

Report
of the
Examination of
Care Improvement Plus Wisconsin Insurance Company
Minnetonka, Minnesota
As of December 31, 2014

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

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May 4, 2016

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Honorable Theodore K. Nickel
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
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Commissioner:

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

CARE IMPROVEMENT PLUS WISCONSIN INSURANCE COMPANY
Minnetonka, Minnesota

and this report is respectfully submitted.

I. INTRODUCTION

This is the first examination of Care Improvement Plus Wisconsin Insurance Company (the company or CIPWI). The examination covered the period ending December 31, 2014, and included a review of such 2015 transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of Care Improvement Plus of Texas Insurance Company in Subgroup 9 of the examination of the UnitedHealthcare Group. The Texas Department of Insurance acted in the capacity as the lead state for the coordinated examination.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect 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 process 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 the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 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 Information Technology Review

The Arizona Department of Insurance hired external contractors to perform the information technology review for the examination. The contractors reviewed the company's information technology infrastructure and results were reported to the lead state. As deemed appropriate, reference is made in this report to the contractor's conclusion.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Arkansas Insurance Department. The actuary reviewed the adequacy of aggregate accident and health

reserves. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

The company was incorporated on February 24, 2011, by XLHealth Corporation (XLHealth) and commenced business on January 1, 2012. On February 8, 2012, XLHealth and its subsidiaries, including Care Improvement Plus Wisconsin Insurance Company, were acquired by United HealthCare Services, Inc., a company under the control of UnitedHealth Group Incorporated (UHG). In 2014, the company collected direct premium of \$45,081,096 and operated solely in Wisconsin.

The major products offered by CIPWI include Medicare Advantage and Medicare Part D prescription drug insurance coverage under a contract with the Centers for Medicare and Medicaid Services (CMS). The company offers a Chronic Special Needs Plan (C-SNP) for beneficiaries living with diabetes and/or heart failure, a Dual-Eligible Special Needs Plan (D-SNP) for Medicare- and Medicaid-qualified beneficiaries, and a Medicare Advantage Prescription Drug Plan (MAPD) designed primarily for spouses and caregivers of their C-SNP plan (who are not otherwise eligible for C-SNP). The major products are marketed through Field Marketing Organizations, Managing General Agents and directly contracted agents.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of three members. Directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting or via written consent throughout the year. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members are employees of the holding company group and currently receive no compensation for serving on the board.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation
William Joseph Hnath Rogers, MN	UHC Controller Senior Management
Timothy John Noel Minneapolis, MN	Medicare & Retirement Senior Management
Troy Allen Borca Minnetonka, MN	Medicare & Retirement Finance

Officers of the Company

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

Name	Office	2014 Compensation
Timothy John Noel	President	\$ 14,941
Robert Worth Oberrender	Treasurer	22,922
Kristine Marie Weikel	Secretary	5,948*
William Joseph Hnath	Chief Financial Officer	28,431
Michelle Marie Huntley	Assistant Secretary	2,804

* This officer was installed during 2014 so a projected salary was used to show what would have been expected to be received had the individual held the position for the whole year.

These amounts represent the amount allocated to Care Improvement Plus Wisconsin Insurance Company by the UnitedHealth Group. Compensation for each officer is primarily allocated based on the quantity of total legal entities the officer serves. These amounts would be included in total salaries and benefits for the respective officer and allocated to the company through the UHS management fee (discussed later in the report).

