

Report  
of the  
Examination of  
Community Care, Inc.  
Brookfield, Wisconsin  
As of December 31, 2018

## TABLE OF CONTENTS

	<b>Page</b>
I. INTRODUCTION .....	1
II. HISTORY AND PLAN OF OPERATION .....	3
III. MANAGEMENT AND CONTROL.....	7
IV. AFFILIATED COMPANIES.....	10
V. FINANCIAL DATA .....	12
VI. SUMMARY OF EXAMINATION RESULTS.....	24
VII. CONCLUSION.....	27
VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS .....	28
IX. ACKNOWLEDGMENT.....	29



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tony Evers, Governor  
Mark V. Afable, Commissioner

Wisconsin.gov

125 South Webster Street • P.O. Box 7873  
Madison, Wisconsin 53707-7873  
Phone: (608) 266-3585 • Fax: (608) 266-9935  
ociinformation@wisconsin.gov  
oci.wi.gov

September 18, 2019

Honorable Mark V. Afable  
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, INC.  
Brookfield, Wisconsin

and this report is respectfully submitted.

**I. INTRODUCTION**

The current examination of Community Care, Inc. (CCI) covered the period ending December 31, 2018, and included a review of such 2019 transactions as deemed necessary to complete the examination.

The examination consisted of a review of all major phases of CCI'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
- Affiliated Companies
- Growth
- Financial Statements
- Accounts and Records
- Information Technology

Emphasis was placed on those areas of CCI's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by CCI to satisfy the recommendations and comments made in the previous examination report.

CCI 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, Inc., 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 which contracts with the Wisconsin Department of Health Services (DHS) under s. 46.284, Wis. Stat., and enrolls only individuals who are eligible under s. 46.286, Wis. Stat.

Community Care, Inc., is an Internal Revenue Code Section 501(c)3 public charity, incorporated in 1977 in the state of Wisconsin, governed by a volunteer board of directors with between 12 and 20 members. The board is responsible for the overall policy and fiduciary oversight for all operations within Community Care, Inc., including oversight of Community Care Health Plan, Inc. (CCHP), and Community Care HUD Housing, Inc. (CC HUD, sold June 2018), both wholly owned subsidiaries of Community Care, Inc. CCI is organized to develop and demonstrate innovative, flexible, community-based approaches to care for at-risk adults, in order to optimize their quality of life and optimize the allocation of community resources in its 14-county service area. Since its founding, Community Care, Inc., has established and operated more than a dozen programs to achieve these objectives. Community Care, Inc., was titled Community Care Organization (CCO) until 2005, when the company formed the HMO Community Care Health Plan, Inc., to offer the PACE and Family Care Partnership programs which had previously been offered by CCO under an order exempting the company from insurance regulation.

The company was organized to develop and operate a comprehensive, coordinated system of in-home, community-based services for the functionally disabled and frail elderly when it was originally formed in 1977. A Kellogg Foundation grant and a federal waiver funded the original Community Care program. The statewide initiative Community Options program was modeled on this program. In 1990, Community Care, Inc., became one of the first organizations to administer programs using the PACE model, or Program for All-Inclusive Care for the Elderly. Community Care, Inc.'s PACE program has been supported by the Robert Wood Johnson Foundation and aided by grants from more than 25 other local and national foundations. In 2003, Community Care, Inc.'s PACE (now provided through CCHP) moved beyond demonstration

status to become an official PACE Medicare provider program. PACE is currently provided in Milwaukee, Racine, and Waukesha counties.

Another Community Care, Inc., program, the Family Care Partnership Program, was created by DHS in 1996 and allows participants age 18 and older to see a community-based physician rather than a PACE panel physician. The Partnership Program (through CCHP) is operated in Calumet, Kenosha, Milwaukee, Outagamie, Ozaukee, Racine, Washington, Waupaca, and Waukesha counties.

In 2006, CCI was awarded a planning grant to expand long-term care in southeast Wisconsin beyond Milwaukee through the program called Family Care. In 2007, CCI was contracted to expand its Family Care services to Kenosha and Racine; in 2008 to Sheboygan, Ozaukee, Washington and Waukesha; in 2009 to Walworth; in 2010 to Calumet, Outagamie and Waupaca; and finally, in 2015 to Fond du Lac, Manitowoc and Winnebago counties.

CCI derives nearly 100% of its revenue from the Wisconsin Family Care Program. The Family Care Program helps seniors and adults with disabilities 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>. Community Care, Inc., contracts directly with DHS to provide long-term care benefits to eligible members through its permit.

