

Report of the Examination of
Common Ground Healthcare Cooperative
Brookfield, Wisconsin
As of December 31, 2018

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tony Evers, Governor
Mark V. Afable, Commissioner

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March 6, 2020

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Honorable Mark V. Afable
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
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Commissioner:

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

COMMON GROUND HEALTHCARE COOPERATIVE
Brookfield, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Common Ground Healthcare Cooperative (the cooperative or CGHC) was conducted in 2015 as of December 31, 2014. The current examination covered the intervening period ending December 31, 2018, and included a review of such 2019 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 insurance company 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 cooperative 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 cooperative'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 cooperative to satisfy the recommendations and comments made in the previous examination report.

The cooperative is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

II. HISTORY AND PLAN OF OPERATION

Common Ground Healthcare Cooperative was incorporated as a Wisconsin nonprofit cooperative association under s. 185.05, Wis. Stat., and received a Certificate of Authority from the Office of the Commissioner of Insurance (OCI) on March 7, 2013, in accordance with s. 601.04, Wis. Stat. It operates as a nonprofit member-governed cooperative with no capital stock or shareholders. CGHC was selected in February 2012 to participate in the Consumer Operated and Oriented Plan (CO-OP) Program, which was created by Section 1322 of the Patient Protection and Affordable Care Act (ACA) to foster the creation of qualified nonprofit health insurance issuers to offer qualified health plans in the individual and small group markets through the provision of long-term loans to qualified applicants for financing start-up costs and insurance reserves. The loans are structured as "surplus notes" pursuant to s. 611.33 (2) (b), Wis. Stat., and qualify as surplus rather than a liability in accordance with Statement of Statutory Accounting Principles (SSAP) No. 41. The cooperative's application demonstrated the ability to create and sustain (1) consumer operation, control, and focus; (2) solvency and financial stability of coverage; and (3) care coordination, quality and efficiency to the satisfaction of the Centers for Medicare & Medicaid Services (CMS). The cooperative has contracts in place with health systems, physicians, hospital organizations, multi and single-specialty physician group practices, and individual physicians. The cooperative markets health insurance policies to small businesses, nonprofits, and individuals, both on and off the Marketplace exchange, primarily through internal employees, local independent insurance agents, and brokers. CGHC competes with traditional fee-for-service health care delivery and HMOs within its service area. According to its business plan, the cooperative's service area is comprised of the following counties: Brown, Calumet, Door, Fond du Lac, Kenosha, Kewaunee, Manitowoc, Marinette, Milwaukee, Oconto, Outagamie, Ozaukee, Racine, Shawano, Sheboygan, Waushara, Washington, Waukesha, Waupaca, and Winnebago. In 2018, the cooperative collected direct premium of \$564,943,967 in Wisconsin.

The cooperative markets health insurance policies to small businesses, nonprofits, and individuals, both on and off the Marketplace exchange, primarily through internal employees, local independent insurance agents, and brokers. The cooperative offers comprehensive health care coverage through three major provider networks, the Aurora Health Care network, the Bellin Health

network, and the ThedaCare network. Plans are offered in Gold, Silver, and Bronze through the federal Marketplace, with various levels of deductibles, coinsurance, and copays. Enrollees through the Marketplace can qualify for subsidies offered under the Affordable Care Act. The following health care coverages are provided (this is not an all-inclusive list):

- Physician services
- Outpatient services
- Mental health services and substance use disorder services—inpatient
- Dental services (accident only)
- Durable medical equipment
- Pregnancy—maternity services
- Habilitative services
- Preventive care services
- Genetic testing
- Diabetes services
- Skilled nursing facility and inpatient rehabilitation facility services
- Pulmonary or cardiac rehabilitation
- Chiropractic services
- Chemotherapy—outpatient and inpatient
- Kidney disease treatment
- Hospice care
- Hospital inpatient care
- Diagnostic testing
- Ambulance services
- Oral surgery
- Contraceptive medications and devices
- Newborn benefits
- Home health care
- Reproductive services
- Hearing exams and hearing aids
- Prosthetics
- Prescription drugs
- Physical speech and/or occupational therapy
- Radiation therapy—outpatient and inpatient
- Reconstructive procedures
- Transplants
- Vision examinations

