

Report
of the
Examination of
Lakeland Care District
Fond du Lac, Wisconsin
As of December 31, 2014

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

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April 11, 2016

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Honorable Theodore K. Nickel
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
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Commissioner:

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

LAKELAND CARE DISTRICT
Fond du Lac, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The current examination of Lakeland Care District (the district or LCD) covered the period ending December 31, 2014, and included a review of such 2015 transactions as deemed necessary to complete the examination.

The examination consisted of a review of all major phases of the district's operations and included the following areas:

- History
- Management and Control
- Corporate Records
- Conflict of Interest
- Fidelity Bonds and Other Insurance
- Territory and Plan of Operations
- Growth of the District
- Financial Statements
- Accounts and Records
- Information Technology

Emphasis was placed on the audit of those areas of the district'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 district to satisfy the recommendations and comments made in the previous examination report.

The district is annually audited by an independent public accounting firm as prescribed by s. Ins 57.26, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

II. HISTORY AND PLAN OF OPERATION

Lakeland Care District has received a permit to operate as a care management organization (CMO), pursuant to s. 648.05, Wis. Stat. A CMO provides long-term care services funded by the family care benefit, as defined in s. 46.2805 (4), Wis. Stat., that are provided by a CMO that contracts with the Department of Health Services under s. 46.284, Wis. Stat., and enrolls only individuals who are eligible under s. 46.286, Wis. Stat.

The district was created in April 2009 and began operations on January 1, 2010, as a Long-Term Care District to provide long-term care services to individuals who meet functional and financial requirements under Wisconsin's Family Care Program. The district was created by resolutions adopted by Fond du Lac, Manitowoc, and Winnebago Counties pursuant to s. 46.2895, Wis. Stat. The district is considered a special purpose government entity, separate and independent from all counties that acted to create the district. The district was granted powers necessary to carry out the purposes of the district under ss. 46.2805 to 46.2895, Wis. Stat., which do not allow the district to issue bonds or levy a tax or assessment. LCD is legally separate and fiscally independent of the counties, local, and state government. The district is permitted to operate under ch. 648, Wis. Stat.

On January 1, 2010, the CMO opened for business in Geographic Service Region (GSR) 9 and Fond du Lac County transferred its members to the LCD. Manitowoc and Winnebago Counties transferred members in April and July 2010, respectively. On January 1, 2015, the LCD began providing Family Care services in GSR 10, which includes Calumet, Outagamie and Waupaca Counties. Later in 2015 the LCD was one of the CMOs that began offering Family Care in GSR 13, consisting of Brown (July 1), Door (August 1), Kewaunee (June 1), Marinette (October 1), Menominee (November 1), Oconto (June 1) and Shawano (September 1) Counties. To date, all individuals served through the former county waiver system have transitioned, and currently individuals from wait lists are enrolling in their choice of program.

The district receives virtually all of its revenue from the Wisconsin Family Care Program. The Family Care Program helps seniors and adults with disabilities to live as independently as possible in their own homes or other community care settings. Members are classified into one of three target

groups: frail elders¹, physically disabled², and intellectually/developmentally disabled³. The LCD contracts directly with the Wisconsin Department of Health Services (DHS) to provide long-term care benefits to eligible members through its permit.

The District manages long-term care services for members through contractual arrangements with area providers. Providers are reimbursed based on mandated Medicaid rates and other agreed-upon rates that are not determined by the Medicaid fee schedule.

The contracts include hold-harmless provisions for the protection of members. The contract(s) have a five-year term with subsequent one-year automatic renewals and may be terminated upon mutual consent or 60 days' prior written notice. Long-term care services provided through the Family Care Program include:

- Home health or personal care
- Supportive home care
- Nursing home
- Assisted living/residential care services
- Adult day or respite care
- Home delivered meals
- Home modifications
- Transportation
- Physical, speech or occupational therapy
- Wheelchairs and other equipment
- Adult diapers, gloves, and other medical supplies
- Mental health or drug and alcohol treatment
- Daily living skills training
- Communication aids/interpreter
- Employment services
- Mental Health Inpatient Psychiatric Care in a General Hospital Setting (effective December 1, 2016)

Marketing to individuals is restricted under Medicaid regulations and operation procedures.

