

Report  
of the  
Examination of  
Community Care Connections of Wisconsin  
Stevens Point, Wisconsin  
As of December 31, 2013

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# State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor  
Theodore K. Nickel, Commissioner

March 31, 2015

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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:

COMMUNITY CARE CONNECTIONS OF WISCONSIN  
Stevens Point, Wisconsin

and this report is respectfully submitted.

## I. INTRODUCTION

The current examination of Community Care Connections of Wisconsin (hereinafter referred to as either CCCW, the organization, or the district) covered the period ending December 31, 2013, and included a review of such 2014 transactions as deemed necessary to complete the examination.

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

- History
- Management and Control
- Corporate Records
- Conflict of Interest
- Fidelity Bonds and Other Insurance
- Territory and Plan of Operations
- Growth of the Organization
- Financial Statements
- Accounts and Records
- Information Technology

Emphasis was placed on the audit of those areas of the organization'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 organization to satisfy the recommendations and comments made in the previous examination report.

The organization is annually audited by an independent public accounting firm as prescribed by s. Ins 57.26, 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.

## II. HISTORY AND PLAN OF OPERATION

Community Care Connections of Wisconsin, formerly known as Community Care of Central Wisconsin, has received a permit to operate as a care management organization (CMO), pursuant to s. 648.05, Wis. Stat. A CMO provides long-term care services funded by the family care benefit, as defined in s. 46.2805 (4), Wis. Stat., that are provided by a CMO that contracts with the Department of Health Services under s. 46.284, Wis. Stat., and enrolls only individuals who are eligible under s. 46.286, Wis. Stat.

The organization was formed as a Long-Term Care District on July 1, 2008, to provide long-term care services to individuals who meet functional and financial requirements under Wisconsin's Family Care program. The name of the organization was changed to that presently used effective on August 1, 2014. The district was created by resolutions adopted by Marathon, Portage, and Wood counties pursuant to s. 46.2895, Wis. Stat. The district is considered a special purpose governmental unit, separate and independent from all counties that acted to create the district. The district was granted powers necessary to carry out the purposes of the district under ss. 46.2805 to 46.2895, Wis. Stat., which do not allow the district to issue bonds or levy a tax or assessment. CCCW is legally separate and fiscally independent of the counties, local, and state government. The organization is permitted to operate under ch. 648, Wis. Stat.

CCCW succeeded the Portage County Family Care pilot program (Community Care of Portage County) which operated from 2000 to 2008. On July 1, 2008, Community Care of Portage County transferred its members to CCCW. Subsequently, members were transferred to CCCW as follows:

- November 2008: Marathon County
- January 2009: Wood County

During 2011 the district expanded into the following two counties:

- January 2011: Langlade County
- April 2011: Lincoln County

The organization further expanded after submitting a successful bid for 2014 for the following counties:

Ashland	Douglas	Rusk
Barron	Iron	Sawyer
Bayfield	Polk	Washburn
Burnett	Price	

The organization derives 100% of its revenue from the Wisconsin Family Care Program. The Family Care Program helps seniors and adults with disabilities to live as independently as possible in their own homes or other community care settings. Members are classified into one of three target groups: frail elders<sup>1</sup>, physically disabled<sup>2</sup>, and developmentally disabled<sup>3</sup>. CCCW contracts directly with the Wisconsin Department of Health Services (DHS) to provide long-term care benefits to eligible members through its annual contract.

CCCW provides long-term care services to its members through contractual arrangements with its providers. Providers are reimbursed based on both mandated Medicaid rates and negotiated rates not determined by the Medicaid fee schedule.

The contracts include hold-harmless provisions for the protection of members. The contract(s) have a one-year term and may be terminated or re-negotiated by a 30-calendar-day written notice by either party or on an annual basis prior to the expiration of one-year term. CCCW maintains the ability to terminate or suspend the contract when it perceives there is a deficiency in provider's performance under the terms of the contract. In the event that the contract is terminated or not renewed by either party, provider agrees to cooperate in transitioning services provided to eligible CMO members under the contract to CCCW or to another provider designated by CCCW.