CGHC uses a standard actuarial process for setting premiums. The cooperative’s rates are based on its historical incurred claims experience when that experience has sufficient volume, i.e., is credible. A blend of historical experience and a manual rate is used when the experience is not fully credible. CGHC’s historical incurred claims experience is trended forward to the pricing period and adjusted for projected differences between the experience period and the pricing period, including demographic differences, provider contract changes, and anticipated changes in the morbidity of the covered population. CGHC monitors its competitive position by product, market, and geography to retain market share and advance their strategic goals. Prior to 2018, the cooperative had considerable financial difficulties due to the volatility of the individual ACA market and being a startup. The cooperative was also negatively affected by the Federal Government failing to make Risk Corridor and Cost Sharing Reduction payments that were included in the ACA. In 2018, the cooperative increased premiums and nearly doubled membership due to the loss of a competitor from the ACA market. As a result of this, the cooperative substantially improved its financial position.

The following chart is a summary of premium income as reported by the cooperative in 2018. The growth of the cooperative is discussed in the “Financial Data” section of this report.

Premium Income

Line of Business	Direct Premium	Reinsurance Ceded	Net Premium
Comprehensive (hospital and medical)	\$564,943,967	\$7,486,956	\$557,457,011

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of 12 members. Directors are elected annually to serve a three-year term. Officers are elected at the board's annual meeting. The board members currently receive monthly compensation equal to the monthly premium value of the lowest cost individual bronze plan for serving on the board.

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

Name and Residence	Principal Occupation	Term Expires
Chris Martin, Chair Brookfield, Wisconsin	Owner of Cylinder Service, Inc.	2021
Amy Murphy, Vice Chair Milwaukee, Wisconsin	Public Health Consultant	2020
Mary Rehberg, Treasurer Green Bay, Wisconsin	Independent CPA	2022
Will Kort Whitefish Bay, Wisconsin	Watershed Planning Consultant	2020
Clifford Pukel Green Bay, Wisconsin	Oncologist	2022
Mike Braun Oshkosh, Wisconsin	Retired	2021
Brett Remington Mukwonago, Wisconsin	President of Blue Rock WI	2021
Erin Kenneke Two Rivers, Wisconsin	Self-Employed Dairy Farmer	2022
Terri Piszczor Milwaukee, Wisconsin	Freelance Consultant	2020
Bob Connolly (non-voting) Milwaukee, Wisconsin	Owner of The James Company	N/A
Jim Wesp (non-voting) West Bend, Wisconsin	Owner of Kettle Moraine Hardwoods	N/A
John P. Maglio (non-voting) Greenfield, Wisconsin	Retired Union Representative	N/A

Officers of the Cooperative

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

Name	Office	2018 Compensation
Cathy Mahaffey	Chief Executive Officer	\$ 402,183
Tom Lawless	Chief Financial Officer	214,169
Brian McDonald	Chief Business Development Officer	*94,380
Toni Bonde	Chief Operating Officer	**207,528

*Brian McDonald did not start working for the cooperative until August 2018

**Toni Bonde is no longer employed by the cooperative, replaced by Melissa Henderson in 2019

Committees of the Board

The cooperative'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:

Nominations-Governance Committee

Chris Martin, Chair
Mike Braun
Erin Kenneke
Bob Conolly

Audit Committee

Mary Rehberg, Chair
John Maglio
Cliff Pukel
Brett Remington

Compliance-Integrity Committee

Mike Braun, Chair
Terri Piszczor
Amy Murphy
Jim Wesp
Will Kort

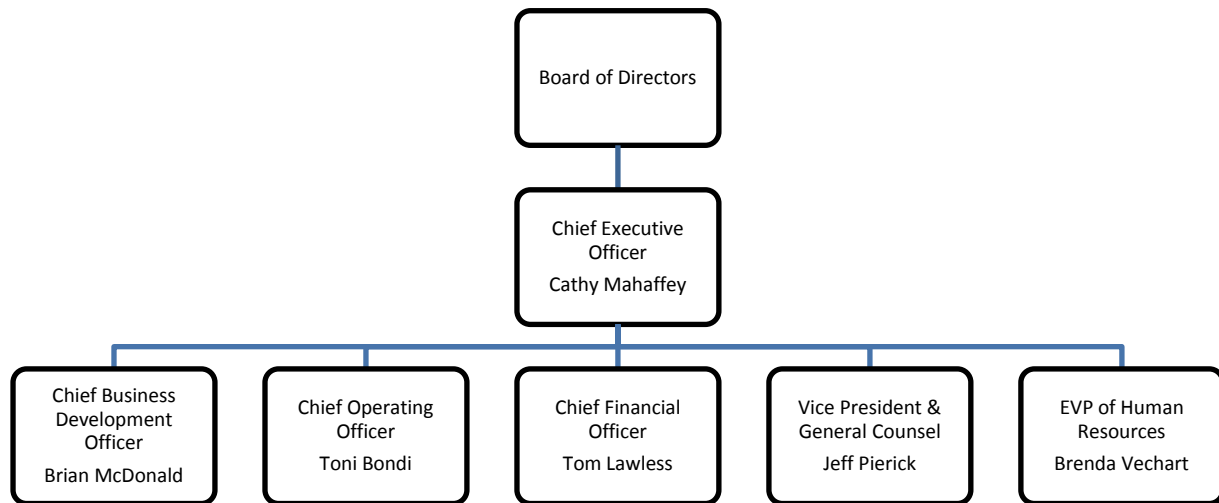
Strategic Planning Committee

Chris Martin, Chair
Bob Conolly
Mary Rehberg
Brett Remington
Jim Wesp
Amy Murphy

Member Advisory Committee

Amy Murphy, Chair
Mike Braun

**Internal Organizational Chart
As of December 31, 2018**



IV. REINSURANCE

As of December 31, 2018, the cooperative had one reinsurance treaty, which is described below. The contract contained proper insolvency provisions. The cooperative did not have any reinsurance assumed contracts during the period under examination.

Nonaffiliated Ceding Contracts

1. Type: HMO Excess of Loss Medical Reinsurance
- Reinsurer: Swiss Reinsurance Co. Ltd.
- Scope: Applies to policies issued during the term of the contract within the jurisdiction in which the cooperative is licensed. Applies to Commercial Group HMO/PPO and Individual On & Off Exchange lines of business.
- Retention: \$450,000 per member per agreement period
- Coverage: Commercial Group HMO/PPO
Individual On & Off Exchange
- Effective date: January 1, 2018, through December 31, 2018
- Termination: The agreement is automatically terminated at the end of the effective period. If the premiums are not paid within 60 days of the due date, the reinsurer may terminate the agreement.

The contract contains the following insolvency provisions:

1. In the event of the insolvency of either party, the rights or remedies of the agreement remain in full force and effect.
2. In the event of the insolvency of the reinsurer, the cooperative may terminate the agreement effective the date of the insolvency.
3. The reinsurer will be liable only for the benefits reinsured as benefits become due under the terms of the reinsured policies or for any damages or payments resulting from the termination or restructure of the policies that are not otherwise expressively covered by this agreement.

V. FINANCIAL DATA

The following financial statements reflect the financial condition of the cooperative as reported to the Commissioner of Insurance in the December 31, 2018, 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 cooperative and the compulsory and security surplus calculation.

