Report of the Examination of

Dean Health Plan, Inc.

Madison, Wisconsin

As of December 31, 2018

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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November 26, 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:

DEAN HEALTH PLAN, INC.
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Dean Health Plan, Inc. (DHP or the company) 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 insurer to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect 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 with respect to the alternative or additional examination steps performed during the course of the examination.

II. HISTORY AND PLAN OF OPERATION

Dean Health Plan, Inc., is described as a for-profit group 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 group model, the company contracts with a sponsoring health system to provide primary and specialty health care services. HMOs compete with traditional fee-for-service health care delivery.

The company was incorporated on August 22, 1983 and commenced business on January 1, 1984. Concurrent with the incorporation, the company assumed the assets, liabilities, and contractual obligations of the then existing Dean Health Plan Insurance Corporation (a ch. 613, Wis. Stat., service corporation). The company became a for-profit corporation on October 1, 1985.

Prior to July 1, 1995, DeanCare Partnership owned 100% of the common stock of Dean Health Plan, Inc. Effective July 1, 1995, DeanCare Partnership sold 47% of the common stock to SSM Health Care Corporation (SSMHC), a Catholic not-for-profit health corporation headquartered in St. Louis, Missouri, and exchanged 53% of the common stock for Dean Health Systems, Inc. (DHS) which owned all Dean Clinic locations, Class R preferred stock which was distributed to the partners. As a result of this transaction DHS and SSMHC collectively owned 100% of the common stock of Dean Health Plan, Inc.

In August 1995, Dean Health Plan, Inc., incorporated a wholly owned subsidiary, Premier Medical Insurance Group, Inc. (Premier). On November 14, 1995, Premier formed a wholly owned subsidiary, Dean Health Acquisition Company. Effective January 1, 1996, DHP merged with Dean Health Acquisition Company. The company stock was converted into stock of Premier and the common stock of Premier owned by DHP was canceled. Concurrent with the reorganization, Dean Health Plan Acquisition Company changed its name to Dean Health Plan, Inc. As a result of these transactions, DHP became a wholly owned subsidiary of Premier which was 53% owned by DHS and 47% owned by SSMHC.

In September 2013, SSMHC acquired 100% of DHS and thereby became the ultimate controlling parent organization of DHP. SSMHC also purchased Navitus Holdings, LLC, which previously was a subsidiary of DHP.

DHP provides most covered medical services to enrollees through a service agreement with DHS and SSM Health Care of Wisconsin, Inc. (SSMWI) and an agreement with Prevea Health and Hospital Sisters Health System of Wisconsin (HSHS-WI). All primary and specialty care services, which are not available through these agreements, are contracted to other clinics and physicians. The company's contracted primary and specialty care physician network consists of two business lines, Dean Health Plan and Prevea360 Health Plan, and covers approximately 3,500 physicians. The Dean Health Plan business line serves a 20-county area in south central Wisconsin while the Prevea360 Health Plan business line serves an 11-county area in northeast Wisconsin.

DHS and SSMWI assume underwriting risk of furnishing covered services to HMO members for the Dean Health Plan business line. This risk transfer is accomplished through a Service Agreement with DHS and SSMWI, effective January 1, 2017. Under this service agreement, the company establishes a capitated risk pool from which DHS and SSMWI are reimbursed for all provider services. The capitation to the pool is calculated as a percentage of revenue and it is modified on an annual basis. Any shortfalls in the pool are reimbursed by, and any excess is paid to, DHS and SSMWI.

SSMWI directly owns and operates St. Mary's Hospital in Madison, St. Clare Hospital in Baraboo, and St. Mary's Janesville Hospital in Janesville. All hospital services which are not available through SSMWI are provided to the company's enrollees under additional agreements with 34 other in-network hospitals. As noted previously, under the service agreement the company pays a capitation to DHS for services rendered by its employed providers and SSMWI for services rendered by St. Mary's Hospital in Madison. Claims for services rendered by St. Clare Hospital and St. Mary's Janesville Hospital, the additional contracted hospitals, other non-DHS contracted primary care and specialty care provider groups, chiropractors, pharmacies, durable medical equipment, and other providers are paid from a jointly funded pool as detailed in the service agreement. Any deficit or surplus in this pool is shared 50/50 by both SSMWI and DHS.

The service agreement requires the company to assist DHS and SSMWI in obtaining excess of loss coverage to limit the amount of risk taken by the plan sponsors. The company purchased such coverage from RGA Reinsurance Company. Details regarding reinsurance are discussed in Section IV of this report.

The Prevea360 Health Plan business line was established in July of 2012, when the company signed an agreement with Green Bay-based Prevea Health and Hospital Sisters Health System of Wisconsin to offer health insurance products in northeastern Wisconsin. Under the agreement, Prevea Health and Hospital Sisters Health System of Wisconsin purchased surplus notes in the amount of $6,662,500, issued by DHP, to provide 65% of the initial funding of surplus to support the Prevea360 Health Plan network. The Prevea360 Health Plan business line features a network of hospitals, physicians, and ancillary providers that is based on Prevea Health's multi-specialty physician group and HSHS-WI partner hospitals, including St. Mary's and St. Vincent's Hospitals in Green Bay, St. Nicholas Hospital in Sheboygan, and St. Clare Memorial Hospital in Oconto Falls. The Prevea360 Health Plan business line's commercial product (Individual, Group Fully Insured, and Group Self-Funded) is underwritten by the company and marketed under the brand name of Prevea360 Health Plan. For the plan year 2019, the company expanded the Prevea360 network into western Wisconsin.

The Prevea360 Health Plan business line is accounted for separately from the capitation pool as set forth in the Network Organization and Administration Agreement and Health Services Agreement between the company, SSM-WI and/ DHS, on one hand, and Prevea and HSHS-WI on the other. These agreements provide for the structure of the overall governance, administration, and financial flow, including the sharing of 65% of the pool surplus or deficit by Prevea Health and HSHS-WI. The remaining 35% of the pool results are allocated to DHP. The company estimates the Prevea360 Health Plan results and factors in 35% of the expected results when determining the capitation to the risk pools. As such, DHP is at risk for Prevea360 Health Plan experience only so far as any variance in the actual results from what was budgeted.

The company, for its Prevea360 Health Plan business line, purchased reinsurance coverage from RGA Reinsurance Company. Details regarding reinsurance are discussed in Section IV of this report.