Long-term care services provided through the Family Care Program include:

- Home health or personal care
- Supportive home care
- Nursing home
- Assisted living/residential care services
- Adult day or respite care
- Home delivered meals
- Home modifications
- Transportation
- Physical, speech, or occupational therapy
- Wheelchairs and other equipment
- Adult diapers, gloves, and other medical supplies
- Mental health or drug and alcohol treatment
- Daily living skills training
- Communication aids/interpreter
- Employment services

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<sup>1</sup> Frail elder is defined as an individual 65 and older who has a physical disability, or an irreversible dementia, that restricts the individual's ability to perform normal daily tasks or that threatens the capacity of the individual to live independently. (s. DHS 10.13 (25m), Wis. Adm. Code)

<sup>2</sup> Physically disabled is defined as a physical condition, including an anatomical loss or musculoskeletal, neurological, respiratory or cardiovascular impairment, that results from injury, disease or congenital disorder and that significantly interferes with or significantly limits at least one major life activity of a person. (s. DHS 10.13 (40), Wis. Adm. Code)

<sup>3</sup> Developmentally disabled is defined as a disability attributable to brain injury, cerebral palsy, epilepsy, autism, Prader-Willi syndrome, mental retardation, or another neurological condition closely related to mental retardation, that has continued or can be expected to continue indefinitely and constitutes a substantial handicap to the afflicted individual. (s. DHS 10.13 (16), Wis. Adm. Code)

Marketing to individuals is restricted under the Medicaid regulations and contractual operating procedures. Capitation rates are determined by the contract between CCCW and DHS for coverage provided under the Wisconsin Medical Assistance Program (Medicaid). Capitation rates are developed annually by the DHS-contracted actuarial firm on a regional basis and are adjusted to reflect the organization's estimated population by target group. The capitation rate paid by DHS to the organization is actuarially based on the functional level of care a member needs, either Nursing Home (NH) or non-Nursing Home (non-NH) levels of care. The NH level of care rate is initially developed for each target group by region and adjusted for trend and administrative allowances prior to determining a final blended NH level of care rate for the CMO, since different target groups utilize services at different degrees of frequency and/or severity. The non-NH level of care rate is developed by using a functional status-based model that stratifies claims experience based on an individual's level of care. Both the NH and non-NH level of care capitation rates are based on the utilization and expenditures of the original Family Care Program's pilot counties: Fond du Lac, La Crosse, Milwaukee (elderly population), Portage, and Richland; additional counties' experience, including Racine, Kenosha, Marathon, and Wood counties have been added to the base cohort as data reliability has stabilized. Under the federal regulations governing the federal- and state-funded Medicaid programs, the rates established by DHS must be "actuarially sound" and be certified by an independent actuary. The actuarial certification applies to the program as a whole, not each individual CMO.

### III. MANAGEMENT AND CONTROL

#### Board of Directors

CCCW is governed by a board consisting of eleven members comprised of ten county appointees representing the counties that comprise the long-term care district's service area, and one at-large appointee appointed by the board who shall be a resident of the geographic region CCCW serves. The board shall reflect the ethnic and economic diversity of the service area and each board member must be a resident of the county/counties from which they are appointed by the appropriate authority of the county/counties. At least three of the board members shall be individuals who receive services from CCCW, are affiliated or representative of individuals who receive services from CCCW or are eligible to receive services from CCCW.

The initial term of the board members was designated as one year or two years in order to create a rotating schedule for board members to serve on the board from appropriate counties. Effective May 1, 2014, board members shall initially be appointed in April of 2014 and thereafter in succeeding years in April for terms of no less than two years with the term to commence as of May 1 of the calendar year. The board members are eligible to serve three successive two-year terms, at which point the individual will be ineligible for re-appointment to the board until two years has elapsed. The board conducts an annual meeting in June of each year to elect officers, if appropriate, and to receive or elect new board members that are replacing board members whose terms have expired, to serve a two-year term. The board members currently receive no compensation for the performance of their duties provided. However, the board has adopted a policy relating to the payment of a per diem and/or reimbursement of reasonable business expenses that board members may incur.

