

Report of the Examination of
Blue Cross Blue Shield of Wisconsin
Waukesha, Wisconsin
As of December 31, 2022

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. HISTORY AND PLAN OF OPERATION.....	3
III. MANAGEMENT AND CONTROL.....	6
IV. AFFILIATED COMPANIES.....	8
V. REINSURANCE.....	15
VI. FINANCIAL DATA	17
VII. SUMMARY OF EXAMINATION RESULTS	26
VIII. CONCLUSION.....	28
IX. ACKNOWLEDGMENT.....	29



May 30, 2024

Honorable Nathan D. Houdek
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

BLUE CROSS BLUE SHIELD OF WISCONSIN
Waukesha, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Blue Cross Blue Shield of Wisconsin (BCBSWI or the company) was conducted in 2019 as of December 31, 2017. The current examination covered the intervening period ending December 31, 2022, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of Elevance Health, Inc. (Elevance Health). The Indiana Department of Insurance (IDOI) acted in the capacity as the lead state for the coordinated examinations. Work performed by the IDOI was reviewed and relied on as deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurance company to

evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on 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 with respect to the alternative or additional examination steps performed during the course of the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the IDOI. The actuary reviewed unpaid claims liability, the adequacy of aggregate life and annuity reserves, aggregate accident and health reserves, and deferred life insurance premiums. The actuary's results were reported to IDOI and shared with the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

The company was organized in 1939 as a nonprofit hospital service membership corporation under the name of Associated Hospital Services, Inc. (AHS). The company was operated in close affinity with Surgical Care, The Blue Shield Plan of the Medical Society of Milwaukee County, Wisconsin. Surgical Care was established in December 1943 as an unincorporated, nonprofit service plan that operated as a division of the Medical Society of Milwaukee County. It provided medical and surgical coverage as a companion writer to AHS. Cooperative efforts encompassed marketing and rate-making.

On May 5, 1976, legislation was enacted in Wisconsin to require the incorporation of unincorporated, nonprofit service plans. Surgical Care applied for a certificate of incorporation and a certificate of authority to be issued to a corporation to be known as Surgical Care - Blue Shield, Inc. (SC-BS). This office granted SC-BS a certificate of authority on November 20, 1978.

On December 28, 1979, under an agreement and plan of merger and reorganization, SC-BS transferred all of its operations, including all assets and liabilities, to AHS. The name of AHS was changed simultaneously with the date of this transfer and reorganization to Blue Cross & Blue Shield United of Wisconsin (BCBSU). In 1983, BCBSU organized a downstream holding company, United Wisconsin Services, Inc. (UWSI).

On June 14, 1999, BCBSU filed an application with this office to convert from a nonprofit service insurance corporation to a stock insurance corporation. The Wisconsin United for Health Foundation, Inc., was created on October 31, 1999, as part of this conversion to achieve the full value of BCBSU and distribute the proceeds from the orderly sale of this interest to The Medical College of Wisconsin and the University of Wisconsin School of Medicine and Public Health. The conversion was consummated on March 23, 2001, in conjunction with a combination transaction that resulted in UWSI becoming the parent of BCBSU and BCBSU becoming a stock insurance corporation organized pursuant to ch. 611, Wis. Stat. UWSI changed its name to Cobalt Corporation.

Effective September 24, 2003, Cobalt Corporation, an upstream holding company, was merged with and into Crossroads Acquisition Corp. (Crossroads), a wholly-owned subsidiary of WellPoint Health Networks, Inc. (WHN). WHN was a publicly traded managed health care company domiciled in the

state of Delaware. BCBSU changed its name on November 20, 2003, from Blue Cross & Blue Shield United of Wisconsin to the name that is presently used – Blue Cross Blue Shield of Wisconsin.

On November 30, 2004, WHN and Anthem, Inc. (Anthem), a publicly traded managed care company domiciled in the state of Indiana, merged. WHN merged with and into Anthem Holding Corp. In connection with the merger, Anthem, Inc., amended its articles of incorporation to change its name to WellPoint, Inc. (WellPoint). In December 2014, Wellpoint, Inc. changed its corporate name to Anthem, Inc. On June 28, 2022, Anthem, Inc. rebranded to be called Elevance Health, Inc.

The company is licensed to do business in Wisconsin. BCBSWI offers coverage for the following: large and small group health, individual health, pharmacy, Medicare supplement, dental, and vision. (BCBSWI does not offer an individual product on the health care exchange. All qualified health plans [QHPs] offered on the individual health care exchange are issued exclusively by Compcare Health Services Insurance Corporation [Compcare], a subsidiary of BCBSWI.) The indemnity portion of the point-of-service (POS) coverage offered issued by Compcare is underwritten by BCBSWI under an administrative service agreement dated August 1, 2003. The company also provides administrative service-only plans and stop-loss coverage for local and national groups and participates in the Federal Employees Health Benefits Program. BCBSWI is licensed as a smaller controlled affiliate licensee of the BlueCross BlueShield Association and markets its products under the BlueCross BlueShield trade name, Blue Cross Blue Shield of Wisconsin.

