accounting principles generally accepted in the United States to comply with the requirements of OCI. Our opinion is not modified with respect to this matter.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the statutory financial statements as a whole. The Summary Investment Schedule and the Supplemental Investment Risks Interrogatories as of December 31, 2017, are presented for the purpose of additional analysis and are not a required part of the statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

**Restriction on Use**

This report is intended solely for the information and use of the board of directors and management of Care Wisconsin Health Plan, Inc. and for filing with OCI and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP  
Milwaukee, Wisconsin

April 27, 2018

**Care Wisconsin Health Plan, Inc.**  
**Statutory Statements of Admitted Assets, Liabilities, Capital, and Surplus**

<i>December 31,</i>	<b>2017</b>	<b>2016</b>
<b>Admitted Assets</b>		
Cash and invested assets:		
Cash, cash equivalents, and short-term investments	\$ 23,940,533	\$ 24,461,675
Bonds	23,257,718	14,664,005
Common stock	2,380,212	2,050,536
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Total cash and invested assets	49,578,463	41,176,216
Health care and other receivables	2,125,355	1,980,636
Invested income due and accrued	108,463	70,930
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<b>TOTAL ADMITTED ASSETS</b>	<b>\$ 51,812,281</b>	<b>\$ 43,227,782</b>
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<b>Liabilities and Capital and Surplus</b>		
Liabilities:		
Unpaid claims	\$ 13,306,925	\$ 12,156,963
Accrued medical incentive pool and bonus amounts	-	20,000
Unpaid claims adjustment expense	367,561	362,954
Aggregate health policy reserves	1,294,055	691,185
Premiums received in advance	20,245	9,124
General expenses due or accrued	44,364	86,343
Amounts held under uninsured plans	1,382,936	1,465,444
Amounts due to affiliates	430,276	-
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Total liabilities	16,846,362	14,792,013
Capital and surplus - Unassigned surplus	34,965,919	28,435,769
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<b>TOTAL LIABILITIES AND CAPITAL AND SURPLUS</b>	<b>\$ 51,812,281</b>	<b>\$ 43,227,782</b>

See accompanying notes to statutory financial statements.

**Care Wisconsin Health Plan, Inc.**  
**Statutory Statements of Revenue and Expenses**

<i>Years Ended December 31,</i>	<b>2017</b>	<b>2016</b>
Revenue - Net premium income	\$ 129,323,603	\$ 124,727,167
Health care costs	102,502,388	101,545,816
Administrative expenses:		
Claims adjustment expenses	12,608,111	10,584,173
General and administrative expenses	7,453,033	6,659,339
Reserves for health contracts	546,520	-
Total administrative expenses	20,607,664	17,243,512
Total health care costs and administrative expenses	123,110,052	118,789,328
Net underwriting gain	6,213,551	5,937,839
Investment gains:		
Net investment income earned	593,458	422,852
Net realized capital gains	438,268	47,937
Net investment gains	1,031,726	470,789
Other expense	(106,853)	(62,689)
Net income	\$ 7,138,424	\$ 6,345,939

See accompanying notes to statutory financial statements.

**Care Wisconsin Health Plan, Inc.**  
**Statutory Statements of Changes in Capital and Surplus**

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*Years Ended December 31, 2017 and 2016*

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Balance at December 31, 2015	\$ 21,810,152
Net income	6,345,939
Change in net unrealized gains and losses on investments	200,072
Change in nonadmitted assets	79,606
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Balance at December 31, 2016	28,435,769
Net income	7,138,424
Change in net unrealized gains and losses on investments	(72,251)
Change in nonadmitted assets	(536,023)
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Balance at December 31, 2017	\$ 34,965,919

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See accompanying notes to statutory financial statements.

**Care Wisconsin Health Plan, Inc.**  
**Statutory Statements of Cash Flows**

<i>Years Ended December 31,</i>	<b>2017</b>	<b>2016</b>
Increase (decrease) in cash, cash equivalents, and short-term investments:		
Cash flows from operating activities:		
Premiums collected	\$ 128,633,093	\$ 127,096,096
Net investment income	569,929	456,889
Benefits paid	(103,908,772)	(101,019,253)
Administrative and other expenses paid	(17,329,827)	(17,629,058)
<b>Net cash provided by operating activities</b>	<b>7,964,423</b>	<b>8,904,674</b>
Cash flows from investing activities:		
Proceeds from sales and maturities of investment securities	6,930,434	5,620,106
Payment for purchase of investment securities	(15,501,810)	(6,409,847)
<b>Net cash used in investing activities</b>	<b>(8,571,376)</b>	<b>(789,741)</b>
<b>Net cash provided by (used in) financing and miscellaneous sources - Other</b>	<b>85,811</b>	<b>(87,284)</b>
<b>Net increase (decrease) in cash, cash equivalents, and short-term investments</b>	<b>(521,142)</b>	<b>8,027,649</b>
<b>Cash, cash equivalents, and short-term investments at beginning of year</b>	<b>24,461,675</b>	<b>16,434,026</b>
<b>Cash, cash equivalents, and short-term investments at end of year</b>	<b>\$ 23,940,533</b>	<b>\$ 24,461,675</b>

See accompanying notes to statutory financial statements.