Community Care, Inc., provides long-term care services to its members through contractual arrangements with its providers. Providers are reimbursed based on mandated

---

<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)

Medicaid rates and other agreed upon rates that are not determined by the Medicaid fee schedule.

The contracts include hold-harmless provisions for the protection of members. The contracts have a one-year term and may be terminated without cause by either party by giving 60-calendar-day written notice to the other party during the initial term, or 90 days after the initial one-year term.

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

Capitation rates are determined by the contract between Community Care, Inc., 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 company's estimated population by target group. The capitation rate paid by DHS to the company is actuarially based on the functional level of care a member needs: Nursing Home (NH) or non-Nursing Home (non-NH). 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 groups utilize services at different rates. 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.

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 and select expansion counties. 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, not necessarily to each individual CMO.



### III. MANAGEMENT AND CONTROL

#### Board of Directors

The board of directors consists of between 12 and 20 members and is currently made up of 17 members. Directors are elected annually to serve a three-year term. Officers are elected by the board of directors every two years at the annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding CMO group. The board members currently receive no compensation for serving on the board.

Currently the board of directors consists of the following persons:

<b>Name and Residence</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Mark Thomas, Chair Mequon, WI	CEO, Chapter Executive American Red Cross, Southeast Wis. Chapter	2019
Robert Goldstein West Allis, WI	Attorney Center for Nonprofit Excellence	2019
Stephen VanderBloemen Waukesha, WI	Managing Partner VanderBloemen Group	2019
Constance Alston Milwaukee, WI	Retired (Company Member)	2019
Daniel Brophey Brookfield, WI	Retired Accountant	2021
Marianne Canter Milwaukee, WI	Consultant Canter Consulting	2020
Dr. Edmund Duthie, MD Elm Grove, WI	Physician	2020
Rick Gebhardt Mequon, WI	President Injectec	2020
Brenda Gray Milwaukee, WI	Director UW School of Medicine and Public Health – Wisconsin Area Health Education Center (AHEC) (Resigned in 2019)	2020
Ed Corrigan Whitefish Bay, WI	Director of Finance & Operations Clean Tech Partners, Inc.	2022
Kim Marggraf Sheboygan, WI	Principal Marggraf Meetings	2021
Dennis Purtell Elm Grove, WI	Retired Attorney	2020

<b>Name and Residence</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Yvette Rowe Milwaukee, WI	Business Operations Manager City of Milwaukee Fire Department	2022
Lori Stortz Pewaukee, WI	Chief Audit Executive UW System	2021
Richard Theado Greenfield, WI	Retired	2019
Carla Washington Milwaukee, WI	Member Experience Manager Skygen USA	2021
Sara Nichols Williams Bay, WI	Executive Director Open Arms Free Clinic	2021

### **Officers of the Company**

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

<b>Name</b>	<b>Office</b>	<b>2018 Compensation</b>
Mark Thomas	Chair	\$ 0
Lori Stortz	Vice Chair	0
Rick Gebhardt	Treasurer	0
Kenneth Munson*	President and CEO	423,255
Dr. Mary Gavinski MD*	Chief Medical Officer	301,184
Edward Kohl*	Chief Program Officer	245,791
Christy Smith*	Chief Financial Officer	234,776
Virginia Kramer*	Chief Information Officer	210,030
Sherrice Gilcreast*	Chief Administrative Officer	205,101
Kelly Carter*	Program Officer	184,639
Michael Garlie*	Chief Compliance and Quality Officer	163,881

\* Executives who run the day-to-day operations of the company.

### **Committees of the Board\***

The company's bylaws allow for the formation of certain committees by the board of directors.

The committees at the time of the examination are listed below:

#### **Executive Committee**

Mark Thomas, Chair  
Marianne Canter  
Dennis Purtell  
Robert Goldstein  
Edward Corrigan  
Rick Gebhardt  
Lori Stortz

#### **Governance Committee**

Marianne Canter, Chair  
Mark Thomas  
Ben Greenbaum  
Dennis Purtell  
Lori Stortz  
Robert Goldstein  
Carla Washington

**Finance Committee\*\***

Rick Gebhardt  
 Stephen VanderBloemen  
 Robert Goldstein  
 Yvette Rowe  
 Kim Marggraf  
 Edward Corrigan  
 Daniel Brophey  
 Brenda Gray  
 Mark Thomas  
 Lori Stortz

**Quality & Compliance Committee**

Dennis Purtell, Chair  
 Rick Gebhardt  
 Ed Duthie  
 Robert Goldstein  
 Mark Thomas

\* The committees serve both Community Care Inc., and its subsidiary Community Care Health Plan, Inc.

