Report of the Examination of

Chorus Community Health Plans, Inc.

Milwaukee, Wisconsin

As of December 31, 2023

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October 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:

CHORUS COMMUNITY HEALTH PLANS, INC.
Milwaukee, Wisconsin

and this report is respectfully submitted.

## I. INTRODUCTION

The previous examination of Chorus Community Health Plans, Inc. (the company or CCHP) was conducted in 2019 as of December 31, 2018. The current examination covered the intervening period ending December 31, 2023, and included a review of such subsequent transactions as deemed necessary to complete the 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 insurer 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 completing this examination were performed. The examination work papers contain documentation concerning the alternative or additional examination steps performed during the examination.

## II. HISTORY AND PLAN OF OPERATION

Chorus Community Health Plans, Inc., is described as a nonprofit, mixed model health maintenance organization (HMO) insurer. An HMO insurer is defined by s. 609.01 (2), 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, comprehensive health care services performed by providers selected by the organization." Under the mixed model, the company has a delivery system consisting of a combination of staff physicians and/or one or more clinics and/or independent contracting physicians operating out of their separate offices. HMOs compete with traditional fee-for-service health care delivery.

The predecessor for-profit company, named Children's Community Health Plan, Inc., was incorporated on May 17, 2005, commenced business on February 1, 2006, and was a wholly owned subsidiary of Seeger Health Resources, Inc., a for-profit corporation owned by Children's Hospital and Health System, Inc. (CHHS) that operated and invested in health care-related activities.

On January 1, 2010, the original for-profit company was merged into a new corporation called CC Health Plan, Inc., a non-stock, non-profit HMO insurer, which carried forward the assets, liabilities, capital and surplus, and contracts of the for-profit company as of December 31, 2009. On the date of the merger, CC Health Plan, Inc., changed its name to Children's Community Health Plan, Inc.

The company changed its name to Chorus Community Health Plans, Inc. effective September 1, 2022. The company remains a wholly owned subsidiary of Children's Hospital and Health System, Inc.

CCHP derives its revenue from two sources, the Wisconsin Title XIX Medical Assistance, known as BadgerCare (Medicaid), and individual and family products offered on and off the exchange under the Affordable Care Act (ACA).

The company provides primary and specialty health services to BadgerCare and ACA enrollees through contractual arrangements with physicians, group practices, and clinics. Physicians, hospitals, and other professional/ancillary services are reimbursed on either a fee schedule or capitated basis. Capitation agreements exist with the provider of vision services and the provider of dental services

in certain counties for Medicaid members. As of September 1, 2024, the company had 24,427 physicians in its Medicaid network and 16,078 physicians in its ACA network.

The company contracts with 109 hospitals for Medicaid members, and 66 hospitals for ACA members, to provide inpatient services. Hospitals are reimbursed on a negotiated per diem, discount off billed charges, or a diagnosis-related group (DRG) basis. The contracts include hold harmless provisions for the protection of policyholders, automatically renew for one-year terms, and may be terminated by either party upon 90 to 180 days' written notice, based on negotiation, prior to the end of the initial or renewal term.

According to its business plan, the company's service area is comprised of the following counties: Brown, Calumet, Dodge, Door, Fond du Lac, Forest, Green Lake, Jefferson, Kenosha, Kewaunee, Lincoln, Manitowoc, Marinette, Milwaukee, Oconto, Oneida, Outagamie, Ozaukee, Racine, Rock, Shawano, Sheboygan, Vilas, Walworth, Washington, Waukesha, Waupaca, Waushara, and Winnebago.

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

Physician services
Inpatient services
Outpatient services
Mental health, drug, and alcohol abuse services
Ambulance services
Special dental procedures (oral surgery)
Prosthetic devices and durable medical equipment
Newborn services
Home health care
Preventive health services
Family planning
Hearing exams and hearing aids
Diabetes treatment
Routine pediatric eye examinations
Prescription drugs
Cardiac rehabilitation, physical, speech, and/or occupational therapy
Pulmonary rehabilitation
Skilled nursing facility
Certain transplants
Chiropractic services

ACA plans have coinsurance and deductibles that are variable based on the plan type and services provided. The benefits for the ACA members are provided for in the contract between CCHP and

its members Coverage must comply with the Essential Health Benefits required under the ACA as a Qualified Health Plan. The company retains the right to determine the medical necessity of a covered service and to require prior authorization of certain specified services. Benefits for its BadgerCare members are provided for in the contract between CCHP and the Wisconsin Department of Health Services. Coverage must be consistent with coverage specified in the BadgerCare Plan; however, CCHP retains the right to determine the medical necessity of a covered service and to require prior authorization of certain specified services.