For Dean Health Plan and Prevea360 Health Plan business lines, enrollees under the HMO basic health benefit plan are asked to choose a primary care physician (PCP). It is through this PCP that all necessary health services can be coordinated. However, if the enrollee seeks care from another company in-network provider, such services may be obtained without a referral as long as the service does not require prior authorization. Except for emergency or urgent medical services, referrals to nonplan providers must be prior authorized in writing by the company before services are received for enrollees to obtain the highest level of in-network benefits.

Contracted provider services related to the Dean Health Plan line of business are subject to the terms of the provider agreement held between DHP, DHS, and SSMWI as well as other contracts between DHP and unaffiliated providers. Contracts with providers under the Prevea360 Health Plan line of business are held by DHP. All provider agreements are generally for a one-year term, with an option for automatic renewal by the parties. These provider agreements may be terminated by either party for material breach upon 30 days' written notice. DHP may also terminate the contract without advance notice in the event there is gross provider misconduct. The additional contracted providers are reimbursed using a combination of diagnosis-related groups (DRGs), per diem, fixed-rate fee schedule, capitation, and discount-off-billed charges payment methodologies. These contracts include member hold-harmless provisions for the protection of enrollees.

DHS, SSMWI, and the remainder of the company's contracted providers are required to be available to provide medical services to enrollees on a 24 hours a day, 7 days a week, and 52 weeks a year basis.

The company markets its products in the following counties:

Dean Health Plan Commercial HMO Products

Adams	Green	Richland
Columbia	Green Lake	Rock
Crawford	Iowa	Sauk
Dane	Jefferson	Vernon
Dodge	Juneau	Walworth
Fond du Lac	Lafayette	Waukesha
Grant	Marquette	

Prevea360 Health Plan Commercial HMO Products*
(Underwritten by Dean Health Plan, Inc.)

Barron	Dunn	Outagamie
Brown	Eau Claire	Pepin
Buffalo	Kewaunee	Shawano
Calumet	Manitowoc	Sheboygan
Chippewa	Marinette	
Door	Oconto	

Medicare Select Product**

Adams	Green	Richland
Columbia	Green Lake	Rock
Crawford	Iowa	Sauk
Dane	Jefferson	Vernon
Dodge	Juneau	Walworth
Fond du Lac	Lafayette	Waukesha
Grant	Marquette	

BadgerCare Plus Product

Columbia	Grant	Rock
Dane	Iowa	Sauk
Dodge	Jefferson	

Medicare Cost Product (DeanCare Gold)***

Columbia	Grant	Rock
Dane	Iowa	Sauk
Dodge	Jefferson	

Medicare Advantage Product****

Brown	Fond du Lac	Kewaunee
Columbia	Green	Oconto
Dane	Iowa	Rock
Dodge	Jefferson	Sauk

* Some products may be offered only in certain zip codes within the counties listed.

** The Medicare Select service area also includes some zip codes that may cross into counties not listed.

*** DHP no longer accepted new enrollments for DeanCare Gold after November 30, 2015.
**** New Medicare Advantage Product offered with coverage starting on January 1, 2016.

The company offers comprehensive HMO products in the commercial, individual, small group, and large group health insurance markets. Its commercial HMO product offerings provide enrollees with coverage of, at a minimum, federal Essential Health Benefits (EHB) received from participating providers. EHB is defined as:

> …items and services in the following 10 benefit categories: (1) ambulatory patient services; (2) emergency services; (3) hospitalization; (4) maternity and newborn care; (5) mental health and substance use disorder services including behavioral health treatment; (6) prescription drugs; (7) rehabilitative and habilitative services and devices; (8) laboratory services; (9) preventive and wellness services and chronic disease management; and (10) pediatric services, including oral and vision care. HHS regulations (45 CFR 156.100) define EHB based on state-specific EHB benchmark plans.

In addition to its commercial HMO products, the company offers point-of-service (POS), preferred provider organization (PPO), and administrative services only (ASO) products, as well as products serving the Medicare-eligible population. The company's POS and PPO product offerings provide enrollees with coverage of services received from participating and non-participating providers. These products provide coverage for out-of-network claims; however, such claims are subject to out-of-network benefits, which may have separate or higher deductibles, coinsurance, and out-of-pocket maximums than in-network claims.

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
Cardiac rehabilitation, physical, speech, and/or occupational therapy
Physical fitness or health education
Kidney disease treatment
Certain transplants
Chiropractic services

The company began offering Medicare Senior/Select Part B supplemental plans, titled Dean Medicare Select, in October 1985. Dean Medicare Select is available in 26 counties and has premium rates determined by the age of the enrollee. In 1999, the company began offering a Medicare Cost plan titled DeanCare Gold that was available to Medicare-eligible enrollees. DeanCare Gold is available in eight counties. DeanCare Gold offers a flat rate, not determined by age, and offers enhanced benefits when compared to traditional Medicare coverage. In 2016, the company also started offering Medicare Advantage plans. These plans include both Medicare Part C and Part D (drug) coverage.

The company has also participated in the family Medicaid/BadgerCare program since 1996. This program is administered by the Department of Health Services and provides health care benefits to eligible enrollees on a prepaid basis.

The company currently markets to groups and individuals. For both Dean Health Plan and Prevea360 Health Plan business lines, the company contracts with outside agencies and pays commissions on new and renewal business. For group business, in both Dean Health Plan and Prevea360 health plan markets, commissions are based on a per contract per month schedule. Individual business commissions are paid on a flat per member per month schedule for both Dean Health Plan and Prevea360 health plans.

The company determines premium rates using a variety of actuarial methods and models across the various segments of business. The company uses historical data where credible and works with industry benchmarks and pricing models purchased from actuarial consulting firms when appropriate. Experience for various segments is reviewed on a periodic basis, this includes monthly, quarterly, or annual cycles as appropriate for the segment. Adjustments to rating factors are made when experience is determined to be outside of expectations. Any adjustments to premiums are reviewed for adequacy and approved by management.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of 13 members. Directors are elected annually, depending on their division, to serve a three-year term. Officers are elected at the board's annual meeting or at such other time as determined by the board. Members of the company's board of directors may also be members of other boards of directors in the holding company group. External board members receive compensation for serving on the board.