\*\*The Finance Committee serves as the Audit Committee

The company has its own employees. Under an Administrative Services Agreement, it provides necessary staff to its subsidiary, Community Care Health Plan, Inc., which employs no staff of its own, and receives monthly compensation for services rendered under the agreement.

The company's operations are organized into the following service areas:

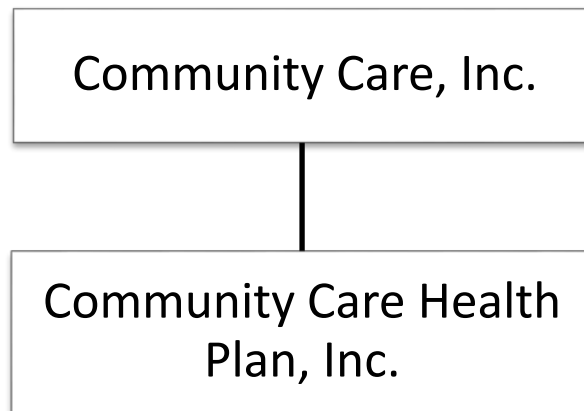
- Corporate Administration
- Risk Management
- Community Care Health Plan Operations
- Human Resources
- Provider Management
- Fiscal Management
- Information Management
- Compliance
- Utilization Management
- Community Care Family Care Operations
- Marketing
- Claims Management
- Quality Management

Community Care, Inc., does not contract with external vendors for claims processing, case management, program, or quality activities. The IT department uses contractors or consultants for administrative services on a limited project-specific basis. All ongoing IT maintenance, support, and administration of applications is handled internally.

#### IV. AFFILIATED COMPANIES

The company is a member of a holding company system. The company is the ultimate parent in the holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates of the company follows the organizational chart.

##### **Holding Company Chart As of December 31, 2018**



##### **Community Care Health Plan, Inc.**

Community Care Health Plan, Inc., is a Wisconsin nonprofit Health Maintenance Organization insurer which administers the Family Care Partnership and Program for the All-Inclusive Care of the Elderly or PACE. As of December 31, 2018, the company's audited financial statement reported assets of \$23.1 million, liabilities of \$8.4 million, and capital and surplus of \$14.7 million. Operations for 2018 produced net income of \$1.5 million on revenues of \$94.8 million.

##### **Community Care HUD Housing, Inc.**

Community Care HUD Housing, Inc. (CCHUD) is a tax-exempt 501(c)3 organization incorporated on July 23, 2012. The purpose of Community Care HUD Housing, Inc., was to hold HUD facilities which can be used by Community Care program members. CCHUD was sold on June 30, 2018, and is no longer part of the holding company.

## **Agreement with Affiliate**

Community Care, Inc., has an Administrative Service Agreement (ASA) with Community Care Health Plan, Inc., effective July 1, 2005. CCI agrees to provide the following administrative services to CCHP:

- Billing and collections
- Courier, mail and receiving
- Corporate minutes
- Books and records
- Central business office facility and support
- Payroll
- Telecommunications
- Provider network employment, contracting and management
- Marketing
- Quality management
- Risk management
- Medical direction
- Environmental services
- Financial/accounting support
- Administrative support
- Personal property
- Professional healthcare and social services
- Human resources
- Maintenance/mechanical report
- Information systems
- Medicaid and Medicare contract administration
- Claims adjudication and payment
- Utilization management
- Safety and security
- Medical record management

CCI receives monthly compensation based on the cost of services rendered under the agreement. CCI issues a regular monthly invoice, and amounts are due within ten days after the receipt of the invoice. The terms of the ASA are one-year and automatically renew each year unless terminated by either party in writing with 30 days' notice.

## **V. FINANCIAL DATA**

The following financial statements reflect the financial condition of the company as reported in the December 31, 2018, 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 company's operating results by target group and the growth of the company for the period under examination.

**Community Care, Inc.**  
**Balance Sheet**  
**As of December 31, 2018**

**Current Assets**

Cash and cash equivalents, operating	\$44,789,259
Capitation receivable net of allowance	772,974
Other DHS receivables net of allowance	7,390,808
Cost share receivable net of allowance	347,874
Room and board receivable net of allowance	482,242
Other third-party receivable net of allowance	11,117
Other short-term receivables net of allowance	169,799
Parent, subsidiary, affiliate receivable	187,178
Prepaid Insurance	539,232
Prepaid expenses - other	1,502,308
Other current assets	
<i>Total Current Assets</i>	<u>56,192,790</u>