The company uses an actuarially determined base as a beginning point in premium determination for the ACA line of business. This rate is adjusted to reflect the age, tobacco use, geography, and plan design. Experience is reviewed annually during the rate setting process, and based on the review, a recommendation is made regarding adjusting the rate.

## III. MANAGEMENT AND CONTROL

### Board of Directors

The board of directors consists of 13 members. One or two directors are elected annually to serve a three-year term, or until their successors have been elected and qualified. Under the company's bylaws, the president and chief executive officer of the Children's Hospital and Health System, Inc., and the president of CCHP are ex-officio directors, included in the total number of directors and not subject to election. The board chair is elected by the sole voting member, CHHS at its annual meeting. The president, secretary, and treasurer of the company are appointed by CHHS, and vice presidents are appointed by the company president with the consent of the president and chief executive officer of CHHS. Members of the company's board of directors may also be members of other boards of directors in the holding company group. Neither the independent board members nor employees of Children's Hospital and Health System, Inc., receive compensation for serving on the board.

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

| Name | Principal Occupation | Term Expires |
|---|---|---|
| James Purko | CFO, SKYGEN, Inc. | 2025 |
| David Drury | Partner, Wing Capital Group | 2024 |
| Mark Rakowski | Senior Vice President, CHHS President, CCHP | N/A |
| Mary Hannes | Associate Director, Golden Angels Investors | 2032 |
| Mark Hogan | Retired, Wisconsin Economic Development Corporation | 2028 |
| Danielle Machata | Shareholder, Godfrey & Kahn, S.C. | 2032 |
| Benjamin Melson | Retired- Senior VP and CFO, University of Texas MD Anderson Cancer Center | 2025 |
| Gil Peri | President and CEO, CHHS | N/A |
| Thomas Precia | President and CEO, HUB International Midwest Limited | 2024 |
| Michael Silver | Retired, GE & Sg2 | 2027 |
| Clark Slipher | Retired- Actuary, Milliman | 2026 |
| Ralph Weber | General Counsel, Marquette University | 2031 |
| Katherine Grebe | Retired- Chief Legal Officer, Miller Coors | 2032 |

**Officers of the Company**

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

| Name | Office |
|---|---|
| James Purko | Board Chair |
| Mark Rakowski | President |
| Michael Boeder | Chief Operating Officer |
| Marc Cadieux | Treasurer & Chief Financial Officer |
| Leslie Tector | Secretary |

**Committees of the Board**

The company's bylaws allow for the formation of certain committees by the board of directors. The CCHP board has not formed any of its own committees but uses the following committees of the parent company: Audit and Compliance Committee, Finance Committee, Investment Subcommittee,

Strategic Planning Committee, Governance Committee, Compensation Committee, Quality Committee, and Executive Committee. The members of these significant committees at the time of the examination are listed below:

**Audit and Compliance Committee**
Todd Endres, Chair
Rupesh Agrawal
Nancy Avila
Todd Adams
Patrick Hammes
James Purko
Paul Sternlieb
Peggy Troy
Joe Gehrke

**Finance Committee**
Joe Gehrke, Chair
Todd Adams
Matt D'Attilio
Katie Gannett
Patrick Hammes
Ben Melson
James Purko
Peggy Troy
Dave Werner
Todd Endres
Xia Liu
Dave Werner

**Strategic Planning Committee**
Patrick Hammes, Chair
Linda Benfield
Todd Endres
Joe Gehrke
Jim Popp
Jamie Purko
John Reichert
Peggy Troy

**Investment Subcommittee**
Matt D'Attilio, Chair
Joe Gehrke
Peggy Troy

**Governance Committee**
Linda Benfield, Chair
Matt D'Attilio
Patrick Hammes
Chris Kaltenbach
Peggy Troy
Dave Werner

**Compensation Committee**
Jim Popp, Chair
Ken Bockhorst
Tim Gerend
Patrick Hammes
Ben Melson
Peggy Troy

**Quality Committee**
John Reichert, Chair
Nancy Avila
Tina Chang
Kelly Grebe
David Gourlay
Patrick Hammes
Jennifer Henningfeld
Chris Kaltenbach
Danielle Machata
Dave Margolis
Peggy Troy

**Executive Committee**
Patrick Hammes, Chair
Linda Benfield
Todd Endres
Jim Popp
James Purko
John Reichert
Peggy Troy

All officers and staff are employees of CHHS and are provided to CCHP through an affiliated agreement discussed in the section of this report captioned "Affiliated Companies."

