

Report of the Examination of  
Independent Care Health Plan  
Milwaukee, Wisconsin  
As of December 31, 2023

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February 14, 2025

Honorable Nathan D. Houdek  
Commissioner of Insurance  
State of Wisconsin  
101 East Wilson Street  
Madison, Wisconsin 53703

Commissioner:

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

INDEPENDENT CARE HEALTH PLAN  
Milwaukee, Wisconsin

and this report is respectfully submitted.

## I. INTRODUCTION

The previous examination of Independent Care Health Plan (iCare or the company) was conducted in 2019 as of December 31, 2018. The current examination covered the intervening period ending December 31, 2023, and included a review of such subsequent 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 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 completing this examination were performed. The examination work papers contain documentation concerning the alternative or additional examination steps performed during the examination.

## II. HISTORY AND PLAN OF OPERATION

Independent Care Health Plan 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.

The company was incorporated on April 22, 2003, and commenced business on June 18, 2003. The company is controlled by CareNetwork, Inc. – a Humana Inc. subsidiary. Humana Inc. (Humana) is a publicly traded insurance holding company that provides indemnity insurance, managed health care insurance, and specialty service products through the operations of its subsidiary companies. Humana is incorporated in the state of Delaware and is based in Louisville, Kentucky.

The company operates solely in the Medicare and Medicaid markets with a focus on the special needs population that is considered dually eligible for Medicare and Medicaid. The company's products/programs include:

- Medicare Supplemental Security Income (SSI)
- Medicare Advantage – Special Needs Plan (MA-SNP) - This plan covers the major medical and pharmacy costs of people who dually qualify for Medicare and Medicaid. Dual-eligible individuals receive Medicare coverage, subsidies to cover Medicare Part D costs and Medicaid coverage including coverage of Medicare coinsurance and deductible amounts.
- Medicaid BadgerCare contract with the Wisconsin Department of Health Services (DHS) to provide services to individuals and/or families that meet certain income and access requirements as determined by the state of Wisconsin.
- Family Care Partnership (FCP) – This plan is an integrated Medicaid and Medicare managed care program that provides long-term care support services in addition to the primary and acute managed health care benefits provided under the MA-SNP and/or Medicaid SSI coverage.

- Family Care – This plan is a Medicaid long-term care program with the Wisconsin Department of Health Services (DHS) to help seniors and adults with disabilities live as independently as possible in their own homes or other community care settings.

The company contracts with DHS to provide coverage to recipients eligible for Medicaid-BadgerCare Plus or SSI benefits enrolled under the State of Wisconsin Medicaid Program. The company's service area for Medicaid SSI initially consisted of Milwaukee County, and through multiple business plan amendments now offers Medicaid-BadgerCare Plus and SSI in the following counties: Adams, Ashland, Barron, Bayfield, Brown, Buffalo, Calumet, Chippewa, Columbia, Crawford, Dane, Dodge, Door, Douglas, Florence, Fond du Lac, Grant, Green, Green Lake, Iowa, Iron, Jackson, Jefferson, Juneau, Kenosha, Kewaunee, La Crosse, Lafayette, Manitowoc, Marinette, Marquette, Menominee, Milwaukee, Monroe, Oconto, Outagamie, Ozaukee, Pepin, Pierce, Racine, Richland, Rock, Sauk, Sawyer, Shawano, Sheboygan, Trempealeau, Vernon, Washburn, Walworth, Waukesha, Waushara, Washington, Waupaca, and Winnebago counties.

In 2007, the company entered into a risk contract with the Centers for Medicare and Medicaid Services (CMS) to offer a Medicare Advantage Special Needs Plan (MA-SNP) for dual eligible individuals in Milwaukee, Racine, Kenosha, Waukesha, Washington, Ozaukee, and Sheboygan counties. Through multiple business plan amendments, the company now offers MA-SNP in the following counties: Adams, Bayfield, Brown, Buffalo, Calumet, Columbia, Crawford, Dane, Dodge, Door, Douglas, Florence, Fond du Lac, Grant, Green, Green Lake, Iowa, Iron, Jackson, Jefferson, Juneau, Kewaunee, La Crosse, Lafayette, Lincoln, Marquette, Manitowoc, Marinette, Menominee, Monroe, Oconto, Outagamie, Pepin, Pierce, Richland, Rock, Shawano, Sauk, Taylor, Trempealeau, Vernon, Walworth, Waupaca, Waushara, and Winnebago.