# Care Wisconsin Health Plan, Inc.

## Notes to Statutory Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Organization

Care Wisconsin Health Plan, Inc. (the "Company") was formed under the provisions of Chapter 613 of the Wisconsin Statutes. The Company is a not-for-profit corporation organized for the purpose of providing health and long-term management and care services to the elderly and adults with disabilities under a health maintenance organization (HMO) license issued by the Office of the Commissioner of Insurance of the State of Wisconsin (OCI).

The Company operates as a managed care organization (MCO) under the Wisconsin Family Care Partnership Program ("Partnership"), which is designed to use capitated Medicaid and Medicare revenue to provide integrated health and long-term managed care services to nursing home-eligible participants, benefits under the Medicare Advantage Special Needs Program, and prescription drug benefits under Medicare Part D.

The Company operates the Partnership program under an annual contract with the Wisconsin Department of Health Services Division of Long-Term Care, subject to one-year renewals. The Partnership contract has been renewed through December 31, 2018.

The Company participates in the State of Wisconsin's Supplemental Security Income (SSI) Managed Care Program, which provides health care services for those who receive Medicaid SSI or SSI-related Medicaid because of a disability determined by the Disability Determination Bureau. SSI is designed to use Medicaid to cover medical services.

Beginning January 1, 2017, the Company offers Medicare Dual Advantage, an HMO Special Needs Program ("DSNP"), which provides health care services for those who are eligible for both Medicare and Medicaid. The DSNP is designed to use Medicare funds to cover medical services.

Care Wisconsin First, Inc. (CWF) is the sole member of the Company. The Company entered into two contracts with CWF under which CWF provides administrative services to the Company at cost.

#### Basis of Presentation

The accompanying statutory financial statements of the Company have been prepared in conformity with accounting practices prescribed or permitted by OCI, whose practices differ from accounting principles generally accepted in the United States (GAAP).

Prescribed statutory accounting practices incorporated directly or by reference in state laws, regulations, and general administrative rules are applicable to all insurance enterprises domiciled in a particular state. OCI has identified the Accounting Practices and Procedures Manual, as promulgated by the National Association of Insurance Commissioners (NAIC), as a source of prescribed statutory accounting practices (SAP) for insurers domiciled in Wisconsin. Permitted SAPs encompass all accounting practices not so prescribed when such practices are approved by the insurance department of the insurer's state of domicile.



# Care Wisconsin Health Plan, Inc.

## Notes to Statutory Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Basis of Presentation (Continued)

In addition, the State of Wisconsin has adopted a prescribed practice of accounting for affiliate receivables that differs from NAIC's SAP. Per Wisconsin statutes, a receivable or other obligation of an affiliate to an HMO shall be valued at zero by the HMO unless OCI specifically approves a different value. There was \$85,811 in affiliate receivables as of December 31, 2016, which were considered nonadmitted assets, and no affiliate receivables as of December 31, 2017.

The more significant variances from GAAP that are applicable to the Company are as follows:

*Investments:* Investments in bonds are reported at amortized cost or market value based on their NAIC rating; for GAAP, they are carried at either amortized cost or fair value based on their classification according to the Company's intent not to sell the security and the assertion that it is not more likely than not that the Company would be required to sell the security before recovery of its cost basis.

*Nonadmitted Assets:* Certain assets designated as "nonadmitted," principally certain receivables, prepaid expenses, and other assets not specifically identified as an admitted asset within NAIC's SAP, are excluded from the accompanying statutory statements of admitted assets, liabilities, capital, and surplus, and any changes in such assets are credited or charged to unassigned surplus. Under GAAP, such assets are included in the balance sheet.

*Statements of Cash Flows:* Cash and cash equivalents in the statutory statements of cash flows represent cash balances (overdrafts), cash equivalents, and short-term investments with original maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash, cash equivalents, and investment balances with initial maturities of three months or less.

#### Use of Estimates in Preparation of Statutory Financial Statements

The preparation of the accompanying statutory financial statements in conformity with accounting practices prescribed and permitted by OCI requires management to make estimates and assumptions that affect the amounts reported in the statutory financial statements and accompanying notes. The Company's significant estimates within the accompanying statutory financial statements include those related to unpaid claims and aggregate health policy reserves. Because of inherent uncertainties in estimating unpaid claims and health policy reserves, it is at least reasonably possible that estimates and assumptions used will change in the near term and that actual results may differ materially from these estimates.