Additional staff is provided through an administrative services agreement with Dean Health Plan, Inc. (Dean). Under the agreement, effective January 1, 2015, (first amendment effective January 1, 2018), Dean agrees to provide administrative services, including, but not limited to: information services, financial services, standard reports, claims processing, premium management, and member services. Dean receives a per member per month fee. The original term of the agreement was through December 31, 2021, with automatic annual renewals going forward. The agreement may be terminated by either party for cause upon written notice or may be terminated without cause on or after January 1, 2022, by either party upon 180 days' written notice.

Additional services are provided through an administrative services agreement with UPMC Benefit Management Services, Inc. (UPMC). Under the agreement, effective April 20, 2016, (seventh amendment effective December 1, 2018), UPMC agrees to provide administrative services, including, but not limited to, additional technical, operational, and/or consulting services as the parties may agree upon. UPMC invoices CCHP for the UPMC services on a monthly basis, and invoices are paid by CCHP within 30 days of receipt. The agreement remains in effect until the completion or expiration of the Statement of Work for the Initial UPMC Services or if a subsequently executed Statement of Work remains active (whichever is longer). The agreement may be terminated by either party for cause or may be terminated without cause by either party upon 180 days' written notice.

**Insolvency Protection for Policyholders**

Under s. Ins 9.04 (6), Wis. Adm. Code, HMOs are required to either maintain compulsory surplus at the level required by s. Ins 51.80, Wis. Adm. Code, or provide for the following in the event of the company's insolvency:

1. Enrollees hospitalized on the date of insolvency will be covered until discharged; and

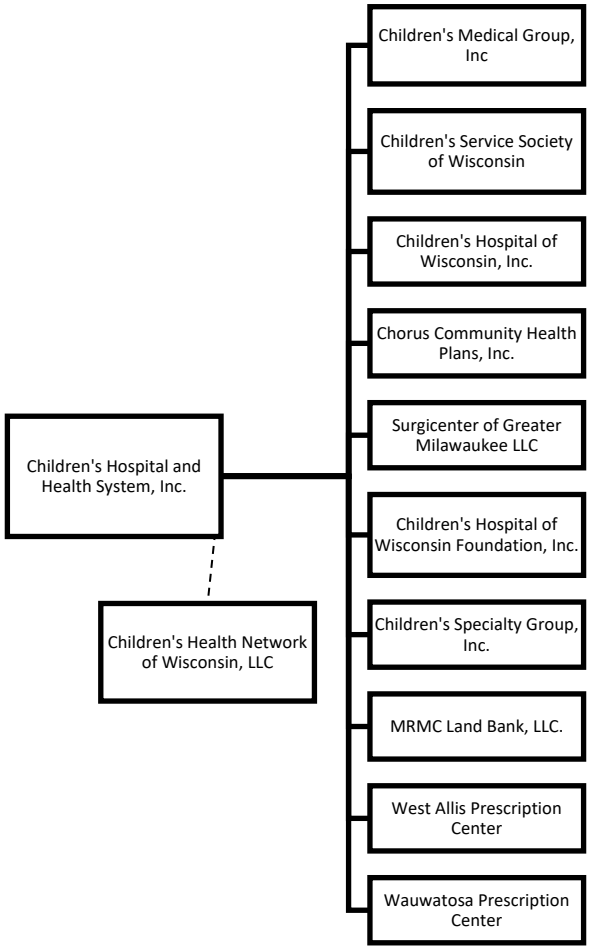
2. Enrollees will be entitled to similar, alternate coverage that does not contain any medical underwriting or preexisting limitation requirements.

The company has met this requirement through its reinsurance contract, as discussed in the Reinsurance section of this report.

## IV. AFFILIATED COMPANIES

The company is a member of a holding company system. Its ultimate parent is Children's Hospital and Health System, Inc. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the controlling affiliate of the company follows the organizational chart.