Currently the board of directors consists of the following persons:

<b>Name and Residence</b>	<b>Director Type</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Dale Schleeter Hayward, WI	Sawyer and Rusk Counties <i>Represents members with developmental disabilities</i>	Retired	April 2016
David Markert Centuria, WI	Polk and Burnett Counties <i>Represents members with developmental disabilities</i>	Retired	April 2016
Delores Kittleson Washburn, WI	Bayfield and Douglas Counties	Retired	April 2016
Donna Rozar Marshfield, WI	Wood County	Registered Nurse Educator	April 2015



<b>Name and Residence</b>	<b>Director Type</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Janis Ribbens Plover, WI	Portage County <i>Represents members with physical disabilities</i>	Board Chairperson/ Retired	April 2016
Kenneth Day Wausau, WI	Marathon County	Board Vice Chairperson/ Retired	April 2016
Lori Bina Rice Lake, WI	Washburn and Barron Counties	Retired	April 2015
Peter DeSantis Wausau, WI	At-Large <i>Represents members with physical disabilities</i>	Retired	April 2016
Robert Kopisch Butternut, WI	Iron, Price, and Ashland Counties	Retired	April 2015
Robert Weaver Merrill, WI	Lincoln County	Retired	April 2015
Samuel Hardin Antigo, WI	Langlade County	Retired	April 2015

### **Officers of the Organization**

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

<b>Name</b>	<b>Office</b>	<b>2013 Compensation</b>
Janis Ribbens	Board Chairperson	\$ 540
Kenneth Day	Board Vice Chairperson	540
Donna Rozar	Secretary/Treasurer	270
James Canales*	Chief Executive Officer	162,403
Mark Hilliker*	Chief Operating Officer	134,758
Jason Taylor	Chief Financial Officer	129,918
Jody Kohl	Chief Human Resource and Information Officer	129,918

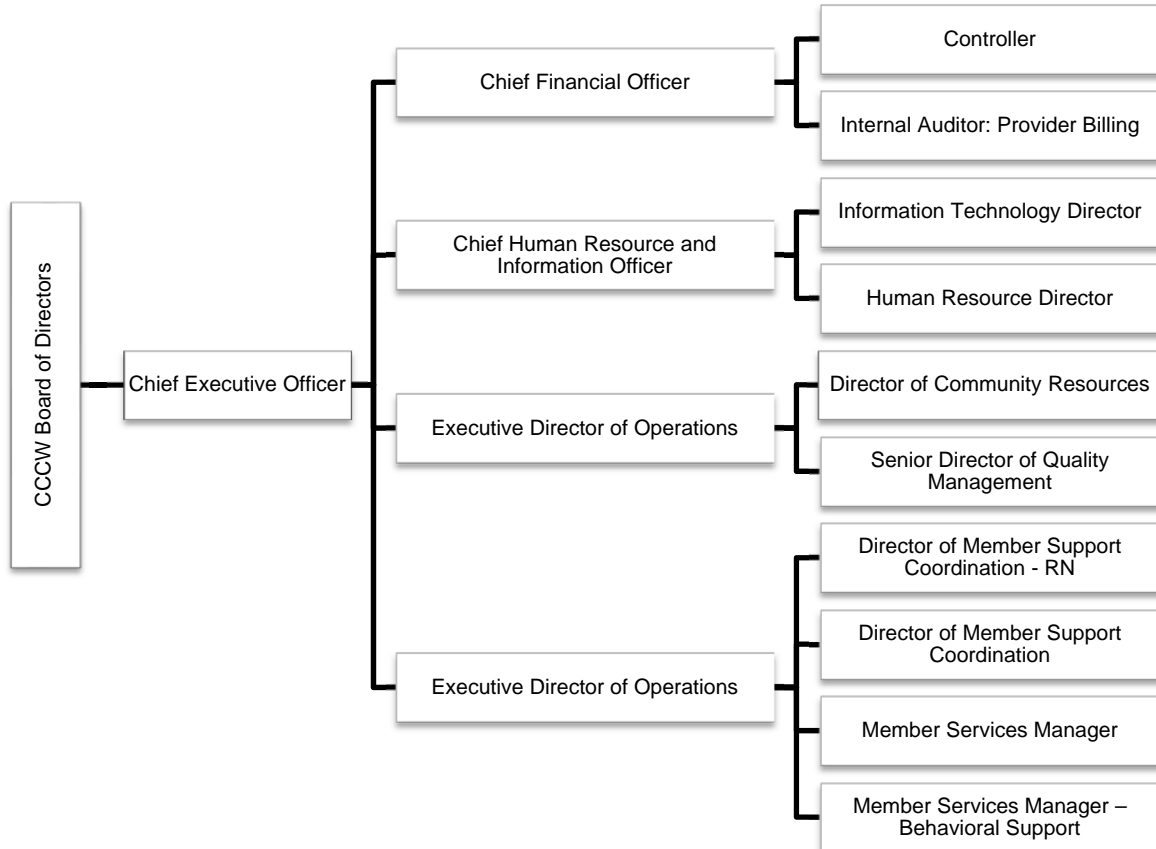
\* Effective January 1, 2015, Mark Hilliker, the Chief Operations Officer, became the Chief Executive Officer; James Canales retired after serving as the organization's inaugural Chief Executive Officer since April 2008.