In 2010, the company added a Family Care Partnership HMO SNP plan in Milwaukee County. In 2012, a business plan amendment was filed to expand the FCP service area into Racine and Kenosha counties. In 2015, the FCP plan expanded into Dane County, and in 2019 it expanded into Sauk County.

In 2014, the company received a license to operate in Illinois to grow existing markets on the Illinois border and to allow for expansion into the Chicago market. In 2019, the company filed a business

plan amendment to expand its Medicare Advantage Dual Eligible Special Needs Plan in Wisconsin, Indiana, and Missouri in 2021, and to launch a Medicare Advantage-Prescription Drug (MAPD) plan in two Illinois counties in 2020.

On January 1, 2021, the company was acquired completely by CareNetwork Inc. after the Milwaukee-based non-profit, Centers for Independence, divested itself of its 50% interest in the company. This caused a major turnover in management.

In August 2022, Humana announced an asset acquisition of Includa, Inc., a care management organization in Wisconsin. Includa, Inc. was founded in 2016 as Community Link, Inc., and created to merge three legacy Care Management Organizations (CMO): Western Wisconsin Cares, ContinuUS, and Community Care Connections of Wisconsin. The merger occurred on January 1, 2017, with no surviving legacy CMO and resulted in a name change to Includa, Inc. iCare completed the transaction of Includa, Inc., in 2023 through an asset purchase agreement with \$44.0 million paid on June 1, 2023, and installments of \$35.5 million plus interest on June 1, 2024, with subsequent payments scheduled on June 1 in 2025 and 2026. Humana provided a \$150.0 million capital contribution to iCare to finance the purchase in 2023. This purchase has expanded iCare's business.

The company provides primary and specialty health care services by contracting with primary care physicians, specialty care physicians, ancillary providers, and hospitals. The company utilizes over 7,000 contracted providers. Physician services are reimbursed on a contractual fee-for-service basis.

The company's primary and specialty care provider contracts cover all medically necessary covered Medicare and Medicaid services as outlined in the company's contracts with DHS and CMS. Providers are required to be available to provide services to enrollees on a readily available and accessible basis, including, but not limited to, the provider's normal business hours. The contracts require that services shall be available and accessible to enrollees on an emergency basis 24 hours per day, seven days per week.

The provider contracts contain hold-harmless provisions that prohibit the provider from seeking to recover health care costs from an enrollee. Providers are not allowed to bill, charge, collect a deposit from, seek remuneration or compensation from, file or threaten to file with a credit reporting agency, or have any recourse against an enrollee. This provision also remains in effect if the company

becomes insolvent, breaches the agreement, or no payment is received from DHS or CMS. Providers are allowed to recover amounts due that are a result of any deductibles or copayments, or for premiums owed under the policy issued by the company.

At the time of this report, the company's service area through its various lines of business is comprised of all 72 counties in the state of Wisconsin.

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
- Assisted living/residential care services
- Adult day or respite 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
- Personal care worker service (Medicaid)

Over-the-counter drugs (Medicare only)

Marketing to individuals is restricted under Medicaid regulations and operating procedures. Rates are determined by the contract between the company and DHS for coverage provided under the Wisconsin Medical Assistance Program (Medicaid). Capitation rates are developed annually by the DHS contracted actuarial firm on a regional basis and are adjusted to reflect iCare's estimated population by target group.

The company has a Medicare contract with CMS that is renewed annually. Monthly premiums are received from the federal government and the state of Wisconsin according to government specified payment rates and various contractual terms. The company offers Medicare Advantage plans, which are



filed with CMS annually. Monthly premiums are received from the federal government, the State of Wisconsin - according to government specified payment rates, and members who join the plan. The company files Medicare Advantage plans in compliance with the annual bid instructions distributed to MA carriers by CMS each year.

### III. MANAGEMENT AND CONTROL

#### Board of Directors

The board of directors consists of four members. All directors are elected annually to serve a one-year term. Officers are appointed by the board of directors. Members of the company's board of directors may also be members of other boards of directors in the holding company group.