#### Cash, Cash Equivalents, and Invested Assets

Short-term investments with maturities of one year or less are stated at amortized cost, using the interest method, which approximates fair value.

# Care Wisconsin Health Plan, Inc.

## Notes to Statutory Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Cash, Cash Equivalents, and Invested Assets (Continued)

Bonds are stated at values prescribed by NAIC as follows:

- Investment grade bonds not backed by other loans are principally stated at amortized cost using the interest method.
- Non-investment grade bonds with NAIC designations of 3 through 6 are stated at the lower of amortized cost or fair value. The Company's bond portfolio is reviewed quarterly and as a result the carrying value of a bond may be reduced to reflect changes in valuation resulting from asset impairment.

Common stock, consisting of equity mutual funds, is valued at fair value.

Realized capital gains and losses are determined using the specific-identification method.

#### Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

#### Net Premium Income

Medicaid and Medicare premiums are based on a per-member, per-month fee without regard to the frequency of actual services rendered. Premium payments received prior to the month of coverage are recorded as premiums received in advance. Premiums are recognized as revenue in the month in which the Company is obligated to provide service to members. In addition, for certain members who qualify for additional reimbursement because of the level of treatment they are receiving, the Company is reimbursed for the amount of the actual costs incurred to provide services that exceed the members' premiums and records the amount when earned.

# Care Wisconsin Health Plan, Inc.

## Notes to Statutory Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Unpaid Claims and Unpaid Claims Adjustment Expense**

The unpaid claims and unpaid claims adjustment expense liabilities represent management's best estimate of the ultimate net cost of all reported and incurred but not reported claims as of the date of the statutory statements of admitted assets, liabilities, capital, and surplus. Reserves for unpaid claims are estimated using individual case-basis valuations and statistical analyses. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes the reserves for unpaid claims and unpaid claims adjustment expense are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are included in current operations.

#### **Aggregate Health Policy Reserves**

The Company assesses the sufficiency of unearned premiums to cover associated costs over the remaining contract period for its lines of business. If a loss is estimated, then a premium deficiency reserve is recorded. The Company does consider anticipated investment income when calculating its premium deficiency reserves. As of December 31, 2017 and 2016, the Company had \$546,520 and \$0, respectively, recorded for premium deficiency reserves.

Also included in aggregate health policy reserves is a payable for Medicare premiums related to the Medicare Part D prescription drug program (see Note 6). As of December 31, 2017 and 2016, \$745,779 and \$691,185, respectively, was recorded for Medicare premiums payable.

#### **Health Care Costs**

Member health care is provided by CWF and various other providers. Inpatient, physician, and other professional services are compensated either on a fee-for-service basis or for a fixed dollar amount per member per month, which can be adjusted based on actual utilization. These expenses are recognized in the period the services are performed.

#### **Income Taxes**

The Company is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Company is subject to state of Wisconsin, property, income, and franchise taxes, which are included in general and administrative expenses.

#### **Subsequent Events**

Subsequent events have been evaluated through April 27, 2018, which is the date the statutory financial statements were available to be issued.

## Care Wisconsin Health Plan, Inc.

### Notes to Statutory Financial Statements

#### Note 2: Cash and Invested Assets

The components of the Company's cash and invested assets at December 31 were as follows:

	2017	2016
<b>Cash, cash equivalents, and short-term investments:</b>		
Cash	\$ 22,839,930	\$ 23,798,038
Money market funds	1,100,603	663,637
<b>Total cash, cash equivalents, and short-term investments</b>	<b>23,940,533</b>	<b>24,461,675</b>
<b>Bonds:</b>		
U.S. government obligations	8,958,605	5,163,743
Mortgage-backed securities	3,155,821	1,766,835
Corporate securities	11,143,292	7,733,427
<b>Total bonds</b>	<b>23,257,718</b>	<b>14,664,005</b>
<b>Common stocks</b>	<b>2,380,212</b>	<b>2,050,536</b>
<b>Total cash and invested assets</b>	<b>\$ 49,578,463</b>	<b>\$ 41,176,216</b>

The amortized cost, unrealized gains and losses, and estimated fair value of investments in bonds at December 31 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>2017:</b>				
U.S. government obligations	\$ 8,958,605	\$ 702	\$ (94,212)	\$ 8,865,095
Mortgage-backed securities	3,155,821	21,223	(17,848)	3,159,196
Corporate securities	11,143,292	172,945	(42,712)	11,273,525
<b>Totals</b>	<b>\$ 23,257,718</b>	<b>\$ 194,870</b>	<b>\$ (154,772)</b>	<b>\$ 23,297,816</b>