Business is currently acquired primarily by an independent agency force. The company also utilizes a direct sales force. The company has approximately 4,900 agents throughout the state of Wisconsin to market individual, small and large group, and senior product lines. Dental products are also marketed by this same distribution channel to employers of all sizes throughout the state.

There is a captive telemarketing distribution channel that sells individual products for BCBSWI, which includes senior plans. Marketing for its products is accomplished through various efforts that incorporate direct marketing campaigns (mailings), print advertising in business publications, radio, television, and billboards. The company also refers potential clients to its website.

The major products marketed by the company, which are marketed in all 72 counties of Wisconsin, include Comprehensive (hospital and medical), Medicare Supplement, and the Federal

Employees Health Benefits Program. All of the company's premium income is derived from direct premiums from Wisconsin.

The following chart is a summary of premium income as reported by the company in 2022. The growth of the company is discussed in the "Financial Data" section of this report.

Premium Income				
Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Comprehensive (Hospital and Medical)	\$247,746,243	\$	\$	\$247,746,243
Medicare Supplement	47,862,253			47,862,253
Dental Only	25,038,028			25,038,028
Vision Only	4,982,040			4,982,040
Federal Employee Health Benefits Plan	700,898,896		210,269,668	490,629,228
Long-Term Care	16,636		16,636	0
Other Health	58,355,138		63,898	58,291,240
Total all lines	<u>\$1,084,899,234</u>	<u>\$0</u>	<u>\$210,350,202</u>	<u>\$874,549,032</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of three members. Officers are elected by the board of directors. Directors for BCBSWI also serve on the common Board of Directors of affiliate companies Wisconsin Collaborative Insurance Company and Compcare Health Services Insurance Corporation.

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

Name and Residence	Principal Occupation	Term Expires
Paul C. Nobile Hartland, Wisconsin	President, CEO and Director	2025
Ronald W. Penczek Zionsville, Indiana	Senior Vice President, Chief Accounting Officer, Elevance Health, Inc.	2025
Laurie H. Benintendi Cincinnati, Ohio	Vice President and Counsel, Elevance Health, Inc.	2025

Officers of the Company

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

Name	Office
Paul C. Nobile	President and CEO
Kathleen S. Kiefer	Vice President and Secretary
Vincent E. Scher	Vice President and Treasurer
Eric K. Noble	Assistant Treasurer
Julie E. Walsh	Assistant Secretary

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. All insurance operations of the Elevance Health Group are governed by Elevance Health's board and board-appointed committees. The subsidiary insurance companies, which include BCBSWI, do not have any board-appointed committees. The subsidiary companies, including BCBSWI, recognize and follow the direction of Elevance Health's board appointed committees. Elevance Health's board-appointed committees include a Governance Committee, Audit Committee, Compensation Committee, and Finance

Committee. These committees offer corporate governance and specific “expert” guidance to the subsidiaries. Elevance Health’s board and each of the committees meet at least quarterly throughout the year. Annually, Elevance Health conducts a stockholders' meeting where its directors are nominated and elected. The members of each of these committees (as of December 31, 2022) are listed below:

Finance Committee

R. Kerry Clark, Chair
Robert L. Dixon, Jr.
Lewis Hay, III
Ramiro G. Peru
Susan D. DeVore

Audit Committee

Lewis Hay, III, Chair
R. Kerry Clark
Deanna D. Strable
Antonio F. Neri
Susan D. DeVore

Governance Committee

Bahija Jallal, Chair
Deanna D. Strable
Antonio F. Neri
Ryan M. Schneider
Elizabeth E. Tallett

Compensation and Talent Committee

Ramiro G. Peru, Chair
Robert L. Dixon, Jr.
Bahija Jallal
Ryan M. Schneider
Elizabeth E. Tallett

