

Report of the Examination of
Compcare Health Services Insurance Corporation
Waukesha, Wisconsin
As of December 31, 2022

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May 30, 2024

Honorable Nathan D. Houdek
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

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

COMPCARE HEALTH SERVICES INSURANCE CORPORATION
Waukesha, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Compcare Health Services Insurance Corporation (Compcare or the company) was conducted in 2019 as of December 31, 2017. The current examination covered the intervening period ending December 31, 2022, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of Elevance Health, Inc. (Elevance Health). The Indiana Department of Insurance (IDOI) acted in the capacity as the lead state for the coordinated examinations. Work performed by the IDOI was reviewed and relied on as deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurer to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those

that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

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

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

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with IDOI. The actuary reviewed the adequacy of the unpaid claims liability, reserves, and reinsurance. The actuary's results were reported to IDOI and shared with the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

Compcare Health Services Insurance Company is described as a for-profit mixed model health maintenance organization (HMO) insurer. An HMO insurer is defined by s. 609.01 (2), Wis. Stat., as ". . . a health care plan offered by an organization established under ch. 185, 611, 613, or 614 or issued a certificate of authority under ch. 618 that makes available to its enrolled participants, in consideration for predetermined fixed payments, comprehensive health care services performed by providers selected by the organization." Under the mixed model, the company has a delivery system consisting of a combination of staff physicians and/or one or more clinics and/or independent contracting physicians operating out of their separate offices. HMOs compete with traditional fee-for-service health care delivery.

Compcare was initially operated as a line of business by the corporate predecessors of Blue Cross Blue Shield of Wisconsin (BCBSWI). Compcare received its certificate of authority on June 2, 1980, as a nonstock insurer under provisions of ch. 613, Wis. Stat., and the corporation was subsequently dissolved on January 1, 1984. The current for-profit, stock company, Compcare Health Services Insurance Corporation, was incorporated on January 1, 1984, under the provisions of ch. 611, Wis. Stat., and commenced business on the same date. Compcare was organized with 2,000,000 shares of \$1 par value common stock.

In 1999, Compcare was licensed for its commercial lines of business with the BlueCross BlueShield Association (BCBSA). As a result, Compcare used the BCBSA licensee name of Compcare Blue. Compcare now markets its commercial products under the trade name of Anthem Blue Cross and Blue Shield.

In 2000, Compcare received a capital contribution from Cobalt Corporation (Cobalt), its parent company at the time, of all the outstanding stock of four affiliated companies. The equity balances of these companies at the time they were contributed to Compcare totaled \$51.6 million. In 2001, the outstanding stock of two additional affiliates was contributed to Compcare from Cobalt. As of the date of the examination, of the six contributed companies only one remained, Meridian Resources Company, LLC.

On September 24, 2003, Cobalt was merged with and into Crossroads Acquisition Corp. (Crossroads), a wholly-owned subsidiary of WellPoint Health Networks, Inc. (WHN). WHN was a publicly traded managed health care company domiciled in the State of Delaware. Blue Cross Blue Shield United of Wisconsin changed its name in November 2003 to the name that is presently used. On November 30, 2004, WHN merged with and into Anthem Holding Corp., a directly and wholly owned subsidiary of Anthem, Inc. (Anthem), with Anthem Holding Corp., as the surviving entity in the merger. In connection with the merger, Anthem, Inc., changed its name to WellPoint, Inc. On December 3, 2014, WellPoint, Inc., changed its name to Anthem, Inc. On June 28, 2022, Anthem, Inc. rebranded to be called Elevance Health, Inc.

Compcare contracts with independent practice associations (IPAs), clinics, integrated delivery systems (hospital/physician joint ventures or PHOs), and individual physicians for the provision of enrollees' covered services. Upon enrollment, the enrollee chooses a primary care physician: however, after 2005, the requirement of referrals to be preauthorized by the primary care physician is no longer necessary for coverage.

The contracts include hold-harmless provisions for the protection of policyholders. Physicians are reimbursed on a capitation, discounted fee-for-service, or fee-schedule basis. In some cases, the company uses a "target" system of payment, under which a portion of the reimbursement is withheld pending an evaluation of the provider's experience for the year. Contracts with facilities typically have a three-year term and are automatically renewed for additional one-year terms, while contracts with providers are continuous until terminated. In general, either party may terminate contracts, without cause, with 180 days' written notice.

The company contracts with 131 hospitals to provide inpatient services. Hospitals are reimbursed on a negotiated-diagnosis related group rate (DRG) or per diem or discounted from billed charges basis.

Compcare's service area as of December 31, 2022, is comprised of all 72 Wisconsin counties.