**Long-Term Assets**

Risk reserve funds – FC Permitted MCO	\$ 5,082,391	
Solvency reserve/guaranty funds on deposit permitted MCO	2,590,000	
Building/land (cost)	10,853,774	
Accumulated depreciation – building/land	(3,936,155)	
Leasehold improvements (cost)	848,325	
Accumulated depreciation – leasehold improvements	(559,923)	
Furniture, equipment, and software (cost)	12,707,083	
Accumulated depreciation – furniture, equipment, and software	(11,152,639)	
Other long-term assets	<u>81,726</u>	
<i>Total Long-Term Assets</i>		<u>16,514,583</u>
<b>Total Assets</b>		<u><b>\$72,707,373</b></u>

**Current Liabilities**

Capitation payable	\$ 362,368
Unearned revenue-other	198,129
Other DHS Payable	2,631,090
Accrued salaries	901,196
Accrued taxes and benefits (current)	4,253,780
IBNR member services – current year	34,000,000
Accounts payable – general	1,548,334
Due to other	3,649,609
Current portion of long-term debt	180,000
Other current liabilities	<u>(389,260)</u>
<i>Total Current Liabilities</i>	47,335,245

**Long-Term Liabilities**

Loans payable	<u>3,320,000</u>
---------------	------------------

**Balance Sheet (cont.)**

<b>Total Liabilities</b>		50,655,245
<b>Equity</b>		
Beginning equity	\$28,998,924	
Other changes to equity	(5,514)	
Current year net income	<u>(6,941,282)</u>	
<i>Total Equity</i>		<u>22,052,128</u>
<b>Total Liabilities and Equity</b>		<u>\$72,707,373</u>



**Community Care, Inc.**  
**Profit and Loss Statement**  
**For the Period Ending December 31, 2018**

**Revenues**

MA capitation (net of cost share)	\$390,583,341
Cost share revenue	14,089,411
Room and board revenue	40,796,134
Other third-party payer revenues	511,516
Inter-company revenue	21,582,305
Other current year retro adjustments, DHS	<u>5,139,726</u>
<b>Total Revenue</b>	<b>472,702,433</b>

**Operating Expenses**

**Direct Member Service Expenses**

**Long-Term Care Services (All Programs)**

Adaptive equipment	\$ 4,381,961	
Adult day activities	3,568,965	
Habilitation/health	17,310,338	
Home care	74,063,295	
Home health care	3,517,351	
Institutional (NH/ICF-MR)	31,969,115	
Residential care	204,252,277	
Respite care	1,953,207	
Transportation	11,472,529	
Vocational	7,613,712	
Room and board - expenses	44,747,009	
Financial Management	2,680,161	
Other FC LTC services	<u>3,765,433</u>	
<i>Total LTC Services</i>		\$411,295,352
Other member expenses (Outside the benefit package)		<u>9,995</u>
<i>Total Member Service Expenses</i>		<u>411,305,347</u>

**Care Management Expenses**

Care management (CMUs/External)	31,389	
Care management (Internal)	34,587,108	
Care management admin – allocated	<u>4,792,414</u>	
<i>Total Care Management Expenses</i>		39,410,911

**Administrative Expenses**

Wages and benefits	10,064,236	
Occupancy	556,693	
Office expenses	950,451	
Legal/accounting/audit	151,294	
Interest expense	13,925	
Depreciation expense	600,413	
Insurance expense	270,665	
Travel/training/conference expense	164,488	
Other administrative expenses	1,900,143	
Administrative allocation to care management	(491,336)	
Administrative allocation to internally provided services	<u>17,242,258</u>	
<i>Total Administrative Expenses</i>		<u>31,423,230</u>

<b>Total Operating Expenses</b>		<u>482,139,488</u>
<b>Income (Loss) from Operations, current year</b>		\$ (9,437,055)
<b>Other (Income) Expenses, ordinary</b>		
Investment income – reserve funds	(130,204)	
Investment income – other LT	(181,559)	
Gain(loss) in investments (unrealized)	29,462	
(Gain)Loss in sale of LT asset	(29,276)	
Prior year adjustment – IBNR	(457,584)	
Prior year adjustment – other DHS	(1,265,109)	
Other non-operating and PDR	<u>(461,502)</u>	
<i>Total Other Expenses</i>		<u>(2,495,773)</u>
<b>Net Income (Loss)</b>		\$ <u>(6,941,282)</u>