Common Ground Healthcare Cooperative
Assets
As of December 31, 2018

	Assets	Nonadmitted Assets	Net Admitted Assets
Cash, cash equivalents, and short-term investments	\$197,989,894	\$	\$197,989,894
Investment income due and accrued	153,129		153,129
Uncollected premiums and agents' balances in course of collection	3,255,420	222,144	3,033,276
Accrued retrospective premiums and contracts subject to redetermination	3,020,471		3,020,471
Amounts recoverable from reinsurers	3,232,317		3,232,317
Electronic data processing equipment and software	34,902		34,902
Furniture and equipment, including health care delivery assets	518,257	518,257	
Health care and other amounts receivable	9,439,961		9,439,961
Write-ins for other than invested assets:			
Prepaid Expenses	206,404	206,404	
Prepaid Insurance	88,043	88,043	
Advanced Premium Tax Credit Receivable	<u>995,411</u>	<u> </u>	<u>995,411</u>
Total Assets	<u>\$218,934,209</u>	<u>\$1,034,848</u>	<u>\$217,899,361</u>

Common Ground Healthcare Cooperative
Liabilities, Surplus, and Other Funds
As of December 31, 2018

Claims unpaid		\$ 50,948,303
Premiums received in advance		10,065,408
General expenses due or accrued		8,043,811
Borrowed money and interest thereon		<u>4,089,674</u>
Total Liabilities		73,147,196
Gross paid in and contributed surplus	\$ 30,000,100	
Surplus notes	100,104,199	
Unassigned funds (surplus)	<u>14,647,866</u>	
Total Capital and Surplus		<u>144,752,165</u>
Total Liabilities, Capital and Surplus		<u>\$217,899,361</u>

**Common Ground Healthcare Cooperative
Statement of Revenue and Expenses
For the Year 2018**

Net premium income		\$557,457,011
Medical and Hospital:		
Hospital/medical benefits	\$323,996,286	
Emergency room and out-of-area		
Prescription drugs	<u>57,601,287</u>	
Subtotal	<u>381,597,573</u>	
Less		
Net reinsurance recoveries	<u>5,768,296</u>	
Total medical and hospital	<u>375,829,277</u>	
Claims adjustment expenses	5,714,489	
General administrative expenses	<u>41,931,281</u>	
Total underwriting deductions		<u>423,475,047</u>
Net underwriting gain or (loss)		133,981,964
Net investment gains or (losses)		<u>1,508,889</u>
Net income or (loss) before federal income taxes		135,490,853
Federal income taxes		<u>0</u>
Net Income (Loss)		<u>\$135,490,853</u>

**Common Ground Healthcare Cooperative
Capital and Surplus Account
For the Five-Year Period Ending December 31, 2018**

	2018	2017	2016	2015	2014
Capital and surplus, beginning of year	\$17,118,820	\$24,609,117	\$24,589,376	\$36,881,074	\$14,163,589
Net income (loss)	135,490,853	(11,115,745)	(36,009,391)	(28,249,077)	(36,544,668)
Change in nonadmitted assets	(222,353)	5,636,300	6,029,132	(11,584,120)	(737,847)
Change in surplus notes	(7,635,155)			27,541,499	60,000,000
Surplus adjustments:					
Paid in			30,000,000		
Prior period adjustment	<u> </u>	<u>(2,010,852)</u>	<u> </u>	<u> </u>	<u> </u>
Capital and Surplus, End of Year	<u>\$144,752,165</u>	<u>\$17,118,820</u>	<u>\$24,609,117</u>	<u>\$24,589,376</u>	<u>\$36,881,074</u>