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

<b>Name</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Anthony Mollica	President and CEO	2026
John Barger III	SVP, Medicaid President	2026
Angela Polzin	Customer Service Director	2026
Julie Strenn	President and CEO of Opportunity Development Centers, Inc. (External Independent Director)	2026

#### Officers of the Company

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

<b>Name</b>	<b>Office</b>
Anthony Mollica	President and CEO
Susan Diamond	Chief Financial Officer
Joseph Ruschell	Vice President, Associate General Counsel, and Corporate Secretary
Robert Marcoux Jr.	Vice President and Treasurer

#### Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The company's board has not formed any of its own committees but uses the audit and investment committee of the ultimate parent company, Humana Inc. The committees at the time of the examination are listed below:

##### **Investment Committee**

John Garratt, Chair  
Kurt Hilzinger  
Jorge Mesquita

##### **Audit Committee**

Frank D'Amelio, Chair  
Raquel Bono, M.D.  
John Garratt  
Marcy Klevorn

The company, now integrated within Humana's operational structure, does not have employees. The company leverages intercompany agreements in force with Humana, Humana Insurance Company, and Humana MarketPOINT, Inc. Within this structure, the company receives administrative support from several departments, as follows:

- Director of Market Development – Integration, Communication, and Marketing teams
- Regional VP, Operations/COO – Project Management, Grievance & Appeal/member Advocate, Business Intelligence/data & Reporting teams
- Director Consumer Service Operations – Claims Research & Resolution, and Consumer Service teams
- Market Compliance Lead
- Regional VP, Health Services/CMO – Quality, Population and Health Services teams
- Market VP, Business Development
- Regional VP, MLTSS – Family Care Partnership IDT, Family Care IDT, LTSS Care Management Support, and LTSS Functional Screen teams
- Director Network Development – Provider Contracting and Provider Credentialing teams

### **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:

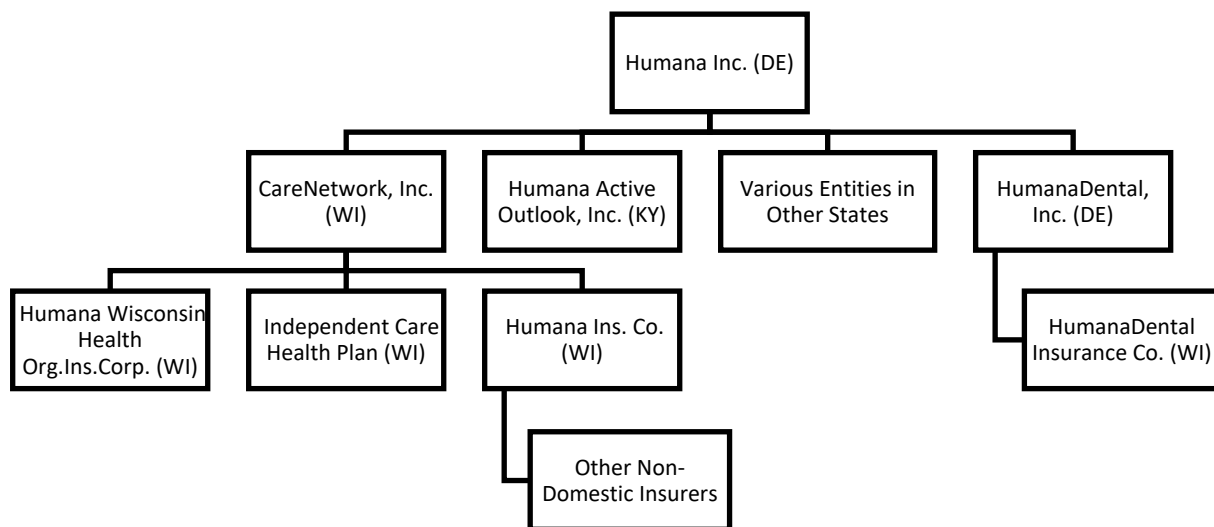
1. Enrollees hospitalized on the date of insolvency will be covered until discharged; and
2. Enrollees will be entitled to similar, alternate coverage that does not contain any medical underwriting or preexisting limitation requirements.