**Holding Company Chart**
**As of December 31, 2023**




**Children's Hospital and Health System, Inc.**

Children's Hospital and Health System, Inc. provides administrative support to CCHP in the areas of corporate administration, financial services, corporate compliance, human resources, corporate counsel, information systems, public relations, and planning and marketing. CHHS also provides urgent care services at seven off-site locations for patients who require non-emergency care after daytime hours.

As of December 31, 2023, the company's audited financial statement reported assets of $3.2 billion, liabilities of $815.6 million, and net assets of $2.4 billion. Operations for 2023 produced an excess of revenue over expenses of $214.3 million on revenues of $1.8 billion.

**Affiliated Contracts**

Three agreements cover the significant interactions of CCHP and affiliated companies.

The Network Agreement between CCHP and CHHS outlines the terms of the use of CHHS for hospital and physician services for health plan members of CCHP and outlines common provider contract terms including reimbursement rates, medical necessity oversight, performance metric requirements, and data reporting and sharing. This agreement was originally effective December 1, 2005, and has been amended 17 times in total with the latest amendment effective January 1, 2023. The majority of the amendments have been to update the incentive payments CCHP provides on a per-member per-month basis to CHHS for achieving certain healthcare performance metrics in relation to other provider networks utilizing the Healthcare Effectiveness Data and Information Set (HEDIS).

The Network Agreement between CCHP and Children's Specialty Group also includes a nonaffiliated third-party – The Medical College of Wisconsin (MCW). This agreement is also structured as a provider contract outlining the payment and other provisions agreed upon for the services provided to CCHP members by both the affiliate, Children's Specialty Group, Inc., and the nonaffiliated MCW. The initial term of this agreement was October 1, 2022, until January 1, 2024 with automatic renewal terms of one year thereafter, unless renegotiated or terminated.

The Cost Allocation and Financial Management Agreement dated February 20, 2012, outlined the allocation of costs incurred by CHHS on behalf of CCHP. Costs included staff support through various departments including human resources, legal services, government relations, and compliance. The second amendment to this agreement was made effective January 1, 2023, and outlined the new structure of CHHS being the employer of CCHP employees with the company reimbursing CHHS on an actual cost basis for all employment costs including salaries and benefits. All costs incurred by CHHS on behalf or for the benefit of CCHP are reimbursed as outlined in this agreement and amendments.

## V. REINSURANCE

The company currently has reinsurance coverage under the contract outlined below:

| | |
|---|---|
| Reinsurer: | Odyssey Reinsurance Company |
| Type: | Specific Excess of Loss Reinsurance |
| Effective date: | January 1, 2024 - December 31, 2024 |
| Retention: | Medicaid: $500,000 per member per agreement period<br>On and Off Exchange: $850,000 per member per agreement period |
| Coverage: | Medicaid: 90% of eligible expenses in excess of the retention with a maximum coverage limit of $5,000,000 per member per agreement period<br>On and Off Exchange: 90% of eligible expenses in excess of the retention and 30% in excess of $1,000,000 |
| Termination: | The Agreement terminates the earliest of: |

- The end of the period for which the premiums have been paid (a grace period of 31 days from the period due date is allowed)
- The date that a court of competent jurisdiction declares a party to be insolvent
- The date of a material change provided Reinsurer notifies Plan of termination for this reason upon 30 days from the date Reinsurer receives notice
- The date set by Reinsurer (within 60 days after each quarterly period and within 120 days of the annual period) if Reinsured fails to send financial statements to Reinsurer
- The effective date if terminated because of misstated data
- The expiration date shown on the schedule of reinsurance

The reinsurance policy has an endorsement containing the following insolvency provisions:

1. Provided that prior to Plan Insolvency premium has been paid to Plan on behalf of the Member for the month in which Insolvency occurs, Reinsurer shall continue Plan Benefits for a Member if the Member is receiving Inpatient Hospital Services and is confined in a Facility on the date of Plan Insolvency. Reinsurer liability for such benefits begins on the date of Plan Insolvency and continues until the earlier of (i) 365 days, (ii) the date of discharge or (iii) the date that the Member becomes entitled to other health insurance coverage.

2. Provided that prior to Plan Insolvency premium has been paid to Plan on behalf of the Member for the month in which Insolvency occurs, Reinsurer shall continue Plan Benefits for the Member (other than Members covered by Section 12.1.1 above) from the date of Plan Insolvency until the earlier of (i) the date for which premium had been paid on behalf of the Member, or (ii) the end of the month in which Plan Insolvency occurs.