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

Physician services
Inpatient services
Outpatient services
Mental health, drug, and alcohol abuse services
Ambulance services
Special dental procedures (oral surgery)
Prosthetic devices and durable medical equipment
Newborn services
Home health care
Preventive health services
Family planning
Hearing exams and hearing aids
Diabetes treatment
Routine eye examinations
Convalescent nursing home service
Prescription drugs—copayments vary by plan
Cardiac rehabilitation, physical, speech, and/or occupational therapy
Physical fitness or health education (\$30.00 per year maximum)
Kidney disease treatment
Certain transplants
Chiropractic services

Inpatient mental health and AODA coverage is limited to 30 days and \$6,300.00, outpatient mental health and AODA coverage is limited to \$900.00 per year, emergency services have a \$25.00 copayment which is waived upon admission into an inpatient facility, and skilled nursing care is limited to 30 days. Plan coverage is contingent on nonemergency services being provided by participating physicians and hospitals or on the referral of participating physicians. The company also has a number of copayment plans in which certain inpatient and physician services are subject to various levels of copayments. In southeastern Wisconsin, the company also offers a limited network of providers for employers willing to have a more restricted network for a lower premium.

Certain preventive services are not covered when out-of-network providers are used. Nonemergency out-of-network inpatient and outpatient hospital services require precertification. If no precertification is done, the member could be held responsible for the charges.

In addition to its HMO products, Compcare also offers point-of-service (POS) products. The indemnity (out-of-network) portion of Compcare's POS products is underwritten by BCBSWI (see the "Affiliated Agreements" section of this report for additional details). POS products provide

comprehensive benefits similar to those listed above when participating providers are used. The enrollee may elect, at the time of service, to use providers that are not part of the company's network for higher deductibles and coinsurance levels.

Compcare participates in the individual exchange under the Affordable Care Act, with qualified health plans (QHPs) for enrollment dates that began on January 1, 2014. The QHPs include the Blue Priority Plans (HMO only) and three stand-alone dental plans. These plans were offered on the health care exchange for coverage beginning on January 1, 2014. Currently, individual exchange products through Compcare are available in all but one county in Wisconsin.

Compcare derives approximately 25% of its written premiums from Wisconsin's Medicaid/BadgerCare Program. Compcare contracts directly with the Wisconsin Department of Health Services (DHS) to provide specified health care benefits to eligible Medicaid Assistance/BadgerCare recipients. In exchange for these services, Compcare is paid a monthly capitation rate, which is designed to be less than the cost of providing the same services covered under the contract to a comparable Medicaid population on a fee-for-service basis.

The company currently markets to groups and individuals. Compcare uses both internal staff and outside agencies to market its products. External agents are paid commission on new and renewal business. These commissions are calculated based on either per contract/per month, ranging from \$5 to \$45, or a percentage of premiums, ranging from 3% to 10%.

The company uses an actuarially determined base as a beginning point in premium determination. This rate is adjusted to reflect the age, sex, occupation, and coverage characteristics of new groups. Experience is reviewed for renewal groups and based on the review, a recommendation is made regarding adjusting the rate or canceling the group. The base rate is adjusted quarterly for inflation and other trending factors. For individual business, Compcare uses the community rating method as mandated by the Affordable Care Act.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of three members. All directors are elected annually to serve a one-year term. Officers are elected by the board of directors. Directors for Compcare also serve on the common Board of Directors of affiliate companies Blue Cross Blue Shield of Wisconsin and Wisconsin Collaborative Insurance Company.

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

Name and Residence	Principal Occupation	Term Expires
Paul C. Nobile Hartland, Wisconsin	President, CEO and Director	2025
Theodore M. Osthelder Madison, Wisconsin	Senior Government Relations Director	2025
Jennifer A. Dewane Williamston, Michigan	Vice President and General Counsel	2025

Officers of the Company

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

Name	Office
Paul C. Nobile	President & CEO
Kathleen S. Kiefer	Vice President & Secretary
Vincent E. Scher	Vice President & Treasurer
Julie E. Walsh	Assistant Secretary
Eric K. Noble	Assistant Treasurer

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. All insurance operations of the Elevance Health Group are governed by Elevance Health's board and board-appointed committees. The subsidiary insurance companies, which include Compcare, do not have any board-appointed committees. The subsidiary companies, including Compcare, recognize and follow the direction of Elevance Health's board-appointed committees. Elevance Health's board-appointed committees include the Governance Committee, Audit Committee, Compensation Committee, and Finance Committee. These committees offer corporate governance and specific "expert" guidance to the subsidiaries. Elevance Health's board and each of the committees meet at least quarterly throughout

the year. Annually, Elevance Health conducts a stockholders' meeting where its directors are nominated and elected. The members of each of these committees (as of December 31, 2022) are listed below:

Finance Committee

R. Kerry Clark, Chair
Robert L. Dixon, Jr.
Lewis Hay, III
Ramiro G. Peru
Susan D. DeVore

Audit Committee

Lewis Hay, III, Chair
R. Kerry Clark
Deanna D. Strable
Antonio F. Neri
Susan D. DeVore

Governance Committee

Bahija Jallal, Chair
Deanna D. Strable
Antonio F. Neri
Ryan M. Schneider
Elizabeth E. Tallett

Compensation and Talent Committee

Ramiro G. Peru, Chair
Robert L. Dixon, Jr.
Bahija Jallal
Ryan M. Schneider
Elizabeth E. Tallett

The company has no employees. Necessary staff is provided through a management agreement with Elevance Health. Under the agreement, effective January 1, 2004, Elevance Health agrees to negotiate employer, provider, subscriber, and other contracts; advises the board; maintains accounting and financial records; recruits marketing, utilization review, and claims processing personnel; provides or contracts for claims processing; and provides MIS. Elevance Health receives reimbursement based on the actual cost of the services rendered. The term of the agreement is for one year with automatic renewal. The company may terminate the agreement upon 90 days' written notice.