### **Committees of the Board**

The organization's bylaws allow for the formation of certain committees by the board of directors and appoint members thereto. The executive committee is the only committee used by the board comprised of the board's Chairperson, Vice Chairperson, and Secretary, and its sole purpose is to provide the Chief Executive Officer with his/her annual performance evaluation.

CCCW's board of directors follows the policy governance model. Policies created and adopted by the board under this model include: Outcome Policies; Executive Limitation

Policies; and Board Process Policies. The board currently meets on a monthly basis. A review of the board's Outcome Policies and of all board policies is done in an annual meeting in June of each year. The organization has its own employees. CCCW has established four divisions under the Chief Executive Officer. Below is CCCW's functional organization chart, effective as of March 2, 2015.



#### **IV. FINANCIAL DATA**

The following financial statements reflect the financial condition of the organization as reported in the December 31, 2013, GAAP-basis financial statements. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Equity per Examination." Also included in this section are schedules that reflect the organization's operating results by the target group and the growth of the organization for the period under examination.

**Community Care Connections of Wisconsin  
Balance Sheet  
As of December 31, 2013**

**Current Assets**

Cash and cash equivalents, operating	\$19,066,629
Short-term investments (unrestricted)	302,851
Capitation receivable net of allowance	457,257
Cost share receivable net of allowance	49,866
Room and board receivable net of allowance	71,661
Spend down receivable net of allowance	7,050
Other short-term receivables net of allowance	106,978
Prepaid providers (member service expenses)	54,867
Prepaid expenses – other	1,100,957
Supply inventory	44,675
Other current assets	<u>634,362</u>
<i>Total Current Assets</i>	<u>21,897,153</u>

**Long-Term Assets**

Risk reserve funds – FC permitted MCO	\$ 2,227,769
Solvency reserve/guaranty funds on deposit permitted MCO	375,000
Leasehold improvements (cost)	1,171,371
Accumulated depreciation – leasehold improvements	(534,397)
Furniture, equipment, and software (cost)	2,977,122
Accumulated depreciation – furniture, equipment, and software	(1,523,031)
Other long-term assets	<u>230,668</u>
<i>Total Long-Term Assets</i>	<u>4,924,501</u>

**Total Assets**

\$26,821,653

**Current Liabilities**

Capitation payable	\$ 271,130
Unearned capitation revenue	140,391
Accrued salaries	464,115
Accrued taxes and benefits (current)	1,524,790
IBNR member services – current year	8,356,294
Accounts payable – general	504,393
Other current liabilities	<u>673,257</u>

**Total Liabilities**

\$11,934,370

**Equity**

Beginning equity	\$16,090,163
Current year net income	<u>(1,202,880)</u>
<i>Total Equity</i>	<u>14,887,283</u>