## 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, 2023, 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.

**Chorus Community Health Plans, Inc.**
**Assets**
**As of December 31, 2023**

| | Assets | Nonadmitted Assets | Net Admitted Assets |
|---|---|---|---|
| Stocks: | | | |
| Common stocks | $ 24,102,825 | $ | $ 24,102,825 |
| Cash, cash equivalents and short-term investments | 177,947,138 | | 177,947,138 |
| Investment income due and accrued | 11,556 | | 11,556 |
| Uncollected premiums and agents' balances in the course of collection | 11,600,287 | 5,850 | 11,594,437 |
| Accrued retrospective premiums and contracts subject to redetermination | 21,979,124 | | 21,979,124 |
| Amounts recoverable from reinsurers | 19,459,000 | | 19,459,000 |
| Other amounts receivable under reinsurance contracts | 247,100 | | 247,100 |
| Electronic data processing equipment and software | 74,717 | | 74,717 |
| Health care and other amounts receivable | 9,288,323 | 95,088 | 9,193,326 |
| Prepaid Expenses | 1,274,925 | 1,274,925 | |
| Total Assets | $265,984,996 | $1,375,863 | $264,609,134 |

**Chorus Community Health Plans, Inc.**
**Liabilities and Net Worth**
**As of December 31, 2023**

| | |
|---|---|
| Claims unpaid | $ 47,730,430 |
| Accrued medical incentive pool and bonus payments | 2,582,897 |
| Unpaid claims adjustment expenses | 1,807,501 |
| Aggregate health policy reserves | 21,083,000 |
| Premiums received in advance | 1,826,599 |
| General expenses due or accrued | 1,544,291 |
| Amounts due to parent, subsidiaries, and affiliates | 3,640,343 |
| Liability for amounts held under uninsured plans | 1,463,038 |
| Unclaimed property | 3,389,497 |
| Pass through payments received not yet distributed | 153,085 |
| Total Liabilities | 85,220,679 |
| Unassigned funds (surplus) | 179,388,455 |
| Total Liabilities, Capital and Surplus | $264,609,134 |

**Chorus Community Health Plans, Inc.**
**Statement of Revenue and Expenses**
**For the Year 2023**

| | | |
|---|---|---|
| Net premium income | | $449,133,033 |
| Aggregate write-ins for other non-health revenues | | (40,617) |
| Total revenues | | 449,092,416 |
| Medical and Hospital: | | |
| Hospital/medical benefits | $342,410,480 | |
| Other professional services | 28,584,931 | |
| Prescription drugs | 30,796,029 | |
| Durable Medical Equipment | 6,439,718 | |
| Incentive pool and withhold adjustments | 4,479,475 | |
| Subtotal | 412,710,634 | |
| Less | | |
| Net reinsurance recoveries | 21,251,231 | |
| Total medical and hospital | 391,459,402 | |
| Claims adjustment expenses | 34,558,753 | |
| General administrative expenses | 20,810,541 | |
| Increase in reserves for life and accident and health contracts | (2,035,000) | |
| Total underwriting deductions | | 444,793,696 |
| Net underwriting gain or (loss) | | 4,298,720 |
| Net investment income earned | 6,468,911 | |
| Net realized capital gains or (losses) | (311) | |
| Net investment gains or (losses) | | 6,468,601 |
| Administrative Services Provider Settlement | | 5,750,000 |
| Net Income (Loss) | | $ 16,517,320 |

**Chorus Community Health Plans, Inc.**
**Capital and Surplus Account**
**For the Five-Year Period Ending December 31, 2023**

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Capital and surplus, beginning of year | $159,935,238 | $137,412,897 | $151,613,099 | $100,343,368 | $71,368,899 |
| Net income (loss) | 16,517,320 | 23,814,189 | 17,800,189 | 52,414,511 | 28,308,367 |
| Change in net unrealized capital gains/losses | 482,688 | (1,264,300) | (23,669) | | |
| Change in nonadmitted assets | 2,453,209 | (27,548) | (376,723) | (1,144,779) | 666,101 |
| Surplus adjustments: Paid in | | | (31,600,000) | | |
| Capital and Surplus, End of Year | $179,388,455 | $159,935,238 | $137,412,397 | $151,613,099 | $100,343,367 |