Insolvency Protection for Policyholders

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

1. Enrollees hospitalized on the date of insolvency will be covered until discharged; and
2. Enrollees will be entitled to similar, alternate coverage that does not contain any medical underwriting or preexisting limitation requirements.

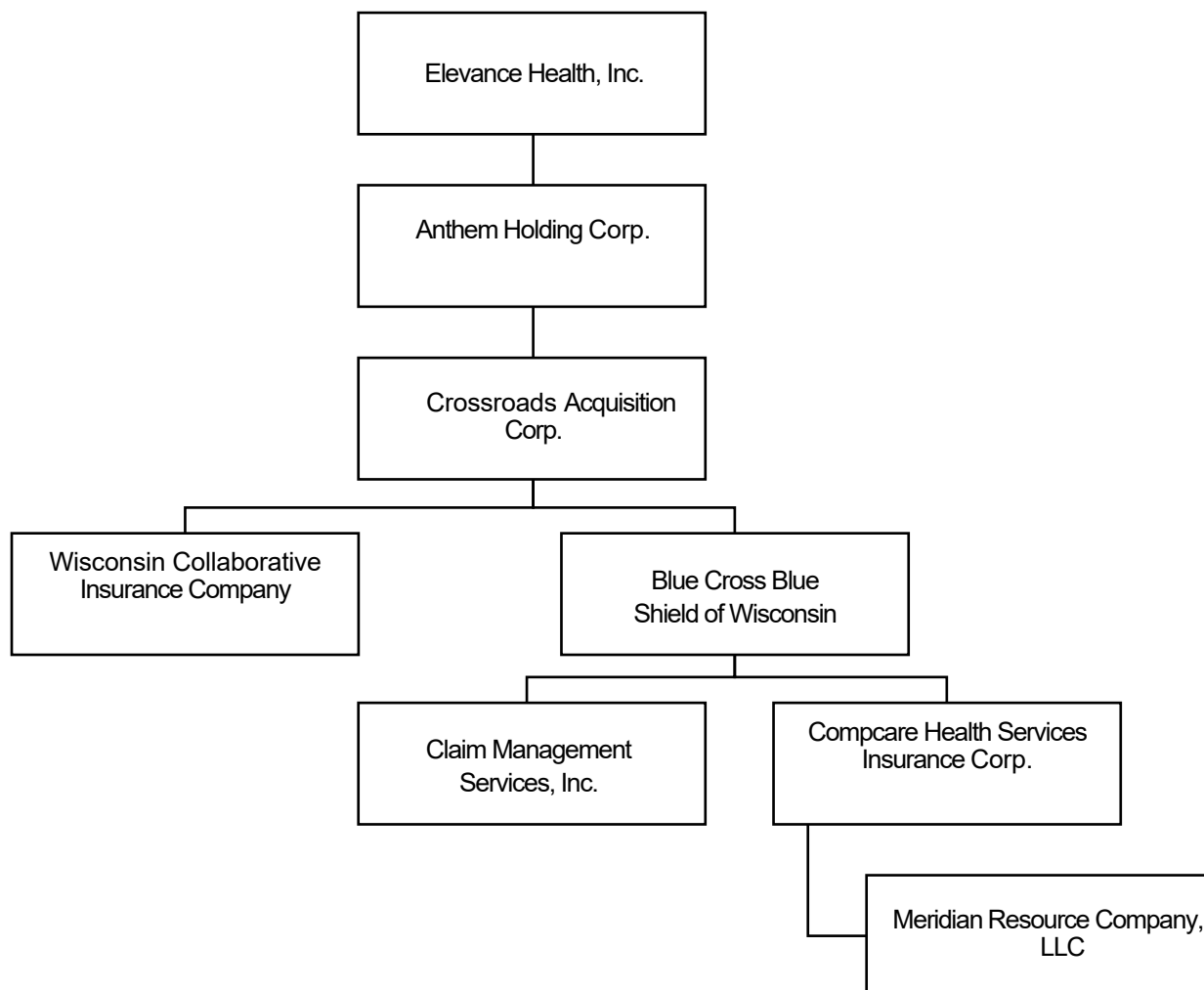
The company has met this requirement through maintaining compulsory surplus levels as required by s. Ins 51.80, Wis. Adm. Code.