**Total Liabilities and Equity**

\$26,821,653

**Community Care Connections of Wisconsin  
Profit and Loss Statement  
For the Period Ending December 31, 2013**

<b>Revenues</b>		
MA capitation (net of cost-share)		\$116,258,133
Cost-share revenue		2,345,434
Room and board revenue		10,070,539
Spend down revenue		828,909
Interest/investment income – operating account		125,649
Sale of supplies income		142,415
Other income/funding		<u>161,006</u>
<b>Total Revenue</b>		<b>129,932,085</b>
<b>Long-Term Care Services (All Programs)</b>		
Adaptive equipment	\$ 3,131,190	
Adult day activities	5,321,785	
Habilitation/health	977,724	
Home care	10,470,302	
Home health care	1,695,545	
Institutional (NH/ICF-MR)	5,977,726	
Residential care	59,321,324	
Respite care	581,683	
Transportation	2,190,595	
Vocational	4,789,607	
Room and board – expenses	10,878,718	
Other FC LTC services	<u>176,688</u>	
<i>Total LTC Services</i>		\$105,512,888
Other member expenses (outside the benefit package)		<u>175</u>
<i>Total Member Service Expenses</i>		<b>105,513,063</b>
<b>Care Management Expenses</b>		
Care management (CMUs/External)	975,815	
Care management (Internal)	15,829,317	
Care management admin – allocated	<u>1,962,302</u>	
<i>Total Care Management Expenses</i>		18,767,434
<b>Administrative Expenses</b>		
Wages and benefits	4,709,797	
Contracted TPA expense	656,654	
Occupancy	1,083,842	
Office expenses	269,814	
Legal/accounting/audit	56,806	
Contracted IT development	646,183	
Other contracted services	946,173	
Depreciation expense	453,896	
Insurance expense	71,009	
Travel/training/conference expense	107,989	
Other administrative expenses	83,419	
Administrative allocation to care management	<u>(1,962,302)</u>	
<i>Total Administrative Expenses</i>		<u>7,123,281</u>
<b>Total Operating Expenses</b>		<u>131,403,777</u>
<b>Income (Loss) from Operations, Current Year</b>		(1,471,693)
<b>Other Income (Expenses), Ordinary</b>		
Investment income – reserve funds	4,118	
Gain(loss) in investments (unrealized)	(2,144)	
Prior year adjustment – IBNR	<u>266,839</u>	
<i>Total Other Expenses</i>		<u>268,813</u>
<b>Net Income (Loss)</b>		<u><u>\$ (1,202,880)</u></u>

**Community Care Connections of Wisconsin  
Statement of Cash Flows  
For the Period Ending December 31, 2013**

**Operating Activities**

Net income per GL	\$ (1,202,880)
Add: Depreciation	453,896
(Increase) Decrease accounts receivable, capitation and DHS other	1,309,761
(Increase) Decrease accounts receivable general	80,467
(Increase) Decrease inventory/supplies	(4,177)
(Increase) Decrease prepaid other	(311,155)
(Increase) Decrease other current assets	(47,105)
Increase (Decrease) IBNR	(185,939)
Increase (Decrease) accounts payable	(347,722)
Increase (Decrease) wages/taxes/ben. payable	365,739
Increase (Decrease) unearned revenues	(191,518)
Increase (Decrease) other current liabilities	<u>56,318</u>
<i>Net Cash Provided by Operating Activities</i>	<u>(24,314)</u>

**Investing Activities**

Change in property, plant and equipment	\$(530,768)
Change in long-term investments	(416,965)
Other long-term assets	<u>(223,946)</u>
<i>Net Cash used in Investing Activities</i>	<u>(1,171,679)</u>

Net increase in cash and cash equivalents (1,195,993)

Cash and Cash Equivalents Beg of Period	<u>20,565,474</u>
Cash and Cash Equivalents End of Period	<u>\$19,369,481</u>

**Growth of Community Care Connections of Wisconsin**

Year	Assets	Liabilities	Equity	Capitation Revenue	Member Service Expenses	Net Income	Enrollees
2013	\$26,821,653	\$11,934,370	\$14,887,283	\$129,932,085	\$105,513,063	\$(1,202,880)	3,400
2012	28,327,655	12,237,492	16,090,163	132,435,214	101,929,319	7,790,984	3,377
2011	21,475,163	13,175,984	8,299,179	122,058,123	95,939,655	5,817,976	3,217

Year	Profit Margin	Member Service Cost Ratio	Care Management Service Cost Ratio	Combined Member Service Cost Ratio	Administrative Expense Ratio	Change In Enrollment
2013	(1.0)%	79.9%	15.300%	95.2%	6.1%	0.68%
2012	6.5	74.4	14.192	88.6	4.5	5.0
2011	5.1	76.3	14.100	90.3	4.5	11.5