Committees of the Board

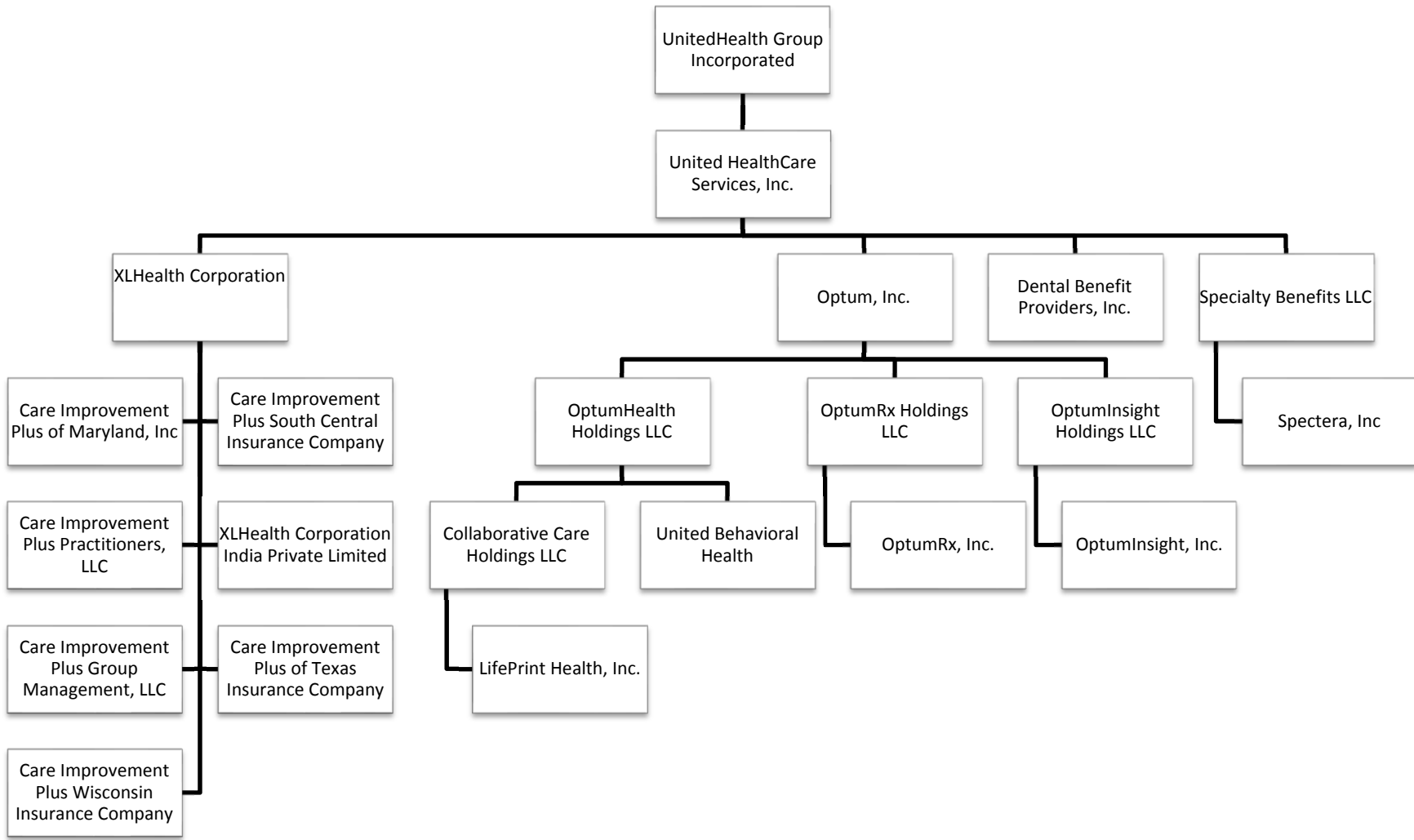
The company's bylaws allow for the formation of certain committees by the board of directors. The following committee was used by the company at the time of the examination and is shared among multiple affiliated companies:

**United HealthCare Services, Inc.,
Medicare Audit Committee**
Clint Egenes, Chair
Timothy Noel
Marc Briggs

IV. AFFILIATED COMPANIES

CIPWI is a member of a holding company system. Its ultimate parent is UnitedHealth Group Incorporated. There were 373 legal entities in the UHG system at year-end 2014. The following abbreviated organizational chart depicts the relationships among the affiliates in the group that interact with the company. A brief description of the significant affiliates of the company follows the organizational chart.

**Abbreviated Organizational Chart
As of December 31, 2014**



UnitedHealth Group Incorporated

UnitedHealth Group Incorporated (UHG), the ultimate controlling entity in the insurance holding company system, is a diversified health and well-being company. Through its affiliated companies, UHG offers a broad spectrum of health care products and services. As of December 31, 2014, the audited financial statements of UHG reported assets of \$86.4 billion, liabilities of \$52.5 billion, and net worth of \$33.8 billion. Operations for 2014 produced net income of \$5.6 billion on total revenues of \$130.5 billion. UHG is traded over the New York Stock Exchange under the symbol "UNH."