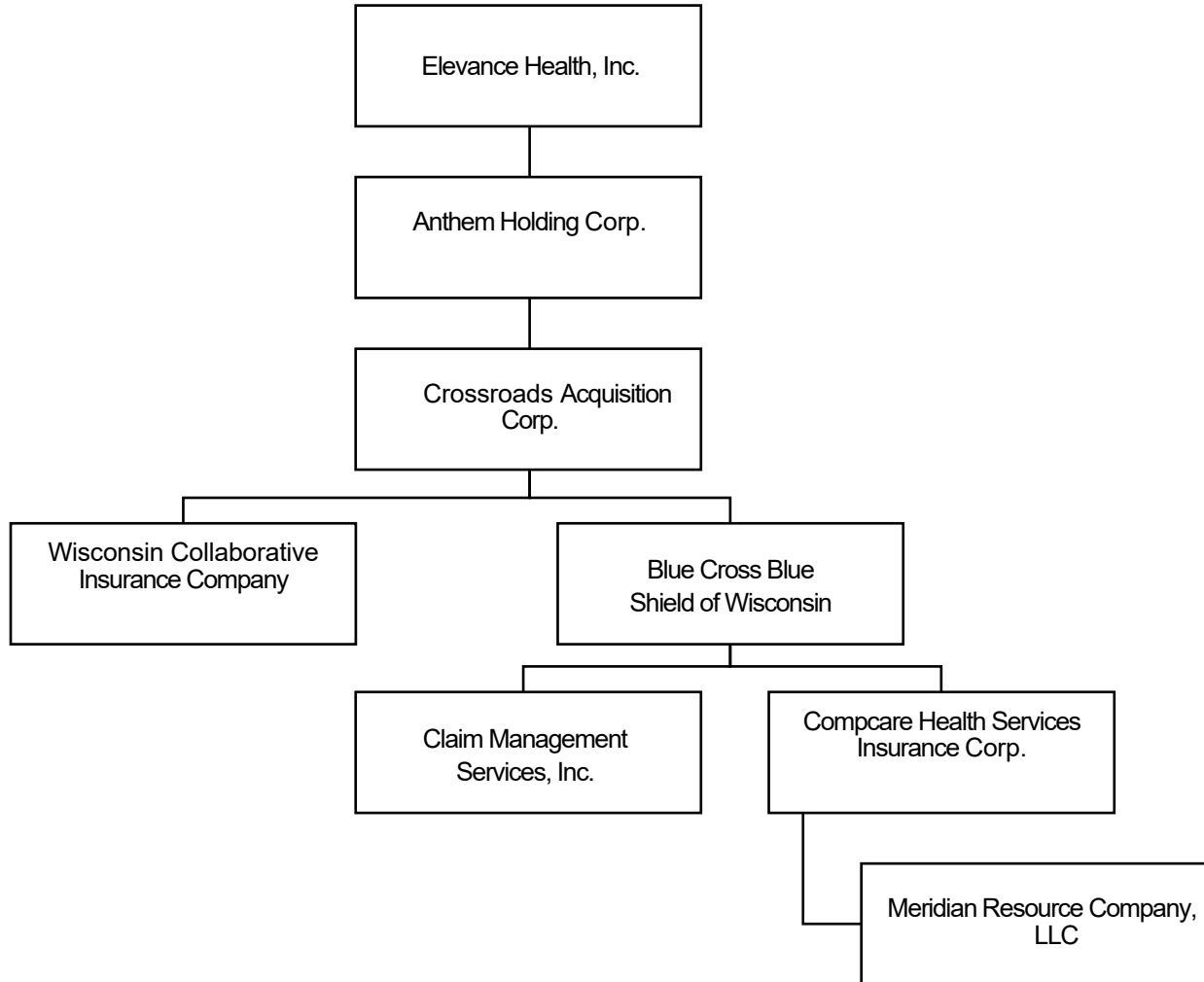
IV. AFFILIATED COMPANIES

Blue Cross Blue Shield of Wisconsin is a member of a holding company system under the ultimate control of Elevance Health, Inc. The holding company system offers a broad spectrum of network-based care plans to the large and small employer, individual, and senior markets. The holding company's care plans include preferred provider organizations, health maintenance organizations, point-of-service plans, traditional indemnity plans, and other hybrid plans, including consumer-driven health plans, hospital only, and limited benefit products. In addition, the holding company system provides a broad array of managed care services to self-funded customers, including claims processing, underwriting, stop-loss insurance, actuarial services, provider network access, medical cost management, and other administrative services. An array of specialty and other products and services are also provided including pharmacy benefit management, group life and disability insurance, dental, vision, behavioral health benefits, worker's compensation, and long-term care insurance.

The abbreviated organizational chart below is a simplified version of the complete organizational chart due to the size and complexity of the holding company system. The Elevance Health Group consisted of 245 companies on December 31, 2022. The chart includes affiliates that are mentioned elsewhere in the report, are a party to BCBSWI's intermediate holding company, or have agreements with the company's direct parent. A brief description of affiliates follows the organizational chart.

Holding Company Chart

As of December 31, 2022



Elevance Health, Inc. (Formerly Anthem, Inc.)

Elevance Health, Inc., is a publicly traded company listed on the New York Stock Exchange under the ticker symbol ELV and is domiciled in the state of Indiana. Elevance Health, Inc., offers a broad spectrum of network-based managed care plans to the large and small employer, individual, Medicaid, and senior markets through its subsidiaries. The 10-K filing for Elevance Health, Inc. as of December 31, 2022, reported assets of \$62.5 billion, liabilities of \$26.2 billion, and stockholders' equity of \$36.3 billion.