The company has met this requirement by maintaining a compulsory surplus at the level 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 Humana Inc. The abbreviated 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, 2023**



##### **Humana, Inc.**

Humana Inc. is an insurance holding company that provides indemnity insurance, managed health care insurance, and specialty service products through the operations of its subsidiary companies. Humana Inc. is a Delaware corporation incorporated on July 27, 1964. Humana products are offered primarily through subsidiary life and health indemnity insurers, health maintenance organizations (HMO), and preferred provider organizations, and are marketed for employer groups, government benefit programs, and individuals. As of December 31, 2023, the company's audited GAAP financial statements reported assets of \$47.0 billion, liabilities of \$30.7 billion, and shareholder equity of \$16.3 billion. Operations for 2023 produced a net income of \$2.5 billion on revenues of \$106.3 billion.

##### **CareNetwork, Inc.**

CareNetwork, Inc. is a non-operating intermediate holding company, domiciled in Wisconsin, which holds the assets of certain Humana operating subsidiaries. CareNetwork, Inc. holdings include the four Wisconsin-domiciled insurers Humana Insurance Company and Humana Wisconsin Health Organization Insurance Corporation.

### **Affiliated Contracts**

#### Corporate Service Agreement

The company entered into a corporate service agreement on January 1, 2021, between iCare, Humana Insurance Company, and Humana Inc. This agreement is a cost sharing agreement for the purposes of trade accounts, payrolls, commissions, personnel, HR, and other shared services. Services under the agreement are to be charged at actual cost.

#### Service Center Agreement

The company entered into a service center agreement on January 1, 2021, between iCare, Humana Insurance company, and Humana Inc. This agreement is a cost sharing agreement utilized for service center applications such as front-end operations, billing, utilization reviews, benefits, software, and other related costs. Services under the agreement are to be charged at pro rata of the actual costs.

#### Marketing Service Agreement

The company entered into a marketing agreement on January 1, 2021, between iCare, Humana MarketPOINT, Inc. and Humana Inc. The agreement is utilized for marketing services such as staff, systems, and related support to market their products. Services under the agreement are to be charged at pro rata share of costs.

#### Tax Allocation Agreement

The company entered into a tax allocation agreement on January 1, 2021, between iCare and Humana Inc. This agreement is a tax allocation agreement whereas it allows Humana to file consolidated tax returns for members of the affiliated group of companies.

#### Indemnity Agreement

The company entered into an Indemnity Agreement on January 1, 2021, between iCare and Humana Inc. Under this agreement, Humana Inc., would indemnify iCare under insolvency.

## **V. REINSURANCE**

The company currently does not have reinsurance.

## **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, 2023, 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.

**Independent Care Health Plan  
Assets  
As of December 31, 2023**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$ 89,586,289	\$	\$ 89,586,289
Cash, cash equivalents and short-term investments	302,925,544		302,925,544
Investment income due and accrued	641,839		641,839
Uncollected premiums and agents' balances in the course of collection	24,890,927	1,718,270	23,172,656
Accrued retrospective premiums and contracts subject to redetermination	3,224,418		3,224,418
Amounts receivable relating to uninsured plans	2,463,923		2,463,923
Net deferred tax asset	16,870,269	9,765,605	7,104,664
Electronic data processing equipment and software	10,539,328	10,039,812	499,516
Furniture and equipment, including health care delivery assets	740,794	740,794	
Health care and other amounts receivable	51,541,366	2,585,273	48,956,093
Write-ins for other than invested assets:			
Goodwill	69,990,500	62,549,784	7,440,717
Intangible assets	28,300,000	28,300,000	
Prepaid expenses	1,584,867	1,584,867	
Deposits	39,849	39,849	
Total Assets	<u>\$603,339,913</u>	<u>\$117,324,255</u>	<u>\$486,015,658</u>



**Independent Care Health Plan  
Liabilities and Net Worth  
As of December 31, 2023**

Claims unpaid		\$112,432,247
Unpaid claims adjustment expenses		1,579,611
Aggregate health policy reserves		43,403,686
Premiums received in advance		330,156
General expenses due or accrued		8,950,802
Current federal and foreign income tax payable and interest thereon		178,905
Amounts withheld or retained for the account of others		97,902
Remittance and items not allocated		47,964
Amounts due to parent, subsidiaries, and affiliates		58,283,570
Payable for securities		23,420
Liability for amounts held under uninsured accident and health plans		1,723,359
Aggregate write-ins for other liabilities (including \$88,595 current)		
Inclusa acquisition contingent consideration		108,472,319
Premium payable		1,110,478
PPACA payable		198,085
Unclaimed property		<u>136,644</u>
Total Liabilities		336,969,146
Common capital stock	\$	2
Gross paid in and contributed surplus		184,271,027
Unassigned funds (surplus)		<u>(35,224,517)</u>
Total Capital and Surplus		<u>149,046,512</u>
Total Liabilities, Capital and Surplus		<u>\$486,015,658</u>