Currently the board of directors consists of the following persons:

Name and Residence	**Principal Occupation**	**Term Expires**
John Phelan, MD (Chair) Fitchburg, Wisconsin	Physician	2019
Damond Boatwright, FACHE Verona, Wisconsin	Executive	2020
Mark Covaleski, PhD Madison, Wisconsin	Professor	2019
Carter Dredge Des Peres, Missouri	Executive	2019
William Ehrhardt Madison, Wisconsin	Physician	2021
Jason Isenberg Madison, Wisconsin	Physician	2021
Ralph Kauten Madison, Wisconsin	Entrepreneur, Biotechnology Executive	2020
Jennifer Maskel, MD Cottage Grove, Wisconsin	Physician	2021
Gregory Matzke, MD Madison, Wisconsin	Physician	2020
Albert Musa, MD Deerfield, Wisconsin	Physician	2019
Steve Smoot St. Louis, Missouri	Executive	2021
Wesley Sparkman Madison, Wisconsin	Executive	2020
Stephen Sramek, MD Madison, Wisconsin	Physician	2020

Officers of the Company

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

Name	Office	2018 Compensation
David Fields	President	*$298,704
Dean Sutton	Secretary and General Counsel	192,542
Randy Ruplinger	Treasurer and DHP Chief Financial Officer	298,772
Julia Wright	Chief Medical Officer	390,127
David Docherty	Chief Growth Officer	272,725
Stephen Arnhold	Chief Actuary and Government Program Leader	324,034
Marcus Julian	Chief Operating Officer	342,256

*Individual was hired in 2018, therefore amount does not reflect the annualized amount.

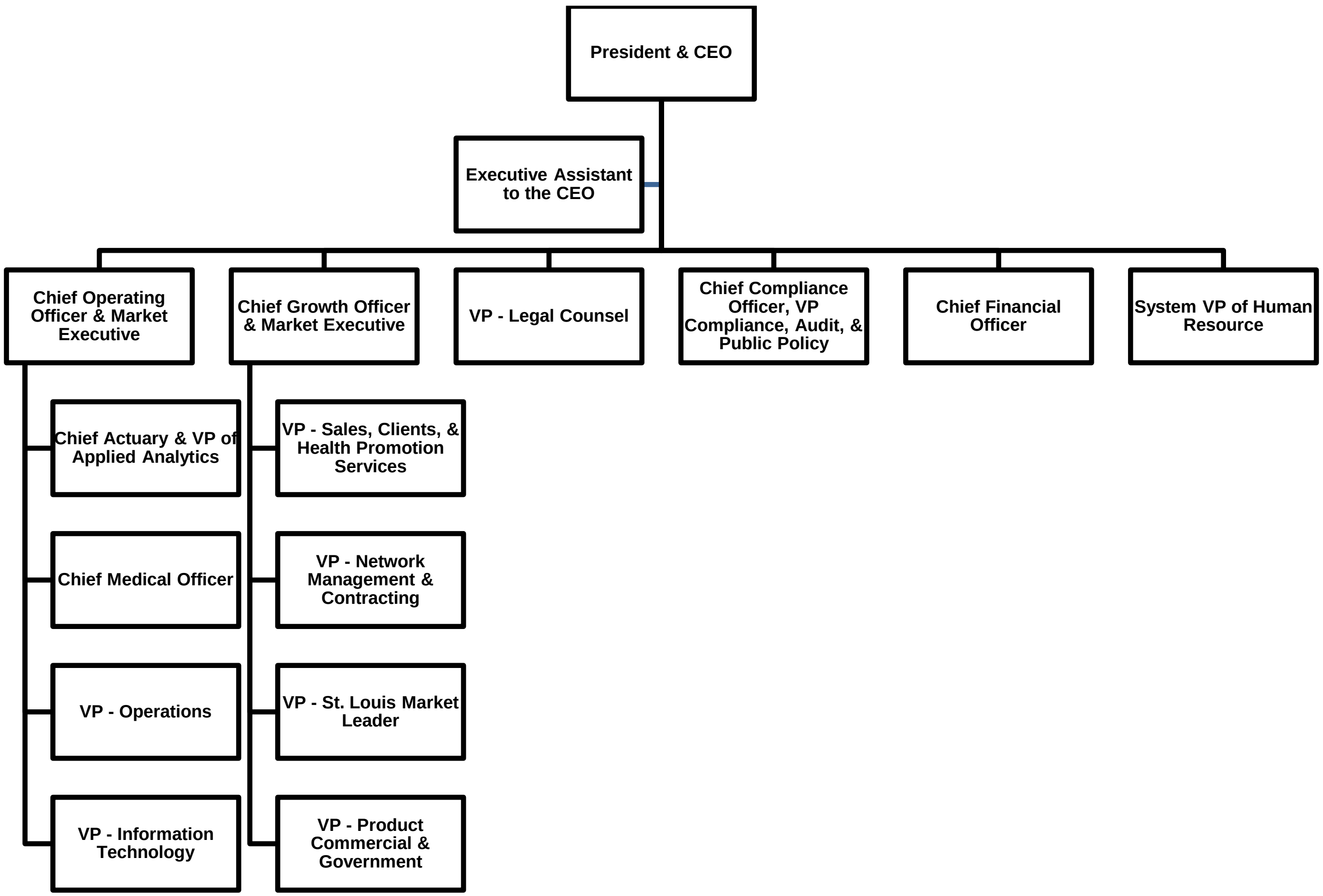
Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The one committee in existence at the time of the examination is listed below:

Audit Committee
Ralph Kauten, Chair
Mark Covaleski, PhD
John Phelan, MD
Wesley Sparkman

The company has its own employees. The organization and principal officers of the company at the time of the examination are reflected in the chart below:

Dean Health Plan, Inc.
Organizational Chart



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

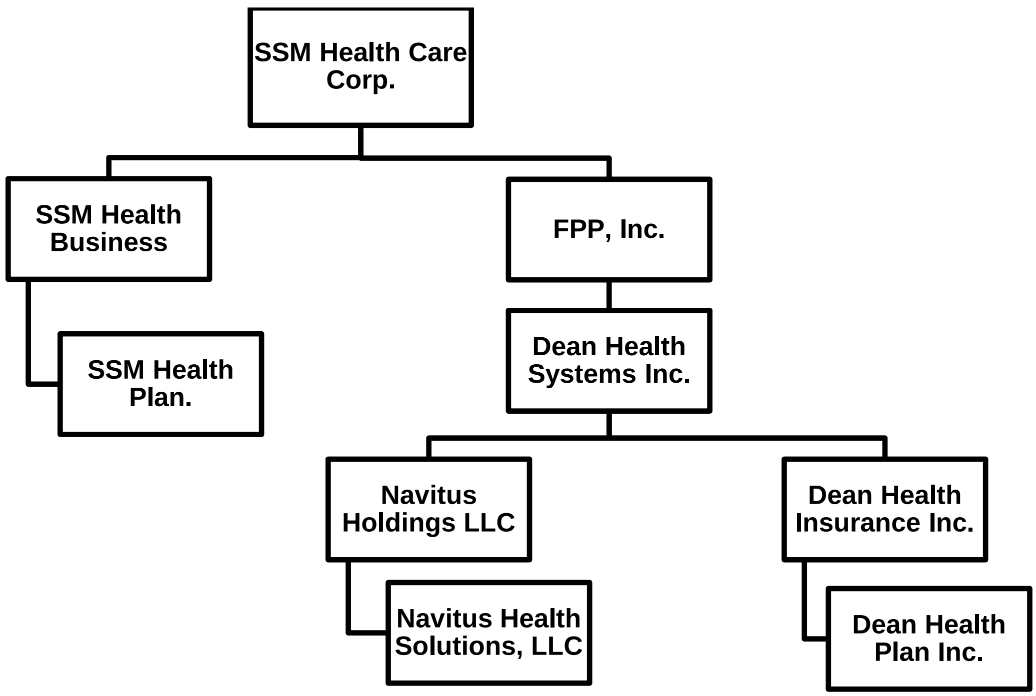
2. Enrollees will be entitled to similar, alternate coverage which does not contain any medical underwriting or preexisting limitation requirements.

The company has met this requirement through its Parental Guaranty agreement with SSMHC, effective January 1, 2014. Under the agreement SSMHC will contribute financial resources or guarantees to ensure the covered services continue to be furnished to enrollees under s. Ins 9.04, Wis. Adm. Code, in the event the company becomes insolvent.

IV. AFFILIATED COMPANIES

The company is a member of a holding company system. Its ultimate parent is SSM Health Care Corporation, Inc. 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



SSM Health Care Corporation

SSM Health Care Corporation (SSMHC) is a not-for-profit health care delivery system based in St. Louis, Missouri. SSMHC owns and operates 23 hospitals, 290 outpatient care sites, 10 long-term care facilities, comprehensive home care and hospice services, a health maintenance organization, and a national pharmacy benefits management company. SSMHC also has a network of more than 11,000 active providers and more than 39,000 employees. As of December 31, 2018, the company’s consolidated audited financial statement reported assets of $8.4 billion, liabilities of $5.4 billion, and net assets of $3.0 billion. Operations for 2018 produced net excess of revenues over expenses of $505.2 million on revenues of $7.6 billion. Excess of revenue over expenses attributable to non-controlling interest was $8.2 million.

Dean Health Systems, Inc.

Dean Health Systems, Inc., (DHS) and subsidiaries is a health care delivery system that provides health care services and coverage primarily to the residents of southern Wisconsin. DHS owns 100% of Dean Health Insurance, Inc., the parent of DHP. The organization uses the name "Dean Medical Group" for marketing purposes. As of December 31, 2018, the DHS unconsolidated, unaudited GAAP financial statement reported total assets of $330.9 million, total liabilities of $100.3 million, and total shareholders' equity of $230.6 million. Operations for 2018 produced a net operating loss of $45.0 million on revenues of $634.6 million.

Dean Health Insurance, Inc.

Dean Health Insurance, Inc., (DHI) was incorporated for the purpose of delivering prescription drug benefits, as part of the Medicare Part D program, to its members. Effective January 1, 2012, the insurer no longer participated in the Medicare Part D program. Effective January 1, 2015, the insurer began offering an 800 Series Employer Group Waiver Plan. Effective January 1, 2019, the insurer began offering stop-loss policies for employer groups. As of December 31, 2018, DHI's statutory financial statements reported total assets of $164.0 million, total liabilities of $0.8 million, and equity of $163.2 million. Operations for 2018 produced net income of $594,086, which came from the administrative fee paid by Navitus to the company. No premiums were reported by the company, as it did not write any business.

Navitus Health Solutions, LLC

Navitus Health Solutions, LLC (Navitus) is a wholly owned subsidiary of Navitus Holdings, LLC, which in turn is 100% owned by Dean Health Systems, Inc. Navitus provides pharmacy benefit management services to DHP and DHI. As of December 31, 2018, the audited, consolidated GAAP financial statements reported assets of $601.1 million, total liabilities of $496.5 million, and equity of $104.6 million. Operations for 2018 produced a net income of $29.6 million on revenues of $595.6 million.

SSM Health Plan, Inc.

SSM Health Plan, Inc., (SHP) is an HMO incorporated in 2018 for the purpose of delivering healthcare services to its members in the St. Louis, Missouri region. The insurer plans to begin offering HMO products at some point on or after January 1, 2021. As of December 31, 2018, SHP reported assets of $6.6 million, liabilities of $0.2 million, and net assets of $6.4 million. The insurer had no operations for the year.

Affiliated Agreements

Dean Health Plan, Inc., has entered into numerous affiliated agreements. Certain agreements are described below:

- DHP has a Cost Sharing Agreement with SSM Health Care Corporation, effective January 1, 2015. Under the terms of the agreement, SSMHC will provide DHP with certain executive services incidental to the operations of DHP, such as general management and general business administrative services, and DHP will reimburse SSMHC for such services. DHP will be billed on a monthly basis by SSMHC, based on expense estimates. The payment is adjusted for the actual expenses increased by reasonable inflation. The agreement was amended, effective July 9, 2018, to update the designated personnel and add compliance terms to the agreement.

- DHP has a Service Agreement with DHS and SSM Health Care of Wisconsin, effective January 1, 2017. Under this service agreement and as compensation for all provider services, DHP pays a capitation payment to DHS and SSMWI. The capitation payment is calculated as a percentage of the premium charged to policyholders. The capitation rate gets modified prospectively on an annual basis for the following year. The contract may be terminated for breach of material provision following a 30-day written notice by the terminating party. The agreement will terminate on December 31, 2025.