Crossroads Acquisition Corp.

Crossroads Acquisition Corp. is a holding company incorporated in the state of Delaware. Crossroads' operations consist mainly of its investment holdings in Blue Cross Blue Shield of Wisconsin and its subsidiaries. As of December 31, 2022, the GAAP financial statements of Crossroads reported assets of \$1.4 billion, liabilities of \$3.1 million, and equity of \$1.3 billion. Operations for 2022 produced a net income of \$212.4 million.

Compcare Health Services Insurance Corporation

Compcare Health Services Insurance Corporation (CHS) is a wholly owned subsidiary of BCBSWI domiciled in the state of Wisconsin that offers a variety of health maintenance organization and point-of-service medical, and dental products in Wisconsin and Kentucky. The company is licensed for its commercial lines of business as a smaller controlled affiliate licensee of the BlueCross BlueShield Association and markets its commercial products under the trade name Anthem Blue Cross Blue Shield. As of December 31, 2022, Compcare's statutory-basis audited financial statements reported assets of \$910.1 million, liabilities of \$578.6 million, and capital and surplus of \$331.5 million. Operations for 2022 produced a net income of \$89.0 million on revenue of \$2.3 billion.

Wisconsin Collaborative Insurance Corporation

Wisconsin Collaborative Insurance Corporation (WCIC) is a licensed HMO in Wisconsin. The company was 55% owned by Crossroads Acquisitions Corporation on behalf of Anthem, Inc. and 45% owned by Aurora Health Care, Inc. On February 1, 2022, Crossroads Acquisition Corp. purchased all 45% of the company from Aurora Health Care, Inc., becoming 100% owner of WCIC. As of December 31, 2022, WCIC's statutory-basis audited financial statements reported assets of \$41.8 million, liabilities of \$15.0 million, and capital and surplus of \$26.8 million. Operations for 2022 produced a net loss of \$7.8 million on revenue of \$32.1 million.

Claim Management Services, Inc.

Claim Management Services, Inc., is a non-insurance company incorporated in the State of Wisconsin and is a wholly owned subsidiary of BCBSWI. The company primarily acted as a third-party administrator for self-funded employee benefit plans in Wisconsin and has no current operations. As of December 31, 2022, the financial statements of Claim Management Services, Inc., reported assets of

\$3.7 million, liabilities of \$3.3 million, and equity of \$357 thousand. Operations for 2022 produced a net loss of \$82 thousand on revenues of \$145.

Meridian Resource Company, LLC

Meridian Resources Company, LLC is a non-insurance company organized in Wisconsin and is a wholly owned subsidiary of Compcare. Meridian Resources Company, LLC, provides various investigative and health care services for health care organizations and employer groups. As of December 31, 2022, the financial statements of Meridian Resource Company, LLC reported assets of \$32.6 million, liabilities of \$26.3 million, and equity of \$6.2 million. Operations for 2022 produced a net income of \$26.5 million on revenues of \$70.6 million.

Agreements with Affiliates

BCBSWI has no employees of its own and all its operations are conducted by employees of Elevance Health in accordance with the business practices and internal controls of that organization. In addition to ongoing common management and control by this upstream affiliate, various written agreements and undertakings affect the company's relationship with its affiliates. A brief summary of the other agreements follows:

Administrative Services Agreement

Effective August 1, 2003, BCBSWI and Compcare entered into a service agreement with respect to the point-of-service product (POS), where BCBSWI will underwrite the indemnity segment of the product, and Compcare will underwrite the HMO segment of the product and provide administrative services for both the indemnity and HMO segments. In consideration for the services rendered by Compcare, the company is to pay the lower of 1) the actual cost of the services provided, or 2) 8% of the gross premium relating to POS indemnity premium. The contract specifies that 10% of the gross premium is attributable to POS indemnity premium and is remitted to the company monthly. However, the contract acknowledges that this can be adjusted throughout the policy year. This agreement may be terminated by either party upon 30 days' written notice.

Master Administrative Services Agreement

BCBSWI is a party to an agreement whereunder Elevance Health subsidiaries may provide certain administrative, consulting, and other support services to one another from time to time. These

services are intended to enhance the organizational and administrative capacity and augment the abilities of one another. This agreement was originally effective January 1, 2004, and amended in 2014 to include NAIC Model Law regulations.

Costs and expenses directly traceable to an affiliate that receives services will be passed through at cost. Indirect expenses are allocated based on the provider's internal cost accounting procedures and allocation methodologies are consistently applied. Effective July 1, 2018, this agreement was amended to include services that are provided to any non-affiliated third party for an amount up to the fair market value of the services at the time such services are provided. This agreement may be terminated by any party upon 90 days' written notice.