**Community Care, Inc.**  
**Statement of Cash Flows**  
**For the Period Ending December 31, 2018**

**Operating Activities**

Net income per GL	\$ (6,941,282)
Add: Depreciation	600,413
Add: Gain(loss) on sale of LT assets	(29,276)
(Increase) Decrease Accounts receivable, capitation and DHS other	(4,024,093)
(Increase) Decrease accounts receivable general	(163,373)
(Increase) Decrease prepaid insurance	34,785
(Increase) Decrease prepaid other	19,901
Increase (Decrease) notes payable (within 1 yr.)	10,000
Increase (Decrease) IBNR	834,741
Increase (Decrease) accounts payable	(4,023,974)
Increase (Decrease) wages/taxes/ben. payable	350,616
Increase (Decrease) due to other payable	3,601,257
Increase (Decrease) unearned revenues	2,488,058
Increase (Decrease) other current liabilities	125,489
Increase (Decrease) other operating activities	<u>29,276</u>
<i>Net Cash Provided by Operating Activities</i>	(7,087,461)

**Investing Activities**

Change in property, plant and equipment	\$(351,840)	
Change in long-term investments	(270,879)	
Proceeds from sale	(5,514)	
Other long-term assets	45,613	
Other investing activities	<u>769,207</u>	
<i>Net Cash Used in Investing Activities</i>		186,586

**Financing Activities**

Loans payable, > 1 year		<u>(180,000)</u>
Net increase in cash and cash equivalents		(7,080,875)
Cash and Cash Equivalents Beg of Period		<u>51,870,134</u>
Cash and Cash Equivalents End of Period		<u>\$44,789,259</u>

**Community Care, Inc.**  
**Consolidated Balance Sheet**  
**As of December 31, 2018**

	CCI	CCHP	CCHUD	Eliminations	Consolidated Total
<b>Current Assets</b>					
Cash and cash equivalents, operating	\$44,789,259	\$11,889,819	\$	\$	\$56,679,078
Capitation receivable net of allowance	772,974	256,428			1,029,401
Other DHS receivables net of allowance	7,390,808	1,704,188			9,094,996
Cost share receivable net of allowance	347,874	67,877			415,751
Room and board receivable net of allowance	482,242	65,549			547,791
Other third-party receivable net of allowance	11,117	105,344			116,461
Other short-term receivables net of allowance	169,799	22,992			192,791
Parent, subsidiary, affiliate receivable	187,178			(187,178)	
Reinsurance receivable		26,923			26,923
Prepaid Insurance	539,232				539,232
Prepaid expenses - other	1,502,308				1,502,308
<i>Total Current Assets</i>	<u>56,192,790</u>	<u>14,139,120</u>		<u>(187,178)</u>	<u>70,144,732</u>
<b>Long-Term Assets</b>					
Risk reserve funds – FC Permitted MCO	5,082,391				5,082,391
Solvency reserve/guaranty funds on deposit permitted MCO	2,590,000				2,590,000
Other long-term investments, unrestricted		8,737,004			8,737,004
Building/land (cost)	10,853,774				10,853,774
Accumulated depreciation – building/land	(3,936,155)				(3,936,155)
Leasehold improvements (cost)	848,325				848,325
Accumulated depreciation – leasehold improvements	(559,923)				(559,923)
Furniture, equipment, and software (cost)	12,707,083				12,707,083
Accumulated depreciation – furniture, equipment, and software	(11,152,639)				(11,152,639)
Other long-term assets	81,726				81,726
<i>Total Long-Term Assets</i>	<u>16,514,583</u>	<u>8,737,004</u>			<u>25,251,587</u>
<b>Total Assets</b>	<u>\$72,707,373</u>	<u>\$22,876,124</u>	<u>\$</u>	<u>\$(187,178)</u>	<u>\$95,396,319</u>

	CCI	CCHP	CCHUD	Eliminations	Consolidated Total
<b>Current Liabilities</b>					
Capitation payable	\$ 362,368	\$220,034	\$	\$	\$582,402
Unearned revenue-other	198,129				198,129
Other DHS payable	2,631,090	103,493			2,734,583
Accrued salaries	901,196				901,196
Accrued taxes and benefits (current)	4,253,780				4,253,780
IBNR member services – current year	34,000,000	6,340,996			40,340,996
Accounts payable – claims processed		96,612			96,612
Accounts payable – general Parent, subsidiary, affiliate payable	1,548,334	997,480		(187,178)	2,545,814
Due to other	3,649,609	254,806			3,904,415
Current portion of long-term debt	180,000				180,000
Other current liabilities	<u>(389,260)</u>	<u>97,219</u>			<u>(292,040)</u>
<i>Total Current Liabilities</i>	47,335,245	8,297,819		<u>(187,178)</u>	55,445,887
<b>Long-Term Liabilities</b>					
Loans payable	<u>3,320,000</u>				<u>3,320,000</u>
<b>Total Liabilities</b>	50,655,245	8,297,819		<u>(187,178)</u>	58,765,887
<b>Equity</b>					
Beginning equity	28,998,924	13,136,104	25,525		42,160,554
Other changes to equity	(5,514)		5,514		
Current year net income	<u>(6,941,282)</u>	<u>1,442,201</u>	<u>(31,039)</u>		<u>(5,530,120)</u>
<i>Total Equity</i>	22,052,128	14,578,305	0	0	<u>36,630,433</u>
<b>Total Liabilities and Equity</b>	<u>\$72,707,373</u>	<u>\$22,876,124</u>	<u>\$ 0</u>	<u>\$(187,178)</u>	<u>\$95,396,320</u>