- DHP has a Medicare Advantage/Part D Pharmacy Benefit Management Services Agreement with Navitus Health Solutions, LLC, effective October 1, 2015. Under this agreement, Navitus is obligated to provide services related to pharmacy management and claims processing for DHP enrollees under the Medicare Advantage – Part D Prescription Drug Program. The agreement was amended, effective January 1, 2019, to add call center services, update compliance terms, provide for electronic prior authorizations, and clarify Medicare delegation responsibilities.

- DHP has a Network Organization and Administration Agreement (NOAA) with SSMWI, DHS, Prevea Clinic, Inc., and St. Vincent Hospital of the Hospital Sisters of the Third Order of St. Francis (St. Vincent), effective September 28, 2012. The agreement establishes the formation of the Prevea360 Network service area in northeastern Wisconsin with an initial surplus of $10,250,000, where St. Vincent and Prevea Clinic, Inc., contributed 65%, or $6,662,500, through the purchase of surplus notes issued by DHP, and DHS and SSMWI participated 35%, or $3,587,500, available out of DHP's total surplus as and when needed to support premium written as part of the Prevea 360 Network. Under this agreement, DHP is responsible for maintaining separate accounting for the Prevea360 Network and providing insurance administrative services, including claims administration. Pharmacy benefits to Prevea360 Network members are provided exclusively through Navitus Health Solutions, LLC. The agreement is in force until December 31, 2019 and can be terminated by any of the parties by providing a notice two years prior to the expiration of the term. During the period under examination, the agreement was amended three times to include the following: 1) expand the Prevea360 Network to offer Medicare Advantage plans in 2019, effective January 1, 2018; 2) expand the Prevea360 network into northern and western Wisconsin as well as adding Sacred Hearts Hospital in Eau Claire as a party to the agreement, effective June 27, 2018; and 3) add various changes to terms of the agreement which includes expanding the term of the agreement to December 31, 2021.
- DHP and DHI have an Amended and Restated Services and Support Agreement with DHS, Dean Health Services Company, LLC (DHSC), SHP, and SSMHC, effective January 1, 2019, which supersedes the prior agreements. Under the terms of the agreement, the administrative infrastructure will be centralized in DHSC to provide services to both DHP and SHP beginning

on January 1, 2020. Initially, DHP will provide the administrative services to DHSC and DHSC will provide them to SHP. Services provided will be on a cost-basis and invoiced in a manner which is reasonable and fair to the interests of DHP and SHP. Services provided between the affiliates are briefly described below:

Services provided by DHP and DHI to SSMHC shall include, but are not limited to, medical and clinical analytics and Version One software functionality.

Services provided by DHP and DHI to DHS shall include, but are not limited to, medical and clinical analytics, Epi-Pen program support, office space, and Health Works instructors.

Services provided by DHP and DHI to DHSC shall include, but are not limited to, computer services and data processing support services; telephone access, customer service support, policyholder services, quality assurance services, medical director services, claims management and settlement, and grievance and appeal services; medical and care management services; provider contracts and network management; reinsurance pricing and procurement; investment, actuarial, finance and underwriting services; premium and administrative fee collection and refunds; and legal services and corporate and tax accounting.

Services provided by SSMHC to DHP and DHI shall include, but are not limited to, medical imaging decision support; technical infrastructure, software maintenance and information technology support; human resource services; use of vendor/contract management software; support of medical management services; use of clinical analytics software; tax and audit support; medical director services; and provision of necessary or appropriate insurance coverage.

Services provided by SSMHC to SHP shall be identical to those provided to DHP and DHI. In addition, office space and provider contracting services shall be included.

Services provided by DHS to DHP and DHI shall include, but not be limited to, the use of registration software; payroll administrative support; human resource services; back-up day care services; outreach services; provision of necessary or appropriate insurance coverage; medical director services; telecommunication services; and Health Works supplies.

Services provided by DHSC to SHP shall include, but not be limited to, services provided to DHSC from DHP and DHI; general administration; marketing; and compliance and regulatory relations.

- DHP has a Tax Allocation Agreement with DHI and DHP, effective January 1, 2009. The tax liability shall be apportioned among all members of the affiliated group in accordance with the ratio which that portion of the consolidated tax liability attributable to each member of the group having tax liability bears to the consolidated tax return based on separate return calculations with current credit for net losses.

V. REINSURANCE

The company has reinsurance coverage under the contracts outlined below:

1. Reinsurer: RGA Reinsurance Company

   Type: Specific Excess of Loss Reinsurance on behalf of DHS and SSMWI

   Effective date: May 15, 2019

   Retention: Specific Deductible per Covered Person: $1,300,000
   Aggregate Specific Deductible: $1,350,000
   Retention in Excess of Deductible: 10% of Net Loss

   Coverage: Commercial Members (Excluding ASO)
   Commercial Exchange

   $10,000,000 maximum payable per covered person per policy period

   Termination: The contract will terminate at the end of the term on May 15, 2020.

2. Reinsurer: RGA Reinsurance Company

   Type: Specific Excess of Loss Reinsurance on behalf of St. Vincent Hospital of the Hospital Sisters of the Third Order of St Francis, Prevea Clinic, Inc.

   Effective date: May 15, 2019

   Retention: Specific Deductible per Covered Person: $700,000
   Aggregate Specific Deductible: $295,000
   Retention in Excess of Deductible: 10% of Net Loss

   Coverage: Commercial Members (Excluding ASO)
   Commercial Exchange

   Termination: The contract will terminate at the end of the term on May 15, 2020.

3. Reinsurer: RGA Reinsurance Company

   Type: Medical Specific Excess of Loss Reinsurance on behalf of DHS and SSMWI

   Effective date: January 1, 2019

   Retention: Specific Deductible per Covered Person: $1,300,000
   Retention in Excess of Deductible: 10% of Net Loss

   Coverage: Medicare Advantage

   $10,000,000 per covered person per policy period

   Termination: The contract will terminate at the end of the term on May 15, 2020.