Finally, an amendment was added to the agreement modifying the compensation arrangement with respect to certain services that may be provided to BCBSWI under the existing agreement. This amendment was executed on July 13, 2018. Pursuant to the amendment, the compensation to be paid by a party receiving certain specified services will be an amount up to, but no more than, fair market value of the services at the time such services are provided; and such amount will be fair and reasonable and shall not exceed what a party would pay for similar services from an unrelated third-party in an arm's length transaction.

Consolidated Federal Income Tax Agreement

Effective December 31, 2005, BCBSWI entered into a tax allocation agreement with Anthem (Elevance Health, Inc.) and its subsidiaries. Under this agreement, Elevance Health will file a consolidated tax return for member companies; member companies, in turn, agree to make quarterly payments to Elevance Health in an amount equal to the full separate federal, state, and local income tax liability attributable to the net taxable income of each member that would have been paid if such member had filed separate federal, state, and local tax returns. This agreement can be terminated by 1) mutual written agreement by all parties, 2) an affiliate is no longer a member of the Elevance Health Group, and 3) if the Elevance Health Group fails to file a consolidated corporate income tax return for any taxable year.

Cash Concentration Agreement

The company entered into a cash concentration agreement effective December 15, 2014, with Anthem, Inc. (Elevance Health, Inc.), Compcare, and BCBSWI are parties to this agreement. Any of the parties can be the designated cash manager and will perform one or more of the following on behalf of Compcare and BCBSWI:

1. Accept the receipt of funds, including but not limited to:
 - a. Premium payments and other revenue, and
 - b. Benefit and administrative expense reimbursements.
2. Distribution of funds, including but not limited to:
 - a. Benefit payments,
 - b. Payroll payments, and
 - c. General administrative expenses and accounts payable payments.

The settlement of intercompany payables and receivables established pursuant to this agreement is to be settled within 30 days from the date of establishment. The cash manager will be reimbursed for the direct and indirect costs and expenses it incurs while acting as cash manager. The agreement may be terminated at the end of any quarter with written notice no later than 90 days prior to the last day of any quarter.

Network Rental Agreement

The company entered into a network rental agreement between Wisconsin Collaborative Insurance Company, Blue Cross Blue Shield of Wisconsin, and Compcare Health Services Insurance Corporation effective January 1, 2018. Under this agreement, Compcare may continue using the Blue Priority Network for specified business and allow for the possible rental of BCBSWI networks by WCIC. Each party may terminate this agreement upon 180 days' prior written notice.

Administrative Services Agreement

An Administrative Services Agreement exists between the company and their affiliate Wisconsin Collaborative Insurance Company. Under this agreement, BCBSWI and WCIC agree that BCBSWI insures the out-of-network benefits for the Point of Service Product and WCIC provides some administrative services on behalf of BCBSWI.

Master Behavioral Health Services Agreement

Effective February 28, 2020, Elevance Health, Inc. acquired the Carelon Behavioral Health, Inc. (f/k/a Beacon Health Options, Inc.) companies, a behavioral health organization engaged in the business of providing administrative, management and utilization review services in connection with mental health and substance abuse services on behalf of health care plans and insurance companies. Carelon Behavioral Health Strategies, LLC (f/k/a Beacon Health Strategies LLC) and Carelon Behavioral Health, Inc. (f/k/a Beacon Health Options, Inc.) would provide behavioral health services to BCBSWI and Compcare. The agreement became effective upon the closing of the Carelon Behavioral Health acquisition. The agreement was amended and restated with an effective date of January 1, 2021, to incorporate language on specific lines of business and update compensation language.

FEP Reinsurance Agreement Between BCBSWI and Anthem Insurance Companies, Inc.

BCBSWI is a party to a reinsurance agreement with Anthem Insurance Companies, Inc. ("AICI") in connection with certain Federal Employee Program ("FEP") policies. The agreement transfers 20% of BCBSWI's FEP business to AICI under a coinsurance agreement.

The agreement was amended effective January 1, 2019, to increase the percentage of business reinsured from 20% to 30%. Additionally, the ceding commission to be paid under the agreement was changed from a percentage of ceded premiums as determined by a five-year average of the sum of general and administrative expenses, plus a margin, to a percentage of maintenance expenses.

V. REINSURANCE

The company's reinsurance portfolio and strategy at the time of the examination are described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained proper insolvency provisions.

Blue Cross Blue Shield of Wisconsin, Inc. has several active reinsurance treaties, which are as follows:

Reinsurer:	Hartford Life and Accident Company
Type:	Quota Share
Scope:	Insurer's Accident, Critical Illness, Hospital Indemnity policies that are in force on or after the Effective Date of the agreement.
Effective date:	March 1, 2018
Retention:	50% quota share of the contractual liability on each Critical Illness, Hospital Indemnity, and on any one insured.
Coverage:	<p>The reinsurer assumes 50% of the accident, critical illness, and hospital indemnity insurance business.</p> <p>This treaty specifically excludes coverage for Federal Employees Group Life Insurance, Service group life insurance, professional sports teams, airport ticket programs, airlines, mining, oil exploration, and refining, unless otherwise approved in writing by the reinsurer.</p>
Termination:	The contract will terminate at the end of the contract period on December 31, 2022. Renews automatically on an annual basis if not terminated. Either party can terminate the agreement without cause with 90 days' notice.

