

Report
of the
Examination of
Care-Plus Dental Plans, Inc.
Milwaukee, Wisconsin
As of December 31, 2016

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

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June 28, 2017

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Honorable Theodore K. Nickel
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:

CARE-PLUS DENTAL PLANS, INC.
Milwaukee, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Care-Plus Dental Plans, Inc. (Care-Plus or the company) was conducted in 2012 as of December 31, 2011. The current examination covered the intervening period ending December 31, 2016, and included a review of such 2017 transactions as deemed necessary to complete the examination.

The examination consisted of a review of all major phases of the company's operations and included the following areas:

- History
- Management and Control
- Corporate Records
- Conflict of Interest
- Fidelity Bonds and Other Insurance
- Provider Contracts
- Territory and Plan of Operations
- Affiliated Companies
- Growth of the Company
- Financial Statements
- Accounts and Records
- Data Processing
- Enrollee Complaint Procedure

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.

In addition to auditing the company, the public accounting firm performs non-auditing services, including compilation services. On September 30, 2011, an exemption was granted by the Commissioner, pursuant to s. Ins 50.08 (5), Wis. Adm. Code, permitting the independent auditor to perform this non-audit work for the company.

II. HISTORY AND PLAN OF OPERATION

Care-Plus Dental Plans, Inc., is described as a nonprofit group model limited service health organization (LSHO) insurer. An LSHO insurer is defined by s. 609.01 (3), Wis. Stat., as ". . . a health care plan offered by an organization established under ch. 185, 611, 613, or 614 or issued a certificate of authority under ch. 618 that makes available to its enrolled participants, in consideration for predetermined fixed payments, a limited range of health care services performed by providers selected by the organization." The company was incorporated and commenced business on May 23, 1983. The company is controlled by Dr. Thomas Manos, who is the chairman of the board of directors.

Under the group model the company contracts with a sponsoring clinic to provide primary and specialist services. LSHOs compete with traditional fee-for-service health care delivery. Care-Plus provides primary and specialty care through its provider, Dental Associates Ltd. of Wisconsin (Dental Associates). In 2017, the company implemented the "Total Access Wrap Network," which consists of three tiers depending on where certificateholders live. The first tier involves access exclusively to Dental Associates; the second tier involves access to the Careington network, which is a provider through a third-party administrative agreement with HealthScope Benefits; and the third tier involves access to out-of-network providers.

Dental Associates has 14 dental centers in the southeastern and Fox Valley areas of Wisconsin and employs 54 primary care providers and 38 specialty providers. Care-Plus does not require the enrollee to choose a primary care provider as a "gatekeeper;" however, Care-Plus does encourage the selection of one dentist as the enrollee's primary dentist for all general dental care. An enrollee does not need a referral from a primary care provider in order to see one of the specialty providers.

Dental Associates has employment agreements with the 92 dentists and specialists. With the exception of the term, vacation, dues, allowance, and compensation, the agreements are identical for all dentist professionals. There are no set lengths to the dentists' contract terms although a dentist must give a 30-day notice of termination of the contract.

Dental Associates employs both full-time and part-time dentists. Part-time dentists are compensated on an hourly basis, while full-time dentists are either salaried or paid on an incentive program. Incentives are calculated based upon a percentage of agreed fee schedules for each procedure code, less staff and supply costs. Incentives are paid on a monthly basis, when applicable.

All dentists are required to provide services on a 24-hour basis, if necessary. Agreements with individual dentists do not contain any withhold or risk-sharing provisions. The individual employment agreements do contain an indemnification clause whereby the individual dentist and Dental Associates hold each other harmless from all liabilities and costs resulting, as the case may be, from wrongful or negligent acts and omissions of the dentist or Dental Associates.

The Provider and Administrative Services Agreement between Care-Plus and Dental Associates transfers risk to Dental Associates. The contract contains an indemnification clause whereby Dental Associates holds Care-Plus harmless from all claims, liabilities, and costs resulting from dental or other services which Dental Associates provides to subscribers. Dental Associates provides dental benefits and administrative services on behalf of Care-Plus subscribers for the lesser of the following:

1. The amount of credits and benefits under Care-Plus policies which Dental Associates applies to subscribers' accounts during the fiscal year;
or
2. 100% of the net revenue of Care-Plus remaining after deduction of:
 - a) Any amount paid by Care-Plus to other providers
 - b) All other expenses

According to its business plan, the company's service area is comprised of the following counties: Brown, Fond du Lac, Kenosha, Milwaukee, Outagamie, Racine, and Waukesha.