United HealthCare Services, Inc.

United HealthCare Services, Inc. (UHS) is the employer for personnel who provide services to UHG and its subsidiaries. It is a direct subsidiary of UHG and functions as an intermediate holding company for other subsidiaries of UHG. As of December 31, 2014, the audited financial statements of UHS reported assets of \$70.7 billion, liabilities of \$28.6 billion, and net worth of \$42.0 billion. Operations for 2014 produced net income of \$5.6 billion on total revenue of \$113.3 billion.

XLHealth Corporation

XLHealth Corporation is a direct subsidiary of UHS and functions as a holding company. XLHealth Corporation does not have a contractual relationship with Care Improvement Plus Wisconsin Insurance Company and does not receive payments from the company in the ordinary course of business, other than in the form of dividends and other distributions; however, XLHealth contributed \$7 million of surplus to CIPWI in 2014. As of December 31, 2014, the financial statements of XLHealth Corporation reported assets of \$3.0 billion, liabilities of \$417.5 million, and net worth of \$2.6 billion. Operations for 2014 produced net income of \$143.0 million on total revenues of \$4.5 billion.

Agreements with Affiliates

There is a Management Services Agreement with UHS effective January 1, 2014.

UHS provides management and operational support to the company including, but not limited to, these services:

- Banking
- Information Technology Systems
- Compliance and Regulatory Affairs
- Tax
- Benefit Design and Administration
- Cost Containment
- Disease Management
- Marketing, Sales, and Public Relations
- Pharmacy Administration
- Specialty Benefit Management Systems
- Financial Analysis and Reporting
- Audit
- Real Estate
- Treasury and Investments
- Call Centers
- Data Clearinghouse and Data Warehouse Systems
- Financial Administration Systems
- Medical Management
- Provider Networks
- Third-Party Administration
- Human Resources
- Legal
- Office Equipment and Supplies
- Actuarial and Underwriting
- Claim Adjudication and Payment Systems
- Data Management
- Health Care Decision Support
- Payment Integrity and Recovery
- Quality Oversight
- Wellness Management

CIPWI pays fees to UHS equal to UHS' expenses for services or use of assets provided solely to the company, and is allocated a portion of UHS' expenses where the services or use of assets are shared among the company and other affiliates.

Effective January 1, 2015, CIPWI entered into a Dental Services Agreement with Dental Benefit Providers, Inc. Under this agreement, Dental Benefit Providers, Inc., is responsible for managing a network of dental providers, claim processing and other administrative functions in order to provide dental services for the company's members. For services provided CIPWI will pay Dental Benefit Providers, Inc., a set amount per member per month for a services fee on or before the 15th business day of the month following service. All settlements under this agreement are to be made within 90 days after the end of the month in which the amount owed becomes known.

Effective January 1, 2014, and January 1, 2015, CIPWI entered into two separate Services Agreements with LifePrint Health, Inc. Under these agreements, LifePrint Health, Inc. will provide services related to performing medical management services for CIPWI's Institutional Special Needs Plan members including, but not limited to, care management services, referral services and out-of-area services. For services provided CIPWI will pay LifePrint Health, Inc., a

monthly capitation payment on or before the 15th day of the month for the current month's covered services. Retroactive adjustments are to be made within 180 days after the adjustment is determined. Part D rebates received from drug manufacturers for prescription drug utilization attributable to members is 100% passed through to LifePrint Health, Inc.

Effective January 1, 2013, CIPWI entered into a Facility Participation Agreement for Hearing Aids with OptumRx, Inc. Under the agreement, OptumRx, Inc., will provide hearing aids for the company's Medicare members. OptumRx, Inc. (doing business as hi HealthInnovations) sells its hearing aid products in a retail setting and under the agreement CIPWI's members receive a discount from the retail prices.

Effective January 1, 2013, CIPWI was added through a Participating Addendum to an existing Health Supplies Agreement with OptumRX, Inc. Under this agreement a catalogue of over-the-counter drugs, canes, and other durable medical equipment is provided to Medicare members for them to purchase items through points accumulated over the year or purchase items outright. CIPWI pays the supplier a guaranteed amount based on the number of benefit years and anticipated overall utilization for the plan segment and year. If the actual utilization for an overall segment varies by more than 10% from the guaranteed amount, a year-end reconciliation will be applied.