**Per Member Per Month Information**

	2013	2012	Percentage Change
<b>Revenues</b>			
Capitation	\$2,850.65	\$3,014.44	(5.4)%
Other revenue	<u>335.29</u>	<u>341.33</u>	(1.8)
Total revenue	3,185.94	3,355.77	(5.1)
<b>Expenses:</b>			
Member service costs	2,587.18	2,582.78	0.2
Care management	460.18	428.58	7.4
Administrative	<u>174.66</u>	<u>134.73</u>	29.6
Total operating expenses	3,222.03	3,146.09	2.4
Other non-operating expenses	<u>6.59</u>	<u>19.00</u>	(65.3)
Net income (loss)	<u>\$ (29.49)</u>	<u>\$ 197.42</u>	(114.9)
Member months	40,783	39,465	3.3

CCCW experienced membership growth each year during the period of 2010 through 2013. CCCW's member months increased from 31,823 in 2010, to 37,251 in 2011, 39,465 in 2012, and 40,783 in 2013. The significant growth that occurred in 2011 was due in large part to CCCW's expansion into Langlade and Lincoln counties. Additional growth occurred during that period of time with the elimination of Family Care wait lists and organic enrollment growth. As a result of the continued growth in membership during this period of time, CCCW's operating revenue also increased over the four-year period with the exception of a 2.3% decline in 2013. The unfavorable operating results in 2013 were attributable to: a) the drop in per member per month (PMPM) revenue, b) increase in service costs related to overall growth in membership, c) additional administrative costs related to preparedness for geographic service regions expansion into northwest Wisconsin beginning January 1, 2014, and d) project management and data migration costs that were expensed for implementation of a new care management system.

CCCW's per member per month (PMPM) member service costs declined from \$2,707 in 2010 to \$2,576 in 2011, then increased slightly to \$2,583 in 2012 and \$2,587 in 2013. The slight increase from 2011 through 2013 is mainly driven by increased utilization and cost of residential services. Results for 2013 also included a reporting change which reclassified financial management services from member service cost to care management expense. CCCW's care management costs have increased from a PMPM of \$393 in 2010, to \$416 in 2011, \$428 in 2012, and \$460 in 2013. Of the \$32 increase from 2012 to 2013, \$24 was related to the reclassification of financial management services previously reported as a member service cost. The overall increases that have occurred related to care management costs are due to staff increases and increased costs of employee benefits (health insurance, etc.).

The PMPM administrative costs for CCCW have been \$147 for 2010, \$134 for 2011, \$135 for 2012, and \$175 for 2013. The significant increase that occurred during calendar year 2013 was related to one-time costs associated with the development and implementation of CCCW's new care management system. Increased administrative costs were also related to additional resources (e.g., staffing, travel, contracted resources, etc.) utilized by CCCW to prepare for expansion in the northwest region of Wisconsin beginning January 1, 2014. These additional initiatives were the key factors in the administrative cost increase CCCW recognized in 2013.



**Reconciliation of Equity per Examination**

No adjustments were made to equity as a result of the examination. The amount of equity reported by the organization as of December 31, 2013, is accepted.

## V. SUMMARY OF EXAMINATION RESULTS

### Compliance with Prior Examination Report Recommendations

There were four specific recommendations in the previous examination report. The recommendations contained in the last examination report and actions taken by the organization are as follows:

1. Authorizations—It is recommended that CCCW enhance its control environment so that retroactive adjustments to the end date of an authorization can only be done by senior staff.  
Action—Noncompliance; see comments in the “Summary of Current Examination Results.”
2. Authorizations—It is recommended that the company routinely review retroactive adjustments to authorizations and paid claims.  
Action—Noncompliance; see comments in the “Summary of Current Examination Results.”
3. Incurred But Not Reported—It is recommended that CCCW review its IBNR policy to ensure that the methodology used in establishing IBNR is sound and meets the minimum requirements of DHS, submit the revised policy to DHS for consideration, and then implement the policy.  
Action—Compliance.
4. Incurred But Not Reported—It is recommended that CCCW remove the care management accrual as either Accrued Salaries (for internal care management) or as Accounts Payable – Care Management (for external care management).  
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 organization's operations is contained in the examination work papers.