Rates are determined by the contract between LCD and DHS for coverage provided under the Wisconsin Medical Assistance Program (Medicaid). Capitation rates are developed annually by the DHS-contracted

¹ Frail elder is defined as an individual 65 and older who has a physical disability, or an irreversible dementia, that restricts the individual's ability to perform normal daily tasks or that threatens the capacity of the individual to live independently. [s. DHS 10.13 (25m), Wis. Adm. Code]

² Physically disabled is defined as a physical condition, including an anatomical loss or musculoskeletal, neurological, respiratory or cardiovascular impairment, that results from injury, disease or congenital disorder and that significantly interferes with or significantly limits at least one major life activity of a person. [s. DHS 10.13 (40), Wis. Adm. Code]

³ Developmentally disabled is defined as a disability attributable to brain injury, cerebral palsy, epilepsy, autism, Prader-Willi syndrome, mental retardation, or another neurological condition closely related to mental retardation, that has continued or can be expected to continue indefinitely and constitutes a substantial handicap to the afflicted individual. [s. DHS 10.13 (16), Wis. Adm. Code]

actuarial firm on a regional basis and are adjusted to reflect the company's estimated population by target group. The capitation rate paid by DHS to the company is actuarially based on the functional level of care a member needs: Nursing Home (NH) or non-Nursing Home (non-NH). The NH level of care rate is initially developed for each target group by region and adjusted for trend and administrative allowances prior to determining a final blended NH level of care rate for the CMO since different groups utilize services at different rates. The non-NH level of care rate is developed by using a functional status based model that stratifies claims experience based on an individual's level of care. Both the NH and non-NH level of care capitation rates are based on the utilization and expenditures of the Family Care Program. Under the federal regulations governing the federal- and state-funded Medicaid programs, the rates established by DHS must be "actuarially sound" and be certified by an independent actuary. The actuarial certification applies to the program as a whole, not each individual CMO.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of nine members. The Executive of each participating county appoints three residents of his/her county, with at least one appointee from each county being representative of the client group or groups that LCD serves. The initial terms of the directors appointed from each county were for one member to serve a one-year term, one member to serve a two-year term, and one member to serve a three-year term. Thereafter, all directors will be appointed to serve a three-year term. The board of directors elects officers of the board. Members currently receive \$50 per meeting attended for serving on the board plus mileage reimbursement or the actual cost of special needs transportation.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Jim Brey Manitowoc, WI	Receiving Coordinator Stecker Machine Company	2018
Allen Buechel Fond du Lac, WI	County Executive Fond du Lac County	2018
Jim Koziczowski Neenah, WI	Retired	2018
Judy Goldsmith Fond du Lac, WI	Retired	2016
Tom Otto Oshkosh, WI	Retired	2017
Todd Moely Fond du Lac, WI	Employee Target Corporation	2017
Larry Lautenschlager Oshkosh, WI	Retired	2016
Judy Ruggirello Manitowoc, WI	Retired	2016
Bob Ziegelbauer Manitowoc, WI	County Executive Manitowoc County	2017

Officers of the District

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

Name	Office	2014 Compensation
Katherine Mnuk	Chief Executive Officer	\$125,099
Daniel Bizub	Chief Financial Officer	131,777
Sara Muhlbauer	Chief Operations Officer	110,463