The company offers a limited range of health care coverage which may be changed by riders to include deductibles and copayments. The following basic health care coverages are provided:

- Diagnostic
- Preventative

- Restorative
- Fixed Prosthetics
- Removable Prosthetics
- Endodontics
- Oral Surgery
- Orthodontics
- Periodontics

The company currently markets to groups and individuals. The company uses unaffiliated agencies and pays 2% to 8% commission to those agencies on new and renewal business. The Care-Plus products are as follows:

1. Care-Plus Enhanced—individual policies designed to supplement PPO dental insurance plans.
2. Care-Plus Supplemental—individual policies designed to supplement traditional dental indemnity plans.
3. Care-Plus Gold—individual policies for persons over 55 years old without any other dental coverage.
4. Care-Plus VIP—individual policies for persons under 55 years with no other dental insurance.
5. Care-Plus Total Access Wrap Network—group network with three tiers that provides employee access to dental care regardless of whether they live in Wisconsin or throughout the United States.
6. Care-Plus Smile Advantage—provides employee access to dental care that must be performed at a Dental Associates location.

Some of the common limitations or exclusions listed in the detail of these policies include non-emergency dental services provided by a nonparticipating provider, dental services which are primarily for cosmetic purposes, orthodontic treatment, implants, temporomandibular joint disorder, duplicate prosthetic devices or appliances, and gold foil or precious metal restorations.

The company uses an actuarially determined base as a beginning point in determining premiums. This rate is adjusted to reflect the age, sex, occupation, and coverage characteristics for new groups. Experience is reviewed for renewal groups and, based on the review; a recommendation is made regarding adjusting the rate or cancelling the group. The base rate is adjusted quarterly for inflation and other trending factors.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members. The directors are elected to serve three-year terms. Officers for the board are elected at the board's annual meeting. Board members currently do not receive compensation for serving on the board.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Dr. Thomas Manos Hinsdale, IL	President/Owner Dental Associates, Ltd.	2018
Christopher Domke Clarendon Hills, IL	Managing Director Madison Capital Partners	2018
Daniel Welch Elmhurst, IL	President Professional Practice Consultants, Inc.	2018
Gregory Vorwaller Chicago, IL	Global Head of Capital Markets Cushman & Wakefield	2018
Paul Chronis Burr Ridge, IL	Attorney, Partner Duane Morris LLP	2018

Officers of the Company

The officers appointed by the board of directors and serving at the time of this examination are as follows:

Name	Office	2016 Compensation
Dr. Thomas Manos	President and Chairman of the Board	\$0
Anthony Vastardis	Vice President	0
Paul Seubert	Secretary and Treasurer	0

The officers' salaries are paid by Dental Associates through an administrative agreement with the company.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The committee at the time of the examination is listed below:

Grievances Committee

Permanent:

Dr. John Zweig, Chief Dental Officer
Anthony Vastardis, Vice President

Rotating:

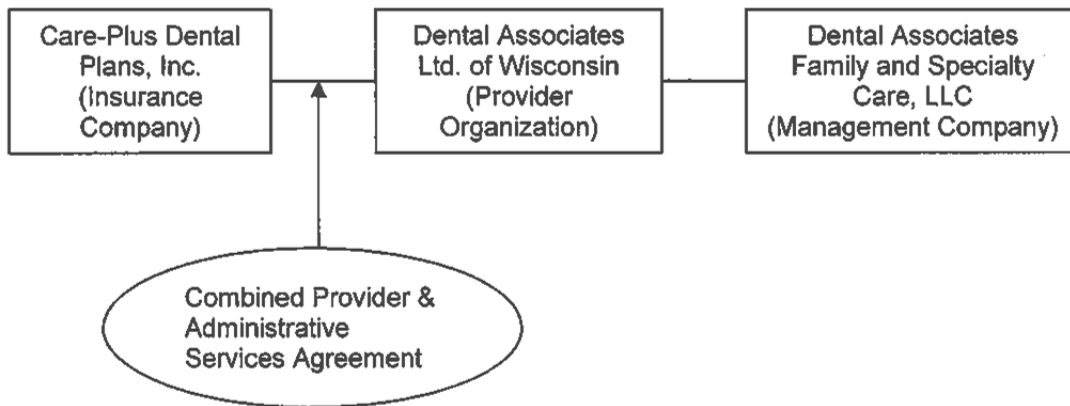
Dr. Terrance Murphy
Dr. Donald Gundlach

The company has no employees. Necessary staff is provided through a Provider and Administrative Services Agreement with Dental Associates, which is the only entity with which Care-Plus subcontracts. Under the agreement, effective September 1, 2015, Dental Associates agrees to negotiate employer, provider, subscriber, and other contracts; advises the board; maintains accounting and financial records; recruits marketing, utilization review, and claims processing personnel; and provides or contracts for claims processing and management information systems. Dental Associates receives 100% of the income received by Care-Plus during the year, minus the sum of the amount of benefits paid to other providers and other expenses. The term of the agreement is three years and expires on December 31, 2018, and may subsequently be renewed upon mutual agreement.