Reinsurer: Anthem Insurance Companies, Inc.

Type: Quota Share

Scope: Policies that are in force on or after the effective date of the agreement.

Effective date: March 1, 2019

Retention: 30% quota share

Coverage: The reinsurer assumes a 30% quota share of policies that are in force.

Termination: The contract will terminate at the end of the contract period on December 31, 2022. Renews automatically on an annual basis if not terminated. Either party can terminate the agreement without cause with 90 days' notice.

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, 2022, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Capital and Surplus per Examination." Also included in this section are schedules that reflect the growth of the company and the compulsory and security surplus calculation.

**Blue Cross Blue Shield of Wisconsin
Assets
As of December 31, 2022**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$163,735,628	\$	\$163,735,628
Stocks:			
Common stocks	331,894,866	357,073	331,537,793
Real estate held for sale	2,231,912		2,231,912
Cash, cash equivalents, and short-term investments	(92,102,378)		(92,102,378)
Securities lending reinvested collateral assets	9,585,938		9,585,938
Investment income due and accrued	1,250,153		1,250,153
Uncollected premiums and agents' balances in course of collection	21,610,904	4,567,595	17,043,309
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	56,017,378		56,017,378
Accrued retrospective premiums and contracts subject to redetermination	3,607,165		3,607,165
Amounts recoverable from reinsurers	15,513,340		15,513,340
Other amounts receivable under reinsurance contracts	760,376		760,376
Amounts receivable relating to uninsured plans	92,565,822	19,567,170	72,998,652
Net deferred tax asset	13,914,120	5,092,865	8,821,255
Furniture and equipment, including health care delivery assets	2,052,877	2,052,877	
Receivable from parent, subsidiaries and affiliates	123,953,217		123,953,217
Health care and other amounts receivable	3,032,204	2,531,684	500,520
Write-ins for other than invested assets:			
FEP assets held by agent	67,772,018		67,772,018
Miscellaneous assets	868,388	814,686	53,702
Prepaid expenses	108,675	108,675	
Total Assets	<u>\$818,372,604</u>	<u>\$35,092,625</u>	<u>\$783,279,979</u>

**Blue Cross Blue Shield of Wisconsin
Liabilities, Surplus, and Other Funds
As of December 31, 2022**

Claims unpaid		\$ 96,921,275
Accrued medical incentive pool and bonus payments		699,374
Unpaid claims adjustment expenses		2,559,219
Aggregate health policy reserves		68,190,295
Premiums received in advance		16,481,740
General expenses due or accrued		10,134,379
Current federal and foreign income tax payable and interest thereon		2,102,888
Ceded reinsurance premiums payable		17,378,020
Amounts withheld or retained for the account of others		281,754
Remittance and items not allocated		17,036,764
Payable for securities lending		9,585,938
Liability for amounts held under uninsured accident and health plans		41,221,087
Aggregate write-ins for other liabilities (including \$1,513,510 current)		
Escheat liability		3,024,501
Performance guarantee liability		1,135,287
FEP contract liability		502,249
Other miscellaneous liabilities		52,859
Other premium liability		<u>25,096</u>
Total Liabilities		<u>287,332,725</u>
Common capital stock	\$ 2,000,000	
Gross paid in and contributed surplus	29,729,390	
Unassigned funds (surplus)	<u>464,217,864</u>	
Total Capital and Surplus		<u>495,947,254</u>
Total Liabilities, Capital and Surplus		<u>\$ 783,279,979</u>

**Blue Cross Blue Shield of Wisconsin
Statement of Revenue and Expenses
For the Year 2022**

Net premium income		\$874,549,033
Change in unearned premium reserves and reserve for rate credits		<u>(20,627,914)</u>
Total revenues		853,921,119
Medical and Hospital:		
Hospital/medical benefits	\$600,578,457	
Other professional services	92,277,946	
Outside referrals	13,284,668	
Emergency room and out-of-area	128,958,443	
Prescription drugs	126,538,427	
Incentive pool and withhold adjustments	<u>2,068,456</u>	
Subtotal	963,706,397	
Less		
Net reinsurance recoveries	<u>193,024,410</u>	
Total medical and hospital	770,681,987	
Claims adjustment expenses	25,201,763	
General administrative expenses	<u>(17,217,571)</u>	
Total underwriting deductions		<u>778,666,179</u>
Net underwriting gain or (loss)		75,254,940
Net investment income earned	29,464,567	
Net realized capital gains or (losses)	<u>(1,028,130)</u>	
Net investment gains or (losses)		28,436,437
Net gain or (loss) from agents' or premium balances charged off		(1,023)
Write-ins for other income or expenses:		
Miscellaneous Income		<u>1,797,836</u>
Net income or (loss) before federal income taxes		105,488,190
Federal and foreign income taxes incurred		<u>14,421,565</u>
Net Income		<u>\$ 91,066,625</u>