**Community Care, Inc. (Consolidated)**  
**Profit and Loss Statement**  
**For the Period Ending December 31, 2018**

	CCI	CCHP	CCHUD	Eliminations	Consolidated Total
<b>Revenues</b>					
MA capitation (net of cost share)	\$390,583,341	\$55,712,872	\$	\$	\$446,296,212
MC capitation		30,604,745			30,604,745
Cost share revenue	14,089,411	1,678,601			15,768,012
Room and board revenue	40,796,134	3,480,347			44,276,481
Other third-party payer revenues	511,516				511,516
Inter-company revenue	21,582,305			(21,582,305)	0
Other current year retro adjustments, DHS	<u>5,139,726</u>	<u>983,976</u>	_____	_____	<u>6,123,702</u>
<b>Total Revenue</b>	<b>472,702,433</b>	<b>92,460,541</b>	_____	<b>(21,582,305)</b>	<b>543,580,668</b>
<b>Operating Expenses</b>					
<b>Direct Member Service Expenses</b>					
<b>Acute and Primary Services</b>					
<b>(FCP/PACE Programs)</b>					
Dental		482,933			482,933
Pharmacy		10,899,905			10,899,905
Less: Pharmacy rebates		(383,836)			(383,836)
Less: Reinsurance recoveries		(5,217,270)			(5,217,270)
In-patient hospital		9,477,786			9,477,786
Less: Stop loss income recovery		(49,733)			(49,733)
Out-patient hospital		2,963,486			2,963,486
Other acute and primary services		<u>5,828,976</u>	_____	_____	<u>5,828,976</u>
<i>Total Acute and Primary</i>		<u>24,002,247</u>	_____	_____	<u>24,002,247</u>
<b>Long-Term Care Services (All Programs)</b>					
Adaptive equipment	4,381,961	1,053,836			5,435,797
Adult day activities	3,568,965	1,368,049			4,937,014
Habilitation/health	17,310,338	1,181,332			18,491,670
Home care	74,063,295	8,393,332			82,456,627
Home health care	3,517,351	332,677			3,850,028
Institutional (NH/ICF-MR)	31,969,115	8,484,868			40,453,983
Residential care	204,252,277	26,060,311			230,312,588
Respite care	1,953,207	170,400			2,123,607
Transportation	11,472,529	2,069,326			13,541,855
Vocational	7,613,712	100,369			7,714,081
Room and board – expenses	44,747,009	4,195,740			48,942,749
Financial Management	2,680,161	212,251			2,892,412
Other FC LTC services	<u>3,765,433</u>	<u>1,059,590</u>	_____	_____	<u>4,825,023</u>
<i>Total LTC Services</i>	<u>411,295,353</u>	<u>54,682,081</u>	_____	_____	<u>465,977,434</u>
Other member expenses (Outside the benefit package)	<u>9,995</u>		_____	_____	<u>9,995</u>
<i>Total Member Service Expenses</i>	<u>411,305,348</u>	<u>78,684,328</u>	_____	_____	<u>489,989,676</u>
<b>Care Management Expenses</b>					
Care management (CMUs/External)	31,389				31,389
Care management (Internal)	34,587,108	7,356,628			41,943,735
Care management admin – allocated	<u>4,792,414</u>	<u>1,482,712</u>	_____	_____	<u>6,275,126</u>
<i>Total Care Management Expenses</i>	<u>39,410,911</u>	<u>8,839,340</u>	_____	_____	<u>48,250,250</u>