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>2016:</b>				
U.S. government obligations	\$ 5,163,743	\$ 19,592	\$ (47,462)	\$ 5,135,873
Mortgage-backed securities	1,766,835	18,228	(22,813)	1,762,250
Corporate securities	7,733,427	64,516	(46,346)	7,751,597
<b>Totals</b>	<b>\$ 14,664,005</b>	<b>\$ 102,336</b>	<b>\$ (116,621)</b>	<b>\$ 14,649,720</b>

## Care Wisconsin Health Plan, Inc.

### Notes to Statutory Financial Statements

#### Note 2: Cash and Invested Assets (Continued)

The Company determines a decline to be other than temporary by reviewing and evaluating relevant objective and subjective factors for each security, including the extent of the depressed value, the length of time the value has been depressed, the Company's intent and ability to hold the security, the security's current performance, the financial condition of the issuer, the industry in which the issuer operates, and the status of the market as a whole. Assessments include judgments about an obligor's or guarantor's current and projected financial position, the obligor's or guarantor's projected ability to service and repay its debt obligations, the existence of, and realizable value for, any collateral backing the obligations, and the macro-economic and micro-economic outlooks for specific industries and issuers. Estimating the future cash flows of mortgage-backed securities also involves assumptions regarding the underlying collateral, such as prepayment rates, default and recovery rates, existence of subordinated classes capable of absorbing losses, and third-party servicing abilities.

The unrealized losses and related fair values of the investments for which fair value is less than cost (or amortized cost), aggregated by security type, were as follows at December 31:

	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2017:						
U.S. government obligations	\$ 602,932	\$ 1,244	\$ 7,946,005	\$ 92,968	\$ 8,548,937	\$ 94,212
Mortgage-backed securities	-	-	1,134,909	17,848	1,134,909	17,848
Corporate securities	350,002	680	3,227,516	42,032	3,577,518	42,712
<b>Totals</b>	<b>\$ 952,934</b>	<b>\$ 1,924</b>	<b>\$ 12,308,430</b>	<b>\$ 152,848</b>	<b>\$ 13,261,364</b>	<b>\$ 154,772</b>

	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2016:						
U.S. government obligations	\$ 1,009,543	\$ 1,264	\$ 2,143,452	\$ 46,198	\$ 3,152,995	\$ 47,462
Mortgage-backed securities	-	-	933,911	22,813	933,911	22,813
Corporate securities	-	-	2,560,273	46,346	2,560,273	46,346
<b>Totals</b>	<b>\$ 1,009,543</b>	<b>\$ 1,264</b>	<b>\$ 5,637,636</b>	<b>\$ 115,357</b>	<b>\$ 6,647,179</b>	<b>\$ 116,621</b>

## Care Wisconsin Health Plan, Inc.

### Notes to Statutory Financial Statements

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#### Note 2: Cash and Invested Assets (Continued)

The amortized cost and estimated fair value of investments in bonds at December 31, 2017, by contractual maturity, were as follows:

	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 1,425,310	\$ 1,424,195
Due after one through five years	9,161,509	9,145,494
Due after 5 years through 10 years	9,727,901	9,785,967
Due after 10 years	2,942,998	2,942,160
<b>Totals</b>	<b>\$ 23,257,718</b>	<b>\$ 23,297,816</b>

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations. Proceeds from maturities and sales of bonds were \$6,930,434 and \$5,620,106 in 2017 and 2016, respectively. These proceeds included gross realized gains of \$33,729 and \$87,335 and gross realized losses of \$624 and \$39,398 in 2017 and 2016, respectively.

#### Note 3: Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Money market funds are valued using \$1 as the net asset value (NAV). Common stocks are valued at the daily closing price as reported by the fund. Common stocks are registered with the U.S. Securities and Exchange Commission and are required to publish their NAV daily and to transact at that price. Bonds are valued based on inputs including quoted prices for identical or similar assets in active markets. The Company uses a leading, nationally recognized provider of financial market data and analytics to price the Company's bond holdings. Because many fixed-income securities do not trade on a daily basis, the provider's evaluated pricing applications apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing to prepare evaluations.

The methods above may produce a fair value calculation that may not be indicative of net realizable value or future fair value. Furthermore, while the Company believes these valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## Care Wisconsin Health Plan, Inc.