IV. AFFILIATED COMPANIES

The company is a member of a holding company system. Its ultimate parent is Elevance Health, Inc. The holding company system offers a broad spectrum of network-based managed care plans to the large and small employer, individual, Medicaid, and Medicare markets. The managed care plans include preferred provider organizations, health maintenance organizations, point-of-service plans, traditional indemnity plans, and other hybrid plans, including consumer-driven health plans, hospital only, and limited-benefit products. In addition, the holding company system provides a broad array of managed care services to self-funded customers, including claims processing, underwriting, stop-loss insurance, actuarial services, provider network access, medical cost management, and other administrative services. An array of specialty and other products and services are also provided including pharmacy benefit management, group life and disability insurance, dental, vision, behavioral health benefits, and long-term care insurance.

The abbreviated organizational chart below is a simplified version of the complete organizational chart due to the size and complexity of the holding company system. The Elevance Health Group consisted of 245 companies on December 31, 2022. The chart includes affiliates that are mentioned elsewhere in the report, are a party to BCBSWI's intermediate holding company, or have agreements with the company's direct parent. A brief description of affiliates follows the organizational chart.

**Holding Company Chart
As of December 31, 2022**



Elevance Health, Inc. (Formerly Anthem, Inc.)

Elevance Health, Inc., is a publicly-traded company listed on the New York Stock Exchange under the ticker symbol ELV and is domiciled in the state of Indiana. Elevance Health, Inc., is one of the largest health benefit companies in terms of membership in the United States. The company was formed when WellPoint Health Network Inc., and Anthem, Inc., merged in 2004. The parent company originally assumed the WellPoint, Inc., name at the time of the merger. In December 2014, WellPoint, Inc., changed its corporate name to Anthem, Inc. In June 2022, Anthem rebranded to be called Elevance Health Inc. Elevance Health, Inc., offers a broad spectrum of network-based managed care plans to the large and small employer, individual, Medicaid, and senior markets through its subsidiaries. The 10-K filing for

Elevance Health, Inc., as of December 31, 2022, reported assets of \$62.5 billion, liabilities of \$26.2 billion, and stockholders' equity of \$36.3 billion.

Crossroads Acquisition Corp.

Crossroads Acquisition Corp. is a holding company incorporated in the state of Delaware. Crossroads' operations consist mainly of its investment holdings in Blue Cross Blue Shield of Wisconsin and its subsidiaries. As of December 31, 2022, the GAAP financial statements of Crossroads reported assets of \$1.4 billion, liabilities of \$3.1 million, and equity of \$1.3 billion. Operations for 2022 produced a net income of \$212.4 million.

Blue Cross Blue Shield of Wisconsin

Blue Cross Blue Shield of Wisconsin is a stock insurance company domiciled in the state of Wisconsin. BCBSWI was originally incorporated in 1939 as a nonstock, service insurance corporation organized pursuant to ch. 613, Wis. Stat. Effective March 23, 2001, BCBSWI converted to a stock insurance corporation organized pursuant to ch. 611, Wis. Stat. BCBSWI offers traditional indemnity and managed health care products and services to groups and individuals in Wisconsin. As of December 31, 2022, BCBSWI's statutory-basis audited financial statements reported assets of \$783.3 million, liabilities of \$287.4 million, and capital and surplus of \$495.9 million. Operations for 2022 produced a net income of \$91.1 million on revenues of \$853.9 million.

Wisconsin Collaborative Insurance Corporation

Wisconsin Collaborative Insurance Corporation (WCIC) is a licensed HMO in Wisconsin. The company was 55% owned by Crossroads Acquisitions Corporation on behalf of Anthem, Inc. and 45% owned by Aurora Health Care, Inc. On February 1, 2022, Crossroads Acquisition purchased all 45% of the company from Aurora Health Care, Inc., becoming 100% owner of WCIC. As of December 31, 2022, WCIC's statutory-basis audited financial statements reported assets of \$41.8 million, liabilities of \$15.0 million, and capital and surplus of \$26.8 million. Operations for 2022 produced a net loss of \$7.8 million on revenue of \$32.1 million.

Claim Management Services, Inc.

Claim Management Services, Inc., is a non-insurance company incorporated in the state of Wisconsin and is a wholly owned subsidiary of BCBSWI. The company primarily acted as a third-party

administrator for self-funded employee benefit plans in Wisconsin and has no current operations. As of December 31, 2022, the financial statements of Claim Management Services, Inc., reported assets of \$3.7 million, liabilities of \$3.3 million, and equity of \$0.4 million. Operations for 2022 produced a net loss of \$82 thousand on revenues of \$145.