	CCI	CCHP	CCHUD	Eliminations	Consolidated Total
<b>Administrative Expenses</b>					
Stop loss premiums		108,350			108,350
Wages and benefits	10,064,236	4,958,130			15,022,366
Occupancy	556,694	278,228			834,922
Office expenses	950,451	470,273			1,420,724
Legal/accounting/audit	151,294	76,463			227,757
Interest expense	13,925	2,459			16,384
Depreciation expense	600,413	302,837			903,250
Insurance expense	270,665	137,964			408,629
Travel/training/conference expense	164,488	36,521			201,009
Other administrative expenses	1,900,143	825,330			2,725,473
Administrative allocation to care management	(491,336)	(1,482,712)		(4,301,078)	(6,275,126)
Administrative allocation to internally provided services	<u>17,242,258</u>	<u>(1,401,147)</u>		<u>(17,281,227)</u>	<u>(1,440,116)</u>
<i>Total Administrative Expenses</i>	<u>31,423,231</u>	<u>4,312,696</u>		<u>(21,582,305)</u>	<u>14,153,622</u>
<b>Total Operating Expenses</b>	<u>482,139,490</u>	<u>91,836,364</u>		<u>(21,582,305)</u>	<u>552,393,549</u>
<b>Income (Loss) from Operations, current year</b>	(9,437,057)	624,177			(8,812,876)
<b>Other (Income) Expenses, Ordinary</b>					
Investment income – reserve funds	(130,204)				(130,204)
Investment income – other LTC	(181,559)	(139,420)			(320,979)
Gain(loss) in investments (unrealized)	29,462	14,963			44,425
(Gain)loss in sale of LT asset	(29,276)		31,039		1,763
Prior year adjustment – IBNR	(457,584)	(127,902)			(585,486)
Prior year adjustment – other DHS	(1,265,109)	(328,941)			(1,594,050)
Prior year adjustment – other		(220,840)			(220,840)
Other non-operating income	(492,690)	(18,434)			(511,124)
Other non-operating expenses	<u>31,188</u>	<u>2,552</u>			<u>33,740</u>
<i>Total Other Expenses</i>	<u>(2,495,773)</u>	<u>(818,022)</u>	<u>31,039</u>		<u>(3,282,755)</u>
<b>Net Income (Loss)</b>	<u>\$ (6,941,283)</u>	<u>\$1,442,201</u>	<u>\$(31,039)</u>	<u>\$ 0</u>	<u>\$ (5,530,121)</u>

**Growth of Community Care, Inc. (Nonconsolidated)**  
(in thousands except for member months)

Year	Assets	Liabilities	Equity	Capitation Revenue	Member Service Expenses	Net Income	Member Months
2018	\$72,707	\$ 50,655	\$22,052	\$390,583	\$411,305	\$(7,106)	130,155
2017	76,448	47,449	28,999	383,538	384,182	2,591	123,239
2016	68,946	42,243	26,703	355,130	362,650	326	116,008

Year	Profit Margin	Member Service Cost Ratio	Care Management Service Cost Ratio	Combined Member Service Cost Ratio	Administrative Expense Ratio	Change in Member Months
2018	-2.36%	85.3%	9.4%	94.7%	7.5%	5.6%
2017	0.6	82.3	9.2	91.5	8.0	6.2
2016	-0.2	83.1	8.1	91.3	8.9	5.3

**Per Member Per Month Information**

	2018	2017	Percentage Change
<b>Revenues</b>			
Capitation	\$3,000.91	\$3,112.14	-3.6%
Other revenue	<u>630.93</u>	<u>585.34</u>	7.8
Total revenue	3,631.84	3,697.48	-1.8
<b>Expenses:</b>			
Member service costs	3,160.12	3,117.38	1.4
Care management	302.80	300.36	0.8
Administrative	<u>241.43</u>	<u>261.70</u>	7.7
Total operating expenses	3,704.35	3,679.44	0.7
Other non-operating expenses	<u>(19.18)</u>	<u>(0.60)</u>	-3,096.7
Net income (loss)	<u><u>(53.33)</u></u>	<u><u>18.63</u></u>	-386.3
Member months	130,155	123,239	5.6

Community Care, Inc., had a significant net loss in 2018. The company is working with DHS to obtain more favorable capitation rates going forward in order to meet working capital requirements. The company is projecting a profit in 2019. CCI consolidated net income is \$11.9 million through July 2019 on combined revenues of \$345.1 million. As of the date of this report, CCI is meeting DHS working capital requirements due to increased capitation and cost-cutting measures.



**Reconciliation of Equity per Examination**

No adjustments were made to equity as a result of the examination. The amount of equity reported by the company as of December 31, 2018, is accepted.

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

## VI. SUMMARY OF EXAMINATION RESULTS

### Compliance with Prior Examination Report Recommendations

There were two 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 minutes be maintained for the Executive Committee and that the board or a committee of the board act annually to review and approve the compensation of the Chief Executive Officer in accordance with s. 181.0302 (11) and (14), Wis. Stat.