### Notes to Statutory Financial Statements

#### Note 3: Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Company's assets at fair value on a recurring basis as of December 31:

2017:	Level 1	Level 2	Level 3	Total Assets at Fair Value
Common stocks	\$ 2,380,212	\$ -	\$ -	\$ 2,380,212
Money market funds	1,100,603	-	-	1,100,603
<b>Total assets at fair value</b>	<b>\$ 3,480,815</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,480,815</b>

2016:	Level 1	Level 2	Level 3	Total Assets at Fair Value
Common stocks	\$ 2,050,536	\$ -	\$ -	\$ 2,050,536
Money market funds	663,637	-	-	663,637
<b>Total assets at fair value</b>	<b>\$ 2,714,173</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,714,173</b>

The following tables set forth by level, within the fair value hierarchy, the fair value for all financial instruments held by the Company as of December 31:

2017:	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable
Bonds	\$ 23,297,816	\$ 23,257,718	\$ 8,865,095	\$ 14,432,721	\$ -	-
Common stocks	2,380,212	2,380,212	2,380,212	-	-	-
Money market funds	1,100,603	1,100,603	1,100,603	-	-	-
<b>Totals</b>	<b>\$ 26,778,631</b>	<b>\$ 26,738,533</b>	<b>\$ 12,345,910</b>	<b>\$ 14,432,721</b>	<b>\$ -</b>	<b>-</b>

2016:	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable
Bonds	\$ 14,649,720	\$ 14,664,005	\$ 5,135,873	\$ 9,513,847	\$ -	-
Common stocks	2,050,536	2,050,536	2,050,536	-	-	-
Money market funds	663,637	663,637	663,637	-	-	-
<b>Totals</b>	<b>\$ 17,363,893</b>	<b>\$ 17,378,178</b>	<b>\$ 7,850,046</b>	<b>\$ 9,513,847</b>	<b>\$ -</b>	<b>-</b>

## Care Wisconsin Health Plan, Inc.

### Notes to Statutory Financial Statements

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#### Note 4: Line of Credit

The Company has a revolving credit agreement with a bank in the amount of \$4,000,000. The line of credit is secured by substantially all of the Company's assets. Interest accrues at the one-month LIBOR rate (effective rate of 1.36% at December 31, 2017). There were no amounts outstanding under this line of credit at December 31, 2017 and 2016.

#### Note 5: Unpaid Claims

The following table provides a reconciliation of the beginning and ending balances of the unpaid claims liability for the years ended December 31:

	2017	2016
Unpaid claims at beginning	\$ 12,156,963	\$ 11,401,301
Add provision for claims occurring in:		
Current year	103,991,455	101,793,332
Prior years	(1,489,067)	(247,516)
Incurred claims during the current year	102,502,388	101,545,816
Deduct payment for claims occurring in:		
Current year	(93,612,814)	(92,001,233)
Prior years	(7,739,612)	(8,788,921)
Claim payments during the current year	(101,352,426)	(100,790,154)
Unpaid claims at end	\$ 13,306,925	\$ 12,156,963

The Company uses paid claims and completion factors based on historical payment patterns to estimate incurred claims. Changes in payment patterns and claim trends can result in changes to the prior year's claim estimates.



# Care Wisconsin Health Plan, Inc.

## Notes to Statutory Financial Statements

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### Note 6: Uninsured Plan - Medicare Part D

The Company participates in the Medicare Part D prescription drug program. Standard coverage for beneficiaries under Part D includes annual deductible amounts, coinsurance for amounts up to an initial coverage limit, a range beyond the initial coverage limit in which the insured pays all of the prescription drug costs, and an annual out-of-pocket threshold, above which the insured pays the greater of a specified copayment or 5% of the drug cost.

Under the Company's prescription drug coverage for eligible members, substantially all prescription drug costs are paid by the Company. In return, the Company receives reimbursement from the Medicare program consisting of basic premiums and direct subsidies, specific reimbursement for benefit costs above the out-of-pocket threshold (reinsurance payments), and specific cost reimbursements for deductibles, coinsurance, and copayments due to members qualifying for low-income subsidies (cost-sharing portion). The cost reimbursements are paid on interim rates, which are then settled based on actual claims data.

Revenue from the Company's cost-based reimbursement payments consisted of \$2,978,907 and \$2,710,044 for reinsurance payments and \$90,461 and \$278,558 for the low-income cost-sharing portion for the years ended December 31, 2017 and 2016, respectively. The Company had a net payable of \$1,944,220 and \$1,575,232 at December 31, 2017 and 2016, respectively, related to estimated final settlements under this uninsured plan.

### Note 7: Reinsurance

The Company has entered into a reinsurance agreement with an insurance company to limit its losses on inpatient hospital services. Under the terms of this agreement, the insurance company will reimburse the Company for 90% of the cost of each participant's annual inpatient hospital services in excess of a \$225,000 deductible, up to daily limit of \$4,000 per participant. Reinsurance premiums were approximately \$414,000 and \$166,000 in 2017 and 2016, respectively. There were approximately (\$26,000) and \$550,000 of reinsurance recoveries (recoupments) in 2017 and 2016, respectively.

Reinsurance contracts do not relieve the Company from its obligations to members. The Company remains liable to its members for the portion reinsured to the extent that the reinsurance company does not meet the obligations assumed under the reinsurance contract.