**Common Ground Healthcare Cooperative
Statement of Cash Flow
For the Year 2018**

Premiums collected net of reinsurance		\$555,753,980
Net investment income		<u>1,380,797</u>
Total		557,134,777
Less:		
Benefit- and loss-related payments	\$358,322,482	
Commissions, expenses paid and aggregate write-ins for deductions	<u>43,938,773</u>	
Total		<u>402,261,255</u>
Net cash from operations		154,873,522
Net cash from investments		\$0
Cash Provided/Applied:		
Surplus notes, capital notes	(4,071,984)	
Capital and paid-in surplus, less treasury stock		
Borrowed funds received		
Net deposits on deposit-type contracts and other insurance liabilities		
Dividends to stockholders		
Other cash provided (applied)	<u>(74,466)</u>	
Net cash from financing and miscellaneous sources		<u>(4,146,450)</u>
Net Change in Cash, Cash Equivalents, and Short- Term Investments		150,727,072
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>47,262,822</u>
End of Year		<u>\$197,989,894</u>

Growth of Common Ground Healthcare Cooperative

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2018	\$217,899,361	\$73,147,196	\$144,752,165	\$557,457,011	\$375,829,277	\$135,490,853
2017	58,730,586	41,611,766	17,118,820	165,600,482	153,862,890	(11,115,745)
2016	59,240,584	34,631,467	24,609,117	88,751,332	106,782,819	(36,009,391)
2015	74,140,543	49,551,167	24,589,376	136,312,511	151,058,635	(28,249,077)
2014	105,608,799	68,727,725	36,881,074	123,520,435	123,939,035	(36,544,666)

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Change in Enrollment
2018	24.2%	67.4%	8.5%	90.6%
2017	-6.7	92.9	13.9	36.8
2016	-40.6	116.1	24.4	-48.1
2015	-20.7	99.8	20.9	27.3
2014	-29.6	115.5	14.1	N/A

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2018	51,885	315.6	5.21
2017	27,229	345.1	5.54
2016	17,215	327.5	5.66
2015	33,140	308.8	4.85
2014	26,034	447.6	6.12

Per Member Per Month Information

	2018	2017	Percentage Change
Premiums:			
Comprehensive	\$858.40	\$475.36	81%
Expenses:			
Hospital/medical benefits	579.82	451.61	28
Less: Net reinsurance recoveries	<u>8.76</u>	<u>19.14</u>	-53
Total medical and hospital	571.05	432.46	32
Claims adjustment expenses	8.68	10.56	-19
General administrative expenses	<u>63.71</u>	<u>54.17</u>	19
Total underwriting deductions	<u>\$ 72.40</u>	<u>\$ 64.73</u>	12

The cooperative increased premiums in 2018, contributing to the cooperative's net income of \$135.5 million and net cash from operations of \$154.9 million. The cooperative's enrollment increased by 90.6% due to the exit of a competitor from the individual ACA market. The cooperative's expenses increased on a per member per month (PMPM) basis but the increased premiums more than covered the additional expense. The cooperative has stabilized financially in 2018. Prior to 2018, the cooperative had significant financial challenges. The cooperative has significant surplus notes of \$104.2 million at the end of 2018; however, they require OCI's permission to make payments. The administrative expense ratio fell in 2018 due to the increased scale. The cooperative entered into an agreement with an unrelated third party on September 27, 2016, which resulted in a \$30 million capital infusion and is recognized in unassigned surplus in the statements of admitted assets, liabilities, and capital and surplus – statutory basis. Under terms of the arrangement, the capital infusion may be used at the sole discretion of the cooperative and is not required to be repaid to the unrelated third party and is thus considered unassigned surplus. This agreement was important to stabilize the cooperative's financial situation.