Meridian Resource Company, LLC

Meridian Resources Company, LLC/Carelon is a non-insurance company organized in Wisconsin and is a wholly owned subsidiary of Compcare. Meridian Resources Company, LLC/Carelon, provides various investigative and health care services for health care organizations and employer groups. As of December 31, 2022, the financial statements of Meridian Resource Company, LLC/Carelon reported assets of \$32.6 million, liabilities of \$26.3 million, and equity of \$6.2 million. Operations for 2022 produced a net income of \$26.5 million on revenues of \$70.7 million.

Agreements with Affiliates

Compcare has no employees of its own and all of its operations are conducted by employees of Elevance Health in accordance with the business practices and internal controls of that organization. In addition to ongoing common management and control by this upstream affiliate, various written agreements and undertakings affect the company's relationship with its affiliates. A brief summary of the other agreements follows:

Administrative Services Agreement

Effective August 1, 2003, BCBSWI and Compcare entered into a service agreement with respect to the point-of-service product (POS), where BCBSWI will underwrite the indemnity segment of the product, and Compcare will underwrite the HMO segment of the product and provide administrative services for both the indemnity and HMO segments. In consideration for the services rendered by Compcare, the company is to pay the lower of 1) the actual cost of the services provided, or 2) 8% of the gross premium relating to POS indemnity premium. The contract specifies that 10% of the gross premium is attributable to POS indemnity premium and is remitted to the company monthly. However, the contract acknowledges that this can be adjusted throughout the policy year. This agreement may be terminated by either party upon 30 days' written notice.

Master Administrative Services Agreement

Compcare is a party to an agreement whereunder Elevance Health subsidiaries may provide certain administrative, consulting, and other support services to one another from time to time. These services are intended to enhance the organizational and administrative capacity and augment the abilities of one another. The agreement provides that services thereunder are to be outlined in attachments to the agreement as may be executed from time to time and that each attachment shall be deemed to be part of the master agreement with respect to the entities that are parties to the attachment. This agreement was originally effective January 1, 2004, and amended in 2014 to include NAIC Model Law regulations. Also in this amendment was language that sets forth the services to be provided or received by Compcare a connection with Elevance Health's development of an affiliated pharmacy benefit manager, CarelonRx (f/k/a IngenioRx).

Finally, a new amendment to the agreement (referred to as the "FMV Attachment") was incorporated, modifying the compensation arrangement with respect to certain of the services that may be provided to Compcare under the existing agreement was added in May of 2019. Pursuant to this amendment, the compensation to be paid by a party receiving certain specified services will be an amount up to, but no more than, fair market value of the services at the time such services are provided; and such amount will be fair and reasonable and shall not exceed what a party would pay for similar services from an unrelated third-party in an arm's length transaction.

Consolidated Federal Income Tax Agreement

Effective December 31, 2005, BCBSWI entered into a tax allocation agreement with Anthem/Elevance Health (WellPoint) and its subsidiaries. Under this agreement, Anthem/Elevance Health will file a consolidated tax return for member companies; member companies, in turn, agree to make quarterly payments to Anthem/Elevance Health in an amount equal to the full separate federal, state, and local income tax liability attributable to the net taxable income of each member that would have been paid if such member had filed separate federal, state, and local tax returns. This agreement can be terminated by 1) mutual written agreement by all parties, 2) an affiliate is no longer a member of the Anthem/Elevance Health Group, and 3) if the Anthem/Elevance Health Group fails to file a consolidated corporate income tax return for any taxable year.

Cash Concentration Agreement

The company entered into a cash concentration agreement effective December 15, 2014, with Elevance Health, and BCBSWI are parties to this agreement. The agreement was amended on January 1, 2021, to include WCIC. Any of the parties can be the designated cash manager (currently Elevance Health, Inc.) and will perform one or more of the following on behalf of Compare, WCIC, and BCBSWI:

1. Accept the receipt of funds, including but not limited to:
 - a. Premium payments and other revenue, and
 - b. Benefit and administrative expense reimbursements.
2. Distribution of funds, including but not limited to:
 - a. Benefit payments,
 - b. Payroll payments, and
 - c. General administrative expenses and accounts payable payments.

The settlement of intercompany payables and receivables established in pursuant to this agreement are to be settled within 30 days from the date of establishment. The cash manager will be reimbursed for the direct and indirect costs and expenses it incurs while acting as cash manager. The agreement may be terminated at the end of any quarter with written notice no later than 90 days prior to the last day of any quarter.

Network Rental Agreement

The company entered into a network rental agreement between Wisconsin Collaborative Insurance Company, Blue Cross Blue Shield of Wisconsin, and Compcare Health Services Insurance Corporation effective January 1, 2018. Under this agreement, Compcare may continue using the Blue Priority Network for specified business and allow for the possible rental of BCBSWI networks by WCIC. Each party may terminate this agreement upon 180 days' written notice.