Action—Compliance.

2. Investments—It is again recommended that the board or a subordinate committee thereof review and approve purchases or sales of all investments in the future on at least a quarterly basis.

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.

### **Business Continuity Plan/Disaster Recovery Plan**

The IT review indicated that the company does not perform a business impact analysis or risk assessment as part of the business continuity plan/disaster recovery plan. It is recommended that the company perform a business impact analysis or a risk assessment as part of the business continuity plan/disaster recovery plan. Community Care, Inc., did perform an applications-criticality analysis as part of the Disaster Recovery Plan and is now in the process of performing a formal business risk assessment, which is expected to be completed by year's end.

### **Business Continuity Plan Review**

The IT review indicated that the review period of the business continuity plan/disaster recovery plan is set for more than a year. The industry standard for reviewing these plans is annually. It is recommended that the business continuity plan/disaster recovery plan be reviewed annually as an industry best practice. While a formal review of the entire plan is not performed annually, adjustments are made as the environment changes which does occur at least annually.

### **External Audit Engagement Letter**

A review of the 2018 external auditor engagement letter disclosed an indemnification clause releasing the CPA firm from liability as a result of a knowing misrepresentation by management. The indemnification clause is a violation of s. Ins. 57.32 (1) (b) Wis. Admin. Code. It is recommended that the indemnification clause be removed from the external audit engagement letters going forward.

## 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, 2018, 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	\$20 x Total yearly budgeted MM's

The company's financial requirement calculations as of December 31, 2018 are as follows:

### **Working Capital**

Current Assets	\$56,192,790
Current Liabilities	<u>47,335,245</u>
Working Capital	8,857,545
Working Capital Requirement	<u>11,703,701</u>
Excess/(shortage)	<u>\$(2,846,156)</u>

### **Restricted Reserves**

Current Restricted Reserves	\$5,082,391
Restricted Reserve Requirement	<u>4,901,234</u>
Excess/(shortage)	<u>\$ 181,157</u>

### **Solvency Fund**

Current Solvency Fund	\$2,590,000
Solvency Fund Requirement	<u>2,585,460</u>
Excess/(shortage)	<u>\$ 4,540</u>

The company was not meeting its working capital requirements at December 31, 2018. CCI has filed a 3-year business plan with DHS and this office to show their plan for coming into compliance with the financial requirements. The company is working with DHS and OCI to get back into compliance with working capital requirements.

## **VII. CONCLUSION**

Community Care, Inc., is a care management organization participating in the Wisconsin Family Care Program. CCI is organized to develop and develop innovative, flexible, community-based approaches to care for at-risk adults, in order to optimize their quality of life and optimize the allocation of community resources in its 14-county service area.

CCI reported a net loss of \$6.9 million in 2018. CCI's equity has been deteriorating, primarily due to poor operating results in the Family Care program. The company is working with DHS to meet working capital requirements in 2019. The company has submitted a three-year business plan to DHS and OCI to demonstrate its plan for coming into compliance with working capital requirements.

### **Subsequent Event**

DHS puts requests for bids (RFPs) out to CCI and other CMOs periodically. DHS put out RFPs for 2020 for Geographic Service Regions (GSRs) nine and 10 (Winnebago, Fond du Lac, Manitowoc, Waupaca, Outagamie, and Calumet counties) for Family Care, which CCI currently has in their service area. CCI placed bids for those areas and was not awarded a contract for 2020. Community Care, Inc., was notified that the Department of Health Services did not intend to continue contracting with Community Care, Inc., for Family Care program services in GSR nine and 10. Community Care, Inc., has protested that initial decision and the issue is currently unresolved.

## VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 25 - Business Continuity Plan/Disaster Recovery Plan—It is recommended that the company perform a business impact analysis or a risk assessment as part of the business continuity plan/disaster recovery plan.
2. Page 25 - Business Continuity Plan Review—It is recommended that the business continuity plan/disaster recovery plan be reviewed annually as an industry best practice.
3. Page 25 - External Audit Engagement Letter—It is recommended that the indemnification clause be removed from the external audit engagement letters going forward.

## IX. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company 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>
Kongmeng Yang	Insurance Financial Examiner
Yi Xu	Insurance Financial Examiner
Eleanor Lu	IT Specialist
Karl Albert, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist
Gene Renard, CFE	ACL Specialist
Jim Krueger	Assistant ACL Specialist

Respectfully submitted,



Jacob Burkett  
Examiner-in-Charge