**Common Ground Healthcare Cooperative
Compulsory and Security Surplus Calculation
December 31, 2018**

Assets		\$217,899,361
Less security surplus of insurance subsidiaries		0
Less liabilities		<u>73,147,196</u>
Adjusted surplus		144,752,165
Annual premium:		
Individual life and health	\$552,423,893	
Factor	<u>15%</u>	
Total		\$82,863,583
Group life and health	5,033,118	
Factor	<u>10%</u>	
Total		<u>503,311</u>
Compulsory surplus (subject to a \$2,000,000 minimum)		<u>83,366,894</u>
Compulsory Surplus Excess (Deficit)		<u>\$ 61,385,271</u>
Adjusted surplus (from above)		\$144,752,165
Security surplus (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum of 110%)		<u>103,374,948</u>
Security Surplus Excess (Deficit)		<u>\$ 41,377,217</u>

Reconciliation of Capital and Surplus per Examination

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

VI. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

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

1. Business Continuity Plan—It is recommended that the cooperative develop a business continuity plan that includes updated disaster recovery planning, appropriate and regular testing of the disaster recovery plans, and planning for all aspects of the cooperative's operations, not just information technology (IT).

Action—Compliance.

2. IT General Control Improvements—It is recommended that the cooperative improve IT control weaknesses identified in the most recent CPA audit.

Action—Compliance.

3. Fidelity Bond Coverage—It is recommended that the cooperative increase its fidelity bond to at least \$2.0 million.

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 cooperative's operations is contained in the examination work papers.

Articles of Incorporation

The examination review of the biographical sketches on file with OCI for the cooperative's key personnel disclosed that several biographical sketches were not on file for some personnel. Normally, a cooperative would not be required to comply with s. Ins 6.52, Wis. Adm. Code; however, not filing this information with OCI means that the cooperative is not operating in accordance with its Articles of Incorporation. It is recommended that the cooperative file biographical sketches in accordance with its Articles of Incorporation.

Escheats

The examination review of the escheat process of the cooperative disclosed that there is no formal written cooperative policy for the filing of escheats with the state, which is in violation of ch. 177, Wis. Stat. Normally, a cooperative would not be required to comply with ch. 177, Wis. Stat.; however, the cooperative has not indicated an election to follow s. 185.03 (10), Wis. Stat., in a written procedure relating to the unclaimed property. It is recommended that the cooperative develop, and the board adopt, a written escheat policy. The policy must address: (1) the cooperative's procedures relating to stale-dated checks (sufficient to ensure compliance with the requirements of ch. 177, Wis. Stat.); and (2) the establishment and maintenance of an escheat liability account to account for stale-dated checks outstanding over one year.

Investment Approval

The examination review of the cooperative's board and board committee minutes disclosed the cooperative board is not formally approving all investment purchases and disposals. It is recommended that the board, or a subordinate committee thereof, review all investment transactions at least quarterly, approve or disapprove the investment transactions, and maintain documentation in board minutes or committee minutes of the records reviewed and the approval or disapproval of investment transactions, in accordance with s. 611.51 (6), Wis. Stat.

Corporate Records

The examination review of board committee minutes disclosed that the cooperative was unable to locate minutes of its Finance/Audit Committee for 2016 and 2017. Additionally, the cooperative was unable to locate copies of minutes for certain meetings for several other board committees. The cooperative indicated that minutes were kept but had been misplaced. It is recommended that the cooperative retain board committee minutes as permanent records as required by s. Ins 6.80 (4) (a), Wis. Adm. Code.

Corporate Records

In accordance with a directive of the Commissioner of Insurance dated March 9, 1989, 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 which 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 questionnaire by the appropriate persons. The examination review of conflict of interest statements for key cooperative personnel disclosed the cooperative was unable to locate conflict of interest statements for several directors in 2016. It is recommended that the cooperative properly maintain its conflict of interest statements in accordance with the directive issued by the Office of the Commissioner of Insurance regarding disclosure of conflicts of interest.

Executive Compensation

The State of Wisconsin requires that each Wisconsin-domiciled insurer file a supplement to the annual statement titled "Report on Executive Compensation" pursuant to ss. 601.42 and 611.63 (4), Wis. Stat. Compensation reported should include all gross, direct, and indirect remuneration paid and accrued during the reporting year for the benefit of the individual, including wages, salaries, bonuses, retirement benefits, deferred compensation, commissions, fees, and other forms of personal compensation. The examination review of the cooperative's Executive Compensation Report disclosed it was not completed in accordance with the form's instructions. The cooperative did not include the employer-paid portions of life insurance, employer-sponsored health care, and 401k deferrals as "other compensation" in its filing. It is recommended that the cooperative properly complete the Report on Executive Compensation as required by s. 611.63(4), Wis. Stat.