Master Behavioral Health Services Agreement

Effective February 28, 2020, Elevance Health, Inc. acquired the Carelon Behavioral Health, Inc. (f/k/a Beacon Health Options, Inc.) companies, a behavioral health organization engaged in the business of providing administrative, management and utilization review services in connection with

mental health and substance abuse services on behalf of health care plans and insurance companies. Carelon Behavioral Health Strategies, LLC (f/k/a Beacon Health Strategies LLC) and Carelon Behavioral Health, Inc. (f/k/a Beacon Health Options, Inc.) would provide behavioral health services to BCBSWI and Compcare. The agreement became effective upon the closing of the Carelon Behavioral Health acquisition. The agreement was amended and restated with an effective date of January 1, 2021, to incorporate language on specific lines of business and update compensation language.

V. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the commissioner of insurance in the December 31, 2022, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Capital and Surplus per Examination." Also included in this section are schedules that reflect the growth of the company and the compulsory and security surplus calculation.

Compcare Health Services Insurance Corporation
Assets
As of December 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$627,954,941	\$	\$627,954,941
Cash, cash equivalents and short-term investments	102,192,745		102,192,745
Other invested assets	6,245,860	6,245,860	
Securities lending reinvested collateral assets	24,767,117		24,767,117
Investment income due and accrued	5,102,920		5,102,920
Uncollected premiums and agents' balances in the course of collection	18,268,819	796,576	17,472,243
Accrued retrospective premiums and contracts subject to redetermination	60,081,392		60,081,392
Amounts receivable relating to uninsured plans	40,636,496	1,355,259	39,281,237
Current federal and foreign income tax recoverable and interest thereon	5,853,359		5,853,359
Net deferred tax asset	7,125,242		7,125,242
Health care and other amounts receivable	32,337,903	12,386,760	19,951,143
Write-ins for other than invested assets:			
City income tax recoverable	254,856		254,856
Miscellaneous assets	57,333	947	56,386
Prepaid Expenses	<u>3,833,346</u>	<u>3,833,346</u>	<u> </u>
Total Assets	<u>\$934,712,329</u>	<u>\$24,618,748</u>	<u>\$910,093,581</u>

Compcare Health Services Insurance Corporation
Liabilities and Net Worth
As of December 31, 2022

Claims unpaid		\$226,312,612
Accrued medical incentive pool and bonus payments		15,015,960
Unpaid claims adjustment expenses		6,291,436
Aggregate health policy reserves		109,720,779
Premiums received in advance		8,525,004
General expenses due or accrued		7,906,419
Amounts withheld or retained for the account of others		95,469
Remittance and items not allocated		22,567,014
Amounts due to parent, subsidiaries, and affiliates		142,065,339
Payable for securities lending		24,767,117
Liability for amounts held under uninsured accident and health plans		12,037,909
Miscellaneous liabilities		1,633,939
Escheat liability		835,205
Other premium liability		<u>781,586</u>
Total Liabilities		578,555,788
Common capital stock	\$ 2,000,000	
Gross paid in and contributed surplus	66,329,773	
Unassigned funds (surplus)	<u>263,208,020</u>	
Total Capital and Surplus		<u>331,537,793</u>
Total Liabilities, Capital and Surplus		<u>\$910,093,581</u>

Compcare Health Services Insurance Corporation
Statement of Revenue and Expenses
For the Year 2022

Net premium income		\$2,408,091,279
Change in unearned premium reserves and reserve for rate credits		(65,229,037)
Total revenues		2,342,862,242
Medical and Hospital:		
Hospital/medical benefits	\$1,442,901,248	
Other professional services	207,235,419	
Outside referrals	51,194,647	
Emergency room and out-of-area	127,322,222	
Prescription drugs	135,441,141	
Incentive pool and withhold adjustments	<u>20,391,934</u>	
Total medical and hospital	1,984,486,611	
Claims adjustment expenses	107,558,864	
General administrative expenses	180,048,237	
Increase in reserves for life and accident and health contracts	<u>(100,220)</u>	
Total underwriting deductions		<u>2,271,993,492</u>
Net underwriting gain or (loss)		70,868,750
Net investment income earned	43,294,356	
Net realized capital gains or (losses)	<u>(6,793,238)</u>	
Net investment gains or (losses)		36,501,118
Net (loss) from agents' or premium balances charged off		(321,764)
Write-ins for other income or expenses:		
Miscellaneous other expense		<u>(244,125)</u>
Net income or (loss) before federal income taxes		106,803,979
Federal and foreign income taxes incurred		<u>17,813,136</u>
Net Income (Loss)		<u>\$ 88,990,843</u>

**Compcare Health Services Insurance Corporation
Capital and Surplus Account
For the Five-Year Period Ending December 31, 2022**

	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$246,849,285	\$226,707,332	\$91,843,279	\$167,879,600	\$152,882,325
Net income (loss)	88,990,843	35,386,060	47,477,236	68,984,132	59,098,502
Change in net unrealized capital gains/losses	508,115	(133,816)	1,573,032	579,192	(7,772,107)
Change in net deferred income tax	1,546,833	768,286	1,988	937,821	1,485,886
Change in nonadmitted assets	(6,357,283)	(878,578)	4,911,797	(6,537,466)	2,184,995
Dividends to stockholders Capital and Surplus, End of Year	<u>(15,000,000)</u>	<u>(15,000,000)</u>	<u>(19,100,000)</u>	<u>(40,000,000)</u>	<u>(40,000,000)</u>
	<u>\$331,537,793</u>	<u>\$246,849,285</u>	<u>\$226,707,332</u>	<u>\$191,843,279</u>	<u>\$167,879,600</u>