VI. FINANCIAL DATA

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

Dean Health Plan, Inc.
Assets
As of December 31, 2018

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 52,024,446	$	$ 52,024,446
Stocks:			
Preferred stocks	565,092		565,092
Common stocks	33,491,899		33,491,899
Real Estate:			
Properties occupied by the company	16,898,085		16,898,085
Cash, cash equivalents and short-term investments	160,343,314		160,343,314
Investment income due and accrued	495,499		495,499
Uncollected premiums and agents' balances in the course of collection	4,388,850		4,388,850
Accrued retrospective premiums and contracts subject to redetermination	128,350		128,350
Net deferred tax asset	4,144,712		4,144,712
Guaranty funds receivable or on deposit			
Electronic data processing equipment and software	16,598,072	12,189,270	4,408,802
Furniture and equipment, including health care delivery assets	2,117,384	2,117,384	
Net adjustment in assets and liabilities due to foreign exchange rates			
Receivables from parent, subsidiaries and affiliates	214,683	214,683	
Health care and other amounts receivable	1,365,454		1,365,454
Write-ins for other than invested assets:			
Prepaid Expenses	3,692,341	3,692,341	
Government Program Receivable	4,569,527		4,569,527
Other Receivables	1,033,383	973,777	59,606
Total Assets	$302,071,091	$19,187,455	$282,883,636

Dean Health Plan, Inc.
Liabilities and Net Worth
As of December 31, 2018

Claims unpaid		$ 12,964,007
Accrued medical incentive pool and bonus payments		(2,983,755)
Unpaid claims adjustment expenses		265,597
Aggregate health policy reserves		41,456,791
Premiums received in advance		25,484,093
General expenses due or accrued		12,545,578
Current federal and foreign income tax payable and interest thereon		14,874,200
Amounts withheld or retained for the account of others		2,139,232
Remittance and items not allocated		2,540,830
Amounts due to parent, subsidiaries and affiliates		8,754,736
Liability for amounts held under uninsured accident and health plans		389,597
Aggregate write-ins for other liabilities (including $(6,398,341) current)		6,398,342
Total Liabilities		124,829,248
Common capital stock	$ 175,000	
Gross paid in and contributed surplus	15,000,000	
Surplus notes	6,662,500	
Unassigned funds (surplus)	136,216,888	
Total Capital and Surplus		158,054,388
Total Liabilities, Capital and Surplus		$282,883,636

Dean Health Plan, Inc.
Statement of Revenue and Expenses
For the Year 2018

Net premium income		$1,371,680,584
Aggregate write-ins for other health care related revenues		1,701,183
Total revenues		1,373,381,767
Medical and Hospital:		
Hospital/medical benefits	$ 700,568,328	
Other professional services	123,518,722	
Outside referrals	4,347,433	
Emergency room and out-of-area	206,728,773	
Prescription drugs	148,823,769	
Incentive pool and withhold adjustments	(2,113,103)	
Subtotal	1,181,873,922	
Less		
Net reinsurance recoveries	401,920	
Total medical and hospital	1,181,472,002	
Claims adjustment expenses	27,249,685	
General administrative expenses	129,379,158	
Total underwriting deductions		1,338,100,845
Net underwriting gain or (loss)		35,280,922
Net investment income earned	5,491,152	
Net realized capital gains or (losses)	(356,121)	
Net investment gains or (losses)		5,135,031
Net gain or (loss) from agents' or premium balances charged off		(296,729)
Aggregate write-ins for other income or expenses		2,427,809
Net income or (loss) before federal income taxes		42,547,033
Federal and foreign income taxes incurred		14,735,473
Net Income (Loss)		$ 27,811,560

Dean Health Plan, Inc.
Capital and Surplus Account
For the Four-Year Period Ending December 31, 2018

	2018	**2017**	**2016**	**2015**
Capital and surplus, beginning of year	$129,221,914	$113,066,178	$95,916,890	$93,227,458
Net income (loss)	27,811,560	9,305,365	15,914,655	5,290,396
Change in net unrealized capital gains/losses	(2,738,943)	460,318	385,479	(1,298,087)
Change in net deferred income tax	27,071	(992,873)	(6,575,710)	2,796,524
Change in nonadmitted assets	3,732,786	7,382,926	7,424,864	(4,149,402)
Surplus, End of Year	$158,054,388	$129,221,914	$113,066,178	$95,916,890

Dean Health Plan, Inc.
Statement of Cash Flow
For the Year 2018

Premiums collected net of reinsurance			$1,380,794,086
Net investment income			6,286,418
Miscellaneous income			1,701,183
Total			1,388,781,687
Less:			
Benefit- and loss-related payments		$1,182,367,002	
Commissions, expenses paid and aggregate write-ins for deductions		151,850,438	
Federal and foreign income taxes paid (recovered) $0 net tax on capital gains (losses)		10,569,108	
Total			1,344,786,548
Net cash from operations			43,995,139
Proceeds from Investments Sold, Matured or Repaid:			
Bonds	$12,794,435		
Stocks	1,857,611		
Net gains (losses) on cash, cash equivalents, and short- term investments	(83)		
Total investment proceeds		14,651,963	
Cost of Investments Acquired—Long-term Only:			
Bonds	15,653,523		
Stocks	2,647,222		
Real estate	393,660		
Total investments acquired		18,694,405	
Net cash from investments			(4,042,442)
Cash Provided/Applied:			
Other cash provided (applied)			2,187,271
Net Change in Cash, Cash Equivalents, and Short-Term Investments			42,139,968
Cash, cash equivalents, and short-term investments:			
Beginning of year			118,203,346
End of Year			$ 160,343,314

Growth of Dean Health Plan ($ in thousands)

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2018	$282,884	$124,829	$158,054	$1,373,382	$1,181,472	$27,812
2017	240,996	111,774	129,222	1,245,099	1,103,237	9,305
2016	212,746	99,680	113,066	1,250,917	1,071,730	15,915
2015	209,020	113,103	95,917	1,220,592	1,048,861	5,290

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Change in Enrollment
2018	2.0%	86.0%	11.4%	-0.96%
2017	0.7	88.6	10.6	-3.50
2016	1.3	85.7	12.5	1.68
2015	0.4	85.9	12.7	1.06

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2018	263,937	565.71	6.6
2017	266,508	554.68	6.5
2016	276,182	553.17	6.3
2015	271,627	552.22	6.5