IV. AFFILIATED COMPANIES

Dr. Thomas Manos is the chairman of the board for each of Care-Plus, Dental Associates Ltd. of Wisconsin, and Dental Associates, Ltd. Dr. Manos is also the sole shareholder of Yannis Design, Development & Supplies, LLC; Dental Associates Family and Specialty Care, LLC; and DAL 27th Street Clinic, LLC. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates of Care-Plus follows the organizational chart.

Holding Company Chart As of December 31, 2016



Dental Associates Ltd. of Wisconsin

Dental Associates Ltd. of Wisconsin provides dental services. As of December 31, 2016, the company's audited financial statement reported assets of \$38,015,442, liabilities of \$36,941,573 and shareholders' equity of \$1,073,869. Operations for 2016 produced net income of \$(2,215,654) on revenues of \$88,450,986.

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, 2016, 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 which reflect the growth of the company for the period under examination.

**Care-Plus Dental Plans, Inc.
Assets
As of December 31, 2016**

	Assets	Nonadmitted Assets	Net Admitted Assets
Cash, cash equivalents and short-term investments	\$ 1,483	\$	\$ 1,483
Uncollected premiums and agents' balances in the course of collection	112,156		112,156
Receivables from parent, subsidiaries and affiliates	<u>1,719,594</u>	—	<u>1,719,594</u>
Total Assets	<u>\$1,833,233</u>	<u>\$0</u>	<u>\$1,833,233</u>

**Care-Plus Dental Plans, Inc.
Liabilities and Net Worth
As of December 31, 2016**

Aggregate health policy reserves (Unearned Premium)		\$1,240,252
Premiums received in advance		546,660
General expenses due or accrued		40,092
Aggregate write-ins for other liabilities (including current)		<u>6,229</u>
Total liabilities		1,833,233
Total capital and surplus		<u>0</u>
Total Liabilities, Capital and Surplus		<u>\$1,833,233</u>

**Care-Plus Dental Plans, Inc.
Statement of Revenue and Expenses
For the Year 2016**

Net premium income		\$24,109,971
Medical and hospital:		
Other professional services	\$23,558,205	
General administrative expenses	<u>551,766</u>	
Total underwriting deductions		<u>24,109,971</u>
Net Income (Loss)		<u>\$ 0</u>

**Care-Plus Dental Plans, Inc.
Statement of Cash Flows
As of December 31, 2016**

Premiums collected net of reinsurance		\$24,176,077
Less:		
Benefit- and loss-related payments	\$23,558,205	
Commissions, expenses paid and aggregate write-ins for deductions	542,151	
Total		24,100,356
Net cash from operations		75,721
Other cash provided (applied)		(77,045)
Net change in cash, cash equivalents, and short-term investments		(1,324)
Cash, cash equivalents, and short-term investments: Beginning of year		2,807
End of Year		\$ 1,483

Growth of the Company

The following schedules reflect the growth of the company during the examination

period:

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2016	\$1,833,233	\$1,833,233	\$0	\$24,109,971	\$23,558,205	\$0
2015	1,725,733	1,725,733	0	22,752,181	22,162,773	0
2014	1,782,210	1,782,210	0	21,111,114	20,506,502	0
2013	1,739,042	1,739,042	0	22,107,569	21,547,443	0
2012	1,586,041	1,586,041	0	21,145,010	20,764,328	0
2011	1,356,329	1,356,329	0	20,537,553	20,162,185	0

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Enrollment	Change In Enrollment
2016	0.0%	97.7%	2.3%	62,788	1.3%
2015	0.0	97.4	2.6	61,990	(0.6)
2014	0.0	97.1	2.9	62,395	2.1
2013	0.0	97.5	2.5	61,127	(2.8)
2012	0.0	98.2	1.8	62,894	(0.0)
2011	0.0	98.2	1.8	62,897	2.3

Per Member Per Month Information

	2016	2015	Percentage Change
Premium	\$32	\$31	3.2%
Expenses:			
Other professional services	<u>31</u>	<u>30</u>	3.3
Total medical and hospital	31	30	3.3
General administrative expenses	<u>1</u>	<u>1</u>	0.0
Total Underwriting Deductions	<u>\$32</u>	<u>\$31</u>	3.2%

The company's assets and liabilities have increased by approximately 16% over the five-year period under examination. A decrease in enrollment was reported in three out of the five years under examination. Reported enrollment in 2016 was 62,788, which is slightly less than it was five years ago. The financial results of the company show no net profit or loss and no change in surplus during the examination period.