**Chorus Community Health Plan, Inc.**
**Statement of Cash Flow**
**For the Year 2023**

| | | | |
|---|---|---|---|
| Premiums collected net of reinsurance | | | $446,330,423 |
| Net investment income | | | 6,457,356 |
| Total | | | 452,787,779 |
| Less: | | | |
| Benefit- and loss-related payments | | $390,402,171 | |
| Commissions, expenses paid and aggregate write-ins for deductions | | 49,171,835 | |
| Total | | | 439,574,006 |
| Net cash from operations | | | 13,213,773 |
| Proceeds from Investments Sold, Matured or Repaid: | | | |
| Stocks | $ 6,000 | | |
| Total investment proceeds | | 6,000 | |
| Cost of Investments Acquired—Long-term Only: | | | |
| Stocks | 807,332 | | |
| Total investments acquired | | 807,332 | |
| Net cash from investments | | | (801,333) |
| Cash Provided for/Applied from Financing and Miscellaneous Sources: | | | |
| Other cash provided (applied) | | 2,805,410 | |
| Net cash from financing and miscellaneous sources | | | 2,805,410 |
| Net Change in Cash, Cash Equivalents, and Short-Term Investments | | | 15,217,850 |
| Cash, cash equivalents, and short-term investments: | | | |
| Beginning of year | | | 162,729,288 |
| End of Year | | | $177,947,138 |

## Growth of Chorus Community Health Plans, Inc.

| Year | Assets | Liabilities | Capital and Surplus | Premium Earned | Medical Expenses Incurred | Net Income |
|---|---|---|---|---|---|---|
| 2023 | $264,609,134 | $85,220,679 | $179,388,455 | $449,092,416 | $391,459,402 | $16,517,320 |
| 2022 | 245,199,850 | 85,264,611 | 159,935,238 | 435,441,341 | 356,034,090 | 23,814,189 |
| 2021 | 214,593,773 | 77,180,876 | 137,412,897 | 407,581,260 | 337,328,406 | 17,800,189 |
| 2020 | 231,546,786 | 79,933,686 | 151,613,099 | 377,177,142 | 274,207,074 | 52,414,511 |
| 2019 | 193,099,469 | 92,756,101 | 100,343,368 | 343,571,435 | 275,979,685 | 28,308,367 |

| Year | Profit Margin | Medical Loss Ratio | Administrative Expense Ratio | Change in Enrollment |
|---|---|---|---|---|
| 2023 | 3.6% | 86.7% | 12.3% | -10.0% |
| 2022 | 5.4 | 82.2 | 12.7 | 2.0 |
| 2021 | 4.4 | 82.8 | 12.9 | 7.7 |
| 2020 | 13.9 | 72.7 | 13.6 | 18.0 |
| 2019 | 8.2 | 80.3 | 12.0 | -10.6 |

## Enrollment and Utilization

| Year | Enrollment | Hospital Days/1,000 | Average Length of Stay |
|---|---|---|---|
| 2023 | 152,512 | 276.5 | 4.4 |
| 2022 | 169,494 | 271.0 | 4.3 |
| 2021 | 166,198 | 283.8 | 4.1 |
| 2020 | 154,391 | 302.0 | 4.0 |
| 2019 | 130,895 | 322.0 | 3.9 |

## Per Member Per Month Information

| | 2023 | 2022 | Percentage Change |
|---|---|---|---|
| **Premiums:** | | | |
| Commercial | $727.29 | $720.67 | 0.9% |
| Medicaid | 172.89 | 171.72 | 0.7 |
| **Expenses:** | | | |
| Hospital/medical benefits | 172.56 | 155.72 | 10.8% |
| Other professional services | 14.39 | 13.13 | 9.6 |
| Prescription Drugs | 15.52 | 14.80 | 4.9 |
| Other medical and hospital | 3.25 | 2.88 | 12.6 |
| Incentive pool and withhold adjustments | 2.26 | 0.15 | 1359.2 |
| Less: Net reinsurance recoveries | 10.71 | 9.69 | 10.5 |
| Total medical and hospital | 197.26 | 177.00 | 11.5 |
| Claims adjustment expenses | 17.37 | 16.68 | 4.2 |
| General administrative expenses | 10.47 | 10.82 | -3.3 |
| Increase in reserves for accident and health contracts | -0.96 | 0.94 | -201.4 |
| Total underwriting deductions | $224.15 | $205.45 | 9.1 |

The company has operated profitably during the entire period under examination. CCHP increased premium revenue from $343.6 million in 2019 up to $449.1 million in 2023 due to both increases in members and rates. Capital and surplus saw steady growth over the examination period from $100.3 million at year-end 2019 up to $264.6 million at year-end 2023. Assets increased over the period under examination, including an increase in cash from $122.6 million at year-end 2019 up to $158.0 million at year-end 2023.