Per Member Per Month Information

	2018	2017	Percentage Change
Premiums:			
Commercial	$ 457.00	$ 412.33	10.8%
Medicare	466.27	405.07	15.1
Medicare Supplement	1,903.62	1,731.35	10.0
FEHBP	711.76	708.28	0.5
Medicaid	155.48	141.78	9.7
Total	427.48	383.45	11.6
Expenses:			
Hospital/medical benefits	218.33	200.52	8.9
Other professional services	38.49	34.89	10.3
Outside referrals	1.35	1.54	-12.1
Emergency room and out-of-area	64.43	59.26	8.7
Prescription Drugs	46.38	45.26	2.5
Incentive pool and withhold adjustments	(0.66)	(0.92)	-28.4
Less: Net reinsurance recoveries	0.13	0.79	-84.2
Total medical and hospital	368.20	339.76	8.4
Claims adjustment expenses	8.49	7.12	19.3
General administrative expenses	40.32	33.66	19.8
Total underwriting deductions	$ 417.01	$ 380.54	9.6

During the examination period, the company's total assets increased 35.3% from $209.0 million in 2015 to $282.9 million in 2018, liabilities increased 10.4% from $113.1 million in 2015 to $124.8 million in 2018, and surplus increased 64.8% from $95.9 million in 2015 to $158.1 million in 2018. The favorable change has been led by the company's strong operational performance over the examination period.

As shown above, the company lost a few members going from 2016 to 2018; however, the company continued to strengthen its bottom line resulting in the largest net income of $27.8 million in 2018 when compared to other periods under examination. Underwriting gains for 2018 amounted to $35.3 million, which is the result of the company's ability to control net income and costs through its capitation agreement with its affiliated providers, and its own cost containment initiatives.

Net cash from operations continues to be positive and has contributed to much of the growth in cash, cash equivalents, and short-term investments for 2018. In 2018, the company reported a total premium Per Member Per Month (PMPM) of $427.48, which is a 11.6% increase when compared to $382.89 in the prior year. Offsetting the increase in premiums is the 9.6% increase in underwriting expense PMPM; however, since the company had a larger growth in premiums PMPM, this led to a favorable change in the bottom-line net income PMPM.

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 as of December 31, 2018, as modified for examination adjustments is as follows:

Assets			$282,883,636
Less:			
Special deposit			12,445,109
Liabilities			124,829,248
Assets available to satisfy surplus requirements			145,609,279
Net premium earned			
HMO business	1,207,336,649		
Factor	3%		
Total		36,220,099	
Incidental Indemnity	27,376,508		
Factor	10%		
Total		2,737,650	
Compulsory surplus			38,957,749
Compulsory Surplus Excess (Deficit)			$106,651,530

Assets available to satisfy surplus requirements		$145,609,279
Compulsory surplus	$38,957,749	
Security factor	110%	
Security surplus		42,853,523
Security Surplus Excess (Deficit)		$102,755,756

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 2018 with a deposit of $12,445,109 with the State Treasurer.

Reconciliation of Capital and Surplus per Examination

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

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There was one specific recommendation in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Executive Compensation—It is recommended that the company properly complete the Report on Executive Compensation as required by s. 611.63 (4), Wis. Stat.

   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.

Custodial Agreement

During the examination's review of the company's custodial agreement, it was noted that the company failed to include all the required provisions within the agreement. It is recommended that the company amend its custodian agreement to include all the required provisions in accordance with the NAIC *Financial Condition Examiners' Handbook*.

Holding Company Registration Form B and C

The examination's review of the company's related party transactions for the examination period noted that the company appeared to have failed to disclose new and/or active affiliated agreements in its Holding Company Registration Form B and C filing. Instead of identifying each agreement, the company included a general statement noting that there are various agreements in place that are at arms-length; however, that does not meet the requirement of disclosure under s. Ins 40.15, Wis. Adm Code, which requires that the company disclose all information required on Form B and Form C. The Form B requirement for Item 5, entitled "Transactions and Agreements" is that the company shall include, at a minimum, "the nature and purpose of the transactions, the nature and amounts of any payments or transfers of assets between the parties, the identity of all parties to the transaction, and relationship of the affiliates of the registrant." None of the requirements were met by the general statement included by the company to describe its agreements. In addition, the examination noted that there appear to be various amendments to existing agreements that were not disclosed in Form C. Form C requires that "if a transaction disclosed on the immediately prior year's annual registration statement has been changed, the nature of such change shall be included." By failing to disclose the nature of the amendment in the Form C filing, the company has failed to comply with s. Ins 40.15, Wis. Adm. Code. It is recommended that the company properly disclose all related party transactions and any amendments thereto in the annual Holding Company Registration Form B and Form C filing in accordance with s. Ins 40.15, Wis. Adm Code.

Conflict of Interest Statement

In accordance with a directive of the Commissioner of Insurance, each company is required to establish a procedure for the disclosure to its board of directors of any material interest or affiliation on the part of its officers, directors, or key employees that conflict, or are likely to conflict, with the official duties of such person. Part of this procedure is the annual completion of a conflict of interest questionnaire by the appropriate persons. A review of the conflict of interest statements for all years under examination disclosed that the company failed to have its officers and directors complete an annual conflict of interest statement. It is recommended that the company's officers, directors, and key employees annually complete conflict of interest statements in accordance with the directive of the Commissioner of Insurance.

Other Information Technology Recommendations

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

VIII. CONCLUSION

Dean Health Plan, Inc., is described as a for-profit group model health maintenance organization (HMO) insurer. DHP provides the majority of covered medical services to enrollees through a service agreement with Dean Health Systems, Inc. and SSM Health Care of Wisconsin, Inc. and an agreement with Prevea Health and Hospital Sisters Health System of Wisconsin. All primary and specialty care services, which are not available through these agreements, are contracted to other clinics and physicians. The company's contracted primary and specialty care physician network consists of two business lines, Dean Health Plan and Prevea360 Health Plan, and covers approximately 3,500 physicians. The Dean Health Plan business line serves a 20-county area in south central Wisconsin while the Prevea360 Health Plan business line serves an 11-county area in northeast Wisconsin.

Due to the company's strong operational performance, capital and surplus has increased 69.5%, from $93,227,458 on December 31, 2014 to $158,054,388 as of December 31, 2018. In 2018, the company reported a total premium PMPM of $427.48, which is a 11.6% increase when compared to $382.89 in the prior year. Offsetting the increase in premiums is the 9.6% increase in underwriting expense PMPM; however, since the company had a larger growth in premiums PMPM, this led to a favorable change in the bottom-line net income PMPM.