Financial Requirements

The financial requirements for an LSHO under s. Ins 9.04, Wis. Adm. Code, are as follows:

	Amount Required
1. Minimum capital or permanent surplus	Not less than \$75,000
2. Security deposit	Each LSHO is required to maintain a deposit of securities with the state treasurer or an acceptable letter of credit on file with the Commissioner's office. The amount of the deposit or letter of credit shall not be less than \$75,000. The letter of credit must be payable to the Commissioner whenever liquidation or rehabilitation proceedings are initiated against the company.
3. Compulsory surplus	Not less than the greater of: 3% of the premiums earned by the company in the previous 12 months or \$75,000 The Commissioner may accept the deposit or letter of credit under par. 2. to satisfy the compulsory surplus requirement if the company demonstrates to the satisfaction of the Commissioner that all risk for loss has been transferred to the providers.
4. Security surplus	The company should maintain a security surplus to provide an ample margin of safety and clearly assure a sound operation. The security surplus should not be less than 110% of compulsory surplus.

In 2002, an order modifying the company's compulsory surplus requirement was issued. The order requires the company to maintain a compulsory surplus in the amount equal to \$75,000 plus the company's unearned premium liability at the end of the reporting period. As of December 31, 2016, the company reported an unearned premium liability of \$1,240,252, which means the company is required to maintain surplus of \$1,315,252. As of December 31, 2016, the company had a \$2,000,000 surety bond outstanding to satisfy the compulsory surplus.

VI. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were five specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Management and Control—It is recommended that the company comply with s. 613.12, Wis. Stat., and file amendments to its bylaws with the Office of the Commissioner of Insurance within 60 days of adoption.

Action—Compliance

2. Depository Accounts—It is recommended that the company hold its deposits in the name of Care-Plus Dental Plans, Inc., in accordance with s. 610.23, Wis. Stat.

Action—Compliance

3. Unearned Premium—It is recommended that the company comply with SSAP No. 54, paragraph 12, by properly recording individual unearned premium amounts and the corresponding effective dates of policies.

Action—Compliance

4. Advance Premium—It is recommended that the company report its advance premium as required by SSAP No. 54, paragraph 6.

Action—Compliance

5. Income Taxes—It is recommended that the company file the correct tax forms with the appropriate state and federal agencies.

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.

Compliance with Bylaws

The examination noted Section 2.04 of the company's bylaws requires a regular meeting of the board be held in the month of May. A review of board meeting minutes disclosed regular meetings have not been held during the month of May since 2012. Additionally, all of the directors' terms expired on May 31, 2015, and no meeting was held until August 17, 2015. Under ss. 613.40 and 181.0701 (6), Wis. Stat., the failure to hold an annual or regular meeting as stated in the company's bylaws does not affect the validity of the board's action(s). However, ss. 613.40 and 181.0701 (1), Wis. Stat., requires the company to hold annual meetings of members at a time stated in or fixed in accordance with the bylaws. It is recommended that the company hold a regular meeting of the board of directors as stipulated in the bylaws.

VII. CONCLUSION

The company's assets and liabilities have increased by approximately 16% over the five-year period under examination. A decrease in enrollment was reported in three out of the five years under examination. Reported enrollment in 2016 was 62,788 which is slightly less than it was five years ago. The financial results of the company show no net profit or loss and no change in surplus during the examination period, a result of the company's agreement with Dental Associates Ltd. of Wisconsin which was discussed in the "Management and Control" section above.

The examination resulted in one recommendation and no adjustments to surplus. The recommendation is related to the area of compliance with bylaws. The company complied with all five of the prior recommendations.

VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 15 - Compliance with Bylaws—It is recommended that the company hold a regular meeting of the board of directors as stipulated in the bylaws.

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
John Ebsen	Insurance Financial Examiner
Eleanor Lu	IT Specialist

Respectfully submitted,

Shelly Bueno
Examiner-in-Charge