### **Authorizations**

The prior examination recommended that the organization 1) enhance its control environment so that retroactive adjustments to the end date of an authorization for claims can only be done by senior staff, and 2) routinely review retroactive adjustments to authorizations and paid claims. The current examination review of paid claims identified numerous cases where the claim end date of service was outside of the authorized end date. These instances occurred due to retroactive adjustments to the end date, which did not take into account the claims payment that had occurred. The examiners requested that CCCW provide documentation to demonstrate reviews and/or investigations of retroactive adjustments to authorizations when a claim payment had been made against the authorization, but CCCW was unable to provide such documentation. Therefore, the organization is not in compliance with the prior recommendations in regards to enhancing its control environment and reviewing retroactive adjustments to authorizations when a claim payment had been made against the authorization.

It is again recommended that the organization enhance its control environment so that retroactive adjustments to the end date of an authorization can only be done by senior staff. It is again recommended that the organization routinely review retroactive adjustments to authorizations and paid claims.

### **Biographical Affidavits**

The examination's review of biographical affidavits filed with the commissioner indicated that CCCW has not filed the biographical affidavits of seven members of the board of directors elected/reelected during the intervening period covered under this examination. Pursuant to s. 648.50 (3), Wis. Stat., a care management organization is required to report to the Office of the Commissioner of Insurance "any changes in directors or principal officers after a permit is issued, together with biographical data on the new director or officer that the commissioner requires by rule." During the examination on-site fieldwork, the organization was made aware of the requirement of such filing. Subsequent to the examination on-site fieldwork, CCCW has filed the missing biographical affidavits with the commissioner.

It is recommended that the organization properly report biographical affidavits relating to members of the board of directors and principal officers in accordance with s. 648.50 (3), Wis. Stat.

### **Conflict of Interest Statements**

The examination review of potential conflicts of interest determined that CCCW does not have a process in place to identify and monitor actual or potential conflicts of interest, if any, for members of the board of directors and executive level staff (e.g., Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer). Organizations typically require their board of directors and executive level staff to report potential conflicts to mitigate the risk that another interest may affect management's professional judgment in making a determination on an event or transaction. Standard disclosures generally include, but are not limited to, the individuals or an immediate family member having a membership on a board, a financial interest, or any other type of involvement with companies under contract or pursuing a contract with the organization. The policy for disclosing potential conflicts of interest should include a listing of conflicts that are required to be disclosed with examples and the required frequency for such disclosure. It is a best practice for organizations of CCCW's size to develop and implement a policy that requires disclosure, on an annual basis, through a standard Conflict of Interest Statement form.

It is recommended that the organization develop and implement a policy and procedure requiring annual disclosure of potential conflicts by its board members and executive level staff (e.g., Chief Executive Officer, Chief Financial Officer, Chief Operating Officer) within the organization.

### **Disaster Recovery and Business Continuity - Information Technology**

The organization has not fully updated or tested its disaster recovery and business continuity plan after expansion into eleven new counties in northwest Wisconsin. CCCW expanded to northwest Wisconsin effective January 1, 2014, but at the time of this examination (4th quarter 2014) CCCW had not fully updated and tested its disaster recovery and continuity plan. It is a best practice that after significant changes in an organization that its disaster recovery and business continuity be updated timely. Furthermore, it is a best practice that an annual test be performed of the organization's ability to restore data onto an unused server, the ability to make a backup location server the primary location, the ability to provide services to members even if the central office is unavailable or a walk-through the disaster recovery documentation to verify that it is current and can be understood by the person responsible for

recovery if the Chief Technology Officer or Chief Information Officer is unavailable for restoration efforts. The tests performed and their results should be documented and used for updating the disaster recovery and business continuity plan.

It is recommended that the organization, at least annually, update and test its current disaster recovery and business continuity plan.