The company complied with the one recommendation made in the prior examination report. The current examination resulted in four recommendations. Areas of improvement recommended by this examination included the terms of the custodian agreement, holding company reporting, disclosure of potential conflicts of interest, and information technology matters. There were no adjustments to surplus or reclassifications made to the balance sheet as a result of this examination.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 32 - Custodian Agreement—It is recommended that the company amend its custodian agreement to include all the required provisions in accordance with the NAIC *Financial Condition Examiners' Handbook.*

2. Page 32 - Holding Company Registration—It is recommended that the company properly disclose all related party transactions and any amendments thereto in the annual Holding Company Registration Form B and Form C filing in accordance with s. Ins 40.15, Wis. Adm Code.

3. Page 33 - Conflict of Interest Statements—It is recommended that the company's officers, directors, and key employees annually complete conflict of interest statements in accordance with the directive of the Commissioner of Insurance.

4. Page 33 - Other Information Technology Recommendations—It is recommended that the company strengthen its information system controls in accordance with the recommendations made in the letter to management provided in conjunction with this report.

X. 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:

Name	**Title**
Jacob Burkett	Insurance Financial Examiner
Nicholas Feyen	Insurance Financial Examiner
Jerry DeArmond, CFE	Reserve Specialist
Ana Careaga	ACL Specialist
Eleanor Lu	IT Specialist
Terry Lorenz, AFE	Workpaper Specialist

Respectfully submitted,

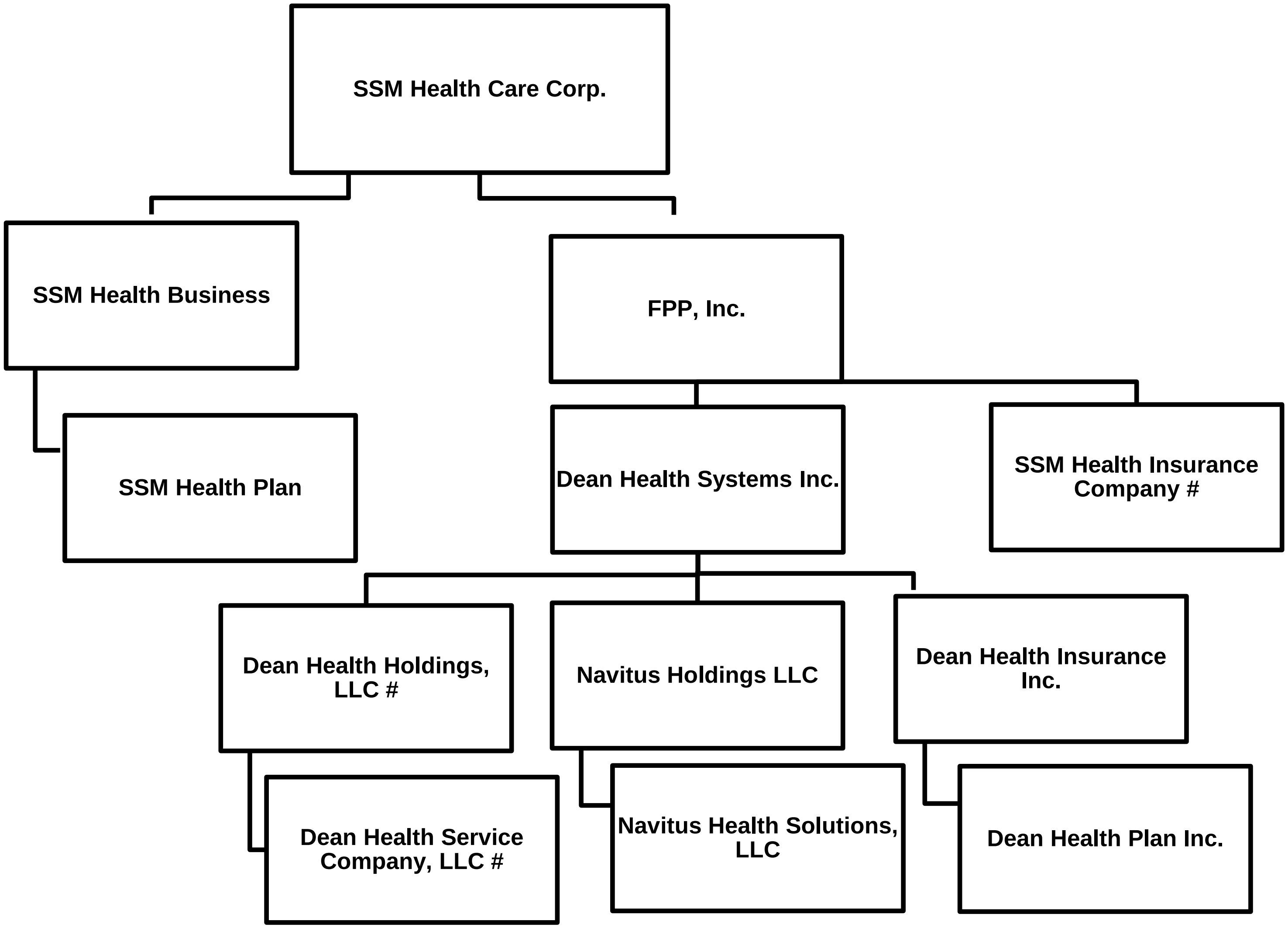
Kongmeng Yang
Examiner-in-Charge

XI. SUBSEQUENT EVENTS

The following significant subsequent events were noted that would impact the holding company system:

- The following entities were newly created since December 31, 2018:
    - SSM Health Insurance Company (100% owned by FPP, Inc.)
        - The insurer anticipates writing health business in the State of Missouri beginning on or after January 1, 2021.
    - Dean Health Holdings, LLC (100% owned by DHS)
        - The company is a shell created for the purpose of holding ownership in Dean Health Service Company, LLC.
    - Dean Health Service Company, LLC (100% owned by Dean Health Holdings, LLC)
        - The company will be providing administrative services for all insurance operations beginning in 2020.

Shown below is the most recent organizational chart of the holding company group. The new entities are denoted with a "#" next to the entity name.


SSM Health Care Corp.
SSM Health Business
SSM Health Plan
FPP, Inc.
Dean Health Systems Inc.
SSM Health Insurance Company #
Dean Health Holdings, LLC #
Dean Health Service Company, LLC #
Navitus Holdings LLC
Navitus Health Solutions, LLC
Dean Health Insurance Inc.
Dean Health Plan Inc.