**Compcare Health Services Insurance Corporation
Statement of Cash Flow
For the Year 2022**

Premiums collected net of reinsurance		\$2,396,998,131
Net investment income		44,001,645
Total		2,440,999,776
Less:		
Benefit- and loss-related payments	\$1,996,492,039	
Commissions, expenses paid and aggregate write- ins for deductions	278,866,484	
Federal and foreign income taxes paid (recovered) net of tax on capital gains (losses)	<u>13,686,020</u>	
Total		<u>2,289,044,543</u>
Net cash from operations		151,955,233
Proceeds from Investments Sold, Matured or Repaid:		
Bonds	\$287,363,613	
Net gains (losses) on cash, cash equivalents, and short-term investments	<u>(22,479)</u>	
Total investment proceeds		287,341,134
Cost of Investments Acquired—Long-term Only:		
Bonds	412,657,206	
Miscellaneous applications	<u>10,862,378</u>	
Total investments acquired		<u>423,519,584</u>
Net cash from investments		(136,178,450)
Other cash provided (applied)	<u>54,177,954</u>	
Net cash from financing and miscellaneous sources		<u>54,177,954</u>
Net Change in Cash, Cash Equivalents, and Short- Term Investments		69,954,737
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>32,238,008</u>
End of Year		<u>\$ 102,192,745</u>

Growth of Compcare Health Services Insurance Corporation

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2022	\$910,093,581	\$578,555,788	\$331,537,793	\$2,342,862,242	\$1,984,486,611	\$88,990,843
2021	701,129,591	454,280,306	246,849,285	2,066,360,254	1,798,309,146	35,386,060
2020	589,852,027	363,144,695	226,707,332	1,685,081,390	1,392,129,838	47,477,236
2019	426,137,111	234,293,832	191,843,279	1,248,778,091	1,034,341,056	68,984,132
2018	329,254,977	161,375,377	167,879,600	914,317,441	735,027,981	59,098,502

Year	Profit Margin	Medical Loss Ratio	Administrative Expense Ratio	Change in Enrollment
2022	3.7%	84.7%	12.3%	5.1%
2021	1.7	87.3	12.3	12.7
2020	2.8	82.6	15.2	21.9
2019	5.4	82.8	12.8	14.5
2018	6.3	80.4	14.2	-2.3

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2022	349,601	809.7	6.3
2021	332,704	804.0	6.3
2020	295,253	862.6	5.7
2019	242,164	631.0	5.0
2018	211,513	520.1	4.7

Per Member Per Month Information			
	2022	2021	Percentage Change
Premiums:			
Commercial	\$ 553.99	\$ 521.95	6.1%
Medicare	1,125.66	1,050.75	7.1%
Medicaid	<u>225.45</u>	<u>217.95</u>	<u>3.4%</u>
	586.48	547.80	7.1%
Expenses:			
Hospital/medical benefits	351.60	337.39	4.2%
Other professional services	50.33	46.21	8.7%
Outside referrals	12.47	10.79	15.1%
Emergency room and out-of-area	31.03	28.90	7.3%
Prescription Drugs	33.00	39.99	-17.5%
Incentive pool and withhold adjustments	<u>4.97</u>	<u>6.93</u>	<u>-28.3%</u>
Total medical and hospital	483.57	470.53	2.8%
Claims adjustment expenses	26.20	25.68	2.0%
General administrative expenses	43.86	40.90	7.2%
Increase in reserves for accident and health contracts		<u>1.24</u>	-100.0%
Total underwriting deductions	<u>\$ 553.63</u>	<u>\$ 538.38</u>	2.8%

Compcare's total capital on December 31, 2022, and December 31, 2021, was \$331.5 million and \$246.8 million, respectively. The company's total admitted assets increased \$209.0 million in 2022, or 29.8%, from the prior year, mainly due to a strong underwriting gain in combination with investing cash from operations which improved investment results. Total admitted assets of \$910.1 million increased 176.4% over the examination period ending December 31, 2022. Total liabilities of \$578.6 million increased \$417.2 million, or 258.5%, mainly due to increases in reserves and amounts due to parents, subsidiaries, and affiliates.

Compcare reported net income of \$89.0 million in 2022 and \$35.4 million in 2021, an increase of 151.5% over the prior year. The company reported net income in all five years totaling \$299.9 million.

The company routinely pays dividends to BCBSWI, its parent company, subject to s.617.225, Wis. Stat., and s. Ins 40.18, Wis. Adm. Code. The company paid dividends of \$114.1 million over the examination period.