Committees of the Board

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

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

Executive Committee

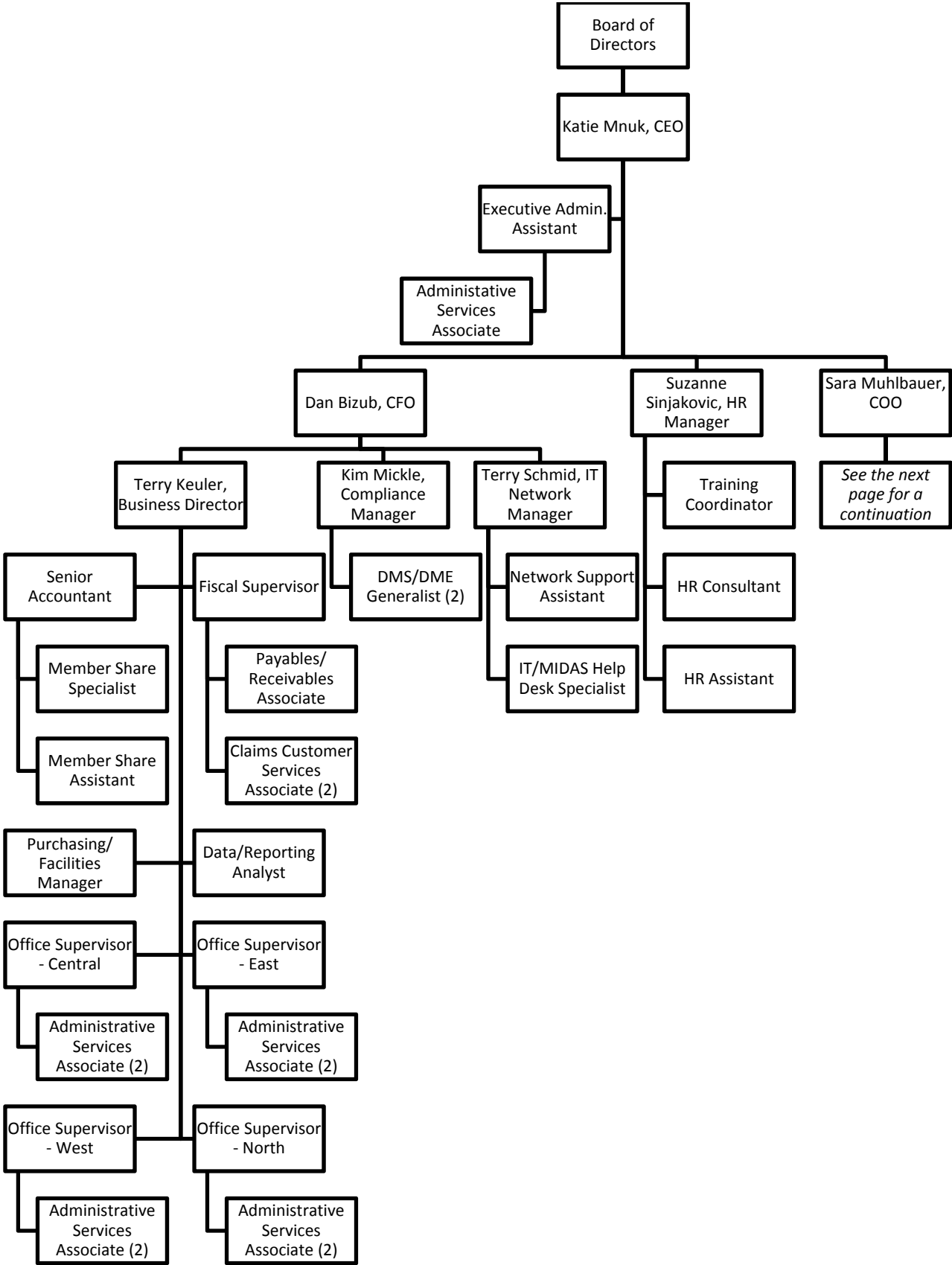
Jim Brey, Chair
Jim Koziczowski, Vice Chair
Allen Buechel, Secretary

Governance Committee

Todd Moely, Chair
Jim Koziczowski
Judy Ruggirello

The district has its own employees. The district's personnel organization chart is on the following pages.

**Lakeland Care District
Personnel Organization Chart**



IV. FINANCIAL DATA

The following financial statements reflect the financial condition of the district as reported in the December 31, 2014, financial statements. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Equity per Examination." Also included in this section are schedules that reflect the district's operating results by target group and the growth of the district for the period under examination.

**Lakeland Care District
Balance Sheet
As of December 31, 2014**

Current Assets

Cash and cash equivalents, operating	\$19,723,918
Capitation receivable net of allowance	570,105
Cost share receivable net of allowance	36,330
Room and board receivable net of allowance	123,510
Spend down receivable net of allowance	120,763
Prepaid insurance	276,209
Prepaid providers (member service expenses)	11,206
Prepaid expenses – other	68,888
Other current assets	<u>65,112</u>
<i>Total Current Assets</i>	20,996,041

Long-Term Assets

Risk reserve funds – FC Permitted MCO	\$ 1,983,249
Solvency reserve/guaranty funds on deposit permitted MCO	750,000
Furniture, equipment, and software (cost)	1,607,861
Accumulated depreciation – furniture, equipment, and software	<u>(1,395,016)</u>
<i>Total Long-Term Assets</i>	<u>2,946,094</u>