**Independent Care Health Plan  
Statement of Revenue and Expenses  
For the Year 2023**

Net premium income		\$893,609,074
Change in unearned premium reserves and reserve for rate credits		<u>(20,920,668)</u>
Total revenues		872,688,406
Medical and Hospital:		
Hospital/medical benefits	\$ 269,364,979	
Other professional services	438,728,874	
Emergency room and out-of-area	14,447,974	
Prescription drugs	<u>19,022,139</u>	
Total medical and hospital	741,563,966	
Claims adjustment expenses	53,307,424	
General administrative expenses	101,617,356	
Increase in reserves for life and accident and health contracts	<u>(19,039,000)</u>	
Total underwriting deductions		<u>877,449,746</u>
Net underwriting gain or (loss)		(4,761,341)
Net investment income earned	14,464,380	
Net realized capital gains or (losses)	<u>(438,672)</u>	
Net investment gains or (losses)		<u>14,025,708</u>
Net income or (loss) before federal income taxes		9,264,368
Federal and foreign income taxes incurred		<u>(1,978,509)</u>
Net Income (Loss)		<u>\$ 11,242,877</u>

**Independent Care Health Plan  
Capital and Surplus Account  
For the Five-Year Period Ending December 31, 2023**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Capital and surplus, beginning of year	\$60,115,662	\$52,512,519	\$63,098,772	\$36,344,814	\$32,506,939
Net income (loss)	11,242,877	1,076,015	962,372	24,860,433	6,883,870
Change in net unrealized capital gains/losses		1,342	9,158	(10,436)	
Change in net deferred income tax	11,206,295	4,127,938	116,368	(246,465)	(167,408)
Change in nonadmitted assets	(110,416,181)	<u>2,394,818</u>	(1,671,120)	2,150,426	(2,878,587)
Surplus adjustments:					
Paid in	180,000,000				
Dividends to stockholders			(10,000,000)	26,753,958	
Write-ins for gains and (losses) in surplus:					
Collection of prior period errors	<u>(3,102,140)</u>				
Capital and Surplus, End of Year	<u>\$149,046,512</u>	<u>\$60,115,662</u>	<u>\$52,515,549</u>	<u>\$63,098,772</u>	<u>\$36,344,814</u>

**Independent Care Health Plan  
Statement of Cash Flow  
For the Year 2023**

Premiums collected net of reinsurance		\$880,413,182
Net investment income		<u>14,188,559</u>
Total		894,601,741
Less:		
Benefit- and loss-related payments	\$678,488,859	
Commissions, expenses paid and aggregate write-ins for deductions	136,876,229	
Federal and foreign income taxes paid (recovered) net of tax on capital gains (losses)	<u>(1,328,406)</u>	
Total		<u>814,036,682</u>
Net cash from operations		80,565,059
Proceeds from Investments Sold, Matured or Repaid:		
Bonds	\$36,977,490	
Net gains (losses) on cash, cash equivalents, and short-term investments	(1,200)	
Miscellaneous proceeds	<u>45,513</u>	
Total investment proceeds		37,021,803
Cost of Investments Acquired—Long-term Only:		
Bonds	<u>50,328,175</u>	
Total investments acquired	<u>50,328,175</u>	
Net cash from investments		(13,306,372)
Cash Provided for/Applied from Financing and Miscellaneous Sources:		
Capital and paid-in surplus, less treasury stock	180,000,000	
Other cash provided (applied)	<u>(31,245,393)</u>	
Net cash from financing and miscellaneous sources		<u>148,754,607</u>
Net Change in Cash, Cash Equivalents, and Short-Term Investments		216,013,295
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>86,912,249</u>
End of Year		<u>\$302,925,544</u>