The Medicaid line of business contributed the most members, premiums, and income to the company over the examination period. Premium income from Medicaid in 2023 was $310.0 million compared to $237.1 million in 2019. The underwriting gain from Medicaid has been positive over the course of the examination period including a $25.3 million gain in 2022 and a $12.8 million gain in 2023. Medicaid membership decreased from 156,369 members at year-end 2022 down to 136,238 members at year-end 2023. The recent decreases in membership numbers are mostly attributed to the Medicaid eligibility redeterminations that took place as a result of the end of the Federal Public Health Emergency. Medicaid premium revenues decreased 2.3% from year-end 2022 to year-end 2023 due to the decreased membership as the per-member per-month premiums increased 0.7% over the same period.

The ACA line of business is significantly smaller in membership and premiums than the Medicaid line but has been inconsistent in profitability during the period under examination. Membership increased 23.3% from 13,046 members at year-end 2022 up to 16,085 members at year-end 2023. The ACA line produced an underwriting loss of $2.9 million in 2022 and a loss of $8.5 million in 2023. Premiums have increased for this line of business with an increase of 17.4% from 2022 to 2023 with premium revenue of $139.1 million at year-end 2023.

The company maintains a highly liquid position with 59.7% of assets at year-end 2023 held in cash. Limited investments minimize the company’s exposure to fluctuations in asset valuations due to external economic factors while also limiting the investment income produced annually. The company has had an underwriting gain each year under examination and has maintained a conservative investment portfolio in an effort to limit financial risk.

**Financial Requirements**

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

| | | Amount Required |
|---|---|---|
| 1. | Minimum capital or permanent surplus | Either:<br>$750,000, if organized on or after July 1, 1989<br>or<br>$200,000, if organized prior to July 1, 1989 |
| 2. | Compulsory surplus | The greater of $750,000 or:<br><br>If the percentage of covered liabilities to total liabilities is less than 90%, 6% of the premium earned in the previous 12 months;<br><br>If the percentage of covered liabilities to total liabilities is at least 90%, 3% of the premium earned in the previous 12 months |
| 3. | Security surplus | The greater of:<br>140% of compulsory surplus reduced by 1% of compulsory surplus for each $33 million of additional premiums earned in excess of $10 million<br>or<br>110% of compulsory surplus |

Covered liabilities are those due to providers who are subject to statutory hold-harmless provisions.

The company's calculation as of December 31, 2023, as modified for examination adjustments is as follows:

| | | | |
|---|---|---|---|
| Assets | $264,609,134 | | |
| Less: | | | |
| Special deposit | 1,202,888 | | |
| Liabilities | 85,220,679 | | |
| Net amount available to satisfy surplus requirements | | | $178,185,567 |
| Net premium earned | | | |
| HMO business | 449,133,033 | | |
| Factor | 3% | | |
| Total | | $13,473,991 | |
| Compulsory surplus | | | 13,473,991 |
| Compulsory Surplus Excess (Deficit) | | | $164,711,576 |
| Net amount available to satisfy surplus requirements | | | $178,185,567 |
| Compulsory surplus | $13,473,991 | | |
| Security factor | 127% | | |
| Security surplus | | | 17,111,969 |
| Security Surplus Excess (Deficit) | | | $161,073,598 |

In addition, there is a special deposit requirement equal to the lesser of the following:

1. An amount necessary to maintain a deposit equaling 1% of premium written in this state in the preceding calendar year;

2. One-third of 1% of premium written in this state in the preceding calendar year.

The company has satisfied this requirement for 2023 with a deposit of $1,202,888 with the state treasurer.

**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, 2023, is accepted.

**Examination Reclassifications**

There were no examination reclassifications as a result of this examination.

## VII. SUMMARY OF EXAMINATION RESULTS

### Compliance with Prior Examination Report Recommendations

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

1. Corporate Governance—It is recommended that the officers and directors provide an answer to all sections in the conflict of interest statement.