### Note 8: Related-Party Transactions

The Company has two contracts with CWF to provide administrative services such as personnel and management services to the Company at cost. The Company is required to pay any amounts due within 10 days of receiving a statement from CWF.

The Company incurred health care costs, claims adjustment expenses, and general and administrative expenses totaling \$18,279,443 and \$16,431,423 in 2017 and 2016, respectively, related to the two contracts with CWF.

At December 31, 2017, the Company had amounts due to CWF of \$430,276. At December 31, 2016, the Company had amounts due from CWF of \$85,811, which were considered nonadmitted assets.

## Care Wisconsin Health Plan, Inc.

### Notes to Statutory Financial Statements

#### Note 9: Pharmaceutical Rebate Receivables

Included in health care and other receivables are pharmaceutical rebate receivables. The following lists the pharmaceutical rebate receivables:

<i>Quarter</i>	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoiced or Confirmed	Actual Rebates Collected Within 90 Days of Invoicing or Confirmation	Actual Rebates Collected Within 91 to 180 Days of Invoicing or Confirmation	Actual Rebates Collected More Than 180 Days After Invoicing or Confirmation
12/31/17	\$ 284,992	\$ 284,992	\$ 185,884	\$ -	\$ -
9/30/17	287,334	287,334	287,334	-	-
6/30/17	272,604	272,604	272,604	-	-
3/31/17	268,197	268,197	268,197	-	-
12/31/16	115,124	168,083	-	-	168,083
9/30/16	79,500	79,500	-	-	79,500
6/30/16	79,500	79,500	-	-	79,500
3/31/16	79,500	79,500	-	-	79,500
12/31/15	96,061	107,944	-	-	107,944
9/30/15	58,722	75,652	-	-	75,652
6/30/15	58,722	85,989	-	-	85,989
3/31/15	58,722	79,725	-	-	79,725
<b>Total</b>	<b>\$ 1,738,978</b>	<b>\$ 1,869,020</b>	<b>\$ 1,014,019</b>	<b>\$ -</b>	<b>\$ 755,893</b>

#### Note 10: Capital and Surplus

The Company is subject to regulation by OCI, which requires, among other matters, the maintenance of a compulsory surplus for the greater of the amount of 3% of premium or \$750,000. In addition, OCI sets forth security surplus guidelines that are calculated based on a factor applied to the compulsory surplus.

The Company is also subject to certain risk-based capital (RBC) requirements as specified by NAIC and required by OCI. Under those requirements, the amount of capital and surplus maintained by the Company is to be determined based on various related risk factors.

At December 31, 2017 and 2016, management believes they have met these requirements.

**SUMMARY INVESTMENT SCHEDULE**

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1	2	3	4	5	6
	Amount	Percentage	Amount	Securities Lending Reinvested Collateral Amount	Total (Col. 3 + 4) Amount	Percentage
1. Bonds:						
1.1 U.S. treasury securities	8,958,605	18.070	8,958,605		8,958,605	18.070
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies						
1.22 Issued by U.S. government sponsored agencies						
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)						
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:						
1.41 States, territories and possessions general obligations						
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations						
1.43 Revenue and assessment obligations						
1.44 Industrial development and similar obligations						
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or Guaranteed by GNMA						
1.512 Issued or Guaranteed by FNMA and FHLMC	2,693,023	5.432	2,693,023		2,693,023	5.432
1.513 All other						
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	462,798	0.933	462,798		462,798	0.933
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521						
1.523 All other	249,975	0.504	249,975		249,975	0.504
2. Other debt and other fixed income securities (excluding short term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	9,263,149	18.684	9,263,149		9,263,149	18.684
2.2 Unaffiliated Non-U.S. securities (including Canada)	1,630,168	3.288	1,630,168		1,630,168	3.288
2.3 Affiliated securities						
3. Equity interests:						
3.1 Investments in mutual funds	2,380,212	4.801	2,380,212		2,380,212	4.801
3.2 Preferred stocks:						
3.21 Affiliated						
3.22 Unaffiliated						
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated						
3.32 Unaffiliated						
3.4 Other equity securities:						
3.41 Affiliated						
3.42 Unaffiliated						
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated						
3.52 Unaffiliated						
4. Mortgage loans:						
4.1 Construction and land development						
4.2 Agricultural						
4.3 Single family residential properties						
4.4 Multifamily residential properties						
4.5 Commercial loans						
4.6 Mezzanine real estate loans						
5. Real estate investments:						
5.1 Property occupied by company						
5.2 Property held for production of income (including \$.....0 of property acquired in satisfaction of debt)						
5.3 Property held for sale (including \$.....0 property acquired in satisfaction of debt)						
6. Contract loans						
7. Derivatives						
8. Receivables for securities						
9. Securities Lending (Line 10, Asset Pledge reinvested collateral)				XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments	23,940,533	48.288	23,940,533		23,940,533	48.288
11. Other invested assets						
12. TOTAL Invested assets	49,578,463	100.000	49,578,463		49,578,463	100.000