**Financial Requirements**

The financial requirements for a CMO under s. 648.75, Wis. Stat., and s. Ins 57.04, Wis. Adm. Code, for the period ending December 31, 2013, are as follows:

	<b>Amount Required</b>
1. Working Capital	Not less than 3.0% of the budgeted annual capitation payments from DHS
2. Restricted reserves	The required minimum balance is calculated as follows: 8% of the first \$5 million annual budgeted capitation 4% of the next \$5 million annual budgeted capitation 3% of the next \$10 million annual budgeted capitation 2% of the next \$30 million annual budgeted capitation 1% of annual budgeted capitation in excess of \$50 million
3. Solvency fund	\$750,000

The organization’s financial requirement calculations as of December 31, 2013, are as follows:

**Working Capital**

Current Assets	\$21,897,153
Current Liabilities	<u>11,934,370</u>
Working Capital	9,962,783
Working Capital Requirement	<u>3,646,281</u>
Excess/(shortage)	<u>\$ 6,316,502</u>

**Restricted Reserves**

Current Restricted Reserves	\$ 2,227,769
Restricted Reserve Requirement	<u>2,215,427</u>
Excess/(shortage)	<u>\$ 12,342</u>

**Solvency Fund**

Current Solvency Fund	\$ 375,000
Solvency Fund Requirement	<u>750,000</u>
Excess/(shortage)	<u>\$ (375,000)</u>

The organization was not meeting its solvency fund requirement on December 31, 2013. Many permitted CMOs did not meet the solvency requirement at the end of 2013 because of the liquidation of all deposits in the solvency fund for the insolvency of CHP-LTS, Inc., to pay for claims run-out and other reasonable expenses. CCCW replenished its

deposit in the solvency fund on a predetermined schedule, which includes an initial deposit of \$187,500 in July 2013, and quarterly deposits of \$93,750 thereafter to December 2014 in accordance with the replenishment plan issued by this office. CCCW was in compliance with the required replenishment deposits by year-end 2014.

## **VI. CONCLUSION**

Community Care Connections of Wisconsin, formerly known as Community Care of Central Wisconsin, began operations on July 1, 2008, and is a separate legal entity organized as a Long-Term Care District pursuant to Wisconsin statutes. The organization provides long-term care and support services to eligible members enrolled in the Wisconsin Family Care Program under a contract with the Wisconsin Department of Health Services in 16 counties: Ashland, Barron, Bayfield, Burnett, Douglas, Iron, Langlade, Lincoln, Marathon, Polk, Portage, Price, Rusk, Sawyer, Washburn, and Wood.

At December 31, 2013, CCCW reported assets of \$26.8 million, liabilities of \$11.9 million, and equity of \$14.9 million. In 2013, CCCW had an operating loss of \$1.2 million on total revenues of \$129.9 million. The unfavorable operating results in 2013 were due to increase in service costs related to overall growth in membership through geographic expansion, increased utilization, reduction in capitation payment rates, administrative costs related to additional resources dedicated to CCCW's expansion, and one-time costs associated with the development and implementation of CCCW's new care management system.

This examination resulted in five recommendations relating to claims authorizations, biographical affidavits, conflict of interest, and disaster recovery and continuity plan. Two of the recommendations were repeated from the prior examination.

## VII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 17 - Authorizations—It is again recommended that the organization enhance its control environment so that retroactive adjustments to the end date of an authorization can only be done by senior staff.
2. Page 17 - Authorizations—It is again recommended that the organization routinely review retroactive adjustments to authorizations and paid claims.
3. Page 18 - Biographical Affidavits—It is recommended that the organization properly report biographical affidavits relating to members of the board of directors and principal officers in accordance with s. 648.50 (3), Wis. Stat.
4. Page 18 - Conflict of Interest Statements—It is recommended that the organization develop and implement a policy and procedure requiring annual disclosure of potential conflicts by its board members and executive level staff (e.g., Chief Executive Officer, Chief Financial Officer, Chief Operating Officer) within the organization.
5. Page 19 - Disaster Recovery and Business Continuity - Information Technology—It is recommended that the organization, at least annually, update and test its current disaster recovery and business continuity plan.



**VIII. ACKNOWLEDGMENT**

The courtesy and cooperation extended during the course of the examination by the officers and employees of the organization is acknowledged.

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

<b>Name</b>	<b>Title</b>
David Jensen	Insurance Financial Examiner Advanced (IT Specialist)

Respectfully submitted,

Rauf Mirza  
Examiner-in-Charge