Effective January 1, 2014, CIPWI was added through a Participating Addendum to an existing Medicare Prescription Drug Benefit Administration Agreement with OptumRx, Inc. Under this agreement OptumRx, Inc., is the Pharmacy Benefit Manager for the Medicare Advantage Prescription Drug (MA-PD) and Prescription Drug Plans (PDP) plans. For its services provided in this agreement, CIPWI pays fees, costs, and expenses as set forth in the contract semi-monthly within 5 days of receiving the providers invoice and the supporting claim detail file.

Effective January 1, 2015, CIPWI entered into a Vision Services Agreement with Spectera, Inc., and Specialty Benefits, LLC. Under the agreement Spectera, Inc., manages a network of vision providers to provide vision services and/or products (frames and contact lenses), claims processing and other administrative functions in order to provide vision services to Medicare members. Specialty Benefits, LLC, provides optometric materials such as eye glasses

and contact lenses for CIPWI's Medicare members and has Eyefit Vision Center retail optical stores (only located in Maryland and the District of Columbia) which provide vision exam services, eye glasses, and contact lenses. For services provided the company will pay a set amount per member per month as a service fee to Spectera, Inc., on or before the 15th business day of the month following service, adjusting the subsequent monthly fee to reflect the difference between the estimated and actual number of members. For vision laboratory materials from Specialty Benefits, LLC, the payment is based on the fair market value of laboratory costs and is due on or before the 15th business day of the month following service.

Effective January 1, 2014, CIPWI entered into a Behavioral Health Services Agreement with United Behavioral Health. Under the agreement United Behavioral Health is responsible for arranging for the provision of certain mental health and substance abuse treatment services to Medicare members. For services provided the company will pay a set amount per member per month as a service fee to United Behavioral Health on or before the 15th business day of the month following service, adjusting the subsequent monthly fee to reflect the difference between the estimated and actual number of members. CIPWI is ultimately responsible for the delivery of mental health and substance abuse care to its members.

CIPWI has a Tax-Sharing Agreement with UHG, effective February 8, 2012. The Tax-Sharing Agreement establishes a formal method for the allocation and payment of federal, state and local income tax liabilities related to the consolidated federal income tax returns filed each year. Settlements under this agreement are to be made within 60 days after the filing of the return. If the applicable governmental authority or a judicial decision results in tax adjustments, settlements will be within 30 days.

CIPWI has a Subordinated Revolving Credit Agreement with UHG, effective January 1, 2013. Pursuant to this agreement, UHG provides the company with a short-term borrowing facility where CIPWI can borrow funds upon demand from UHG up to a maximum of \$2.0 million, at an interest rate equal to LIBOR plus 50 basis points.

Due to continued losses CIPWI received a capital contribution in the amount of \$7.0 million in 2014 from its parent, XLHealth Corporation. The company also received a

\$4.0 million capital contribution in 2013, an \$8.6 million capital contribution in 2012, and a \$1.0 million capital contribution in 2011.

V. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2014, annual statement.

Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company for the period under examination.

Care Improvement Plus Wisconsin Insurance Company
Assets
As of December 31, 2014

	Assets	Nonadmitted Assets	Net Admitted Assets
Cash, cash equivalents and short-term investments	\$18,548,314	\$	\$18,548,314
Uncollected premiums and agents' balances in the course of collection	894,941	12,681	882,260
Amounts receivable relating to uninsured plans	1,268,948	23,421	1,245,526
Current federal and foreign income tax recoverable and interest thereon	294,882		294,882
Health care and other amounts receivable	1,073,776	173,721	900,056
Aggregate write-ins for other than invested assets	<u>290,041</u>	<u> </u>	<u>290,041</u>
Total Assets	<u>\$22,370,903</u>	<u>\$209,824</u>	<u>\$22,161,079</u>

Care Improvement Plus Wisconsin Insurance Company
Liabilities and Net Worth
As of December 31, 2014