Total Assets

\$23,942,135

Current Liabilities

Capitation payable	\$ 254,776
Accrued salaries	171,344
Accrued taxes and benefits (current)	209,367
IBNR member services – current year	7,790,211
Accounts payable – claims processed, TPA	740,131
Accounts payable – care management	47,722
Accounts payable – general	<u>220,274</u>
<i>Total Current Liabilities</i>	

Total Liabilities

\$ 9,433,826

Equity

Beginning equity	14,436,289
Current year net income	<u>72,020</u>
<i>Total Equity</i>	<u>14,508,309</u>

Total Liabilities and Equity

\$23,942,135

**Lakeland Care District
Profit and Loss Statement
For the Period Ending December 31, 2014**

Revenues

MA capitation (net of cost share)	\$ 90,614,876
Cost share revenue	2,737,362
Room and board revenue	8,605,643
Spend down revenue	916,646
Other third-party payer revenues	24,920
Other income/funding	<u>19,843</u>
Total Revenue	102,919,289

Operating Expenses

Long-Term Care Services (All Programs)

Adaptive equipment	\$ 1,824,870	
Adult day activities	4,924,752	
Habilitation/health	427,327	
Home care	8,098,103	
Home health care	1,236,283	
Institutional (NH/ICF-MR)	8,519,485	
Residential care	46,818,264	
Respite care	387,711	
Transportation	1,985,104	
Vocational	2,724,995	
Room and board – expenses	<u>9,177,583</u>	
<i>Total LTC Services</i>		\$86,124,477

Care Management Expenses

Care management (CMUs/External)	532,198	
Care management (Internal)	10,671,488	
Care management admin. – allocated	<u>1,111,044</u>	
<i>Total Care Management Expenses</i>		12,314,730

Administrative Expenses

Wages and benefits	3,320,537	
Contracted TPA expense	512,107	
Occupancy	783,530	
Office expenses	253,924	
Legal/accounting/audit	82,544	
Other professional services	169,970	
Depreciation expense	308,053	
Travel/training/conference expense	60,913	
Other administrative expenses	214,839	
Administrative allocation to care management	<u>(1,111,044)</u>	
<i>Total Administrative Expenses</i>		<u>4,595,373</u>

Total Operating Expenses

103,034,580

Other (Income) Expenses, ordinary

Investment income – reserve funds	(1,730)	
Prior year adjustment – other DHS	(355,292)	
Other non-operating	<u>169,711</u>	
<i>Total Other Expenses</i>		<u>(187,311)</u>

Net Income (Loss)

\$ 72,020

**Lakeland Care District
Statement of Cash Flows
For the Period Ending December 31, 2014**

Operating Activities

Net income per GL	\$ 72,020
Add: Depreciation	308,053
(Increase) decrease accounts receivable, capitation and DHS other	(148,402)
(Increase) decrease accounts receivable general	27,657
(Increase) decrease prepaid insurance	(5,854)
(Increase) decrease prepaid other	(11,043)
Increase (decrease) IBNR	(871,285)
Increase (decrease) accounts payable	433,331
Increase (decrease) wages/taxes/ben. payable	(105,544)
Increase (decrease) unearned revenues	<u>4,534</u>
<i>Net Cash Provided by Operating Activities</i>	(296,535)

Investing Activities

Change in property, plant and equipment:	\$ (84,587)
Change in long-term investments	<u>(376,730)</u>
<i>Net Cash used in Investing Activities</i>	<u>(461,317)</u>

Net increase in cash and cash equivalents (757,852)

Cash and cash equivalents beginning of period 20,481,770

Cash and Cash Equivalents End of Period **\$19,723,918**

Growth of Lakeland Care District

Year	Assets	Liabilities	Equity	Capitation Revenue	Member Service Expenses	Net Income	Member Months
2014	\$23,942,135	\$ 9,433,825	\$14,508,309	\$90,614,876	\$86,124,477	\$ 72,021	31,899
2013	24,409,079	9,972,790	14,436,289	93,823,077	87,721,630	1,264,521	32,899
2012	22,989,853	9,818,076	13,171,777	93,003,596	88,357,669	2,929,956	32,776
2011	21,224,400	10,982,578	10,241,821	88,536,225	84,990,270	3,896,977	31,466