VII. CONCLUSION

The cooperative has grown substantially starting in 2018 due to the exit of a competitor from the federal individual market. The increased scale and increased premiums resulted in significant financial improvement in 2018. The cooperative is no longer considered a startup. The cooperative has significant surplus notes outstanding which require OCI's permission to make payments. The cooperative is expected to have a slight decline in membership in 2020 due to more competitors and greater price competition from existing competitors.

VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 19 Articles of Incorporation—It is recommended that the cooperative file biographical sketches in accordance with its Articles of Incorporation.
2. Page 19 Escheats—It is recommended that the cooperative develop, and the board adopt, a written escheat policy. The policy must address: (1) the cooperative's procedures relating to stale-dated checks (sufficient to ensure compliance with the requirements of ch. 177, Wis. Stat.); and (2) the establishment and maintenance of an escheat liability account to account for stale-dated checks outstanding over one year.
3. Page 19 Investment Approvals—It is recommended that the board, or a subordinate committee thereof, review all investment transactions at least quarterly, approve or disapprove the investment transactions, and maintain documentation in board minutes or committee minutes of the records reviewed and the approval or disapproval of investment transactions, in accordance with s. 611.51 (6), Wis. Stat.
4. Page 20 Corporate Records—It is recommended that the cooperative retain board committee minutes as permanent records as required by s. Ins 6.80 (4) (a), Wis. Adm. Code.
5. Page 20 Corporate Records—It is recommended that the cooperative properly maintain its conflict of interest statements in accordance with the directive issued by the Office of the Commissioner of Insurance regarding disclosure of conflicts of interest.
6. Page 20 Executive Compensation—It is recommended that the cooperative properly complete the Report on Executive Compensation as required by s. 611.63(4), Wis. Stat.

IX. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the cooperative 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
Nick Feyen	Insurance Financial Examiner
Adrian Jaramillo	Insurance Financial Examiner
Gene Renard, CFE	ACL Specialist
Dave Jensen, CFE	IT Specialist
Jerry DeArmond, CFE	Reserve Specialist
Terry Lorenz, CFE	Workpaper Specialist

Respectfully submitted,



Jacob Burkett
Examiner-in-Charge

X. SUBSEQUENT EVENTS

COVID-19 Pandemic

On March 11, 2020, The World Health Organization (WHO) declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. This office is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. OCI and all insurance regulators with the assistance of the National Association of Insurance Commissioners are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. OCI has been in communication with Common Ground Healthcare Cooperative regarding the impact of COVID-19 on business operations and the financial position of Common Ground Healthcare Cooperative and no immediate action was deemed necessary at the time of this report.

Resignation of the Chief Financial Officer

In January 2020, the cooperative's chief financial officer, Tom Lawless, submitted his resignation due to personal reasons effective December 31, 2020.

Texas v. United States

There is a lawsuit over the constitutionality of the Patient Protection and Affordable Care Act. Texas v. United States could have a significant impact on the cooperative if the Patient Protection and Affordable Care Act is ruled unconstitutional. In December 2019, the United States 5th Circuit Court of Appeals ruled on the case and sent it back to the lower court. The cooperative is monitoring this case as it progresses through the court system. The potential impact of a negative outcome is unknown.

Common Ground Healthcare Cooperative v. United States

The cooperative is a lead plaintiff in a lawsuit against the federal government for unpaid cost-sharing reduction payments that were a component of the Patient Protection and Affordable Care Act. The lawsuit is currently at the United States Supreme Court. A ruling is expected in 2020 and the potential financial effect is currently unknown.