Claims unpaid		\$ 3,834,793
Accrued medical incentive pool and bonus payments		133,335
Unpaid claims adjustment expenses		40,531
Aggregate health policy reserves		5,510,231
General expenses due or accrued		99,223
Remittance and items not allocated		26,217
Amounts due to parent, subsidiaries and affiliates		771,047
Liability for amounts held under uninsured plans		<u>135,765</u>
Total liabilities		10,551,141
Aggregate write-in for special surplus funds	\$ 870,904	
Common capital stock	2,000,000	
Gross paid in and contributed surplus	20,605,000	
Unassigned funds (surplus)	<u>(11,865,966)</u>	
Total capital and surplus		<u>11,609,938</u>
Total Liabilities, Capital and Surplus		<u>\$22,161,079</u>

**Care Improvement Plus Wisconsin Insurance Company
Statement of Revenue and Expenses
For the Year 2014**

Net premium income		\$45,081,096
Change in unearned premium reserves and reserve for rate credits		<u>(30,248)</u>
Total revenues		45,050,849
Medical and hospital:		
Hospital/medical benefits	\$38,336,104	
Other professional services	88,802	
Prescription drugs	2,560,993	
Incentive pool and withhold adjustments	<u>270,329</u>	
Total medical and hospital	41,256,228	
Claims adjustment expenses	1,969,082	
General administrative expenses	5,572,708	
Increase in reserves for life and accident and health contracts	<u>565,000</u>	
Total underwriting deductions		<u>49,363,018</u>
Net underwriting gain or (loss)		<u>(4,312,169)</u>
Federal and foreign income taxes incurred		<u>(1,181,882)</u>
Net Income (Loss)		<u><u>\$(3,130,287)</u></u>

**Care Improvement Plus Wisconsin Insurance Company
Capital and Surplus Account
For the Four-Year Period Ending December 31, 2014**

	2014	2013	2012	2011
Capital and surplus, beginning of year	\$ 7,713,946	\$ 8,788,828	\$ 4,387,091	\$
Net income (loss)	(3,130,287)	(4,848,588)	(2,639,455)	(166,909)
Change in nonadmitted assets	26,279	(226,294)	(9,808)	
Change in surplus notes			(1,554,000)	1,554,000
Capital changes:				
Paid in				2,000,000
Surplus adjustments:				
Paid in	<u>7,000,000</u>	<u>4,000,000</u>	<u>8,605,000</u>	<u>1,000,000</u>
Surplus, End of Year	<u><u>\$11,609,938</u></u>	<u><u>\$ 7,713,946</u></u>	<u><u>\$ 8,788,828</u></u>	<u><u>\$4,387,091</u></u>

Care Improvement Plus Wisconsin Insurance Company
Statement of Cash Flows
As of December 31, 2014

Premiums collected net of reinsurance		\$44,412,765
Less:		
Benefit- and loss-related payments	\$40,787,240	
Commissions, expenses paid and aggregate write-ins for deductions	8,626,454	
Federal and foreign income taxes paid (recovered) net of \$0 tax on capital gains (losses)	<u>(613,220)</u>	
Total		<u>48,800,473</u>
Net cash from operations		(4,387,708)
Cash provided/applied:		
Capital and paid in surplus, less treasury stock	7,000,000	
Other cash provided (applied)	<u>206,214</u>	
Net cash from financing and miscellaneous sources		<u>7,206,214</u>
Net change in cash, cash equivalents, and short-term investments		2,818,506
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>15,729,808</u>
End of Year		<u>\$18,548,314</u>

Growth of Care Improvement Plus Wisconsin Insurance Company

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2014	\$22,161,079	\$10,551,141	\$11,609,938	\$45,050,849	\$41,256,228	\$(3,130,287)
2013	16,743,142	9,029,196	7,713,946	24,626,287	23,876,773	(4,848,588)
2012	11,902,683	3,113,855	8,788,828	1,959,574	2,756,032	(2,639,455)
2011	4,554,000	166,909	4,387,091	0	0	(166,909)

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Change in Enrollment
2014	(6.9)%	91.6%	12.4%	59.6%
2013	(19.7)	97.0	15.3	1,898.9
2012	(138.2)	140.6	3.4	0.0
2011	0.0	0.0	0.0	0.0

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2014	5,614	2,197	9.2
2013	3,518	2,168*	8.6*
2012	176	8,054	12.8
2011	0	0	0.0

* Hospital Patient Days Incurred and Number of Inpatient Admissions were reversed in the 2013 Exhibit of Premiums, Enrollment and Utilization. The above numbers show the corrected information.