**Blue Cross Blue Shield of Wisconsin
Capital and Surplus Account
For the Five-Year Period Ending December 31, 2022**

	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$369,721,036	\$307,486,293	\$289,269,458	\$302,848,126	\$276,703,379
Net income (loss)	91,066,625	111,426,976	76,014,968	112,223,163	123,042,224
Change in net unrealized capital gains/losses	84,606,456	20,079,590	34,018,465	24,036,620	14,969,259
Change in net deferred income tax	569,128	(192,631)	3,743,106	501,940	100,586
Change in nonadmitted assets	(13,115,991)	920,808	(559,704)	(340,391)	(1,967,322)
Dividends to stockholders	<u>(36,900,000)</u>	<u>(70,000,000)</u>	<u>(95,000,000)</u>	<u>(150,000,000)</u>	<u>(110,000,000)</u>
Capital and Surplus, End of Year	<u>\$495,947,254</u>	<u>\$369,721,036</u>	<u>\$307,486,293</u>	<u>\$289,269,458</u>	<u>\$302,848,126</u>

**Blue Cross Blue Shield of Wisconsin
Statement of Cash Flow
For the Year 2022**

Premiums collected net of reinsurance	\$846,995,074
Net investment income	30,055,350
Miscellaneous income	<u>(54,433)</u>
Total	876,995,991
Less:	
Benefit- and loss-related payments	\$768,267,502
Commissions, expenses paid and aggregate write-ins for deductions	81,290,380
Federal and foreign income taxes paid (recovered) net of tax on capital gains (losses)	<u>12,368,499</u>
Total	<u>861,926,381</u>
Net cash from operations	15,069,610
Proceeds from Investments Sold, Matured or Repaid:	
Total investment proceeds	<u>66,890,888</u>
Cost of Investments Acquired—Long-term Only:	
Bonds	\$72,500,394
Miscellaneous applications	<u>3,405,837</u>
Total investments acquired	<u>75,906,231</u>
Net cash from investments	(9,015,343)
Dividends to stockholders	36,900,000
Other cash provided (applied)	<u>(59,613,137)</u>
Net cash from financing and miscellaneous sources	<u>(96,513,137)</u>
Net Change in Cash, Cash Equivalents, and Short- Term Investments	(90,458,870)
Cash, cash equivalents, and short-term investments:	
Beginning of year	<u>(1,643,508)</u>
End of Year	<u>\$ (92,102,378)</u>

Growth of Blue Cross Blue Shield of Wisconsin

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2022	\$783,279,979	\$287,332,725	\$495,947,254	\$853,921,119	\$770,681,987	\$ 91,066,625
2021	680,247,522	310,526,486	369,721,036	825,358,760	725,818,541	111,426,976
2020	590,109,947	282,623,654	307,486,293	736,390,423	633,619,896	76,014,968
2019	560,367,928	271,098,470	289,269,458	727,288,251	643,768,862	112,223,163
2018	565,487,616	262,639,490	302,848,126	726,891,575	619,071,949	123,042,224

Year	Profit Margin	Medical Loss Ratio	Administrative Expense Ratio	Change in Enrollment
2022	10.3%	90.3%	0.9%	-8.6%
2021	12.8	87.9	1.1	19.2
2020	9.8	86.0	6.9	1.3
2019	14.2	88.5	3.0	-3.4
2018	15.6	85.2	3.5	16.9

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2022	441,323	169.3	5.3
2021	482,819	151.8	5.2
2020	405,154	208.3	5.5
2019	400,099	194.8	4.7
2018	414,383	193.3	4.7

Per Member Per Month Information

	2022	2021	Percentage Change
Premiums:			
Commercial	\$599.41	\$545.01	10.0%
Medicare Supplement	334.48	320.81	4.3
Other Health	<u>26.11</u>	<u>23.41</u>	11.5
Aggregate	<u>234.11</u>	<u>193.63</u>	20.9
Expenses:			
Hospital/medical benefits	166.48	143.90	15.7
Other professional services	20.28	16.21	25.1
Outside referrals	2.31	1.98	17.1
Emergency room and out-of-area	35.75	29.24	22.2
Prescription Drugs	35.08	0.00	100.0
Incentive pool and withhold adjustments	0.57	0.47	22.7
Less: Net reinsurance recoveries	<u>53.51</u>	<u>46.19</u>	15.8
Total medical and hospital	206.96	145.61	42.1
Claims adjustment expenses	6.32	0.12	5,132.6
General administrative expenses	(5.51)	1.00	-653.9
Total underwriting deductions	<u>\$207.77</u>	<u>\$146.73</u>	41.6