   Action—Partial Compliance.

2. Third Party Administrators—It is recommended that the company obtain SOC 1 reports from its third-party administrators or take action to perform its own review to determine the adequacy and operating effectiveness of their controls by a qualified individual.

   Action—Compliance.

3. Unclaimed Funds—It is recommended that the company comply with the Uniform Unclaimed Property Act, s. 177.17, Wis. Stat., as regards unclaimed funds.

   Action—Compliance.

4. Reinsurance Agreement with Odyssey—It is recommended that the company revise its agreement with Odyssey Reinsurance Company to include the appropriate language to transfer liability of premiums paid by the company to its Reinsurance Intermediary in compliance with SSAP No. 62R (8)(e).

   Action—Compliance.

5. Business Continuity Plan—It is recommended that the company's business continuity plan be written and include a step-by-step framework that is easily accessible to be read in an emergency.

   Action—Compliance.

6. IT Disaster Recovery—It is recommended that the company prepares an IT disaster recovery plan for the Children's Community Health Plan to enable the company to survive a disaster and continue normal business operations.

   Action—Compliance.

7. Information Technology—It is recommended that the company strengthen its information system controls in accordance with the recommendations made in the letter to management provided in conjunction with this report.

   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.

**Corporate Governance**

In accordance with a directive of the commissioner of insurance, each insurer is required to establish a procedure for the disclosure to its board of directors of any material interest or affiliation on the part of its officers, directors, or key employees that conflicts or is likely to conflict with the official duties of such person. A part of this procedure is the annual completion of a conflict of interest statement by the appropriate persons. The review of the company’s conflict of interest statements over the examination period revealed some individuals listed on the jurat page left one or more sections blank in the disclosure forms. It is a best practice to write "None" rather than to leave the statement blank. It is recommended again that the officers and directors provide an answer to all sections in the conflict of interest statement. Additionally, the review of the company’s conflict of interest statements resulted in the company being unable to produce all statements required to be completed over the examination period. It is recommended that the company create or amend its current documentation procedures to retain the conflict of interest statements.

**Business Continuity Plan Testing**

The review of the company’s business continuity plan revealed that the plan is to be reviewed and tested annually. Although the company stated they are conducting check-ins, no documentation of any reviews or testing existed. It is recommended that an annual review and testing of the company's business continuity plan is conducted in accordance with the company's policies and procedures.

## VIII. CONCLUSION

Chorus Community Health Plans, Inc., a subsidiary of Children's Hospital and Health System, Inc., is a nonstock, nonprofit mixed model health maintenance organization insurer, established under ch. 613 of the Wisconsin statutes. CCHP derives its revenue from the Wisconsin Title XIX Medical Assistance known as BadgerCare, and through the individual and family products offered on and off the exchange under the Affordable Care Act. The company provides primary and specialty health services to BadgerCare and ACA enrollees through contractual arrangements with physicians, group practices, and clinics.

The company's total capital and surplus at year-end 2023 increased to $179.4 million from $159.9 million at year-end 2022 primarily due to the net income of $16.5 million. Total membership decreased from 169,494 members at year-end 2022 down to 152,512 members at year-end 2023 with the losses being mostly attributed to the Medicaid eligibility redeterminations which resulted from the sunsetting of the Federal Public Health Emergency. Overall, CCHP has operated in a consistent and profitable manner over the course of the examination period.

There were no adjustments made to surplus as a result of the current examination. The company complied with all but one of the prior examination recommendations. The current examination made three recommendations which include one repeat recommendation as listed on the following page.

## IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 25 - Corporate Governance—It is recommended again that the officers and directors provide an answer to all sections in the conflict of interest statement.

2. Page 25 - Corporate Governance—It is recommended that the company create or amend their current documentation process to retain the conflict of interest statements.

3. Page 25 - Business Continuity Plan Testing—It is recommended that an annual review and testing of the company's business continuity plan is conducted in accordance with the company's policies and procedures.

## X. 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 |
|---|---|
| Marisa Rodgers | Insurance Financial Examiner |
| Alex Sperl | Insurance Financial Examiner |
| James Krueger | Data Specialist |
| Junji Nartatez, CISA | IT Specialist |
| Kongmeng Yang, CFE | Quality Control Specialist |
| Jerry DeArmond, CFE | Reserve Specialist |

Respectfully submitted,

Benjamin Marquardt
Examiner-in-Charge