Per Member Per Month Information

	2014	2013	Percentage Change
Premiums:			
Medicare	<u>\$702.43</u>	<u>\$658.64</u>	6.6%
Expenses:			
Hospital/medical benefits	597.33	550.70	8.5
Other professional services	1.38	8.50	(83.7)
Prescription drugs	39.90	64.59	(38.2)
Other medical	0.00	4.91	(100.0)
Incentive pool and withhold adjustments	<u>4.21</u>	<u>1.69</u>	149.1
Total medical and hospital	642.83	630.39	2.0
Claims adjustment expenses	30.68	16.82	82.4
General administrative expenses	86.83	99.64	(12.9)
Increase in reserves for accident and health contracts	<u>8.80</u>	<u>64.99</u>	(86.5)
Total Underwriting Deductions	<u>\$769.15</u>	<u>\$811.84</u>	(5.3)%

Over the examination period premium revenue has increased from \$2 million in CIPWI's first year of business to over \$45 million for the year 2014, which mirrors an increase in member months to 64,179 from 1,712 over the same time period. Total medical expenses incurred also rose significantly in response to the increase in membership, rising from \$2.8 million in 2012 to \$41.3 million for the last year of the exam period; however, the medical expense ratio has trended favorably, decreasing to 91.6% in 2014 from 97.0% in 2013. CIPWI has yet to post an underwriting gain or net income.

Total capital and surplus increased to \$11.6 million at December 31, 2014, mainly due to capital contributions of \$20.6 million during the examination period, which was needed to offset net losses totaling \$10.8 million and to support the increasing volume of business since the company's inception. CIPWI reported a premium deficiency reserve of \$5.1 million related to the contract with the Centers for Medicare and Medicaid Services as of December 31, 2014.

**Care Improvement Plus Wisconsin Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2014**

Assets		\$22,161,079
Less liabilities		<u>10,551,141</u>
Adjusted surplus		11,609,938
Annual premium:		
Individual life and health	\$45,081,096	
Factor	<u>15%</u>	
Total		\$6,762,164
Compulsory surplus (subject to a \$2,000,000 minimum)		<u>6,762,164</u>
Compulsory Surplus Excess or (Deficit)		<u>\$ 4,847,774</u>
Adjusted surplus (from above)		\$11,609,938
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>9,399,407</u>
Security Surplus Excess or (Deficit)		<u>\$ 2,210,531</u>

Reconciliation of Capital and Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2014, is accepted.

VI. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

This is the first examination of Care Improvement Plus Wisconsin Insurance Company; therefore, there was no prior examination report.

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Filing of Biographical Affidavits

CIPWI is required to report biographical information to this office, within 15 days of their appointment or election, for persons selected as a director or principal officer as required by s. 611.54, Wis. Stat., and s. Ins 6.52, Wis. Adm. Code. Biographical affidavits were reviewed for the company's directors and officers as part of the examination. The examination disclosed that on multiple occasions CIPWI failed to file a biographical report within 15 days after such appointment or election as required by s. Ins 6.52 (5), Wis. Adm. Code, and in some instances failed to file a biographical report entirely. It is recommended that the company file biographical information for all new officers and directors within 15 days of appointment or election in accordance with s. 611.54 (1), Wis. Stat., and s. Ins 6.52 (5), Wis. Adm. Code, and that the company establish procedures to ensure the proper filing of biographical information.

Cost Allocation under the Management Services Agreement

United HealthCare Services, Inc. (UHS) performs shared services and incurs expenses on behalf of CIPWI for which it then charges a management services fee to CIPWI to allocate these expenses. To compute the management services fee, UHS performs a rate build process, by line of business, using UHS's prior year actual incurred expenses as a starting point, making adjustments for material known changes in the business. While a review is performed in the 3rd quarter of the current year to reassess known material changes (i.e., product expansions in existing markets, expansion into new markets or to make retroactive adjustment), UHS's current methodology does not include a mechanism to true-up the amounts charged using current year actual expenses. Over the course of examination period the lack of a true-up mechanism resulted in years where expenses charged to CIPWI were both in excess and below (in some years significantly) what would have been incurred had current year actual expenses been the basis for the allocation in each year.