### Growth of Independent Care Health Plan

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2023	\$486,015,658	\$336,969,146	\$149,046,51	\$872,688,406	\$741,563,966	\$11,242,877
2022	201,368,919	141,253,257	60,115,662	395,376,991	298,987,896	1,076,015
2021	115,545,007	63,029,458	52,515,549	359,211,979	295,772,704	962,372
2020	114,342,792	51,244,020	63,098,772	349,954,691	255,218,773	24,860,433
2019	81,476,921	45,132,107	36,344,814	305,654,692	253,375,704	6,883,870

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Change in Enrollment
2023	1.3%	82.8%	17.8%	23.7%
2022	0.3	80.3	18.4	6.3
2021	0.3	82.2	17.7	10.7
2020	7.1	72.9	18.2	27.0
2019	2.2	82.0	15.7	2.5
2018	1.6	80.3	16.5	17.1

### Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2023	66,808	2,215.9	10.7
2022	54,025	1,151.7	6.4
2021	50,840	1,347.9	6.1
2020	45,944	1,509.2	6.3
2019	36,179	1,733.0	6.1
2018	35,304	1,773.9	5.8

### Per Member Per Month Information

	2023	2022	Percentage Change
<b>Premiums:</b>			
Medicare	\$1,712.46	\$1,709.19	0.2%
Medicaid	<u>1,057.40</u>	<u>405.83</u>	160.6
<b>Expenses:</b>			
Hospital/medical benefits	356.38	437.61	-18.6%
Other professional services	580.45	11.73	4,846.8
Emergency room and out-of-area	19.12		100.0
Prescription Drugs	<u>25.17</u>	<u>26.09</u>	-3.6
Total medical and hospital	981.12	475.44	106.4
Claims adjustment expenses	70.53	58.55	20.5
General administrative expenses	134.44	56.88	136.4
Increase in reserves for accident and health contracts	<u>(25.19)</u>	<u>30.28</u>	-183.2
Total underwriting deductions	<u>\$1,160.90</u>	<u>\$ 621.14</u>	86.9%

Independent Care Health Plan operated profitably during the examination period. The company had volatile financial results in 2020 and 2021 due to the COVID pandemic. In 2020, the company had a net income of \$24.9 million largely due to favorable underwriting results from lower utilization. In 2021, inadequate rates and high utilization costs caused a net income of \$1.1 million. The company gradually increased premium revenue from \$305.6 million in 2019 to \$395.3 million in 2022 due to stable growth in both membership and rates for the iCare business. Premium spiked to a new level of \$872.7 million in 2023 largely due to the acquisition of the Includa business. Assets increased from \$81.4 million in 2019 to \$486.0 million in 2023 primarily due to favorable results from operations over the last five years and growth in business with the Includa acquisition. Liabilities increased from \$45.1 million in 2019 to \$337.0 million in 2023. Capital and Surplus increased from \$36.3 million in 2019 to \$149.0 million in 2023, primarily due to favorable net income results over the exam period.

The Medicaid line of business contributed the majority of the members, premiums, and income to the company over the examination period. Premium income in 2019 was \$151.6 million compared to \$680.6 million in 2023. In 2023, Medicaid made up 78.5% of the premiums. The company's underwriting results fluctuated throughout the exam period. With the integration of the Includa business, the company had an underwriting loss of \$1.0 million in the Medicaid line. Membership in this line increased to 57,341 members in 2023 compared to 27,904 members in 2019. The significant increase in membership over the course of the examination period is due to the integration of the Includa business.

The Medicare line of business is significantly smaller than the Medicaid line in regard to premiums and membership. Premium income in 2019 was \$154.0 million compared to \$192.0 million in 2023. The Medicare line has not grown as significantly as Medicaid and only made up 21.5% of the premiums in 2023. The Medicare line suffered a net underwriting loss of \$3.8 million due to high-cost members. Membership increased modestly from 8,275 in 2019 to 9,467 in 2023.

The company maintains a highly liquid position with 62.3% of assets at year-end 2023 held in cash or cash equivalents. Limited investments minimize the company's exposure to fluctuations in asset valuations due to external economic factors while also limiting the investment income produced annually. The company has had a positive net income each year under examination and has maintained a

conservative investment portfolio in an effort to limit financial risk. The company also has a strong parent, Humana Inc. that has adequate to fund the company if additional need for additional capital arises.