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## SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended DECEMBER 31, 2017  
(To Be Filed by April 1)

Of The Care Wisconsin Health Plan, Inc.  
 Address (City, State, Zip Code) Madison, WI, 53704  
 NAIC Group Code 0000 NAIC Company Code 12246 Employer's ID Number 27-0093404

The Investment Risk Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.  
 Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. \$..... 51,812,282

1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2. Ten largest exposures to a single issuer/borrower/investment.			
2.01 FNMA .....	BONDS .....	1,703,441	3.288
2.02 FHLMC .....	BONDS .....	1,452,380	2.803
2.03 BMO GOVT MONEY MARKET FD Y #605 .....	MONEY MARKET MUTUAL FUND .....	1,100,603	2.124
2.04 JPMORGAN CHASE & CO .....	BONDS .....	394,520	.761
2.05 CAPITAL ONE FINL CORP SR GLBL FL NT .....	BOND .....	300,000	.579
2.06 AT&T INC .....	BONDS .....	256,666	.495
2.07 BB&T CORP SR MEDIUM TERM NTS MTN .....	BOND .....	250,504	.483
2.08 DOMINION ENERGY INC JR SB GLBL NT .....	BOND .....	250,208	.483
2.09 TOYOTA MOTOR CREDIT CORP .....	BOND .....	250,073	.483
2.10 WELLS FARGO COML TR SER 2016-LC24 CL A-4 .....	BOND .....	249,975	.482

NAIC Designation		1 Amount	2 Percent
3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.			
<b>Bonds</b>			
3.01 NAIC 1 .....		16,781,327	32.389
3.02 NAIC 2 .....		6,476,391	12.500
3.03 NAIC 3 .....			
3.04 NAIC 4 .....			
3.05 NAIC 5 .....			
3.06 NAIC 6 .....			
<b>Preferred Stocks</b>			
3.07 P/RP-1 .....			
3.08 P/RP-2 .....			
3.09 P/RP-3 .....			
3.10 P/RP-4 .....			
3.11 P/RP-5 .....			
3.12 P/RP-6 .....			

4. Assets held in foreign investments:  
 4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]  
 If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

		1 Amount	2 Percent
4.02	TOTAL admitted assets held in foreign investments .....	1,630,168	3.146
4.03	Foreign-currency-denominated investments .....		
4.04	Insurance liabilities denominated in that same foreign currency .....		

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**SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)**

NAIC Sovereign Designation		1 Amount	2 Percent
5.	Aggregate foreign investment exposure categorized by NAIC sovereign designation:		
5.01	Countries designated NAIC 1	1,195,362	2.307
5.02	Countries designated NAIC 2	434,806	0.839
5.03	Countries designated NAIC 3 or below		

NAIC Sovereign Designation		1 Amount	2 Percent
6.	Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:		
Countries designated NAIC 1:			
6.01	UNITED KINGDOM	354,703	0.685
6.02	JAPAN	250,479	0.483
Countries designated NAIC 2:			
6.03	MEXICO	340,301	0.657
6.04	COLUMBIA	94,505	0.182
Countries designated NAIC 3 or below:			
6.05			
6.06			

Description	1 Amount	2 Percent
7. Aggregate unhedged foreign currency exposure		

NAIC Sovereign Designation		1 Amount	2 Percent
8.	Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:		
8.01	Countries designated NAIC 1		
8.02	Countries designated NAIC 2		
8.03	Countries designated NAIC 3 or below		

NAIC Sovereign Designation		1 Amount	2 Percent
9.	Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:		
Countries designated NAIC 1:			
9.01			
9.02			
Countries designated NAIC 2:			
9.03			
9.04			
Countries designated NAIC 3 or below:			
9.05			
9.06			

1 Issuer	2 NAIC Designation	3 Amount	4 Percent
10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:			
10.01 BNP PARIBAS US MTN TIER2 SUB NT	2FE	200,350	0.387
10.02 AMERICA MOVIL SAB DE CV	1FE	197,313	0.381
10.03 SUMITOMO MITSUI FINLGROUP INC BOND	1FE	150,479	0.290
10.04 SHIRE ACQUISITIONS INVTS IRELA NOTE	2FE	149,929	0.289
10.05 ASTRAZENECA PLC	1FE	149,573	0.289
10.06 FOMENTO ECONOMICO MEXICANO SAB	1FE	142,987	0.276
10.07 TEVA PHARMACEUTICAL FIN III BV SR	2FE	139,901	0.270
10.08 BP CAPITAL MARKETS PLC NOTE	1FE	104,427	0.202
10.09 TRINITY ACQUISITION PLC NOTE	2FE	100,704	0.194
10.10 MIZUHO FINANCIAL GROUP INC	1FE	100,000	0.193

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**SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)**

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:  
 11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[ ]  
 If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

Description	1 Amount	2 Percent
11.02 TOTAL admitted assets held in Canadian Investments .....		
11.03 Canadian-currency-denominated investments .....		
11.04 Canadian-denominated insurance liabilities .....		
11.05 Unhedged Canadian currency exposure .....		