During the examination period, the company's total admitted assets increased by 38.5% from \$565.5 million in 2018 to \$783.3 million in 2022, and total liabilities increased by 9.4% from \$262.6 million in 2018 to \$287.3 million in 2022. Net income was positive each year with a high of \$123.0 million in 2018 and a low of \$76.0 million. There was a favorable increase in surplus of 63.8% during the examination period as the company had net underwriting and investment gains each year of the period.

As shown above, the company's enrollment trend increased by 6.5% from 2018 to 2022. Premium earned increased 17.5% from \$726.9 million in 2018 to \$853.9 million in 2022. Total underwriting gain was consistently positive and totaled \$361.8 million for the five years of the examination period.

BCBSWI routinely pays dividends to its parent. The company paid dividends totaling \$461.9 million over the examination period.

**Blue Cross Blue Shield of Wisconsin
Compulsory and Security Surplus Calculation
December 31, 2022**

Assets			\$783,279,979
Less security surplus of insurance subsidiaries			112,267,982
Less liabilities			<u>287,332,725</u>
Adjusted surplus			383,679,272
Annual premium:			
Individual life and health	\$50,157,226		
Factor	<u>15%</u>		
Total		\$7,523,584	
Group life and health	824,391,807		
Factor	<u>10%</u>		
Total		82,439,181	
Compulsory surplus (subject to a \$2,000,000 minimum)			<u>89,962,765</u>
Compulsory Surplus Excess (Deficit)			<u>\$293,716,507</u>
Adjusted surplus (from above)			\$383,679,272
Security surplus (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum of 110%)			<u>102,557,552</u>
Security Surplus Excess (Deficit)			<u>\$281,121,720</u>

Reconciliation of Capital and Surplus per Examination

There were no adjustments or reclassifications resulting from examination findings. The capital and surplus of \$783,279,979 as reported on the December 31, 2022, annual statement is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were three specific comments and recommendations in the previous examination report. The actions taken by the company as a result of the comments and recommendations are as follows:

1. Corporate Records—It is again recommended that the company report all remuneration to executives, which includes deferred compensation and other retirement compensation fully funded or awarded by the company, for those executives whose remuneration meets the requirements to be reported to the Commissioner of Insurance in accordance with s. 611.63, Wis. Stat.

Action—Compliance.

2. Actuarial Memoranda Detail—It is recommended that the appointed actuary's technical component includes the analysis from the basic data (e.g., claim lags) to the conclusions as well as organize the technical appendices in a manner such that the analysis can be followed from data to conclusions in a future actuarial memoranda as is required by the NAIC Annual Statement Instructions – Health.

Action—Compliance.

3. Actuarial Memoranda Exhibit—It is recommended that the appointed actuary include an exhibit which ties to the annual statement and compares the actuary's conclusions to the carried amounts in future actuarial memoranda as is required by the NAIC Annual Statement Instructions – Health.

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.

There were no material findings or recommendations resulting from this examination.

VIII. CONCLUSION

The company was organized in 1939 as a nonprofit hospital service membership corporation under the name of Associated Hospital Services, Inc. (AHS) and eventually became Blue Cross & Blue Shield United of Wisconsin (BCBSU). In 2003, BCBSU changed its name from Blue Cross & Blue Shield United of Wisconsin to the name that is presently used, Blue Cross Blue Shield of Wisconsin (BCBSWI).

The company is licensed to do business in Wisconsin. BCBSWI offers coverage for the following: large and small group health, individual health, pharmacy, Medicare supplement, dental, and vision. The company also receives a significant portion of its premiums from the Federal Employees Health Benefit Program (FEHBP). The FEHBP made up 56.1% of the company's premium income in 2022.

During the examination period, the company's total admitted assets increased 38.5% from \$565.5 million in 2018 to \$783.3 million in 2022, while total liabilities increased 9.4% over the period to \$287.3 million in 2022. Net income was positive each year with a high of \$123.0 million in 2018 and low of \$76.0 million in 2020. As a result of net underwriting and investment gains each year, surplus increased 63.8% during the examination period.

While BCBSWI derives some revenues from administrative services, the majority of its revenue stream is related to its insurance operations. Over the course of the examination period, the company had very positive financial results.

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

IX. ACKNOWLEDGMENT

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

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

Name	Title
Takoda Boyd Kongmeng Yang, AFE	Insurance Financial Examiner Quality Control Specialist

Respectfully submitted,



Jim Krueger
Examiner-in-Charge