## 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:<br>\$750,000, if organized on or after July 1, 1989<br>or<br>\$200,000, if organized prior to July 1, 1989   |
| 2. Compulsory surplus                   | The greater of \$750,000 or:<br><br>If the percentage of covered liabilities to total liabilities is less than 90%, 6% of the premium earned in the previous 12 months;<br><br>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:<br>140% of compulsory surplus reduced by 1% of compulsory surplus for each \$33 million of additional premiums earned in excess of \$10 million<br>or<br>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, 2023, as modified for examination adjustments is as follows:

Assets			\$486,015,658
Less:			
Special deposit			867,205
Liabilities			<u>336,969,146</u>
Net amount available to satisfy surplus requirements			\$148,179,307
Net premium earned			
HMO business	\$872,688,406		
Factor	<u>        6%</u>		
Total		\$52,361,304	
Compulsory surplus			<u>52,361,304</u>
Compulsory Surplus Excess (Deficit)			<u>\$ 95,818,002</u>
Net amount available to satisfy surplus requirements			\$148,179,307
Compulsory surplus		52,361,304	
Security factor		<u>        114%</u>	
Security surplus			<u>59,691,887</u>
Security Surplus Excess (Deficit)			<u>\$ 88,487,419</u>

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 2023 with a deposit of \$867,205 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, 2023, is accepted.

## VII. SUMMARY OF EXAMINATION RESULTS

### Compliance with Prior Examination Report Recommendations

There were two specific comments and recommendations in the previous examination report.

The actions taken by the company as a result of the comments and recommendations were as follows:

1. Corporate Governance—It is recommended that the company submit a complete biographical report for each newly appointed or elected director, trustee, or officer in accordance with s. Ins 6.52 (5), Wis. Adm. Code.

Action—Compliance.

2. Affiliated Agreements—It is again recommended that the company report all affiliated agreements, including amendments, in accordance with s. Ins 40.04 (2)(d), Wis. Adm. Code, and s. 617.21 (2), Wis Stat. The company shall use Form D in reporting these transactions in accordance with s. Ins. 40.17.

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.

**Unclaimed Property**

The current examination reviewed the company's process for unclaimed property. A review of the company's outstanding checks list indicated the company did not follow its process for unclaimed property as several outstanding checks were found to be filed after the due date to the State of Wisconsin and not in accordance with s. 177, Wis. Stat. It is recommended that the company ensure all escheated checks are filed and sent to the State of Wisconsin in accordance with s. 177, Wis. Stat.

## **VIII. CONCLUSION**

Independent Care Health Plan is controlled by CareNetwork, Inc. – a Humana Inc. subsidiary. Humana Inc. (Humana) is a publicly traded insurance holding company that provides indemnity insurance, managed health care insurance, and specialty service products through the operations of its subsidiary companies. iCare operates solely in the Medicare and Medicaid markets with a focus on the special needs population that is considered dually eligible for Medicare and Medicaid.

Independent Care Health Plan operated profitably over the examination period. The COVID pandemic caused significant financial volatility from 2020 to 2022. In August 2022, Humana announced an asset acquisition of Inlusa, Inc. This acquisition led to major growth in iCare's business and volatility in underwriting results in 2023 as the company was integrating in the business. Despite volatile underwriting results, the company consistently had investment gains over the exam period to help keep them profitable each year.

There were no adjustments made to surplus as a result of the current examination. The company complied with all of the prior examination recommendations. The current examination made one recommendation which is listed on the following page.

## **IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

1. Page 27 - Unclaimed Property—It is recommended that the company implement a stronger process to ensure all escheated checks are filed and sent to the State of Wisconsin in accordance with s. 177, Wis. Stat.

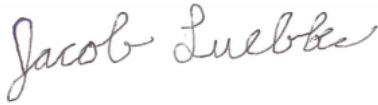
## **X. ACKNOWLEDGMENT**

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:

<b>Name</b>	<b>Title</b>
Alex Sperl	Insurance Financial Examiner
Nicholas Siskoff, AFE	Insurance Financial Examiner
Junji Nartatez, CISA	IT Specialist
Nicholas Hartwig, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Jacob Luebke  
Examiner-in-Charge