Year	Profit Margin	Member Service Cost Ratio	Care Management Service Cost Ratio	Combined Member Service Cost Ratio	Administrative Expense Ratio	Change in Member Months
2014	0.1%	81.5%	13.6%	95.1%	5.1%	-3.0%
2013	1.3	80.6	13.8	94.5	4.9	0.4
2012	3.1	79.9	12.1	92.0	4.3	4.2
2011	4.3	82.1	12.4	94.4	4.6	36.0

Per Member Per Month Information

	2014	2013	Percentage Change
Revenues			
Capitation	\$ 2,840.68	\$ 2,851.85	-0.4%
Other revenue	<u>385.73</u>	<u>368.04</u>	4.8
Total revenue	3,226.41	3,219.89	0.2
Expenses:			
Member service costs	2,699.91	2,666.39	1.3
Care management	386.05	395.33	-2.3
Administrative	<u>144.06</u>	<u>141.23</u>	2.0
Total operating expenses	3,230.03	3,202.95	0.8
Other non-operating expenses	<u>(5.87)</u>	<u>(21.49)</u>	-72.7
Net income (loss)	<u>\$ 2.26</u>	<u>\$ 38.44</u>	-94.1
Member Months	31,899	32,899	-3.0

The decreased profit was due to a reduction in the capitation rate provided by DHS. The district expanded into GSR 10 and GSR 13 during the year 2015. During expansion, CMOs generally have higher costs related to expansion as they invest in the required infrastructure and staff for transitioning members from the higher-cost, county-run Waiver Program.

Reconciliation of Equity per Examination

No adjustments were made to equity as a result of the examination. The amount of equity reported by Lakeland Care District as of December 31, 2014, is accepted.

V. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were 12 specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the district are as follows:

1. Disaster Recovery/Business Continuity Plan—It is recommended that the district develop and formalize a disaster recovery plan and a business continuity plan.

Action—Compliance

2. Disaster Recovery/Business Continuity Plan—It is further recommended that the district periodically update and test their finalized disaster recovery and business continuity plan as it relates to critical processes on a periodic basis (at least annually).

Action—Compliance

3. Employee Handbook—It is recommended that LCD create and implement an employee handbook.

Action—Compliance

4. Conflict of Interest—It is recommended that LCD finalize and implement its conflict of interest policy and file it with DHS for their review.

Action—Compliance

5. Program Integrity Plan—It is recommended that LCD update its Program Integrity Plan on file with DHS to reflect LCD's current commitment to program integrity including those requirements outlined in LCD's contract with DHS.

Action—Compliance

6. Program Integrity Plan—It is further recommended that once the plan has been finalized that it be implemented and filed with DHS for their review.

Action—Compliance

7. Claims Processing—It is recommended that LCD develop and implement a claims processing manual and make it available to all claim clerks.

Action—Compliance

8. Claims Processing—It is recommended that the company perform and document its claims reviews as indicated in its Claims Processing Procedure and Claims Adjudication and Provider Appeals Procedure.

Action—Compliance

9. Claims Processing—It is further recommended that the procedures be amended to reflect who is to be performing the review. The amended procedure should then be filed with DHS for their review.

Action—Compliance

10. Claims Processing—It is recommended that LCD review its claims processing function and establish internal controls to mitigate the risk of claims being processed incorrectly because of fraud or claim clerk error.

Action—Compliance

11. Claims Processing—It is further recommended that LCD implement those controls that have been identified. Such controls may include, but not be limited to:
- Limiting claims processing staff access to only processing claims, and
 - Generating and reviewing system reports to determine if claims have been processed for dates outside the dates authorized for that service.

Action—Compliance

12. Self-Directed Support Internal Controls—It is recommended that LCD enhance its internal control environment over self-directed support. Such enhancements shall include, but not be limited to:
- Limiting access to the Access database that generates the SDS member budgets.
 - Performing second-level reviews and signoffs of the budgets that have been created for SDS.
 - Creating and implementing system reports to identify those members who are approaching their annual budgeted amount for SDS services.