Membership continues to increase. Membership increased 65.3% over the examination period. The company reported a total of 349,601 members in 2022 up from 211,513 in 2018. Mostly due to this increase in membership, earned premium increased to \$2.3 billion in 2022 from \$914.3 million in

2018. This increase in membership and premiums is attributed to the company beginning to sell Medicare business in Kentucky, prior membership at WCIC now written by Compcare, and premium increases.

Financial Requirements

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

Amount Required

- | | |
|---|--|
| 1. Minimum capital or permanent surplus | Either:
\$750,000, if organized on or after July 1, 1989
or
\$200,000, if organized prior to July 1, 1989 |
| 2. Compulsory surplus | The greater of \$750,000 or:

If the percentage of covered liabilities to total liabilities is less than 90%, 6% of the premium earned in the previous 12 months;

If the percentage of covered liabilities to total liabilities is at least 90%, 3% of the premium earned in the previous 12 months |
| 3. Security surplus | The greater of:
140% of compulsory surplus reduced by 1% of compulsory surplus for each \$33 million of additional premiums earned in excess of \$10 million
or
110% of compulsory surplus |

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

The company's calculation of Compulsory and Security Surplus as of December 31, 2022, as modified for examination adjustments is as follows:

Assets		\$910,093,581
Less:		
Special deposit		7,112,755
Liabilities		578,555,788
Investments in excess of maximum allowable by Ch. 620, Wis. Stat.		<u>27,840,772</u>
Net amount available to satisfy surplus requirements		296,584,266
Net premium earned		
HMO business	\$2,342,862,242	
Factor	<u>3%</u>	
Compulsory surplus		70,285,867
Compulsory Surplus Excess (Deficit)		<u>\$226,298,399</u>
Net amount available to satisfy surplus requirements		\$296,584,266
Compulsory surplus	\$70,285,867	
Security factor	<u>110%</u>	
Security surplus		77,314,454
Security Surplus Excess (Deficit)		<u>\$219,269,812</u>

Compcare Health Services Insurance Corp. is in compliance with the required Compulsory and Security Surplus levels as of December 31, 2022.

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

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

The company has satisfied this requirement for 2022 with a deposit of \$7,112,755 with the state treasurer. The company has met the requirements for Compulsory and Security Surplus.

Reconciliation of Capital and Surplus per Examination

There were no adjustments or reclassifications resulting from examination findings. The capital and surplus of \$331,537,793 as reported on the December 31, 2022, annual statement is accepted.

VI. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

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

1. Corporate Records—It is again recommended that the company report all remuneration to executives, which includes deferred compensation and other retirement compensation fully funded or awarded by the company, for those executives whose remuneration meets the requirements to be reported to the Commissioner of Insurance in accordance with s. 611.63, Wis. Stat.

Action—Compliance.

2. Actuarial Memoranda Detail—It is recommended that the appointed actuary's technical component includes the analysis from the basic data (e.g., claim lags) to the conclusions as well as organize the technical appendices in a manner such that the analysis can be followed from data to conclusions in future actuarial memoranda as is required by the NAIC Annual Statement Instructions – Health.

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.

There were no material findings or recommendations resulting from this examination.

VII. CONCLUSION

Compcare was incorporated and commenced insurance operations in 1984. The company's managed care plans include Health Maintenance Organization ("HMO") and Point-of Services ("POS") plans and are sold to groups and individuals in Wisconsin and Kentucky.

While Compcare earns some revenues from administering health plans for self-insured clients, net earnings from these activities are immaterial and the primary source of revenues remain premiums earned from health insurance contracts. The company incurs expenses primarily from health benefit costs, such as outpatient and inpatient care, physician visits, pharmacy benefit and administrative expenses.

During the examination period, the company's total admitted assets increased by 176.4% from \$329.3 million in 2018 to \$910.1 million in 2022, total liabilities increased by 258.5% from \$161.3 million in 2018 to \$578.6 million in 2022, and total net income increased by 50.6% from \$59.1 million in 2018 to \$88.9 million in 2022.

Compcare's enrollment increased by 65.3% from 2018 to 2022. Premiums earned increased by 156.2% from \$914.3 million in 2018 to \$2.3 billion in 2022. Insurance operations contributed heavily to these results posting a net income from operations of over \$221.5 million for the examination period. All these factors led to a favorable increase in surplus of 97.5% during the examination period with a balance of \$331.5 million on December 31, 2022.

The examination resulted in no adjustments or reclassifications. Further, there are no recommendations resulting from this examination.

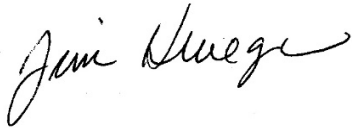
VIII. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

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

Name	Title
Takoda Boyd Kongmeng Yang, AFE	Insurance Financial Examiner Quality Control Specialist

Respectfully submitted,



Jim Krueger
Examiner-in-Charge