The company's method of charging for intercompany services is an allocation of costs. Statement of Statutory Accounting Principles (SSAP) No. 70 (8) requires shared expenses, including those under the terms of a management contract, to be apportioned to the entities incurring the expense as if the expense had been paid solely by the incurring entity. The apportionment is to be based on specific identification to the entity incurring the expense or based on pertinent factors or ratios if specific identification is not feasible. SSAP No. 70 (9) further requires that any basis adopted to apportion expenses be that which yields the most accurate results. It is recommended that the company comply with SSAP No. 70 by allocating shared expenses using information that yields the most accurate results. If an estimate is used initially, it should be updated utilizing the best information available in order to yield the most accurate results as required by SSAP No. 70.

Medicare Expense Allocation Error

In addition to the recommendation identified above, it was noted that the expense allocation process utilized by the company contained an error, specifically as it relates to the rate build for the Medicare line of business. UHS inappropriately incorporated certain excluded expenses into the rate build for the Medicare line of business which resulted in an over-allocation to the company. The impact for the year-ending December 31, 2014, was a reduction of management fee expenses of \$854,401 and an increase in surplus of \$555,361 (adjusted for tax impact). It is recommended that the company strengthen its controls as it relates to the rate build and expense allocation process to ensure that appropriate expenses are incorporated into the management service fee allocation.

VII. CONCLUSION

This was the first examination of Care Improvement Plus Wisconsin Insurance Company since it was organized in 2011 by XLHealth Corporation. On February 8, 2012, XLHealth and its subsidiaries, including Care Improvement Plus Wisconsin Insurance Company, were acquired by United HealthCare Services, Inc., a company under the control of UnitedHealth Group Incorporated.

The company offers a Chronic Special Needs Plan for beneficiaries living with diabetes and/or heart failure, a Dual-Eligible Special Needs Plan for Medicare- and Medicaid-qualified beneficiaries, and a Medicare Advantage Prescription Drug Plan designed primarily for spouses and caregivers of their C-SNP plan (who are not otherwise eligible for C-SNP).

CIPWI reported a premium deficiency reserve at December 31, 2014, of \$5.1 million based on the contract with the Centers for Medicare and Medicaid Services. The company is operating at a loss and is highly dependent on its parent for funding and operations. Total capital and surplus increased to \$11.6 million at December 31, 2014, mainly due to capital contributions of \$20.6 million during the examination period, which were needed to offset net losses totaling \$10.8 million and to support increasing premium volume since the company's inception.

The current examination resulted in three recommendations regarding the filing of biographical information for new officers and directors, the cost allocation methodology of the affiliated management services agreement and an error made in the allocation process. There were no adjustments to surplus.

VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 22 - Filing of Biographical Affidavits—It is recommended that the company file biographical information for all new officers and directors within 15 days of appointment or election in accordance with s. 611.54 (1), Wis. Stat., and s. Ins 6.52 (5), Wis. Adm. Code, and that the company establish procedures to ensure the proper filing of biographical information.
2. Page 22 - Cost Allocation under the Management Services Agreement—It is recommended that the company comply with SSAP No. 70 by allocating shared expenses using information that yields the most accurate results. If an estimate is used initially, it should be updated utilizing the best information available in order to yield the most accurate results as required by SSAP No. 70.
3. Page 23 - Medicare Expense Allocation Error—It is recommended that the company strengthen its controls as it relates to the rate build and expense allocation process to ensure that appropriate expenses are incorporated into the management service fee allocation.

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
Bob McLaughlin	Insurance Financial Examiner
David Jensen	IT Specialist
Jerry DeArmond	Reserve Specialist
Amy Malm	Workpaper Specialist

Respectfully submitted,

Stephanie Falck, CFE
Examiner-in-Charge

X. SUBSEQUENT EVENTS

After the date of the examination UHG identified that UHS inappropriately incorporated certain excluded expenses into the rate build for the Medicare line of business which resulted in an over-allocation to the company in both 2014 and 2015 as previously identified in the report. The cumulative impact for the years under examination was a reduction of management fee expenses of \$928,828 and an increase in surplus of \$603,738 (adjusted for tax impact).