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

Biographical Affidavits

Under s. 648.50 (3), Wis. Stat., the CMO should report any changes in directors or principal officers, after a permit is issued, to the commissioner with biographical data on the new director or officer as required by rule. It was determined that Lakeland Care District has not filed biographical affidavits for multiple directors and key officers. The Office of the Commissioner of Insurance (OCI) published OCI Form 33-004 on its Web site for Care Management Organizations to report biographical data for directors and principal officers. It is recommended that the district file biographical affidavits in accordance with s. 648.50 (3), Wis. Stat.

Conflict of Interest Disclosures

Conflict of interest questionnaires were reviewed for the period under examination. The district was unable to provide copies of the conflict of interest statements for the board of directors and some officers. The completion of annual conflict of interest questionnaires is a way to disclose material interests or affiliations on the part of the district's officers, directors, or key employees, which conflicts or is likely to conflict with the official duties of such a person, to the board of directors. It is recommended that the district have conflict of interest statements completed for all officers and directors annually and establish a process for maintaining these records.

MIDAS Hosting and Access Agreement

The examination reviewed the MIDAS "Hosting and Access Agreement," effective January 1, 2013, between Milwaukee County Department of Family Care (MCDFC) and LCD. The examination disclosed several items that did not appear to adequately protect the interests of LCD, including:

- The agreement does not contain a provision requiring MCDFC to maintain the confidentiality of data residing on its system;
- The agreement contains a provision regarding cybersecurity that states:

- MCDFC agrees to maintain, at all times, “virus” protection and firewalls consistent with industry standards to protect MIDAS and the LCD’s data, provided that MCDFC will not be liable for any loss or damage, from attacks that may make it past such protective measures, incurred by the LCD, End User, or Recipient so long as MCDFC employs such protection and firewalls.

The examiners noted that this provision provides the district with minimal cybersecurity protection as it does not address “phishing,” insider, or other attack types. Furthermore, the provision appears to remove MCDFC’s liability in the event of a breach.

- The agreement does not require MCDFC to notify the district in the event of a security breach of the MIDAS system. It does require the district to notify MCDFC in the event of any breach of security.
- The agreement does provide that data in MIDAS remains the property of the district. However, the termination provisions of the agreement do not provide for the ultimate destruction or deletion of the district’s data from MIDAS or backups of MIDAS.
- The agreement limits MCDFC’s cumulative liability to an amount that shall not exceed any fees paid by LCD for use of MIDAS. That appears to be insufficient indemnification to cover the district in the event of a material contract breach and judgement against MCDFC.

It is recommended that the district review the MIDAS “Hosting and Access Agreement” and remedy deficiencies either through an amendment to the current agreement or at the time of renewal.

Monitoring of Third-Party Providers

The district appears to have frequent communication with its third-party providers, WPS and MCDFC, and, overall, appears to effectively manage the relationships. However, one aspect of managing third-party providers is obtaining assurance that the third-party providers have Information Technology General Controls and other internal controls that achieve control objectives and are operating effectively. One way to gain that assurance is to obtain and review “Statement on Standards for Attestation Engagements (SSAE) 16, Reporting on Controls at a Service Organization” reports from third parties. The examination identified that LCD does not obtain and review the SSAE 16 for WPS, which is the district’s third-party claims processor. The examination further noted that MCDFC does not appear to have an SSAE 16 for the controls of the MIDAS system. LCD utilizes the MIDAS system via remote-hosting. It is in LCD’s interest to assure itself that controls over MIDAS are designed to achieve control objectives and are operating effectively. It is recommended that the district either 1) obtain and review an SSAE 16, type 2 report from WPS, MCDFC, and any future, similar third-party service providers or 2) obtain

by other means the assurance that controls in place at third-party providers are designed to achieve control objectives and are operating effectively.

Unclaimed Funds

Organizations are required to report abandoned property to the state pursuant to ch. 177, Wis. Stat. The examination determined that the district does not have a process in place for identifying or remitting unclaimed property to the state of Wisconsin. The review of the bank reconciliations did not identify any outstanding checks which should have been submitted to the state; however, the district should have a process in place for identifying and remitting unclaimed property. It is recommended that the district create and implement an escheats policy to ensure that unclaimed property is properly remitted to the state in accordance with ch. 177 Wis. Stat.