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.  
 12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[ ]  
 If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

1 Contractual Sales Restrictions	2 Amount	3 Percent
12.02 Aggregate statement value of investments with contractual sales restrictions .....		
Largest 3 investments with contractual sales restrictions:		
12.03 .....		
12.04 .....		
12.05 .....		

13. Amounts and percentages of admitted assets held in the ten largest equity interests:  
 13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets? Yes[ ] No[X]  
 If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

1 Name of Issuer	2 Amount	3 Percent
Assets held in equity interests:		
13.02 BMO GLOBAL LOW VOLATILITY EQUITY FUND CLASS I #110 .....	2,380,212	4.594
13.03 .....		
13.04 .....		
13.05 .....		
13.06 .....		
13.07 .....		
13.08 .....		
13.09 .....		
13.10 .....		
13.11 .....		

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### SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:  
 14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[]  
 If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

1 Investment Category	2 Amount	3 Percent
14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities .....		
Largest 3 investments held in nonaffiliated, privately placed equities:		
14.03 .....		
14.04 .....		
14.05 .....		

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:  
 15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[]  
 If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

1 Investments in General Partnerships	2 Amount	3 Percent
15.02 Aggregate statement value of investments held in general partnership interests .....		
Largest 3 investments in general partnership interests:		
15.03 .....		
15.04 .....		
15.05 .....		

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:  
 16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[]  
 If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

1 Type (Residential, Commercial, Agricultural)	2 Amount	3 Percent
TOTAL admitted assets held in Mortgage Loans		
16.02 .....		
16.03 .....		
16.04 .....		
16.05 .....		
16.06 .....		
16.07 .....		
16.08 .....		
16.09 .....		
16.10 .....		
16.11 .....		

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**SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)**

Description	Loans	
	2 Amount	3 Percent
Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:		
16.12 Construction loans .....		
16.13 Mortgage loans over 90 days past due .....		
16.14 Mortgage loans in the process of foreclosure .....		
16.15 Mortgage loans foreclosed .....		
16.16 Restructured mortgage loans .....		

Loan-to-Value	Residential		Commercial		Agricultural	
	1 Amount	2 Percent	3 Amount	4 Percent	5 Amount	6 Percent
17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:						
17.01 Above 95% .....						
17.02 91% to 95% .....						
17.03 81% to 90% .....						
17.04 71% to 80% .....						
17.05 Below 70% .....						

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:
- 18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[ ]
- If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

1 Description	2 Amount	3 Percent
Largest five investments in any one parcel or group of contiguous parcels of real estate:		
18.02 .....		
18.03 .....		
18.04 .....		
18.05 .....		
18.06 .....		

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:
- 19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[ ]
- If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

1 Description	2 Amount	3 Percent
19.02 Aggregate statement value of investments held in mezzanine real estate loans .....		
Largest three investments held in mezzanine real estate loans:		
19.03 .....		
19.04 .....		
19.05 .....		

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**SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)**

Description	At Year-End		Amount at End of Each Quarter		
	1 Amount	2 Percent	3 1st Qtr	4 2nd Qtr	5 3rd Qtr
20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:					
20.01 Securities lending agreements (do not include assets held as collateral for such transactions) .....					
20.02 Repurchase agreements .....					
20.03 Reverse repurchase agreements .....					
20.04 Dollar repurchase agreements .....					
20.05 Dollar reverse repurchase agreements .....					

Description	Owned		Written	
	1 Amount	2 Percent	3 Amount	4 Percent
21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:				
21.01 Hedging .....				
21.02 Income generation .....				
21.03 Other .....				

Description	At Year-End		Amount at End of Each Quarter		
	1 Amount	2 Percent	3 1st Qtr	4 2nd Qtr	5 3rd Qtr
22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:					
22.01 Hedging .....					
22.02 Income generation .....					
22.03 Replications .....					
22.04 Other .....					

Description	At Year-End		Amount at End of Each Quarter		
	1 Amount	2 Percent	3 1st Qtr	4 2nd Qtr	5 3rd Qtr
23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:					
23.01 Hedging .....					
23.02 Income generation .....					
23.03 Replications .....					
23.04 Other .....					

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