Accrued Salaries

As part of the examination it was determined that the district used a fifty percent factor to determine the salary accruals and expenses when a pay period ends between two accounting periods. This is done during the year to smooth out the accrued balances. The Governmental Accounting Standards Board (GASB) Statement 34 requires the use of the accrual basis of accounting. It is recommended that accrued payroll balances and expenses reported to OCI and DHS be reported for all periods using GASB accounting with a proper cutoff between accounting periods.

Provider Contracts

The examination's review of claim payments identified a lack of clear documentation of contracted rates for a portion of the sample selected. According to management the district had been piloting a new amendment process through MIDAS in an effort to streamline the paperwork but have since changed the process in order to meet the contractual needs of the district. Provider contracts and/or files should contain a minimum of the signed agreements, amendments and the contract rate. It is recommended that the district review its contracting practices and documentation standards to ensure that proper documentation is retained in the provider contract file (hard copy or electronic), including amendments and relevant correspondence.

Financial Requirements

The financial requirements for a CMO under s. 648.75, Wis. Stat., and s. Ins 57.04, Wis. Adm. Code, for the period ending December 31, 2014, are as follows:

	Amount Required
1. Working capital	Not less than 3.0% of the budgeted annual capitation payments from DHS.
2. Restricted reserves	The required minimum balance is calculated as follows: 8% of the first \$5 million annual budgeted capitation 4% of the next \$5 million annual budgeted capitation 3% of the next \$10 million annual budgeted capitation 2% of the next \$30 million annual budgeted capitation 1% of annual budgeted capitation in excess of \$50 million
3. Solvency fund	\$750,000

The district's financial requirement calculations as of December 31, 2014, are as follows:

Working Capital	
Current assets	\$20,996,041
Current liabilities	<u>9,433,826</u>
Working capital	11,562,215
Working capital requirement	<u>2,753,343</u>
Excess/(shortage)	<u>\$ 8,808,872</u>
Restricted Reserves	
Current restricted reserves	\$ 1,983,249
Restricted reserve requirement	<u>1,917,781</u>
Excess/(shortage)	<u>\$ 65,468</u>
Solvency Fund	
Current solvency fund	\$ 750,000
Solvency fund requirement	<u>750,000</u>
Excess/(shortage)	<u>\$ 0</u>

The district is meeting its financial requirements at December 31, 2014.

VI. CONCLUSION

Lakeland Care District began operations on January 1, 2010, and accepted its first members on that date. LCD provides long-term care services to 13 counties as of the date of this report after recent expansion.

At December 31, 2014, LCD reported assets of \$23.9 million, liabilities of \$9.4 million, and equity of \$14.5 million. LCD reported \$72,020 net income on total revenues of \$102,919,289.

The examination resulted in seven recommendations and no adjustments to equity.

VII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 18 - Biographical Affidavits—It is recommended that the district file biographical affidavits in accordance with s. 648.50 (3), Wis. Stat.
2. Page 18 - Conflict of Interest Disclosures—It is recommended that the district have conflict of interest statements completed for all officers and directors annually and establish a process for maintaining these records.
3. Page 19 - MIDAS Hosting and Access Agreement—It is recommended that the district review the MIDAS “Hosting and Access Agreement” and remedy deficiencies either through an amendment to the current agreement or at the time of renewal.
4. Page 19 - Monitoring of Third-Party Providers—It is recommended that the district either 1) obtain and review an SSAE 16, type 2 report from WPS, MCDFC, and any future, similar third-party service providers or 2) obtain by other means the assurance that controls in place at third-party providers are designed to achieve control objectives and are operating effectively.
5. Page 20 - Unclaimed Funds—It is recommended that the district create and implement an escheats policy to ensure that unclaimed property is properly remitted to the state in accordance with ch. 177 Wis. Stat.
6. Page 20 - Accrued Salaries—It is recommended that accrued payroll balances and expenses reported to OCI and DHS be reported for all periods using GASB accounting with a proper cutoff between accounting periods.
7. Page 20 - Provider Contracts—It is recommended that the district review its contracting practices and documentation standards to ensure that proper documentation is retained in the provider contract file (hard copy or electronic), including amendments and relevant correspondence.

VIII. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the district 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
Xiaozhou Ye	Insurance Financial Examiner
Yi Xu	Insurance Financial Examiner
Amy Malm	Workpaper Specialist
Tom Houston	IT Specialist

Respectfully submitted,

Stephanie Falck, CFE
Examiner-in-Charge